BUSINESS FOR QCE

DIVERSIFICATION & EVOLUTION

2E

Sally Adams
Berenice Furlong
Melissa Larsson
Amy Thompson

UNITS 3 & 4

Nelson

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Business for QCE: Units 3 & 4: Diversification & Evolution
2nd Edition
Sally Adams
Berenice Furlong
Melissa Larsson
Amy Thompson

Product manager: Melissa O'Shea
Content developer: Morgan Begg
Content manager: Jessica Lovell
Content project manager: Sharmilee Govindan
Project designer: Nikita Bansal
Text designer: Cengage Creative Studio
Cover designer: JENKI (Jennai Lee Fai)
Cover images: iStock.com/Nikada; iStock.com/gorodenkoff; iStock.com/PeopleImages; iStock.com/alvarez; iStock.com/Anchiy
Permissions/Photo researcher: Liz McShane/Lumina Datamatics
Editor: Anne Mulvaney/Susan Keogh
Proofreader: Peter Cruttenden
Typesetter: Lumina Datamatics

First edition published in 2019

National Library of Australia Cataloguing-in-Publication Data
ISBN: 9780170484367
A catalogue record for this book is available from the National Library of Australia.

Cengage Learning Australia
Level 7, 80 Dorcas Street
South Melbourne, Victoria Australia 3205

For learning solutions, visit **cengage.com.au**

Printed in China by 1010 Printing International Limited.
1 2 3 4 5 6 7 27 26 25 24 23

CONTENTS

ABOUT THIS SERIES

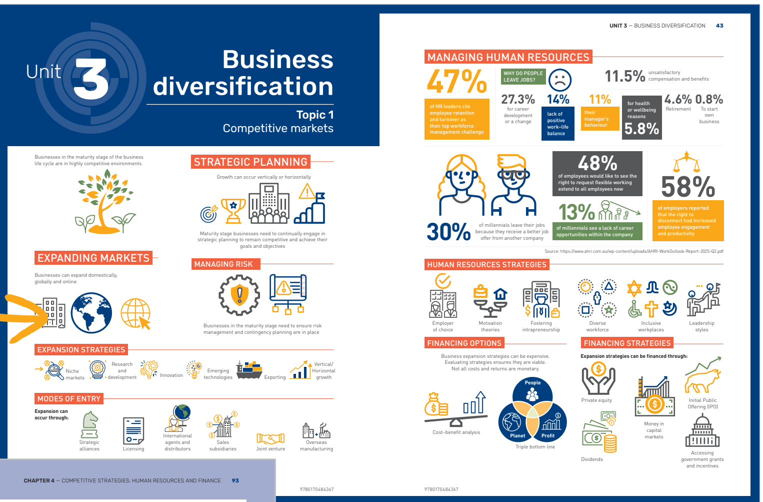
This series has been created to comprehensively cover the new senior QCAA Business General Senior Syllabus. *Business for QCE* explicitly addresses the syllabus and unit objectives using the inquiry approach valued in the syllabus, with integration of the underpinning factors throughout.

Written by a highly experienced and respected author team, the series provides a strong foundation in the fundamentals of business with extensive explanations of concepts and theories, and follows the progression of the business life cycle from seed to post-maturity stage. Through an engaging 21st-century approach to teaching and learning, students will develop skills in examining business data and information through a range of analytical tools and visual representations. Learning in Business integrates an inquiry approach with authentic case studies, and the series includes a range of authentic and contemporary case studies that increase in depth and scope.

Student book

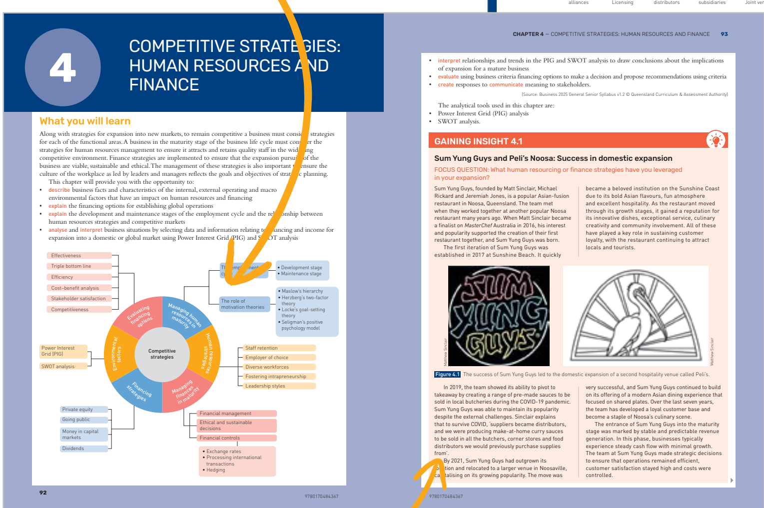
Infographic

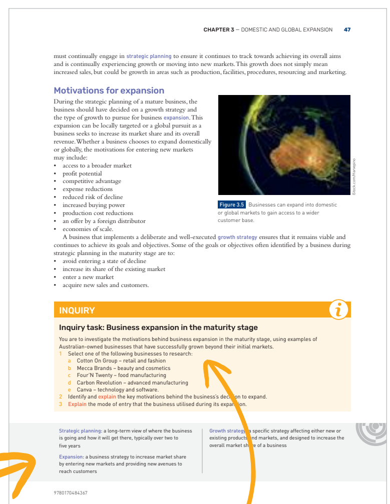
Visually engaging infographics provide an overview of each topic



Concept map

Scaffolds the information contained within the chapter





Gaining insight

Provide a range of contemporary and authentic case studies and industry insights

Key terms

Clear definitions of key terms throughout each chapter and in a complete glossary

Inquiry activities

Provide students with short inquiries to complete, and require students to carry out research and present data

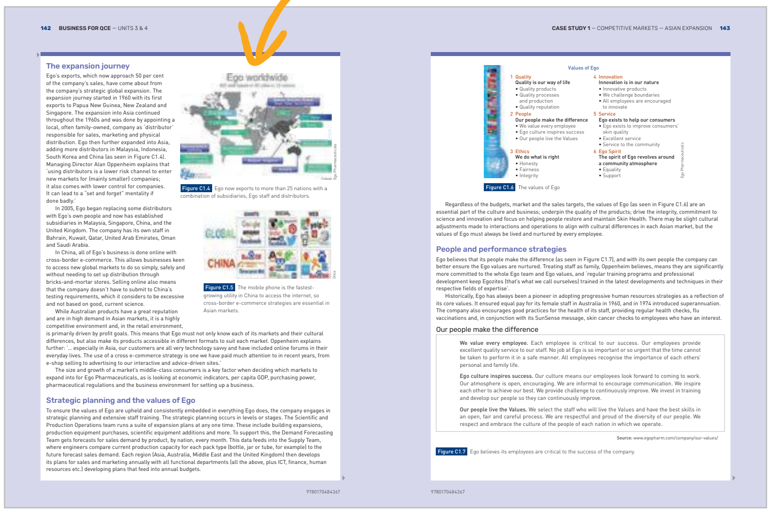
9780170484367

Analytical tools

Analytical tools are explained and applied in practical tasks, with links to templates

Case studies

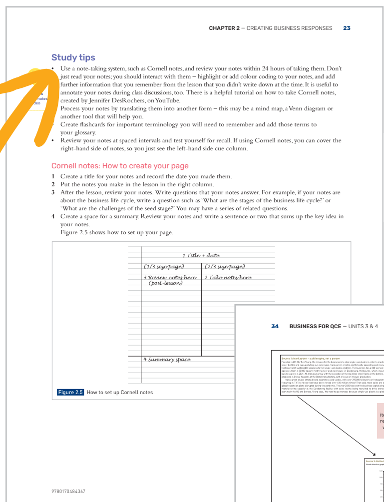
Complete case studies of local and national businesses at the conclusion of each topic

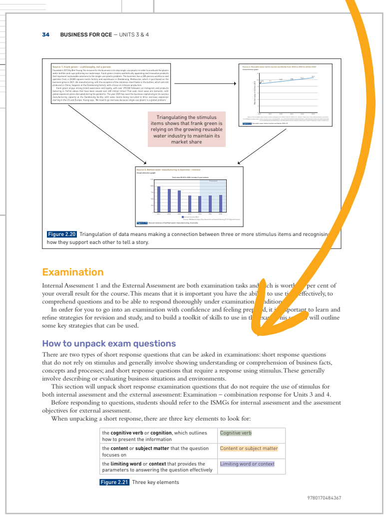


Questions

A range of graded questions to ensure a steady development of knowledge and understanding

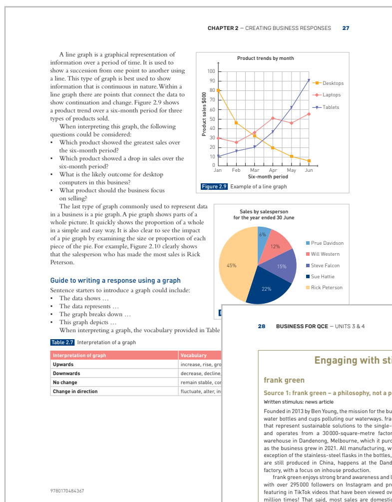
Chapter 2 exam support





Exam questions

Unpack the key elements required to complete the task



Stimulus

A comprehensive guide to engaging with stimulus and a case study

Study tips

Provides students with revision and study tips and how to use and analyse stimulus

Nelson MindTap

An online learning space that provides students with tailored learning experiences.

- Access tools and content that make learning simpler yet smarter.
- **Flexible formats:** choose how you navigate using either the online eText or offline PDFs.
- Margin links in the student book signpost multimedia student resources found on Nelson MindTap.

Template
SWOT analysis

For students:

- Access **weblinks** associated with the content to build on your understanding of the concepts through real-world applications.
- Complete practical tasks using **analytical tool templates**.
- Revise using **chapter summaries**.
- Download individual **chapters as PDFs** for easy offline access to the material.

For teachers*:

- Use **teaching plans** to support easy program and assessment planning.
- Access expert **solutions** to selected Gaining insights, Chapter reviews and end-of-topic case studies.
- Access ready-made **practice exams** with solutions and sample responses.
- Help build your students' exam readiness with **Cognero Assess** – a test bank containing chapter review questions and additional exam-style questions to create, assign or export formative and summative tests.

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ABOUT THE AUTHORS

Sally Adams

Sally is a dynamic and professional educator with significant experience within business education. She is the Leader of Learning – Business at her current school and has taught Business, Economics and Legal Studies, along with junior business subjects, in Queensland and Victoria. Prior to becoming a teacher, Sally worked in marketing and has a Masters of Business Administration. She is a passionate advocate for business education, a Fellow of the Business Educators' Association of Queensland (BEAQ) and a regular presenter at professional development sessions.

Berenice Furlong

Berenice is a leader in business education in Queensland. She has significant experience within the Queensland school environment as a Head of Department, senior teacher and year-level coordinator. Berenice is an experienced Business educator who has taught across senior Business, Legal Studies and Accounting and a range of junior business subjects. She is first and foremost a classroom teacher who understands the needs of frontline educators. She is a dedicated teacher who has made a significant contribution to the lives of young people. Berenice has been involved with BEAQ and has held positions on the executive committee, including Vice President. Berenice has presented professional development sessions to Queensland teachers to provide support and guidance and to develop the skills and curriculum understanding of teachers in delivering quality programs.

Melissa Larsson

Melissa is an experienced Product Manager with Ideagen, and has worked on the CompliSpace product supporting the education and aged care sector, as well as the Op Central product, which supports franchise and multi-location businesses across food and beverage, fitness and wellness and retail industries. Prior to this, she taught across the Business curriculum in Queensland for more than 11 years in Brisbane, with proficiency in Business, Accounting, Certificate III Business, and junior economics and business subjects. Melissa has organised and delivered a range of professional development sessions for teachers and is currently the Vice President of BEAQ.

Amy Thompson

Amy is a Deputy Head of Secondary School on the Sunshine Coast. She is an experienced teacher and school leader and has taught senior Business, Legal Studies and Accounting, as well as a range of junior subjects across HASS and Technologies. She has previously been involved with BEAQ as Conference Convenor. Amy is passionate about curriculum design and relishes the opportunity to collaborate with colleagues on curriculum and pedagogy. She is involved in the development and publication of a variety of resources to support teachers and students across Queensland.

AUTHORS' ACKNOWLEDGEMENTS

Sally Adams

Thank you to my family, notably my husband, Ian, and daughters, Makayla and Jasmine, for their continued encouragement and support; they know first-hand the demands of the writing process and the milestones involved. Also, to those who have been photographed along the way – thank you! I gratefully acknowledge the people who have shared their experiences and insights into their incredible businesses, including the team at Brookfarm, for so willingly being involved and sharing their journey. Your valuable insights bring the subject matter to life for our students. It is a highlight to continue working with such an amazing team of co-authors. Bernie, Mel and Amy, it is always such a pleasure to work with you. I appreciate the strong connections we have and what each of you bring to the textbook. I also thank the team at our publisher, Cengage Nelson, notably Melissa O'Shea, for their support and feedback for this second edition.

Berenice Furlong

Thank you to my husband, John, and my daughter, Chloe, for their unwavering support and encouragement. It is quite challenging to co-author a book while still meeting the demands of full-time work and family life. Without their patience and understanding this book would not have been possible. I would also like to acknowledge and thank all of the business people and friends who have given their support and shared their business wisdom, expertise and experience. This has provided insights by showcasing authentic businesses and will be a valuable resource to teachers and students. I acknowledge my esteemed co-authors Sally, Melissa and Amy. It was a genuine pleasure to work with them. Together we were able to work as a cohesive team, which was essential to the development of this comprehensive textbook. I also wish to thank our publisher, Nelson Cengage, for their support, feedback and expertise.

Melissa Larsson

I would like to thank my husband, James, and my parents, Kerry and Denis, for their support as I commenced work on the new edition of this series. Moving away from teaching but still being wholeheartedly committed to Business education does present its challenges, but knowing the positive impact this series has on teachers brings me a deep sense of purpose. I hope you find this to be a reliable and trusted resource. To Amy, Berenice and Sally – you are the most amazing educators, delivering exceptional outcomes to those you work with and the students you support. I am in awe of your tenacity and professionalism and your friendship and consult means so much to me. Thank you to our publisher, Melissa, for her advocacy of this second edition, and to everyone at Cengage Nelson who has supported this textbook series. I would also like to acknowledge all of the business professionals that allowed us to use their businesses as case studies, giving teachers and students authentic insights into business management and strategy. Finally, I'd like to acknowledge my son, Christian, who is still little and wasn't around when we wrote the first edition. You are my 'favourite everything' and I look forward to telling you all about these books when you're older.

Amy Thompson

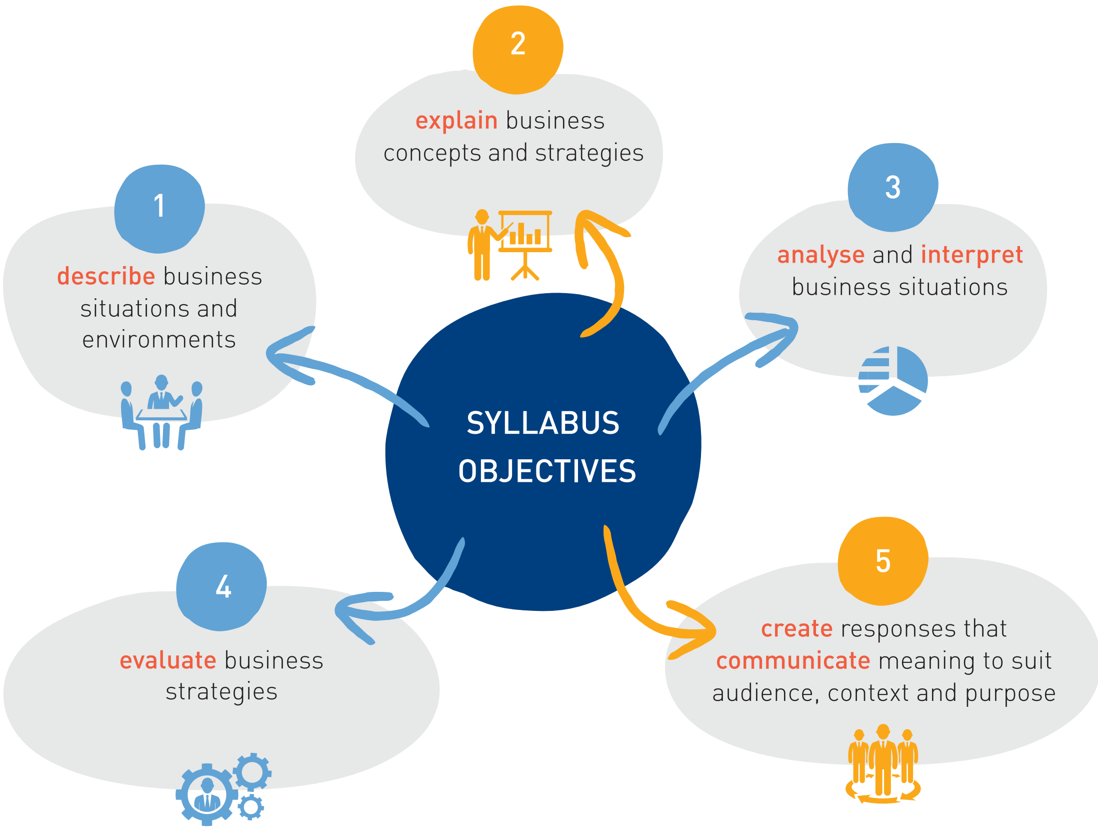
My thanks must first go to my husband, Jason, for his support and to my children, Hazel and Henry. It is my family who most understand how much time and effort goes into a project like this. To the wonderful team of co-authors, you continue to be a dream to work with, and I am so grateful for the knowledge, expertise and friendship I share with each of you. To my friends and my colleagues who have been so supportive as I balance work, motherhood and my extra pursuits, your support is appreciated more than you will know. I also wish to acknowledge our publisher, Nelson Cengage, and Melissa O'Shea for the support and feedback throughout the development of this book. Thank you to the businesspeople who so generously gave their time, experiences and expertise to ensure the case studies and insights are authentic and valuable. Finally, to teachers and students who use this resource, thank you! May this be a useful tool as you journey through the Business course.

9780170484367

COGNITIONS

In Business, you will develop a deep understanding of the subject matter through using a range of cognitive processes. These cognitions are defined in the syllabus objectives, which allow you to demonstrate skills in retrieval and comprehension of knowledge, analysis and synthesis of information, evaluation and decision-making and the creation of responses to communicate ideas.

By the conclusion of Units 3 and 4, you will be able to:



Source: Business 2025 v1.2 General Senior Syllabus © Queensland Curriculum & Assessment Authority.

21st-CENTURY SKILLS

ASSOCIATED SKILLS

CRITICAL THINKING

- analytical thinking
- problem-solving
- decision-making
- reasoning
- reflecting and evaluating
- intellectual flexibility

CREATIVE THINKING

- innovation
- initiative and enterprise
- curiosity and imagination
- creativity
- generating and applying new ideas
- identifying alternatives
- seeing or making new links

COMMUNICATION

- effective oral and written communication
- using language, symbols and texts
- communicating ideas effectively with diverse audiences

INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) SKILLS

- operations and concepts
- accessing and analysing information
- being productive users of technology
- digital citizenship (being safe, positive and responsible online)

COLLABORATION AND TEAMWORK

- relating to others (interacting with others)
- recognising and using diverse perspectives
- participating and contributing
- community connections

PERSONAL AND SOCIAL SKILLS

- adaptability/flexibility
- management (self, career, time, planning and organising)
- character (resilience, mindfulness, open- and fair-mindedness, self-awareness)
- leadership
- citizenship
- cultural awareness
- ethical (and moral) understanding

Source: Business 2025 v1.2 General Senior Syllabus © Queensland Curriculum & Assessment Authority.

ANALYTICAL TOOLS

Analytical tools are used to support the strategic planning that occurs in businesses across all stages of the life cycle. These tools support the selection, organisation and sequencing of business data and information to assist a business to draw conclusions and make decisions about business strategies.

The visual presentation of these tools encourages you to develop comprehensive responses. In Business, the analytical tools are mapped to each unit and topic; by the end of Unit 4, you will be capable of applying the entire range of analytical tools to a range of authentic business situations.

TOPIC	UNIT 1	UNIT 2	UNIT 3	UNIT 4
Topic 1	• SWOT analysis	• STEEPLE analysis • Break-even analysis	• SWOT analysis • Power interest grid	• STEEPLE analysis • Porter's five forces
Topic 2	• PEST analysis	• SWOT analysis • USP analysis	• STEEPLE analysis • USP analysis	• SWOT analysis • Force field analysis

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1 BUSINESS FOR QCE ESSENTIALS

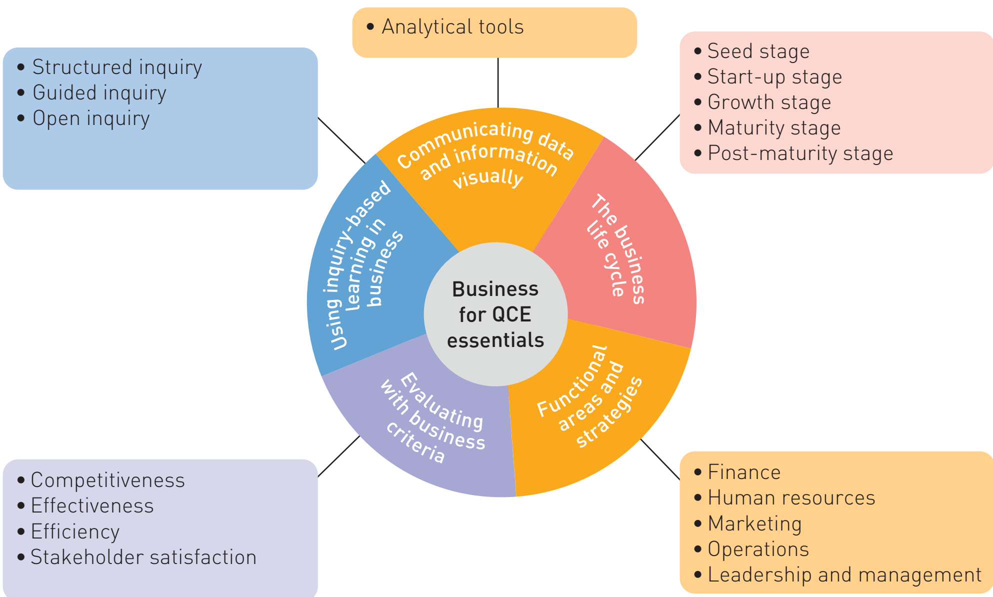
What you will learn

Throughout the study of Business for QCE, the business life cycle, from the seed to the post-maturity stage, will be used to explore and develop skills in examining business data and information. The life cycle provides the context for each of the topics and units studied, and, while the concepts introduced are applicable to many or all stages of the life cycle, each chapter will focus and apply these to a particular stage. When evaluating the business strategies used at each stage, four business criteria will be used to make judgements, decisions and recommendations.

This chapter will provide you with the opportunity to:

- **describe** the facts and characteristics of each stage of the business life cycle
- **explain** the challenges and strategies of each stage of the business life cycle
- **explain** the four business criteria used for evaluating business strategies
- **explain** the purpose and approaches used for inquiry-based learning
- **create** responses to **communicate** the stages of the business life cycle to stakeholders.

(Source: Business 2025 General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority)



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GAINING INSIGHT 1.1

Freedom Foods transforms as Noumi: Addressing challenges and adopting a new identity

FOCUS QUESTION: How did Freedom Foods navigate the stages of the business life cycle to become Noumi?

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Figure 1.1 Freedom Foods has developed through all stages of the business life cycle and has now re-entered the market as Noumi.

Freedom Foods illustrates a brand's journey through all stages of the business life cycle, evolving from the seed stage and start-up to impressive growth and maturity as a prominent Australian food and beverage brand known for its dairy, plant-based drinks and nutritional offerings. Nevertheless, as the company transitioned into the post-maturity stage, it encountered several significant hurdles – such as financial mismanagement, legal disputes and leadership changes – resulting in a significant decline and management's recognition of the urgency for transformative action to renewal.

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Figure 1.2 The business began in Melbourne in 1990, when wholesome, tasty, 'free from' foods were rare.

Seed stage: The Freedom Foods Idea

Freedom Foods embraced the philosophy that 'to make something good, you have to make it yourself'. It is an approach that the business has embodied since its inception, with the creation of products that are wholesome, tasty and free from artificial colours or flavours, genetically modified ingredients and – where the product is designed to be free from allergens – allergens such as nuts and gluten. At its conception, this 'free from' approach was very much a niche focus. Today, Noumi is a leader in Australia's 'free from' food movement and has been innovating products for almost three decades.

Start-up stage: Pioneering a healthy food focus, 1990–2008

The business began in Melbourne in 1990, when wholesome, tasty, 'free from' foods were rare. Freedom created healthy alternative products, mostly gluten free, that are sold through health food stores.

In the 2000s, Australian consumers became more health-conscious, and a trend towards 'feel-good food' emerged. This presented an opportunity for the business, as strong demand for its products meant that what had been a niche market became more mainstream. After its acquisition by So Natural Foods Australia Limited – later rebranded as Freedom Foods Group Limited and now known as Noumi – Freedom Foods expanded its product range to include allergen-free options.

Growth stage: Growing the 'free from' movement, 2009–2014

Based on strong demand and limited capacity in the original plant, Freedom opened a dedicated 'free from' factory in Leeton, New South Wales, in 2009. This factory is one of only a few in the world where facilities are guaranteed to be free from allergens such as wheat, rye, barley, triticale (a cross between wheat and rye) and nuts. This has been achieved through stringent quality and production standards and attention to detail. Consumers are assured of true allergen-free products from Freedom.

Freedom developed an approved-supplier program to manage the supply of raw ingredients from sourcing at the farm to milling in the 'free from' facility. Every batch of finished products is tested to ensure that gluten, as found in wheat, rye, barley and triticale, is not detected. Noumi upholds rigorous quality control and allergen management standards, preserving the foundational practices established by Freedom Foods, reassuring consumers that the brand remains a trusted leader in the 'free from' food market.

The on-site laboratory tests for allergens using the best available testing kits. It uses external food laboratories certified by the National Association of Testing Authorities to validate its testing methods. Freedom also uses the VITAL (voluntary incident trace allergen labelling) system, an assessment tool that is used to evaluate the risk of potential allergen contamination during the manufacturing process. These tests are incorporated into the quality management systems to guarantee product quality and customer satisfaction.

Maturity stage: A strategic focus – expansion, innovation and awards, 2015–2020

Freedom Foods continued to grow, expanding into the North American and Chinese markets with cereals, snacks and dairy products, seeking to bring healthier choices to consumers worldwide. In 2017, Freedom Foods entered into a strategic partnership with Seamild, a Chinese oat-based cereal and food manufacturer. This saw Freedom Foods expand the range of Seamild-branded oat-based cereal products sourced directly from Australia, including oat clusters and oat-based snacks.

The business has six state-of-the-art factories in New South Wales and Victoria, and it produces more than 250 products across the cereals, snacks, plant-based beverages, dairy and nutritional categories. Freedom Foods Group constantly innovates to create delicious and healthy food and beverages. This work has been recognised in the awards won by the company.

Post-maturity stage: Facing challenges and decline, 2020–2021

The Freedom Foods journey began to decline due to financial misconduct and operational problems. By mid-2020, it came to light that the company had made major financial misstatements, such as inflating asset values and not disclosing liabilities. These issues led to a considerable write off of more than $590 million in the value of the company, triggering an inquiry by the Australian Securities and Investments Commission (ASIC). Consequently, the company's stock was temporarily halted from trading on the Australian Securities Exchange (ASX), harming the company's image and undermining investors' confidence.

This period was further complicated by leadership changes, with several senior executives stepping down as Freedom Foods grappled with the fallout. Operationally, the company faced production inefficiencies and costly inventory management issues, exacerbating its financial troubles. As its credibility and competitive position weakened, Freedom Foods found itself in a precarious state, risking a potential exit from the industry altogether.

Post-maturity stage: Renewal – transforming into Noumi, 2021–present

Freedom Foods undertook a comprehensive renewal strategy to address these challenges, focusing on restructuring, operational efficiency and brand repositioning. The company sold off its underperforming cereals and snacks division to the Arnott's Group, allowing it to focus on its core dairy and plant-based beverage segments, which had shown steady demand in domestic and international markets. This was a strategic move to simplify operations and stabilise finances, enabling the company to regain focus on product innovation and quality assurance.

In November 2021, Freedom Foods rebranded itself as Noumi Limited, marking a symbolic and strategic renewal. This rebranding was more than a name change; it was designed to signify a new chapter in the company's history, moving away from past controversies and rebuilding its reputation in the health food market. Noumi retained Freedom Foods' 'free from' values and commitment to allergen-free, nutritious products, while enhancing operational transparency and quality assurance practices.

Under the Noumi brand, the company has refocused on creating dairy-free beverages, nutritional products and high-quality dairy offerings. This renewal phase involves reinforcing supplier relationships, emphasising rigorous testing standards and committing to sustainable production practices to meet growing consumer demand for health-conscious and ethically produced foods. In aligning its mission with its original values of quality and wellness, Noumi aims to reclaim its competitive edge, foster consumer trust and solidify its future in the 'free from' food industry, positioning itself for sustained growth and resilience in a challenging market landscape.

Questions

1. Describe the characteristics of Freedom Foods at each stage of its business life cycle, including its transition to Noumi, and identify what stage it is currently in as Noumi.
2. Explain the strategies Noumi has employed throughout its life cycle to achieve success and maintain competitiveness in a challenging market.
3. Draw conclusions about the implications of Noumi's strategic direction as it seeks to strengthen its position and remain competitive in the marketplace.

The business life cycle

Key learnings

You will learn about each stage of the business life cycle by examining:

- characteristics
- challenges
- strategies.

The business life cycle is a representation of the series of stages that can be applied to the duration of activity that a business conducts. The five stages of the business life cycle cover the generation of the business idea (the seed stage), start-up, growth through to expansion or establishment, and, finally, the post-maturity options of steady state, renewal and decline (Figure 1.3). As soon as the decision to develop an idea into a potential business is made, the business life cycle journey has begun.

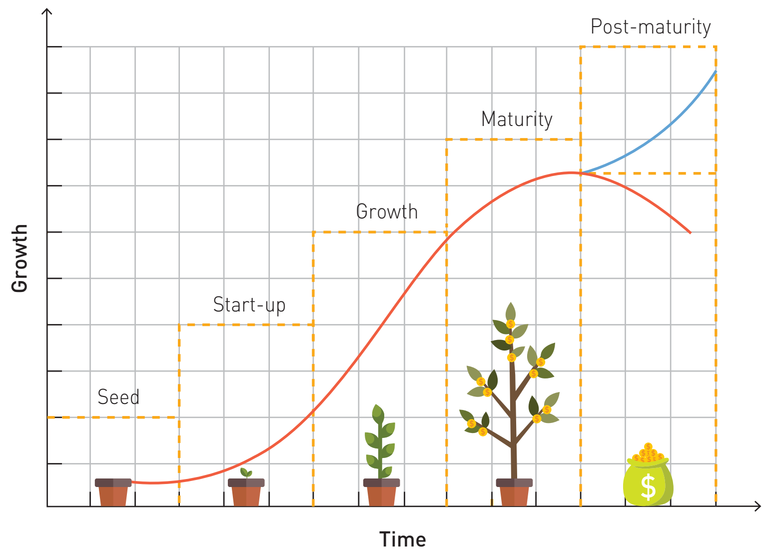

Figure 1.3 The five stages of the business life cycle

During each stage of the business life cycle, different challenges will be encountered. Each challenge may require a **strategy** or response to maintain the growth or position of the business in the market. Not all businesses will experience every stage of the business life cycle or experience each of the challenges in the same way. Nor will every business necessarily experience them in the same chronological order. For example, some businesses may experience rapid growth right after start-up and so move straight into expansion. For many businesses, though, there will be some resemblance of these five stages as the business progresses. When exploring the strategies for each stage or functional area of the business, there will be some strategies that are relevant to businesses at a number of stages in their life cycle and will be revisited a number of times, no matter what stage the business is at, and some strategies that worked for one stage but that may not work in another stage.

Strategy: the means by which a business sets out to achieve its desired goals and/or objectives

Table 1.1 Examples of some potential strategies relevant to the functional areas of finance, human resources, marketing and operations

Financial management strategies	Human resources management strategies	Marketing strategies	Operational strategies
Asset management	Appraisal	Competitive pricing	Corporate social responsibility
Budgeting	Communication models	Cost-plus pricing	Cost leadership
Cash flow	Corporate wellness	Cream-skimming	Economies of scale
Comparative financial reporting	Employer-of-choice status	Developing a niche market	Emerging technology
Credit policies	Induction	Digital marketing	Expansion
Debt finance	Job design	Emerging technologies and platforms	Exporting products or services
Equity finance	Leadership and management	Integrated marketing	Innovation
Goodwill	Performance management	Penetration pricing	Minimising wastage
Long-term financing	Promotion	Product diversification	Outsourcing
Outsourcing	Recruitment process	Psychological pricing	Project management
Restructuring	Redundancy	Public relations	Research and development
Short-term financing	Restructuring	Rebranding	Sustainability
	Retraining and development	Research and development	Process transformation
	Rewards and benefits	Target markets	
	Selection process	Traditional marketing	

The seed stage

The seed stage is the very beginning of the business life cycle, when the business is just a thought or an idea. In this stage, initial testing, research into the industry, and feedback from friends, family or industry specialists help to develop and refine the idea. It is during the seed stage that the viability of the business idea is determined and key stakeholders are identified and engaged. These may include business mentors, suppliers, customers and partners. A legal structure for the business needs to be established and a business plan developed to bring together the ideas underpinning the business strategy. It is at the seed stage that the funding needed to acquire resources for prototype development, production, property for the business location, and the potential hire and training of staff is considered and planned; for example, through loans, investments, crowdfunding or grants.

Challenges of the seed stage

One of the major challenges in the seed stage is finding the time, energy and money required to develop the idea into a business while there is no revenue or income stream to rely on. The seed stage involves a significant outlay to establish the business. This may include initial operational costs, production costs, infrastructure, or market entry and legal fees associated with the business idea. If a business in the seed stage does not have a documented plan in place to achieve market acceptance, or is not ready for market at the anticipated start-up date, the financial setbacks can have a serious impact on the viability of the business idea.

Strategies for the seed stage

During the seed stage, developing a business plan is the biggest success factor for an emerging business. The plan needs to include a clear vision; the goals and objectives of the founders; a marketing plan to introduce the business idea and reach the target market; and a detailed outline of financial needs, particularly for the first few months while the business develops its model without receiving revenue from sales. The success of a business moving from the seed stage through the business life cycle will rely heavily on the skills of the founders or employees to ensure the key functions of the business are efficiently completed. During this stage a potential business owner may choose to upskill in key areas or consult with professionals. These key areas may include financial administration and management, regulatory licences, intellectual property and human resources management. The business owner may then revise their business plan during the start-up stage in order to seek more finance for the business.

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Figure 1.4 Effective planning at the seed stage is an essential factor in the success of a business.

The start-up stage

Once the viability of a business idea is established, a solid business plan exists and a legal ownership structure is in place, the business moves from the seed stage to start-up. In the start-up stage, the business idea has been developed into products or services that the business is ready to market and sell. During the start-up stage, a business focuses on establishing itself and building a customer base, while also making sure it is meeting its legal and regulatory obligations, and seeking greater sources to finance. During this stage the business is established and commences trading, and may begin to hire and train employees and build professional networks.

Challenges of the start-up stage

The start-up stage is often the riskiest stage in the business life cycle, and a business may move from start-up straight to exit if it cannot engage with stakeholders, or adapt to meet their needs. The business begins trading and seeks to attract and establish a customer base and presence in the market. This is a challenge that continues throughout the life cycle; however, it is critical during the start-up stage that customers are attracted and products or services are sold to ensure the necessary cash flow to fund the continued operation of the business. This can be achieved through calculating the break-even point for the business, and carefully budgeting expenses against forecast income. It is also important the business owner develops effective management and leadership skills to navigate these challenges with competence.

Strategies for the start-up stage

Being able to respond to feedback from stakeholders in an efficient and timely manner is essential in the start-up stage. Adapting and responding to customer feedback and investors will ensure the business can attract new customers and begin to grow. At this stage of the business, ensuring stakeholder engagement – with suppliers, accountants, solicitors and government – is essential for the establishment and success of the business.

The growth stage

The growth stage of a business is the movement of a business into either an **established state** or an **expansion state**. This means the business is either growing into new markets or is establishing its presence in the industry. It is during this stage that a business will innovate and refine its products or services for sustained growth or to meet the needs of a

Established state: a state in which the business is consistently generating revenue and adding new customers and should be generating a consistent source of income

Expansion state: a state in which the business adopts strategies to move into new markets and distribution channels, either geographically or demographically market in a new location, demographic or target market. At this stage, it is important that a business revisits its business plan, evaluates its goals and objectives, and sets in place new financial and marketing plans to accommodate the new stage. During the growth stage, a business might also develop new ideas or acquire another business as a means to market new products. There may also be the creation of a new organisational structure or new management positions during this stage, and often extra employees are hired.

Sahara Prince/Shutterstock.com

Figure 1.5 During the growth stage, a business may choose to focus on the development of an established state or an expansion state.

Challenges of the growth stage

Businesses in this stage often see rapid growth. The challenge is to avoid getting too comfortable in the market or overextending the resources of the business in order to expand. When resources are overextended, cash-flow problems can arise, along with issues with creditors and an inability to meet business obligations. It is important that a business does not expand into new markets that are too small to support all the competing businesses, and that it doesn't neglect its current customer base in the pursuit of a new market or a larger market share. The challenge of new competitors is also evident at this stage in the business life cycle. Competition can come from businesses that are already in the new market or from new businesses entering the established market. It is also important at this stage that the founder of the business is able to relinquish control of some areas to reliable staff, who will contribute to the business according to its goals and objectives.

Entrepreneurs or business founders may also find it challenging at this stage to divide their time between the competing demands of an established business and investing in areas that need further development, more efficient practices or maintenance of records.

Strategies for the growth stage

During this stage of the life cycle, the potential of the business will depend heavily on the staff who have been employed and the procedures in place. Ensuring the implementation of quality practices, as well as a heavy involvement in the recruitment process, will enable the business founder to confidently delegate and distribute responsibility, and thus ensure the effective running of a growing business. Clearly establishing business processes and expectations will ensure all teams are working towards the business's goals and objectives. During this stage, it is also important for the business to invest in research and development and the professional development of staff to ensure it remains competitive in the market.

The maturity stage

After expansion or consistent growth during the establishment state, the business should be at the top of its industry and is considered to have matured. This stage of the business life cycle is generally the longest and reflects the dominating presence of the business in its market. It may still be experiencing growth, but not at the same rate as during the growth stage, and yearly profits should appear to be fairly stable.

Challenges of the maturity stage

The major challenges faced by a business in the maturity stage are environmental factors and changes in the economy, society or market conditions. Emerging technologies and innovations in the industry can also have an impact on the trajectory of a business in this stage. Strategic decisions need to be made to effectively prepare the business for the increasing competition that comes from maturing or from moving into a new market, adding new products and services, or adding or restructuring human resources.

Strategies for the maturity stage

During the maturity stage, it is important for the business to remain competitive. One of the most effective ways to increase competitiveness is to cut costs. The business may consider outsourcing or adjusting supplier chains during this stage to reduce operational costs and ensure that it is running efficiently in all areas.

The post-maturity stage

During the post-maturity stage of the business life cycle, the business may head in one of three directions. In this stage a business may be in a steady state, in decline or in renewal. The founders or owners of the business may take strategic decisions to reignite growth through renewal or plan a possible exit strategy, such as the closure or sale of the business, or the business may enter a state of decline. During the decline state, a business may find itself in **administration** or **receivership**. Some business founders see an opportunity to sell their business and capitalise on the hard work they have invested in building the business, while others search for new opportunities and business ventures.

Challenges of the post-maturity stage

If a business chooses an exit option in post-maturity, the challenge of determining its real value in the current marketplace, rather than a reflection of time, energy and emotional investment, can make a sale price hard to arrive at. If the business enters a decline state or the owners choose to close the business, the financial and mental challenges of a business loss can have a significant impact on the owners and the business's staff. For a business in a steady state or decline, a strategic plan for renewal or change management presents a number of financial, human resources and operational challenges. A business must also be able to support the negative cash flow or investment in innovation and renewal required to reignite the growth of the business.

Strategies for the post-maturity stage

There are many business professionals who specialise in strategy, innovation, valuation and business services. Having a transition business plan formulated with the input of professionals and financial advisers is essential. A business in a steady state cannot maintain this state forever, so must invest in research and development or adopt strategies to secure injections of revenue, such as by reducing production or operation costs. If a business is in decline, adopting market research strategies that enable the business to satisfy a previously unmet demand can lead to renewal. Innovation based on current products and services, or the implementation of successful marketing strategies, can also help the renewal of a post-maturity business.

Administration: a process, explained under the *Corporations Act 2001* (Cth), whereby an insolvent company is placed in the hands of an independent person who assesses the options available, and generates the best outcome for all stakeholders including the business owner and creditors. Administration can be initiated voluntarily by the business, or involuntarily by the creditors who are owed money.

Receivership: a process carried out by an independent and suitably qualified person, known as a receiver, who is appointed by a secured creditor, or sometimes by a court, to take control of some or all of a business's assets

Evaluating with business criteria

Key learnings

You will learn about the four business criteria (singular: criterion) used to evaluate business strategies (Figure 1.6):

- competitiveness
- effectiveness
- efficiency
- stakeholder satisfaction.

Figure 1.6 Evaluating using business criteria

Evaluating

To evaluate is to decide or formulate a credible judgement on a situation, using business criteria. In business, owners and managers regularly evaluate business strategies to inform future decision-making, based on the achievement of four main business criteria: competitiveness, effectiveness, efficiency and stakeholder satisfaction. These business criteria refer to a standard or benchmark to be achieved and are contextualised to a business situation.

Competitiveness

'To what degree has the business offered products or services that meet or exceed market standards in relation to other businesses?' (Business 2025. General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority.)

The criterion of competitiveness can be used to make judgements on two businesses, and on which one has performed more effectively than the other. Factors that impact on a business's ability to be competitive include customers, performance, growth plans, resources, strategies, technology, financial stability and the external environment (Figure 1.7).

Overall, most businesses strive to achieve competitive advantage; hence, competitiveness as a criterion can provide the opportunities for businesses to refine and develop their strategies so they have strong market position in their industry.

Figure 1.7 Competitiveness

Effectiveness

'To what degree has the business achieved goals and/or objectives and to what extent has the business solved targeted problems?' (Business 2025. General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority.)

Effectiveness as a criterion evaluates to what degree a business has achieved desired outcomes, most notably its goals and objectives. Effectiveness in a business is often referred to as 'doing the right thing' (Figure 1.8).

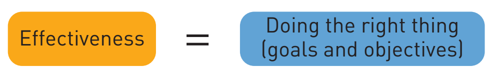


Figure 1.8 Effectiveness

Effectiveness can also be used to determine the outcome of a problem-solving model, where a business is presented with a range of alternatives and must select the best or most strategic solution.

Making judgements using effectiveness does require consideration of how a business's 'small wins' contribute to the 'big picture' or vision for the business. For example, a small business that donates equipment, prizes or services to a local community event may see an increase in its customer base and sales following the event, due to the favourable exposure it has gained.

As all business practices can be evaluated using effectiveness as the criterion, businesses must ensure they set SMART objectives so that judgements are informed and can be justified with evidence. SMART objectives are covered in Chapter 4.

Efficiency

'To what degree has the business optimised its use of resources and application of processes in achieving goals and/or objectives?' (Business 2025. General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority.)

Efficiency is the business's ability to perform in the best possible manner with the minimum use of time and effort. It is often referred to as 'doing the thing right' (Figure 1.9).

Efficiency therefore requires a precise and comprehensive investigation into a business's processes – the way in which it operates. Efficiency can be used to judge the length of time used to complete a task, the speed in which processes are completed, the rate of output, the reduction of negative environmental impacts, the quantity of resources used and frugal spending to reduce costs.

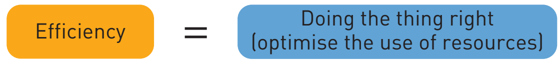


Figure 1.9 Efficiency

Stakeholder satisfaction

'To what degree has the business considered and managed stakeholder expectations in achieving goals and/or objectives?' (Business 2025. General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority.)

The process of achieving stakeholder satisfaction is to understand the stakeholders, manage the stakeholders and measure success (Figure 1.10).

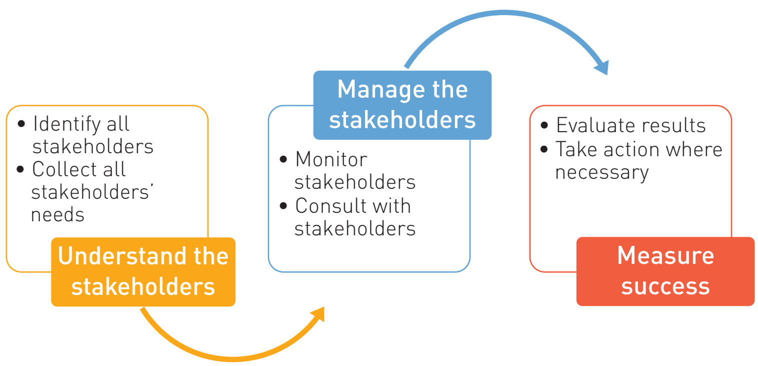


Figure 1.10 Stakeholder satisfaction

A range of stakeholders can be considered when using this criterion, and a key understanding of their motives is essential. For example, customers generally expect high-quality goods and services provided at a reasonable price. Employees want job security, input into decision-making and training support. Suppliers want contract commitments, fair negotiations and exclusivity of service. Management wants the business's goals to be met and the vision of the business to become more of a reality each day. Other stakeholders will have their own motives and may be considered depending on the situation being evaluated. Keeping stakeholders satisfied has become a significant measure of success for a business, most notably becoming a priority when social media allows stakeholders to interrupt a business's dialogue. For example, a business may run a new advertising campaign that unintentionally offends a community group. This group then shares its frustration on social media platforms and the business must respond quickly and appropriately to resolve the situation.

When using stakeholder satisfaction as a criterion for evaluating, it is important to note that not all stakeholder views are weighted equally, and a business must align its stakeholder satisfaction strategies with its overall business goals.

Business criteria with a specific focus

To support the use of business criteria when evaluating, it is reasonable to expect that the criteria may need to be contextualised to a specific focus area. This is to ensure the evaluation is relevant to the business situation. Table 1.2 provides a list of focus areas and sample questions that can assist in fine-tuning an evaluation. The sample questions are general and, if used, should be aligned to at least one of the business criteria: competitiveness, effectiveness, efficiency or stakeholder satisfaction.

Table 1.2 Focus areas and sample questions to assist with an evaluation

Focus	Questions to consider
Accountability	To what extent has the business met its obligations? How responsible is the business or how responsible should it be?
Capacity	To what extent can the business successfully manage or implement the strategy? How is the business able to cater to demand?
Compliance	How has the business met its legal obligations?
Cost	What is the impact of finance on the business's strategy or decision?
Diversity	To what extent has the business engaged or provided opportunities for its staff, upon considering their wide-ranging backgrounds?
Engagement	To what extent has the business persuaded, satisfied or supported its intended audience?
Ethics	To what extent has the business ensured its actions are legal and morally sound, and considered the outcomes on others?
Labour	What impact do staff members (or people as a resource) have on the business strategy or decision?
Needs	To what extent does the business's decision align with its goals and objectives?
Productivity	Can the business's processes improve as a result of its strategies or decisions?
Profitability	What impact will the business's decision or strategy have on its ability to improve financial performance?
Quality	To what extent will quality be enhanced or compromised?
Reputation	What is the potential that the business's strategy or decisions will improve or hinder current perceptions of the business?
Risk	To what extent does the level of exposure affect the business strategy or decision?
Sustainability	To what extent do the business's strategies or decisions support the long-term achievement of goals? How has the business considered environmental impacts in its decision-making?
Time	How long will it take to enact the business strategy or decision, and what are the potential consequences of this?

Using the inquiry approach to research and prepare a response

Key learnings

You will learn about Business essentials by examining:

- inquiry-based learning
- approaches to inquiry
- how to plan the inquiry process
- how to write an inquiry question.

In Business, inquiry-based learning provides you, the student, with the opportunity to investigate and explore business situations, strategies and issues that interest you or enhance your learning. You will be asked to use inquiry-based learning throughout this text and be provided with background information and direction to complete this effectively.

The relevance of inquiry-based learning can be linked to the research and decision-making undertaken by businesses, as many owners and managers will frequently use elements of the inquiry process to inform their strategic planning across all stages of the life cycle. For example, they may choose to investigate effective promotional strategies, the consequences of giving a staff member a promotion, extending the breadth and depth of a product line or relocating manufacturing overseas. The use of inquiry-based learning can provide businesses with thoroughly researched outcomes, further allowing them to make positive business decisions.

Learning approaches to inquiry

There are three learning approaches to inquiry that are used to develop your ability to complete the inquiry process. These approaches – structured, guided and open inquiry – are explained in Figure 1.11.

Structured inquiry

Your teacher will organise the inquiry process by providing questions, sources and class activities to assist you.

Guided inquiry

Your teacher will provide you with an initial inquiry question and then support you as you develop your own inquiry process.

Open inquiry

Your teacher will instruct you to independently undertake the inquiry process in its entirety.

Figure 1.11 Three learning approaches to inquiry

Planning the inquiry process

The inquiry process, be it structured, guided or open, requires you to plan your investigation. There are five steps to the inquiry process that can assist you in your planning:

- Step 1 – Form an approach to the task.
- Step 2 – Find and gather research from a range of authentic sources.
- Step 3 – Analyse and interpret research.
- Step 4 – Evaluate and justify findings.
- Step 5 – Reflect on the inquiry process and its impact on learning.

Figure 1.12 provides a list of questions that support the planning of an inquiry process.

Inquiry-based learning: a framework that informs how an investigation can be completed through conducting research, analysis of information, evaluation of outcomes and a reflection on the process

Inquiry process: the steps to follow in order when engaging in inquiry-based learning

Structured inquiry: an approach where the teacher provides students with inquiry questions, sources and class activities to conduct the investigation

Guided inquiry: an approach where the teacher provides students with an initial inquiry question and supports the student in developing further inquiry questions, researching and completing the investigation

Open inquiry: an approach where the student completes the inquiry process independently

Step 1: Form an approach to the task

- What business situation or issue am I investigating?
- What position will I take? Do I agree or disagree? Am I going to be positive or negative? Am I going to prove or disprove an issue?
- What goal will I set for this investigation?
- Will I work on this independently?
- If I work in a team, what does each team member need to contribute?
- What outcome am I seeking?
- Should I develop a **hypothesis**?
- What business criteria will I use to evaluate the business situation or issue?

Step 2: Find and gather research from a range of authentic sources

- What research do I need to gather?
- Where will I find this data and information?
- How will I ensure the research is credible, reliable and valid?
- How do I feel about the information I gathered?
- What impact does my research have on my position?
- What alternative research should I gather to strengthen my work?
- How will I **cite** the research I have gathered?
- Have I considered a range of stakeholder views?

Step 3: Analyse and interpret research

- What trends and relationships have I found in the information I have gathered?
- What advantages/disadvantages, benefits/risks, similarities/differences can I identify?
- Which analytical tools could be useful – SWOT, STEEPLE, USP, power interest grid?
- What conclusions can I draw about my findings? Are there implications or consequences I have identified?
- How can I align my findings with business concepts and strategies?

Step 4: Evaluate and justify findings

- Can I evaluate the business situation or issue using the research I gathered?
- What judgement or decision have I come to, based on the business criteria used?
- How can I prioritise my reasons for this judgement or decision?
- What evidence should I use to validate my judgement or decision?
- Should I make a recommendation for change?
- What research do I need to do to justify my evaluation and recommendations?

Step 5: Reflect on the inquiry process and its impact on learning

- What have I learnt from this task?
- To what extent did I achieve my goal?
- Were my inquiry questions relevant?
- What could I have done differently in this process?
- Has this investigation changed my views?
- How will I use what I learnt for my next investigation?

Figure 1.12 Questions to guide the inquiry process

How to construct inquiry questions

When investigating a business situation or issue, it is important that the inquiry questions you develop are effective and encourage you to think, as opposed to recalling or summarising information. This can be achieved by adding elements to a question so that it is broad enough to gather research, but also encourages an in-depth response. This will ensure you can learn the complexities that underpin a business situation or issue. An effective inquiry question should:

- begin with an open-ended question
- involve a stakeholder
- refer to an action
- identify the outcome to be investigated (Figure 1.13).

Using Figure 1.13 as a guide, effective inquiry questions could include:

- Why did the business owner choose to launch in December?
- How did competitors respond to the business's new location?
- What is the role of a top-level manager in building business productivity?
- When should the business owner choose to meet with the bank to secure a loan?

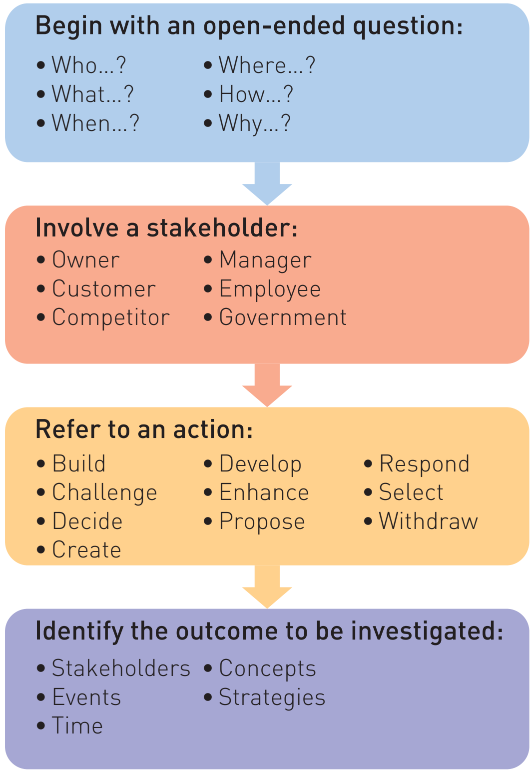


Figure 1.13 Elements to construct an effective inquiry question

Communicating data and information visually

The fifth syllabus objective in Business is to

> **'Create responses that communicate meaning to suit audience, context and purpose.'**
>
> Students create responses using the required genre to suit audience, context and purpose. They demonstrate choices of language, sequencing and the development of ideas to convey meaning. They use a recognised system of referencing to demonstrate scholarship (Business 2025 General Senior Syllabus v1.2 © Queensland Curriculum and Assessment Authority).

A key part of achieving this objective is considering how analytical tools are presented. The use and creation of analytical tools – which should be taught, modelled and practised regularly in the classroom – not only help you break down important subject matter, but also serve as real-world business tool you can use in the future. Businesses across the world already use these tools daily in order to create a pitch, review business performance and set plans for the months and years ahead.

Analytical tools, as seen in Figure 1.14, help both students and professionals select and structure relevant business data and information effectively. As you know, business involves multiple facets, including its operational processes, market strategies, legal structure, governance and external influences. Selecting the right tool ensures clarity and precision in your analysis. While choosing the right tool may seem simple, using the wrong one can lead to you potentially missing the point of your assessment task, and in the real world, can derail or inhibit effective decision making.

Hypothesis: a predicted answer that requires research to establish its truth or otherwise

Cite: to reference a primary or secondary source in a body of text by acknowledging the author and publication details

What makes analytical tools profoundly effective is their visual representation of data and information. While explanations and interpretations are often necessary, most professionals rely on visuals to present their findings, and the benefits are well known (Figure 1.16). Whether in a report or presentation, visual tools allow an audience to quickly grasp key insights and draw their own conclusions about how the analysis impacts business goals.

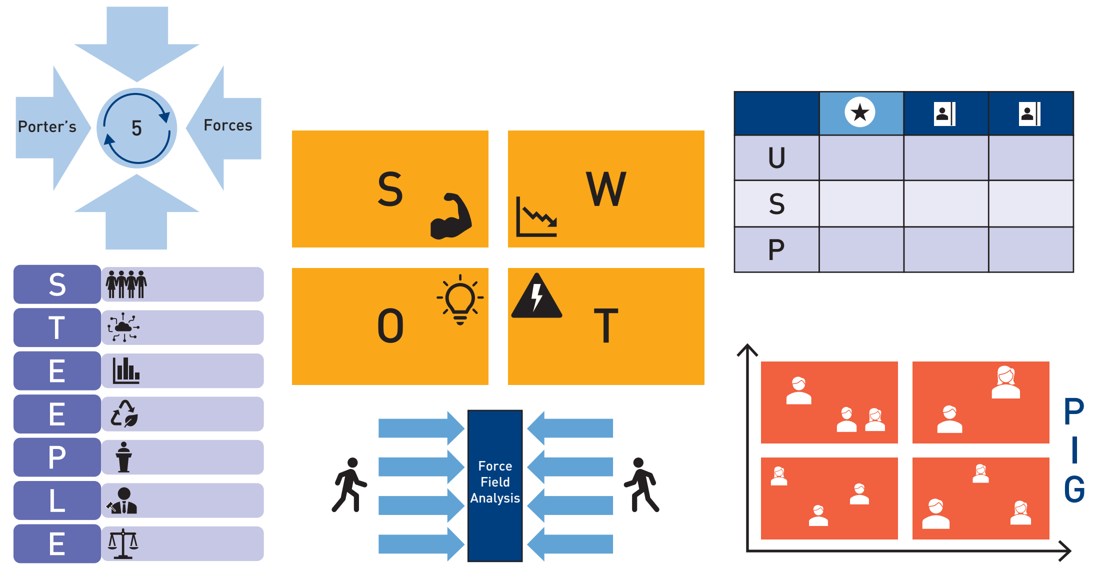


Figure 1.14 Business uses all these analytical tools.

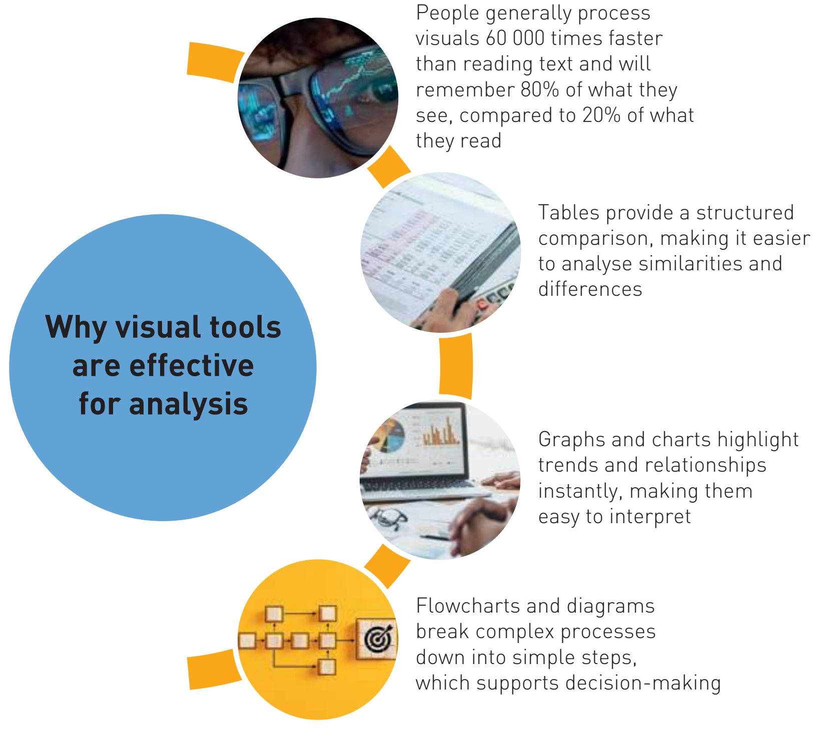


Figure 1.15 Why visual tools are effective for analysis

Clockwise from top to bottom: Ground Picture/Shutterstock.com, Chay_Tee/Shutterstock.com, Freedomz/Shutterstock.com, Cagkan Sayin/Shutterstock.com

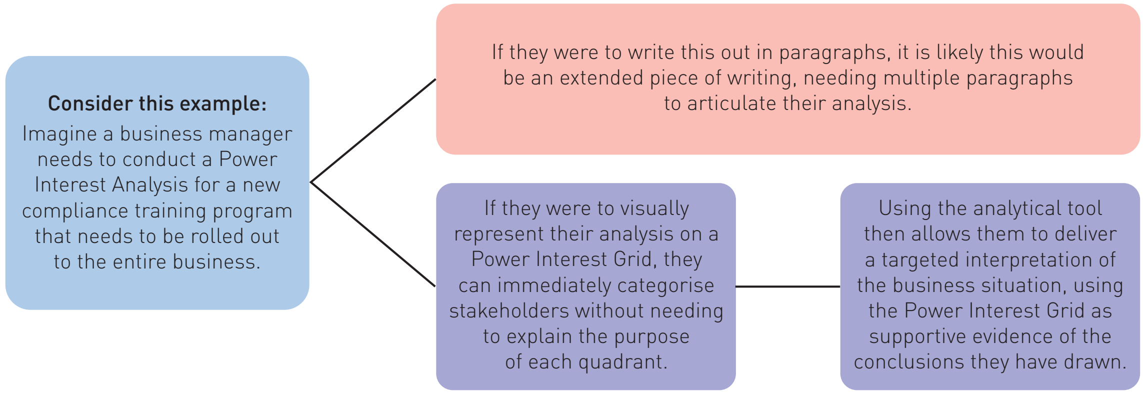


Figure 1.16 There are benefits to presenting your analysis using a visual.

Practising and applying these skills in your assessment enhances your creativity and provides a platform to highlight your learning in a compelling way. Using analytical tools will become a lifelong skill that is highly valued in the professional world. The ability to articulate analysed data information effectively can influence stakeholders and justify change, making it an essential part of a person's professional toolkit.

Consider the success of Canva, an easy-to-use, all-in-one design platform that enables anyone, regardless of graphic design experience, to create professional-quality visuals quickly and efficiently (Figure 1.17). Founded in Australia in 2012, Canva had grown from a small start-up to a $49 billion company by 2024, generating $2.5 billion in annual revenue, with 220 million monthly active users. A business such as Canva does not achieve such rapid growth without fulfilling a highly sought-after market need, demonstrating how presenting data and information visually is crucial for fast-paced and consistent business success (Figure 1.18).

Menara Grafis/Shutterstock.com

Figure 1.17 Canva is one of the world's leading web design platforms, known for its easy-to-use interface, free and premium subscription models, and wide-ranging product selection.

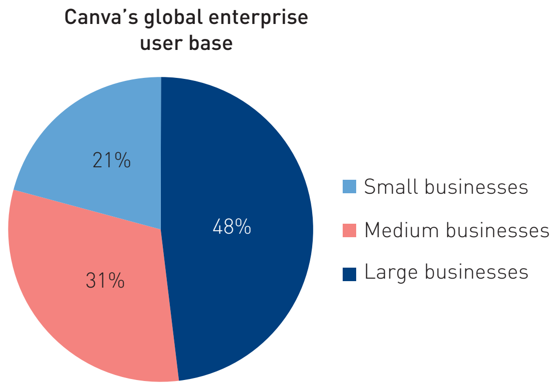


Figure 1.18 Canva's reach can be seen across all sized businesses, but it also used by individuals such as students, educators, freelancers and hobbyists as a tool that helps businesses achieve their objectives.

2 CREATING BUSINESS RESPONSES

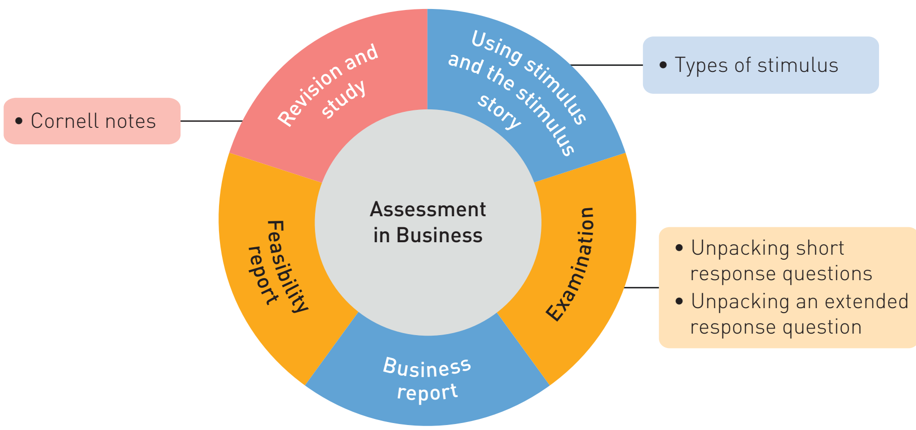
What you will learn

The Business General Senior Syllabus combines both internal and external assessment to examine your performance over the two-year course. This chapter will examine the types of assessment items included in the Business course.

This chapter will provide you with skills to be able to:

- describe business situations and environments
- explain business concepts and strategies
- analyse and interpret business situations
- evaluate business strategies
- create responses that communicate meaning to suit audience, context and purpose.

(Source: Business 2025 General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority)



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Assessment in Business

In Units 3 and 4, you will complete summative assessment tasks in the form of assignments and examinations. Whether it is an extended response assignment or an examination, all questions require careful reading to ensure that all elements of a task are addressed and that responses meet the criteria of Instrument Specific Marking Guides (ISMG).

For all assessments, every task must be broken down to ensure that all elements are addressed. Misinterpreting a question or missing some of the elements to a task can limit the ability to demonstrate the requirements of each cognition or marking guide. Taking the time to unpack and understand the questions and the stimulus items can assist with success in Business tasks.

Short responses

A short response is a question requiring sentences or paragraphs that demonstrates recall, description or explanation of key concepts and knowledge (Figure 2.1). In Business, these short items relate to business facts, concepts or strategies learnt throughout the course. They may include stimulus items.

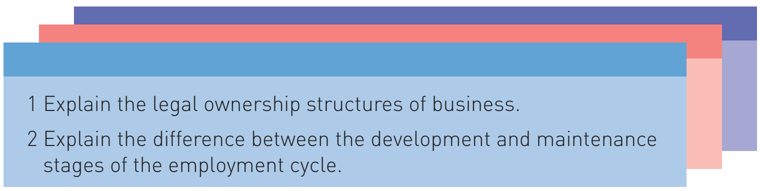


Figure 2.1 Short items are an opportunity to demonstrate the depth of your knowledge and understanding of key business concepts.

A common error in exams is not responding directly to the question asked or not answering all components of a question. In order to determine the level of understanding you have on a topic, a short response will often have multiple layers or facets to the question. To structure a concise and articulate answer, it is important to ensure you clearly understand the question asked and what information you should be recalling, describing and explaining.

One way to approach this is by carefully reading and paraphrasing questions (rewriting in your own words) to ensure you have clearly understood the question and are able to address it properly. This means to either reword the question into a different question or break it into a number of smaller questions that will ensure the original question is answered (Table 2.1).

Table 2.1 Paraphrasing questions can help ensure you fully understand the question and answer all elements to show depth in your knowledge.

Original question	Paraphrased question
1 **Explain the legal ownership structures of business.**	What are the different types of ownership for a business? Examples?
2 **Explain the difference between the development and maintenance stages of the employment cycle.**	What is the employment cycle? What happens in the development stage? What happens in the maintenance stage? How are these two stages different from each other? Why?

Another approach is to carefully read the question, underline key words and verbs, and brainstorm the content that applies to key concepts before beginning to structure a response (Figure 2.2). Using the allocated planning time to do this before beginning to write responses is a strategy that can help ensure you don't repeat the same information for multiple questions or overlook key concepts.

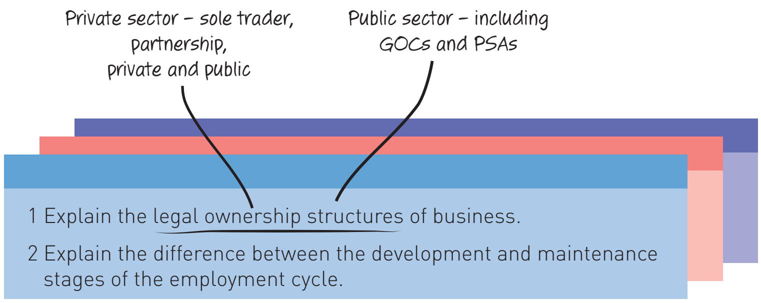


Figure 2.2 Underlining key words and brainstorming content before formulating responses can help you to refine and formulate answers.

Writing short responses

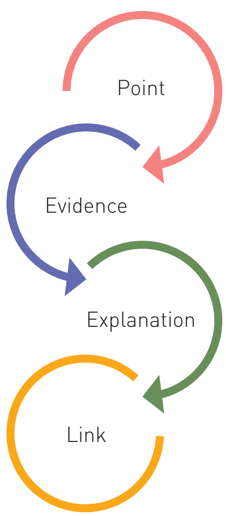
Generally, a short response is a series of sentences or paragraphs. This means that your answers to short items need to be concise, clearly structured and ensure only relevant material is included. Short responses can also be communicated through formal business formats of communication, including emails and business letters.

Writing for a business audience can be quite different from other styles of writing and responses. Business communication strives to be clear and succinct, rather than evocative or creative, and all business responses must ensure specificity and accuracy. Writing to a business standard means that documents or responses are considered publishable and do not contain any errors. Also, because time is money, when creating any business documents, you must assume that your audience has limited time and needs the communication to be concise, straight to the point and easy to action.

Paragraph responses

A paragraph is a series of organised sentences on one topic or idea. While there are different ways of structuring and organising paragraphs for different genres of formal writing, when structuring a short response in Business, the paragraph must provide a full and complete answer with supporting material. This means the paragraphs are descriptions or illustrations that explain concepts and strategies, the difference between two or more concepts or the interrelationships between them. To structure a paragraph for a short item response, using the PEEL structure is most effective (Figure 2.3).

The use of transition words is an effective way to link concepts and ideas and ensure you move coherently from one concept to the next within your paragraph. Transition words (Table 2.2) also help to ensure you stay on topic and provide supporting evidence of your knowledge.



- Point: Outline the main business concept or strategy in the topic sentence.
- Evidence: Provide evidence in the form of business definitions, examples, quotations or the use of statistics.
- Explanation: Explain the relevance of the business concept or strategy in relation to the question context.
- Link: Provide a link back to the main concept or strategy and the context of the question to summarise and conclude your answer.

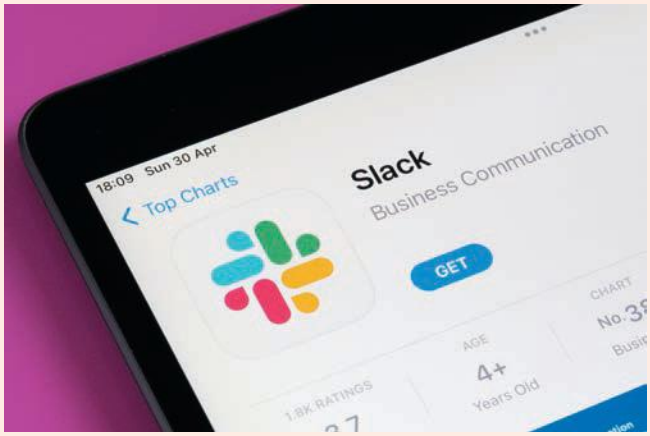
Figure 2.3 The PEEL format for paragraphs is effective when creating short responses.

Table 2.2 Examples of transition words and phrases

• Because • Next • Afterwards • Also	• After • Before • First, Second …

GAINING INSIGHT 2.1

Slack: Business communication moves from email to instant messaging



Ascannio/Shutterstock.com

Slack is a messaging app designed to increase workflow and minimise meeting and email traffic. With one platform for real-time messaging, file sharing, archiving and search, it's built for modern teams to have all their communication in one online location that's instantly searchable and immediately accessible from any connected device. It works with more than 1500 external apps and services, giving one fully flexible and extendable platform.

With more than 32 million daily active users, Slack is heading towards reaching its objective of replacing internal emails in business.

A survey of Slack users found that they saw an average of 48.6 per cent reduction in emails, with nearly 80 per cent saying it improved transparency and office culture. It has also dropped the number of meetings by 24 per cent, while increasing overall productivity by 32.4 per cent, the survey said.

Business case studies

A business case study is a summary of a real-life business situation. It can be useful to illustrate a particular business concept, an application of a theory or a business processand is likely to include multiple pieces of stimulus. A business case study can be used to analyse an issue from a variety of perspectives and to apply critical thinking and problem-solving skills.

When writing responses, use a formal paragraph structure, such as PEEL. Following a structure is likely to steer you in the right direction for a response. Figure 2.4 provides some helpful sentence starters for you to use.

Figure 2.4 PEEL sentence starters

You can also self-audit your paragraphs by using colour coding to identify the features of your response; for example, a yellow highlight for 'point', a pink highlight for 'evidence', an purple highlight for 'explain' and a blue highlight for 'link'. This will help you to see where you have given detail, and where more work might be needed to deliver a comprehensive response.

More information regarding unpacking stimulus is covered later in this chapter.

Guide to writing a response to a case study

There are several steps to interpreting and writing a response to a case study (Table 2.3).

Table 2.3 Guide to writing a response to a case study

Step 1	Read the case study carefully	• Read the task first – what you are required to do • Read the case study • Highlight the main points of the case study • Read the task again • Link the information in the case study to the task
Step 2	Identify the issues in the case study	• Identify any issues in the case study • The following questions may help to do this: – What is the main issue in the case study? – What actions were taken in the situation? – Were these actions appropriate and why? – What were the consequences of these actions?
Step 3	Link the issues to business	• Use your knowledge of concepts and strategies to link the issues in the case study
Step 4	Interpret relationships and trends	• Recognise business relationships and trends in the case study • Relate the implications to the effects on the business • Draw conclusions about these implications
Step 5	Plan your response	• Re-read the task and plan a response
Step 6	Write the response	• Write a response conforming with the word limits

Later in this chapter you will find more information regarding the purpose and structure of a business report and a feasibility report.

Revision and study

It is vital that you develop an effective approach to revision and study to ensure you have foundational knowledge and understanding, notably about the business environment and the business life cycle, on which the course design is based, and to develop your knowledge of the key business functions throughout Units 1 to 4. Along with a consistent revision strategy, it is advised that from the commencement of your course you:

- review the assessment objectives in the syllabus, which are drawn from the unit objectives and contextualised for each specific assessment instrument
- review the cognitive verbs used within the syllabus, as these signal the mental operations you are expected to perform; for example, whether to analyse or evaluate. These provide valuable pointers as to the type of response required.
- revise the business criteria used to evaluate business strategies (see Chapter 1)
- create a glossary of terms throughout the course
- complete as many practice exam questions as you can from case studies and chapter reviews in this textbook.

Study tips

Weblink
Cornell notes video

- Use a note-taking system, such as Cornell notes, and review your notes within 24 hours of taking them. Don't just read your notes; you should interact with them – highlight or add colour coding to your notes, and add further information that you remember from the lesson that you didn't write down at the time. It is useful to annotate your notes during class discussions, too. There is a helpful tutorial on how to take Cornell notes, created by Jennifer DesRochers, on YouTube.
- Process your notes by translating them into another form – this may be a mind map, a Venn diagram or another tool that will help you.
- Create flashcards for important terminology you will need to remember and add those terms to your glossary.
- Review your notes at spaced intervals and test yourself for recall. If using Cornell notes, you can cover the right-hand side of notes, so you just see the left-hand side cue column.

Cornell notes: How to create your page

1. Create a title for your notes and record the date you made them.
2. Put the notes you make in the lesson in the right column.
3. After the lesson, review your notes. Write questions that your notes answer. For example, if your notes are about the business life cycle, write a question such as 'What are the stages of the business life cycle?' or 'What are the challenges of the seed stage?' You may have a series of related questions.
4. Create a space for a summary. Review your notes and write a sentence or two that sums up the key idea in your notes.

Figure 2.5 shows how to set up your page.

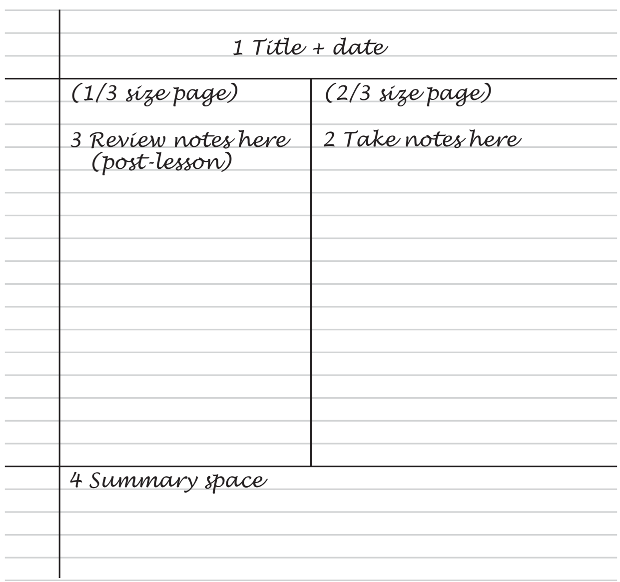


Figure 2.5 How to set up Cornell notes

Table 2.4 provides an example of using the Cornell system to take notes. On the right are notes taken during a lesson. These include some abbreviations; for example, 'BLC' (business life cycle) and 'Xistics' (characteristics); for more suggested abbreviations, see Table 2.5. The questions in the left column (called the cue column) were added after the lesson and draw attention to the main ideas in the notes.

Table 2.4 Sample Cornell notes

Business life cycle – Maturity stage, 1 February	
Key words/questions (Cues)	*Main ideas for the lesson*
What are the key Xistics of the maturity stage? Why is strategic development important in maturity?	Def^n: The BLC is a representation of the series of stages that can be applied to the duration of activity that a business conducts. Maturity is generally the longest stage that a business will experience and reflects the dominating presence of the business in its market. Xistics and strategies: While the business may still experience growth, it won't be at the same rate as in the growth stage of the BLC; yearly profits should be relatively stable; a focus on remaining competitive in the market. An effective way of $\uparrow$ing competitiveness is to $\downarrow$ costs. $\therefore$ may consider outsourcing/adjusting supply chains to achieve efficiencies Challenges will come from the macro ext. environ – Δs in the eco., society or market conditions. Emerging tech. and innovations in industry can also have a + or – impact on path of bus in maturity. Strategic decisions must be made – e.g. moving into new mkts, +ing new products/services or restructuring.
Typically the longest stage in the BLC, may experience growth but at a slow rate with fairly stable profits.	

A one-sentence summary of the overall idea of the notes has been written in the summary area. The cue questions can be used as the basis for ongoing revision and self-testing.

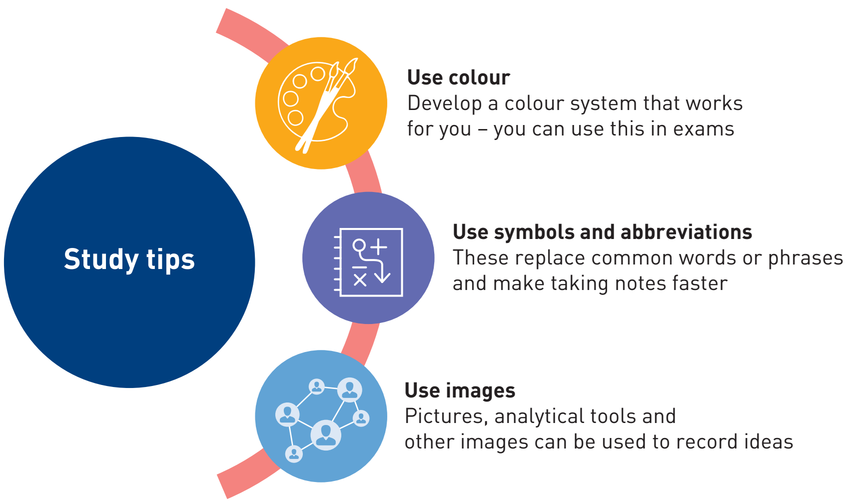


Figure 2.6 Study tips help you to organise your ideas, focus on the main ideas from the lesson, increase retention of information and support ongoing review and revision.

Useful abbreviations and symbols

Table 2.5 Symbols and abbreviations to use when taking notes

Symbol	Meaning
e.g.	for example
∴	therefore
↑	increase, rise
↓	decrease, fall
+	and, plus, positive
–	minus, negative
=	equals, is the same as
≠	does not equal, is not the same as
→	approaches, approaching, to the end, leads to
! or !!	important or very important
??	something you don't understand or you need to follow up
Replace 'tion' with '^{n}'	e.g. def^{n} for definition , org^{n} for organisation, diff^{n} for differentiation
Δ	change, difference between

Using stimulus and the stimulus story

Using stimulus

Stimulus refers to the collection of information, data and supporting materials that provides context for a business situation or case study. The purpose of stimulus is to provide both the context for the business situation or case study and to provide evidence that can be used to support responses.

Questions that utilise stimulus often require students to describe, analyse or evaluate the stimulus package and then respond to an assessment or learning activity. Each of the items in stimulus package are numbered and must be referred to when answering questions.

iStock.com/Sean Anthony Eddy

Figure 2.7 Stimulus refers to the collection of information, data and supporting materials that provides context, data or information.

Information: in business, qualitative details collected from primary or secondary sources

Data: in business, quantitative details and statistics collected from primary or secondary sources

Case study: group or business used or analysed in order to illustrate concepts, processes, strategies or practices

In Business, these materials may include data and information from business websites, marketing materials, financial reports, market trends, news articles, survey results, customer reviews, strategic business documents and many other sources.

Types of stimulus

Effective stimulus materials should be relevant, current and sufficiently detailed to allow students to demonstrate analytical and evaluative skills. The types of stimulus items you will generally be exposed to in business are written and visual stimulus items.

Table 2.6 Written and visual stimulus items

Written stimulus item examples	Visual stimulus item examples
• **Business artefacts** – real or hypothetical business scenarios, including website excerpts, vision and mission statements, marketing collateral • **News articles** – business reports from reputable sources, such as *ABC News* or *The Australian Financial Review*, highlighting economic trends, industry changes or corporate decisions • **Legislation and government policies** – documents outlining business regulations, such as the *Competition and Consumer Act 2010* or Fair Work legislation • **Company reports** – financial statements, sustainability reports or corporate social responsibility (CSR) disclosures	• **Infographics** – simplified visual representations of business trends, consumer behaviour or market changes • **Advertisements and branding materials** – logos, promotional campaigns and images; for example, of packaging or displays • **Organisational charts** – diagrams of company structures, used to assess business hierarchy and management strategies • **Graphs and charts** – bar graphs, pie charts or line graphs showing financial performance, sales trends or consumer demographics • **Market research data** – survey results, industry reports and competitor analysis from sources like IBISWorld • **Social media and digital content** – images of business-related posts on platforms like LinkedIn and Instagram

Data and information in graphs

In business, a wide variety of material may be used to interpret meaning. One important stimulus you need to be familar with is graphs which provide both data and information about a business situation.

A graph can be used in business to tell a story. It is a way of presenting numerically based data that condenses the information and presents it in a more easily readable format. Graphs allow people to interpret trends in the information and make predictions about what they might see in future data.

Parts of a graph

Graphs contain several different parts that are important to the data included. The graph title will provide information about what the graph contains. In business, it may include a date that is relevant to the time period of the data. In addition, most graphs will have an x-axis and a y-axis, and some include a legend. This data will provide further explanation and can help to interpret results.

Types of graphs

The main types of graphs used in a business are column, line and pie graphs. The column graph is used to show sets of data that are independent of each other. For example, in Figure 2.8, the column graph shows the number of ticket sales for one month at a specific cinema. From the graph, it is clear to see that the largest number of tickets sold was on Saturday and the smallest on Monday.

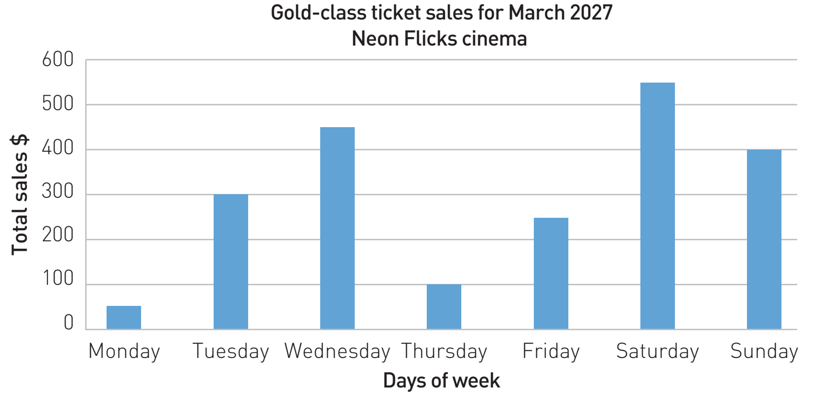


Figure 2.8 Example of a column graph

A line graph is a graphical representation of information over a period of time. It is used to show a succession from one point to another using a line. This type of graph is best used to show information that is continuous in nature. Within a line graph there are points that connect the data to show continuation and change. Figure 2.9 shows a product trend over a six-month period for three types of products sold.

When interpreting this graph, the following questions could be considered:

- Which product showed the greatest sales over the six-month period?
- Which product showed a drop in sales over the six-month period?
- What is the likely outcome for desktop computers in this business?
- What product should the business focus on selling?

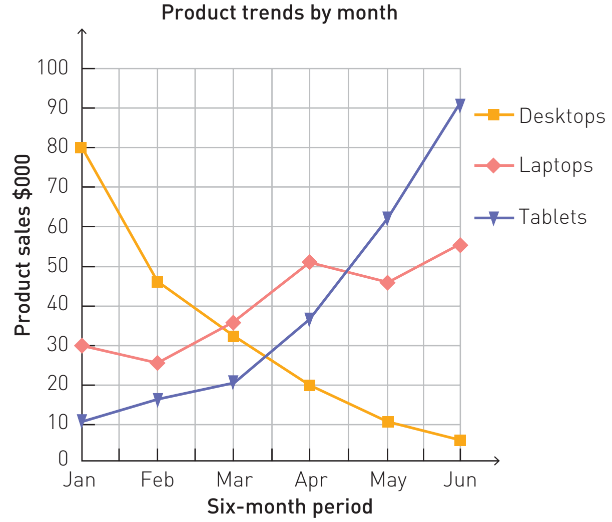


Figure 2.9 Example of a line graph

The last type of graph commonly used to represent data in a business is a pie graph. A pie graph shows parts of a whole picture. It quickly shows the proportion of a whole in a simple and easy way. It is also clear to see the impact of a pie graph by examining the size or proportion of each piece of the pie. For example, Figure 2.10 clearly shows that the salesperson who has made the most sales is Rick Peterson.

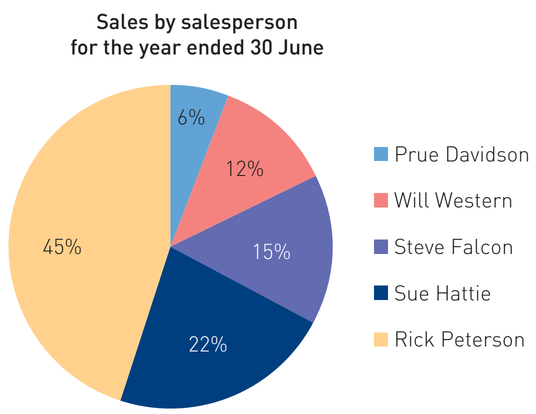


Figure 2.10 Example of a pie graph

Guide to writing a response using a graph

Sentence starters to introduce a graph could include:

- The data shows …
- The data represents …
- The graph breaks down …
- This graph depicts …

When interpreting a graph, the vocabulary provided in Table 2.7 may be useful to know.

Table 2.7 Interpretation of a graph

Interpretation of graph	Vocabulary
Upwards	increase, rise, growth, improvement, expansion, surge, progress
Downwards	decrease, decline, drop, slump, falling, reducing, weakening
No change	remain stable, constant, steady, stabilise
Change in direction	fluctuate, alter, instability, variation, uncertainty

Engaging with stimulus and a case study

frank green

Source 1: frank green – a philosophy, not a person

Written stimulus: news article

Founded in 2013 by Ben Young, the mission for the business is to stop single-use plastic in order to eradicate the plastic water bottles and cups polluting our waterways. frank green creates aesthetically appealing and innovative products that represent sustainable solutions to the single-use plastic problem. The business has a 300-person workforce and operates from a 30 000-square-metre factory and warehouse in Dandenong, Melbourne, which it purchased as the business grew in 2021. All manufacturing, with the exception of the stainless-steel flasks in the bottles, which are still produced in China, happens at the Dandenong factory, with a focus on inhouse production.

frank green enjoys strong brand awareness and loyalty, with over 295 000 followers on Instagram and products featuring in TikTok videos that have been viewed over 400 million times! That said, most sales are domestic, with global expansion plans disrupted during the pandemic. The year 2025 has seen the business capitalising on its surplus manufacturing capacity at the Dandenong facility, with sales teams being recruited to drive overseas expansion starting in the US and Europe. Young says, 'We need to go overseas because single-use plastic is a global problem.'

Figure 2.11 frank green has produced a range of award-winning, sustainable 'essentials', including their iconic reusable water bottles.

Source 2: frank green – award-winning, innovative designs for a stylish, plastic-free life

Written stimulus: news article

The business, synonymous with aesthetically designed water bottles, engages strongly in new product development, recently launching a range of beautifully designed lifestyle products to replace single-use plastics, including lunch containers and lunch bags, along with a range of pet care items. This is in addition to innovating the existing product range with additions to the product portfolio including the solutions-focused Car Cup Holder Expanders and the bottom-of-bottle-bumpers.

A recent innovation, 10 years in the making, is the Switch Lid, which is another Australian Good Design Award® winner for the business. The Switch Lid enables users to quickly alternate between sipping through a straw and gulping via the mouthpiece, combining features of the existing Flip Straw Lid and Grip Lids in an easy to clean, easy to lock (no more leaks!) design. This is another example of frank green's solution focus, developing products in response to customer feedback, while ensuring style and functionality align.

Brand founder Young affirms, 'We are proud to invest over 35,000 hours a year on product development,' revealing 'we've learnt that our customers appreciate it'.

Figure 2.12 The Switch Lid has been patent protected to reflect its innovative and solutions-focused design.

Source 3: Find frank green reusables around the world

Visual stimulus

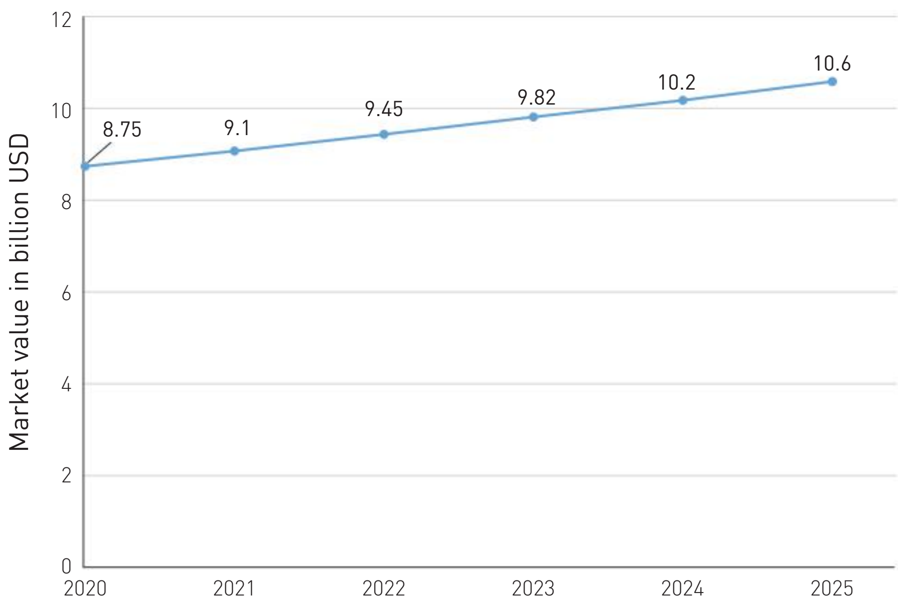
Weblink
frank green
interactive map

Adapted from Osame/Shutterstock.com & Data source: https://frankgreen.com.au/

Figure 2.13 frank green stockists around the world

Source 4: Reusable water bottle market worldwide from 2020 to 2025 (in billion USD)

Visual stimulus: graph

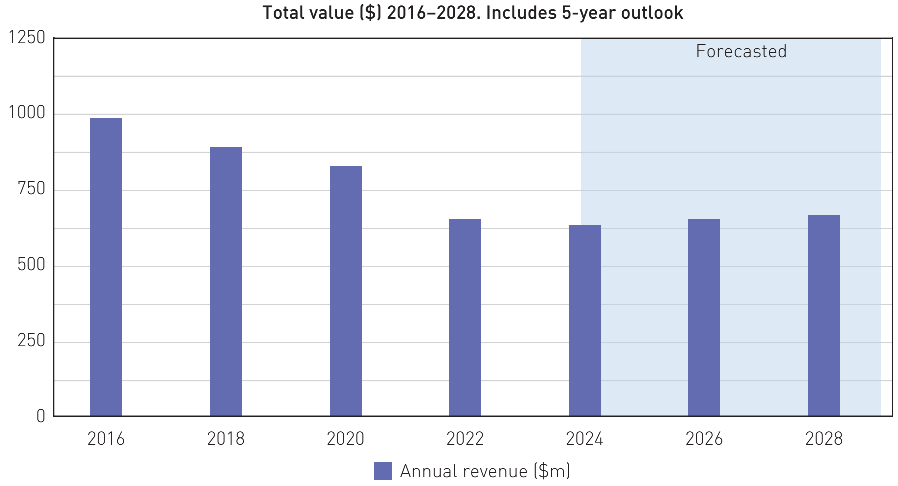


Value of the reusable water bottle market worldwide from 2018 to 2025 (in billion U.S. dollars); Taken from https://www.statista.com/statistics/935684/reusable-water-bottle-market-value-worldwide/#:~:text=Size%20of%20the%20global%20reusable%20water%20bottle%20market%20from%202018%20to%202025&text=In%202018%2C%20the%20value%20of,almost%2011%20billion%20U.S.%20dollars

Figure 2.14 Reusable water bottle market worldwide 2020–25

Source 5: Bottled water manufacturing in Australia – revenue

Visual stimulus: graph



Source: IBISWorld https://my.ibisworld.com/au/en/industry/C1211b/performance

Figure 2.15 Annual revenue of bottled water manufacturing, Australia

Source 6: Australian reusable water bottle market

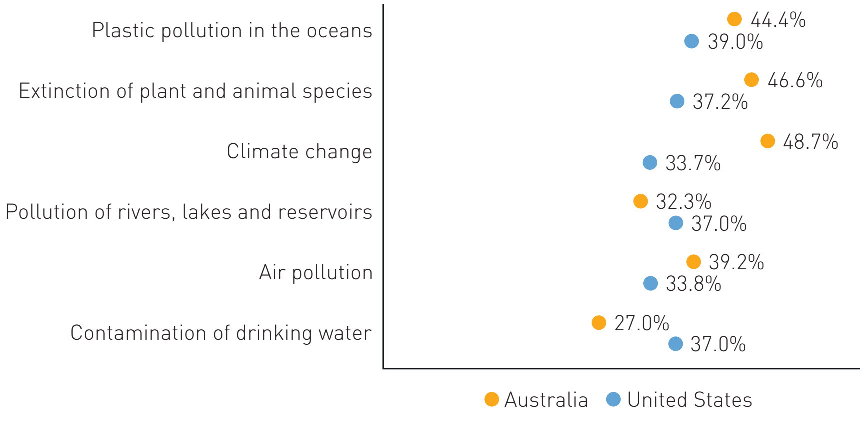
Visual stimulus: market research data

Base year	2023
Forecast (f) period	2024–32
Reusable water bottles market size – Australia – 2023	US$103.73 million
Reusable water bottles market size – Australia – 2032	US$166.32 million (f)
Compound annual growth rate	5.30%
Key market drivers	Increasing environmental awareness, changing consumer preferences to sustainable products, government initiatives to reduce plastic waste

Source: Data showing Australian reusable water bottle market from Credence Research report published 2 July 2024. Report ID: 41769. Wording has been paraphrased https://www.credenceresearch.com/report/australia-reusable-water-bottles-market

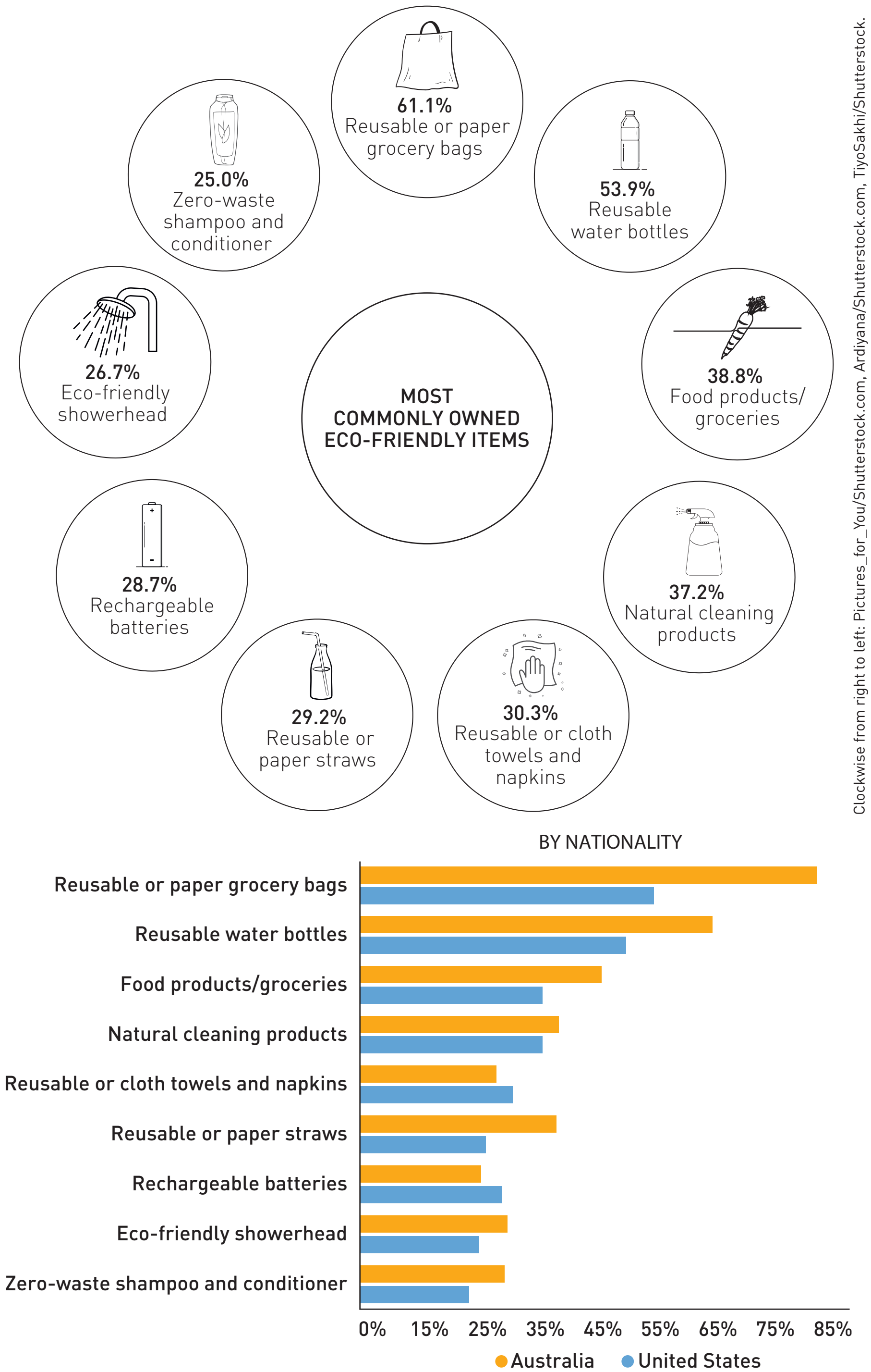
Source 7: Going green environmental survey by Southern Cross University

Visual stimulus: graph



Source: Respondents indicating extreme concern for each environmental issue, by nationality; Taken from https://online.scu.edu.au/sites/default/files/2024-09/environmental-concern-breakdown-701x1024_0.png

Figure 2.16 Respondents indicating extreme concern for each environmental issue, by nationality



Clockwise from right to left: Pictures_for_You/Shutterstock.com, Ardiyana/Shutterstock.com, TiyoSakhi/Shutterstock.com, Stockforest.net/Shutterstock.com, Blan-k/Shutterstock.com, Net Vector/Shutterstock.com, Ardiyana/Shutterstock.com, Aygulll/Shutterstock.com, Saramix/Shutterstock.com

Data source: Going green, Southern Cross University, July 7, https://online.scu.edu.au/blog/going-green

Figure 2.17 Most commonly owned eco-friendly items, by nationality

Source 8: How frank green generates $29.9M in sales each year

Written stimulus: News article

frank green, founded by Melbourne entrepreneur Benjamin Young in 2013, was born from a desire to tackle the growing environmental damage caused by single-use plastics. Motivated by his own experiences as a child where he saw first-hand the damage plastic pollution had on his local river, Young set out to design reusable products that blend style, functionality, and sustainability.

Despite being told that he was dreaming; that consumers found disposable cups and bottles too convenient, he remained steadfast in his vision and following extensive research and testing, the brand launched its first product - a stylish, reusable coffee cup. It quickly became a hit in Australia, praised for its customisable design and practical features.

20 years on, frank green has expanded its range to include reusable bottles and a growing collection of lifestyle products. In 2022, it launched a range of pet accessories made from recycled materials to capture some of the $3.3 billion dollar pet industry in Australia.

Evidencing its commitment and focus on sustainability, the company uses 90% recycled stainless steel in its products and recyclable, PEFC-certified paper for its packaging. This, along with its holistic approach to eco-friendly design and active digital presence, have helped frank green achieve annual revenues of around $29.9 million, with products now sold in more than 60 countries. frank green's success highlights how innovative design and a genuine commitment to sustainability can drive growth in the global market.

Source 9: Five drink bottles ranging in price from $19 to $90

Visual stimulus: Infographic

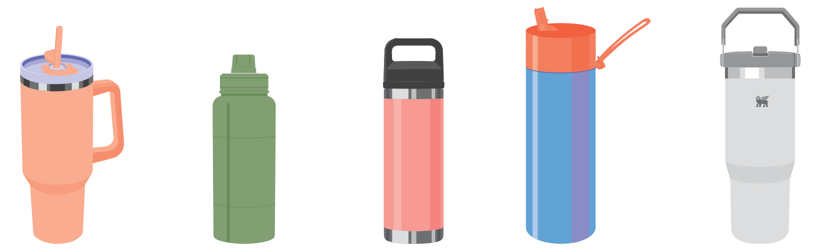


Figure 2.18 Five reusable bottles from different brands with their price points

Source 10: frank green vs Stanley

Written stimulus: News article

In the world of reusable drinkware, Stanley and frank green have emerged as two leading brands, each offering unique features that cater to different consumer preferences. Stanley's Quencher H2.0 FlowState™ Tumbler has taken the Northern Hemisphere by storm, amassing over 4.8 billion views on TikTok and becoming a favourite among celebrities.

Priced between approximately $71 and $126 in Australia, the Stanley Quencher holds 1.2 litres of water, is made from recycled stainless steel, and boasts a three-position lid for versatile drinking. Its ergonomic handle and sleek design make it especially popular with outdoor enthusiasts and style-conscious consumers alike. A water bottle has become a social statement for what type of person you are.

On the other hand, frank green, has built its brand on sustainability and modern design. Inspired by his own experiences with plastic pollution, frank green's reusable cups and bottles feature a ceramic lining to ensure a pure taste, spill-resistant lids, and triple-wall insulation that keeps drinks hot or cold for hours.

While Stanley taps into the hype-driven social media market with its viral appeal and rugged design, frank green appeals to customers who prioritise sustainability and customisation.

Questions

1 Using the stimulus, describe the business situation of frank green.

2 Using the stimulus, describe one external operating environmental factor that influenced frank green's business situation in the maturity stage of the business life cycle.

3 Using the stimulus, create a business report for management at frank green that:
- analyses the business situation by selecting data and information relating to modes of entry for entering global markets using a SWOT analysis
- interprets a relationship and a trend in the SWOT analysis to draw conclusions about the implications of expansion for the business
- evaluates a mode of entry into another market, using two criteria, to make a decision and propose a recommendation.

Analysing stimulus

When analysing the stimulus, you need to examine each item carefully to identify key trends and insights. Look for movements in data that show changes in the business; for example, financial performance, socio-cultural trends or technological advancements can all move, which give evidence of the business situation. For example, declining profits or increasing demand for a product may indicate that the business needs to change a function or introduce a new strategy or might show that the business is moving from one stage of the business life cycle to another. Analysing the stimulus also helps to identify key business issues, including challenges or threats and opportunities that might influence or impact decision-making. The cognitive process required to analyse and interpret stimulus can be seen in Figure 2.19.

Figure 2.19 The process of analysing and interpreting stimulus

Unseen stimulus materials will be provided in Business examinations. Analysing stimulus items in an examination situation uses the same cognitions and skills of analysis and interpretation you demonstrate during an investigation or research task; however, the time you have available to spend on this analysis and the volume of content is restricted. The stimulus will contain both data and information. Students must determine in which questions the stimulus materials must be used and should cite the stimulus sources in their response.

In Business, you will generally need to use the stimulus to demonstrate your ability to describe and evaluate and to complete analytical tools and analyse and interpret questions. It is also important to remember that there will always be relevant and irrelevant data or information, so ensure you are focusing on the right content; for example, if the question is about financing strategies, don't highlight or refer to all the human resources strategies a business has adopted.

Understanding the stimulus story

When you have read and understood the question, it is important to look at and understand the stimulus. When a stimulus package is created, in either the IA1, IA3 or the External Assessment, it is important that the stimulus story is understood.

A stimulus story is the logical connection between all stimulus items that helps in forming a comprehensive understanding of the business scenario. Instead of treating each stimulus item in isolation, you should be looking for ways to link different sources of information to build a cohesive narrative or story about the business.

Working out the story about the data and information that has been shared allows for responses to the questions at a high level. It should be evident that that there has been some triangulation of the data story. This means that multiple items of the stimulus work together and that they connect, like pieces of a puzzle. You should never rely on one piece of stimulus only.

It is also important when analysing the stimulus to be aware of conflicting information, such as contradictions or gaps in data, that require further evaluation. For example, inconsistencies in financial figures or discrepancies between qualitative and quantitative data, or conflicting stakeholder perspectives, can impact the relevance or accuracy of conclusions. Identifying these issues in the stimulus allows for a more critical and balanced response ensuring that business decisions are based on reliable information.

9780170484367

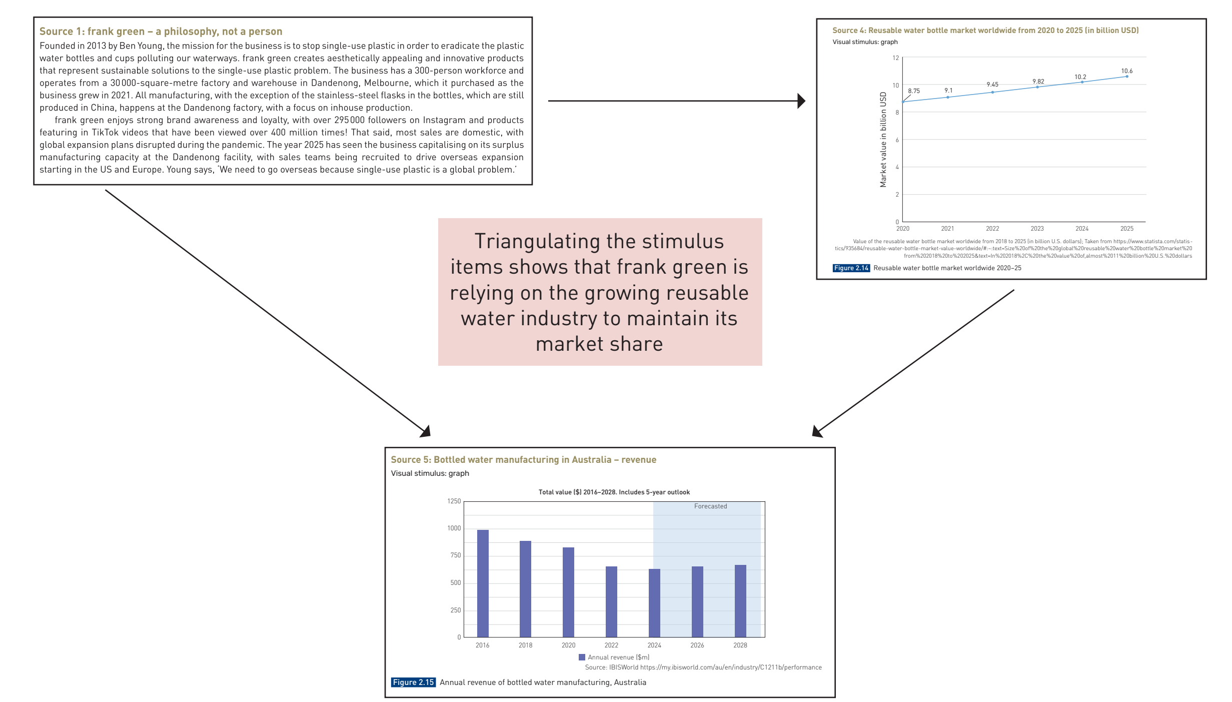


Figure 2.20 Triangulation of data means making a connection between three or more stimulus items and recognising how they support each other to tell a story.

Examination

Internal Assessment 1 and the External Assessment are both examination tasks and each is worth 25 per cent of your overall result for the course. This means that it is important you have the ability to use time effectively, to comprehend questions and to be able to respond thoroughly under examination conditions.

In order for you to go into an examination with confidence and feeling prepared, it is important to learn and refine strategies for revision and study, and to build a toolkit of skills to use in the exam. This section will outline some key strategies that can be used.

How to unpack exam questions

There are two types of short response questions that can be asked in examinations: short response questions that do not rely on stimulus and generally involve showing understanding or comprehension of business facts, concepts and processes; and short response questions that require a response using stimulus. These generally involve describing or evaluating business situations and environments.

This section will unpack short response examination questions that do not require the use of stimulus for both internal assessment and the external assessment: Examination – combination response for Units 3 and 4.

Before responding to questions, students should refer to the ISMGs for internal assessment and the assessment objectives for external assessment.

When unpacking a short response, there are three key elements to look for:

the **cognitive verb** or **cognition**, which outlines how to present the information	Cognitive verb
the **content** or **subject matter** that the question focuses on	Content or subject matter
the **limiting word** or **context** that provides the parameters to answering the question effectively	Limiting word or context

Figure 2.21 Three key elements

Unpacking short response questions (without stimulus)

Sample question 1

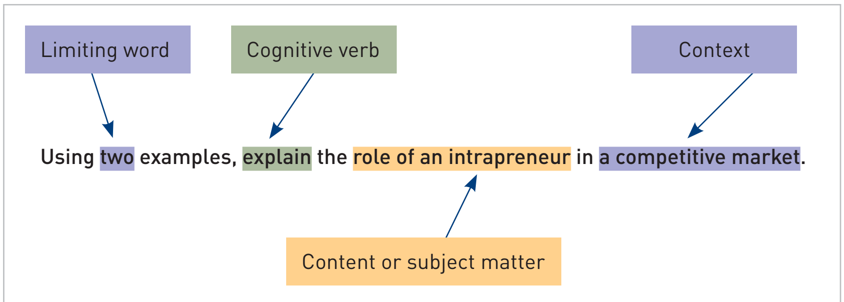


Figure 2.22 Short response question 1 (without stimulus)

Sample question 2

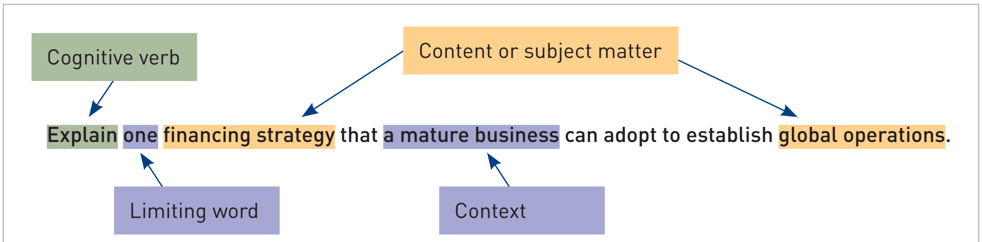


Figure 2.23 Short response question 2 (without stimulus)

Tips for answering short response questions

- The question has multiple parts and requires all parts to be completed.
- The question asks for an **explanation** of the role of an intrapreneur, not the definition of an intrapreneur.
- The response must relate to the role in a competitive market – this means the relationship must be clearly included.
- The question does not relate to stimulus. The examples can therefore be related to any relevant business. It is important to note that example is a plural for this question.
  Ensure you include relevant terminology and examples (plural) to align with the ISMG for Explaining.

Unpacking short response questions (using stimulus)

Sample question 3

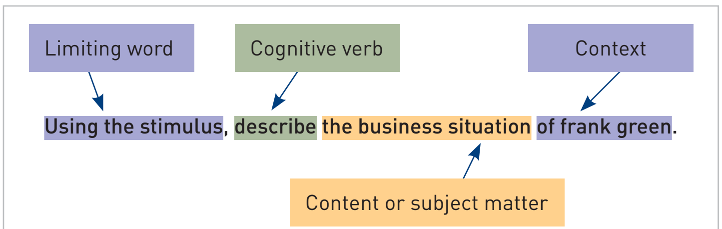


Figure 2.24 Short response question 3 (using stimulus)

Explain: make an idea or situation plain or clear by describing it in more detail or revealing relevant facts; give an account; provide additional information

Sample question 4

Using the stimulus, describe one external operating environmental factor that influenced frank green's business situation in the maturity stage of the business life cycle.

Key	
	Cognitive verb
	Content or subject matter
	Limiting word or context

Figure 2.25 Short response question 4 (using stimulus)

Tips for answering short response stimulus-based questions

- Read the question stem first, identifying the cognitive verbs and the topic or context of the question to know what to look for in the stimulus.
- Scan the stimulus material, being mindful of the question.
- Most questions have multiple parts and require all parts to be completed so check this carefully.
- Plan your response before you start writing. In the plan you should note terminology, facts and characteristics present for the business that relate to the stage in the business life cycle, and sources.
- Be explicit when identifying environmental factors such as the internal factor of owners or the external macro factor of socio-cultural influences.
- Ensure you use both data and information from the stimulus sources.
- Cite the sources from the stimulus in the body of your response; for example, Source 2.

Unpacking an extended response question (using stimulus)

Sample question 5

Using the stimulus, create a business report for management at frank green that:

- analyses the business situation by selecting data and information relating to modes of entry for entering global markets using a SWOT analysis
- interprets a relationship and a trend in the SWOT analysis to draw conclusions about the implications of expansion for the business
- evaluates a mode of entry into another market, using two criteria, to make a decision and propose a recommendation.

Key	
	Cognitive verb
	Content or subject matter
	Limiting word or context

Figure 2.26 Extended response question 5 (using stimulus)

It is advised you also review the following sections of this chapter when you are preparing for your exams:

- Assessment in Business
  - Short responses
  - Stimulus and case studies
- Revision and study
- Using stimulus and the stimulus story
- Business report

Describe: give an account (written or spoken) of a situation, event, pattern or process, or of the characteristics or features of something

Business report

What is a business report?

A report is an extended response that is structured in a clear and succinct manner. A business report is a formal document that can be used to help resolve problems or issues, investigate options and make decisions or recommendations for action. Reports are professional in presentation, are commonly structured into sections with the use of headings and subheadings, and may include tables, graphs and other relevant visual representations.

Why do we write reports?

Learning to write reports is an essential workplace skill in many fields, including business, science and information technology. Gaining skills in report writing will help with your school studies, writing at university and in your future work life, where reports are a common communication tool.

How is a report different from an essay?

There are differences between a report and an essay (Table 2. 8).

Table 2.8 Differences between reports and essays

Report	Essay
Reports are the presentation and analysis of findings from research. They begin with an aim (to investigate or solve a problem) and will usually make recommendations.	Essays begin with a question and seek to answer it based on research into existing theories and through the student's evaluation.
Purpose: to investigate, present and analyse information. Used to draw a conclusion or make a recommendation.	Purpose: to articulate a well-argued response. Typically, does not propose recommendations.
Structure: specific sections, using headings and subheadings. Can include graphs, tables and other visual representations. Appendices may follow to support findings.	Structure: a continuous flow of text, using paragraphs to develop ideas. Rarely includes graphs or other images. Appendices are generally not used.

What characterises an investigation report?

An investigation involves you researching a specific problem, issue, question or hypothesis related to a business at a specific stage in its business life cycle. This requires you to research, analyse and interpret data and information using the inquiry process. An investigation report will evaluate strategies suitable to the business context, using business criteria, to make decisions and propose a recommendation that resolves the problem or issue.

How do I write a report?

First, you must identify the focus of the investigation – the problem statement, which is the central question or hypothesis you are investigating. You should then draft some research questions or aims for the investigation as this will help focus your research process.

Your problem statement (or issue/hypothesis) must align to the business situation – for summative internal assessment 2 (IA2), this means the investigation must relate to Unit 3, Topic 2, focusing on strategic development for an authentic (real) business in the maturity stage of the business life cycle.

Note: ensure you confirm your problem statement with your teacher before progressing.

View the video from the University of New South Wales, 'A video overview of report writing'.

Weblink
Overview of report writing

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Steps in conducting an investigation and writing a business report

The QCAA says that to investigate is to 'carry out an examination or formal inquiry in order to establish or obtain facts and reach new conclusions; search, inquire into, interpret and draw conclusions about data and information' (Figure 2.27).

Framing the investigation
This requires you to define the problem, specify the issue, form the question or develop the hypothesis. Check you have identified a problem statement or central question to investigate.
1

Research
Before you start writing, you must know the subject matter and have conducted valid research that meets task requirements. Have your notes and research read to plan your response.
Tip: ensure you keep a working reference list and cite information in the body of your response as you draft the report.
2

Planning
Establish a clear structure. Either use a graphic organiser as a visual planning tool (e.g. a mind map) to make the structure of the report visible or draft a table of contents, including headings and subheadings, to organise ideas.
Tip: ensure you map where analytical tools will feature.
3

Drafting
This involves putting your plan into action — use research and planning to put ideas into sentences and paragraphs. Organise information, being mindful of audience and purpose.
4

Editing
Read over your response for coherence:
- Does it make sense and respond to the problem statement?
- Does it fit with the audience and purpose of the report?
- Have you stayed within conditions of the task (especially word count)?
- Rework sections that do not make sense or delete them entirely. Look for long sentences or paragraphs and aim to rewrite them using fewer words, without losing the key idea.

5

Proofreading
Use 'CUPS' as a proofreading process (see below):
- Have a fresh set of eyes look at your work – it can be difficult to detect our own errors.
- Consider reading out loud when proofreading for punctuation errors and misplaced words or sentences that don't make sense.

6

Polish
Refine your response ready to submit. Repeat the proofreading process and ensure presentation is professional and fit for purpose. Check any appendices are correctly labelled and referred to in the body of the report.
7

Figure 2.27 Steps in conducting an investigation

Proofreading and CUPS

'CUPS' is an acronym for a proofreading process (Figure 2.28). It will help you check for errors in the conventions of writing and reduce the likelihood of errors in spelling, grammar and punctuation, which aligns with assessment objective 6. It will also help you write in a cohesive manner, addressing what was intended and removing sections that are not directly relevant to the task.

What are the common features of the report genre?

A business report will have a concise and logical sequencing and development of ideas. This means the response must be arranged in a particular order, typically using headings. A sample of headings is listed below, but note that you must always follow the requirements of the task and respond to teacher feedback.

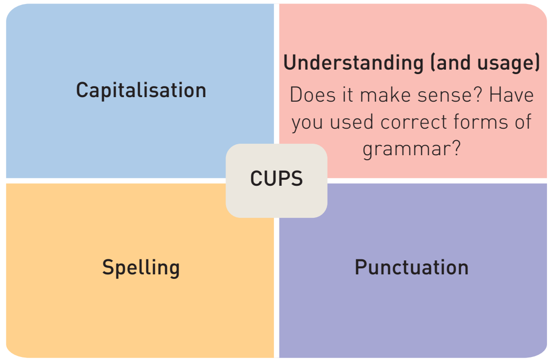

Figure 2.28 CUPS is an acronym for a proofreading process.

- **Title page**: includes the report title (this states the purpose of the report), your name, the name of the person receiving the report, and the submission date.
- **Table of contents**: lists the main sections (headings) of the report, including subheadings, and page numbers.
- **Introduction**: identifies the purpose of the report, necessary background information (without restating the task), the nature of the problem (or issue/hypothesis) and the issues to be addressed (the scope).
- **Body of the report**: contains the substance of your report and should be organised with headings and subheadings, within which paragraphs should still be used. Format considerations include the following:
  - Main headings should indicate equal level of importance (e.g. 1.0, 2.0).
  - All subheadings should relate to section heading and should also be numbered (e.g. 1.1, 1.2).
  - When using graphs, tables and visual representations, check for suitability, use titles or captions, and reference sources.
- **Conclusion**: summarises the key findings from the body of the report and relates them to the problem or issues defined as the focus of the investigation. You should not introduce new points in the conclusion.
- **Recommendations**: makes decisions and proposes changes to the application of business strategies, based on business criteria. Recommendations should be specific and well organised, with the most important first. They should relate to the conclusion of the report.
- **Reference list**: identifies the sources used within the report and cited using in-text referencing.
- **Appendices**: placed at the end of a report, if required. These contain extra supplementary information not used in the body of the report. These are arranged in the order referred to in the report and listed as Appendix A, B, C, etc. in the table of contents. An appendix is optional as it only contains supplementary material.

Feasibility report

What is a feasibility report?

Like a business report, a feasibility report is a structured extended piece of writing but it has a very specific and contextualised purpose. A feasibility report is a formal document that can be used to analyse two or more potential solutions to a problem or issue, and determine which solution should be further investigated or implemented. It is used by businesses when top-level managers want to address a business problem or issue and are given the research and

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Figure 2.29 A feasibility report considers a business's current situation and evaluates a range of solutions to address business problems or issues.

evidence to make an informed decision, considering restraints on the business, and its current situation. It is generally compiled by staff of the business, or is a task outsourced to a consulting firm.

What characterises a feasibility report?

Creating a feasibility report in Business requires you to respond to a business situation at a specific stage of the life cycle. Stimulus will be provided to you to analyse, interpret and evaluate, though some additional research may be used to assist you in enhancing the validity and credibility of your report. Using the inquiry process is fundamental to ensure all elements of the feasibility report are addressed (Figure 2.31). A key feature of feasibility reports is that two or more solutions or strategies are presented and compared to inform future decision-making by the business.

Garagestock/Shutterstock.com

Figure 2.30 A feasibility report should propose recommendations to inform business decision-making, whether it be to proceed or to avoid a potential solution.

For summative internal assessment 3 (IA3), the context and requirements for the feasibility report are defined. In IA3, you are tasked with investigating a business at the post-maturity stage of the life cycle and its opportunity to reposition, based on the subject matter of Unit 4, Topic 1.

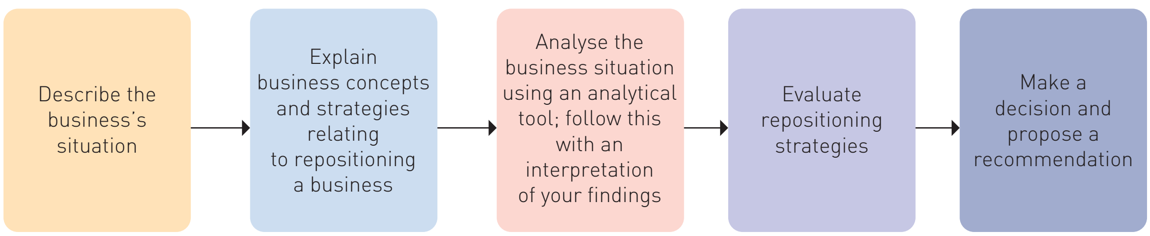

Figure 2.31 A feasibility report has five key components that must be addressed.

How to write a feasibility report

For IA3, you must first identify what the focus of your report will be. This involves generating a problem statement, a central inquiry question and a hypothesis. This problem must relate to the stimulus – looking at the repositioning strategies that could be used by a business facing the post-maturity stage of the business life cycle. Refer to the Analysing and Interpreting Stimulus sections covered earlier in this chapter. Once you have confirmed your approach with your teacher, you should then follow the same framework used for the 'How do I write a report?' (see pages 37–39 and Figures 2.27 and 2.28).

The following report genre requirements also apply to a feasibility report:

- *title page* – addressed to the business directors
- *table of contents*
- *introduction*
- *body of the report* – including description, explanation, analysis, interpretation and evaluation requirements of the feasibility study. It is acceptable to include data, tables, graphs, analytical tools, diagrams, illustrations and photographs throughout the body of the feasibility report
- *conclusion*
- *recommendations*
- *reference list*
- *appendices.*

Refer to the 'Business report' section for a detailed explanation of each of these elements (see pages 37–39).

Formatting tips when preparing a feasibility report

In the creation of your feasibility report, it is important that you present your response professionally. This can be achieved through following a style guide, which is a policy and procedure document that dictates formatting requirements for business documentation. Your school or Business teacher may provide you with a style guide to follow. Figure 2.32 provides some general rules to follow to ensure high-quality formatting.

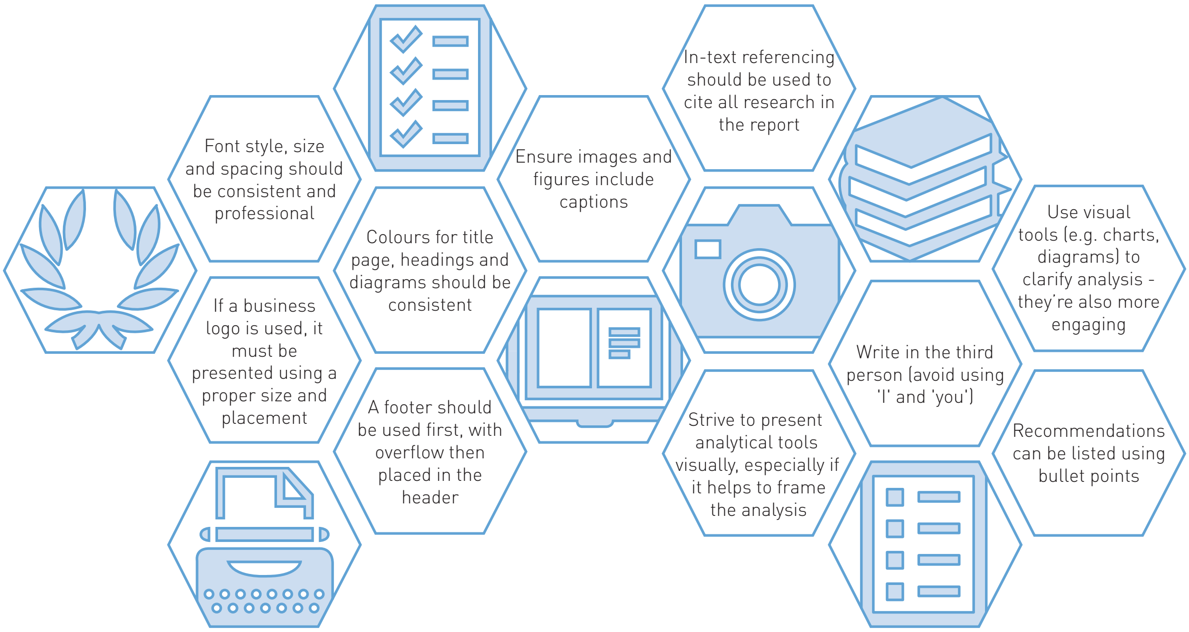

Figure 2.32 General rules to follow when formatting a report

Weblinks

- Cornell notes video **(p. 23)**
- frank green interactive map **(p. 29)**
- Overview of report writing **(p. 37)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

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Unit 3

Business diversification

Topic 1
Competitive markets

Businesses in the maturity stage of the business life cycle are in highly competitive environments

STRATEGIC PLANNING

Growth can occur vertically or horizontally

Maturity stage businesses need to continually engage in strategic planning to remain competitive and achieve their goals and objectives

EXPANDING MARKETS

Businesses can expand domestically, globally and online

MANAGING RISK

Businesses in the maturity stage need to ensure risk management and contingency planning are in place

EXPANSION STRATEGIES

MODES OF ENTRY

Expansion can occur through:

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MANAGING HUMAN RESOURCES

47%

of HR leaders cite employee retention and turnover as their top workforce management challenge

WHY DO PEOPLE LEAVE JOBS?

