

BSBOPS601

**DEVELOP
AND
IMPLEMENT
BUSINESS
PLANS**

BSBOPS601

Develop and implement business plans

Release 1

Learner Guide

Aspire Version 1.1



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Before you begin

This Learner Guide is based on the unit of competency *BSBOPS601 Develop and implement business plans*, 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	These highlight key 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.
Summaries	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 provides definitions for each foundation skill.

Foundation skill area	Foundation skill description
Reading	<ul style="list-style-type: none"> Gathers, interprets and analyses textual information when developing the business plan and monitoring operational performance
Writing	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Extracts and evaluates mathematical information to review the market, research competitors and review pricing structures
Enterprise and initiative	<ul style="list-style-type: none"> Takes full responsibility for identifying and complying with legislative requirements applicable to self and the organisation
Teamwork	<ul style="list-style-type: none"> 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
Planning and organising	<ul style="list-style-type: none"> 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: Establish a business plan	1A Identify frameworks affecting a business plan	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1B Review market requirements for products and services	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1C Develop performance objectives and success measures with stakeholders	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1D Identify resource requirements	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1E Develop a business plan	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
Topic 2: Implement and review business plan	2A Communicate the business plan to stakeholders	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2B Ensure skilled labour is available	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2C Test performance measurement systems	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2D Report on the business	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2E Report failures and variances	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident

Topic	Key outcome	Rate your confidence in each section
Topic 3: Respond to performance data	3A Analyse performance and review performance indicators	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3B Identify and coach underperforming staff	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3C Review business plan	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident



Topic 1 | Establish a business plan

- 1A Identify frameworks affecting a business plan
- 1B Review market requirements for products and services
- 1C Develop performance objectives and success measures with stakeholders
- 1D Identify resource requirements
- 1E Develop a business plan

1A Identify frameworks affecting a business plan

Organisational and legislative frameworks have an impact on the development of your business plan. Understanding how your business operates and is legally required to operate must be identified to develop an effective 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 particular time frame, depending on what business you are in, what you are planning for and what you intend to achieve with your plan. There are many planning documents used at various levels within an organisation which 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 (usually 3–5 years). 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.

Team performance involves planning how the team will achieve the objectives of the business. All of these plans create a road map to the success of the business, or an aspect of the business. A business plan considers what you hope to achieve (your objectives), how you will achieve your objectives (what resources you need), what to do to ensure that you do achieve your objectives (what your customers need/want) and how you know you whether have achieved what you set out to achieve (performance measures).

Organisational and legislative frameworks are the existing systems or constraints you need to work in. It is critical to understand this before you develop your business plan.

Organisational frameworks

Business planning involves understanding your industry and the impacts from inside your business. These are the organisational frameworks or systems which govern your operations.

Organisational frameworks are the likely internal aspects that affect planning. The list below provides examples of the kinds of organisational frameworks which need to be considered.

- How long the business has been trading? New businesses may need different planning to existing ones.
- If your business is existing, are there plans already in place that would have an impact on the success of a new one?

- Has the management of the business changed, and does this affect the direction the business needs to take?
- Are customers demanding change?
- How are you treating the society in which you operate (and what does society expect from you)? This is an aspect of corporate social responsibility (CSR).
- What business structure do you need to work within: Company, sole trader, partnership?
- What funding/borrowing capacity and/or existing loans etc. do you have that may affect decisions?
- Are there human resources issues: for example, contracts to be upheld, external pressures on staffing and qualifications? What are the current levels of expertise among your staff? Are there skills shortages?
- What vision, mission and values do you have? Have they changed, or are they still relevant, accurate and consistent with the strategic plans for the organisation?

There are many organisational frameworks likely to affect your planning. Information can come from analysis of reports, assessment of performance and discussion with stakeholders and industry experts who can give you insights into future directions, market changes and other information. All of these will affect your planning.

Legislative frameworks

Identifying the legislative frameworks provides direction and allows for planning for the likely impacts from outside the organisation.

Legislation governs large amounts of what businesses can do. Business plans need to consider:

- the industry you operate in; there are industry-specific requirements, such as mining (e.g. heavy machinery operation), retail, marketing (e.g. specific rules around language), agriculture (e.g. qualifications regarding animal husbandry or horticultural practices) etc.
- the insurance requirements and risk management dictated by your industry; for example, indemnity insurance and public liability
- environmental impacts of the business; for example, the impact of your processes on the local area
- specific permits and licenses to operate the business or equipment and processes; for example, medical staff need to be specially qualified to undertake procedures, administer medication etc.
- privacy requirements; for example, the various privacy Acts govern disclosure of information etc.

- anti-discrimination legislation
- industrial relations constraints; for example, the Fair Work Regulations affect how you employ and pay people, such as wages, awards, tax and superannuation requirements
- Work Health and Safety (WHS) Acts; there are general requirements under the Act for duty of care and responsibilities for safe workplaces for all persons, as well as specific requirements for health and safety concerns such as food safety or construction risks.

These frameworks can represent both strengths and weaknesses for the business. For example, greater regulatory control (across a variety of areas) can protect the business from risk, and it can pose limitations which require management. Organisational plans which have been working can provide valuable information about past performance, staff expectations and behaviours, but they can also limit innovative responses to new issues and solutions for future directions for the business – ‘we have always done it like this so ...’.

Discussions with stakeholders and industry bodies can provide information about the frameworks to be adhered to and their impacts.

Permits or licences required

Different industries are required to adhere to different conditions. Specific permits and licences are part of the legislative frameworks which must be met.

Whether it's for a small business just starting out, or an organisation 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 the organisation must meet, and are required 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.

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.

Permits, licences, contracts or agreements may include:

- operational licences, permits or registrations: food safety requirements, WHS, manufacturing obligations, licenses to operate equipment, processes etc.
- franchise agreements
- business purchase or sale contracts
- supply contracts
- loans: finance obligations
- leases
- distribution rights
- insurances: public liability, indemnity, workers compensation, specific insurances e.g. medical etc.
- employee contracts and other human resource arrangements: taxation and wages, superannuation, workers' compensation, leave entitlements, awards etc.

Permits and licences are available online. The Commonwealth government provides the Australian Business Licence and Information Service (ABLIS), which enables businesses to identify and access their required permits and licences.

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.

Legislative compliance

Businesses have legal obligations. Knowing what legislation applies to your business is the responsibility of all business owners, managers and staff.

Legislative compliance benefits the organisation by minimising the risk of penalties and loss of income which can result from failing to meet obligations. It is good practice to develop audit checklists to directly manage the legislation related to the nature of the business. Aside from some of the legal requirements identified through an ABLIS search, there are other obligations. The following Acts 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: aspirelr.link/fair-work-ombudsman

Work 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 **Work Health and Safety Act 2011** applies to all states except Victoria and WA, who each have their own Acts.

Information relating to WHS requirements is available from Safe Work Australia's website at: aspirelr.link/safe-work-australia

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.

The Australian Human Rights Commission can provide information and advice for workplaces and resources about how to prevent discrimination in the workplace. A guide to relevant legislation can be accessed by visiting: <http://aspirelr.link/discrimination-laws-guide>.

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: aspirelr.link/aus-privacy-principles.

Understand how a business plan is developed

Business plans are the result of analysis of all levels of the organisation. Long- and short-term plans inform the business plan.

Before you can start to develop your business plan it is important to understand how.

A business plan is developed by learning about the business, what it's doing currently and what it needs to do to meet its goals. This includes consulting stakeholders by gathering key people in the organisation, (or those involved if a new business is being planned) to review the current business environment and strategic plan and operational plans (if they exist). The next step is to gather information by conducting research and analysis to determine requirements for the designated period, for example, the next 12 months. Depending on the business, and whether it is new or existing, there are a number of steps to developing a business plan.

Business plan development process		Existing business	New business
1	Analyse and interpret the business vision, mission, values, objectives and goals.	Are all the statements regarding vision, mission and objectives still relevant? Are they aligned with the direction the business is aiming for? Background and insight are required for the next steps. Consistent messaging is critical for planning.	Since your business is new, draft these statements and ask for feedback. Over time these need to be consulted on and improved to capture the intent of the business plans.
2	Research existing plans include strategic plans (longer-term plans) and operational plans (shorter-term plans).	Existing and past plans are available and should be thoroughly examined for relevance and to provide background and insight into next steps.	Research the plans of similar size businesses to assess if your plans are relevant. Initially, businesses may review plans in short timeframes to ensure the plans are relevant, and keep tight control over performance indicators.
2	Begin consultation with key stakeholders.	There is an enormous amount of information available from this group of people. Ask them the 'right' questions to be sure your planning is on track.	Identify who those stakeholders might be. Examine other businesses similar to the one you are planning to see the kinds of people you need to get information from.
3	Review market requirements for the product and/or service, profile customer needs, competitors and research pricing options.	Examine market approaches. Evaluate everything about your current business. Is your existing customer/market still the only one that applies to you? Ask those questions and examine what you know and what you still need to know.	Are the customers/markets you think are yours the correct ones for you, or do others apply to you? Ask those questions and examine what you know and what you still need to know. Research businesses of similar size and market to investigate how they are marketing their products and/or services.
4	Develop performance objectives and measures. This must be done with your stakeholders to ensure well-informed outcomes. Measures include financial and non-financial targets to assess outcomes of business activities in the plan.	How will you know when you are successful? Do these measures make sense? Use the collective wisdom of your stakeholders to help you determine these; and be prepared to change if they aren't working.	Draft measures that will tell you how you will know when you are successful? Use the collective wisdom of your stakeholders to help you determine these; and be prepared to change if they aren't working.

Business plan development process		Existing business	New business
5	Identify financial, human and physical resource requirements for the business.	What do you already have to help you achieve? The staff, advisers, the people who can help. How much money do you have? How much do you need? What other assets do you have to help support the planned business? Identify them clearly to plan for success.	Identify what you need to help you achieve. The people who need to be part of the team. How much money do you have to get started? How much do you need? What other assets do you have to help support the planned business? Identify them clearly to plan for success.
6	Consider any permits or licences which required for any new activity.	Does your business require legislative frameworks to control/regulate the business? Remember these may be a new requirement for this plan.	Does your business require legislative frameworks to control/regulate the business? Be prepared to get these in place to protect your business.
7	Write your business plan, taking into account audience needs and timelines.		

Review existing strategic plans

Strategic plans are the overarching plans for the longer term of the organisation. Use these plans to ensure decisions are made with accurate insights and information for the best possible outcomes.

Remember, you may be planning a new business and will not have existing plans to review; this phase, for you, is about gathering information about similar businesses. Consider the industry, its size and other factors which may be relevant. This is also the time to draft information found in a strategic plan, so you can develop your own.

A strategic plan is developed and implemented to communicate and drive organisational direction by outlining the organisation's long-term vision, mission, values and strategies. As the name says, this is the strategy employed by the business to achieve its objectives.

A review involves questioning the organisation's position, both current and desired future. Here are some questions you can use to review the existing plan.

- What are the current objectives?
- Why is the organisation in business (or, why does it want to be in business)? What is its purpose?
- What are the current strategies?

- If there are performance issues, what are they (define them) and 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?

Determine goals and objectives of the organisation

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 an organisation can implement depending on their priorities. These are selected by taking into account findings from internal and external environmental analyses.

Growth strategy	When an organisation chooses to grow, it can increase the number of products offered and/or its market share. It 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 occurs when an organisation acquires or merges with an organisation that operates in an industry with no similarity to the one that they currently operate in. For example, a clothing manufacturer may acquire an entertainment company.
Stability strategy	An organisation may pursue a stability strategy by concentrating on using existing resources to strengthen its competitive position within its markets. The focus of a stability strategy is to make incremental change to improve performance, which will hopefully lead to competitive advantage. Competitive advantage is what makes an organisation more attractive than its competition to consumers or current and potential customers.

Renewal strategy	<p>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.</p> <p>A retrenchment strategy is one where an organisation reduces the size of its operations to potentially overcome weaknesses and improve cash flow. It may also try to restructure or streamline operations to focus on its primary reason for being in business.</p> <p>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.</p>
Competitive strategy	<p>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:</p> <ul style="list-style-type: none"> ▪ a cost leadership strategy, where organisations compete with others in the industry on the basis of having the lowest cost ▪ a differentiation strategy, where an organisation offers unique and valued products ▪ a focus strategy, where 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.

Example

Strategic plans

You are the manager of Southern Shoes, a shoe manufacturer. Five years ago, when you established your strategic plan, your vision was to produce the leading hiking shoe in the southern hemisphere through technology and innovation to address the needs of hikers in the unique terrain. All your marketing was geared to this and your manufacturing supported this initiative. Now you are ready to plan your strategy for the next five years. If you simply take the old plan and don't fully analyse where the business is, where the competitors are, and what your customers need, your new strategy may not work.

You use a variety of tools to help you with this process:

- SWOT analysis: strengths, weaknesses (of the business, usually internal) and opportunities and threats (external to the business)
- PESTLE analysis (political, economic, social, technological, legislative and environmental)

Once you have examined your outcomes and performance, and analysed the information from the two processes above and your operational plans, you realised the following:

- Customers were overwhelmingly passionate about your product – but the competition had a similar shoe with a carbon-neutral impact. Customers identified with protecting the very areas they choose to hike in and were increasingly moving to the competition.
- Other products were being purchased in conjunction with the boots and your range was not broad enough to maintain customer loyalty.
- Online presence has had a bigger impact on the market than you realised, with 45 per cent of all sales being made online.
- Suppliers are moving offshore, which had a double impact: longer delivery and a requirement to hold more stock, and an increase in perceived and actual green miles on raw materials.

As leaders of the Southern Shoes, you realise your strategy needs to be more focused; you change your vision to 'Tread lightly on the earth we walk on'. Your mission is to change the world one hike at a time with boots and gear worthy of the wilderness.

A strategic shift includes:

- moving to a broader range of clothing and gear, with the aims of providing diversity in sales and holding on to customer loyalty
- increasing convenience, with greater emphasis on online sales and service
- offsetting carbon to maintain your green credentials and corporate social responsibility.

These decisions affect every part of the business, from the marketing plans to resource requirements and operational and business plans.

Southern Shoes is aiming for growth. To achieve this, you undertake a new plan and use all the information you have to be sure your decisions are in the best interests of your strategic direction.

Vision, mission and values

Vision and mission statements communicate the purpose of the organisation, its philosophy, aspirations and values, its desired future position and how it plans to achieve these goals.

Vision and mission statements should be reviewed from past plans and used again in the future plans, while ensuring they are still in keeping with the needs of customers and the business's directions. Changes must be made to remain relevant and guide the business.

Vision and mission statements should communicate the purpose of the organisation, its philosophy, aspirations and values, its desired future position and how it plans to achieve these goals. All statements should be written clearly and succinctly so that team members and customers (potential and existing) can understand the intent. Their wording and length may be determined by the nature and size of the organisation.