27.3% for career development or a change

14% lack of positive work–life balance

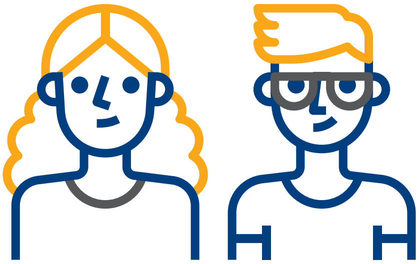
11% their manager's behaviour

for health or wellbeing reasons **5.8%**

11.5% unsatisfactory compensation and benefits

4.6% Retirement

0.8% To start own business



30% of millennials leave their jobs because they receive a better job offer from another company

48% of employees would like to see the right to request flexible working extend to all employees now

13% of millennials see a lack of career opportunities within the company

58% of employers reported that the right to disconnect had increased employee engagement and productivity

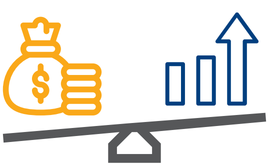
Source: https://www.ahri.com.au/wp-content/uploads/AHRI-WorkOutlook-Report-2025-Q2.pdf

HUMAN RESOURCES STRATEGIES

- Employer of choice
- Motivation theories
- Fostering intrapreneurship
- Diverse workforce
- Inclusive workplaces
- Leadership styles

FINANCING OPTIONS

Business expansion strategies can be expensive. Evaluating strategies ensures they are viable. Not all costs and returns are monetary.



Cost–benefit analysis

Triple bottom line

FINANCING STRATEGIES

Expansion strategies can be financed through:

- Private equity
- Money in capital markets
- Initial Public Offering (IPO)
- Dividends
- Accessing government grants and incentives

3 DOMESTIC AND GLOBAL EXPANSION

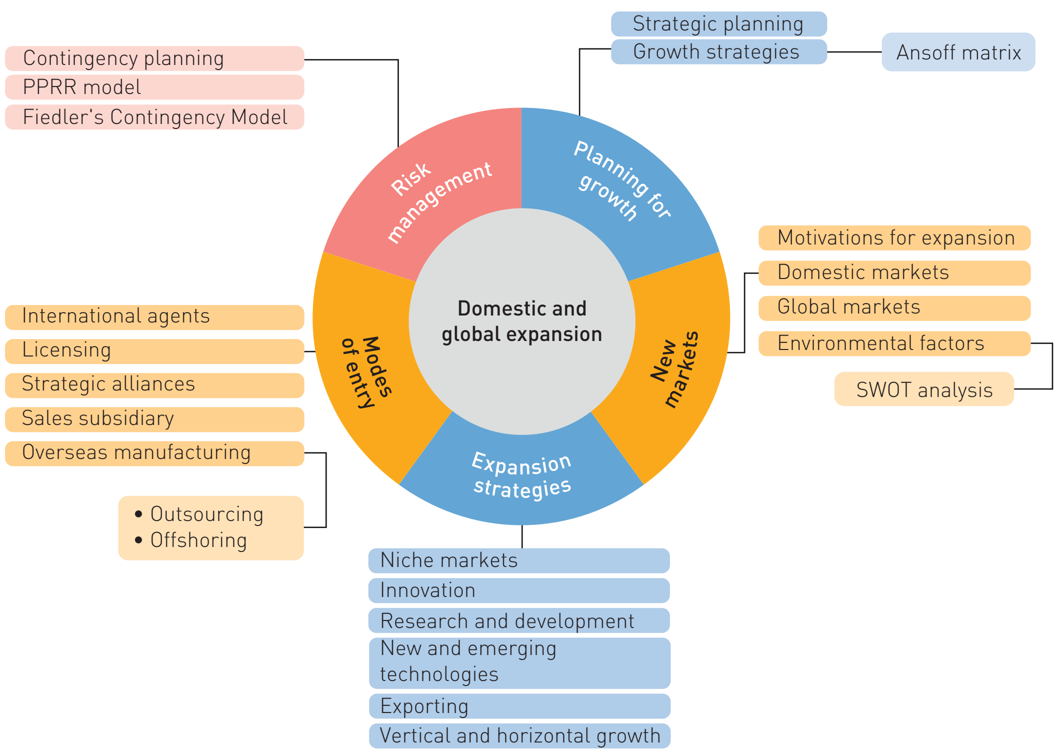
What you will learn

In order to remain competitive, a business in the maturity stage of the business life cycle must consider and utilise a range of growth strategies and practices. For a mature business, a common strategy for growth is the expansion of the business to new domestic or global markets that will increase its market share. When expanding into these new markets, the business must consider the modes of entry, risk management practices and environmental factors to decide whether it expands all or just part of its business operations and offerings.

This chapter will provide you with the opportunity to:

- **describe** business facts and characteristics of business situations in the maturity stage of the business life cycle, and the external operating and macro environmental factors that have an impact on human resources and financing
- **explain** the strategies and modes of entry a mature business may adopt for expansion, the challenges in the maturity stage, and the importance of risk management of domestic and global markets
- **analyse** and **interpret** the strengths, weaknesses, opportunities and threats (SWOT analysis) affecting modes of entry for domestic and global markets
- **evaluate** modes of entry and expansion strategies for domestic and global markets
- **create** responses to **communicate** strategies to stakeholders.

The analytical tool used in this chapter is a SWOT analysis.



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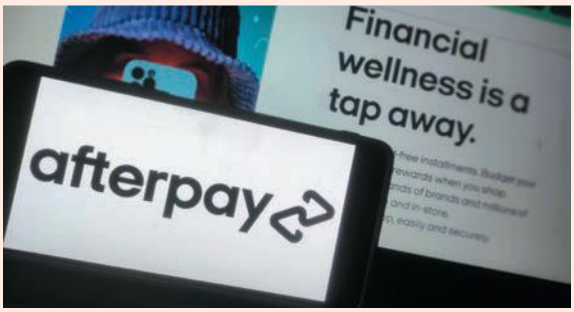
GAINING INSIGHT 3.1

Afterpay: From Melbourne start-up to global success

FOCUS QUESTION: What growth strategies did Afterpay adopt when expanding into new markets nationally and internationally?

Afterpay was founded in 2014 by Nick Molnar and Anthony Eisen in Melbourne. The company created a buy now, pay later (BNPL) service, offering an alternative to traditional credit cards or store cards. This service allows consumers to take out short-term instalment loans. It has been popular with younger shoppers and consumers seeking greater financial control than traditional credit cards allow. Afterpay was also aimed at retailers looking for ways to boost sales without taking on financial risk by offering their own lines of credit, BNPL or lay-by services.

To help move people from using the likes of Mastercard, Visa and AMEX cards, the Afterpay service is completely free for customers who pay on time. This model is designed to help people responsibly buy what they want when they want it, without incurring interest, fees or revolving debt.



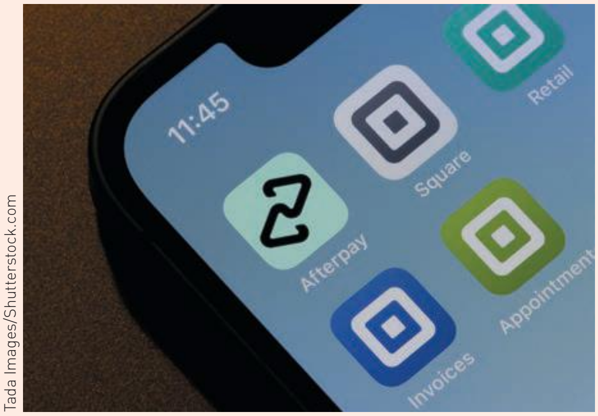
Iljanaresvara Studio/Shutterstock.com

Figure 3.1 The Afterpay concept emerged as an alternative to traditional credit or store cards, appealing to consumers seeking greater control of their finances.

Despite being younger than its rivals, Afterpay is one of the biggest BNPL players in the world. Initially, Afterpay concentrated on the Australian market, quickly gaining traction by offering an interest-free payment system with low barriers to entry and instant approval processes. Strategic partnerships with major Australian retailers like Myer and David Jones helped solidify its presence, and the platform attracted more than a million customers in Australia within three years of its launch.

From a technology standpoint, Afterpay invested in a scalable tech infrastructure to support rapid user growth without compromising user experience or operational efficiency. The platform's easy integration with retailers' systems facilitated streamlined onboarding for merchants and consumers, fuelling its national expansion.

To expand nationally, Afterpay focused on developing strategic partnerships, with large retail chains endorsing the platform and smaller businesses adopting it to tap into a younger customer base. After establishing a dominant presence in Australia, Afterpay entered the US market in 2018. The company focused on partnerships with popular American brands like Urban Outfitters, Free People and Anthropologie to gain credibility and tap into established customer bases. Afterpay also localised its approach, adapting marketing and messaging to resonate with different markets and different cultural nuances.



Tada Images/Shutterstock.com

Figure 3.2 In 2022 Afterpay was purchased by Square, now known as Block, Inc.

Afterpay's international expansion continued into markets like New Zealand, the United Kingdom and Canada, employing a similar approach of building partnerships, creating brand awareness and offering a seamless onboarding process for users.

Acquisitions of other BNPL providers were a key part of the Afterpay expansion strategy, particularly for international expansion.

In 2017, Afterpay acquired Touchcorp Limited, a technology services provider, for approximately A$210 million. This acquisition led to the merger of Afterpay and Touchcorp in a joint holding company called Afterpay Touch Group, which allowed Afterpay to bring crucial technology development in-house, enhancing its platform's efficiency and reducing its reliance on external technology providers.

Then, in 2018, Afterpay acquired 90 per cent of UK-based ClearPay Finance Limited as part of its entry into the UK market. This acquisition enabled Afterpay to leverage ClearPay's existing foothold in the UK to expand its BNPL services more quickly. In 2021, Afterpay acquired the remaining 10 per cent stake in

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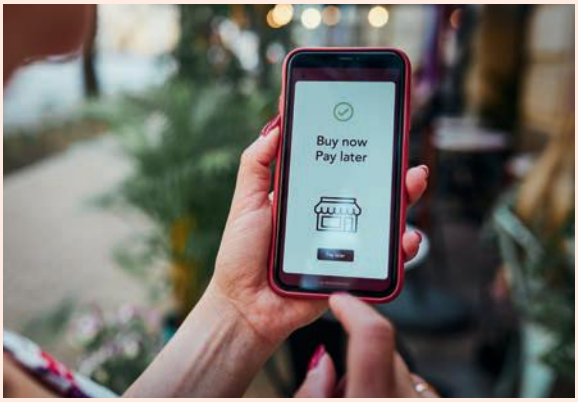
ClearPay Finance Limited from ThinkSmart, finalising its ownership of ClearPay to further strengthen its market presence in the UK.



Przemek Klos/Shutterstock.com

Figure 3.3 The global BNPL market size was valued at US$30.38 billion in 2023 and is projected to grow from US$37.19 billion in 2024 to US$167.58 billion by 2032.

On 31 January 2022, the largest corporate takeover in Australian history occurred with the purchase of Afterpay. Twitter (now X) billionaire Jack Dorsey's US payments platform Square (now known as Block, Inc.) purchased Afterpay for A$39 billion (US$29 billion), creating a global financial technology giant.

The global BNPL market size was valued at US$30.38 billion in 2023 and is projected to grow from US$37.19 billion in 2024 to US$167.58 billion by 2032. Afterpay co-founder Nick Molnar said Square's takeover would turbocharge Afterpay's global expansion and its continued presence in market share.

After Block, Inc. acquired Afterpay, its co-founders Anthony Eisen and Nick Molnar joined the new organisation in key leadership roles. They lead Afterpay's merchant and consumer businesses within Block's seller and cash app ecosystems as they continue to disrupt the global credit card business.

Questions

1. Describe the business situation and opportunity that led to the global expansion of Afterpay.
2. Explain one mode of entry that Afterpay used when it expanded into the global market.
3. Analyse the business situation of Afterpay by selecting relevant data and information to conduct a SWOT analysis on the modes of entry into domestic and global markets.
4. Interpret two relationships and trends identified in the SWOT analysis and draw conclusions about the implications of expansion for a mature business like Afterpay.
5. Using the criteria of effectiveness and stakeholder satisfaction, evaluate the success of Afterpay's decision to sell to Square.

Template
SWOT analysis

Planning for growth in the maturity stage

Key learnings

You will learn about business growth through examining:

- motivations for expansion
- new markets
- strategic planning for growth
- the challenges of the maturity stage.

When a business has fully captured its target market, can no longer grow in its current state or has hit the peak of its market, it has entered the maturity stage of the business life cycle. This often means the revenue of the business can start to plateau or even decline as competition grows, sales decrease, operating costs increase, innovations arise and customer demands change or evolve. In order to extend its life cycle and remain competitive in the market, a business

Melpomenem/Dreamstime.com

Figure 3.4 Strategic planning is essential to ensure businesses in the maturity stage of the business life cycle continue to grow and achieve their objectives.

must continually engage in strategic planning to ensure it continues to track towards achieving its overall aims and is continually experiencing growth or moving into new markets. This growth does not simply mean increased sales, but could be growth in areas such as production, facilities, procedures, resourcing and marketing.

Motivations for expansion

During the strategic planning of a mature business, the business should have decided on a growth strategy and the type of growth to pursue for business expansion. This expansion can be locally targeted or a global pursuit as a business seeks to increase its market share and its overall revenue. Whether a business chooses to expand domestically or globally, the motivations for entering new markets may include:

- access to a broader market
- profit potential
- competitive advantage
- expense reductions
- reduced risk of decline
- increased buying power
- production cost reductions
- an offer by a foreign distributor
- economies of scale.

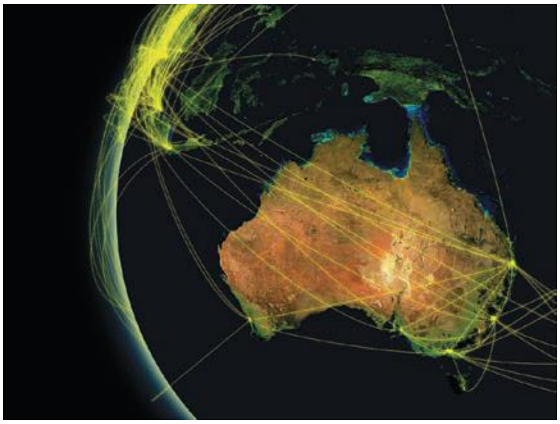

iStock.com/Harvepino

Figure 3.5 Businesses can expand into domestic or global markets to gain access to a wider customer base.

A business that implements a deliberate and well-executed growth strategy ensures that it remains viable and continues to achieve its goals and objectives. Some of the goals or objectives often identified by a business during strategic planning in the maturity stage are to:

- avoid entering a state of decline
- increase its share of the existing market
- enter a new market
- acquire new sales and customers.

INQUIRY

Inquiry task: Business expansion in the maturity stage

You are to investigate the motivations behind business expansion in the maturity stage, using examples of Australian-owned businesses that have successfully grown beyond their initial markets.

1. Select one of the following businesses to research:
   a. Cotton On Group – retail and fashion
   b. Mecca Brands – beauty and cosmetics
   c. Four'N Twenty – food manufacturing
   d. Carbon Revolution – advanced manufacturing
   e. Canva – technology and software.
2. Identify and explain the key motivations behind the business's decision to expand.
3. Explain the mode of entry that the business utilised during its expansion.

Strategic planning: a long-term view of where the business is going and how it will get there, typically over two to five years

Expansion: a business strategy to increase market share by entering new markets and providing new avenues to reach customers

Growth strategy: a specific strategy affecting either new or existing products and markets, and designed to increase the overall market share of a business

GAINING INSIGHT 3.2

The 'grow or die' lie

By Edward D Hess

In the race to grow a business, it must be remembered that the real key for success is carefully managed growth.

All growth is good. Bigger is better. All businesses must either 'grow or die'. These popular business axioms are routinely lauded on Wall Street, at business schools and by some of the most well-respected business consultants of the day. Few question their validity. But actually, these 'truths' are anything but. At best, those beliefs are half-truths; at worst, they're pure fiction.

'Grow or die' is a belief that has no basis in scientific research or in business reality. Growth can be good *and* growth can be bad. Bigger can be good *and* bigger can be bad. When not approached carefully, growth can destroy value as it outstrips a company's managerial capacity, processes, quality and financial controls, or substantially dilutes customer value propositions.

Between 2005 and 2007, Starbucks aggressively opened new store locations and made several operational changes that diluted its customer value proposition, diluted its high employee-engagement culture, violated its real estate site selection controls and weakened its high value-added 'experience' business model. For Toyota, too much growth too quickly resulted in quality issues that led to multiple recalls.

In a recent study I conducted among high-growth private companies, several of the successful entrepreneurs showed as repeat entrepreneurs who had 'imploded' their first business by taking on too much growth too quickly. Growth overwhelmed them. They learned to respect growth's destructive ability and, in their second venture, paced growth so that it did not overwhelm their people, processes and controls.

iStock.com/3D_generator

Figure 3.6 Is it simply a myth that businesses must grow or die?

That is the 'gas pedal' approach to managing growth. Let up on the growth gas pedal as needed to give the company's people, processes and controls time to catch up.

Instead of 'Grow or die', be motivated by the motto 'Improve or die'. Every business must continually improve its customer value proposition better than its competition in order to stay viable. That's where real success lies.

Growth is change (and change isn't easy). There are limits to an individual's and an organization's ability to process change. Growth requires the entrepreneur to install more processes, procedures, controls and measurement systems. The right processes and controls must be put in place and taught to employees. In addition, the right information needs to reach the manager regarding variances from processes and controls so mistakes can be fixed quickly and not escalate into a larger problem.

Growth also requires that the entrepreneur change what he or she does. Successful and sustainable growth requires the right kind of leadership, the right environment (culture) and the right processes.

Growth is evolutionary. Sometimes, tough decisions are required in order to keep up. Growth requires the evolution of the entrepreneur and the management team and more sophisticated processes and controls. Often, if not always, the business model and customer value proposition evolve, too. Furthermore, this evolution is continuous, and anticipating and responding to it can require making some fairly dramatic – and difficult – changes.

One surprising finding of my research was that companies frequently had to upgrade their management teams as they grew. Often, managers who operated effectively at one revenue level of the business were unable to manage effectively at a much higher revenue level. The jobs simply outgrew their skills.

The need to upgrade managers to fit the expanding job demands was gut-wrenching for many entrepreneurs because the now-ineffective managers had often had a successful history with the business but were now in over their head. This is yet another important factor that entrepreneurs must be prepared to deal with as they think about growing their business.

Growth requires continuous learning and constant improvement. The entrepreneur and employees must be constantly open to learning and adapting and improving in an incremental, iterative and experimental manner. No matter how big a company gets, continuous improvement is required.

My research of high-organic-growth companies highlighted one factor they all share: a 'be better' DNA. Their 'be better' focus was the underpinning of every growth initiative, whether it was top-line, bottom-line or developing new concepts. Continuous improvement is the DNA of growth. The good news is that continuous improvements lead to more loyal customers who can be the company's best advertising.

Growth requires disciplined focus and prioritization. The entrepreneur must strategically focus the business on a compelling differentiating customer value proposition and achieving daily operational excellence and consistency. Any growing business has resource constraints – limited people, time, and capital – so it is critical that the entrepreneur spend his or her time on the most important areas that can drive success. These priorities may vary with the type of business or the phase of growth.

To set priorities, entrepreneurs must have concrete and useful data about their business, communicate the priorities to their personnel, and implement processes to ensure that these priorities are carried out. One entrepreneur whom I interviewed prioritized his focus simply as customers, quality and cash flow. For him, if an issue did not impact directly and materially one of those three areas, it could wait.

Growth is process intensive. Growth requires implementing processes, which include controls. These are the step-by-step instructions for how to do a task. Processes are necessary to hire employees and train them; to minimize mistakes and institutionalize quality standards; and to deliver products and services on time, 99 percent defect-free. Controls are necessary to set boundaries on allowable behaviour and also alert management to deviations from processes.

Processes are the 'how' part of doing business. As businesses grow, the entrepreneur loses the ability to be hands-on with all aspects of the business. There is simply too much to do. So, the challenge is for the entrepreneur to increase the probability that others will do the tasks as he or she would like them done. To accomplish this goal, the entrepreneur implements processes.

There are two basic types of processes. The first type are the directions, instructions and standards for how to do specific tasks. These include rules or controls for mitigating financial and quality risks. Most processes are designed to instruct an employee how to do something or what not to do. The second type has a goal of producing reliable, timely data or feedback that will reveal variances or mistakes. These data-collecting processes are designed to get the key data in the hands of the entrepreneur quickly as the business grows.

Growth creates business risks that must be managed. Growth stresses people, processes, quality controls and financial controls. Growth can dilute a business's culture and customer value proposition and put the business in a different competitive space. Understanding these risks is critical to managing the pace of growth and preventing growth from overwhelming the business.

To get a better handle on growth risks, the business owner needs to consider how strategic space will change as the company gets bigger. It will probably enter a new competitive space, facing bigger and better competitors. Those new competitors may be better capitalized and be able to engage in price competition, driving down the company's margins.

A company can minimize this and other big risks by planning for growth, pacing growth and prioritizing what controls and processes it needs to have in place prior to taking on much growth. By carefully considering the timing and whether the right people, processes and controls are in place to manage the growth, entrepreneurs can take their business to greater and greater heights.

Source: Edward D Hess, Professor of Business Administration, Batten Executive-in-Residence & Batten Faculty Fellow, Darden Graduate School of Business, University of Virginia.

As originally published in *In Business Magazine*, December 2012 issue.

Questions

1 Explain what growth is according to the article.
2 Explain the two processes outlined for growth. Why are these processes so important?
3 Identify the challenges associated with the maturity stage of the business life cycle and growth according to the article. Are there any other challenges that you can identify?
4 Using examples, in sentences, explain the implications when a business experiences too much growth too quickly.

New markets

Key learnings

You will learn about new markets through examining:
- avenues and environmental factors of domestic expansion
- avenues and environmental factors of global expansion.

Domestic markets

A business that seeks to grow horizontally into new markets generally begins its expansion by opening new locations within the same country or offering online services with nationwide delivery. This is a **domestic market** and means that the business growth occurs within the geographical limits of the country. When the business and the customers reside in the same country, the business transactions are relatively straightforward despite the number of stores a business might open or the reach of its delivery services.

GAINING INSIGHT 3.3

Levels of business expansion

Generally, business expansion or growth activity can occur on five levels: domestic, international, multinational, transnational and global business.

Domestic business

A domestic business operates within the boundaries of one country. It is generally small to medium business enterprises that buy their resources and sell their products and services in the national or local market only. An example is Grill'd, which is a gourmet burger chain with stores only in Australia.

International business

An international business is based in one country but imports from, or exports to, other countries to obtain resources or revenue. Most large companies that have no investment outside their home country but that engage in business activity across multiple countries are international businesses. Examples of international businesses are Haigh's Chocolates and Akubra Hats, which have their operations in Australia but export to other markets.

Multinational business

A multinational business is generally structured with a headquarters in its country of origin but has expanded with subsidiaries or assembly or production facilities in several countries and regions of the world. There is some limited decentralisation of decision-making, but a number of key areas such as human resources are managed through the business headquarters. Examples of multinational businesses with headquarters in Queensland are Flight Centre Travel Group and Lorna Jane.

Transnational business

Transnational businesses have a decentralised approach: decision-making, R&D and marketing powers are given to each of several individual foreign and independently operated centres around the world. Transnational businesses don't have subsidiaries; rather, they have other companies registered in different countries. Examples of transnational businesses are Nestlé and Unilever.

Global business

A global business has operations worldwide, and it does not identify any home country. It operates facilities and business activities in many countries around the world, through the use of the same coordinated brand in all markets. Generally, one corporate office is responsible for global strategy, as in the case of McDonald's and Coca-Cola.

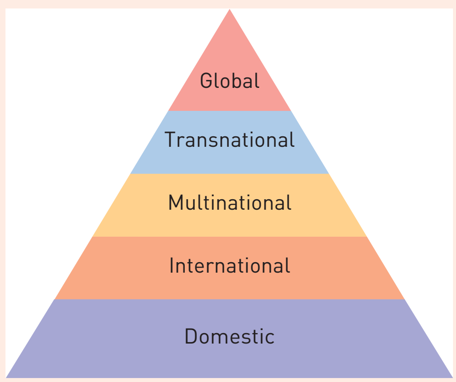


Figure 3.7 Levels of business activity in expanding markets

Domestic market: the supply of, and demand for, goods and services within a single country; also referred to as the internal market

In a domestic market, if the expansion occurs through a new store or new location, it is generally a replication of the original and follows the same laws, customs and trade regulations. This is one of the advantages of domestic trade, along with low transaction costs, cheaper postage and handling, and processing of sales in one currency.

Operating in familiar environments reduces the risks associated with expansion and eliminates the need to develop new resources, suppliers and logistics, since the business operations are already in place and established. Domestic expansion also promotes economic growth within the country where the business is located. Domestic economic growth is necessary to ensure a country doesn't go into **recession** and makes a country an attractive market to other countries looking to expand their international trade.

GAINING INSIGHT 3.4

Demand for sustainable cleaning products drives expansion: OurEco Clean

OurEco Clean is a well-established, reputable Australian private company manufacturing natural cleaning products using Australian botanical essential oils. Wanting to use only environmentally friendly cleaning products in her own home, founder Kym Smith found it difficult to source ready-made products. So, using a variety of natural ingredients such as bicarbonate of soda, citric acid and Australian botanical oils, Kym developed a range of 11 natural cleaning and air-freshener products that aren't harmful to humans or the environment.

Kym is passionate about the health of the planet, and her goal is to remove nasty chemicals from family homes. This is an objective shared by many consumers who realise that the scarcity of resources and health of the planet require more sustainable practices.

The demand for organic and environmentally friendly cleaning products drove rapid growth for OurEco Clean, and the production of products that started in a garage in 2012 quickly expanded to a factory to meet demand across Australia.

OurEco Clean's domestic expansion occurred through retail distribution via IGA supermarkets, Drakes Supermarkets and Foodland stores, and key organic and natural product retailers. In 2016, the company began exporting to New Zealand. OurEco Clean continued to expand and has now also established US and Canadian distribution channels.

www.ourecoclean.com.au

Figure 3.8 The demand for sustainable and environmentally friendly cleaning products drove expansion from Australia to New Zealand, Canada and the United States.

Global markets

With developments in technology and increasing ease of communication, being able to operate in the global economy is becoming more important for mature businesses. Increased inter-country contacts and relationships are leading to greater globalisation and growth for many businesses. **Globalisation**, or international business, takes place when business activities occur beyond the borders of the home country and involve at least one other country. A country's **gross domestic product (GDP)** is the best measure of its overall economic strength, and closely connects with companies looking to expand internationally to help them make informed and strategic decisions about the markets they expand into.

Recession: a period when the economy of a country is in decline and conditions for business are not considered optimal

Globalisation: the process of extending manufacturing or trade operations to other parts of the world beyond the home country of a business

Gross domestic product (GDP): the total value of everything produced by all the people and companies within a country

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GAINING INSIGHT 3.5

Understanding GDP and its impact on business expansion

Gross domestic product (GDP)

Andresr/E+/Getty Images

Figure 3.9 The GDP can help a business to strategically choose new markets.

Gross domestic product (GDP) is the total dollar value of all goods and services produced in a country over a set period, usually measured quarterly or annually. For example, if Australia's GDP is reported as $2.5 trillion, that means businesses, industries and the government together produced $2.5 trillion worth of products and services in that year. If that number grows, it signals a healthy, expanding economy. If it shrinks or stays flat, it can be a sign that the economy is slowing down.

If GDP is reported as 'growing by 2 per cent', it means the economy is producing 2 per cent more value than it did the previous year. This figure helps governments, banks and businesses understand whether people are spending money, how many jobs are being created and how confident businesses feel about the future. This helps businesses to decide whether or not it is a good time to expand.

GDP and developed markets

Australia is a developed country with a diverse economy that includes mining, agriculture, education, tourism and services. The Reserve Bank of Australia (RBA) closely tracks GDP because it helps it decide whether to raise or lower interest rates, which directly affects how much it costs to borrow money.

When GDP growth is strong, businesses usually feel confident to expand, hire more workers or invest in new technology. For example, during periods of strong GDP growth in the 2010s, companies like Afterpay expanded rapidly and Qantas increased international flights. The education sector also grew as universities like the University of Melbourne and Monash University attracted international students, boosting the local economy.

But when GDP slows, as it has in recent years, spending can drop. In 2023, for instance, higher interest rates and inflation meant people were more careful with their money. As a result, businesses in retail and hospitality, such as Myer and JB Hi-Fi, saw changes in consumer demand. Even fast-food chains like Domino's Pizza Enterprises noticed people spending less on takeaway.

GDP and emerging markets

In countries with growing populations and developing industries, like India, Vietnam and Brazil, GDP growth can be much faster. These are called emerging markets. Businesses in developed countries often look to these regions for expansion because there is strong demand for goods and services, even if the infrastructure or political environment might be less stable.

For example, Australian companies such as Cochlear (hearing technology) and ResMed (sleep and respiratory health) have successfully expanded into emerging markets due to the increasing demand for healthcare technology in developing countries. Fortescue Metals Group, a major player in mining, also benefits from strong demand in growing economies like China and India.

GDP and business decisions

When GDP is growing, it is a green light for many businesses to invest and expand. They may hire more staff, open new locations or launch new products. But when GDP is weak or declining, businesses tend to hold back. They might delay projects, cut costs or reduce staff.

For instance, a tech start-up in Sydney might delay expansion if GDP growth is low and securing funding becomes challenging. Similarly, a farming company exporting beef or wine could be influenced by global GDP fluctuations if other countries reduce their purchases due to their own economic challenges. Finally, a tourism operator on the Gold Coast might experience a decrease in bookings if Australians tighten their budgets due to economic pressures.

GDP and growth

GDP is not just a number for economists – it has a real effect on the way businesses grow, adapt or hold back. For Australian businesses, understanding GDP trends, both locally and globally, helps them make smart choices when considering both domestic and global expansion.

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Whether they are investing in new markets or adjusting to tougher times, GDP gives a big-picture view of the economy's direction. By keeping an eye on GDP, businesses and even young entrepreneurs can better understand when the right time is to take a risk or when it is smarter to stay steady.

Source: Mariel Loveland, 'The GDP's effect on business', Bizfluent, 26 June 2018. Copyright © Leaf Group Ltd.

Questions

1 Explain how the Reserve Bank of Australia (RBA) monitors Australia's GDP and uses interest rates to help support businesses in the economy.
2 Research and select recent data on Australia's GDP. Explain how businesses can use this data and the RBA's interest rate decisions to inform their plans to expand.
3 Analyse and interpret the selected GDP data about Australia to decide if Australia would be considered a strong market or economy for business growth.
4 Explain how GDP affects the choice of market for a business planning to expand.

Emerging markets

When planning for expansion into the global market, businesses must consider the stability of the market economy they enter and the forecasts for factors that may affect their success. One strategy for expansion is to move into an emerging market. In an emerging market, the economy is not considered to be as strict or efficient as in advanced markets, but there is a growing population with disposable income and an interest in purchasing goods and services that may previously have been unavailable in the region. Examples of countries currently considered to be emerging markets are evident in Figure 3.11.

Rawpixel.com/Shutterstock.com

Figure 3.10 Globalisation extends the reach of a business beyond its country of origin.

Expanding into an **emerging market** and becoming the first business to offer a good or service in that market provides an opportunity for the business to:

- obtain a large market share before competitors arrive in the market
- access customers with growing disposable income in a strengthening economy
- access capital and resources currently untapped in the market
- build the brand as prestigious or scarce
- gain a higher-than-average return for investors with the initial expansion.

Despite the advantages and opportunities of emerging markets, they still present a number of challenges and considerations; for example, intellectual property. Often, developing markets don't have the same respect for intellectual property as is seen in Australia or other advanced markets. It can also be hard to enforce copyright in the face of imitation products or counterfeits.

Researching and understanding markets is useful to understand how different countries operate. While it can be difficult to find reliable information and data for some markets, particularly emerging economies, there are government agencies and departments set up to assist businesses looking to expand.

Emerging market: a market that is building accountability and strength, opening to new foreign investment and trade, and expected to provide higher returns despite greater risks

Weblink
Austrade

The Australian Trade and Investment Commission (Austrade) is the Australian Government's international trade, education, and investment promotion agency. Designed to support businesses looking to expand globally, Austrade provides a range of grants and resources to help grow Australia's prosperity by delivering quality trade and investment services to businesses.

Visit the Austrade website to see the resources the Australian Government provides to assist businesses looking to expand overseas. This link can be found on Nelson MindTap.

Data: 'Emerging markets: will the economic catch-up continue?', Economist Intelligence, Wed, 12th Oct 2022

Figure 3.11 Emerging markets provide a number of opportunities for global expansion.

INQUIRY

Inquiry task: Understanding emerging markets

1 You are to conduct an inquiry into one of the emerging markets identified in Figure 3.11. You are to research the country to identify and analyse the strengths, weaknesses, opportunities and threats (SWOT) of expansion to that market.
2 Analyse the strengths, weaknesses, opportunities and threats identified to draw conclusions about the implications of expanding into an emerging market.
3 Create a one-page letter to explain whether expanding into the emerging market you investigated is a viable consideration for an Australian business owner. Use the SWOT analysis to support your explanations.

Template
SWOT analysis

Marina Putilova/Dreamstime.com

Figure 3.12 Emerging markets can be an attractive expansion opportunity for mature businesses.

Environmental factors

When a business expands into a new market, whether it is a domestic market or a **global market**, it must first gain the knowledge and skills relevant to the location. In global expansion, this means researching and understanding the country and culture the business plans to expand into. This includes knowing the internal, external operating and external macro factors that could affect the expansion. The external macro factors include the socio-cultural, technological, economic, environmental, political, legal and ethical factors (STEEPLE) that might impact customers' buying habits and the economic stability of the country.

Key learnings

You will learn about environmental factors through examining:

- environmental factors of domestic expansion
- environmental factors of global expansion
- culture.

ANALYTICAL TOOL 3.1

SWOT analysis: Strategic planning in maturity

As introduced in Business for QCE Units 1 and 2 in Chapter 3, a SWOT analysis is an analytical tool used by a business for strategic planning. It identifies the strengths, weaknesses, opportunities and threats (SWOT) in a graphical format (Figure 3.13).

This analytical tool helps a business to focus on its internal environment (strengths and weaknesses) and the external environment (opportunities and threats). During the maturity stage of the business life cycle, the SWOT analysis tool is helpful in determining the environmental factors affecting proposed expansion strategies.

Strengths and *weaknesses* are internal to the business and relate to matters concerning resources, programs and organisation in key areas. The objective is to establish a picture of the business identifying its good and bad points, achievements and failures, and other critical features within the business.

The external *opportunities* and *threats* confronting a business can exist or develop in both the operating and macro environments. The objective of the business is to identify the opportunities present and be aware of the threats that other businesses pose when considering growth or expansion.

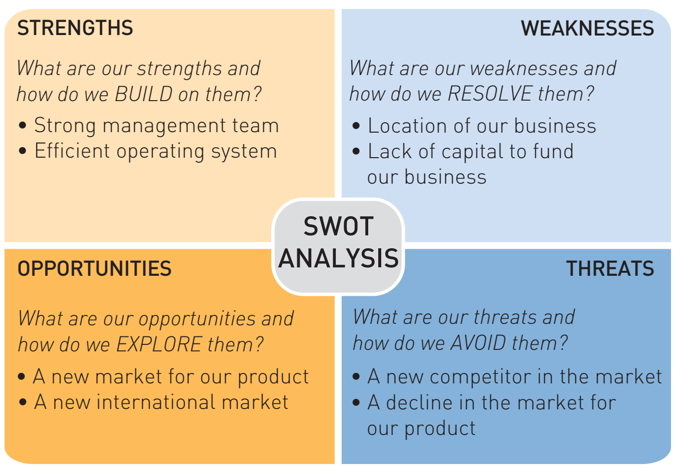

Figure 3.13 Using a SWOT analysis before expansion helps a mature business to formulate strategies and tactics for successful growth.

Global market: the buying or selling of goods and services in all countries of the world

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Presenting a SWOT analysis

A SWOT analysis can be presented in a graphical format or report with headings. Depending on the audience and the mode of the presentation of findings, it may be appropriate to use only one or both formats. In a presentation to a Board of Directors or senior management in a business, it is more common to see slide decks and visual representations that are explained in detail; in a report format, it may be more common to see headings and use of dot points to make the analysis clear and easy to read.

SWOT ANALYSIS

STRENGTHS

- *Marketing* – brand recognition is strong, as McDonald's operates more than 40 000 restaurants in 119 countries (Source 1). This mindshare will help facilitate customer acceptance in a new market.
- *Finance* – by using economies of scale, McDonald's can purchase ingredients in bulk, reducing costs by approximately 20% compared to smaller chains (Source 2), allowing it to maintain a pricing advantage in a new market.

WEAKNESSES

- *Human resources* – McDonald's has a global employee turnover rate of around 40% annually (Source 9), which results in increased hiring and training costs and negatively impacts operational efficiency and consistency in customer service in existing and new markets.
- *Operations* – poor product choices in culturally sensitive locations have led to controversies and a 5% decline in consumer trust in some regions (Source 4), creating a negative public perception in culturally distinct markets.

OPPORTUNITIES

- *Socio-cultural trends* – growing demand for health-conscious products with 72% of consumers now seeking healthier options (Source 6) provides McDonald's an opportunity to capture new segments by introducing locally tailored healthy alternatives.
- *Technological advancements* – AI-powered kiosks and mobile ordering apps are rapidly transforming the fast-food industry (Source 10), allowing McDonald's to reduce costs, enhance order accuracy and improve customer experience.

THREATS

- *Competition* – in emerging markets, local chains have grown by 50% in the last two years (Source 7) and are expecting to continue growing, affecting McDonald's potential market share.
- *Economic instability* – currency fluctuations in developing regions (Source 8), could reduce profitability due to exchange rate volatility and increased costs.

Figure 3.14 A written representation of a SWOT analysis for expansion of McDonald's restaurants.

A SWOT analysis template is available to download on Nelson MindTap.

Template
SWOT analysis

Questions

Select data and information about one of the following businesses to analyse the strengths, weaknesses, opportunities and threats of the internal, external operating and macro factors affecting their global expansion using a SWOT analysis:

a Atlassian
b Macquarie Group
c Bundaberg Brewed Drinks
d Campos Coffee
e MCo Beauty.

While it can be challenging to grow globally and to understand the differences between domestic and international business, this should not inhibit international growth. Businesses that ignore the environmental factors of potential markets risk damaging their brand, sabotaging their entry or jeopardising their success.

Along with a SWOT analysis of the environment, expanding businesses should also consider the culture, etiquette, communication and logistical practices associated with the new market.

Culture

Culture can vary dramatically from country to country, so understanding both the social and business culture in another country is essential to success when entering a new global market. Culture covers the ideas, customs and social behaviour of a particular country, group of people or society. This means that elements of a particular country – from business practices to advertising and marketing or negotiating sales – must be considered when entering a new market. Different cultures place importance on different topics, and cultural considerations can be sensitive, so making an effort to understand and respect them will go a long way during expansion.

GAINING INSIGHT 3.6

Cultural understanding in expansion: Coca Cola

Coca-Cola is one of the most recognisable brands in the world, with consumers around the globe consuming Coca Cola Company products 1.7 billion times every day, which is about 19 400 beverages every second.

This level of global success in nearly every country is a result of the Coca-Cola company ensuring that its worldwide operations adapt to the different cultures into which it expands. During global expansion, understanding and aligning with each country's local customs, values and consumer preferences has allowed Coca-Cola to connect meaningfully with consumers worldwide and achieve enduring success for the last 138 years.

Coca-Cola initially began building a global network in the 1920s following World War I. The company believed that every American serviceman and woman should have a Coke at their disposal, no matter where they were or the cost to the company. This strategy helped the brand establish Coke as a global corporation by introducing the product to different markets.

The Coca Cola Foreign Department was then formed in 1926 to supply concentrate (the flavoured basis for the drink) to overseas bottlers. Some countries where bottling operations began included Belgium, Bermuda, China, Colombia, Germany, Haiti, Italy, Mexico, the Netherlands and Spain.

As this expansion occurred, Coca-Cola had to consider how it would connect with local markets and support consumers in each of the new markets it was entering. As it continued to grow worldwide, so did the strategies for cultural awareness. Some key examples are described in the next paragraphs.

F Photography R/Shutterstock.com

Figure 3.15 Coca-Cola launched Coca-Cola No Sugar in Australia as a response to rising demand for healthier alternatives.

In Australia, Coca-Cola has taken a localised approach to meet the growing health concerns of consumers regarding sugar consumption. Responding to rising awareness and demand for healthier alternatives, Coca-Cola launched Coca-Cola No Sugar in Australia, which was marketed as an improved version of previous sugar-free offerings. By catering to Australian consumers' health-conscious trends, Coca-Cola maintained its market presence amid growing pressure for healthier choices. Additionally, Coca-Cola has partnered with community and sports initiatives, such as supporting Surf Life Saving Australia, aligning the brand with the country's outdoor culture and values around health and safety.

In China, Coca-Cola localised its product line during the Chinese New Year, releasing special edition packaging featuring the zodiac symbols to embrace a key cultural event that resonates with nearly all Chinese households.

Freer/Shutterstock.com

Figure 3.16 Coca-Cola localised its product line during the Chinese New Year, with the 2023 Year of the Rabbit flavour and can design specifically for the 2023 Chinese New Year.

In India, Coca-Cola's campaigns have frequently celebrated local festivals, such as Diwali. For example, the 'Come Home on Diwali' campaign emphasised family reunions and the importance of togetherness – key themes during the festival. This cultural alignment enabled Coca-Cola to connect emotionally with Indian consumers, successfully integrating into the country.

In Japan, Coca-Cola demonstrated cultural sensitivity by introducing products like Ayataka, a green tea product to fit in with the long-standing tea-drinking tradition in Japan. The company also introduced smaller can sizes to accommodate local preferences for portion control. These offerings catered directly to Japanese tastes and consumption habits, enhancing Coca-Cola's acceptance in the market.

Winhorse/iStock Unreleased/Getty Images

Figure 3.17 In Japan, Coca-Cola demonstrated cultural sensitivity by introducing products like Ayataka and introducing smaller can sizes.

Coca-Cola has also adapted its marketing strategy to respect religious customs in the Middle East, particularly during Ramadan. Coca-Cola focuses its advertising on themes like family, community and gratitude, which align with the values of Ramadan. Furthermore, Coca-Cola avoids airing commercials during fasting hours, ensuring that their marketing is culturally respectful and considerate.

In Mexico, Coca-Cola introduced the 'Ciel' water brand in response to the growing concern for access to safe drinking water. This product addressed health concerns and showed Coca-Cola's awareness of local socio-economic issues.

JRomero04/Shutterstock.com

Figure 3.18 Coca-Cola introduced its water brand in response to the growing concern for access to safe drinking water in Mexico.

Through these culturally adaptive strategies, Coca-Cola has thrived in diverse international markets. The company's ability to show respect for local customs, preferences and cultural events has helped Coca-Cola build strong relationships with consumers in more than 200 countries, maintaining its market position and presence.

To read more about the history of Coca-Cola and its global expansion, go to the Coca-Cola company website.

Weblink
125 years of Coca-Cola history

Questions

1. **Describe** the facts and characteristics of Coca-Cola's global business as it operates in the maturity stage of the business life cycle.
2. **Explain** the modes of entry adopted by Coca-Cola during its global expansion.
3. **Explain** why cultural sensitivity is an important consideration for mature businesses during expansion.
4. **Analyse** Coca-Cola's modes of entry and cultural adaptations for the different global markets identified above using a SWOT analysis.
5. Based on the SWOT analysis of Coca-Cola's global expansion, **interpret** the trends and relationships to draw conclusions about the potential implications for a mature business expanding into new international markets.

Communication

Communication strategies are important in any market. In international markets, careful consideration must be given to communicating in other languages. While English is often considered to be the 'global language', the way a message is conveyed is as, if not more, important in international transactions as the message itself. Translating the business name, products and key business messages also requires careful consideration to ensure that cultural blunders are avoided. One strategy for this is to hire a native speaker or a professional translation agency to ensure the entry into new markets is smooth and to reduce the risk of alienating stakeholders, damage to the business reputation or even prosecution.

GAINING INSIGHT 3.7

Blunders in expansion

1. **KFC in China:** In 1987, KFC set up its first outlet in mainland China. Its famous 'finger-lickin' good' slogan was translated into Chinese characters that actually meant 'eat your fingers off'. The slogan was changed once the mistake was realised, and today there are more than 900 KFC restaurants in China.
2. **Pepsi in China:** Pepsi faced a significant translation mistake when introducing the slogan 'Pepsi brings you back to life' in China. The slogan was interpreted as 'Pepsi brings your ancestors back from the grave', which led to confusion and an unintended association with resurrection.
3. **Parker Pens in Mexico:** Parker Pens attempted to market its leak-proof pens in Mexico by stating that they would not 'embarrass' users. But the Spanish translation mistakenly used the word 'embarazar', which means 'to impregnate'. The resulting message suggested that the pens 'would not leak and would make you pregnant'.
4. **Braniff Airlines in Mexico:** Braniff Airlines promoted its leather seats in Mexico with the slogan 'Fly in Leather', but the phrase conveyed the meaning 'Fly Naked' when translated into Spanish. The airline no longer operates, but, while this was considered amusing at the time the confusion meant the campaign missed the intended luxury message for the airline.
5. **Electrolux in the United States:** Electrolux, a Swedish vacuum manufacturer, ran a campaign in the United States with the slogan 'Nothing sucks like an Electrolux'. Although the message intended to highlight the vacuum's strong suction power, the word 'sucks' in English slang implied poor quality, leading to an unintended negative perception among American consumers.

These examples demonstrate how crucial it is for companies to understand cultural contexts, language nuances and local sensitivities when expanding into international markets. Missteps in translation or cultural awareness can turn a promising campaign into a significant setback, emphasising the need for proper localisation and the importance of researching and understanding countries before global expansion.

iStock.com/Loveguli

Figure 3.19 Appropriate translation of business names and slogans is important when expanding into global markets.

Etiquette

Etiquette refers to those behaviours that are accepted or considered polite in a particular culture, profession or group. When doing business in new markets, it is important to consider and behave according to the standards of etiquette in the country of expansion. In Australia, a firm handshake, direct eye contact or a polite kiss on the cheek may seem common practice as a greeting, but any of them could be considered offensive to a foreign colleague or client (Figure 3.20).

Communication etiquette

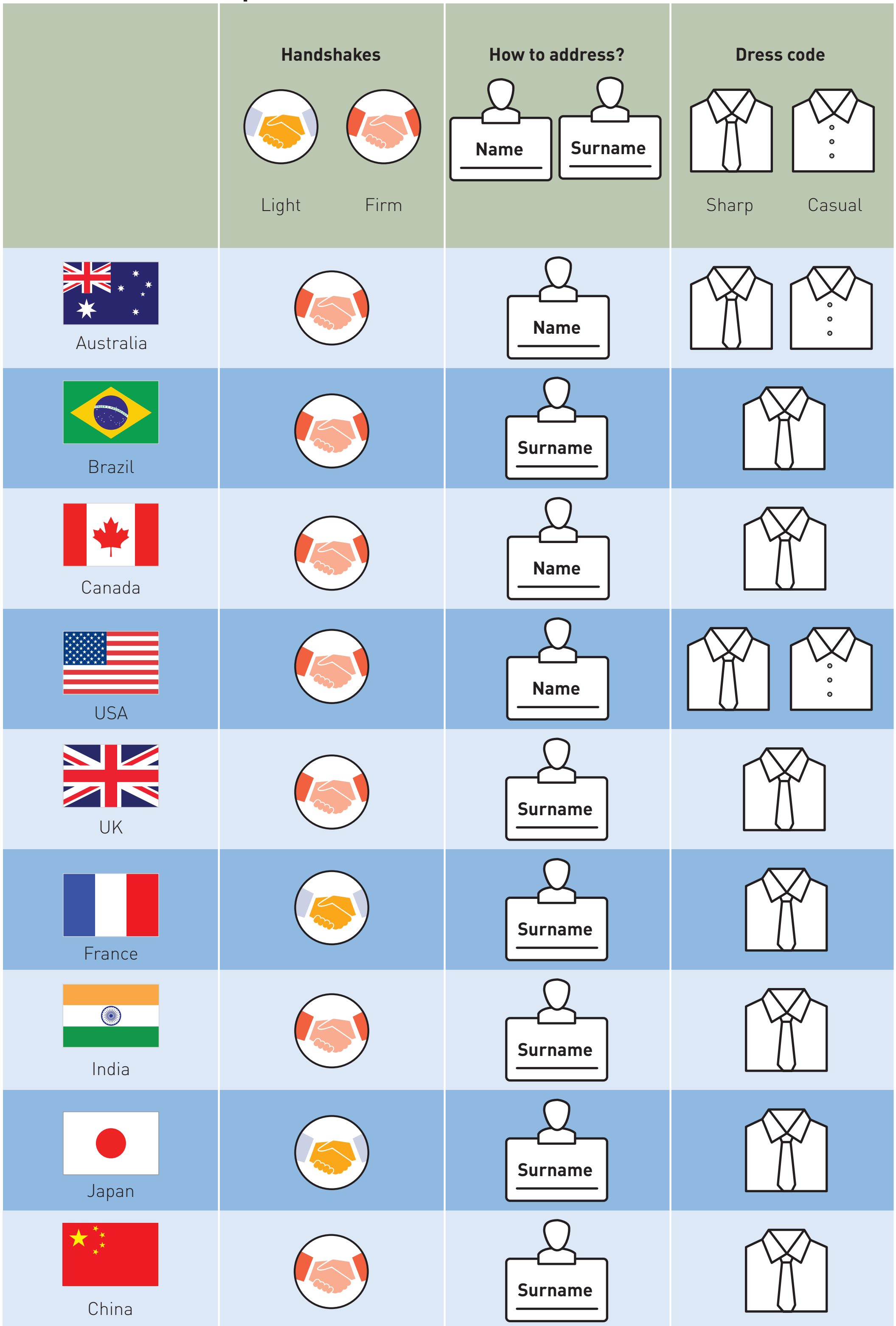


Figure 3.20 Researching and respecting business etiquette is important when expanding into new global markets.

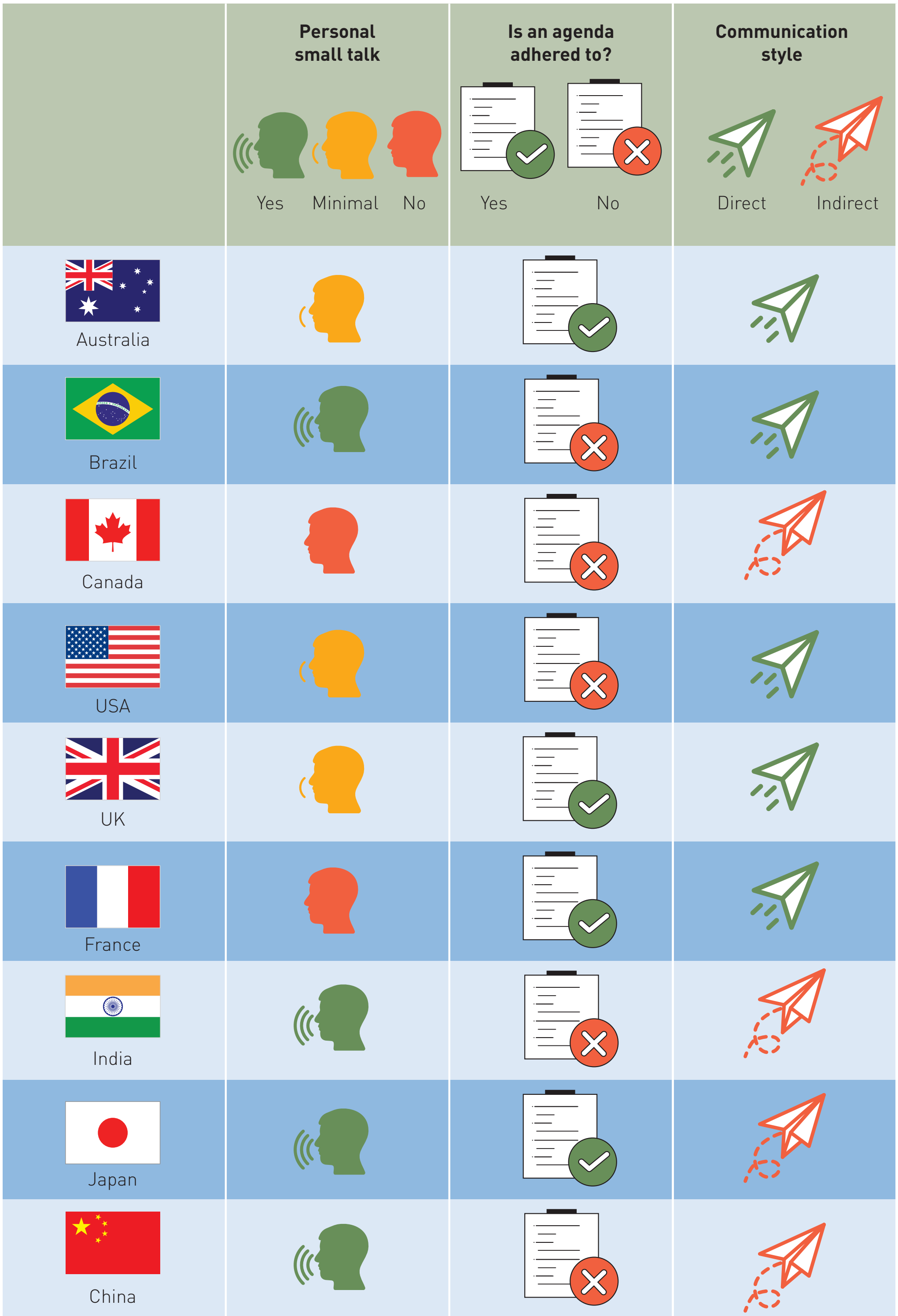


Figure 3.20 (continued) Researching and respecting business etiquette is important when expanding into new global markets.

Data source: 'Business etiquette around the world', ctbusinesstravel.co.uk, May 2015.

Political and legal systems

Like culture and etiquette, the political and legal systems can vary significantly from country to country. A business that is expanding globally must ensure it is aware of and abide by the rules and laws of a new country, not just apply those it is used to in its own market. It is important to investigate how laws or business regulations can affect the viability of the product or success of the expansion before choosing a new global market. Consulting with legal professionals in the country for expansion can help to ensure areas such as intellectual property, taxation, employment regulations and consumer protection are appropriately managed and upheld.

Logistics

The practicality of doing business in new markets must also be considered before expansion. The proximity of the new location to the manufacturing location, time zone differences for communicating between locations, the implications for getting products or services to the new market, and how goods are moved within the country should all be considered before committing to that market.

QUESTIONS 3.1

1 **Explain** why researching and understanding a new market is fundamental to expansion.
2 **Explain** the impact operating and external environmental factors have when expanding to a global market.
3 Discuss whether the internal environment needs consideration in the strategic planning of a business intending to expand.

Expansion strategies

Key learnings

You will learn about the strategies a mature business adopts to expand into new global markets by examining expansion:
- through vertical and horizontal growth
- through developing a niche market
- through exporting
- through innovation
- driven by research and development
- driven by emerging technologies.

Vertical and horizontal growth

First published by *Harvard Business Review* in 1957, the Ansoff matrix, or 'product–market matrix', is a strategic planning tool used to help a business identify opportunities to grow its revenue.

The growth strategies are categorised into four main areas:
- *market penetration* – this strategy focuses on expanding sales of existing products in the existing market; for example, price drops, marketing campaigns and increased customer service
- *market development* – this strategy focuses on putting an existing product into an entirely new market; for example, opening a new store in a new location or country, or expanding to sell online as well as in a physical location
- *product development* – this strategy focuses on introducing a new product into the existing market; for example, designing a new, environmentally conscious product to meet the changing needs of consumers
- *diversification* – this strategy focuses on entering a new market with a new product or service; for example, expanding the scope of the current business into an unrelated market to widen the reach of goods and services offered.

To use the matrix, a business brainstorms options for growth into each of the quadrants and then examines the risks of each before deciding which strategies to pursue. The least risky is generally considered to be market penetration. For example, Coca-Cola has utilised growth strategies across all of the quadrants over time to continue to expand its offerings, grow into new markets and become the most well-known brand in the world.

Weblink Ansoff Matrix

Follow the link found on Nelson MindTap to look at the revised Ansoff matrix, featuring nine strategies.

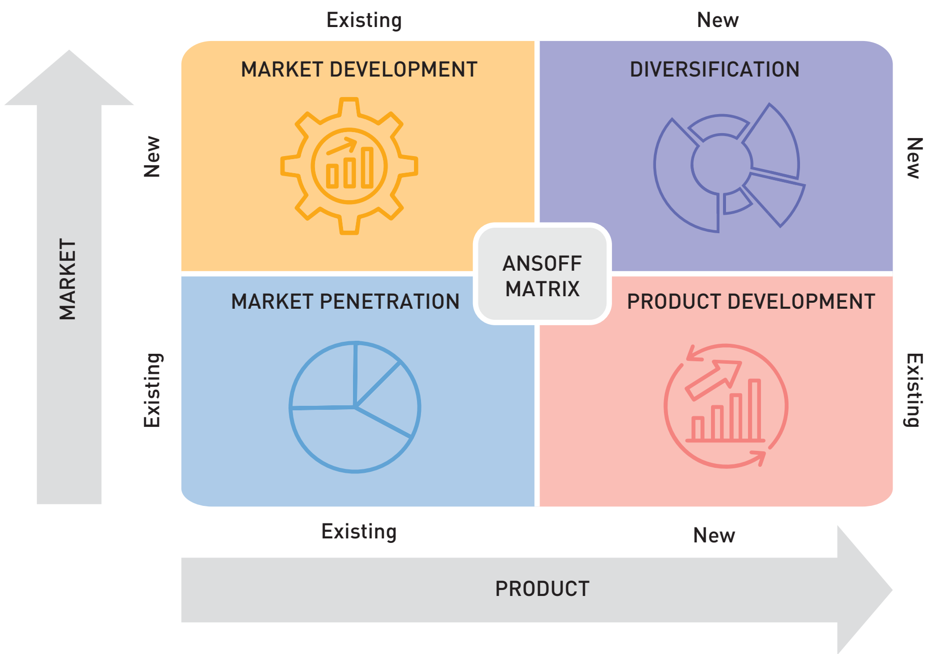
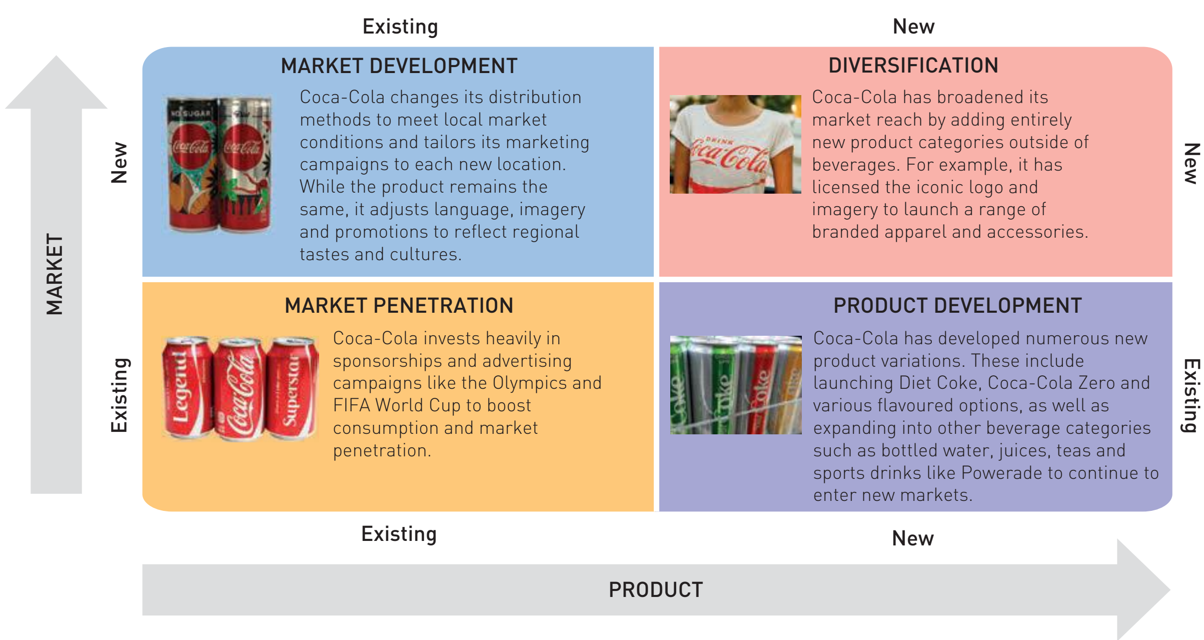


Figure 3.21 The Ansoff matrix is used during strategic planning to consider four growth strategies.



Radu Bercan/Shutterstock.com; iStock.com/NoDerog; Richard Levine/Alamy Stock Photo

Figure 3.22 Coca-Cola continues to experience increased revenue by utilising different growth strategies.

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QUESTIONS 3.2

1. Explain why strategic planning needs to be an ongoing strategy for businesses and not just a start-up or ideation (development) tool.
2. Explain why businesses need to adopt growth strategies in the maturity stage of the business life cycle.
3. Discuss why the Ansoff matrix has been adapted, and what the value of the newer version might be in comparison with the original matrix.
4. Brainstorm examples of specific strategies that could be utilised for expansion in each of the four quadrants of the Ansoff matrix.
5. Analyse each of the four strategies to evaluate and rank the level of risk of each quadrant.

As well as planned growth, there are times when business growth occurs unexpectedly or rapidly. This means that staffing, production levels or customers of a business increase greatly over a short period of time without a planned strategy or strategic intent. This is not considered the norm, and, in general, businesses need to actively seek out new opportunities to grow. Regardless of what opportunities a business pursues for growth, it must adopt **strategies** that reflect the goals and objectives as determined by whether it is seeking to grow the business horizontally or vertically.

Sergey Nivens/Shutterstock.com

Figure 3.23 Well-executed strategies ensure a business achieves its desired goals and/or objectives.

Vertical growth

Vertical growth in a business focuses on existing customers. The objective of the business is generally to take a greater share of the profits from the market it already exists in through increased sales opportunities or by taking over processes such as production and distribution that it may not currently manage. In vertical growth, a business often adapts its current goods and services or creates new products to appeal to its current target market. For example, a lunch restaurant that extends its hours to offer dinner to its existing target market and in its present location is expanding vertically.

Vertical growth can also be seen in supermarkets. Many products sold on supermarket shelves now carry either the private label of the supermarket chain or a 'phantom' label owned by the supermarket. This vertical growth strategy has allowed supermarkets to increase their profit margins since many private labels have significantly lower manufacturing and distribution costs than the branded competition.

Strategy: the means by which a business sets out to achieve its desired goals and/or objectives

Vertical growth: the adaptation of business products and services to increase sales revenue from the existing market

Figure 3.24 Private labels like those pictured and phantom brands increase the revenue opportunities in supermarkets such as Coles and Woolworths.

iStock.com/lovelyday12

Figure 3.25 Business growth is necessary to maintain viability and profitability of a business.

Horizontal growth

When a business increases or expands its geographical reach by selling its existing products and services to new customers in new locations, it experiences **horizontal growth**. This means a successful product, service or business model is replicated in a new market or sector. It may mean simply selling the product in a new market, or a slight adaptation of the existing product to bring more revenue to the business, or it could be the acquisition of other businesses.

An author who has their work translated into a number of different languages experiences horizontal growth by making one product accessible to new markets. Horizontal growth can also be seen in technology companies that leverage a successful product or model into new markets. For example, apps such as Uber, Uber Eats and UberPool use the same type of mobile technology to change the way customers engage with everyday services, and have already successfully disrupted the taxi and food delivery industries.

A business may also plan to grow both horizontally and vertically at the same time, expanding its product offering and geographic reach to offer a new product to a new market outside its existing business.

QUESTIONS 3.3

1 **Explain** what business diversification is and why it is important to businesses in the maturity stage of the business life cycle.
2 **Explain** the difference between horizontal and vertical growth strategies.
3 Identify the type of growth experienced by the business in each of the following situations:
   a Amazon's introduction of Amazon Prime
   b Toyota's introduction of the Prius model
   c Apple's introduction of the Apple Store.
4 **Explain** whether the strategies in the Ansoff matrix would be considered horizontal or vertical growth. Why is deciding the type of growth important in strategic planning?
5 Compare the characteristics and risks of vertical and horizontal growth to **analyse** the implications of the two different types of growth. Make a decision on which type of growth you think poses the greater risk to businesses.

Horizontal growth: the replication or expansion of a business product, service or model into new markets or industries

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GAINING INSIGHT 3.8

Floating Images: Ipswich business captures niche market

Floating Images Hot Air Balloon Flights was created and established in 1998. Operated by Graeme and Ruth Day, it is south-east Queensland's only balloon operator that offers a unique opportunity to combine a city and country balloon flight over the Greater Brisbane region encompassing the heritage city of Ipswich, the Scenic Rim region and Somerset countryside. It is the first and only balloon operator servicing the Ipswich, Scenic Rim and Somerset regions.

Circumstances can lead you to be doing things that you didn't think you would be doing and in the 1980s, when studying for an associate diploma of agriculture at Gatton, Graeme Day had no idea how much that study would help pave the way for his future career as a hot air balloon pilot. While travelling through France and Germany with friends, Graeme had an opportunity to help the crew of a balloon company: 'I worked for that company for six months as crew and in that time there were discussions; they needed another pilot.'

Graeme, who was working on a British passport, was asked to train as a pilot, provided he would hang around to work for the company. He spent six years piloting balloons through the skies above France.

Graeme remembers, 'Spring, summer and autumn in Alsace, but in wintertime we used to do flights over the French Alps and they were three- to five-hour flights sometimes.

I knew that I could make a business out of this. I saw other people doing it ... People are normally doing balloon flights because it's a celebration of life. Be it a birthday, anniversary, wedding or proposal ... People want to celebrate some aspect of their life through something special and ballooning is considered as one of those memorable experiences that they want to tick off their bucket list. It's their life experiences list.'

Floating Images, Greg Sullivan

Figure 3.26 Floating Images Hot Air Balloon Flights is south-east Queensland's first and only Australian Tourism Accreditation Program (ATAP) accredited hot air balloon operator.

This special-occasion business combined with the trend away from materialistic gifts towards experience gifts, means that, with only about 20 commercial hot air ballooning operations in Australia, Floating Images successfully continues to bring tourists to Ipswich and boost the wider economy. 'We're looking at the next five years and the future. I'm fluent in French and have studied over the years conversational Japanese and Chinese to converse with the traveller market', Graeme says.

Source: Shannon Newley, 'Ipswich business with niche market floating high', *The Queensland Times*, 25 September 2017 © The Queensland Times Pty Limited 2019.

Questions

1 Describe the competitive environment that Floating Images exists in.
2 Explain the niche market that Floating Images has developed inside this competitive environment.
3 Create a SWOT analysis to analyse the strengths, weaknesses, opportunities and threats of expanding Floating Images beyond its niche market in south-east Queensland.
4 Based on the SWOT analysis of Floating Images, interpret the trends and relationships to draw conclusions about the potential implications for a niche market mature business.
5 Using the criteria stakeholder satisfaction and competitiveness, evaluate if a niche market could be developed or replicated in a new market or if this niche market is reliant on the geographic location of Floating Images.

Template
SWOT analysis

Developing a niche market

A niche market is a small segment of the market that has a unique set of characteristics. It is a smaller market that focuses on a specific demographic, product or service. A niche market can be strategically developed by an expanding business or can evolve organically. Developing or servicing a niche market allows smaller businesses the opportunity to compete with larger businesses that may already have the majority share of the mainstream market.

GAINING INSIGHT 3.9

Walker Seafoods Australia

Walker Seafoods Australia is an Australian-owned and -operated seafood company based in Mooloolaba, Queensland. It is the largest wild-caught tuna and swordfish company, and the only Marine Stewardship Council (MSC)-certified tuna company, in Australia. Heidi Walker, owner and managing director, explains, 'MSC is the global standard for wild-caught seafood sustainability and is highly regarded in the US and Europe'.

Walker Seafoods Australia is primarily known for producing high-quality, export-grade product, which is caught off the east coast of Australia, processed in Mooloolaba, shipped to Brisbane, loaded onto planes and distributed across the globe. Distribution is mostly to the United States, Japan and Switzerland. Despite air-freighting about 40 tonnes of product a week, Walker Seafoods Australia cannot meet the demands of the global market for its top-quality product.

Its fishery, the Eastern Tuna and Billfish Fishery, is a relativity small operation on a global scale and the amount of MSC fish it catches will never meet the demand of customers worldwide. This worldwide demand for Walker Seafoods products took off when the business secured MSC certification for its yellowfin tuna, albacore tuna and swordfish. The MSC works with scientists, fisheries, seafood producers and brands to promote sustainable fishing and to safeguard seafood supplies for the future. Businesses choose to meet the standards of the MSC in order to demonstrate the sustainability of their products. The blue MSC label makes it easy to choose seafood that has been caught by fisheries that care for the environment.

When Walker Seafoods became MSC-certified, it was able to tap into new markets, particularly within the US and Switzerland, in stores such as Wholefoods and Coop (the second-largest supermarket chain in Switzerland). These strategic alliances with major wholesalers opened many doors in the US and European markets.

Figure 3.27 Walker Seafoods Australia is the only MSC-certified tuna company in Australia.

Walker Seafoods Australia developed a niche market for its product by securing MSC certification, and strategic alliances enabled it to enter markets it otherwise couldn't. Heidi Walker explains, 'These markets are very sophisticated, high-end markets in wealthy countries that are prepared to pay a premium for sustainably certified fish. Rather than competing on a world stage with price, we wanted to offer a premium, sustainable product that would be highly sought-after.'

While Australia initially lagged a little bit with MSC, in the last few years there has been a major increase in chefs taking interest in MSC and sourcing sustainably caught fish. 'Chefs were scared to use tuna, scared to put swordfish on their menu, because they didn't think it was sustainable,' Walker said. Now Walker Seafoods Australia supplies Neil Perry's restaurant Margaret Double Bay and Peli's at Noosa Marina.

Because of MSC certification, Walker Seafoods Australia has had to meet the demands of its buyers in relation to strict traceability and paperwork. 'We find our customers in Japan and Switzerland to be very particular when it comes to paperwork

Niche market: a small segment of the market that has a unique set of characteristics and follow-through. On our end we have had to be extremely compliant with their requests and ensuring follow-through is precise and in a timely fashion', explains Walker.


© 2018 Walker Seafoods Australia

Figure 3.28 Heidi Walker, owner and managing director of Walker Seafoods, was a finalist in the Tom Burns Award for Women in International Business at the 2018 Premier of Queensland Export Awards.

Obtaining MSC certification required a large financial investment; however, this strategy has enabled Walker Seafoods to expand both domestically – in the restaurant trade within Australia – and globally, exporting fresh whole fish on the same day they are graded and packed at the facility in Mooloolaba. In 2024, Walker Seafoods also partnered with chef Neil Perry to launch a new product line of preserved local tuna for sale in Australian supermarkets.

Questions

1 Describe the business situation that led to the expansion of Walker Seafoods Australia.
2 Explain the mode of entry that Walker Seafoods used when it expanded into the global market.
3 Discuss if, and how, the strategies differ between the domestic and global markets.
4 Explain the term 'niche market' and identify the nature of Walker Seafoods Australia's niche market.
5 Using criteria, evaluate the success of the decision by Walker Seafoods Australia to invest in MSC certification.

Innovation for expansion

Competitive environments in both domestic and global markets require businesses to continually engage in innovative practices and apply innovative theories or strategies to all four key business functions. As explained in Chapter 5 of *Business for QCE Units 1 & 2*, innovation theories are applied to the product, process, marketing or organisational methods of the business. When expanding into global markets, innovation is a necessary strategy to maintain a competitive advantage and retain or grow a share of the market.

GAINING INSIGHT 3.10

HeliMods: Expansion driven by innovative practices

HeliMods, based in Caloundra, was launched in 2002 by Will Shrapnel. The Sunshine Coast company transforms helicopters into elite emergency and rescue aircraft and has grown to deliver products and configurations in global markets including Australia, Borneo, Antarctica, Europe and North America.

Through the delivery of innovative, world-leading aerospace products and services, HeliMods takes helicopters and does all the engineering and most of the manufacturing to turn them into high-tech emergency medical, search-and-rescue or disaster-relief machines in Australia and around the world. In the same way other companies transform vans into ambulances or police vehicles, HeliMods transforms helicopters.


ID1974/Shutterstock.com

Figure 3.29 HeliMods is recognised as a world leader in helicopter modifications.

After winning Sunshine Coast Business of the Year, Telstra Queensland Business of the Year and the Queensland Medium and Making Waves category in 2018, HeliMods was catapulted into the spotlight as a regional champion of innovation. Recognised as a world leader in the helicopter modification and special missions space, HeliMods was also a finalist in the Dermot McManus Award for Innovation at the 2018 Premier of Queensland's Export Awards.

The company's award winning continued in 2019 when Helimods won the Premier of Queensland's Regional Exporter Award and was inducted into the Sunshine Coast Business Awards Hall of Fame.

In 2019, the Civil Aviation Safety Authority (CASA) approved HeliMods as one of only six active organisations in the world to receive CASR Subpart 21.J–approved design organisation status. Under the Civil Aviation Safety Regulations, Subpart 21.J allows approved design organisations to carry out design and technical data approval functions, within the scope of its approval certificate, without further reference to CASA or other authorised persons. The CASR 21.J approval is not just applicable to the civil aviation market, but also can be exploited in acquiring, sustaining and operating defence aviation platforms. The Defence Aviation Safety Regulation airworthiness recognition process makes CASR 21.J approval, and HeliMods' experience in rotary wing major design change and supplemental type certification, more relevant than ever. Obtaining CASR 21.J status adds to a long list of quality and certification achievements for HeliMods and increases its scope for further innovation and development.

The organisation now holds over 30 rotary wing supplemental type certificates, more than any other organisation in Australia, and is also AS9100D and ISO 9001:2015 certified. These are the highest-level quality-management system certifications in the aerospace and defence industries.

In 2019, HeliMods also partnered with Ornge, Ontario's air ambulance service, to install its advanced Powered Aero Loader (PAL™) stretcher system in the fleet of AW139 helicopters. This system, which facilitates the rapid and safe loading of patients into aircraft, was progressively rolled out across Ornge's bases and fully operational by 2020. This world-first powered stretcher-loading technology is helping to improve patient outcomes and increase safety for both patients and crew and continues to expand both nationally and internationally.

In 2023, DRF Luftrettung, a major air rescue organisation in Germany, secured the EASA supplemental type certificate for the use of the PAL™ system in Europe, working closely with HeliMods throughout the process. Dr Krystian Pracz, Chief Executive Officer of DRF Luftrettung, stated, 'DRF Luftrettung is cooperating with HeliMods to pave the way for the use of electrohydraulic stretchers in European air rescue. We are convinced of this innovative system, because it not only benefits the patients, it also enables the crews to work even more ergonomically.' The installation on DRF Luftrettung's H145 helicopters is helping expand HeliMods' reach in Europe.

The business currently employs approximately 40 people at Caloundra, and continues to expand its operations both locally and internationally. Its facility is the only one of its kind in the southern hemisphere and one of the most sophisticated in the world, pushing the boundaries of what is possible and supporting the helicopters used in life-and-death rescue missions.

Ceri Breeze/Alamy Stock Photo

Figure 3.30 HeliMods' automated stretcher system can be used for aircraft and road vehicles. This innovation allows rapid loading of patients at the push of a button.

Research and development

The activities that a business engages in to develop new services or products, improve existing services or products, or evolve its processes are called **research and development** or 'R&D'. R&D helps a business to find innovative ways to improve, invent or gain a competitive edge. It is an important strategy to ensure that a business is sustainable, keeps up with emerging technologies and maintains viability as future-ready. R&D activities are often designed around finding new ways to reduce costs, increase productivity or generate new profit streams.

Research and development: the process by which a business develops new technology or improves existing technology to improve operations

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The Australian Government provides an R&D tax incentive that encourages companies to engage in R&D that benefits Australia. This incentive is a tax benefit for businesses to help offset some of the cost of conducting eligible R&D activities.

$x + y =$

HYPOTHESIS

A hypothesis is a concept, theory or idea that is tested by experimentation leading to new knowledge.

EXPERIMENT

An experiment is what you do to test a hypothesis. An experiment is set up so that the relationship between relevant variables specified in the hypothesis can be tested and proven either right or wrong.

CORE R&D ACTIVITIES

Core R&D activities are experimental activities that you can claim against the R&D tax incentive.

SUPPORTING R&D ACTIVITIES

Supporting R&D activities are activities that are directly related to core R&D activities.

Figure 3.31 Eligible R&D activities are split into two categories: core R&D activities, which are experimental, and supporting R&D activities, which do not have to be experimental but must have an immediate and directly supporting relationship to a core R&D activity.

An R&D strategy depends on the size of the business. In small businesses, R&D tends to focus more on product development because of budget limitations, while larger businesses may be able to dedicate more time and resources to R&D to introduce new products as well as improve existing ones. For mature businesses, an R&D strategy may also involve adopting a global approach to research and development. This means that the R&D activities span many countries, cultures and languages, and can significantly enable organisations to improve their innovation strategies.

GAINING INSIGHT 3.11

Twenty years of R&D to improve sleep

Re-Time Pty Ltd is an Adelaide-based company that was incubated from a collaboration between Samvardhana Motherson Group and Flinders University in 2010. The company's first product, the Retimer, was designed to help people re-time their body clocks and improve sleep. Initially, the business set out to develop a solution to help thousands of people improve their sleep. Since 1987, Professor Leon Lack and Dr Helen Wright from Flinders University had been researching and developing the world's first wearable green-blue light therapy device – a product that would deliver an alternative to sleep-assisting drug therapy via wearable technology.

Over the course of two years, seven engineers, two ophthalmic experts and two sleep psychologists designed an ergonomic wearable device called Re-Timer. It took four design iterations and 160 logged design changes before it was released to market in November 2012 by the University-owned business.

Re-Time Pty Ltd has continued to invest in R&D and in August 2024, launched a new Kickstarter campaign for the retimer 3.

Designed to redefine the way the world experiences sleep & wakefulness, retimer 3 comes with a mobile app that integrates with Apple Health and Android Health Connect, for a simple method to manage, monitor and align their circadian rhythm (body clock) with their lifestyle challenges like jet lag, odd working hours, inability to sleep or get up on time, and poor sleep in general.

Demand for the technology continues to grow and it has won accolades from a variety of users – everyone from late night nurses who struggle with shift work through to professional athletes like the Socceroos who play internationally and experience disrupted sleep patterns due to overseas flights.

'We're a continuous development business ... Every time we get an R&D cheque it goes straight into the R&D bucket. It's a continually rolling R&D strategy.'

Source: 'Re-Time: An R&D journey that'll put you to sleep', Department of Industry, Innovation and Science, 6 June 2018

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Figure 3.32 Re-Time Pty Ltd had many challenges turning its prototype into a commercially viable product.

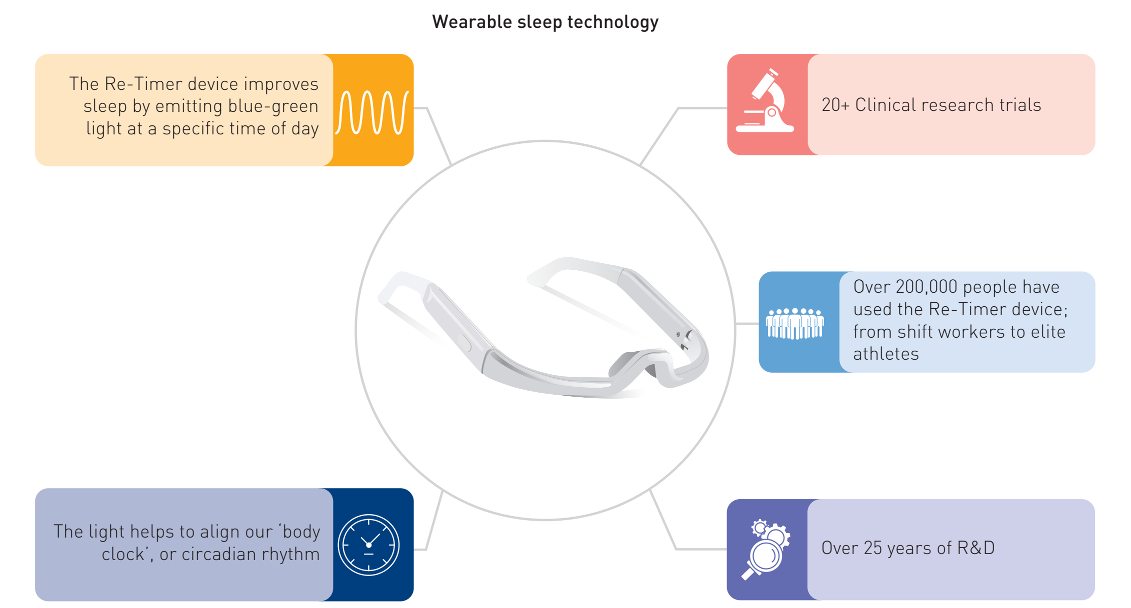

Figure 3.33 Key feature of the retimer app

Questions

1 Describe two environmental factors that led to the development of Re-Time Pty Ltd.
2 Explain the concept of 'research and development' using examples from Re-Time Pty Ltd.
3 Explain why R&D initiatives are so important to innovation and a business remaining competitive in the global market.
4 Use the criteria of effectiveness and stakeholder satisfaction to evaluate the success of Re-Time's decision to invest in R&D as an expansion strategy.

The continuing evolution of technology, and increased access to it, also drives R&D, with many industries now globalising their R&D strategies. This then drives expansion through tasks that are performed in global markets, including the establishment of R&D centres around the world. An example is the Ford Motor Company, which is investing more in R&D in Australia than any other motor vehicle manufacturer. It invested $2 billion between 2010 and 2016 and the US head office signed off on a $500 million research and development program for Australia in 2019. In 2021, it was announced that Google planned to invest $1 billion into research and development in Australian infrastructure to build a stronger digital future for all Australians.

Figure 3.34 R&D and innovation investments can give businesses a competitive edge through new and improved technologies, processes and products.

Emerging technologies

Businesses that invest in research and development and that strive for innovation will develop, utilise or encounter **emerging technologies**. These technologies are important in business diversification and expansion as they are technologies that are considered to substantially alter the environment they will contribute to. They are often described as breakthrough technologies that are likely to shape our lives in the near future. In business, emerging technologies can disrupt industries, drive business growth, facilitate expansion and create niche markets.

Emerging technology: a new technology with the potential to substantially alter the business and social environment

GAINING INSIGHT 3.12

Emerging technologies: Tesla

Tesla, founded originally as Tesla Motors in 2003 by Martin Eberhard and Marc Tarpenning, with early investments and support from Elon Musk, began as a revolutionary electric vehicle (EV) company. It initially aimed to prove EVs were practical and desirable, launching the high-performance Roadster in 2008. Over time, Tesla expanded its offerings, introducing models like the Model S, Model X, Model 3 and Model Y, along with the Cybertruck and Tesla Semi. Tesla also ventured into renewable energy with products like the Powerwall, Solar Roof and large-scale energy storage systems, solidifying its leadership in sustainable innovation.

Tesla has defied the typical growth plateau by leveraging emerging technologies to maintain momentum. Emerging technologies, especially artificial intelligence (AI), are critical to Tesla's strategy. The full self-driving software continuously enhances vehicles post-purchase through over-the-air updates. Integrating AI into its manufacturing processes, Tesla has further optimised production efficiency within gigafactories, ensuring minimal downtime and rapid output.

Tesla's focus on emerging technologies supports its strategic diversification into renewable energy products like the Powerwall and Solar Roof to address global demands for sustainable solutions. Tesla also adopted a subscription-based revenue model for its full self-driving software, generating recurring income alongside vehicle manufacturing.

Sustainability remains central to Tesla's mission, with innovations in battery recycling and cobalt-free batteries to deal with environmental concerns while positioning Tesla as a leader in resource management. These initiatives enhance the brand's appeal amid a rising push for clean energy.

Emerging technologies facilitate Tesla's global expansion, allowing for localised production in China and Europe, which lowers costs and boosts efficiency while adapting to local regulations. This blend of standardisation and adaptability is vital for success in global markets.

CFOTO/Future Publishing/Getty Images

Figure 3.35 Tesla has defied the typical growth plateau during the maturity stage of the business life cycle by leveraging emerging technologies to maintain momentum.

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The continual emergence of new technologies and innovations means a business must constantly evaluate its activities and its strategic planning to re-evaluate its priorities and rethink how it uses technology to continue to engage its audiences.

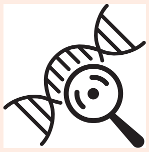
Technology develops faster than business can implement it, so being in a position to take advantage of emerging technologies while they are beginning to trend helps a business keep its competitive advantage.

Most of the emerging technologies and innovations being adopted by businesses today mean that the customer no longer receives a 'one size fits all' experience. Instead, technologies are aiming to transform all areas of business into customised and personalised experiences.

GAINING INSIGHT 3.13

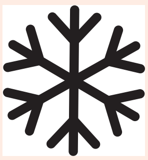
World Economic Forum: Top 10 emerging technologies of 2024

The 10 emerging technologies on this list published by the World Economic Forum were selected by a panel of scientists and experts. They are technologies identified as having the potential to be disruptive by altering deep-rooted practices or shaking up whole industries.



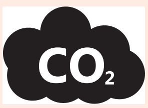
Generative AI for science

Artificial intelligence (AI) that accelerates scientific research by proposing and testing hypotheses itself.



Sustainable elastocaloric cooling

Cooling technology using elastocaloric materials (which change temperature when stretched, bent or squashed) to reduce environmental impacts of traditional refrigerants.



Carbon-capturing microbes

Engineered microbes designed to capture and store carbon dioxide.

Digital twin for health care

Digital replicas of physical health systems for personalised medicine and enhanced health-care outcomes.

Reconfigurable intelligent surfaces (RIS)

Smart surfaces that enhance wireless communication efficiency and coverage.

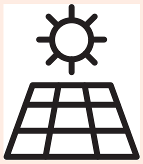
Sustainable aviation fuel (SAF)

Innovations in producing cleaner fuel for aviation to reduce carbon emissions.

AI-enhanced medicine discovery

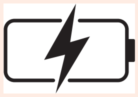
Using AI to develop pharmaceutical drugs and medicines faster, leading to quicker treatments and breakthroughs.

From top to bottom: iStock.com/Turac Novruzova, iStock.com/StudioBarcelona, iStock.com/Tania Bondar, iStock.com/Amin Yusifov, lukmanhakim/Shutterstock.com, YasnaTen/Shutterstock.com, Papipo/Shutterstock.com



Perovskite solar cells

Advanced solar cells that are more efficient and cost-effective than traditional silicon-based versions.



Solid-state batteries

Next-generation batteries offering improved safety, energy density and longevity for electric vehicles.

Bioengineered food

New techniques to create food sustainably, focusing on improved nutrition and resource efficiency.

From top to bottom: Electric latest/Shutterstock.com, iStock.com/alano design, iStock.com/Blankstock

To read more about the list of emerging technologies, go to the World Economic Forum Emerging Technologies Report. This link can be found on Nelson MindTap.

Weblink
Top 10 emerging technologies 2024

Source: Top 10 Emerging Technologies of 2024, https://www.weforum.org/publications/top-10-emerging-technologies-2024/

Questions

1 Explain why being aware of emerging technologies such as these is important for businesses to remain competitive.
2 Explain what the implications could be for a business that doesn't embrace emerging technologies.
3 Discuss whether all businesses need to progress with technology to remain competitive. Explain why or why not.
4 Discuss which of these emerging technologies you think is the most valuable. Why? Do you think this also will be the most profitable in the market?
5 Create an advertisement to market a prototype of a product utilising one of the emerging technologies identified above.

GAINING INSIGHT 3.14

Pixmoto: Introducing video commerce

The Pixmoto platform is an intuitive and interactive e-commerce experience that has opened an entirely new revenue stream for bloggers, publishers and retailers.

In 2018, Pixmoto launched an interactive video recipe player to enhance the user experience by providing step-by-step instructions alongside e-commerce links, making the shopping experience more immersive and convenient.

This platform allows bloggers, retailers and publishers to monetise video content by enabling in-video product placements and purchasing, especially in the food industry.

In 2024, Pixmoto launched on Culinary Wonderland. The introduction of this revolutionary brand-direct private marketplace is poised to disrupt the outdated traditional product placement model.

With offices in Brisbane and in Boulder, Colorado, Pixmoto is continuing to disrupt the way online content translates to online sales and is playing a significant role in transforming the e-commerce landscape.

Pixmoto's innovation was developed with a retail mindset and the goal of transforming the 'shoppable video' industry, and is fast becoming the go- to solution for some of the world's largest brands, publishers and bloggers. There's no poking at screens or polluting the video with tags or uninspiring overlays; instead, the Pixmoto solution provides customers with the most engaging video consumption and shopping experience in one.

PeopleImages.com – Yuri A/Shutterstock.com

Figure 3.36 Pixmoto brings video instruction and product placement together to enable in-video shopping.

ViDI Studio/Shutterstock.com

Figure 3.37 Ingredients and cooking equipment can be added to an online shopping cart while watching an instructional recipe video.

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Modes of entry

Key learnings

You will learn about the modes a mature business might adopt for entering into global markets including:

- understanding the need for a market entry strategy
- examining the different market entry strategies, such as exporting, licensing, international agents and distributors, strategic alliances, joint ventures, overseas manufacturing and sales subsidiaries.

During the strategic planning for expansion, as well as analysing the environmental factors, a business needs to consider its mode of entry. This is its planned strategy or process to establish the delivery of its goods or services into the new market. A business may adopt the same mode of entry for all global markets or may choose to utilise different strategies for each global market.

Financing the market entry strategy can be costly and, depending on the size of the expansion plans, the expanding business may need to seek partnerships, investors or loans to support and to fund its expansion. As explained in Chapter 7 of *Business for QCE Units 1 & 2*, financing can occur through equity or debt financing. In expansion, the business must ensure its cash flow, cash reserves and available capital align with its mode of entry costs. Financing strategies will be explored further in the next chapter.

The common strategies for market entry that a business can adopt in global expansion are grouped into three formats:

- movement of goods and services between countries – for example, exporting, importing and trade
- contractual agreements to facilitate entry to other countries – for example, licensing, franchising, strategic alliances and joint ventures
- development of strategies and operations in other countries – for example, through outsourcing and offshoring, subsidiaries and foreign direct investment.

Importing and exporting

When goods or services are sent between countries, they are being imported and exported. Businesses that **export** their products manufacture the products in their home country and then send them off to be sold in another country. Importing and exporting are usually an entry-level introduction to global expansion and international business activities. Generally, starting an **import** or export operation doesn't require a large capital investment because the operations remain in the home country.

International trade

Exports

The top five exporting partners for Australia were:

1 China $218 801 m
2 Japan $90 160 m
3 South Korea $43 662 m
4 India $35 195 m
5 United States of America $33 566 m

These five countries made up 62.8% of Australia's total international trade in exports in 2023.

Imports

The top five importing partners for Australia were:

1 China $108 137 m
2 United States of America $65 107 m
3 Japan $30 548 m
4 South Korea $27 319 m
5 Singapore $23 957 m

These five countries made up 48.4% of Australia's total international trade in imports in 2023.

Figure 3.38 Australia's top import and export partners according to the value of goods (in millions of Australian dollars), 2023

Export: to manufacture products in a home country and then send them to be sold in another country

Import: to bring a good or service into one country from another for processing, sale or distribution

GAINING INSIGHT 3.15

Sustainable exporting

In May 2015, Dr Oetker, a German-based family-owned company, acquired Queen Fine Foods, a leading vanilla essence and food-colouring brand within Australia and New Zealand. Founded in Brisbane in 1897, Queen Fine Foods Pty Ltd (Queen) is an iconic brand in Australia. Providing vanilla extracts to Australian kitchens for 121 years, it expanded beyond its humble origins in vanilla essence to become a modern baking brand that offers over 100 individual items. Its flagship vanilla and vanilla-related products, which include extracts, pastes and concentrates, are used far and wide by chefs in five-star restaurants in Japan, Germany and the US, as well as by mums baking for their families in Mount Isa, Queensland.

Queen has strategically grown its export markets, assisting this growth, unlike many of its international peers. Queen not only calls on its unique vanilla extraction techniques for a competitive advantage, but has also benefited from its flexibility in producing a wide range of retail package formats, such as tubes, jars and bottles, vertically integrated via in-house blow-moulding of PET plastics. Complementing these manufacturing advantages, Queen has a deep understanding of the vanilla industry, its growers and their requirements for a sustainable future.

Queen has undertaken and continues to commit to a range of sustainable initiatives. It pioneered the large-scale organic certification of vanilla in its closest producing neighbour – Papua New Guinea – to add further value to its crop. It also established the now Fairtrade International–certified Vanilla Growers Association in Vava'u, Tonga, after funding a rehabilitation project of vanilla in that country.

© Queen Fine Foods

Figure 3.39 The diverse products produced by Queen Fine Foods are exported and distributed around the world to meet the needs of different markets.

Licensing

In global expansion, **licensing** means that a contractual agreement is in place that allows one business to use another business's intellectual property (IP). This means they are purchasing a licence to use patents, brands, designs or business knowledge in another market or country. Licensing allows a business to enter a foreign market with a limited risk, and international licensing means that a business in one country allows another business in another country to use its IP.

As explained in Chapter 7 of *Business for QCE Units 1 & 2*, franchising is a form of licensing that allows a business owner to operate a business model as an 'alter ego' of the parent company. Franchising can be utilised as an entry strategy or as a growth strategy into new markets. McDonald's is an example of a global franchise where each new store or market entry is owned by a local business. The local business pays McDonald's franchise fees, and in turn receives the necessary branding, equipment and how-to operational procedures.

In licensing and franchising, the branding and operating standards are usually carefully monitored and there is limited ability to modify the franchise. In Australia, when a licensing agreement for a new market is being formed, it may be exclusive or non-exclusive.

Licensing: a contractual agreement that allows a business to use the intellectual property (IP) of another business

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Exclusive licences

An exclusive licence is the most common form of licensing adopted by Australian businesses. This type of licence allows an Australian business to commercialise its IP and sell it to new domestic and international markets. An exclusive licence generally means that the licensee is given the rights to use the IP of the brand to the exclusion of all others. This also excludes the licensor from entering the market of the exclusive licensee. As with all contracts, there can always be exceptions, adjustments and restrictions to the licensing. An exclusive licence with an exception is called a sole licence. For example, the licensing could be restricted to a product, field or geographical area within the market.

GAINING INSIGHT 3.16

Licensing: Hal Leonard Australia Pty Ltd

Hal Leonard Australia Pty Ltd, founded in 1995, is a subsidiary of Hal Leonard Corporation, founded in 1947. The Hal Leonard corporation is the world leader in the print music industry. Selling products in more than 65 countries around the world, Hal Leonard Corporation represents in print some of the world's best-known and most respected artists, including The Beatles, Taylor Swift, Coldplay, Adele, Billie Eilish, Justin Timberlake and Stevie Wonder, as well as the music of Irving Berlin, and Rodgers and Hammerstein.

In January 2002, Hal Leonard Australia Pty Ltd established its Licensing and Hire Department, which handles the promotion and performance licensing of a wide catalogue of musicals, plays and classical works. In late 2010 the company acquired AMPD (All Music Publishing & Distribution; previously Allans Publishing), reinforcing Hal Leonard Australia as a driving force in the print music and theatrical licensing markets in Australasia. These licences have reinforced Hal Leonard Australia as a driving force in the print music and theatrical licensing markets in Australasia.

PA Images/Alamy Stock Photo

Figure 3.40 Hal Leonard Australia stocks more than 40 000 products including printed music of the world's best-known artists like Taylor Swift.

iStock.com/Trigga

Figure 3.41 The Hal Leonard Australia Pty Ltd Licensing and Hire Department handles the licensing of musicals, plays and classical works.

Non-exclusive licences

Unlike an exclusive licence, a non-exclusive licence means that, even though the licensee has been given the right to use the IP in a market, they may not be the only licensee. This means the licensor may choose to also enter the market and exploit the same IP, or sign any number of other licensees in the same market.

As well as exclusive and non-exclusive licences for goods and services, businesses may adopt an open-source licence. This kind of licence applies to computer software, and it specifies that the source code of the software is freely available so that other software developers may base their own software on it. Software produced in this way must also be open source, or freely available.

Licensee: the person or business that holds a licence to conduct approved business activities or operate a business under a licensing agreement

Licensor: the person or business with the legal rights over a business who then gives, sells or otherwise enables another person or business a limited right to use the business's IP

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GAINING INSIGHT 3.17

Opmantek software: Open-source and commercial licence, disrupting the network management and IT audit industries worldwide

Opmantek develops enterprise-class, multi-award-winning software that helps IT teams audit IT environments, detect faults, review current and historical network performance, and predict where future failures are likely to occur.

Opmantek was originally a Gold Coast–based start-up, founded by Danny Maher in October 2010 after buying the rights for network management information system (NMIS) software from a New Zealand company and recognising the opportunity for commercialisation.

The software is now used by over 130 000 organisations worldwide to manage some of the world's most complex IT environments, including some of the largest telecommunications carriers, managed service providers and banks.

Opmantek is a world leader in the fields of artificial intelligence operations, IT infrastructure management and audit software, and was the 2018 Australian Exporter of the Year for Digital Technologies.

Opmantek increased its global market penetration dramatically with over 2000 global partners who represent Opmantek products in addition to online sales. With a new organisation implementing an Opmantek product every six minutes, many believe Opmantek to be the fastest-growing enterprise software business in the world.

NMIS and Open-AudIT have been distributed under an open-source licence, disrupting the network management and IT discovery/audit industries, and are being implemented by tens of thousands of organisations globally.

In 2022, FirstWave Cloud Technology acquired the network management, automation and IT audit software provider Opmantek in a deal valued at $62 million.

TippaPatt/Shutterstock.com

Figure 3.42 Opmantek's Network Management Information System (NMIS) solution is sold in 178 countries and has customers including Microsoft, Telmex, Claro, NextLink and NASA.

International agents and distributors

In some countries, particularly those in Asia, a local partner is commonly considered to be an essential requirement. These local partners can act as an international agent or as a distributor. Contacting a country's economic development agency can help a business navigate its global expansion, and often there are financial grants and incentives available for bringing an economic boost to a new region.

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Weblinks
Agents

Distributors

Table 3.1 Understanding the roles of agents and distributors helps an expanding business to choose the appropriate partner.

Role of the agent	Role of the distributor
Agents do not take ownership of goods but act as a representative of the supplier.	A distributor buys goods and then resells the goods to local end users who may be retailers or consumers.
An agent is generally paid by the exporter based on a commission of sales value generated.	In some cases, the distributor may sell to other wholesalers who then sell to local retailers or end users.
The exporter receives orders for customers from the agent but then delivers goods or services directly to customers, invoices the customers, and collects payments from the customers.	Distributors may carry complementary and competing lines and usually offer after-sales service.
The exporter is also responsible for setting the selling price, although the agent will likely provide input on local market conditions to help the exporter decide on pricing.	Distributors are paid fees by adding a margin to products, and their fees are higher than those of agents because they usually carry inventory, extend credit for customers, and are responsible for marketing.
Agents are generally based in the export market and often represent several complementary product or service lines.	As a distributor has more responsibilities in selling a product in a new market than an agent, they require a higher margin. This may impact on the price of the product; businesses need to absorb the distributor margin otherwise pricing to the end customer will be too high.
They may operate on an exclusive basis, as the sole agent for a company's goods or services in a specific export market, or as one of a number of agents for the exporter in that market; that is, on a non-exclusive basis.	Some exporters find that they are unable to use a distributor as their profit margin is too small to provide enough margin for the distributor and a competitive price for end users.

Source: www.austrade.gov.au/Australian/Export/Guide-to-exporting/Agents-and-distributors.

The definition and responsibilities of agents and distributors can vary depending on the country or industry, so support from a government department or economic agency can be beneficial in expansion operations.

Strategic alliances

Strategic alliances are partnerships that allow businesses with complementary skills to benefit from one another's strengths. The businesses pool resources and share the costs of manufacturing and distributing new products and services.

A strategic alliance enables a business that wants to gain a new area of expertise or access to new technology or markets to partner with another company that would benefit equally from the partnership. Strategic alliances often have a limited scope and function.

AAP photos/EPA

Figure 3.43 Airlines form strategic alliances to give them access to a wider share of the market.

Strategic alliance: a partnership between two businesses that benefit equally to gain access to a new area of expertise, new technology or a new market

GAINING INSIGHT 3.18

HubSpot and TikTok form strategic alliance to boost Australian business growth

Anatolii Babii/Alamy Stock Photo

Kristoffer Tripplaar/Alamy Stock Photo

Figure 3.44 HubSpot and TikTok have created a strategic alliance to help businesses solve customer acquisition challenges

TikTok, one of the fastest-growing social media platforms, is known for its engaging, short video content and extensive user base. With 8.5 million users and 350 000 businesses currently active in Australia, TikTok has become a powerful tool for brand discovery and community-driven engagement. HubSpot, a leading customer relationship management (CRM) platform, helps businesses to enhance their customer interactions with tools for marketing, sales, customer service and operations. It provides analytics powered by artificial intelligence (AI), personalised campaign management and extensive integrations.

Together, TikTok and HubSpot aim to transform how businesses attract and manage customers by combining TikTok's audience engagement with HubSpot's AI-powered analytics to help businesses refine strategies, allocate resources efficiently and close deals more effectively. This strategic alliance tackles rising customer acquisition costs and evolving consumer behaviour. With consumers increasingly relying on platforms like TikTok for brand discovery, businesses face the challenge of converting engagement into actionable leads.

This strategic alliance combines TikTok's creative platform with HubSpot's data-driven tools, offering a streamlined way to turn audience engagement into lasting customer relationships. It lets businesses capture leads directly from TikTok ads and sync them into HubSpot's CRM in real time, ensuring immediate follow-up, combining TikTok's audience engagement tools with HubSpot's capabilities. Businesses can deploy lead-generating ads that automatically sync into HubSpot's CRM, eliminating manual data entry. These leads can then be nurtured with tailored campaigns across email, social media and SMS channels.

Questions

1 Describe the business situation and environment of both TikTok and HubSpot.
2 Describe the environmental factors that led to the strategic alliance between TikTok and HubSpot.
3 Explain how this strategic alliance enables TikTok and Hubspot to enter into new markets.

Joint ventures

A joint venture is an agreement between two or more companies to form a new business that is owned by both parties. A joint venture can access assets, knowledge and financial resources without altering the parent companies. Often, a joint venture is established for a specific project; for example, to:

- *carry out* research and development to create a new product
- provide a new service
- expand markets.

Each of the participants in the joint venture is responsible for profits, losses and costs associated with the joint venture. But the venture is its own entity, separate from the parties' other business interests.

Joint venture: a partnership between two or more businesses that pool resources and invest to create a new, jointly owned business

GAINING INSIGHT 3.19

Joint venture: Google and NASA

In 2005, Google and NASA collaborated to establish a research and development centre at NASA, focusing on advancements in data management, supercomputing and space exploration technologies. This joint venture led to the development of tools such as Google Earth and Google Moon, utilising NASA's satellite imagery to enhance visualisation and provide educational resources. The collaboration has also combined Google's technological expertise with NASA's space exploration knowledge.

The companies have collaborated on the design and launch of satellites for improved Earth observation, weather forecasting and environmental monitoring. Equipped with advanced sensors and imaging technology, these satellites contribute to a better understanding of our planet and provide valuable data for various industries. Google's machine-learning algorithms, refined through this partnership, have found practical applications in fields such as image recognition and language processing. Google and NASA have also developed autonomous rovers with systems powered by artificial intelligence, revolutionising the exploration of distant planets. These rovers can adapt to dynamic terrains, making real-time decisions and transmitting critical data to Earth, thereby enhancing the efficiency and insightfulness of space missions.

The joint venture has also fostered educational initiatives, such as virtual space exploration tours and online learning resources, aimed at inspiring and educating students worldwide about space and technology.

Tada Images/Shutterstock.com

Figure 3.45 The joint venture between Google and NASA led to tools like Google Earth and Google Moon.

Houston Chronicle/Hearst Newspapers/Getty Images

Figure 3.46 The joint venture has led to the development of virtual space exploration.

QUESTIONS 3.4

1 **Explain** the difference between a joint venture and a strategic alliance.
2 **Explain** why some strategic alliances have a limited scope or function.

Overseas manufacturing

When the rate of production, demand and location of distribution channels for a business increases, the business must consider strategies to reduce costs and increase efficiency in order to meet customer demands. One common strategy adopted by businesses in international or global expansion is to take business processes and manufacturing overseas. The relocation of business activities can be through **outsourcing** or **offshoring**. Reducing the operational costs of activities that can be outsourced or managed offshore will enable a business to focus on its core business and to invest any saved funds into marketing, R&D or other areas for improvement.

Outsourcing is a strategic decision to transfer certain activities in the business operations to external specialists and strategic allies, while offshoring is the transfer of jobs to different countries to leverage an advantage such as cost. Outsourcing typically focuses on cost-saving, and a strategic partnership involves a collaborative relationship characterised by mutual benefit and sharing of expertise, resources and capabilities. This can contribute to the competitiveness of both businesses, including maintaining brand awareness, market share and customer loyalty.

'It is possible to outsource work but not offshore it; for example, hiring an outside law firm to review contracts instead of maintaining an in-house staff of lawyers. It is also possible to offshore work but not outsource it; for example, a Dell customer service centre in India to serve American clients' (diffen.com).

The call centre in the latter case is not outsourced to a specialist business but rather is managed by Dell in a different country.

iStockphoto/FangXiaNuo

Figure 3.47 Overseas manufacturing plants can reduce operational costs and increase efficiency.

Table 3.2 Comparison between offshoring and outsourcing

	Offshoring	Outsourcing
Definition	Offshoring means getting work done in a different country.	Outsourcing refers to contracting work out to an external organisation.
Risks and criticisms	Offshoring is often criticised for transferring jobs to other countries. Other risks include geopolitical risk, language differences and poor communication.	Risks of outsourcing include misaligned interests of clients and vendors, increased reliance on third parties and lack of in-house knowledge of critical (though not necessarily core) business operations.
Benefits	Benefits of offshoring are usually lower costs, better availability of skilled people, and getting work done faster through a global talent pool.	Companies outsource to take advantage of specialised skills, cost efficiencies and labour flexibility.

Source: www.diffen.com/difference/Offshoring_vs_Outsourcing

Outsourcing: a strategic decision to transfer certain activities in a business's operations to external specialists

Offshoring: the relocation of a business process or activity performed in one country to another country, with either the same or another business

GAINING INSIGHT 3.20

Arnott's revival of Australian manufacturing

Founded in 1865 by William Arnott, the Arnott's biscuit brand has grown from its humble beginnings in Newcastle into a beloved icon of Australia's snack industry, renowned for quality and innovation for over 160 years. Today, Arnott's is bringing manufacturing back to Australia and fuelling its growth with a new multi-million-dollar, 45 000-square-metre green manufacturing facility in Rowville, Victoria.

This state-of-the-art site is home to Good Food Partners, Arnott's division for healthier snacks and cereals, making it one of Australia's largest producers of branded and private label cereals, muesli, nutritional snacks and bars, with names such as Freedom Cereals, Messy Monkeys, Sunsol, Heritage Mill, Arnold's Farm, Arnott's Treatles and Sam's Pantry.

The plant is engineered with three distinct areas: a dedicated allergen-free and extruded products zone, an on-site R&D culinary centre that rapidly transforms new ideas into products, and two integrated logistics warehouses to streamline distribution.

Similar manufacturing projects often take five years to complete, but this facility was built in under two years, delivering unparalleled capacity, flexibility and capability. The site is expected to produce 180 million muesli and protein bars, 40 million oat sachets and 300 million bowls of muesli each year, supporting its commitment to meeting the growing demand for nutritious, high-quality snacking options.

Arnott's Group CEO George Zoghbi expressed pride in the company's renewed commitment to local manufacturing and product innovation, emphasising that the new facility positions the brand to adapt quickly to evolving consumer trends. This investment builds on recent strategic moves, including the acquisitions of the Freedom Foods brand (now known as Noumi) in 2020, Diver Foods in 2021, and Mother Earth, Flemings and VP from New Zealand-based Prolife Foods Ltd in 2024.

By reinvesting in local production and unlocking new capabilities, Arnott's is setting a benchmark for the revival of Australian manufacturing, merging its rich heritage with forward-thinking innovation to secure its future in a competitive global market.

Gisun Mall/Unsplash.com

Figure 3.48 Arnott's opened its new manufacturing facility in Rowville, Victoria, expanding its product capabilities.

Sales subsidiaries

A business that is owned and controlled by a larger company is called a subsidiary. A sales subsidiary sells the products of the ownership company through its subsidiaries. A subsidiary is still a legal business entity and is responsible for its own liabilities and operations. An overseas sales subsidiary is the establishment of marketing and distribution through smaller businesses in new markets and locations, or by buying existing businesses to market and distribute products for the parent company. For example, Nike Inc. has bought and sold a number of subsidiaries. It still owns key subsidiaries Converse and Hurley. These brands enable the parent company Nike Inc. to achieve a wider reach in the athletic and lifestyle market.

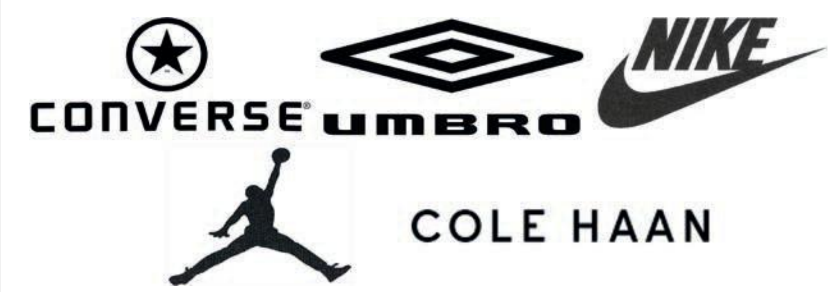

Figure 3.49 Nike Inc. has bought and sold a number of subsidiaries to widen market reach and expand into new markets.

Eric D ricochet69/Alamy Stock Photo; Raffaele1/Dreamstime.com; Rose Carson/Shutterstock.com; Onajourney/Shutterstock.com; Helen89/Shutterstock.com

GAINING INSIGHT 3.21

Starbucks

Starbucks, originally founded in 1971 in Seattle, embarked on its expansion into Australia in 2000 with grand ambitions of replicating its global success in other markets. Entering a market known for its vibrant, independent cafe culture and a sophisticated palate for quality espresso, the American coffee giant initially struggled to capture local consumers. Its rapid expansion, based on a standardised global model, soon encountered stiff competition from well-established local cafes that offered a more authentic and personalised coffee experience. Early challenges included lower-than-expected sales, customer dissatisfaction, and a growing sentiment that the Starbucks formula did not quite resonate with the uniquely Australian taste.

During the first seven years in the Australian market, Starbucks accumulated $105 million in losses, forcing the company to close 61 of the 84 locations. Starbucks then dramatically recalibrated its strategy by refocusing on key high-traffic locations such as airports, shopping centres and bustling business districts. This strategic retreat allowed the company to reassess and adapt its approach, gradually shifting from an aggressive expansion model to a more measured, culturally aligned strategy.

Recent years have seen Starbucks invest in store renovations, introduce localised menu items and form partnerships with local suppliers to blend the signature Starbucks experience with the local coffee culture. Starbucks has established a more sustainable presence in the competitive Australian market with 72 stores currently operating across the country.

Mike Kemp/In Pictures/Getty Images

Figure 3.50 In 2008, Starbucks had to close 61 of its Australian stores, leaving only 24 stores that were then sold in 2014 to The Withers Group, which also owns 7-Eleven in Australia.

Evaluating modes and strategies of expansion

Stimulus one

Starbucks too hot (and expensive) for Australia

Massive US coffee chain Starbucks ended up with a ton of melted iced macchiatos when it tried to push into Australia in 2000. Much like Target's failed leap to the Canadian market, Starbucks went Down Under with similar naïveté – Aussies act the same as Americans, so why wouldn't their coffee drinking habits be the same?

Unfortunately, the local movement dominates the Australian coffee market and for those prone to visiting chains, Starbucks proved to be too expensive. But the slow burn didn't set in until 2008 when the caffeine peddler suddenly closed 61 stores to the tune of a reported $143 million loss. Starbucks kept the faith until 2014 when it handed over the remaining 24 stores to the Withers Group, which operates the 7-Eleven chain in Australia.

Source: www.firmex.com/thedealroom/© 2019 Firmex Inc.

Stimulus two

Read the article titled 'Why there are almost no Starbucks in Australia' on the CNBC website to learn about the updated status of Starbucks in Australia.

Weblinks
CNBC Starbucks article
Why Starbucks failed in Australia
The Guardian Starbucks article
The West Australian Starbucks article

Stimulus three

Watch the video 'Why Starbucks failed in Australia'.

Stimulus four

Read the article titled 'Starbucks posts $5.8m loss as Australians cut back on costly lattes by brewing at home' from The Guardian website to learn about the financial status of Starbucks in Australia in 2024.

Stimulus five

Read the article titled 'Starbucks announces the first of 12 stores will open in Perth by the end of the year' on The West Australian news website to learn about the expansion plans of Starbucks in Australia in 2025.

Inquiry task

Read and view the articles and videos presented in stimulus one to five to conduct an inquiry into the expansion and failure of Starbucks in Australia.

1 Identify and explain what strategies for expansion Starbucks tried to utilise when moving into the Australian market.
2 Use the information provided and your own research to create a SWOT to analyse the Starbucks expansion journey.
3 Interpret the findings of your SWOT analysis to draw conclusions about the implications of the Starbucks expansion in Australia.
4 Evaluate, using criteria, the strategies for expansion that Starbucks utilised in Australia that were unsuccessful.
5 Create a short presentation or a one-page letter to the CEO of Starbucks to recommend strategies for Starbucks to renew its presence in the Australian market.

Risk management

Key learnings

You will learn about managing and minimising the risks of expansion by examining:

- the role of risk management during expansion
- the importance of risk management during strategic planning
- the role of contingency planning as a strategy for risk management.

In all areas of business, understanding and considering the level of risk associated with an activity is a necessary part of strategic planning. Whether it is the risks associated with the viability of a business idea, the risks associated with workplace operations or customer safety, or the risks of global expansion, risk management is a crucial business strategy.

When assessing risk, the business must consider two areas: the probability of implications from the activity and the actual consequences should something go wrong. In order to prepare for risks that may arise, risk management requires continuous and systematic processes to identify and manage any foreseeable risks. In global expansion, many of the risks can be identified during a SWOT analysis. This type of strategic planning or forward planning is important as there are different kinds of risks associated with international business and expansion. Risks can be more difficult to identify, changes can be more rapid than anticipated and the implications or damages more significant if a clear risk management strategy isn't in place.

Risk management: a process to identify, evaluate and understand the risk of business actions and decisions in order to minimise, control or eliminate the impact of unacceptable risks

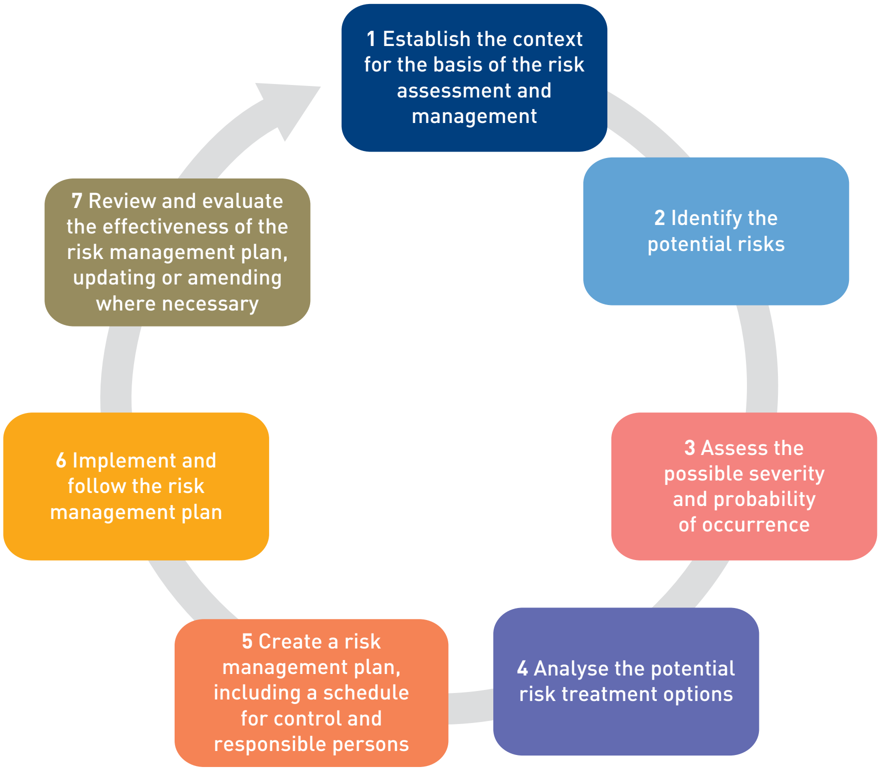

Figure 3.51 Seven stages of the risk management process

GAINING INSIGHT 3.22

Risk management process

Read the article 'Risk Management: 7 Steps of Risk Management Process' to learn about each of the stages in the risk management process. This link can be found on Nelson MindTap.

Weblink
Risk management process

Implications of global expansion can include issues such as a disruption to supplies and operations, loss of customer or employee confidence, damage to market reputation, business failure, natural disasters, and changes in tax, public opinion or government policy. While these risks are not exclusive to global expansion, when expanding operations internationally the level of risk is heightened and the number of factors beyond a business's control increases.

Contingency planning

As part of the risk management process, a business should also be engaged in **contingency planning**; this is also sometimes referred to as creating a 'plan B'. Having a documented contingency plan means that business owners, managers and employees have considered and prepared for future events or circumstances that may significantly affect their business.

Contingency planning: a prepared course of action designed to help a business respond effectively to a future event or circumstance that may or may not happen

Business Queensland outlines one approach to this, called the Prevention, Preparedness, Response and Recovery (PPRR) model. This model is also used by Australian emergency management and focuses on saving the business time and money by having plans in place to anticipate the impacts of setbacks, incidents and disasters. The PPRR model puts plans in place to minimise losses in the event of an incident, and to anticipate possible direct impacts to a business and impacts on key stakeholders, which may flow on to the business. The PPRR steps, as explained by Business Queensland, are:

- *prevention* – take actions to reduce or eliminate the likelihood or effects of an incident
- *preparedness* – take steps before an incident to ensure effective response and recovery
- *response* – contain, control or minimise the impacts of an incident
- *recovery* – take steps to minimise disruption and aid recovery (Figure 3.52).

Visit Business Queensland and investigate its risk management resources.

Weblink
Business Queensland – Risk management

Figure 3.52 Business Queensland suggests the PPRR model as one approach to risk management and contingency planning.

Fiedler's contingency model

Contingency theory or Fiedler's contingency model is a theory of leadership that prescribes what type of leader will be effective in particular situations and how group performance will be affected by the leader and situation combination. Fred Fiedler was a psychologist who studied leaders and leadership theories. In the 1960s he introduced the concept of situational variables and the theory that the effectiveness of the leadership style of a leader or manager is dependent on the situation. The contingency model states there is not one best style of leadership but instead that the situation decides the style of leadership and will influence the behaviours of a leader or manager.

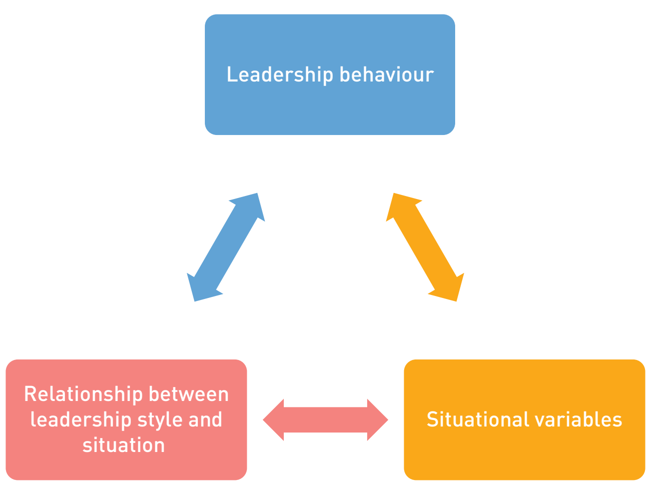

Figure 3.53 The three elements of Fiedler's contingency model: leadership behaviour, situational variables and the relationship between style and situation

INQUIRY

Inquiry task: Planning and managing the risks of expansion

Ground Picture/Shutterstock.com

Figure 3.54 Strategic planning involves considering the risks associated with modes of entry and expansion strategies before entering new global markets.

Austrade has developed a number of resources to help Australian businesses determine whether their business is ready for exporting.

You are to visit the Export Markets section of the Austrade website and conduct an inquiry into the risks of expanding into a new global market.

1 Select an export market from the countries available on Austrade and view its profile.
2 Use a SWOT to analyse the strengths, weaknesses, opportunities and threats of a local business from your region entering the global market you have investigated.
3 Interpret the SWOT analysis to identify the risks of expansion into the chosen country.
4 Using business criteria, evaluate an expansion strategy to minimise the risks of expanding to the country of your choice.
5 Create a response in the form of a business letter, report or presentation to communicate your chosen expansion strategy to the business owner. Outline your risk management and contingency planning to justify why this strategy is most suitable for expansion.

Weblink
Austrade – export markets

Weblinks

- Austrade **(p. 54)**
- 125 years of Coca-Cola history **(p. 58)**
- Ansoff Matrix **(p. 62)**
- Top 10 emerging technologies 2024 **(p. 74)**
- Agents **(p. 80)**
- Distributors **(p. 80)**
- CNBC Starbucks article **(p. 86)**
- Why Starbucks failed in Australia **(p. 86)**
- The Guardian Starbucks article **(p. 86)**
- The West Australian Starbucks article **(p. 86)**
- Risk management process **(p. 87)**
- Business Queensland – Risk management **(p. 88)**
- Austrade – export markets **(p. 89)**

Templates

- SWOT analysis **(pp. 46, 54, 56, 66 and 90)**

Chapter summary

- Chapter 3 Domestic and global expansion **(p. 90)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

Chapter 3 review

This chapter introduced strategies used by mature businesses for domestic and global expansion to ensure they remain competitive in the marketplace. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

Summary
Chapter 3
Domestic and global expansion

3.1 Short response

1 Explain the difference between domestic and global expansion.
2 Explain the challenges for a business in the maturity stage of the business life cycle.
3 Describe the competitive environment for online businesses looking to expand their delivery of products to international markets.
4 Explain two common modes of entry for expansion into global markets.
5 Explain the relationship between strategic planning and risk management.
6 Explain why contingency planning is important when planning for expansion, and include one possible consequence of a failure to plan.
7 Explain why some businesses would choose to expand into emerging markets rather than into those that are advanced or established.
8 Explain the importance of research and development for Australian businesses wanting to remain competitive.
9 Explain why government agencies such as Austrade invest and provide so many resources to help businesses grow beyond their domestic market.
10 Explain how expanding into a new market would give a competitive edge to a business owner in one of the competitive markets listed below:
   a optometry industry
   b dairy industry
   c car manufacturing industry
   d insurance industry.

3.2 Extended response

1 Create a multimodal response of three to five minutes to explain three reasons why a person might be motivated to expand domestically rather than internationally.
2 Using the inquiry process and the stimulus on the following page, create a written extended response in the form of a business report to do the following:
   a Describe the facts and characteristics of the Aesop business situation and environment.
   b Explain the point of difference or competitive advantage that Aesop holds in the global luxury skincare market.
   c Identify and explain three reasons why Australian skincare brands like Aesop expand into global markets.
   d Using information from the case study, complete a SWOT analysis that identifies and analyses the strengths, weaknesses, opportunities and threats of Aesop's global expansion strategies.
   e Interpret the relationships and trends in your SWOT analysis to draw conclusions about the implications of Aesop's strategies as the brand continues to expand globally.
   f Use the criteria of competitiveness and efficiency to evaluate Aesop's current expansion strategies, and recommend two alternative strategies that could further support its global expansion.

Template
SWOT analysis

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Aesop

Aesop was founded in Melbourne in 1987 with a mission to combine botanical wisdom with modern scientific innovation, creating a line of skincare products celebrated for their quality and design. Aesop quickly distinguished itself in Australia through minimalist packaging and a sensory approach to self-care, appealing to consumers who valued both aesthetic beauty and effective performance. Its curated portfolio spans skincare, hair and body care products, each meticulously formulated to provide both practical benefits and a refined experience. Aesop experimented with unconventional retail spaces, including an underground venue in the St Kilda suburb of Melbourne, which was the first location for its instore experiences.

Katie Falkenberg/Los Angeles Times/Getty Images

Figure 3.55 Aesop combines botanical wisdom with modern scientific innovation, creating a line of skincare products celebrated for their quality and design.

As of 2023, Aesop has 400 points of sale across 27 countries, with each store thoughtfully designed to reflect Aesop's core identity while embracing local cultural influences. Collaborations with local designers and artists have further enriched these spaces, transforming the act of shopping into an immersive journey of understated luxury.

Strategic investments have also played a role in Aesop's expansion. A capital injection in 2010 helped fund its growth, and in 2012 Aesop sold a 65 per cent stake in its business to Brazilian direct-sales cosmetics company Natura Cosmeticos for US$71.6 million. This provided further momentum for Aesop's international reach and, in December 2016, Natura Cosmeticos took full ownership of the Aesop brand. Despite these ownership shifts, Aesop has remained committed to ethical practices – responsibly sourcing ingredients and employing eco-friendly processes that resonate with health-conscious and environmentally aware consumers.

Internally, Aesop's culture is as distinctive as its products. Employees, known as 'Aesopians', follow a set of strict guidelines that mirror the brand's minimalist aesthetic. For example, the exclusive use of black Moleskine notebooks and pens, along with a requirement for courteous greetings and signoffs in all communications, exemplifies the brand's emphasis on order and precision. This disciplined environment, while sometimes considered exacting, is integral to maintaining the cultural alignment that underpins Aesop's innovative and refined identity.

Through a seamless blend of innovative product development, thoughtful design and ethical business practices, Aesop has grown from a modest Australian start-up into a globally recognised leader in luxury skincare.

Katie Falkenberg/Los Angeles Times/Getty Images

Figure 3.56 Aesop promotes a culture of artisanship where each store is uniquely designed by local architects.

4

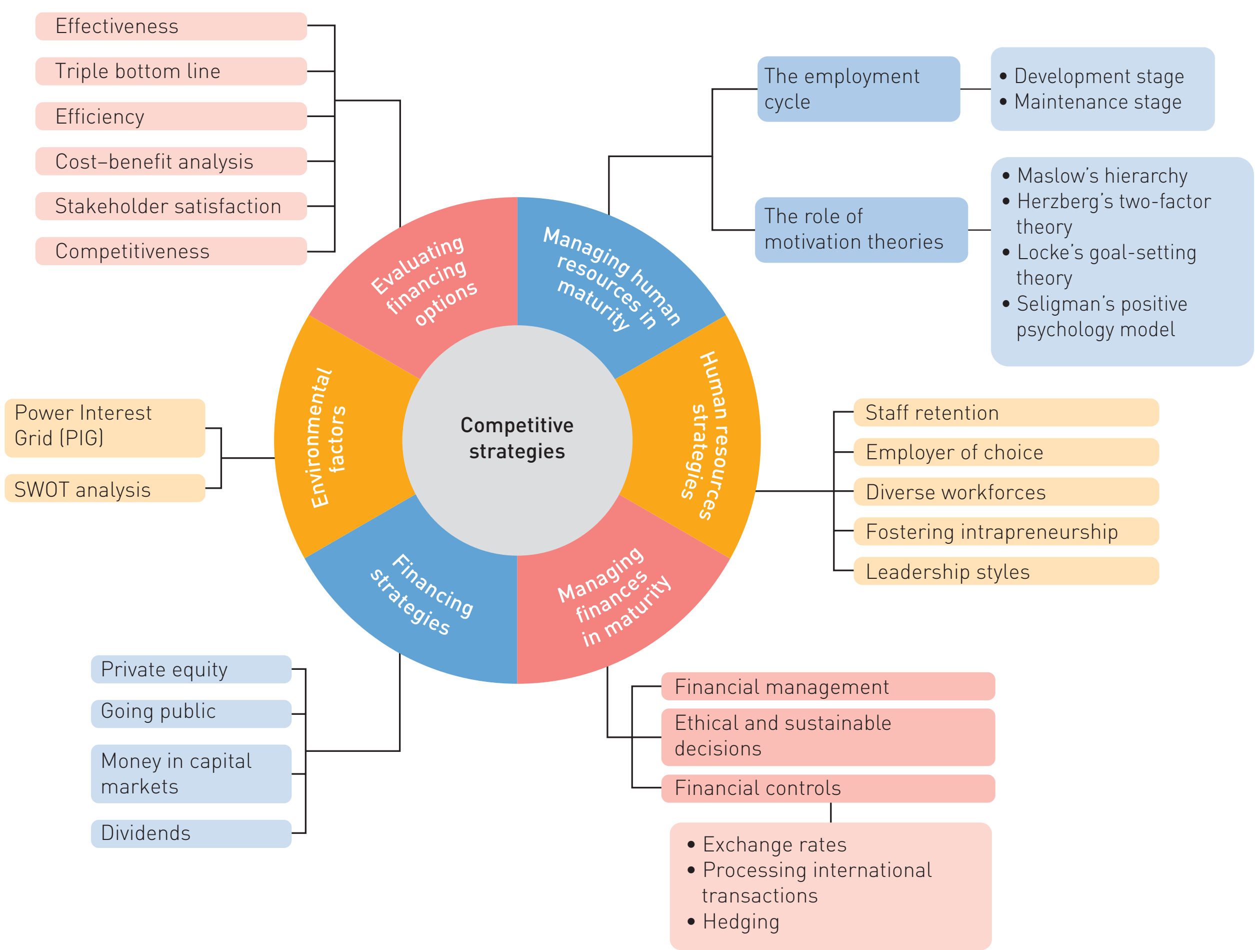
COMPETITIVE STRATEGIES: HUMAN RESOURCES AND FINANCE

What you will learn

Along with strategies for expansion into new markets, to remain competitive a business must consider strategies for each of the functional areas. A business in the maturity stage of the business life cycle must consider the strategies for human resources management to ensure it attracts and retains quality staff in the widening competitive environment. Finance strategies are implemented to ensure that the expansion pursuits of the business are viable, sustainable and ethical. The management of these strategies is also important to ensure the culture of the workplace as led by leaders and managers reflects the goals and objectives of strategic planning.