The following table describes what is commonly covered in a vision, mission and values statement.

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 neither be too specific nor too broad to communicate to customers, employees, shareholders and the public. It should include the following: <ul style="list-style-type: none"> ▪ 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 (this may mention profitability) ▪ the philosophy and concern for community and employees.

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 managers' 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.

Example

Vision, mission and value statements

Here are examples of vision, mission and values statements.

Term	Definition	Example
Vision	The organisation's aspiration/purpose	Our vision is to be the state's leading supplier of organic bread
Mission	What will be achieved? How and why?	To produce the highest quality bread using organic ingredients, and to exceed customer expectations
Values	What the organisation holds as most important	We will empower and support each and every member of the organisation to: <ul style="list-style-type: none"> ▪ be accountable for their actions and our products ▪ be committed to providing quality products ▪ make decisions and to strive for success ▪ feel valued for their knowledge, skills, experience and differences ▪ demonstrate respect for diversity.

Review the current business position

Where a business is now has a great impact on the direction it must take to get where it needs to go.

If the strategic plan is for the next five years, the business plan is written in support of the strategies for the next say, 12-month period.

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.

There are several reasons why an organisation might need to review business plans:

- 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 to better meet the needs of the clients.
- Financial goals may have changed.
- The business environment may have changed, and businesses need to respond to the changes and pressures in the environment, such as natural disasters, changes in consumer expectations.
- New legislation may place constraints and new requirements may need to be adhered to.

In the same way as planning for a new strategic direction, developing a new business plan requires the analysis and interpretation of as much information as can be found, especially outcomes and performance reports. A review involves questioning the organisation's current position and the future desired one. Similar to the strategic plan, which is at a higher level, the questions asked in a review of existing business plans are more specific.

Reviewing the existing business plan

What are the current objectives for the next 12 months? What are the main areas to be developed? Consider business growth, greater market share, launch of a new range.

Are there any performance issues? Consider difficulty meeting financial targets, manufacturing numbers, sales and customer engagement.

What is the major cause of the issues in performance? Lack of skilled workers? Is this related to skills shortages or poor recruitment practices, ineffective management etc.? Poor supplies and delays with delivery? Technological non-responsiveness?

What has changed in the external or internal environments that may be affecting performance, and the ability to meet objectives? Consider the impacts – local, national and international – which are difficult to control, such as natural disasters; and impacts that may be a little easier to manage, such as changes in customer marketing preferences with increased reliance on social media in your sector.

How is the business performing? What do variance and other financial reports tell you? Budgets from month to month can highlight issues with costs or waste. At an operational level you need to be aware of the impact of these 'smaller' details. Strategic plans are concerned with the 'larger' issues, plans and direction.

Evaluate operational plans

Operational plans are planning documents that help the organisation achieve its goals over a defined short-term period; they must receive the same degree of analysis as higher-level plans to ensure objectives are achieved.

Operational plans provide detailed information about specific areas of the business, such as production or marketing. They outline activities and tasks to keep the organisation on track. They also outline promotional activities; identify and document resource requirements; and identify potential risks, treatment options and contingency plans.

All organisations should plan to manage risk. In smaller organisations, the plans for risk management may be included in other plans, but in larger organisations there should be dedicated risk management plans.

Operational plans involve financial plans: budgets for stock purchases, wages, costs, human resource planning, marketing plans and so on. As a manager it is important to review the operational plan and assess how well original measures have achieved their desired outcomes.

Managers should ask themselves: What do the plans tell me? What happened as a result of the plans? What can we learn from them?

Above all, constantly monitor performance to ensure the plans are current, relevant and working. Although there will always be internal and external changes that affect the ability of the business to achieve the targets, you need to know what they are and how they will affect your operations.

Here is a comparison between internal and external changes.

Internal changes	External changes
<ul style="list-style-type: none"> ▪ Staffing changes – staff leave, roles change, business needs are evolving ▪ Relocation of offices due to size changes, lease arrangements, changes in business need ▪ Restructures of departments – to respond to changes in direction, technology etc. ▪ Changes in senior leadership or management ▪ New technology changes due to internal forces e.g. a new IT system better meets client needs 	<ul style="list-style-type: none"> ▪ Legal requirements – new laws, financial or environmental constraints ▪ Political changes – new/old governments with new policies ▪ New competitors in the market ▪ Changes in how your business communicates with its customers – social media ▪ Environmental changes ▪ New technology changes due to external forces – upgrades to production equipment

Example

Evaluate plans

You need to develop a business plan for a proposed new department in the business. Until now, the main business focus has been retail sales, but the new department is manufacturing. For the retail arm, the business budgeted an increase in sales from \$40 000 to \$60 000 per quarter. This has been maintained for the first three quarters of the year, but the fourth quarter has shown a decrease. Analysis of these changes must include understanding why the decrease occurred. Was there additional competition nearby? Or changes to road conditions, making access to the site difficult? Or did something else go wrong? Before you develop a new department, understanding these events and what caused them is critical. This information comes from outputs, financial analysis and consultation.

If the bank loan increased in repayments, this will affect the cash flow; if wages increase, there will be an impact on costs; if a staff member leaves there will be an impact on sales, productivity and, hopefully, a short-term impact on staff morale. All these factors will make a difference in your planning. Operational plans include ensuring internal and external impacts are managed. Changes that occur during the period of the operational plan will be obvious through analysis of the plan.

Practice Task 1

Question 1

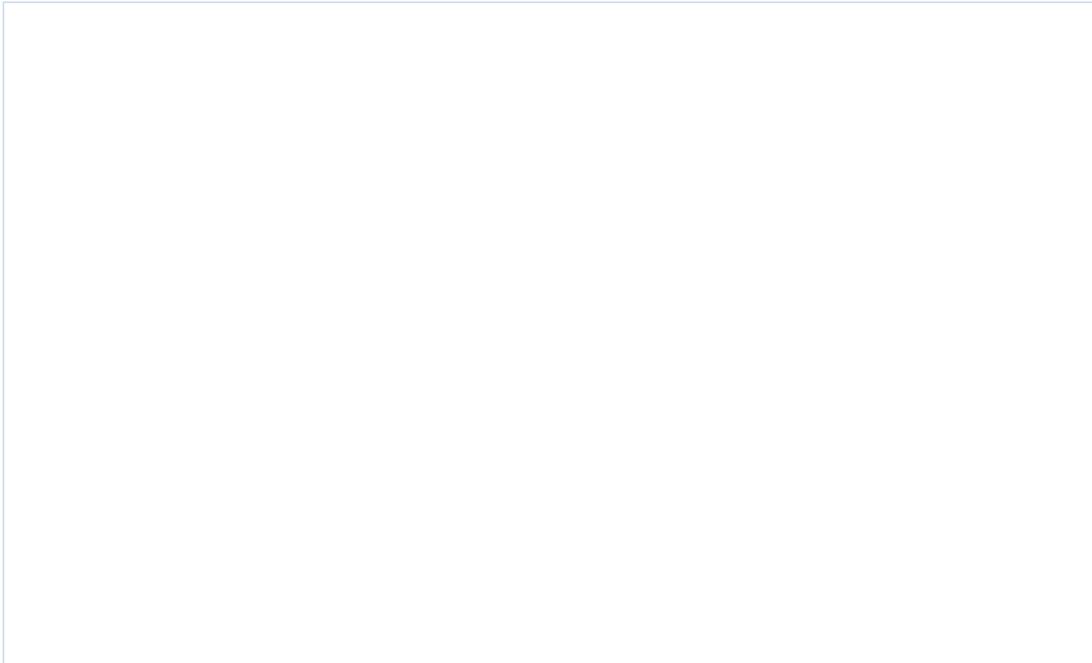
List and briefly explain three organisational requirements to be considered when developing a business plan.

Question 2

List and briefly explain three legislative requirements to be considered when developing a business plan.

Question 3

Where would you locate information about organisational and legislative requirements when setting out the framework for a new business plan?



1B Review market requirements for products and services

Your market has specific needs in relation to your products and/or services. Review the information your market is telling you, so your future decisions are relevant and effective.

A review of the market requirements for a product or service ensures business and operational strategies are relevant and current to meet any changes. Each market and segment of the market is different and subject to change over time, often short times.

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 to other businesses, government agencies or educational and healthcare institutions, may be more stable than consumer markets and less subject to sudden shifts in demand; nonetheless, they require review to ensure that past decisions are still relevant.

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. At this stage of a review, numeracy skills are required to analyse statistics, extrapolate figures and interpret cost margin analyses.

Understand the process for market analysis

Analysing the market involves reviewing the market requirements, profiling customer needs and researching pricing options.

Information from market analysis provides major input into the development of operational plans, including marketing research for identifying product and service offerings.

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	Assess previous and current sales. Research 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. Knowing the size of your market (or the potential size) helps with decisions.
2. Identify market growth rate	Some organisations extrapolate the growth rate from their previous financial data. However, demographic information should be taken into consideration. How fast the growth, or decline in the case of technological obsolescence, is critical in planning.
3. Determine market profitability	The profitability of the market is determined considering the barriers to entering the market, including regulatory or technological costs, the 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	Consider how easily the organisation can access 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 margins.
6. Identify market trends	Market changes need to be identified to determine new opportunities or threats. Changes in the political, legal, economic, demographic and technological 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.

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 aged 18–25 years. To build a profile, 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.

Customer needs profiling must be aligned to the products or services you provide as a business. Different products and services will elicit different responses according to the needs of your customers.

Researching the Australian Bureau of Statistics (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: online, retail, on impulse etc.
- a description of when they purchase: 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: single, extended family etc.
- a description of their values, wants, needs and perspectives.

Example

New products and target markets

You have developed a portable baby esky; you believe it is essential for all new parents. If you examine the market for new parents through ABS and other sources, you may find that new parents:

- range from 15–45 years in age
- are unemployed, single parents or double income
- have varied educational experience
- access a wide range of media from Facebook and women's magazines to the *Australian Financial Review*.

Just because you believe every parent will want one doesn't mean it is so. Define the problem you are trying to solve for your likely customer. With an unemployed single parent, their pain point is possibly safe housing and food. They are not likely to use or desire an esky for babies, unless you give it to them.

You decide your target market is:

- double income, working parents
- aged between 25 and 35
- interests include health and well-being of their families
- they have a tertiary education
- read health magazines and browse on Instagram.

Now you know (or think you know) who your customers are, your messaging will be geared to this group.

The total market of new parents is not the target you are aiming for; it is the total number of customers who meet the above criteria (or the right criteria for your product and/or service).

This changes as well. If five other eskies were launched on the market for this purpose, why would yours be better suited to your target customers? How will you tell them about the new product and what problem it solves for them?

Customer profiling for services

Products are physical items and services are non-physical, such as advice, consultation, repairs, treatments (medical, beauty, massage etc.). The same need for customer profiling is required for services.

Consider a different market: telecommunications. The following information about customers may apply.

Target customers	All ages and demographics, but predominately in the 18–35 age group.
Seasonal influences	Sales peak at Christmas time.
Price ranges offered	\$35–\$5000
State of market (growing/declining/ stable)	High growth area Increasing competition
Market trends	Smaller, more compact devices; increasing pace of technological development
Competitive share	Our organisation holds approximately 17% of the current market.

This tells you who they are, what they want, when and how much they will spend. It also helps you understand how many customers are likely to take up your offerings and helps you understand the increase in competition and how you can respond. You may decide the increase in competition is not an issue due to the high levels of growth in the sector, or you may decide your business needs to beat the competition. All decisions are, therefore, based on facts and are educated. In 12 months, you may review this to be sure your product or service is meeting the needs of the customers, or if your customers are the same.

Research how other organisations develop customer profiles

Other businesses can offer clues to your best approach. Spend time familiarising yourself with their decisions to learn from others.

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

- Queensland Government customer profile chart at: aspirelr.link/customer-profile-chart.
- Business Victoria ‘Define and know your customer’ at: aspirelr.link/define-and-know-your-customer.
- Edward Lowe Foundation ‘How to Identify a Target Market and Prepare a Customer Profile’ at: aspirelr.link/customer-profile-edward-lowe-foundation.

Research price options

A business's pricing structure has an impact on its marketplace positioning. Knowing what your customers will pay in relation to the value they place on your products/services is critical.

Not charging enough may affect the business's profitability or position you and your product in the wrong market segment. Charging too much may give the competitors an advantage. Therefore, researching pricing options is critical. Research what competitors are doing via their website 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	<p>Here are some questions to ask to guide the development of pricing options:</p> <ul style="list-style-type: none"> ▪ Is the product a luxury item or a uniquely environmentally sustainable product? If so, is this perceived by the customer group/s as more valuable? Will they pay more for it? ▪ What price are competitors charging customers? ▪ 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? ▪ What are the costs to run the business? Material costs, promotion costs, labour and overheads? ▪ 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?
Pricing strategies	<ul style="list-style-type: none"> ▪ 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 draws in the customer, who then makes other purchases; this is referred to as loss-leader pricing.

Review identified market requirements

Once you understand your market size, growth, profitability, costs, trends and what customers need, it's time to apply that information to your own business.

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 may be incorporated into a comprehensive marketing plan for a product or product line.

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

MRD elements	<p>These include:</p> <ul style="list-style-type: none"> ▪ an explanation of the new product or service addressing a need or a problem ▪ the need or want for the product by the consumers or business clients ▪ who the customer is 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. <p>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 including product features.</p>
Review and action considerations	<p>To review the requirements and determine what needs to change to meet objectives, consider the currency and relevance of the existing document. Ask the following questions:</p> <ul style="list-style-type: none"> ▪ Have needs or wants changed, as reflected in sales figures and environmental analysis reports? ▪ In what areas do you have a competitive advantage? ▪ What are competitors doing and how will that affect your share of the market? ▪ Have actual or anticipated changes in the internal or external environment provided the organisation with opportunities to expand the product line? ▪ Have any new competitors or product/service substitutes entered the market 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?

Example

Prepare the market analysis for your business plan

To develop the market analysis section of a business plan, experts at Business Queensland (the Queensland government's business and industry portal) 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 required/accepted price range
 - whether it is a growing/declining market.
2. Describe any current and upcoming market trends that will give 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 2

Question 1

Which of the following statements are correct? Select 'Yes' or 'No' for each one and provide a reason for your response.