This chapter will provide you with the opportunity to:

- **describe** business facts and characteristics of the internal, external operating and macro environmental factors that have an impact on human resources and financing
- **explain** the financing options for establishing global operations
- **explain** the development and maintenance stages of the employment cycle and the relationship between human resources strategies and competitive markets
- **analyse** and **interpret** business situations by selecting data and information relating to financing and income for expansion into a domestic or global market using Power Interest Grid (PIG) and SWOT analysis



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- **interpret** relationships and trends in the PIG and SWOT analysis to draw conclusions about the implications of expansion for a mature business
- **evaluate** using business criteria financing options to make a decision and propose recommendations using criteria
- **create** responses to **communicate** meaning to stakeholders.

The analytical tools used in this chapter are:

- Power Interest Grid (PIG) analysis
- SWOT analysis.

GAINING INSIGHT 4.1

Sum Yung Guys and Peli's Noosa: Success in domestic expansion

FOCUS QUESTION: What human resourcing or finance strategies have you leveraged in your expansion?

Sum Yung Guys, founded by Matt Sinclair, Michael Rickard and Jeremiah Jones, is a popular Asian-fusion restaurant in Noosa, Queensland. The team met when they worked together at another popular Noosa restaurant many years ago. When Matt Sinclair became a finalist on *MasterChef* Australia in 2016, his interest and popularity supported the creation of their first restaurant together, and Sum Yung Guys was born.

The first iteration of Sum Yung Guys was established in 2017 at Sunshine Beach. It quickly became a beloved institution on the Sunshine Coast due to its bold Asian flavours, fun atmosphere and excellent hospitality. As the restaurant moved through its growth stages, it gained a reputation for its innovative dishes, exceptional service, culinary creativity and community involvement. All of these have played a key role in sustaining customer loyalty, with the restaurant continuing to attract locals and tourists.

Figure 4.1 The success of Sum Yung Guys led to the domestic expansion of a second hospitality venue called Peli's.

In 2019, the team showed its ability to pivot to takeaway by creating a range of pre-made sauces to be sold in local butcheries during the COVID-19 pandemic. Sum Yung Guys was able to maintain its popularity despite the external challenges. Sinclair explains that to survive COVID, 'suppliers became distributors, and we were producing make-at-home curry sauces to be sold in all the butchers, corner stores and food distributors we would previously purchase supplies from'.

By 2021, Sum Yung Guys had outgrown its location and relocated to a larger venue in Noosaville, capitalising on its growing popularity. The move was very successful, and Sum Yung Guys continued to build on its offering of a modern Asian dining experience that focused on shared plates. Over the last seven years, the team has developed a loyal customer base and become a staple of Noosa's culinary scene.

The entrance of Sum Yung Guys into the maturity stage was marked by stable and predictable revenue generation. In this phase, businesses typically experience steady cash flow with minimal growth. The team at Sum Yung Guys made strategic decisions to ensure that operations remained efficient, customer satisfaction stayed high and costs were controlled.

However, recognising the risk of market saturation or stagnation in the maturity phase, the Sum Yung Guys leadership sought opportunities for further growth. This steady profitability laid the foundation for success and set the stage for further expansion.

In response to growing customer demand and the business's strong financial footing, Sum Yung Guys expanded domestically by opening a second venue. This decision marks a significant milestone in the business life cycle, shifting from maturity to a new phase of growth through domestic expansion.

In September 2024, Sinclair, Rickard and Jones embarked on a new venture together, opening a Mediterranean-inspired restaurant, Peli's. Peli's is also in Noosa; unlike Sum Yung Guys, it is positioned at the scenic Noosa Marina, offering waterfront views, adding a luxurious, coastal ambience to the owners' restaurant portfolio, appealing to a broader demographic and positioning the restaurant as a prime venue for private events like weddings.

Matthew Sinclair

Figure 4.2 In September 2024, Jeremiah Jones, Matt Sinclair and Michael Rickard embarked on a new venture together, opening a Mediterranean-inspired restaurant, Peli's.

Peli's continues the team's ethos of shared dining experiences but moves from their established Asian roots and introduces Mediterranean cuisine, highlighting seafood, chargrilled meats and vegetables.

Risk management in expansion

Domestic expansion has inherent risks, including financial, market competition and operational challenges. For Sum Yung Guys, risk management was critical in ensuring a smooth and successful expansion process.

One of the key aspects of the expansion involved securing financing. The team's solid reputation and proven success likely allowed them to secure favourable financial terms for the new venue. To manage the financial risk of adding a new venture, the owners utilised the strategic benefits from commercial property choices and profits from Sum Yung Guys to reduce the level of risk and debt financing required for Peli's.

As a mature business with a steady income, Sum Yung Guys had the financial credibility to access necessary financing options, including bank loans, investors or even reinvestment of their profits. A combination of internal funding (profits generated from the first venue) and external financing (loans or private investors) helped mitigate financial risk, ensuring that Peli's maintained a healthy cash flow while covering the significant costs of opening a new restaurant – such as leasing a waterfront property, purchasing equipment and building out the space. Sinclair explained, 'the outlay costs to establish a restaurant are significant, so it is crucial to ensure the interest and ability to maintain customers through both the peak and off-peak seasons'.

Matthew Sinclair

Figure 4.3 Peli's is the Mediterranean-inspired expansion by the team from Sum Yung Guys in Noosa.

Along with managing the financial risk, the team behind Sum Yung Guys needed to ensure that Peli's would meet demand in Noosa and complement the existing restaurant offerings at Noosa Marina. They conducted thorough market research to ensure that the second location had sufficient demand and could replicate the success of the first venue. This included analysing the local dining scene, customer demographics and competition in the area. The choice to focus on Mediterranean cuisine was decided because 'there is no one doing Mediterranean at the moment in Noosa. The other benefit is that it is a whole region, not a limited or specific cuisine'. Matt continued, 'the flavour profiles from Asian to Mediterranean are quite similar'. This also meant that the team could diversify its business without competing directly with the original concept and Asian cuisine offering.

To manage operational risks, the team implemented scalable systems from Sum Yung Guys that could be adapted to Peli's. This included staff training programs, supply chain management and maintenance of service quality across both venues.

The use of the company's commercial preparation kitchen and buying in bulk also helps to manage the rising operational costs that all businesses face.

The expansion also required effective human resource management. Opening Peli's meant recruiting new staff while ensuring that both venues maintained their high standards of service. This involved promoting experienced staff from Sum Yung Guys into leadership roles at Peli's. Matt explained that the staff at Peli's is made of up of about 30 per cent experience and trained staff who have come across from Sum Yung Guys and 70 per cent new staff who are being onboarded and trained by existing team members.

The Sum Yung Guys expansion into Peli's marks a successful transition from the maturity stage into a new growth stage, leveraging the restaurant's established brand identity, financial stability and effective risk management. The owners have demonstrated how a mature business can harness its strengths to pursue further growth by broadening its portfolio by opening a second venue. As they manage both Sum Yung Guys and Peli's, maintaining consistency in service, food quality and customer experience will be vital to sustaining their success in Noosa's competitive dining scene. Through strategic planning, risk management, and careful financial and human resources management, Peli's is well positioned for success.

Matthew Sinclair

Matthew Sinclair

Figure 4.4 Peli's upholds the brand proposition of shared plates and communal eating that has been so popular at Sum Yung Guys.

Questions

Template
Power Interest Grid (PIG)

1 **Describe** the facts and characteristics of Sum Yung Guys and Peli's and each of their stages in the business life cycle.
2 **Explain** the strategies used by Matt Sinclair and the team to expand the Sum Yung Guys operations.
3 Using a PIG (discussed on page 123), **analyse** the stakeholders of both Sum Yung Guys and Peli's, based on their level of power and interest in the company's financing and human resourcing decisions.
4 **Interpret** one relationship and one trend in the PIG analysis to draw conclusions about the implications of expansion for a mature business.
5 Using the criteria of efficiency and competitiveness, **evaluate** the success of the expansion strategy utilised by Sum Yung Guys to create Peli's and make two recommendations for further expansion.

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Managing human resources in maturity

Key learnings

You will learn about managing human resources in maturity through examining the:

- development and maintenance stages of the employment cycle
- role of motivation theories in staff retention.

The employment cycle

As explained in Chapter 8 of *Business for QCE Units 1 & 2*, the employment cycle is made up of the four stages of employment through which an employee moves in a business. In the maturity stage of the business life cycle, the human resources focus is on the development and maintenance stages of the cycle, as shown in Figure 4.5. During the maturity stage, a business should be enabling strategies and processes to encourage an employee to continue to cycle through these two stages as they continually grow and evolve with the expanding and maturing business. It is not enough to simply recruit staff; staff need continual development and maintenance in order for the business to maximise the performance and retention of quality staff.

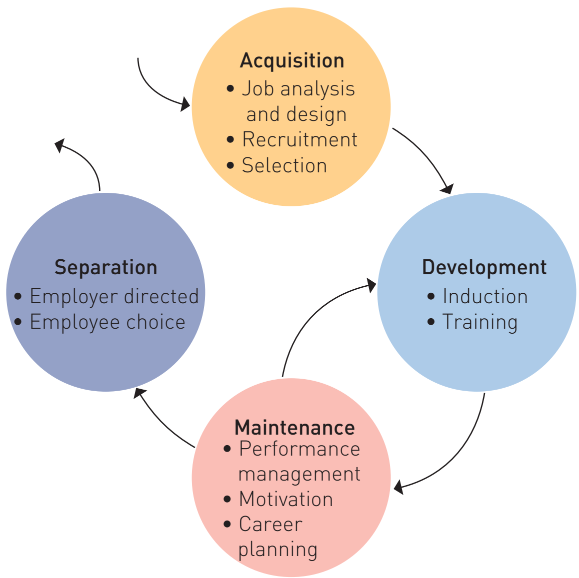


Figure 4.5 The employment cycle, as explained in Chapter 8 of *Business for QCE Units 1 & 2*

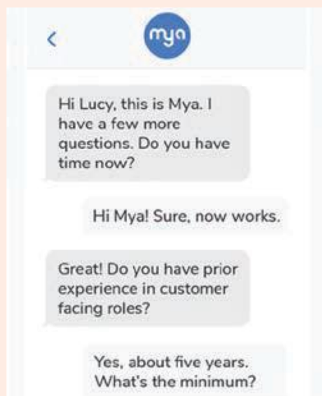
GAINING INSIGHT 4.2

AI solutions for recruiting staff

Mya is an AI solution for the recruiting industry.

> The Mya chatbot as seen in Figure 4.6 is able to ask candidates factual questions to determine whether their profiles match the position requirements: Are you available at the internship start date and throughout the entire internship period? What year are you currently in and how long is your degree course? Do you need us to make any reasonable adjustments in order for you to be able to complete your application? Do you have any questions for me regarding the company culture, application process or position details? This type of bias-free, objective screening goes beyond resumes to intelligently streamline the search for new talents.
>
> User-friendly, Mya is accessible via mobile phone anytime and anywhere. From the start, Mya presents itself as a chatbot. At the end of this first phase, qualified applicants are put in contact with recruiters. Especially valuable in a world where many job seekers do not have the necessary level of information regarding their application follow-up, this technology provides ongoing reminders and updates for a more considerate, more people-centric experience.

Source: 'Using artificial intelligence in order to help candidates experience', www.loreal.com, 2018



Mya Systems, Inc.

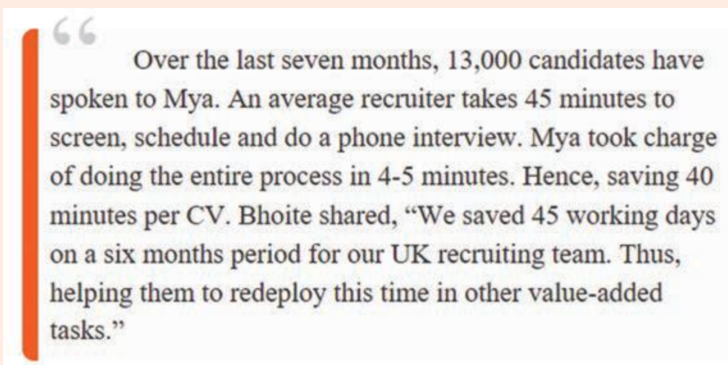
Figure 4.6 Mya is a conversational AI recruiter that helps to automate outreach and communication with candidates across the entire recruiting life cycle by asking and answering questions relevant to the employer's criteria in natural language.

L'Oréal is the world's largest cosmetics company and currently markets more than 500 brands and thousands of individual products in all sectors of the beauty business. The L'Oréal Group currently employs 82 600 people worldwide and receives over one million applications per year. L'Oréal rolled out its first conversational platform with Mya Systems in September 2018, targeting candidates seeking internships and positions such as beauty advisers. Mya was able to filter applicants based on aspects such as qualification, location and salary. The platform was successfully deployed in the United Kingdom, the United States and France, and will be introduced in other countries.

In 2021, StepStone, one of the world's leading online job marketplaces, acquired Mya to introduce an innovative approach to job matching. Stepstone will now allow jobseekers to engage in conversation about their skills and preferences to help the technology find and suggest appropriate job matches without users actively searching for them.

T. Schneider/Shutterstock.com

Figure 4.7 In 2021, Stepstone, one of the world's leading online job marketplaces, acquired Mya to introduce an innovative approach to autonomous job matching.


"Over the last seven months, 13,000 candidates have spoken to Mya. An average recruiter takes 45 minutes to screen, schedule and do a phone interview. Mya took charge of doing the entire process in 4-5 minutes. Hence, saving 40 minutes per CV. Bhoite shared, "We saved 45 working days on a six months period for our UK recruiting team. Thus, helping them to redeploy this time in other value-added tasks."

Source: Anushree Sharma, 'How AI reinvented hiring practice at L'Oréal', www.peoplematters.com, 16 August 2018

Figure 4.8 L'Oréal has adopted Mya to help streamline its recruitment process for intern applications.

Development stage

The **development** stage during start-up and growth of a business focuses on building the culture of the business and inducting and **onboarding** staff. As the business grows, the processes of the development stage need to be formalised to ensure that staff feel supported, valued and significant in the achievement of business goals and objectives.

For businesses that have reached the maturity stage of the business life cycle, the continual development of staff through training will ensure they continue to grow, learn and develop; this provides personal improvement and benefits the business. Employees who are valued and have access to training are less likely to move on (Figure 4.9).

Continual cycling through the development stage also ensures staff have the opportunity to update their existing knowledge and can keep up to date with emerging technologies and new processes or demands that evolve in industry. A strong development program and investment in staff skills will lead to enhanced retention, minimising the risk of staff stagnation and dissatisfaction in the workplace.

Kathy Hutchins/Shutterstock.com

Figure 4.9 Sir Richard Branson believes employers should 'train people well enough so they can leave, treat them well enough so they don't want to'.

Maintenance stage

While employees cycle between development and **maintenance**, in maturity it is the leadership and management of employees that is crucial to making the maintenance stage last. While the length of the maintenance stage is different for all employees, it is in this stage that employees should be at the peak of their productivity and progressing in the levels of management.

This stage of the cycle also requires that staff continue to be motivated with recognition and rewards, along with clear progression pathways to keep them engaged and challenged within their roles.

The culture of the business is also an integral factor in the maintenance stage; a negative or toxic business culture will inevitably lead to employee dissatisfaction, high staff turnover and increased costs in recruitment and training. To extend the maintenance stage and staff retention in the maturity stage of the business life cycle, it is important to build and foster relationships with staff, keep communication open and transparent, and seek feedback and measure morale regularly. These strategies will help managers and leaders understand what motivates their employees, and how they are coping or feeling with current working conditions and situations, as well as giving indicators for areas of need or weakness within the organisation.

Development: the second stage of the employment cycle, which focuses on the induction and training of staff to support the business in achieving its desired corporate and organisational culture

Onboarding: the process whereby new staff learn the social and performance areas of their new job, including attitudes, knowledge, skills and behaviours

Maintenance: the third stage of the employment cycle, focused on motivating and supporting staff in the workplace to help the business achieve its goals and objectives

GAINING INSIGHT 4.3

Josephmark

Josephmark, founded in 2004, is a digital product and venture studio that identifies and incubates its own digital ventures (Vest, Hash and Undrtone) as well as creating digital products for clients (MySpace, CBA and Red Bull). From a small studio in Brisbane, Josephmark (JM) has taken its business global, with teams spanning Brisbane, Melbourne, the Sunshine Coast and Los Angeles, and is now regarded as an Australian and global powerhouse.

Chones/Shutterstock.com

Figure 4.10 Josephmark has offices in Australia and the United States.

A better future happens by design, not chance

As a digital product studio, we design, develop and launch digital products that change the way we work, play and connect.

We help individuals, startups, brands and corporations see what the future could be – then we design a way to get there. Whether that's bringing an idea to life, growing or changing an existing product, or creating something entirely new.

We do so because we believe in using technology to make a better world, not a busier one. It should improve our real lives. The ones we live off screen. The ones that are messy and beautiful and sad and hilarious. That are muddy and chaotic and boring and bold.

We design to enhance life. We're not saying we're saving lives but we do believe design has the power to make the world a better place.

Figure 4.11 The vision of Josephmark

Keeping great relationships with its clients as it grew or ventured out of Brisbane saw an organic expansion of the Josephmark brand. Josephmark collaborated with the team at Wotnews and built We Are Hunted from the ground up, a revolutionary software that tracks the world's 99 most popular emerging songs on the internet in real time. In 2013, We are Hunted was acquired by Twitter (now X). That went well, so Jospehmark kept going with its expansion.

While building and growing We are Hunted, Jospehmark was also embarking on the redesign of MySpace for 100 million users worldwide. Its selection as the company commissioned to redesign the new MySpace in 2012 was what really put Josephmark on the global map. Jess explains, though, that its international journey actually started in 2010. In that year the company:

> [We] did some work with MySpace for an app called MySpace Music Romeso, which essentially helped you find more music that you'd love based on your preferences – again, this was off the back of the work we did on We Are Hunted. At the time, the concept was very innovative and the user experience that we designed was also very cutting edge. Unfortunately, the app never took off due to music licensing issues; however, when MySpace was acquired by Specific Media and Justin Timberlake a year later, we ended up on the invitation list to pitch for the redesign. We were the only agency to be asked outside the US and we ended up winning!

Working with Specific Media led to a couple of years flying the team back and forth between Brisbane and Los Angeles, as well as a stint living in New York City to try to break into the market there, which ended up leading to the decision to open an office in Los Angeles. Josephmark was still a small team and the time zone challenge between Brisbane and New York City was too much. Basing the office in Los Angeles also meant it would still have access to both east and west coast opportunities. Jess Huddart explains:

> At the time of expansion, the US dollar was very strong against the Australian dollar, so we made good money and we were a cheaper option in some ways. I also believe that our perspective (being relatively fresh) and general approach (we were told that our work ethic, commitment and quality of delivery were welcome surprises) helped us build trust and relationships quite quickly.

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Prostock-studio/Shutterstock.com

Figure 4.12 The team members stay connected through the use of technology to facilitate flexible working hours and global locations.

This growing demand and expanding market meant the business needed to attract more staff in new locations. When recruiting talent, Jess believes that 'within the Brisbane market, because we have been able to travel overseas with our work and produce some really interesting digital projects, we attract a high calibre of talent'. Josephmark also offers flexible hours and allow its teams to work from the other offices in Los Angeles, if they choose. This strategy also helps retain staff who still wanted to work with Josephmark but also want to explore more of the world.

PeopleImages.com - Yuri A/Shutterstock.com

Figure 4.13 Ben Johnston and Jess Huddart of Josephmark believe their team is their best asset.

Josephmark also has a People and Culture Director, who is responsible for making sure everyone is happy and doing what they're best at every day. She looks after the teams spread across the company's offices, as well as helping to find new people to join the crew. Part of this strategy is a Learning and Development Fund, where each employee has a set amount they can use to attend courses, events or even work remotely. The team has used this to travel to Apple conferences in San Francisco, Confab in Minneapolis and The Conference in Malmö, as well as cool local stuff such as Sydney's Semi Permanent or Melbourne's Pause Fest. There is also a personal fund that can be used for pretty much anything, from yoga to horse riding to Korean lessons.

In 2021, Josephmark joined with Australia's leading equity crowdfunding platform, VentureCrowd, in a joint venture to help early stage Australian start-ups rapidly scale by connecting them to users, customers, talent and investors around the world.

Gorodenkoff/Shutterstock.com

Figure 4.14 Josephmark's Learning and Development Fund empowers employees to grow, explore, and connect with the world's most innovative thinkers.

Financing global operations is challenging. Josephmark has funded its entire operation privately and, for the most part, from the business itself or business loans. While there is an Export Market and Development Grant that the company applies for each year via Austrade, Jess explains that the grant is becoming more popular and is not getting any more funding, so Josephmark has been receiving less each year.

Listed as one of the 100 Australian tech companies to watch in 2018, Josephmark has continued to grow and mature. In 2024, it embarked on a joint venture with Mindhive, creating System Operating, a next-generation workflow platform designed to enhance enterprise productivity and protect human creativity in the age of AI. Mindhive, of which Ben Johnston is also a director, was the *Australian Financial Review* 2024 BOSS Most Innovative Companies award winner in Technology.

Questions

1. **Describe** the facts and characteristics that evidence Josephmark's stage in the business life cycle.
2. **Describe** the environmental factors that affect the financing of global operations.
3. **Explain** some of the human resources strategies that have been identified at Josephmark.
4. **Explain** the relationship between the human resources strategies and the global expansion of Josephmark.
5. **Create** a SWOT analysis to consider the environmental factors that could impact Josephmark's planned expansion into the European market.
6. **Create** a 100-word job advertisement for a new administration assistant. Ensure you include information to market Josephmark as an employer of choice.

Template
SWOT analysis

GAINING INSIGHT 4.4

Technology for HR productivity: The rise of pulse surveys

An employee pulse survey is a fast and frequent survey to get instant feedback to human resources departments. A pulse survey is generally designed to be done weekly and to give a quick insight into the health of a business.

With the use of technology and many emerging pulse survey applications, an employee pulse survey can be done quickly and securely over the internet, rather than using paper or custom in-house survey software. Staff engagement and company culture are often identified as critical business issues. To help address these issues, management can use real-time and continual feedback to quickly identify specific business insights and prioritise areas to focus on improving.

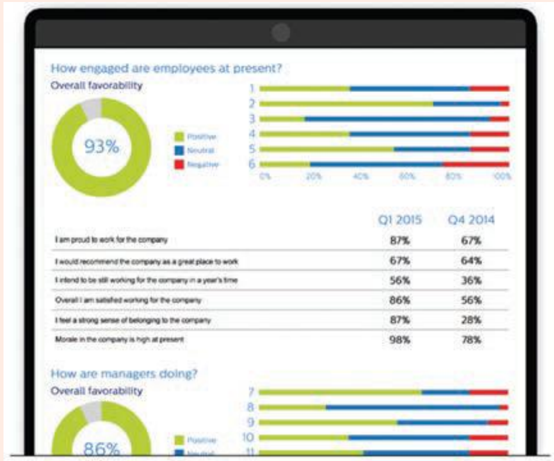


Figure 4.15 An example of an employee pulse survey

QUESTIONS 4.1

1. **Explain** the development stage of the employment cycle.
2. **Explain** the maintenance stage of the employment cycle.
3. **Explain** the difference between the induction and onboarding processes for new staff in the development stage of the business life cycle.
4. **Describe** the environmental factors that can affect the maintenance and development stages of the employment life cycle.
5. **Create** a short business editorial, to be published online, that **explains** the importance of investing in these two stages of the employment cycle.

Motivation theories

As the market becomes more competitive, leaders and managers seek new ways to continue to motivate their employees. As explained in *Business for QCE Units 1 & 2*, motivational theories help a business to understand behaviours and respond accordingly to meet the needs of its stakeholders. In the employment cycle, motivational theories are relevant to help leaders and managers understand each of their staff members and to implement appropriate strategies to externally motivate them. But, as employers, leaders and managers become more aware of the many different types of personalities and priorities of their employees, they realise that human resources strategies are not always a 'one size fits all' approach. Understanding what drives and motivates employees means that communication and reward will occur in different ways to suit different people. Strategies to promote internal motivation and **staff wellbeing** are as important as the external drivers and will help to ensure **staff retention**.

Staff wellbeing: the physical and mental state of employees demonstrated through work–life balance, satisfaction and engagement

Staff retention: the rate at which a business keeps its staff within a given period; ensuring staff retention rates remain high can be an objective of the business

Reasons for leaders, managers and employers to invest in staff wellbeing as a strategy for staff loyalty and retention include:

- increased employee engagement
- increased employee satisfaction
- increased staff morale and positive corporate culture
- increased productivity
- increased staff loyalty
- reduced absenteeism
- attraction of high-quality candidates at recruitment
- positive relationships between employees and management
- positive impacts on brand reputation
- open communication channels
- a more sustainable workforce.

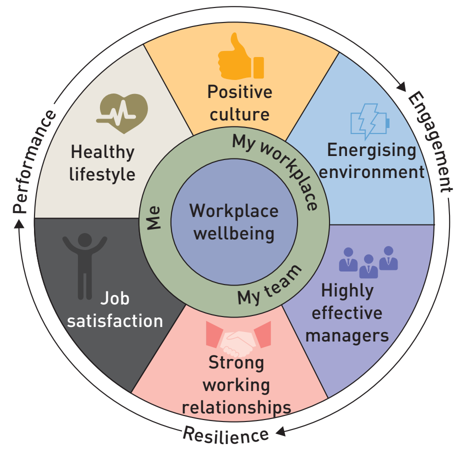


Figure 4.16 Staff wellbeing is an important factor in motivation, engagement and retention of staff.

GAINING INSIGHT 4.5

How tech giants keep their teams motivated

The world's leading tech companies are doing more than just developing cutting-edge software – they're also perfecting the skill of keeping their employees motivated and loyal. In a competitive global job market, which can now be located anywhere in the world, attracting and retaining top talent is essential. Here are seven key strategies being used to motivate and retain employees in tech companies around the world.

1 Flexibility in work and leave arrangements

Many companies around the world, including tech companies, now offer flexible hours and hybrid working arrangements. Atlassian, allows employees to 'work from anywhere'. This flexibility empowers staff to manage their schedules better and balance work with personal commitments, enhancing their wellbeing and productivity. This has also extended to offerings in leave; for example, maternal and paternal leave that support all parents to maintain career and family life commitments. For American-based companies, this leave offering is particularly appealing to employees as many businesses don't have a parental leave option.

2 Meaningful work and purpose for happiness

Employees seek more than just their pay – they also crave a purpose. Tech firms like Canva and Salesforce clearly communicate how individual roles contribute to broader goals. By connecting daily tasks to a company's mission, staff feel their work is significant and that their career desires are important to their employers, which boosts motivation.

3 Personal projects and professional development support

Google's well-known '20% time' once encouraged employees to dedicate part of their week to passion projects, leading to innovations like Gmail. Today, companies invest heavily in upskilling through online courses and mentorship programs, helping employees advance their careers without changing jobs. Companies like Microsoft, Adobe and Salesforce also support employees with funding or finance of their studies.

4 Employee wellbeing programs or health insurances

Mental health is a top priority. Companies like Apple and Microsoft offer access to wellness apps, counselling services and health incentives. These programs reduce burnout and help staff manage stress, resulting in stronger retention.

5 Perks and rewards

Whether it's peer-to-peer recognition apps or annual bonuses, successful companies regularly reward high performance. Amazon uses reward points that can be redeemed for gifts, while Canva celebrates achievements with team events and public recognition, making staff feel valued. Other perks might be of a more practical nature to support employees; for example, Microsoft and Cisco offer their staff a Childcare plan and Facebook offers free dry-cleaning.

6 Inclusion and diversity

Diversity and inclusion are crucial. Tech giants are investing in cultural awareness training, inclusive hiring practices and employee resource groups. Adobe and Google publish annual diversity reports to remain accountable and create safer, more welcoming workplaces for everyone.

7 Promotion pathways

High staff turnover often stems from unclear advancement opportunities. Tech leaders address this by providing structured career frameworks, transparent promotion criteria and regular performance feedback. This keeps employees motivated and focused on their future.

Questions

1 Describe the internal, external operating and macro environmental factors that can have an impact on human resources and employee motivation.
2 Explain the benefits of a motivated workforce.
3 Explain why motivated staff are likely to remain loyal to an employer or workplace.

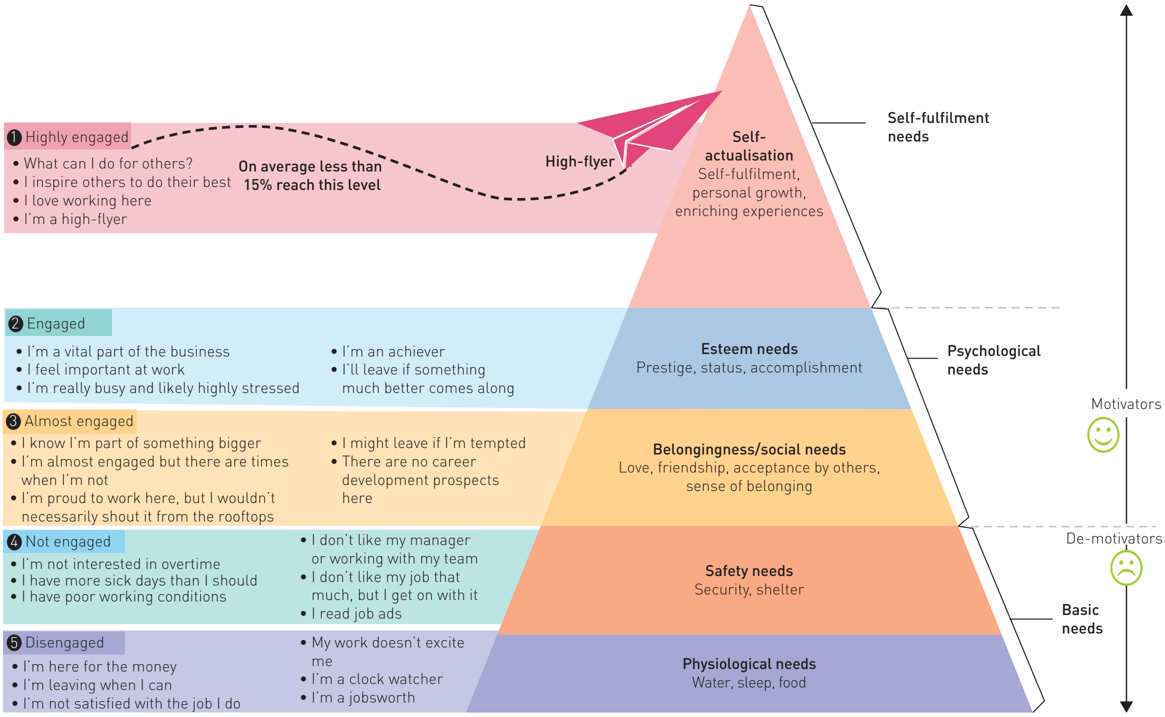
QUESTIONS 4.2

1 Explain how staff wellbeing strategies could motivate a workforce.
2 Discuss why employees may not all respond to motivational strategies in the same way.
3 Explain what motivational strategies would be appropriate to implement at the development and maintenance stages of the employment cycle.

Revisiting the theories presented in *Business for QCE Units 1 & 2*, we can see that the impact of human resources strategies can be demonstrated in the way staff are or are not motivated and engaged with their organisation. The motivation of the employees can be affected by a range of factors, such as their wage, job security, the management structure and the frequency of recognition – all factors that are identified as significant in a number of the motivational theories.

Maslow's hierarchy of needs

When applied to human resources, each level of Maslow's hierarchy of needs aligns with the level of engagement and satisfaction an employee feels towards their workplace. If employees aren't paid sufficiently or their job is threatened then they may disconnect from the workplace, whereas an employee who feels valued and recognised will often take ownership of their role and lead with enthusiasm. This high-flying and highly engaged employee will also motivate and inspire others to want to perform on their level.



Adapted from 'Employee engagement and Maslow's hierarchy of needs', Nichole Gunn, 29 August, 2014, https://www.incentivesolutions.com/2014/08/29/employee-engagement-hierarchy-needs/

Figure 4.17 Maslow's hierarchy of needs applied to employee engagement

QUESTIONS 4.3

1 **Explain** how Maslow's hierarchy of needs affects staff engagement at the development and maintenance stages of the employment cycle.
2 **Describe** the behaviours a leader or manager should look for in an employee at each level of Maslow's hierarchy.
3 Recommend ways in which a leader or manager could re-engage employees in the lower layers of the hierarchy.

GAINING INSIGHT 4.6

CSL Australia: Motivating staff through transparency and continual training

Established in 1999, CSL Australia Ltd (CSLA) is today the largest owner of Australian-registered vessels operating in Australian waters and the major supplier of shipping services to the construction and building industries. With more than 150 Australian maritime workers employed on CSLA-owned vessels and transhipment vessels, CSL recognises the importance of employee involvement.

Management encourages a culture of open communication at CSL Australia with transparency and clear communication a motivator for staff. Staff see all the monthly data on trade and profits, and visiting international managers share financial details with the staff. This inclusive management style has generated growth and loyalty among employees.

CSL undertakes to train, develop and nurture young Australians attracted to a life at sea, with staff regularly given the opportunity to undertake courses at the Australian Maritime College in Launceston, Tasmania, to upgrade their knowledge and ensure they remain competitive in the global shipping world. Local management and staff are also active in the community and help support the local economy.

MartinLueke/Shutterstock.com

Figure 4.18 CSL Australia's inclusive leadership drives growth and loyalty.

Locke's goal-setting theory

As explained in *Business for QCE Units 1 & 2*, Locke's goal-setting theory is essential in establishing and achieving organisational goals (Figure 4.19). The same theory applied to the individual objectives and goals of each employee is often considered as the most useful way to motivate employees. Goal-setting, particularly through the development of goals that are specific, measurable, achievable, relevant and time-based (SMART), can be a powerful tool for managers and leaders to channel an employee's efforts for increased performance and productivity. Often, staff in complicated and demanding roles already have a high level of their own intrinsic motivation, but formalised goal-setting frameworks can ensure they don't push themselves too hard or set unrealistic measures around the complexity of the task, and that they maintain motivation for continued growth and achievement.

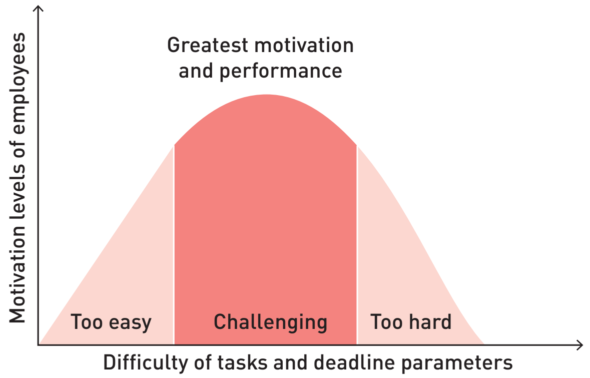


Figure 4.19 Locke's goal-setting theory identifies challenging, but not overwhelming, goals as an employee motivator.

Herzberg's two-factor theory

When applying Herzberg's theory to the employment cycle, ensuring the work environment is satisfactory is essential before any positive motivators (e.g. recognition, responsibility and personal growth) take effect (Figure 4.20). This means that employers need to ensure the hygiene factors (e.g. salary, working conditions and relationships) are addressed but not used as a way to try to motivate employees. While they may appear to encourage increased efficiency or productivity in the short term, they are not actually motivators for maximum engagement and job satisfaction.

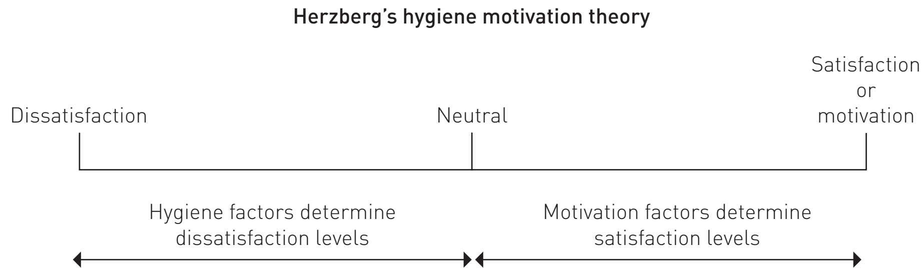


Figure 4.20 Herzberg's theory helps leaders and managers to drive staff motivation and remove job dissatisfaction.

Positive psychology and motivation

As the needs of workplaces and employers continue to change, the strategies and approaches of employers, leaders and managers also continue to evolve. In today's work environments the focus has shifted from using only external motivation strategies for the financial gain of the workplace to more holistic motivational approaches. These holistic approaches look at all the factors that affect staff wellbeing and focus on ensuring employees are well and engaged. This employee wellness then leads to an employee's own intrinsic motivation and ultimately an improved bottom line for the workplace. Many of the factors and strategies associated with holistic and intrinsic motivation are referred to as positive psychology or a positive psychological work environment.

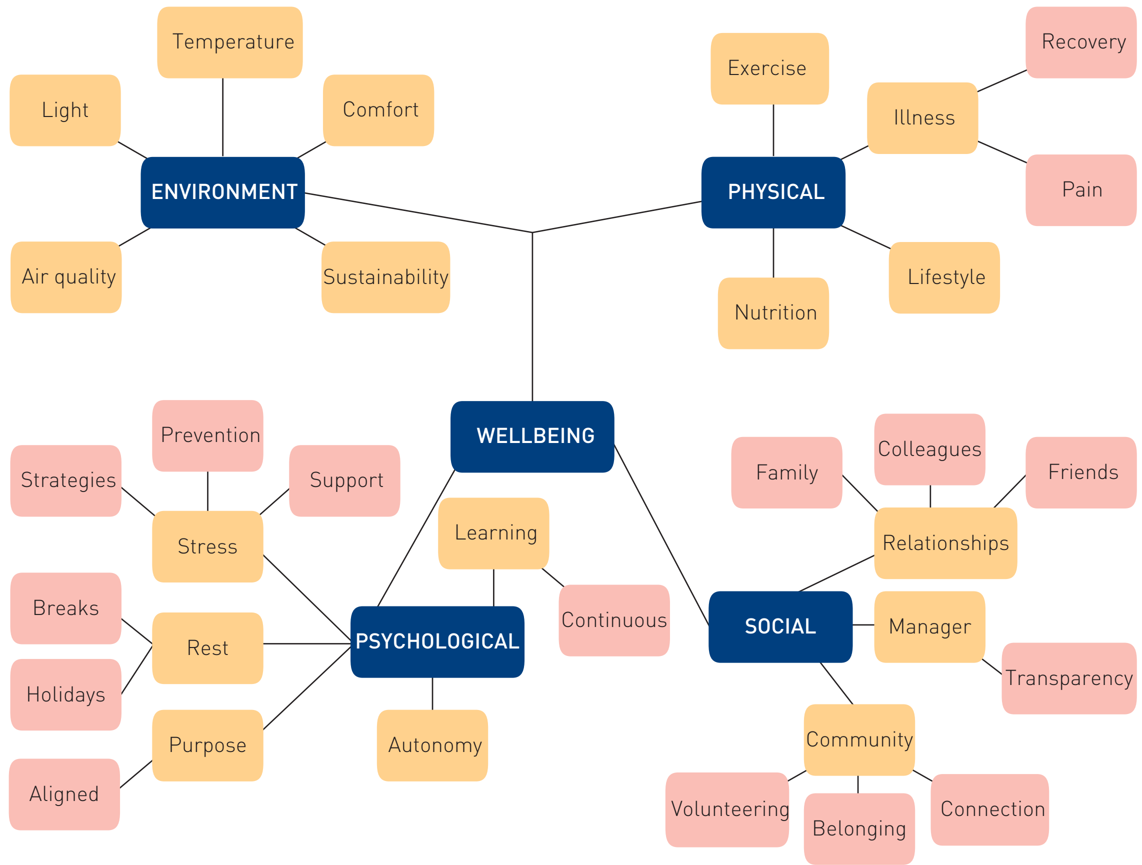


Figure 4.21 Factors that affect staff wellbeing and positive psychology

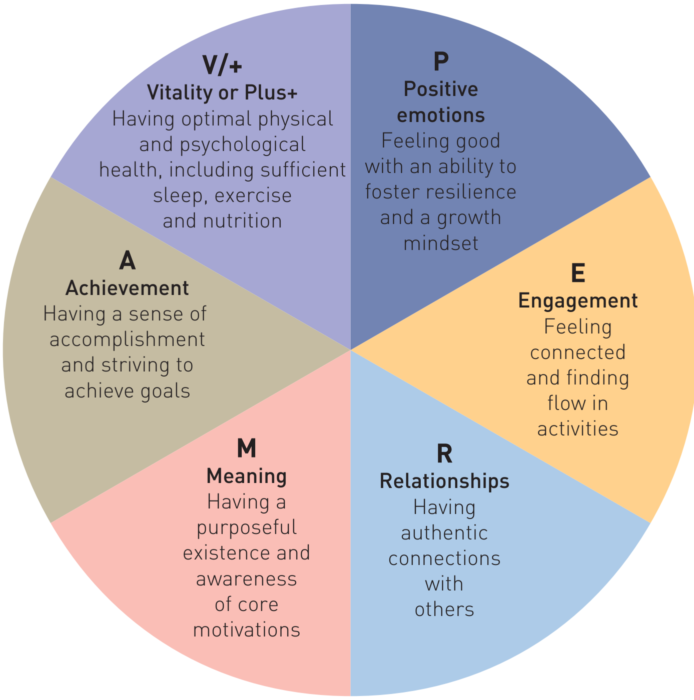
Dr Martin Seligman is commonly known as the founder of positive psychology; however, it was Abraham Maslow who first coined the term in 1954. Maslow's hierarchy of needs and Seligman's positive psychology both focus on increasing wellbeing for the sake of improving people's lives and improving society. The implementation of positive psychology by leaders and managers is designed to help employees live the best lives they can and to acknowledge their unique humanity along the way.

Fostering a positive psychological environment in the workplace is a key that can boost the bottom line, create a positive working experience for all employees and maintain employee engagement. Employee engagement has also been linked to decreased absenteeism and higher rates of employee retention.

Positive psychology is often implemented into workplaces through Seligman's PERMA framework, as seen in Figure 4.22. This framework consists of the five essential elements that Seligman believes should be in place in order for people to experience lasting wellbeing. The five elements are as follows:

- *Positive emotion* such as kindness, gratitude, hope or contentment contributes to overall wellbeing.
- *Engagement* is about being totally absorbed (in the flow) by tasks.
- *Relationships* and being authentically connected to other people leads to strong positive relationships.
- *Meaning* in life comes from a purposeful existence; for example, through serving something that is bigger than self, or practising altruism or philanthropy.
- *Achievement* and accomplishment, including having goals and meeting those goals, lead to a person flourishing.

There are now a number of variations or iterations to the PERMA framework being introduced. The likes of PERMA+ and PERMA-V include 'vitality factors' such as physical activity, nutrition, sleep and optimism, forming a holistic framework on which to build wellbeing.



Adapted from Martin Seligman's theory of Positive Psychology: Positive Emotion, Engagement, Relationships, Meaning, Accomplishments. https://positivepsychologyprogram.com/perma-model/

Figure 4.22 Elements of Dr Martin Seligman's positive psychology are explained through the PERMA, PERMA+ and PERMA-V framework models.

GAINING INSIGHT 4.7

The Ritz-Carlton: Employee motivation and psychological ownership

The selection and onboarding process of new Ritz-Carlton employees begins with instilling 'psychological ownership' of the Ritz-Carlton brand. Psychological ownership can be defined as the degree to which an employee feels as though their workplace or organisation is their own and becomes an important part of an employee's self-identity.

The Ritz-Carlton builds on this sense of ownership through employee empowerment. Each employee is encouraged to go above and beyond to create unique, memorable and personal relationships with guests. This empowers employees – known as the Ladies and Gentlemen of the Ritz-Carlton – to make decisions, craft special moments and resolve customer issues. Empowerment moves employees beyond passivity and simply being a 'warm body' at work.

The 'service values' of the Ritz-Carlton also foster a sense of psychological ownership. Each service value begins with 'I'. Using the pronoun 'I' not only reinforces an individual's contribution, but also promotes accountability and ownership. It encourages the Ladies and Gentlemen of the Ritz-Carlton to volunteer ideas, approaches and solutions – whether they are solving problems or innovating – and that is motivating.

The success of this approach to human resource management led to the creation of the Ritz-Carlton Leadership Center, which designs and delivers award-winning strategies and tools to improve the employee experience, helping businesses to innovate their culture and differentiate their brand.

EQRoy/Shutterstock.com

Figure 4.23 The Ritz-Carlton logo

Human resources strategies

Key learnings

You will learn about human resources strategies in a competitive market through examining:

- employer of choice strategies
- diversity in the workplace
- fostering intrapreneurship
- leadership styles
- management strategies.

Employer of choice

Labelling a business as an **employer of choice** means that the business is a desirable place to work. Specific and deliberate strategies by today's employers seek to create a work culture that is more collaborative and open than the old 'them and us' relationship. This trend towards flat leadership, transparent communication and consultative decision-making in teams is evidence of the changing needs and attitudes of today's working environments.

Table 4.1 The changing nature of employee and employer relationship needs

Traditional employer/employee focus		Modern employer/employee focus
Traditional structured rosters and working hours	→	Flexible working arrangements and hours
Internal focus	→	Customer and performance focus
Hierarchy	→	Collaboration and inclusive work teams
Functional-based work tasks	→	Project-based work tasks
Initial induction training	→	Continual learning and development
Closed communication channels with filtered information	→	Open and transparent communication channels
Job security based on long-term employment	→	Regular job-seeking and changes for career development opportunities
Work–life separation (focused solely on work at the workplace)	→	Work–life integration (support for personal wellbeing and balance)
Physical presence required for meetings and collaboration	→	Virtual meetings and digital collaboration tools
Annual performance reviews	→	Continuous feedback and real-time performance management

As industries become more and more competitive, the need for skilled, motivated and loyal employees is increasing. This means that workplaces need to implement an employer-of-choice strategy to offer employee benefits in an attempt to attract and retain quality staff. Employer-of-choice strategies can be seen as superficial and for show if they are not genuine. The strategies adopted by each individual workplace need to reflect the unique needs and motivations of its employees and the quality of the relationship, or psychological benefits of the employee and employer interactions.

Employer of choice: a recruitment and retention strategy to offer attractive incentives, meaning people will choose to work for, dedicate themselves to and be loyal towards a business, despite offers from alternative employers

With the rise of labels and lists including 'best employers' and 'the best places to work' published by various organisations, gaining a spot on one of these lists is a marketing tool for the business and a clear strategy for attracting quality staff. Employer-of-choice status can come from the working conditions, the flexibility, the lifestyle benefits or the progression opportunities of a workplace. Well-known employers of choice such as Google, which has topped lists by Glassdoor and Fortune, are considered to offer some of the best employee perks, opportunities for career growth, work that positively affects the human race and innovative culture.

But despite their place on a list, employers of choice must have a range of strategies and perks to cater to the varying needs and motivations of their workforce. Not every employer of choice will fit every employee, but they do all have in common that they seek to be the place where each of their employees is happiest to work.

INQUIRY

Inquiry task: The best place to work

With data collected from 10 million employees, the Great Place to Work Institute produces reports from the world's largest study of human resources management. You are to conduct an inquiry into great places to work and analyse the strengths, weaknesses, opportunities and threats (SWOT) of employer-of-choice strategies.

Follow the link found on Nelson MindTap to access the 'Australia's best workplaces 2024'.

1 Explain why being on a list like this would be an advantage to employers.
2 Select an employer on the list of great places to work.
3 Research and select data and information relating to your chosen workplace to create a SWOT analysis of the employer of choice strategies.
4 Analyse the strengths, weaknesses, opportunities and threats of being an employer of choice.
5 Create a series of short paragraphs to explain three of these implications.

Weblink Australia's best workplaces 2024

Template SWOT analysis

© GPTW

Figure 4.24 The Great Place to Work Institute publishes a list of the best workplaces each year.

Diversity in the workplace

A diverse workforce means having employees from a wide range of backgrounds. This can include having employees of different ages, genders, ethnicities, physical abilities, sexual orientations, religious beliefs, work experience, educational backgrounds and so on. A diverse workforce must also foster an environment that is inclusive of the differences of all employees.

Diverse: of various kinds or forms; different from each other

Inclusive: a workplace that is accepting and welcoming to all kinds of people regardless of their differences

Diversity – **A diverse workplace** is one that includes people from different types of gender identity, age, language, ethnicity, cultural background, sexual orientation, religion/belief system, family responsibilities, education, socio-economic background and marital status.

Inclusivity – **An inclusive workplace** is one where a diverse range of people are encouraged to provide their own individual skills, knowledge and background to the organisation.

Figure 4.25 Workplaces need to strive to be inclusive, not just diverse.

GAINING INSIGHT 4.8

Workplace diversity: A competitive advantage

The ever-changing and colourful world is populated with people from diverse backgrounds, hundreds of nationalities, distinctive cultures and uncommon geography – people of varying age, gender identity, sexual orientation, education, lifestyles and preferences.

Nissan believes that diversity is a source of strength and gives it a competitive advantage. With its products sold all around the world and customer expectations varying from market to market, according to different cultural and lifestyle needs, it is critical that employees of diverse nationalities and backgrounds play active roles at Nissan to meet the needs of its customers around the world.

Figure 4.26 Nissan's diversity strategy explains that when employees contribute with diverse ideas and perspectives, the results are better ideas that are more creative and add value.

A workplace should strive to embrace employee differences and provide opportunities for all employees to demonstrate their individual strengths. Having diversity and inclusivity is a valuable human resources strategy designed to foster collaboration, impact positively on internal activities and relationships and provide valuable experiences for all stakeholders.

In Queensland, the *Anti-Discrimination Act 1991* establishes a legal responsibility on employers to provide workplaces that are free from discrimination, sexual harassment, victimisation and vilification. Also, under the anti-discrimination laws, employers must offer equal employment opportunities (EEO). This means employees are treated on their merits at every stage of their employment – from the recruitment and interview process through to their daily duties, promotion, training and development opportunities, and their resignation, retrenchment or redundancy. To learn more about discrimination laws, read 'A quick guide to Australian discrimination laws' on the Australian Human Rights Commission website.

Weblink
Discrimination laws

QUESTIONS 4.4

1 Explain the difference between diverse and inclusive workplaces.
2 Explain why legislation such as the *Anti-Discrimination Act 1991* and EEO strategies exist.
3 Explain why businesses plan for diversity and implement specific strategies to attract diverse employees.
4 Identify the potential risks that may arise for a business that does not foster a diverse workforce.
5 Explain the relationship between a diverse workforce and human resources strategic planning in the maturity stage of the business life cycle.

Fostering intrapreneurship

When an employee possesses the skills and characteristics of an **entrepreneur**, a human resources strategy is to foster and harness these skills for the benefit of the business they work for. As explained in *Business for QCE Units 1 & 2*, an entrepreneur is a person who sets up a business or businesses, taking on risks and persisting with a new idea in the hope of profit. In a business, an employee who possesses the same skills and characteristics but works for an employer and contributes to the bigger picture of their workplace is called an **intrapreneur**. Intrapreneurs are responsible for introducing ideas, inspiring creativity, leading and motivating those around them. They take proactive steps to improve business operations and they ensure the business meets targets to produce great results.

An intrapreneur can be distinguished from other employees because they not only function within their role capabilities, but also seek ways to contribute to the overall objectives and mission of the business they work for. As a human resources strategy, an employer needs to provide opportunities for the intrapreneur to focus and grow the operations of the company. As leaders and managers, intrapreneurs will ensure the smooth running of a business and innovate ways to increase team productivity. This means they must continue to be developed and invested in as leaders and given opportunities to grow and utilise their intrapreneurship capabilities.

When given the opportunity, intrapreneurs will motivate their teams, innovate work processes and come up with solutions to problems that might affect productivity and outcomes. To foster the skills of an intrapreneur and retain them in a business, they need to be given access and encouragement to look at all areas of the business and suggest changes. Intrapreneurs are passionate about achieving success and may suggest changes that require taking risks and that need support from higher managers and leaders to implement.

Being an entrepreneur is challenging and has a high level of risk. Many are attracted to the idea of intrapreneurship as it provides a creative outlet like entrepreneurship with the stability of traditional employment. Intrapreneurs are valuable employees, but, if their intrapreneurial skills are not fostered and valued, they may seek out other employers who will recognise and provide opportunities for them to use their skill set.

The concept of intrapreneurship is gaining momentum in its use and while it might be considered a relatively new term by some, it is not an entirely new concept. Intrapreneurs are sometimes referred to as internal entrepreneurs or corporate entrepreneurs. Fostering intrapreneurship has been classified into four models by researchers and strategists Robert Wolcott and Michael Lippitz. Their continuum shows four models differentiated by two dimensions:

- *Organisational ownership* – who has the responsibility for the generation of new ideas and business within the organisation?
- *Resource authority* – how will the new ideas and business innovations be funded, supported and resourced?

Entrepreneur: a person who sets up a business or businesses, taking on financial risks in the hope of profit

Intrapreneur: a manager within a business who promotes innovative product development and marketing

Entrepreneur

- Business founder and owner
- Focuses on the vision and mission of the business
- Seeks to find new opportunities to exploit for new businesses
- Independent decision-maker to pursue personal goals and objectives
- High risks and high rewards

Intrapreneur

- Employee of the business
- Focuses on the operations of the business
- Seeks ways to improve efficiency and productivity for competitive advantage in the business
- Innovates processes and systems and ways of working in the business
- Collaborative decision-maker
- Medium risks with lower rewards
- Uses company resources
- Decision-making within business boundaries
- Operates within an established structure
- Generally focuses on short- to medium-term goals and projects

Figure 4.27 The difference between entrepreneurs and intrapreneurs

GAINING INSIGHT 4.9

Intrapreneurship

Go to the Stanford Online website and read the article titled 'What is intrapreneurship, and how can you cultivate it at your company?', then answer the questions that follow. This link can be found on Nelson MindTap.

Weblink
Intrapreneurship article

iStock.com/PeopleImages

Figure 4.28 There are three types of intrapreneurs.

Questions

Template
SWOT analysis

1 Describe the characteristics of each of the three types of intrapreneurs identified in the article.
2 Explain why all three types of intrapreneurs are needed for the success of a business.
3 Analyse the contributions of an intrapreneur to a business to create a SWOT analysis for the hiring of intrapreneurs as a human resources strategy.
4 Interpret relationship(s) and trend(s) in the SWOT analysis to draw conclusions about the role of a leader or manager in recruiting and fostering a range of staff personalities and skill sets.

GAINING INSIGHT 4.10

Fostering intrapreneurship: Innovation from the inside

Innovation doesn't always involve launching a new company or inventing something entirely from scratch. Some of the world's most significant breakthroughs emerge from within existing businesses, where employees are given the freedom and support to explore new or untested ideas. At its core, intrapreneurship revolves around employees thinking and acting like entrepreneurs, but within the very business they already belong to.

One practical way companies support this kind of innovation is through hackathons, which are short, focused events where teams work intensely on a challenge, often within a span of 24 or 48 hours. Tech giants like Facebook utilise hackathons to provide employees with the opportunity to work on projects that wouldn't otherwise be feasible. Numerous well-known features, such as the iconic 'Like' button, were conceived from all-night hackathons.

Companies that foster intrapreneurship reap the benefits of their teams' creativity and insightful perspectives, while employees feel more valued and engaged when their ideas are acknowledged.

To read more about Hackathons, go to 'Hackathons – The 2025 Edition' via the weblink.

Weblink Hackathons

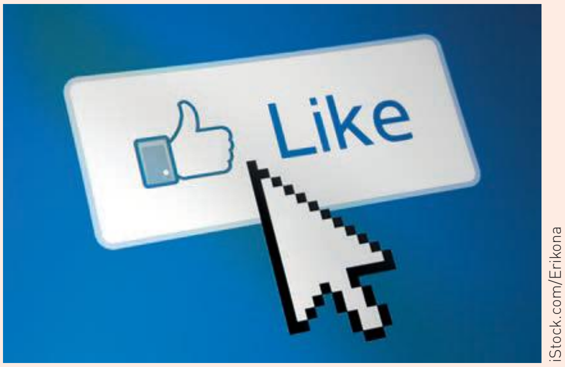


Figure 4.29 The 'Like' button was created during a 'hackathon' to foster intrapreneurship.

While each model is a distinct way to foster intrapreneurship, multiple models can be used in one business and concurrently at different levels of the business to foster a broad range of intrapreneurship and intrapreneurs within the business.

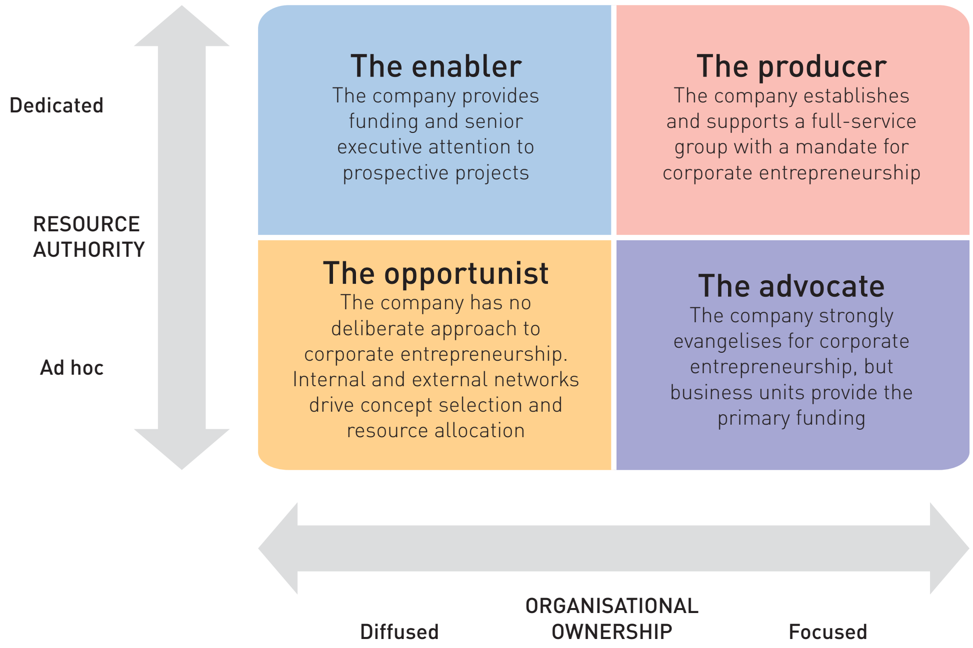


Figure 4.30 Four models for fostering intrapreneurship within a business

QUESTIONS 4.5

1. Explain the role of an intrapreneur in a mature business.
2. Explain why fostering intrapreneurship is necessary to gain a competitive advantage.
3. Create a SWOT analysis to identify the strengths, weaknesses, opportunities and threats of fostering intrapreneurship inside a mature business.
4. Create an infographic or brochure to communicate two or three strategies for fostering intrapreneurship.
5. Create a paragraph response that outlines to business owners what the possible risks are if their entrepreneurial staff are not given the opportunity to be intrapreneurial within their business.

Template
SWOT analysis

Leaders and managers in the maturity stage

As outlined in Chapter 4 of *Business for QCE Units 1 & 2*, effective leadership is a key element of a business and there is no 'right' way to lead; each stage of the business life cycle will call for different strengths and focuses of leadership. This means the leader will adopt different **leadership styles** and employ different management strategies to drive the growth and expansion of a business in maturity and remain competitive in the market. The role of a leader in the maturity stage is to become the enabler, to facilitate the growth and intrapreneurship characteristics of other employees.

In the maturity stage of the business life cycle, the leader needs to mentor employees, building up management and leadership skills, and ensure the business remains competitive. This means they need to adopt different managerial skills that will ensure efficiency and effectiveness across all four functional areas and that they share the power and strategic responsibility to achieve the business goals and objectives.

In competitive environments, the challenge is to continue to lead with vision and not just focus on the managerial leading for outputs. By combining strong leadership with essential management strategies, a mature business can continue to grow and thrive through the motivation and mobilisation of its employees.

Authoritative	• Leaders who are in complete control
Charismatic	• Leaders who encourage others through their personality
Bureaucratic	• Leaders who focus on following every rule
Authentic	• Leaders who take the initiative and lead by example
Coaching	• Leaders who offer high levels of individualised support and feedback
Mentoring	• Leaders who share the knowledge and expertise
Transactional	• Leaders who focus on rewards and punishment
Transformational	• Leaders who inspire team members with a shared vision
Situational	• Leaders who adapt their style to suit the current work environment and/or needs

Figure 4.31 Authoritative, charismatic, bureaucratic, authentic, transactional and transformational leadership styles were introduced in *Business for QCE Units 1 &2*. As a business matures, the leadership styles used by managers must also develop.

Leadership styles: the traits, behavioural tendencies and characteristic methods of a person in a leadership position; an important dimension of leadership styles is the extent to which the leader is willing to delegate responsibility and encourage input

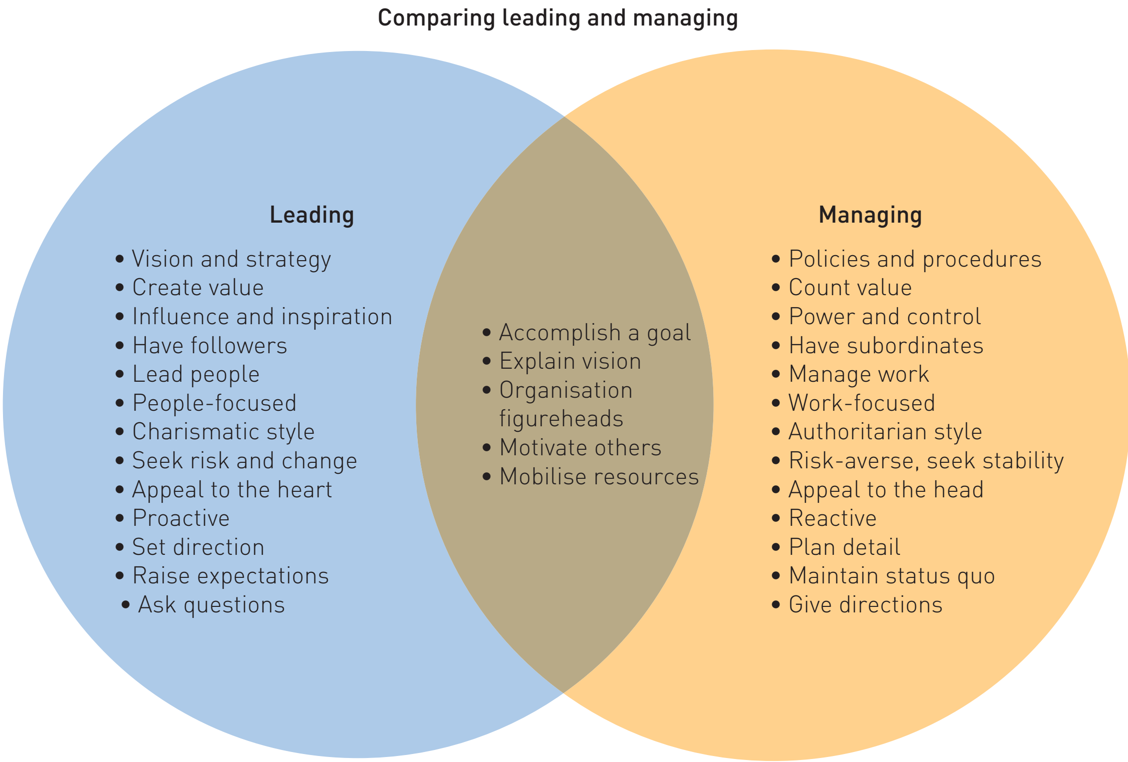


Figure 4.32 Overlapping effective leading and managing is a competitive advantage for growth in the maturity stage.

QUESTIONS 4.6

1. **Explain** why leadership styles are important to be competitive in the maturity stage of the business life cycle.
2. Discuss the idea that leaders often revert to behaving as managers during the maturity stage of the business.
3. **Explain** how each of the six leadership styles affects the fostering of intrapreneurship. Make a decision on whether one leadership style is more likely to encourage and retain intrapreneurs than the others.
4. **Create** a paragraph response to **communicate** your decision regarding leadership styles and intrapreneurship.

Leadership behaviour

In order to assess the attitudes and style of the leader, Fred Fiedler developed the 'least preferred co-worker' (LPC) scale. This scale identifies whether an individual's leadership behaviour is relationship-oriented or task-oriented. The LPC scale requires a leader to rate the one individual with whom they least like to work – the least preferred co-worker – using a range of bipolar (positive or negative) adjectives on a scale from 1 to 8. The LPC score is determined by totalling all the ratings. A high LPC score indicates a relationship-oriented leader, while a low LPC score suggests a task-oriented leader.

Table 4.2 A sample of an LPC survey, designed to determine whether a leader or manager's style is relationship-oriented or task-oriented

Pleasant	8	7	6	5	4	3	2	1	Unpleasant
Friendly	8	7	6	5	4	3	2	1	Unfriendly
Rejecting	1	2	3	4	5	6	7	8	Accepting
Tense	1	2	3	4	5	6	7	8	Relaxed
Distant	1	2	3	4	5	6	7	8	Close
Cold	1	2	3	4	5	6	7	8	Warm
Supportive	8	7	6	5	4	3	2	1	Hostile
Boring	1	2	3	4	5	6	7	8	Interesting
Quarrelsome	1	2	3	4	5	6	7	8	Harmonious
Gloomy	1	2	3	4	5	6	7	8	Cheerful
Open	8	7	6	5	4	3	2	1	Guarded
Backbiting	1	2	3	4	5	6	7	8	Loyal
Untrustworthy	1	2	3	4	5	6	7	8	Trustworthy
Considerate	8	7	6	5	4	3	2	1	Inconsiderate
Nasty	1	2	3	4	5	6	7	8	Nice
Agreeable	8	7	6	5	4	3	2	1	Disagreeable
Insincere	1	2	3	4	5	6	7	8	Sincere
Kind	8	7	6	5	4	3	2	1	Unkind

Relationship-oriented leaders derived most satisfaction from interpersonal relationships and therefore evaluate their least preferred co-workers in more favourable terms, so will have much higher LPC scores. These leaders think about the task accomplishment after the establishment of interpersonal relationships. Those who have low LPC scores derived satisfaction from performance of the task and attainment of objectives; only after tasks have been accomplished do these leaders work on establishing good social and interpersonal relationships.

Weblink
Least preferred co-worker survey

Follow the link found on Nelson MindTap to complete your own LPC survey and determine whether you exhibit a relationship-oriented or task-oriented leadership style.

Situational favourability

The situational variables or the situational favourability (how favourable the situation is for a leader) is the amount of influence or control a leader has over their followers supplied by a given situation. There are three elements or variables of situational favourability:

- *Leader's position power* – this is the power or authority that a leader derives from the position they hold in the business. A leader or manager with absolute power generally influences the behaviour of others more than those without power.
- *Task structure* – this is the extent to which the task requirements are clearly defined in terms of the goals, objectives, processes and relationship with other tasks.
- *Leader–member relations* – this is the degree to which the members have trust, confidence and faith in their leader or manager.

Relationship between styles and situations

The relationship between styles and situations is the ability to look at a manager's or leader's LPC score and the three situational variables to determine what type of leader is best for a given situation, and whether or not a particular individual will be a good leader in that situation.

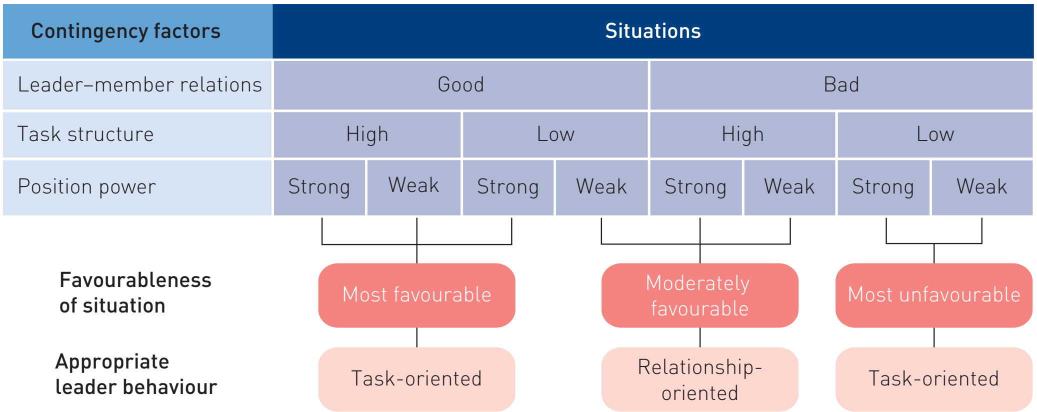


Figure 4.33 Fiedler's contingency model shows the relationship between leadership styles and situations to determine the effectiveness of a leader on a group, team or workplace.

QUESTIONS 4.7

1 **Explain** how Fiedler's model can help a leader or manager with employee motivation and effectiveness.
2 Discuss what types of workplaces or jobs would best suit each type of leadership style. Why?
3 Research the advantages and disadvantages or limitations of Fiedler's contingency model. **Explain** and discuss your findings.

Managing finances in maturity

For businesses in the maturity stage of the business life cycle, expansion is a common plan for continued growth and to remain competitive. An expansion strategy, whether domestic or global, will require **financing** from the business. A business needs to consider the most appropriate option for financing its expanded operations to ensure that it can sustain the investment and that the operations don't put a strain on the cash flow or viability of the current business.

Key learnings

You will learn about financial management strategies in a competitive market through examining:

- financial management
- ethical and sustainable financial decisions
- internal and external financial controls
- analysis of financing using a Power Interest Grid (PIG) analysis.

Financial management

Financial management covers the planning, organising, directing and controlling of business activity and funds. It covers all activities and areas of the business requiring financial transactions. As introduced in *Business for QCE Units 1 & 2*, the Australian Securities and Investments Commission (ASIC) is responsible for regulating and supporting financial services and transactions in Australia. Mature businesses that are seeking to expand into global markets can seek support from ASIC, which works closely with a range of international organisations, foreign regulators and law enforcement agencies to ensure efficient and effective international approaches to regulation and enforcement.

Financing: providing a source of money for a business or project

Financial controls in expansion

Financial controls are the strategies and processes that a business adopts to manage finance and the risks associated with meeting goals and objectives. These controls are implemented in the processes, policies and procedures of the business.

When expanding into global markets, a business must have controls in place to help manage the risks of fluctuating international factors such as exchange rates, the cost of processing international transactions and hedging. An exchange rate is the difference in value between two currencies and can affect the cost of expansion when the value of converting one currency to another is analysed. To negate some of the risk of global transactions, businesses sometimes participate in hedging transactions to manage the risk of loss from possible fluctuations. This is a risk management strategy where risk is offset by another investment to minimise the overall loss a transaction could encounter.

QUESTIONS 4.8

1 Explain the concept of hedging.
2 Create a table to consider the advantages, disadvantages and practicalities of a universal currency for global trade.
3 Discuss your findings above to make a decision about whether the world should adopt a universal currency for global trade.
4 Create a short speech or paragraph responses to communicate your decision to the Reserve Bank of Australia.

GAINING INSIGHT 4.11

How to respond responsibly to the cost-of-living crisis?

From late 2021 to June 2023, OECD countries have been in the grip of the worst cost-of-living crisis we've witnessed since the oil shock and stagflation of the 1970s. Then, as now, the volatile combination of steep inflation, minimal wage growth for most workers, and the disruption of energy supply lines due to international conflict has made the cost of certain of life's necessities – such as household utilities, transport and food – simply unaffordable. But unlike the 1970s, the steady rise of interest rates after the generous government subsidies that buoyed economies during the pandemic, and the further disruption to supply chains caused by climate change, have reduced the disposable income of households to a degree that many find unsustainable. In Australia, this crisis is exacerbated by the chronic shortage of affordable rentals and social housing.

The 'crisis' is serious, to be sure, and it is felt by many, many people. But how should governments respond? We were, after all, warned that the likely cost of the West's solidarity with Ukraine in the face of Russian aggression would be higher fuel costs. Many of us, moreover, expected that some of the costs of massive government spending during the COVID-19 pandemic would have to be borne in the years immediately following – that there would have to be a kind of reversion to the *status quo ante* in the form of rising interest rates and less discretionary spending. And, as we have discussed previously, Australia is now reaping the consequences of the long-term transformation of housing into investment (which is to say, into commodity), rather than one of the indispensable conditions of human wellbeing (and which therefore ought to be beyond the profit motive).

There is also a sense in which this cost-of-living crisis is a taste of the energy shocks to come, as nations increasingly transition away from their historical reliance on fossil fuels. The tendency over the past four decades has been for politicians to try to cushion the population as much as possible from the consequences of such energy shocks – terrified as they were by the fate of US President Jimmy Carter, who attempted to persuade Americans to reduce their energy consumption and associated habits. But is that response truly sustainable?

There is no doubt that financial assistance and social support must be provided to those least capable of weathering the current 'crisis' – and the pledge made by the federal government and the Queensland and Victorian state governments to accelerate the construction of affordable and social housing are most welcome. But the cost-of-living crisis should also throw us back onto certain first principles, and provoke us to reconsider what constitutes wellbeing, what are the necessities of a sustainable and just life in common, and what, by contrast, would be an unjust or illegitimate expectation to seek the comforts of a false economy?

Go to the ABC Listen website to listen to The Minefield podcast episode titled 'How to respond responsibly to the "cost of living crisis"?' published in June 2023. This link can be found on Nelson MindTap.

Weblink
The Minefield podcast

Chay_Tee/Shutterstock.com

Figure 4.34 Decisions made in financial management and sourcing of finance need to be ethical and sustainable decisions. They also need to consider economic factors, including cost of living and inflation.

Making ethical and sustainable financial decisions

Since the global financial crisis (GFC) in 2008, there has been much greater scrutiny of the ethics and sustainability of financial decisions made to increase the profits of a company. With all management decisions, the decisions made in financial management and sourcing of finance need to be ethical and sustainable decisions. It is essential that decisions made by a business are not driven by greed or failure to understand industry ethical standards.

The COVID-19 pandemic is a more recent example of the increased scrutiny on the ethics and sustainability of financial decision-making, especially as companies sought ways to recover from the significant financial strain that decisions placed on some industries. The pandemic emphasised the importance of responsible investment, leading many firms to adopt environmental, social and governance (ESG) frameworks to ensure their financial strategies are ethical, sustainable and contribute positively to society.

For example, governments and watchdogs are increasingly scrutinising decisions related to stock buybacks, executive bonuses and aggressive cost-cutting that affects employee welfare. The rise of 'green finance' and 'social bonds' during and after the pandemic is a testament to the growing emphasis on ethical and sustainable financing.

Companies like BlackRock and other major asset managers have publicly committed to sustainability goals, pledging to prioritise investments that are not just profitable but also beneficial to society and the environment. This commitment reflects the change of many big businesses to now focus on ethical decision-making rather than short-term profit-seeking behaviour that may have negative societal impacts.

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GAINING INSIGHT 4.12

Banking royal commission: Lenders accused of misconduct over treatment of farmers

Fairfax Syndication/Eddie Jim

Figure 4.35 Commissioner Kenneth Hayne was invited to find that the big rural lenders were culpable in numerous instances of misconduct in making loans to farmers.

Australia's main rural lenders face numerous findings of misconduct over their treatment of struggling farmers

Key points:

- The counsel assisting the royal commission delivered a damning assessment of banks in their treatment of farmers
- She invited the commissioner to find misconduct among the banks
- The commissioner cautioned banks not to argue 'things have changed'

In a damning assessment of the sector, counsel assisting the banking royal commission Rowena Orr, QC, pointed to numerous failings of banks to act fairly, reasonably and ethically.

The banks under the microscope include ANZ, CBA, NAB, Bendigo Bank's Rural Bank and Rabobank.

The assessment come after two weeks of hearings in Brisbane and Darwin involving case studies of agri-business lending to 13 farming families from Tasmania to the Top End.

The common theme across Ms Orr's invitation to Commissioner Kenneth Hayne to find misconduct among the banks was poor culture, lack of empathy and lax lending practices and systems.

CBA claimed to breach code of conduct

The initial focus of the farm-based hearings was ANZ's acquisition of the specialist rural lender Landmark in 2009.

Ms Orr said up until late 2014 ANZ relied on external law firms to deal with customers in financial difficulty.

'It [ANZ] took a less flexible approach in dealing with these customers and demonstrated a lack of empathy and understanding of farmers' emotional connection to the land and the emotional impact that recoveries and enforcement actions can have on agri-business customers,' Ms Orr said.

Increasing interest rates, as ANZ did, increased the financial burden, she said.

The CBA faces findings of misconduct over its subsidiary Bankwest and at least five breaches of the banking code of conduct over conflicted advice and remuneration practices.

Ms Orr said a key focus was Bankwest's policy of applying 60 per cent of its key performance indicators for staff to profit, and half of that to sales targets.

'Bankwest staff were able to double base salaries through such bonus payments and this created a culture of prioritising sales to [the] detriment of diligent and prudent conduct in relation to loan approvals,' she said.

The findings against Rabobank centre on conflicts of interest through internal appraisals of property values and a sales-driven culture that Ms Orr noted was still in place.

NAB faces findings of misconduct over its use of default interest payments as a 'strategic tool to put pressure' on farmers suffering hardship from natural disasters such as drought and flood.

Questions for the banks

Among the questions Ms Orr asked the banks to answer in written submissions were:

- What does it mean for a bank to act fairly and reasonably to customers in a consistent and ethical manner? (ANZ)
- Does remuneration that rewards bank employees for sales create an unacceptable risk to banks' responsible lending obligations and statutory obligations for efficiency, fairness and honesty and ensure the customer is not disadvantaged? (CBA)
- To what extent does default interest reflect the cost of impaired loans and should a moratorium be placed on such payments during natural disasters? (NAB)
- Is it appropriate to write internal appraisals as opposed to seeking independent valuation and should the banks have a code of conduct covering valuations? (Rabobank)

Mr Hayne cautioned banks not to argue 'things have changed'.

'It occurs to me some may say "times have changed", standards have somehow changed,' he said.

'Well, if someone is going to say that, I will be assisted in knowing how and why.

'If we are dealing in concepts like fairness it is not instantly apparent to me what is fair today is ... different to what was fair yesterday.'

Mr Hayne said the banks also needed to think carefully when answering questions about balancing the interests of the banks and their customers.

'It could be minimising loss to the bank and the loss to the customer may be parallel, rather than competing,' he said.

Source: Stephen Letts, 'Banking royal commission: Lenders accused of misconduct over treatment of farmers', ABC News, 6 July 2018. Reproduced by permission of the Australian Broadcasting Corporation – Library Sales © ABC

Analysis of financing and income for expansion

Analysing the available financing and income options available to a business will help to determine how the expansion will impact on future success and cash flow of the business. Each financing method has different implications for ownership, debt levels and liquidity, and there are different impacts on key stakeholders based on the option a business selects. For example, while debt financing maintains ownership, it also increases liabilities and requires regular repayment, which could affect the owner's wages drawn from the business because of limited cash flow. On the other hand, while equity financing avoids debt, it dilutes ownership so there are existing and new owners to consider.

Using analytical tools like a Power Interest Grid (PIG) helps businesses to understand and analyse the implications of the funding they seek, and also to manage financial risks effectively. During financing and income analysis, different stakeholders – such as investors, lenders, business owners, regulatory authorities and key customers – have varying degrees of power and interest. Investors and lenders, for example, have high power due to their control over financing decisions, while their interest might depend on the return on investment or project profitability. On the other hand, stakeholders like customers or suppliers may have lower power but could still have a high interest in the expansion's outcome.

ANALYTICAL TOOL 4.1

Power Interest Grid (PIG)

Stakeholder management is critical to any project, program or business change initiative. A business must analyse and understand its key stakeholders at every stage of the business life cycle. Without the positive involvement of stakeholders, it will be difficult for a business to establish, maintain and expand its presence or to succeed with its strategic goals.

The use of stakeholder analysis and the creation of a Power Interest Grid (PIG) are specifically important for mature businesses seeking to respond to a challenge in the business environment or to enact a change, such as a global expansion.

A PIG is a tool used to categorise stakeholders based on two key dimensions: power and interest. This grid helps to prioritise how to engage different stakeholders based on their influence and level of concern regarding the project.

- *Power* refers to the stakeholder's ability to influence project outcomes, decisions or resources.
- *Interest* refers to the stakeholder's level of concern or involvement with the project.

The PIG is typically divided into four quadrants:

- High power, high interest: stakeholders in this quadrant are the most important. They should be actively managed and kept fully informed, as they have both the influence and the desire to be involved.
- High power, low interest: these stakeholders have influence but may not be as involved in the details. They should be kept satisfied without being overwhelmed with information.
- Low power, high interest: stakeholders here may not have much influence but are very interested. It is essential to keep them informed to maintain their support.
- Low power, low interest: these stakeholders are not very influential or concerned. They require minimal effort; basic monitoring or occasional updates are enough.

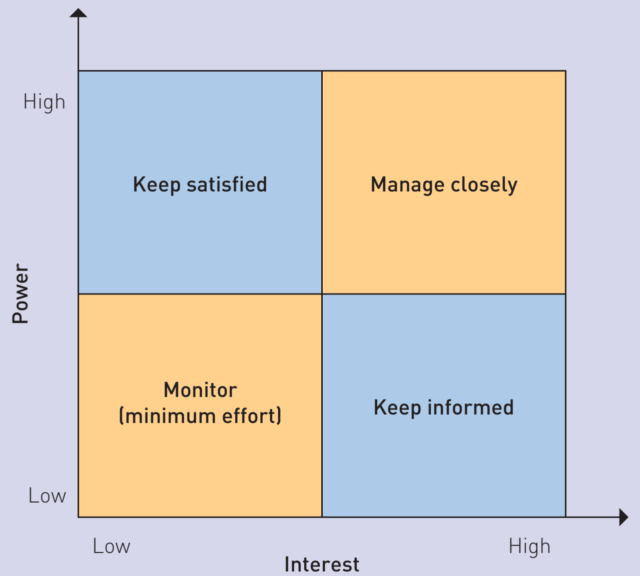


Figure 4.36 Power Interest Grid (PIG) template

Understanding a PIG will enable a business to engage with different stakeholders in the optimal way.

These are the steps to complete a PIG:

1. Determine the focus of the stakeholder analysis: for example, a new expansion strategy or a change in suppliers.
2. Identify all stakeholders associated with the focus area. Brainstorm who has been, or will be, affected by the specific business situation or has an interest in it; for example:
   - owners or shareholders
   - employees
   - competitors
   - current customers
   - prospective customers
   - suppliers
   - government bodies, such as the Australian Competition and Consumer Commission (ACCC).
3. Analyse each of the stakeholders: some have the power to block or advocate for the situation; some may be interested, while others may not care.
4. Understand your key stakeholders – know how they feel (or are likely to feel) and react. You also need to know how best to engage with and communicate to them.
5. Plot each stakeholder on the PIG: identify whom you expect to be the blockers or critics, and which stakeholders are likely to be advocates or supporters. You may colour-code; for example, show advocates in green, blockers in red and those who are neutral in orange.
6. Determine an engagement strategy: once you have categorised the stakeholders, tailor your communication and engagement strategies to each group:
   a. high power, high interest: engage closely and actively manage
   b. high power, low interest: keep satisfied, but don't overload with information
   c. low power, high interest: keep informed
   d. low power, low interest: monitor with minimal effort.

Weblink
Video – Stakeholder analysis and Power Interest Grid

Template
Power Interest Grid (PIG)

Sample PIG – Virgin Airlines

Watch the video to learn about stakeholder analysis and the PIG. This link can be found on Nelson MindTap.

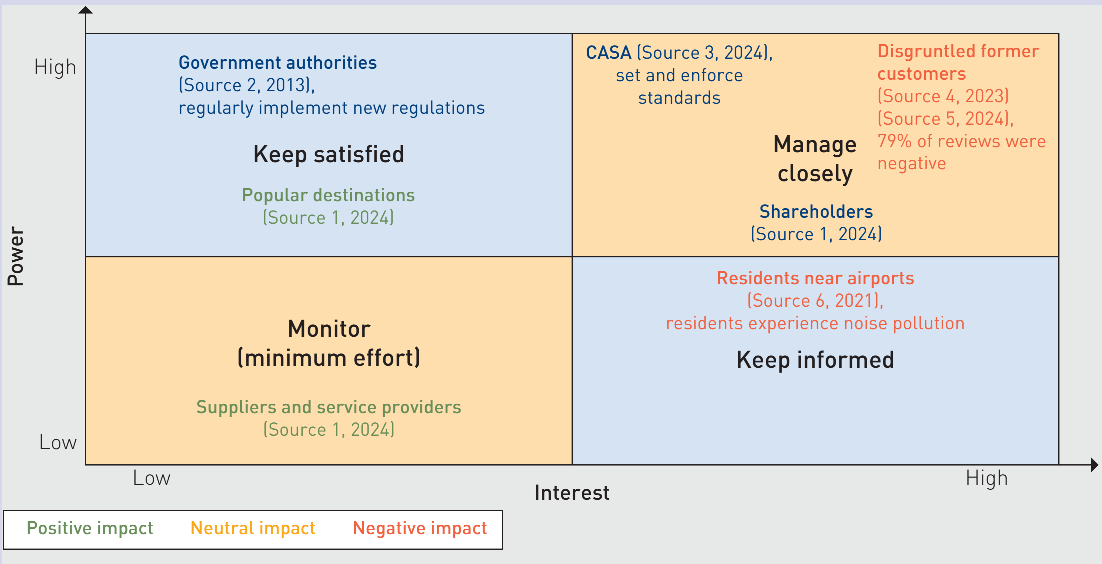


Figure 4.37 Power Interest Grid (PIG) example for Virgin Airlines looking to expand its network and fly to more regional destinations

Financing strategies

As explained in Chapter 7 of *Business for* QCE *Units 1 & 2*, a business has a number of options to finance its establishment, either through equity finance or debt finance. In maturity, a business may also seek debt or equity finance to fund the establishment of its expansion and global operations.

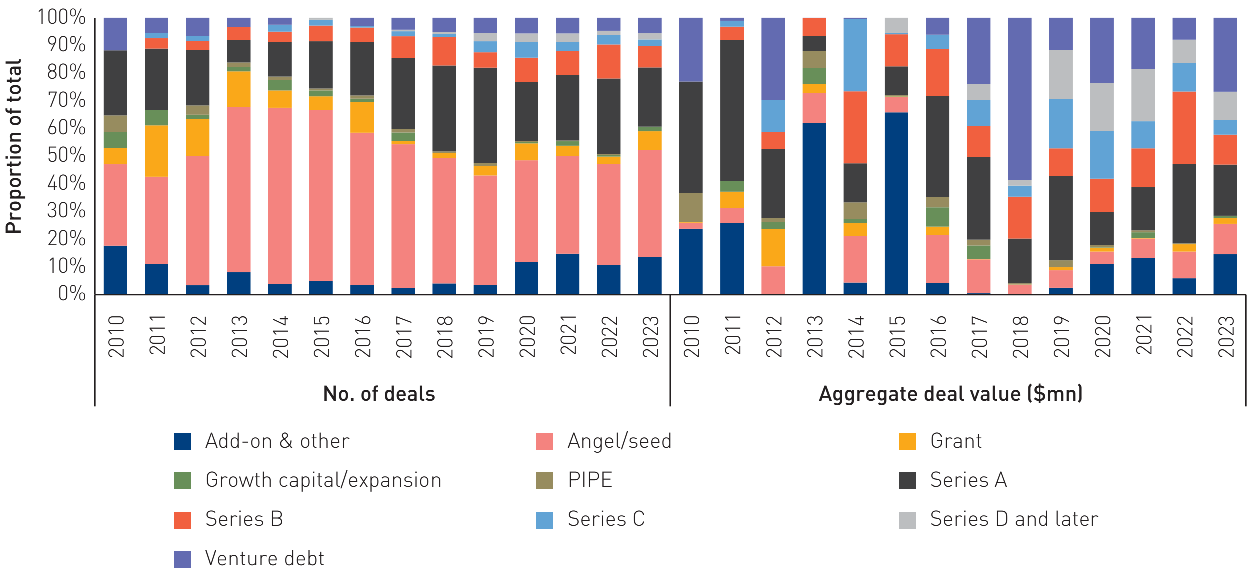
Key learnings

You will learn about financial management strategies in a competitive market through examining:

- private equity
- going public
- money in capital markets
- dividends
- accessing government grants and incentives.

Private equity

Private equity is the investment of money into private companies not listed on a public exchange. This capital investment comes primarily from institutional investors and accredited investors. Private equity can also be raised for the buyout of public companies, resulting in the delisting of a business. There are a range of structures and types of private equity funding to suit different applications and the fee structure will vary depending on the agreement.



Private Equity Investment by Category as reported by AVCAL, 2017 Yearbook, Figure 21, p. 21, http://bit.ly/ArchiveYearbook2017 Please note, AVCAL is now the Australian Investment Council.

Figure 4.38 Series A, B and C are venture funding stages that follow seed and angel investing, allowing investors to fund a growing company in exchange for equity.

Advantages

- Uses business capital, so no repayment obligations to meet or maintain
- Increased company worth, borrowing capacity and financial strength
- Credibility and increased credit worthiness for future investment pursuits
- No personal liability
- Expertise from investors
- Accountability

Disadvantages

- Dilutes ownership
- Repayment costs can be more than debt financing
- Loss of control and flexibility
- Investors can be difficult to source
- Profit-sharing among new equity owners means reduced profits for all owners

Figure 4.39 Advantages and disadvantages of private equity funding

Private equity: the funds that institutional and retail investors use to acquire public companies or invest in private companies

Generally, to finance global expansion, growth capital investments are sought. These are private equity investments made in mature companies with proven business models that are looking for capital to expand or restructure their operations, enter new markets, or finance an acquisition. Pools of funds are sometimes created by private equity firms to invest in a number of joint ventures and expansions.

GAINING INSIGHT 4.13

Australian Investment Council: Private equity

The Australian Investment Council is the peak body for private capital in Australia and has 200-plus members, whose primary interests are to acquire the maximum returns on business investments that they help to fund either during the early stages of their business or through large-scale growth and expansion, or to manage the buyout of other mature and established businesses.

Any reference to 'private capital' refers to private equity, venture capital, private debt, real estate, infrastructure and natural resources asset classes.

Read more about mature businesses that have been able to grow and expand through private capital funding via the link found on Nelson MindTap.

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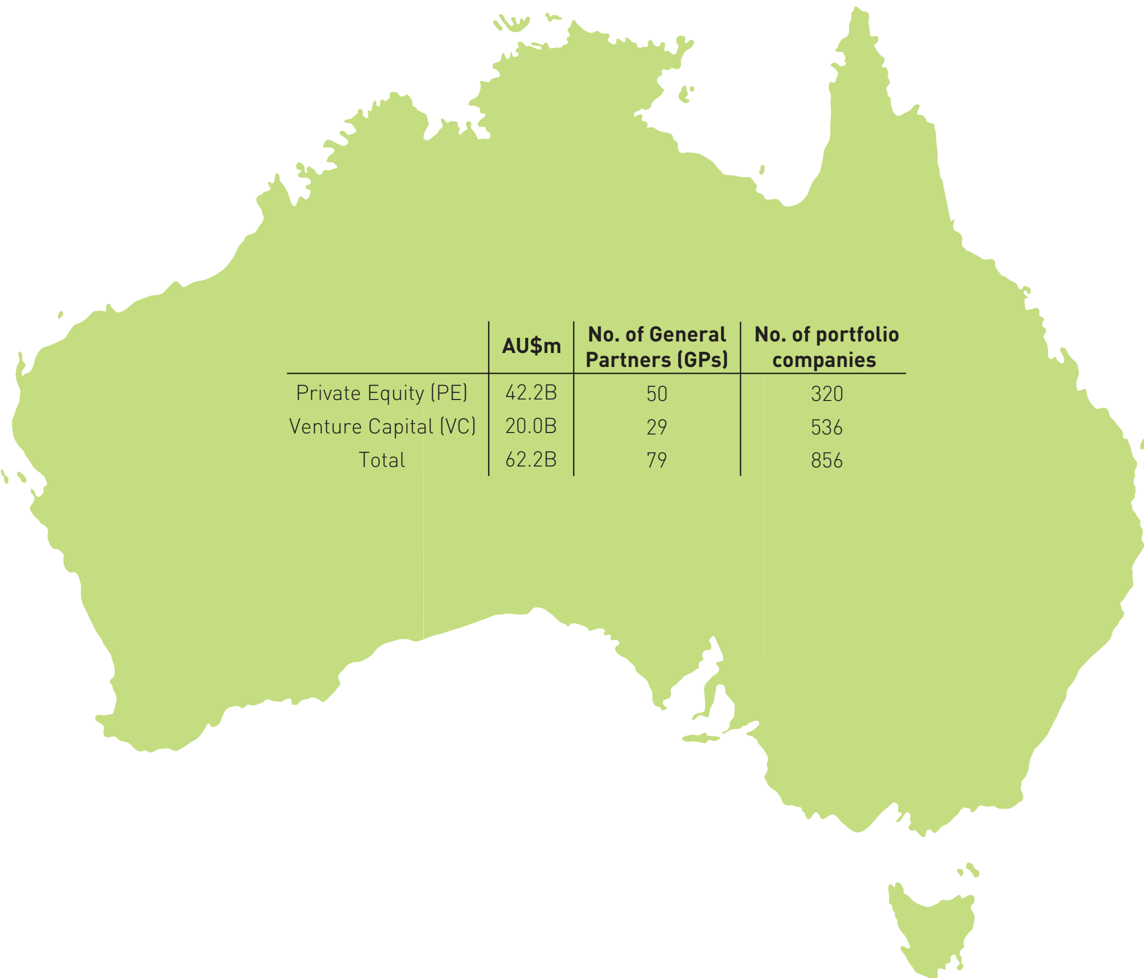
Private capital funding



	AU$m	No. of General Partners (GPs)	No. of portfolio companies
Private Equity (PE)	42.2B	50	320
Venture Capital (VC)	20.0B	29	536
Total	62.2B	79	856

Source: Private Equity Investment by Category as reported by AVCAL, 2017 Yearbook, Figure 21, p. 21, http://bit.ly/ArchiveYearbook2017 Please note, AVCAL is now the Australian Investment Council.

Figure 4.40 Private capital currently accounts for approximately 3 per cent of Australia's GDP.

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INQUIRY

Private equity firms

You are to conduct an inquiry into the role of venture capital (VC) and private equity (PE) in supporting business expansion in the maturity stage of the business life cycle. Your research will focus on why Australian-owned businesses seek external investment despite having an established market presence and how these funding sources contribute to their growth strategies.

1 Select and research one business from the list below that has received venture capital or private equity investment during its maturity stage:
   a Canva
   b Pet Circle
   c Retail Zoo (Boost Juice & Betty's Burgers).
2 Explain why the business needed to seek venture capital or private equity funding for its expansion strategy.
3 Discuss why a business might opt for private equity over other financing strategies such as debt financing, government grants, etc.


iStock.com/MTStock Studio

Figure 4.41 Equity financing allows institutional and retail investors to acquire shares in or invest in businesses.

Initial Public Offering

When a privately owned business decides to go public, it sells shares that were formerly privately held to new investors for the first time. Also called an **initial public offering (IPO)**, this is an opportunity for a business to get a large capital injection by offering shares in the business to the general public on the Australian Securities Exchange (ASX). This capital injection is often used for research and development (R&D) or to cover the growing expenses and debt associated with expansion. IPOs often generate publicity, introducing products to consumers who may not otherwise have heard of them. Eventually, that leads to increases in market share. IPOs can also provide company founders with an exit.

Typically, an IPO takes approximately five months once advisers have been appointed

Step 1 Appoint advisers (week 1)

Professional advisers are involved with the preparation of the prospectus (offer document), participate in the due diligence process for the IPO, and price and market the offering to investors.

Step 2 Prepare the prospectus, due diligence (weeks 2–10)

The Australian Corporations Act contains a general disclosure test for prospectuses, which requires a prospectus to contain all the information investors need to make an informed assessment about your offer. This usually includes information about your company's business model, risks, management, financials, and any rights and liabilities attached to the shares. The due diligence process is guided by a committee, comprised of representatives of the company and other parties potentially liable under the prospectus.

Step 3 Commence institutional marketing program (weeks 10–12)

The Corporations Act strictly limits advertising of an IPO prior to lodgement of the prospectus with ASIC. However, certain marketing activities can be undertaken to institutional investors, including IPO roadshows.

Initial public offering (IPO): the process of selling to new investors for the first time shares that were formerly privately held; also known as floating

Step 4 Lodge prospectus with ASIC (weeks 11–12)

An exposure period of seven days starts from the date of lodgement. During this time the prospectus is made available for public review and comment, and during this period the company cannot accept any applications under the offer. ASIC can extend the exposure period to up to fourteen days after lodgment if it needs more time to review the prospectus. Applications from investors can be processed after the end of the exposure period.

Step 5 Listing application lodged with and reviewed by ASX (weeks 11–16)

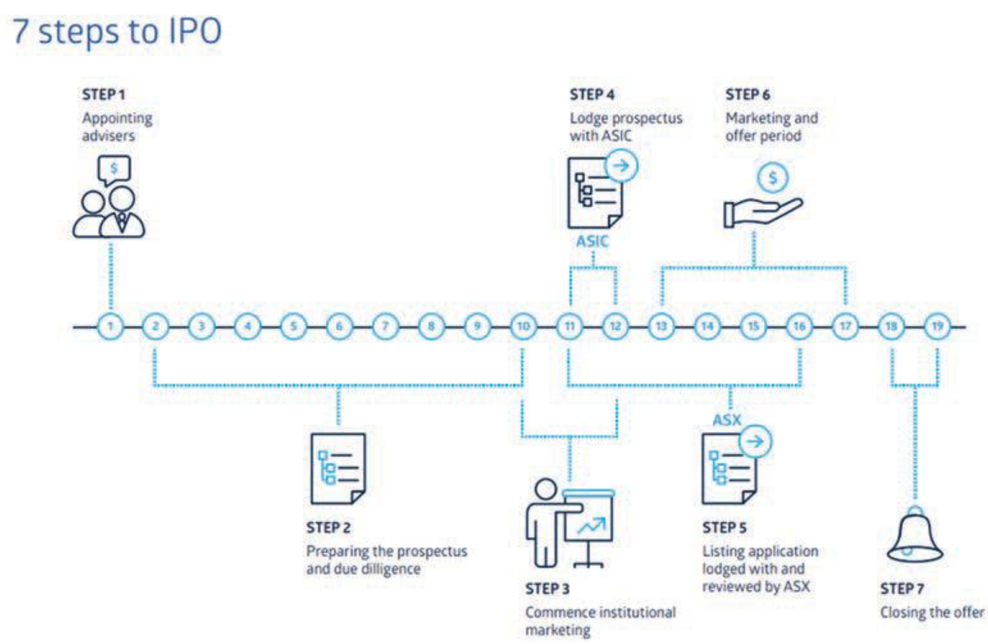
The formal listing application is lodged with ASX within seven days of lodgement of the prospectus with ASIC. Typically, the review and approval of the application by ASX is completed within four to six weeks.

Step 6 Marketing and offer period (weeks 13–17)

The offer to retail investors starts after the exposure period and usually is open for a period of three to five weeks.

Step 7 Offer closes, shares are allocated, trading commences (weeks 18–19)

On listing day, you'll be invited to attend a listing ceremony at ASX to ring the ASX bell and commence trading in your company's shares – and officially join a globally recognised market.



'Capital with confidence: A launch pad to accelerate your growth', Australian Securities Exchange ASX.

Figure 4.42 The steps to listing a business on the Australian Securities Exchange (ASX)

Note: This is a general guide to listing requirements and is not exhaustive, nor a guarantee of a successful listing application. For full details of the ASX Listing Rules please visit asx.com.au/listings.

When going public, companies must make extensive disclosures and submit to stringent regulations and reporting and accountability requirements to ensure compliance. Before going public, a company must weigh up the advantages and disadvantages to determine if it will be a beneficial strategy for reaching the objectives and goals of the business.

GAINING INSIGHT 4.14

Guzman y Gomez shares soar on first day of trading

Guzman y Gomez (GYG), the Mexican-themed fast-food chain, made a spectacular debut on the Australian Securities Exchange (ASX), becoming the largest local float in three years. Shares surged 36 per cent on the first day, closing at $30, well above the $22 IPO price, giving the company a market value of over $3 billion.

Co-founder and co-CEO Steven Marks, visibly emotional at the IPO ceremony at the ASX in Sydney, called it a 'big milestone' and thanked his team, family and early backers. Marks, who co-founded GYG in Sydney 2006 with fellow New Yorker and best friend Robert Hazan, now holds shares worth over $264 million, with additional options potentially worth another $30 million.

Fairfax/Nine Publishing

Figure 4.43 Fast-food chain Guzman y Gomez investors and employees cheer as the company floats on the ASX at a valuation worth more than $3 billion.

Originally planning to raise $242.5 million, GYG increased the offer to $335.1 million due to strong investor demand. $200 million in proceeds went directly to the company to fund expansion, while the rest went to existing shareholders who sold down their stakes. Major new investors include Capital Research Global Investors (a backer of Chipotle and Yum! Brands), Aware Super and Hyperion Asset Management.

GYG plans to open 30 new restaurants in 2025, with a long-term goal of reaching 1000 stores across Australia – putting it in the same league as McDonald's. The company currently operates 185 stores in Australia, along with locations in Singapore, Japan and the US.

James D. Morgan/Getty Images

Figure 4.44 Guzman y Gomez (GYG) hopes to open 30 new restaurants in the 2025 financial year.

ASX executive Blair Beaton said GYG's float was the largest since November 2021 and could help revive Australia's IPO market. 'We expect it will serve as the impetus for a broader reopening of the IPO market and adds to the existing demand we've seen for secondary capital raisings in recent years,' he said.

Commenting on the market debut of Guzman y Gomez, Andrew Mitchell, co-founder of Ophir Asset Management, highlighted the company's strong fundamentals, stating, 'It has been a very long time since a business as exciting as Guzman y Gomez has listed on the ASX. It ticks a lot of boxes: great business, great management and strong growth, so it's not surprising to see the exuberance so high on its debut.'

Fairfax/Nine Publishing

Figure 4.45 Guzman y Gomez co-founder Steven Marks watches the soaring stock raise the value of his stake to more than $240 million.

Despite the excitement, some analysts urged caution. Morningstar valued the stock at just $15, and others questioned the company's high valuation given its modest forecasted profit of $3.4 million for 2024. Dean Fergie of Cyan Asset Management noted that limited IPO activity may have driven demand, even at steep prices. TAMIM Asset Management also raised concerns about how lease liabilities were presented in the IPO documents.

Steven Marks emphasised that the company's focus remains on execution, not short-term stock movements. 'We know in the long run, the value of the stock will reflect the valuation of the business.'

Source: Jessica Yun and Colin Kruger, 'Guzman y Gomez's sizzling $3b debut raises hopes for IPO market revival', *Sydney Morning Herald*, 20 June 2024, www.smh.com.au/business/companies/guzman-y-gomez-burritos-bust-the-market-with-3b-debut-20240619-p5jn4a.html

Money in capital markets

A **capital market** is a market where buyers and sellers engage in the trade of financial securities like bonds and stocks. The buyers and sellers can be individuals or institutions. Entrepreneurs and larger established businesses invest in capital markets and rely on the growth of capital markets to give them return and increase the capital available to them. Investors and individuals use capital markets to increase their personal wealth. The stock market and the bond market are part of capital markets. There is a lot of risk for businesses that expand through the investment in capital markets as it relies on the investments giving positive and timely returns.

Watch the video 'Understanding capital markets' to help you understand the role of financial securities in financing expansion and business growth. This link can be found on Nelson MindTap.

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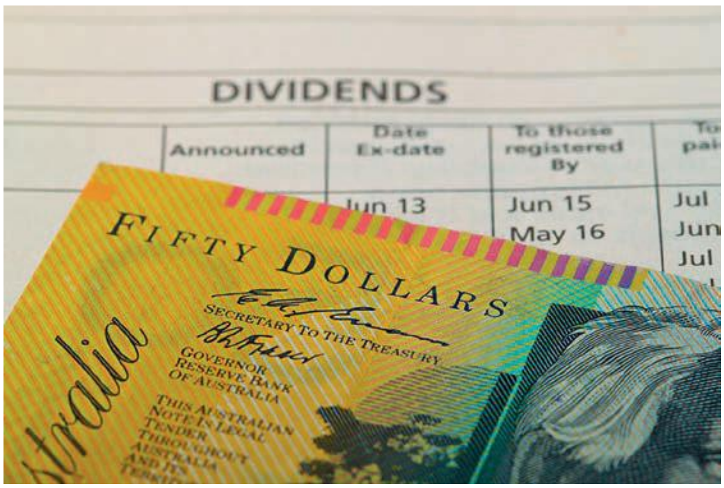
Video - Understanding capital markets

Dividends

A **dividend** is a portion of the profits made by a public company that is distributed to shareholders. Dividends can be issued to shareholders as cash payments, shares of stock or other property; a cash dividend paid at regular intervals (for example, quarterly or annually) is the most common. Generally, it is the larger, more established companies with predictable profits that are the best dividend payers, but businesses that are expanding or expecting rapid growth through new strategies may also yield strong returns.



Calvin Chan/Shutterstock.com

Figure 4.46 Dividends can be paid on the shares in capital markets.

Some start-ups and other high-growth companies, such as technology or biotech start-ups, may not offer regular dividends as they are in the early stages of development and may incur high costs in their R&D, business expansion and operational activities. This means they may run at a loss or may not have sufficient funds to issue dividends.

Companies may also avoid making dividend payments if they are aiming for higher-than-average growth and expansion, and want to invest the profits back in the business. This can be a challenging strategy when trying to attract investors, as shareholders expect dividends as a reward for their trust and investment in a company. A high-value dividend declaration can indicate that the company is doing well and has generated good profits, but it can also be a sign that the company has excess cash that is not being utilised for growth and development.

Capital market: where buyers and sellers engage in the trade of financial securities such as bonds and stocks to grow investment capital and create wealth

Dividend: a portion of the profits of a company that is paid to the shareholders

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GAINING INSIGHT 4.15

Paying dividends: Breville

Founded in Sydney in 1932, Breville Group Limited (ASX: BRG) is an Australian-owned company that sells electrical consumer products and home goods. Bill O'Brien and Harry Norville (born Charles Henry Norville) mixed their last names together to create the Breville brand. Their invention, the original electric sandwich toaster, was a huge success on its launch in Australia in 1974 and sold 400 000 units in the first year.

Breville then expanded into New Zealand and the United Kingdom, with worldwide demand for its innovations and inventions. Breville's R&D team has over 100 active patents and has been awarded more than 40 international design awards. In 1974, it completed development of the toastie maker. In 1977, Breville launched Australia's first food processor, the Breville Kitchen Wizz. A capital injection and continued funding for R&D and further expansion came with Breville's IPO in 1999. The value of Breville Group shares has continued to grow and pay dividends to shareholders.

Jenny Evans/Getty Images News/Getty Images

Figure 4.47 Breville Group Ltd is listed on the ASX.

In 2024, Breville Group had an annual dividend of \$0.34 per share, with a yield (the percentage of the share price paid out as a dividend) of 0.96 per cent. The dividend is paid every six months.

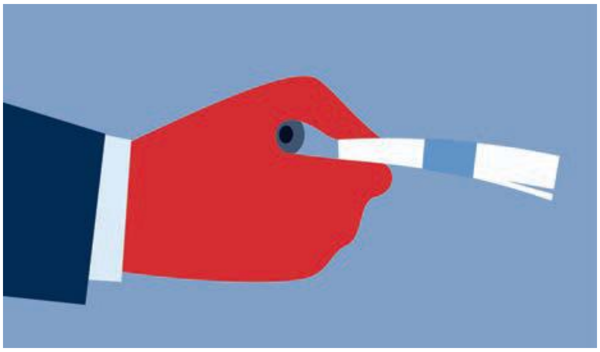
In 2025, Breville announced its plans to plans to expand into China and the Middle East, aiming for a stronger presence across the Asia–Pacific region.

Adapted from ASX, https://www.asx.com.au/asx/share-price-research/company/BRG

Figure 4.48 Breville Group Ltd shares have increased in value since the company's IPO in 1999.

Accessing government grants and incentives

As introduced in Chapter 5 of *Business for QCE Units 1 & 2*, grants and funding opportunities help to support the growth and development of a business in maturity, and increase exports and global business from Australia. When selecting financing options for expansion, one of the primary benefits of government grants is that the business doesn't have to pay anything back. This can take away some of financial burden and pressure and enable a business to take a risk in expanding to a market that an investor or a bank may not finance. Most government grants are short term and come with strict guidelines and expectations; so, while they are an attractive source of finance, a business must ensure it can comply with the conditions and meet the outcomes of the grant.



Boris Zhitkov/Getty Images

Figure 4.49 Government grants and incentives are designed to foster growth and expansion in Australian businesses.

GAINING INSIGHT 4.16

v2food: Revolutionising the meat industry

For thousands of years, meat has been essential to human diets. As global meat consumption increases and the population is predicted to approach 10 billion by 2050, the challenge is not to eliminate animal meat but to find ways to produce more without raising additional livestock.

The global food system produces 35 per cent of the world's greenhouse gas emissions, with 57 per cent of these emissions resulting from the production of animal-based foods, including meat, poultry, dairy products, crops grown to feed livestock and pastures for grazing.

v2food is an Australian company committed to creating 'version 2' of food to help feed the world's rapidly growing population. It is seeking to be a carbon negative company, and is constantly revising its processes to minimise its carbon footprint.

It is a joint venture between CSIRO (Australia's national science agency), Main Sequence Ventures and Competitive Foods Australia (the parent company of Hungry Jack's). This partnership illustrates how sharing expertise across different sectors can lead to incredible results for innovative business ideas.

Together, they produced a range of plant-based meat alternatives that closely mimic traditional meat's taste, texture and nutritional profile. v2food's flagship product, the v2Burger, was launched in Hungry Jack's restaurants as part of the Rebel Whopper line in 2019.

The global market for alternative foods to meat is expanding at a rapid rate, fuelled by heightened consumer awareness regarding health, ethical considerations and

Bloomberg/Getty Images

Figure 4.50 The v2Burger was launched in Hungry Jack's restaurants as part of the Rebel Whopper line in 2019.

environmental issues. Euromonitor's report forecasts that, by 2027, the global meat-alternatives market will surpass US$35 billion, notably expanding in the Asia–Pacific region. v2food aims to tackle these global sustainability challenges, including the environmental impact of traditional meat production and the increasing demand for protein in a rapidly growing population.

v2food has leveraged various government grants and incentives to drive its growth and innovation in the plant-based food industry. Through the Cooperative Research Centres Projects Program, it partnered with GrainCorp and CSIRO on a $4.4 million project to enhance Australia's plant protein market. The company also participated in the Food and Beverage Accelerator program, part of the federal government's Trailblazer initiative, to collaborate with researchers on product development and market expansion. Within its first year, v2food secured $35 million in funding and expanded its operations across Australia, New Zealand and Asia.

Convincing traditional meat eaters to switch to non-meat alternatives remains challenging, particularly in markets where meat consumption is deeply ingrained in cultural norms. By focusing on creating products that attract meat-eaters, not solely vegetarians or vegans, v2food has ensured that the taste and texture appeal to all consumers. Additionally, v2food has focused on affordability and aims to position products as competitively priced compared to traditional meat, thus boosting accessibility.

v2food collaborates with leading retailers, such as Woolworths and Coles, and food service providers to enhance its market presence and continue to widen its customer reach. The company also aims to further expand into international markets, particularly in Asia, where the demand for plant protein is growing rapidly. v2 was also recognised for innovation and sustainability efforts, winning awards like the Good Design Award in 2020.

Figure 4.51 v2food added seven new products to its range in 2022 to cater to the growing number of shoppers who choose no-meat options for their weekly meals.

Questions

1 **Explain** how v2food has accessed government grants and incentives to establish operations in Australia and globally.
2 Using a PIG, **analyse** v2food's stakeholders, including government agencies, private investors, customers and suppliers, based on their level of power and interest in the company's financing decisions. A PIG template is available for you to download on Nelson MindTap.
3 **Interpret** one relationship and one trend in the PIG analysis to draw conclusions about the implications of expansion for a mature business.
4 **Evaluate** the use of government funding as a financing strategy for v2food to overcome expansion challenges using the criteria of effectiveness and stakeholder satisfaction.

Template
Power Interest Grid (PIG)

Evaluating financing options

Key learnings

You will learn about evaluating financial management strategies and financing options in a competitive market through examining:

- effectiveness
- efficiency
- competitiveness
- stakeholder satisfaction.

Effectiveness

Effectiveness determines the extent to which financial strategies enable the business to achieve its intended goals or outcomes, such as profitability, cash-flow stability or growth. For a business in the maturity stage, slowing revenue growth and market saturation often necessitate reinvestment into innovation or diversification. For example, restructuring loans to fund new product development or market expansion is crucial. Evaluating effectiveness requires measuring the success of achieving goals by looking at financial performance indicators, such as return on investment (ROI) or revenue growth. Effectiveness is maximised when the strategy supports the business in maintaining relevance or responding to market changes. One way to easily measure the achievement of business goals or the effectiveness of a strategy is through the triple bottom line.

Triple bottom line

The **triple bottom line** is the idea that a business's focus on its return should extend beyond the purely financial to include social and environmental considerations. First explained by John Elkington in 1997, the triple bottom line is a bottom line that continues to measure profits, and also measures the organisation's impact on people and the planet. The triple bottom line is a way of expressing a company's impact and sustainability on both a local and a global scale. It means that companies are measuring their degree of social responsibility, their economic value and their environmental impact.

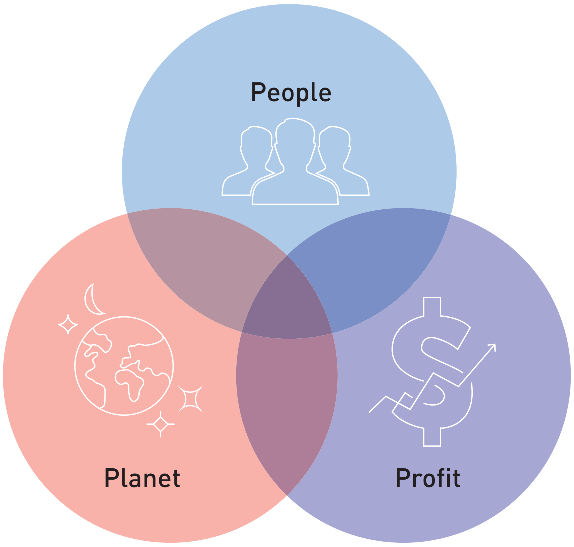


Figure 4.52 Striving for the triple bottom line is a business strategy that can attract further investment and growth.

GAINING INSIGHT 4.17

Sorella Organics

Sorella organics

Figure 4.53 Sorella organics focuses on the effectiveness of achieving business goals and objectives through the use of a triple bottom line strategy.

In the world of fashion, which can often go hand in hand with environmental degradation and abuse of human rights, the story behind the clothes matters. Sorella organics is an independent Australian label founded by Anna McGregor and sells a collection of sleepwear and loungewear for men and women, and maternity wear. Anna sources the softest certified organic and fair-trade cotton, ensuring each piece is kind on the skin, kind to the environment and kind to the farmers growing the cotton. The collection is made in both Australia and Fiji.

Given Anna's background in international community development with non-profit organisations

Triple bottom line: an accounting framework that broadens a business's focus from only the financial bottom line to include social and environmental considerations

Sorella organics

Figure 4.54 Meet Ilimeleki, who makes Sorella organics garments in Fiji.

including Oxfam and Care Australia, she has found the opportunity to work in Fiji hugely rewarding. Anna has spent over three years upskilling workers at all stages of production, from cutting to sewing and finishing. By committing to building capacity, and being patient with small, slow production runs, the company has fulfilled its vision to not only produce high-quality pieces for Sorella, but also to increase workers' capacity to partner with other Australian labels – thereby contributing to sustainable employment.

Anna was awarded honorary membership of the Ethical Fashion Forum's Fellowship 500 (an industry body for sustainable fashion), recognising Sorella organics' commitment to sustainable and ethical fashion. She is devoted to continuing to learn and improve all elements of Sorella's supply chain to reduce environmental impact and become a leader in ethical fashion in Australia.

> We all love to wear clothes that make us feel good. As consumers we can also choose clothes that make us feel good about the difference we make to other people's lives, and the environment. You are making a big difference with your purchase with us – so, thank you for choosing our small independent label and organic and fair-trade cotton.

Source: Anna McGregor

Questions

1 Explain the concept of a triple bottom line.
2 Explain how Sorella organics leverages this strategy as a competitive advantage.
3 Brainstorm a list of triple bottom line businesses. Discuss the similarities in their strategies and how this leads to their success in the maturity stage of the business life cycle.

Efficiency

Efficiency assesses the extent to which financial resources are optimally allocated and used. Businesses usually face increased cost pressures in the maturity stage, making efficient resource use critical, particularly during expansion. Strategies such as implementing lean financial management processes, renegotiating supplier contracts or consolidating operations can be efficient ways to reduce unnecessary expenditures. Efficiency is judged by looking at financial measures such as cost ratios, operating margins or cost–benefit analyses for particular strategies. A financial strategy can be deemed efficient if it maintains profitability without compromising quality or customer satisfaction.

Cost–benefit analysis

In order to make an evaluation and decide on the best course of action during expansion in the maturity stage of the business life cycle, a **cost–benefit analysis** can be useful. This helps a business to decide if the strategy or proposed project is financially feasible or not by evaluating all the potential costs and the qualitative and quantitative benefits that could be generated from the strategy.

Cost–benefit analysis: an approach used to determine the financial viability of a project or strategy by comparing the predicted benefits (returns or income) with the anticipated costs associated with the project or strategy

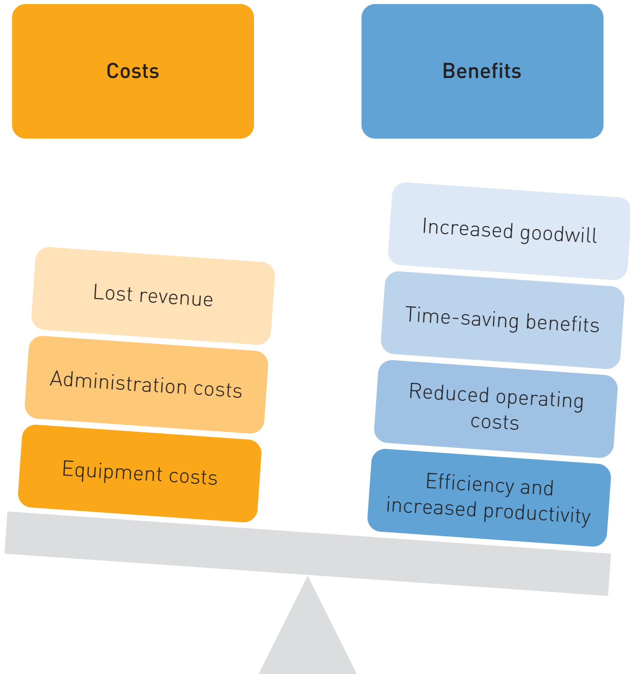


Figure 4.55 Examples of the potential costs and benefits that are weighed up to determine the financial viability of a project or strategy

The tool is credited to French engineer Jules Dupuit, who used the basic concepts of what later became known as cost–benefit analysis to determine the value of tolls for a bridge project to calculate the payback period of the bridge. The tool was then further refined and popularised by British economist Alfred Marshall.

GAINING INSIGHT 4.18

Cost–benefit analysis

A cost–benefit analysis is an analytical tool used to analyse the predicted financial benefits and anticipated costs of a project or strategy. This tool is designed for non-critical financial decisions and allows the business to determine if the project or strategy is financially viable or not.

A cost–benefit analysis is completed by looking at all of the impacts of a project or strategy and quantifying these into monetary terms. This means putting a dollar value or estimating a dollar value for every anticipated cost or gain from implementing a strategy. This includes short- and long-term, recurring and one-off impacts. Once all the costs and benefits have been quantified, the value for money and feasibility of a strategy can be determined.

There is not one universally accepted template or model for completing a cost–benefit analysis, but generally the approach will either look at the value of one strategy over a period of time to determine the present value from year to year or will look at the total costs and benefits to determine the time period before the strategy results in a gain for the business.

Table 4.3 A simple cost–benefit analysis to compare the costs and benefits of a number of options to decide on the most appropriate option. This example compares three options to consider for the clearance control of the rhododendron garden shrub species.

	Option 1	Option 2	Option 3
Costs	**$s**	**$s**	**$s**
Inspection costs to government	3 700 000	14 000 000	17 700 000
Rhododendron clearance	4 300 000	0	4 300 000
Diagnostic tests	2 000 000	3 700 000	5 700 000
Inspection costs to industry	500 000	1 700 000	2 200 000
Historic gardens lost visitors	n/a	n/a	n/a
Total costs	**10 500 000**	**19 400 000**	**29 900 000**
Benefits			
Reduced cost of outbreak control to nurseries	1 800 000	–2 200 000	–400 000
Exports	800 000	–800 000	0
Social and environmental benefits of woodlands	9 400 000	–9 900 000	–400 000
Historic gardens clearance and maintenance costs	9 300 000	–13 700 000	–4 400 000
Ecosystems services of heathland	0	0	0
Benefit from rhododendron clearance	3 000 000	0	3 000 000
Total benefits	**24 300 000**	**–26 600 000**	**–2 200 000**
Benefits minus costs	**13 800 000**	**–46 000 000**	**–32 100 000**

Table 4.4 A multi-year cost–benefit analysis shows the yearly position of the proposed strategy or project. This is calculated using the costs and benefits with the discount factoring applied to make allowances for the predicted increase or decrease in cost or benefit from year to year.

Cost–benefit analysis: Financial system (Accounting)						
Cost	**Year**					
	0	1	2	3	4	5
Operations		($75 000.00)	($82 500.00)	($90 750.00)	($99 825.00)	($109 808.00)
Development	($50 000.00)					
Total costs	**($50 000.00)**	**($75 000.00)**	**($82 500.00)**	**($90 750.00)**	**($99 825.00)**	**($109 808.00)**
Discount factoring @ 15%	1.00	0.87	0.76	0.66	0.57	0.5
Cost value (present value)	($50 000.00)	($65 217.00)	($62 382.00)	($59 670.00)	($57 075.00)	($54 594.00)
Cumulative costs (present value)	($50 000.00)	($115 217.00	($177 589.00)	($237 269.00)	($294 344.00)	($348 938.00)
Benefits						
Tangible		$110 000.00	$121 000.00	$133 100.00	$146 410.00	$161 051.00
Intangible		$10 000.00	$10 000.00	$12 100.00	$13 310.00	$14 641.00
Total benefits		**$120 000.00**	**$132 000.00**	**$145 200.00**	**$159 720.00**	**$175 692.00**
Discount factoring @ 15%	1.00	0.87	0.76	0.66	0.57	0.5
Benefit value (present value)		$104 328.00	$99 811.00	$95 471.00	$91 320.00	$87 350.00
Cumulative benefit costs (present value)		$104 328.00	$204 159.00	$299 630.00	$390 951.00	$478 301.00
Cumulative costs + benefits (present value)	($50 000.00)	($10 870.00)	$26 560.00	$62 361.00	$96 606.00	$129 363.00

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Worked example of simple cost–benefit analysis

Costume Cupboard is an Australian business that has been operating for four years. Its online sales are exceeding targets in New Zealand and Singapore, but the cost of shipping costumes from Australia to its overseas customers is quite significant. The owners of Costume Cupboard are considering opening a new store in one of these overseas markets. A cost–benefit analysis is completed to explore the two expansion options.

Cost	New Zealand	Singapore
Rent of new building	$13 500	$20 000
Licensing costs	$10 000	$15 000
New staff wages	$55 000	$75 000
Recruitment costs	$5 250	$7 000
Orientation and training	$3 000	$3 000
Store fit-outs	$5 000	$15 000
Stock for new store	$10 000	$20 000
Lost revenue before opening (two weeks anticipated income)	$15 000	$30 000
Exchange rate losses	$5 000	$10 000
Total costs	**$121 750.00**	**$195 000.00**

Benefits	New Zealand	Singapore
Extra sales from new market	$130 000	$260 000
Savings in retail postage costs by having product in store	$10 000	$5 000
Improved customer service and retention as a result of extra stores	$15 000	$10 000
Total benefits	**$155 000.00**	**$275 000.00**

The costs and benefits of the two markets can be compared by calculating the amount of time it will take to repay the investment of opening in the new market and to begin to generate a profit.

This is done by dividing the total of all costs by the total of all benefits to determine the amount of time in years.

$$\frac{\text{Total of all costs}}{\text{Total of all benefits}} = \text{Payback period in years}$$

To convert the calculated figure to months, multiply by 12.

Therefore, based on the figures above, the payback time for each option can be calculated:

New Zealand

$$\frac{121\,750}{155\,000} = 0.78 \text{ years} = 9.4 \text{ months}$$

Singapore

$$\frac{195\,000}{275\,000} = 0.70 \text{ years} = 8.5 \text{ months}$$

With this information, the business can decide which is its preferred option based on the level of investment, the anticipated return and the payback time of each option.

Template
Cost–benefit analysis

Competitiveness

Competitiveness evaluates the degree to which financial strategies enhance a business's market position against others in the market. The maturity stage of the business life cycle often brings increased competition, and businesses might adopt strategies like market penetration pricing, acquisitions, or investment in R&D. The finance function can support these strategies by securing investment or allocating funds to projects or strategies with the highest competitive return. The extent to which these strategies create sustainable competitive advantages – such as superior pricing, unique offerings or greater market share – is central to evaluation. Data-driven comparisons to competitors' financial positions, such as profit margins and market share, help determine if a strategy is competitive.

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Stakeholder satisfaction

Stakeholder satisfaction assesses the extent to which financial strategies meet the needs of stakeholders, including shareholders, employees and customers. A mature business might offer dividends to shareholders to maintain loyalty and meet investors' needs or wants. Alternatively, investing in employee training or customer loyalty programs could enhance long-term engagement of stakeholders, aiding the financial sustainability of a business. Stakeholder satisfaction evaluates the use of financial strategies through metrics like profit margins, shareholder returns, employee retention rates and customer satisfaction scores.

Weblinks

- Australia's best workplaces 2024 **(p. 109)**
- Discrimination laws **(p. 111)**
- Intrapreneurship article **(p. 112)**
- Hackathons **(p. 113)**
- Least preferred co-worker survey **(p. 116)**
- The Minefield podcast **(p. 119)**
- Video – Stakeholder analysis and Power Interest Grid **(p. 123)**
- Private capital funding **(p. 125)**
- Video - Understanding capital markets **(p. 129)**

Templates

- Power Interest Grid (PIG) **(pp. 95, 123 and 132)**
- SWOT analysis **(pp. 100, 109, 112, 114, 139 and 145)**
- Cost–benefit analysis **(p. 137)**

Chapter summary

- Chapter 4 Competitive strategies: Human resources and finance **(p. 139)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

Chapter 4 review

This chapter introduced finance and human resources strategies used by mature businesses to ensure they remain competitive. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

Summary
Chapter 4 Competitive strategies: Human resources and finance

4.1 Short response

1. Explain how two leadership styles could impact on a business in the maturity stage.
2. Describe two macro environmental factors that affect human resources management decisions.
3. Describe two macro environmental factors that affect financing of global expansion.
4. Explain the importance of intrapreneurship in competitive environments.
5. Explain the relationship between strategic planning and human resources management.
6. Explain why some businesses might choose to be employers of choice and what the value of being listed as a great place to work is.
7. Explain the importance of diversity and inclusion in the workplace.
8. Using your knowledge of expansion and business diversification, explain why financing options impact on the competitiveness of a business.
9. Explain the interrelationship between motivation theories, staff retention and being an employer of choice.
10. Explain how Fiedler's contingency theory could be utilised during an expansion strategy into a new global market.
11. Create a table to compare the advantages and disadvantages of each of the financing options for global expansion.
12. Explain to business owners why they need to adopt financial management strategies to remain competitive in each of the four evaluation criteria.

4.2 Extended response

1. Create a multimodal response of three to five minutes to explain three strategies an employer could implement to become an employer of choice.
2. Using the inquiry process, create a written extended response in the form of a business report to communicate the following.
   a. Describe a business in your local region that would benefit from capital funds for expansion.
   b. Explain the options for financing expansion.
   c. Using criteria, evaluate and recommend the most appropriate way for the business to source capital for an expansion strategy.
3. Read the case study about Sunshine Coast Lightning and answer the following questions.
   a. Create paragraph responses to the case study above to:
      i. describe the business idea behind Sunshine Coast Lightning
      ii. explain the strategies or situations that would make Sunshine Coast Lightning an employer of choice over another club in the Super Netball League
      iii. explain why the culture established by Sunshine Coast Lightning is so important to its success
      iv. explain how culture affects a business in the maturity stage of the business life cycle with regard to human resources and staff retention.
   b. Create a SWOT analysis to analyse the strengths, weaknesses, opportunities and threats of the leadership styles and human resources strategies demonstrated by Sunshine Coast Lightning.