Frankie is about to develop a business plan for his new advisory service. He hasn't done any research yet and thinks a letterbox drop in his neighbourhood is a good way to start his marketing. Would you advise Frankie to start here? » Yes » No

Michelle has been examining her previous plans and price points in an attempt to understand what is happening with her customers. There has been a downturn in the market. She decides to profile her customers again to see if the plans she has are likely to reach her customers. Would you advise Michelle differently? » Yes » No

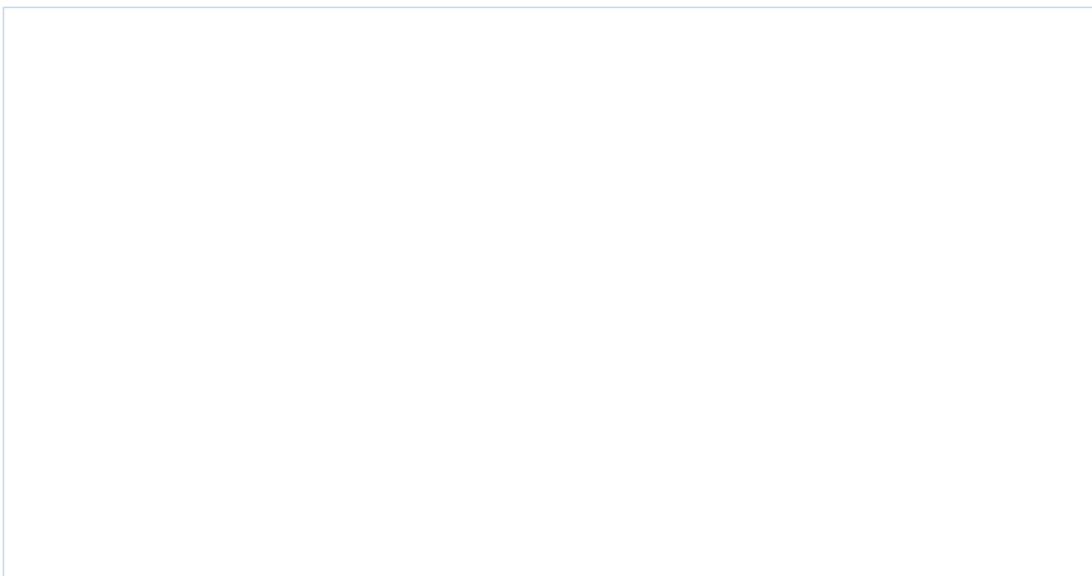
Question 2

Provide three reasons why it is important to perform a customer profiling task when developing your business plan.



Question 3

A manager working in a fast-growing tech company asks you if it is important to examine market trends in your planning. What advice would you give them?



1C Develop performance objectives and success measures with stakeholders

Performance objectives and measures need to be developed with your stakeholders to ensure the business plan is aligned to the organisation's strategic direction, vision and mission.

Remember, if you are planning a new business it is good practice to draft each of these statements to guide your planning.

These are crucial statements designed to inspire others and to let them know what the organisation stands for. Managers need 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 access to examples, conduct research and collect information using your networks or access organisation's websites.

Establish and evaluate objectives to determine success

Knowing what to achieve will help you know when you have reached the 'destination'. Set objectives and assess their relevance to ensure success.

Change in internal and external environments is constant; as a result, objectives that have been set need to be evaluated periodically to remain relevant and current. 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	Specific	Target and clearly define a specific area you want to improve.
M	Measurable	Suggest an indicator of progress; quantify if possible. How you will know the goal has been achieved?
A	Attainable	Agree what the goals should be and make sure they are achievable in the time frame.
R	Realistic	Identify what results can realistically be achieved given the available resources, knowledge and time.
T	Time framed	Specify when the result can be achieved; is there enough time to achieve the goal?

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

Given that these financial goals are specific and measurable, Fabrique will know when they have achieved them; but without any background or supporting documentation, we have no idea if these are achievable or realistic. Fabrique will have past records to guide and indicate how achievable and realistic these goals are for them.

To maintain a number one rating is definitely a great goal, but it might be better if it gives a date (this may be stated in the documents surrounding the plan).

We can certainly tell how many staff have been inducted, but how will we measure their levels of enthusiasm? This could be measured by specific customer surveys, comments, reviews and observation but it is not specific as it stands.

Even excellent goals can be SMARTER.

Consult with stakeholders

Successful businesses regularly consult with key stakeholders, especially when preparing to write a business plan. These consultations provide a breadth of experience and understanding of the market and impacts on the business.

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, or the advice/opinion of financiers, or consultants (if you are planning your own business as a sole trader). 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.

Benefits of stakeholder contribution

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

Consultation gives a broader perspective to thinking. Internal stakeholders know the business, while external stakeholders bring in an external perspective. Innovation comes from taking others' ideas, experiences and expectations into consideration.

Consultation maximises the likelihood of success by reducing risk.

- Employees are likely to have increased satisfaction. Asking for their input helps them 'own' the business plan.
- Gathering expertise or market knowledge could make the difference between success or failure of the business being planned.

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.

Internal stakeholders	External stakeholders
<ul style="list-style-type: none"> ▪ Business owners ▪ Business partners ▪ Directors and managers ▪ Team leaders ▪ Employees 	<ul style="list-style-type: none"> ▪ Community leaders ▪ Government agency representatives ▪ Shareholders ▪ Suppliers and key customers ▪ Technical or specialist consultants – accountants, tax experts

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.

Not all stakeholders have the same interest and involvement. This does not mean they do not need to be included. Some will have an impact on daily operations and planning; some will be involved at the final stages of the plan. Planning communication and consultation is a large part in the successful implementation of any plan.

To ensure effective communication and consultation, you must address the needs of stakeholders and the business. Here are a few key points for effective communication and consultation.

- Ensure the **right format for consultation** is provided. Some stakeholders need to be on-site, participating in regular face-to-face meetings and consultation, whereas others are able to contribute via a monthly update or phone call.
- **How often you communicate or consult** is equally important. Too often and there are no items to consult on; too infrequently and your stakeholders will lose touch with the plans.
- You will need **appropriate information** to analyse and consult on. ‘Garbage in–garbage out’ is an adage that refers to the quality of the output being dependent on the quality of the inputs. Having relevant and meaningful information available for the consultation phase will mean stakeholders can accurately comment on the future decisions of the business.
- The **language** used is also important. Highly technical language may mean some stakeholders are left out or lose interest. Consider manuals and definitions if this information is critical to the consultation.

- **Follow-through** is a key factor. If you are asking others for their opinions and input into the planning of your business, you must clarify and incorporate their feedback and expertise into your plans. If you don't, they will likely no longer contribute.

There are a number of processes and approaches that can be used in obtaining input and feedback from consultation. Make sure the approach you take works for your stakeholder groups, so you get the best collaboration and involvement as possible.

Meetings
<ul style="list-style-type: none"> • Call a meeting specifically to 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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 with each addressing specific issues. • Each group reports back to the whole group, which adds ideas and provides feedback on the ideas presented.
Root cause analysis
<ul style="list-style-type: none"> • To identify the root causes of any issues that arise during the consultation, the group can develop a cause-and-effect diagram.

Facilitate consultation

Learning how to extract meaningful outcomes from a meeting, brainstorming session or other collaboration is critical to successfully gathering information for the plan.

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: listening to understand, not only listening to answer. 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?'

If your stakeholders respond to face-to-face meetings, ask them to take minutes on a roster to encourage all stakeholders to participate and engage in active listening and asking the right questions. Record meetings to be shared with others who cannot attend, use online meeting platforms for remote teams, listen to each other however you can. There are a number of other strategies which encourage engagement and best outcomes from consultation. Let's look at these in more detail next.

Research how other organisations consult with stakeholders

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

- ANZ Stakeholder engagement at: aspirelr.link/anz-stakeholder-engagement
- BSR report at: aspirelr.link/bsr-stakeholder-report

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?
- How do they want to be engaged with? What communication methods best suit them?
- What is the risk of not engaging them?

Develop performance objectives and measures

Performance measures indicate how the organisation can assess the success of its objectives. This guides the development of business operations and provides a level against which to assess progress or success.

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.

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.

Developing SMART business performance objectives (based on the organisation's strategic plan) means 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, then develops sets of performance measures. In setting objectives, many organisations use the management-by-objectives (MBO) approach. This involves managers setting 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 how 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 should be completed to meet strategic objectives.
4. Determine measures that identify progress towards achievement of the objectives.
5. Check all objectives are SMART so you can measure the outcomes.

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

Different outcomes require different and varied measurements to know if they have been achieved.

Here is a list of the types of commonly used performance measures. Note, 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 measuring 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. Examples of customer outcome measures include customer satisfaction ratings or the time taken to respond to customer calls and emails.
Output measures
Output measures concentrate on the quantity or quality of the products or services delivered. They may be determined by analysis of sales and costs figures and by comparing one period to another through variance analysis. Examples might include the number of calls a customer service team takes per day, measuring the numbers of products produced or the number of products 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.
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 measured by the bank include:

- financial measurements, including profitability analysis
- customer satisfaction and needs, by tracking satisfaction levels and market share
- business processes, for the organisation to achieve objectives through efficiency measures
- learning and growth, focusing 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 School video where Kaplan discusses the development and application of the balanced scorecard: aspirelr.link/the-balanced-scorecard.

Practice Task 3

Question 1

Which of the following statements are correct? Select 'Yes' or 'No' for each one and provide a reason for your response.

Sharing the values statement alone with your teams and stakeholders will communicate the desired measures of success for the organisation. » Yes » No

Organisational objectives need appropriate measures of success. » Yes » No

Question 2

Draw a line to match each success measure to the relevant objective.

- | | |
|---|--|
| » Provide 1000 beds for crisis accommodation in the local area. | » At the end of one month, \$30 000 will be raised. |
| » Raise \$180,000 in 6 months for the provision of safe crisis accommodation | » In 12 months, they will have 300 volunteers working with them. |
| » The not for profit business has 150 volunteers and wants to double this number in 3 months. | » Success will be achieved by meeting this number in the year. |

Question 3

What key factors are important in ensuring effective consultation with stakeholders? Explain your response.

1D Identify 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 identifying 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 must review their operational plans to assess the resources required for each activity 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 resources (financial, human, physical and time) to enable the department to complete activities.

Established businesses may have many aspects to consider and records to consult to ensure the resource planning is adequate. New businesses must estimate the requirements but they still need to carefully calculate the required resources, or they may fail at the outset.

Consider the following types of resources.

Financial resources	<p>For each new activity, an organisation needs to determine how it will be financed. The organisation must determine its current financial situation through a review of financial statements.</p> <ul style="list-style-type: none"> ▪ What is the cash balance? Is there sufficient cash available to do what is required? ▪ What about bank or other loans? Are there other loans/relationships with lenders which will need considering? ▪ What about shareholders' capital? Is there any? Can this be an avenue to pursue for additional funds? ▪ What is the situation with regard to creditors? ▪ What is already invested in stock? <p>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.</p>
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Human resources	<p>An organisation may develop a strategic human resources plan to determine staffing requirements based on the corporate strategies, business objectives and operational plans. The plan should indicate the 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.</p> <p>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.</p>
Physical resources	<p>Physical resources refer to buildings, equipment and materials, such as office space, computers, software, furniture, production machinery and raw materials and associated operating costs e.g. electricity, rent etc. These must be identified in relevant unit forecasts and budgets.</p> <p>Each activity the business intends to carry out must be analysed to identify the physical resources needed to achieve the performance measures set.</p> <p>Resources also need to be accounted for, to ensure that the organisation has the funds to acquire resources. Note that when determining activities and required resources, departments are generally required to perform a cost-benefit analysis to assess the value of the activity or to justify its need to senior management.</p>
Time	<p>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.</p> <p>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.</p>

Example

Resource planning

Planning for resources is highly dependent on the needs of the business and the stage of the business. The table below documents the resource planning that two different individuals must undertake in order to successfully run two disparate workplaces. Joe has little historical information to help him plan his resources; he has obviously researched other, similar businesses before but has no past trading of his own to help. Also, he only has a small group to consult with in getting the resources planned. Geoff has several other constraints but much more information about his existing business and its position. Study these two examples and you will begin to see the requirements and decisions involved in resource planning.

Joe's restaurant	General Manager Geoff
Joe is getting ready to set up a restaurant. It has been his dream for years and he has saved up a large amount to get this going.	Geoff is a GM at an environmental consultancy. He has been with the company for five years and they have recently decided to move into regional urban planning. This involves a new team and offices.
Financial resource planning	
Joe needs to estimate how much money he needs to do the following: <ul style="list-style-type: none"> ▪ set up the restaurant – furniture, fittings, marketing, signage, rent, etc. ▪ maintain operations until income starts to flow – how will he pay wages, utilities, stock invoices etc.? ▪ pay himself while all this is happening. 	Geoff needs to develop a budget from corporate funds to establish the new team and office. He needs to be able to ask for the right monies to: <ul style="list-style-type: none"> ▪ set up the office – furniture, fittings, marketing, signage, rent, etc. ▪ pay wages to the team ▪ launch the new arm of the business.
Human resources	
Joe is already prepared with his staff; he estimates he will need a kitchen hand and a wait staff member plus himself. He has a few casuals on hand in case he has not estimated enough. He also has an accountant, who has been essential in the planning of this new business. Without his accountant, Joe would have made some costly mistakes.	Geoff has earmarked his team. It is a great opportunity to promote some of the team as he moves staff into their new roles. The staff who are moved will need to be replaced, so Geoff has to work with his HR team to arrange the transfers and replacements.

Physical resources	
<p>Joe has found the perfect location and the rent is within his budget. He has arranged the furniture and fittings.</p> <p>He has developed a web presence and is otherwise organised.</p>	<p>Geoff needs to find an office and make provision for some team members to work from home, due to the remote location of some regional offices. This means he needs to plan for internet connections and other technological tools to assist with everyday efficiencies in the planning of this new part of the business.</p>
Time	
<p>Joe wants to open before Easter. This is a busy time in his area and a popular start to the tourist season. He confident this will be the best time for customers. It is tight with his planning, but he is convinced it will be economically worth it. So, he hires an additional staff member to get things moving.</p>	<p>Geoff has six months to get this project under way. He has developed a work breakdown structure (WBS) to make sure he stays on track with his planning he has consulted with the stakeholders both in the organisation and at a local level to make sure his timing is realistic – SMART.</p>

Understand how resources are identified

Resources are identified to address the needs of the plan and support the direction determined for the organisation.

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 in the following table:

Develop a WBS	<p>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.</p> <p>The team could use a tree diagram or a table to match the tasks to outputs. Each level of the diagram or table is created by asking, 'What needs to happen to achieve this?'</p> <p>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.</p>
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Identify required resources	<p>Each task needs to be analysed to determine resource requirements. Here are some considerations in determining required resources:</p> <p>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.</p> <ul style="list-style-type: none"> ▪ 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? ▪ Are there alternatives available? What contingencies need to be developed?
Estimate resources	<p>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 contingencies. For example, there may be issues with supply or raw materials, or updates to existing technology that require 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.</p>

Source permits and licences

Permits and licenses are key pieces of regulation which ensures the business is well trained, has the right personnel and systems to adhere to the requirements of the task or industry.