Template
SWOT analysis

Sunshine Coast Lightning: Positive culture and retention

A sporting team is a business. It can be owned by individuals or by companies, but like all businesses it has a clear set of goals and objectives and it must employ or attract the right people to meet these objectives. The Sunshine Coast Lightning netball team is a unique joint venture between NRL club Melbourne Storm and the University of the Sunshine Coast (USC).

Founded in 2016, Sunshine Coast Lightning is the most successful start-up sporting team in Australia, having won back-to-back grand finals in 2017 and 2018. The entire original squad, recruited and announced in 2016, remained for both the 2017 and 2018 seasons. Two of these foundation players – Steph Fretwell (nee Wood) and Cara Koenen – remain in the team, with Steph now the captain.

While Lightning's on-court success is undeniable, attracting the right team and putting the right foundations in place off-court were just as important. Lightning has built its culture on the values of passion, purpose, people and having a point of difference – values that were determined by all club personnel. Two people who were crucial to Lightning's unique club ethos were founding CEO Danielle Smith and previous head coach Noeline Taurua. The pair's ability to recruit highly skilled and talented people who were passionate about building the club's ethos is commendable. They believe that:

> ... when starting a new company or team, it is said your personality becomes your culture. The thought that went into putting together the right personalities is evident in our team and has been a big part in how we have gelled together so quickly.

Culture isn't something you can buy or force; it is created when the right people come together in an environment where people truly lead by example. Without an existing club or culture, it was challenging to make signing attractive for players in the foundation squad:

> The first part was Noeline as the coach. She'd have a discussion with each of them and really took the time to understand what they wanted to get out of their netball career. Some were older and so it was maximising the time they have remaining in the sport, what they wanted to do in terms of their international career, what their life was outside of netball, whether it was another job or studying or whatever. She talked through the team she wanted to create, the playing style, and that really appealed to a lot of the players.

It is important to align people's individual goals with the objectives of the club to ensure a cohesive team that is working for the same achievements or in the same direction. These values and the work ethic implemented at Sunshine Coast Lightning are behind the team achieving the accolade of most successful start-up in Australia's sporting history and retaining so many of its key sporting stars.

Action Plus Sports Images/Alamy Stock Photo

Figure 4.56 The culture at Sunshine Coast Lightning underpins its retention of key players and its success as back-to-back champions.

Case study 1: Competitive markets – Asian expansion

Ego Pharmaceuticals

Ego Pharmaceuticals

Figure C1.1 Ego Pharmaceuticals exists to improve the lives of people through the science of healthy skin.

About Ego Pharmaceuticals

Ego Pharmaceuticals Pty Limited is the largest Australian pharmaceutical business, specialising in the research, manufacture and marketing of high-quality skincare products. The private company is based in Melbourne and currently produces more than 150 innovative products, exports to over 25 nations and is used by more than three million people every day.

Ego was founded when Gerald Oppenheim, a chemist, and his wife, Rae, a nurse, saw a need in the market for products to restore and maintain healthy skin. In their laundry they developed Ego Pine Tar Bath Solution, later called Pinetarsol, which remains one of Australia's most widely used anti-inflammation skin treatments.

Gerald and Rae's son, Alan Oppenheim, is now the managing director. His leadership solidifies the culture and objectives of Ego. He guides the team as it continues to seek new ways to improve and maintain the company's reputation for innovation in products for skin treatment and healthy skincare. Ego Pharmaceuticals now offers products that include gentle skin washes; insect repellents; creams to treat skin conditions, insect bites and burns; hair products; and sunscreens.

The Ego Pharmaceuticals portfolio of brands includes QV Skincare, SunSense, Moov Head Lice, Aqium, SolvEasy, SOOV, Pinetarsol, Azclear Action, Elucent, Egoderm, Egozite, EgoPsoryl TA, Sebi, Silic 15 and Moov Insect Repellent.

Sold only in pharmacies, Ego products treat and prevent skin diseases and skin conditions, as well as maintaining healthy skin. Pharmacists, doctors and nurses need to know the science and the benefits of Ego products and are the best sales advocates for the quality and performance of the products.

Ego Pharmaceuticals

Figure C1.2 Ego is an acronym for Erwin and Gerald Oppenheim. Gerald, with his wife Rae (pictured), founded Ego Pharmaceuticals in 1953. Dermatologist Erwin Oppenheim was Gerald's father.

Ego Pharmaceuticals

Figure C1.3 Ego now has more than 150 innovative products in its portfolio of brands.

The expansion journey

Ego's exports, which now approach 50 per cent of the company's sales, have come about from the company's strategic global expansion. The expansion journey started in 1960 with its first exports to Papua New Guinea, New Zealand and Singapore. The expansion into Asia continued throughout the 1960s and was done by appointing a local, often family-owned, company as 'distributor' responsible for sales, marketing and physical distribution. Ego then further expanded into Asia, adding more distributors in Malaysia, Indonesia, South Korea and China (as seen in Figure C1.4). Managing Director Alan Oppenheim explains that 'using distributors is a lower risk channel to enter new markets for (mainly smaller) companies; it also comes with lower control for companies. It can lead to a "set and forget" mentality if done badly.'

Ego Pharmaceuticals

Figure C1.4 Ego now exports to more than 25 nations with a combination of subsidiaries, Ego staff and distributors.

In 2005, Ego began replacing some distributors with Ego's own people and now has established subsidiaries in Malaysia, Singapore, China, and the United Kingdom. The company has its own staff in Bahrain, Kuwait, Qatar, United Arab Emirates, Oman and Saudi Arabia.

In China, all of Ego's business is done online with cross-border e-commerce. This allows businesses keen to access new global markets to do so simply, safely and without needing to set up distribution through bricks-and-mortar stores. Selling online also means that the company doesn't have to submit to China's testing requirements, which it considers to be excessive and not based on good, current science.

Oniix

Figure C1.5 The mobile phone is the fastest-growing utility in China to access the internet, so cross-border e-commerce strategies are essential in Asian markets.

While Australian products have a great reputation and are in high demand in Asian markets, it is a highly competitive environment and, in the retail environment, is primarily driven by profit goals. This means that Ego must not only know each of its markets and their cultural differences, but also make its products accessible in different formats to suit each market. Oppenheim explains further: '... especially in Asia, our customers are all very technology savvy and have included online forums in their everyday lives. The use of a cross e-commerce strategy is one we have paid much attention to in recent years, from e-shop selling to advertising to our interactive and advice-driven sites.'

The size and growth of a market's middle-class consumers is a key factor when deciding which markets to expand into for Ego Pharmaceuticals, as is looking at economic indicators, per capita GDP, purchasing power, pharmaceutical regulations and the business environment for setting up a business.

Strategic planning and the values of Ego

To ensure the values of Ego are upheld and consistently embedded in everything Ego does, the company engages in strategic planning and extensive staff training. The strategic planning occurs in levels or stages. The Scientific and Production Operations team runs a suite of expansion plans at any one time. These include building expansions, production equipment purchases, scientific equipment additions and more. To support this, the Demand Forecasting Team gets forecasts for sales demand by product, by nation, every month. This data feeds into the Supply Team, where engineers compare current production capacity for each pack type (bottle, jar or tube, for example) to the future forecast sales demand. Each region (Asia, Australia, Middle East and the United Kingdom) then develops its plans for sales and marketing annually with all functional departments (all the above, plus ICT, finance, human resources etc.) developing plans that feed into annual budgets.

Values of Ego

1 Quality
Quality is our way of life
- Quality products
- Quality processes and production
- Quality reputation

2 People
Our people make the difference
- We value every employee
- Ego culture inspires success
- Our people live the Values

3 Ethics
We do what is right
- Honesty
- Fairness
- Integrity

4 Innovation
Innovation is in our nature
- Innovative products
- We challenge boundaries
- All employees are encouraged to innovate

5 Service
Ego exists to help our consumers
- Ego exists to improve consumers' skin quality
- Excellent service
- Service to the community

6 Ego Spirit
The spirit of Ego revolves around a community atmosphere
- Equality
- Support

Ego Pharmaceuticals

Figure C1.6 The values of Ego

Regardless of the budgets, market and the sales targets, the values of Ego (as seen in Figure C1.6) are an essential part of the culture and business; underpin the quality of the products; drive the integrity, commitment to science and innovation and focus on helping people restore and maintain Skin Health. There may be slight cultural adjustments made to interactions and operations to align with cultural differences in each Asian market, but the values of Ego must always be lived and nurtured by every employee.

People and performance strategies

Ego believes that its people make the difference (as seen in Figure C1.7), and with its own people the company can better ensure the Ego values are nurtured. Treating staff as family, Oppenheim believes, means they are significantly more committed to the whole Ego team and Ego values, and 'regular training programs and professional development keep Egozites (that's what we call ourselves) trained in the latest developments and techniques in their respective fields of expertise'.

Historically, Ego has always been a pioneer in adopting progressive human resources strategies as a reflection of its core values. It ensured equal pay for its female staff in Australia in 1960, and in 1974 introduced superannuation. The company also encourages good practices for the health of its staff, providing regular health checks, flu vaccinations and, in conjunction with its SunSense message, skin cancer checks to employees who have an interest.

Our people make the difference

We value every employee. Each employee is critical to our success. Our employees provide excellent quality service to our staff. No job at Ego is so important or so urgent that the time cannot be taken to perform it in a safe manner. All employees recognise the importance of each others' personal and family life.

Ego culture inspires success. Our culture means our employees look forward to coming to work. Our atmosphere is open, encouraging. We are informal to encourage communication. We inspire each other to achieve our best. We provide challenge to continuously improve. We invest in training and develop our people so they can continuously improve.

Our people live the Values. We select the staff who will live the Values and have the best skills in an open, fair and careful process. We are respectful and proud of the diversity of our people. We respect and embrace the culture of the people of each nation in which we operate.

Source: www.egopharm.com/company/our-values/

Figure C1.7 Ego believes its employees are critical to the success of the company.

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Generally, Ego hires local staff in each of its locations with the levels of management feeding back to a manager for each region in Australia. Hiring its own staff is supported by its own training managers, whose task is to enable Ego staff to develop and to improve their knowledge and skills. This is an important strategy as distributors tend not to invest in staff, instead tending to run a short-term strategy and with views focused on making profits.

Oppenheim explains that the culture of Ego and consistency in its values is what keeps staff; the rewards are simply a by-product of the culture, which in turn becomes part of the retention strategy. Having a global network of subsidiaries and locations provides opportunities to grow and develop staff in different cultures and locations, and this is an appealing benefit; however, the current legal complexities around residency and visas make it challenging to permanently relocate staff from one location to another.

Quality assurance

The first value of Ego Pharmaceuticals is quality in everything the company does. Making its products in its own plant enables Ego to ensure the product quality is consistently the best possible. The world-class pharmaceutical plant in Melbourne (Braeside) has a licence to manufacture therapeutic goods from the Australian Government Therapeutic Goods Administration (TGA). TGA inspects Ego's plant regularly.

Many companies outsource manufacturing, Oppenheim explains. 'They either don't care or don't understand the issues that this causes. Or maybe they don't have the money to invest in their own plant. For Ego, most of the profits are reinvested in continually expanding its plant.' (See Figure C1.8.)

Ego Pharmaceuticals

Figure C1.8 Export growth enables an increase in efficiency as the plant grows.

The $35 million headquarters, with a 9000-pallet storage and distribution centre, was built on a second site in Melbourne (Dandenong), while in 2018 at its Braeside site Ego started its 28th extension and planned the 29th.

Challenges of expansion in the Asian market

Being adaptable and choosing products that suit local tastes is important, while remaining true to the Ego brand values can be a challenge with any global expansion. In addition, there are some obstacles that can arise when expanding into the Asian market. Other than multiple language barriers, there are individual cultural values and traditions to be aware of; for example, the gentle diplomacy and clear hierarchy of people are important to acknowledge, especially in business meetings.

In Asia, relationships or 'guanxi' are also very important. Companies are reluctant to buy from or engage with businesses they don't know. Government entities, such as Austrade, which already have a presence in the market and have the same connections, can be a useful support.

For all pharmaceutical and cosmetic products, Ego must file a registration application with the government health authority, which often demands changes to a label, meaning a new SKU (stock keeping unit) unique to that nation. For each Asian market, Ego must also consider the differences from country to country, as a one-size-fits-all approach will not work across the Asian region.

Australian products have a great reputation with most Asian consumers, being considered authentic and of high quality. As a 100 per cent Australian-made and Australian-owned skincare brand, Ego Pharmaceuticals' commitment to the highest level of manufacturing excellence and proximity to the region are strengths for an Asian expansion strategy.

Sustainability

Ego does its best to minimise and continually improve processes that may affect the environment. It promotes sustainable practices, chooses environmentally sound packaging for its products, minimises packaging and has recycling procedures in place in the manufacturing plant and offices. Rainwater tanks supply almost a fifth of the company's water needs. Ego is a signatory (and award winner) of the Australian Packaging Covenant, a voluntary initiative by the Australian Government and industry to reduce packaging going to landfill.

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Continuing growth and the future of Ego

Export and international trade is complex and challenges every organisation involved in it. It raises the bar that an organisation must clear to compete, let alone to succeed. It also adds opportunities to learn and to use existing skills with a wider audience – and hence for increased efficiency and growth. Six years ago, the total Ego business was smaller than its international business is today. This rapid growth is a result of the company's strategic planning, well-executed strategies and staying true to its core values.

As Oppenheim explains, to evaluate how different investments have performed over time, many companies track their CAAGR (compound average annual growth rate). This is the average rate at which some investment grows over a certain period of time, assuming the value has been compounding over that time period. Currently, the 30-year CAAGR of Ego Pharmaceuticals is 12 per cent. This is considered to be quite high and is a testament to the company's values, strategic planning, committed people and operational model. Its exports continue to grow much faster than domestic business, with Ego Pharmaceuticals awarded Australian Exporter of the Year in 2017 (as seen in Figure C1.9).

Image courtesy of Austrade – Australian Export Awards

Figure C1.9 Ego Pharmaceuticals was awarded Australian Exporter of the Year in 2017.

Despite a number of offers to buy Ego Pharmaceuticals, the family owners believe that 'the best thing they could do for the Australian community is to grow a high-technology manufacturer in Australia, and in so doing to drive the economy and to drive growth in good jobs. And the products help to improve millions of lives of people across 20+ nations. You can't get much better than that.'

In 2024, Ego Pharmaceuticals moved up 14 places on the IBISWorld Top 500 Private Companies List, being named at number 341. The annual list considers company revenue over the latest 12-month accounting period, as well as the number of staff employed.

Questions

1. **Describe** the facts and characteristics of Ego Pharmaceuticals and its stage in the business life cycle.
2. Use a technology application to **create** a timeline to **describe** the expansion journey of Ego Pharmaceuticals.
3. **Explain** why Ego Pharmaceuticals believes its 'people' are so important.
4. **Explain** the strategies used by Ego Pharmaceuticals to attract and retain quality staff, both here in Australia and in global locations.
5. **Explain** the point of difference or competitive advantage of Ego Pharmaceuticals in the Asian market.
6. Identify and **explain** three reasons that Australian businesses expand into the Asian market.
7. Select information from this case study to complete a SWOT analysis to identify and **analyse** the strengths, weaknesses, opportunities and threats of the human resources strategies and leadership styles used by Ego in the maturity stage of the business life cycle.
8. **Interpret** relationships and trends in the SWOT analysis to draw conclusions about the implications of leadership styles and human resources strategies on employees of businesses in the maturity stage.
9. Use the criteria of competitiveness and efficiency to **evaluate** the human resources strategies and recommend three alternative strategies that Ego could adopt.
10. **Create** an extended response in the form of a feasibility report to **explain** and justify to the Board of Directors which of the alternative human resources strategies you would implement.

Template
SWOT analysis

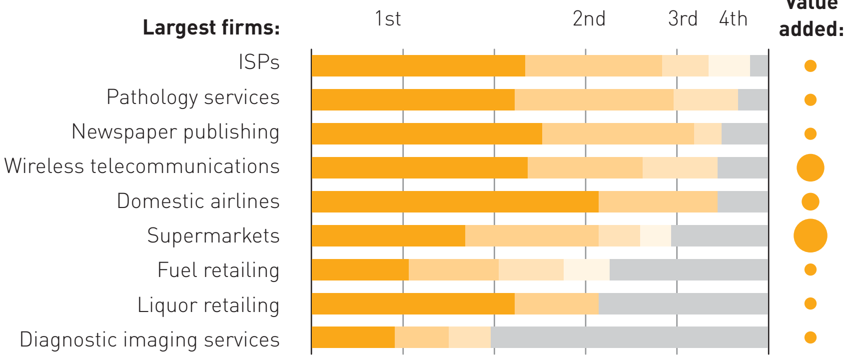
Unit 3 Business diversification

Topic 2
Strategic development

HOSTILE COMPETITIVE ENVIRONMENTS

A Grattan Institute report shows that highly concentrated sectors, including wireless telecoms, airlines and liquor retailing, have lower costs than small firms and benefit from economies of scale.

Barriers to entry: scale-economy sectors



OUTSOURCING

BUSINESS PROCESS OUTSOURCING

Australian business process outsourcing industry revenue for 2023–24 was

$44 billion

Business process outsourcing is forecast to grow by 4.89% annually until at least 2029

4.89%

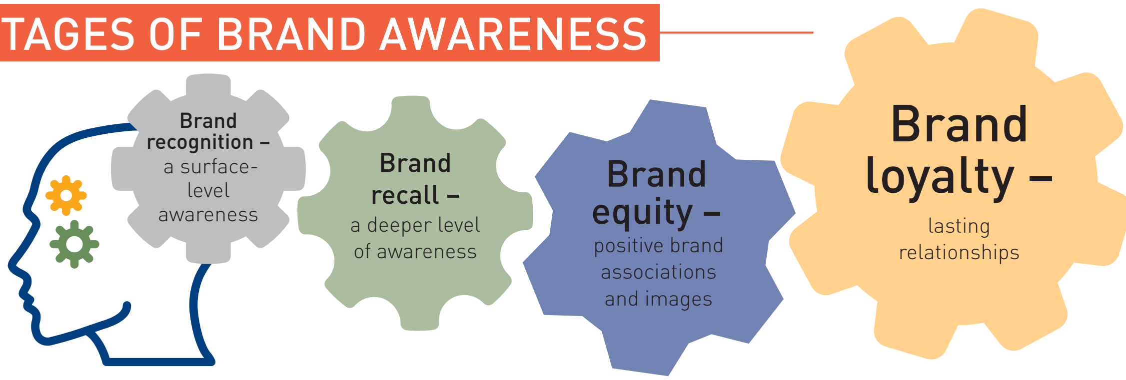
The Philippines is one of the top call centre locations in the world and the top destination for customer relations management

80% of Australian businesses outsource some activities

The top six globally accepted locations for business process outsourcing are India, China, the Philippines, Malaysia, Brazil and Indonesia

65% of business owners use outsourcing to access specific knowledge and skills

STAGES OF BRAND AWARENESS



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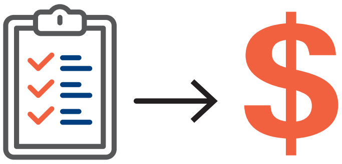
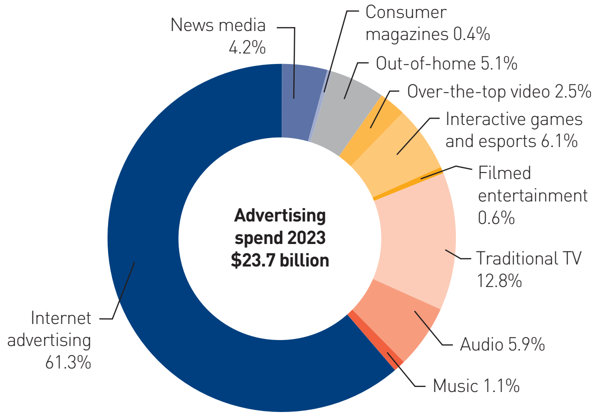
THE 80/20 RULE



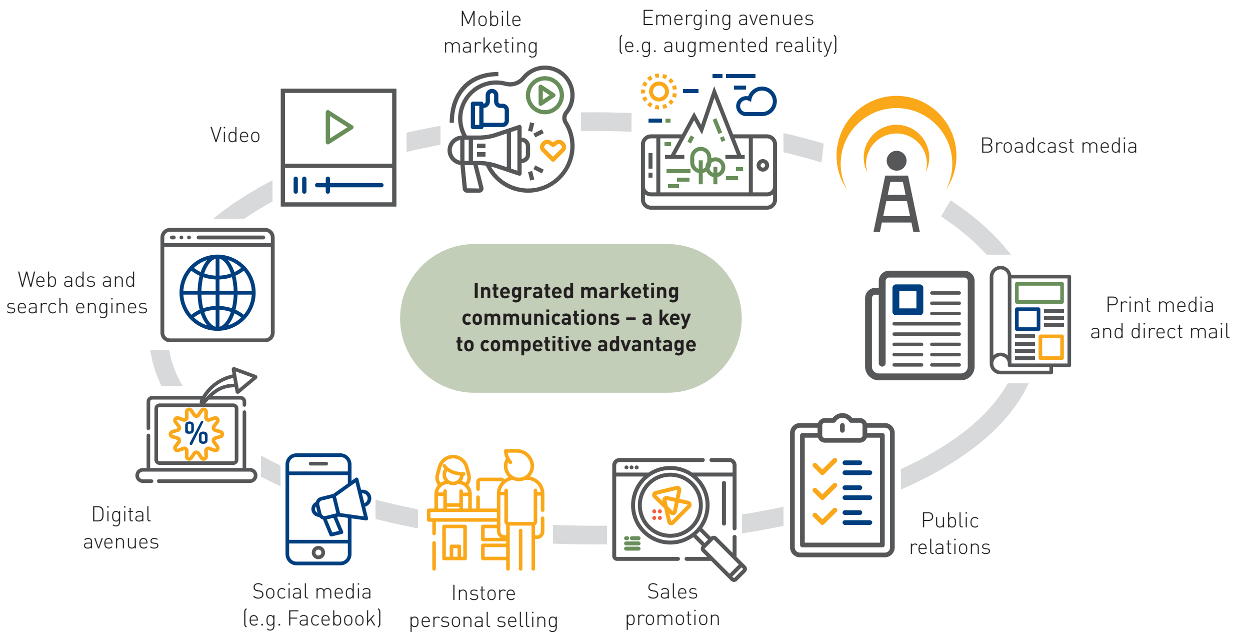
- 80 per cent of sales revenue comes from 20 per cent of customers

AUSTRALIAN ADVERTISING SPEND



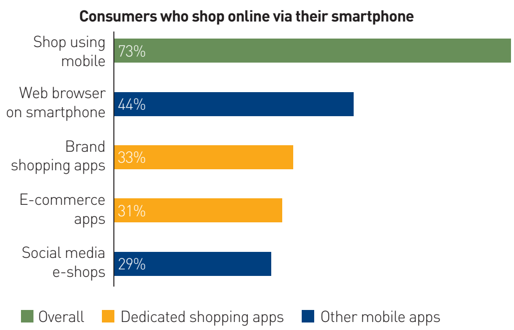
Source: 'Retail media eats Google search dollars, display tails off, broadcasters moving towards ad model tipping point, next year's growth biggest to 2028', Australian Market Institute, July 2024

INTEGRATED MARKETING COMMUNICATIONS



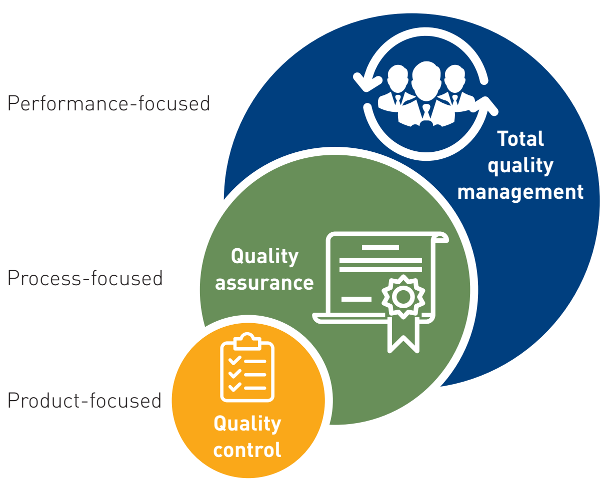
MOBILE (M) COMMERCE

With almost 75 per cent of Australians now shopping on mobile devices, businesses must be ready to meet consumer expectations or risk losing sales.



Source: Australia: Proportion of consumers who shop online via their smartphone', YouGov Surveys, April 2023

QUALITY MANAGEMENT



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5 HOSTILE ENVIRONMENTS

What you will learn

Competition exists wherever multiple businesses operate in the same market, with similar offerings and target markets. An example is the Australian supermarket industry, which has faced an intensified competitive battle for market share since 2001, when Aldi first opened in Sydney. Aldi has since achieved around 9 per cent in a hotly contested market dominated by Woolworths with 38 per cent and Coles with 29 per cent market share in 2024.

Competitive rivalry, or competitive actions and responses between competitors, exists in every profitable, mature market and businesses must operate strategically to maintain their position in the marketplace. In Australia, hostile environments are becoming more commonplace due to the increasingly globalised nature of markets, the intensification of market structures and the role of technology. In a hostile business environment, companies compete against each other to achieve competitive advantage using strategies such as differentiation, outsourcing, and the pursuit of marketing and operational economies of scale. Such competitive pressure drives innovation, research and the development of new products and services to meet the needs of consumers.

This chapter will provide you with the opportunity to:

- describe the internal, operating and macro environmental factors relating to businesses in the maturity stage of the business life cycle that affect marketing and operations, especially in a hostile, competitive market
- explain the challenges of operating in hostile competitive environments
- explain the role of research and development (R&D), project management and strategic analysis in competitive situations
- explain outsourcing, including the challenges faced by management in the outsourcing of marketing and operational activities
- analyse a business's current situation in a hostile environment, by looking at the socio-cultural, technological, economic, environmental, political, legal and ethical factors (STEEPLE) analysis, and then selecting data and information to interpret relationships and trends to draw conclusions about the implications on strategic planning for the business
- analyse a business's competitors in a hostile environment, using a unique selling proposition (USP) analysis, by selecting data and information to interpret relationships and trends to draw conclusions about the implications on strategic planning
- evaluate marketing and operating strategies for a business operating in a hostile competitive environment to make a decision and propose recommendations using criteria
- create responses to communicate findings to suit the intended purposes and audiences, including use of visual representations (graphs, tables, infographics or analytical tools).

The analytical tools used in this chapter are:

- USP analysis
- STEEPLE analysis.

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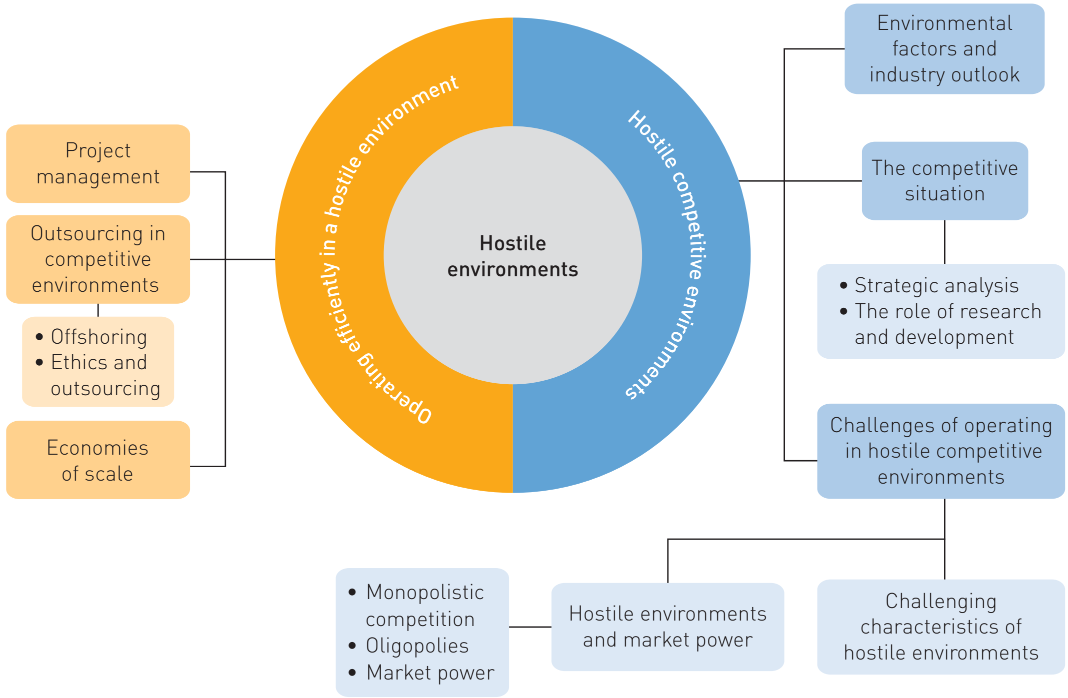


GAINING INSIGHT 5.1

Mitre 10

FOCUS QUESTION: How does Mitre 10 remain competitive and achieve its strategic objectives while operating in a hostile environment?

Figure 5.1 Mitre 10 has grown from a small group of retailers in 1959, to increase its market presence with local hardware stores who have serviced their communities for decades with a clear brand message of being proudly local.

Mitre 10 was formed in 1959 and is a player in the Australian home improvement and hardware industry. The Mitre 10 group consists of a network of more than 350 independent and local retail Mitre 10 and True Value Hardware stores, which are supported by the wholesaling side of the business. Retail stores are privately owned and run, meaning the majority are family owned and operated, something the business actively promotes with its 'Built by families' tagline and its focus on being part of local communities. Many stores are located in regional Australia, with Mitre 10 serving millions of homeowners with solutions to their home projects for more than sixty years. Mitre 10 also supports trade customers, from builders through to the local handyman, to help tradies 'get in, get out and get on with it'.

Metcash wholly acquired the Mitre 10 business in 2012, adding Home Hardware and Timber in 2016 and Total Tools in 2020. This makes Metcash the second-largest player in the Australian hardware and building supplies market with its Independent Hardware Group (IHG) division, which has a combined hardware stores network of more than 700 stores. IHG affirms its culture as being built on being a low-cost and transparent business partner to members, with a commitment to protect and grow a sustainable independent hardware sector for the long term.

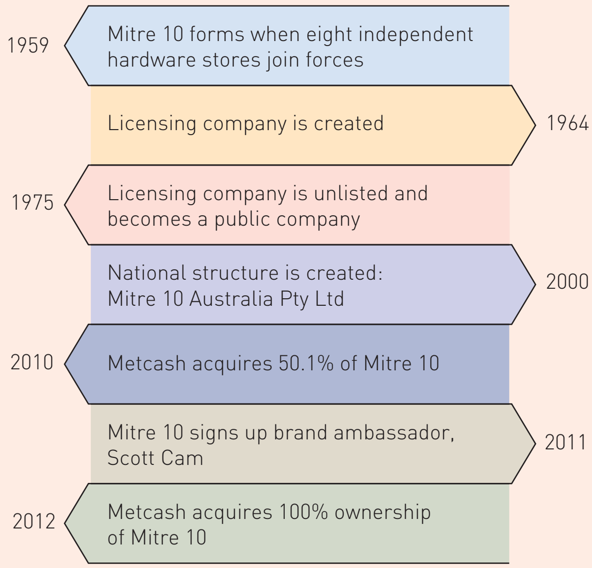


Figure 5.2 Mitre 10 has evolved to consist of more than 300 independent, local retailers.

The two largest players in the industry are Wesfarmers, owner of Bunnings, and Metcash with Mitre 10. Both companies have expansion strategies in place for instore and online sales, and both actively compete based on price. Bunnings, as the market leader, benefits from its significant economies of scale due to its large store network and bulk purchasing power. This is a saturated market with limited opportunities for product growth, meaning increasing sales come at the expense of competitors. The impact of 'big box retailers' with large physical stores, a wide product range and a focus on sales volume has been detrimental to smaller players. Big box retailers achieve economies of scale and productivity through more revenue per employee and per square metre, forcing some smaller businesses out of the industry as they cannot compete due to lower buying power. Bunnings's lowest price proposition has affected smaller retailers who do not have the purchasing power to appeal to price-conscious consumers and so suffer from shrinking profit margins.

In 2023 Bunnings was accused of being 'anti-competitive' after it was discovered that the company was trying to take over Mitre 10 sites. Metcash Chief Executive Scott Marshall was participating in the Senate inquiry into cost of living when he asserted that major chains were trying to acquire independent stores to increase their market power to the long-term detriment of consumers. He revealed that Bunnings's CEO Mike Schneider had approached at least seven Mitre 10 owners in the past year. Mr Marshall stated, 'In our view, stronger competition laws, particularly focused on stopping increasing market share by store-by-store acquisition, would benefit consumers overall … that's something the government could consider and look at', affirming that choice and competition is good for consumers.

Industry activity was high during the COVID-19 pandemic when lockdowns saw a spike in home renovations, but this has stabilised due to the impact of high inflation. A relatively weak economy has intensified price competition, with fluctuations in consumer sentiment and house construction activity, while continued population growth and greater interest in do-it-yourself (DIY) renovations support demand. The industry is forecast to grow moderately at 2.3 per cent over the five years from 2024–25 to 2028–29, with market share concentration predicted to increase.

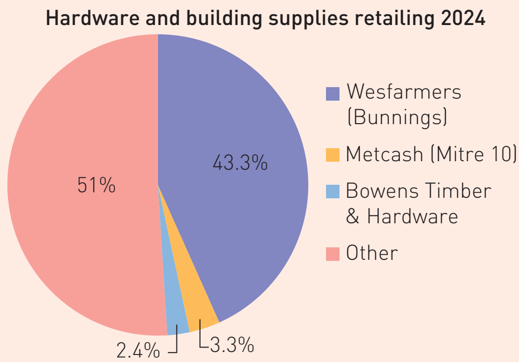


Figure 5.3 Market share of hardware and building supplies retailing in Australia, including Metcash, owner of Mitre 10

Mitre 10 is firmly in second place in the hardware and building supplies industry, with Bunnings the top-of-mind market leader for customers. A recent marketing campaign has sought to redress this with a reminder that there is another choice for hardware in Australia, while also reinforcing the Mitre 10 brand story of service, expertise and connections to local communities. The campaign reinforces the point of difference: that staff know their customers personally and provide a personalised service, making them proud to be the 'other hardware store'.

General manager of marketing at Mitre 10, Karen Fahey, stated:

> the data showed that more than 90% of Australians are on autopilot on where they shop for their DIY needs, and while Mitre 10 is known for service and quality of range amongst existing customers, we are often not considered in the

moment of hardware store choice by people not familiar with Mitre 10. They're missing out on the benefits of the knowledge that sits within our network, we can give them solutions to their home improvement challenges on their first trip.

The campaign seeks to redress this and improve Mitre 10's position to be more front of mind as a great hardware experience right on the customer's doorstep.

The 'other hardware store' campaign, reminds consumers there is alternative place to shop for hardware needs.

With television renovation shows remaining popular, Mitre 10 has been a sponsor of *The Block* for more than a decade, using product placement and endorsements to stimulate sales and achieve higher brand recognition. In addition to this, Mitre 10 uses brand ambassadors, including Scott Cam from *The Block*, to build relationships with consumers and used its involvement with *The Block* as an avenue for launching its private label products, including the Accent paint range. Mitre 10 also has also promoted the brand with the real stories of the people behind its stores, with the 'Built by Families' series to highlight the legacy of local family-run businesses who retain a connection with their local communities. This communicates the brand values, gives a voice to the families in the network and presents a point of difference from leading rival Bunnings.

Weblink
'The other hardware store' campaign

Sources: 'Bunnings lashed for being anti-competitive, trying to buy Mitre10 stores', 29 March 2023, news.com.au website, https://www.news.com.au/finance/business/retail/bunnings-lashed-for-being-anticompetitive-trying-to-buy-mitre10-stores/news-story/13da696cf195b2aa7819ca5c6055a729; Karen Fahey, 'Mitre 10 repositions itself as "The other hardware store" in bold new campaign via dig', published 30 May 2022 by Ricki Green on the Campaign Brief website, https://campaignbrief.com/mitre-10-repositions-itself-as-the-other-hardware-store-in-bold-new-campaign-via-dig

Jay Town/Racing Photos/Getty Images

Figure 5.4 Mitre 10's brand campaign reminds consumers there is an 'other choice' for hardware in Australia, with the campaign including outdoor advertising, digital advertising and social media.

Questions

1 **Describe** business facts and characteristics of the internal, external operating and macro environmental factors that affect Mitre 10's marketing and operations.
2 **Explain** the role of branding for Mitre 10.
3 **Explain** the challenges of operating in a hostile competitive industry for Mitre 10 and identify any marketing and operations strategies being used to overcome such challenges.
4 Research the concept of 'big box discounters' and use a double-bubble map to compare between this model and the more traditional retail model. **Interpret** how each model aims to achieve a competitive advantage.

Hostile competitive environments

In mature **industries**, businesses produce products or services that are close substitutes. These businesses influence one another through a mixture of competitive strategies designed to achieve an advantage over other businesses and gain the attention of customers. When each business has a 'fair share' of the market, competition may be moderate; however, an equitable balance is uncommon and most mature industries experience aggressive strategies that create a hostile environment.

In **hostile environments**, businesses actively compete against one another and this competitive rivalry can intensify when a business is challenged by a competitor's actions or recognises an opportunity to improve its position in the market. A business must think strategically about its competitive environment and will often seek advantage in the form of **economies of scale**, which are cost savings or advantages that can be created as a result of an increase in the scale of business operations, resulting in lower per unit input costs. These advantages can occur across the business functions, as a successful brand can achieve economies of scale by satisfying customer demand at the lowest possible unit cost, spreading promotion costs across a portfolio of products or by creating barriers to entry that deter competitors from entering the market.

Key learnings

You will learn the following about hostile competitive environments through examining:

- market structures in competitive environments
- the influence of market power.

Environmental factors and industry outlook

Businesses in the maturity stage of the business life cycle face opportunities and challenges from the external environment, regardless of the industry they compete in. Understanding the prevailing conditions in the external (operating and macro) environment, alongside insight into the internal situation, is critical as businesses seek **strategic direction**.

The current business climate is considerably more prone to rapid changes than were historical business conditions. Most businesses, regardless of size, are in some capacity operating in a global context, which brings its own complexities and competitive pressures, while the rate of technological advancement has changed the way businesses operate and communicate with customers. In a few sectors, such as print and broadcast media, once-dominant firms have been disrupted by new, online competitors. Such access to information technologies has also brought about changes in the socio-cultural environment, with consumers able to access vast amounts of information and engage with businesses in a '24/7' environment. Changes in government policies and laws can have a considerable impact on industries, including where and how businesses compete and regulations around competitive practices, such as misuse of market power, and business regulations, which can vary between states and countries.

Socio-cultural trends can influence consumer buying behaviour and thereby market share in mature industries. An example is businesses in the chocolate and confectionery manufacturing industry; this industry has experienced changes in customer preferences in recent years based on rising concerns about the amount of fat and sugar being consumed and the perceived link with health concerns such as diabetes and obesity. The consumer trend towards being more health conscious is a significant threat to this industry, while posing an opportunity for others.

Industry: a group of businesses producing products or services that are close substitutes

Hostile environment: a situation in which businesses actively compete against one another for customer attention and market share

Economies of scale: cost savings or advantages that can be created as a result of an increase in the scale of business operations, resulting in lower per unit input costs

Strategic direction: specifying the vision and strategy the business seeks to develop over time, framed within the context of environmental factors

Figure 5.5 Environmental factors from the internal, operating and macro external environments present opportunities and challenges to a business.

To successfully operate in a dynamic, often hostile environment, all businesses must be aware of environmental conditions and trends, and alter their strategic direction accordingly. This involves scanning the macro environment and building knowledge about customers, competitors and other relevant stakeholders. This will enable strategic actions to pursue opportunities, while safeguarding against threats.

ANALYTICAL TOOL 5.1

STEEPLE analysis (macro environmental factors)

As explained in *Business for QCE Units 1 & 2*, an environmental scan can be completed through a PEST or PESTLE analysis. Further building on this, a STEEPLE analysis adds the consideration of ethical factors. The ethical environment includes the processes and actions that influence behaviours inside the business and its relationship with the outside environment. This includes how employees, customers, partners, competitors and the community are treated. The ethical environment also considers the corporate social responsibility, morality, integrity and sustainability of the business. The ethical environment is an important factor for businesses in competitive markets as ethical issues can pose challenges to a business's reputation, brand and long-term profitability. Ethically focused businesses may attract new customers and retain existing customers, generate positive publicity, retain a strong brand image and maintain favourable supplier relations. As such, consideration of ethical factors is vital to the strategic planning of all businesses.

SOCIO-CULTURAL	• What are the cultural trends and societal attitudes that shape consumer behaviour and decision-making? • What is the degree of cultural diversity and how might this influence consumer tastes and preferences? • What are the societal values that drive consumer decisions and impact business operations? • What is the market's population growth, age distribution, household and family size? How is this forecast to change? • Are there any shifts in lifestyle preferences, such as increasing health consciousness or interest in sustainability? • What religious beliefs affect the market? • How are consumer buying patterns changing?
TECHNOLOGICAL	• Are there any emerging technologies the business could leverage or that could radically impact the business? • How can the business use advanced, yet affordable, online platforms? • Is the business able to engage with customers in their preferred modes of communication? • Does the business engage in innovation to keep up with advancements in automation, artificial intelligence and information technology or to achieve operational efficiencies? • Does the business invest in research and technology to stay ahead of technological trends?
ECONOMIC	• How stable is the economy and what impact might this have on the business? • What are overall market conditions like in the economy? Is GDP forecast to grow and how will this impact strategic planning? • What do current key economic indicators, such as inflation, interest rates and unemployment, reveal about the economy? Are there any noteworthy forecasts? How could this impact consumer spending and borrowing costs? • What is the prevailing consumer sentiment and how might this impact consumer behaviour and business strategies? • What are the key trends of relevant overseas economies that may impact the business and its strategic planning? • Will changes in exchange rates impact the business and its operations?
ENVIRONMENTAL	• What impact could weather patterns, seasonal changes and natural disasters have on the business? • What sustainable practices, such as eco-friendly practices in sourcing, production and distribution, can the business adopt? How does this impact consumer decision-making? • How can the business operate efficiently to conserve natural resources? Does the business face resource scarcity? • How does climate change, and increasing awareness of this, impact supply chains, resource availability and consumer behaviour?
POLITICAL	• What is the political ideology of the incumbent government and what are the key government policies? • Is there an upcoming election at federal, state or local level that could shift policy relevant to the business? • What is the government approach to trade policies (e.g. tariffs and quotas)? Are there trade agreements in place, or proposed, that could impact the business or present opportunities for growth? • How are federal, state and local governments investing in business development (e.g. funding, grants and initiatives)? • Are there political movements around issues that are increasingly important to the people in the business's target market? How might this impact their relationship with the brand? • What is the geopolitical landscape like (e.g. wars and conflicts) and how might this impact business operations?
LEGAL	• What intellectual property protections (e.g. patents and trademarks) does the business have in place and how might changes to intellectual property law affect the business? • How do consumer protection laws affect the way the business interacts with consumers and ensure fair competition? • Are laws changing to reflect changes in socio-cultural attitudes and keep up with technological change? How will this impact the business? • Is there legislation (proposed or passed) that could affect business operations or customers, either positively or negatively? • What workplace health and safety laws does the business need to be aware of to protect both employees and the organisation?
ETHICAL	• What is the level of consumer interest and awareness in ethical and sustainable practices? • How does the business ensure its supply chain is both legally compliant and ethical (e.g. fair trade, and equitable treatment for all workers in the supply chain)? • How does the business consider the environmental impact of its operations, and does it publish audits of its endeavours? • Does the business have open communication with stakeholders about business practices and are all decisions transparent? • Does the business engage truthfully with its customers or seek to mislead or confuse them? • Do the actions of the business align with its values statements, vision and reported culture? How would a lack of alignment impact the business?

Figure 5.6 A STEEPLE analysis considers the environmental factors that impact a business's strategic planning.

Questions

1 Using Gaining insight 5.1 and some additional research, select data and information to create a STEEPLE analysis of the external environmental factors relevant to Mitre 10 as it seeks to remain competitive in a hostile business environment. A STEEPLE analysis template is available to download on Nelson MindTap.
2 Explain your findings in a short report for the business owners outlining the impact of the external environment on strategic planning for the business.

Template STEEPLE analysis

QUESTIONS 5.1

1 Explain the role of a STEEPLE analysis in strategic planning for expansion.
2 Choose an Australian-owned business in your region that is seeking to remain competitive in its market. Analyse the business's current situation using a STEEPLE analysis of the external environmental factors. Interpret relationship/s and trend/s from the STEEPLE analysis to draw conclusions about the implications of strategic planning for the business.
3 Create a short report for the business owners to communicate your findings and conclusions and outlining considerations for remaining competitive in their market.

Template STEEPLE analysis

Challenges of operating in hostile competitive environments

Hostile environments and market power

As seen in *Business for QCE Units 1 & 2*, there are four broad market structures. These range from perfect competition, where there are many sellers producing identical goods and price cannot be controlled by an individual business, through to a pure monopoly with only one producer or seller, which is typically able to set the market price and is protected by barriers preventing the entry of new businesses. Between these extremes are monopolistic competition, where an industry has a large number of businesses that employ differentiation strategies, and oligopolies, where a few large businesses dominate the industry.

Monopolistic competition

Monopolistic competition is characterised as having a large number of businesses that offer similar, but slightly different, products to the market. Each business seeks to differentiate itself from competitors based on its **unique selling proposition (USP)** to achieve some power in the market. Without a clear USP, the business will be forced to compete based on price. Examples of industries that often have many small operators are restaurants and hotels, which differentiate based on factors such as location, range of products offered and personalised service. The strong growth in Australia's cafe culture and the trend towards independent coffee shops and boutique coffee roasters is an example of strong competition in a monopolistic market.

Unique selling proposition (USP): a key factor that differentiates one product from another. It is the reason that one product or service is better than that of the competition – it is the competitive edge

GAINING INSIGHT 5.2

Independent coffee shops

Dominance of the independent coffee shop

The coffee shop industry in Australia, unlike that in many other countries, is not dominated by large global coffee shop chains, but instead remains highly fragmented, with a high proportion of single-store independent coffee shops – although chains such as McCafé, Starbucks and The Coffee Club do have a presence.

iStock Essentials/Istock

Figure 5.7 Cafe culture has become firmly entrenched in urban Australia, with many independent businesses competing for a share of the lucrative market.

While Starbucks has been successful in many countries, Australia proved quite a challenge. Starbucks opened its first stores in Australia in 2000, and within a few years it had over 80 stores nationwide, but had to close a number of them and scale back operations as they were not as successful as hoped.

In contrast, independently owned establishments have gained global recognition and in 2024 made up about 95 per cent of all cafes and coffee shops across Australia. They have been at the forefront of driving competition for excellence within this market. The high standards in the coffee industry and strong coffee culture have been barriers to chains succeeding in Australia.

What's the coffee culture like?

The coffee in Australia is not about quantity; rather, the focus is on quality and that's what makes the coffee special. It is thought that Australian coffee is the best in the world. For the record, Australians do not drink average or low-standard coffee. The culture is characterised by its strong emphasis on quality, as seen through specialty coffee practices that prioritise every step involved in brewing: from sourcing beans to roasting methods, brewing techniques and ultimately presenting a perfect cup. The culture sets exceptionally high standards for what constitutes good-quality coffee and influences consumer expectations.

Specialty coffee

> Coffee drinking is, in fact, a diehard national habit with real estate sold on its proximity to cafe strips; local baristas, roasters and an increasing number of growers have world class qualifications.

Source: Donna Wheeler, www.lonelyplanet.com, 2010

For many people, Australia is synonymous with specialty coffee, and indeed, the specialty coffee industry has seen significant developments in the last 15 years, with higher-quality coffee available, more independent roasters emerging and travelling to countries of origin, and consumers expecting more diversity in coffee taste. As with other markets for specialty coffee, the issue of traceability in global production chains has been brought to the fore, and is something many consumers are now interested in.

What is it that coffee shops in Australia are doing so well? Apart from having well-trained baristas and high-quality coffee, many have developed a reputation for high-quality food offerings, as well as a relaxed and welcoming atmosphere. Australia is home to many independent coffee shops that are attached to roasteries, too, from Blackstar Coffee Roasters in Brisbane and Ona Coffee in Canberra to Single O in Sydney and Seven Seeds in Melbourne. While these roasters are well known to many in the Australian coffee scene, there are a whole host of other roasters – those that produce enough to sell wholesale to other coffee shops, as well as micro-roasters producing just enough beans to supply their own shop.

Weblink
Where to find the best coffee in Australia

Australian coffee shop culture has reached beyond national borders, with its influences stretching across the globe. Beyond the 'flat white' that has come to feature on so many coffee menus, Australian coffee culture is now being transferred to cities across the globe – in part due to baristas travelling and taking their ideas and skills with them, and partly due to growing awareness of Australian coffee shop culture. Bluestone Lane in New York City in the USA has a series of coffee shops that are modelled on the coffee culture of Melbourne, and has to compete with a range of other coffee shops that imitate the Australian coffee shop style, with high-quality coffee, food and often table service. Clearly, the Australian approach to coffee, coffee shops and coffee culture is one that appeals not only to its national audience but those across the globe, too.

Questions

1 Describe the situation relating to the specialty coffee industry that deem it to be a monopolistic market.
2 Select data and information about the Australian coffee industry to determine why large corporate chains such as Starbucks and Gloria Jean's have failed to dominate this market.
3 Create a short survey to research coffee habits and behaviours in your community. Present your findings in graphs and tables.
4 Interpret your research to draw a conclusion regarding the influences on consumer buying behaviour in this market and how this impacts on marketing strategies.

Oligopolies

Industries that reflect an oligopoly market structure are highly competitive and often hostile. As there are fewer businesses in the market, any action or strategy initiated by one business will be noticed and reacted to by the others. This means that each business will carefully monitor its rivals as it fights to maintain its share of the market. Strategic interaction is utilised so that each business can perform in a way that considers the anticipated behaviours and strategies of its rivals. This will include use of analytical tools such as SWOT and USP analysis and competitor profiling.

For a true oligopoly to occur, the leading four businesses in the industry should account for between 60 and 80 per cent of the market. A report by the Grattan Institute (December 2017) titled 'Competition in Australia: Too little of a good thing?' highlighted that a few major sectors, including banks and insurers, have seen competition become more concentrated, while the supermarkets have become slightly less concentrated, losing market share to international arrivals Aldi and Costco. A link to this report can be found on Nelson MindTap.

Where only two businesses dominate a market, with significant market share and barriers to entry due to economies of scale and strong brand loyalty, this is deemed a duopoly.

Weblink Grattan Institute report – Competition

INQUIRY

Is Australia 'awash with oligopolies' and what does this mean for consumers and competitive markets?

Using the article below, and some additional research, conduct an inquiry into one industry that is characterised as an oligopoly. Steps include the following:

1 Research and select a business – for example, Woolworths, Origin or Qantas – that has been deemed to have high levels of market power and is operating in a hostile environment.
2 Examine the key similarities and differences in marketing strategies (notably price and place) between the selected company and that of the leading competitor. You may create a Venn diagram to illustrate this relationship.
3 Analyse the business's current situation, using a STEEPLE analysis. Interpret relationships and/or trends in the STEEPLE analysis to draw conclusions about the situation and implications for the business.
4 Create a table and paragraph response to communicate your findings.
Tip: remember to use data and information in your analytical tool.

Template STEEPLE analysis

Strategic interaction: found in highly concentrated markets, it involves acting in a way that accounts for the anticipated behaviour and strategies of rival businesses

9780170484367

A report into price gouging is expected to cause trouble for Australia's most powerful companies

A report into soaring grocery prices, rising energy bills and steep airfares will be released on Wednesday with expectations that its findings and recommendations will cause a headache for some of the country's biggest and most powerful companies. It comes amid a cost of living crisis that has intensified an already-growing distrust of supermarkets, airlines and energy companies.

At the heart of the price gouging inquiry, initiated by the ACTU [Australian Council of Trade Unions] and led by Professor Allan Fels, is determining in a high inflation environment what's general inflation and what else might be influencing pricing behaviour, the main offending price gouging industries, how they do it and how it impacts everyday Australians.

Asanka Ratnayake/Getty Images

Figure 5.8 A review has been conducted into the pricing practices of large companies in hostile industries, including the supermarket industry.

Part of the problem is Australia is awash with oligopolies, which means there isn't as much price competition as there might otherwise be. There are some other uncomfortable truths facing these industries that will require political will to adopt some of the more uncomfortable recommendations. The ACTU inquiry has already had an impact, even before its release.

Big business pocketed profits

On January 25, the government asked the ACCC [Australian Competition and Consumer Commission] to investigate the supermarket sector. It came a few days after Professor Fels wrote to Treasurer Jim Chalmers saying a key recommendation of his report was there should be a comprehensive ACCC inquiry into competition and prices in the retail food and grocery industry.

'Australia's food and grocery sector is amongst the most concentrated in the world and supermarkets and grocery related submissions led complaints to the inquiry with 325 submissions received raising issues with major retailers. This was more than twice the next largest category of complaints received,' he told the treasurer. He said after the pandemic there had been an increase in profit margins in both Coles and Woolworths food and grocery segments, driven by low competitive forces and an ability to not pass on immediate cost reductions.

The Fels/ACTU price gouging inquiry has put a lot of noses in the business community out of joint, particularly when it called for submissions from everyone affected by price gouging, as well as academics, not for profit organisations and think tanks. In other words, business, lobbyists and peak bodies need not apply.

'During a cost-of-living crisis, price-gouging has real victims. Those victims deserve a voice and a policy solution,' Professor Fels wrote in an editorial. For the ACTU it was a no-brainer to hold a price gouging inquiry against a backdrop of a decade of flatlining wage growth, rising inflation and bulging profit margins among some of the country's biggest companies.

And while most of the media attention has been on Coles and Woolworths, the report will include other sectors accused of customer gouging and breaching trust such as energy, airlines and banks.

Electricity prices are part of the problem

Sydney University Professor Lynne Chester, from the school of social and political sciences, supplied the inquiry with a detailed submission and powerful testimony into the energy sector, as energy affordability has become a significant public concern following a series of price shocks in 2022 and 2023. Professor Chester said electricity prices have been escalating since 2005, largely due to increases in the charges paid for the generation of electricity. She said the charge for electricity makes up a significant component of the electricity price paid for by consumers.

A key issue was that the regulation was designed for a competitive market, assuming competition would deliver lower prices, but the market was never competitive due to the presence of big powerful generator companies that have been merging with retail companies to create giants such as AGL, Origin and Energy Australia.

She said despite the many reports, studies, inquiries and legislative tweaks over the years attempting to make the system work better and fairer, 'market power is market power … and the exercise of market power, over any period, produces outcomes contrary to a competitive market which is supposed to yield the lowest possible prices for consumers'.

Put simply, tweaks to the rules and new forms of market performance monitoring have not prevented record increases in wholesale electricity prices over recent years, some skyrocketing to $5000 and sometimes $15,000 a megawatt hour. (The NSW wholesale price during April–June 2023 was $148 per MWh.)

Airline customers also need protection

Another big ticket issue is the price of airline tickets, poor service and a flawed customer advocate, which is funded and run by the airlines. Fels is expected to look into this as the transport minister Catherine King works on an aviation white paper, which will look at consumer protections including an independent ombudsman or other models seen overseas.

The white paper can't come fast enough. The latest Customer Advocate report reveals a 102 per cent increase in complaints on the previous year, with complaints about COVID-19 impacts, flight delays and cancellations, refund requests and fees and charges the biggest areas of customer dissatisfaction. There was also a significant rise in the average complaint finalisation time frame of 46 days, up from 17 days in 2021. Qantas recorded a 110 day average time frame.

Key areas to look at are the appointment of an independent ombudsman to deal with customer complaints, a compensation scheme for delayed and cancelled flights, clearer rights for refunds and minimum standards for travel credits and customer service. For instance, in Europe and the UK airline passengers are entitled under legislation to compensation if there is a delay or cancellation of a flight that wasn't caused by an 'extraordinary circumstance', such as an extreme weather event, security risk or flight safety issue.

Many of the 750 submissions to the inquiry came from Australians expressing the battles they are enduring as the cost of living crisis bites. It's a big issue that needs to be dealt with head on, and that means not just band-aid solutions in our oligopoly-dominated economy, but looking at the ACCC and the powers it is given to ensure effective competition.

Source: Adele Ferguson, 'A report into price gouging is expected to cause trouble for Australia's most powerful companies', *ABC News*, 4 February 2024

GAINING INSIGHT 5.3

The power of sports drinks

According to Food Standards Australia (2022) more than 1.5 million Australians aged 14 years and over consume sports drinks such as Powerade, Gatorade and Staminade in any given seven days. Men are twice as likely as women to drink these beverages, and people under the age of 25 are more likely to consume them than any other age group. Powerade, part of the Coca-Cola product portfolio, is the market leader, with 52 per cent market share, and its rival Gatorade, owned by PepsiCo, holds 31 per cent. Australasian brand Maximus, currently in third place, holds 13 per cent market share, up 5 per cent in five years.

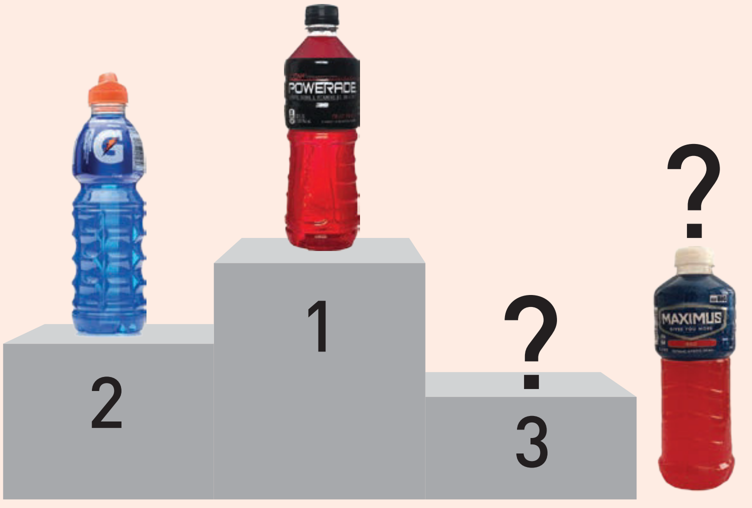


Figure 5.9 Powerade and Gatorade dominate the sports drink market in Australia, while the third-placed brand is hotly contested.

Questions

Select either Powerade or Gatorade and answer the following questions.

1 Using market segmentation (refer to *Business for QCE Units 1 & 2*), define the target market of Powerade or Gatorade in Australia.

2 Explain the differentiation strategy used by Powerade or Gatorade to achieve a competitive advantage. You may use a positioning map, as seen in Units 1 & 2, to illustrate the relative positioning of competitors.

3 Explain the challenges faced by businesses with much smaller market share, such as Maximus and Staminade, as they operate in this environment.

Template
Positioning map

Market power

Businesses that hold strong market power, such as supermarkets and those in banking and domestic air travel, must be aware of laws around how they use that market power, or risk finding themselves in breach of the 'misuse of market powers' laws in the *Competition and Consumer Act 2010* (Cth). Section 46 of the Act says that a business with a 'substantial degree' of market power must not engage in conduct that could substantially lessen competition in the market. This means that businesses that have power in their market must be aware of marketing and operations strategies and whether they could lessen competition; for example:

- pricing strategies such as penetration and loss-leader pricing, which, if used to aggressively undercut competitors, can reduce competition and be viewed as misusing market power
- strategies related to the introduction of new product lines and expansion into new markets, where the purpose may be to lessen competition
- restricting access to essential inputs, which could affect rivals or deter them from competing in the market
- loyalty rebates, whereby a business offers customers long-term supply terms that are tied to very large quantity requirements, limiting them from making purchases elsewhere.

INQUIRY

Market power: Winners and losers

The board game Monopoly is a game of strategy, where the eventual winner plots to bankrupt competitors and come out on top. How different is the modern-day market from this game?

Conduct an inquiry using the overarching question above, in which you:

- form small groups of two or three students to research an industry that operates as a hostile competitive market in Australia
- use a double-bubble map to develop a viewpoint on the merits of a market without any intervention, and one in which the government and other bodies impose regulations on competition and business conduct
- use your findings in the double-bubble map to draw a conclusion about the market power present and any need for regulation.

A starting point is to visit the Australian Competition and Consumer Commission website and the site of consumer advocacy group Choice.

Template
Double-bubble map

Weblinks
ACCC – Misuse of market power

Choice

Steve Cukrov/Shutterstock.com

Figure 5.10 Competing in a hostile environment is a game of strategy.

Challenging characteristics of hostile environments

A mature industry, with hostile market conditions, is often associated with a cost-competitive environment and declining profit margins. This was seen in the case of Mitre 10 (page 149) where the significant growth of rival Bunnings has intensified competition and driven profit margins down. To combat this, Mitre 10 has adopted a competitive differentiation strategy from its rivals, as discussed in *Business for QCE Units 1 & 2*, including the introduction of its private label brands and creative marketing campaigns to encourage consumers to shop locally.

Hostile environments often result in low profit margins. This means that the difference between a product's selling price and the cost of acquiring or producing the product ready for sale is low or has reduced due to competitive pressure. Without a reasonable profit margin, a business cannot meet its expenses and may have difficulty achieving acceptable financial outcomes. This draws into question the efficiency of the business model and the effectiveness of how the business operates. In a low-margin environment, businesses need to maintain competitive pricing strategies and aim to have a high turnover of stock. A low-margin, low-turnover business will struggle to generate enough profits to survive the maturity stage of the life cycle. Low-margin, high-turnover businesses, such as Kmart and Bunnings, have created a competitive position based on price competition and the careful management of cost structures.

Not all successful businesses in a hostile environment operate a low-margin, high-turnover business model. Strategies designed to improve profit margins include adopting a niche marketing strategy. This means knowing your unique selling proposition (USP) and building on it as a competitive point of difference. Having a well-communicated USP can reduce direct competition and help engage customers to build a positive customer relationship and long-term loyalty.

Symptomatic of a hostile environment is the decision to increase product line width and depth to stem lost sales and to attract customers through a wider product offering. Product variations, including different packaging sizes and types, can appeal to a wider market. Businesses must balance this strategy against creating over capacity, which will put pressure on profit margins, potentially creating a vicious cycle of low margins.

ANALYTICAL TOOL 5.2

Unique selling proposition

A USP is the reason that one product or service is better than that of the competition – it is the competitive edge. In a world of homogenous competitors, a business must be able to identify what makes it unique and communicate this to consumers. The USP is then used as a foundation for creating marketing strategies.

Conducting a USP analysis requires examination of the business itself, from the perspective of the consumer. Consider:

- What does your customer really want – why should they do business with you instead of anyone else?
- What can ensure repeat business and make customers ignore competitors?
- What motivates your customers' behaviour and buying decisions?

Examples of effective USPs include:

- Sealy Posturepedic – Australian-made mattresses
- Springfree Trampolines – Australia's safest trampoline
- Haigh's Chocolates – premium chocolate, handmade at Haigh's
- Think Fun – our games make learning fun
- Speedo – swimwear that works as hard as you do.

Thorough analysis of the business situation and environment is necessary when determining the USP. This requires selection of data and information, as industry research is necessary for a full picture of the competitive situation. Research and analysis of other businesses' marketing strategies and discernment of their USP will help distinguish one business from competitors.

Steps may include the following:

1 Brainstorm what customers really value about the product or service and that of the competition. Use research to inform this process and identify the criteria customers prioritise when making a purchasing decision.
2 Based on your research, identify the key competitors (typically the main two or three competing businesses).
3 Create a table to organise your data and information for the business being examined and the key competitors (as per Step 1 and 2). Remember to cite your sources.
4 Once you have completed the table, examine each business using the criteria to rank your business and your competitors using a scale of 1–10 (1 being the lowest and 10 the highest).
5 Identify the strengths and weaknesses of your business and those of competitors. You can plot this data on a graph to visually identify and communicate the USP.
6 Interpret the relationship(s) and trend(s) present to draw a conclusion about the USP of the business and implications for marketing strategies.
7 Communicate your USP. This may be using a table and/or a graph, but you must ensure that data and information is included.

A USP analysis template is available for you to download on Nelson MindTap.

Template
USP analysis

Activity

Gaining insight 5.4 gives you an opportunity to create a USP analysis.

9780170484367

GAINING INSIGHT 5.4

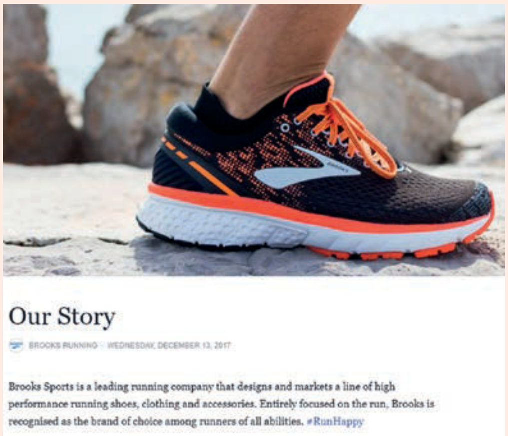
Brooks: We make running happy!

Brooks embraces a running-as-lifestyle philosophy and produces gear essential for runners, not consumers – gear that's designed to be put to hard use; that is, high-end shoes for people who love to run. This philosophy has seen Brooks move from the back of the pack to become the top selling brand at US specialty running stores. With more than 100 years of 'thinking on our feet', Brooks shifted its focus to premium performance running in 2001, being the first running brand to do so. In 2024 Brooks proudly asserted it had maintained the top market share in adult performance running footwear for 11 consecutive quarters in the highly competitive US market', with a strong focus on maintaining its brand loyalty.

Brooks's success can be attributed to the key factors of innovation (eight new shoe styles launched in 2024) and increasing brand recognition. It has managed to remain competitive in a hyper-competitive industry because it recognised a long time ago that 'running is a local sport', according to new CEO Dan Sheridan. With a rise in run clubs, challenger brands such as On, Hoka and Brooks have capitalised on this trend at the expense of global sports brands including Nike. Sheridan says, 'Ultimately, running happens in the local community, so we've set our entire strategy up to service every channel that a runner will shop in'. The Brooks e-commerce channel grew 16 per cent during 2024. Key rival New Balance, which is five times the size of Brooks, along with Hoka and On Running, are now challenging Brooks' position in the running shoe wars.

Brooks is so specific to running that consumers who participate in other sports often don't know the brand. With a new CEO, after 23 years under the leadership of Jim Weber, Brooks is expanding its focus. The business is currently 95 per cent footwear, but with a new range of apparel being launched, Brooks aims to be a performance running brand, not just a footwear brand. Read the article 'Brooks Running's CEO plans to build a $4 billion brand by expanding into lifestyle products: "Innovation is how we justify a $160 price tag"' on the Fortune website. You can find this link on Nelson MindTap.

Weblink
Brooks expansion article



Brooks Sports, Inc.

Brooks Sports, Inc.

Figure 5.11 Brooks believes that 'a run can flat out change a day, a life, the world'.

Questions

Conduct a simple market research survey to identify who Brooks' key competitors are and gather relevant primary data for inclusion in the USP analysis.

1 **Describe** business facts and characteristics relating to Brooks in the maturity stage of the business life cycle.
2 Visit the Brooks site to **explain** what it means by the phrase 'run happy'. How does this relate to their positioning and branding strategy?
3 **Explain** the role of research and development in operational and marketing strategies at Brooks and how this has created a competitive advantage in its market.
4 **Analyse** the USP of Brooks compared to two key competitors.
5 **Interpret** the relationships and/or trends present in the USP analysis to draw conclusions about the marketing strategies of Brooks.

Weblink
Brooks

Template
USP analysis

QUESTIONS 5.2

1 Describe the characteristics of a hostile competitive environment and provide an example of a hostile industry.
2 Explain the role of having a strong USP when operating in a market characterised as hostile.
3 Using an example, explain the role of strategic interaction in a hostile competitive environment.
4 Define market power and outline strategies a business may use to achieve or maintain this power. Examine the challenges of sustaining market power while operating within the limits of the *Competition and Consumer Act 2010* (Cth).
5 Select a mature business operating in a competitive market and interpret its USP. Examine how this USP supports its position in the market.

The competitive situation

Key learnings

You will learn the following about the influences on the competitive situation through examining:

- competitive rivalry
- strategic analysis
- the role of research and development.

Competitive rivalry

The competitive rivalry in some industries is renowned, such as that between Woolworths and Coles, Qantas and Virgin, Coca-Cola and PepsiCo, and Telstra and Optus. In hostile competitive industries, businesses are eager to understand their rivals' objectives, strategies and capabilities. A competitor analysis can be employed to help understand:

- what drives the competitor, as seen by its objectives
- how the competitor is positioning itself, as seen through marketing messages
- what the competitor is doing and can do, as seen by its existing strategies
- what the competitor's strengths and weaknesses are, or its capabilities.

dizain/Shutterstock.com

Figure 5.12 Competitor analysis

Profiling competitors involves gathering data and information about their business strategies and interpreting the information to form competitor intelligence. This may include information such as what prices they charge, their distribution network, who their target market is and how they communicate to potential customers. Conducting a competitor profile will allow the business to analyse its competitive situation and identify any gaps in the market. Such insight can be used to interpret the degree of threat posed by each rival and to make effective strategic decisions on how to compete with rivals.

See the Business Queensland website for a competitor profile chart. You can find this link on Nelson MindTap.

Weblink
Business Queensland – Competitor profile chart

Competitor intelligence: data and information gathered by a business to understand its competitors and their objectives, strategies and capabilities

Steps to create a competitor profile

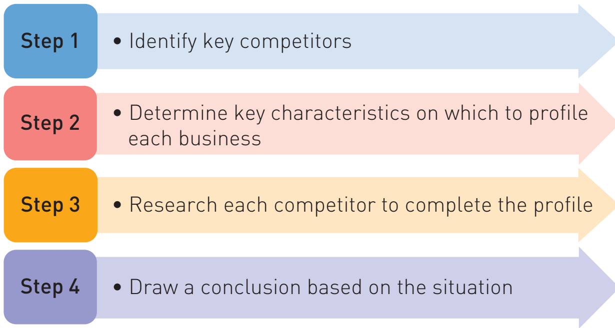


Figure 5.13 How to create a competitor profile

GAINING INSIGHT 5.5

The competitive position of Optus: Is No. 2 enough?

Mobile telecommunications is a concentrated and highly profitable sector, dominated by three main players – Telstra, Optus and Vodafone – that jointly hold approximately 72 per cent of the mobile phone market. A number of smaller service providers, including Virgin and Aldi Mobile, are also seeking market share in the industry and creating competitive rivalry. Optus has historically been the 'number two telco' in the Australian market, holding market share of between 20 and 29 per cent for its mobile service.

iStock.com/Kokkai Ng

Figure 5.14 Optus is the second-largest telecommunications company in Australia.

Questions

1 Select data and information to complete a competitor profile of the three main businesses, based on market share, in the mobile telecommunications industry. Draw a conclusion as to the competitive advantage of the dominant company in the industry.
2 Explain the role of competitor intelligence in strategic planning.
3 Explain the key success factors in this industry and outline whether Optus has a competitive advantage.
4 Use the competitor profile to draw conclusions about how Optus should aim to compete against its rivals.
5 Create a business email to the chief executive officer of Optus to communicate your findings.
Tip: you can use the competitor profile chart developed by Business Queensland.

Strategic analysis

Having gathered and interpreted information about key competitors, using the competitor profile, a business should engage in detailed strategic analysis of its current situation. This includes understanding:

- where the business is currently
- what the business might be influenced by in its environment
- how the business could respond to likely changes
- what the likely timing and importance of such changes or trends is.

As seen in *Business for QCE Units 1 & 2*, a SWOT analysis is a key strategic analysis tool. This will enable managers to examine the most likely successful future strategies, and possible constraints. A key consideration in creating a competitive advantage is ensuring the business's strengths and potential opportunities align. This also helps the business strategise about overcoming any perceived weaknesses.

Conducting both a competitor profile and a SWOT analysis will provide managers with considerable insight into the competitive situation. Applying this information when devising strategy and potential organisational change should boost the long-term plan of action across all business functions and support achievement of business goals.

QUESTIONS 5.3

1 **Explain** the role of competitor intelligence in a hostile competitive market.
2 **Explain** why it is important to analyse the current strengths and weaknesses of a business before making strategic decisions.
3 Identify another business that has a clear positioning strategy and a strong USP that distinguishes it from the competition. **Explain** how it achieves its point of difference and critique whether you believe it is sustainable.

The role of research and development

Research and development (R&D) is a valuable strategic development tool for mature businesses seeking to remain competitive. Many large companies have departments devoted to R&D, investigating potential new products or services, looking to strengthen and diversify existing products or services or uncovering more productive business technologies or systems. This aligns R&D with both the marketing and operations functions.

Mature businesses may invest in R&D when their product lines become outdated or competitors launch similar products. Research and development is vital for the continued success of all businesses, especially those in hostile environments. Benefits of R&D investment to business include the following:

- *Competitive advantage* – Apple's launch of the iPhone in 2007 catapulted it ahead of competitors such as Nokia, Motorola and BlackBerry. As seen in Figure 5.15, consumers still queue when a new model of iPhone is released. In 2025 Apple announced an R&D spend of more than $500 billion in the U.S. over the coming four years, highlighting its commitment to world-class innovation and differentiation.
- *Customer loyalty* – Netflix has been a pioneer in its industry, which has enabled it to establish its brand and relationship with customers and retain loyalty through innovation and original productions.
- *Reputation* – engaging in R&D can strengthen a brand and its reputation. In the automotive industry, Volkswagen leads the way in R&D, spending almost $US23 billion in 2024.

Matthew Horwood/Alamy Stock Photo

Figure 5.15 Consumers queuing for the release of the latest Apple iPhone

- *Publicity* – the anticipation of a new product launch, or the release of a new model, can generate a frenzy of media, as can updating facilities. In 2024, Mars Inc opened a $70 million research, development and innovation studio with a test kitchen, production facility and packaging lab to help accelerate product development that meets changing consumer trends. M&M characters Blue and Red attended the launch.

- *Intellectual property* – this can set a business apart from the competition, encourage increased sales and allow a business to command a premium price. The Dyson brand is synonymous with household technology invention, with the company filing patents since the early 1980s and vigorously defending them when necessary to maintain its market position (Figure 5.16).
- *New markets* – both domestically and globally. The launch of a new product line can appeal to a new market segment.
- *Lower costs* – Volvo has communicated its strategic ambitions, including becoming 100 per cent electric by 2030, while constantly reducing its overall CO_2 footprint, with the company reducing costs and driving efficiencies across its global operations through R&D.

TY Lim/Shutterstock.com

Figure 5.16 Dyson's focus on research and development, supported by intellectual property protection, provides a competitive advantage.

- *Efficiencies in manufacturing* – uncovering improved ways to manufacture existing products can allow a business to reduce its costs of getting a product to market and achieve economies of scale. This should also lead to greater profit per item. R&D in the automotive industry aims to optimise the potential of artificial intelligence for time and cost savings.

R&D can also present challenges to businesses:

- It can be a very expensive exercise and has an opportunity cost – could the finances invested in R&D have been better allocated to marketing existing products?
- R&D does not guarantee an invention or a breakthrough in processes.
- Invention of new products does not guarantee market acceptance – Coca-Cola faced consumer backlash in Australia as it phased out Coke Zero in favour of Coke No Sugar.
- Leading competitors will also be investing in R&D, which may result in them launching successful new products or devising more efficient processes.

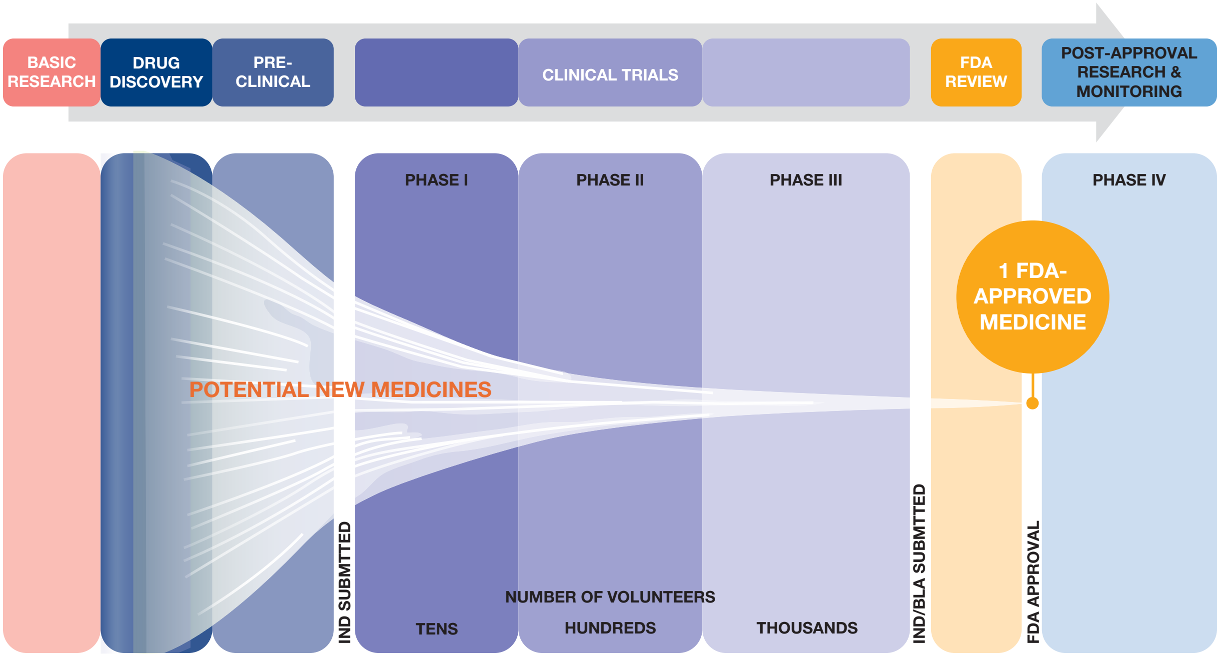


Figure 5.17 From drug discovery to US Food and Drug Administration (FDA) approval, developing a new medicine in the United States takes at least 10 years on average and costs approximately $2.6 billion.

GAINING INSIGHT 5.6

Dyson: Invention and reinvention – the new WashG1

James Dyson founded his company with a vision to continually push the boundaries of design and engineering. While the company is best known for creating the first bagless vacuum cleaner, the business engages in R&D to turn everyday inconveniences into product solutions. As a global technology company with more than 10 000 patents and patents pending worldwide, the business is now looking to disrupt the humble mop.

The new product launched in 2024 is a hard-floor cleaner that uses water, not suction. The aim of the WashG1 is to remove wet spills, stains and dirt concurrently, so you don't need to vacuum the floor before you mop, halving cleaning time and effort. The product is in response to the trend of households increasingly having hard floors, such as wood or tiles, rather than carpet, meaning a new approach to cleaning is needed. The WashG1 creates a new market segment for Dyson that provides effective, hygienic solutions to cleaning hard floors.

The WashG1 is different from most of Dyson's products – its vacuum cleaners, hair dryers, air purifiers and room fans – as they all blow and suck air to work. While it has the trademark elegance of the Dyson brand, like the stick vacuums that are key to the Dyson range, the WashG1 uses a 'pulse modulated hydration pump' to deliver water to two microfibre filament rollers, with multiple release points to ensure the rollers have even coverage. The rollers remove wet and dry debris at once, sending it into separate tanks to keep the rollers clean.

As part of Dyson's commitment to R&D, the product underwent intensive testing, including tackling common household spills around the world such as sand and mud in Sydney and cat litter in Tokyo. The product has been years in the making and represents a significant investment in R&D for the company. The WashG1 will retail in Australia at $999.

Charlie Park, Vice President of New Product Development at Dyson Home, said, 'Dyson engineers solve the problems others ignore and we thrive on the challenge of creating better technology. The Dyson WashG1 is the result of this; our first dedicated wet machine to wash hard floors, properly and hygienically.'

Investing in R&D is a cornerstone of Dyson's branding and its competitive advantage, as is ensuring its inventions are patent protected. Table 5.1 reveals the strategic planning employed in the R&D space by Dyson to protect itself from similar inventions. LG Electronics has the most patent applications rejected on the grounds of similarity to those of a Dyson patent, showing the company's commitment to protecting its intellectual property.

PA Images/Alamy Stock Photo

Figure 5.18 Dyson's first dedicated wet-floor cleaner, the WashG1, is designed as a game changer in the floor-cleaning market.

Table 5.1 Dyson actively protects its intellectual property using patents as a source of competitive advantage.

Company	Number of patent applications that faced rejection citing James Dyson patents
LG Electronics	23
Omachron	18
Techtronic Industries	9
Samsung	7
TTI (Macao Commercial Offshore) Limited	4
iRobot	3
Electrolux	2
GBD Corporation	2
Xiaomi	2

Questions

1 Describe the business situation related to the launch of the WashG1 and identify the market segment being targeted.
2 Explain the total product concept for the WashG1, including the differentiation approach used.
3 Explain the role of research and development in marketing and operations in this business situation and draw a conclusion about the consequences of failing to engage in this process.
4 Explain the relationship between R&D and the use of patents for strategic development.

INQUIRY

R&D: Weighing the costs and benefits

You are to conduct an inquiry into a business, product or process that has had extensive research and development. You will examine the role of R&D and the associated costs and benefits, and interpret how it relates to strategic planning and a sustainable competitive advantage. Some examples to consider are the Gardasil 9 vaccine, the Tesla Powerwall and self-driving cars.

1 Create an attribute table to identify the strengths and weaknesses relating to your context, focusing on the role of R&D in the example situation.
2 Examine the strengths and weaknesses identified to draw conclusions about the implications of investing in R&D.
3 Evaluate the R&D strategy for the business to make a decision and propose a recommendation, using criteria, about continued investment in R&D.
4 Create a one-page business report extract to communicate your findings.

Operating efficiently in a hostile environment

Operations management requires a strategic focus as it affects the functional areas of marketing, finance and human resources and the levels of business competitiveness. The operations system establishes the costs of production and quality standards, and directly impacts on provision of a quality product within the scope of financial resources of the business. Operations managers oversee the production system (as seen in Units 1 & 2) and make strategic decisions around systems, facilities, processes and technology that aim to achieve a competitive advantage.

Key learnings

You will learn the following about operating efficiently in hostile competitive environments:

- project management
- outsourcing
- economies of scale in operations.

Project management

Projects are separate from day-to-day business activities. They are unique one-time operations designed to achieve a specific set of objectives. Projects bring people and resources together temporarily for activities that vary in their degree of complexity, such as:

- relocating office spaces
- building or road construction
- an event
- introducing a new product to the market
- setting up a new IT system
- designing a new operations facility (plant).

As a project is temporary, it will have a defined beginning and end date, and therefore defined scope and resources. A **project team** will usually be created, comprising people with the skills necessary to complete the project. Team members will often be from different parts of the organisation, both functionally and geographically, and may include people external to the business. Members of the project team will be chosen based on their background and experiences as they relate to the project's purpose. The team is disbanded once the project is completed.

Project management methodology has traditionally followed what is known as the **waterfall method**. This method is linear, having phases that move sequentially from project conception through to closing. Considerable development and documentation of the process occurs during the initial phases to minimise risk. Each stage is completed before the next one can commence. This methodology is suitable when the scope is clearly definable in advance or when contract terms limit changes. It is typically used in manufacturing and construction.

To be successful, a project must be carefully planned and managed, typically using five phases, as seen in Figure 5.19. This involves managing resources including:

- *time* – scheduling activities to show what tasks will be completed and when work will be performed

Figure 5.19 The five phases of traditional project management

Project: a unique, one-time operation, designed to achieve a specific set of objectives

Project team: a work team, created for a particular task or project, whose members are chosen based on their background and experiences being directly useful to the team's purpose

Waterfall method: a traditional, linear approach to project management, with phases that move sequentially from project conception through to closing

- *money* – setting and managing the budget, along with the expected profit or cost savings to be achieved
- *resources* – people, equipment and materials
- *scope* – defining the objectives, size and scale of the project, quality or range of functionality, along with key deliverables – the tangible outcomes to be achieved.

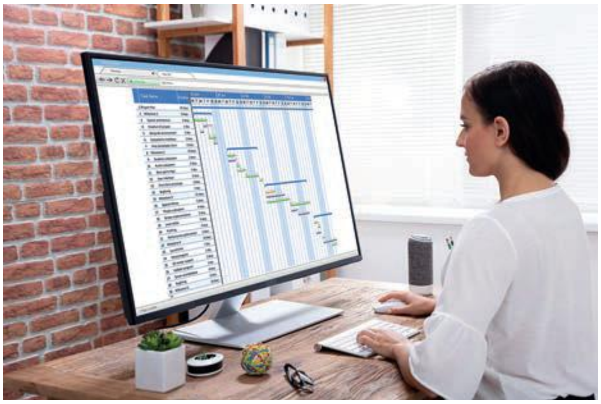

iStock.com/AndreyPopov

Figure 5.20 Project management software can help plan and control activities and resources for efficient operations.

Project management and operational efficiency

Time management is a key to success with project management, especially when the delivery date is a key performance indicator (KPI). To achieve operational efficiency, it is vital that members of the project team make productive use of their time. Some businesses, notably in construction and mining, utilise mobile apps to accurately track hours worked and tasks achieved by employees. With project team members often geographically dispersed, instant communication through apps and teleconferencing can save time and money, eliminating the need for on-site visits and face-to-face meetings. Making more productive use of employee time and reducing the need for unnecessary travel will optimise the project budget.

Regardless of its size, all projects have milestones at the beginning, during the process and at the end. This creates a path from initiation (phase 1) through to closure (phase 5), as shown in Figure 5.19. There are many project management technology systems, ranging from software such as Microsoft Project to web and mobile applications such as Asana and Jira to track technical development. Using the right tools and technologies for the project will enhance the operational efficiency, helping the project manager keep activities within scope and on time.

The agile method of project management is a contemporary methodology, typically used in innovative, fast-paced environments such as software development or for complex situations where project requirements are subject to change. Rather than being sequential, it is a flexible approach that seeks to deliver projects more quickly, with successive iterations, rather than one huge release at the end of the project. Agile management aims to make frequent releases, with incremental improvements in each iteration. This involves constant collaboration with the customer, feedback loops and the capacity to respond quickly to change. Rather than using tasks and schedules, the project team assembles for a fixed duration, known as a 'sprint', to achieve key deliverables, based on established priorities. A series of sprints may be required to deliver all aspects of the project at the level of functional quality intended. An example of an iteration is seen in Figure 5.21.

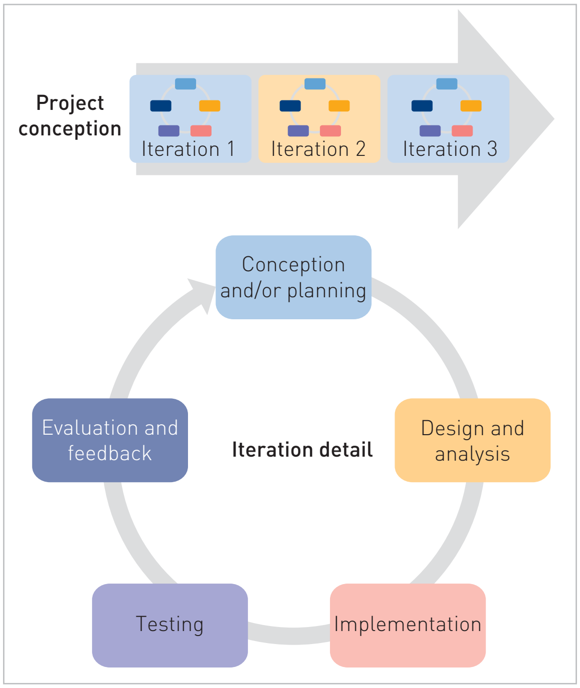


Figure 5.21 An agile methodology sees a project completed in iterations, often referred to as sprints.

Agile method: a flexible approach to project management that seeks to deliver projects more quickly, with successive iterations, rather than one huge release at the end of the project

Program evaluation review technique (PERT)

The **program evaluation review technique (PERT)** is a visual tool used for scheduling projects, developed by the US Navy in the 1950s. PERT is a network or flow plan for completing a project that focuses on meeting deadlines to improve operational efficiency. PERT shows the interrelationship between activities, and focuses on important dates, called milestones, with:

- the most important milestone as the final date for project delivery
- managers using **backward incremental planning (BIP)** from the project delivery date
- the project manager identifying tasks that must occur in sequence, based on predecessors, and those that can be done at the same time, which are known as concurrent tasks.

Developed along with the PERT network was the **critical path method (CPM)**, which also utilises a flowchart of activities and milestones (see Figure 5.22). The critical path method focuses on the sequence of activities that requires the longest time to complete. These activities are assigned priority in terms of resources to ensure the project operates as efficiently as possible and is delivered on time. CPM seeks to achieve efficiency by identifying and eliminating unproductive time in projects and classifying activities in terms of priority. To calculate the critical path, the activities that form the longest path are added together to determine the shortest time possible, without delays, in which the project can be completed.

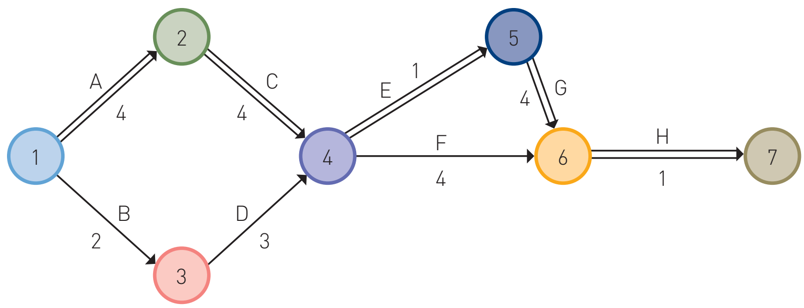


Figure 5.22 A PERT network showing the critical path of the project. The critical path is illustrated with the double-lined arrow and is projected as 14 weeks.

GAINING INSIGHT 5.7

PERT and marketing campaigns

PERT is especially useful for projects where the time required for various tasks is not certain. For instance, PERT can be used to estimate the duration of a project to plan and manage marketing campaigns, especially where the project involves multiple tasks and activities, possibly with several companies.

PERT can be used to estimate the duration of each task and activity, create a network diagram that reveals the logical order and dependencies (including predecessors), identify the critical path to set realistic deadlines and milestones, and calculate the critical path to ensure the schedule and resources are well managed.

For example, a marketing team is preparing to launch a new product into the market. Using project management tools, such as PERT, the team can map out all the tasks involved, such as market research, determining the target market, finalising product design, manufacturing the product, creative

Program evaluation review technique (PERT): a visual tool for scheduling projects in a network or flow plan that focuses on meeting deadlines to improve operational efficiency

Backward incremental planning (BIP): looks at the requirements from the due date backwards and schedules the process accordingly

Critical path method (CPM): a scheduling technique that focuses on the sequence of activities that requires the longest time to complete. These activities are assigned priority in terms of resources to ensure the project operates as efficiently as possible and is delivered on time strategy and promotional avenues, and distribution to retailers, as in Figure 5.23. This will organise the launch process with carefully planned timelines and resources effectively allocated. These tasks are sequenced to optimise use of resources critical to the launch's timing, which supports control of the project. As such, using a PERT network supports the planning, organising, leading and controlling (POLC) responsibilities of a manager.

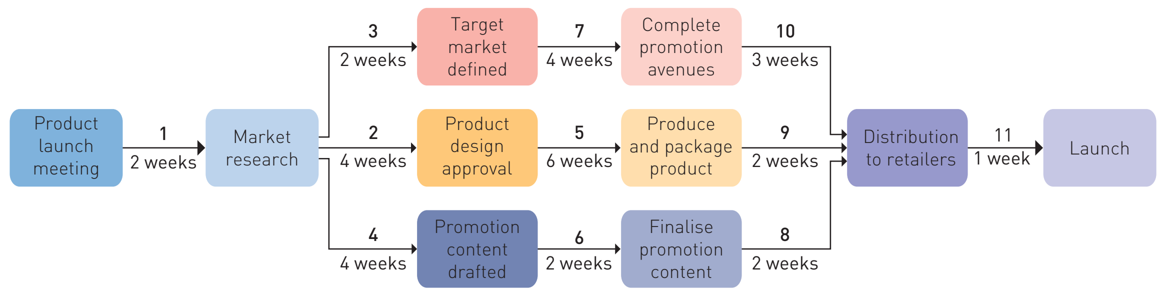


Figure 5.23 In this sample PERT, the different tasks involved in a product launch, along with their duration, are illustrated. The project will take 15 weeks through activities 1 > 2 > 5 > 9 > 11.

Questions

View the video titled 'Cadbury Dairy Milk & Oreo: Delighting Australia with Cadbury's biggest product launch ever' on YouTube to answer these questions:

1 **Explain** the relationship between R&D and projects such as new product development, using Cadbury as an example.

2 Identify the role of project management in the launch of a new product and relate the POLC model of management to the situation.

Weblink
Cadbury product launch video

GAINING INSIGHT 5.8

Queensland researchers farm 10,000 sushi rolls worth of seaweed

pkproject/Shutterstock.com

Figure 5.24 Professor Nick Paul from USC and Urban Utilities' Anna Hartley have partnered in a project that is the first to trial farming seaweed off Queensland's coast. As they explored seaweed production opportunities, they discovered that seaweed grows best in sausage-shaped nets.

Could floating seaweed 'sausage' farms be Queensland's next big industry? A two-year trial led by the University of the Sunshine Coast (USC) and Urban Utilities has farmed 125 kilograms of seaweed — 10,000 sushi rolls worth — off the state's coast.

'No-one else has farmed seaweed off the coast of Queensland,' USC biology professor Nick Paul said. 'We had to start right at the beginning, working out what species are there, [with] very small-scale collections of seaweed.' Those collections were then tested in a lab before they were sent out to a Moreton Bay oyster farm, where researchers discovered sausage-shaped nets were the best way to grow seaweed there.

Why oyster farms?

Firstly, the infrastructure is already there, so it's just a matter of attaching the sausage nets. Oyster farmers are also keen to diversify, Professor Paul said.

'It's quite tough to grow oysters, it takes around about three years.' With climate change and increasing water temperatures there's a lot more risk of operation around disease, so they were really keen to see if they could diversify into other products and seaweed is really compatible with oyster farming.' Seaweed was found to increase oxygen in the water, which is a win for the oysters and those who farm them.

Every year 30 million tonnes of seaweed is produced worldwide, and AgriFutures Australia said the country had the potential for a $1.5 billion industry within the next 20 years. And it isn't all going into sushi. 'We know that seaweed can be fed to cattle, there's even people exploring its use in sustainable packaging,' Professor Paul said.

Seaweed is also great at keeping the balance of nutrients in our waterways in check, the trial found. 'Seaweed is really good at removing nutrients from the water, they strip it out as they're growing,' Professor Paul said. 'For every tonne of wet seaweed that we're pulling from the bay, we're pulling out about 1.5kg of nitrogen as well.'

Anna Hartley from Urban Utilities said that could be handy as our population grows. 'As more people call our region home, we're passionate about exploring clean, green and innovative ways to make sure the balance of nutrients in our environment remains just right.'

What's next for seaweed farming?

Researchers have identified a handful of seaweed species that could be developed into full-scale production. 'There's an edible form called sea lettuce, another one is a seaweed that is used to extract agar which is a gelling agent,' Professor Paul said. 'Then we found two brown seaweeds – which are the dominant ones off the coast here – grow really rapidly, form wonderful underwater forests and they're the species that we're hoping to work on afterwards.'

But more research is needed to see if large-scale seaweed farms are viable. Professor Paul said studies like this will lay the foundation for new projects. 'There's a whole wealth of opportunity here, we've got wonderful natural resources off the coast of Queensland and it's just the right time to tap into those.'

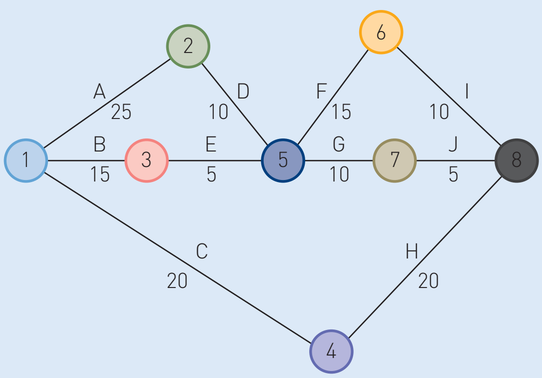
Source: Elizabeth Cramsie, 'Queensland researchers farm 10,000 sushi rolls worth of seaweed', *ABC News*, 19 December 2022

Questions

1 Identify the stakeholders in the seaweed project and explain what their interests are for participating in the project.
2 Describe the factors from the business environment that influence this project and affect the operations of businesses such as oyster farms.
3 Select another business exploring the use of seaweed farms, such as Pacific Bio Technologies or the Tassal Group, to examine the strategic benefits these businesses hope to gain by investing in sustainability projects.

QUESTIONS 5.4

1 Create a table to explain the differences between a project manager and an operations manager.
2 Explain the role and importance of having a well-configured project team.
3 Examine the PERT network shown, with time periods given in days, to identify the critical path and determine the projected length of the project.
4 Explain what would occur if activity D was delayed by four days and how the business may resolve this.



Outsourcing in competitive environments

Businesses at the maturity stage of the business life cycle are increasingly exposed to intense rivalry and international competition. A key way to remain competitive in often hostile environments is to achieve advantages through strategies such as outsourcing and the use of process technology. To realise an advantage, many businesses look to downsizing or eliminating non-core operations through outsourcing, either domestically or globally.

Outsourcing is a strategic decision to transfer certain activities in the business operations to external specialists. It is an increasing trend, with mature businesses seeking to maintain competitiveness by operating more efficient and lean business models. This can be achieved by outsourcing non-core activities to external providers who perform them more efficiently and effectively than if the task had been performed in-house.

According to Outsourcing Angels, a division of Red and Black Solutions that provides outsourcing solutions for business, around 80 per cent of Australian businesses outsource some activities. Together with cost-cutting, 65 per cent of business owners use outsourcing to access specific knowledge and skills, and for growing businesses, access the capacity to scale the business.

Outsourced businesses are typically specialists who perform tasks more efficiently and with greater effectiveness than could be achieved by keeping the tasks 'in-house'. Outsourcing is often referred to as business process outsourcing (BPO). Examples of outsourced activities include:

- operations activities, including all stages in the supply chain such as manufacturing, sourcing and logistics
- marketing activities, including website development, social media management and market research
- customer support, including call centres and technical support
- human resources tasks, including recruitment and training (refer to Chapter 4)
- accounting and finance activities, including payroll and preparation of financial statements (refer to Chapter 4)
- technology, including access to IT networks and software development
- administrative and legal services, including data entry, back-office work and specialist legal advice.

The decision to outsource is a strategic one and requires businesses to assess the viability of the strategy in terms of whether it will be more efficient and achieve cost savings, where to outsource (locally or globally), the nature of the agreement such as length of time, KPIs and reliability. While outsourcing can present competitive advantages, there are also challenges to consider, such as:

- locating a suitable outsourcing partner, including drawing up complex contracts and service agreements
- that outsourcing too many, or the wrong types of, activities can undermine capabilities and cause a business to lose touch with knowledge, skills and expertise that are key to its long-term success.

Table 5.2 Advantages and disadvantages of outsourcing

Advantages	Disadvantages
Ability to focus on core business functions by outsourcing secondary activities. This can increase productivity by managing time, money and other resources.	Potential quality issues, as control for outsourced tasks has been transferred; this includes less control over the production process
Reduction in operating costs, including access to cheaper labour	Loss of jobs within the business, which can impact staff morale and result in negative publicity from redundancies
Access to skills and expertise not available within the business, especially for small- to medium-sized enterprises that cannot afford permanent staff in such roles	Ethical questions arising from lack of transparency and traceability if outsourcing to very low-wage countries
Increased flexibility to utilise outsourced expertise only when needed, or access additional capacity if manufacturing	Customer resistance, such as to overseas call centres
Strategic benefits including outsourcing to countries in different time zones to allow 24-hour operations, such as with call centres operating from India	Security of business systems and data (privacy) and protection of intellectual property as outsourced providers have access to confidential information
Access to the latest technologies by outsourcing to specialists	Communication considerations, including language, culture and time zones when operating global outsourcing

Outsourcing: a strategic decision to transfer certain activities in the business operations to external specialists

GAINING INSIGHT 5.9

Bathroom Warehouse: A strategic shift in marketing by outsourcing to virtual assistants

Bathroom Warehouse is an Australian-owned and -operated company that was established in 1996 to provide the public with a comprehensive range of fixtures and fittings for the bathroom. At one point the business had 12 showrooms across the country, with a factory-direct model intended to offer the widest range of products at affordable prices. In response to increasing inquiries from online customers, in 2008 the business launched its e-commerce website.

In 2019, with showroom performance receding and the online business growing, supported by 10 years of search engine optimisation, Bathroom Warehouse decided to wind up the physical stores and migrate to Shopify as its online platform. This was finalised during 2020, making the business an online-only retailer. While this strategic shift preceded the global pandemic, COVID-19 accelerated e-commerce and saw consumer confidence to purchase online grow. It also accelerated the understanding of retailers like Bathroom Warehouse in how to manage backend logistics. This reduced the costs associated with leasing and staffing showrooms and enabled more efficient stock management, as the business was able to centralise its inventory with the shift from the physical stores to online.

Rhys Cribb

Figure 5.25 Bathroom Warehouse has transitioned from 12 showrooms nationally to being an online retailer that outsources non-core marketing functions, including use of virtual assistants.

At the same time, the business transitioned its physical head office to a virtual head office aided by outsourcing to virtual assistants. Having a virtual head office has allowed Bathroom Warehouse to operate as a cohesive team around Australia in an efficient way, as has outsourcing non-core activities. It enables the company to offer a mixture of very well-known brands and not quite so well-known brands that are all good quality, with the dedicated resources to focus on the product offerings. This meets customer expectations as their customers are typically starting the renovation journey and want reasonable control of the process rather than using contractors; they want a good product that is good value but also still quality from the one store – to purchase what they want rather than what a contractor tells them to have. Bathroom Warehouse meets this need.

Stock management was always a challenge when Bathroom Warehouse had physical stores, with stock needing to be controlled across 12 stores presenting logistical challenges. CEO Rob Wilson said it could be 'a bit messy at times' but that inventory is now controlled through one central location. Moving to a virtual office has enabled efficiencies in operations, but one consideration has been to ensure that each team member still feels supported and part of a team.

Bathroom Warehouse uses Outsourcing Angels whenever it needs to recruit team members; the agency shortlists candidates who are suitable for the vacancy, making the selection of a suitable candidate simpler and more reliable. Having a virtual assistant

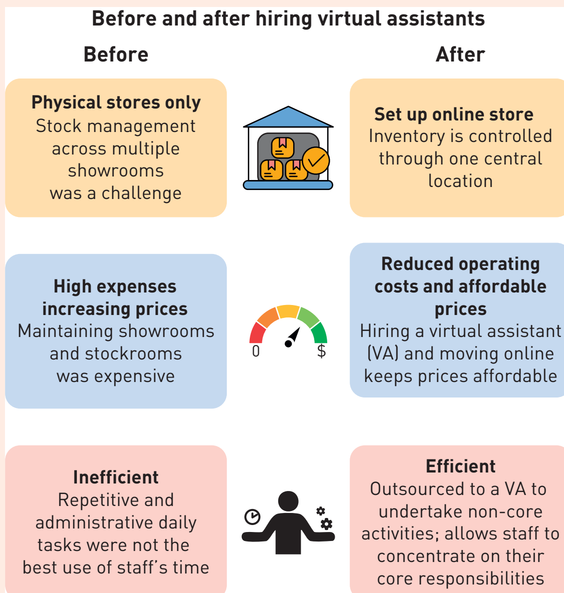


Figure 5.26 Bathroom Warehouse engaged Outsourcing Angel to help move the business online and now outsources non-core activities to an experienced virtual assistant.

9780170484367

(VA) has enabled the Wilson to step back from the day-to-day process tasks and concentrate on the strategic work; before using a VA he was doing all the operational tasks, with all employees reporting to him, meaning there was no time for strategic planning. Using a VA means he can concentrate on 'escalating the trajectory of the business'. According to Wilson, there are certain jobs with Bathroom Warehouse's organisational structure that VAs are very well suited for. This takes the work load off Bathroom Warehouse's employees and allows them to concentrate on the task for which they have the skills and expertise; for example, the salespeople can concentrate on sales, rather than the administration tasks the VAs do so well.

Questions

1 Describe business facts and characteristics of the internal, operating and macro environment that have affected marketing and operations for Bathroom Warehouse.
2 Explain the role of outsourcing at Bathroom Warehouse for marketing and operations activities and how this relates to strategic development.
3 Explain the benefits and challenges of outsourcing marketing and/or operations activities for the business as compared to retaining these activities in-house. *Tip: you may like to use a T-chart to organise your ideas before writing this response.*
4 Evaluate the decision by Bathroom Warehouse to outsource marketing or operations activities as it competes in a hostile competitive environment, to make a decision and propose recommendations. *Tip: remember to use criteria.*
5 Investigate the trend by businesses to outsource marketing and operations activities. Create a list of the types of activities typically outsourced and examine the merits of this.

Offshoring

When looking to achieve operational advantages in a hostile environment, some businesses will use an **offshoring** strategy. This involves relocation of a business process, function or activity to another country. Businesses may use an in-house strategy, as seen in Gaining insight 5.10, where Ausenco established a shared service centre in Malaysia, or a business may offshore to another company. Nike has for decades used an outsourced offshoring strategy and attracted considerable negative publicity for the practice. During the 1990s, Nike was accused of using sweatshops and engaging in unethical contract manufacturing. Since then, Nike has sought to improve its efforts to monitor outsourced manufacturing, including increasing factory audits and releasing the names and locations of its factories.

Weblink Nike's interactive manufacturing map

Bloomberg/Getty Images

Figure 5.27 Nike is a truly global business, with manufacturing outsourced to 518 factories across 37 countries, including this factory in Pakistan, which makes socks for Nike.

Offshoring: the relocation of a business process or activity performed in one country to another country, with either the same or another business

GAINING INSIGHT 5.10

The Ausenco Business Systems (ABS) project

About Ausenco

Ausenco began in Brisbane in 1991, with a small team of talented engineers offering innovative solutions to the mining industry. Today it is a global company providing consulting, engineering, project delivery and asset operations, management and optimisation solutions to the minerals and metals, oil and gas, and industrial sectors. With a global team based across 26 offices in 15 countries, Ausenco has a commitment to innovation and ingenious solutions that create value for clients.

The project: Ausenco Business Systems

2009: Request for proposal (RFP)

Ausenco had grown rapidly, both organically and through acquisition, which resulted in parts of the business across the globe using disparate systems and processes. This presented a significant opportunity to standardise systems and enhance operational efficiencies with an Ausenco Business System (ABS). A decision was made to implement a global Enterprise Resource Planning (ERP) tool, for example Oracle e-business, Microsoft Dynamics and SAP, which all have finance, human resources and project capabilities. The RFP process reviewed a number of ERP systems and eventually settled on Oracle e-business as the best fit for Ausenco's needs.

The scope of the project was to fully integrate key areas of the business (below) on a global level, with a 'single instance', meaning out of one application / database:

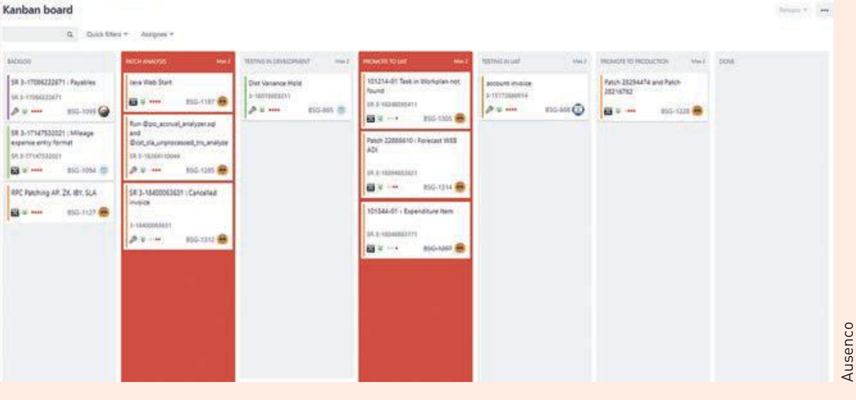
- core finance – accounts receivable, accounts payable, cash management, general ledger
- projects – management, billing and costing
- core human resources and recruitment – a human relations management system
- procurement and expense management
- corporate budgeting and forecasting
- time and labour.

2009–2011: Planning for implementation occurred. This involved refining the scope and rollout strategy, with the rollout determined to be by region. This phase involved project plans, an organisational chart, a scope of work, costings, a project schedule and the creation of the project charter, which encompassed all key planning documents, notably the scope.

2011–2012: The project formally commenced with the formation of a team that peaked at 30 people and reduced over the course of the project as deliverables were met. This team comprised external contractors with specialist skills and internal people, sourced globally and led from Brisbane. In September of 2012, Phase 1 of the project went live. This was Asia–Pacific and Africa. The focus then moved to Canada and the United States for Phase 2, with this phase going live in 2013.

2013: Phase 3, Peru and Chile, went live in November. This completed the formal rollout of the project and the ABS project team was formally disbanded with ongoing enhancement support and maintenance handed over to an internal team. This team travelled globally to support the 'hyper-care' period, which involved supporting the business in the products' use and application, with a focus on business improvement.

2014: A reporting tool was created as a follow-up to the project launch to leverage having a single source of data globally. A shared service centre was also created in Malaysia for efficiency gains. Malaysia was selected as a cost-effective location for an offshore shared services office, rather than



Ausenco

Figure 5.28 Jira software is an example of project management technology that supports a flexible methodology.

outsourcing transactional services as some other businesses elect to do. Malaysia provided a lower-cost operational model, with cheaper labour costs and government incentives for international corporations.

Project management methodology

The ABS project was conducted as a typical 'waterfall project' which is a traditional project management approach. Ausenco used Oracle Application Implementation Methodology (AIM), which has distinct phases staging the project. The internal team then moved to an agile project management approach to lower costs, lower risks and better align deliverables with internal resources capabilities. The Jira software supports an agile process.

Outcomes

The ABS project was delivered on time and on budget. The project created global system processes that directly enabled the creation of a shared services model for transactional processing. This reduced labour costs through increased automation and overcame duplication of effort that occurred globally. Data integrity has been significantly improved by having consistent global work structures. This has led to improved reporting, allowing management to make more timely and informed decisions. This robust technological solution provided a scalable system that supports business growth and aligns with Ausenco's Business and Information Technology Strategic Plans.

Source: Courtesy Ausenco

Ausenco

Figure 5.29 Constancia Copper Project in Peru and Phu Kham Copper–Gold Project in Laos are examples of Ausenco's global projects.

Questions

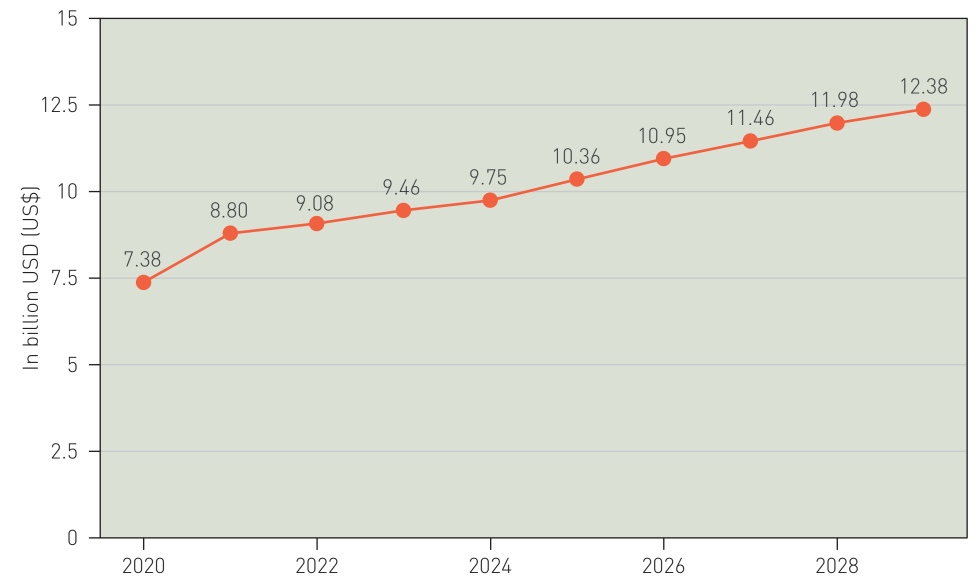
1 **Explain** the role of project management at Ausenco and how the project related to strategic development of the business in a competitive market.

2 **Evaluate** the decision to use offshoring rather than outsourcing as an operation strategy to make a decision and propose a recommendation.

INQUIRY

Is outsourcing a strategic move for Australian businesses?

According to Statista, revenue in the Australian business process outsourcing market was projected to reach US$9.75 billion in 2024, with forecast annual growth (2024–29) of 4.89 per cent, as seen in Figure 5.30. Australian businesses are increasingly focusing on their core functions while outsourcing non-core activities to access specialised skills, leverage technological opportunities and find cost-effective solutions that enhance their efficiency, competitiveness and profitability.



Source: Statista Market Insights

Figure 5.30 The forecast growth in the business process outsourcing market in Australia through to 2029

Task:

Select a business in the maturity stage of the business life cycle that engages in outsourcing of its marketing or operations functions, or both functions.

Investigate the trend to business process outsourcing or offshoring or both for the selected business to complete an inquiry on the merits of outsourcing or offshoring in a hostile competitive environment. A starting point for selecting a business is to read the article titled 'Australian outsourcing examples' by Derek Gallimore on the Outsource Accelerator website. You can find this link on Nelson MindTap.

Weblink
Australian outsourcing examples

Questions

1 Describe the business situation, including facts and characteristics, as they relate to the inquiry.
2 Explain the benefits and challenges faced by a business outsourcing its marketing and/or operational activities as compared to one that chooses to retain control of these activities.
3 Analyse the business's environment using a STEEPLE analysis to interpret relationships and/or trends in the STEEPLE analysis to draw conclusions about the implications on strategic planning for the business. A STEEPLE analysis is available for you to download on Nelson MindTap. *Tip: remember to select data and information for your analytical tool.*
4 Evaluate marketing or operational activities to outsource as an alternative business strategy for the inquiry business to make a decision and propose a recommendation, using two criteria.
5 Create a response to communicate your findings on the inquiry, including the STEEPLE analysis in your findings.

Template
STEEPLE analysis

Ethics and outsourcing

The current trend towards specialisation and offshore production in the pursuit of cost savings means the need for supply chain management and auditing of operations is more pronounced than ever. Outsourcing of production, often to overseas companies, presents opportunities and challenges for smaller businesses entering the market and mature businesses looking to remain competitive. This includes access to manufacturing at favourable prices, with fast production times and issues of traceability within the supply chain. The Australian fashion industry has come under scrutiny for the transparency of its supply chain management as the trend to offshore production continues.

INQUIRY

Who makes our clothes?

Valsib/Shutterstock.com

Figure 5.31 Outsourced manufacturing in a Vietnamese garment factory specialising in linen, silk, bamboo and fine cotton clothing

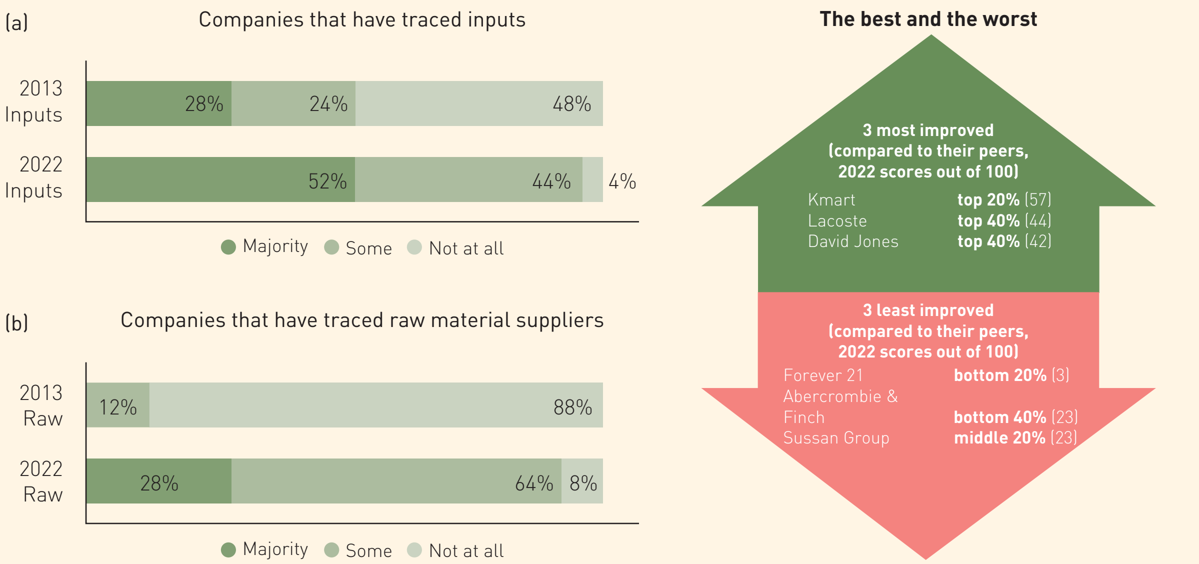
Inquiry issue: Ethical supply chain management – ethical operations and outsourcing

It has now been more than a decade since the 2013 Rana Plaza factory collapse in Bangladesh, which claimed the lives of 1134 garment workers and brought world attention to the working conditions that existed among some outsourced operations of multinational clothing companies, including use of sweatshops and cheap labour. Businesses producing offshore have since been challenged to look at where their garments are being produced and to ensure ethical conduct in the supply chain.

The Ethical Fashion Report is a project by Baptist World Aid Australia.

When Baptist World Aid began research in 2013, most companies argued that tracing back to the farm was outside their scope of control and responsibility. At the time, raw materials tracing was largely restricted to Fairtrade companies. Now, 68 per cent of companies are seeking to trace their raw material suppliers, with many working collaboratively through the Better Cotton Initiative (BCI) to do so.

Traceability remains a challenge in the fashion industry, but there have been improvements. In 2013, only 20 per cent of companies published their final stage supplier lists, improving to 72 per cent in 2022. However, payment of a living wage remains an issue that has not changed.



Data source: 'Special edition ethical fashion report: What's changed in 10 years', Baptist World Aid Australia, 2023

Figure 5.32 Since the Rana Plaza tragedy in 2013 there has been an increasing focus on ethical fashion, including the publishing of an annual 'ethical fashion report'. This report shows that progress has been made in policy development, supply chain tracing and transparency, but that there is still room for improvement.

Task:

You are to conduct an inquiry into ethical operations in the Australian fashion industry:

1. Research and select an example of an Australian business that has received the median grade or lower in the current report. You can download a copy of the latest report by visiting the Baptist World Aid website and searching 'Ethical Fashion Report'. This link can be found on Nelson MindTap. Please note: you may need to enter your name and email address to order a free copy.
2. Research to identify the supply chain, or any information related to traceability of suppliers and operations processes.
3. Visit the Ethical Clothing Australia (ECA) website and select a similar business that has been accredited by ECA to use as a comparison.
4. Select and analyse business data and information to identify relationships and trends for both businesses and the industry. Interpret how these impact on businesses and consumers. Using this data and information, analyse the USP of the chosen businesses.
5. Interpret the USP analysis to draw conclusions about the USP of selected businesses and determine whether being ECA accredited is a point of difference or a competitive advantage.
6. Create a table to explain the advantages and disadvantages of accreditation and supply chain management when outsourcing. Draw a conclusion about the impact of ethical operations, global outsourcing and business success.
7. Create a one-page business report extract for the business selected from the Baptist World Aid report that presents the findings of your inquiry.

Weblinks
Ethical Fashion Report

Ethical Clothing Australia

Economies of scale

Mature businesses will seek to achieve a competitive advantage over rivals by increasing the size or scale of operations. This means a business can reduce its per unit input costs, becoming more efficient. The cost savings or advantages result in decreased unit costs, because the cost of production (fixed and variable costs) is spread across more units of production. Expanding domestically and into global markets, a business can access production economies of scale by having larger facilities to serve a larger market and may also source more strategically.

Businesses can streamline their systems and optimise resource allocation through economies of scale, often with the support of technologies and automation to improve processes and minimise errors. The use of just-in-time inventory systems support economies of scale, along with delivering quality products in a timelier manner. Economies of scale enable businesses to invest in innovation, quality improvements and efficiencies, which enhance their competitive position.

Common types of economies of scale include the following:

- Technological efficiency – manufacturers who can afford to invest in more efficient production technologies, as compared to smaller firms. Investment in technologies such as automation and robotics enables more efficient production, lowering the per unit cost.
- Bulk buying – larger chain stores, such as supermarkets, can purchase in much larger quantities than their independent competitors. This gives the supermarkets a lower cost per unit that they can pass on to customers as lower prices or they achieve a high profitability due to increased contribution margins or both.
- Marketing economies – the cost of producing national advertising campaigns is high, meaning that economies of scale are only achievable for large national companies that can negotiate discounted advertising prices and spread the advertising spend across a large output of products. As advertising can reach large audiences and multiple demographics, the average cost of advertising can be lowered when high levels of sales are generated.
- Brand, rather than product, advertising can save money as large companies promote the brand message rather than individual products, avoiding cost duplication for different products. Corporations like Nike and Coca-Cola typically focus on global brand advertising.
- Franchising systems can achieve economies of scale due to the pooling of resources and bulk purchasing power, which can lower costs. Franchisees typically pay a marketing levy to fund national advertising campaigns that would otherwise be unattainable.

Technology and efficiencies

Technological change, including the role of equipment and information technologies, is affecting all businesses and all functions within a business. Operationally, technology is a major driver of productivity, growth and optimisation of resources. While all businesses will take up technology in some way, not all businesses have the financial resources or need to utilise the latest technological innovations. That said, in a highly competitive market, embracing technology could result in economies of scale and be key to a competitive advantage; failure to advance technology could see a business left behind. When deciding about technology, a business will consider factors such as:

- the speed of change taking place in that area of technology
- uptake of technology by competitors and the industry
- the financial resources available to invest
- the time it will take to introduce the technology, including potential downtime of the facility
- the nature of the work – whether a product is hand-made and customised or standardised and mass-produced
- impacts on staffing, including the need for training and possibility of job losses through redundancy
- global pressures.

GAINING INSIGHT 5.11

Fisher & Paykel

View the clip of Fisher & Paykel's history, '80 years of innovation', and read its history to see the transformation in products and processes due to innovation and technology. You can find this link on Nelson MindTap.

Questions

1 **Describe** the business situation that saw Fisher & Paykel commence as a manufacturer and outline how the business has evolved through the life cycle to its mature position today.
2 **Explain** the role of technology in both innovation and operational efficiency for Fisher & Paykel. Illustrate the role of intellectual property in this area.
3 Examine the strategic direction around the concept of the 'Social Kitchen' philosophy and the relationship between marketing, operations and achievement of a competitive advantage (#FPSocialKitchen).
4 The Fisher & Paykel brand vision is: 'We aim to be the most human-centred appliance brand in the world.' Examine this statement, including how it relates to the role of technology and creation of a unique selling point for consumers in a highly competitive market.

Weblink
Fisher & Paykel – 80 years of innovation

Changing technology generally leads to more efficient operations processes, meaning that businesses increasingly must stay abreast of technological trends. Mechanisation and automation, or the replacement of human physical and mental effort with machinery and technology, have been significant over the past century. This includes the substantial rise in information technology and data services. In developed countries such as Australia, high labour costs mean businesses increasingly replace human effort with technology or transfer production or service provision to lower-labour-cost nations through outsourcing.

Investment in technologies is a strategic decision as it requires a long-term perspective. Establishment of new technology comes with many costs, including purchase and implementation costs, as well as staff training and the possibility of redundancy payouts if there are associated job losses. But long-term benefits such as maximising productivity through the removal of repetitive tasks and processes, reducing waste, upgraded quality and safety systems, and achieving economies of scale usually justify the investment. A business can achieve a substantial competitive advantage through the implementation of the right technology.

Automation

Automation is the replacement of human effort with machinery and technology. Most modern manufacturing systems integrate degrees of automation and the services sector has adopted automated processes as an opportunity to expand and meet consumer demand. Examples of automation include the following:

- Automated production lines – used in the manufacturing industry, particularly those that mass-produce, such as the motor vehicle industry. They encompass a series of workstations linked by a transfer system and an electrical control system. Each station performs a specific operation and the product is processed step by step as it moves along the line in a predefined production sequence. A fully automated system significantly reduces labour needs; all or part of the process is completed by mechanical equipment and automated systems, leading to economies of scale. In the automated environment, the tasks of staff involve system design, adjustment, supervision and monitoring the operation of the system, rather than controlling it directly.

branislavpudar/Shutterstock.com

Figure 5.33 Detergent being bottled on an automated production line

Kaspars Grinvalds/Shutterstock.com

Figure 5.34 Netflix has automated the service experience.

- *Self-service and automation* – the services industry has embraced automation since the advent of the automatic teller machine (ATM) for withdrawal of money. In 2009, Qantas launched automated check-in kiosks in Australian capital city airports, claiming that the self-service system enabled customers to check in within 30 seconds, avoiding queues and delays associated with traditional airport check-in counters. More recently, Uber and Netflix have automated the service experience, allowing selection, booking and ordering and automated payments via an app.
- *Robotic process automation* – an emerging form of business process automation technology based on the use of software with artificial intelligence that handles high-volume, repetitive tasks such as documentation collection and data processing in areas such an insurance, banking and finance.

Automation: the replacement of human effort with machinery and technology

Automated production line: a series of workstations linked by a transfer system and an electrical control system, where each station performs a specific operation and the product is processed step by step as it moves along the line in a predefined production sequence

Robotics

Robots are programmable machines that undertake a variety of repetitive tasks, especially where the task is difficult or dangerous for a human or takes place in a hostile environment. Robotics is transforming the manufacturing process as robots can generally perform tasks quicker and more consistently than people.

Robots are used in manufacturing to create efficiencies throughout the production system, from raw material handling to finished product packaging and palletising. Robotic technology has become sophisticated, being customisable to perform complex functions, such as in the mining sector. As robots are increasingly adopted in an industry, it may become necessary to invest in this technology to remain competitive.

Investing in robotics comes with a substantial upfront cost that many small- to medium-sized businesses, and those in the early stages of the business life cycle, may not be able to fund. There are also maintenance requirements, which will add ongoing costs to the investment.

Computer-aided design and manufacture

Computer-aided design (CAD) is technology that streamlines the design and technical documentation of products; it replaces manual drafting with an automated process and has become standard in most manufacturing and design businesses. This enables designers, drafters, architects or engineers to use software programs to explore design ideas, visualise concepts and simulate how a design performs in the real world. CAD focuses on the design of a product or part, including how it looks and how it functions. When a design is complete in CAD, it can then be loaded into CAM.

Computer-aided manufacturing (CAM) is the use of software and computer-controlled machinery to automate a manufacturing process. Programs are used to operate robotic equipment, replacing labour-intensive systems with technology and increasing productivity. Use of a centralised computer improves accuracy and reduces the scope for human error.

Monkey Business Images/Shutterstock.com

Figure 5.35 Engineers make use of CAD software when designing a product.

Robots: programmable machines that undertake a variety of repetitive tasks, especially where the task is difficult or dangerous for a human, or takes place in a hostile environment

Computer-aided design (CAD): technology that streamlines the design and technical documentation of products; it replaces manual drafting with an automated process

Computer-aided manufacturing (CAM): the use of software and computer-controlled machinery to automate a manufacturing process

Computer-integrated manufacturing (CIM): combines various technologies including CAD and CAM to deliver an error-free manufacturing process controlled from the start to the finish of the production system

GAINING INSIGHT 5.12

Why Coles' $1bn bet is good for supermarket competition

By Eric Johnson, 6 Aug 2024, The Australian

STEVEN SIEWERT

Figure 5.36 Prime Minister Anthony Albanese poses for a 'selfie' with Coles team members, including chief executive Leah Weckert, at the new Automated Distribution Centre at Coles Kemps Creek. Picture: Brendon Thorne/Getty Images

Coles boss Leah Weckert isn't lost for words when describing the scale of her billion-dollar hi-tech warehouse more than 40km to the west of Sydney. Although in this case, simplicity works. 'If it felt big when you were driving up, it's because it is big,' she says.

As The Australian approached the new Kemps Creek warehouse, the multi-story building certainly loomed up over the ridge. The size spans the equivalent of around 25 rugby league fields or nine MCG playing surfaces. And in many ways, it's a big deal for the long-term positioning of Coles. Weckert was joined by Prime Minister Anthony Albanese and Coles chairman James Graham to mark the opening.

Kemps Creek is the second of Coles' new robotic distribution centres that will serve supermarkets across NSW and ACT. The facility promises to get more goods into its supermarkets faster and more reliably. There are far better scale benefits as millions of cartons are processed, making for lower unit costs. Each incremental gain across the network promises better returns for investors and allows Coles to keep prices constant across the state.

'Whether it's Griffith or Eden or Broadway in the city, they will all have the same prices on your groceries,' Weckert says in an interview.

The scale as well as the tech inside the walls gives it an edge over rival Woolworths, which has distribution over several sites around Sydney.

Inside Kemps Creek, robotic lifts work around the clock selecting boxes and packing them onto pallets to be put on trucks and sent to stores across the state. Nearly the entire process is automated and it is blindingly fast.

Orders can be tailored right down to the aisle number of individual stores. This speeds up the process at the other end of the chain and keeps the shelves full.

The building is a mighty bet by the Coles board. It's easy to forget it is still people making these big calls, but it underscores the importance of businesses backing themselves with ultra-long-term investments. Nor could a smaller retailer – which some politicians are pushing for – match the investment needed or bring the smart tech and training to Australia to serve customers.

The warehouse is part of $1.4bn spend rebuilding the supermarket's supply chain from the ground up. It's the biggest single investment in Coles' more than 100-year history.

Planning took years. In fact it was the first decision taken by the then newly formed board when Coles was spun off from Wesfarmers in 2018. The business case took years in the making before board sign-off, Weckert adds.

Kemps Creek is the second of two warehouses using the robot technology of German logistics partner Witron. The first opened in Redbank outside Brisbane last year and has seen a marked uplift in store deliveries as it ramps up.

Combined, the two distribution centres represent a $1bn outlay. Still to come are the $400m more complex warehouses furnished with mobile robots, to pick and pack orders to turbocharge the home delivery service.

These are being delivered by British e-commerce company Ocado and, unlike the Witron project, are proving to be more problematic, with Coles last year forced to top up its investment.

In opening Kemps Creek, Albanese steps into the charged political debate over supermarkets and big business. However, cutting the ribbon hopefully sends a message about where the PM stands on the populist push to break up supermarkets. Peter Dutton last month found common ground with the Greens in saying he wants to force Coles and Woolworths to sell stores if they are found to be too powerful. On the same day the Reserve Bank signalled the cash rate was staying on hold at least to the end of the year, Albanese said Coles' investment was an example of confidence in the economy.

Projects like this provided more highly skilled and better-paid jobs that were safer for workers, the PM said. A roster of more than 400 staff will work at Kemps Creek around the clock. Albanese nudged the politics of supermarkets, saying: 'It does provide that certainty of knowing that the goods that you want will be available. It will also lead to a more efficient decisions that lead to lower prices. We want that as well.'

Given the relatively smooth delivery of the two Witron sites, Weckert is mulling whether to push ahead with a third in Coles' home state in Victoria.

She wouldn't be drawn on specifics but said Coles was 'starting to think through what further investments we would want to make into the supply chain for the future'.

Source: Eric Johnson, 'Why Coles' $1bn bet is good for supermarket competition', *The Australian*, 6 August 2024, https://www.theaustralian.com.au/business/markets/equity-valuation-bubble-makes-this-flash-crash-different/news-story/8b47ab6b7ed54ad212c5d6bcdec92dd1

View the video 'Take a tour of our Automated Distribution Centre' on YouTube. You can find this link on Nelson MindTap.

Weblink
Automated Distribution Centre video

Questions

1 Describe business facts and characteristics of the business situation at Coles as it relates to its current operations.
2 Explain how economies of scale have been achieved for Coles with the opening of the automated distribution centres.
3 Evaluate the strategy of automating distribution centres to make a decision and propose recommendations.

Weblinks

Templates

Chapter summary

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

Chapter 5 review

Summary
Chapter 5 Hostile environments

This chapter introduced strategies used by businesses in the maturity stage of the business life cycle that operate in hostile competitive environments. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

5.1 Short response

1. Describe the operating and macro environmental factors that characterise a hostile competitive environment. Use an example to illustrate how these factors make a business situation hostile.
2. Identify the characteristics of an oligopoly and explain the role of strategic interaction in this market structure.
3. Explain the challenges of operating in a hostile, low-profit-margin environment and give examples of businesses that have successfully embraced this model.
4. Explain the purpose of a niche marketing strategy in a hostile competitive environment. Use an example to illustrate the benefits and challenges of this strategy.
5. Explain why research and development (R&D) is a valuable strategic development tool for mature businesses, and examine the challenges present.
6. Outline the benefits and challenges of outsourcing for a business in a competitive market.
7. Using the stimulus on Cadbury below, respond to the following questions.
   a. Describe the business facts and characteristics of the internal and external environmental factors that are impacting operations at Cadbury.
   b. Explain the challenges faced by businesses like Cadbury seeking to achieve economies of scale in a hostile competitive environment.

5.2 Extended response

Using the stimulus sources supplied, and some additional research, answer the following questions:

1. Analyse Cadbury's current situation in a competitive hostile environment using a STEEPLE analysis. Interpret relationships and trends in the STEEPLE analysis to draw conclusions about the implications on strategic planning for Cadbury. A STEEPLE analysis is available for you to download on Nelson MindTap.
   Tip: ensure you use data and information and reference your sources.
2. Using two criteria, evaluate an operations strategy for Cadbury to make a decision and propose a recommendation/s.
3. Create a business report extract that communicates your findings to senior management at Cadbury to inform their strategic planning.

Template
STEEPLE analysis

SOURCE 1: Blow to Cadbury workforce as humans lose out to robots in pursuit of 'significant efficiencies'

Chocolate-maker Cadbury's decision to shed 40 jobs from its Tasmanian factory, replacing workers with machines, has been met with anger, disappointment and despair.

Management announced on Thursday that the jobs are to go from its Claremont facility over the next four months, in the third round of job cuts at the factory since 2015. Cadbury's US parent company Mondelēz said it was spending $20 million on new machinery to wrap Flake and Twirl bars, meaning the workers who did the job manually would no longer be needed.

Staff were told the news on Thursday evening.

Independent Denison MP Andrew Wilkie said the Cadbury factory was a bedrock of the local community, and the loss of 40 jobs would hurt. 'That's not just a number', Mr Wilkie said. 'That's 40 workers, all of whom have bills to pay, many of whom have families and so on to care for. There's a real human side to this and it's very disappointing.' It's especially disappointing when Cadbury have promised so much. 'Yes, the factory survives while other factories in other countries have closed, and yes they are investing in more plant and we can get a little bit of comfort out of that, but really it's promised so much more.'

PA Images/Alamy Stock Photo

Figure 5.37 170 jobs have been cut at the Cadbury factory in Tasmania since 2015.

Mr Wilkie said he would lobby the company to ensure the factory, which was founded in 1922, remained at the Claremont site into the future. State Secretary of the Australian Manufacturing Workers Union John Short said he was 'bitterly disappointed' at the news.

'It's really concerning we're losing another raft of permanent full-time jobs – we can't afford to lose these jobs in Tasmania', he said.

'We understand that automation means you will need less people, but this has been an important factory for Hobart, but also Tasmania and Australia.' Mr Short said the company was offering voluntary redundancies, but the job cuts would put significant pressure on workers who remained.

The decision to introduce machines has been criticised by the public but many said the job losses due to automation were inevitable. Claremont-based factory site manager Ross Coleman said efficiencies had to be made for those products to remain price-competitive.

'Certain product lines such as Flake and Twirl require significant efficiencies to ensure we can compete globally and overcome some of the challenges associated with Australian production, such as our distant location, low domestic growth, and rising costs of freight and other inputs', he said.

Tasmanian Archives: Cadbury factory, Claremont, near Hobart - interior of wrapping room, PH30/1/3935

Figure 5.38 The wrapping room of Cadbury's Tasmanian factory, as it was in 1925

The 40 jobs represent 10 per cent of the current workforce and will raise the total number of cuts to 170 since 2015. Cadbury shed 80 jobs in 2015 after a drop in sales in a more internationally competitive market and another 50 in 2017 as part of a $75 million upgrade.

Source: Alexandra Humphries, ABC News, 28 September 2018. Reproduced by permission of the Australian Broadcasting Corporation – Library Sales. © ABC

SOURCE 2: Australia's food manufacturing industry worries rising costs will push supermarkets to use more imports (extract)

Big brands like Cadbury are making decisions about future investment in Australia. 'There is a cost-of-manufacturing crisis,' Darren O'Brien, president of Cadbury owner Mondelēz's Australian arm, said. 'It's been led by things such as increased process around energy, increased complexity in the regulatory environment, a lack of incentive to make new investments.'

He said he was concerned some food manufacturers could shut down or shift overseas. 'What we know from history is that when businesses choose to go offshore, they don't come back,' Mr O'Brien said. Mr O'Brien is poised to make a decision on whether to invest tens of millions of dollars in factory upgrades at Tasmania's Cadbury factory or the company's operations overseas. 'We're going to need some changes and some incentives, whether it be in government policy or regulation,' he said.

ChameleonsEye/Shutterstock.com

Figure 5.39 Mondelēz is deciding on whether to invest in its Cadbury factory in Hobart or overseas instead. *(ABC News: Scott Ross)*

'I think it's pretty disappointing that in the most recent [federal] budget there wasn't much to get excited about if you are a food and grocery manufacturer,' said Mr O'Brien. He said simplifying regulation could help, such as reconsidering the need for complex reporting of CO_2 emissions.

According to a recent parliamentary inquiry, about 11 per cent of the food Australians consume is imported. It is mainly packaged and canned food. The Australian Food and Grocery Council says the profitability of food and beverage manufacturing in Australia is on a downward trend. It fell from $8 billion annually in 2009–10 to $5 billion a decade later, its report showed.

9780170484367

Food and Grocery Council chief executive Tanya Barden said Australia produced an 'abundance of agricultural output'. 'But from a processing perspective, that's where the risk is – that we end up not being able to manufacture in Australia and need to do more importation.' Australia's food and grocery manufacturing sector employs more than 275,000 people. The council would like to see a doubling of food manufacturing by 2030. But it fears if nothing is done, imports of food will continue to rise to the point where consumers will struggle to find high value-added products that are made in Australia.

There were other knock-on effects too, Ms Barden said. 'Imported product is susceptible to all of those global price shocks ... the cost of shipping in those items can go up significantly,' she said. 'So losing the manufacturing base does expose the Australian economy to more import price shocks over time.' Another issue if Australia becomes increasingly reliant on imported groceries is that disruptions to supply chains due to natural disasters or political tensions could result in empty supermarket shelves, as seen during the pandemic.

The federal government says food and beverage manufacturing is the cornerstone of the economy, driving growth and sustaining thousands of jobs. 'The Albanese government's commitment through initiatives such as the $15 billion National Reconstruction Fund and $392 million grant program for early stage innovation assist Australian businesses to invest and grow,' Senator Tim Ayres said.

SOURCE 3: Rising input prices put pressure on retail pricing at Cadbury

Figure 5.40 In August 2024 Cadbury Australia announced it was raising the prices of two of its products, Freddo Frogs and Caramello Koalas, due to rising ingredient costs.

Cadbury announced on its social media accounts that is has increased the recommended retail price of Freddo Frogs and Caramello Koalas from $1 to $2; the first rise in a decade. The company cited record worldwide cocoa prices and rising input costs. However, some consumers have noted that in 2020 the size of sharebags of Freddos was reduced from 180g to 144g, while the price remained unchanged.

Climate change is identified as a cause of crop failures, with the global economic situation also causing chocolate makers to struggle, with inflation impacting input costs. Since the start of 2024, the price of cocoa traded on the futures exchange has doubled from US$4275 a tonne to US$9481 after hitting a record high of US$10,274.

SOURCE 4: Wallaroos get the chocolates with sweet Cadbury deal

Figure 5.41 Cadbury signed on to support the Wallaroos in 2021 for three years and has now extended this sponsorship, becoming the Principal Partner for the next six years through to 2029.

Cadbury has a history of supporting Australian sports at both a grassroots and elite level, currently partnering with the Australian Olympic and Paralympic teams, the Hobart Hurricanes BBL and WBBL teams, and the Wallabies. Cadbury's portfolio of sponsorships is shifting, and it is increasingly committed to equality for women in sport, encouraging participation and visibility. Cadbury has partnered with the Matildas since 2020 and now enjoys a league-wide deal with AFLW.

While Cadbury has been a partner of the Wallaroos since 2021, a new deal announced in April 2024 has seen Cadbury become the 'Principal Partner' of the Wallaroos for the next six years, through Australia's home Rugby World Cup in 2029, elevating its commitment, with the iconic logo to now feature across the front of the Wallaroos' jerseys, as it does with the Wallabies.

Rugby Australia CEO Phil Waugh acknowledged this as a vital boost for the sport leading into the 2029 Rugby World Cup, stating that women's rugby is the fastest-growing part of the game, with a 16 per cent increase in female participation in clubs in 2023.

Kathy De Lullo, director of marketing excellence at Mondelēz, said Cadbury values continuing to drive support for women's sports, building relationships around generosity, community spirit and forming connections. 'The women in sports programs started about four years ago in 2020. And through that, we've had multiple initiatives aimed at keeping women in the game, giving them the visibility and the equality to continue to access these fabulous sports,' said De Lullo.

6 COMPETITIVE STRATEGIES: MARKETING AND OPERATIONS

What you will learn

To remain competitive, a mature business must embrace strategic development and have a clear vision in terms of marketing and operational strategies. Brand strength will be particularly important in comparison to other brands as successful marketing communications will rely on the power of the brand. All key communications must be consistent with the brand's unique selling proposition (USP) and build long-term value or brand equity. Integrated marketing communications strategies (IMCs) can positively influence the behaviour of the target market and stimulate sales and loyalty through a cohesive, relevant message that builds lasting relationships with key customers.

Operational strategies help support a business's strategic goals as it seeks out a sustainable competitive advantage. This may be through performance objectives such as providing consumers with a high-quality product, speed or reliability of service, or achieving cost advantages through economies of scale. Such strategies focus on the role of quality as it relates to efficiency of operations and meeting or exceeding customer expectations.

This chapter will provide you with the opportunity to:

- describe the internal, operating and macro environmental factors relating to businesses in the maturity stage of the business life cycle that impact on marketing and operations in competitive environments
- explain integrated marketing communications strategies, including recognition, relevance, reward, receptivity and relationship
- explain marketing and operations objectives in the maturity stage of the life cycle
- explain the roles of branding and relationship marketing in maintaining market share
- explain the role of emerging technologies in contemporary marketing strategies
- explain the interrelationships between contemporary marketing strategies, branding and loyalty
- explain the interrelationship between customer loyalty, continuous improvement and the Pareto principle
- explain total quality management, including quality control and quality assurance
- explain the relationship between total quality management and long-term achievements through customer satisfaction
- analyse a business's current situation in a hostile environment, using a STEEPLE analysis, by selecting data and information to interpret relationships and/or trends to draw conclusions about the implications of strategic planning for the business
- analyse a business's competitors in a hostile environment, using a USP analysis, by selecting data and information to interpret relationships and/or trends to draw conclusions about the implications of strategic planning
- evaluate marketing and operating strategies for a business operating in a hostile competitive environment to make a decision and propose recommendations using criteria
- create responses to communicate findings to suit the intended purposes and audiences, including use of visual representations (graphs, tables, infographics or analytical tools).

The analytical tools used in this chapter are:

- USP analysis
- STEEPLE analysis.

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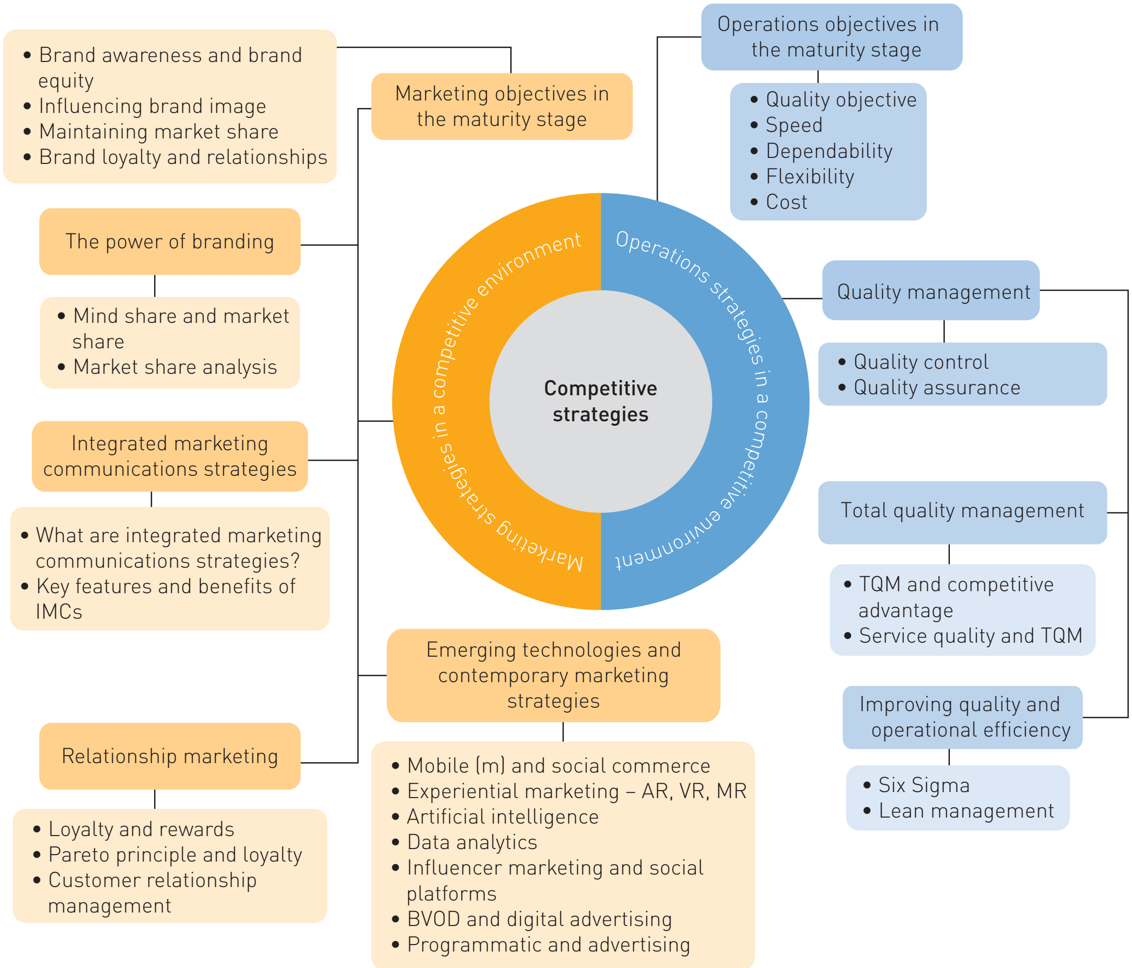


GAINING INSIGHT 6.1

Kathmandu

FOCUS QUESTION: How does Kathmandu communicate its brand story in a creative, consistent and coordinated way in a competitive market?

CAMimage/Alamy Stock Photo

Kathmandu started in New Zealand in 1987 with a mission to have people 'get out there' into the outdoors, with a focus on outdoor gear and apparel. The company name is based on the Nepalese city of Kathmandu, a gateway to the Himalayas, which is often a bucket list destination for outdoor enthusiasts dreaming of scaling mountains. Hence, it is aspirational in nature and the logo reflects this. The business acquired Oboz footwear in 2018 and surf label Rip Curl in 2019, to become known as KMD Brands in 2022. KMD Brands is now a global outdoor, lifestyle and sports company. See Kathmandu's video 'We're out there!' via the weblink.

Weblink
Kathmandu
We're out there!

The past five years have presented challenges to Kathmandu with inconsistent trading conditions, border closures during the global COVID-pandemic impacting tourism flows, volatile weather conditions and a highly competitive retail sector in Australia and New Zealand all impacting sales. While brand awareness remains strong, sales have weakened, with flagship stores recording a 21.6 per cent decline in sales growth to the first four months of 2024; this has been attributed to economic challenges and weakening consumer sentiment seeing customers withhold from purchases. A reliance on winter weight products, including the outerwear range, has also been attributed to weaker sales after an unseasonably warm winter reduced demand for puffer jackets.


iStock.com/AscentXmedia

Figure 6.1 Kathmandu's product range has traditionally focused on puffer jackets.

While government initiatives such as the federal government's Sport 2030, aimed at building a more 'active Australia', are encouraging for the sports and camping industry in Australia, this is a competitive sector. Key retailers enjoy a high level of market share, with 2024 market share of Super Retail Group (Rebel Sport, Macpac and BCF) being 31.4 per cent, KMD Brands 7.4 per cent and Spotlight (Anaconda) 10.3 per cent. These retailers compete with smaller specialised businesses but benefit from economies of scale due to their size and bulk buying power; discount department stores including Kmart and Target that stock a limited range of similar products at cheaper prices also present a threat. In such a competitive market, understanding what consumers want and monitoring social trends is increasingly important.

Kathmandu is well known for its high-quality outerwear and jackets, but has recognised that it needs to be known for more than this as sales have been too reliant on weather patterns. The business has adapted its positioning strategy to become top of mind when thinking about travel and exercising outdoors, including hiking, meaning a greater focus on accessories and equipment in addition to apparel. The tagline 'We're Out There' has been used to refresh the brand and build on the original 'Get Out There', with the purpose of improving wellbeing through the outdoors.

Head of Marketing Richard Dalke communicates the brand's vision by affirming 'our end point is to

Marlon Trottmann/Alamy Stock Photo

Figure 6.2 Kathmandu refreshed its brand for the first time in 30 years with a purpose to improve wellbeing through the outdoors.

be the most loved outdoor brand – that's our North Star'. Dalke acknowledges that investing in branding is a cornerstone of strategic planning and long-term success, including during economic downturns, and that, while short-term sales activations are a necessary focus, the role of brand-building helps with long-term growth and sustainability.

As part of brand-building, Kathmandu launched the 'We're Out There' campaign, encouraging people to get out in nature all year round. A series of television commercials, supported by radio, digital, social, out-of-home advertising and public relations, have shown people enjoying nature in the cold, sunshine and the snow while seeking to communicate the 'We're Out There' spirit and attitude of the brand. See an example of the Kathmandu 'We're Out There' campaign via the weblink on Nelson MindTap.

Weblink
Kathmandu We're out there! 2

Figure 6.3 Kathmandu's purpose is to improve the wellbeing of the world through the outdoors.

In addition to brand-building, Kathmandu has been focused on product innovation and customer loyalty. In late 2023, the Summit Club loyalty program, which had operated for 30 years and boasted two million memberships, was replaced with a new program called 'Out There'. The Summit Club had no tiers and members could sign up for free, receiving a $10 voucher for every $250 spent. The new program employs a point system where $1 spent gains customers 1 point – the more points achieved, the higher the member climbs up the membership tiers, unlocking new rewards and larger discounts. The new program will also expand member benefits to include exclusive access to free or discounted outdoor recreation apps and services, invite-only outdoor events and experiences, early promotions and gear launches, and rewards for submitting reviews and returning pre-loved Kathmandu gear for upcycling.

Weblink
Seamless Clothing Stewardship Scheme

Kathman-REDU

KMD Brands has created an upcycling initiative for its Kathmandu and Rip Curl brands, with the later being a foundation member of the 'Seamless Clothing Stewardship Scheme', which aims to create a circular clothing industry by 2030. Kathmandu aims to keep clothing in circulation as long as possible by creating quality products that are made to last, repurposing excess stock and finding ways to give garments a second life. This initiative was launched in 2023 and is called Kathman-REDU. This demonstrates Kathmandu's commitment to creating a quality product and positions the business as contributing positively to the environment, so that people are 'out there' in their gear.

Source: Blake, D., 10 March 2023 , Inside Retail https://insideretail.asia/2023/03/10/three-branding-lessons-from-kathmandus-head-of-marketing-richard-dalke/

Questions

1 **Describe** business facts and characteristics of the business situation for Kathmandu in the maturity stage of the business life cycle.
2 **Explain** the role of brand for Kathmandu and how it seeks to stand out in comparison with its major rivals.
3 With reference to the 4Ps of marketing, identify the elements of product and promotion being used by Kathmandu and **explain** whether these work in harmony.
4 **Analyse** Kathmandu's current situation by selecting data and information to produce a STEEPLE analysis. **Interpret** the relationship/s and trend/s in the STEEPLE analysis to draw conclusions about the implications of strategic planning for the business.
5 **Evaluate** marketing strategies used by Kathmandu to make a decision and propose a recommendation using criteria.
6 **Create** a response to communicate your findings to the CEO of the parent company, KMD Brands.

Template
STEEPLE analysis

Marketing strategies in a competitive environment

Mature markets experience slower growth and are characterised by competition between a few large businesses that have attained considerable market share. In this context, businesses can still grow, but they typically do so by acquiring market share from competitors or by entering new markets. Retaining customers through brand loyalty and relationship-building will be critical to ongoing success in a mature industry.

Key learnings

You will learn about strategies for a mature business to remain competitive in the marketplace through examining:

- marketing objectives in the maturity stage of the life cycle
- the role of branding
- market share.

Marketing objectives in the maturity stage

During the initial stages of the business life cycle, marketing objectives of generating sales, capturing some market share and generating brand awareness were established. Businesses will typically compete more directly for market share in the maturity stage of the business life cycle, with aggressive promotion tactics and bursts of price cutting. Customers also have greater knowledge of the market, are familiar with competing brands and are better able to evaluate alternatives. During this stage, having objectives and strategies that align with the brand and its competitive situation is key to continued success.

Brand awareness and brand equity

Brand awareness is about standing out in a crowded, competitive market; it is whether a brand name comes to mind when consumers think about a particular product category or the ease with which the brand name can be recollected. It is, therefore, the basic feature of **brand equity**. Retaining brand awareness as a business enters the maturity stage of the business life cycle and converting this to brand equity requires positive brand associations over an extended period and relates to increased brand loyalty.

From a consumer perspective, a brand has no equity unless the individual is at least aware of the brand. Figure 6.4 depicts the brand awareness pyramid, illustrating that a brand must move from a state of unawareness to awareness with recognition and then recall. Maintaining high levels of brand awareness is an ongoing challenge for all mature businesses and established brands, with top-of-mind awareness (TOMA) being the ultimate objective. Advertising is primarily used to build brand awareness and reinforce the brand message over time. Advertising should not be viewed as a one-off activity, but rather as a long-term strategy for maintaining brand equity – stop advertising and the brand may lose some equity and market share too.

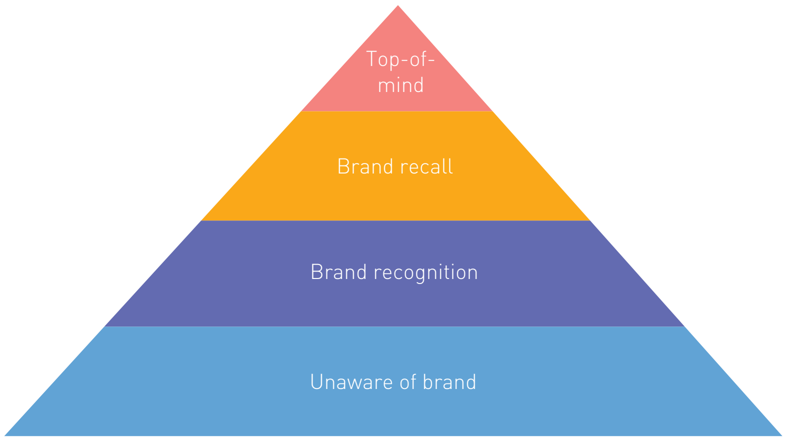


Figure 6.4 The brand awareness pyramid depicts the progression of brand awareness from being unaware to the ultimate objective of attaining top-of-mind awareness (TOMA).

Without brand awareness, the consumer will generally not consider a brand for purchase. This makes awareness an important metric for gauging how well a target market knows the brand and appraising the effectiveness of marketing initiatives. When you think of soft drink or sports shoes, which brand springs to mind? A brand has no equity unless consumers are aware of it, meaning recognition is essential. Brand **recognition** is when consumers have at least a surface level of awareness and can identify the brand from a list of alternatives, but fewer consumers can retrieve the brand name from memory without reminders or prompts. This is also known as *aided brand awareness*. Brand **recall** involves a deeper level of awareness, where consumers know the brand at a conscious level and can recall the brand without prompts. This unaided brand awareness is achieved through consistent and effective marketing communications efforts. The key is to move beyond recognition and recall to TOMA where a brand is the first one consumers recall.

A key objective in maturity is to create and sustain brand equity. This involves having consumers take favourable actions towards the brand, including repeat purchasing, word-of-mouth referrals and becoming brand loyal. Equity develops over time and represents the goodwill or value of a brand, including the extent to which consumers hold favourable and unique perceptions and associations about the brand. Strong brand equity is a competitive advantage that supports maintaining market share through increased loyalty over competitors who sell similar products.

Brand awareness: the degree to which customers associate a brand with a specific product, service or business idea

Brand equity: the brand knowledge, structures and goodwill that a mature brand develops over an extended period of time

recognition: how well consumers can identify a brand from a list of alternatives based on a surface level of awareness, often with cues or prompts (also known as aided brand awareness)

recall: where consumers can remember a brand without any prompts or cues (also known as unaided brand awareness)

GAINING INSIGHT 6.2

Coca-Cola and the power of branding

Retro AdArchives/Alamy Stock Photo

Coca-Cola was at the forefront of reinforcing brand when in 1922 it commenced a series of brand-focused slogans that have spanned generations, including 'Thirst knows no season', 'Thirst asks nothing more', 'Sign of good taste', 'Be really refreshed', 'Things go better with Coke', 'It's the real thing', 'Coke is it!', 'You can't beat the feeling!', 'Can't beat the real thing!', 'Always cool' and 'Open happiness'. The purpose of these slogans, and the accompanying advertisements, is to associate the slogan with the brand, build a connection to the consumers' lifestyle and maintain top-of-mind brand awareness. Coca-Cola's positioning strategy resonates globally, projecting an image of fun, good times and enjoyment, and serves to reinforce the brand message that there is only one Coke.

Neil Baylis/Alamy Stock Photo

Questions

1 Brand associations: for each of the following products or services, name the first brand that comes to mind and write this down – ensure you write down the first one you think of!
   - a mobile phone
   - b cereal
   - c car
   - d airline
   - e internet provider
   - f milk
   - g bank
   - h sporting shoe
   - i hairdresser
   - j toothpaste

2 Compare your findings with the students nearest to you to identify if there is a strong brand recall for some products or services compared with others. Interpret why there are differences in brand awareness and recall.

Influencing brand image

Building on brand awareness, a business will seek to establish a powerful and sustainable connection between the consumer and the brand, along with a favourable image. This image is cultivated through associations, thoughts and feelings that a consumer has about the brand. This may be achieved by evoking a strong emotional reaction to the brand, as seen in Coca-Cola advertisements where the brand forms strong associations with the consumers' lifestyle and seeks to be associated with joy, happiness and friendship. This can lead to brand loyalty.

Maintaining market share

A key objective of marketing communications will be to maintain existing customers through brand equity and encouragement of repeat purchasing. Attracting new customers, which often means attracting them away from competitors, will also be important for maintaining market share. Sales promotions, in conjunction with advertising, can build sales volume and enhance brand equity. Increasing market share is an important objective for a mature business as small gains in market share can equate with large gains in profit.

Brand loyalty and relationships

Brand loyalty is the pinnacle of branding; while strong brand loyalty can develop, there are many products for which the consumer may never develop a strong brand preference or may oscillate between a few key brands.

Stimulating brand loyalty requires both a brand that fulfils a consumer's needs and continuous marketing communication that reinforces the key attributes of the brand.

The objective of brand loyalty reflects the Pareto principle, discussed on pages 214–16, which states that 20 per cent of customers typically account for 80 per cent of total sales. This builds the case for knowing who loyal customers are and developing lasting relationships with them.

QUESTIONS 6.1

1 Distinguish between brand recognition and brand recall.
2 Explain how marketing objectives differ between the growth and maturity stages of the business life cycle.
3 Explain the connection between brand loyalty and customer relationships.
4 Create a list of products that either you or your family are brand loyal towards (e.g. toothpaste, dog food or shampoo). Select one of these products (or services) and explain what factors have made you loyal to the product.
5 Create a mind map to illustrate the role of various promotion avenues in maintaining brand awareness and market share.
6 Identify a mature business, operating in a competitive environment, to determine how it aims to achieve brand loyalty.
7 With reference to Case study 2 on Brookfarm (see pages 250–57), create a list of marketing objectives for the business as it moves into the maturity stage of the business life cycle.

GAINING INSIGHT 6.3

Where will you do the grocery shop next week? How influential are collectables giveaways in the battle for market share and loyalty?

The rivalry between supermarket giants Coles and Woolworths is well established, with the companies entrenched in a fight for customer loyalty and market share. Recently, Coles has seen its performance improve relative to Woolworths, with data showing improvements in market share and share price, as summarised below by investment firm Motley Fool.

For the six months to 31 December (Half 1 Financial Year 2025) Coles reported:

- sales of $23.04 billion, up 3.7 per cent from Half 1 Financial Year 2024
- underlying net profit after tax (NPAT) of $666 million, up 6.4 per cent
- increased interim dividend per share by 2.8 per cent to 37 cents. It has now grown its annual dividend per share each year since 2019
- Coles has seen its share price grow 15.24 per cent over the last 12 months

Data for the first six months of Financial Year 25 showed Woolworths' performance was slightly below its competitor, Coles. Woolworths reported:

- sales up 3.7 per cent to $35.9 billion
- net profit after tax down 20.6 per cent to $739 million
- fully franked interim dividend down 17 per cent to 39 cents per share
- WOW shares have dropped 9.14 per cent over the last 12 months.
- While both supermarkets have loyalty programs and operate price-based promotions, it is the more sophisticated promotional activities that influence consumer buying behaviour and make it more difficult for consumers to ascertain value.

The ACCC Supermarkets inquiry report, released in March 2025, found that Coles, Woolworths and ALDI increased their profit margins over the previous five years, notably for branded goods. Extensive use of promotions was cited as substantially influencing shoppers in terms of where they shop and what they purchase, noting that some of the promotions were paid for by suppliers to Coles and Woolworths, especially the highly successful Coles Little Shops campaign that brands were eager to be aligned with.

The Little Shops campaign, launched by Coles in 2018, was one of the most popular promotions undertaken by any retailer for years. The miniature collectables of branded grocery items included Daily Juice, White King toilet cleaner, Messy Monkeys snacks, Heinz Baked Beans, Maggi 2 Minute Noodles, Campbell's Tomato Soup and Vegemite. Sales of featured products soared by up to 50 per cent during the promotion period as shoppers sought to acquire all 30 miniatures, thereby diverting their supermarket spend to particular brands and to Coles. The campaign was ceased in 2021 due to sustainability concerns about the plastic toys ending up in landfill.

Seeking to replicate the success of previous collectable campaigns, in 2024 Coles initiated the Pokémon Builder character promotion, with customers

anystock/Shutterstock.com

Figure 6.5 Coles launched its Little Shop promotion in 2018 with sales soaring 5.1 per cent in the trading period. The decision to cease this highly successful sales promotion related to concerns about environmental sustainability at a time when plastic shopping bags were being phased out.

spending over $30 in a shop eligible for one collectable. There were 35 characters to collect, with some rare builders spiking consumer demand.

Former CEO of Woolworths, Brad Banducci, noted during the Pokémon campaign that Woolworths was 'out-traded' due to its lack of a collectables program, having previously enjoyed success with its Disney+Ooshie. Consumer buying behaviour is evidently influenced by collectables promotions, which drive sales revenue and market share for the duration of a campaign.

© Sally Adams

Figure 6.6 In 2024 Coles replaced its Little Shop collectables promotion with the Pokémon Coles Builder characters. Customers receive a free Pokémon Coles Builder character with every $30 spent in one transaction as a competitive strategy against rival Woolworths.

With the ACCC report remarking that more than half of products purchased by consumers at Coles and Woolworths are on promotion, this tactic looks set to continue.

Questions

1 Describe facts and characteristics of the business environment related to Coles' sales promotions, including facts about the initiative that have an impact on marketing.

2 Explain how the Pokémon promotion gave Coles a competitive advantage over its competitors and identify a variety of positive outcomes for Coles from the promotion.

3 Explain how Coles influences consumer buying behaviour with its use of sales promotion, and whether you believe this will have short- and/or long-term benefits for Coles.

4 Identify examples of similar 'collectable' promotions used by other major businesses and examine the strengths and weaknesses of these types of promotions.

The power of branding

Branding is a critical strategic tool as it strongly influences business outcomes, including sales and market share. Branding is an important source of information for consumers as it communicates what they can expect from the product, allows an evaluation of the quality of products and reduces the perceived risk of purchasing. Branding can also confer psychological rewards on consumers, as seen in the discussion in *Business for QCE Units 1 & 2* about Maslow's hierarchy of needs and the role of motivation on consumer buying behaviour.

A strong brand is beneficial to a business as it:

- promotes immediate recognition of the business and product, using the brand name and brand mark
- makes a business less vulnerable to its competitors' marketing initiatives due to the greater loyalty present
- drives repeat sales and gives the business a firm base on which to recover marketing and product development outlays

- allows for premium and prestige pricing strategies, as consumers are less price sensitive; it also reduces the need for frequent price discounting to drive sales
- creates greater business-to-business cooperation, such as access to shelf space in retailer outlets; for example, Coles stocking Allen's lollies, but discontinuing the Starburst product range
- supports the launch of new products under the brand name as consumers are already familiar with the business offerings
- aids product differentiation
- creates a synergetic effect for promotional activities for products under the one brand, with the promotion of one product indirectly promoting others.

Branded products typically command a higher price than 'generic' or 'home brand' products, even for items that have low levels of value-adding, such as flour and sugar. The power of branding is usually the reason for a price differential, although packaging may also contribute to this.

Mind share and market share

A key to brand equity is to capture **mind share**, which means establishing a brand firmly in place as the first brand consumers in a market think of when they need what the brand offers. This type of marketing requires connecting to customers emotionally to build loyalty. As seen in Figure 6.7, mind share reflects the degrees of influence of competing brands in the mind of the consumer and there can be a competitive advantage for the business that is top of mind.

Effective mind share marketing requires a brand to stand as a symbol of something with emotional appeal to customers. Perceptive positioning can make a brand represent values such as prestige, beauty, intelligence, happiness or independence. Adding the emotional connection enables businesses to connect with consumers. Airbnb is a business that has built this connection by focusing on the emotional connection – travellers wanting more personal experiences, aligned with the principles of mutual trust and respect. Emotionally connected customers are more loyal than highly satisfied customers, and when a brand is top of mind, it has a better chance of capturing more long-term mind share and thereby market share.

Market share is defined as the percentage of sales in the total market sold by one business, measured either in units (volume) or sales revenue. It is, therefore, a relative concept, and a rise in the market share of one business typically represents a decline in the market share of another. This makes it a competitiveness indicator. The product with the highest market share is known as the brand leader. Becoming the brand or market leader is a strategic goal for many businesses, and rivalries are noteworthy on a domestic and global scale, such as Woolworths versus Coles, Mercedes-Benz versus BMW or Apple versus Microsoft. Brands with the highest market share generally enjoy:

- a more loyal customer base
- higher sales than competing businesses, which could lead to higher profits
- lower advertising and production costs due to economies of scale
- the brand equity to offset their competitors' strategies
- access to retail space, as retailers are keen to stock the best-selling brands, and a stronger bargaining position with both suppliers and retailers.

Michael D Brown/Shutterstock.com

Figure 6.7 Mind share reflects the degrees of influence of competing brands in the mind of the consumer.

Mind share: the degrees of influence of competing brands in the mind of the consumer; there can be a competitive advantage for the business that is top of mind

Market share: a competitiveness indicator that measures the percentage of sales in the total market sold by one business, either in units (volume) or sales revenue. A rise in the market share of one business typically represents a decline in the market share of another

GAINING INSIGHT 6.4

Marketers up investment in brand marketing citing record growth

Ron Ellis/Shutterstock.com

Figure 6.8 Airtasker started its out-of-home advertising campaign on a London bus. In June 2024, this strategy was replicated in Australia with a $6 million media partnership with oOh!media to build brand awareness across Australia.

Australian businesses are shifting marketing investment into brand marketing activity, citing increased awareness, better sales and a greater return on investment.

Companies including Intrepid Travel, Koh and Airtasker have reported strong uplifts in business results and brand metrics after adjusting performance marketing budgets and increasing brand activity across TV, out-of-home, radio and press channels.

Global travel company Intrepid Travel overhauled its marketing plans in the aftermath of the pandemic, boosting its brand marketing budget allocation from 10 per cent while decreasing its performance marketing from 90 per cent to create an even 50/50 spilt.

The move delivered a 68 per cent increase in bookings and 41 per cent growth in online revenues to reach $180m, which represented 10,000 more direct customers.

'We had our biggest and best year ever,' Intrepid Travel chief customer officer Leigh Barnes told The Growth Agenda. 'We were able to massively shift the amount of revenue we got from direct customers by 40 per cent, grow web bookings, and we had a massive increase in people searching for the brand, which was fantastic.'

Mr Barnes, who began his career as a performance and search marketer, said the move had also improved Intrepid's performance marketing activity, with the conversion rate from paid search jumping 90 per cent year-on-year. 'We know that we wouldn't have seen that increased improvement if it wasn't for the brand work. You can't search for something you don't know,' he said.

'The nadir for (performance marketing) was the industry's obsession with attribution. It disproportionately gave better outcomes to things that we could measure. We've also had a rise of digital marketers over the past 10 years, and with the rise of the board and leadership appetite to know the ROI on everything, we focused on efficiency over effectiveness. I think it was an over-correction and the market is rebalancing.'

Australian-born business Koh began its rebalancing efforts earlier this year, achieving a 115 per cent year-on-year surge in direct traffic following the launch of integrated marketing activity across TV, BVOD, out-of-home, radio and press channels.

The 'light touch' campaign, which saw the brand shift just 10 per cent of its marketing budget to traditional channels, had delivered a 32 per cent increase in brand awareness quarter-on-quarter, 50 per cent growth in organic traffic and a 34 per cent jump in search traffic year-on-year.

Koh chief executive Charli Walters told The Growth Agenda the brand was now investing 30 per cent of budget into traditional channels with a plan to increase this to a 50/50 spilt within the next 18 months.

'I don't believe that you can build a brand that stands the test of time relying purely on one channel,' Ms Walters said. 'When you are purely focused on bottom-of-the-funnel platforms, your marketing efficiencies are going to be compromised.'

The results from Intrepid and Koh echo the findings of a consumer research study by brand consultancy FutureBrand, which found that many consumer brands were underperforming on personality and story and failing to build strong connections with – consumers.

FutureBrand chief executive Rich Curtis said the findings could be attributed to the market's over-index on performance marketing activity. 'The performance marketing approach has been taken to its extreme in some cases and it has led to consumer brands behaving in ways that are more similar and less distinctive,' he said.

'As a consequence, they don't have the opportunity to tell their story, show their personality and build trust with consumers. That becomes a missed opportunity in the pursuit of efficiency.' There is this opportunity that we identify in the insights from this year's FutureBrand Consumer Index to disrupt the status quo in a meaningful way.

'I think that will be partly a rebalancing between approaches that embrace performance marketing and approaches that champion brand building with campaigns that build an emotional connection around authentic storytelling. It might feel quite "Back to the Future", but those are tried and tested strategies and I think marketers could do well to rediscover or relearn them.'

With consumers seeking greater authenticity and trust from businesses, marketers believe the traditional media channels such as TV and out-of-home also help lend credibility to the brands.

'There's an element of credibility in traditional media,' said Ms Walters. 'In the online world people are exhausted. They have been screamed at by so many brands; and with so many scams around, consumers are sceptical. They don't trust it. The idea that you exist in the real world through TV or out-of-home advertising really adds credibility to the brand.'

Mr Barnes agrees. 'The fact that you can buy a billboard or TV ad sends a message to consumers to trust you. You don't get that same level of trust on a PPC or programmatic ad. We've also seen that we get more branded searches in the cities where we do more brand marketing. So not only are more people searching for our brand but our conversion rates are also better. We believe, anecdotally and through qualitative research, that it's because of the trust and credibility of seeing an ad from us.'

This sentiment is shared by Airtasker chief executive Tim Fung, who last week told The Growth Agenda the online marketplace was increasing its brand marketing spending across traditional media channels in a bid to become a household name.

Mr Fung cited the saturation of online ads and the subsequent issues with online attribution as another factor driving the business to invest more in traditional channels. 'I think there is going to be a renaissance towards traditional media – on TV, audio and outdoor particularly,' he said.

Source: D. Long, 'Marketers up investment in brand marketing citing record growth', 1 July 2024, *The Australian.*

Questions

1 Intrepid Travel chief customer officer Leigh Barnes stated, 'You can't search for something you don't know.' Explain this statement in terms of promotion avenues and the relationship to brand awareness and mind share.

2 Select one of the businesses in the article: Intrepid Travel, Koh or Airtasker. Evaluate the 'rebalancing efforts' in terms of brand marketing to make a decision and propose recommendations.

Market share analysis

Tracking market share allows a business to measure consumers' preference for a brand compared to similar brands. A higher market share generally translates to greater sales, less effort being required to sell more, and a barrier to entry for other competitors. A higher market share also means that, if the market expands, the top-of-mind leader gains more than the others. Market share analysis examines the sales performance of a business and compares it against its direct competitors. It allows comparison across reporting periods, showing percentage gains or losses.

Market share analysis enables a business to evaluate its marketing strategies compared with those of competitors. This can show whether strategies have increased the number of customers and, if so, the extent to which those customers have come from competitors. Businesses in competitive markets place great value on analysing market share as a drop of as little as 1 per cent in market share can represent a sizeable loss in the dollar value of sales.

Measuring market share can indicate if a business is the market leader; that is, the business with the highest market share in an industry. A market leader can use its position to exert influence over its rivals, including strategies to gain more customers such as pricing strategies, product line decisions and distribution approaches. In the Australian supermarket industry, the intense rivalry to be market leader has seen Coles and Woolworths focus on private labels as a point of difference, while Figure 6.9 reveals that Telstra remains the market leader in the competitive internet service provider market.

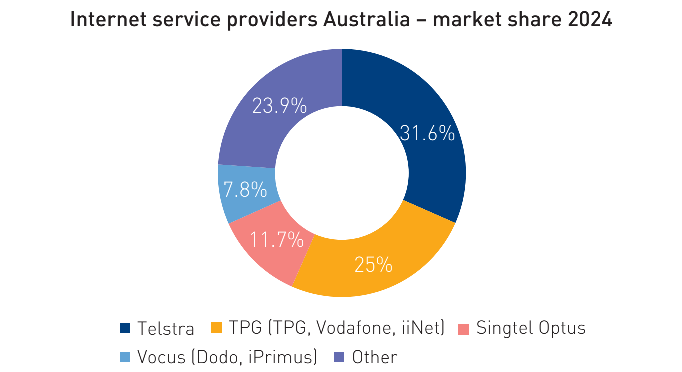


Figure 6.9 The internet service provider (ISP) market in Australia is characterised as an oligopoly where small gains in market share by one company are typically at the expense of a leading rival.

Market share analysis: examines the sales performance of a business and compares it against its direct competitors

GAINING INSIGHT 6.5

Private labels and 'phantom brands': The fight for market share

Over the past 20 years, the supermarket sector has evolved to become more focused on private labels as a way to maintain market share and profit margins. Aldi arrived in Australia in 2001 and capitalised on a gap in the retail grocery market for a discount supermarket. Aldi does not sell 'Aldi brand' products, which had been the 'no-frills' approach of Coles and Woolworths own-branded products at the time; rather, Aldi sells phantom brands such as 'Belmont' ice cream and 'Lacura' skin care. These products are Aldi's own brand but are not overtly labelled as 'home brand' to avoid the negative connotations of private labels as being low quality and inferior to branded products.

columbo.photog/Shutterstock.com

Figure 6.10 Aldi capitalised on a gap in the grocery market using a food discounter model, phantom brands and ever-changing 'special buys'.

So what is a phantom brand?

Home brands or own-branded products are items that are clearly labelled with the name of the retailer who is selling them. In the past, if a product had a retailer's logo on it, it was a home brand and everything else was a branded item. These products were viewed as entry-level or 'no-frills', with simple packaging, low prices and a perception of lower quality. Such products were targeted at budget and value-conscious consumers. A challenge for retailers was consumer reluctance to purchase own-branded products in some categories, including personal care, liquor and pet food due to the perception problems – the solution was private labels.

Private label products do not make any reference to the supermarket's brand or logo – some call them 'home brand in disguise'. Products are made to resemble branded, independent items, making it difficult for consumers to know who really owns the products being purchased. With phantom brands, there are no supermarket logos; instead, these are designer-looking brands with only the fine print on the back revealing the item has been made by the supermarket. These phantom brands typically sit on supermarket shelves with other premium branded products and compete at a similar price point, delivering retailers larger profit margins and brand loyalty. Examples include Smitten cat food, Woofin Good dog food, Wild Tides tuna and KOI toiletries, which compete with other brands.

Figure 6.11 Woolworths has recently increased its phantom brands range. These products do not have the Woolworths name on the front of the pack.

Figure 6.12 Woolworths' new Voeu phantom skincare brand

Use of phantom brands is widespread in the liquor industry, which has seen growth in market share to Woolworths spin-off Endeavour Group, the market leader at 38.6 per cent, followed by Coles at 14.9 per cent, Metcash at 10 per cent and Aldi at 4 per cent. These retailers stock hundreds of wine brands that seem independent but are actually all owned by them! A 2024 *Four Corners* episode featured the Two Churches brand that tells a historical story about the Barossa, but the wine is not from a Barossa winery; rather, the address of the maker is actually Coles headquarters in Melbourne. The perceived lack of transparency of phantom brands in this sector has created some concern for smaller producers and discerning consumers, along with independent retailers trying to compete. The challenge is that the market leaders have control over costs of production, require limited marketing budgets (as they retail themselves) and often charge brands to promote their products in prime shelf positions or have them promoted in advertising campaigns and promotions.

How prevalent is the phantom brand in supermarkets?

The competitive nature of the supermarket industry and the growth of Aldi has seen the number of private labels rise from an estimated 9 per cent of products in 2004 to more than 30 per cent for Coles in 2019 and a commitment to becoming an 'own brand powerhouse' selling 40 per cent own brand by 2023, an objective it seems to have met. At Woolworths, around 21 per cent of products are private label. In the supermarket sector, the origin of products is not overtly secretive, as the fine print on the back of package will reveal the origins, but they are harder to spot at first glance.

So, can consumers know if they are buying branded or private label products? Aside from reading the label, an online search will usually reveal ownership. Both Coles and Woolworths have registered a considerable number of trademarks, which can be freely searched on via government agency IP Australia's website. In 2024, Woolworths Group owned 1793 trademarks, with Coles Group owning 1345 trademarks. The question is whether the growth in private labels will further bolster the dominance of the major retailers and thereby force out small brands or does it simply provide consumers with a decent product at a reasonable price?

Pros	Cons	Questions
Consumers are currently benefiting from increased competition between brands and private labels	They discourage suppliers from innovating with their products	What are the likely long-term consequences of the trend of private labels in the food and beverage industry?

Questions

1 Describe the business situation present in this 'Gaining insight', including the role of phantom labels in competitive environments.
2 Explain the role of brand in consumer perception and loyalty in a competitive environment.
3 Complete a PCQ (Pros, Cons, Questions) about the trend towards private or phantom labels (an example is included for you above).
4 Coles is aiming to maintain private label products at 40 per cent of its product range. Using your PCQ table and further research, write two paragraphs that explain the role of branding in maintaining market share and interpret the challenges faced by some businesses with the trend to private labels.

INQUIRY

Using Gaining insight 6.5 on private labels and phantom brands for context select a competitor, such as a branded product (e.g. Whiskas cat food competing with Woolworths' Smitten cat food) or a retailer such as an independent food retailer.

1 Analyse the selected business's current situation in a highly competitive market, using a USP analysis. Interpret relationships and/or trends in the USP analysis to draw conclusions about the situation and implications for the business.
2 Create a table and paragraph response to communicate your findings.

Template
STEEPLE analysis

Integrated marketing communications strategies

Key learnings

You will learn about integrated marketing communications through examining:
- integrated marketing communications strategies
- the features and benefits of integrated marketing communications.

What are integrated marketing communications strategies?

In the past, marketing efforts have sometimes been accused of being fragmented and lacking a coherent message. Businesses traditionally handle advertising, sales promotion, publicity, digital communications and social media as separate processes. With the surge in promotion avenues and communication mediums available, the necessity for a coordinated, consistent message across all channels has increased. The current trend is a move away from extensive mass media to multiple forms of communication that work together. There are a multitude of definitions around what **integrated marketing communications (IMC)** are, with the common themes being that integrated marketing is:
- a strategic planning process to assure all brand contacts are consistent and credible over time
- the coordinated use of different promotion avenues, intended to reinforce one another
- characterised by '3Cs' – clarity, consistency and communication impact
- promotion avenues operating as a unified force, rather than in isolation
- relevant to the targeted markets and consistent over time
- a unified, seamless brand experience across communication channels
- communicating a consistent identity across messages and mediums
- giving customers relevant messages and making sure each communication is connected to the next
- unified and centred on the customer.

As seen in Figure 6.14 (page 207), IMC is a strategic process as it integrates the elements of the brand's marketing mix with the promotion avenues to achieve long-term brand value and build equity. It differs from traditional short-term promotional tactics, seeking to influence consumer buying behaviour over the longer term to build sustainable, profitable relationships.

Building the business or brand name and reputation is key to a competitive advantage, as is being customer-centric. Marketers must ensure the communication message is clear and consistent; this can be achieved by ensuring that communications have the following 'Rs':
- *Relevance* – the message must be relevant to the target market, so consumers can see the link between the total product concept and their needs. This involves determining the benefits sought by the consumer and engaging with them. In an environment of 'information overload', lack of perceived relevance will lose customers and see them switch off or unsubscribe – the ability to sustain relevance is a competitive advantage.
- *Recognition* – a recognisable and compelling identity is aided by clarity of the message. Having a distinct colour pallette, design and phrasing will enhance clarity and build a unique and instantly recognisable brand and message that enables the consumer to distinguish between the offerings of different businesses based on meaningful criteria. This links to the USP and means that consumers recognise the business and what it stands for. A business should also recognise its valued customers through initiatives such as loyalty programs.
- *Receptivity* – it is vital to learn which communication avenues and media (e.g. magazine advertisements, radio spots, websites and social media posts) work best for the target audience and account for the timing of the message, such as on breakfast television or drive-time radio. Knowing the right media and the right timing allows the message to reach customers when they are most receptive to it. For example, millennials are typically more averse to advertising than baby boomers and will block ads with technology, while baby boomers are more sceptical of social media posts as a valid source of communication.

Integrated marketing communications (IMC): a unified, seamless brand experience across communication channels that is characterised by clarity, consistency and maximum communication impact

- *Reward* – the discernible value offering for engaging with the communications. This may be a tangible reward to say 'thank you' to the consumer or something else of value. Communication may entertain, inform, teach or give the consumer something. All messages should offer a reward. This is especially true of social media posts, so the target audience remains involved with the posts or tweets.
- *Relationships* – communication on a regular basis to build and sustain relationships with key stakeholders.

IMC should add value. To this end, marketers need to formulate marketing plans that evaluate the strategic role of communication strategies and combine them to ensure clarity, consistency and communication impact. They achieve this by ensuring all messages reflect the 'Rs' and enable two-way communication between the business and its audience through feedback. An integrated approach supports the achievement of marketing objectives.

GAINING INSIGHT 6.6

Brookfarm

Brookfarm has engaged in a brand 'refresh' to ensure consistency across all marketing touch points from packaging to media. See the end-of-topic Case study 2 for the full Brookfarm story.

Source: Brookfarm

Figure 6.13 Updating all marketing touch points, including point-of-sale shelf strips, product information and posters, was key to creating a more consistent, integrated approach to all marketing initiatives.

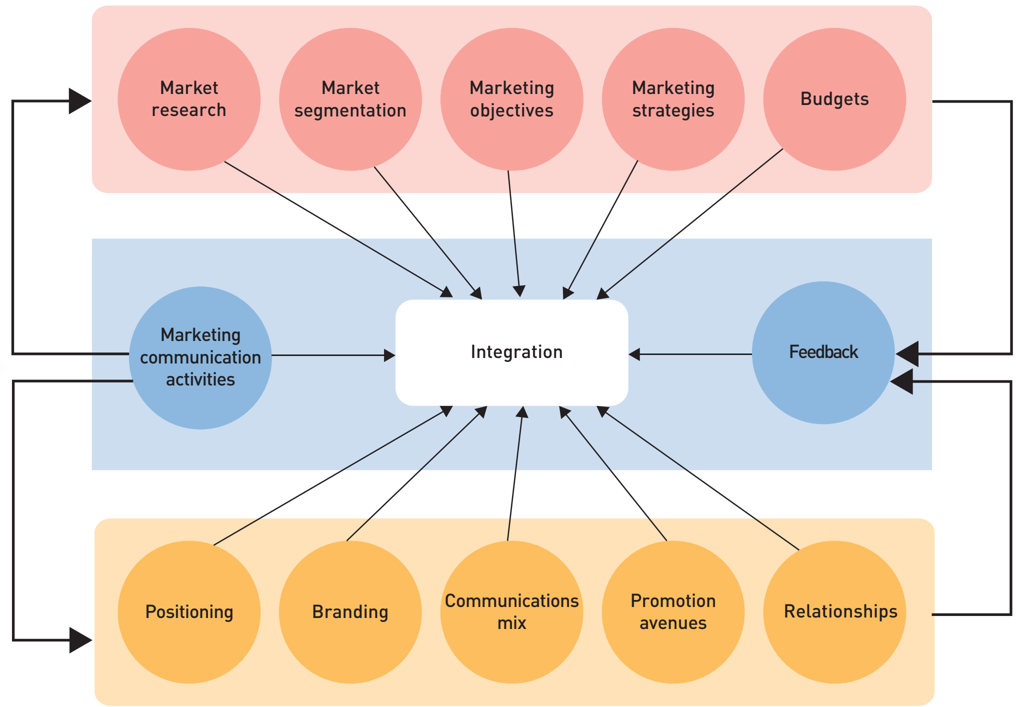


Figure 6.14 Integrating marketing communications with a strategic focus and feedback mechanisms

INQUIRY

A communications audit

Select a business you are familiar with – it may be one that's in regular communication with you and should be a mature business operating in a competitive environment. Locate as many forms of communication as you can for the selected business. *Tip: start with its website*.

Conduct an informal 'communications audit', examining the following:

- How many promotional avenues are employed? Are there multiple messages across one promotion avenue?
- How else, other than through promotion, does the business communicate with consumers?
- How clear and consistent are the different communications?
- Does the communication have impact?
- How relevant are the messages to the target audience?
- Is there evidence of reward or relationship-building?

Draw a conclusion about the degree of integration present and the implications for brand equity.

What are the key features and benefits of IMC?

Integrated communications rely on creating brand image using a strong singular message across all avenues. This leads to efficiencies as resources are not wasted on scattered or fragmented promotions. Economies of scale are achieved by creating a clear, consistent message that resonates across avenues and media. This resource efficiency maximises the strengths of the individual promotion avenues, creates synergy and potentially deters competitors from entering the positioning space for the product. Content produced for one avenue, such as print advertising, can also be used on other platforms such as social media. This allows a single campaign message to be deployed in multiple ways across all avenues of choice.

The fundamentals of marketing explored in Unit 2 Topic 2 remain the foundation of IMC, starting with a need to segment the market and identify a profitable target audience. Use of the segmentation dimensions is key to defining a target market receptive to the messages of the business and analysing their buyer behaviour. Knowing the target market allows selection of the most relevant promotion avenues and media to connect with the consumer.

A clear positioning strategy (*Business for QCE Units 1 & 2,* page 350) is vital, so that the identifiable image and corresponding brand message is communicated consistently across the promotions mix; this achieves the synergy inherent in IMC. To achieve a cohesive brand image, all points of contact with the consumer, known as **touch points**, must deliver the same message or risk fragmenting the message and confusing consumers. Having a clear positioning strategy will enable the message to differentiate the business from its competitors. Use of a positioning map is a valuable strategic planning tool for ensuring clarity of message and communicating the key points of difference. As seen in Figure 6.15, the target consumer is the central focus when planning IMC, and all touch points support this, meaning the consumer experiences as many brand messages as possible.

Beyond creating brand awareness and positive brand image, the goal of IMC is to influence consumer buying behaviour and impel them to action – to visit a retailer, go online, post in social media and, ideally, purchase the product. IMC incorporates all promotion avenues, as persuasive messages that encourage behavioural changes and purchase intentions are necessary to convert a favourable perception into purchase habits. Building customer relationships that generate repeat purchasing and loyalty through positive brand experiences is also achievable with a cohesive marketing communications strategy.

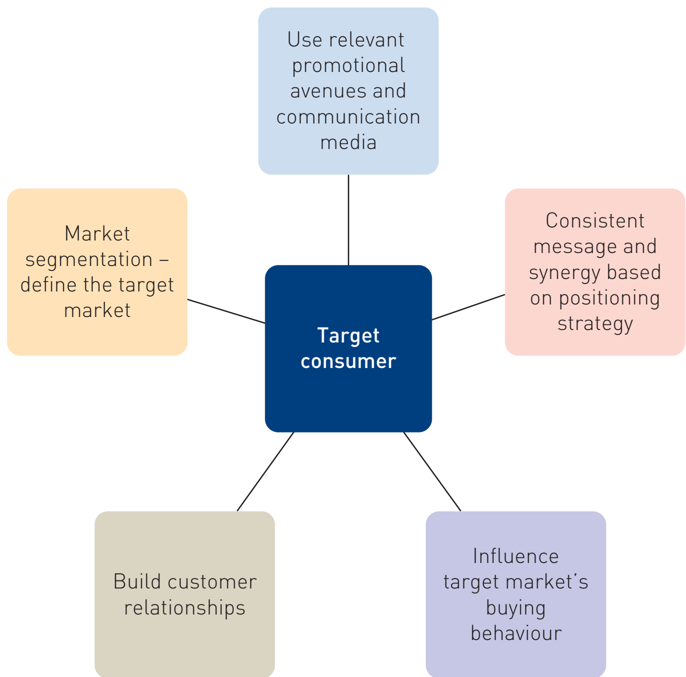


Figure 6.15 The target consumer is central to IMC.

Touch point: any promotion avenue or communication that reaches the target consumer to present the brand in a positive manner

GAINING INSIGHT 6.7

Positioning Pet Circle as Australia's top pet store with its 'Top Dog' campaign

Founded in 2011 as Paws for Life with 16 products and four brands, the company rebranded as Pet Circle in 2014, growing by over 300 per cent in two years. It now offers over 13 000 products, including its private label Paws for Life brand, and has 500 000 regular customers engaging with its website. In 2025, Pet Circle had 46.6 per cent of the online pet food and supplies market in Australia, but today it faces increasing competition from the entry of Woolworths and Bunnings into the market.

Figure 6.16 Pet Circle is currently the only online retailer of pet food and supplies, with over one million monthly visitors to its website, and 'whippet fast' delivery options including next day and express services.

To support its continued growth plans and to combat a competitive market, Pet Circle has engaged in an integrated campaign using a range of avenues including TV, BVOD, YouTube, radio, OOH (out-of-home advertising), plus social and digital media. The current campaign to be 'Top Dog' also features experiential tactics, with playful street stencils along popular dog-walking spots in major cities to showcase its message in a creative way that aligns with its brand personality.

A brand refresh is underway, with Pet Circle embracing its joyful, quirky personality and celebrating pets as cherished members of the family who deserve only the best. Introducing a Price Beat policy for the first time aims to communicate the commitment to quality products for furry family members at unbeatable prices. The business is targeting 'pet parents' who value a premium shopping experience, quality products and outstanding value, positioning the business as the go-to for time-poor people wanting to make their pets' lives better.

© Sally Adams

Figure 6.17 Pet Circle recently introduced a Price Beat promise.

A wide range of touch points are used to communicate with customers, with the brand refresh ensuring a strong, singular brand message, as seen in Figure 6.18 with the analogy 'More lick per buck'.

© Sally Adams

Figure 6.18 Out-of-home advertising features strongly when communicating to time-poor consumers when they are more receptive to the messaging.

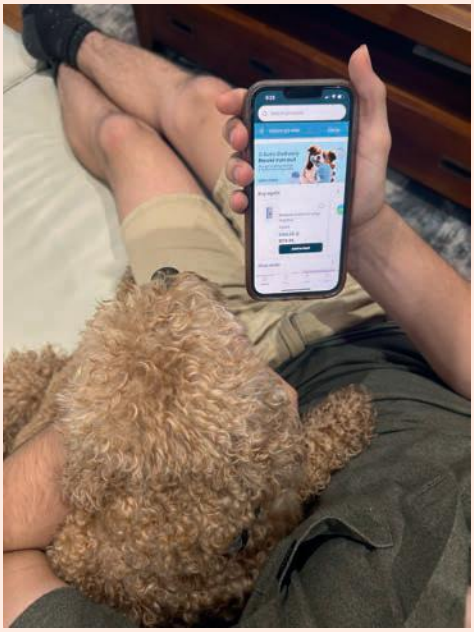


Figure 6.19 Using the Pet Circle app enables easy tracking of orders and updates on the latest specials.

Three-quarters of Pet Circle customers live in urban areas where demand for premium pet food is higher compared with regional markets. With cat owners the most brand loyal, averaging six to seven purchases per year, Pet Circle is seeking to build brand equity across its customer base, observing dog owners as typically making fewer purchases and more sporadically. Pet Circle provides incentives for customers to try the app with a view to building in auto deliveries for more consistent ordering and greater spend per order, leveraging increased sales and market share.

The current brand refresh and price promise are reflected in the 'Top Dog' advertising campaign highlighting Pet Circle's understanding of the role of pets as members of the family, and aligns with the business's mission to better the lives of pets and their parents.

Weblink
Top Dog campaign

Questions

1 Explain how Pet Circle is using integrated marketing communication strategies and give examples of these strategies.
2 With reference to the 'Rs' of IMCs, identify which elements are present in Pet Circle's IMCs and examine them in terms of benefits to the business.
3 Evaluate marketing strategies for Pet Circle as it operates in a highly competitive environment to make a decision and propose a recommendation.
4 Create a response to communicate your finding to the Marketing Director of Pet Circle.

Relationship marketing

Key learnings

You will learn about relationship marketing through examining:
- the role of loyalty and rewards
- the Pareto principle and loyalty
- customer relationship management.

What is relationship marketing?

The pinnacle of IMC is the creation of a relationship between the brand and its customers. Relationship marketing evolved during the 1990s as marketers sought to develop long-term, mutually beneficial relationships with customers. It is a strategic orientation that emphasises retaining current customers, rather than simply pursuing new ones. The premise is that a sustainable relationship will lead to:
- repeat purchases
- customer recommendations or referrals
- stronger customer loyalty for the long term
- retention economies for the business.

Relationship marketing: the process of establishing, maintaining and enhancing long-term relationships with customers so that the objectives of both parties are met

It is reported that the marketing costs associated with attracting new customers are five or six times more than the cost of strategies designed to maintain current customers – hence, retention relates to efficiency. The primary goal of relationship marketing is to develop and maintain a core of committed and loyal customers who are profitable for a business. This can be achieved through:

- consistently delivering quality and satisfaction
- building in switching barriers, such as the economic costs associated with switching mortgage providers, and psychological costs of changing from a brand you are familiar with, such as changing running shoes or hairdresser
- special-treatment benefits, including loyalty programs or preferential treatment.

Loyalty and rewards

Having a customer feel valued is vital to building a relationship and maintaining loyalty. Marketing communications should be personalised so that all touch points have relevance and create engagement by meeting individual customer needs. **Loyalty programs** are commonly used as a reward or value offering to retain key customers and increase sales. These programs are structured marketing efforts that reward certain consumer buying behaviour. Their purpose is to influence shopping and payment behaviours. Examples of loyalty programs include:

- free or discounted products or services after a customer has purchased a certain volume – for example, 'buy 10, get one free' coffee cards
- VIP programs that offer benefits such as discounts on all purchases and birthday 'gifts' – for example, birthday freebies at Yo-Chi as part of their 'Chi Club'
- programs providing customers with added incentives to shop or spend more – for example, Woolworths Everyday Rewards customers earn cash back based on dollars spent
- sending out discount codes or coupons to existing customers to persuade them to buy more – for example, online photo book business Mixbook offers discount codes for repeat customers
- rewarding customers when they refer new customers to businesses such as Wise Travel cards.

The challenge of operating a rewards program that achieves its intent of building loyalty and retaining customers is to move away from short-term giveaways and achieve sustainable loyalty. Insurance companies, including RACQ, consider the tenure and number of products held by a customer when offering loyalty benefits such as 'multi-policy' discounts, no-claim bonuses and years of membership. This reflects the '80/20 rule' (see pages 214–16) and recognises that not all customers are equal.

Consumer loyalty in the post-pandemic environment is more complex. Consumer confidence has changed in response to economic pressures, including inflationary conditions and multiple interest rate rises. The cost-of-living crisis means businesses can no longer rely purely on strong brand equity for loyalty and repeat sales.

Australian consumers are becoming increasingly deliberate in how they shop, moving away from traditional brand loyalty in favour of smarter, value-driven choices. A 2023 study by M&C Saatchi Group revealed that 71 per cent of Australians are less loyal to their usual brands, opting instead to research online, compare prices across stores, and delay purchases until discounts are available. This shift reflects a broader trend of financial mindfulness, where budgeting and strategic decision-making play a central role in purchasing behaviour.

At the same time, loyalty programs are seeing a resurgence, with 81 per cent of consumers using them more frequently. These programs offer tangible benefits like discounts and exclusive deals, which appeal to cost-conscious shoppers. For businesses, they also provide valuable customer data that can be used to deliver more personalised experiences. This suggests that while brand loyalty in its traditional form may be declining, consumers are still open to loyalty; provided it offers clear, practical value. Key data from a Statista report in 2024 can be seen in Figure 6.20.

Loyalty programs: structured marketing efforts that reward, and thereby influence, consumer buying behaviour and build loyalty

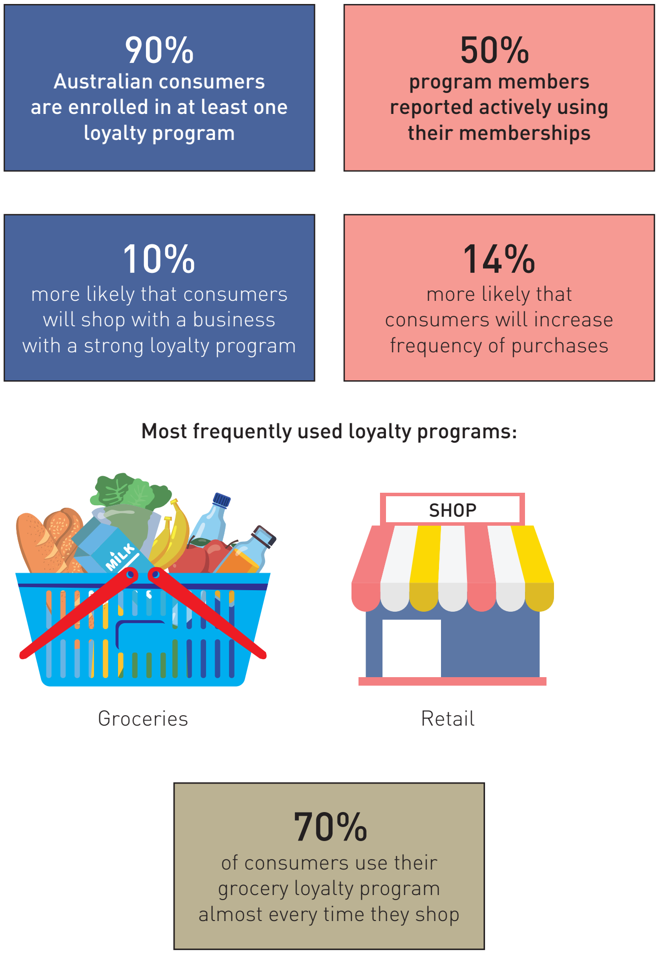
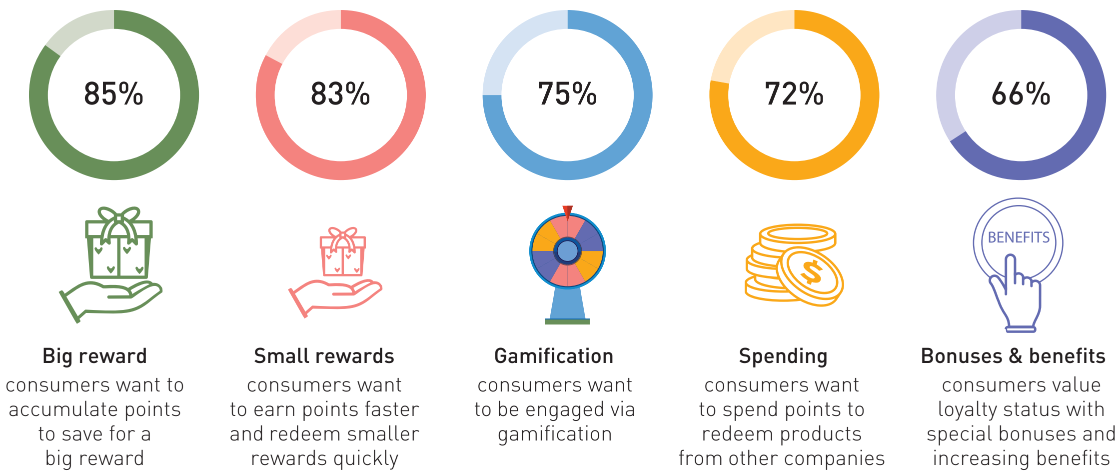


Figure 6.20 Consumer behaviours around loyalty programs



Source: https://www.statista.com/topics/11206/loyalty-programs-in-australia/#topicOverview

Figure 6.21 Consumer preferences of loyalty and reward benefits

The consumer preferences of loyalty and reward benefits can be seen in Figure 6.21.

A challenge for loyalty programs in mature markets, including Australia, is that consumers have high expectations and many available options. Australian consumers are frustrated by perceived reducing value from their loyalty programs and by programs changing to make it harder to accrue rewards. They also argue that some programs lack relevance to their interests and needs. Relevant communication is vital, with too much irrelevant communication a cause of disconnect, as is a lack of regular communication.

Catrina Haze/Shutterstock.com

Figure 6.22 The Woolworths Everyday Rewards program ranks highly in the preferred loyalty programs in Australia, coming second to Flybuys. Woolworths personalises its communications, including weekly 'your specials' emails, and provides tangible rewards based on sales.

INQUIRY

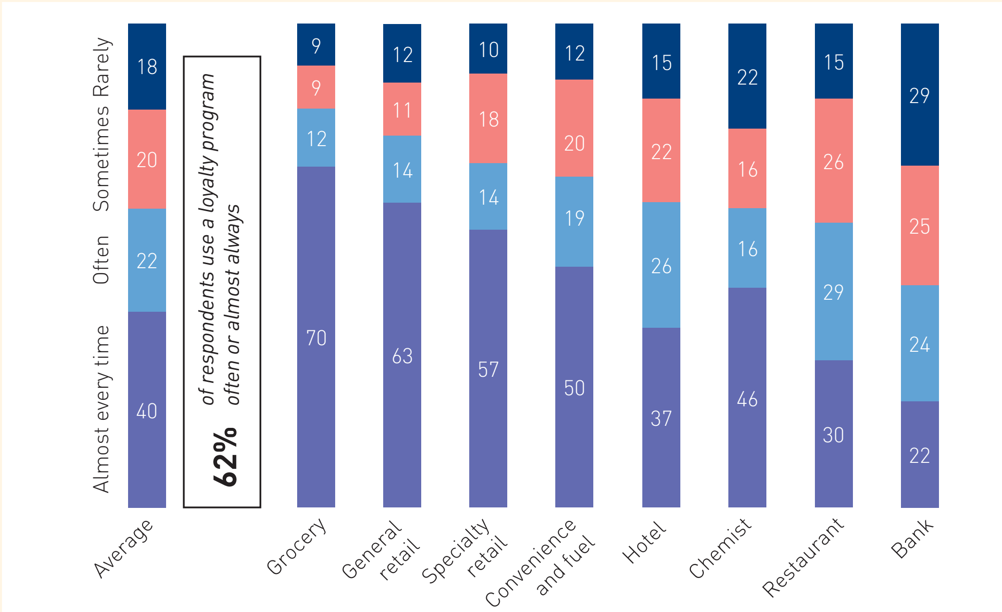
Loyalty programs – worth their rewards?

FGC/Shutterstock.com

Conduct an inquiry into the uptake and use of loyalty programs by members of your local community, including the value of the program to stakeholders.

Start by completing a simple market research survey to determine:

- the types of loyalty programs consumers are members of, as seen in Figure 6.23
- specific loyalty programs; for example, Flybuys, Myer One, Spotlight VIP, Cinebuzz Rewards, Ikea Family and Boost Vibe Club
- the degree to which consumers perceive that these programs influence how and where they shop; for example, do they:
  - purchase more volume?
  - purchase more often?
  - refrain from purchasing from the competition?
  - recommend the program to others?
- factors seen as positive from the loyalty programs
- factors seen as negative from the loyalty programs.



Data source: Introducing the Australian Consumer Loyalty Survey by Karthikeyan Swaminathan, Joseph Tesvic, Amanda Winchester, and Katrina Yavash, McKinsey & Company/© Cengage

Figure 6.23 Sixty-two per cent of Australian consumers use a loyalty program regularly, with notable variation across industries.

Choose *one* of the loyalty programs to complete the following tasks.

1 **Describe** the business situation, using findings from the simple market research survey. *Tip: you could convert your data into tables and graphs*.
2 **Explain** the interrelationship between marketing strategies such as rewards programs, maintaining market share and customer loyalty.
3 Select data and information about the chosen program, including the benefits and any costs associated with the program, to determine whether it acts as a competitive advantage and achieves customer loyalty objectives. *Tip: you may use a USP analysis to complete this*.
4 **Interpret** your research findings to draw conclusions about the implications of loyalty programs.
5 **Evaluate** the chosen rewards program to make a decision about its value and propose a recommendation using relevant criteria.
6 **Create** a short presentation, including visual representations, of your findings to present to the loyalty manager of the chosen business.

Weblink
Manage customer relationships

A key to success in the competitive loyalty market is personalisation, so that consumers engage with the program. Digitisation, via apps and online accounts, also adds value by allowing customers to check points, receive offers and redeem rewards.

The Pareto principle and loyalty

The **Pareto principle**, named after the Italian economist who developed it, is a 'cause and outcomes' principle, also known as the 80/20 rule (Figure 6.24). This states that 80 per cent of one variable is accounted for by 20 per cent of the causal variable; for example, that:

Pareto principle: a 'cause and outcomes' principle, also known as the 80/20 rule. This states that 80 per cent of one variable is accounted for by 20 per cent of the causal variable

- 80 per cent of sales revenue comes from 20 per cent of customers
- 80 per cent of total sales come from 20 per cent of sales representatives
- 80 per cent of a typical business's revenue comes from 20 per cent of its products
- 80 per cent of sales come from 20 per cent of advertising
- 80 per cent of customer complaints come from 20 per cent of customers
- 80 per cent of search visits are from 20 per cent of the keywords (often brand terms).

Figure 6.24 Pareto principle

This principle is connected to loyalty management as not all customers are equal. The customer pyramid (Figure 6.25) relates to the 80/20 rule by identifying that customers who represent the most value to a business should enjoy the benefits of that value creation and are the customers who need to be identified and retained. If a business takes care of its most profitable, loyal customers, they will potentially become even more profitable. Therefore, targeting the right customer is vital, and businesses must consider questions such as:

- Which segment sees high value in the product offerings?
- Who spends more over time and costs less to maintain?
- Who spreads positive word-of-mouth and refers other customers?

Figure 6.25 The customer pyramid indicates the range from the least through to the most profitable customers. The platinum level reflects the 20 per cent of loyal customers who spend more over time, yet cost less to maintain and typically spread positive word-of-mouth.

Mature businesses such as airlines and insurance companies use the customer pyramid to identify and reward their best customers. This can be done using **customer relationship management (CRM)** to analyse data, identify high-value customers and personalise marketing communications. The key is to build and maintain loyalty through well-conceived relationship marketing strategies, rather than being overly focused on attracting new customers or dealing with difficult ones.

Customer relationship management (CRM): focuses on customer retention and relationship marketing, enhanced by technology. CRM involves sophisticated software that assists with analysis of customer revenue and costs, identifies high-value customers, targets promotional efforts, captures customer data and tracks retention

The customer pyramid expands on the Pareto principle by further categorising customers for business efficiency. Tiers are based on consumer dollar spend and degrees of loyalty.

- The upper tier, often referred to as platinum, represents the most profitable customers or the top 20 per cent. Loyalty programs and other incentives are key to retaining core customers. These customers tend to be less price-sensitive and more willing to trial new products offered by the business.
- Gold customers make up a larger group of customers than platinum (typically, the 21st to the 50th percentile). Gold customers may visit a business as often as platinum, but are typically more price-sensitive, their average spend per visit is lower and they are more likely to shop with competitors if they perceive a better deal is available. These are still profitable customers, who may be converted to platinum through relationship marketing and targeted rewards.
- Silver customers represent a considerable proportion of customers (typically, the 51st to the 80th percentile), but are more price-sensitive and will shop around for the best deal. They are less likely to become loyal to one business, but will provide sales revenue and support capacity, so should not be entirely forgotten.
- The bronze tier (the lowest 20 per cent) includes customers that cost in time, money and effort – they may represent the 20 per cent of customers who make 80 per cent of customer complaints or who only purchase heavily discounted products. They are typically unprofitable.

Understanding the customer base will allow targeting of profitable customers and tailoring of loyalty strategies, and will eliminate a focus on unprofitable customers. This should improve marketing efficiency and returns.

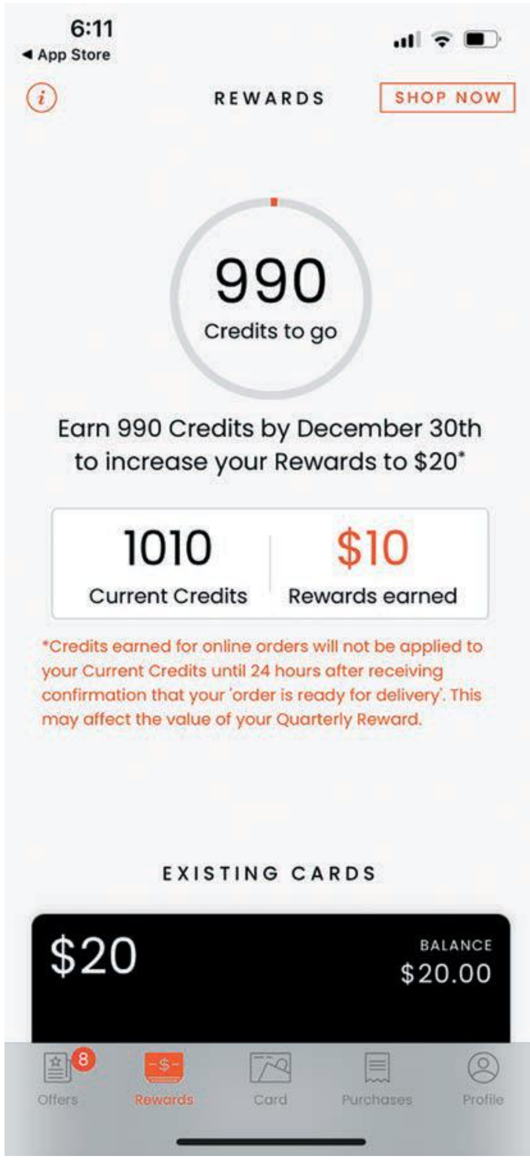
Customer relationship management (CRM)

As a business grows and reaches the maturity stage of the business life cycle, maintaining the personalised interactions characterised by smaller businesses is a challenge. Customer relationship management (CRM), in a broad sense, focuses on customer retention and relationship marketing, which is enhanced by technology. It places the customer as core to business strategy. Systems should be viewed as enabling the successful implementation of loyalty programs and as tools for building sustainable relationships. CRM is data-driven marketing that enables a business to:

- identify and follow up with potential customers
- identify high-value customers to maintain relationships
- target marketing efforts at the individual consumer through personalisation
- capture customer behaviour data, including complaints
- track customer spending and retention levels
- analyse online browsing behaviour
- support integrated marketing communications that are tailored to target customers.

CRM should deliver a '360-degree view' of customers and create customer insights that enable intelligence-generated strategies. Successful relationship marketing is enabled by reliable databases. Customer data, often gathered through loyalty programs, provides businesses with significant opportunities for insight into consumer preferences and behaviour.

Large companies have created business insight teams to analyse the vast quantities of data and information available across a business's functions. This includes insights from all customer touch points, including:



Source: Myer Pty Ltd

Figure 6.26 The Myer One app features an easily legible credits counter that provides an incentive for customers to continue spending in order to obtain rewards.

- digital enquiries via email
- live website chat sessions
- social channels
- traditional sources such as instore personal selling and formal market research.

CRM allows this data to be interpreted and fed to marketers as customer insights. It is part of customer retention and supports a sustained competitive advantage. As a specialised area, CRM is often outsourced to specialists who partner with the business to turn data-driven insights into actionable strategies.

Marketing strategies built on the foundations of CRM should:

- attract new customers
- encourage existing customers to purchase more often and at higher values; for example, Woolworths could promote its product offering for a customer with Everyday Rewards to also include mobile phone plans and insurance services
- reduce the level of customer turnover, known as 'churn', resulting from high-value customers switching to a competitor, such as a business traveller with Qantas switching to Virgin
- regain lost customers
- reduce focus on unprofitable segments, or the bronze-tier customers, as seen in the customer pyramid (Figure 6.25).

GAINING INSIGHT 6.8

Olivia Wirth's big Myer plan: Discipline, data … and stopping thieves

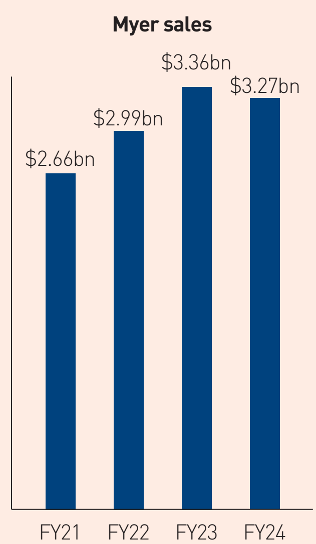
Figure 6.27 The Myer One loyalty program is a competitive advantage for the business as it leverages CRM insights.

Myer boss Olivia Wirth will leverage her years of running the highly profitable Qantas loyalty scheme to transform the Myer One program into a significant asset that grows well beyond the department store to become a leading national shopping rewards platform.

Ms Wirth, the recently appointed executive chairman of Myer, has provided an early glimpse into her planned transformation of the retailer, departing from more than two decades of almost unchanged annual sales levels, and she sees Myer One as central to shifting the chain to sustainable profit growth.

'I would also say that there is an opportunity to broaden the Myer One program and to truly become a loyalty ecosystem, to take Myer One beyond Myer and truly become an established retail ecosystem in Australia,' Ms Wirth said.

Titled 'Myer tomorrow', the plan was revealed as Ms Wirth presented the company's full-year results on Friday. The former Qantas executive pinpointed a string of initiatives – such as fighting in-store theft, improving the beauty offer, expanding the private label range and building up Myer One as a powerful earnings funnel – to improve the retailer's performance.



Source: The Australian https://www.theaustralian.com.au/business/retail/myer-profit-slides-by-28-per-cent/news-story/90fe80dc08880bb298761e29e3946a84

Figure 6.28 Myer sales

Ms Wirth has now reset the agenda for the 124-year-old retailer's operations, aiming to generate better returns for investors and become more relevant to consumers.

'It (the strategy) is very much focusing on obviously improving the performance, improving the profitability, delivering shareholder returns at the same time really delivering for our customer, understanding their pain points and rethinking what the future is for Myer,' Ms Wirth told The Weekend Australian after Myer posted a 28 per cent slide in net profit to $43.5m, after more than $12m in impairments and tough trading conditions hit earnings.

'It's about being relevant to the customer, about being relevant to a broad range of customer segments across Australia. This is where the opportunity is, because the market is not sedentary, it doesn't stay the same, it is constantly changing,' Ms Wirth said. 'And our opportunity here is how do we lean into that change, and how do we reorientate the growth, and how do we rethink the business so that we can reorientate for growth over the next five years.'

As part of that reorientation Ms Wirth is considering a bid for Solomon Lew's retail apparel businesses – Portmans, Just Jeans, Jay Jays, Jacqui E and Dotti – which are owned by the billionaire's Premier Investments. A deal would hand Myer almost $850m in extra sales and more than 700 stores to sit alongside its 56 department stores.

'When I think about the (Premier Investments) apparel brands … I think we have been pretty clear what the strategic intent is for apparel brands and why we believe the business will deliver returns for our shareholders and also be a very attractive proposition for our customers as well,' she said. 'It gives us scale, it gives us diversification, and importantly it gives us the capacity to leverage Myer One beyond the existing base.'

Ms Wirth is battling a worsening trading environment for the retail sector. Sales for the full-year were down 2.9 per cent to $3.226bn.

'Despite the tougher trading conditions, work undertaken by the Myer team in recent years has helped stabilise the business and established a foundation for future growth. With a highly engaged customer base, a leading loyalty program, positive comparable department store sales growth and high levels of trust in the Myer brand, there are significant opportunities for growth.'

The 'Myer tomorrow' strategy revealed as part of the company's full-year results will seek to increase customer engagement in its Myer One program and attract more male and younger shoppers, to give Myer a greater 'share of wallet'.

Ms Wirth said her digital strategy would focus on using data to personalise offers to Myer shoppers and improve Myer's e-commerce platforms. A new focus on profits and margins would see Myer more disciplined on costs, how it spent its promotional budget, cut down theft and made its supply chain more efficient.

Naturally, given her background in running loyalty programs – she built the Qantas loyalty scheme into a significant and profitable asset – Ms Wirth has big plans for Myer One. It currently has 10.4 million members, up 706,000 in 2024, with more than half aged under 35.

'Where the opportunity is for us is to how do we invest in the right aspects of this Myer One program so that we can do more with our with our data, so that we better understand the true customer insights about what are the products that they want, what are the pain points that we are solving for, and what are the channels that they choose to shop in,' she said. 'And how do we better personalise that experience for them, because then we can truly win in the omni-channel environment.'

Source: E. Greenblat, 'Olivia Wirth's big Myer plan: discipline, data … and stopping thieves', *The Australian*, 20 September 2024

Questions

1 Explain the interrelationship between CRM, loyalty and relationship marketing present in this situation.

2 Explain how a CRM system supports ICMs in a competitive environment.

3 Identify and explain how marketing economies of scale can be achieved by Myer with the support of CRM.

4 Evaluate the use of Myer One and its CRM data by Myer to make a decision about its suitability in a competitive environment and propose recommendations.

QUESTIONS 6.2

1. Go to a careers website, such as Seek, and research the roles of business insight and customer insight managers. Identify the similarities and differences between these roles and **explain** why this employment category has grown.
2. Select a mature business that uses the customer pyramid approach to identifying key customers. Examine how this business aims to create engagement and loyalty.
3. **Explain** how customer retention relates to efficiency.
4. **Create** an attribute table to identify a variety of loyalty programs, outline their purpose and **explain** the strategies they use.
5. **Explain** what it means to achieve a '360-degree view' of customers and why this can be valuable when developing marketing strategies.
6. Select a loyalty program that is gathering and using a lot of data; for example, Flybuys or Woolworths Everyday Rewards. **Analyse** the situation using a STEEPLE analysis to **interpret** the relationship/s and trend/s present. Draw a conclusion about the implications for strategic planning for the business.

Weblink
Seek

Template
STEEPLE analysis

Contemporary marketing strategies

Key learnings

You will learn about contemporary marketing strategies through examining:

- emerging technologies
- mobile commerce (m-commerce)
- trends such as 'retailtainment' and experiential marketing
- influencer marketing and social platforms.

Emerging technologies and contemporary marketing strategies

The marketing landscape is constantly changing, with disruptions from the technological environment. Marketers must ensure they are attuned to the role of emerging technology as it influences contemporary marketing strategies, including a focus on data analytics, experiential marketing, artificial intelligence (AI), the evolution of social media and automation. Marketing must also evolve to be highly customer-centric, meaning that relationship marketing, personalisation and brand engagement will become increasingly important to remain competitive.

Mobile commerce (m-commerce) and social commerce

There has been a mobile commerce revolution as m-commerce has become core to the digital marketing environment. Consumer behaviour has changed, being now led by mobile technologies, including wearable technologies as a communications channel, service mechanism and purchasing tool. This trend was already underway; however, the COVID-19 pandemic amplified the shift to m-commerce, with lockdown restrictions fast-tracking the uptake of apps for shopping, banking and entertainment. These consumer behaviours have remained in place post-pandemic, with over 80 per cent of Australians using their smartphones for shopping.

According to the 2023 PayPal Ecommerce Index, almost every Australian (98%) now shops online at some point, spending an average of $1153 per month, and 60 per cent of Australians shop online at least weekly, averaging two purchases per week. Potentially reflecting current cost-of-living pressures, 55 per cent of consumers report mobile price-checking and purchasing while physically in a store.

Key industries that have successfully leveraged mobile commerce in Australia include the following:

- *Retail and fashion:* brands have seen a surge in mobile app sales, with the inclusion of augmented reality (AR) features allowing customers to try products virtually.
- *Food delivery and takeaway services:* apps like Uber Eats and Menulog meet the demand for convenience.
- *Banking and financial services:* mobile banking apps offer functionalities ranging from simple transactions to complex financial planning.
- *Digital and streaming services:* the upsurge of streaming apps reflects a shift in how Australians consume media, with platforms like Netflix and Prime leading the way.

Challenges for businesses operating in the m-commerce space include a complex regulatory environment, data privacy concerns and the need to keep pace with rapid technological advancements. Security and checkout complexity are barriers to online purchasing, with 74 per cent of consumers more concerned about online security than a year ago. Long and confusing checkout processes (51%) and the need to create an account to make a purchase (39%) are other deterrents to online purchases. Cart abandonment remains high at 65 per cent, with key reasons cited as security concerns (37%), preferred payment method not available (37%) and the purchase process being too difficult (28%). Contactless payments hastened by the pandemic, including mobile wallets like Apple Pay, Google Pay and Samsung Pay, are providing swift, seamless transactions, increasing the convenience for users and efficiency for businesses.

Social commerce

Social media is no longer just a platform for connecting, but is becoming a marketplace with seamless integration of e-commerce features in our social media apps meaning consumers can discover, browse and purchase products directly within their preferred social media apps. Social commerce, referring to purchases made directly on social networks, is expected to grow three times faster than traditional e-commerce in the next few years. PayPal reports that 20 per cent of Australians have made a purchase through social media in the past six months, with social shopping being largely driven by Gen Y (27%) and Gen Z (25%). Reflective of this engagement, 32 per cent of businesses are now selling through social media channels, led by smaller businesses taking advantage of these lower cost channels.

Social commerce is not the same as e-commerce, even though both exist online. E-commerce relates to shopping that occurs on a website or branded app, while social commerce is the use of social media platforms like Facebook and Instagram to market and sell products and services. Social commerce lets customers complete purchases without ever leaving their social media apps. Currently, four apps have inbuilt social commerce features: Facebook, Instagram, TikTok and Pinterest.

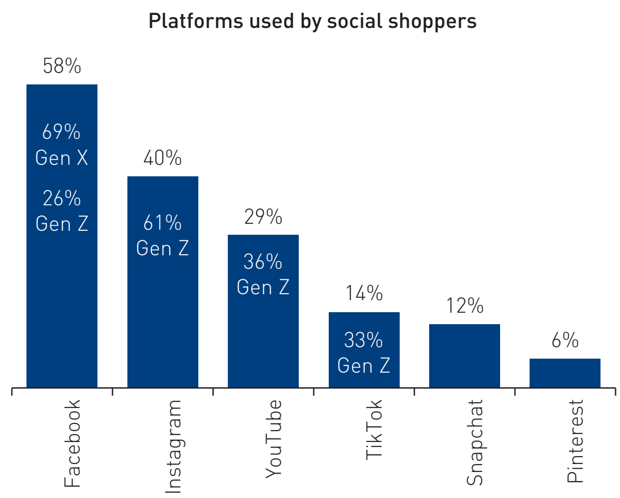
'Retailtainment': A growing trend

Retailtainment – the merging of shopping and entertainment – is a growing trend in retail to deliver enticing instore customer experiences. This can be as simple as the free yoga classes Lululemon offers, 'meet the author' events in bookshops and 'how to' sessions in hardware stores. Shopping centres have embraced this trend to create excitement and build centre traffic through initiatives such as holiday programs that include free ice-skating and inflatable laser tag, and kids' activities such as a gardening masterclass and animation classes.

Mobile shopping has also embraced retailtainment. Once regarded as a convenience, 'window shopping' for recreational purposes is increasing in popularity, with 77 per cent of consumers who browse on their mobile phones

INQUIRY

The trend to shoppable social media



Source: PayPal eCommerce Index 2023, PayPal, October 2023

Figure 6.29 Facebook is the most popular platform for shopping with more than half of Australian social shoppers using this platform, putting it ahead of fellow Meta platform Instagram.

Context

Australian consumers are active users of social media, with We Are Social reporting 25.21 million internet users in 2024, representing 95 per cent of the population, and 20.80 million social media identities, equating to 86.5 per cent of the adult population. Emerging from this is a trend to social commerce, driven by fashion, with Clothing & Accessories (23%) well out in front as the most commonly purchased category. This is followed by Tickets and Health & Beauty (both 14%), Food & Drink (13%), Subscriptions (11%) and Charity (10%). (Source: https://wearesocial.com/au/blog/2024/02/digital-2024-australia-highlights-a-power-shift-towards-social-media)

You are to conduct an inquiry into the social commerce trend and its uptake in different shopping categories (e.g. clothing, health and beauty, electronics, sporting goods, etc.) and different demographics.

1 Conduct research to select business data and information about the current trend and other environmental information relevant to the context. *Tip: you may choose to conduct a simple primary research survey to gauge consumer behaviour in your local area.*
2 Describe the business situation, including facts and characteristics from the business environment, as it impacts on marketing.
3 Explain the opportunities and challenges of social commerce as a marketing strategy and interpret the implications this has for businesses.
4 Create an infographic that explains the challenges and recommends tips for businesses to manage this situation.

with no intent to purchase reporting impulse purchases. Browsing of retail sites for entertainment is increasing. Mobile-optimised businesses can capitalise on this with strategies including augmented reality and voice assistants.

Experiential marketing: AR, VR and MR

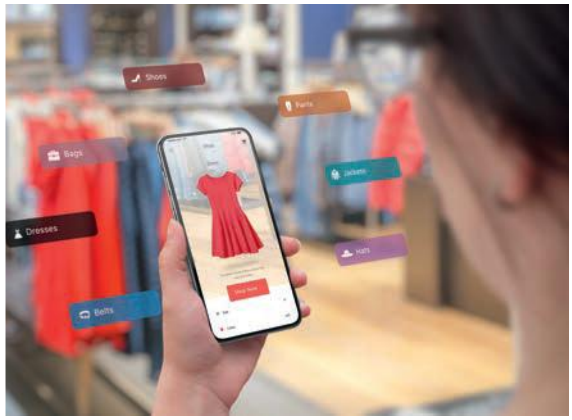
Augmented reality (AR) has become a major trend in marketing and advertising, creating innovative ways of engaging with customers, integrating the digital world with the real world and tapping into the m-commerce trend. AR provides a vibrant platform for storytelling and linking content with brand messages. It can also make online shopping fun by allowing potential customers to learn about products in an interactive manner and guiding them through a virtual experience, as IKEA and Sephora have done.

AR should not be viewed as a gimmick and must be used as one platform within a business's integrated marketing communications strategies. It represents an interactive, reality-based medium for brand engagement and supports the need for relevance and receptivity if done authentically.

iStock.com/pixelfit

Figure 6.30 Emerging technologies such as VR can be used for project development and marketing campaigns using virtual reality goggles.

So what is the difference between AR and virtual reality (VR)? AR overlays virtual objects onto the real-world environment, so consumers see and interact with the real world while digital content is added to it. One of the most practical applications of AR in marketing is virtual product try-ons. This technology allows consumers to visualise products in their own environment or on themselves before making a purchase. This reduces uncertainty and possibly improves conversion rates. Sectors embracing virtual try-ons include fashion and accessories, home decor and furniture, jewellery, and beauty and cosmetics.



RSplaneta/Shutterstock.com

Figure 6.31 Virtual try-ons reduce the risk of purchasing for consumers and have increased shopping cart conversion rates.

VR, on the other hand, absorbs users in a fully artificial digital environment. Most VR requires the use of a headset to experience the virtual reality and special hand controllers to enhance experiences. Immersive videos, such as those available on YouTube, enable 360-degree mode, which means that users can wear a VR headset and experience a form of VR. Major international brands are embracing VR. Merrell, for example, launched its new hiking boot, the Capra, by creating a VR experience called Trailscape that took users on a dangerous mountain hike on which they 'walked' along a stage mapped to the virtual experience. Adidas also used VR to target its football fan market with its campaign called 'The Adidas Football VR Experience'. This campaign made users feel like the next Ronaldo and they were also able to make video clips of their experience, ultimately sharing them on social media and, in turn, marketing this campaign for Adidas too.

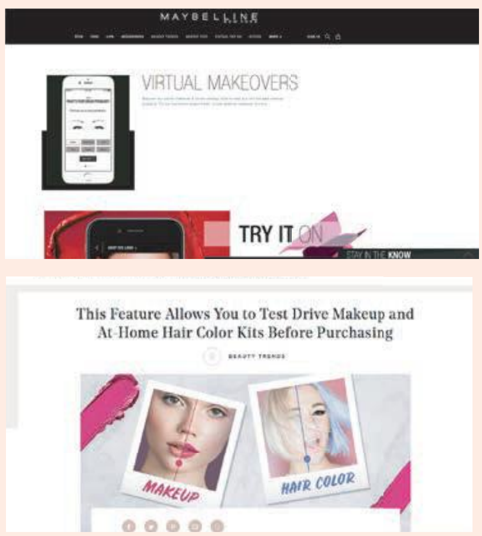
Weblink
VR Football experience

GAINING INSIGHT 6.9

Sephora Virtual Artist app

Sephora identified the major barrier to online purchases – that it is impossible to know if the product will suit you without trying it on instore – and created an AR experience, the Virtual Artist app. This allows Sephora app users to see how makeup products will look on their face via their phone's camera. Sephora's use of AR helps consumers, while it drives sales by appealing to the more tech-savvy consumers. Some consumers have become brand ambassadors by recording and sharing their AR experiences online.

Many other beauty companies are now investing in AR to allow customers to 'try on' makeup at home. Brands such as L'Oréal, Maybelline, CoverGirl, Rimmel London and Estée Lauder have all launched apps with virtual try-on. These apps also collect consumer data and personalise the shopping experience.



Source: L'Oréal Paris

Figure 6.32 Maybelline (top) offers a 'Virtual Makeover' app, while L'Oréal's app (bottom) allows consumers to 'try on' hair colour and makeup.

A recent emergence in the reality sphere is mixed reality (MR), which can overlap objects and anchor virtual objects to the real world. It is a hybrid of AR and VR that can produce new environments and visualisations. In terms of marketing, MR will seek to give consumers the chance to interact in new ways with products. Volvo has embraced this technology with its launch of the XC90 car, pitching 'the first virtual test drive on your phone' and the 'Friday Getaway' experience as a way of creating content and storytelling as the user virtually drives through open fields and mountains. MR aims to place the product in the life of the consumer so they can experience how a product might fit into their lives.

AR, VR and MR are all forms of experiential marketing that will enable brands to engage with consumers. Each offers a so-called 'wow' factor that can give consumers memorable experiences and supports storytelling and engagement. Each also provides a point of difference in its application; for example, if a business wants to present an experience that suspends reality, VR is ideal, but if the business wants consumers to access information that expands on the real world, then AR is optimal.

Weblink
Experience Windows Mixed Reality

Artificial intelligence (AI)

Generative AI is set to impact marketing with the creation of personalised content at scale. From automated advertising copy to personalised email campaigns and chatbots that handle consumer inquiries, AI can be used to gain valuable information on consumer preferences and create more engaging content. Businesses can automate different portions of their marketing efforts and achieve efficiencies with predictive analytics that optimise targeted advertising. AI also improves the client experience by making individualised recommendations, which promotes brand loyalty.

AI algorithms can analyse vast amounts of data to identify preferences, enabling marketers to tailor their campaigns more effectively. For instance, Netflix uses AI to recommend content based on user behaviour, creating a personalised experience that keeps viewers engaged.

Chatbots and customer engagement

Chatbots are becoming the first support interaction customers have with a business online based on their 24/7 capacity. Chatbots driven by AI are virtual assistants that provide instant responses to consumer inquiries, enhancing the customer experience, while also delivering data to the business. Woolworths uses a chatbot named 'Olive' to enhance the customer service experience and resolve routine inquiries, while Dominos has 'order with Dom'; the Dominos chatbot is able to reorder a member's previous order and has enhanced the customer experience through use of AI to automate customer inquiries and leverage ordering efficiencies. View the Domino's AI Chatbot 'Dom' created with Power Platform via the link found on Nelson MindTap.

Weblink
Domino's AI Chatbot 'Dom'

Advances in chatbot technology will support brands to improve customer service, increase engagement and, ultimately, lead to higher conversion rates.

Data analytics

Emerging technologies have diverse implications for marketing strategies with data analytics, AI and automation transforming how businesses understand, reach and engage with consumers. Combining these technologies can enhance marketing efficiency and effectiveness with more targeted, personalised communications.

The capacity to collect, handle and analyse massive amounts of data has transformed the way some businesses interact with customers. Through data analytics, businesses can learn about consumer behaviour, preferences and trends. This data-driven strategy enables businesses to tailor their communications to specific customer profiles, resulting in more focused and personalised marketing efforts. Coles (using Flybuys) and Woolworths (using Everyday Rewards) collect significant amounts of data from customers, including 'what, how, when and where you buy from us', according to the Woolworths privacy policy. The data is used in a number of ways, including personalised marketing and for insights into customer behaviour.

INQUIRY

What data do supermarkets collect?

Catrin Haze/Shutterstock.com

Figure 6.33 Coles and Woolworths access significant volumes of CRM data through their highly successful rewards programs.

Select either Everyday Rewards or Flybuys to base your inquiry on.

Read the ABC News article titled 'Warnings data collected by Coles and Woolworths leading to unfair market' and conduct some additional research to complete the inquiry. This link can be found on Nelson MindTap.

Weblink Coles and Woolworths article

1 Complete a PCQs (Pros, Cons, Questions) table about the membership of the loyalty program and subsequent collect and use of personalised data by the company from the perspective of the customer.

Pros	Cons	Questions

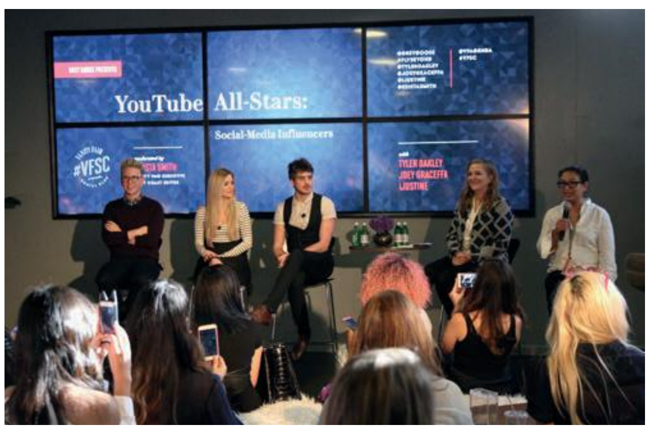
2 Analyse the selected business's loyalty program as it operates in a highly competitive market, using a STEEPLE analysis. Interpret relationships and/or trends in the STEEPLE analysis to draw conclusions about the situation and implications for the business and consumers.
3 Create a table and paragraphs to communicate your findings.

Template STEEPLE analysis

Influencer marketing and social platforms

The arrival of Instagram in 2010 saw the inception of social media advertising, with people able to influence their peers in an online setting. They became known as social media influencers, and they operated in a digital public relations and word-of-mouth space. Influencers typically focus on specific content areas such as travel, fashion, beauty, parenting or fitness, and tailor their content to that area. Influencers make use of one or more social media channels, such as Instagram, YouTube, Snapchat, TikTok, LinkedIn, Facebook, X and independent blogs.

Influencer marketing has grown significantly, with Statista reporting its value in Australia in 2016 as $1.6 billion dollars, exploding to $16.4 billion in 2022, with growth forecast to continue. This shows



Jonathan Leibson/Stringer/Getty Images

Figure 6.34 Many companies use brand ambassadors, as well as a variety of influencers, to connect with consumers and raise brand awareness.

influencer marketing can be a powerful tool for reaching highly engaged audiences on social media. This growth is driven by consumers' tendency to trust and relate to recommendations from familiar personalities, benefiting from the influencer's substantial following and perceptions of lack of bias and authenticity.

Today's influencers can be split into four categories based on follower count:

1. mega-influencers: one million-plus
2. macro-influencers: 100 000–one million
3. micro-influencers: 1000–100 000
4. nano-influencers: less than 1000.

As a point of interest, mega-influencer Cristiano Ronaldo reportedly earns US$3.2 million per social media post! This makes mega-influencers out of reach for many businesses.

In 2025, the trend is towards micro-influencers who have a specific focus and credibility on a particular subject, create content that is highly relevant to their audience and enjoy high engagement rates in a niche space. Due to their smaller following, micro-influencers are typically easier for followers to reach out to and very responsive, giving them a more personal connection with the target audience. A strength of micro-influencers is their perceived authenticity, with recommendations appearing more genuine, which leads to more effective campaigns. Having dedicated followers who trust their recommendations is a valuable asset for brands.

The key benefit of using influencers is that they tend to have higher engagement than content generated by brands themselves. They use contemporary and emerging platforms to engage with their audience and communicate brand messages in an authentic way. However, there has been criticism levelled at influencer marketing around value for money, transparency and accountability.

In 2017, the Australian Association of National Advertisers (AANA) published an ethical code for internet advertising that requires brands to disclose when they have paid personalities to promote products on social media. The Australian Competition and Consumer Commission (ACCC) has also considered the issue of 'sponsored posts' and the use of influencers, stating that 'businesses using social media channels like Facebook, Twitter [now X] and YouTube have a responsibility to ensure content on their pages is accurate, irrespective of who put it there' ('Social media', ACCC).

Weblink
ACCC and social media

The intention of both the AANA ethical code and the ACCC guidelines around misleading and deceptive conduct is to prevent the exploitation of the trust of followers on social sites. Consumers should be able to distinguish between genuine endorsement by an impartial influencer and an advertisement sponsored by a business.

QUESTION 6.3

The argument for and against influencers in marketing

Complete a PCQ table, like the one shown, to examine the value of influencers in building brand awareness and converting this to brand equity and market share in a competitive environment.

Create two paragraphs arguing either *for* or *against* the use of influencers in IMC.

Pros	Cons	Questions
Higher engagement than content generated by brands themselves	Does not necessarily convert awareness into product sales	Is there any evidence that influencers, other than celebrity endorsers, are viable?

Broadcast Video on Demand (BVOD)

The advertising and promotion industry is constantly evolving as new technologies emerge offering brands a greater variety of avenues. This is true of Broadcast Video on Demand (BVOD), which represents all content from traditional TV broadcasters that is made available online for viewers to consume at any time. Unlike traditional TV, BVOD allows viewers access to high-quality content on platforms that deliver content without the restrictions scheduled broadcasting presents with traditional free-to-air television. Therefore, the BVOD model enables more dynamic advertising video placements, which reaches audience segments more effectively.

BVOD's counterparts are seen in Figure 6.35 and include subscription VOD (SVOD) services like Netflix and Disney+; while these services usually have ad-free content, some include ad-supported tiers. Transactional

VOD (TVOD) is similar to SVOD as it involves paying a fee to view content, but consumers pay a one-off fee for an individual piece of content instead of paying for a regular subscription. iTunes used to be the best example of this. Advertising-based VOD (AVOD) has free content, but consumers have to watch advertisements as, for example, on YouTube.

The total TV advertising market, which includes metropolitan free-to-air, regional free-to-air and BVOD, recorded a combined revenue of $3.3 billion for the year to June 2024, down 8.1 per cent compared with the same period ending June 2023. Advertising investment in BVOD platforms 7plus, 9Now and 10 Play increased, with BVOD revenue up 12.9 per cent to $212 million for the six months to 30 June 2024.

The benefits of BVOD for businesses include the following:

- *Engagement and memorability:* BVOD is a 'lean-in' form of media, where viewers are deliberately searching for and engaging with content on their terms, as distinct from 'lean back' media, which is more passive content that is happened upon, like videos on social platforms. This high level of engagement provides advertisers with an opportunity to reach audiences who are more likely to remember their messages.
- *Metrics:* as BVOD platforms require users to create an account, which includes demographics and viewing preferences, this creates effective tracking for advertisers. Viewing data can be found through OzTam, an Australian television audience measurement service. This includes information about audience numbers, minutes streamed and demographic breakdowns, helping brands and advertisers to be more aware of who is watching what.
- *Targeted advertising:* due to the availability of data analytics, BVOD platforms offer a level of precision unattainable through traditional TV. Brands can effectively target their campaigns based on real-time viewer data, leading to higher engagement rates and improved return on investment.
- *Connectedness:* BVOD benefits from users likely being very close to a second screen, meaning advertising on BVOD can prompt quick and accessible internet searching without losing the content or the flow of watching.

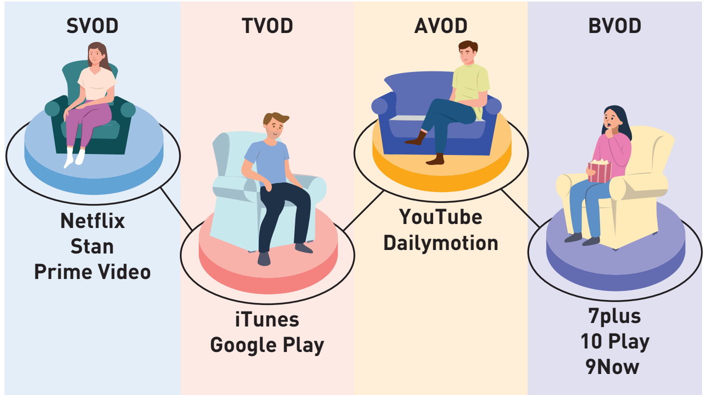
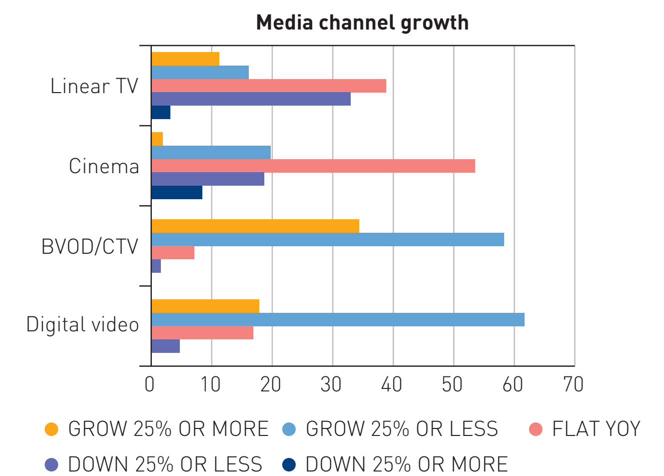


Figure 6.35 Types of video on demand (VOD) and key players

Performance by sector		
	12 months to June 2024	% change YoY
Commercial FTA	$3 276 513 605	-8.1%
Metro FTA	$2 224 170 567	-12.0%
Regional FTA	$610 905 628	-5.5%
BVOD	$441 437 410	12.7%

Data source: Total TV advertising market records $3.3 billion in ad revenue for FY24, ThinkTV, 13th August 2024.

Figure 6.36 Total TV advertising revenue decreased 8.1 per cent for the 12 months to June 2024, while Broadcaster Video on Demand was up 12.7 per cent.



Source: IMAA Indie Census June 2023. https://www.mi-3.com.au/sites/default/files/inline-images/mi3-imaa-screens.png

Figure 6.37 BVOD is forecast to grow at a faster rate than the decline in traditional, linear TV advertising.

- *Brand safety:* broadcasters ensure no inappropriate or offensive content can be shown that might tarnish a brand's image. This ensures that ads displayed maintain brand safety, eliminating concerns associated with offensive content on some platforms.

Digital advertising is also continuing to grow, accounting for around half of the total budgets. There are multiple channels of online advertising, including banner ads, search engine ads (also known as 'pay-per-click', or PPC) and social media advertising. Currently, search engine ads are the most popular online advertising platform in Australia, with growth in video ads projected to remain strong.

Online advertising trends are forecast to include the following:

- Search engine advertising, including ads that appear on the search engine result page next to organic search results for targeted keywords, is forecast to remain the most used digital advertising medium in Australia in terms of revenue.
- Banner ads, which are shown on websites and inside mobile apps, will continue to grow in popularity. These often operate through search engine ad platforms like Google AdWords. The Interactive Advertising Bureau (IAB) sets banner sizes, released as the 'IAB Standard Ad Unit Portfolio', to provide publishers and advertisers with a set of standard specifications and guidelines for advertising experiences. These are similar in nature to the specifications set in traditional print advertising for newspapers and magazines.
- Social media ads, including paid advertising through Facebook, X, LinkedIn and other social media platforms, are expected to experience modest growth.
- Video advertising is forecast to experience the strongest growth, both for video ads (e.g. YouTube videos) that appear when viewers are on a webpage or apps and ads that precede the viewing of another video.

INQUIRY

Debate reigns about professional versus user-generated content

'There is a real difference between ads seen in professionally generated content and ads seen in user-generated content.'

Using the quote above as your focus, prepare a persuasive argument either for or against the statement, based on the current promotions landscape. You should use data and information to support your viewpoint. *Tip: you could conduct a simple primary research survey of different demographics to gauge consumer sentiment, and present this graphically*.

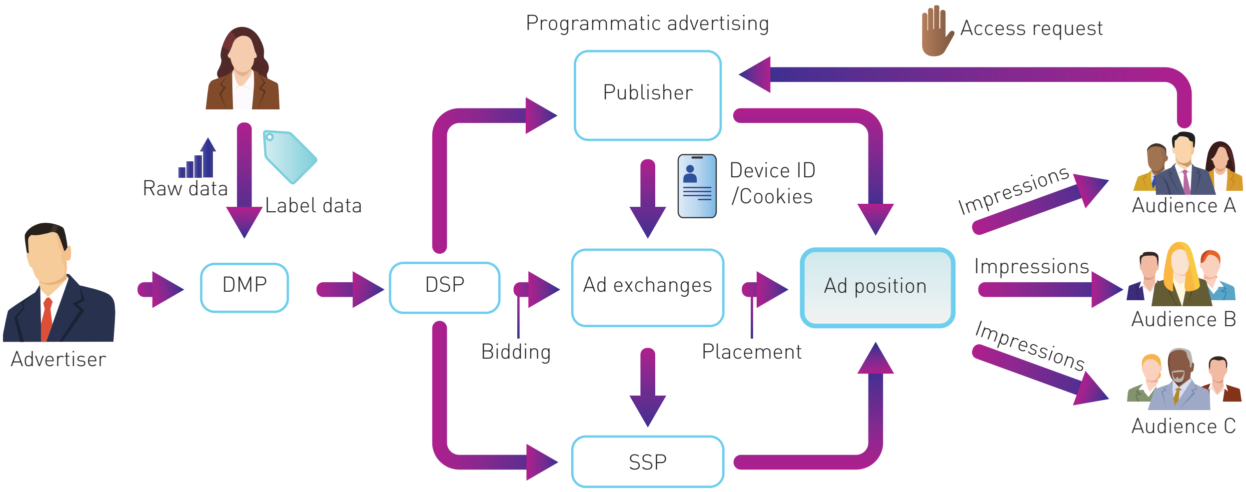
Be prepared to present your perspective in the format of a debate.

Programmatic and advertising

The digital advertising space is rapidly evolving, with new technologies changing the advertising platforms available and software altering the way it is bought and sold. 'Programmatic' refers to the use of software to buy (using a demand-side platform, or DSP) and sell (using a supply-side platform, or SSP) digital media using real-time bidding, replacing traditional processes that included human negotiations and manual ordering of ad space through agencies and ad networks. It is essentially machine-to-machine buying, designed to achieve efficiency and transparency for both advertisers and publishers.

Programmatic is a more cost-effective, quick and easy way to plan and place media buys. It also has robust consumer targeting capabilities, going beyond the self-declared demographics a consumer may give (e.g. when you create a Gmail or TikTok account) and inferred from content viewed, to utilise behavioural segmentation based on data gathered from viewing habits, videos watched, content shared, blogs read and online shopping habits creating a Data Management Platform (DMP). This allows for precision targeting, meaning marketers can predict the types of products certain consumer groups will be interested in, along with their perception and relationship with the brand, allowing for personalisation of the message.

To achieve the desired efficiency and reach, targeting must be based on accurate customer insights from quality data analytics as there is no costing saving in communicating to the 'wrong' customer. As technology increasingly allows for focused, data-driven precision in targeting consumers, this will need to be balanced with maintaining brand awareness and engagement through mass marketing strategies.



ABCs of Programmatic Advertising, Insight Series, p. 10, marinsoftware.com © Marin Software

Figure 6.38 'Programmatic' is automation in the buying and selling of digital advertising.

With these types of emerging technologies, there is a critical need for data analytics, which helps businesses uncover consumer patterns, trends and other valuable customer insights. This type of information can be leveraged not only by advertisers, but also in other marketing areas such as customer service, loyalty and retention, and product development.

INQUIRY

Marketing platforms: Are digital platforms alone delivering for brands?

Some marketers and businesses are questioning how many people are truly seeing digital ads, which is called 'viewability', and how persuasive those ads actually are when communicating to consumers. Is using digital alone enough to achieve strategic marketing objectives?

Individually, or in pairs, research the traditional, digital and emerging marketing platforms available to make a decision about the suitability of these platforms for a mature business operating in a hostile competitive environment. Ensure that you do the following:

1. **Explain** the role of emerging technologies in contemporary marketing strategies, including their place in integrated marketing communications strategies.
2. Select data and information relating to traditional, digital and emerging marketing platforms to **analyse** the business situation in a hostile competitive environment.
3. **Interpret** the relationships and trends in the analysis to draw conclusions about the implications of marketing strategies.
4. **Evaluate** marketing strategies for a business operating in a hostile competitive environment to make a decision and propose a recommendation using relevant criteria.
5. **Create** a response to **communicate** your findings, addressed to the selected business.

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Template
SWOT analysis

Use the stimulus that follows as a starting point for your inquiry.

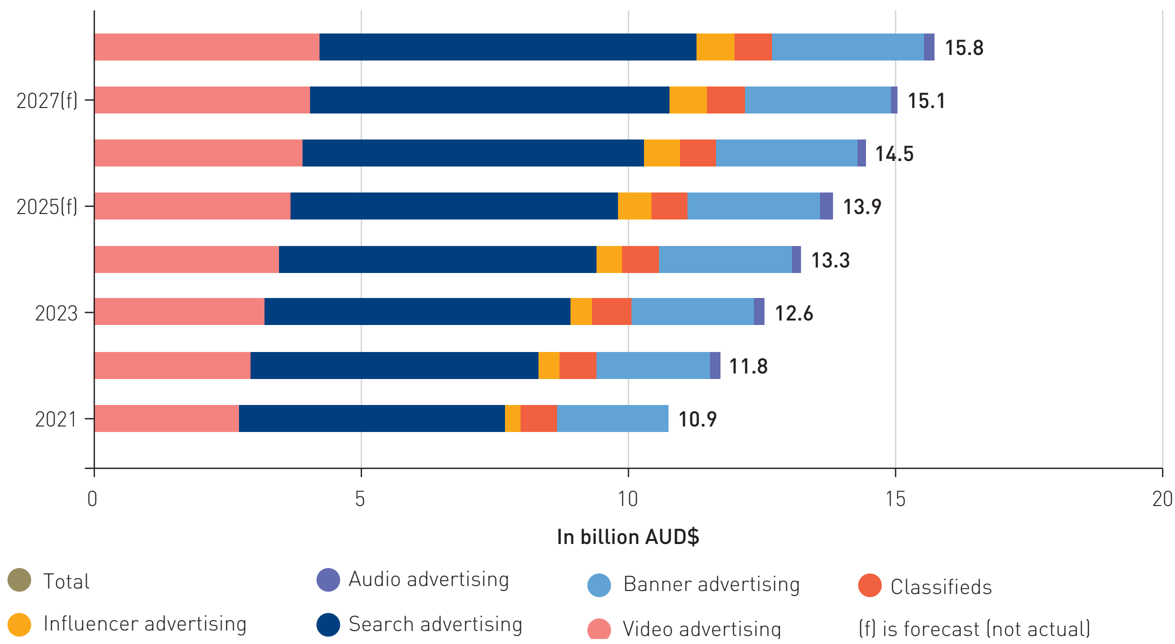


Figure 6.39 Australian advertisers continue to move towards digital platforms at the expense of traditional promotional avenues, with spending in the digital advertising market projected to reach US$15.8 billion by 2028.

GAINING INSIGHT 6.10

Suzuki proves they are built to last in latest 'time machines' campaign

Suzuki first launched its For Fun's Sake campaign in 2021 to showcase the durability and reliability of the brand, while also being fun to drive. The current campaign to highlight the brand's personality and reliability is spread across out-of-home (OOH) platforms, broadcast TV, radio and digital ads, as well as across social media channels, point of sale and Suzuki.com.au.

Suzuki also engages in sponsorship and ambassadorships, including being a key sponsor of the NSW Swifts netball team and partnering with Sunshine Coast Lightning and Australian Diamonds goal shooter Cara Koenen.

Source: https://campaignbrief.com/suzuki-proves-they-are-built-to-last-in-latest-time-machines-campaign-via-deloitte-digital

Weblinks
Suzuki. For Fun's Sake.

Suzuki Australia brand ambassadors

Source: Cara Koenen

Figure 6.40 Sunshine Coast Lightning and Australian Diamonds goal shooter Cara Koenen has become an ambassador for Suzuki Queensland as part of the brand's integrated communications mix.

GAINING INSIGHT 6.11

Frosty Boy: Equipped for the future

FOCUS QUESTION: How does Frosty Boy maintain a competitive edge for its operations systems in a global market?

Frosty Boy

About Frosty Boy

Frosty Boy Australia is an internationally acclaimed manufacturer and distributor of a range of powdered dessert bases, including soft serve, frozen yoghurt and beverages.

Since its beginning in 1976, Frosty Boy has established itself as a leader in the food and beverage market, expanding its product range to include toppings and syrups, catering and food service products. Australian customers include cafes and quick serve restaurant chains. The business exports into more than 50 countries, across five continents, with a current focus on developing sales in the markets of Asia and Latin America.

A proud Queensland business, Frosty Boy outgrew its Loganholme factory and in 2014 relocated to a state-of-the-art plant at Yatala, near the Gold Coast.

Frosty Boy

Frosty Boy

Figure 6.41 Frosty Boy relocated to a large, modern facility at Yatala in 2014.

Business goals

- To maintain long-term relationships with our clients by acting as a partner
- Commitment to research and development and innovation to provide solutions to the ever-changing challenges Frosty Boy's customers are facing
- Ongoing improvement in production capabilities to maintain flexibility and adjust to changing consumer demands and trends
- To uphold world-leading food safety and quality certification
- Continuous improvement and automation to increase production efficiencies, which are monitored and reported daily
- To maintain a business culture that promotes support and collaboration with the help of a clearly defined set of values

Manufacturing and technology

Before relocating, the Loganholme facility was operating at full capacity 24 hours a day, seven days a week, to meet demand. Having opened a technologically advanced manufacturing facility at Yatala in 2014, Frosty Boy operates comfortably at around 60 per cent capacity. This equates to two million serves of soft serve ice cream daily, alongside frozen yoghurts, slushies and flavoured beverages, and provides the scope for growth.

The new plant is a 6000-square-metre facility with three production lines, using best-in-class robotics and computer technology. The Yatala plant features ultramodern equipment developed in Germany and Australia. It also incorporates a research facility. Frosty Boy has invested significantly in technology, including:

- world-class production equipment
- robotic technology in the packaging and labelling lines
- a layout that facilitates optimisation of productivity and quality assurance
- large container-handling facilities
- computer-controlled batching, blending and filling processes.

By investing in the new plant and technologies, Frosty Boy has been able to reduce costs, increase capacity, improve speed and flexibility of operations and more efficiently utilise resources. These savings and operational efficiencies have resulted in economies of scale and support the growth of the business internationally. General Manager Operations, Angela Hausmann, says:

> The manufacturing process is set up to balance the need for flexibility and efficiency. Across three manufacturing lines, we have varying degrees of automation and robotics in use. This way we get to enjoy the benefits of an efficient, highly automated line for our high-volume product ranges while maintaining flexibility to test out new products on our smaller production lines.

Frosty Boy

Frosty Boy

Figure 6.42 State-of-the-art facilities and technology at Frosty Boy

Quality

The Yatala plant houses an advanced laboratory for product development and quality testing. Accuracy is achieved via a computer-controlled batching, blending and filling process that delivers precise and accurate results. Quality-control points include in-line rare earth magnets, a sifter, in-line check weigher and X-ray inspection of every sachet. All products conform to specification or are automatically rejected on the line.

The laboratory at Frosty Boy guarantees that every product leaving the factory has been tested for quality and integrity by testing that includes analytical methods as well as sensory evaluations. The Frosty Boy facility is Safe Quality Food (SQF) certified for both Food Safety and Food Quality. SQF is a globally recognised certification (GSFI – Global Food Safety Initiative), meaning products are assured for domestic and international markets. They are also audited and certified by other industry bodies including Safe Food Queensland, Yum! and many others.