As discussed in section 1A, there are legislative frameworks that must be adhered to. These can be considered resources, since without them you cannot or in many cases should not trade. The licenses required cover such things as employee working conditions, safe work permits and food safety. As always, research is required to ensure you meet the legal requirements unique to your industry.

Some permits and licences can be sourced online, and some by going to your local council. However, the Commonwealth government provides the Australian Business Licence and Information Service (ABLIS) to help businesses to identify their required permits and licences. You can search on the business type and area in which it operates.

To conduct a search, visit the ABLIS site at: 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 Act and regulations are in place to provide minimum entitlements for employees, to enable flexible working arrangements and to ensure employees are not discriminated against.

The Fair Work Ombudsman administers the Act; further information is available from their website at: 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 **Work Health and Safety Act 2011** applies to all states except Victoria and WA, who each have their own Acts.

Information relating to WHS requirements is available from Safe Work Australia's website at: aspirelr.link/safe-work-australia.

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.

The Australian Human Rights Commission provides information and advice for workplaces. The Fair Work Ombudsman provides resources about how to prevent discrimination in the workplace.

A guide to relevant legislation can be accessed by visiting: aspirelr.link/discrimination-laws-guide.

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: aspirelr.link/aus-privacy-principle.

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. She should:

1. list all of her business activities, including planned new ones
2. learn about licensing and registrations required for her 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 her business, including:
 - a summary of the state, local and Australian government requirements
 - 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 more than 20 licences and permits required, of which some are listed below.

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 4

Question 1

How would you allocate resources for the business plan? Provide at least three major considerations.

Question 2

Which of the following statements are correct? Select 'Yes' or 'No' for each one and provide a reason for your response.

Resource planning is a simple matter of matching the number of staff required to the jobs to be done. » Yes » No

Physical resource considerations are important at all levels of planning. » Yes » No

If you are planning major infrastructure changes you need to consider only financial resources. » Yes » No

Question 3

As a manager developing a business plan for a new business, provide at least two examples of the following types of resources that you will need in order to start a business:

- Financial
- Human
- Physical



1E Develop a business plan

Business plans are working documents that bring together research and stakeholder consultation. Agreed organisational objectives, market share and customers, performance measures, and the expected resources required to ensure success are now built into the plan.

Business plans detail the requirements that underpin the organisation's vision and mission to enable it to meet its strategic objectives.

All the planning done to date in understanding the business needs to be collated into a format which can be used; that is, worked with to achieve what is required.

As a working document, a business plan involves:

- determining the purpose of the plan and audience
- working out the specific information to go into the plan
- preparing the text so it is clear and easy to understand for staff etc. who are required to meet the objectives of the plan.

Developing your business plan means gathering and analysing all relevant information and options to monitor performance and to assess whether you are achieving what you set out to achieve in the plan. It also allows you to identify opportunities for improvement. Businesses are not static; they are continuously changing in response to environmental pressures, including legislative and technological changes, staff changes and direction. Being prepared to change direction is critical to the success of the business. Knowing what you do and how you do it is important, but so is knowing how to take advantage of potential changes which keep your business relevant to customer needs.

Example

Understanding a business plan

You may like to watch this case study video produced by the Queensland government: aspirelr.link/qld-gov-case-study-video.

Gather quality information

Business plans vary between organisations, but they commonly incorporate similar aspects to guide the planning.

Organisations usually have a template to complete to help organise the information into a format which guides operations. There are standard templates available if your business does not have one. The template should guide the development of your plan. Once again, depending on the needs of your business you may need to adapt the template to best represent what you are trying to achieve.

Many of the areas required have been outlined in the sections above; now each piece of information needs to be included in the plan. Your template could contain the following key pieces of information at a minimum:

Description of the business	<p>What does your business do? Are you a retail business servicing a specific group of consumers, or a wholesale business distributing a new product to manufacturing businesses? Explain this as if you were explaining it to other people (bankers, consultants, staff).</p> <p>The business profile includes the vision, mission and strategic objectives.</p>
What products and services do you offer?	<p>Explain these clearly as if you were explaining this to others as well. Are there both products – physical items you sell – and services? An accountant may sell software licenses as well as their services. Be clear about this area so you can address the requirements of each part of the business.</p>
Resource requirements	<p>These are the specific financial, physical and human resources you need for your plan, including permits and licenses required to operate the business. Financial and human resource plans may be included in these sections.</p>
Marketing activities	<p>These include marketing planning and research, and product or service market analysis (including who the customers are and what they want).</p> <p>How will you tell your customers about you and your products and/or services? Will you need a website, social media pages, people to operate your media? Advice on PR or launches and associated costs needs to be included in the plan.</p> <p>Note: costs are relevant to the financial resource section of the template.</p>

Performance and financial indicators	<p>How you will know you have achieved your plans? These include budgets or targets for financial outcomes in areas such as budgeted sales, profits and numbers of customers, which will allow you to measure your success. Joe's restaurant forecasts 300 covers per week for the first quarter. If Joe achieves 350 per week, he can be confident things are going well. If he achieves 250 per week, he needs to examine what happened, or what else needs to happen. These are tangible measures of performance.</p> <p>If Joe wants to get 5-star reviews on the internet he needs to know how to engage his customers in leaving reviews for him, so he needs marketing strategy to get that under way. He can ask 10 people to leave reviews, but how can he be sure they will be 5-star? There are other performance indicators to be set here: remember the KRA (key result areas) they can include:</p> <ul style="list-style-type: none"> ▪ productivity, through reduced waste ▪ cost management; through improved total food costs ▪ growth; through average spend per customer ▪ growth; through numbers of return customers. <p>Each of these areas (and others) can have measurable outcomes attached and assessed to see if they are working.</p>
Legal and risk planning	<p>How do you manage your requirements for running the business? What permits or licenses do you need to do the work you are planning for? If you are a beautician who uses a specific piece of equipment, do you need special training and certification before you can use the machine?</p> <p>What are your obligations when employing people? Are there risks you need to be aware of, such as safety or financial risks, or risks associated with continuity of supply or product quality, or delays in manufacture? Risk management plans are a critical part of your plan.</p>
Operational planning	<p>How will you manage things day to day, or month to month, these plans are essential to ensure staff and suppliers are able to play their part in the plan.</p>

When you are writing a business plan, prepare your information so it can be easily inserted into a 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.

Example

Business plans for different organisations

All research and information gathered needs to be collated for incorporation into the business plan to meet audience requirements.

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 its plan from year to year, depending on the organisation's activities; for example, when management was looking to expand its operations and needed to raise capital, the 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 the year of the plan: 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.

If there are gaps in information, prepare to fill them. Do more research, ask more questions and complete the sections to be sure you have addressed all of the requirements of the 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 need to be provided for those with limited experience in these areas. Consider using diagrams and graphs to present complex information.

Example

Research business plans

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

Practice Task 5

Question 1

List six areas you will use as headings or components of your business plan.

Question 2

Which of the following statements are correct? Select 'Yes' or 'No' for each one.

The format of the business plan is not important; people know what a business plan should look like. » Yes » No

A well-developed business plan will guide the business to certain success. » Yes » No

Business plans must contain all the elements to guide stakeholders and staff or users of the plan to take the correct actions for success. » Yes » No

Question 3

Place each of the main steps in developing a business plan in the correct order.

- Analyse other planning reports for the business – strategic and operational.
- Develop the ways your business will measure the performance of the plan.
- Clearly identify the resources required to carry out the plan and meet the objectives.
- Research the organisational and legislative frameworks that will affect your business.
- Analyse the market position for your business, including customer needs and pricing decisions.

Summary

- Managers need to review their strategic, business and operational plans to ensure they are current and relevant.
- To ensure the business plan is aligned to the organisation's strategic direction, managers need to analyse and interpret the vision, mission, values and objectives of the organisation.
- 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 and the direction it wishes to move in.
- 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.
- Performance objectives and measures, critical to an organisation's control system, must be developed through consultation with the key stakeholders.
- All objectives must be SMART and are often set using the management by objectives (MBO) approach.
- The business plan development group should review previous or current operational or tactical plans to identify the resources required to meet objectives.
- Organisations need to obtain the required permits and licences to ensure they are lawfully conducting all business activities.
- Writing a business plan involves determining the purpose of the plan and collecting information that meets organisational requirements. Though the content may vary, business plans must present the objectives, market analysis, resources and financial information to inform decision-making.
- Managers must research the legislative requirements applicable to the business's operations.

Learning Checkpoint 1

Establish a business plan

Part A

1. Your staff are asking if it is critical to evaluate the organisation's strategic plan when developing a business plan. What advice would you give them? In your answer, consider the role of the business description, vision, mission and values and existing plans.

2. Describe how would you undertake a market analysis to determine how the market changes affect your business.

3. Describe how you would build a customer profile to establish needs. Explain why this is required for business plan development.

4. Describe three reasons why it is essential to consult with key stakeholders when developing performance objectives for a business plan.

5. Explain three main resources areas you must consider when planning resources to suit your business plan and provide two examples of each.

6. Describe the process you would follow when developing a new business plan. What key steps would you recommend taking and why? Provide at least five key steps/areas.

Part B

Read the case study and answer the questions that follow.

Case study

This is your second year working for a manufacturing company called The Tiny House Co., which is a not-for-profit organisation. Your mission is to provide safe, basic crisis accommodation to groups in the domestic market. You have been granted the number one rating by the local government through your work providing housing and the support services with your partners. Your plan is to double beds in 12 months in the local area, jumping from 500 to 1000 places. You value equality and safety for all humans and reducing domestic violence-related homelessness.

You need to increase your staff levels and productivity to cope with the growth. You have 66 volunteer mentors, who assist with upskilling people who need work; and you want to double the number of mentors by the end of the first year. Your main model relies on government funding, but you aim to increase private investment through crowd-funding, raising \$100,000 in the next 12 months. Part of your Values statement for the crowd-funding campaign is to reinvest all profits into the company over the next 12 months. Due to the limited funding and constraints on government grants, you plan to keep costs at or below budget.

1. Describe this business, and its products and services as if you were writing the business plan for the Tiny House Co.

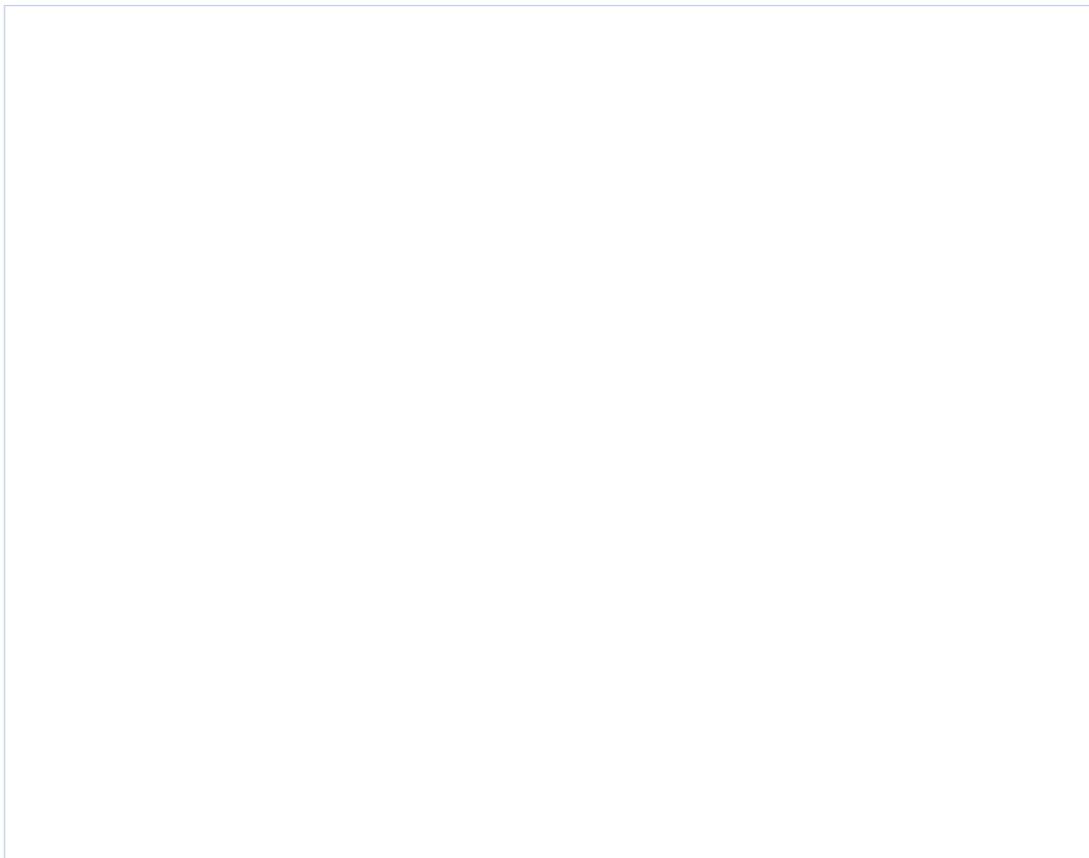
2. Provide an objective for each of the following business areas which may be relevant, and a measure to let you know if you have been successful.

Business area	Objective	How you know the objective has been achieved
Financial stability		
Market position		

3. Once the performance measures have been proposed, explain how you would ensure these are effective. Who would you speak with?



4. What legislative frameworks, permits and licenses would the Tiny House Co. need to comply with? Provide at least five.





Topic 2 | Implement and review business plan

- 2A Communicate the business plan to stakeholders
- 2B Ensure skilled labour is available
- 2C Test performance measurement systems
- 2D Report on the business
- 2E Report failures and variances

2A Communicate the business plan to stakeholders

Your plan must be shared with the stakeholders – managers, staff and other parties – to ensure outcomes are met.

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.

As soon as senior management approves the business plan, it is ready to be implemented and must be communicated to stakeholders 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.

Remember, stakeholders are those people who have a direct impact on the outcome of your plan, they can include, team leaders, supervisors and team members, financiers, partners, customers and other consultants or technical advisers. 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 must choose an appropriate method of communicating the business plan to your stakeholders.

You want their commitment and need to be sure they are able to receive your plan. Ask them how they prefer to receive communications. How best do staff respond? How best do other managers? What about stakeholders who are working external to the business? 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. Methods that are appropriate will also depend on the size of the business. It may be possible to include the whole team in the communication together; this will be more efficient and more inclusive for the team, who can share their understanding of the plan.

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. Formal meetings may also be appropriate to circulate the message to external stakeholders, so they get the full picture and an opportunity to ask questions and clarify their involvement.

This type of meeting is appropriate for both small and large organisations; in fact, initial meetings may be best to be formal to provide accurate records of discussions.

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.