The role of research and development

Consumer preferences in the dessert market are constantly changing, so anticipating market trends is critical. General Manager Research, Development and Innovation, Sarah Cutler, attests that Frosty Boy is constantly looking for new ingredients that will make the existing products better, while also looking towards the future and the next trend. Cutler explains:

> First and foremost, we are solution providers. We incorporate varied international tastes and flavour preferences to create customised products. The team travels internationally to collaborate with our customers and to develop products specifically tailored to local tastes and preferences.
>
> When in the other countries, we delight in researching local flavours and desserts. The world is growing ever smaller, and consumers are being more adventurous and always wanting something new. We deliver this to our customers creating delicious desserts and beverages, some based on the exciting new things we taste in our travels.

As the soft serve experts, Frosty Boy stays ahead of consumer trends by analysing market data and listening to feedback. The business also helps its clients innovate and keep their menus current.

A strategic focus

Frosty Boy is an iconic brand and an Australian food export success story. The business operates with a strong vision for the future based on high-quality products, innovation, solution selling and excellent customer service. Frosty Boy's focus on anticipating market trends and achieving long-term partnerships with its customers bodes well for the future.

Questions

1. Explain why Frosty Boy relocated in 2014 and the impact of technologies on business processes.
2. Explain how Frosty Boy achieves economies of scale in its operations system.

Weblink
Frosty Boy Global

3. Identify and explain the quality management strategies evident for the business and how this relates to customer satisfaction.
4. Explain the role of research and development in operational and marketing strategies at Frosty Boy and how this relates to its strategic direction.

Operations strategies in a competitive environment

In a competitive market, a mature business must aim to optimise operations systems to sustain or improve its position in the market. Where marketing generally focuses on sales, branding and market share, the strategic focus of operations will typically be around cost advantage via drivers including economies of scale and the role of technology. The strategic goals of operations are to achieve business competitiveness through improved efficiency and effectiveness. This can be achieved with a focus on productivity, quality of outputs and lean management systems.

Key learnings

You will learn about strategies for a mature business to remain competitive in the marketplace through examining:

- operations objectives in the maturity stage of the life cycle
- quality of conformance
- cost leadership.

Operations objectives in the maturity stage

During the initial stages of the business life cycle, a business will focus on establishing a production or operating system to transform inputs into outputs, and on forming relationships with reliable suppliers or contract manufacturers who are willing to take them on (see *Business for QCE Units 1 & 2*). As a business reaches maturity, it will seek to improve competitiveness by establishing strategic or long-term goals, such as increasing productivity, improving quality in processes and outputs, and adopting a leaner, more sustainable model. These goals must fit with the overall strategic direction of the business and will be translated into five interrelated performance objectives (Figure 6.43), which can be expressed as **key performance indicators (KPIs)**.

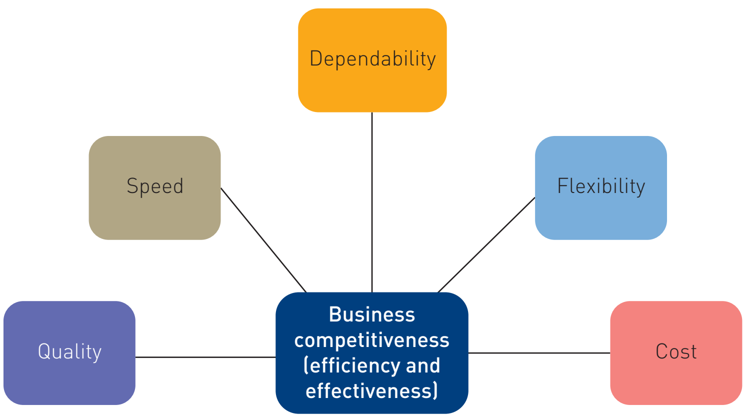


Figure 6.43 Performance objectives enable a business to assess its operations performance in achieving strategic goals, thereby maximising competitiveness.

Quality objective

A quality objective is multifaceted and addresses the quality of the design of the product and/or the quality of the service and the processes used to produce it, along with aspects covered later in this chapter. Production standards are typically based on the quality expectations of the consumer, with characteristics such as performance, reliability and aesthetics deemed important. From an operations perspective, quality will be judged on how closely the product or service aligns with the specifications required by the design – this is known as **quality of conformance**.

Key performance indicator (KPI): an objective, set by a business, that can be measured to allow business performance to be assessed

Quality of conformance: the degree to which a product, service or process meets its design specifications

- Quality of conformance is the degree to which a product, service or process meets its design specifications. Conformance is measured based on how consistently products achieve compliance with the desired standards, noting this is based on the standard required. An example is that a Sony Smart TV requires high-quality design and high standards of conformance, while an inexpensive kitchen kettle would have much lower quality design; but, if it meets the low-design specifications, then a high standard of conformance has been attained. Conformance is achieved with processes of quality control and quality assurance.
- Quality of design: as a performance objective, a business must determine the quality of product it will offer to the market. This is interrelated with the marketing function as it reflects the target market and positioning strategy; well-designed and well-manufactured products will usually attract a higher price. Aspects of quality of design include:
  - features, such as how many options are provided
  - aesthetics, or perception about how the product looks and feels
  - durability and serviceability, or how long the product is expected to last before it needs servicing (or replacing) and how easy and convenient it is to perform maintenance.
- Quality of service: relates to customer satisfaction in terms of how reliable the service is, how well the service meets customer needs and expectations and the timeliness or responsiveness of the service experience. Service offering is also a key part of the total product concept that can differentiate a brand from its competitors, leading to greater business effectiveness.

GAINING INSIGHT 6.12

Leading television brands

Canstar Blue's 2024 review and ratings of television brands included Sony, Samsung, LG, Samsung, TCL, JVC and Kogan. Brands were reviewed based on design features including picture quality, sound quality, ease of use, smart compatibility, value for money and overall customer satisfaction, with Sony rating best across the criteria.

According to Canstar Blue, of the 10 leading brands included in the television ratings, Sony and Samsung received an overall five-star review from Aussie consumers. Brands were rated in the following order for overall satisfaction:

1st Sony
2nd Samsung
3rd Hisense
4th LG
5th Ffalcon
6th Kogan
7th TCL

Source: https://www.canstarblue.com.au/technology/tvs

Questions

1 Examine the effect of design quality on customer satisfaction and branding.

2 Explain how quality and price are related, using examples from the above brands to illustrate your findings.

Speed

Speed, in a business context, means the elapsed time between customer orders and the receipt of products or services. It means 'doing things fast' to minimise customer wait times and shorten lead times. Speed relates to productivity, as output can be measured in units of time. For example, if Sony produced 9000 televisions last month and needs to produce 10 000 during the current month, with fixed amounts of equipment and staff inputs, increasing the speed of the production process will allow the business to reach its forecast.

Improved speed can be achieved through technology such as computer-aided design (CAD), computer-aided manufacturing (CAM) and robotics. Faster speed can reduce the **lead time**, or time it takes from placing an order until it is received, which improves customer satisfaction. A speed objective that leads to efficiency of inventory relates to just-in-time and lean management.

There is a limit to the value of speed, as other issues can arise if speed is prioritised. Focusing solely on speed may compromise quality and increase the chance of equipment failure or human fatigue.

Dependability

Dependability refers to the reliability of the product or service, including how well the product is made and how long it lasts before it fails. Some brands enjoy a positive reputation for dependability because they uphold their marketing promises. Dependability can be measured as a key performance indicator (KPI) based on warranty claims and the level of customer complaints. In an era of online reviews, dependability has become increasingly important.

Dependability also refers to consistently meeting a promised delivery time for a product or service and doing things in a timely manner. Meeting promised delivery or supply times is of great importance so that products arrive to market on time or services are delivered on time. However, an increase in delivery speed will not lead to customer satisfaction if the product is not delivered in a manner consistent with quality expectations. In some instances, such as a fine-dining restaurant, delivering too quickly may result in customer dissatisfaction. Dependability can also lower costs as it avoids costly warranty claims or the need for service recovery and refunds. In manufacturing and project management, failure to deliver on time may also incur financial penalties.

Flexibility

Flexibility is the ability of a business to change what it does quickly and be able to adapt to internal and external influences. Flexibility refers to how quickly a business can change its operations system to respond to the market and adapt to changing consumer needs in terms of product range and varying demand. Types of flexibility can be identified as:

- product or service flexibility – the ability to quickly respond to changing customer needs with new product design or service offerings
- volume flexibility – the ability to increase or decrease output in response to changes in demand and manage capacity. Some businesses, such as those in tourism, require significant volume flexibility for seasonal changes in demand.

During the growth stage of the business life cycle, a business needs the flexibility to meet increases in demand to avoid inventory shortages and delays in supply (a dependability issue). Having sufficient productive capacity is important for all businesses and can require both growing and mature businesses to relocate or expand, as seen at Frosty Boy (pages 230–1).

Lead time: the time it takes from placing an order until it is received

GAINING INSIGHT 6.13

Witness the giants

Reasons why you should go whale watching in Hervey Bay

Witnessing a 15-metre humpback whale slowly emerge to the surface of the ocean is a truly unforgettable experience.

Every year, between mid-July and November, the town of Hervey Bay becomes a playground for thousands of humpback whales as they make their journey from the Great Barrier Reef to Antarctica.

Hervey Bay waters are protected by World Heritage–listed Fraser Island [K'gari] – which makes it the perfect place for these 40 tonne wild animals to put on a show for tourists.

Tourists can witness the friendly giants on a whale watching tour with one of the local operators during the 'whale season'.

Experience breaches, fin slaps, spy hops and muggings of the boat – when the whales swim around the boat in curiosity.

If seeing the whales isn't exciting enough, some vessels also have sound systems through which passengers can hear the whales sing to each other beneath the ocean.

There's also a high chance you will encounter other marine life including dolphins, turtles and, occasionally, dugongs.

Locals celebrate the arrival of the whales with the Hervey Bay Ocean Festival, a 10-day festival highlighting the importance of the ocean and promoting marine life in the Fraser Coast region.

This year, the festival will kick off on August 11 with events including:

- The Blessing of the Fleet
  The Fraser Coast's famous fleet of whale watch boats will be blessed in a century-old tradition at Hervey Bay Marina to ensure a safe season.
- The Hervey Bay Seafood Festival
  A seafood festival, hosted by the local fishing industry, with live entertainment, cooking demonstrations and prizes.
- The Whale Parade and Concert
  A fleet of floats will fill the streets to represent the humpback's annual migration.
- Paddle Out for Whales
  Locals and tourists will paddle out to sea on a kayak for one minute's silence to highlight efforts made to protect the marine environment.

Humpback whale facts

- Humpback whales sleep with one eye open.
- They can stop blood flow to certain parts of their body.
- Sound is a more dominant sense than sight.
- They are conscious breathers and decide when to reach the surface for air.
- Their brain is much larger and more complex than the human brain.
- They can make sound frequencies higher and lower than humans can hear.

Source: https://www.racq.com.au/Living/Articles/Witness-the-giants, © Sam Marsh, RACQ Publishing

iStock.com/Uwe-Bergwitz

Figure 6.44 Hervey Bay promotes itself in the winter months as a whale-watching paradise.

Steve Todd/Shutterstock.com

Figure 6.45 Whales put on a show for tourists in Hervey Bay.

Questions

1 **Describe** the business situation present and identify factors from the external environment that influence business operations.

2 With reference to performance objectives, **explain** why Hervey Bay promotes itself as a major whale-watching destination.

Cost

The operations function is largely an expenditure area for a business and refers to the cost involved in producing goods and services at a level that will enable them to be priced appropriately and reflect marketing strategies. This involves controlling expenses in the production system. Costs that are typically a facet of the operations function are presented in Figure 6.46.

As a business matures, it should become more efficient and thus manage expenses more productively. Strategic operations management involves **cost leadership**, which means having the lowest costs within the industry. Costs will be carefully analysed, with a view to achieving cost savings and increasing efficiency. If a business is competing on price then cost control is critical, or cost leadership may not be achieved. Procurement of new technologies can help a business lower costs, maximise use of resources and minimise waste, thereby reducing operational costs.

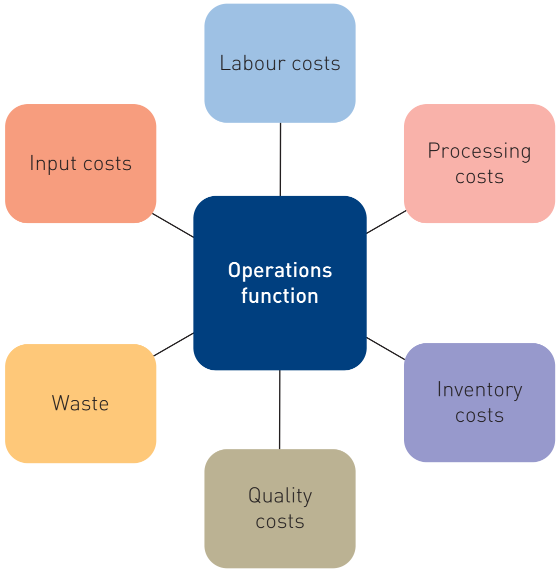


Figure 6.46 The types of costs associated with operations management

GAINING INSIGHT 6.14

White Fox fashion brand failing to fulfill strategic operational objectives

Cult fashion brand White Fox, started by Georgia Moore and Daniel Contos selling clothes on eBay, has experienced over a decade of growth and attracted a considerable following on social media, with Gen Z and Millennials the brand's target audience. As the business has grown, White Fox has experienced challenges with overextended resources and accurate sales forecasting, resulting in consumer backlash and negative customer reviews about customer service and speed of delivery.

In 2023, the brand was inundated with sales, attracting 750 000 orders during the Black Friday and Cyber Monday period (the last week of November), compared with 100 000 for the Black Friday sales the previous year. While the brand had anticipated an increase in sales, Daniel stated, 'We went into this sale anticipating we'd have two to three times growth from last year and we pretty much hit over four times growth from last Black Friday.'

Figure 6.47 Cult brand White Fox faced delays in order fulfilment, including of its iconic hoodie.

Cost leadership: aiming to have the lowest costs, and therefore be the most price-competitive, within an industry

However, some customers assert there were delays prior to November, with the boutique's Afterpay Day sale in mid-August having delays of up to a month, implying White Fox should have improved its systems and planned for the additional orders for the November event. Numerous customers also reported they had issues with delayed orders before the 2023 problems, with criticism that the brand continues to promote new collections and new sales before dealing with backlogs of existing orders. Online feedback included:

'You guys shouldn't have hosted back-to-back sales if you guys couldn't handle the sales volume,' one customer said.

'You guys are pushing a new collection after a new collection, yet, you guys can't even fulfil your existing orders.

'Either you guys are desperately money hungry and exploiting your consumers' hard-earned money, or there are some other technical issues unrelated to "heavy sales volume" that you guys are dealing with and refusing to spill the full tea.'

Frustrated customers from the November sales event expressed concern, that with month-long delays, orders of Christmas gifts would not arrive in time. Even customers who paid the extra $19.95 for 'same day delivery' found themselves waiting weeks for orders to arrive. Confusion remains about the nature of the express shipping, with White Fox stipulating that it only applies to delivery time frames once an order has been processed and packed, not the time from order to delivery, despite the website saying 'same day deliveries'.

Poor customer service, with generic responses being sent to customers many days after they lodged the complaint, has been an additional source of frustration. In response to the sizeable social media backlash, White Fox posted to its Instagram story to acknowledge the delays in dispatch of orders due to additional sales volume. White Fox Boutique founder and director, Georgia, said that the team were working hard to get orders out, with the warehouse dispatching around 35 000 items and over 15 000 orders per day since the sale. The business reported it had a team of 200 staff working seven days a week to try and fulfil all orders, but when filling 15 000 orders per day for a sale that generated 750 000 orders, timely dispatch was always going to be a problem.

White Fox reacted to the situation by axing its planned Boxing Day sale to ensure it could fulfil all the Black Friday sale orders before receiving another influx of orders, acknowledging that as it continues to scale the business, there will be learning curves.

At the same time as the White Fox delays, another cult brand, water bottle brand frank green, experienced a similar situation, with customer concerns about products arriving in time for Christmas amid order-processing delays. Complaints were made about it taking weeks to dispatch orders and there being communication delays about the status of orders as Christmas approached. frank green posted to its social media that it was using options like express and same-day shipping, at no cost to its customers, to ensure delivery of gifts before Christmas. frank green founder, Benjamin Young, also posted an offer to refund 50 per cent of each delayed item for loyal customers in a bid to retain goodwill and customer loyalty.

In both cases, customers vented their fury that each business continued to post on social media to encourage new orders when they had sizeable processing backlogs that meant they could not meet their delivery guidelines. The customer sentiment has been 'Stop posting (on social media) and start posting (products for delivery)!' Some customers also lodged complaints with the Australian Consumer and Competition Commission (ACCC) and the Office of Fair Trading, while others sought to block transactions with their banks.

E-commerce experts cite these situations as a lesson for businesses about interrogating sales data *before* an event, with robust sales forecasting vital to meeting operational objectives after the event. Brands anticipating strong sales must ensure warehouse capabilities and fulfilment staffing levels that reflect the forecast demand or risk damage to the brand and a drop in customer loyalty.

Questions

1 Describe facts and characteristics of the business environment relating to White Fox that have an impact on its marketing and operations in this situation.

2 With reference to the operations performance objectives, explain the relationship between quality management and customer satisfaction.

3 Using criteria, evaluate an operating strategy employed by White Fox, to make a decision and propose recommendations.

9780170484367

QUESTIONS 6.4

1. Explain the importance of quality of conformance when meeting quality standards and how this may differ from quality of design.
2. Examine the performance objective of 'speed' as a KPI in operations management.
3. Explain how high levels of warranty claims or a series of negative customer reviews could signal an issue related to operations performance objectives.
4. Referring to Case study 2 on Brookfarm, explain the challenges of operating flexibly for a business as it enters the maturity stage of the business life cycle.
5. Explain how achieving cost leadership is a competitive advantage when operating in a hostile competitive environment.
6. Explain how the performance objectives of a restaurant may differ from those of a delivery service such as Uber Eats.
7. Hervey Bay promotes itself in the winter months as a whale-watching paradise. With reference to the performance objectives, explain why it promotes itself as a whale-watching destination. Evaluate this strategy, using criteria, to make a decision about the strategy and propose two recommendations.

Quality management

Quality management is a journey, with strategies that evolve as a business moves through the stages in the business life cycle. What may start as quite an ad hoc approach, designed to reduce quality costs, will develop into an integrated, strategic approach as a business matures and seeks to remain competitive. Quality is one of the five operational performance objectives, so having a high-quality product or service is generally an essential element in a consumer buying decision, even where the consumer is also price-driven.

Key learnings

You will learn about quality management through examining:

- quality control (QC)
- quality assurance (QA)
- total quality management (TQM)
- service quality and TQM
- strategies for improving quality and operational efficiency.

Quality

Quality can be viewed from several perspectives. The business, for example, may see quality in terms of conformance and marketability, and the customer, in terms of how well the product or service meets their needs and expectations (see pages 417–19 of *Business for QCE Units 1 & 2*). In a competitive environment, a business may aim to produce a quality product or service that represents value for money. A quality product does not have to be made with the finest materials and to the most rigorous standards, but it must meet consumer expectations. Consider the case of a $20 pair of jeans available at Kmart compared with a $200 pair by Armani – the expectations of the consumer around aesthetics in design, standards of stitching and durability of materials would be different. A quality product does not need to be expensive, but it should perform to expectations and reflect the marketing strategy of the business. An inexpensive product will be considered to be good quality if it performs as expected. This demonstrates that quality is a relative concept, depending on the nature of the product or service, its price and the expectations of consumers.

Quality management refers to the processes that a business carries out to meet its quality objectives, including the requirement that products are safe, reliable and fit for purpose. Quality management strategies include quality control, quality assurance and total quality management.

Quality management: the processes that a business carries out to meet its quality objectives, from the business and consumer perspective

Quality control

As introduced in Units 1 & 2, **quality control (QC)** is based on inspections, testing or checking of the product to ensure it conforms with 'acceptable quality' and is free from faults. The aim is to detect problems and either fix or eliminate them to ensure products conform to predetermined criteria or control standards. QC checks will be performed at the end of the production process, and often at critical intermediate steps, by a trained quality inspector. QC relates to the performance objective of quality of conformance.

To gauge and monitor quality, a business will need to have defined:

- quality standards and parameters that are applied across the range of processes
- a range of tests and/or check-points designed to assess quality against the standards
- predetermined quality targets, where failure to meet targets sees corrective action applied.

Although this method is useful in achieving a quality product that conforms to standards, it is a reactive approach that can cost a business money in terms of waste from scrapping or reworking items in the production system, repairs and warranty claims, and recall of faulty products, which could generate negative publicity.

When adopting a QC strategy, it is important to know what defect levels are tolerable based on industry standards. This involves benchmarking against other businesses. A business in the air travel industry will have a very low tolerance for faults, as any defective part may lead to a disaster. A higher tolerance level will be accepted when manufacturing in the textiles, clothing and footwear industry, especially when this involves use of cheap labour.

Quality inspections

Quality inspections can be performed before, during and after production. Some businesses will inspect the inputs to be used in the production process before accepting them from the supplier. During the process, checks may be made at critical stages in the production process, while all products will be checked on completion, often by random sampling. Random sampling is used as a business cannot test all its products either due to the large volume of products or the potential to ruin the products during inspection. This process can be expensive, requiring highly trained staff such as quality engineers to perform the checks.

The quality inspector will adhere to a pre-established checklist that is based on the product specifications to verify conformity. This person may be an employee of the business, or quality inspections may be outsourced to a specialist. Where a business is using an offshoring strategy to source finished goods from suppliers overseas, outsourcing to a specialist inspector may be the only viable option.

Testing and statistical control

In quality control, testing focuses on identifying defects and involves subjecting the product to various tests to ensure that it functions as intended. For manufacturers who purchase raw materials from numerous suppliers due to fluctuating prices and availability, testing the quality of inputs is vital to detect any issues early in the production process.

Statistical process control (SPC) is the use of statistical methods to monitor and control the production process to ensure that it is operating within specified limits. SPC measures and controls quality by monitoring the manufacturing process and using data collected in the form of product or process measurements from machines, process technology and operators. The data is collected and used to evaluate, monitor and control a process based on predetermined control limits that align with specifications. Monitoring the production system in real time means the operations manager can detect trends or deviations in the process before they result in non-conformance and scrapping of finished products. This process aims to reduce waste and improve efficiency.

Quality control (QC): a system based on inspecting, testing or checking the product to ensure it conforms with 'acceptable quality' and is free from faults

GAINING INSIGHT 6.15

Jayco: Built for adventure with quality construction you can rely on

PAT SCALA/Fairfax/Nine Publishing

iStock.com/Jetcityimage

iStock.com/Aaron Yoder

Figure 6.48 Jayco Corporation prides itself on being Australia's leading recreational vehicle (RV) manufacturer and has been operating for 50 years. Jayco has a 20-hectare purpose-built state-of-the-art manufacturing facility, specialising in designing, manufacturing and distributing a wide range of RVs, including camper trailers, pop-tops, caravans, campervans and motorhomes.

Questions

1. **Describe** business facts and characteristics relating to Jayco in the maturity stage of the business life cycle, as described in the Jayco weblink.
2. View the 'Jayco – Our Build' site and identify the features of quality control present. **Explain** how these features support a quality product for the business.
3. **Explain** how Jayco's quality management strategy relates to customer satisfaction and long-term success.

Weblink
Jayco – Our build

Quality assurance

The purpose of **quality assurance (QA)** is to prevent defects from entering the production system in the first place. It is a proactive process focused on prevention, rather than detection and correction. Quality assurance involves establishing and using a set of procedures and processes that will prevent product defects and assure a stated level of quality. With a thorough QA process in place it is usually possible to reduce the volume of inspections needed in the system. Inspections will then form part of the broader QA process. As with quality control, quality assurance aligns with the performance objective of quality of conformance, as QA is measured against design specifications.

iStock.com/Stas_V

Figure 6.49 ISO 9001 is an international quality assurance standard.

Businesses wishing to be certified as 'quality assured' obtain certification from a quality assurance authority, which audits their processes against national or international standards. Achieving certification entitles the business to display certification marks on all business communication, including product packaging. Attainment of a 'Quality Endorsed Company' certificate verifies that a business uses a quality system. This can represent a competitive advantage for a business in comparison with non-certified competitors.

Standards Australia provides support to businesses pursing QA, with advice on processes and awarding of certificates for meeting certain standards. Standards Australia certifies operations domestically, while ISO

Quality assurance (QA): establishing and using a set of procedures and processes that will prevent product defects and assure a stated level of quality

(International Organisation for Standardisation) certifies international standards, which mature businesses operating beyond the domestic market will require. The ISO 9000 series is a widely used international standard.

Among the benefits of QA, as compared to QC, are that it:

- reduces the need for multiple inspections and eliminates the costs associated with scrapping or reworking of faulty products or service recovery strategies
- reduces the need for expensive final inspections, with the sample size of any inspections likely to be reduced
- makes quality the responsibility of all employees, which can enrich the work environment and engender greater commitment to quality processes
- enables a business to proactively meet its performance objectives and benchmark against other businesses
- provides greater confidence to all stakeholders and can represent a competitive advantage in international markets against non-certified competitors.

GAINING INSIGHT 6.16

Standards Australia: Making standards and innovating

Questions

Watch the video 'A recipe for an Australian standard' on YouTube.

1 Outline the role of stakeholders in the creation of standards, ensuring you name the possible stakeholders.

2 What are 'nominating organisations' and how are they involved in the creation of a standard?

3 Explain the role of the public comment process.

4 How many current Australian Standards are there? Why do you think this is the case?

Industry 4.0

5 Watch the video 'Industry 4.0 – World Standards Day' on YouTube, which was released on World Standards Day in 2018. Using examples, explain what Standards Australia means by 'industry 4.0' and the benefits that can be achieved from this.

A link to both videos can be found on Nelson MindTap.

Weblink

A recipe for an Australian standard

Industry 4.0 – World Standards Day

GAINING INSIGHT 6.17

Yakult: Quality management systems

How is Yakult made?

Yakult's 'purpose-built' Australian factory is a technologically advanced manufacturing facility. It incorporates some of the latest food-processing equipment. Strict standards apply to producing Yakult, ensuring a drink yield that is close to 99 per cent (this means that 99 per cent of the raw ingredients end up in the bottle). There are no by-products and there is little waste. The factory is in Dandenong, Victoria, and makes Yakult for the whole of Australia and New Zealand.

The high-tech facility incorporates some of the latest food processing equipment, including equipment for the manufacture of plastic bottles, filling and packaging lines, culture and quality-control rooms.

© Yakult Australia

Figure 6.50 After the bottles are filled with Yakult, they are capped with a foil lid, sealed and transferred along the conveyor belt to the packaging facility. This filling machine is fully computerised and controls the flow of production. Different coloured lights indicate any areas that need attention.

Questions

1. Refer to the Yakult website, and the 'About Yakult – How is Yakult made?' section, to explain the production system for manufacturing Yakult.
2. Explain the quality strategies the business uses and how these relate to operational performance objectives.
3. Examine the role of technologies in achieving efficiencies at Yakult.

Weblink
How is Yakult made?

Total quality management (TQM)

Total quality management (TQM) is a philosophy and an approach that seeks to unite all business functions to focus on continuous improvement and on meeting or exceeding customer needs, both internal and external. It makes quality a responsibility of all areas of the business, not just an operations concern, meaning TQM includes employees from across the functional areas and all levels of management. The focus is on 'getting it right the first time' to achieve zero defects as a performance objective.

TQM has evolved from the ideas of a number of 'quality gurus', notably W. Edwards Deming, an American statistician. While working with Japanese industry after World War II, Deming introduced new quality concepts (QC) designed to cease dependence on inspections, and shift the focus to constant improvement. While the concept of TQM was not coined until later, Japanese companies such as Toyota, Fuji and Sony embraced Deming's philosophy with great success and now operate using a TQM strategy.

Weblink
TQM

Follow the link found on Nelson MindTap for Deming's 14-point management philosophy that is the foundation of modern TQM.

There are principles that guide the total quality management approach:

- *Customer focus* – everyone in the business has a customer, with the customer ultimately determining the level of quality:
  - external customers, or consumers who purchase the end product
  - internal customers, or those in the system who use what your team or workgroup produces (this includes information as well as physical products).

  This involves finding out exactly what the customer needs and wants, and guarantees quality products are delivered that are fit for purpose. This leads to customer satisfaction and the likelihood of loyalty.
- *Continuous improvement* – the TQM philosophy says there is no such thing as 'good enough' and that everyone is responsible for continuous improvement. Success comes from making small, incremental steps each day, a process the Japanese call *kaizen*.
- *Employee participation and empowerment* – quality is not solely the responsibility of quality inspectors or the operations department; it is the responsibility of all employees across the business. To achieve participation and

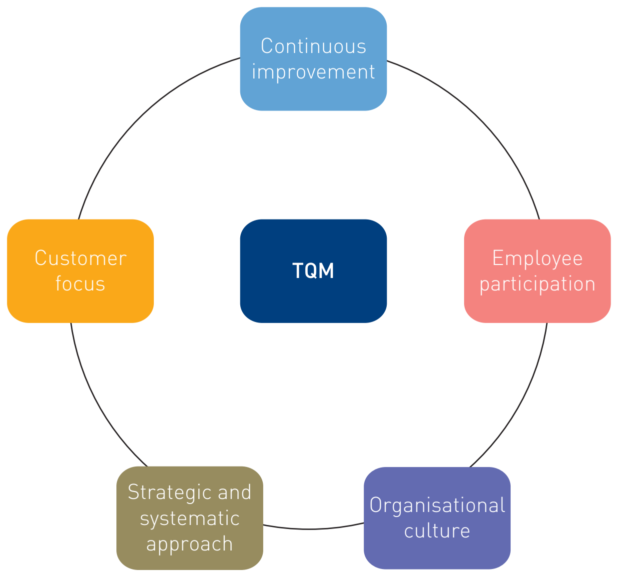


Figure 6.51 TQM's guiding principles

Total quality management (TQM): a management philosophy that seeks to unite all business functions and employees to focus on continuous improvement and meeting customer needs

empowerment, **quality circles** are developed. This involves groups of employees from different areas of the business coming together to discuss ways of resolving problems and improving productivity in the workplace. The aim is to foster employee ownership of issues that enable teams to investigate issues and present solutions to management. Self-managed work teams are a form of empowerment and this is linked to motivation theory.
- *Organisational culture* – for TQM to be a success, leadership must infuse an appropriate culture. The culture must integrate continuous improvement, high-quality ethos, feedback, teamwork, a learning organisation and a systems approach. The culture must support the ideal that TQM will facilitate improved business success, growth and competitiveness. A change management process (see Chapter 9) may be necessary when introducing TQM for the first time.
- *Strategic and systematic approach* – all strategic planning must integrate quality as a core component. Quality must be central to the vision, mission and goals of a business and must be communicated accordingly. This creates the constancy of purpose that Deming refers to as vital for improving products and services.

TQM and competitive advantage

Implementation of TQM can improve the price competitiveness of a business through decrease in waste and increase in efficiency, giving a business a competitive advantage. A strong competitive advantage can be achieved as TQM has a focus on:
- *customer satisfaction* – TQM is driven by customer needs and wants, providing value to customers and exceeding their expectations
- *leadership* – TQM provides direction and motivation to employees and management across the business; it gives a unity of purpose
- *team-building* – employees at all levels of the business are included in quality circles and quality processes to gain maximum input and benefits from their abilities and knowledge
- *continuous improvement* – applying the 'plan, do, check, act' cycle ensures a constant improvement cycle that enhances system performance
- *process management* – making more efficient use of resources, which can reduce cost and waste.

Some businesses believe that the costs of introducing TQM outweigh the benefits, that its introduction can be too time-consuming and expensive. As it requires a shift in organisational culture, success is dependent on changing employee attitudes, which may involve overcoming some employee resistance.

Service quality and TQM

The services sector in Australia employs four out of every five working people and accounts for a significant amount of trade with other countries, including in education, recreation and tourism, business and financial services. The increased competition that international trade brings must inspire local service providers to become more innovative and efficient in the way they deliver a quality service.

Given that a service-based business typically has both tangible and intangible elements, quality of service can present a considerable challenge. Unlike for products, the quality of a service may be difficult to measure and is influenced by the interaction between the business and the consumer, meaning each customer experience may be unique.

There is a close relationship between the marketing function, customer service and service quality, with customer satisfaction directly linked to quality. While a quality product may be deemed 'free of defects', a quality service must be considered in terms of customer satisfaction, meaning it has a user-based focus. To gauge quality, some businesses engage in benchmarking by comparing their standards and practices relative to competitors. This enables a business to identify areas where quality improvements can be purposefully made. The hotel industry employs benchmarking with its star rating system to denote quality standards. This satisfies customers as it communicates service quality and what to expect; it also helps businesses improve quality if necessary. Enhancing service quality can positively affect profitability, supply a competitive advantage and enhance customer loyalty.

Quality circles: groups of employees from different areas of the business that come together to discuss ways of resolving problems and improving productivity in the workplace

Mykhailo Bokovan/Shutterstock.com

Figure 6.52 The hotel industry uses an internationally recognised star rating system to communicate quality accommodation standards. This system is used in over 70 countries to reflect the quality, cleanliness and condition of guest facilities. In Australia, it is managed by the Australian Tourism Industry Council (ATIC) and is a licensed trademark, as distinct from 'self-rated' properties that assess their own standards.

The principles of TQM can be applied to the service-based businesses, with a focus on continuous improvement and meeting, or exceeding, customer needs. Aspects of a total quality approach to services include:

- *tangible aspects* – physical facilities, aesthetics, appearance of employees and ability to manage capacity
- *reliability* – performing a service dependably and accurately, with technical competence
- *responsiveness* – to customer needs and promptness of service
- *assurance* – capacity of employees to develop confidence and trust
- *empathy* – individualised attention and relationship building.

Quality management in service operations should result in improved customer service and lead to greater retention rates as customers are highly satisfied and develop loyalty. Customer satisfaction should also attract new customers through word-of-mouth referrals and positive online reviews.

Improving quality and operational efficiency

Total quality programs are employed by businesses that are looking to achieve continuous improvement. Quality is not viewed as an end-state; rather, a holistic approach builds a quality culture committed to achieving strategic success.

Six Sigma

Six Sigma is an operations strategy that was initially developed by Motorola in the 1980s as a process for driving improvement. It is used primarily to identify and rectify errors and defects in a manufacturing or business process, and is aimed at producing not more than 3.4 defects per million iterations. This equates to a quality rating of 99.9997 per cent and is defined based on customer specifications. The system uses a number of quality methods and tools, which are employed by Six Sigma–trained professionals, known as 'green belts' and 'black belts'. It uses a process to define, measure, analyse, improve and control (DMAIC; Figure 6.53) for existing processes that fall below specification and need incremental improvement. The process is adjusted for new systems to define, measure, analyse, design and verify (DMADV). Businesses such as LG, Toyota and Boeing have adopted Six Sigma as a process for improving quality and achieving customer satisfaction.

Figure 6.53 The DMAIC problem-solving method is a 'road map' used for quality improvements in Six Sigma.

Lean management

Lean production or management is an operations approach that aims to improve efficiency and effectiveness by eliminating waste and improving quality. Lean is based on philosophies drawn from Japanese manufacturing, notably the Toyota Production System, and focuses on perfecting processes and empowering the involvement of employees. Lean management is related to ecologically sustainable practices due to its focus on reducing waste across a business and using less energy or renewable energy wherever possible; this includes reducing reliance on non-renewable resources in production.

The benefits of lean management include:

- elimination or reduction of factors that waste time, effort or finances
- reduction in unit costs, leading to improved profits
- waste reduction, which includes recycling and use of environmentally friendly materials
- focus on processes that create value for customers.

The overall objective of lean production is to produce quality outputs with fewer resources and cut out anything representing waste or not adding value to the customer. A key focus of lean management is therefore to identify the sources of waste and either remove them or replace them with more sustainable alternatives.

Lean management is typically found in the automotive industry, as well as other manufacturing and the provision of some services. With its focus on waste reduction and efficiency it is not suitable for all businesses, notably in situations where demand is variable and difficult to forecast. There are substantial costs associated with new technologies and staff training that may make full implementation a challenge for some businesses.

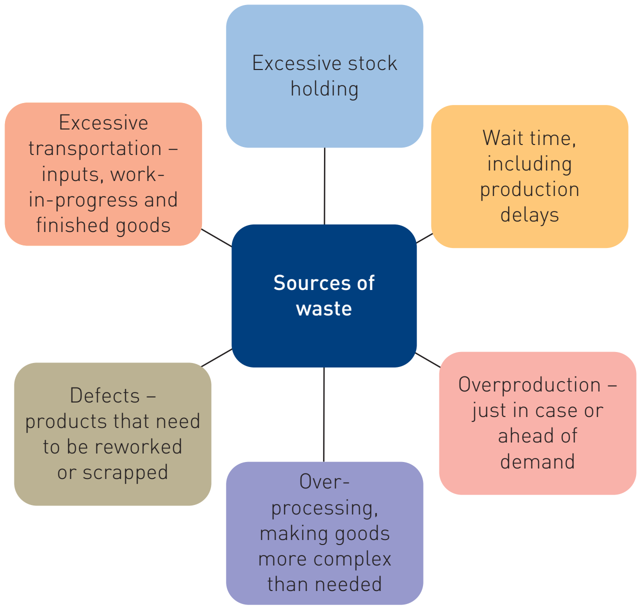


Figure 6.54 Sources of waste in industry that businesses can eliminate to become leaner

QUESTIONS 6.5

1 Research the Toyota Production System (TPS).
  a Explain the relationship between Six Sigma, lean management and the achievement of customer satisfaction.
  b Explain how a total quality approach can achieve performance objectives and a sustainable competitive advantage in a competitive market.
  c Conduct research to define and explain the lean production concepts of *jidoka*, *kaizen* and *kanban* and their relationship to Six Sigma.

2 The aeroplane manufacturing industry is a duopoly between key players Boeing and Airbus. Boeing is known for its use of Six Sigma as an operations strategy; however, it has experienced quality issues in recent years. Evaluate the use of Six Sigma by Boeing to make a decision and propose recommendations.

Weblink
Benefits of Toyota Production System (TPS)

Lean production: an operations approach that aims to improve efficiency and effectiveness by eliminating waste and improving quality

GAINING INSIGHT 6.18

Riviera Yachts: Commitment to design, quality and owner care

Riviera Yachts is the largest luxury yacht-building facility in the Southern Hemisphere. Founded in Sydney in 1980, the business relocated to Labrador on the Gold Coast in 1981. In 2000, Riviera moved to its purpose-built, state-of-the-art 16.8-hectare site at Coomera. Having built just eight yachts in its first year of operations, in 2024 the company has a team of 900 employees and recently celebrated its 6000th motor yacht. In celebrating this milestone, Riviera owner and chairman Rodney Longhurst stated: 'To be successful on the highly competitive global stage of luxury boat building, you must have an absolute commitment to design, quality and owner care. I couldn't be more proud of our team, and I am grateful to all the Riviera owners around the world who not only enjoy our motor yachts themselves but share this wonderful experience with their family and friends.'

Bloomberg/Getty Images

Figure 6.55 Riviera Yachts is highly competitive on the global stage as a premium luxury boat builder.

In the 2023–24 financial year, Riviera sold almost 150 motor yachts worth more than $300 million, with sales forecast to be stronger in the current financial year based on the multimillion-dollar post-COVID wave of overseas demand. About 60 per cent of Riviera Australia's motor yachts are sold to overseas buyers and the vessels range from 39 to 78 feet, with price tags ranging from $1.1 million to $6.9 million.

All components for Riviera boats are built on-site at the Coomera facility, with a few small offsite contractors who build some smaller parts, but the commitment is to build on-site rather than to outsource any steps in the process. This provides Riviera with control over quality of all components and allows them to accurately schedule the production system based on orders. Operators are trained in quality to be able to identify anything sub-standard so it is immediately pulled, with a redo at that point in time, which they cite as a benefit of in-house production and having their own machines. With many employees starting at Riviera in their apprenticeship program and being with the company 20-plus years, there is considerable industry knowledge adding to the quality system.

Bloomberg/Getty Images

Figure 6.56 Riviera Yachts showcases its yachts at the prestigious Discover Boating Miami International Boat Show in Florida, USA, as part of its promotion to the overseas luxury market.

Quality-control books follow each product through the system, going through the different checks at each milestone and then before the product leaves for the next stage in the system; there is another full check on completion. Each hull has three books for each stage in the process – lamination and engineering, electrical, and boat building – along with a build list, which is the specifications for each particular hull. The specifications and checks align with standards of work including the American Boat & Yacht Council and CE certification for Europe, as well as ISO standards. Quality is also achieved through familiarisation with the systems as the same teams work on the same models; each crew is trained in two or three different boats but mainly concentrates on one.

Managers are part of the quality team – they are accountable for the parts they deliver. There is also a quality control team who come through and mark up different pieces at each stage in the process and make sure everything is fit for purpose. There is a full handover between stages in the system. At Riviera, managers are not just involved with quality in their own departments and trades, but are also involved in the other processes in the business, as knowing the business as a whole means making better improvements across the system.

Investment in technology is also a hallmark of operations at Riviera. While the outlay is high, in the long term it leads to efficiencies and enhanced quality. An example is the laser cutting machines that use CAD software. Fabrication of some parts used to be sent offsite with a six-week turnaround, while completing the fabrication in-house takes a week, saving time and achieving very accurate outcomes. All fabrication is now performed in-house.

The build time for a Riviera vessel averages six months, or four months for smaller boats. The aim is to have vessels as close to perfect as possible before they are put on a ship and head off around the world. The owner of Riviera's philosophy is to be a 'zero warranty company' with any warranty claims more likely to be related to third-party components such as air conditioners or engines. The company offers a seven-year structural warranty as testament to its workmanship.

The quality systems in place during the process and also at completion are meticulous. The completed vessel has a series of pre-launch checks, which includes taking photos of everything under the waterline (a process that takes one to three days depending on the size of the boat) before being launched, where a series of pre-sea trial checks is completed. Each vessel is taken out onto the Broadwater, a key benefit of the Coomera location, and tested at top speeds; some of the bigger boats have an overnight sea trial. Any non-conformances are logged, addressed and signed off by a member of the quality team. The final check of aesthetic finishes takes another one to two days. Owners of the vessels are invited to part of the journey at all key stages in the process. The company demonstrates a superior culture of customer care that goes beyond exemplary after-sales support and maintenance and reflects its peerless quality, build materials, structural strength, ease of operation and fine luxury finish. High levels of personalisation and customisation also ensure Riviera owners maintain a long-term association with the company.

Weblinks
Australia with Riviera Yachts

Australia with Riviera Yachts (p2)

View parts of the YouTube clip 'Mind blown Australia with Riviera Yachts'. Note: this video is 54 minutes – recommended viewing spots for quality are 13:00–17:45 and 24:35–27:10.

View parts of the YouTube 'Why Do They Cost So Much?? WATCH THIS! Australia with Riviera Yachts (p2)'. Note: this video is 65 minutes – recommended viewing spot for quality is 43:00–54:00. You can find links to both videos on Nelson MindTap.

Questions

1 **Explain** the role of research and development in operations at Riviera.

2 **Explain** the relationship between quality and long-term achievements in customer satisfaction at Riviera.

3 A key feature of Riviera's operations strategy is to keep all aspects of the production system in-house, rather than outsourcing. **Evaluate** this strategy, using two criteria, to make a decision and propose a recommendation.

Weblinks

Templates

Chapter summary

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

9780170484367

Chapter 6 review

This chapter introduced marketing and operational strategies used by businesses in the maturity stage of the business life cycle to remain competitive in the marketplace. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

Summary
Chapter 6 Competitive strategies: marketing and operations

6.1 Short response

1 Explain why market share analysis is important for mature businesses and how the use of key performance indicators (KPIs) relates to this.
2 Explain the relationship between integrated marketing communications and economies of scale in marketing.
3 Using a T-chart, outline the benefits of branding from the perspective of the consumer and the business.
4 Explain how the Pareto principle relates to marketing strategies for a business in the maturity stage of the business life cycle.
5 Using examples, explain contemporary marketing strategies that utilise emerging technologies.
6 Create an attribute table to outline the quality management strategies available to a mature business.
7 Explain the operational performance objectives necessary for improving competitiveness and supporting the strategic direction of a mature business.
8 Explain the importance of the dependability objective for a car manufacturer and a producer of confectionery.
9 Examine the impact of a business pursuing a speed objective on the achievement of other performance objectives.
10 Read the 'Gaining insight' below and complete the short response questions that follow.

Vegemite returns to Australian ownership

David Coleman | Have Camera Will Travel/Alamy Stock Photo

Jay Bray/Alamy Stock Photo

Figure 6.57 Vegemite is an iconic Australian brand that has recently returned to Australian ownership. The product is made at a plant in Port Melbourne.

Invented in Melbourne in 1922, Vegemite is an iconic Australian brand that was owned by overseas companies for many decades. However, in 2017 Bega Cheese Limited, an Australian company, purchased the brand and its manufacturing facilities in Port Melbourne from Mondelēz International for a reported $460 million.

According to the company, approximately 80 per cent of Australian households have Vegemite in their pantries, and Vegemite continues to be Australia's most popular spread. There are more than 22 million jars of Vegemite manufactured in Port Melbourne every year.

View the 'Happy Little Vegemites' video and answer the following questions:

1 Write a paragraph response to interpret the following statement: 'There's a private label version of just about every product these days in Coles and Woolworths, but neither company will mess with Vegemite. Even Aldi appears to have refrained from copycat packaging its own similar product'.
2 Create a short survey about consumer awareness of, attitudes to and usage of Vegemite, along with the promotion avenues the brand uses to communicate with customers. Present your findings visually and explain them in terms of IMCs and consumer loyalty.
3 Evaluate one marketing strategy utilised by Vegemite as it operates in a hostile competitive environment to make a decision and propose a recommendation/s.

Weblink
Happy Little Vegemites video

6.2 Extended response

Using the inquiry process, and data and information from Gaining insight 6.18 on Riviera Yachts create an extended-response business report to communicate the following.

1 Describe facts and characteristics of Riviera's business situation.
2 Describe facts and characteristics from the business environment that have an impact on marketing and operations at Riviera.
3 Identify and explain how Riviera seeks to achieve economies of scale in its operations.
4 Explain how Riviera engages in relationship marketing and how this relates to the Pareto principle.
5 Explain the quality management strategies evident at Riviera.
6 Evaluate one operating strategy or one marketing strategy used at Riviera, using relevant criteria, to make a decision and propose recommendations.
7 Communicate your response in a business report extract to for management at Riviera.

Note: Ensure you use and explain business concepts throughout your response.

Case study 2: Strategic development

Brookfarm

Brookfarm

Source 1: Brookfarm – a generational family business

The idea for Brookfarm started in 1988 when co-founders Martin and Pam Brook purchased a dairy farm in the hinterland of Byron Bay, in northern New South Wales. The land was found to be severely eroded and covered in lantana, a virulent weed, but the Brooks uncovered the remnants of a subtropical rainforest in one corner of the property. This ignited their passion to repair the land, planting over 35 000 rainforest and eucalypt trees to regenerate the land and bring back the native wildlife. Current CEO Will Brook affirms that the family are 'custodians of the land' with sustainable operations critical to their ethos, noting that 'what really drives us at Brookfarm is what's the best thing and what's the right thing that we can do'. A holistic approach to the farm has seen better results for yields, both for the farm itself and for the bottom line.

In addition to regenerative planting, the Brooks planted over 4000 macadamia trees, seeing an opportunity to value-add to Australia's indigenous nut. The macadamia became the focal point of their product development. In late 2000, Martin and Pam, along with sons Will and Eddie, sold their first products at the Bangalow Markets, just up the road from Byron Bay in the Northern Rivers, NSW, and the business has grown from there. Pam, now Head of Innovations, as well as co-founder, has always been the driving force behind product development, baking and trialling cereal blends with her family, varying the combinations for nuts, seeds and oil levels to blend the best ingredients to find the optimal taste.

Brookfarm is a generational family business, now led by Pam and Martin's eldest son Will, with his own children walking the macadamia orchard, just like he and Eddie did 20 years ago. Today they employ over 70 local staff across three facilities, engage with local suppliers, sustainably source natural ingredients and proudly sell through independent and local businesses, including IGAs, Harris Farm, health and wellness stores, grocers, cafes and bulk stores. They also distribute to the food services industry across premium hotels, cafes and airlines – Brookfarm has been proudly served on Qantas business and international flights for over 18 years!

Brookfarm also aims to give back and support the local community, including initiatives such as Big Scrub Landcare, Liberation Larder, Rainforest Rescue and Northern Rivers Food.

Weblink
The Brookfarm story

Brookfarm

Figure C2.1 Founders Pam and Martin Brook, with their family, have created a successful, sustainable, generational family business.

9780170484367

Source 2: Head of Marketing Monique Smith shares marketing insights

What role does branding play in marketing at Brookfarm?

We are a premium positioned brand in our category, meaning our core marketing strategies must align with this to create and deliver a premium quality product and brand experience at every touch point that delivers value to consumers so they feel it is worth paying more for. We focus on building and maintaining our brand equity, which supports a customer's propensity to pay more for a product, throughout the lifetime of our products. The stronger our brand equity, the less we will need to rely on sales promotions, including discounts, in the future to remain competitive. This helps build a sustainable, profitable business.

A key part of creating brand equity is knowing and communicating our USP. We use this to stand out from competitors – we highlight why we are different to other brands and communicate this consistently across our channels to our retailers and our consumers. As a generational family business, we can harness the power of storytelling to build connection with our brand, communicating our unique brand story, which also includes being regenerative macadamia farmers who engage in rainforest restoration, food producers of the highest quality who use all natural premium ingredients, being Australian owned and made, along with supporting Australian farmers.

Brookfarm

Figure C2.2 The advertising layout communicates Brookfarm's positioning strategy, including the tagline, 'It starts on the family farm…'.

Do you have strategic objectives that inform marketing initiatives?

One of our key objectives is to drive brand awareness and attract the attention of as many of our target audience as possible and move them through the marketing funnel as cost efficiently and meaningfully as possible, ensuring we give them the best and most memorable brand and product experience that will drive long-term loyalty and brand advocacy.

Product trial is also a very important objective, as we know that our product experience is very strong with a high conversion rate, so driving trial to the right consumers is also key.

Instore, our key objective is to increase the accessibility of our product through increasing our distribution and the number of doors we are available, along with increasing our share of shelf in the category instore to increase brand visibility and impact. This makes it easier for shoppers to find us and shop us to help drive instore brand awareness and conversion at shelf. As a brand without a large advertising budget to drive broad brand awareness, most of our customers discover us instore – so instore accessibility and visibility is key when you are growing a brand and don't have an advertising budget.

Once we have created some brand loyalty, our goal is to increase the basket size of our customers and drive more usage of our products


Brookfarm

Figure C2.3 To achieve instore sales objectives, having accessible and visible share of shelf space is vital, along with a clearly branded product that communicates the brand story.

so customers order more frequently and spend more on each order. We do this by offering them more premium products like our paleo granola range to try, providing offers and trial of cross-category products like nuts and oils so they are using more Brookfarm products, and giving them recipe ideas and inspiration to drive more usage of our products; for example, in smoothies or salads.

How do you attract consumers to your products and how do you ensure you reach the customer with your communications?

We take a consumer first approach. It is so important to understand who your target market is and what their values, interests and demographics are, where they shop, how they discover brands and what they are looking for. We do this using a combination of consumer surveys, email database, Google analytics, social media insights, looking at the market, and talking to customers and retailers. Our target markets is broadly 25-years-plus people who value health, nutrition and gourmet food. We also target the high volume of tourists that visit Byron Bay each year, meaning strategies need to align with the target audience.

We use different media mix to target different consumers along their customer journey to ensure we increase the frequency and ways they might see our brand to move them through funnel from awareness to consideration and trial. For example, to target tourists visiting Byron Bay, we use avenues to reach consumers along the holiday journey. Out-of-home (OOH) advertising at the local airports aims to capture their attention on arrival; we also advertise in local tourist magazines and sampling in Airbnbs, as well as targeted social media advertising focusing on our local brand story and farm so we are hitting people at least four ways on their holiday and again at the airport when they leave. With social media retargeting we will also hit them again when they are home with posts about our brand story or products, ingredients and benefits, and try to tempt them to visit our website to shop with a promotional offer or look for a local stockist.

Figure C2.4 Out-of-home advertising is targeted at visitors to Byron Bay as a key first touchpoint on the customer journey with Brookfarm.

To reach our target market who are passionate about food and cooking, we use high-reach avenues through TV sponsorships with in-show product visibility, integration and recipes. Following this consumer journey, we then use content from the show and share on YouTube, social channels and email marketing to drive greater awareness and usage of our products, directing people to shop the products.

We leverage new digital technologies such as performance marketing via Google and Meta to support our online store as they drive a more immediate sales result, which helps us build up revenue and business performance to then invest in more traditional longer-term brand-building activities. Email marketing is also a key digital strategy as it enables us to own our own database and communicate with customers in a personalised yet automated and efficient way that helps drive recruitment, and nurture and build a loyal relationship with our customers through our 'Family Rewards' program.

In a world when Facebook or Instagram could stop tomorrow and you lose all your followers, your email list is your own and protects you from that!

Do you have any other strategies you use to remain competitive?

A challenge in marketing, relative to larger companies with sizeable budgets, is securing budget to fund brand-building activities, which is longer-term brand investment and difficult to measure return on investment (ROI) over a given period when you're building a brand. Budget is required to pay for acquiring the eyeballs through media or marketing activities, and budget is also required to produce and execute most marketing activities like creative and digital agencies, which are highly skilled resources and often difficult to do on a small budget while also ensuring you have enough money invested so you can invest in people actually seeing the activity!

We have a strong positioning strategy as a premium brand that sets us apart. Our product ingredients are the highest quality – no compromises – they deliver added health benefits to provide extra value to our customers, and our packaging has a premium look and feel, while ensuring freshness and quality and being made from the most sustainable materials available. This enables us to position our pricing at the premium end of the market and only discount when we are looking to drive recruitment of new customers to try our products and support our retail partners. In terms of promotion, all avenues and formats are chosen with premium and high-impact execution in mind. Consistency in execution across all promotion touch points is vital – this includes packaging, point of sale, marketing collateral, advertising, social, website and retail channels.

In terms of our brand assets, these are unique to us and memorable for consumers when they think of our brand. Consistency is key – our logo, our tagline, our brand colour and the image of the macadamia farm.

You mentioned a brand 'refresh'; could you tell us about this?

An important part of our strategy is to build strong brand equity and a memorable and unique brand in the minds of consumers. To do this, we need consistent and premium brand assets across our integrated marketing communication plans and at every brand touch point from packaging to media. We identified our key brand assets that are unique and identifiable to us and already recognised by consumers and strengthened these across our communication through the development of new brand guidelines. These refresh and elevate our look and strengthen our brand ID consistently across packaging and all integrated marketing communications from media to instore and merchandise.

Brookfarm

Figure C2.5 The updated packaging reflects the consistent brand messaging and effectively communicates the brand story – a key part of Brookfarm's USP.

We updated the logo so it was clearer to read to drive greater brand recall. We strengthened our ownership of our Brookfarm green by adding consistent brand colour across all packaging, which strengthens brand impact on store shelves, and we added more of our unique brand story with images of our farm that help bring our tagline to life also: 'It starts on the family farm ...'.

We also refreshed all packaging across the broader range to ensure consistent use of brand elements, layout and fonts to help drive consistency across product ranges and markets to help build the brand recognition globally. Creating consistent design layouts and brand guidelines also creates design time efficiencies for the team.

Source 3: CEO Will Brook updates us on operational strategies

How does Brookfarm manage its operational strategies?

For Brookfarm, the number one thing is always the quality and taste of our products. It's not enough to be healthy, or natural–they must taste incredible. As the business has grown from the family kitchen and selling at local markets, to now being available across Australia and the world, the key challenge is to maintain quality as the business scales.

Do you have any insights into manufacturing of your products?

The key theme of our manufacturing is: imagine you are making your own muesli/granola at home, we basically do it all the same way, but 25 tonnes a week! It is so important to get the nuances right: the right honey, the right macadamia oil, the right size of nuts, and the list goes on. Then when you get to the process it has to be baked at the right thickness, not too thick so it's undercooked, not too thin so it burns, then it must be cooled fast enough to prevent spoilage, then bagged into packaging that keeps out the enemies of freshness: light, moisture and oxygen. Everything we do is in service of getting our recipes to be as fresh and delicious as when they first came out of the home oven more than 20 years ago.

Brookfarm

Figure C2.6 Brookfarm CEO Will Brook in the packaging facility, which focuses on freshness, quality and sustainability

That sounds incredible! Do you use specific quality strategies?

Quality is key at Brookfarm. We are proud of the products that we make and strive to make the best muesli in the world. There are two aspects of quality. The first is in the development of the recipe: how premium the ingredients are, the blend of different ingredients to create a unique flavour profile, and ensuring we don't skimp on certain ingredients and create a commodity style product – this is in the research and development stage.

The other aspect of quality is about our system, which ensures both food safety and quality in our operation. As the business has grown from a two-person kitchen operation to now over 60 people, the management of the quality system has needed to become formalised. The quality system provides the checks, accountability and traceability for the production process. The food safety system sets the rules in which the business can operate, such as how ingredients are approved, the parameters of the process, critical control point management, allergen management, non-conformance and improvement activities. The quality system also serves to allow the business to be certified under internationally recognised food safety programs. The achievement of such certifications (Brookfarm uses FSSC22000) allows us to trade with larger customers around the world such as supermarkets and airlines that require a high level of food safety certification.

Brookfarm

Figure C2.7 Quality ingredients are fundamental to product development and manufacturing at Brookfarm.

As a SME, competing against large companies with economies of scale, how do you achieve efficiencies in operations to remain competitive?

As the business has grown and more customers have come on board, and more consumers enjoy our products, and also as the product range grows, we lose the flexibility of a start-up business. Therefore, synergy and planning between sales, procurement and operations scheduling are key. Brookfarm sets high standards for case fill (cartons supplied on time and in specification) at over 99 per cent to ensure that we don't leave customers with empty shelves, which means lost sales and, potentially, lost consumers as they may move to another product if they can't find ours. In order to present a reasonable schedule, and to ensure that there is a stock of ingredients in the warehouse, the sales team must communicate regularly with their customers and then back to the supply chain (procurement and planning) with a forecast. This forecast considers average sales for the period and then additional opportunities, promotions or changes in future sales in order to create a workable forecast model for the business.

Operationally, we identify the aspects of our system that create the most significant bottlenecks. For example, some years ago our capacity was limited by our oven technology – only able to bake one batch per hour (around 300 kg), but our blending, packaging and mixing areas could produce at four times that rate or even more. The decision was made to invest in our oven technology to quadruple our throughput. The challenge was to do this with absolutely zero compromise on quality, and no reduction in the complexity and nuances of our recipes. The investment was significant and went through a rigorous ROI process. In the end, it was successfully implemented after many years of testing and research, and this allowed the business to not be stifled in terms of growth due to capacity constraints. As we are a family business we are able to make long-term investment decisions rather than just looking at a short-term bottom-line target.

Brookfarm.

Figure C2.8 Investment in oven technology overcame production bottlenecks to ensure efficient operations systems.

Can you tell us about the role of research and development at Brookfarm?

Brookfarm is driven by a passion to create great products, for ourselves first, and then if we feel there is an opportunity in the market. Our first (and still best-performing) muesli products were created out of a desire to make the best muesli possible because everything else on the supermarket shelves was so bland– it tasted like the packaging it was put in. As another example, our Keto granola wasn't even intended for sale when it was first made. It was created by Pam Brook who was trialling a Keto diet to support her friend going through chemotherapy and who was using this diet to support the treatment, and there just wasn't a Ketogenic cereal that existed. The summary is we need to love the products first, to feel proud of them and be confident that they are special, before they are released. We use our own intuition rather than just raw data. Data is important to assist decision and confirm our gut feel, but in terms of making or setting trends, if you are creating a product to match a trend, you're probably already too late!

How about innovations including your Roll 'n' Recycle packaging?

Our recyclable soft plastic packaging was a project that had been around for many years before release. The priority (as always) for this project was to ensure our products are kept fresh; the packaging is so important as no one wants to buy the best muesli in the world if it goes stale after being in a bag for a month or two! The environmental impact of our packaging has been a concern since day one, but we had to put the product quality first. We have close relationships with our packaging suppliers, Roll 'n' Recycle, and have constantly put pressure on them to create a more sustainable solution. It took until recent years for that technology to be developed so we can now use a recyclable bag and keep the quality and freshness of our products. For more information on how Roll 'n' Recycle operates watch the YouTube clip titled 'Roll 'n' Recycle – How it works'.

Weblink
Roll 'n' Recycle

We have learnt a lot about innovation through our time as macadamia farmers. We started our farming journey doing the standard farming practices, which unfortunately involved calendar spraying for pesticides, artificial fertilisers and killing off weeds. Over time, through experimentation and sourcing advice and research from across Australia, we have:

- regenerated our rainforest to provide natural pest management through the use of predatory fauna (owls, birds, snakes, etc.)
- moved our farming method to a regenerative that captures carbon and improves soil health
- introduced a number of other initiatives such as the introduction of bug and wasp species to manage key pests rather than spaying pesticides.

On the farm we are happy to take risks with new technology if we think it can have not only a benefit for us, but also create a proven model that other farmers can take to their own orchards and move to a more sustainable method over time.

In terms of strategic development, any innovations need to make commercial sense, and for each activity/project there must be a ROI or business improvement. Our solar panel installation paid itself back within two to three years, our rainforest regeneration improved farm outcomes exponentially and each of our machinery investments yields a return on investment within a two- to five-year period. These strategies align with our values and commitment to being an environmentally friendly and sustainable company.

Brookfarm

Figure C2.9 Brookfarm has invested in a world-first packaging solution that is revolutionising the way it recycles soft plastics. With Roll 'n' Recycle packaging, the consumer can simply roll up the pouch, secure it with a recyclable sticker and pop it in their kerbside recycling bin.

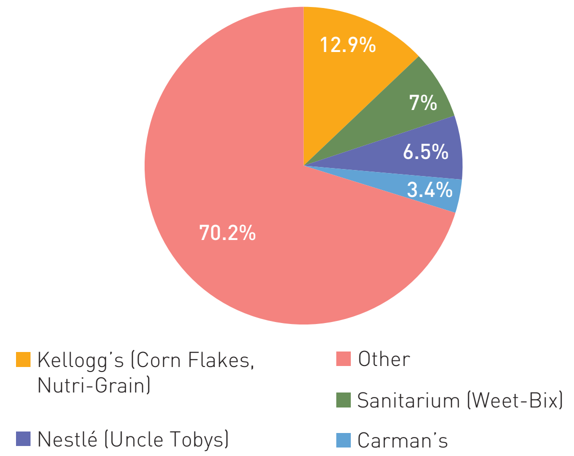
Brookfarm

Figure C2.10 The rejuvenated subtropical rainforest provides natural pest management for the macadamia trees, reflecting the focus on sustainable practices.

Source 4: How competitive is the breakfast cereal market in Australia?

The number of breakfast cereals on supermarket shelves in Australia has doubled in the decade to 2024. Research by the Grains & Legumes Nutrition Council (GLNC) highlighted areas of innovation in this competitive market, including the trend towards granola and cluster products, with offerings in this category trebling in the same period. Another key trend identified is packaging used to promote products as a source of dietary fibre that can support gut health and therefore overall health. Also of note is industry efforts to lift the nutrient profile of Australian breakfast cereals, including a focus on wholegrain cereals, more protein and less carbohydrates, sugar and salt than non-wholegrain alternatives. GLNC findings indicate consumers are increasingly focusing on the type and quality of cereals.

A challenge for small and medium enterprises (SMEs) in the industry is the brand strength of household names such as Kellogg, Sanitarium and Nestlé, which have established positions in the industry and large advertising budgets. A relative strength of SMEs with cereal-based products is that manufacturing requires relatively limited investment in capital equipment and the nature of the industry's products leaves space for SMEs to capture niches, including premium and value-added goods. Increasing health consciousness has shifted consumer preferences away from high-sugar cereals over the past five years, reinforcing favourable conditions despite competition from major players and volatile input prices for key inputs such as wheat and coarse grains. The growth of the Carman's brand over the period reinforces the trend towards higher-quality breakfast products. Although few SMEs are found on supermarket shelves, consumer trends have seen a 1.3 per cent increase in demand from cafes, restaurants and other food retailers, with this sector forecast to grow by 1.5 per cent in the coming period.



Source: Callum Francis, 'Cereal, Pasta and Baking Mix Manufacturing in Australia, Manufacturing C1162', IBISWorld, June 2024

Figure C2.11 Cereal manufacturing in Australia – market share 2024

Source: Brookfarm

Questions

1 **Describe** facts and characteristics of the business situation relating to Brookfarm in the maturity stage of the business life cycle.
2 **Describe** facts and characteristics relating to the business environment of Brookfarm that have an impact on their marketing and operations.
3 **Explain** strategies used by Brookfarm to move consumers along the customer journey and why this is important for the business.
4 **Explain** the role of research and development in marketing and operations at Brookfarm.
5 **Explain** the brand strategy Brookfarm employs and how this relates to loyalty in a competitive environment.
6 **Explain** the quality strategies employed at Brookfarm and how this relates to strategic development.
7 Select data and information to **analyse** Brookfarm's USP in a hostile competitive market. **Interpret** relationship/s and trend/s in the USP analysis to draw conclusions about the implications on strategic planning for the business.
8 Using two criteria, **evaluate** one marketing or one operations strategy implemented by Brookfarm to make a decision about the suitability in a competitive market and propose recommendations.
9 **Create** a business report for the owners of Brookfarm to communicate your findings.

Extension: Using Case Study 2 and some additional research, select data and information to **analyse** Brookfarm's current situation using a STEEPLE analysis. **Interpret** relationship/s and trend/s in the STEEPLE analysis to draw conclusions about the implications on strategic planning for the business.

Template
STEEPLE analysis

Unit 4

Business evolution

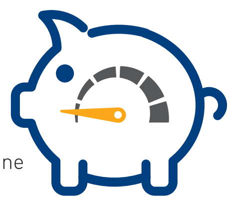
Topic 1
Repositioning a business

WHAT HAPPENS AT POST-MATURITY STAGE?

A mature business looks at its financial history and position in the market, and is faced with a crossroads:

Renewal

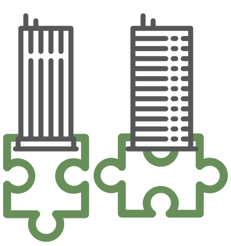
Steady state



Decline

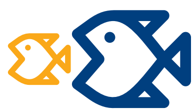
Steady state and decline outcomes

Repositioning



Merger

> *Australia's dealmakers have greater certainty and confidence to transact right now. Our CEO survey found one-third of companies are planning to make three or more acquisitions in the next three years, and we're already seeing early signs of an upswing in deal activity in Australia.*



Acquisition

Administration

Exit

DID YOU KNOW?

In Australia, approximately 14% of actively trading businesses exit the market. That is approximately 362 800 businesses (ABS).

Source: 'A Warning To Kraft Foods: Eat Cadbury's And You'll Get Indigestion', Simon Sinek, 21 March 2010, Huffpost

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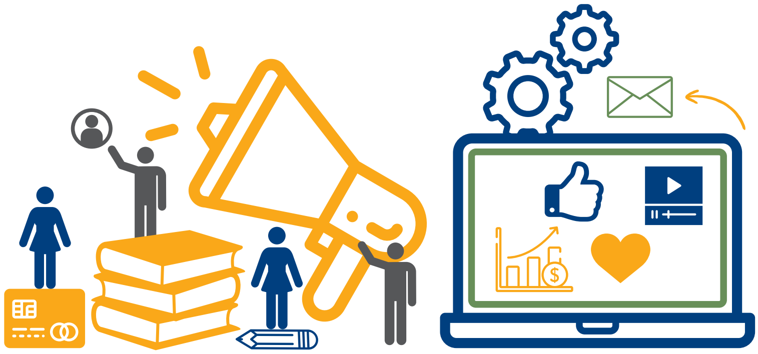
HOW CAN A BUSINESS INFLUENCE AND COMMUNICATE DURING POST-MATURITY?



- Corporate affairs
- Community relations
- Crisis management
- Employee relations
- Investor relations
- Media relations
- Public affairs
- Public relations

HOW DO BUSINESSES REPOSITION?

Repositioning:

a strategy whereby a business attempts to engage with a new or broader target market by offering new products or services, rebranding or updating tactics used in promotion to change how it is perceived in the market

Marketing
- New products and services
- Rebranding
- New promotional campaigns

Human resources
- Repositioning strategies in acquisition, development, maintenance and separation

Operations
- Expansion or renovation
- Changing locations
- Utilising emerging technologies

Finance
- Repositioning through objectives: profitability, growth, efficiency, liquidity and solvency

WHAT ROLE CAN SUSTAINABILITY PLAY?

Corporate social responsibility

Business ethics

> A good company offers excellent products and services. A great company also offers excellent products and services but also strives to make the world a better place.
>
> **Philip Kotler**

Triple bottom line

9780170484367

7 BUSINESS POST-MATURITY

What you will learn

This chapter will explore the strategic decision-making required by businesses that are facing the post-maturity stage of the business life cycle. It will examine the outcomes for a business when in steady state or decline, as well as provide insight into the communications tactics a business could engage with to influence stakeholders and reinforce its reputation in society or its position in the market.

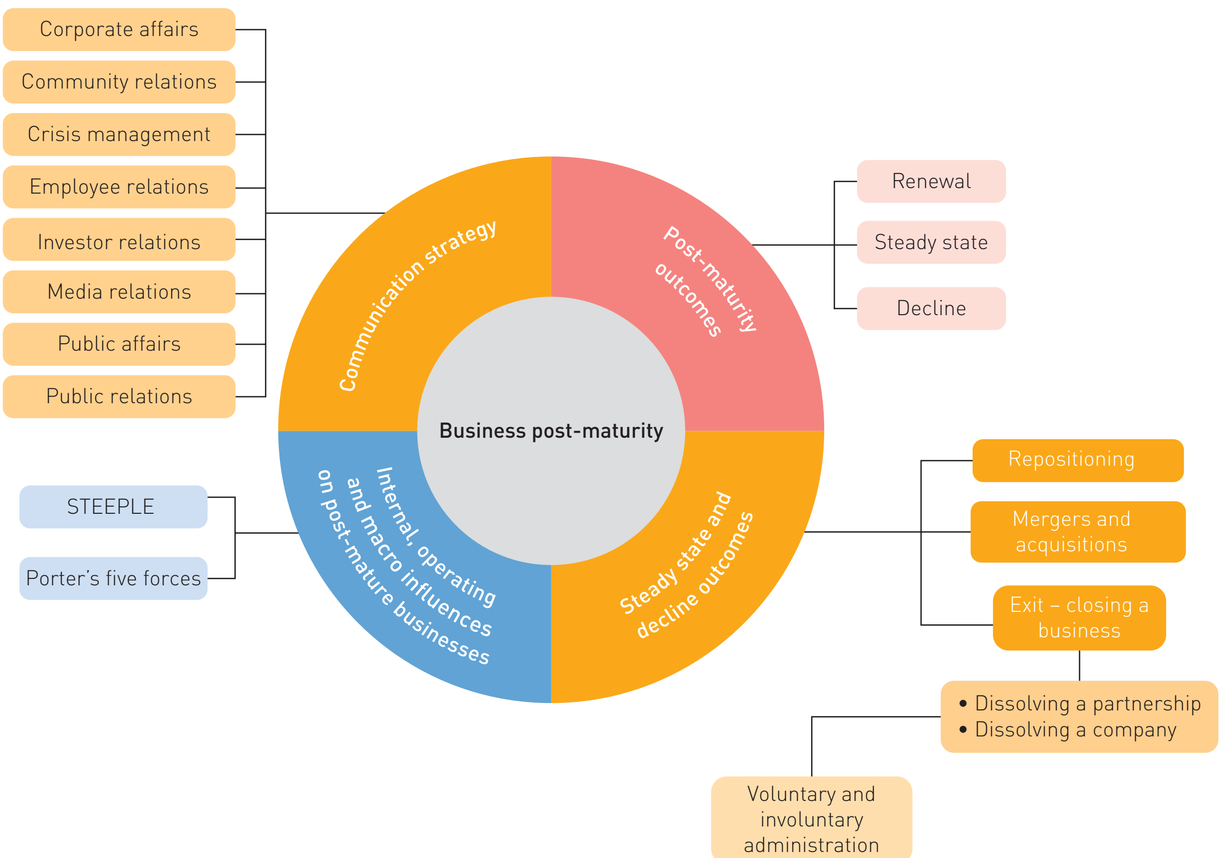
This chapter will provide you with the opportunity to:

- **describe** business situations and environments relating to the post-maturity stage of the business life cycle
- **explain** concepts and strategies used by businesses in post-maturity
- **analyse** and **interpret** business situations, environments and the key business functions related to the post-maturity stage of the business using the STEEPLE and Porter's five forces analytical tools
- **evaluate** post-maturity business strategies to make decisions and propose recommendations
- **create** responses that **communicate** business information to suit audience, context and purpose.

The analytical tools used in this chapter are:

- STEEPLE analysis
- Porter's five forces.

(Source: Business 2025 General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority)



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GAINING INSIGHT 7.1

Noosa Bike Shop closes store after 40 years of business on Sunshine Coast

FOCUS QUESTION: Why do some business owners simply decide to exit the market their business operates in?

Figure 7.1 Neil Johnson had run Noosa Bike Shop since 1985.

A beloved Noosa family is saying goodbye to loyal customers after more than 40 years of selling bikes on the Sunshine Coast

The Noosa Bike Shop has shut its doors after 40 years of business on the Sunshine Coast. Back in 1985 Neil Johnson purchased the bike store after moving to the area from Melbourne with his wife and three children.

Mr Johnson, a cabinet-maker by trade, was running the popular store with his son Ben Johnson for the past three years. The duo announced they would close the store on April 20 and Mr Johnson would retire.

'Neil and Ben are taking some much needed time with family this year,' a Facebook post said.

'We have exciting plans in store and look forward to sharing the next chapter of Noosa Bike Shop in 2025.

'We wanted to thank all our customers for your support over the 40 years.

'Neil started Noosa Bike Shop as a small hole in the wall on Noosa Sound.

'Over the decades, the shop has been an integral part of the Noosa community and a place where people feel comfortable to drop by for a chat and to shoot the breeze.

'After a well-deserved sabbatical, the family are shaping plans for Noosa Bike Shop in 2025 and look forward to sharing with you.'

In the lead-up to the store's closure the family hosted a sale where all stock was 30 to 80 per cent off.

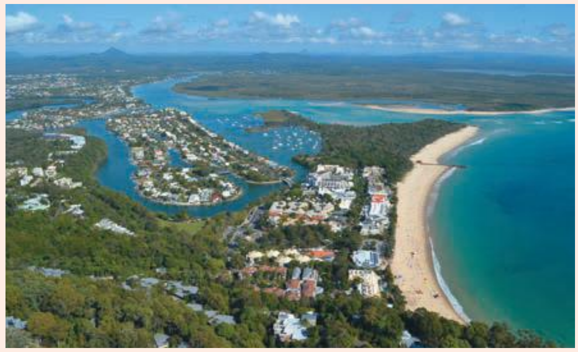


Figure 7.2 Noosa has become a hub for cyclists and triathletes.

Noosa locals shared their admiration for the store in wake of its closure.

Ben Townsend said it was 'an absolute gem'.

'I love bringing my family to Noosa for the tri every year and I always seem to have one or another issue with my treadly,' he said.

'Your expertise has saved my bacon a few times!'

'Never too busy to help a fella out! Good luck in your future endeavours.'

'You guys deserve a break,' Stephen John Sorensen said.

'Look forward to the next chapter. All the best.'

Originally the shop was at Noosa Sound, then it moved to Noosa Junction, before ending up at the Noosa Homemaker Centre on Thomas Street.

Mr Johnson was also passionate about cycling and was part of the Sunshine Coast Cycle Club.

Source: Madeline Grace, 'Noosa Bike Shop closes store after 40 years of business on Sunshine Coast', *The Courier Mail*, 13 May 2024

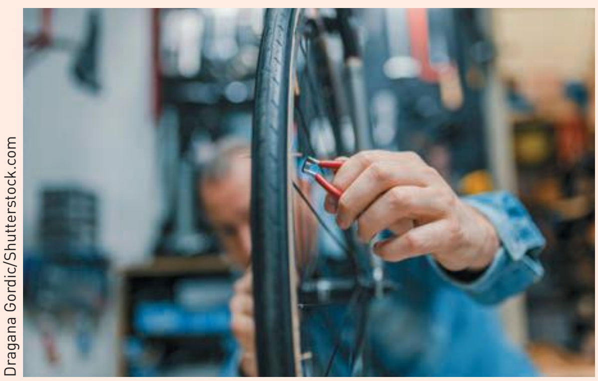


Figure 7.3 A technician at work on a bike.

Sambang P/Shutterstock.com

Figure 7.4 Mr Johnson helped shape the Noosa cycling community.

Questions

Referring to this *Courier Mail* article, and the *Sunshine Coast News* article 'Family-run cycling store owners reminisce on four decades of bicycle bliss' (available via the link found on Nelson MindTap), answer the following questions.

Weblink
Sunshine Coast News article

1 Describe the business situation for the Noosa Bike Shop.
2 Describe the external environment factors that led to the closure of the Noosa Bike Shop.
3 Evaluate Neil and Ben Williams' decision to be interviewed about their business closing, using the criteria of stakeholder satisfaction.
4 Debate this statement: 'It is always a negative outcome for a business to exit a market.'

Post-mature businesses

Key learnings

You will learn about businesses by examining:

- the post-maturity stage of the business life cycle
- internal, operating and macro environmental factors impacting upon the post-maturity stage.

As introduced in Chapter 1, a business will progress into the post-maturity stage when demand for its products and services begins to decrease following a period of stability, during which sales had been steady. In many cases, a business can slip into **post-maturity** following a crisis or not responding to changes in the market, but until this point it will consider itself still in either a growth or maturity stage. Hence, when a business arrives at the post-maturity stage it essentially comes to a crossroads, where decisions need to be made about the business's future plans. At the post-maturity stage a business may find itself considering three outcomes:

- **renewal**
- **steady state**
- **decline** (Figure 7.5).

Each outcome will be introduced, with Chapters 7 and 8 focusing on steady state and decline strategies for a business. Chapters 9 and 10 will focus on renewal and transformation, where change management approaches need to be implemented to effectively give the business new competitiveness in the market.

Post-maturity: the stage in the business life cycle following maturity when a business starts to experience a consistent decline in sales or reduced demand from the market

Renewal: an outcome of post-maturity where a business may transform or reposition to ensure the future success of the business

Steady state: an outcome of post-maturity where the business may experience minor decline but is able to maintain this level and continue to trade in the market

Decline: in a business context, decline occurs when the sales reduce or demand decreases for a business and its products or services

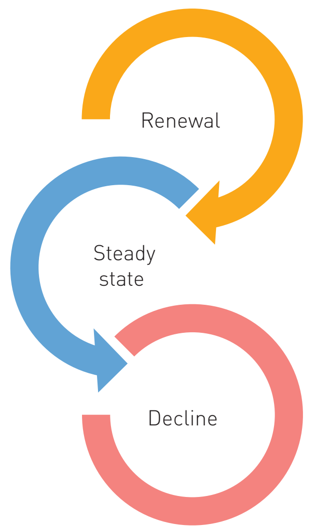


Figure 7.5 The outcomes for a business that is in the post-maturity stage

Characteristics of steady state

A business that operates in a steady state may consider itself a mature business rather than a business in post-maturity. If the business views any change as negative, then it would be fair to describe it as post-mature. However, some businesses are satisfied with their achievements once they reach a certain level and no longer strive for growth or, alternatively, have experienced mild decline but are still viable and profitable businesses. This may be the case for small business owners who are operating at a capacity that meets both business and lifestyle needs; for example, successful small restaurants, independent car sellers, builders, local dentists or beauty service operators. Characteristics that describe a business in the steady state of post-maturity are that:

- the business maintains its day-to-day processes without major changes or new projects
- the business does not budget extra funds for marketing year-on-year and is not striving to build the customer base (current marketing is satisfying the business needs)
- the business stabilises its staffing based on business needs and staffing numbers don't tend to fluctuate
- the business is financially performing at a level satisfactory to the business owner with no desire for expansion (Figure 7.6).

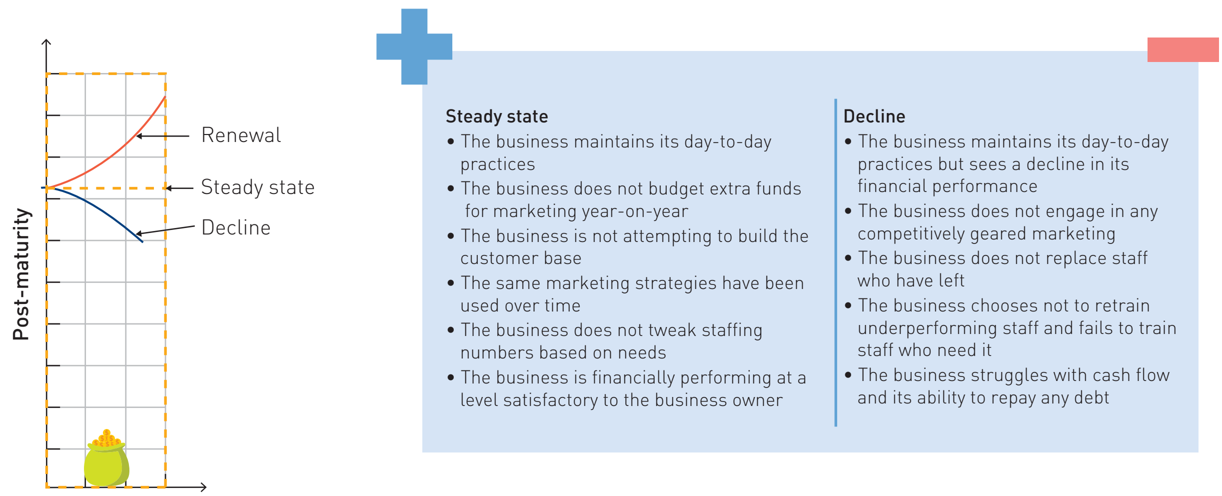


Figure 7.6 Characteristics of businesses in steady state or decline

Characteristics of decline

When a business shows evidence of decline – that is, a gradual yet significant drop in financial performance – then it becomes very obvious the business has slipped into post-maturity. A business can fall into decline due to internal, operating and macro environmental factors, and if the business doesn't respond correctly, or chooses not to respond at all, then decline is inevitable. Internally, a business may slip into decline if it is not maintaining a high quality of staff or customer service, or if the business owners or management fail to alter their leadership and management styles and, in turn, the culture and structure of the business fractures. Alternatively, the business owner wants to retire and is actively trying to **downsize** the business.

Businesses that don't respond to changes in the operating environment, such as seeking the most cost-efficient supplier or monitoring competition activity, may also see their financial performance diminish.

Finally, macro environmental factors can have a significant influence on businesses for socio-cultural, technological, economic, environmental, political, legal or ethical reasons. For example, a small real estate agent may slip into decline following an economic downturn, or a small restaurant that doesn't engage with a delivery service may lose customers to competitors. Characteristics that describe a business in the decline state of post-maturity are that the business:

- maintains its day-to-day practices but sees a decline in its financial performance (revenue and profit)
- does not engage in any competitively geared marketing and may be struggling to keep up with industry changes and technological advancements based on shifting customer preferences
- does not replace staff who have left, or chooses not to train staff who need it
- struggles with cash flow and its ability to repay any liabilities or debt meaning there isn't investment in upgrading equipment or facilities.

While it is generally perceived as a negative for a business to fall into decline, in many cases a declining business may become attractive to another business looking for a merger or acquisition. Alternatively, some businesses only choose to downsize a certain aspect of their business without closing altogether, as was the case for Noosa Bike Shop (refer to Gaining insight 7.1) or department stores such as David Jones that closed some of their instore cafes and eateries (Figure 7.7). Even Australia Post has seen a decline in its processing of mail, yet still achieves growth in its parcel delivery services as a result of online shopping. In these situations, management will focus on the business activities that are successful and consequently can continue to operate at the maturity stage of the business life cycle.

Greg Balfour Evans/Alamy Stock Photo

Figure 7.7 The majority of David Jones stores used to have instore cafes and food halls. Now only five food halls remain across Sydney (City and Bondi Junction), Melbourne, Adelaide and Perth. The Brisbane City store (pictured) does not have a food hall.

Downsizing: a decision for a business to trade at a smaller capacity, through either having less staff or reducing the range of products and services it offers

QUESTIONS 7.1

1 In a paragraph of 150 words, compare the characteristics of a business in steady state and one in decline.
2 Explain how a business may experience post-maturity in one part of the business, yet experience growth or maturity in another. Provide examples in your response.

Internal environment factors that influence a business in post-maturity

When a business in post-maturity is required to make a decision for its future, it must consider its internal environment. In steady state, when the business continues to trade, the decrease in sales and demand will impact upon the business's internal stakeholders and culture as adjustments to business practices will need to be made to supplement the decrease in financial performance. If the business is to exit the market, the impact on the internal environment becomes even more significant and a business should implement a **succession plan** for closure to ensure stakeholder interests are managed in the best way possible.

Figure 7.8 identifies the questions that business owners (for a sole trader, partnership or private company) or the board of directors (public company) need to consider about their internal environment at the post-maturity stage.

Owners and management	Employees	Organisational structure	Organisational culture
• Will the business continue to operate as is, could it be purchased by another business or should it dissolve? • What succession planning is required for the business in its post-maturity state? • What sources of advice does the business need to exit, be purchased or maintain current operations? • Should the business consider an acquisition or merger strategy? • How should the business manage stakeholder interests?	• What impact will steady state or decline have on staff? • Will the business consider redundancy? • Should the business retrain staff to prepare them for change? • What financial considerations need to be given to staff if the business dissolves? • What impact will steady state have on current staff?	• How will the business need to be restructured? • If exiting, how will the business narrow the organisational structure efficiently? • If the business is sold, what policies and procedures need to be documented? • What needs to be changed in the business to maintain steady state?	• What impact would merging or being acquired have on the business? • How will the business continue to achieve its goals and objectives during post-maturity? • Should the business set new goals and objectives as it encounters post-maturity? • What impact will outsourcing of support have on the current business culture? • How will the business achieve its goals when aligned with its financial objectives, and what impact will this have on the business's culture?

Figure 7.8 Questions related to the internal environment that influence strategic decision-making for a post-mature business

Operating environment factors that affect a business in post-maturity

When a business enters the post-maturity stage, the impact of the operating environment can heavily influence the decision-making of the business. If relationships are strong, the business may decide that it is feasible to continue to trade and focus on renewal or steady state outcomes; however, if there are inefficiencies or a breakdown in communication, the business may consider whether exiting the market is a more viable option. These decisions are unique to each business; hence, thorough, insightful analysis and evaluation of the business's situation is required before decisions are made (Figure 7.9).

Succession plan: a process for identifying and developing new managers in a business to replace former managers lost due to restructure or retirement

Suppliers

- What contractual agreements are in place with suppliers?
- Is the relationship with suppliers stable?
- Is there positive communication with suppliers?
- Could the business negotiate supplier arrangements if maintaining steady state?
- What impact would decreasing orders have on the relationship?
- How will the business pay for supplier accounts?

Customers

- How loyal is the customer base?
- Is the business responding to customer needs and wants?
- How should exit outcomes be managed with customers?
- How does the business manage outstanding customer accounts?

Competitors

- How are competitors currently positioned in the market?
- Could the business implement strategies to combat competitors?
- Are any competitors interested in a merger or acquisition?
- What are competitors doing to maintain market share?
- If exiting, which competitors could the business refer customers to?

Interest groups

- What impact will the post-maturity outcomes have on the business's interest groups (e.g. banks, industry associations, commercial realtors and government agencies)?
- If the business exits the market, what media interest will it generate?
- What influence will interest groups have on a potential decision to exit?

Figure 7.9 Questions related to the operating environment that influence strategic decision-making for a post-mature business

QUESTIONS 7.2

1 Explain the strategic planning required by businesses that may be facing post-maturity.
2 Consider a local business in your area that appears to be operating in post-maturity. Analyse the internal and operating factors that have influenced the business falling into this stage of the life cycle.

GAINING INSIGHT 7.2

Eye-watering number of construction companies collapse in Australia

Between 2022 and 2024, the Australian construction industry saw a significant rise in the number of home builders collapsing due to factors such as rising material costs, labour shortages and fixed-price contracts that couldn't adapt to inflation.

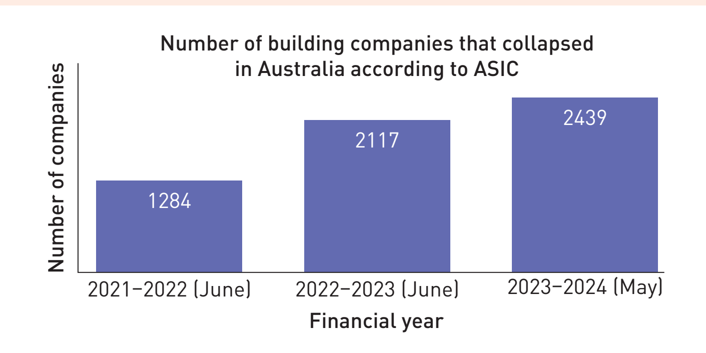


Figure 7.10 The impacted companies include residential builders, commercial builders, civil engineering and infrastructure firms, subcontractors, and construction supply and logistics companies.

The collapse of these companies has had a ripple effect on the housing market, particularly affecting homebuyers with incomplete projects. High-profile collapses include companies like Porter Davis, Condev Construction, Oracle Platinum Homes and many smaller builders across the country. These issues were further exacerbated by the impact of COVID-19, which disrupted supply chains and increased costs across the board.

The sharp rise in insolvencies shows the immense pressure the construction sector has been under and highlights the challenges of operating in an environment of high inflation and fixed-price contracts.

Three residential companies, whose financial information is publicly available, are summarised in Figure 7.11.

Porter Davis Homes

- Porter Davis' collapse left 1700 homes incomplete across Queensland and Victoria. The company faced a significant financial hortfall, with a $20 million funding gap contributing to the end of the company in 2023.

Oracle Platinum Homes

- Oracle Platinum Homes went into liquidation owing $14 million, with over 300 homes left unfinished. In 2022, the company struggled with cash flow issues and rising construction costs.

Pivotal Homes

- Based on the Gold Coast, Pivotal Homes collapsed due to rising costs and supply chain challenges, leaving 103 homes incomplete, with 177 additional contracts yet to commence in 2022.

Top left: Elias Bitar/Shutterstock.com; Middle right: Kwangmoozaa/Shutterstock.com;
Bottom left: Ken Schulze/Shutterstock.com

Figure 7.11 A brief snapshot of the residential builders that went into administration over recent years.

Questions

1 Conduct an analysis of the building and construction industry by considering each operational environment factor and its influence on the industry.

2 Summarise your analysis in a paragraph highlighting three of the most significant impacts.

Macro environmental factors that influence a business in post-maturity

In many cases, a business will enter post-maturity as a consequence of changes in the macro environment, and whether the business has factored these changes into its strategic planning. The changes could relate to new government policies, changes in law, updates in technology, socio-cultural trends and viewpoints, environmental practices or an increased awareness of business ethics. It then becomes the responsibility of the business to respond to these changes positively so the business continues to run in a renewal or steady state. If underprepared, the business may slip into decline. Figure 7.12 identifies the questions a business in post-maturity should consider, using a **STEEPLE analysis**. Later in this chapter, Porter's five forces will be introduced, and this tool provides an interrogation of a business's competitive positioning of goods and services.

STEEPLE analysis: an analytical tool that identifies how different macro factors – socio-cultural, technological, economic, environmental, political, legal and ethical – impact on business

Socio-cultural factors

- What are the cultural trends and societal attitudes that should be considered by the business at a post-maturity crossroads?
- Can the business pursue new niche markets?
- How can the business respond to a decline in demand?
- How can the business reposition through corporate social responsibility?
- What employment patterns and job market trends are affecting the industry?
- What ethical considerations need to be managed in the post-maturity stage?
- How can strategic networks assist the business in post-maturity?

Technological factors

- Are there any emerging technologies that could push the business to decline or help it to renew?
- How can the business use advanced yet affordable online platforms to achieve steady state or renewal?
- How can automation assist the business in its post-maturity state?
- How can the business manage the security of data and information in this post-maturity stage?

Economic factors

- How stable is the economy and what impact might this have on the business in post-maturity?
- Are there any likely changes in exchange rates or interest rates that could further challenge the business?
- Are current inflation figures impacting upon any pricing considerations of goods and services?
- What are the current consumer buying patterns in the market and what impact could this have?
- How is globalisation affecting the industry?

Environmental factors

- What sustainable business practices can help the business to reposition?
- In what ways can the post-mature business minimise waste and run efficiently?
- How is the business efficiently using resources to conserve?
- What impact could natural disasters, weather patterns and seasons have on the business?

Political factors

- How are the federal, state or local governments supporting business in post-maturity (e.g. grants or financial support)?
- Is there a trend towards regulation or deregulation in the industry that might impact on business outcomes?
- How does the government approach and monitor ethical practices in the industry?
- What pending legislation will affect the business in steady state or decline?

Legal factors

- What federal, state and local legal requirements would need to be met if the business were to exit?
- What impact does consumer law have on the post-mature business's decisions and policies?
- How will workplace relations legislation impact upon the business if it continues to decline or chooses to exit?
- How should the business approach potential workplace disputes?
- What advice does the post-mature business require from solicitors, financial advisers and accountants?
- What redundancy costs would the business need to consider?

Ethical factors

- What are the values of the business as it encounters post-maturity?
- What ethical standards does the business need to comply with?
- How can the business incorporate corporate social responsibility into its practices?
- How will stakeholders respond to changes in the business?
- Can the business utilise an environmental, social and governance (ESG) framework or the triple bottom line as a repositioning strategy?
- Are the business's sustainability practices also ethical?

Figure 7.12 A STEEPLE analysis identifies the macro environmental factors that influence a post-mature business.

GAINING INSIGHT 7.3

The end of the video store

One of the most obvious post-maturity declines seen in recent history is the end of the video store. Follow the link found on Nelson MindTap to read the article 'Last video rental store in Brisbane closes down' from news.com.au and answer the following questions.

Weblink
Last video rental store in Brisbane closes down

Questions

1 **Analyse** the macro environmental factors that have impacted Leading Edge Video and contributed to it closing its doors.
2 **Interpret** a relationship or trend in the analysis to draw conclusions about the implications for post-mature businesses.

iStock.com/Jacob Wackerhausen

Figure 7.13 Searching for a video or DVD in a shopfront used to be a familiar sight before streaming of content digitally revolutionised the rental industry.

QUESTIONS 7.3

1 Conduct a STEEPLE analysis of a bank that has decided to close its branches in recent years.
2 **Interpret** the implications of the macro environment on the banking industry.

A STEEPLE analysis is available for you to download on Nelson MindTap.

Template
STEEPLE analysis

GAINING INSIGHT 7.4

A post-mature business's journey to exit can take years: Holden

It's not uncommon to see a Holden vehicle on Australian roads. They were a significant feature of Australian culture from the 1940s when the FX Holden first entered the Australian market up until the last Holden-branded vehicle produced in 2017.

Kurniawan Sofyanto/Shutterstock.com

Figure 7.14 A 1975 HJ Holden Statesman

The reverberations of the end of Holden and, more broadly, the exit of car manufacturing in Australia is still a topic of conversation, and is a worthy case study when reflecting on post-maturity in Australia.

Start-up and early growth: Iconic beginnings

Holden's journey kicked off in 1948 with the launch of the FX Holden, Australia's first mass-produced car, and it drove straight into the hearts of 120 000 Aussies. By the 1960s and 1970s, 200 000 Kingswood models had been sold, and the smaller Torana (70 000 sales) meant the Holden brand became part of everyday life for many Australians. These cars were rugged and reliable, and the company's rapid expansion was driven by a growing market hungry for local cars that could handle Australian conditions.

Lefteris Papaulakis/Shutterstock.com

Figure 7.15 The original FX Holden embodied on an Australian stamp

Continued growth and maturity: Dominating the market and motorsport

The 1980s and 1990s were Holden's glory days, with the Commodore achieving over three million sales. It was a bestseller due to its powerful engine, spacious design and family-friendly appeal.

Holden's motorsport victories in the Commodore, especially in the Bathurst 1000, further solidified its status as an Aussie icon. The Ford versus Holden rivalry grew, with fans passionately taking sides. Even if a person wasn't into cars at the time, everyone knew about this epic motorsport battle. Holden's presence on the racetrack, where it won most of the time and produced champions such as Peter Brock, Mark Skaife and Craig Lowndes, helped build the brand into a cultural force.

iStock.com/Mohamad Kaddoura

Figure 7.16 A Holden Commodore SS

Post-maturity

The decline of Australian manufacturing

Holden's post-maturity phase began in the late 2000s as globalisation started reshaping the automotive industry. The cost of manufacturing vehicles in Australia increased due to high labour costs and, with low domestic demand, it was difficult for Holden to remain competitive. Government subsidies temporarily kept the manufacturing plants in South Australia and Victoria open (over $2 billion between 2001 and 2012). However, this wasn't enough to help Holden with its underlying issues, including poor product planning and declining sales. By 2017, Holden manufactured its last vehicle in Australia, marking the end of this industry in Australia.

Failure to adapt

Holden's lack of customer research in product development also contributed to its decline. As consumer preferences shifted towards smaller, more fuel-efficient cars in the city to SUVs for families, Holden clung to its traditional models. The company was slow to innovate, leaving it trailing behind competitors who capitalised on changing market demands. For example, Ford successfully transitioned its lineup to better suit the evolving tastes of the Australian market, whereas Holden didn't.

Moreover, the rise of Japanese and European car manufacturers, which produced their vehicles at lower costs, further eroded Holden's market share. Holden's decision to import models from General Motors' global portfolio after 2017 failed to capture the hearts of Australian buyers, as many models lacked the cultural connection Australians once felt with locally produced vehicles.

Decline in manufacturing quality

The Captiva, launched in 2006, had more breakdowns than wins, with engine and transmission problems damaging Holden's reputation. The Cruze model and even the VE Commodore began to face similar issues, leaving many consumers wary of the brand.

EQRoy/Shutterstock.com

Figure 7.17 The once-popular but now nonexistent Holden dealership

The end of the era

In 2020, General Motors (GM) made the decision to retire the Holden brand altogether. GM's announcement to 'transition to a national sales company' in Australia (and New Zealand) was, in reality, the final song swan for Holden, as the brand would no longer exist beyond 2021.

Holden's rise and fall is a story of how a company can go from dominating its industry to being unable to keep up with changing times. From its early success, beloved cars and motorsport triumphs, Holden enjoyed decades of being an Australian icon. But failure to adapt to shifting consumer preferences, declining quality and unsustainable manufacturing ultimately led to its end. Despite its exit from the market, Holden's legacy lives on in the memories of those who experienced its heyday, and its place in Australian culture has been etched in the country's history.

Questions

After reading the case study, and by conducting your own research:

1 Analyse the post-maturity stage of Holden using a STEEPLE analysis.
2 Interpret a trend and a relationship from the STEEPLE analysis to draw conclusions regarding businesses entering the post-maturity stage of the business life cycle, resulting in an exit from the market.
3 Evaluate GM's decision to manufacture Holden vehicles outside of Australia using the criteria of competitiveness and stakeholder satisfaction. Propose a recommendation for GM Holden that is different from what they decided to do in 2017.

Steady state and decline outcomes

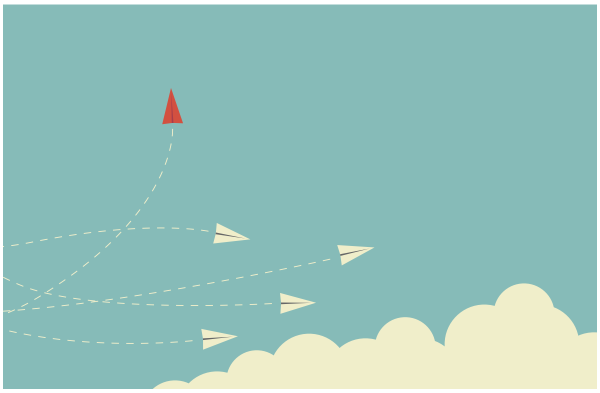
Key learnings

You will learn about strategies for post-mature businesses by examining:

- repositioning
- mergers and acquisitions
- closing a sole trader business
- dissolving a partnership
- voluntary and involuntary administration.

Repositioning: An introduction

A post-mature business that wants to stay in the market and continue trading needs to be strategic in its planning to ensure there is future success. While the core activities of the business may not change, a business may need to consider a **repositioning** strategy to invigorate some new interest in the market – to renew or stabilise its steady state. These strategies are often marketing focused; for example, introducing a new product or service or attracting a new target market through promotion. There are also repositioning strategies relevant to finance, human resources and operations functions, and these will be investigated in Chapter 8. Repositioning strategies are popular for businesses at risk of post-maturity as it is not favourable for a business to be considered post-mature in the market.



Nattapol_Sritongcom/Shutterstock.com

Figure 7.18 Repositioning challenges businesses to think of new ways to operate.

Repositioning: a strategy where a business attempts to engage with a new or broader target market by offering new products or services, rebranding or updating tactics used in promotion to change how it is perceived in the market

Mergers and acquisitions

Many businesses that are in a post-maturity stage attract the eye of a larger business or corporation that may look to merge with or acquire the post-mature business (though it must be noted that a merger or acquisition can occur at any stage of the business life cycle). A **merger** occurs when two businesses integrate with one another to form a new organisation. Together the businesses negotiate how the new organisation will be structured, including its legal ownership and internal and operating environments. An **acquisition** differs in that it occurs when one business purchases another business in its entirety, with both parties agreeing to terms. An acquisition can also be referred to as a takeover. In the current market, however, the term 'takeover' is often used to describe a hostile acquisition arrangement, when one business is forced to be sold to another.

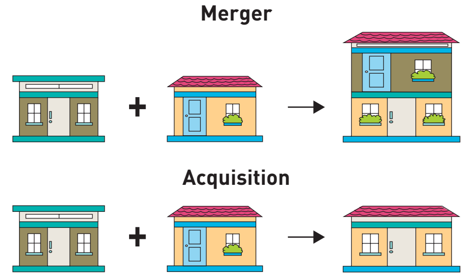


Figure 7.19 A merger is like two separate businesses combining to operate as one larger entity, sharing resources and management; whereas an acquisition is like one business being bought by another, where the first business is absorbed and operates under the second business's rules.

Mergers and acquisitions (M&A) allow businesses to capture greater market share, utilise pre-established resources, processes and procedures, and legally obtain the rights to intellectual property. For a business in the growth stage of the business life cycle, this could be a viable strategy to pursue. For a business in the post-maturity stage, mergers and acquisitions may allow the business owners to withdraw investment in the business, without the business having to close in its entirety, and can provide opportunities for employees to have their roles transferred into the new business. It can also result in redundancy, which is an unavoidable consequence of a business that is in a state of decline. A business may choose to conduct a Porter's five forces analysis (see pages 280–2) if in a position to acquire, be acquired or enter into a merger.

maxsattana/Shutterstock.com

Figure 7.20 A takeover is perceived as a hostile acquisition – as shown here using the metaphor of a big fish eating a little fish.

Merger: when two businesses come together to operate as one new and larger organisation

Acquisition: when one business purchases another business and takes over responsibility for management and strategic planning

Daria Nipot/Shutterstock.com

Nils Versemann/Shutterstock.com

Figure 7.21 In 2023, Kmart and Target were merged to operate under one business model. To achieve efficiencies, both brands now stock ANKO products (homewares, toys and accessories), but as each business has a different target market for its clothing ranges, the brand names have been maintained to create market differentiation.

iStock.com/EyeOfPaul

iStock.com/sfe-co2

Figure 7.22 In 2022, ANZ Bank acquired Suncorp Bank in a $4.9 billion deal to expand its retail and commercial banking presence in Queensland.

Legal considerations for mergers and acquisitions

In Australia, a merger or acquisition cannot occur unless approved by the Australian Competition and Consumer Commission (ACCC). According to the ACCC:

> Mergers and acquisitions are important for the efficient functioning of the economy. They allow firms to achieve efficiencies and diversify risk across a range of activities. However, the *Competition and Consumer Act* prohibits mergers that would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

Because of this ACCC objective, businesses can seek advice from the ACCC through an informal merger review. If successful, the ACCC will conduct a statutory test to ensure the merger or acquisition is appropriate, per the requirements of the legislation. Both businesses will have to submit the application to the ACCC and pay the relevant fee, which in some cases can be as much as $25 000.

QUESTIONS 7.4

1. Compare mergers and acquisitions.
2. With reference to Figure 7.22, select data and information to explain why ANZ acquired Suncorp and why this is not considered a merger.
3. Brainstorm a list of pros and cons for a post-mature business that:
   a. enters into a merger
   b. is acquired by another business.

GAINING INSIGHT 7.5

The Australian Retirement Trust is the result of a QSuper and Sunsuper merger

Inspiring.team/Shutterstock.com

Figure 7.23 The super fund industry is a competitive market in Australia.

Formation of a superannuation powerhouse

In 2022, QSuper and Sunsuper merged to create Australian Retirement Trust (ART), forming one of Australia's largest superannuation funds and now playing a key role in Queensland's financial services sector.

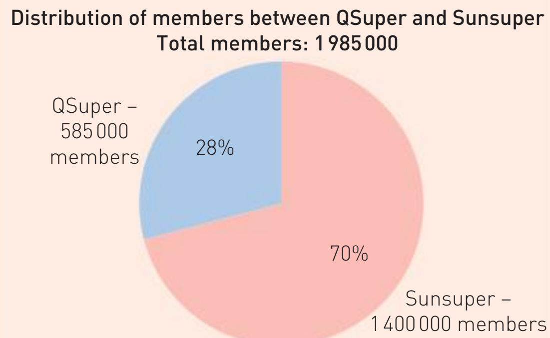


Figure 7.24 The distribution of members making up the new Australian Retirement Trust

Strategic aims and benefits for members

The merger aimed to enhance each fund's competitiveness by adopting economies of scale principles that should reduce operating costs and lower fees for members. Because of the merger, ART has greater capacity to invest in large-scale projects (such as clean energy), which may provide better long-term returns to Australians who entrust ART with their super. Prior to the merger, QSuper managed $113 billion for 585 000 members, and Sunsuper managed $69 billion for 1.4 million members (Figures 7.24 and 7.25). Both funds were non-profit, with QSuper primarily serving public servants.

Preserving the Queensland Legacy

Despite the merger, the QSuper brand will continue to serve Queensland's public sector members with the promise to maintain jobs for at least two years (senior management was exempt from this condition). As a key stakeholder, the Queensland Government supported the merger under the condition that key services, such as defined benefits for the state, remained protected, ensuring that ART remains closely tied to its Queensland origins.

Driving economic growth in Queensland

Both funds were based in Queensland, and the merger strengthens ART's capacity to invest in local infrastructure and businesses. Keeping the head office in Queensland helps secure jobs and contributes to the state's economy. The rebranding also provides ART with the opportunity to attract younger members, particularly through digital platforms.

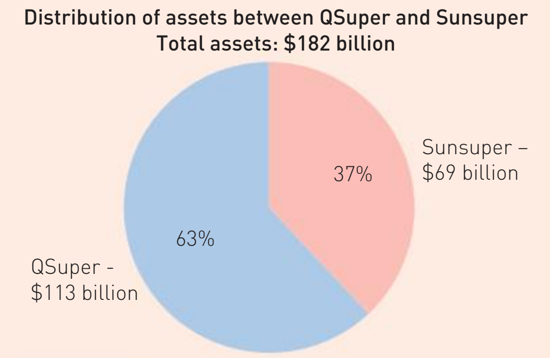


Figure 7.25 The distribution of assets (funds) making up the new Australian Retirement Trust

Adapting to future market challenges

The merger positions ART to handle rising compliance costs, increased member expectations and competitive pressures in the superannuation industry. ART is now in a stronger position to adapt to regulatory changes while ensuring strong returns for its members. This merger reflects the broader trend of consolidation within Australia's financial services sector.

Sources: 'QSuper and Sunsuper in merger talks', *The Courier Mail*; 'QSuper, Sunsuper merger set to create mammoth $200bn Brisbane company', *The Courier Mail*; 'Merged mega fund could overtake AustralianSuper for size', *Financial Review*; 'QSuper and Sunsuper merger: What it means for you and your clients', Q Super Hub

Questions

1. Explain whether the merger that created the Australian Retirement Trust is an example of post-maturity renewal, steady state or exit.
2. Referring to Figures 7.24 and 7.25, explain why this merger was beneficial to both QSuper and Sunsuper.
3. The Queensland Government has been a participant in the deal between QSuper and Sunsuper. Why might stakeholder engagement be important for such a large merger?
4. Draw conclusions on the impact this merger might have on other superannuation funds in Australia.

GAINING INSIGHT 7.6

7-Eleven International acquires 7-Eleven Australia

Weblink
7-Eleven article

Australia's 7-Eleven has been sold for a staggering $1.7 billion to its Japanese parent company, marking the end of a decades-long chapter for the Australian owners. Starting with its first store in Melbourne, there are now over 750 nationwide, and the acquisition sets the stage for major expansion. What's next for this iconic convenience chain?

Follow the link to the article 'Rich list families sell 7-Eleven for $1.7bn', available from news.com.au (or Nelson MindTap), and answer the questions that follow.

Nils Versemann/Shutterstock.com

Figure 7.26 7-Eleven has 752 stores across Australia.

rachel ko/Shutterstock.com

Figure 7.27 7-Eleven is the home of the Slurpee.

Questions

1. Explain the relationship between 7-Eleven Australia and 7-Eleven International prior to the acquisition.
2. Summarise the key objectives 7-Eleven International want to do in Australia once the acquisition is finalised.
3. Is there any evidence to suggest this has been a hostile takeover? Justify your response.

Exit: Closing a business

If a sole trader or a private company chooses to close the business, it must follow certain steps to ensure the closure meets all legal and regulatory requirements. First, the business owner or owners should seek advice from their business adviser, solicitor/legal team, accountant or finance team to discuss and plan the closure. Once this has occurred, the business owner should then:

- set a closing date for the business
- notify the legal and finance team (or solictor or accountant) so they can provide financial and legal support
- give notice of the closure to employees, making sure their legal rights are being met (including notice periods, termination and redundancy payments). Information regarding these rights is available from the Fair Work Ombudsman
- notify suppliers, customers and other stakeholders who will be impacted by the closure and finalise any outstanding payments, bills, orders or contractual agreements. In this context, suppliers can include manufacturers, contractors and commercial real estate agents

Weblink
Fair Work Ombudsman

- notify the Australian Taxation Office (ATO) to ensure goods and services tax (GST), income tax and superannuation obligations are finalised correctly
- cancel the business name with the Australian Securities and Investments Commission (ASIC) within 28 days of the closure
- cancel the business's registration, licences or permits held with federal, state and local government authorities
- begin selling the business's assets, such as inventory, furniture and fittings, motor vehicles, domain names, land and buildings, and intellectual property. This process is known as **liquidation**
- organise the storage of business records, which need to be kept in line with the *Privacy Act 1988* and ATO requirements
- close business bank accounts, social media pages, electricity, water and telephone utilities and post boxes.

iStock.com/onfilm

Figure 7.28 It is important for a business that is closing to tell its customers about the closure, which they will often align with a promotional strategy to sell off their stock at a discount.

Business.gov.au provides information and advice to business owners about closures, including options for transferring ownership and notifying regulatory authorities. It also has a 'business viability assessment tool' to help businesses with their decision making.

Weblink Close your business

QUESTION 7.5

Create an infographic or fact sheet to **explain** to business owners the actions required when closing a business, focusing on the impact on stakeholders.

Dissolving a partnership

In addition to the requirements listed in the previous section, 'Exit: Closing a business', if a partnership were to **dissolve**, clauses from the *Partnership Act 1891* (Qld) would need to be followed to ensure legal compliance. If the partnership was set up in a different Australian state, then the business owners would need to comply with that state's requirements. Figure 7.29 identifies the criteria or conditions under which a partnership can be dissolved.

Dissolving a company

There are various ways in which a private company can close its doors to trade. In addition to the operational tasks identified previously under 'Exit: Closing a business', a private company needs to deregister with ASIC, provided it meets certain criteria or conditions outlined in Figure 7.30.

Deregistering a company is perceived as a voluntary action and this process does not apply if the business is **insolvent**; that is, if the business has failed financially and is unable to pay its liabilities or debts. When insolvency occurs, the company will proceed into either **voluntary** or **involuntary administration**, as it is not legally allowed to continue to trade under normal circumstances.

Liquidation: a process to finalise a business that is closing. It involves selling assets at a discounted or cheap rate to be quickly converted to cash

Dissolve: in a business context, the way in which a business exits the market or closes down

Insolvent: a classification for a business that is unable to pay back its liabilities (debts) by due dates. The term 'bankruptcy' is only used when referring to an individual and their personal financial circumstances

Voluntary administration: a situation in which the directors of a company in an insolvent financial position appoint an independent, qualified person or party to investigate and assess the financial position of the business

Involuntary administration: a situation in which creditors of a company in an insolvent financial position seek a court order for an administrator to be appointed to the company to assess its financial affairs

According to Business.gov.au, a partnership can be dissolved when:

- ☐ one partner gives written notice to the other partner to exit the partnership
- ☐ one or both partners can no longer legally own a business
- ☐ there is a court order
- ☐ there is a death of one of the partners
- ☐ the business has gone bankrupt or insolvent
- ☐ the time length set down in the partnership agreement expires (if formalised).

Figure 7.29 The criteria or conditions in which a partnership can be dissolved

According to ASIC, the following is required for a deregistration application to be accepted:

- ☐ all members of the company agree to deregister
- ☐ the company is not conducting business
- ☐ the company's assets are worth less than $1000
- ☐ the company has no outstanding liabilities (e.g. debts)
- ☐ the company is not involved in any legal proceedings
- ☐ the company has paid all fees and penalties payable to ASIC.

Figure 7.30 The criteria or conditions required for a private company to deregister

Voluntary and involuntary administration

As mentioned earlier, the process of administration occurs when a company becomes insolvent. Voluntary administration occurs when the directors of the company choose to appoint an **administrator** to take charge of the company. Involuntary administration occurs when a **creditor** (an external stakeholder) files a court order for an administrator to be appointed. The appointed administrator will be an independent, qualified person or party, and their role is to investigate and assess the company's financial position, and then report this information to both ASIC and the company's creditors (the administrator will invite all creditors to a meeting). Following the investigation, the administrator may propose one of three outcomes for the insolvent company. Table 7.1 identifies these three outcomes.

Figure 7.31 Dick Smith stores were closed following administration and now operates as a digital brand under Kogan ownership.

Figure 7.32 Carl's Jnr, a US company, closed 20 of its Australian stores due to voluntary administration in July 2024.

It must be noted that, regardless of which outcome is decided, the creditors of the business may not ever receive the full sum of money they are owed. There are many cases in which creditors only receive, for example, 50 cents for every dollar of debt they are entitled to. The amount repaid depends on how much money the insolvent company owes, and whether it has enough value in its assets to cover the repayment of these debts. This legal stipulation ensures that all creditors are given the opportunity to receive some money back, even if not the full amount. Otherwise, it would be unfair if some creditors received full payment while other creditors received none, and the government might be forced into further legal proceedings if this decision could not be justified in accordance with the law.

Administrator: an independent, qualified person or third party who is engaged by a business, or ordered by the court, to report on the financial position of a business

Creditor: a person, organisation or business that is owed money by another business. Creditors can include suppliers, financial intermediaries (such as banks) and employees

9780170484367

Table 7.1 The three options an administrator can enforce on a company in administration

Outcomes of administration	Example
Outcome 1: The company may be forced to enter into a Deed of Company Arrangement (DOCA)	The administrator may recommend this outcome to support both the company and its creditors. The DOCA is a binding agreement that outlines how the company's finances will be managed until debts are repaid. The main benefits of a DOCA are that creditors may receive more money back than if the company is forced into liquidation (Outcome 2); and that the company has the opportunity to continue operating in the future. This option will only be finalised if a majority of the company's creditors agree in a vote.
Outcome 2: Order the business to go into liquidation	The administrator may recommend this outcome if the business has little choice but to close and hence all assets are sold quickly, at discounted rates, to recoup funds so that creditors can be repaid some of their money. Again, this option will only be formalised if the company's creditors agree in a majority vote.
Outcome 3: Reinstate control to the directors and allow the company to continue operations	The administrator may recommend this outcome if the company has an ability to recover from its financial difficulties (i.e. its financial position is not dire) and can repay its debts to creditors. This option rarely occurs as evidence would be needed for a business to enter administration in the first place; hence, it is likely the business is insolvent, or close to it.

GAINING INSIGHT 7.7

Godfreys

Horror outcome after retailers $45m collapse

It racked up losses totalling $66.7m in the last 19 months and now employees, customers and creditors are in for an even bigger shock.

Emagnetic/Shutterstock.com

Figure 7.33 Godfreys stores are now a thing of a past after the business went into administration.

Almost 460 former employers of Godfreys may receive just 73c in the dollar for outstanding money owed to them after the vacuum cleaner retailer collapsed earlier this year, while creditors seeking back $45 million in debt will get nothing.

In January, the 90-year-old retailer fell into administration and attempts to find a buyer to resurrect the company failed after it had struggled against competition from larger rivals like Harvey Norman and Amazon.

It resulted in all 160 stores being closed and online operations shutting down at the end of May, while approximately 635 staff were set to be left jobless.

Employees are owed more than $10 million including annual leave, payment in lieu of notice, long service leave and redundancy pay, a report from administrators noted.

Meanwhile, 25 customers had been left $18,000 out of pocket, the report revealed.

The company's management blamed reduced consumer income caused by higher inflation and increasing interest rates and a shift by customers to cheaper alternatives.

They also pointed to an inability to increase prices due to competition and higher finance costs due to the need to increase borrowing to fund operating losses and finance franchise acquisitions.

Management also pointed to a 'shift in sales product mix, where sales of high margin products declined especially stick vacuums and were replaced with sales of lower margin generating products including robots'.

Godfreys had been losing significant amounts money as its financial performance 'deteriorated' noticeably in 2023 and 2024, an administrators report filed with ASIC revealed, with losses worsening to $44.3 million in 2023.

In the seven months to January 31, Godfreys racked up losses of $22.3 million, the report said.

'Declining sales volumes coupled with increasing costs over a number of categories negatively impacted the group's margins and

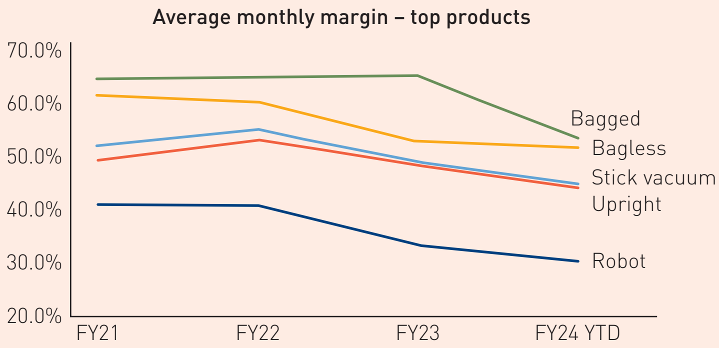


Figure 7.34 Average monthly gross margin for Godfreys' top five products

resulted in losses totalling $66.7m in the last 19 months,' the report read.

Sales notably decreased by 9 per cent and actual average monthly sales revenue was $1.3 million lower in the 2024 year to date compared to the 2023 financial year, the report added, while Godfreys' operating expenses were $18.2m greater than gross profits.

PwC's report attributed Godfreys' demise to a reduction in sales, an increase in the cost of acquiring stock, rising freight costs, increased costs from wages and rents, an inability to reduce head office costs and failure to close poor performing retail stores to stem losses.

It also noted the average cost of stick and robot vacuums rose by 8 per cent and 26 per cent respectively.

'In addition, since around financial year 2021, the group acquired numerous franchise stores to be converted to operate as group owned stores, which exacerbated the group's decline in trading performance,' the company's administrators, Craig Crosbie, Robert Ditrich and Daniel Walley of PwC said.

'Most of the franchise stores acquired ultimately became loss making.'

Store closures were also not viable, the report noted.

'It is noted that the group is unlikely to have had sufficient financial resources to fund a store closure program that would have required redundancy and other employee entitlements to be paid, in addition to compensation to landlords for any breach of leases,' the administrators said.

The report showed that there were 36 franchise stores that had been bought out in the past three-and-a-half years for a combined cost of $27 million.

It also revealed that 264 creditors collectively owed almost $45 million won't see a cent after the company's demise and these include vacuum cleaner manufacturers TEK, Bissell, Electrolux and EcoVacs, and a number of landlords. The Australian Taxation Office is also owed $883,000.

PwC presented three options to creditors in its report – recommending against liquidation of the company's assets and instead encouraging a deal with a secured lender, 1918 Finance.

The report found under a liquidation, a 'low' estimate of 73 cents in a dollar would be given that employees owed entitlements.

Despite 55 parties expressing an interest in Godfreys, 26 being provided with a summary information pack, data room access and sales process instructions and six offers – a buyer could not be found for the retailer, the administrators noted in their report.

They found some parties lacked the ability to find funding, while other offers were of 'poor or low value'.


SofiaV/Shutterstock.com

Figure 7.35 Godfreys was known as the specialist in all types of floor cleaning.

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Godfreys, one of the 'world's largest vacuum cleaner' retailers, had opened its first store 1931, and at the time of its collapse the business operated 141 stores, with another 28 outlets run by franchisees.

Source: Sarah Sharples, 'Horror outcome after retailers $45m collapse', published on news.com.au, 4 June 2024

Questions

1 Describe the business situation for Godfreys as business in post-maturity.
2 Explain the impact of the collapse of Godfreys on the following stakeholders. Provide examples (information and data) from the article in your response:
   a employees
   b creditors
   c Australian Taxation Office.
3 Analyse Godfreys' business situation using the Porter's five forces tool. Interpret the tool to draw conclusions regarding the decline of the Godfreys Group Ltd.

Template
Porter's five forces analysis

QUESTIONS 7.6

1 Identify which government authorities would need to be informed of the following business cancellations:
   a business name
   b Australian Business Number
   c licences and permits.
2 Explain:
   a liquidation
   b insolvency
   c voluntary administration
   d involuntary administration.
3 Compare the process for dissolving a partnership and dissolving a company.
4 Only 20 Carl's Jnr stores in Australia were closed when it went into voluntary administration (Figure 7.32). Conduct research to explain why the Queensland stores were able to stay open.

ANALYTICAL TOOL 7.1

The tool: Porter's five forces analysis

Porter's five forces is an analytical tool that was developed by US academic Michael Porter in 1979. Porter created the tool to allow a business to analyse its competitive market, and then to assess how the business is positioned competitively, particularly when focusing on goods and services. A business may conduct this analysis at different stages of the life cycle:

- seed stage – when assessing market potential
- growth stage – when the business may be looking at expansion or diversifying its product range
- maturity stage – when the business may be watching competitors
- post-maturity stage – if the business is in steady state or decline but could be renewed through a merger or acquisition, or alternatively might decide to reposition the business or renew.

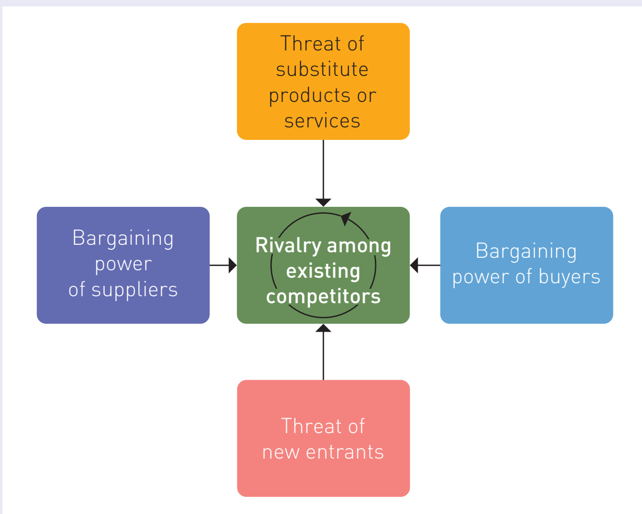

Figure 7.36 The Porter's five forces tool can be presented in a number of ways, with this layout being one of the most popular, to show the impact of each force.

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Force	Explanation	Key questions for consideration
Rivalry among existing competitors	This force analyses the number of competitors in the market and the strategies used to seek advantage. High rivalry requires strong marketing, whereas less rivalry can be beneficial to the business as they can control elements of the market.	• How many competitors does the business have? • Who are the main competitors? • What strategies do competitors use to attract and gain customers? • How strong is our business in the market? What level of rivalry is the business operating within? • What are the advantages and disadvantages of our position?
Bargaining power of buyers	This force analyses how influential buyers can be in terms of driving prices down, due to the cost for them to switch competitors. It also assesses how many buyers the business already has and their value. If the customer base is small, they will have more power to influence, as opposed to having a large and varied number of customers.	• Who are our customers? • Do they represent a large or small portion of the market? • To what degree do customers influence our pricing? • How would customers respond to pricing changes?
Bargaining power of suppliers	This force analyses supplier power and its ability to increase prices, which then impact on the business's pricing. A business needs to consider its range of suppliers, and what alternatives are available in the market. If there are many suppliers, the business can switch, meaning bargaining power is low; however, if they are a niche supplier, they may have greater control.	• Who are our suppliers? • How many suppliers are in the market? • What level of control do the suppliers have for our business? • Could the business seek more affordable alternatives? • How can the business maximise its supplier relationship?
Threat of new entrants	This force analyses how easy it is for new competitors to enter the market, and subsequently how they can influence the market. The cost to enter the market is a key consideration, as are legal requirements/regulations that must be met. If the market is highly regulated, this could mean the threat is low and the business can maximise opportunities in the market. However, if the market is easy to enter, then the business needs to consider strategies to protect the business and maintain competitive advantage over new entrants.	• What barriers restrict competitors from entering the industry? • How easy is it for a competitor to enter the market? • What costs are involved for a new entrant? • Will regulation help or hinder new entrants to the market?
Threat of substitute products or services	This force analyses whether there are any alternative products or services in the market that could draw customers away. Alternatively, could traditional methods still influence customers or new initiatives move customers away? A business should be concerned if there is a high threat of substitution as it allows customers greater choice to switch or outsource. On the other hand, having a niche product can guarantee a customer base, which can drive sales and maintain competitive advantage.	• How easily can our customers use alternative products and services? • Are the business's products and services affordable in comparison? • How should the business monitor this threat? • Could the business seek more affordable alternatives? • How can the business maintain and build customers if alternatives are available?

Figure 7.37 Unpacking the Porter's five forces analytical tool

How to use the tool

To conduct Porter's five forces requires management to have a clear view of the competitive market, and to consider the operating and macro environments.

Porter's five forces considers five key forces, or factors, in its analysis:

1. competition in the market
2. potential of new entrants
3. power of suppliers
4. power of customers
5. threat of substitution.

Michael Porter led a team at the Institute for Strategy and Competitiveness at the Harvard Business School. In Figure 7.37, he breaks down each of the five forces with examples, followed with inquiry questions that can be used for analysis and interpretation.

Template
Porter's five forces analysis

Questions

Red Rooster is a fast-food chain that operates within the steady state of post-maturity. Once having 400 stores, it now has 360 operating around Australia, with its biggest presence in Queensland with 128 stores.

1. **Analyse** and **interpret** the forces impacting Red Rooster using Porter's five forces analysis.
2. **Interpret** Porter's five forces analysis to draw conclusions about fast-food businesses operating in post-maturity in Australia.

Philip Schubert/Shutterstock.com

Figure 7.38 Red Rooster is a post-mature business that operates in a steady state.

Communications strategies

Key learnings

You will learn about the influences on post-mature businesses by examining:

- communications
- public relations
- crisis management.

Communications: refers to how a business strategically plans its messaging to satisfy key stakeholders, maintain a positive reputation and achieve its objectives

Public relations: a part of the marketing function that utilises unpaid methods of promotion to engage customers with a business's goods and services. It further focuses on developing mutually beneficial relationships with customers and the media

The approaches businesses use to communicate to stakeholders are an integral responsibility of top-level management in a business of any size and at any stage of the business life cycle. However, well-known, large businesses are under the most pressure to communicate strategically due to having a large customer base that draws the attention of the media. Furthermore, as social media platforms give more stakeholders the opportunity to publicly share their opinions or perspectives, businesses must have plans and tactics in place, engaging staff with communication experience to influence the dialogue that may occur in the market. Hence communications, in a business context, refers to the strategic planning of the messaging that a business needs to deliver to key stakeholders to ensure the business maintains a positive reputation and is able to achieve its core objectives. Considering the business life cycle, a negative event or poor communications from a business can transfer a business operating in a mature stage into post-maturity, with the risk of decline and significant impacts on the business.

Communications can be further classified into key approaches, depending on the needs of the business or the issues it is dealing with. In a marketing context, communications are often referred to as public relations. The strategies and tactics involved in public relations focus on selling products and maintaining customer relationships. Businesses sometimes require a communications strategy when trying to work with government; this is known as public affairs. Businesses also develop communications strategies to manage media interest, investor relations, **corporate affairs**, employee relations and community relations. At their peak, communications strategies are imperative for a business in crisis. Figure 7.39 identifies the different communications strategies that a business may plan for and enact.