This type of meeting is appropriate for small and large organisations. Smaller groups are easier to work with and can develop teamwork and greater understanding of the responsibilities of others. In very small organisations, group sessions may include the whole team from managers to entry-level members.

Team/department meetings

Regular team meetings /conversations will engage team members, allowing them opportunities to communicate with management over their requirements and clarify points to enhance understanding of roles and responsibilities.

This type of meeting is appropriate for small and large organisations – very small organisations may include everyone in the meeting to increase inclusivity and teamwork.

Distribute the written plan

Not all staff require a copy of the plan, but 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.

This type of meeting is appropriate for management of small and large organisations – it is of value to share the strategic objectives and department objectives from the business plan with all team members

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 you are genuine in wanting their feedback.

It is also a responsibility of the leader communicating the plan to ensure you provide support to your team. They are looking to you to explain how this affects them, specifically in their areas of expertise and day-to-day operations. They may need coaching, training or mentoring to fully appreciate the need for the changes or plan directions. Any change can be met with resistance, but tolerant and patient support will make an enormous difference to how well the plan is accepted and implemented.

When communicating the plan, be prepared to adjust your messaging depending on the audience, their expectations and experience. When sharing your plan, you must participate in all discussions. Actively listening and questioning will help elicit the views of others while clarifying understanding of your audience.

Regardless of your audience you need to prepare the following:

A copy of the plan to work from and share	This demonstrates that the plan is a living document to guide the direction of the organisation.
Visual and/or verbal presentation	This supports different audience needs and allows for greater understanding, as different members of the team learn in different ways.
Cover key aspects (i.e. performance requirements and timeframes and what this means to the people involved in implementation)	Again, this needs to be tailored to the audience and their areas of interest and involvement. Remember that all levels of the organisation need to see and commit to the link between the strategic plan and business plan objectives.
Use appropriate language for your audience	Entry level staff may want to know how the plan will affect their day-to-day operations, whereas senior managers may need other information.
Answer questions and ask questions	Prepare answers to possible questions and ask questions to gauge understanding. Asking questions to clarify is an important part of effective communication.
Feedback opportunities	Share feedback mechanisms to ensure queries are resolved, and changes are made and are appropriate.
Next steps	Most team members will respond to next steps being clearly articulated. Explain and ask for feedback on future actions, such as monitoring performance measures. You may gain insights from the audience you hadn't thought of if you ask for input at every stage of the process.

Example

Present a business plan

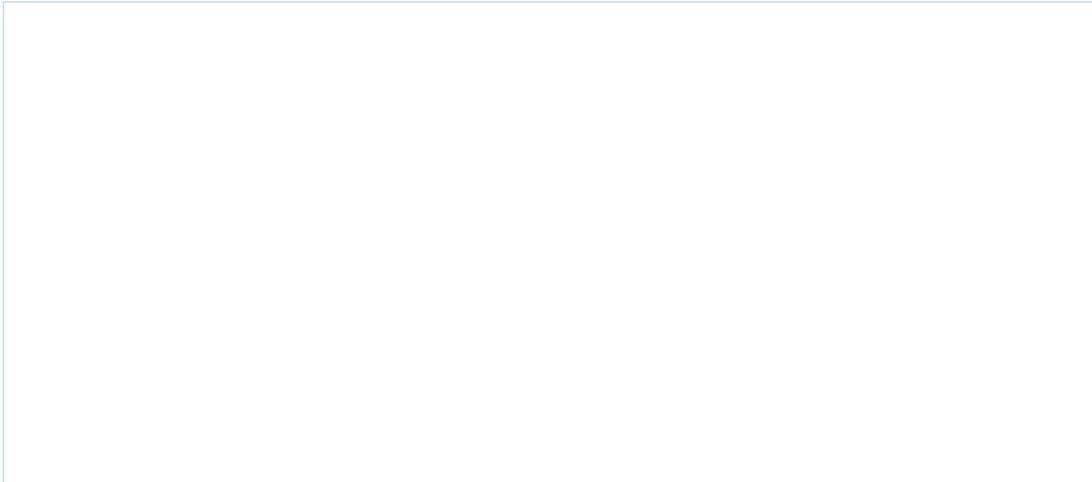
Casey prepares to present a business plan to department managers and team leaders, with input from the finance and marketing managers. He opts for an electronic presentation, prepares a checklist of what needs to be covered, then develops the slides, using one major point per slide.

Content	Presenter
<ul style="list-style-type: none"> ▪ Introduction (self, and team who developed the business plan) ▪ Articulate the vision ▪ Reinforce the mission ▪ Explain objectives of the plan (highlight alignment with strategic plan) ▪ Performance requirements ▪ Our products 	Casey
<ul style="list-style-type: none"> ▪ Introduce market analysis <ul style="list-style-type: none"> – Target market – Market trends – Overview of marketing strategy, including timelines – Customer profile – Key promotions – Summary of sales forecast highlighting targets – Opportunity for feedback and questions 	Marketing manager
<ul style="list-style-type: none"> ▪ Financial plan introduction <ul style="list-style-type: none"> – 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 – Opportunity for feedback and questions 	Finance manager
<ul style="list-style-type: none"> ▪ Management team and key responsibilities ▪ Timeframes ▪ Questions and answers ▪ Feedback opportunities and how to contribute to the implementation and success of the plan. 	Casey

Practice Task 6

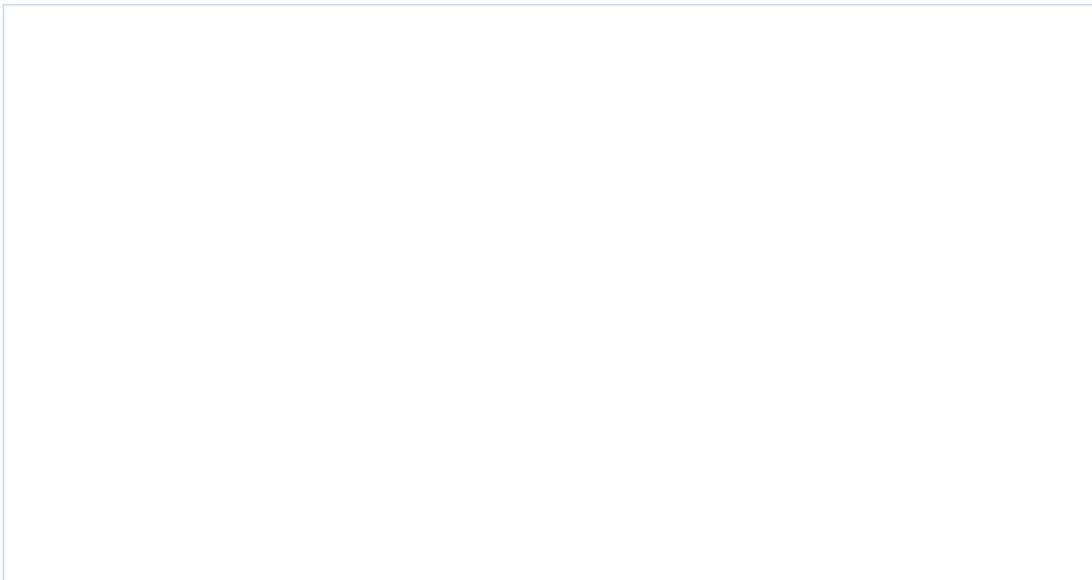
Question 1

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



Question 2

Identify how you would choose to communicate the business plan within a very small organisation. Explain the reasons for your choices.



Question 3

As a leader releasing a business plan, explain five key areas you need to be aware of when communicating the plan to the team.

2B Ensure skilled labour is available

Skilled labour needs to be secured to meet the needs of the business plan implementation. You need to ensure the appropriate skill levels are available in the organisation.

In implementing the business plan, you need to make sure 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 department's operational plans. Each operational plan should have identified the human resource requirements to conduct activities and their associated tasks.

If you don't have the right skilled people for the job it could be an opportunity to upskill and promote staff who deserve it – or employ more people who have the skills to do the job.

The business plan resource requirements will stipulate the required staffing to meet the objectives. Once the plan has been agreed on, the relevant departments assess how these staffing needs can be met. They can be met in two main ways:

Existing staff	<ul style="list-style-type: none"> ▪ Existing staff can be promoted into new roles, seconded into the new roles for a period of time or transferred into a new department. ▪ Existing staff may need to be trained, coached or mentored to bring them up to the required level or standard. This is likely to be the best option; existing staff already know the business, may have been loyal and deserve to be promoted, and may have specific skills which suit an area of the business which is growing. ▪ Demonstrating succession planning is a great motivator for teams who wish to learn and progress in the business. Showing staff that there are alternatives and rewards for hard work, dedication and development will encourage them to perform. ▪ Note: promotion, transfer or secondment usually mean recruitment opportunities to fill those roles. This provides more opportunities to develop the workforce and ensure there are skilled people ready to perform the activities required of the plan.
New staff	<ul style="list-style-type: none"> ▪ Recruitment brings the right people into the organisation to ensure the needs of the plan can be implemented. ▪ They need to be picked to not only fill the needs of the plan but to fit into the organisation and complement the rest of the team.

Organisational information to plan for skilled staff

Each organisation needs to be clear on the roles and responsibilities of each team member, to be confident the jobs will get done. Planning for this is a key management practice which must be done in consultation with others.

The business plan calls for staff with particular skills, in specific numbers to meet the demands of the operation and achieve the business's objectives. Knowing how many, with what skills and when these staff are needed is a great first step; the positions then need to be formalised and the responsibilities of each role clarified. Teams can then incorporate these new roles or increased numbers of people.

There are several key pieces of information relating to appointment of skilled staff.

- **Job or position descriptions** are used to specify the skills needed, the characteristics and experience the successful person holds/has, and how this role fits into the organisation. Existing jobs may not require changes to the description, but this document should be checked to ensure it still captures the requirements of the plan.
- The job/position descriptions are used to create **advertisements** to alert staff wanting a promotion or transfer; they may also be used to attract new staff to the organisation.
- Applicants (new or existing) are asked a series of **interview questions** and/or asked for work samples to assess their skill levels.
- Successful candidates would undergo an **induction** to the business, their role and their teams. They would be placed on the **organisational chart** so that they and everyone else knows how they fit into the team and organisation.

Analyse training needs

Training can include formal training or coaching or mentoring for team members. Existing staff are valuable team members, and in most cases a commitment to training will provide rewards for the business.

Having developed job/position descriptions (or checked to ensure the existing ones are still accurate for the new plan) you are better placed to determine if existing staff could fill these new or increased number of positions.

You may wish to conduct a training needs analysis (TNA) to establish the skills available and address the skills that are missing, to ensure the right people are available for the plan. From the results of your analysis, assess the best way forward in consultation with other managers to ensure organisational members do have the required knowledge and skills to perform their allocated tasks.

A 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
- analysis of statistical data, such as rates of productivity and errors.

All this information is then 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, and then formulate a plan to fill those gaps.

Source new skilled labour

Other ways to ensure skilled labour are available to implement the business plan is recruitment.

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. There may be skills gaps or simply not enough staff to undertake the activities planned in the business plan. Resource requirements are set in the plan and these determine the need for new team members with specific skills.

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

The business plan has identified the organisation needs seven more full-time and three part-time staff. Next steps are to assess the best way to fill those roles. The managers at Knowledge Transfer Team are keen to promote from within and have been watching their staff for signs of promise. They have four staff to promote, which means they need to recruit three new staff for the full-time positions and four staff to fill the roles of those being promoted. They announce this to the team, who are supportive of the promotions and looking forward to the support the new staffing numbers will provide the whole team.

Practice Task 7

Question 1

Explain the link between resource requirements and ensuring there are enough skilled labour sources to implement the plan.

Question 2

Which of the following statements are correct? Select yes or no for each one and briefly explain why you answered this way.

New staff are always required to meet the needs of the business plan in all cases. » Yes » No

Skilled staff are essential for ensuring the plan has the best chance of success. It is good practice to start assessing skills in-house. » Yes » No

Question 3

What pieces of information or documentation must a business have to be sure the right skilled staff are available to support the business plan? Provide three and explain your choices.



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 these measures are not effective, refine them and test again.

Proper testing will assess the effectiveness of the system. If systems are found to be ineffective, 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
<p>Measurement is generally focused on analysis of performance compared to what was budgeted, projected or anticipated, identified in sets of performance.</p> <p>The plan should outline:</p> <ul style="list-style-type: none"> • how performance is measured • the tools and techniques to be used • what is to be measured.
Compare actual performance to planned performance
<p>This step involves the analysis of the variance between actual performance and what was budgeted, projected or anticipated.</p> <p>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.</p>
Improve performance
<p>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 action to resolve issues. For example, if equipment is continually breaking down and having to be serviced, there should be stricter procedures for maintaining equipment to increase efficiency and effectiveness.</p> <p>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.</p>

The performance measurement system needs to be tested following the implementation of the business plan to ensure the identified measures are appropriate and 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, compared 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.

Testing the system

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.

Collect the data

An individual within an area needs to be responsible for collecting the data and ensuring it 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.

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.

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 too 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?

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

Understand how the organisation measures overall performance - the sum of end results for a period of all of the organisation's activities.

There are a range of performance measures and types of control organisations may use. The following examples are those put forward by management academics and practitioners, Robbins, Bergman, Stagg and Coulter.

Performance measures	<ul style="list-style-type: none"> ▪ Productivity: this measures the overall output of goods or services, which is divided by the total cost of all the inputs. <ul style="list-style-type: none"> – Output is measured by the sales revenue. – Input is measured by calculating the total costs of acquiring and using resources to produce outputs. – To increase the ratio of outputs to inputs, productivity must increase. ▪ Organisational effectiveness: this measures 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.
Types of control	<p>Feedforward control is:</p> <ul style="list-style-type: none"> ▪ 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. <p>Concurrent control:</p> <ul style="list-style-type: none"> ▪ is performed while the activity is in progress, for example, direct supervision ▪ can prevent issues from escalating into threats and before they become costly. <p>Feedback control:</p> <ul style="list-style-type: none"> ▪ 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	<p>A major tool is budgets to measure and compare resource usage.</p> <p>Key financial ratios (calculated from the information in the profit and loss statement, cash flow statement and balance sheet) include:</p> <ul style="list-style-type: none"> ▪ 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.
Balanced scorecard	<p>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. These are:</p> <ul style="list-style-type: none"> ▪ financial ▪ customer ▪ internal processes ▪ people/innovation/growth assets. <p>The balanced scorecard can ensure effective brand management, environmental sustainability and corporate governance by providing insight into all areas of the organisation.</p>
Benchmarking	<p>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, Business Queensland, recommends:</p> <ul style="list-style-type: none"> ▪ buying financial benchmarking data to compare your business's income, expenses and profitability against the 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. <p>To learn more about benchmarking, watch this video produced by Business Queensland: 'Benchmarking your business – case study video' at: aspirelr.link/benchmarking-your-business-video</p>

Example

Use financial controls

Wilhelm has a retail business selling women's clothes. His accountant has historically managed most of his financial affairs, but he knows the importance of testing his performance measures. He decides to take the advice of his accountant and use profitability ratios to assess his success.