Figure 7.39 The different communications strategy approaches for a business

Claudia Baxter Photography/Newspix

Figure 7.40 One way in which the Commonwealth Bank engages in corporate affairs is through its annual general meeting.

Corporate affairs

The most senior managers of large companies, both public and private, have many responsibilities. Top-level executives, such as the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, are most frequently managing corporate affairs communications. Corporate affairs refers to how a business wants to be viewed in the market and how it communicates to its highly influential and powerful stakeholders. Executive managers will strategically plan corporate communications in an attempt to control media perception or political response to business decisions. Qantas, Google, Wesfarmers and Australia's 'big four' banks – NAB, Commonwealth, ANZ and Westpac – are just some of the businesses that focus on their corporate affairs image and communications strategy. Corporate affairs strategies are also important to plan for when a business engages in an acquisition or merger as these changes in the market can spark significant interest from the media and other stakeholders.

Corporate affairs: an area of communications in which well-known large public and private companies monitor how they are perceived in the market. Their decisions often attract the interest of highly influential or powerful stakeholders such as the media and government

Community relations

Community relations is applicable to businesses of all sizes and stages of the life cycle as it focuses upon stakeholder engagement and satisfaction. From day to day, a business will manage its stakeholders through policies and procedures relating to issues such as the handling of customer queries and complaints. However, a business embarking on a project should formally establish a communications strategy for community relations, as stakeholder interests could interrupt or delay the project. This is most commonly seen when a business hosts a large-scale event outside the scope of its normal operations, or embarks on a new building or construction project. In these scenarios, businesses often have to consider the interests of neighbours and customers, who might well respond negatively to the project. Hence it is essential that the communications strategy considers how the business should:

- listen to stakeholders
- invite feedback
- implement solutions that minimise disruption.

Such communication strategies also apply to government and not-for-profit organisations.

INQUIRY

Investigating the use of communications strategies

Consider an event or project occurring in your local area that requires a communications strategy for community relations. Select information from a range of sources to **evaluate** how effectively the organisation has communicated its strategy, considering two stakeholder interests. **Communicate** your response in a paragraph of 200–300 words.

Crisis management

The greatest fear for a business is for a crisis to unfold. A crisis for a business can be any situation that threatens harm to a business and its staff or customers, which consequently can damage the business's reputation and have a negative financial impact. Examples include staff being charged with fraud or other breaches of the law, high defect rates for popular products, poorly executed event logistics, and machinery malfunctions that do, or could potentially, injure staff or customers (Figure 7.41).

In many such cases, while the business is trying to form a strategy, customers or other stakeholders will use social media to broadcast the news, which exacerbates the crisis and increases pressure on the business to

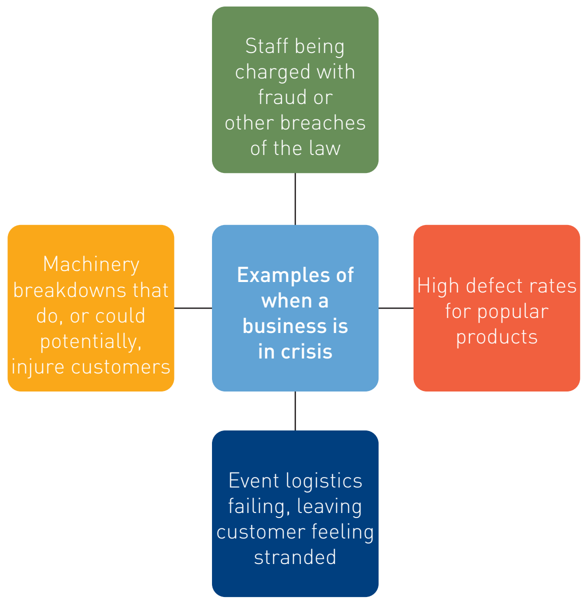

Figure 7.41 Examples of when a business is in crisis

Crisis: any situation that threatens harm to a business and its staff or customers, and that consequently can damage the business's reputation and have a negative financial impact respond quickly. Therefore, **crisis management** is required. Crisis management consists of controlling the business's message carefully and, in its initial stages, acknowledging the issue and providing information to stakeholders, but not assuming responsibility for the issue or placing blame (Figure 7.43). During a crisis, a business may risk losing customers, shareholders and staff, which can leave the business in an unstable position, impacting upon all four key functions, and, if not managed correctly, pushing the business into post-maturity and decline. Hence meeting **ethical standards** is paramount. A business should in its strategic planning anticipate any potential crises, form a crisis team and develop response systems, including initial statements that are ready to enact if required. The business must then ensure that any future public relations efforts maintain sensitivity to the issue and promote positive values for the community to respond to.

wellphoto/Shutterstock.com

Figure 7.42 A business must be ready for intense media interest when a crisis unfolds.

Major crises in which crisis management strategies have been used include the loss of life after the malfunctioning of the Thunder River Rapids ride at Dreamworld in 2016; the ball-tampering scandal during the Australian cricket team's tour of South Africa in 2018; and the Crowdstrike outage in 2024 that impacted the globe and, notably in Australia, caused the airline Jetstar to cancel flights, while in Woolworths stores many self-serve checkouts were unusable. In these examples, the pressure for the business to respond quickly was intense, and it was subsequently debated how effectively crisis management had been used to handle these issues.

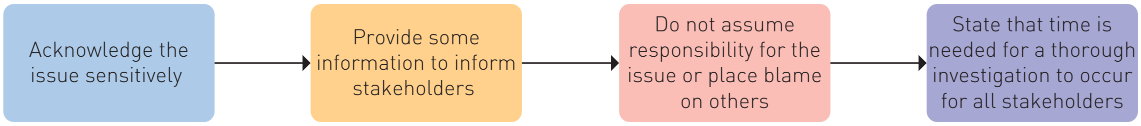

Figure 7.43 How a business should initially respond to a crisis

QUESTIONS 7.7

1. **Describe** a scenario when a business was in crisis due to:
   a. staff being fraudulent or otherwise breaking the law
   b. high defect rates of a product
   c. a failure in event logistics
   d. machinery breakdowns that harmed people or had the potential to do so.
2. Select information from a business that has been in crisis to **analyse** the pros and cons of how the crisis was handled. **Interpret** the pros and cons to draw conclusions on communications strategies for businesses.

Crisis management: the strategies a business will implement in response to a serious issue or event and the way it is addressed with stakeholders, most often through the media

Ethical standards: the principles a business should abide by in order to maintain positive relationships with stakeholders – handling information sensitively, being moral and satisfying community expectations

INQUIRY

Outsourcing crisis management

While many businesses will engage their communications teams or departments to step in at these times, crisis management is an area in which outsourcing is commonly used. In these cases, businesses will engage a communications or consulting firm to help them strategically plan their message. The advantages of outsourcing crisis management are that the consulting firm has staff who specialise in handling crises and can provide an unbiased, objective view, advise how the media should be handled and protect top-level management.

Rynio Productions/Shutterstock.com

Questions

1 Research online to identify five consulting firms that provide crisis management support to businesses including their main expertise.
2 Explain the relationship that exists between outsourcing communications and sustainable business practices.

Employee relations

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Figure 7.44 In a communications context, employer relations refers to the sharing of information from top-level management to the entire business.

Employee relations refers to organisation-wide communication with staff, delivered from top-level management of the business, about business issues. For large or multinational companies, it is important that executive management strategically plans its employee relations communication so that the information shared is clear and unambiguous and pressure is not placed on middle management to handle the subsequent queries. Hence, any communication that is organisation-wide needs to promote productivity and job satisfaction in the business. If the executive management team needs to share unfavourable news with staff, it too should focus on information, and should be followed up with a communication strategy to middle management about how the business needs to proceed. This example is applicable if redundancies need to be made or part of a business is being closed down. Employees may also ask a trade union to represent them if negotiations are required or disputes need to be mediated.

Investor relations

For public companies with many shareholders or private companies with corporate backing, investor relations are an essential part of the communications strategy. As investment is linked with money, shareholders will be sensitive to the actions a business might take, and will react quickly if these pose a risk to their investment. This can be seen on the stock exchange where share prices fluctuate from day to day. Investors want to know executive management values their interests, and this can be achieved through investor relations. Information that should be communicated to investors includes:

- the financial performance of the business
- that decisions surrounding debt and equity finance are justified
- that forecast growth is reflected in increased revenue
- how net profit may be distributed through dividends or appropriately reinvested in the business.

Strategies to deliver this information include publishing financial reports for investors and calling quarterly or annual meetings for shareholders where the chief financial officer and other members of the executive management team can deliver their reports and then be available to answer any questions.

INQUIRY

How does Eagers Automotive manage its investor relations?

Eagers Automotive is a successful Queensland business that started in 1913 as AP Eagers. Initially a local car dealership, it is now among the largest automotive retail groups in Australia. It has navigated the business life cycle through repositioning and merging with other automotive businesses. Using the inquiry process, select information from the company's most recent annual report published on its website to **describe** its key sections. **Evaluate** the annual report and its role in communicating investor relations using the stakeholder satisfaction criterion. **Create** a paragraph response of 200–250 words.

Weblink
Eagers Automotive

Hero Images Inc/Shutterstock.com

Figure 7.45 Eagers Automotive is valued at approximately $2.7 billion on the ASX.

Media relations

Large public or private companies, government departments and not-for-profit organisations that are well known can attract constant media interest. These businesses must ensure they have a communications team available to handle media queries at any time. Media relations refers to the strategy by which a business or organisation develops relationships with, and communicates with, journalists to ensure that any published news remains as favourable to the business as possible. Generally, media relations activity peaks when a business is making public announcements in relation to its objectives. The business may create media releases to inform journalists of upcoming change, or call a press conference if the chief executive officer would like to comment on camera to the media. It is often through media relations that a business spokesperson is quoted in a newspaper article or appears on camera in a news segment.

GAINING INSIGHT 7.8

The Business Council of Australia

The Business Council of Australia (BCA) is an interest group (external operating environment) that represents businesses (mostly large), across Australia, with its mission focused on advocating for business interests in Australia when it comes to government policy.

The BCA regularly releases media releases as part of its communication strategy to publicise its position on a range of issues, including the role of AI in business, international business issues and the impact of the federal budget on business productivity, among many other issues.

wellphoto/Shutterstock.com

Figure 7.46 The BCA represents some of Australia's largest businesses.

Sansoen Saengsakaorat/Shutterstock.com

Figure 7.47 The BCA advocates for a national AI framework—one that safeguards the community while empowering businesses to harness AI for greater productivity and innovation.

Questions

Go to the Media Release page of the BCA's website to answer the following questions.

1. Read the media release from 2024 titled 'AI consultation is a step in the right direction'. Evaluate the BCA's decision to publish a media release responding to the AI proposal paper being prepared by the Australian Government, using the criteria of effectiveness and stakeholder satisfaction. Make a recommendation on how AI could be utilised by a business in post-maturity.
2. Identify which STEEPLE factors are being discussed in the article. Justify your response.
3. Find another media release of your choice from BCA's website. Describe the business situation the media release is responding to.
4. Explain the reasons why the BCA has chosen to publish a media release on this topic.

Weblink BCA media release

Public affairs

As businesses operate within a country's legal system, they sometimes need to engage with governments to influence their decision-making on policy. This process, known as **lobbying**, falls within the communications approach known as **public affairs**. 'Public affairs' refers to how businesses communicate and lobby the government for change – hoping this will ensure the continued success of the business in a market.

In Australia, certain communication or lobbying that occurs between business and government needs to be placed on the public record with the Register of Lobbyists. This is to ensure that fair dealing occurs and that neither business nor government enter into agreements based on bribery or coercion. Lobbying is perceived as an activity that is fundamental to a democratic society, provided it remains ethical.

Visit the website of the Office of the Queensland Integrity Commissioner for more information on the Queensland Lobbying Register. This link can be found on Nelson MindTap.

Weblink Office of the Queensland Integrity Commissioner

Lobbying: actions taken by a business in an attempt to influence government on policy decisions and ensure a favourable result for the business

Public affairs: the communication relationship between business and government, which can include working collaboratively on projects or lobbying to influence government policy

GAINING INSIGHT 7.9

Brisbane sporting clubs seek transport levy relief amid 50c fares

Queensland's professional sporting clubs are lobbying the state government to remove a $3 public transport levy while commuters benefit from the 50c fare trial

Queensland's professional sporting clubs are lobbying the state government to remove a $3 public transport levy while commuters benefit from the 50c fare trial.

A letter co-signed by the Broncos, Lions, Titans, Reds, Cowboys and Gold Coast FC in June – seen by The Courier-Mail – asked Premier Steven Miles for a 'price adjustment to be reflected in the transport levy that we pay during the time period of the 50-cent flat fare'.

'Our levy is considerably higher than the 50-cent flat fare that will apply from August,' it notes.

We write to ask for this price adjustment to be reflected in the transport levy that we pay during the time period of the 50-cent flat fare.

'We, like you, see the benefit in taking cars off the roads and note as you have previously mentioned that a bus can remove 50 cars off our roads and a train can remove 600 cars.'

Queensland Cricket, on behalf of Brisbane Heat and Cricket Australia, sent its own letter arguing for the levy to be adjusted during the cheap fare period.

'As a not-for-profit organisation, any savings cricket can make in our annual costs results in a direct benefit to enable cricket to spend more in growing our community commitment and have more Queenslanders involved in sport,' chief executive officer Terry Svenson wrote.

Transport and Main Roads Minister Bart Mellish said free public transport for major events across Queensland would continue during the six-month 50c fare trial period.

'It is important to note that the Department of Transport and Main Roads does not charge venues for integrated ticketing (free travel) and does not charge ticket holders to travel to and from these venues, except in Townsville,' he said.

'The cost, which stadiums reflect in their ticket price, goes directly to the transport operator for the provision of any additional transport services required such as shuttle buses and additional rail services.

GagliardiPhotography/Shutterstock.com

Figure 7.48 Brisbane City Council Buses are used to transport spectators to Brisbane-based sporting events.

'These arrangements are exclusive for event transport and necessary to move large numbers of passengers during major events. Any price adjustments to these costs are therefore out of scope under these arrangements.'

In southeast Queensland, 50c fares have saved public transport users more than $29m in the first month.

Public transport patronage has also passed pre-Covid levels for the first time, with more than 15 million trips taken since 50c fares were introduced on August 5.

The number of trips on the transport network is 14.5 per cent higher than a comparative period last year.

Light rail is 18.6 per cent higher than the same period last year while ferries are 40.6 per cent higher, bus patronage is up 12.1 per cent and rail is up 16 per cent.

Weekend trips have been between 30 and 40 per cent above the pre-Covid comparative period, Mr Mellish said.

Source: 'Brisbane sporting clubs seek transport levy relief amid 50c fares', *The Courier Mail*, 6 September 2024

Questions

1 **Describe** the business situation for Queensland professional sporting clubs.

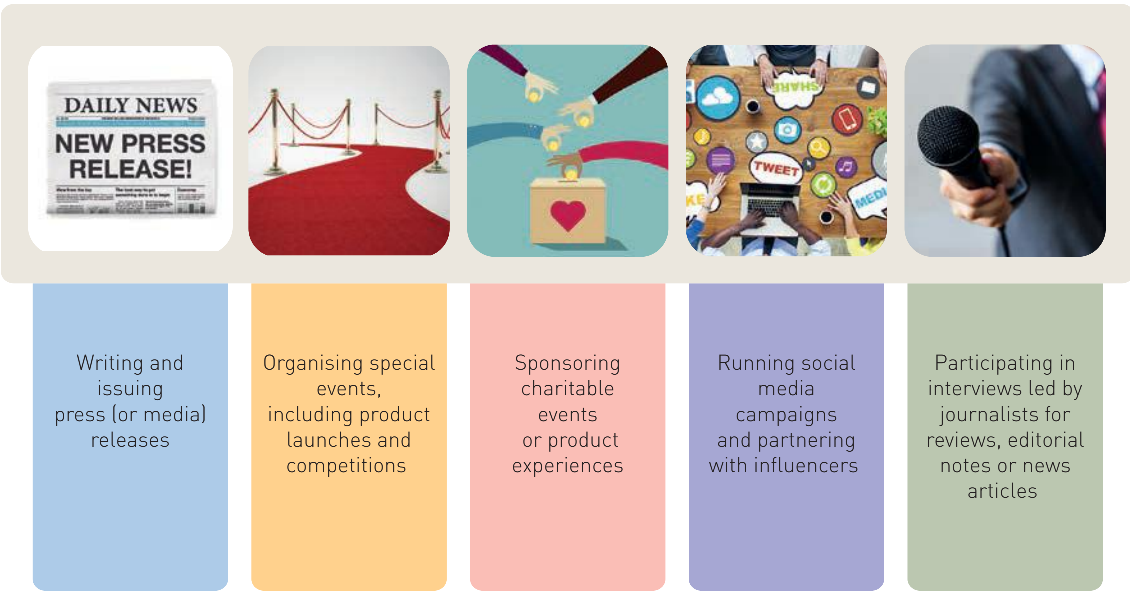
2 **Explain** how lobbying is a strategy used by businesses or groups of businesses and the relationship to businesses in post-maturity.

Public relations

As the marketing function has evolved over time, so too has the way in which businesses communicate with customers about their products and services. While most people are familiar with advertising (which is a paid form of promotion), public relations (often referred to as PR) focuses on utilising unpaid methods of promotion as part of the marketing mix to engage and persuade consumers about the business's goods and services. The way public relations specialists do this is through storytelling and by building networks with media, who broadcast content about the business in their news cycle. The goal of public relations is to build mutually beneficial relationships between the business and its market, while enhancing and controlling the business's reputation.

Public relations departments use a range of tactics to promote the business's goods and services in the market including:

- writing and issuing press (or media) releases
- organising special events, including product launches and competitions
- sponsoring charitable events
- running social media campaigns
- participating in interviews led by journalists for reviews, editorial notes or news articles (Figure 7.49).



Left to right: iStock.com/iStock Signature; Hakusanto/Shutterstock.com; iStock.com/iStock Essentials; Rawpixel.com/Shutterstock.com; Twinsterphoto/Shutterstock.com

Figure 7.49 Tactics undertaken by public relations to engage consumers and the media

Outcomes for successful public relations

While the focus of public relations is mainly on attracting customers to the business's goods and services (as opposed to engaging other stakeholders), the success of public relations is measured by how well it persuades the media to publish information about the business to the market. If successful, the business can:

- achieve a positive relationship with the media
- enhance visibility to customers
- spark new investor interest
- satisfy community interests
- overcome crises in a timely way.

Note that, while this text distinguishes between PR and communications, many businesses refer to communications and public relations as one and the same.

Communications and Public Relations Australia (CPRA) was created to support public relations professionals in Australia by promoting best practice, career development opportunities and networking opportunities for members.

Weblink
CPRA

How public relations responds to unfavourable social media

A business's reputation can suffer if it is not managed correctly, particularly if a customer uses social media to complain publicly about the business and its products and services. If not handled quickly by a public relations team, a customer's post can go viral and attract the attention of other media. To prepare for these scenarios, the public relations team must strategically plan for such events so that the business is able to control the dialogue. They need to be able to respond to customers quickly with a solution and ensure the media is aware of this before they broadcast or publish the issue as a news story.

QUESTIONS 7.8

1 Conduct research into a business situation where an incident or issue that went viral due to a customer complaint and how the business responded. Interpret the implications of social media for a public relations department.

2 Complete the following table to explain the different approaches to communications.

Communications approach	Definition or explanation	Strategies used to communicate
Corporate affairs		
Community relations		
Crisis management		
Employee relations		
Investor relations		
Media relations		
Public affairs		
Public relations		

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Weblinks

- *Sunshine Coast News* article **(p. 262)**
- Last video rental store in Brisbane closes down **(p. 269)**
- 7-Eleven article **(p. 275)**
- Fair Work Ombudsman **(p. 275)**
- Close your business **(p. 276)**
- Eagers Automotive **(p. 287)**
- BCA media release **(p. 288)**
- Office of the Queensland Integrity Commissioner **(p. 288)**
- CPRA **(p. 291)**

Templates

- STEEPLE analysis **(pp. 269 and 293)**
- Porter's five forces analysis **(pp. 280 and 282)**

Chapter summary

- Chapter 7 Business post-maturity **(p. 293)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

Chapter 7 review

Summary
Chapter 7 Business post-maturity

This chapter introduced the outcomes for a business in post-maturity. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

7.1 Short response

1 Explain the three outcomes and challenges for a business that is in post-maturity.
2 Explain how a partnership is legally required to exit the market/close the business.
3 Explain voluntary and involuntary administration for a company.
4 Explain the purpose of Porter's five forces analysis.
5 Discuss the relevance to businesses of strategically planning different communications strategies.
6 Explain the common pain points or failures of a business that is trying to manage communications in response to a crisis.

7.2 Extended response

1 Create feasibility report extracts (i.e. paragraph responses in genre) to respond to the following.
   a Describe the post-maturity features of a business in your community that you can investigate.
   b Select data and information from the business and other sources to analyse the STEEPLE factors impacting on the business.
   c Interpret the analysis to draw conclusions about the options for businesses facing post-maturity.
   d Evaluate three communication strategies the business could implement in order to reposition, using the criterion of effectiveness. Propose a recommendation.
   e Evaluate the feasibility of the business being merged or acquired, using the criterion of competitiveness. Propose a recommendation.
2 Using the following case study on Bonza:
   a analyse Bonza's journey through the business life cycle using a STEEPLE analysis and Porter's five forces
   b analyse one trend and one relationship from both the STEEPLE and Porter's analyses (four in total) to draw conclusions regarding the challenges of a business that enters post-maturity too quickly.

Template
STEEPLE analysis

Bonza

The business life cycle at flying speed

Bonza, a regional budget airline, launched in January 2023 with a vision to offer low-cost, convenient flights to small destinations across Australia, such as the Sunshine Coast to Mildura. The airline aimed to disrupt the domestic market by focusing on 17 regional destinations that the larger carriers, such as Qantas and Virgin, did not service. It had four Boeing 737-Max 8 aircraft, each seating 186 passengers to service its operations.

In the months following its launch, Bonza struggled as more than 25 per cent of its flights were delayed by over 30 minutes, but it managed to transport over 60 000 passengers in its first year. Unfortunately, some routes, like Darwin to Gold Coast, were cancelled entirely by December 2023, leaving 1600 passengers stranded. These disruptions led to increased complaints from customers and began to damage Bonza's reputation in the market as being a reliable alternative to its competitors.

iStock.com/davidf

Figure 7.50 Bonza collapsed after entering post-maturity.

1. Seed stage (pre-2023):
- Bonza was founded by Tim Jordan and over 700 investors.
- The airline's concept focused on offering low-cost regional flights.

2. Start-up stage (early 2023):
- January 2023: Bonza launched its first flights serving regional routes and filling gaps left by major carriers.
- Early cancellations and operational issues appeared.

3. Growth stage (mid to end 2023):
- Bonza expanded its operations to 17 destinations, operating a small fleet of four planes.
- Financial pressures surfaced due to thin margins on routes and rising operational costs.
- Customer lodged complaints due to cancellations and delays.

4. Maturity stage (end 2023 to early 2024):
- The airline had mounting debt and growing pressure from creditors.
- In April 2024, it entered voluntary administration where flights were suspended, and planes were repossessed.

5. Post-maturity (mid 2024):
- Administrators explored options for rescuing the airline, negotiating with potential buyers but no offers emerged.
- Staff were unpaid, and nearly 60 000 customers were stranded and awaiting refunds.
- In July 2024, creditors voted to liquidate the company, with the liquidation process triggering the Fair Entitlements Guarantee (to support employees).

Figure 7.51 The Bonza timeline according to stages of the life cycle

By early 2024, the airline's regional routes, while filling a market gap, were not generating the revenue needed to cover operating costs. Bonza's total debt had reached $116 million, with $77 million in loans, $16 million owed to trade creditors and $10.5 million owed to airports. On top of this, $5.3 million in unpaid wages and entitlements remained outstanding, with some employees not paid for several months.

Faced with mounting pressure from creditors, Bonza entered voluntary administration in April 2024. The airline grounded its fleet and cancelled all future flights, leaving close to 60 000 customers with no clear path for refunds. This sudden suspension left passengers stranded at airports across the country, creating media scrutiny.

The situation worsened when the lessors of Bonza's aircraft repossessed the planes due to non-payment. With the airline's fleet grounded, there was no way that Bonza could resume operations. This effectively ended its ability to continue trading.

The collapse of Bonza prompted intervention by the Australian Government. The Federal Transport Minister Catherine King contacted the heads of Qantas and Virgin, requesting assistance for stranded passengers. Both airlines responded by offering seats to affected Bonza customers where possible. Additionally, the Department of Transport set up a dedicated hotline to provide customers with guidance on refunds and alternative flight arrangements.

The Australian Competition and Consumer Commission (ACCC) also told Bonza of its legal obligations to provide refunds for cancelled flights. The ACCC ensured that passengers were protected under consumer law, offering some relief to those seeking financial compensation for disrupted travel plans. However, delays in communication from Bonza only compounded customer frustration during this period.

Following Bonza's entry into administration, the appointed administrators from accounting firm Hall Chadwick explored the different avenues to rescue the airline. They reached out to over 20 potential buyers, including airlines and travel companies, to assess interest in either acquiring the business or its assets. While discussions were held and due diligence was conducted, no viable offers were received by June 2024.

During this time, Bonza's 323 employees had not received any wages for over two months. Many staff attended an online meeting where they were officially informed that their jobs were terminated. The airline's workforce had been left in limbo throughout the administration process, and while some staff had already found new employment, many expressed frustration with the lack of clear communication and the slow pace of decisions. A GoFundMe fundraising campaign was launched to support 'Bonza's cabin crew in crisis'. Customers with future flight bookings were advised to pursue chargebacks through their banks or credit card providers, as Bonza was unable to issue direct refunds.

By July 2024, it became evident that Bonza could not be saved. Creditors voted to liquidate the airline, ending any hope of a recovery. The liquidation triggered the Fair Entitlements Guarantee (FEG), a government scheme that provides financial assistance to employees for unpaid wages and entitlements. Bonza's workforce was collectively owed $10.8 million, and the FEG ensured that they could claim the renumeration they were owed.

Figure 7.52 Map of Bonza air routes

The final report from administrators highlighted several key reasons for Bonza's failure. Chief among these was the airline's reliance on regional routes with low demand, which made it difficult to sustain profitability. Bonza had consciously avoided competing on the highly lucrative Brisbane–Sydney–Melbourne corridor, where most of the revenue in the Australian aviation market is generated. This strategic decision, combined with the operational difficulties of managing a small fleet of only four aircraft, left Bonza vulnerable to even minor disruptions. It was also challenged by positioning itself as a low-cost airline in a market dominated by well-established competitors. The lessons from Bonza's collapse serve as a cautionary tale for any new entrants into the aviation sector.

8 FUNCTIONAL AND SUSTAINABLE REPOSITIONING

What you will learn

This chapter will explore the repositioning strategies businesses use in the post-maturity context. These strategies can be functional and relate to changes in marketing, human resources, operations and finance; or linked to sustainability, corporate social responsibility and business ethics. Repositioning strategies are effective for businesses wanting to make small yet impactful changes in the business that don't require organisation-wide transformation. They may assist a business in moving from decline to steady state, or from steady state to renewal.

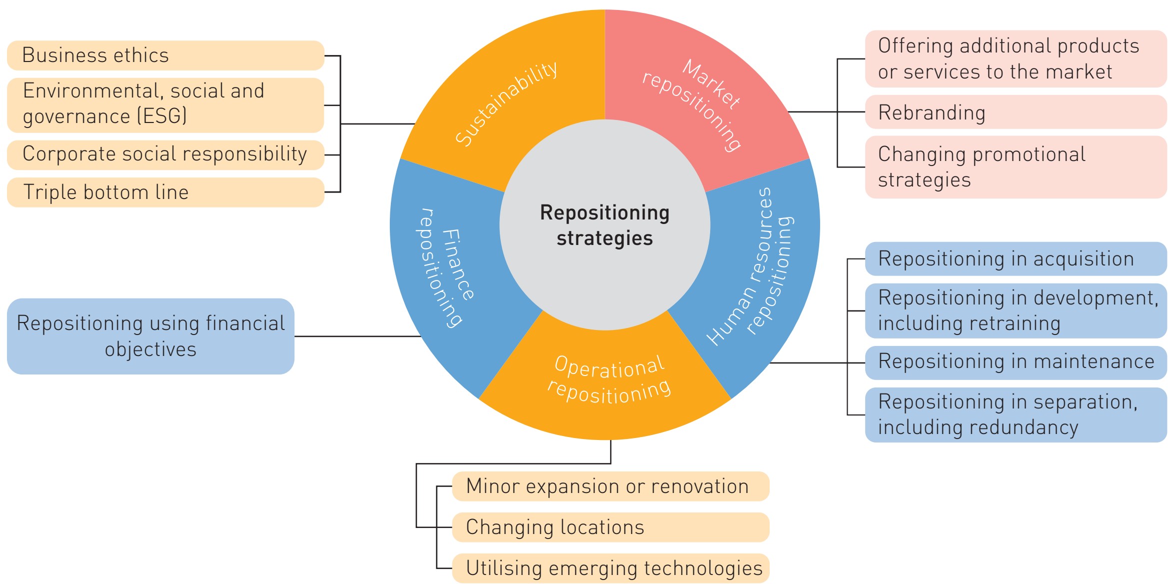
This chapter will provide you with the opportunity to:

- **describe** business situations and environments relating to repositioning a business at the post-maturity stage of the business life cycle
- **explain** strategies, and systems relating to repositioning for post-mature businesses
- **analyse** business situations using STEEPLE and Porter's five forces and **interpret** relationships and trends in order to draw conclusions about repositioning strategies
- **evaluate** business repositioning strategies to make decisions and propose recommendations
- **create** responses that **communicate** business information to the intended audience.

The analytical tools used in this chapter are:

- STEEPLE analysis
- Porter's five forces.

(Source: Business 2025 General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority)



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GAINING INSIGHT 8.1

The APPEA rebrands to Energy Producers Australia

Mark B Pixels/Shutterstock.com

As the world focuses on delivering cleaner energy – meaning humans making a more conscious effort to grow and thrive while also caring for our environment – a range or organisations have undergone repositioning and rebranding projects. These form part of their strategic plans to broaden the scope of what they offer to the market, while also distancing themselves from terminology that, for various reasons, may have developed negative connotations in society.

One such organisation is Energy Producers Australia, which in 2023 rebranded from Australian Petroleum Production & Exploration Association (APPEA). According to its media release, members voted to rebrand so that its name better represents the work the association does, not just for petroleum but also for the broader oil and gas industry, and the Australian Government's commitment to net zero carbon emissions. This is its second rebrand, with the first occurring in 1959.

In the media release, CEO Samantha McCulloch noted the impact its members have within the energy sector in Australia:

'And we power millions of homes and businesses, both here and overseas, while delivering substantial economic benefits to Australia, supporting 80,000 jobs and contributing $16 billion to governments to fund services and infrastructure last year.'

Weblink
EPPEA media release

Energy Producers Australia exists to advocate for energy exploration across Australia and to support investment into new technologies that can produce low-carbon or cleaner fuels. It holds an annual conference, which it plans to continue, and it is its desire that this repositioning will drive engagement, satisfy its current membership and attract new members who operate in Australia.

What other organisation have rebranded like Energy Producers Australia?

This rebranding trend in the energy sectors isn't isolated to Australia alone. Some other examples from around the worlds are shown in Figure 8.1.

Canadian Association of Petroleum Land Administration rebranded in 2024 to:	**Land and Energy Management Association of Canada (2024)**
The World Petroleum Council rebranded in 2023 to:	**WPC Energy**
World Coal Organisation rebranded in 2023 to:	**FutureCoal: The Global Alliance for Sustainable Coal**
American Wind Energy Association rebranded in 2020 to:	**American Clean Power Association**

Source: Media release, 'Australian Energy Producers revealed as new name for APPEA', Energy Producers Australia website, 13 September 2023

Figure 8.1 A range of rebrands have occurred in the energy sector globally.

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Questions

1 Explain the repositioning strategy used by Australian Energy Producers.
2 Analyse the STEEPLE factors influencing Australian Energy Producers and interpret a trend/relationship to draw conclusions on the impact of external environment factors of business repositioning.
3 Evaluate Australian Energy Producers' decision to reposition using the criteria of competitiveness and stakeholder satisfaction.

Functional and sustainable repositioning

Key learnings

You will learn about repositioning a business by examining:

- repositioning strategies for businesses in post-maturity.

As introduced in Chapter 7, a business that risks slipping into post-maturity may decide to reposition in order to renew or operate at a steady state. Repositioning is a strategy whereby a business attempts to engage with a new or broader target market by offering new products or services, rebranding or updating tactics used in promotion to change how it is perceived in the market. There are many reasons why businesses choose to reposition, with most objectives linked to achieving business goals (Figure 8.2); that is, to:

- increase profitability
- gain market share
- provide employment opportunities
- satisfy or meet society's needs and wants
- become more sustainable
- achieve growth.

Figure 8.2 Businesses will implement repositioning strategies to assist them in achieving business goals.

Repositioning does tend to have a marketing focus as the purpose of repositioning is to attract consumer attention. However, all functions – human resources, operations and finance – can implement their own repositioning strategies to assist a business in achieving renewal or be able to operate in steady state, rather than decline.

Market repositioning

Key learnings

You will learn about post-maturity businesses by examining:

- repositioning strategies for the marketing function
- rebranding.

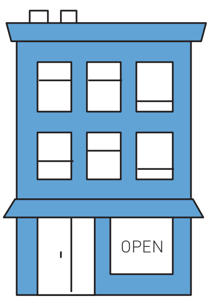
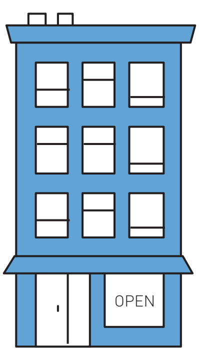
A business will implement repositioning strategies to attract a new or broader target market. By doing so, the business may attract new customers to the business, gain notoriety and increase competitiveness in the market. Ways in which the marketing function can achieve this include:

- offering new or additional products or services to the market
- rebranding
- changing promotional strategies.

Offering new or additional products or services to the market

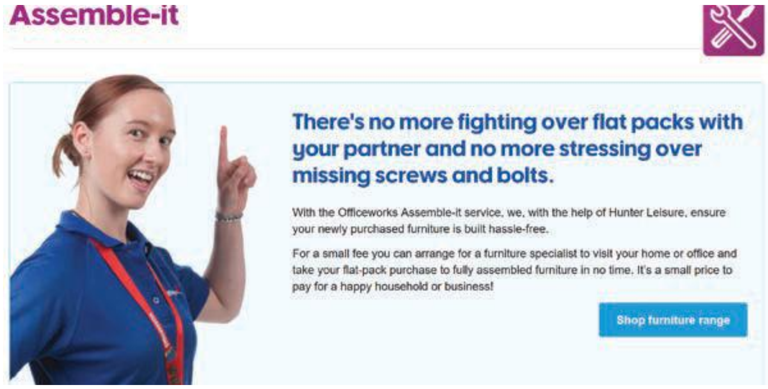
The most effective way for a business to reposition is to offer something new to consumers that satisfies their needs and wants. A business that offers a more diverse range of products or services can capture the interest of consumers and give them an alternative to consider. Strategic planning is required for this, particularly for a business in post-maturity as its former financial performance may limit growth opportunities or cause investors to see it as risky. However, a business may only need to make small repositioning changes to reap the results of its change. Table 8.1 provides some examples of additional products and services that can be offered to consumers based on the size of the business. Ultimately, there are countless product- or service-led repositioning opportunities available to businesses (vertically and horizontally).

Table 8.1 Examples of additional products and services that a business might offer

Business size	Additional products or services
Micro-business 13ree.design/Shutterstock.com 	• A game developer may introduce a free trial version of its app to consumers, or strategically plan for 'in-app purchases' to be implemented into the game at pivotal points • A home maintenance service may introduce gardening work and furniture assembly to its scope • A market stall owner may set up an online store using a platform such as Etsy or eBay • A phone repair business may choose to sell phone cases and other accessories in the store
Small to medium-sized business  	• The owner of a cafe that opens for breakfast and lunch may extend the cafe's trading hours for dinner, offer seasonal menus, open a children's play area or become niche at providing a particular product (e.g. açaí bowls) • A house-cleaning business with a high number of staff may offer window washing or other domestic services • A florist may expand its delivery area, offer a same-day service or sell homewares and gifts • A fruit and vegetable shop may add a delicatessen or cafe counter to its business • A bookstore may introduce cafe-style seating to encourage customers to stay longer and increase purchases
Large business  	• A supermarket may offer a private-label product line, catering services, home delivery and insurance to its offerings • A travel agency may develop networking partnerships with new airlines or hotel chains locally, nationally or internationally • A specialty clothing retailer may introduce maternity or children's wear to its product range or introduce a new brand to the store • A business may introduce a loyalty card program or open new stores or offices in untapped locations • A hotel chain may partner with local tour operators to provide exclusive experiences for guests

Deemerwha studio/Shutterstock.com

Figure 8.3 As a repositioning strategy, food businesses could reduce packaging, source local ingredients or reduce food waste in an effort to be more sustainable.



Source: Officeworks Ltd.

Figure 8.4 Officeworks used a repositioning strategy by offering an assembly service to rival similar services offered by competitors.

INQUIRY

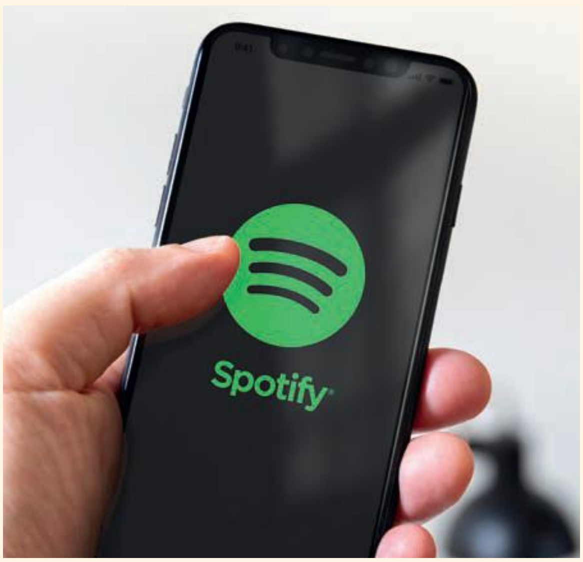
Spotify repositions due to COVID-19

During the COVID-19 pandemic, Spotify faced significant challenges as advertising income fell by 9 per cent, with advertisers tightening their budgets. To adapt, Spotify quickly repositioned itself from a music streaming service to a broader entertainment platform. Recognising the growing demand for new content, especially during the lockdowns, Spotify expanded its product offerings to include new podcasts and original shows. By 2021, Spotify had secured high-profile deals with influencers, and its podcast ad revenue grew by 200 per cent year-over-year.

Spotify's consideration of original content helped reposition it to what some commentators are calling a 'tastemaker' in digital entertainment, rather than it just being a music provider. This move, along with acquiring Megaphone and adopting AI, has allowed Spotify's advertisers to target listeners more effectively. By the end of 2020, Spotify's advertising income had increased by 9 per cent to $185 million. Subscriber growth also surged, with the platform reaching over 299 million users worldwide, helping Spotify solidify its leadership in audio entertainment.

Using the inquiry process, analyse Spotify's repositioning strategy post COVID-19 using Porter's five forces. A Porter's five forces template is available for you to download on Nelson MindTap.

Template
Porter's five forces analysis



Daboost/Shutterstock.com

Figure 8.5 Although popular, Spotify's repositioning strategies have delivered renewed growth in the platform.

GAINING INSIGHT 8.2

Coles Express service stations to become Reddy Express

Coles Express service stations are being rebranded to 'Reddy Express' after Viva Energy completed its $300 million takeover to gain full control of the fuel and convenience experience. By ending its long-standing partnership with Coles, Viva aims to streamline operations, boost efficiency and launch a refreshed in-store offering across 700-plus locations for Aussie drivers.

Cromo Digital/Shutterstock.com

Figure 8.6 The Coles Express brand is being phased out.

Research the Coles Express service station rebranding to Reddy Express and answer the questions that follow.

Figure 8.7 The new Reddy Express branding

Questions

1 **Describe** the business situation that led to Coles Express being rebranded as Reddy Express.
2 **Analyse** the similarities and differences between Coles Express and Reddy Express using a Venn diagram. **Interpret** the considerations for rebranding for a business altered by mergers and acquisitions.
3 **Evaluate** the decision for Coles to exit the fuel station market, using the criteria of stakeholder satisfaction. Justify your response with evidence from the article and other sources.

Rebranding

Another way in which businesses reinvent themselves in a market is through rebranding. Companies are becoming more aware of the importance of aligning their brand image with societal values and expectations, and focusing on issues such as gender equality, environmental sustainability and cultural inclusivity. In some cases, this has led to rebranding efforts to remove or update branding elements that are seen as outdated or no longer aligning with the company's present-day values. This can be done by a business in the maturity stage by responding to a long-term strategic plan, often scheduled every seven to 10 years. It can also happen in post-maturity if the business needs to change the way it is perceived, from being an 'old' or 'mediocre' business to one that has a new, exciting and fresh approach. Rebranding can also occur following a change of business ownership as a result of a merger or acquisition, or if a business expands internationally and needs to appeal to the global market. In some cases, rebranding is a consequence of legal regulation requiring a business to respond when there is a conflict with another business in the market. The same applies for a business that chooses to rebrand; management must ensure the new branding does not

Cagkan Sayin/Shutterstock.com

Figure 8.8 Rebranding requires strategic planning if it is to be executed correctly.

adversely affect another organisation. If done effectively, and if it is embraced by consumers and the market, rebranding can set a business up for financial and market success. A business can rebrand by:

- updating the business name
- introducing a new logo or trademark.

Examples of businesses that have rebranded over time can be seen in Figure 8.9.

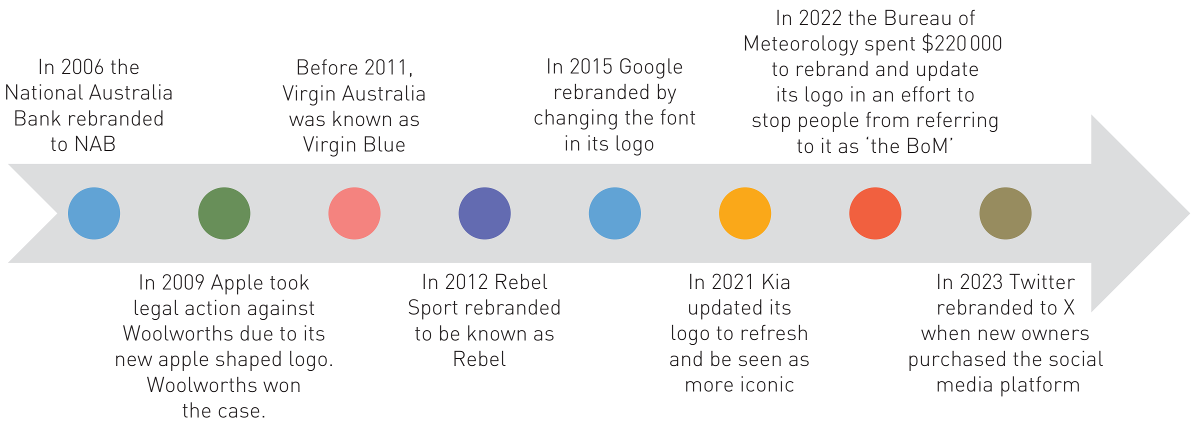


Figure 8.9 Examples of rebranding

How to get the rebranding process right

At first glance, rebranding a company is fun, new, and exciting. If you have any experience in branding, however, you quickly realize that the fun parts – choosing colours, logos, and fonts – are a very small portion of an effective rebrand. In order to rebrand a company effectively, you need to have a strong understanding of the process of branding in addition to a keen eye for visual assets.

Getting the rebranding process right

So how do you get the rebranding process right, especially if you've never done it before? You likely have a branding firm helping you with the nitty-gritty details of the rebrand such as visual elements and messaging, but who can help you make sure that the rebrand is implemented successfully within your company? Here's a basic outline to follow when rebranding a company for the first time:

1 **Always start with research**
Before you even consider a rebrand, start with research. Don't jump into anything too hastily. Make sure that you understand your brand, your customers, and your market better than anyone else. You'll likely get some help in this department by your branding firm, but you should make sure that you're just as informed as they are. Make sure you research all of the following:
- your current customers' wants, needs, and opinion on your company
- your company's current brand assets
- your competitors' products, services, and public sentiment
- your employees opinion of the company and its brand
- what lost prospects think of your company and its brand
- what community and thought leaders think of your company and its brand.

2 **Communicate effectively with all stakeholders**
All it takes to screw up implementing a rebrand is one director with an axe to grind. Prevent this by effectively communicating with all relevant stakeholders throughout the entire process. From the very beginning of the rebrand, you should communicate all of the following in writing to all stakeholders:
- timeline
- budget
- key objectives
- relevant research as to why you're making the decisions you're making
- changes in competitive positioning
- implications for their specific department.

This will help keep everyone in the organization on the same page and assist you later when you roll out the brand.

3 **Document everything**
Remember when I said you should communicate in writing? There's a reason for that. You need to make sure that you have documentation on everything you do during the rebrand process. It's vital that you have this information in case something goes awry. In the ever-changing world of rebranding a company, the last thing you can afford to do is leave specific changes or decisions undocumented. We recommend using a tool like Evernote complemented with an inbox folder for all things brand related.

4 **Plan the roll out well**
No sense investing the money in a new brand if you're not going to roll it out effectively. Start by getting your employees excited so they can act as brand advocates. This can by done in several ways – and best practices vary by size of your organization – but regardless of what tactics you choose, getting this stage right is essential to success. A few ways companies successfully roll out new brands include:
- internal PR campaigns – featuring meetings, videos, and emails to employees announcing the change
- external PR campaigns – featuring earned and paid media mentions, emails to client lists, and rich media assets on their social media and blog
- launch parties – inviting clients, employees, the press, and the community to come to your space or a rented venue to hear more about the new brand that you're launching.

Each brand roll out is different. Make sure to hire a professional branding firm to help you manage your brand roll out effectively.

5 **Defend the brand – lest it die**
The final – and most critical – component of the rebranding process is ongoing. Once you've built and launched a new brand, you need to defend it at every turn. People will want to mess with your messaging, corrupt your color palette, and lose your logos, but you need to stand firm with the decisions you made. If you can't defend your brand after it launches, you're losing the most valuable asset your brand has – continuity.

Source: Daniel Herndon, CEO, MilesHerndon, 28 July 2016, https://milesherndon.com/blog/rebranding-process. MilesHerndon is a branding and advertising agency in Indianapolis, IN, USA. They consult established companies on brand strategy, development and marketing. http://milesherndon.com.

GAINING INSIGHT 8.3

The refreshing rebrand for Pepsi

Pepsi is making waves with its first logo redesign in 15 years, and it's all thanks to consumer feedback. Fans called for a return to the brand's roots, leading to a fresh, yet familiar, look featuring the bold 'Pepsi' front and centre in the iconic red, white and blue globe. The updated design also boasts a darker, electric blue hue, already seen on Pepsi Zero Sugar cans. As old packaging phases out, social media is buzzing with praise for the retro-modern vibe, though opinions on past logos remain divided. Curious to see the new look? Dive into the details!

Source: Adapted from Rebekah Scanlan, 'Pepsi changes logo, redesigns packaging after consumer feedback', news.com.au, 30 March 2023

Heavenman/Shutterstock.com

Figure 8.10 Pepsi's old branding

Question

Follow the weblink to read the article 'Pepsi changes logo, redesigns packaging after consumer feedback' from news.com.au to evaluate Pepsi's decision to rebrand using the criteria of effectiveness and competitiveness.

Weblink
Pepsi article

Erman Gunes/Shutterstock.com

Figure 8.11 Pepsi's new branding

The difference between rebranding and repositioning

Rebranding is not the same as repositioning, although rebranding can be a direct outcome of a management decision to reposition a business in the market. As mentioned previously, repositioning can affect all four business functions, whereas rebranding will always be the responsibility of the marketing function. If a business chooses to reposition, it is often helpful to rebrand as it will attract consumer attention. A business that has rebranded can begin promoting its repositioning strategies to a more attuned and curious market.

QUESTIONS 8.1

1. Explain the purpose of rebranding for a post-mature business.
2. Create a paragraph response that compares rebranding with repositioning.
3. Referring to Figure 8.9, select data and information for one of the businesses listed and create a short class presentation to:
   a. describe the characteristics of the rebrand
   b. explain why the rebrand occurred
   c. evaluate the business's decision to rebrand using the criterion of competitiveness.

GAINING INSIGHT 8.4

P&O Cruises Australia to disappear as Carnival Corporation sunsets brand

P&O Cruises to disappear, brand to be folded into Carnival next year

Australian cruise line brand P&O is about to disappear, with its parent company announcing it will be folded into Carnival Cruise Line early next year.

Describing P&O as a 'storied brand with an amazing team', Carnival said sunsetting the company in March next year was a necessary cost-saving exercise.

'Given the strategic reality of the South Pacific's small population and significantly higher operating and regulatory costs, we're adjusting our approach to give us the efficiencies we need to continue delivering an incredible cruise experience year-round to our guests in the region,' Carnival chief executive Josh Weinstein said.

'Carnival Corporation & plc remains committed to Australia and we will continue to be the largest cruise operator in the region with 19 ships calling on 78 destinations and representing almost 60 per cent of the market.'

travellinglight/Alamy Stock Photo

Figure 8.12 P&O Cruises will disappear early next year as the brand is folded into the Carnival Cruise Line.

The move will see two of P&O's cruise liners – the Pacific Encounter and Pacific Adventure – come under the control of Carnival Cruise Line, meaning there will be four of the company's ships serving the South Pacific market.

P&O's other ship, the Pacific Explorer, will be retired in February.

Carnival said current itineraries will be run as usual, and that any guests whose future bookings will change as a result of folding P&O will be notified in the coming days.

'We look forward to building on the history and heritage of P&O Cruises Australia by bringing some of our innovations to more cruise guests in the region,' Carnival Cruise Line president Christine Duffy said.

'While we plan to make some technology upgrades and other small changes to the two P&O Cruises Australia ships, they will continue to be geared to the unique Australian market with a familiar feel and much of the same experiences for P&O Cruises Australia guests.'

Carnival said P&O customers will be invited to its own loyalty program.

'Over the coming months, we will find ways to celebrate and honour P&O Cruises Australia – a valued part of our legacy and an important contributor to the tourism industry in the South Pacific,' Weinstein said.

'We value the connection our P&O Cruises Australia guests, employees, travel advisor partners, public officials and destinations have with our company and are committed to building on this association moving forward as Carnival.'

Source: Daniel Jeffrey, 'P&O Cruises Australia to disappear as Carnival Corporation sunsets brand', published on the 9 News website, 4 June 2024 (9news.com.au).

Question

Explain how the end of the P&O brand is a repositioning strategy for Carnival Cruises. Highlight how this strategy helps Carnival Cruises to meet its business goals.

GAINING INSIGHT 8.5

Foxtel continues to reposition and evolve

Foxtel has been a key player in Australia's entertainment landscape, dominating the pay-TV market since the 1990s. However, the major streaming services operating in Australia, like Netflix, Stan, Disney+ and Apple TV+, forced Foxtel to remain relevant. As such, Foxtel has been strategic and through innovative product development has been able to become a key player in the streaming market. This timeline tracks Foxtel's key product milestones.

Tofino/Alamy Stock Photo

Figure 8.13 Foxtel, when faced with post-maturity, responded with innovation.

Foxtel launches in 1995

Objective: To become Australia's leading pay-TV provider using satellite and cable technology.

Outcome: Foxtel achieved rapid dominance in the market, becoming the leader of premium TV offerings in Australia. Today, its traditional services have entered maturity as it retains a portion of legacy customers in hospitality and regional Australia.

Foxtel introduces Foxtel iQ in 2005

Objective: An innovation that allowed customers to record, pause and rewind live TV via the Foxtel iQ digital set-top box.

Outcome: The iQ box was a technological success that kept Foxtel competitive in the early digital age. While newer models have been launched, the original innovation remains in maturity, evolving to meet current market needs (IQ5).

Foxtel launches Foxtel Play in 2013

Objective: Deliver an internet-based, lower-cost alternative to cable services in response to growing demand for flexible streaming.

Outcome: Foxtel Play struggled against global competitors like Netflix. This product entered decline and was phased out, reflecting Foxtel's learning curve in the early stages of streaming.

Foxtel launches Foxtel Now in 2017

Objective: To provide a rebranded streaming service to compete more effectively with Netflix and Stan, offering a mix of live TV and on-demand content with better app features such as search and high definition.

Outcome: Foxtel Now initially saw moderate success but has since entered maturity. Subscriber numbers have declined, standing at 177 000 in 2023, as newer services take precedence.

Foxtel launches Kayo in 2018

Objective: To create a dedicated sports streaming platform, leveraging Foxtel's strong sports broadcasting rights.

Outcome: Kayo Sports has been a significant success, reaching 1.411 million subscribers in 2023. It continues to experience growth, making it the strongest of Foxtel's streaming portfolio.

Foxtel launches Binge in 2020

Objective: To compete directly with entertainment-focused streaming services like Netflix by offering binge-worthy TV shows and movies.

Outcome: Binge has seen rapid adoption, growing to 1.541 million subscribers in 2023. It remains in growth as its content library expands and the user base increases, positioning it as a competitive player in the entertainment streaming market.

Foxtel launches Flash in 2021

Objective: To launch a low-cost, news streaming service bringing together over 25 global and local news sources.

Outcome: Flash continues to operate as a dedicated news streaming service, providing users with access to a wide range of news channels. Despite initial slow subscriber growth, Flash is still in growth, as it seeks to carve out a niche in the news streaming sector.

Foxtel introduces the iQ5 Set-Top Box in 2021

Objective: To modernise Foxtel's traditional set-top box by transitioning to an internet-based service that combines both broadcast and streaming content without needing satellite installation.

Outcome: The iQ5 has helped retain traditional broadcast customers while offering access to modern streaming services like Netflix, Kayo and Binge. The iQ5 is in maturity, as it supports Foxtel's hybrid broadcast-streaming strategy.

By 2023, Foxtel had 4.723 million subscribers, with streaming subscribers making up 66% of the total customer base. Kayo Sports has 1.411 million subscribers, Binge has 1.541 million subscribers, Foxtel Now has 177 000 subscribers and Flash had 6000 (data from 2022).

Figure 8.14 The Foxtel product timeline

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Questions

1 Describe the business situation and environment for Foxtel.
2 Analyse Foxtel's product offering using a STEEPLE analysis.
3 Interpret a trend and relationship in the STEEPLE to draw conclusions regarding the implications of repositioning for Foxtel.
4 Evaluate Foxtel's decision to reposition using the criteria of efficiency and competitiveness. Propose recommendations for Foxtel as it moves forward.

Template
STEEPLE analysis

A STEEPLE analysis is available for you to download on Nelson MindTap.

Changing promotional strategies

Another way a business can reposition is by changing its promotional strategies or approaches. The ways in which businesses choose to promote their products can have a significant impact on how consumers perceive the brand and could engage a broader target market. Examples of how businesses can reposition using promotional strategies include:

- creating a catchy, memorable slogan
- using new or diverse celebrity endorsements based on the preferences of the desired target market
- trying new promotional methods such as radio advertising for geographical reach and podcast advertising for key target demographics
- running an interactive campaign such as a competition utilising social media platforms
- partnering with social media influencers who resonate with the target audience to increase brand recognition and adoption
- taking part in large sales events such as the Black Friday sales
- implementing unconventional and attention-grabbing guerrilla marketing strategies, such as street art campaigns, pop-up experiences or viral social media challenges.

Fred Duval/Shutterstock.com

Figure 8.15 Chanel engaged the Australian actress Margot Robbie in its 2024 Chanel N°5 perfume campaign.

Human resources repositioning

Key learnings

You will learn about post-maturity businesses by examining:

- repositioning strategies for the human resources function
- retraining and development
- redundancy.

When a business considers updating its human resources structures, this can be referred to as 'people-led repositioning'. The motives for a business to reposition its human resources is often less focused on consumers, and more on achieving effectiveness and efficiency in the business by responding to internal environment influences. The operating environment can also influence human resources repositioning as businesses want to attract highly skilled and talented staff, and repositioning can allow this to occur. The range of repositioning strategies used in human resources can be best linked to the employment cycle (Figure 8.16). When a business embarks on organisation-wide change in human resources, this becomes part of its transformation, and change management strategies need to be implemented. This will be investigated in Chapters 9 and 10.

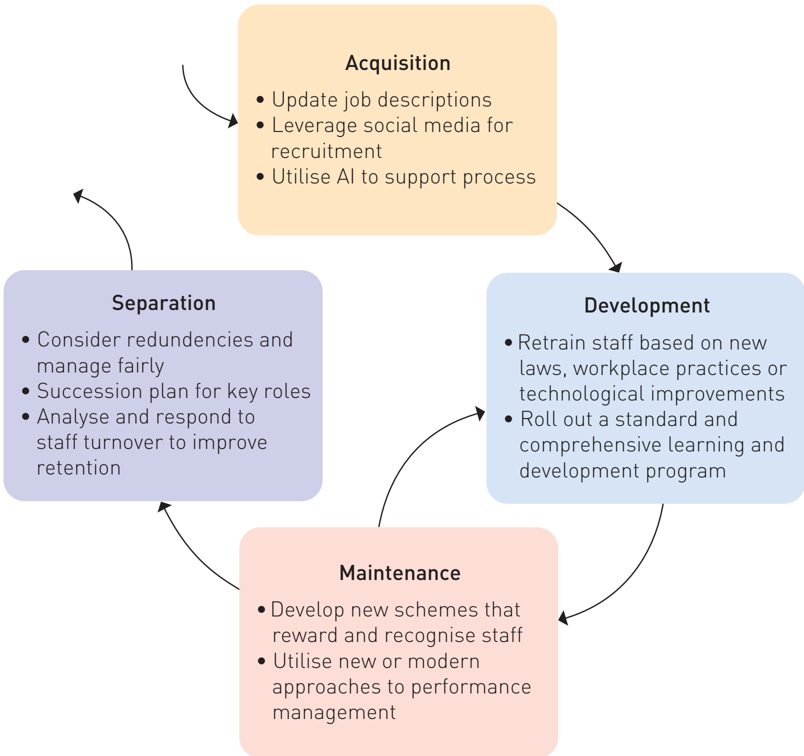


Figure 8.16 A range of repositioning strategies applicable to the human resources function

Repositioning in acquisition

With some strategic repositioning comes the opportunity to adjust the culture of the business by adopting new strategies in job design, recruitment and selection. In job design, asking staff to participate in a consultative process to update or formalise position descriptions may allow staff to reflect upon their work positively. Further, the business may be able to formalise additional responsibilities given to staff, or identify gaps where new roles may need to be created.

iStock.com/ALotOfPeople

Figure 8.17 In order to reposition, a business may alter its selection strategies by consulting with more staff.

In recruitment, a business could investigate alternative methods of advertising roles by increasing internal methods or, externally, by using social media recruiters or online career databases. This allows human resource specialists to oversee the recruitment and selection of applicants. On the other hand, if a business in post-maturity has been dissatisfied with its outsourcing strategy, it could reposition by recruiting and selecting in-house, which again could change the culture of the business.

In selection, a business can reposition by formalising selection processes, or relaxing them, based on its needs. In this case, opportunities for repositioning can include:

- adding selection criteria to job applications
- seeking consultation from a range of staff when short-listing applicants
- using different interview approaches such as formal, panel or group interviews, asking candidates to pitch or complete testing as part of the interview process or altering the process using technology workflows and applications
- AI tools.

When considering the range of strategies to be implemented, a business should consider its acquisition objective to 'recruit and select talented, proficient staff whose values align with those of the business'.

GAINING INSIGHT 8.6

HRM Online - Australian HR Institute

HRM Online, the official news site of the Australian HR Institute, shares insights, case studies and expert advice to support human resources professionals and workplace leaders. In the article '4 ways to enhance your talent acquisition strategy', Michael Bradfield, Director of Talent Acquisition at adidas, outlines a range of strategies to help businesses attract and retain top talent in a challenging job market.

Tada Images/Shutterstock.com

Figure 8.18 Adidas actively looks at ways it can reposition using acquisition strategies.

Questions

Search for the article by HRM Online to answer the following questions. The link can be found on Nelson MindTap.

Weblink
HRM article

1 Michael Bradfield highlights the importance of being a 'hunter' rather than a 'gatherer' when acquiring staff. Explain what this means and why this trend is becoming more important in the current job market.

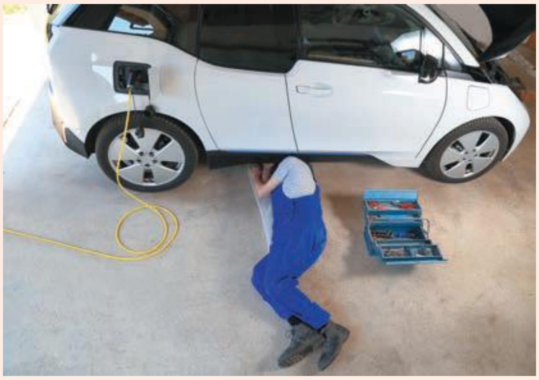
2 Explain how strong branding and storytelling give a business a competitive advantage in attracting skilled staff. Give examples of how this might be applied to another business that you know is in post-maturity.

Repositioning in development, including retraining

The objective for the development stage of the employment cycle is to 'develop staff professionally and foster productivity and leadership'. Therefore, when a business enacts change that impacts on staff, retraining may be required. Retraining can be perceived as a repositioning strategy since a business may gain a competitive advantage by having staff who are qualified or proficient in the latest customer service approaches, legal compliance, software updates or sales strategies. Like any training instigated by a business, it must be strategically planned and cost-efficient, and must add value to the business. Hence, a business needs to consider whether training should be internal or externally delivered, and which methods will bring the best outcome – such as formal qualifications, workshops, conferences or online modules. When a business embarks on an organisation-wide training plan that transforms the business, change management strategies will need to be implemented to ensure stakeholder satisfaction. In these instances, the communication strategy of employer relations becomes essential to successfully rolling out the new program.

GAINING INSIGHT 8.7

More EVs are hitting Australian roads than ever. What does that mean for mechanics?



RioPatuca/Alamy Stock Photo

Figure 8.19 Sydney mechanic Gerry Marson runs a workshop for EVs and hybrids after switching to EV maintenance five years ago.

The surge in electric vehicle (EV) sales across Australia is triggering seismic changes in the automotive industry, and it's meant more mechanics are learning new skills to service the changing fleet.

EVs made up more than 7 per cent of new car sales in Australia in 2023, and there are now more than 170,000 EVs on Australian roads, according to the federal government.

But the uptick in popularity has only been relatively recent, raising questions about whether there'll be enough technicians who can work on EVs, and how their job will look in coming years.

After working on petrol and diesel engine cars for more than 30 years, Sydney mechanic Gerry Marson made the switch to EV maintenance about five years ago.

While there were only very few EVs on Australian roads at that stage, he could see it wouldn't stay that way for long.

'A lot of talk was going on, very low volumes of electric cars were around, but I could see that eventually that was going to have to change, and it has,' Mr Marson said.

He now runs a workshop in Western Sydney solely for EV and hybrid cars, and has seen business steadily ramping up.

Wodthikorn Phutthasatchathum/Alamy Stock Photo

Figure 8.20 Mr Marson has seen business ramp up as more motorists choose EVs.

Getting the new skills wasn't cheap – he went to the US for specialist training which set him back thousands of dollars – but he said it has put him at the forefront of an evolving industry.

'For older technicians like myself, some are waiting to retire, pretty much, [but] it's going to be difficult to attract young talent and for them to train up extensively in the industry,' he said.

Focus on upskilling and retaining existing workforce

With the volume of EV maintenance to grow rapidly, many in the automotive and vocational education sectors are now working to bridge the gap.

Ian Price, who oversees EV training courses with the Motor Traders Association of NSW, is focusing on both teaching new mechanics, and upskilling existing ones.

'They know that they've got to keep up, they can't lag behind,' Mr Price said.

'There certainly is a pathway for the technicians, regardless of age, to upskill and become competent working on these battery electric vehicles.'

Many in the industry are quick to dispel any notion that electric vehicles could make automotive repair jobs obsolete.

Andrey Moisseyev/Alamy Stock Photo

Figure 8.21 EVs made up more than 7 per cent of new car sales in 2023, and there are now more than 170 000 EVs on Australian roads.

The Kangan Institute, based in Victoria, has about 3,000 automotive apprentices who are learning to work on both internal combustion engine vehicles (ICEV) and EVs.

The institute's automotive education manager Gavin Cribb said many of the skills used in ICEV maintenance were easily transferable.

'We're finding that it's an evolution, not a revolution,' Mr Cribb said.

'We still need to have the base understanding of your physics, suspension, internal components and so on.'

And it's not just light vehicle mechanics who are gearing up for the transition – the Kangan Institute is running a TAFE course in Victoria on how to inspect and maintain electric buses.

EV owners reassured about industry readiness

The entire automotive sector has been grappling with an ongoing skills shortage, but EV owners are being assured the industry will be able to cope with growing demand.

Mr Cribb said because the vast majority of EVs were still quite new, the need for major repairs was minimal.

'We're not quite at the stage where additional EV skills are mandatory for a workshop – for some of them it's a nice-to-have,' he said.

'The industry's smart enough and adaptable enough that they'll just take it on the chin and move along with it.'

Ian Price from the Motor Traders Association of NSW also noted mechanics have been working on hybrid vehicles for about 20 years.

'There is a scare factor out there at the moment, but the point is that the cars are safe, they can be worked on safely, and people are geared up and ready to go,' he said.

Mr Marson said there would still be plenty of work for ICEV technicians for the foreseeable future.

'Probably for another decade, we'll probably have quite enough ICEVs still around in the industry that will keep those shops resistant to EV, but as the market drops off, they may then look at EVs more seriously,' he said.

Source: Gavin Coote, 'More EVs are hitting Australian roads than ever. What does that mean for mechanics?', *ABC News*, 3 January 2024

Question

Analyse and interpret the influence of net zero carbon emissions in Australia on the repositioning of the car servicing industry using a STEEPLE analysis.

Template
STEEPLE analysis

A STEEPLE analysis is available for you to download on Nelson MindTap.

Repositioning in maintenance

When a business is in post-maturity, its repositioning strategies will focus upon reducing costs and building productivity and satisfaction among staff so that the business can achieve steady state or renewal outcomes rather than decline. A way of achieving this is to review the rewards and benefits offered to staff to see whether the rewards and benefits build staff morale, add value to the business and are efficient. The business should consider offering greater intrinsic rewards and benefits. These reward staff for their commitment to the business and recognise the quality of their work through building connection and relationships. Examples may include offering business-funded social activities such as lunches and team days, along with allowing staff to work from

Intrinsic rewards: intangible recognition of staff performance and achievement focused on connection and relationships home, or overseas if they are able to do so. As intrinsic rewards are linked to job performance, they can heighten productivity if executed correctly. **Extrinsic rewards** and benefits are the tangible awards that staff receive, such as pay rises, bonuses and **fringe benefits**. These add costs to the business and are issued by management. A business in post-maturity would benefit from planning strategically to introduce more intrinsic rewards and benefits into its everyday operations to 'maintain, motivate and support staff by providing benefits and opportunities for achievement'.

One photo/Shutterstock.com

Figure 8.22 A business may need to reposition its rewards and benefits schemes when in post-maturity to achieve efficiency.

Changes in performance management procedures can also be classified as a repositioning strategy. Generally, these changes would aim to drive greater productivity in the business that align strategically to what business goals the business is wanting to achieve. As performance management is tied directly to people, clear, transparent communication is necessary to ensure staff buy into the program. This is particularly important for a business in post-maturity, as staff are often aware of the business's financial performance and the strain it can have on a business.

Fizkes/Shutterstock.com

Figure 8.23 Intrinsic rewards and benefits focus on intangible recognition of staff within the workspace.

iStock.com/fizkes

Figure 8.24 Extrinsic rewards and benefits are tangible and can include staff being given a pay rise.

Extrinsic rewards: tangible recognition of staff performance and achievement focused on offering pay increases and bonuses

Fringe benefit: a benefit provided to an employee in addition to their salary or wage

GAINING INSIGHT 8.8

Atlassian's Team Anywhere policy

T. Schneider/Shutterstock.com

Figure 8.25 Atlassian is Australia's most successful tech business.

Follow the link found on Nelson MindTap to the Atlassian website and read the blog titled 'Atlassians are on the move as our people embrace Team Anywhere'. Then answer the following questions.

Weblink
Atlassian – Team Anywhere

Questions

1 Describe the business situation for Atlassian.
2 Explain the Team Anywhere human resource strategy, including the metrics it has achieved.
3 Evaluate Atlassian's Team Anywhere policy using the criteria of competitiveness and stakeholder satisfaction.
4 Even though Atlassian is not in post-maturity, does its human resource repositioning strategy after COVID-19 suit a post-mature business? Justify your response.

Repositioning in separation, including redundancy

A business may enter post-maturity if it does not effectively manage its separation strategies (e.g. delaying the downsizing of the workforce when the business can't afford to keep everyone). There are three main ways a business can reposition: initiating redundancies, succession planning and responding to an analysis of staff turnover (Figure 8.26).

Redundancy occurs when a business reduces costs or alters organisational structures by ceasing employment contracts with staff. Rather than being a reflection of an employee's performance, the strategy focuses on running the business more efficiently. When redundancies are offered, the business has legal obligations to meet

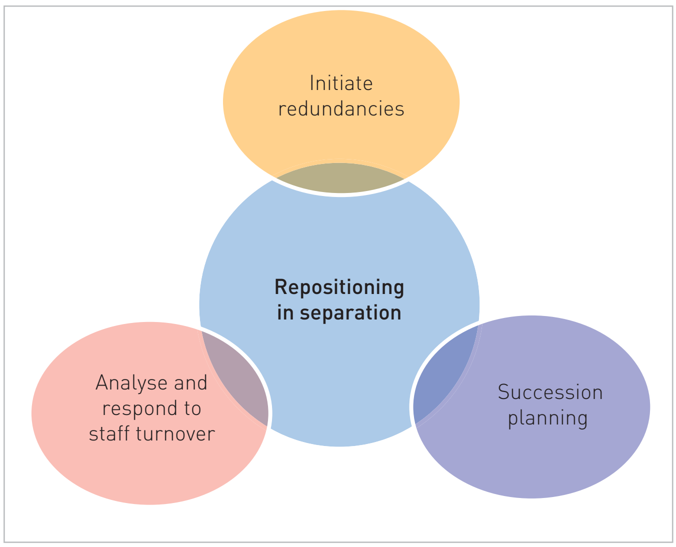


Figure 8.26 Repositioning in separation

Redundancy: an employer-directed separation strategy that occurs when a business reduces the number of employees because a position is no longer required

9780170484367

under the *Fair Work Act 2009* to protect the business and ensure the employee is treated fairly. These include providing the relevant payout from the National Employment Standards. When a recognisable or large business issues redundancies, communication strategies are paramount so as to control their message to stakeholders – in particular, employees and investors. Further crisis management and community relations teams may need to be ready to respond to media interest about why the redundancies have occurred.

Website
Fair Work Ombudsman – Redundancy

The following information is from the website of the Fair Work Ombudsman. The website also includes a redundancy calculator so that employers can ensure employees are paid out appropriately.

Redundancy

When does redundancy happen?

Redundancy happens when an employer either:

- doesn't need an employee's job to be done by anyone, or
- becomes insolvent or bankrupt.

Redundancy can happen when the business:

- introduces new technology (e.g. the job can be done by a machine)
- slows down due to lower sales or production
- closes down
- relocates interstate or overseas
- restructures or reorganises because a merger or takeover happens.

What's a genuine redundancy?

A genuine redundancy is when:

- the person's job doesn't need to be done by anyone
- the employer followed any consultation requirements in the award, enterprise agreement or other registered agreement.

When an employee's dismissal is a genuine redundancy the employee isn't able to make an unfair dismissal claim. A dismissal is not a genuine redundancy if the employer:

- still needs the employee's job to be done by someone (e.g. hires someone else to do the job)
- has not followed relevant requirements to consult with the employees about the redundancy under an award or registered agreement, or
- could have reasonably, in the circumstances, given the employee another job within the employer's business or an associated entity.

Consulting with employees about major workplace changes

All awards and registered agreements have a consultation process for when there are major changes to the workplace, such as redundancies.

The consultation process sets out the things the employer needs to do when they decide to make changes to the business that are likely to result in redundancies. This has to be done as soon as possible after the decision has been made to make these changes.

Consultation requirements include:

- notifying the employees who may be affected by the proposed changes
- providing the employees with information about these changes and their expected effects
- discussing steps taken to avoid and minimise negative effects on the employees
- considering employees ideas or suggestions about the changes.

GAINING INSIGHT 8.9

BOQ restructure to convert all branches as cost cutting steps up

TK Kurikawa/Shutterstock.com

Figure 8.27 BOQ is repositioning to avoid the risks of post-maturity of its business structure.

Bank of Queensland has retreated from its return-on-equity target and is up-ending its model by converting owner-managed branches into corporate ones, as it accelerates cost-cutting plans.

The latest move on branches brings to an end BOQ's franchise model, established in 2002, and will lead to branch rationalisation, allowing the lender to focus on growth in its business bank.

All of BOQ's 114 owner-managed branches will convert to corporate branches.

BOQ also plans to cut the equivalent of 400 full-time roles, but as flagged by *The Australian*, the latest cost-cutting drive may see as many as 600 jobs eliminated over the next two years.

BOQ chief executive Patrick Allaway admitted on Thursday that even more job cuts were likely the bank's 2025 financial year.

'As we continue to decommission our heritage legacy systems, you would expect that we can drive more efficiency through the organisation ... We expect that there will be more efficiencies through FY25 and into 2026,' he told analysts, when asked about the potential for further headcount reductions.

The elimination of 400 jobs will lead to a restructuring charge of $25m to $35m post-tax, and BOQ expects annualised savings of about $50m, in addition to the $200m in cost savings already outlined. The cuts cover areas including the retail bank, technology and operations.

The latest wave of job cuts follows BOQ axing about 220 jobs almost a year ago – in several tranches – to simplify its operations, as it worked to bed down its purchase of ME Bank.

The bank employs about 3163 staff, not including those within its owner-managed branches.

Mr Allaway said that with banking becoming more commoditised and net interest margins remaining under pressure, BOQ's retail model was 'no longer sustainable'.

He told analysts the revised strategy would see the bank 'fundamentally change' the way it operated.

'We have not taken these decisions lightly,' he said.

Andrii Yalanskyi/Shutterstock.com

Figure 8.28 BOQ is going to through a period of repositioning in the operations function in order to transform.

The strategic moves spurred BOQ to slice its 2026 return on equity target from more than 9.25 per cent to 8 per cent on Thursday.

The bank also moved away from a cost-to-income ratio target of less than 50 per cent, saying it would now aim for 56 per cent.

BOQ shares plummeted 7.3 per cent to $5.95 on Thursday as investors punished the bank for reducing its return target. The slump was the worst performance across the banking sector.

Fund managers and analysts raised concerns about execution risks liked to BOQ's plan.

'It makes a lot of sense to do this (overhauling the BOQ model). There's a period of time before we can see the full execution but it will put BOQ in a stronger competitive position having a simplified structure,' said Regal Funds Management's Mark Nathan.

'The owner manager structure was unique, and unwinding that will be challenging, but (they'll be) rewarded if done successfully.

'With their digital transformation and enforceable undertakings, BOQ has a lot on their plate at the moment.'

Citigroup analysts highlighted 'significant execution risk' in BOQ's revised strategy, given the materiality of the productivity savings to the bank's current cost base.

'Even if we assume that management's aspirations are realised, investors still have to grapple with the fact that it is a lot of work, carrying significant risk, to ultimately remain with a bank that returns below the cost of capital,' they said.

Macquarie Capital's trading and sales desk said BOQ's strategy overhaul could make the bank 'appealing as (an acquisition) target down the track', although cautioned any deal would require regulatory approval.

The regional banking sector has experienced consolidation in the past three years as ANZ acquired Suncorp's bank and BOQ acquired ME Bank. Just this week, Auswide Bank and MyState proposed a merger.

The cost of BOQ's branch project is expected to be $115m to $125m pre-tax and to amortise over four years.

Mr Allaway said there was 'a very clear formula' in contracts for BOQ to acquire the owner-managed branches, and he didn't expect disputes with franchisees.

Starting in the 2026 financial year, the net cash profit benefit from the measure is expected to be $20m annually, with Mr Allaway saying BOQ would 'enhance this' in future years.

Managers and staff within franchise branches are being offered employment, but the bank signalled branch numbers would decline through 'consolidation opportunities' as more customers shifted to digital channels. Any redundancies for staff within those branches would be covered by existing franchise owners.

Analysts including Barrenjoey's Jon Mott asked Mr Allaway about non-complete clauses if owner-managers opted to leave and quizzed him about customer attrition as these measures were rolled out.

The branch conversion eliminates a key point of difference between BOQ and its peers. The bank's owner-manager branches were informed of the decision on Thursday, and the conversion is expected to be complete in March.

BOQ wants to accelerate growth in its business bank, where it added 10 bankers in the current half. It is targeting health, professional services and agriculture.

Source: Joyce Moullakis, 'BOQ restructure to convert all branches as cost cutting steps up', *The Courier Mail*, 22 August 2024

Questions

1 Explain the repositioning strategy behind Bank of Queensland choosing to end its franchise model.
2 Analyse Bank of Queensland's situation using Porter's five forces and interpret one relationship and one trend to draw conclusions on the impact of being a business at risk of post-maturity.
3 Evaluate Bank of Queensland's decision to reposition using the criteria of effectiveness and competitiveness.

A positive repositioning strategy for a business can be succession planning. This occurs when a manager, on receiving a promotion, leaving the business or choosing to retire, begins to mentor and train a subordinate or employee in their role. Succession planning encourages leadership within the business and reduces the risks of any change being disruptive to the business in the long term.

The third way a business can reposition in separation is to analyse staff turnover rates and then respond by implementing changes. A business's reputation can be altered by the number of staff who leave a business over a set period of time, as a high turnover suggests disharmony and a poor organisational culture. Businesses that fail to recognise why staff leave fall into post-maturity if they are no longer able to maintain their best staff or attract new, highly qualified staff to the business. To address this, a business could conduct exit interviews or investigate the workload and culture evident in certain departments, and then implement other human resources strategies to reposition the business's practices.

Mavo/Shutterstock.com

Figure 8.29 A business can implement succession planning as a repositioning strategy.

QUESTIONS 8.2

1 Explain the purpose of repositioning for the human resources function and its relationship to human resources objectives.
2 Conduct an interview with a manager of a business and select information to describe two scenarios when the business used human resources repositioning strategies.
3 Explain the positive and negative outcomes of a business repositioning its human resources across all stages of the employment cycle.

Operations repositioning

Key learnings

You will learn about post-maturity businesses by examining:

- repositioning strategies for the operations function
- the influence of emerging technologies.

Operational repositioning focuses on building on productivity, with a focus on minimising costs, meeting demand, utilising technology and improving quality. These changes impact on the production process by adjusting the inputs and processes used by businesses. Hence, they can be referred to as 'process-led' or 'infrastructure-led' repositioning. The ways in which an operations function may reposition include:

- a reasonable-sized expansion or renovation
- changing locations
- utilising emerging technologies (Figure 8.30).

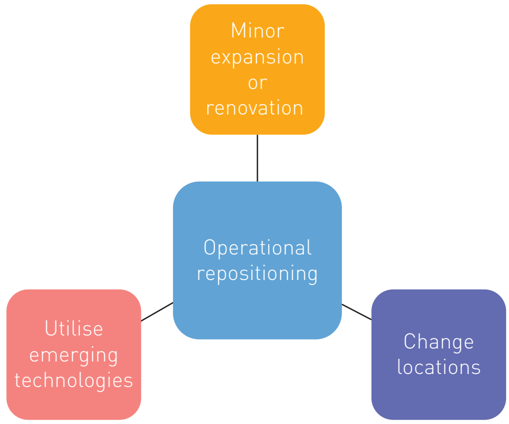


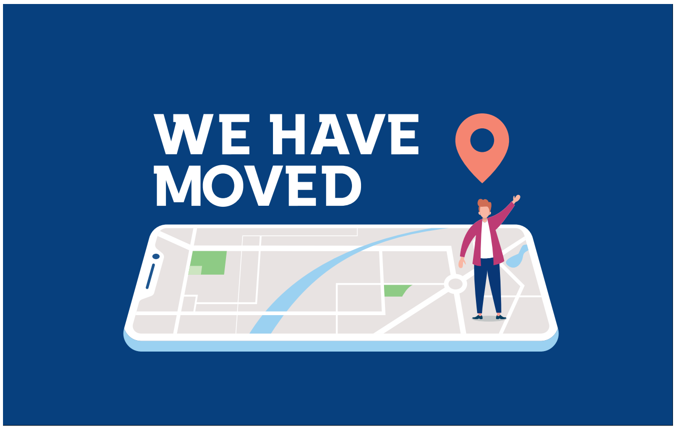
Figure 8.30 Operational repositioning

Expansion or renovation

A business may reposition by simply expanding its size without changing too many processes or ways of working. For example, a cafe with only indoor space may investigate footpath dining options – almost considered essential for Queensland and its climate – or renovate its current space to update the kitchen with the latest technology and make more space available for customers. Other examples include service stations that add more bowsers, banks that install more ATMs, a law firm that acquires more office space and a caravan park that builds new cabins or bathroom precincts and provides more powered sites for campers. A fresh update by a business can attract consumer interest and, if done effectively, can allow the business to move out of its decline state.

Changing locations

Another operational repositioning strategy a business could adopt is to change locations while continuing to operate using the same processes. There can be many advantages of changing locations, including increased street presence or foot traffic, better facilities or reduced rent. Changing locations can also bring risk, such as loss of visibility or failure of the new facilities to provide the same reliability as the former location. The operations management team needs to plan strategically for this change by analysing risks and evaluating alternatives.



Zatria.Creative/Shutterstock.com

Figure 8.31 Businesses can reposition by moving locations.

Utilising emerging technologies

It is an expectation today that businesses should evolve and adopt new and emerging technologies into the business in order to foster competitiveness in the market. There are many businesses in the post-maturity stage that slip into steady state or decline because they fail to utilise technology to their advantage. The most simple example is businesses that fail to implement electronic funds transfer at point of sale (EFTPOS) into their business, thus limiting their appeal to potential customers. EFTPOS technology is not considered new or emerging – it was first around in the 1980s – but its impact on businesses conducting sales today is obvious. Fast-forwarding to today, different businesses (depending on their industry) can use emerging technologies to save themselves from post-maturity. Examples include cafes and food outlets using food delivery or online ordering apps, retailers partnering with 'buy now, pay later' credit providers, manufacturers using 3D printing for prototyping, and builders providing virtual tours of homes.

GAINING INSIGHT 8.10

Skip: Meeting society's needs through online ordering

giggsy25/Shutterstock.com

Figure 8.32 Online ordering is allowing businesses to provide more convenient services to the market.

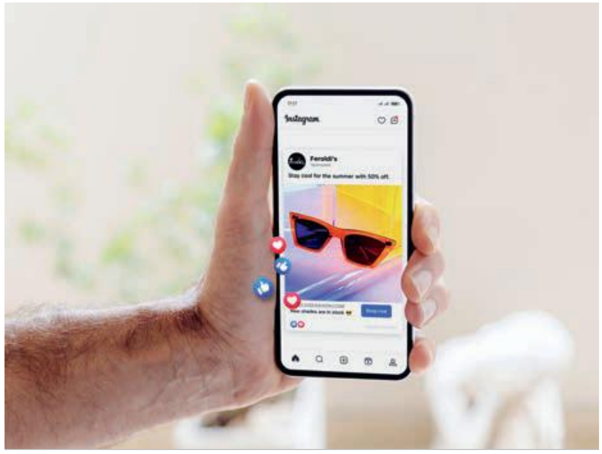
Skip is an Australian-based digital ordering platform that supports hospitality venues like cafes, restaurants and pubs across the country. It provides solutions for takeaway, delivery and table ordering via QR codes, helping venues streamline their operations. Skip integrates with existing POS systems and offers local customer support, which ensures quick assistance tailored to the Australian market. Additionally, the platform connects venues to over a million Skip users, driving customer engagement and growth for businesses throughout Australia.

Weblink
Skip

Follow the link found on Nelson MindTap to the Skip website for venues. Read the information provided and then recommend a business in your local area that could reposition its ordering using Skip.

rosstomeiShutterstock.com

Figure 8.33 Afterpay also allows retailers to attract customers and avoid decline by offering an alternative payment solution.



Alex Photo Stock/Shutterstock.com

Figure 8.34 Instagram Shopping is also a useful tool for businesses who want to to utilise a digital platform with large user base.

GAINING INSIGHT 8.11

Digital marketer Kate Wilson from Brisbane shares her tips for a business that wants to reposition itself online

Kate Wilson

Figure 8.35 Kate Wilson has provided social media and digital strategies and consulting to both employers and clients.

Interviewer: How have you assisted businesses to reposition using digitial and online tools?
Kate: One example is a client I had who had been running her business for decades. She wanted to streamline operations because she could no longer put the same time and energy into the business. Her website sold physical products, but it wasn't working efficiently. I taught her how to automate many tasks. For example, she could have the books sent out by a third party and set up a website to take payments automatically, so she didn't need to manually check if payments had landed in the bank.

For another client who has been teaching the card game bridge for 30 years, we revamped her website. Previously, she offered free lessons, but we transformed that into a subscription-based online school. Now, people log in to access her lessons and it's provided a new revenue stream. Instead of travelling to bridge clubs across Australia for small fees, she now has subscribers paying each month. It's not a lot per person, but the sheer number of people has made a huge difference.

Kiefer Photography/Shutterstock.com

Figure 8.36 Digital marketers help businesses develop online sales and automation processes.

Interviewer: What advice would you give to businesses trying to engage with social media more effectively?
Kate: Consistency is key. Many businesses put social media on the back burner or only do it sporadically.

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They'll handle everything else first and then suddenly realise, 'Oh, I haven't posted on Instagram or TikTok', and rush to post a bunch of content all at once. That doesn't work. You need a consistent and regular presence on social media to see results. It's why many businesses engage consultants – they need a network to keep them on track or to take care of it entirely. Social media is also a great way to show some personality, unlike a website, which is more about listing services and products.

Interviewer: Why do you believe businesses should seek out consulting services?

Kate: It's about saving time and tapping into expertise. Some clients know what they should be doing on line and with social media but lack the confidence to do it, so I provide training. Other times, it's just not practical to hire someone full-time for things if they only need a few hours of help each month. In those cases, it's much more efficient to outsource the work.

Question

Using the interview responses as inspiration, identify and explain three other ways a business in post-maturity might be able to resposition using emerging technologies and digital tools.

GAINING INSIGHT 8.12

Woolworths introduces brand new Scan&Go feature

Woolworths is trialling an Australian-first 'Scan&Go Trolley' that lets shoppers scan items, bag groceries and track spending using a digital tablet attached to their trolley – no phone is needed. This new technology aims to boost convenience and budgeting, and, if successful, could roll out nationwide with added features like on-device payment.

Read the article 'Woolworths introduces brand new Scan&Go feature' on the News.com.au website and answer the questions that follow.

Weblink
Scan&Go article

GiselleA/Shutterstock.com

Figure 8.37 Woolworths is attempting to meet customer needs by introducing more technology instore to streamline the grocery shopping experience.

Daria Nipot/Shutterstock.com

Figure 8.38 Scan&Go is a concept that allows customers to finalise the checkout process quickly.

Questions

1 List the range of new operational strategies being rolled out by Woolworths.
2 Explain how these strategies from Woolworths align with operational repositioning.
3 Explain the strategic benefit to Woolworths of trialling new services in specific stores.

The relationship between operational and human resources repositioning strategies

There is a relationship between operational repositioning and human resources repositioning because changes made in the production and transformation process impact on staff; for example:

- if the business introduces new technologies to the business that reduce the need for staff
- if the business is suffering decline in an area of the business and chooses to shut it down
- if changing locations increases a business's efficiency
- if a business is undergoing an organisational restructure and succession planning is needed.

In these instances, the operations management team needs to work with the human resources management team to make sure any redundancies, changes in departments and succession plans are reasonable and that staff are looked after in the best way possible.

QUESTIONS 8.3

1. Explain the importance to businesses of using repositioning strategies if faced with post-maturity.
2. Explain how repositioning can be used by businesses that are not in post-maturity.
3. Select data or information from two businesses in your local area that have repositioned to identify the strategy used and analyse the environmental factors that may have contributed to the repositioning.
4. Explain how technology applications are helping businesses to reposition.
5. Find a business that uses Afterpay (Figure 8.33) or Instagram Shopping (Figure 8.34). Evaluate the business's decision to use one of these options, using all four criteria.

Financial repositioning

Key learnings

You will learn about post-maturity businesses by examining:

- repositioning strategies for the finance function.

The responsibilities of the finance function are to strive to achieve the objectives of profitability, growth, liquidity, solvency and efficiency in a business. By working towards these objectives, a finance function, at its top level of management, is always investigating and acting upon repositioning strategies that will ensure the business meets its objectives. Further, any repositioning that is desired by marketing, human resources or operations functions always needs to be approved by the finance function. Essentially, the finance function is the gatekeeper for a business utilising repositioning strategies. This can put it in a challenging position if the business is facing post-maturity. A business may want to tighten its finances through tough sales periods but, in order to achieve steady state or renewal, the finance function needs to support the other business functions in implementing repositioning strategies that help the business achieve success. Examples might include outlaying funds for a new promotion campaign, coordinating redundancy payouts, utilising new software and technology into the business or absorbing the expense of moving to a new location. If the business decides to close, the finance function will be given significant responsibility to ensure it does so in the best financial position for its owners and investors. Figure 8.39 identifies the ways in which finance can instigate repositioning strategies based on its objectives.

Profitability	Increase sales by funding new marketing initiatives or cutting ineffective marketing expenses	Marketing relies on these financial decisions to prioritise and fund its campaigns and initiatives
Growth and solvency	Explore mergers, acquisitions and strategic partnerships	Human resources may need to restructure different business teams and leadership roles to support growth
Liquidity	Strengthen credit or master service agreements with customers or implement digital payment solutions	The finance function would be impacted the most by focusing on liquidity
Efficiency	Change how assets are used in the business (increased usage or disposal) or consider downsizing	Changes in operations require retraining of staff and a review of resource planning in the business (e.g. tools being used and number of staff required)

Figure 8.39 The finance function may reposition based on its objectives. These changes can affect the other key business functions.

Gorodenkoff/Shutterstock.com

Figure 8.40 The finance function needs to carefully consider the costs and expected return of using repositioning strategies for a post-mature business.

QUESTIONS 8.4

1. Explain the relationship between finance and the other key business functions when considering repositioning.
2. Explain the relationship between growth and solvency for a business in post-maturity.
3. Propose a list of questions the finance function should ask if wanting to evaluate a repositioning strategy against the five objectives.

Sustainability

Key learnings

You will learn about repositioning strategies for post-mature businesses by examining:

- sustainability
- business ethics
- environmental, social and governance (ESG)
- corporate social responsibility
- triple bottom line.

Due to advances in science and technology, people of the 21st century are socially and environmentally aware of the impact that humans have on the world. This growing understanding has influenced businesses to reshape how they operate to become more sustainable. In a business context, **sustainability** occurs when an organisation strives to meet its current needs while considering future generations in its strategic planning and risk management. Sustainable practices can be organisation-wide and are not limited to the four business functions or levels of management. Some of the most popular sustainability strategies include:

- supporting the local community
- minimising waste
- creating energy efficiency
- ensuring sustainable sourcing of supplies
- fostering the employee experience.

These can be effective repositioning strategies or be implemented as entire business transformation (see Chapter 10).

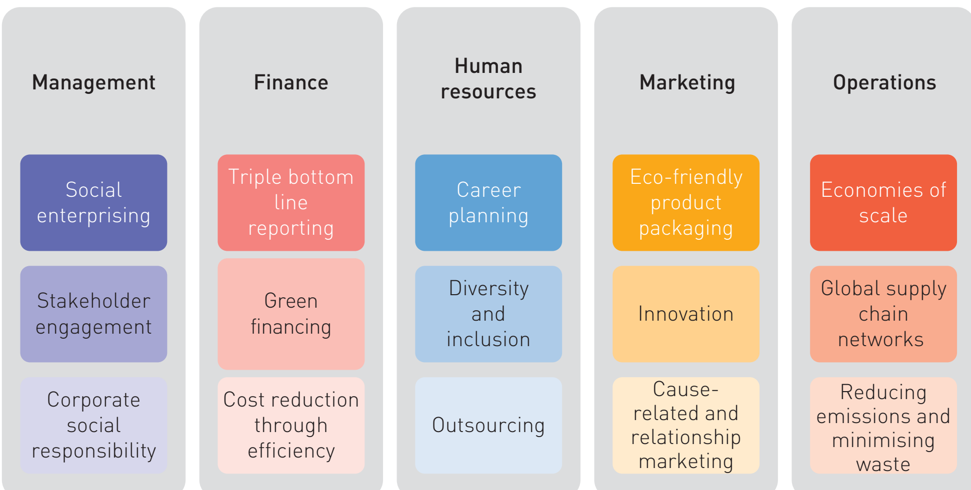

Figure 8.41 Some popular sustainability strategies used by businesses, according to function

Sustainability: the ability to maintain or support a process over time; in business it seeks to reduce the depletion of resources and ensure the long-term viability of society

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As the term 'sustainability' is broad, this text will focus on four key areas of business sustainability: business ethics; **environmental, social and governance (ESG)**; corporate social responsibility; and triple bottom line. Current literature shows a relationship and similarities between these business approaches (Figure 8.42).

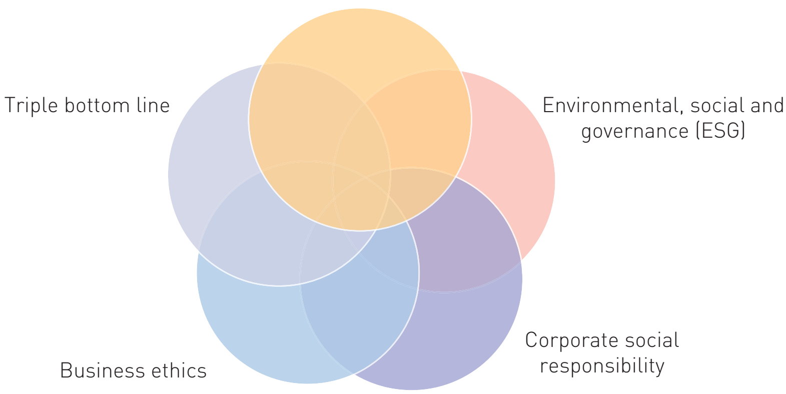


Figure 8.42 The range of sustainable focused business practices, while different, are linked by a common theme of contributing to a positive future for society.

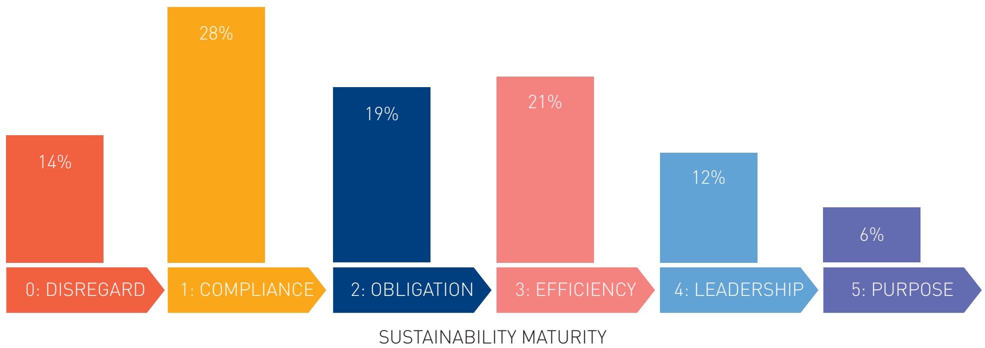
GAINING INSIGHT 8.13

Advancing Business Sustainability Report

The 'Advancing Business Sustainability Report 2023' by Business Chamber Queensland provides insights into how Queensland businesses are progressing in their sustainability journeys. The report highlights that many businesses are motivated by external pressures, such as consumer demand and sustainable supply chain requirements, to adopt sustainable practices beyond the minimum compliance levels.

Here are some of the key findings in the report, which is available for download from the Business Chamber Queensland website. This link can be found on Nelson MindTap.

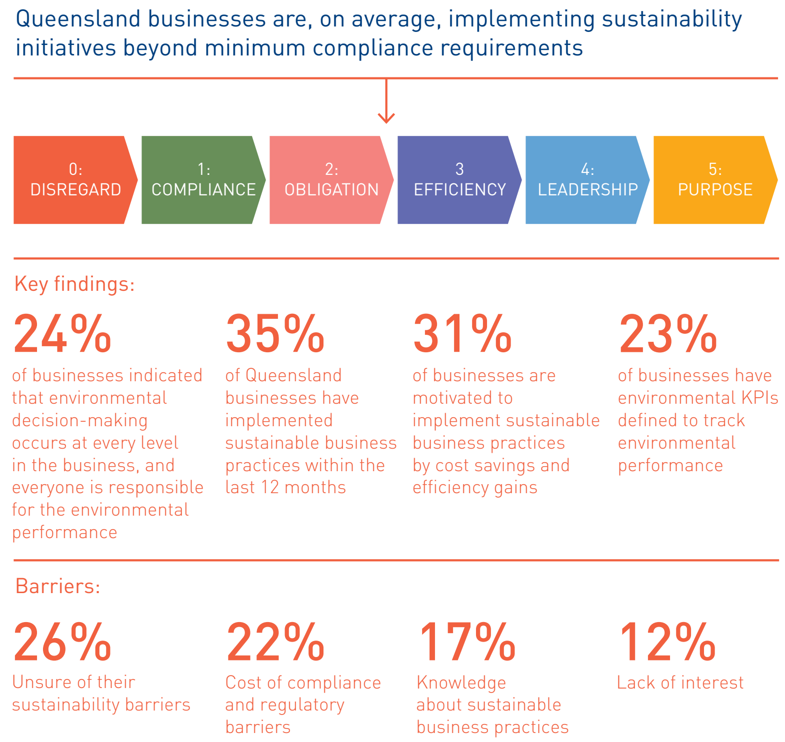
Weblink
Advancing Business Sustainability Report 2023



Source: *Advancing Business Sustainability Report 2023*, Business Chamber Queensland, p. 5

Figure 8.43 The percentage of Queensland businesses surveyed and the level of which they are achieving in terms of sustainability

Environmental, social and governance (ESG): a framework used to evaluate how effectively a businesses plans and performs in relation to environmental impact, social responsibility and governance practices to ensure long-term sustainability and ethical operations



Source: *Advancing Business Sustainability Report 2023*, Business Chamber Queensland, p. 6

Figure 8.44 Key findings from the 2023 report

An additional insight from the report showed that businesses increasingly recognise sustainability as crucial for maintaining competitiveness, especially as Queensland prepares for significant events like the 2032 Brisbane Olympics, which are expected to drive further demand for sustainable practices.

Question

Select a business industry, and **analyse** the benefits and risks for post-mature businesses operating within that industry that want to reposition using sustainable strategies. You are encouraged to reference the information provided, and any additional research to create your response.

Business ethics

Ethical business practices underpin all sustainable business strategies as ensures that businesses operate with integrity and fairness in all aspects of their operations. It guides decision-making, governance and front-line business activities. It sets moral guidelines for decision-making and behaviour, helping businesses build trust with stakeholders including customers, employees, investors and the community. By adhering to ethical standards, businesses can avoid harmful practices, reduce legal risks and create a positive reputation, all of which contribute to long-term success.

The adoption of business ethics starts at the top with a business's management team, but there are also industry standards for some occupations. Such is the case for medicine where doctors must comply with the Australian Medical Association (AMA) Code of Ethics, while the Queensland College of Teachers (QCT) also has a code of ethics for teachers and educators.

iStock.com/alvarez

Rido/Shutterstock.com

Figure 8.45 Medical practitioners and teachers must abide by codes of ethics in their occupation.

Environmental, social and governance (ESG)

Australia operates within a capitalist system, where businesses in the private sector drive trade with the primary goal of making a profit, rather than being controlled by the government (public sector). In this context, sustainability and business ethics are increasingly important, and the framework that reports on how effectively a private sector business manages these factors is known as environmental, social and governance (ESG). ESG provides a measurable framework for assessing how businesses handle risks and opportunities in these areas. It informs investors, regulators and customers about a company's objectives and performance in key ESG categories, which is why it has been widely adopted by many large Australian companies. ESG also supports business decision-making, enhances brand reputation and can be used in product development and marketing strategies. For companies in the post-maturity phase, ESG can serve as a valuable repositioning tool, helping to refresh strategic planning and demonstrate how the business is evolving to meet modern market standards.

dee karen/Shutterstock.com

Figure 8.46 ESG is considered an ethical and sustainable business reporting framework that complements financial reporting requirements for business.

The ESG framework emerged in the mid-2000s when institutional investors such as super funds and private equity firms began formalising their approach to non-financial performance metrics. Then, in 2004, a report was issued by the UN Global Compact, where the ESG acronym was officially coined. This report emphasised that environmental, social and governance factors should be considered alongside financial performance, regulatory compliance and risk management in investment decisions – all of which are now recognised as fundamental to business sustainability. These metrics are outlined in Figure 8.47.

Image sources (left to right): Benoit Deschasaux/Shutterstock.com; Cagkan Sayin/Shutterstock.com; Fizkes/Shutterstock.com

Figure 8.47 ESG can be broken down into key areas.

Companies wanting to adopt ESG into their strategic planning and annual reporting will need to research the ESG benchmarks relevant to their market. This can include:

- checking regulatory guidelines for requirements (e.g. from the Australian Securities Exchange)
- seeking consulting services from ESG rating agencies
- reviewing industry-specific standards or seeking guidance from industry associations
- analysing competitors' ESG reports
- aligning with sustainability certifications, such as ISO 14001: Environmental Management Systems Certification.

Corporate social responsibility

Corporate social responsibility (CSR) shares similar principles to ESG, but instead focuses on the voluntary actions of businesses to positively support the community in which it operates. Hence, it is often adopted by small- and medium-sized businesses as it doesn't rely on benchmark reporting, which can be expensive to fund. CSR is important for enhancing a business's reputation, fostering trust and contributing to social good, even if not directly linked to financial reporting.

The concept of CSR was founded in 1953 by Howard Bowen and, by 1991, Archie B. Carroll, a professor of business management, developed the 'corporate social responsibility pyramid' to represent the different levels of social responsibility of business. His research indicated that a business can exercise CSR in four main ways: economically, legally, ethically and philanthropically (Figure 8.48).

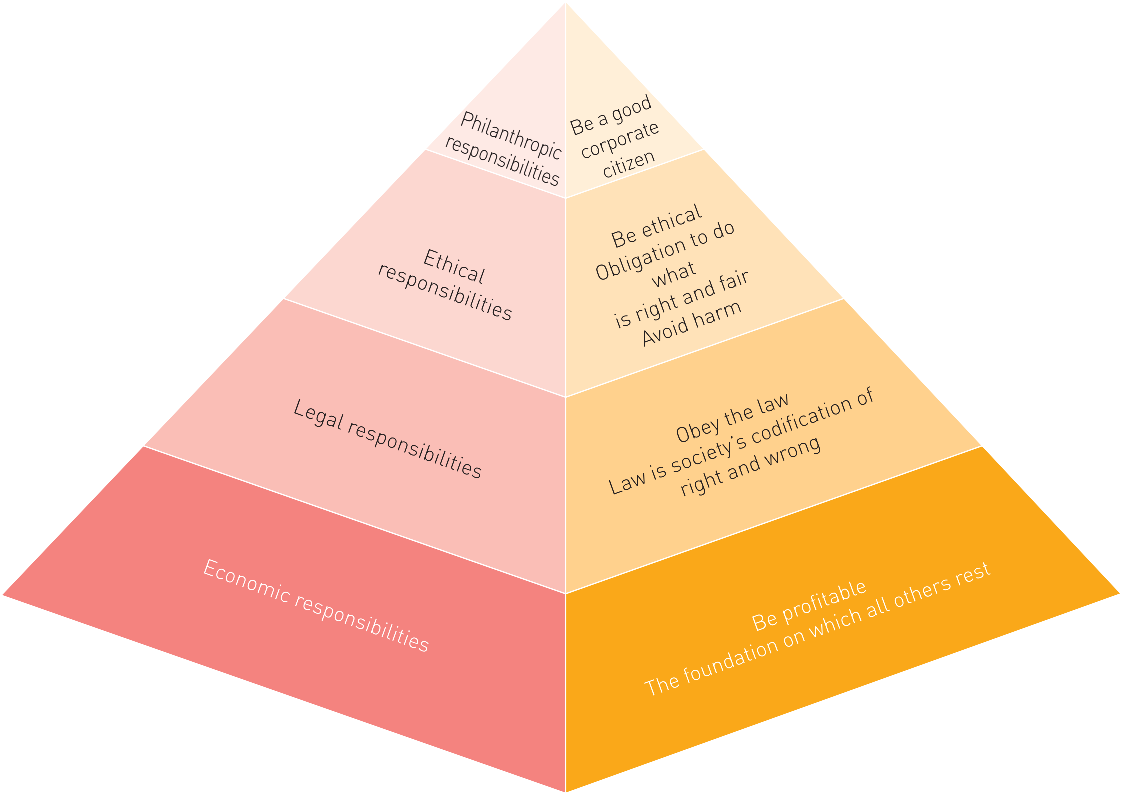


Figure 8.48 Carroll's CSR pyramid

Economic responsibility

The first level of Carroll's CSR pyramid highlights a business's economic responsibility. In addition to being profitable, businesses should strive to strengthen over time, earn profits, stay competitive, operate efficiently and improve shareholder returns. For post-mature businesses, auditing these criteria can reveal gaps and guide repositioning strategies to improve financial performance. If a business fails to do this effectively, it can lead to business decline.

Legal responsibility

The second level emphasises legal responsibility, where businesses must comply with federal, state and local laws, such as registration, taxation and workplace health and safety. Adhering to these laws ensures the business is viewed as responsible. Failure to meet legal requirements or facing legal disputes can cause decline, particularly for businesses at risk of post-maturity.

Ethical responsibility

The third level addresses ethical responsibility, which, as discussed earlier, requires businesses to operate within societal norms and values, promoting fairness and integrity. Ethical practices enhance relationships with stakeholders and build a positive reputation. Examples include fair trade and fair treatment of employees, which can help businesses appeal to new customers by being seen as morally responsible.

Philanthropic responsibility

Evgeny Atamanenko/Shutterstock.com

Figure 8.49 The Kmart Wishing Tree Appeal supports the work of the Salvation Army.

The fourth level of the pyramid, philanthropic responsibility, involves a business voluntarily supporting society through charitable actions such as fundraising, sponsoring events and employee volunteering. While not mandatory like economic or legal responsibilities, philanthropy allows businesses to show that they value community welfare alongside profit. It can also be a repositioning strategy, as studies show that consumers are often willing to pay more to businesses that demonstrate social responsibility. Figure 8.51 outlines the high level stakeholder benefits of philanthropic activities. Popular and successful philanthropic activities seen in Australia include the establishment of Ronald McDonald House by McDonald's, the Indigenous Round initiated by the National Rugby League, the Kmart Wishing Tree Appeal and the Westpac Rescue Helicopter Service. In Australia, the number of businesses that engage in some sort of philanthropic CSR continues to grow.

iStock.com/RugliG

Figure 8.50 Westpac has made a significant contribution to support rescue helicopter services.

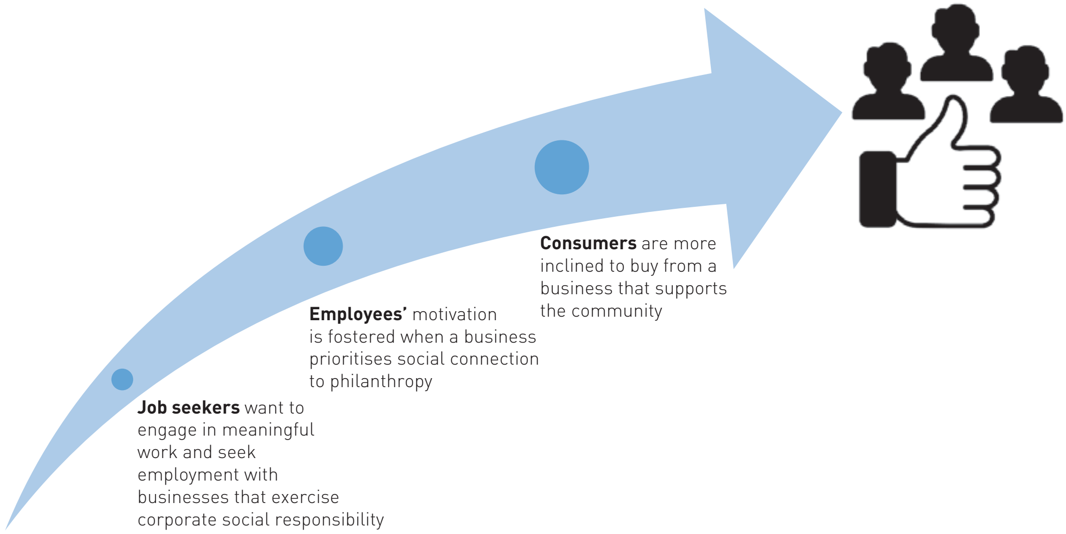


Figure 8.51 Three people-focused benefits for a business that takes on philanthropic responsibility

GAINING INSIGHT 8.14

Specsavers partners with Indigenous artists to champion culture and community

Specsavers has collaborated with Gurindji Waanyi artists Sarrita and Tarisse King to create a limited-edition eyewear collection featuring their contemporary Aboriginal artwork. This partnership aims to celebrate Indigenous culture and promote greater representation in the retail sector. Additionally, Specsavers is demonstrating its commitment to social responsibility by donating a portion of the proceeds to The Fred Hollows Foundation and The Shepherd Centre, organisations dedicated to improving vision and hearing health.

Dr. Victor Wong/Shutterstock.com

Lisa Maree Williams/Getty Images Entertainment/Getty Images

Figure 8.52 Specsavers' latest frames feature striking Indigenous artwork by artists Sarrita and Tarisse King, highlighting their continued connection with The Fred Hollows Foundation.

Question

Read the article 'Specsavers launch collaboration with Gurindji Waanyi artists to support Indigenous eye health', published in the *National Indigenous Times*, to analyse and interpret how this Specsavers initiative demonstrates both marketing and sustainability repositing strategies. Write two paragraphs of 100 to 200 words each.

Weblink
Specsavers article

GAINING INSIGHT 8.15

What is the Fairtrade Mark?

picture alliance/ picture alliance/ Getty Images

This Mark is only used by organisations, brands and products that are part of the Fairtrade International system.

It represents the fair and transparent journey the certified product has taken. It means that each linkage in the supply chain was independently audited against the Fairtrade standards.

Source: https://fairtradeanz.org/what-is-fairtrade

Starbucks is an example of a business that utilised fair trade to reposition itself after slipping into decline in Australia back in 2008 where it failed to meet market expectation and 61 of its 84 stores had closed. Along with repositioning itself to high-tourist, urban markets, its Fair Trade campaign in 2009 helped pull the business out of decline and into a steady state, though it has not been able to increase its market position strongly since then.

Question

List six other businesses that utilise the Fairtrade Mark on their products.


EyeofPaul/Shutterstock.com

Figure 8.53 Starbucks used a Fairtrade campaign to pull the business out of decline and into a steady state.

In other instances, some businesses may internally promote ethical standards as part of their policies and procedures manual to ensure all staff in the business treat stakeholders in the same manner. This could be an effective strategy for a business in post-maturity if its decline is a result of customer dissatisfaction and the business responds by putting a policy in place to improve customer service. If done effectively, ethical responsibility could revive a business into renewal.

Triple bottom line

While similar to ESG, the concept of the **triple bottom line** was formed in 1994 by John Elkington and refers to a business reporting its financial results (profit – the traditional 'bottom line') as well as measuring its social ('people') and environmental ('planet') performance over a 12-month period. The use of the triple bottom line could be a repositioning strategy for a business as it is suggested that, if a business is successful from a qualitative perspective in all three pillars, it has achieved sustainability (Figure 8.54). This data may appeal to investors, and also to communities, customers and employees.

Triple bottom line: an accounting framework that broadens a business's focus from only the financial bottom line to include social and environmental considerations

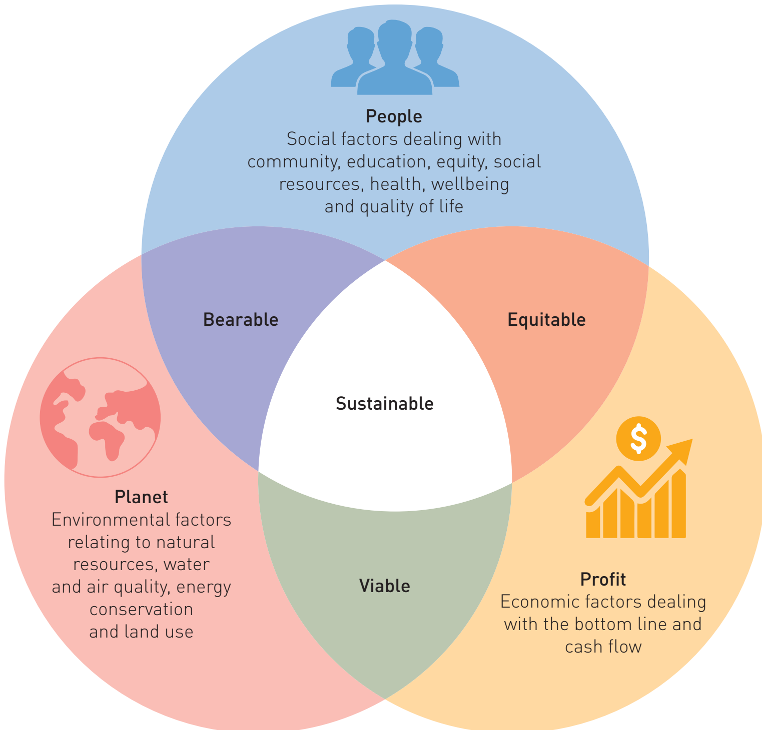


Figure 8.54 Under the triple bottom line approach, sustainability is achieved when profit, people and planet factors are all successfully managed.

The 'profit' pillar is related to traditional financial performance and linked to profit, revenue and return on investment, all of which should be in a relatively stable position for a business in post-maturity. The 'people' pillar is related to social performance and the ways in which the business supports humanity. Factors on which performance is based could include:

- monitoring the number of employees
- providing a diverse range of roles
- minimising the gender pay gap
- providing training and education
- offering flexible working arrangements
- philanthropic corporate social responsibility.

The business might validate its success based on the performance of competitors or against living standard indicators or other indexes.

The 'planet' pillar relates to environmental performance and focuses on how the business is managing its consumption of natural resources by achieving set targets. Examples can include:

- carbon emissions
- electricity and water usage and costs
- successful implementation of solar technology
- minimising the volume of waste
- recycling initiatives
- planning for how land is used
- reducing safety incidents.

There are currently no universal standards in place to measure the triple bottom line and this is where ESG comes to the forefront, as not only does it have similarities to the pillars above, but it also records key benchmarks for governance and risk management, which isn't a feature of the triple bottom line.

QUESTIONS 8.5

1. **Explain** the concept of sustainability as a repositioning strategy.
2. **Explain** the interrelationship between ESG and corporate social responsibility.
3. **Explain** the interrelationship between ESG and the triple bottom line.
4. **Create** a table like the one below to identify a range of Australian businesses that promote their sustainability strategies. Two examples have been provided for you.

Sustainaibility strategy	Organisation		Description of activity
Business ethics	1	The Law Society of Queensland	The Law Society of Queensland is the regulator for the legal profession in Queensland, where solicitors must be accredited and hold a practising certificate in order to provide legal services.
	2		
Environment, social and governance (ESG)	3		
	4		
Corporate social responsibility (CSR)	5		
	6		
Triple bottom line (TBL)	7	Intrepid Travel	Intrepid Travel adopts the TBL approach by setting objectives in the three aspects of TBL. Environment – has been a carbon neutral business since 2010. Social – established the Intrepid Foundation, which supports community initiatives and matches public donations dollar for dollar. Economic – is committed to the UN Sustainable Business Goals, and reinvests a portion of its profits into the business to further progress sustainability, as well as donate back into its Intrepid Foundation.
	8		

5. In a paragraph, discuss how a post-mature business you are familiar with could use any or a range of sustainability repositioning strategies to prevent it from exiting the market, or to continue to operate in a steady state.

Weblinks

- EPPEA media release **(p. 297)**
- Pepsi article **(p. 303)**
- HRM article **(p. 309)**
- Atlassian – Team Anywhere **(p. 313)**
- Fair Work Ombudsman – Redundancy **(p. 314)**
- Skip **(p. 318)**
- Scan&Go article **(p. 320)**
- Advancing Business Sustainability Report 2023 **(p. 324)**
- Specsavers article **(p. 330)**

Templates

- Porter's five forces analysis **(pp. 300 and 339)**
- STEEPLE analysis **(pp. 307, 311, 334 and 339)**

Chapter summary

- Chapter 8 Functional and sustainable repositioning **(p. 334)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

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Chapter 8 review

This chapter investigated the influences and strategies surrounding repositioning for a range of businesses, including those in post-maturity. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

Summary
Chapter 8 Functional and sustainable repositioning

8.1 Short response

1 Explain the concept of repositioning for a post-mature business.
2 Explain the strategies a business can use to reposition through:
   a marketing
   b human resources
   c operations
   d finance.
3 Explain how sustainability is an influence for a business that is repositioning.
4 Explain the relationship between sustainability and corporate social responsibility.

8.2 Extended response

Create feasibility report extracts (i.e. paragraph responses in genre) to respond to the following.

Template
STEEPLE analysis

1 Describe the features of a large business that is at risk of post-maturity.
2 Analyse the business's sustainability situation by selecting data and information relating to sustainable repositioning strategies for a business using STEEPLE analysis. Interpret relationship/s and trend/s in the STEEPLE analysis to draw conclusions about the implications of the sustainability as a repositioning strategy for the business.
3 Evaluate two repositioning strategies that the business could adopt to guide its path as a post-mature business using the criteria of efficiency and competitiveness to propose recommendations.

Case study 3: Repositioning a business

Tupperware: A brand that everyone knows couldn't survive post-maturity

Tupperware is a globally recognised brand known for its high-quality, durable plastic food storage. Despite its strong brand legacy and lifetime warranty, Tupperware has faced significant challenges in recent years, including declining sales and increased competition from cheaper, more sustainable alternatives.

Source 1

Tupperware files for bankruptcy: A brand icon faces a critical crossroads

Tupperware, once a global household name known for its colourful, airtight containers and iconic 'Tupperware parties', filed for Chapter 11 bankruptcy in the US late in 2024.

Founded in 1942 by Earl Tupper, the brand gained momentum in the 1950s through Tupperware Parties, a home-based direct-sales model. These gatherings helped the company scale rapidly and empowered a generation of women by creating new opportunities for independence and entrepreneurship.

But in recent years, the brand has struggled to evolve, with changing consumer preferences and the rise of online competitors. While it did attempt to modernise, including selling directly online, its revenue continued to fall at a rapid rate – dropping from US$2.67 billion in 2013 to just US$1.3 billion by 2022.

According to CEO Laurie Goldman, 'The company's financial position has been severely impacted by the challenging macroeconomic environment'. She described the Chapter 11 filing as 'the best path forward', giving the business room to restructure and accelerate its digital transformation. Chapter 11 allows businesses to reorganise debt while continuing operations, unlike Chapter 7, which typically results in liquidation.

Tupperware briefly benefited from increased demand during the COVID-19 pandemic, but post-pandemic pressures, including competition from other food storage brands, rising raw material costs and a loss in relevance impacted the brand negatively.

In Australia, the impact was direct and immediate. Tupperware ceased operations locally in December 2024, resulting in the closure of warehousing and the loss of income for approximately 10 000 independent consultants and 300 staff.

Oleksiichik/Shutterstock.com

Figure C3.1 Tupperware, like all long-standing businesses, rebranded over time.

Daily Herald Archive/Getty Images

Figure C3.2 A sample photo of a Tupperware home party set up, that was repeated across many countries of the world including the USA and Australia.

Oleksiichik/Shutterstock.com

Figure C3.3 It was often easy to recognise Tupperware products due to their bold use of colour.

Source 2

Post-maturity information on Tupperware

Clockwise from left: BeautyStars/Shutterstock.com; vectorfusionart/Shutterstock.com; jittawit21/Shutterstock.com; sommart sombutwanitkul/Shutterstock.com; Dilok Klaisataporn/Shutterstock.com; dae sung Hwang/Shutterstock.com; Tamer A Soliman/Shutterstock.com; Andrii Yalanskyi/Shutterstock.com

Figure C3.4 Post-maturity information on Tupperware

Source 3

Tupperware's financials

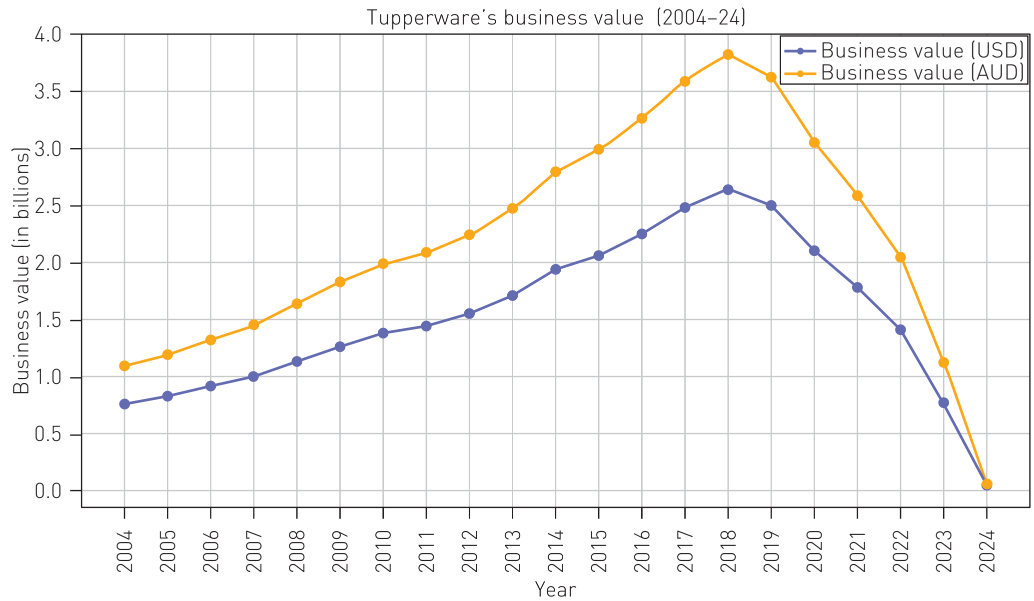

Figure C3.5 Tupperware's value over 20 years

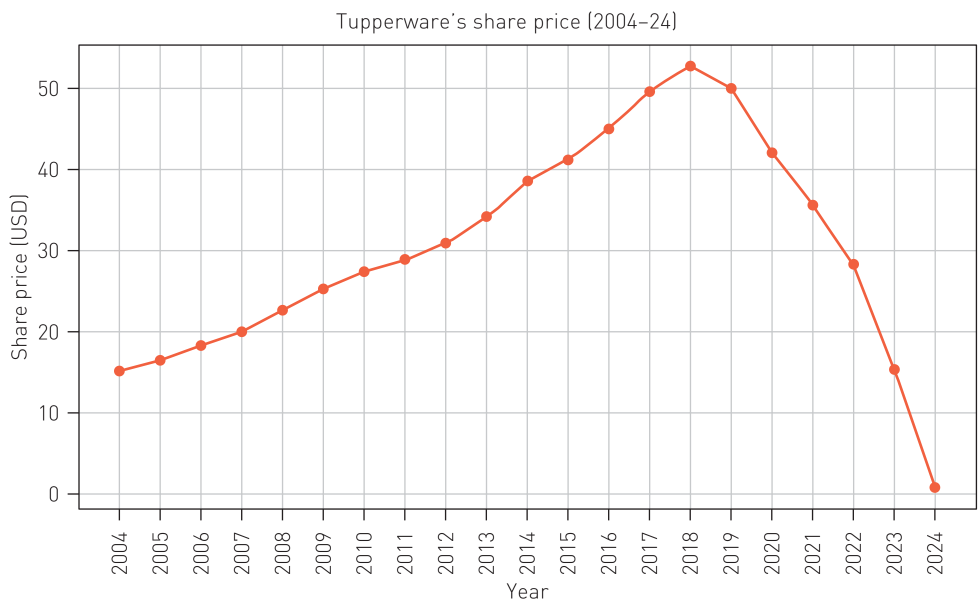

Figure C3.6 Tupperware's share price over 20 years

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Source 4

Tupperware's product range

- **Food storage containers:** airtight containers including the popular Modular Mates, VentSmart and FridgeSmart product lines.
- **On-the-go solutions:** eco bottles, lunch boxes and snack containers.
- **Kitchen preparation tools:** mixing bowls, measuring cups and chopping tools.
- **Microwave cooking products:** MicroPro Grill, MicroCook and steamers.
- **Baking essentials:** silicone bakeware and freezer moulds.
- **Fridge and pantry organisation:** stacking canisters, space savers and fresh containers.
- **Eco-friendly and reusable products:** reusable straws and eco water bottles.

T. Schneider/Shutterstock.com

Figure C3.7 Tupperware provided a wide range of storages solutions.

Source 5

Tupperware's biggest competitors and their USP

1. **Sistema:** *Eco-friendly, BPA-free plastic products designed for convenience and durability.* Available at Coles, Woolworths, Big W, Target, Kmart and Amazon Australia
2. **Rubbermaid:** *Durable and versatile household products with an emphasis on affordable, high-quality storage solutions.* Available at Kmart, Big W, Officeworks and Amazon Australia
3. **OXO:** *Ergonomic, high-quality kitchen tools and storage solutions that focus on user comfort and innovation.* Available at David Jones, Myer, Kitchen Warehouse, House, Amazon Australia and The Good Guys.

Left: The Image Party/Shutterstock.com; right: Dcwcreations/Shutterstock.com

Figure C3.8 Tupperware's key competitors include Rubbermaid, Sistema and Oxo.

Source 6

Sales approaches relevant to Tupperware

Sales approach	Direct sales	Multi-level marketing (MLM)
Structure	In direct sales, individuals sell products directly to consumers, typically through one-on-one demonstrations, parties or catalogues.	In MLM, salespeople earn commissions from both direct sales and the sales made by their recruits.
Income	Earnings are primarily based on the sales a person makes.	Income is generated through personal sales and also from the recruitment of new salespeople and the sales they generate.
Growth model	Focuses on personal sales and customer relationships.	Focuses on building a network of sellers, where higher levels of the hierarchy earn a percentage of the sales made by lower levels.

Which one is Tupperware?

Tupperware operates using a hybrid model that combines both MLM and direct sales elements:

1 *Direct sales:* Traditionally, Tupperware's sales model was based on direct sales through in-home parties where consultants demonstrated products and sold directly to consumers.
2 *MLM elements:* Over time, Tupperware also incorporated MLM aspects, where consultants could recruit new sellers and earn commissions from their recruits' sales. This created multiple levels of income, aligning it with MLM characteristics.

Tan Le/Getty Images

Figure C3.9 Tupperware's sales model was built on demonstrating its products through in-home parties and selling from consultants.

Questions

1 Interpret the business situation faced by Tupperware that led to its post-maturity decline.
2 Analyse Tupperware's business situation using both a Porter's five forces and a STEEPLE analysis.
3 Interpret a trend or relationship from the Porter's five forces and STEEPLE (four in total) to draw conclusions regarding the decline of Tupperware.
4 Evaluate Tupperware's repositioning decisions using the criteria of effectiveness and competitiveness. Provide recommendations for what Tupperware should have done at an earlier point in its life cycle to avoid bankruptcy and its potential exit from the market.