Ratio	Formula	Definition
Gross profit margin (%)	$(\text{Gross profit} \times 100) / \text{sales}$	A key indicator of financial health. Gross profit as a percentage of sales
Net profit margin (%)	$(\text{Net profit} \times 100) / \text{sales}$	How effectively the business converts sales into profit
Break-even point	$\text{Fixed costs} / \text{gross profit margin}$	The point where total revenue equals total expenses. Showing the minimum sales required to cover costs
Return on investment (ROI)	$\text{Net profit after tax} / \text{total assets}$	Measures how efficiency assets are in generating profits

After a quarter he looks at his results: according to his accountant, his gross profit margin is 39 per cent whereas the industry average is 46 per cent.

While this is a great statistic to be analysed against past performance, he isn't sure it tells him enough to make plans or decisions for the business plan. So, he does some research. He decides to examine the following:

- the number of customers through the door, and the number who buy something
- customer behaviour, to see why they don't buy anything (or why they do)
- average spend per customer.

Once he has done this, he learns that 40 per cent of customers don't buy anything. They appear to be interested in many products but put them down without buying, and this leads him to analyse whether there is a barrier to closing the sale.

He learns that customers' average spend is \$100.00; if he can increase this to \$150.00, he will see a growth of 50 per cent in sales. By testing his performance measures, he has a greater insight into the way his business works. Business ratios provide great information to accompany true understanding of your customers and how they interact with your business. Wilhelm had been relying on a statistic which may not have given him enough information to make decisions. Testing can reveal wrong information and poor measures of performance.

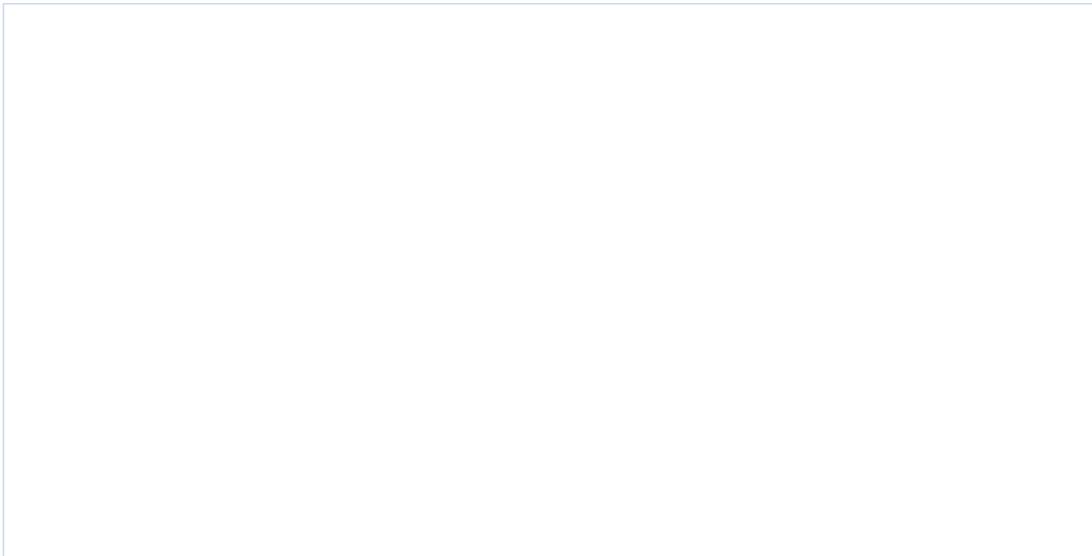
The greater your understanding of the business and how it operates, the more successful you will be.

Practice Task 8

Question 1

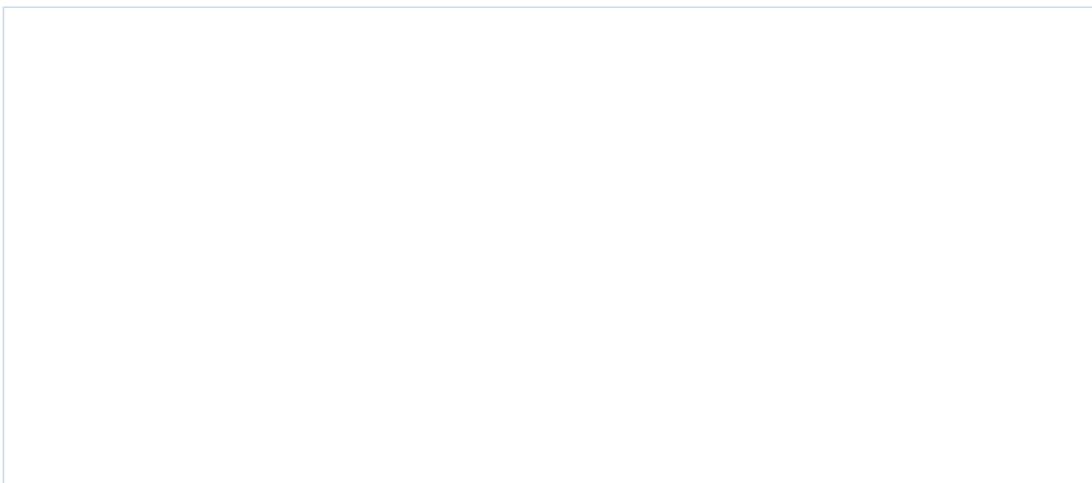
'Testing performance measurement systems can reveal many aspects the business needs to respond to.'

Explain this statement and use an example to support your answer.



Question 2

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



Question 3

Which of the following statements are correct? Select yes or no for each one and briefly explain why you answered this way.

Mary established performance measures for the business plan but didn't have time to consult with her stakeholders. She is planning to undergo testing of her performance measures soon.

Is Mary in a sound position to measure her performance?

» Yes

» No

A retail business is preparing to test its performance measures so that it is confident it is on track to measure success. The business decides to measure:

- output by the sales revenue
- input by calculating total costs of acquiring and using resources to produce outputs
- sales against competitors.

Is the business in a good position to measure performance?

» Yes

» No

2D Report on the business

Preparing reports is a major part of the business. Key areas need to be reported on to ensure performance is meeting expectations.

Managers need to plan how they are going to report business performance to ensure 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.

'User-friendly' is a frequently used term, meaning a style that is clear and reflects the purpose of the report for the intended audience; in other words, easy for the user to understand. 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 information be found to guide decisions and make sure business objectives have not changed?
What format is required, such as Excel spreadsheets 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 and 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 procedures or guidelines; such as presentations at sessions or email?

Identify report requirements

Productivity, activity and financial progress reports should be produced regularly and reviewed by relevant stakeholders. The content must provide information to guide the kinds of decision required for the business.

It is important that reports are comprehensive and available to meet 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	Non-financial reports
<p>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.</p> <p>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.</p>	<p>Some reports may be more qualitative and are required to ensure the focus is not solely on the numbers and all aspects of the business are covered. Qualitative documents may be developed by managers to report on, for example:</p> <ul style="list-style-type: none"> ▪ 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 work health and safety.

Example

Generated or prepared performance reports

Reports come in many forms, depending on the kind of business and its size.

The following model reports on the performance of a large business unit in a telecommunications organisation. They have 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • On-time delivery, volume of work in progress and quality of network performance and work performed are 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	<ul style="list-style-type: none"> • 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 WorkCover; 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 are regularly assessed and needs analysis reports generated to inform training and development program decisions.
Network performance	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.

Larry's Lawns provides a full gardening service, provides this monthly report to his stakeholders. They know reporting regularly is as critical for small businesses as it is for larger businesses. Being informed of areas for improvement or opportunities for growth comes from proper and timely reporting.

Financial	<ul style="list-style-type: none"> Our sales have increased from \$1000 per week to \$1250 per week. Our peak day is Friday; 60 per cent of income is made on this day. Making more money on Fridays is limited by man-hours; we may need to examine staffing options. Budgets have been developed and used to determine expenditure variances. Expenses are on track with budget for this quarter. The solar charger for batteries is saving 25 per cent on expenses related to electricity. We are evaluating the differences quarterly to be sure this is still the case.
Employee health, safety and wellbeing	<ul style="list-style-type: none"> Our new trainee is working out well and can be left alone on an increased number of jobs. The new mobile phone plan is saving money and increasing communication, which is leading to fewer incidents.
Competition industry and customers	<ul style="list-style-type: none"> Our competitors are moving away from lawns, which opens up opportunities for us; an estimated 30 per cent more area is available for us to acquire. We need new marketing to reach out to existing customers to encourage a recommendation; this will be evaluated after one month to measure the success of the promotion.

Practice Task 9

Question 1

Businesses use reports to assess the health of the business and to determine if performance is meeting expectations. Use at least two examples of areas of the business which need to be reported on.

Question 2

Which of the following statements are correct? Select 'Yes' or 'No' for each one and briefly explain why you answered this way.

Performance reports issued by small businesses need to assess performance measures against actual outcomes to help the business meet its objectives. » Yes » No

Reports should be monthly to avoid overloading managers with excessive workloads. » Yes » No

Question 3

Describe five principles that managers must follow to ensure the reports they produce are of a quality standard and are useful in ensuring the performance of the business are being tracked correctly.

2E Report failures and variances

All managers need to be able to identify and report system and product failures to ensure appropriate actions to address variances are developed and implemented.

There can be many reasons why aspects of the business fail. Managing the implementation of the business plan means you need to know what the expected outcomes are; therefore, when you don't meet those outcomes you need to know why. You may also be responsible for making the adjustments required. Here are some questions 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 it 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 Philip 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 fail to make a healthy profit
- relative product failure, where the profit is less than forecast 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 forecast output or 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 insufficient monitoring of the external and internal environment. Variance in results is also an important 'failure' to be considered.

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	
Common reasons for systems failures	Potential actions to address
Developers failing to test for errors during the design process	Halt the design process and instigate testing immediately to identify issues and provide solutions.
Poor design leading to user problems whereby users find components too complex, or where parts of the system do not meet requirements; for example, performance is being measured using the wrong type of tools	Collect more feedback on the design to ensure the user experience is relevant and accepted/desired. Change the tools being used to measure performance and test again.
Insufficient or inappropriate training in working with or using parts of the system	Conduct a training needs analysis to assess the required training. Reschedule based on the findings and feedback from stakeholders.
Incorrect or faulty machinery or equipment affecting the ability to perform tasks	Determine the issues and devise solutions as soon as possible.

Product failures	
Common reasons for product failures	Potential actions to address
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	Consider increasing marketing efforts to change consumer perceptions, or 'bundle' the failed product with another, more successful one.
Production equipment faults leading to delays in getting the product to market	Address faults leading to delays.
The target market is too limited, a result of poor analysis and segmentation	Reassess information surrounding the product: segmentation, target audience, messaging etc.
Increases in the cost of imported materials as a result of a sudden drop in the value of the Australian dollar	Assess how to purchase the product at a better price or manage other costs to offset.
Poor quality of the product due to system problems	Assess all system problems and consult with others to be sure changes are possible.
Variances	
Common reasons for variance	Potential actions to address
There can be differences for all areas of the businesses.	In all cases you should advise relevant managers, investigate the issues and consult to propose solutions.
Budgeted sales are lower than anticipated. A variance of 25 per cent is unacceptable.	Examine why. Are customer numbers lower, or are price increases having a negative impact on sales? Consider changing plans to avoid continuing variances.
Wages and salaries are higher than budget, which affects profit margins.	What can explain this? Staffing changes leading to more training required, or lack of productivity?

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 product failure

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 into the problem. Due to a failure in the quality system, the product's failure is absolute, and it 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.

Practice Task 10

Question 1

What is absolute product failure? Why is this a problem and what can be done about this?

Question 2

List two common reasons for system failure and what actions should be taken in these cases.

Question 3

During regular reviews of the business plan, you notice a large variance in volumes of production. What must you do, and why?

Summary

- 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 timeframes.
- Having the right skilled staff is important for the success of the plans. A needs analysis 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.
- 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.
- 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).
- Financial controls and measures include the use of ratios calculated from the information in the profit and loss statement, cash flow statement and balance sheet.
- 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.
- Managers need to plan the reporting of business performance to ensure it is transparent and reports the necessary information in a user-friendly format.
- Productivity, progress and financial reports should be produced regularly and reviewed by relevant stakeholders to inform decision making.
- System and product failures can be identified through performance measures, and their effects can be addressed using corrective actions. Business and operational plans need to be adjusted to incorporate any changes made.

Learning Checkpoint 2

Implement and review business plan

Part A

1. Explain at least five steps you would take to test and refine a performance measurement system.

2. Explain how managers can ensure they provide accurate reports on all key aspects of the business to the relevant people.

3. Managers need to monitor and report on financial (e.g. profit and loss) and non-financial (e.g. environmental) performance. Outline at least two ways each type of performance area can be monitored and reported.

Part B

Case study

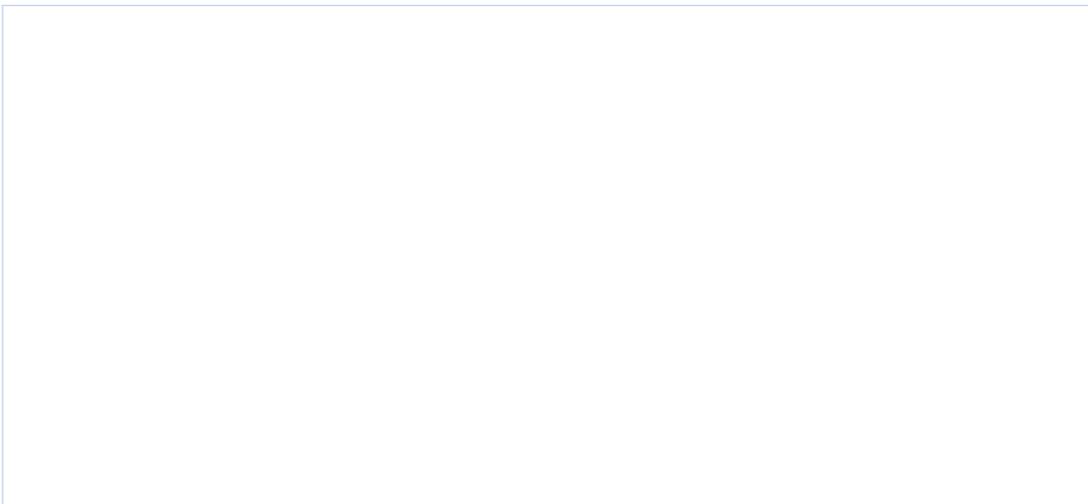
You are general manager for a medium-sized company and need to communicate the approved business plan to your staff of four departmental managers, eight team leaders and 20 staff.

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. New customer management database software is required to improve customer service, which requires some staff to be trained in the new system.

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. Outline the important steps necessary to communicate the business plan to staff. In your answer, include the documentation that you would use to communicate the plan.



3. What three steps will you take to identify whether staff have the skills to implement the requirements outlined in the business plan and meet performance measures?

4. The business plan has been implemented and you have noticed the performance measures put in place to track the business's environmental impact have not been achieved. This includes a shortfall in sales of sustainable products; increase in waste; and increases in power and water usage. You are required to report these issues to the company director. Provide an outline of what you would include in this report.

5. What are the elements of the triple bottom line that need to be reported?



Topic 3 | Respond to performance data

- 3A Analyse performance and review performance indicators
- 3B Identify and coach underperforming staff
- 3C Review the business plan

3A Analyse performance and review performance indicators

Analyse performance reports against planned objectives and refine performance indicators as necessary.

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.

As a manager, you must 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 timelines and with the available resources. Include all areas such as the financial position, environmental impact, and social responsibility.

Key questions to consider when analysing performance reports include:

- 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?

Identify issues in performance

An analysis should highlight issues surrounding the achievement of the business objectives.

A performance review process should focus on key issues, such as service quality, sales, safety, environmental sustainability, social responsibility and financial performance, including profit.

Analysis of performance involves focussing on key performance indicators (KPIs), which are specific metrics that are used to assess how well the business is going. There are many KPIs. The ones you and your stakeholders agreed on in the planning stage depend on the direction and objectives of the organisation. Consider the following KPIs (or areas for performance to be measured) and what to look for.

Business area	Objective	KPI	Analysis areas - what to look for?
Profit (gross and net give different information).	Return a 28 per cent gross profit	Website sales increases	Increases in profit are great, but why? Should this KPI be increased to 30 per cent or another figure? Assess other data to determine the next steps.
Costs	Reduce costs by 5 per cent over the next three months by changing buying patterns		At the end of one month, managers may review the costs to determine if there is any change towards meeting the objective and KPI.
Customer satisfaction	Improve customer satisfaction to 80 per cent of customers being highly satisfied with service in the next quarter	Customer retention	You would be looking at the retention of customers to achieve the improvement. Higher retention indicates a greater degree of satisfaction.
Employee turnover	Reduce turnover to 10 per cent in the next financial year	Employee retention	Increase in this KPI indicates an increased likelihood that staff will remain in the organisation.
Customer engagement	Increase customer engagement over the next 12 months	Time on page	Increases in this area can indicate you are on track to achieve the goal; however, if there is no call to action the engagement may not convert to sales. This may not matter to this goal if, for example, you were working on developing brand awareness.

Monitor the effectiveness of plans

The business plan is a key document to give the organisation direction and keep it on track. It must be monitored for effectiveness and at regular times throughout the reporting period.

Business plans should include an effective evaluation and 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 that are affecting performance. Changes may in fact be opportunities the business can capitalise on, such as a reduction in interest rates that increases the customers' disposable income, thus making them more ready to spend. Any plan, whether business or operational, needs to be flexible. An effective control process involves continuous monitoring and comparison to improve performance.

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 needs to take immediate corrective action, 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.

Monitor performance and evaluate against key results

Make sure the plan you implement is working. Monitor performance to assess if the outcomes are meeting the measures set in the plan.

You have implemented your business plan and know what performance measures are in place. As you continue with the business plan you need to evaluate it constantly against results to be sure it is working.

Note: in terms of evaluation of the results from your plan, there is rarely one cause of a particular outcome: it may be governance and profit, or human resources and sales which are causing performance challenges that may result in changes to the plan.

The areas to be specially monitored and evaluated in the plan include:

Triple bottom line	<ul style="list-style-type: none"> The business has a responsibility to monitor and evaluate the impact on the triple bottom line. The triple bottom line encompasses the whole business and its impact on their people (social impact or social responsibility impact) and the planet (environmental impact). For too many years, organisations have valued shareholders over staff and community. Making money was deemed the best measure of success. We now know that maintaining a healthy relationship with the staff, suppliers, customers and community makes the business more relevant, responsive and likely to be better supported if those involved believe in the business and its objectives. This includes ethical employment conditions, sourcing from reputable, fair suppliers. Management of the environmental impacts is becoming more and more important. Of course, financial viability is important, but so is the rest. <p>Note: Some organisations/sectors include a fourth pillar, governance, which refers to how well we manage the way we operate our business. See below for more information.</p>
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Profit and loss and sales	<ul style="list-style-type: none"> Financial results are a relatively straightforward way to determine the achievement of organisational goals. Did you make the sales targets? Did you sell the right number of units? Knowing your figures are correct and relevant enables you to alter objectives if the profit or loss is not as expected.
People – community awareness, branding and workforce	<ul style="list-style-type: none"> What is your image? Does your vision and mission resonate with your community? Do your values reflect theirs? Your community is an advocate for your business; if they support you, there are more likely to be higher rates of success. How do your staff feel they are being treated? If your workforce believes in your operation and plan, they will be committed to its success. If not, the plan is irrelevant to them. Your organisation needs to be the sort of employer people want to work for. 'Employers of choice' attract the right people for the right positions. This reputational aspect of the plan means you don't lose time, history and corporate knowledge by staff moving on due to poor conditions and treatment. Fostering commitment from staff and community will go a long way towards achieving goals.
Planet – environmental impact	<ul style="list-style-type: none"> What impact does your business have on the environment? There are environmental controls on some industries that are closely monitored, but for many sectors of business there is no specific legislation governing our environmental impact. The most important aspect is morally and ethical responsible performance. There are several reasons why: <ul style="list-style-type: none"> Environmental options can save money: less waste means better use of materials and less cost. Some costs are saved over the longer term but are of equal importance. Customers who care demand better behaviour in terms of water and waste management, and will support options that are more responsible. Does your business profit from poor conditions from suppliers? Today's consumers are becoming more discerning – or they should be. Local supply has huge benefits in growing a local economy, reducing transport costs and supporting communities. Better design results in fewer obsolete products and opportunities to change behaviour.
Governance	<ul style="list-style-type: none"> How do you run your company or organisation? There are critical aspects of governance to be considered. What are your obligations and processes to maintain quality and compliance? These vary from industry to industry, but stakeholders need to have faith in how well these processes are working. Evaluate these in light of performance.
Quality	<ul style="list-style-type: none"> This applies to every aspect of the business: quality processes, products, responses to customers and staff. Quality assurance determines how well the business manages its operations. Quality can apply to manufacturers who are developing products and need to ensure consistent high-quality products are ready for sale; consultants and other service-based organisations need to know their processes and performance are focused on quality, so that customers are getting the right advice and service.

Example

Performance analysis

Joe's restaurant made a profit of 28 per cent in his first year. Excited by the possibility of more returns, he increased his profit in the next year's plans. His strategies to achieve this included:

- employing young people (who could be paid at a lower rate)
- shopping around for the best deal (in any circumstances)
- putting entertainment on every night to encourage locals.

At the end of six months Joe reviewed his performance. Instead of seeing an increase as forecast, his profit was 20 per cent. He needed to know why, so asked questions of his team and paid attention to activities going on around him:

- The young people kept leaving. They were students and left for university in the next town.
- Every time a staff member left, Joe estimated he lost 25 hours in productivity. His wage costs were low, but his turnover was high and associated productivity was down.
- His only permanent staff member complained about the retraining required and that their work was not getting done.
- By 'shopping around', Joe undercut his suppliers and lost the best one due to a lack of loyalty, so his costs went up over time.
- Shopping around for the best price at any cost meant stocks of cheap imports which locals did not buy. They knew the value in supporting local producers.
- Residents complained about the noise from the bands and stopped coming to the restaurant.

Striving for profit only *can* backfire. You need to consider all aspects of business and how they affect the three pillars of your business.

Joe's profit was high at first, but his plan let him down by not considering the other pillars of his business. Different decisions would provide different outcomes. Joe realised he needed to:

- change his staffing model; he employed another full-time staff member who was more stable in the community, which relieved the pressure on training
- spend time and energy cultivating a relationship with his preferred supplier; his continuity of supply improved along with the quality of his produce. Even though he spent a little more he knew products were fresh, and waste and disposal costs were lower
- ask the local residents what they wanted; they said they wanted more breakfast options and longer lunch times. Bands were not what the locals wanted, but they were happy for them to play on Friday and Saturday nights until 10 p.m.

After six months of hard work, Joe's profit was a more realistic 26 per cent and he was working on the triple bottom line, aiming for a sustainable business, not just a quick buck.

Businesses need to weigh up the environmental impact on their business, customers, staff and local areas. Being clear on what your customers want and how well your values align with this is an important part of assessing the impact of the triple bottom line on your business. Joe initially did not consider the triple bottom line in his planning.

Perform variance analysis

The difference between what you want to achieve and what you actually achieved is the variance; analysing these differences can give you valuable information about your business.

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.

In the example below, budget sales of diaries are 17 000 units. In reality the sales were 19 000 units. As managers you need to know why. We know from the table that this is a favourable outcome, so that's good, right? Yes, it is a good situation, better than being 2000 units behind budget, but still we need to understand why this occurred. Variance can be as a result of controlled and uncontrolled factors and be grouped in three main areas.

- **Mistakes:** Poor planning. This can come from poor data or information in the first place. This is controllable; planning needs to be accurate since you are making decisions on volumes of stock to buy, sales to make, people to employ etc.
- **Mistakes:** Errors in business. Were there mistakes made with ordering for production or with damaged stock? These outcomes can be both controllable and uncontrollable, depending on the cause.
- **Changes** in the market, increased competition and alternatives. These factors are usually uncontrolled because they can affect you with little or no warning.
- **Changes:** Environmental factors, natural disasters, changes in interest rates and employment rates can have an impact on your figures and cause variances. These factors are usually uncontrolled because they can affect you with little or no warning. However, if you are, for example, in an area prone to cyclones or flooding you can plan for the management of these events to a certain extent.
- **Expectations:** either met or unmet. In the case below there may have been additional pressure to produce those 2000 extra diaries. The 'cost' of this can be pressure on staff and equipment and can have adverse outcomes, but the increased revenue would be welcome.

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

	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

Plan appropriate corrective actions

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.

Generally, there is an acceptable level of variation, either a fixed amount or, more commonly, a percentage, which needs to be determined. 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 \$2984 per month. However, if insurance is paid annually in August (the second month of the financial year) then the budgeted amount could read \$2984 but actual would show \$35 800: an unfavourable position. In reality, it is not unfavourable since the insurance is paid for the whole year.
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Corrective actions	<p>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.</p> <p>Steps to be taken include:</p> <ul style="list-style-type: none"> ▪ analysing the performance information and reporting the issues to relevant managers to develop corrective actions. <p>Corrective actions can include:</p> <ul style="list-style-type: none"> ▪ a revision of objectives and their indicators to ensure they are SMART ▪ additional staff training to improve outcomes; e.g. customer service, or avoid issues with errors in the budget in the first place ▪ more targeted marketing to reach the correct market ▪ provision of value-added products ▪ making improvements to processes or methods.
Reasons for variances	<p>If there is a significant increase in sales (a favourable variance) it may be due to an increase in demand that hasn't been forecast. This will affect production planning. Low sales (an unfavourable result) may be due to a shift in market trends affecting demand, prices that are too high, ineffective marketing or forecasting that hasn't taken into account seasonal fluctuations.</p>

Review objectives and performance indicators

It is important to conduct regular performance indicator reviews. This involves stakeholders coming together to analyse the currency and relevancy of objectives and indicators. Issues can be examined and changes recommended.

Decision makers may only get together when significant issues have been identified through variance analysis, and corrective actions are required, regular meetings will ensure all performance is on track rather than waiting for significant issues arise.

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 question 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, some customers are disappointed in the customer service they are receiving.

Nick decides to assess 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, which provides five people to act as customers. The people send enquiries via the website 'Contact us' form as if they are real customers. Results show sales staff are slow in responding to customers and are providing them with only basic information. Nick reviews the current objective and KPI, which is: 'Provide efficient customer service'. He hopes that by revising the objective and KPIs he will have a clearer and SMARTer performance indicator to 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, by telephone, in person or via the website, must be responded to within 24 hours
- customer queries must be responded to with sufficient information to satisfy the customer – customer satisfaction is clarified at the time of the call
- 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.

One of the measures will be to review the level of customer satisfaction, which may or may not translate immediately into increased sales but should improve reputation, which will return added customers. If not, then there may be another issue as well. Refine and assess again to be sure the plan is accurate and relevant.

Analyse strengths and weaknesses of the plan

All business plans are calculated based on best case information and data about the business, the environment it operates in and past performance. All plans have strengths and weaknesses; being aware of them helps you achieve the objectives.

Your business plan, if developed well, will have many areas of information. Some of those areas are forecasts based on the available data. It is worth paying attention to the areas you believe are strong to monitor the outcomes and learn from this level of expert planning. There will also be areas where the plan could be better. Businesses tend to do a SWOT analysis as part of their planning. These are typically done to evaluate the strengths, weaknesses, opportunities and threats that apply to the businesses and its planning. Be honest with your plans and ask for feedback on the areas you consider weaknesses so you can improve your strategies and avoid any issues that might result from weak planning.

When you are developing a business plan there is a great deal of information which needs to be gathered, collated and presented. As a result, there can be mistakes if you are not careful and consult widely to be sure of the accuracy of the information. It is up to you to take full responsibility for the legislative requirements applicable to yourself and the organisation. No one says you need to do this alone; if in doubt, ask questions to clarify the expectations.

When creating the business plan:

- ask questions at every step to be sure you have the right information
- check with the relevant authorities to be sure interpretation is correct
- consult with your stakeholders to ensure their understanding of the requirements.

Practice Task 11

Question 1

Which of the following statements are correct? Select 'Yes' or 'No' for each one and provide a reason for your choice.

Making sure the team continues working productively is critical and involves analysing performance against planned objectives. » Yes » No

Once reviews of performance against objectives have been undertaken, the reports can be signed off until the next review. » Yes » No

The organisation's triple bottom line must be monitored and reviewed each month. » Yes » No

Question 2

There are several reasons why variances occur. Explain two main areas and what they can mean to the business.

Question 3

What is the next step you must follow once you have identified a variance?

3B Identify and coach underperforming staff

There will be times when staff do not meet the expectations of the plan. They may not understand or be committed. It is best practice to coach those members of the team who have been identified as underperforming.

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 a number of reasons. Understanding why there is underperformance is a first step in solving the problem.

Consider these reasons for underperformance:

- There is a lack of following through on the training plans developed during operational planning. Are the staff encouraged to attend? Are the right persons supported to attend?
- Team members may not be taking advantage of the training opportunities provided, or they may be failing to complete the programs identified to address essential skills and knowledge gaps that will help them perform their tasks competently.
- Do the staff who are underperforming know what their job is? If they don't know properly, they most certainly will not be meeting expectations and be highly surprised and frustrated to find out they are not contributing. If staff were employed under a misunderstanding of what the job actually involves, there will be issues with performance.
- Is the job able to be done? Or are there aspects of the operation which make the job impossible?

Reasons for underperformance need to be understood. Do not assume the reasons for poor performance; examine the situation and develop a response to address the issue.

Underperformance affects everyone's ability to contribute to meeting the objectives. Managers need to ensure the coaching, mentoring or training is relevant and constructive. Encouraging improvement should be the outcome.

Professional development is part of a continuous improvement cycle. Past corrective actions may have resulted in the requirement for a new set of skills or knowledge. In this case, a new training needs analysis should be conducted and training plans identified to address gaps.

Underperformance may include staff who:

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

Above all, find out why, so that you can offer the underperforming staff member the right support. If staff do not understand or follow organisational procedures, it may be that they have never been shown, or have a learning disability, or find your instructions ambiguous. Or, indeed, they may not care. There will always be some staff you cannot accommodate and help, but in many cases, staff want to do the right thing and contribute effectively.

Improve performance

Encourage staff to meet and exceed targets. Working out the best way to improve performance for your team is key to success.

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 or 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 skills 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 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

Coaching starts with a conversation to assess the current state, discuss future states and collaboratively determine the best way to achieve outcomes. You are never too experienced or accomplished to benefit from coaching.

Coaching is a valuable process, as long as the person who is identified as underperforming is keen to receive the coaching. Staff who are underperforming may be doing so for a number of reasons, and it is important to keep them onside if you are keen to help them with coaching. Keep your language non-threatening and maintain positive questioning and active listening to be sure they are willing to participate in the improvement process.

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

GROW stands for:

- **Goal:** What behaviour needs to change? What SMART goal will enable the behaviour to change?
- **Reality:** What is the current reality; what is happening and what is the effect?
- **Options or Obstacles:** What will enable you to solve the problem and what are the barriers?
- **Will or Way forward:** What will you do to reach the goal and what will enable you to commit to meeting the goal?

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, the sales representative, who follows up on the leads 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 systems, processes, objectives and indicators are appropriate. They identify the issue, which 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. After three months the group evaluates the outcomes to determine if the coaching has helped. If it has, great! If not, evaluate again and make changes to the plan.

Practice Task 12

Question 1

Briefly explain three common reasons that staff may not achieve their KPIs.

Question 2

Having identified the reasons for non-performance, draw a line to match each performance development support with the staff member and their issues.

- | | |
|-------------------------|--|
| » Coaching | » Anna is in line for a promotion to supervisor. She has been performing well but you have identified she will need specific support to meet the requirements of the new role. |
| » Mentoring | » Jac has skills but is a little unclear about how the department fits into the organisation. She would benefit from one-on-one support from her manager. |
| » Training – accredited | » Bobbi is struggling to understand how her work in sales affects the accounts department, this has been causing difficulties for both teams. |
| » Job rotation | » Max has been working at her current role for a while but is losing interest. She is a valuable member of the team and you need to help her prepare for another challenge. |

Question 3

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. Provide at least one question in each area:

a) Goal

b) Reality

c) Options or obstacles

d) Will or way forward

3C Review the business plan

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.

<p>Deming's cycle</p>	<p>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:</p> <ul style="list-style-type: none"> ▪ Plan: identify an opportunity and plan for change. ▪ Do: implement the change on a small scale. ▪ Check: use data to analyse results of the change and determine if 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.
<p>Other models</p>	<p>Other commonly used continuous improvement models, quality standards and techniques are:</p> <ul style="list-style-type: none"> ▪ quality management system standards ▪ balanced scorecard ▪ Six Sigma ▪ lean management ▪ benchmarking ▪ just-in-time (JIT). <p>To learn more about these, visit the American Society for Quality's site at: aspirelr.link/asq-continuous-improvement</p>

Lead reviews using a structured process

Similar to the development process for business plans, a systematic process for review should be adopted. Issues should be accurately identified so you can focus your energies on rectification.

It is useful for a manager to be aware of a range of different review processes so they can decide which one is appropriate for the situation under review. Various models can be found on the internet, through 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 initials (define, measure, analyse, improve, control), the process is used by a number of organisations, 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 by reducing waste and improving efficiency. Six Sigma is based on the philosophy that all work is viewed as a process that can be defined, measured, analysed, improved and controlled.

DMAIC is a specialised process requiring 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 performance of method.
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

Knowing what needs to be reviewed will direct your processes and improve your outcomes and successes.

Using the DMAIC system, your task is to define the process or method to be reviewed.

This step involves:

- identifying the improvement opportunity from performance analyses
- defining critical requirements
- developing solutions to improve the process or work methods.

To review your business plan in a structured way, consider the following areas to be reviewed.

- Core activities and business efficiency; these are your main areas of work. How effective are they? This will include a review of productivity.
- Financial reviews; this means assessing the financial position of the business.
- Competitors, customers and markets; these need to be analysed.

Use your review to redefine your business goals and develop an action plan with timelines, resources required and responsibilities assigned 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 might be to redesign the process to increase efficiency and effectiveness in processing customer orders. The problem statement for this situation should identify how long the issue has existed, the impact it has had on customers 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	<ul style="list-style-type: none"> • Variance analyses interpretations • Gap analysis • Process mapping, which identifies the stages, steps and tasks involved in any one process • Action planning
Key outputs	<ul style="list-style-type: none"> • 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 increase 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	<ul style="list-style-type: none"> ▪ Charts ▪ Graphs ▪ Data analysis
Key outputs	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Process mapping ▪ Hypothesis testing ▪ Root cause analysis and fishbone diagram
Key outputs	<ul style="list-style-type: none"> ▪ 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 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 that 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	<ul style="list-style-type: none"> ▪ Cost-benefit analysis ▪ Project planning ▪ Risk management ▪ Change management
Key outputs	<ul style="list-style-type: none"> ▪ 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 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	<ul style="list-style-type: none"> ▪ Project planning ▪ PDCA cycle
Key outputs	<ul style="list-style-type: none"> ▪ Process control systems ▪ Updated policies, procedures, standards and guidelines ▪ Training records ▪ Results of team evaluation ▪ Success stories/lessons learned

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.

- Primary Care Partnerships, Victoria, Continuous Improvement Framework: aspirelr.link/primary-care-partnerships
- City of Melville, WA, Continuous Improvement Framework: aspirelr.link/melville-continuous-improvement-framework
- Aged Care Quality and Safety Commission, Continuous improvement: aspirelr.link/aged-care-quality-continuous-improvement
- Fujitsu Australia, Managed Services: aspirelr.link/fujitsu-managed-services

Practice Task 13

Question 1

You are new to the organisation and have taken over the implementation of the new business plan. In the handover you can't remember if there is are review processes in the plan. What should you look for?

Question 2

Which of the following statements are correct? Select 'Yes' or 'No' for each one and briefly explain why you answered this way.

Regular review processes need to be built into the business plan to ensure the performance measures and strategies remain relevant. Every 12 months is often enough for a review. » Yes » No

Regular review processes exist to enable managers to gather timely and relevant information and help with decision making and continuous improvement. » Yes » No

Question 3

When reviewing the business plan, there are a number of tools which can be used. Describe one of these tools, and explain how it can be used to ensure there is improvement in the review process for the business plan.

Summary

- 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.
- Variance analysis compares 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.
- Corrective actions 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.
- 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.
- To improve performance, organisations need to review processes and work methods. The organisation's continuous improvement framework provides guidance and procedures for implementing methods.
- DMAIC is a commonly used process for addressing issues in business or production processes and methods. The steps involved in the DMAIC process are: **D**efine, **M**easure, **A**nalyse, **I**mprove and **C**ontrol. Preparing a process map is an important tool in this process.

Learning Checkpoint 3

Respond to performance data

Part A

1. Draw a line to match each term in the DMAIC process to its definition.

» Define

» Variance and gap analysis to assess the areas of weakness

» Measure

» Determine where the issue is, using process mapping to identify stages, steps and tasks involved

» Analyse

» Create a control plan to monitor effectiveness

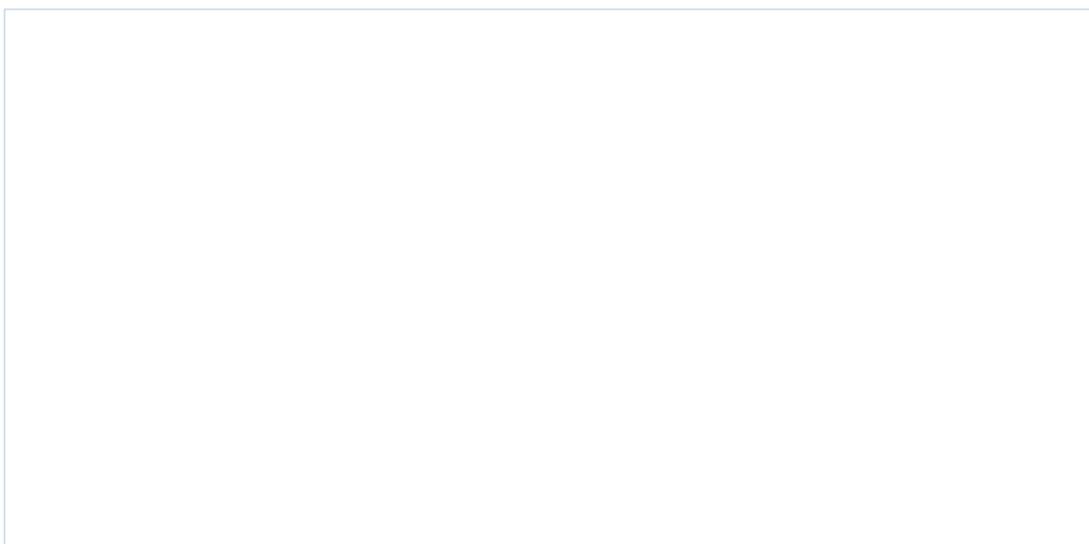
» Improve

» Charts, graphs, data analysis, including collection requirements

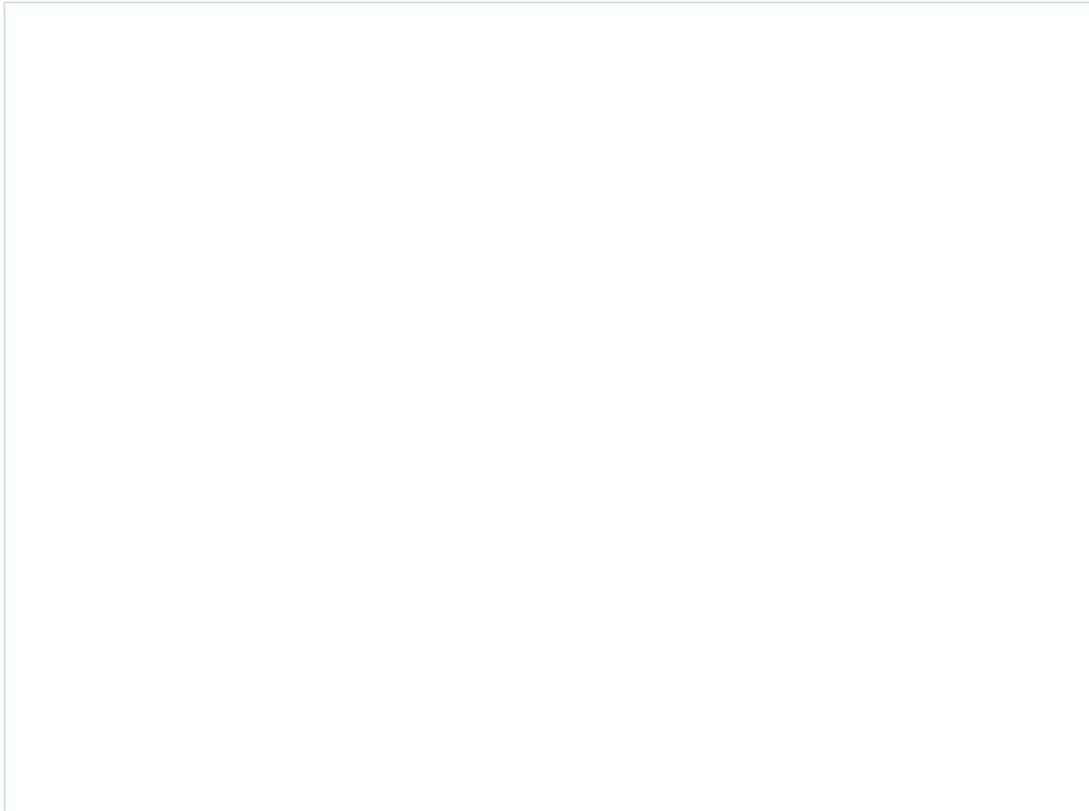
» Control

» Output process or methods maps assessing competitors

2. Explain the importance of conducting regular reviews of objectives and performance indicators and making improvements as required.



3. List the criteria you would use to identify potentially underperforming team members, and provide two considerations you need to use when coaching underperforming staff.



4. Draw a line to match each performance area in the business plan to the set of tools that can be used to evaluate its performance.

» Sales

» Effective continuous improvement, policies and procedures implemented and reviewed

» Governance

» Volumes, targets, defect numbers

» Quality

» Standards, processes to control, testing protocols

5. Which of the following are key areas you would consider when monitoring the community awareness and branding success of a business?
- Feedback from internal marketing teams about the business's image
 - Consistency in values and marketing strategies
 - Community support and engagement with the business on social media
 - Reputation of the business in the local region

Part B

Case study

Living Outdoors is a furniture manufacturer that supplies outdoor furniture products at the premium end of the market. The company has been in business for more than 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 production values are slipping and sales are decreasing.

In the last four months, the variance between actual and forecast sales has reached an unfavourable variance of 15 per cent. Many management staff have been with the firm for 20 years or more, which gives great depth of knowledge about the business, but new managers are adding value to diversity.

There has never been a rigorous continuous improvement process in place, as the company has always relied on its reputation for success. The business plans are updated irregularly and are not always reviewed thoroughly.

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. Describe two appropriate coaching or training opportunities to help develop staff who are underperforming at Living Outdoors. For each strategy, explain how this will improve specific staff performance.

2. What regular review processes are in place for the plan? Explain and recommend actions to be taken if required.



3. Reviewing the business plan requires you to consider the strengths and weaknesses of the plan. Identify at least two strengths and two weaknesses you might look for.