Templates
Porter's five forces analysis

STEEPLE analysis

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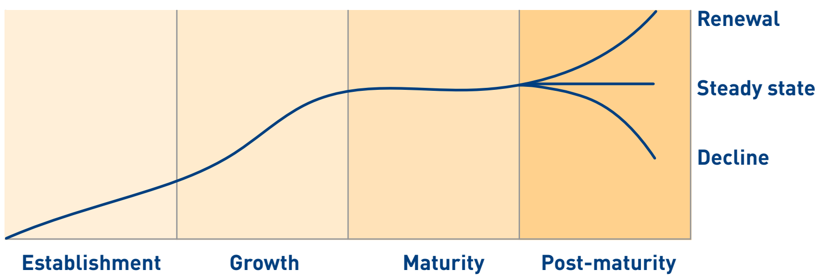
Unit 4

Business evolution

Topic 2
Transformation of a business

CHANGE MANAGEMENT

POST-MATURITY STAGE



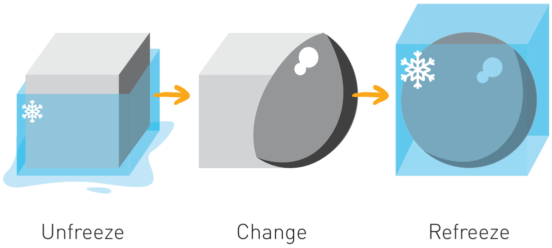
THEORIES AND MODELS

KOTTER'S EIGHT-STEP MODEL

Eight steps for leading change

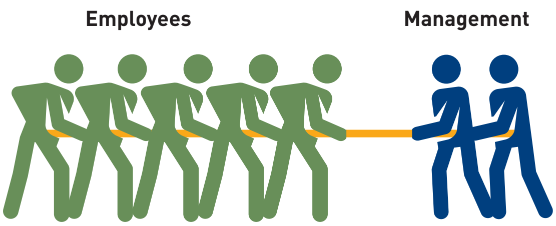
9780170484367

LEWIN'S THREE-STEP MODEL

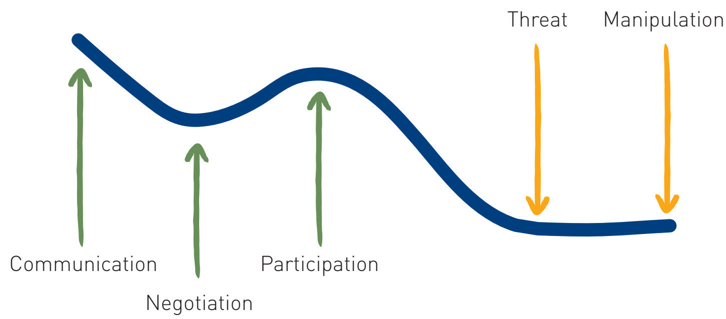


DRIVERS OF CHANGE

RESISTANCE TO CHANGE



OVERCOMING RESISTANCE TO CHANGE



RENEWAL OUTCOMES

MANAGEMENT STYLES

MANAGEMENT STRATEGIES

9 CHANGE MANAGEMENT

What you will learn

The world is changing much more rapidly than most people realise. We are exposed to new ideas, new technology and new ways of doing things. We live in an innovation-driven world where there is perpetual progress and change.

Change in business is also inevitable. The business world is a dynamic and evolving environment that experiences rapid change. Being willing and able to adapt to change is a quality any successful business needs. A business should embrace change, for change is an opportunity to evolve and grow. Without change, a business would lose its competitive edge and fail to meet the needs of consumers.

In this chapter, the focus will be on post-mature businesses. A business in the post-maturity stage of the business life cycle could experience three options:

- *steady state* – sales remain plateaued, the business neither expands nor declines
- *decline* – decreased sales could result in closure of the business
- *renewal* – a business increases sales and improves market share by introducing a new product or service.

These options could influence a business to consider a transformation and a new focus on change management and renewal outcomes.

This chapter will explore the strategies that influence the transformation of a business, focusing on change management. In this section, the focus will be on a business that has been in operation and has moved past the maturity stage in the business life cycle. This may require it to transform to remain competitive and to meet consumer needs.

This chapter will provide you with the opportunity to:

- **describe** business situations and environments relating to transformation of a business in the post-maturity stage of the business life cycle
- **explain** business concepts and strategies relating to transformation of a business
- **analyse** and **interpret** business situations, environments and the key business functions relating to transformation of a business using analytical tools
- **evaluate** transformation strategies to make decisions and propose recommendations
- **create** responses that **communicate** meaning to suit audience, context and purpose.

The analytical tools used in this chapter are:

- SWOT analysis
- force field analysis.

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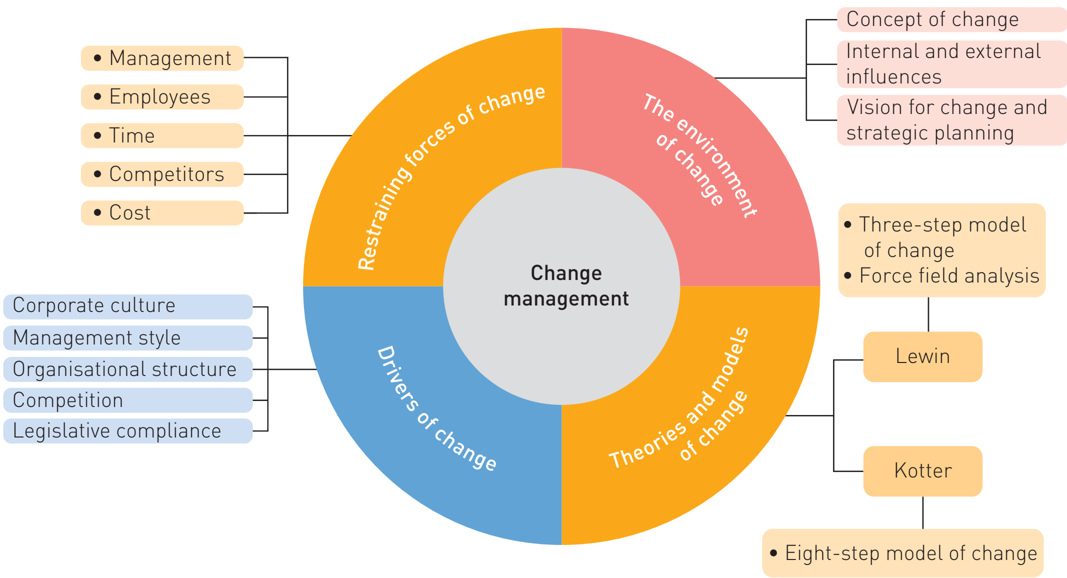

GAINING INSIGHT 9.1

It's time to transform

FOCUS QUESTION: How does a business begin to transform?

Coca-Cola

When the Coca-Cola Company began operations in the late 1800s, it could not have envisaged that it would become a billion-dollar business. The company is now a global network that operates in more than 200 countries and produces nearly 500 brands. Coca-Cola has become a powerful leader in the beverage industry and has strengthened its position through change. The business has a strong foundation in its product and is one of the most recognisable brands in the world. It remains focused on its consumers and diversifies to meet their ever-changing needs (Figure 9.1). Coca-Cola is an innovative business that has grown into a massive global industry with innumerable products.

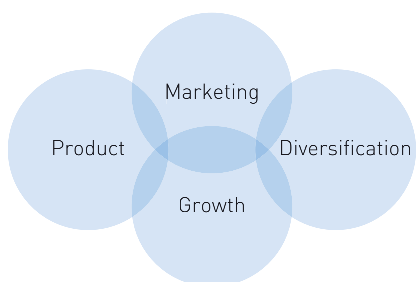

Figure 9.1 Coca-Cola: an innovative business

Product

Coca-Cola is continually changing its products to meet the needs of its customers. Introducing a new product to the market is a challenging and often risky strategy for a business. However, Coca-Cola has successfully expanded its portfolio from regular and low-kilojoule soft drink to waters, sports drinks, energy drinks, teas, flavoured milk and no-sugar flavoured sparkling soft drinks. The company aims to match the diverse tastes of customers with new flavour sensations. In 2018 it offered limited-edition flavours such as 'Coca-Cola orange no sugar' and introduced four varieties to its Diet Coke range – Ginger Lime, Feisty Cherry, Zesty Blood Orange and Twisted Mango (Figure 9.2). The new Diet Coke flavours were marketed with modernised packaging and new advertisements. This followed two years of industry research and development. Coca-Cola's researchers tested more than 30 new recipes with more than 10 000 people before deciding on the bold new flavours.

Sheila Fitzgerald/Shutterstock.com

Figure 9.2 Diet Coke range

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The product aimed at appealing to new audiences – the younger 'millennials' generation. Millennials are characterised as being adventurous and bold, and that is exactly how the taste of the new Diet Coke range could be described. Diet Coke had been the weakest link in the company's range, with the brand's sales declining significantly. The change was an attempt to turn this around. Coca-Cola is committed to ensuring that its customers continue to enjoy its products and has announced it will reduce sugar further in its products.

Growth

Coca-Cola continues to increase its market share in the beverage industry by focusing on innovation and growth. Interestingly, Coca-Cola has learnt some valuable lessons from product failure. Sprite 3G was introduced in 2005 to compete with energy drinks such as Red Bull. However, for a variety of reasons, including the product name and the marketing campaign, the product failed to perform. The name was too closely linked to the original product of Sprite. The television advertisement used the 'wrong sprite' theme (a baby sprite goblin) to match the target market. Coca-Cola has used these failures to its advantage to continue to grow. It has continued to evolve and transform into a leading business. Coca-Cola has a commitment to 'growing with conscience'. It is aiming to improve its sustainability by making all its packaging fully recyclable. Coca-Cola is a business that grows the right way – for its consumers and its community (Figure 9.3).

Clare Gainey/Alamy Stock Photo

Figure 9.3 Coca-Cola developed the 'plant bottle', which is up to 30 per cent plant-based and is 100 per cent recyclable.

Marketing

Coca-Cola utilises highly effective marketing strategies that have positioned the business as an industry leader. Through decades of marketing campaigns, Coca-Cola has remained consistent in its approach. It communicates one strong and effective message: Enjoy! It has used simple slogans, such as 'Enjoy' and 'Happiness', that connect with its consumers. Coca-Cola has used innovative strategies to persuade customers to keep buying its brand. The company has achieved this through clever marketing campaigns such as its 'Share a Coke' range (Figure 9.4).

Dreamstime.com/Nufather

Figure 9.4 Share a Coke marketing campaign

The business transformed its label to include customers' names instead of the brand name 'Coca-Cola'. The change reinvigorated the business and Coca-Cola showed a significant growth in sales. The campaign was so successful that Coca-Cola continued to evolve and expand the concept by introducing 'Share a Coke and a Song'. Coca-Cola changed the 'first names' campaign and replaced it with song lyrics from a variety of genres, from classic hits to chart-toppers.

Coca-Cola has created brand experiences through its innovative marketing campaigns. This has contributed to its success story and helped it to achieve brand recognition in the global marketplace.

Diversification

In recent years Coca-Cola has diversified its product range to include healthier options, such as sparkling water, in an attempt to meet consumer needs (Figure 9.5). The business recognised a trend among consumers towards avoiding carbonated, sugary drinks and favouring more 'natural' flavoured drinks. In 2018, Coca-Cola increased its range of products to include kombucha, a naturally fermented tea. Kombucha is a drink that boasts a variety of health benefits, including gut health, and is a probiotic. It is a low-sugar, live-culture organic drink.

Figure 9.5 Coca-Cola: a diverse business

Coca-Cola has further diversified by expanding its operations to include Costa Coffee, one of Europe's largest coffee chains (Figure 9.6). The Coca-Cola business operates by changing to meet the needs of its consumers.

Benjamin John/Alamy Stock Photo

Figure 9.6 Coca-Cola's purchase of the Costa Coffee chain reflects its ability to meet the needs of consumers.

Questions

1 Describe one external macro environmental factor influencing the need for change for Coca-Cola.
2 Explain one way this business has transformed its business. Provide an example in your response.
3 Evaluate one strategy used by Coca-Cola to transform the business using the business criterion of stakeholder satisfaction.

Change management

Key learnings

You will learn the following about change management:

- the concept of change
- change management
- internal and external influences
  - internal environment
  - external operating environment
  - external macro environment
- vision for change and strategic planning.

Concept of change

Change is constant and unavoidable. Most of us don't choose to change. We become comfortable with our daily routines and our lives, and any change can be a source of frustration, fear or stress. Change is not a new concept; what is different today is the rapid pace of change. Change is often forced upon us with the expectation that we will respond. It is how we react to the change that will determine the outcome. Taking a positive, proactive step may be the way forward and help us face the challenges that come with change.

Regardless of the industry, change in business is also inevitable. A business confronts change on an ongoing basis. At some point in time most businesses will undergo some form of change in order to shift in the marketplace. Therefore, a business must also be able to respond to change. Change is an opportunity: a chance for a business to evolve and grow. With shifting markets and the expectations and demands of consumers constantly changing, businesses should embrace change. Nevertheless, change is not an easy process. The ability of a business to respond to change will increasingly determine its competitiveness and survival. Most successful businesses are those that can respond, manage and adapt to change or drive change in the market.

Change is about moving from one state to a different, desired state. The **change process** is moving from the current state, transitioning and then moving to the future desired state (Figure 9.7). The current state is where the process begins. The future state is where the organisation strives to be. In the middle is the transition process. This is where the change must be planned and executed.

Change: the process causing a function or practice in business to become different

Change process: the approach taken to implement change in a business in order to achieve a desired outcome

Figure 9.7 Change process

In business, change refers to the continual alteration of strategies, processes or structures in response to internal pressures and external forces. These pressures could include:

- change in consumer expectations, needs or wants
- change in markets or products sold
- change in how employees perform their job
- change in production processes due to automation or emerging technologies.

GAINING INSIGHT 9.2

McDonald's transforms the fast-food market

In 2014, McDonald's revamped its burger menu in Australia to include the 'Create Your Taste' customisable burger option. This was the biggest change in McDonald's history since the introduction of the breakfast menu in the 1980s. The change occurred in response to the changing demands of consumers. Customers like personalising their food and making their own choices to create a burger. Dine-in customers use a self-serve booth to create a premium burger from gourmet ingredients. A 'McWaiter' serves the burger on a wooden board. The innovation transformed McDonald's and confirmed the business as a leader in the competitive fast-food industry.

Consumer tastes and the food industry are constantly evolving, with new trends and flavours introduced. To remain competitive, McDonald's has committed to changing trends. In 2017, McDonald's changed its menu to introduce 'Gourmet Creations', a deluxe range of burgers available via its drive-through service (Figure 9.8). What is next for McDonald's?

Figure 9.8 Transforming McDonald's

Questions

1. Explain why McDonald's changed its burger menu in Australia to include 'Create Your Taste'.
2. Explain the impact this change could have on McDonald's.

Change management

Change management is a term used to describe the management of a transition from one state to another. When applied to a business, it usually involves a planned method or framework to steer a business from its current state through a transitional state to reach a desired future state. It requires a structured approach that includes planning, implementing, controlling and reviewing processes in a business. The goal of any change is to improve a business's performance and allow it to remain competitive. It is the goal of management to transition the process of change, for the business to adopt the change and for employees to implement and embrace the change.

Change can happen because of unexpected circumstances or intentional actions to facilitate growth or improve competitiveness. The manner in which the business implements the change is what makes it effective and perhaps successful. The aim of change management is to implement strategies for effecting change in a business.

Change management: a planned and structured approach that moves a business from its current state to a desired future state

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GAINING INSIGHT 9.3

A changing force

Amazon has never stopped changing the inventory it sells. Since Amazon went online in 1995, the e-commerce giant has undergone numerous changes (Figure 9.9). It started with the sole purpose of selling books online, advertising itself as 'Earth's biggest bookstore'. Amazon has transformed into a mega-company selling millions of products worldwide. It has become a game-changer in the retail marketplace by changing customer's expectations of online shopping. Amazon offers endless online shopping aisles, fast delivery and unconventional return policies. It disrupted the traditional retail sector. Its approach is customer-centric, prioritising anything that adds value for the consumer. Amazon has become a changing force in how retailers must create engagement in their stores and satisfy the high expectations of their customers.

Fabio Principe/Shutterstock.com

Figure 9.9 Make way for Amazon!

Questions

1 **Explain** why Amazon has changed its business model. Provide an example in your response.
2 Select information about Amazon to **analyse** a strength, weakness, opportunity and threat (SWOT) for Amazon.

A SWOT analysis template is available for you to download on Nelson MindTap.

Template SWOT Analysis

Weblink Amazon

Internal and external influences

As introduced in Chapter 3 of *Business for QCE Units 1 & 2*, the internal and external environment influences a business. This can stem from changes in the workforce to the changing nature of markets and increased competition. For example, the invention of drone deliveries and driverless cars may influence the way a business operates. A business needs to examine, understand and manage influences of change on the internal environment and the external operating and macro environments. When a business is in the post-maturity stage of the business life cycle, it is crucial for it to respond to change in order for it to evolve and succeed.

Internal environmental factors

The internal environment has a direct impact on change in a business. Those factors within a business that can influence change include the owner (or owners) and management, employees, organisational structure and organisational culture (Figure 9.10).

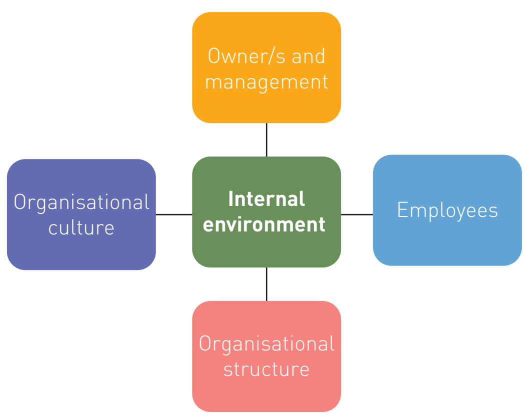

Figure 9.10 The internal environmental factors influencing change

Business leaders: Owners and management

Business leaders, such as owners and managers, influence the direction and development of a business. They are responsible for implementing the policies and procedures of a business and formulating strategies that affect the running and profit-making ability of a business. Business leaders are crucial in identifying and influencing change. They need to have skills to lead a business through a required change.

Employees

Employees can be considered the most important resource in a business, for they are the driving force that operates it. They play a defining role in the strategy, tactics and operations a business carries out. Employees can influence the success of a business through their productivity, efficiency and commitment. Therefore, they can have a powerful influence on a business and the need for change. For example, employees can exert pressures on a business for changes in the areas of working conditions, skill requirements and internal processes.

Organisational structure

The organisational structure refers to the levels of management in a business. Traditional organisational structures such as functional or divisional structures are rigid and hierarchical. They have multiple levels of management. They have a centralised management that delegates work from the top down. With the rapid pace of change, businesses need to respond quickly to meet the needs of consumers and market conditions. A business could flatten traditional organisational structures to reduce the levels of management. This provides a business greater opportunity to respond to change quickly.

Organisational culture

Organisational culture is a system of shared values and beliefs that contribute to the unique environment of a business. It is about how organisations do things and how the people in the workplace work together. The culture can impact on a business and influence the change. If the culture is seen to be impacting in a negative way on the effectiveness and efficiency of a business, management must intervene and decide how it needs to be changed.

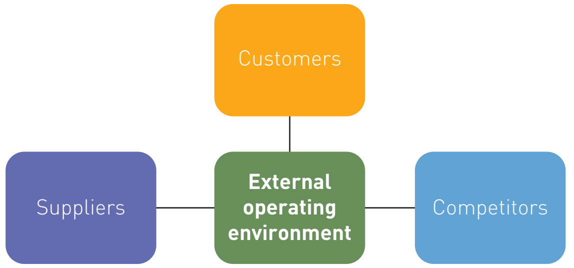

Figure 9.11 The external operating environmental factors influencing change

External operating environmental factors

Changes in the external environment can also have an impact on the operations of a business. The operating environmental factors outside a business that can influence change include customers, competitors and suppliers (Figure 9.11).

Customers

Customers are the lifeblood of a business and are crucial to its survival. Customers can have a direct influence on a business and the way it operates. A business needs to understand the changing needs of customers and then respond swiftly by adapting the way it operates; otherwise, it may lose customers (Figure 9.12).

With the rapid evolution of technology, customers are better informed and have more options available. Therefore, a business must prioritise creating a culture that is customer-focused and customer-centric to stay in tune with customer expectations. It must focus on customer relationship management to collect data on both existing and future customers' behaviours in the marketplace.

iStock.com/maurusone

Figure 9.12 The changing needs of customers

Competitors

A business strives to achieve a competitive edge over its competition in order to achieve market dominance. This external pressure means that many businesses are influenced by the actions of their competitors. They must respond and change their operations to match or stay ahead of the competition. For example, the actions of a competitor may force a business to reassess its operations and implement changes. These could include:

- being the lowest-cost supplier in an industry
- offering innovative products or services
- finding a niche in the market
- using different approaches (Figure 9.13).

Rose Carson/Shutterstock.com

Figure 9.13 Which sports brand has changed to improve its competitive advantage?

Suppliers

Suppliers can influence change in the operations of a business. A business is reliant on its suppliers to provide the necessary resources for it to function. If a supplier provides a poor-quality product to a business, it may impact on the reputation of the business. Similarly, if a supplier provides a slow service, this could impact on a business's ability to meet consumer demand. Consequently, any change affecting the supplier can have a significant impact on a business. A business requires suppliers that are reliable and competitively priced to ensure the success of its operations.

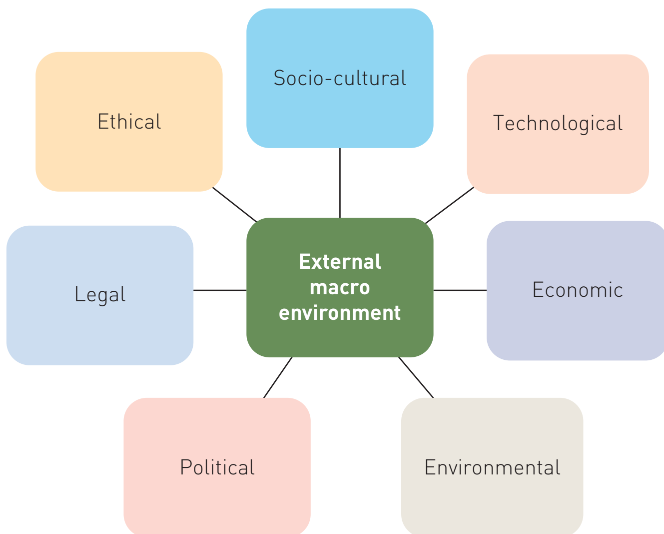

Figure 9.14 The external macro environmental factors influencing change

External macro environmental factors

The external macro environment is a complex area that impacts on the operations of a business. These factors outside a business that can influence change may be socio-cultural, technological, economic, environmental, political, legal or ethical (Figure 9.14).

Socio-cultural

Socio-cultural changes such as social attitudes, values and lifestyles can have a direct impact on a business. If a business does not respond to these changes, there may be a detrimental effect on its success. A social issue that has led to significant change in the Australian workforce is employment conditions, such as the provision for flexible work hours or job sharing. These have led to change in business practices.

The socio-cultural environment also determines which goods and services will sell. For example, a change in people's attitudes can result in a change in business practices. Customers may prefer to buy products made from recycled material or those that use less energy. A business that is able to respond to these changes in a timely manner is more likely to achieve success.

Technological

Technological advancements impact significantly on a business. Advances in technology require management in business to change their way of thinking. New technologies have created an environment in which operations have become smarter and faster. A business will require new strategies and ideas for implementation to respond to technological change (Figure 9.15).

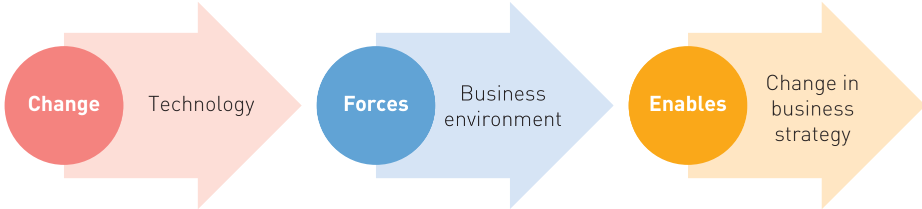

Figure 9.15 Responding to change

Changes in technology can have a positive impact on a business. They may provide opportunities to:

- create new products and services
- improve the quality and range of products and services
- increase efficiency
- improve productivity
- reduce operating costs
- transmit communication rapidly.

However, when introducing a technological advancement, timing is the key to success:

- ☒ too early – could prove to be expensive; for example, early models of new technology are often more expensive
- ☒ too late – competitors could have already monopolised the market and gained the peak in sales.

To remain competitive, businesses need to embrace technology and keep updated with the latest advancements.

Economic

Economic change occurs continuously in both the domestic and the international arena and will impact on the business environment. This is because any fluctuation in the economy impacts on all members of society, including consumers and businesses. It is a government's responsibility to minimise fluctuations in the economy. Governments implement policies to achieve stability in the economy, such as a fiscal policy or a monetary policy. For example, a government may introduce a policy designed to slow down the rate of economic growth by increasing interest rates. This would impact on consumer spending and could influence consumers to increase their level of savings. Business sales would be affected by the change in consumer spending.

Economic changes that influence a business include inflation, interest rates, industrial relations, government expenditure, and international trade and negotiations (Figure 9.16).

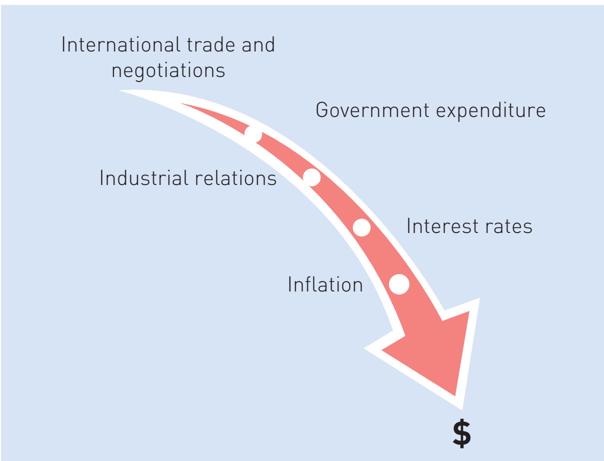

Figure 9.16 Economic changes that influence a business

Environmental

Another group of factors influencing change in a business are environmental issues. Now, more than ever, businesses need to consider implementing environmentally sustainable practices due to the widespread growth in concern of consumers around these issues. Businesses have a responsibility to support the sustainability of a green planet and respond to consumer demands for environmentally friendly and responsible products. Important trends in the environmental area include the growing concern about renewable energy and the increase in pollution.

An environmental issue that is leading to significant change in the Queensland retail industry is the banning of cotton buds with plastic stems, plastic microbeads and plastic shopping bags (Figure 9.17).

pizzastereo/Shutterstock.com

Figure 9.17 An example of an environmental change

Political

The Australian government regulates business operations by establishing rules of conduct. These include rules and regulations for taxation, workplace safety and trade practices within specific industries. For example, new government regulations may require a manufacturer to install pollution-control devices on a product or on an operating plant.

A significant concern for businesses is when there is a change of government, at federal or state level or in the local area. This can lead to uncertainty and changes in regulations for an industry or business. Businesses may need to change the way they operate to meet the new government requirements.

Political intervention can also lead to changes in a business. For example, the Queensland Government lobbied for the Commonwealth Games at the Gold Coast in 2018 (Figure 9.18). Consequently, local businesses, particularly in the tourism and hospitality industries, needed to change to accommodate the influx of people.

POC/Shutterstock.com

Figure 9.18 Government influence on the political environment

Legal

Changes in legislation, regulations and contracts can affect business operations. For example, changes in legislation relating to equal opportunity in the workforce have had significant impact on employment conditions in businesses. Another area that has experienced significant change is food labelling in Australia. If a business grows, produces, manufactures, distributes, imports or sells food in retail stores in Australia, it will need to comply with the new food labelling laws (Figure 9.19).

Figure 9.19 Changes in legislation impact on a business.

Ethical

A business must act in a manner that meets both its legal and its social obligations. A significant ethical challenge for businesses in the 21st century is privacy. The increase in online activity and online trading can create ethical issues for a business; for example, relating to the collection, storage and protection of customer data in databases. There are issues relating to:

- ethical responsibilities of a company to its customers
- ethical responsibilities of employees to the company and its customers
- ethical responsibilities of customers to the company.

Changes in technology and greater access to information online have created these ethical issues relating to a business's obligation to protect customer databases and respect customer privacy.

QUESTIONS 9.1

1 Identify an internal environmental factor influencing change.
2 Identify an external operating environmental factor influencing change.
3 Identify an external macro environmental factor influencing change.
4 Identify factors influencing change in the following organisations:
   a a publishing company
   b a telecommunications organisation
   c a clothing business such as Adidas
   d a car manufacturing plant.
5 Explain why a business owner should monitor changes in the market.
6 Brainstorm a list of businesses that have undergone change.
   a Select one of these businesses and research the factors that influenced the need for change.
   b Identify key stakeholders that were affected by the change.

GAINING INSIGHT 9.4

Makeover for Avon

Avon won't be calling on Australian doors any more after it announced it was leaving the Australian market in 2018. The iconic beauty company had been one of the leading door-to-door cosmetic groups making sales through direct selling (Figure 9.20). Avon became a household name after entering the Australian market in the 1960s. Avon parties were commonplace in Australian homes. At these events, Avon representatives would demonstrate and sell cosmetics. Avon's demise could have resulted from its inability to change with the trends. The 'Avon model' was outdated due to the emergence of online shopping. To remain competitive, businesses need to change with consumer attitudes and demands. Avon's future is uncertain. If it can transform its operation to revitalise the brand, we may see Avon return to the Australian market in the future.

Peter Alvey People/Alamy Stock Photo

Figure 9.20 Avon's catalogue was the mainstay of its door-to-door and party plan business.

Questions

1 Describe one environmental factor that influenced the need for change for Avon.
2 Explain how Avon's strategic plan could influence change.

Vision for change and strategic planning

When a business decides to undertake change, it needs to create a powerful vision for the change. Whether the change is to implement a new computer system or to launch an online marketing campaign, a business needs to have a change vision. This is a 'picture' of the change showing the future state of the business after the change has been implemented. The vision for change acts as a motivator for stakeholders and is essential to the success of the change. Once a vision for change has been created, a strategic plan for how to undertake the change needs to be constructed. The vision for change is the 'why' for the change, and the strategic plan is the 'how' for implementing the change (Figure 9.21).

Figure 9.21 Vision for change and strategic planning

Vision for change

A **vision for change** is not the same as a corporate vision statement. It is a desired or future state in which the organisation will be after a change has been implemented. A vision for change is the 'why' of the change. It informs the organisation why the business should move on from the past (where the business is now) and create a new direction for the future (where it wants to be). Envisioning the future helps the business to determine the extent of the change and the resources needed to enact the change, and presents a clear vision that stakeholders need to embrace the change (Figure 9.22).

Marko Aliaksandr/Shutterstock.com

Figure 9.22 Vision for change

A change vision must be easy to understand. It needs to provide an organisation with a 'picture' of what the future business will look like after the change has been implemented, and why the change will benefit the business. The vision for change can provide both a sense of being and a sense of enduring purpose for a business.

A change vision is about action. It can empower both leaders and followers to implement change. The vision should be seen as a guiding document that articulates the following:

- *reason* – to understand and explain the need for change
- *motivation* – to inspire and set a goal to work towards
- *unity* – to show how a cohesive effort is required to achieve the end goal.

Without a vision for change, the effort to change could lack direction and fail to achieve its goal.

Strategic planning for change

Strategic planning is about defining the overall purpose and goal of a business and determining how results will be achieved. It is a process of establishing a direction for an organisation where priorities are set, resources are allocated and operations strengthened to ensure stakeholders are working towards a common goal (Figure 9.23).

REDPIXEL.PL/Shutterstock.com

Figure 9.23 Strategic planning for change

Vision for change: a desired or future state in which the organisation will be after a change has been implemented

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Strategic planning for change is the 'how' of the change. Creating a strategic plan is a necessary component of change. The strategic plan should consider three key aspects of the change (Figure 9.24):

- *Content* – this refers to what needs to change. It could be the structure, system, technology, processes, products, services or socio-cultural aspects of the business.
- *Process* – a plan for how to achieve the change. It shows how the change will be implemented and the direction it will take.
- *People* – those impacted by the change. This is the human element of the change and includes people's mindset, emotional reaction, behaviour, engagement and the cultural dynamics impacted by the change.

Figure 9.24 Strategic plan for change

A strategic plan for change requires considerable thought and input. It must start with a clear vision for change and have leadership and management committed to the change. The strategic plan must provide the direction and purpose for the change. It should outline clear and definable objectives with a detailed and practical plan of how to achieve them. The strategic plan should outline the characteristics of the change, tactics for implementing the change and the risks associated with the change. Creating a strategic plan for change will accelerate the change and increase the chance of success.

QUESTIONS 9.2

1. Explain what is meant by vision for change.
2. Identify the benefits for a business in creating a vision for change.
3. Explain what is meant by strategic planning for change.
4. Identify the benefits for a business in creating a strategic plan for change.
5. Explain the relationship between strategic planning and vision for change management.
6. Explain the consequences for a business of failing to establish a vision for change.

Drivers of change

Change remains constant and is one of the more significant and demanding issues a business is likely to face. As the business environment changes, an organisation must adapt if it is to be successful. For a business to effectively manage change, it must examine the driving forces that initiate change and be proactive in its approach to change. This means that a business should lead the change and initiate strategies to embrace the change.

Key learnings

You will learn about the following key drivers of change:

- corporate culture
- management style
- organisational structure
- competition
- legislative compliance.

There are a number of forces for change in a business organisation. These forces driving change come from the internal environment and the external operating and macro environment. The driver can be an internal or external pressure that shapes the change and could include corporate culture, management styles, organisational structures, competition and legislative compliance (Figure 9.25).

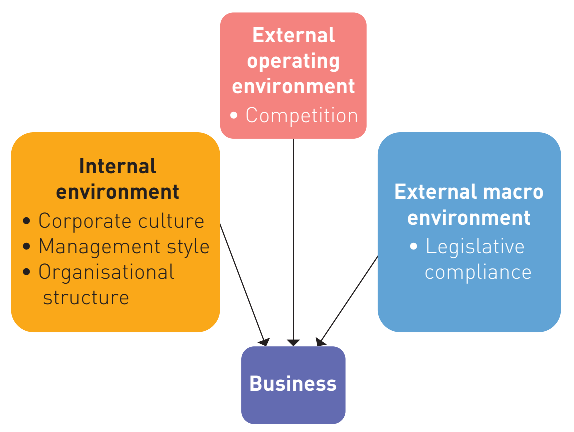

Figure 9.25 Drivers of change

Corporate culture

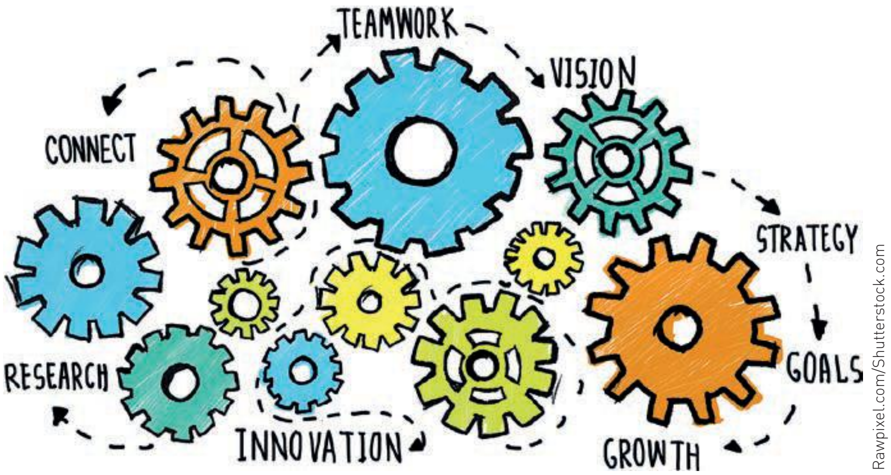

Figure 9.26 Driving corporate culture

Corporate culture refers to the shared values, attitudes and beliefs that characterise members of an organisation and guide its practices. It describes 'the way things are done' in a business. Corporate culture is what makes a business unique. For a culture to be effective, it needs to reflect the people who work in a business and the strategic plan of the business. Corporate culture is driven by the top leaders in a business and becomes embedded through processes, rewards systems and behaviours. It is this corporate culture that often dictates the success of a business. There is also a clear link between corporate culture and the performance of a business. A strong corporate culture can improve the performance of a business by motivating employees and creating an effective and efficient work environment.

Corporate culture can be a driver of change in a business. It can affect whether organisations can implement change and whether the change will be successful. However, changing corporate culture can be extremely difficult. It requires clear strategic vision, effective leadership and management and, most importantly, communication (Figure 9.26).

Driving corporate cultural change requires a business to consider the following actions:

1 **Assess the current culture of the business**
The first step in change is knowing what employees value in a business. This will provide a business with information about how to implement a change.

2 **Revisit the strategic vision of the business**
The strategic vision of a business is closely connected with the corporate culture. Therefore, before initiating a change, the strategic vision should be considered.

3 **Communicate again and again**
Communication is the key. It is necessary to send a clear and structured message to employees about the change. Frequent communication is necessary during the change process.

4 **Lead and manage**
Leadership effectiveness is critical in change. Leaders who are dedicated to change are one of the most prominent success factors in change. It is the job of management to harness the corporate culture of a business to build momentum and create the change. A business that is able to do this will have a greater chance of success in initiating change.

A significant driver of corporate cultural change is the use of technology. The advancement in computerised systems has provided more flexible systems of operations in business. This has resulted in changes in business culture. For example, innovations in communication technology have led to increases in interactions across organisations. There is no longer the need there once was for face-to-face conversations and there is an increased interactivity among co-workers through the use of technology. People are more accessible and this has created a shift in traditional work processes. One impact of technology on corporate culture has been that a more flexible system of operations and communication can be created in business.

Management style

An internal driver of change is the management in a business. Management make decisions about the future direction of a business. They have the responsibility of operating and managing a business and its people. The way management responds to change will impact on the outcomes for a business. Therefore management in a business can be a key driving force in change (Figure 9.27).

Monkey Business Images/Shutterstock.com

Figure 9.27 Management is a driving force.

Management needs to play a pivotal role in bringing about change. It is the role of management to influence and motivate all stakeholders during the change process. They will need to lead employees through the change process to meet the change objectives. The role of management during the process of change is perhaps the most difficult job. It is a crucial role because of the relationship they have with the employees in a business. Not only do they need to initiate the change, but they also need to lead, empower, support and influence employees through the change.

An important element in managing change is the style of management that is needed to facilitate the change. To be an effective leader of change, a management style should be adopted that includes the following:

- *communicator* – to set a clear direction and vision for the change
- *liaison* – to manage and consult during the change
- *advocate* – to promote and support the change
- *coach* – to engage and motivate stakeholders through the change
- *resistance manager* – to identify and manage resistance to the change.

A management style needs to be effective to lead change. It helps build the momentum towards the change and reduces resistance to change.

Managers play a key role in effectively managing change because of the relationship they have with employees within an organisation. Whichever style of management they adopt, the focus should be on achieving the outcomes of the change.

The main types of management styles are autocratic, persuasive, consultative, participative and laissez-faire (Figure 9.28).

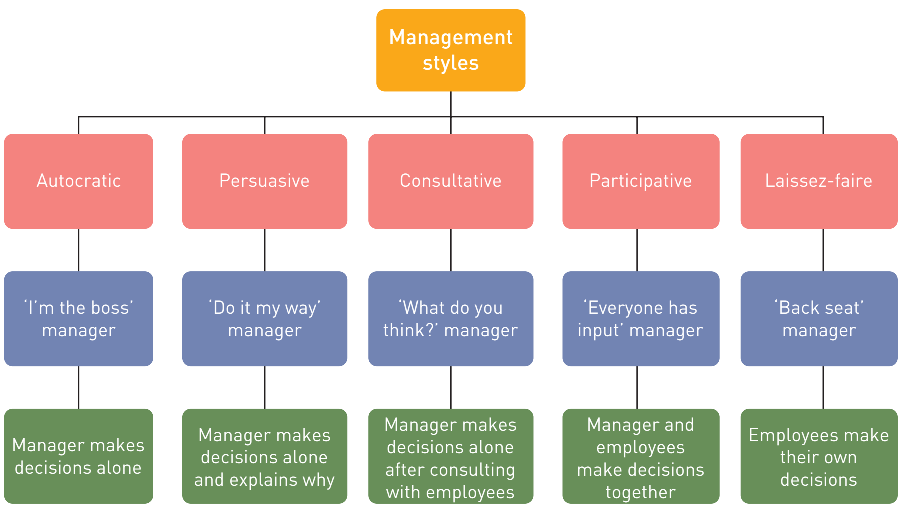

Figure 9.28 Management styles

Autocratic

An autocratic style is a management style in which the person in charge has total authority and total control. It can be likened to a dictatorial style, where the person in charge has total power. The manager who adopts this style of management makes decisions based on their own beliefs and does not involve others. They make all decisions unilaterally. The manager has sole responsibility for all decision-making, controls every aspect of management and has total control over employees. They monitor and scrutinise the completion of each task closely. The employee must adhere to the guidelines and policies formulated by the autocratic manager. There is no reward or recognition given to the employees to boost morale or motivation. Under this management style, no one challenges the decisions made by the manager. There are some advantages of this type of leadership as all decisions are made quickly and there is tight control over the processes of the operations in a business. Autocratic management will be useful in situations where a business faces a crisis. Compared with other management styles, the autocratic manager will deal with the problem promptly as there is only one person required to make decisions.

Key features of an autocratic management style

The key features of an autocratic management style are:

- the manager makes all decisions alone
- authority is centralised
- the manager has total control over all aspects of management
- it is beneficial for employees who require close supervision.

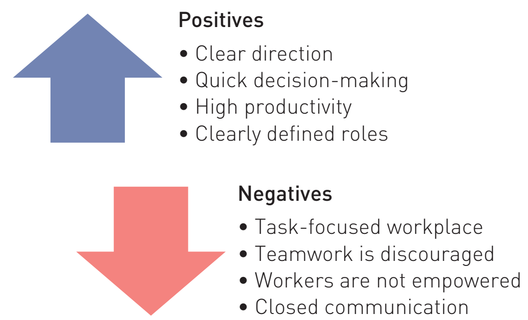

Figure 9.29 Positives and negatives of an autocratic management style

Positives and negatives of an autocratic management style

An autocratic manager promotes a system of high productivity and efficiency in a workplace. They expect employees to follow their commands and work without resistance. The autocratic management style has both advantages and disadvantages, as detailed in Figure 9.29.

Autocratic style of management in change process

This style of management could be effective when the change needs to happen immediately and there is no time for consultation or participation of others. The manager has total control of the change and ensures the change is implemented.

Persuasive

A persuasive style is a management style in which management persuades others to follow their way of thinking. A persuasive manager maintains control over the entire decision-making process at all times. They spend some time discussing decisions with employees; however, the decisions still reflect the ideas and beliefs of the manager. This style shares many characteristics with that of an autocratic manager. The difference is that a persuasive manager will convince an employee of the benefits of their decision and that it is the best decision.

Key features of a persuasive management style

The key features of a persuasive management style are:

- the manager makes decisions alone but explains why
- authority is centralised
- the manager maintains control over the entire decision-making process
- it is beneficial for employees who require supervision.

Positives and negatives of a persuasive management style

A persuasive manager encourages some input from employees and shows some willingness to listen, but decision-making power still remains with the top management. The persuasive management style has both advantages and disadvantages, as detailed in Figure 9.30.

Positives
- Quick decision-making
- Employees are aware of decisions

Negatives
- Limited input by employees
- Employees' opinions are undervalued
- Employees may lack job satisfaction

Figure 9.30 Positives and negatives of a persuasive management style

Persuasive style of management in change process

This style of management could be effective when the decision needs to be controlled and dictated by management. The manager maintains control and convinces others the change needs to happen and will be beneficial.

Consultative

The consultative style is a management style in which management consults with others before making a decision. This style focuses on using the skills, experiences and ideas of others in the workplace. The consultative manager involves employees in the decision-making process. They consider all alternatives before the final decision is made. However, the consultative manager still retains the right to make the final decision. This style of management does provide the employee with some level of involvement in decision-making and places some importance on employee contribution. It is an expensive and time-consuming method of making decisions as others need to be consulted first.

Key features of a consultative management style

The key features of a consultative management style are:
- the manager makes decisions alone after consultation
- authority is centralised but employees are considered
- the manager consults during the decision-making process
- it is beneficial for employees who like to give their input.

Positives and negatives of a consultative management style

A consultative manager encourages input from employees, but this is a time-consuming process that sees the manager making the final decision. The consultative management style has both advantages and disadvantages, as detailed in Figure 9.31.

Positives
- Employees feel motivated as they are involved in the decision-making process
- Can lead to better decision-making

Negatives
- Is time-consuming
- Can create confusion and indecisiveness
- Can lead to conflicting and chaotic handling of situations

Figure 9.31 Positives and negatives of a consultative management style

Consultative style of management in change process

This style of management could be effective to provide others with the opportunity to express their viewpoints about the change prior to a decision being made. The manager will make the final decision after considering all information provided.

Participative

A participative style (also known as democratic) is a management style that encourages the involvement of all stakeholders in the decision-making process. It focuses on the interaction between management and employees. Participative management allows employees to take responsibility and authority over work and makes them accountable for their actions. The participative manager includes employees in the decision-making and encourages and values their input. The manager places importance on the opinions of others. This increases morale in the workplace as the employee feels part of the business. It also builds motivation and commitment of employees as they feel a sense of empowerment in the workplace. Under this style, employees are rewarded for their contribution and effort. A participative management style offers various benefits in a business. It instils a sense of pride and motivates employees to increase productivity to achieve their goals. Employees feel part of the team and they gain a wider view of a business. It increases job satisfaction and efficiency in operations. It also requires less supervision by management as there is greater emphasis on employees taking responsibility for their own work.

Key features of a participative management style

The key features of a participative management style are:

- the manager and employees make decisions together
- authority is decentralised
- the manager encourages and involves others
- it is beneficial for employees who are participative.

Positives and negatives of a participative management style

A participative manager encourages the contribution of employees and empowers them. This results in an increase in efficiency and improved morale and job satisfaction. The participative management style has both advantages and disadvantages, as detailed in Figure 9.32.

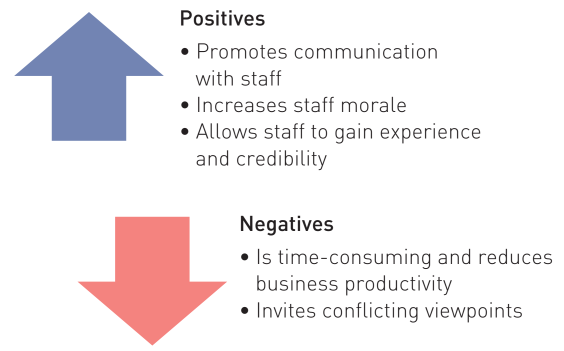

Figure 9.32 Positives and negatives of a participative management style

Participative style of management in change process

This style of management could be effective as there is widespread involvement in the change process. The manager and employees make decisions together.

Laissez-faire

A laissez-faire style is a management style in which management provides little direction to employees. The laissez-faire manager leaves employees to do their job themselves, with limited or no supervision. The manager delegates decisions to employees and does not provide any feedback. This style of management requires employees who are highly skilled and experienced. They need to be self-motivated and willing to complete work without any supervision. The laissez-faire style is also known as a delegative management style, in which the manager delegates work and allows employees to make all decisions. This style of leadership can lead to the lowest level of productivity in the workplaces. There is a lack of monitoring from management, which can also lead to problems in terms of control. In addition, some workers may not be capable of this level of self-direction.

Key features of a laissez-faire management style

The key features of a laissez-faire management style are:

- employees are left to make their own decisions
- authority is totally decentralised
- the manager provides no direction
- it is beneficial for employees who need no supervision.

Positives and negatives of a laissez-faire management style

A laissez-faire manager empowers employees to take full responsibility for their work. They may set their own goals and objectives and make their own decisions. There is limited or no control from management in this style. The laissez-faire management style has both advantages and disadvantages, as detailed in Figure 9.33.

Positives

- Gives employees a sense of empowerment and fulfilment
- Encourages creativity and innovation of ideas

Negatives

- Requires staff to be responsible and committed to their work
- Can allow issues to go undetected
- Provides little or no guidance

Figure 9.33 Positives and negatives of a laissez-faire management style

Laissez-faire style of management in change process

This style of management could be effective as it provides freedom for others to make decisions without management input. The manager provides no direction or guidance for implementing the change.

QUESTIONS 9.3

1. In what way is the consultative style of management similar to the participative style?
2. Outline a situation in which the autocratic management style would be appropriate.
3. **Explain** the laissez-faire management style.
4. How could persuasive managers motivate staff to work?
5. For each of the situations below, decide which management style would be best suited to it.
   a. An employee appears to be having difficulty completing work tasks. Their performance has been declining rapidly. They have not responded to your efforts to be encouraging or your concerns for their welfare.
   b. Performance, and interpersonal relationships among staff, have been good. However, a new situation has developed and staff are unable to solve the problem themselves.
   c. You are considering a major change in the workplace, which needs to happen immediately. You are aware that some staff members will be resistant to the change.
   d. A team of employees have designed and implemented a new way of managing the distribution of products to customers. The owner of the business is pleased with this and agrees to implement the new system.

Organisational structure

The organisational structure of a business refers to the hierarchy within an organisation. It is a system that outlines roles and responsibilities and the different levels of management. The organisational structure can be a driver of change. As the business changes, organisations may need to examine and modify their structure. For example, a business's organisational structure would need to be changed with:

- changes in ownership structure – acquiring, or merging with, another company
- operational changes – reorganising internal functions to improve business operations
- business growth – expanding to an international market
- economic downturn – downsizing a business due to the economic environment.

Structural changes in a business can include changes to the organisation's hierarchy, chain of command, management system and job structure. An organisation may require more, fewer or different managers, or may need to change existing strategies to realign its objectives.

GAINING INSIGHT 9.5

Toyota updates its organisational structure

Daniel Santos Megina/Alamy Stock Photo

Figure 9.34 Toyota: a leader in change

Toyota Motor Corporation (TMC) intends to alter its organization structure to further accelerate decision-making, strengthen management oversight, and boost business innovation [Figure 9.34].

To promote its overarching goal of making ever-better cars by continuing the development of a talented workforce, TMC made substantial changes to its structure to create a company built around a product-based, rather than function-based, organisation.

These changes were spurred by the vital realization that sustainable growth cannot be achieved without tackling two major challenges the company is facing as it continues to grow. The first is how to develop a sufficient number of people who can lead with quick judgment, quick decisions and quick action through on-site learning and problem-solving. This is because the changes the company faces require a different way to think and act. The second is how to reduce the time and effort consumed by cross-functional coordination and establish work processes that allow the company to focus on making ever-better cars for its customers.

'This structural change is not an answer but an opportunity,' said TMC President Akio Toyoda. 'With everyone's efforts and minds as one, I would like to make this an opportunity to strengthen our workforce and further promote making ever-better cars. Let us come together to create work processes that will allow us to remain viable in an era in which we are producing and selling 10 million vehicles a year, constantly being aware that there is always a better way,' he added.

Source: Toyota Global Newsroom, https://newsroom.toyota.co.jp/en/detail/15197404, 1 March 2017. © 1995–2019 Toyota Motor Corporation

Questions

1 Identify a reason TMC changed its organisational chart.

2 Explain why a business may need to change its organisational structure during transformation. Provide an example in your response.

Competition

An external driver of change is a business's competition. A business needs to understand and monitor its competitors. This includes knowing competitors' strengths and weaknesses, monitoring changes in the industry, and understanding customers' needs. A business must stay up to date with what competitors are doing and how they are responding to customer needs. To be competitive a business must ensure the main focus is on customers. It needs to respond quickly to market trends and competition and implement changes to gain a sustainable competitive edge.

iStock.com/alphaspirit

Figure 9.35 Driving competition

A SWOT analysis can be a useful tool in understanding and assessing a business's competition. It can help a business to build on strengths, minimise weaknesses, seize opportunities and counteract threats. By completing an analysis of the market in relation to competitors it can help a business to review its strategies and enhance its competitive advantage (Figure 9.35).

Competition can have a direct impact on a business and can be a driver of change. Examples can include:

- *pricing* – the pricing policy used by a competitor can influence change in a business. If a competitor is selling the same product at a lower price, this may lead a business to change its pricing policy, too
- *advertising* – the promotional material or advertising campaign used by a business can trigger a change, especially if its marketing is more engaging
- *product* – a change in product quality or production method can drive a competitor to change its product or processes
- *technology* – the use of new technology can have a significant impact on business operations and influence change. It can increase the speed of production, improve communication or change operational process in a business
- *new business* – new competitors that will compete with an existing business may result in changes. The existing business may need to change to keep competitive.

GAINING INSIGHT 9.6

Esprit focuses on Asian market

Global fashion brand Esprit (Figure 9.36) closed its operations in Australia in 2018 to focus on the Asian market. Esprit began operating in Australia in 1991, becoming one of the leading retailers due to its product range, brand positioning and ability to meet the needs of the Australian market. However, the competitive retail industry in Australia meant Esprit struggled to remain a financially viable business. To transform its falling revenues, Esprit changed its operations to concentrate efforts and resources in the Asian market.

Nataly Reinch/Shutterstock.com

Figure 9.36 Esprit

Questions

1. Identify a business environmental factor that could be a driver for change for Esprit.
2. **Explain** the identified driver for change that impacted on Esprit.

Legislative compliance

Changes to laws can force a business to implement change. A business needs to comply with legislative requirements and therefore when new laws are passed a business must change in response if the new laws require it. Legislation can change at federal, state or local level. For example, some state governments have introduced laws that ban smoking in public places such as shopping centres, cinemas and outdoor dining areas. Businesses must enforce these laws; otherwise they can face fines or penalties.

A business also needs to adjust to incorporate the requirements of a new law. For example, a law reducing carbon footprint may require a review of operational processes to comply with the new legislation. Furthermore, if a law changes, then businesses are obliged to introduce the required changes. This is particularly pertinent in terms of occupational health and safety and changes in workplace relations.

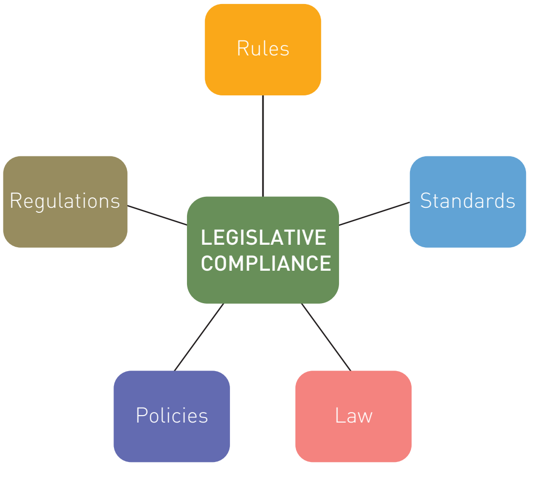

Figure 9.37 Legislative compliance

Changes in laws influence changes in strategic management, too. A business needs to adjust to incorporate the requirements of the new law and therefore may need to change some aspect of the operations of the business. Thus, legislative compliance is a driver of change in business (Figure 9.37).

GAINING INSIGHT 9.7

Una Shimpraga/Shutterstock.com

Figure 9.38 Legislative changes impact on business operations.

Legal changes for business

Visit the Australian Government Business website to complete the following activities.

Questions

1 Investigate a recent change to a business law. Explain the change in legislation and the reason for the change.
2 Explain the impact the changes in legislation could have on a business.

Weblink
Australian Government Business

QUESTIONS 9.4

1 Explain what is meant by drivers of change.
2 Identify and explain key drivers of change.
3 Explain how drivers of change can impact on an organisation and its ability to implement a change.
4 Explain the relationship between drivers of change and the transformation of a business.
5 For each of the following situations, explain the impact it could have on a business:
   a opening a new sub-branch of a business
   b appointment of a new sales manager
   c new laws passed that impact on the operations of a business
   d new export market identified
   e change in the vision statement of an existing business.

Restraining forces of change

Restraining forces work against change and create a barrier to change initiatives. They are the negative forces that can weaken the driving force.

Key learnings

You will learn about the following key restraining forces of change:
- management
- employees
- time
- competitors
- cost.

Management

The management of a business may be the overarching restraining force of the change. This may occur if managers are apprehensive about the change, don't have the skills or abilities to initiate the change, or believe the change will not be successful. Other reasons why management may be resistant to change could include:
- lack of knowledge about the change
- lack of confidence in their ability to manage the change
- fear of what the change may mean for their role in the business
- fear of failing in front of their superiors or employees.

It could also be that management is comfortable with the status quo or that they believe the change does not align to the business's goals.

Employees

Employees may be resistant to change for similar reasons. They may be concerned about the change and their ability to adapt to the new practices or procedures. Also contributing to employees resisting change could be a lack of awareness about the reason the business is implementing the change. This can cause uncertainty in a workplace and impact on staff morale.

Time

Initiating change takes time. It is a huge commitment to plan for, communicate and implement change. A business needs to establish a change implementation timeline. They would need to map out actions to be taken and set deadlines to establish how long the entire transformation would take. It takes time to implement change.

Competitors

Competition in business is always a challenge. It can be a major barrier to growth and success for a business. If a competitor dominates a marketplace, other businesses may be reluctant to initiate change for fear of being able to compete.

Cost

A major consideration when implementing change is the financial cost. The monetary outlay required to initiate change can restrain a change from occurring. A business needs to weigh up the costs and benefits of the change to determine if it is feasible to implement the change.

QUESTIONS 9.5

1. Explain what is meant by restraining forces of change.
2. Identify and explain key restraining forces of change.
3. Explain how restraining forces can impact on an organisation and its ability to implement change.
4. Explain the relationship between restraining forces of change and the transformation of a business.
5. Identify a restraining force that could oppose the following changes and explain why:
   a. opening a new sub-branch of a business
   b. appointment of a new sales manager
   c. new laws passed that impact the operations of a business
   d. new export market identified
   e. change in the vision statement of an existing business.

Theories and models of change

Change management involves the application of a theory and a model to implement a change. It is a process that requires planning, organising, leading and controlling a suitable plan of action. For a business to implement change, it needs to adopt a change management approach. There are many management theories and models regarding change that outline how to best manage the change effectively. A business should choose at least one approach to operate under. In this section, the most commonly used theories and models will be examined along with their relevance to the changing business environment. The most widely used theories and models of change in business are from Lewin and Kotter.

Key learnings

You will learn about the following theories and models of change management:

- Lewin's change theory and model:
  - three-step process: unfreeze – change – refreeze
  - force field analysis
- Kotter's eight-step model of change.

Understanding theories and models

To implement a change, it is important to understand the variables that contribute to the change management system. To begin, the concepts of change management, theories and models that drive the change need to be understood.

A theory is a set of principles on which a practice is based. In change management, this refers to the system of ideas that is the basis of a concept of change. A model refers to the step-by-step process. In change management a model sets out the stages that must be followed to implement a change. Both Lewin and Kotter use a theory as the basis for their model for change.

Lewin's change theory and model

The Kurt Lewin change management model is based around a three-step process to change: unfreeze – change – refreeze. It is a simple and practical framework for understanding the change process. This model for change was created by physicist and social psychologist Kurt Lewin (Figure 9.39).

Lewin's model of change is based on the theory of a change process. He uses the analogy of changing the shape of an ice cube. The process involves these steps:

- *unfreeze* – melt the ice cube so it can be changed
- *change* – mould the iced water into a desired shape
- *refreeze* – solidify into the new desired shape.

This is known as the three-step process of change (Figure 9.40).

Lewin suggests that, if change is required in an organisation, then it must be melted, reformed into a new shape and then frozen again. Using this principle, Lewin proposes that the desired change can be achieved.

Album/Alamy Stock Photo

Figure 9.39 Kurt Lewin

Figure 9.40 Unfreeze – change – refreeze model

Lewin's approach provides a framework for managing change within a business. It involves preparing for change, making the change and integrating the change within a business. This is Lewin's theory and model of change management.

Step 1: Unfreeze

The first step involves preparing all stakeholders to accept the change. In this stage the business needs to communicate and prepare for the change. To do this, a business must develop a convincing message that clearly shows the necessity for change. For example, a business in the post-maturity stage could frame the message for change due to:

- declining sales
- poor financial results
- lack of customer satisfaction.

This would then establish the need for change and set a clear direction for the business.

However, the 'unfreeze' stage is perhaps the most difficult stage. It involves preparing the organisation, including its employees, to accept the change and then adopt the change. It requires all stakeholders to re-examine existing practices and processes. This can create strong emotions such as denial, uncertainty and doubt within a business. It is crucial that clear communication and involvement happens at this stage so that employees are more willing to accept the new change of direction. To prepare for change, management must involve and empower employees' participation.

Step 2: Change

In the 'change' stage, the actual change takes place. This is the implementation step and requires stakeholders to embrace the change for it to be effective. At the change stage, people begin to resolve their uncertainty and act in a way to support the new direction. It is essential, though, that the change is implemented within a short time. The longer it takes to make the change, the more likely it becomes that it will not be accepted.

It is also important that there is strong leadership, direction and communication at the change stage. Employees need reassurance and support as the change unravels. This will require a business to invest time and allocate resources for the change to be implemented efficiently and effectively.

Step 3: Refreeze

In the final stage, the changes made are solidified and normalised within a business. The change becomes permanent and stability is regained. Again, there needs to be strong leadership to institutionalise the change. Management should ensure that employees incorporate the change into everyday business. Employees must be empowered to engage with the change, take ownership of the new ways of working and feel confident and comfortable with the change. There also need to be checks, monitoring and evaluation of the changes, and adjustments made if necessary. Another important element is to celebrate the success of the change process. This should then create a new sense of stability in a business and ensure the success of the change.

Summary of Lewin's three-step process

Lewin's change management model can be summarised as shown in Figure 9.41.

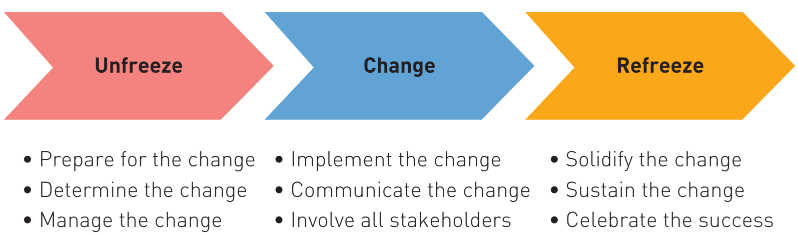

Figure 9.41 Unfreeze – change – refreeze model

Lewin's change management model is a simple and easy-to-understand structure for change. Implementing the three-step process of creating the need for change (unfreeze), empowering the change (change) and solidifying the change (refreeze) should ensure the success of the change within a business.

QUESTIONS 9.6

1 Explain Lewin's change management theory.
2 Outline Lewin's change management model.
3 Explain how Lewin's model can help to manage change effectively.
4 Explain how Lewin's model can help to minimise the impact change has on the internal environment.
5 Determine how Lewin's model could assist a manager to introduce changes into a business in the post-maturity stage.
6 Explain the relationship between Lewin's change management theory and business transformation.
7 Explain why a change process without proper 'unfreeze' would have a limited chance of success.

Lewin's force field analysis

Kurt Lewin also developed a change model called **force field analysis**, which aims to assist management in implementing a change. The force field analysis is a simple but effective tool for understanding the forces that will drive, and the forces that will resist, a proposed change. Lewin suggests that in any change there will be driving forces and restraining forces that will dictate the effectiveness of the change (Figure 9.42).

Listing and evaluating the forces for and against a change can help a business to analyse all the influences on a situation.

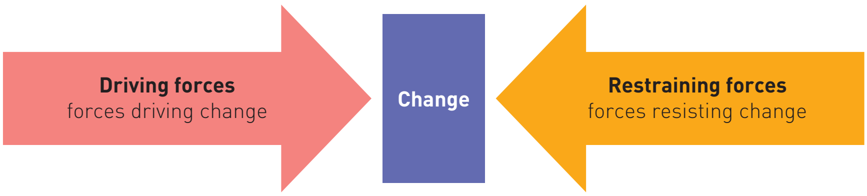

Figure 9.42 Forces for and against change

Driving forces

Drivers of change are those factors that bring about change. They are forces that initiate and compel change. A driving force can apply pressure for a change to occur and can encourage and support the change occurring. The main driving forces for business change are outlined on pages 354–363.

Restraining forces

Restraining forces act to block the drivers of change. They make the change process more difficult to implement and can lead to resistance to change. A business can reduce the impact of a restraining force to help a change be successful. The main restraining forces impacting business change are outlined on pages 363–34.

The concept of a force field analysis

The concept of a force field analysis is that a situation is maintained by equilibrium between two forces: a driving force and a restraining force. For the situation to change, either a driving force must be strengthened or a restraining force weakened.

A force field analysis can be a powerful analytical tool for a business to utilise when initiating a change. First, the business should identify driving forces that support the change. Then the business should consider the factors that are restraining the change.

Force field analysis: a tool used to identify and analyse the positive factors (driving forces) and negative factors (restraining forces) in an environment where change is occurring

Drivers of change: the forces that support a change

Restraining forces: the forces that resist a change

9780170484367

Creating a force field analysis

An important element of a force field analysis is creating an action plan. The following template is an example that could be used (Figure 9.43).

Template
Force field analysis

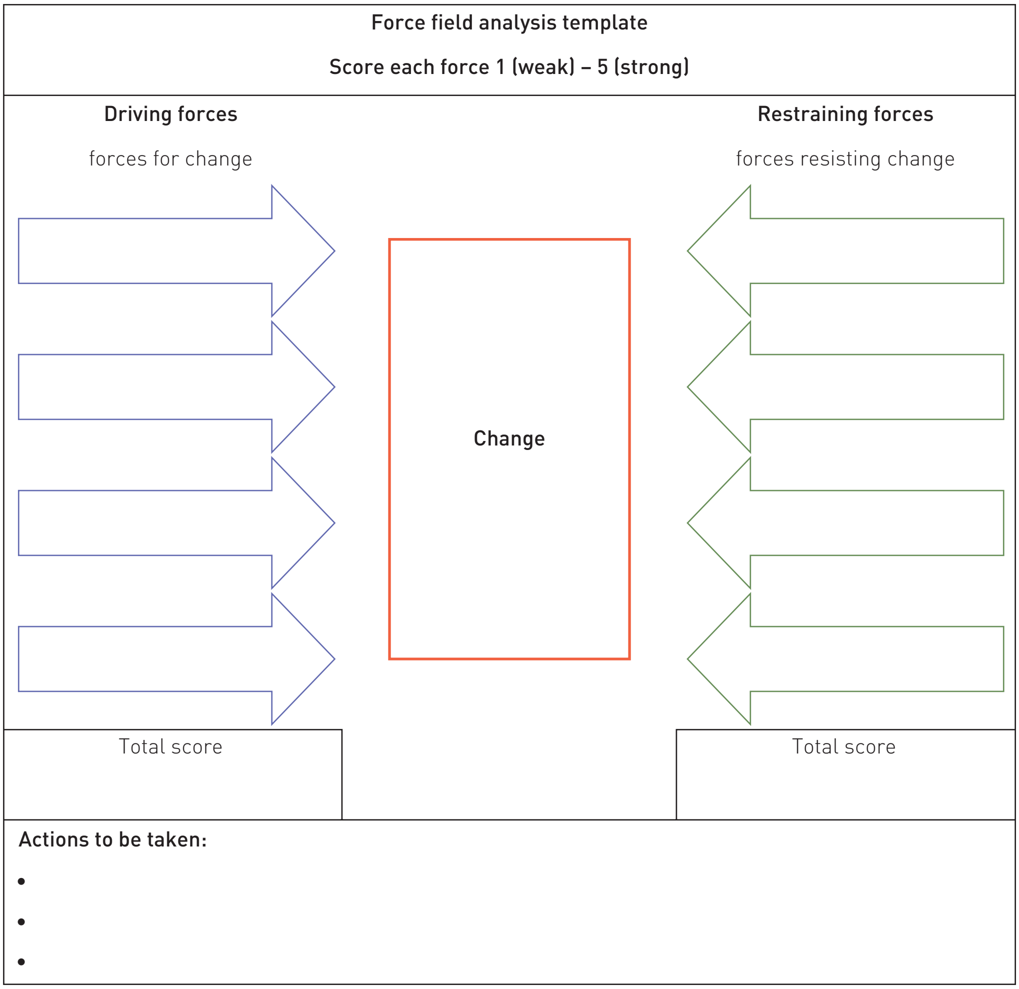

Figure 9.43 Force field analysis template

The following steps are a guide to completing a force field analysis using the template in Figure 9.43:

1. Determine the change.
2. Brainstorm the driving forces.
3. Brainstorm the restraining forces.
4. Assign an estimated score for each force, with 1 being the weakest and 5 being the strongest. The score is a method of ranking the forces listed from the most influential (5) to the least (1).
5. Create a strategy to strengthen the driving forces or weaken the restraining forces.
6. Create a plan of action with a list of steps to achieve the desired outcome.

Benefits of a force field analysis

The benefits of completing a force field analysis include that it:

- provides a visual summary of the key factors supporting or opposing a change
- is a tool for weighing up the positives and negatives to help decide whether the change should in fact occur
- is a means of communicating the proposed change to reduce communication barriers
- identifies the strengths and driving forces supporting the change
- can identify obstacles and actions to put in place to avoid restraining forces preventing it
- creates a plan of action to implement the change.

GAINING INSIGHT 9.8

To upgrade or not?

A local manufacturing business is deciding whether to upgrade the factory with a new manufacturing process to improve performance. The manager has completed a force field analysis and scored the driving and restraining forces, as per the template in Figure 9.44.

Figure 9.44 Force field analysis

Questions

Using the information provided in Figure 9.44, create a short business report extract for management that:

1 analyses the business situation using the force field analysis

2 interprets a relationship and a trend from the analysis to draw conclusions about the implications for the business situation.

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QUESTIONS 9.7

1 Differentiate between driving and restraining forces.
2 Explain a force field analytical tool.
3 Briefly explain the steps involved in developing a force field analysis.
4 Identify the benefits of using a force field analysis.
5 Explain the relationship between a force field analysis and change management.
6 Conduct a force field analysis for changing the start time for school from 9 a.m. to 7 a.m. Draw conclusions about the implications for changing the school hours.

Kotter's change management

One of the most widely used models for change was created by Harvard University's Professor John Kotter (Figure 9.45). This practical approach is an eight-step model for understanding and leading change. Each step has a key principle and provides useful examples of how to implement it.

Kotter developed a theory of change management to support his eight-step model of change. Kotter's theory aims to help management of a business overcome resistance to change and facilitate transformation. He states that for a business to achieve success, it needs to first identify obstacles that could block change. Management must then take steps to eliminate these obstacles for effective change to occur. Kotter's theory in transformational change aims to better equip a business to achieve successful change. It should be used in conjunction with his eight-step model of change.


Stephane Grangier – Corbis/Corbis News/Getty Images

Figure 9.45 Professor John Kotter

Kotter's eight-step model of change

John Kotter's eight-step model of change is designed to improve an organisation's ability to change successfully. Kotter's model for change is an easy, step-by-step model that provides clear description and direction for implementation. It places emphasis on involvement and acceptance of the change for the success of the overall process.

Kotter's change management process consists of the eight steps shown in Figure 9.46.

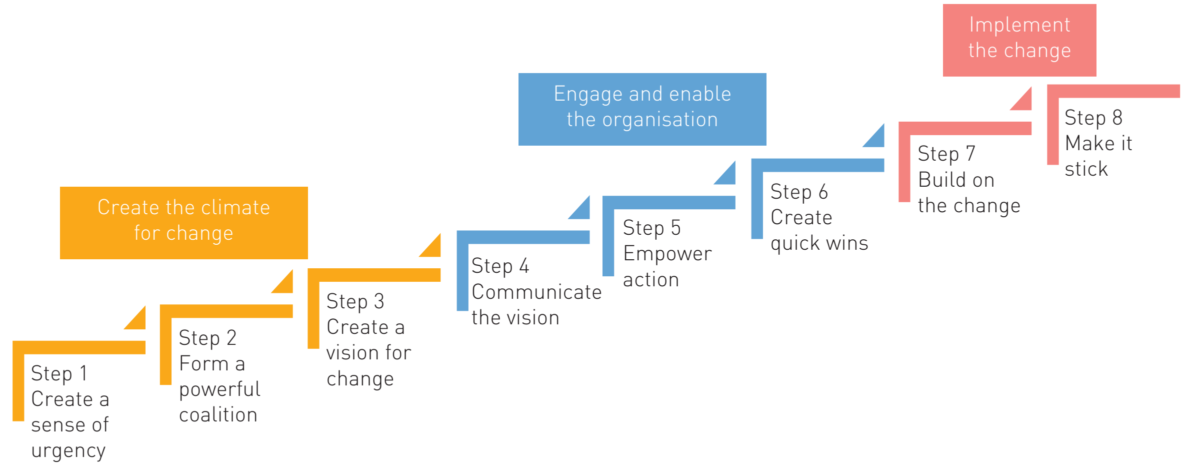


Figure 9.46 Kotter's eight-step model of change

Kotter's approach aims to improve an organisation's ability to change and to increase its chances of success. The first three steps of Kotter's eight-step model are about creating the climate for change. Steps 4 to 6 link the change to the organisation through engagement and enabling key stakeholders. The final two stages, steps 7 and 8, are aimed at the implementation of the change to achieve success (Figure 9.47).

The greatest strength of Kotter's model is that the process is an easy, step-by-step method. It focuses on preparing for and accepting change, rather than on the change itself. Kotter's model also places emphasis on creating the need for change and creating a team to lead the change.

KOTTER'S EIGHT-STEP CHANGE MODEL

Create the climate for change

Step 1 **Create a sense of urgency**
The first step is to make others aware of the need and urgency for change. This requires an honest and open approach that convinces others of the importance to take action.

Step 2 **Form a powerful coalition**
The next step is to establish a project team to implement the change. This team should be made up of people with authority, recognition and respect within an organisation.

Step 3 **Create a vision for change**
It is essential for the team to establish a vision and direction that will allow them to achieve the goal for change. Formulating a change vision can help everyone understand what the organisation is trying to achieve within a given time frame.

Engage and enable the organisation

Step 4 **Communicate the vision**
The vision should be shared with all those who will be affected by the change. It is important to involve all stakeholders and provide opportunities for the new vision to be accepted across the entire organisation.

Step 5 **Empower action**
It is crucial to empower others to act on the vision and try to remove any obstacles that may negatively impact on the change and the new vision.

Step 6 **Create quick wins**
Recognition and rewards should be given throughout the change process. This will show that contributions have been appreciated and will reinforce the positive aspects of embracing the change.

Implement the change

Step 7 **Build on the change**
At this stage of the process, it is important to consolidate all of the changes that have occurred and continue the process of improvement.

Step 8 **Make it stick**
The final step is to anchor the changes and create a new culture. There needs to be a clear statement to show the connection between the change and the success of the organisation.

Figure 9.47 Kotter's eight steps

Implementing Kotter's eight-step model

Implementing a change management process is dependent on the change, the size of the business, the management and the skills of the stakeholders. Table 9.1 is an example of various ways Kotter's change management model could be implemented.

Table 9.1 Implementing Kotter's model

Steps	Transformation suggestion
1 Create a sense of urgency	• Examine market trends and competition • Provide evidence that the change is necessary • Create a SWOT analysis
2 Form a powerful coalition	• Assemble a team with enough power to lead the change effectively • Attract key leaders who demonstrate enthusiasm and commitment • Encourage the group to work together as a team
3 Create a vision for change	• Create an achievable vision to help direct the change • Develop strategies to achieve the vision
4 Communicate the vision	• Use a variety of modes of communication to inform • Involve as many people as possible
5 Empower action	• Remove obstacles to the change • Create a situation that will enable constructive feedback and support from leaders
6 Create quick wins	• Recognise and reward those involved in achieving the change • Create some visible successes as soon as possible
7 Build on the change	• Plan for and create visible performance improvements • Be relentless with instituting change until the vision becomes a reality
8 Make it stick	• Communicate clearly the link between the change and the success • Reinforce the value of successful change through promotion and other recognition

QUESTIONS 9.8

1. Explain Kotter's change management theory.
2. Outline the steps in Kotter's change management model.
3. Identify how Kotter's model could help to manage change effectively.
4. Explain how Kotter's model could help to minimise the impact change has on the internal environment.
5. Determine how Kotter's model could assist a manager to introduce changes into a business in the post-maturity stage.
6. Explain the relationship between Kotter's change management theory and business transformation.
7. What criticism could be made of Kotter's set approach to change management? Explain.
8. Compare and contrast Kotter's and Lewin's approaches to change management.

GAINING INSIGHT 9.9

Ready for change?

Timely Photos is a medium-sized private company that has been in operation for 25 years. The business specialises in photographic imagery and processing and currently operates from two sites: in Brisbane city and at Noosa on the Sunshine Coast.

The photographic industry has shown a decline, with the closure of many leading businesses. After careful consideration, the managers of Timely Photos have decided to close one of its locations and increase its online presence. They want to make sure that the changes are carefully planned to minimise the effects on the business. This is a major change for the organisation and they are concerned about employee reactions.

Derek Brumby/Shutterstock.com

Figure 9.48 Timely Photos

Questions

1 Describe the business situation at Timely Photos, including its position in the business life cycle.

2 Explain how this business could initiate the proposed change by referring to one step in Kotter's eight-step model.

Weblinks

- Amazon **(p. 347)**
- Australian Government Business **(p. 363)**

Templates

- SWOT analysis **(p. 347)**
- Force field analysis **(p. 368)**

Chapter summary

- Chapter 9 Change management **(p. 374)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

Chapter 9 review

This chapter introduced the concept of transformation of a business by examining the concept of change, change management theories and models, and drivers and resisters to change. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

Summary
Chapter 9 Change management

9.1 Short response

1 Explain change management.
2 Identify an internal environmental factor influencing the need for change for a business in the post-maturity stage of the business life cycle.
3 Identify an external operating environmental factor influencing the need for change for a business in the post-maturity stage of the business life cycle.
4 Identify an external macro environmental factor influencing the need for change for a business in the post-maturity stage of the business life cycle.
5 Explain the relationship between strategic planning and vision for change management.
6 Explain driving forces of change.
7 Explain the following drivers of change:
   a corporate culture
   b management style
   c organisational structure
   d competition
   e legislative compliance.
8 Explain how change could impact negatively on the corporate culture of an organisation.
9 Identify the key features of the various management styles.
10 Differentiate between an autocratic and a laissez-faire management style.
11 Differentiate between a persuasive and a participative management style.
12 Explain the benefits for a business when a manager uses a consultative style of management.
13 Explain the benefits for an employee when a manager uses a participative management style.
14 Explain how change could impact negatively on the corporate culture of an organisation.
15 Australian supermarket giant Woolworths was the first Australian supermarket to develop and sell halal-certified products. Explain a driver of change that could have influenced this decision.
16 Explain restraining forces of change.
17 Distinguish between driving forces and restraining forces in change.
18 Explain Lewin's theory of change as it relates to managing change in a business.
19 Explain how Lewin's three-step process can guide a business through change.
20 Explain the relationship between Lewin's three-step process and the transformation of a business.
21 Explain how a business can benefit by using a force field analysis to implement a change.
22 Explain how Kotter's approach to change can assist a business undergoing transformation.
23 Explain how Kotter's eight-step model can help to promote driving forces for change and reduce restraining forces.
24 Explain the relationship between Kotter's eight-step model and the transformation of a business.
25 A confectionery company has decided to close its retail outlet and concentrate on the wholesale market. It intends to provide its products to supermarket chains in Australia. Create a force field analysis to:
   a identify three driving forces
   b identify three restraining forces
   c rank the driving and restraining forces by rating each force on a scale of 1 to 5 (1 = weakest, 5 = strongest)
   d determine an action plan for the business.
26 Alex Johnson is the owner of AJ Pest Control. She noticed that her younger staff member regularly arrived late to work on Monday morning. Alex decided to introduce flexible starting times.
   a Explain a driver of change Alex may have considered in making this change.
   b Explain a management strategy that Alex could use to manage this change effectively.
27 Jackson is the managing director of a sports equipment manufacturer. He has noticed an increase in competition from products made overseas. This has prompted him to make significant changes to operational processes to improve productivity. Explain how Jackson could plan to overcome any employee resistance to changes that are necessary to increase production.

28 Fallback Insurance Group has been operating in the south-east region for nearly 90 years. The business has shown a steady decline in clients and has suffered a loss over the past five years. Investigations show that employee performance is down, and customer complaints have risen. Management decides to overhaul its operations by installing a new computer system and a new process of operations. Managers sideline anyone who appears to stand in the way, and restructure departments by shifting non-complying employees.

a Explain one driving force for change.
b Explain a management strategy that may have been used during the change process.
c Explain one reason for possible employee resistance to this change.
d Explain how performance management could be used to improve this situation.
e Explain why using a change management model may help this situation.

9.2 Extended response

Using the case study provided, prepare a business report (extract) to present to the owner of the business that:

- evaluates one management strategy used to transform the business by using two business criteria
- makes a decision to propose one recommendation for successful transformation of the business.

Soundwaves

Freepik

Figure 9.49 Soundwaves was a leader in premium sound equipment.

Soundwaves is an organisation that was going places. It entered the music industry with a boom and became a leading audio company (Figure 9.49). The business was founded in 2001 by Kirsten Caruso. Kirsten's love of music inspired her to create premium sound equipment for consumers. Her vision was to bring the energy, emotion and excitement of listening to music to all people.

The company was a major player in the Australian music industry. By 2005, Soundwaves had built a reputation for developing premium sound equipment that was uniquely Australian. Caruso had found a gap in the market and had limited competition from overseas. The organisation expanded rapidly from a small business to a private company with a board of directors and dedicated employees. It achieved solid annual profits and provided generous dividends to its shareholders and became a respected Australian company.

In the late 2000s, the music industry went through substantial change. The growth of sound equipment posed a threat to the operations of Soundwaves. The tastes of young people were changing as the technological revolution took hold, and products developed by organisations such as Apple and Dre Beats threatened Soundwaves' market share.

The board of directors recognised the changing situation in the industry and acted quickly. They decided to take on the competitors and make major changes in the business. They understood that the quality of sound being produced by their equipment no longer met the needs of their consumers. As a result, the board of directors put in place a strategic plan to change the business operations. The changes included:

- development of high-quality sound equipment using high-quality products
- introduction of noise-cancelling electronic circuitry in all models
- increased product range for earphones to include in-ear, over-ear, sealed and open models
- increased product range for headphones to include wireless, noise-cancelling, waterproof, 'fashionista' and DIY range
- employment of new technicians to improve product range and production
- introduction of team-based management with an emphasis on participation of all employees.

The business experienced major changes and this impacted on the operations and employees. Many employees were resistant to change. They had been doing the same job the same way and producing the same equipment for many years and found it difficult to change. Many employees found the process difficult and didn't understand the urgency for change. They didn't feel supported by management and resented not being involved in making the decisions to change. The business had to employ new technicians with experience in producing the new range of products. This meant that a number of employees were made redundant as they did not have the skills to perform these duties.

Kirsten Caruso had established a business that dominated the market, but with the increase in competition and technology the future of Soundwaves appears grim. The culture of the organisation has been lost and the business must take action to rebuild to create that winning formula again. The future of Soundwaves is in doubt.

10 RENEWAL OUTCOMES

What you will learn

At the post-maturity stage of the business life cycle, a business has three possible outcomes: renewal, steady state or decline. First, a business could continue in its current state of maturity. This is often referred to as steady state. At this stage the focus is usually on satisfying existing customers' demands to achieve results. A business does not change its operations or complete any research or development. A business in steady state should be aware that it could fall into decline if it does not renew. Second, a business could decline. This is where profits fall, sales drop or a business has excess spending. Once a business begins to decline, it may be difficult to recover. At this point, a business is in a stage of high risk that may impact its ability to borrow money or extend its credit facilities. The third alternative is renewal. This is when a business shows new areas of growth, which usually result in an increase in sales and profits. A business may tap into new markets or expand the product range and services it provides. At this stage a business transforms.

Business **transformation** is a change management strategy to reinvent a business to show growth or improvement. It is a plan to align the people, processes and practices more closely to a business's vision. When a business reaches the post-maturity stage of the business life cycle, it may need to transform in order to continue. Other reasons for a business to transform can include changes in the market, technological advancements or an increase in competition in an industry.

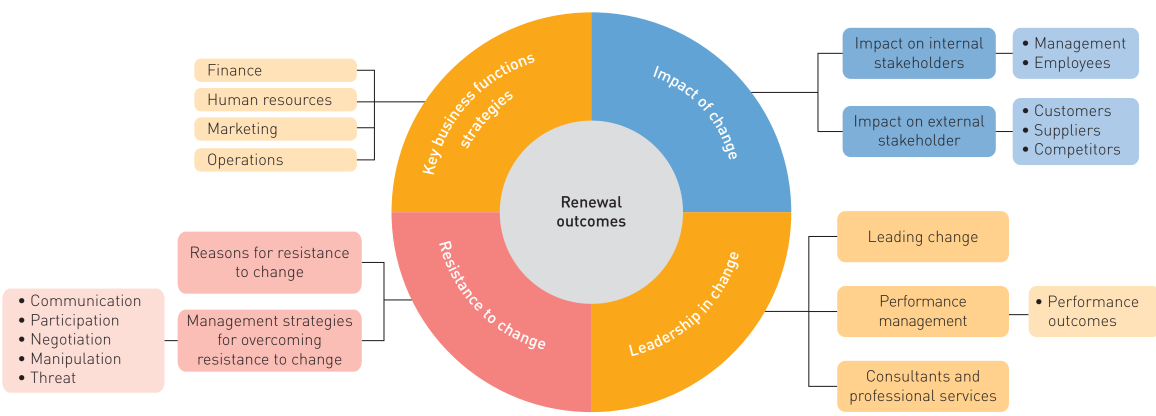
This chapter will provide you with the opportunity to:

- **describe** business situations and environments relating to transformation of a business in the post-maturity stage of the business life cycle
- **explain** business concepts and strategies relating to transformation of a business
- **analyse** and **interpret** business situations, environments and the key business functions relating to transformation of a business using analytical tools
- **evaluate** transformation strategies to make decisions and propose recommendations
- **create** responses that **communicate** meaning to suit audience, context and purpose.

The analytical tools used in this chapter are:

- SWOT analysis
- force field analysis.

(Source: Business 2025 General Senior Syllabus v1.2 © Queensland Curriculum & Assessment Authority)



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GAINING INSIGHT 10.1

Legal leader

FOCUS QUESTION: How does a business leader transform a business?

John Pigeon is a business leader who has transformed his business, which has resulted in positive impacts on profitability, employee welfare and client outcomes (Figure 10.1).

John Pigeon is a lawyer operating in a partnership structure on the city fringe of Brisbane. Over time he specialised in workers compensation law. He found that many of his clients resided in suburbs close to industrial areas where they were employed, and that English was often their second language. John became increasingly aware that his clients experienced difficulty accessing his city-fringe office. He also realised that the costs of interpreting services had a negative impact on client relationships. Further, his business engaged in quite rigid staffing arrangements that adversely affected his employees.

In response to these challenges John took radical steps to transform his business. After consulting with his staff, he made the following decisions:

1. to relocate his business to an outer Brisbane suburb that was much more accessible to clients
2. to employ bilingual and multilingual staff to assist with interpreting and communication with clients
3. to introduce a number of strategies to improve work–life balance for staff:
   a. flexible working hours to enable staff to more readily meet home and work commitments
   b. regular social events to improve the corporate culture of the business
   c. profit-share arrangements so that employees could benefit financially when KPIs were met.

Freedomz/Shutterstock.com

Figure 10.1 Leading law business

The implementation of these strategies resulted in the following outcomes:

1. Staff productivity increased significantly, and absenteeism was reduced.
2. Client numbers increased substantially. Clients reacted positively to being able to communicate in their native language. This gave the business a competitive advantage.
3. The relocation of the office to an area geographically close to clients was met favourably.
4. Management and employees worked in a collegial atmosphere, resulting in a positive corporate culture.
5. Employees benefited financially as a result of increased productivity, which increased the profits of the business.

Questions

1. Explain how Mr Pigeon transformed his business to benefit his clients.
2. Explain how Mr Pigeon transformed his business to benefit his employees.
3. Explain the impact a leader can have on a business during transformation. Include an example from the case study in your response.

Impact of change

In order to understand and manage change, a business needs to examine the impact of change. When the impact of change is overlooked or minimised, a business may fail to achieve its desired outcome of change.

Key learnings

You will learn the following about the impact of change on a business:
- the impact on internal stakeholders, including management and employees
- the impact on external stakeholders, including customers, suppliers and competitors.

Impact on internal stakeholders

Business leaders need to be aware of the impact of change on their internal stakeholders. They must recognise the effect of these changes on both the internal operations and the people within a business. For a change process to occur, the internal stakeholders must be considered. It is these people that will be transforming the business and therefore they play a key role in achieving a positive outcome.

The key internal stakeholders impacted by change in a business are the management and the employees.

Impact on management

Business managers play a key role in all stages of change. Once the change process has been completed, there may be some implications for the management within a business. The leadership approach by management, or even the management structure, may be affected. The impacts of change on management could include:
- the need for management style to change. For example, a manager may need to have a more participative or consultative approach once the change has been implemented
- training of management for the new process or system. A manager may not have the necessary skills to lead, organise or control the business after a change has occurred. They may need to undertake a training course to acquire the necessary skills
- appointment of new management (Figure 10.2). A business may need to acquire new managers to implement the change.

Furthermore, the organisational structure may be affected as a result of any change of management. Changes could occur to:
- the hierarchy or structure within the organisation; the management structure could be altered due to the change
- departments/sections that may be amalgamated, relocated or removed; this could result in a change in management within a business
- the levels of management, which may be flattened or increased in number
- expansion through a merger; this could result in a reorganisation of management within a business.

Art Directors & TRIP/Alamy Stock Photo

Figure 10.2 Subway promoting 'Under new management'

Transformation: the process of changing from one state to another

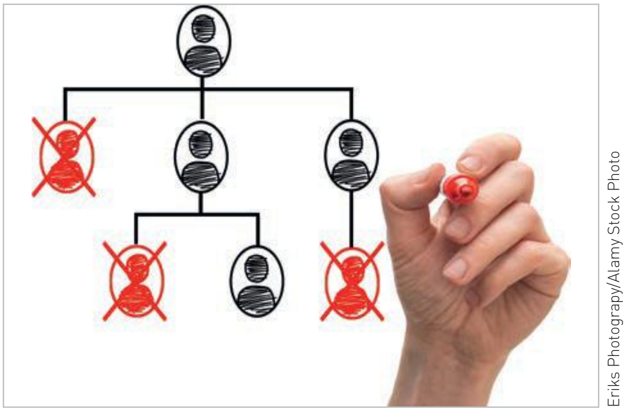
Impact on employees

Employees of an organisation provide the strength for internal change. The processes and relationships of employees must be checked and reinforced after change to ensure continuing effectiveness and efficiency in operations. It is the role of management to consider and manage the people within an organisation. The impacts of change on employees could include:

- new roles and task descriptions for employees
- a need for upskilling and training
- decentralisation of organisational structure, which could place more responsibility on employees
- restructuring, which may result in redeployment, recruitment or reduction of staff (Figure 10.3).

Furthermore, the corporate culture may be affected as a result of change in management and employees. A new way of working will need to be established quickly to reinforce the corporate culture of a business. Changes could include:

- new vision, new values, new employees and a new entity
- altered behaviour of employees due to changes in employment
- new roles, methods and structures altering how people work together
- different skill sets and attitudes of employees
- increased (or decreased) stability and steadiness within the organisation
- new management potentially bringing new styles of management and a new corporate culture.



Eriks Photograpy/Alamy Stock Photo

Figure 10.3 Impacts of restructuring on employees

Impact on external stakeholders

Change will also have an impact on external stakeholders of a business. There might be changes to the external operating environment such as customers, suppliers and competitors, and a further impact on the external macro environment (STEEPLE).

Impact on customers

When a business undergoes change, customers could be affected. Customers may resist the change, embrace the change or even promote the change. This may require a business to target new customers or reconnect with existing customers.

A business may need to:

- introduce a new advertising campaign to inform customers
- re-establish existing customers by offering incentives or rewards
- investigate new competitors and their customers
- target new customers (Figure 10.4).

Bearsky23/Shutterstock.com

Figure 10.4 Targeting new customers

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Impact on suppliers

Change may also impact on the suppliers used by a business. A business may operate in a new market or have new methods of production after the change. This will result in changes to suppliers and a business may need to:

- renegotiate existing contracts with suppliers to match the change
- source new suppliers from local, national or international areas
- outsource methods of production, resulting in changes to the supply chain.

Impact on competition

A business aims to have the highest market share in a particular market by having a competitive advantage. To achieve this, a business needs to monitor and out-perform its competitors. Introducing change may be a strategy a business might use to stay ahead of competitors and defend its market position. However, when a business undergoes change, its competitors may be pressured to also change to remain competitive.

GAINING INSIGHT 10.2

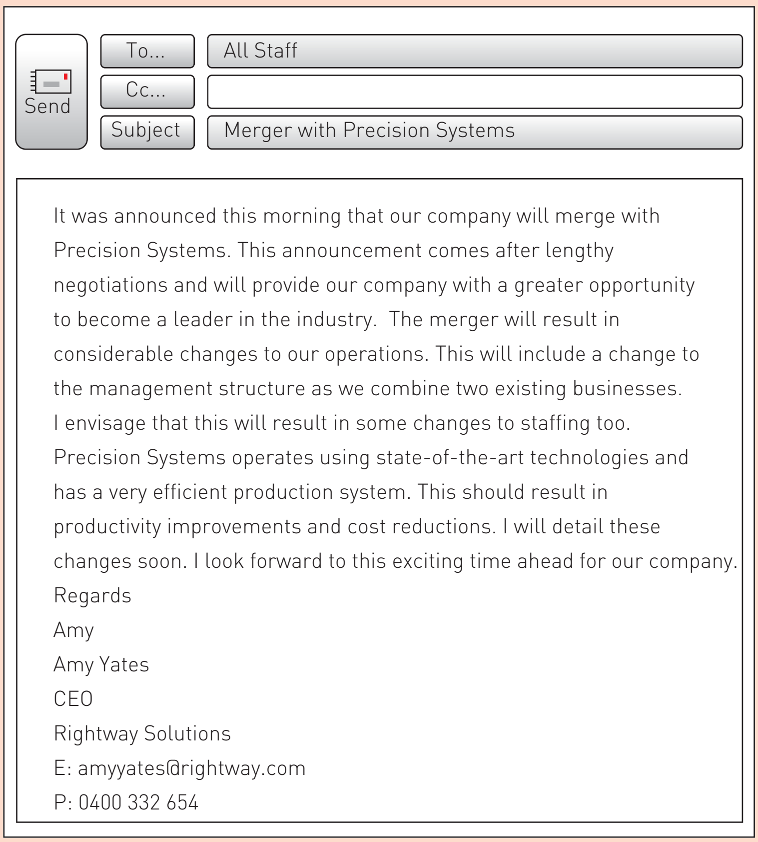
The right way?

The following email was circulated to all current staff employed at Rightway Solutions (Figure 10.5). It announced that Rightway Solutions would merge with Precision Systems. The staff of the two companies were given no prior warning that this would be occurring.

Questions

1 Identify the process the business undertook to initiate the change.

2 **Explain** what effect this could have on employees of Rightway Solutions.



Send
To... All Staff
Cc...
Subject Merger with Precision Systems

It was announced this morning that our company will merge with Precision Systems. This announcement comes after lengthy negotiations and will provide our company with a greater opportunity to become a leader in the industry. The merger will result in considerable changes to our operations. This will include a change to the management structure as we combine two existing businesses. I envisage that this will result in some changes to staffing too. Precision Systems operates using state-of-the-art technologies and has a very efficient production system. This should result in productivity improvements and cost reductions. I will detail these changes soon. I look forward to this exciting time ahead for our company.

Regards

Amy

Amy Yates

CEO

Rightway Solutions

E: amyyates@rightway.com

P: 0400 332 654

Figure 10.5 Email from the CEO of Rightway Solutions

QUESTIONS 10.1

1 Outline how change can impact on the internal environment of a business.
2 Explain how change can impact on a business manager, both positively and negatively.
3 Change can improve the workforce in a business. Explain how this may occur.
4 Explain how a change in corporate culture can impact on the operations of a business.
5 Outline how change can impact on the external operating environment of a business.
6 Why are customers impacted by change in a business? Explain.
7 Outline the benefits to customers when a business changes.
8 Explain how outsourcing may affect suppliers of a business.
9 Outline the benefits to customers that outsourcing may bring.

Leadership in change

A leader is someone who can influence others to follow them. When initiating change, effective leadership is critical to set the direction, build a vision, and lead and work with others.

Key learnings

You will learn about:

- leading change
- performance management
  - reviewing performance
  - reviewing KPIs
- outcomes of performance management
  - redundancy
  - retraining and development
- consultants and professional services.

Leading change

Leading and managing change successfully is the sign of an effective leader. The way in which a business leader sees and manages change determines whether the change will occur successfully. This role involves managing an organisation through the change process. It requires strong and effective leadership to make it happen. An effective leader should be able to make decisions, be visionary and be able to communicate the change. It requires a high level of commitment to the change process to ensure success. A leader must advocate, guide and be a motivator and role model throughout the change process. All these roles demand a deep commitment and focus from a leader.

A leader needs to focus on building relationships with key stakeholders (both internal and external) during the change process. This includes empowering employees by developing talent, encouraging, coaching and cultivating teamwork. When a business is undergoing change, employees look to a leader for direction. That person needs to direct the change and influence people to follow that direction. Poor leadership will result in chaos or distrust from employees and the vision for change could be lost. Poor leadership will also impact on the culture of an organisation and cause negative responses from employees and create instability.

The leader of change must also manage the process. The leader must use a management style that is conducive to change. For example, a participative style of management involves employees in the proposed change and can be an effective way to create involvement. Throughout the change process leaders must check processes to ensure smooth progress and that all required resources are in place. Employees' progress needs to be monitored to determine if training is needed. The internal, operating and macro environment, including all stakeholders, needs to be managed before, during and after the change.

ProStockStudio/Shutterstock.com

Figure 10.6 Leading change

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Introducing change must be carefully planned, organised and controlled, and the employees led through the process. In other words, the key management roles (plan, organise, lead, control – POLC) must be followed.

Performance management

Performance management is a process by which management reviews the overall performance of the organisation and its employees to determine how goals can be better reached. It requires the alignment of strategic objectives and operational objectives with the activities being reviewed. This allows management to make decisions based on performance.

Performance management can be an evaluation of both an organisation and of individual employee performance. All businesses aim to achieve their objectives by improving productivity. Reviewing and assessing the performance of a business can help to achieve this. Employees' performance can also be monitored, measured and assessed to find ways of improving their individual performance. This can be a powerful driver and motivator for employees.

Performance management is designed to improve performance and is an ongoing cycle (Figure 10.7):

- Stage 1 – setting clear objectives that link to goals
- Stage 2 – monitoring and reviewing progress and measuring performance
- Stage 3 – reinforcing desired outcomes by providing feedback
- Stage 4 – identifying training and development needs.

An advantage of implementing performance management could be an improvement in individual performance, which could result in an increase in organisational competitiveness.

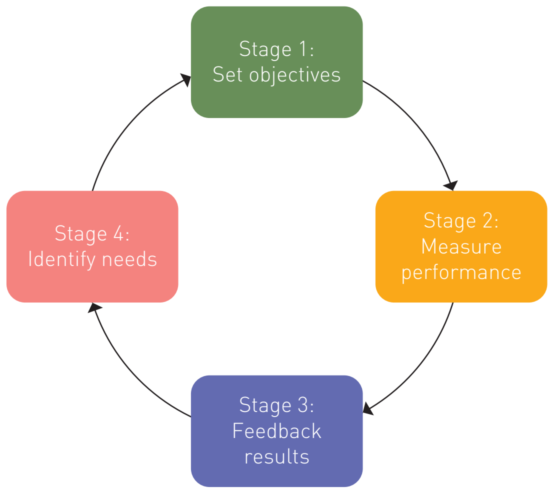


Figure 10.7 Performance management cycle

Reviewing performance

Reviewing performance after transformational change can assist management in ascertaining the effectiveness of the change. It can show a clear alignment and contribute to the implementation of change in the following ways.

Stage 1: Set objectives

- Connect the employee performance to the change objectives.
- Clarify the duties and responsibilities associated with the change.
- Provide clear direction that links the objectives with the change.

Stage 2: Measure performance

- Use performance appraisal to measure performance during change.
- Use performance appraisal to provide feedback to individuals on their progress.
- Assess achievements, strengths and weaknesses of managing change.

Stage 3: Feedback results

- Link the objectives of the change to the performance results of an employee.
- Provide feedback and incentives on the results achieved and show the link to the change objective.
- Reward behaviours required for the change to be achieved.

Performance management: a process by which management reviews the overall performance of the business and its employees to determine how goals can be better reached

Stage 4: Identify needs

- Identify the training needed to implement the change.
- Identify career development potentials that have resulted due to the change.
- Link training and development needs to the objectives of the change.

Reviewing key performance indicators

Key performance indicators, also known as KPIs, help an organisation define and measure progress towards organisation goals. KPIs are quantifiable measurements that show success factors. They use specific criteria such as efficiency and effectiveness to measure performance.

KPIs assist an organisation during transformation by defining, measuring and progressing towards the organisational change. Once a change has been determined, a strategy to achieve the goal can be created. The performance during the transformation is measured and then the performance is evaluated (Figure 10.8).

- Strategise – the objectives are established: *What do we want to achieve?*
- Measure – the progress is measured: *How are we going?*
- Evaluate – the performance is assessed: *Did we achieve the objective?*

When a business is undergoing transformation, performance management is clearly under the spotlight. Measurement using KPIs can assist by:

- motivating employees to perform
- providing guidance towards goal achievement
- alerting management to the risk of resistance.

There is a variety of data that can be gathered to assist a business to evaluate performance (Table 10.1).

Figure 10.8 Measuring performance using a KPI

Table 10.1 Performance management using a KPI

Change objective	KPI	Performance indicator
Introduce a new customer service policy	Customer complaints	The number of customer complaints will indicate whether the new customer service policy is effective
Introduce eco-friendly work practices	Level of wastage	The amount of waste created by the production process will show whether a business is using eco-friendly practices
Improve staff morale	Level of staff absenteeism	The rate of staff absenteeism will be an indicator A rising rate of absenteeism may indicate a problem

Outcomes of performance management

Business transformation is all about outcomes, maximising business efficiency and performance, and becoming a leader in its industry. These outcomes can impact on employment within a workplace. The main outcomes are redundancy, and retraining and development.

Redundancy

Redundancy occurs within an organisation when a position is no longer required. This means the employee performing that position is dismissed when their role becomes redundant (Figure 10.9).

A redundancy could occur in a business due to:

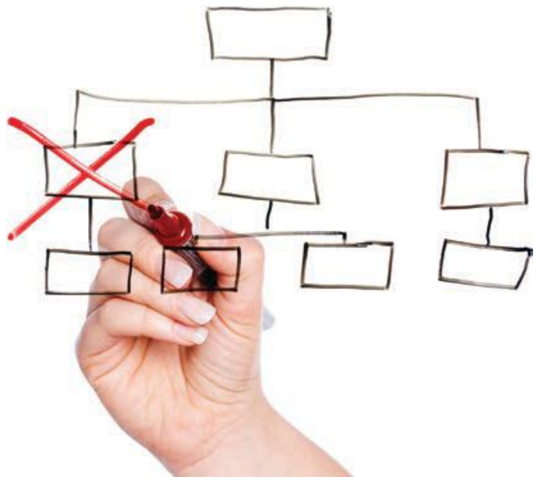
- technological change
- restructuring or reorganising
- business downturn due to low sales or production
- a merger or acquisition.

Key performance indicator (KPI): an objective, set by a business, that can be measured to allow business performance to be assessed

Redundancy: an employer-directed separation strategy that occurs when an employer reduces the number of employees because a position is no longer required

When a business is undergoing transformational change, performance management will determine workforce employment requirements. If an employee's position is no longer required due to the change, a redundancy could be offered. Redundancy payouts would need to be made for departing employees. This is a form of compensation paid to an employee based on the duration of their employment. An employee's level of experience could also be taken into consideration when determining the payout. Redundancies have a significant impact on an organisation and the corporate culture. Not only will they incur a large payment by a business, but they also affect the morale of staff. It is the role of the human resources manager to manage the process of redundancy. Two important considerations are:

- the quality and clarity of communication regarding redundancies
- the treatment of the employees being made redundant.



iStock.com/RapidEye

Figure 10.9 Redundancy

The process of redundancies must be managed well to avoid trauma to the remaining staff. The process needs to be planned and implemented effectively. Open, clear communication is crucial to avoid any misunderstanding or misinterpretation of decisions. When communication is not clear, remaining employees may create their own version of events, which can impact negatively on staff morale. Additionally, a fair and reasonable process will minimise the impact on the remaining employees. Employees who are made redundant need to be treated with respect and dignity. If the situation is handled poorly, other employees may reconsider their employment within the organisation.

In dealing with change in a business that results in employee redundancies, an organisational rebuilding process must begin. It is the role of leaders in an organisation to rebuild the company and inspire employees to embrace the transformation. This can assist individuals to understand their reactions to the change, and support them through the change. This, in turn, will help to re-establish the corporate culture of an organisation.

GAINING INSIGHT 10.3

Redundancy

Visit the website of the Fair Work Ombudsman and search for 'redundancy' to complete the following activities. You can find this link on Nelson MindTap.

iStock.com/tommaso79

Figure 10.10 Employee redundancy

Questions

1 Explain what is meant by redundancy.
2 Outline a business situation that may result in an employee becoming redundant.
3 Explain the impact redundancies can have on a workplace.

Weblink
Fair Work Ombudsman – Redundancy

Retraining and development

Retraining employees and providing them with development opportunities is an investment in a business. Employees are a business's most valuable asset and, once a transformation has occurred, it is crucial that staff are retrained and development provided to maintain and increase job satisfaction.

Retraining

Investing in retraining and 'upskilling' existing workers is an urgent priority after transformation in a business. After a transformation, employees need to learn new skills. For example, a business that upgrades to new technology may require retraining of employees to use new devices or software. Retraining will teach employees the new skills required after a change has been implemented. This can help to create positive attitudes towards the change.

Retraining programs can be beneficial both to employees and to the business (Table 10.2).

Table 10.2 Benefits of retraining programs

Benefits to an employee	Benefits to a business
Retraining programs update skills and provide a continuous learning program for employees	Retraining in new skills increases overall productivity, which can increase products and services provided
Employee skill set is developed, which improves workplace outcomes and motivation	Having more highly skilled employees increases workplace efficiencies

However, retraining programs can be costly to a business, and some employees may be reluctant to participate in training programs (Table 10.3).

Table 10.3 Disadvantages of retraining programs

Disadvantages to an employee	Disadvantages to a business
Access to training may not be equitable for all employees	Retraining employees is expensive and may not always achieve the desired result
Retraining may require employees to work longer hours to upskill	Retraining hinders a workplace from recruiting new people

The costs to a business of implementing a retraining program can be significant. The business needs to evaluate the potential benefits against the costs to determine if the retraining is financially viable. This may require a business to consider the long-term impacts that the retraining will provide.

GAINING INSIGHT 10.4

Making a splash

Changes in pool safety fences have resulted in an increase in business for Splash Fencing.

Figure 10.11 Splash Fencing

To keep up with consumer demands, the business has installed a complex and expensive processing system to manage its production. The new system involved changes in many work practices and skills. This meant that many staff needed upskilling and retraining to complete their jobs.

Questions

1 Explain the benefits of retraining staff in transforming a business.
2 Explain how a force field analysis could be used to help this business transform.

Retraining: the process of learning new skills

Development

Development of employee career pathways after transformation of a business is a win–win situation for both the employee and the business. The plan should focus on an employee's need for growth and development to better equip them to perform their job. This assistance can provide an employee with the opportunity to grow in their career. In addition, it will help the employee to develop both personally and professionally.

The role of the human resources manager is to provide opportunities for career development for employees after transformation of a business. Discussions with an employee could include:

- current position – what retraining is needed to perform their current job?
- gaps – are there any gaps to meet their job requirements?
- future – what areas need to be developed for the future?
- career plan – develop a plan for the future for both the employee and the business.

QUESTIONS 10.2

1 Explain performance management.
2 Explain the interrelationship between performance management, change management and business transformation.
3 Determine why redundancy is sometimes an outcome when transforming a business.
4 Outline the effects redundancy can have on those employees who remain in an organisation.
5 Discuss why retraining may be required when transforming a business.
6 Determine the advantages and disadvantages to a business of retraining staff after transformation has occurred.
7 Justify why employee development could be considered important when transforming a business.

Consultants and professional services

A business in the post-maturity stage may require the assistance of a consultant or professional services to improve its future performance.

Consultants

Consultants provide advice on specific areas of a business. They are external experts who are hired by a business to examine efficiency and effectiveness. Consultants have a range of knowledge, skills and expertise, and provide advice, recommendations and suggestions to address an issue (Figure 10.12). They can identify problems and develop strategies to implement effective change. Consultants can provide assistance to a business in the post-maturity stage in various ways. They may:

- find opportunities to differentiate a business from its competitors
- examine a business's processes to find improvements that will assist future growth
- complete a cost–benefit analysis to determine opportunities for growth
- determine strategies to regain market share
- identify ways to reduce costs; for example, by downsizing operations.

iStock.com/monkeybusinessimages

Figure 10.12 Consultants can assist a business in the post-maturity stage.

Consultants: a professional who provides expert advice in a particular area to a business

Professional services

Professional service providers are external to the business. They offer specific knowledge to a business and are experts in their field. They provide a service to a business and are accountable for their actions – unlike a consultant, who only provides advice. Professional service providers include:

- lawyers – experts on legal matters. Lawyers could represent a business in the post-maturity stage on matters such as bankruptcy filings or restructuring a company.
- accountants – experts on financial matters. A business in the post-maturity stage could seek the services of an accountant for insolvency or business recovery.

QUESTIONS 10.3

1. Explain the role of consultants in assisting management for a business in the post-maturity stage.
2. Explain how a consultant can assist a business to show growth.
3. Explain the role of professional services in assisting management for a business in the post-maturity stage.
4. Differentiate between the role of a consultant and that of professional service providers.

Resistance to change

Resistance to change is the act of opposing change in the workplace. It is made up of all the forces that work against the change. Resistance to change is often the greatest problem a business faces when it attempts to implement a change. A business must minimise resistance and implement strategies to overcome resistance when introducing a change.

Key learnings

You will learn the following about resistance to change:

- what resistance to change is
- reasons for resistance to change
- management strategies for overcoming resistance:
  - communication
  - participation
  - negotiation
  - manipulation
  - threat.

What is resistance to change?

Change is now commonplace in most organisations. For a business to remain competitive it must constantly review its operations and make changes to meet the needs within an industry. When dealing with change, it is inevitable that there will be barriers of resistance. Expecting resistance to change will assist a business to effectively manage any objections.

Resistance to change is the action taken by someone when a change is occurring. The person often sees the change as a threat and this creates resistance. The resistance can manifest itself in a person being passive or aggressive, timid or fearful, and overt or covert.

Professional services: providers of expert knowledge in a particular field to a business

Resistance can slow down, delay or even stop the change process, obstruct the implementation of the change and even increase its costs. It can take a number of forms, such as:

- employee apathy
- reduction in output
- hostility in the workplace
- employees taking strike action
- increased number of employees 'quitting'.

Figure 10.13 Resistance to change

A business needs to address resistance to change. It must recognise and constructively address the issues instead of ignoring them. If resistance exists, it provides an opportunity for a business to reassess the change and receive feedback prior to implementation of the change. This allows a business to act accordingly to create the 'best fit' for the situation, employees and ultimately the business. The first step in initiating change is to understand the main reasons for resistance to change (Figure 10.13).

Reasons for resistance to change

Understanding the reasons for resistance to change will often assist a business to effectively manage objections. It also provides a business with the opportunity to implement strategies to overcome resistance to change. It is not possible to be aware of all the sources of resistance. However, a business should prepare for resistance when implementing change to better equip itself to manage any resistance. Taking this proactive step when initiating change will assist with the change process.

Table 10.4 lists some of the most common reasons for resisting change.

Table 10.4 Reasons for resisting change

Resistance	Reason for resistance to change
Unknown	If employees do not understand the reason for change, a business can expect resistance. Employees will be reluctant to adopt a change if they are unaware of the reason for change. Additionally, not knowing the impact of change on the future of a business or an employee's job status or prospects can cause anxiety. This creates resistance to change.
Fear of failure	One of the most common reasons for resistance to change is fear of failure. An employee who is required to acquire new skills may fear failure and be resistant to undertake the change. This can cause fear among employees, which often results in resistance to change.
Trust	Trust is vital when operating a successful business. In a business where trust in management is positive, there is less resistance to change. When employees don't have trust in management to implement change, there is likely to be resistance.
Communication	If change is not clearly communicated to all stakeholders, it will not be accepted. This is a reason why employees oppose change. Furthermore, how the change is communicated to employees is also very important because it will determine how they react. The lines of communication need to be fluent during the change process. This includes communicating the change process, how the change will be implemented and what the change will achieve. If this is not communicated clearly, resistance can be expected.
Timing	The timing of change is crucial to it being implemented successfully. It could be that insufficient time has been allocated for the change. Employees may not have been given enough time to consider the change, accept the change and execute the change. It could be a business has not taken the time to plan for the change. Or if there are too many changes at one time it may create a state of chaos, which can cause resistance.

A business needs to expect resistance to change and plan for it from the start. This will allow the change to be effectively and efficiently managed.

GAINING INSIGHT 10.5

Chickens have hatched

Cluck Chicken Farm is one of the oldest poultry farms still in operation in Australia (Figure 10.14). The business, located in the eastern suburbs of Brisbane, has been trading for over 60 years and, according to its website, employs approximately 500 staff members. Cluck Chicken Farm prides itself on being a free-roaming chicken farm with quality barn-bred chickens.

iStock.com/Janis Apels

Figure 10.14 Cluck Chicken Farm

However, the business has been declining, and sales have dropped to a record low. And, with record losses for the past five years, the future of Cluck Chicken Farm is looking grim. The following performance deficiencies have been noted:

- rising operational costs
- lower sales volumes
- increased competition in the industry
- falling customer numbers
- poor profit levels.

The business has made radical changes in order to improve its operations and increase its profit margin this financial year. The first initiative was to employ a new CEO to lead the changes. John Fried was appointed to the position and began transforming the business.

Fried made changes without input or involvement from the owners or any employee. There was minimal communication regarding the nature of the changes. He transformed work practices by increasing the use of automated systems. The business installed robotic technology to increase the speed of production, which proved to be a highly efficient cost-saving device. However, this meant that Cluck Chicken Farm would no longer require the same number of process workers and 200 positions were terminated. The business also outsourced some operations, which resulted in further job losses.

Employees were angered and were very resistant to the changes and how the change process was managed.

The owners of Cluck Chicken Farm were distraught to discover that, although the innovative responses initiated by John Fried had led to improvements in production levels and an increase in sales, there was now higher absenteeism and the staff turnover rate had increased significantly.

Questions

1. Describe the business situation.
2. Explain the process the business undertook to initiate the change.
3. Identify and explain the management style used to implement the change. Provide an example in your response.
4. Outline a positive and a negative impact on the business as a result of the change.
5. Explain how the change could have been implemented differently to achieve a positive outcome for the business and employees.

Management strategies for overcoming resistance

Change may cause resistance from stakeholders, mainly due to fear and uncertainty. Managing change effectively is essential to overcome this resistance to change. Adopting change requires the participants to accept a degree of risk. Managers and employees must be prepared to take such risks for the change to happen.

Change can be managed through the use of strategies. The range of strategies that can be utilised fall into two categories: low-risk and high-risk strategies. Low-risk strategies rely on communication, participation and negotiation to overcome resistance to change. At the other end of the spectrum are high-risk tactics such as manipulation and threat.

Low-risk strategies

Low-risk strategies allow a manager and employee to maintain strong relationships throughout the change process. The common low-risk strategies to overcome resistance to change include:

- communication strategies to effectively channel the information about the change
- participation strategies to empower employee involvement
- negotiation strategies to gain support of resisters.

High-risk strategies

High-risk strategies allow a manager to overcome resistance to change quickly. These tactics are high-risk because their failure may generate negative outcomes. High-risk strategies include:

- manipulation strategies to change a situation by exertion of influence over someone
- threat strategies to force resisters to conform.

Figure 10.15 shows some management strategies that can be applied to overcome resistance to change.

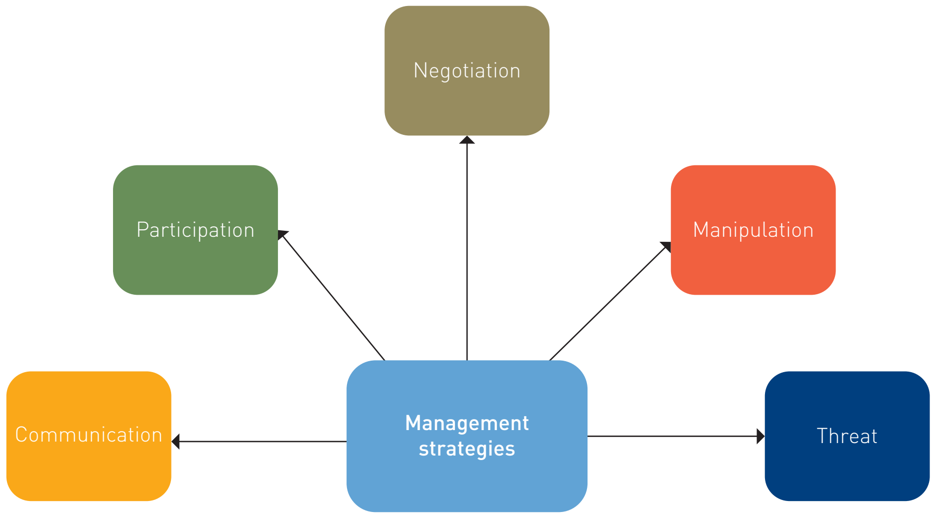


Figure 10.15 Management strategies for overcoming resistance to change

Communication

The most important tool a manager can possess during organisational change is effective **communication**. It is the key to successful implementation of change. However, it is also perhaps the most complex tool as any form of change can trigger emotional responses. When change is initiated in a business, it is the people who are fundamentally affected. It is the people whose support and cooperation is needed for the change to happen. Without the involvement and commitment of these people, the change will not happen (Figure 10.16).

To achieve support, cooperation, involvement and commitment from stakeholders, it is crucial that open and effective communication occurs throughout the change process. This is one of the most challenging issues when

iStock.com/xavierarnau

Figure 10.16 Why is communication so important during the change process?

Communication: the process of sending and receiving information through verbal or non-verbal means implementing change. It is a matter of communicating the right information to the right people at the right time with the right messages using the right engagement strategies. Communication is paramount. It involves informing all stakeholders through a variety of mediums at various stages through the change process. These communication methods may include:

- face-to-face conversations
- written communication such as emails or reports
- informal discussions or meetings
- formal discussions, meetings or conferences.

Utilising several different ways to communicate during change will reinforce the message and highlight the vision and expectations of the change.

Communication is integral to effectively implementing change. Establishing a collaborative environment where communication is encouraged will be advantageous. Explicitly communicating during change will keep all people informed. A manager has the ability to use words to motivate the entire workforce and gain support during change. Communicating openly also gives a manager the ability to build trust and establish relationships with employees. When communication is effective, the change process meets less resistance.

To overcome resistance to change, an effective communication strategy, using a range of communication channels, needs to be developed to move stakeholders along the change process, as shown in Figure 10.17.

Figure 10.17 Communication continuum strategy

The communication continuum strategy will influence stakeholders in building commitment towards the change and achieve the desired outcomes. The communication continuum includes:

- *awareness* – communicate the change. Individuals are conscious of the change and will start to consider the change
- *understanding* – communicate the reason for the change. Individuals will understand the reason, benefits, impact on them and their role in the change
- *acceptance* – communicate the need to assent to the change. Individuals are ready to implement the change, they are involved and feel empowered to commit and engage in the desired change
- *alignment* – communicate the level of support provided during the change. Individuals are aware of the support they will receive throughout the change process
- *commitment* – communicate the dedication required to implement the change. Individuals take ownership and responsibility for the implementation of the change.

Developing a simple communication plan can also support the change process. A number of communication techniques could be included in a change communication plan (Table 10.5).

With the right communication tool, management have the power to overcome resistance to change.

Table 10.5 A simple communication plan

Communicate change	Develop a set of key messages to help understand the change, the vision and the outcome. Include time for consultation, planning and involvement in the decision-making process for the change.
Communicate openly	Communicate the change in an open and honest way. Provide clear and accurate information and updates often. Create certainty and avoid any secrets or surprises where possible.
Communicate frequently	Communicate consistently and frequently about the change using a range and variety of mediums. Schedule discussion and meeting times to keep all people involved and committed to the change.
Communicate confidently	Communicate in a confident, consistent and clear manner throughout the change process. Confident communication will maintain staff commitment and motivation and create a positive environment.

Participation

Participation is the key to successful implementation of change. However, it is a challenge for business managers to involve employees in the change process. Creating energy, engagement and commitment to change initiatives is difficult, but the benefits to a business are significant (Figure 10.18).

Participation is an effective strategy for overcoming resistance to change. If employees are involved in change initiatives, the perception is they have a greater sense of control during the process. When employees are engaged in opportunities to contribute their ideas and suggestions, and express their concerns or fears, the whole organisation can benefit. Involvement in planning for change increases the likelihood of acceptance, which can lead to success of the change. Furthermore, the act of participation can itself be motivating, which leads to greater incentive and effort to make the change happen.

Figure 10.18 Participation is the key.

Direct participation of employees can play a vital role in creating a positive work environment and contribute to the corporate culture. Providing employees with opportunities to contribute to decisions, where their opinions are heard, will create an environment in which employees feel empowered, valued and that their opinions matter.

It is the responsibility of management to implement participation strategies to overcome resistance to change. Managers must actively involve the people affected by the change in its implementation. This will foster an environment where employees at all levels will embrace the change (Figure 10.19).

Figure 10.19 Participation starts from the bottom.

Managers need to empower employees through participation. The manager must create a vision for the future and drive the organisational change. It is their responsibility to identify and include key **change agents** through participation in the change process. The manager must ensure that all employees feel part of the change and are willing to support it with commitment and enthusiasm.

Adopting appropriate participation strategies will contribute to the successful implementation of change (Table 10.6).

Participation is a proactive change initiative that can assist in overcoming resistance to change.

Participation: the act of being involved or taking part in some action

Change agent: a person who acts as a facilitator and assumes responsibility for the management of change to enable a business to transform

Table 10.6 Participation is the key.

Involve and engage	Participation in the change process should commence immediately. Involvement of as many staff as possible in the early stages will create an initial 'buy in'. Staff will feel valued and will then engage in the change process.
Create a diverse team	Choose a team of people with a diverse range of skills and knowledge to lead the change. Empowering employees to participate in driving the change will create support for the change.
Invite feedback	Build in measures for employees to provide feedback during the change process. Involvement throughout the process with opportunities for feedback will build on the momentum and continue the process.
Celebrate success	Employees who are positively working with the change should be recognised and rewarded.
Build a culture	Create a culture where employees participate in change, contribute to decisions and feel part of a change-driving team. This will build an environment that values and recognises employees and create a positive corporate culture.

Negotiation

Negotiation is often a necessary tactic during the change process. This typically involves identifying potential resisters and negotiating with them in return for their support (Figure 10.20).

Negotiation is simply communicating with others in order to come to an agreement. It involves communicating by listening and responding with the aim of reaching an agreed outcome. Negotiation is a process by which compromise is reached while avoiding dispute.

The ability to manage change through negotiation is an effective strategy used by managers. They must adopt negotiation skills as a strategy to help manage the change and overcome resistance to change. Negotiating skills used by managers will determine how well employees will be influenced and persuaded to adopt the change (Table 10.7).

iStock.com/pixelfit

Figure 10.20 Negotiation during change

Table 10.7 Strategies for negotiating change

Expect resistance	Effective managers should expect and embrace resistance. Any change can breed resistance and conflict. A manager should engage critics, learn why they resist the change and then negotiate with them to accept the change.
Time for negotiation	Time should be allocated to discuss and negotiate the change. This will allow individuals to put forward their understanding of the change. The manager should listen, question and clarify before negotiating.
Build a coalition	Negotiate with one or more employees to build a team. Once a team has been established it will inspire more to follow.
Focus on outcomes	Draw connections between the change and the expected outcome. The focus should be on negotiating and achieving a win-win situation. This is where both sides feel their point of view has been taken into consideration and a desirable outcome has been achieved.

Implementing strategies to negotiate change can be challenging. Managers need to develop the power of persuasion to deal with difficult people during change. This could mean dealing with the discomfort and tension that comes with change to achieve a desired outcome.

Negotiation: a bargaining process with the aim of reaching an agreement

9780170484367

Negotiating during change has advantages and drawbacks (Figure 10.21). Benefits in negotiation can include offering incentives such as financial rewards as a way of avoiding resistance. However, this can be an expensive way to negotiate change and could result in enterprise bargaining or individual contracts having to be established.

Negotiation can be an effective strategy for overcoming resistance to change.

Negotiation can be a relatively easy way to avoid major resistance. This can be achieved by offering incentives for making the change.

Negotiation can be an expensive method of avoiding resistance.

Figure 10.21 Negotiation: advantages and drawbacks

Manipulation

Another strategy that management can use to overcome resistance to change is **manipulation**. Manipulation, in the context of organisational change, is the skilful handling of someone – or, sometimes, the scheming exercise of influence over them – to achieve a desired outcome. It can be an effective technique when resistance to change is high. In this situation, a manager may resort to manipulation to force the change. This could include manipulating information or deviously exerting influence over employees to force the change. For example, an organisation can offer promotional opportunities as an enticement for implementing change. In this situation employees are being manipulated to accept the change by being offered an incentive (Figure 10.22).

Manipulation is a high-risk strategy to overcome resistance to change. It provides a manager with the ability to manage resistance quickly; however, there is a significant risk it will have negative consequences. A manager might, for example, manipulate change and gain support by only communicating the benefits of a change and not identifying the negatives. This practice can harm the morale and the corporate culture of a business if the employees find out they have been manipulated. The advantages and drawbacks of manipulation are shown in Figure 10.23.

The aim of manipulation is to gain support for the change by influencing people. Manipulation can be an effective strategy for overcoming resistance to change.

Khakimullin Aleksandr/Shutterstock.com

Figure 10.22 Manipulation to force change

Manipulation can be a relatively quick solution to resistance issues.

Manipulation can be costly if using incentives to influence people. It can also lead to further issues if people feel that they are being manipulated.

Figure 10.23 Manipulation: advantages and drawbacks

Manipulation: the skilful, or sometimes scheming, exercise of influence over someone to achieve a desired outcome

Threat

Threat is a high-risk tactic and is often felt to be necessary when there is a high resistance to change. This tactic consists of making direct threats to those who resist change. Threat involves forcing employees to accept the change or receive retribution or some form of negative punishment. Possible threats could include demotion, transfer or loss of employment (dismissal or retrenchment).

The strategy of using threat is to create fear in the hope that employees will embrace the change quickly (Figure 10.24). This can cause resentment as employees are forced to accept the change. The danger of this tactic is that employees may appear to be compliant but are in fact resentful of the change. Using threat can also impact on the corporate culture within an organisation by harming relationships. This can lead to an increase in resistance and further issues such as complaints, grievances and even industrial disputes.

A manager may resort to using the strategy of threat to overcome resistance to change when they cannot invest the time or effort required by using other tactics. Threat can gain a quick outcome and force the change to occur, but could also escalate the resistance.

This is not a desirable method of change management as it can cause distrust and impact on the corporate culture of a business. It can also cause employees to resist the change further. However, using threat can be a quick method of overcoming resistance to change (Figure 10.25).

The aim of threat is to gain support immediately and it can be an effective strategy for overcoming resistance to change.

iStock.com/ferrantraite

Figure 10.24 Using threat to force change

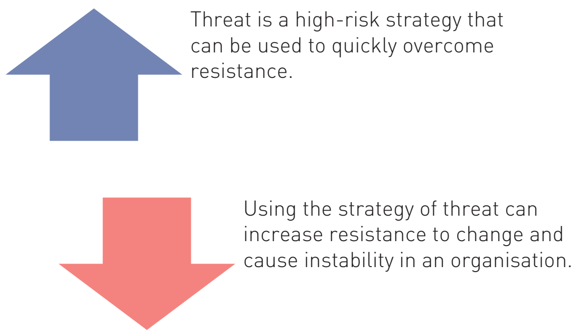


Figure 10.25 Threat: advantages and drawbacks

QUESTIONS 10.4

1. **Describe** the internal operating environmental factors influencing resistance to change in a business.
2. **Create** a double bubble map to distinguish between low-risk and high-risk strategies for managing change.
3. **Explain** the benefits of using low-risk strategies when overcoming resistance to change.
4. Justify why using a high-risk strategy would be beneficial to overcoming resistance to change.
5. **Explain** the effects on a business of using high-risk strategies when overcoming resistance to change.
6. **Explain** the role of management in overcoming resistance to change.
7. Discuss why leadership is important to managing change effectively.
8. Compare and contrast the use of negotiation and manipulation to manage change effectively.
9. Discuss this statement: 'Threat is the most effective way to implement organisational change.'

Threat: a tactic used with the intention of enforcing conformity

GAINING INSIGHT 10.6

New to Steika

The owner of Steika Industries, Kate Steika, announced the appointment of a new sales manager, Nadia Eli (Figure 10.26).

The employment of a sales manager will result in the restructuring of the Sales Department. It will also mean that all employees in the Sales Department will need to undertake a new customer-training program. There has been no consultation with employees; it is a new initiative introduced by the new sales manager. Ms Eli has notified employees that failure to complete the training will mean a reduction in pay. This has caused angst among employees. Some employees feel the new training is unnecessary and believe that the business should be able to operate as it always has.

fizkes/Shutterstock.com

Figure 10.26 The new boss

Questions

1 Identify a strategy that could be used to overcome employee resistance.

2 Explain how this strategy could overcome resistance to change.

Key business function strategies

Transformational changes often occur when a business undergoes change. This can include restructuring of the key functional areas of a business – finance, human resources, marketing and operations.

Key learnings

You will learn about management strategies required to achieve renewal outcomes after transforming a business, including:

- financial management strategies
- human resources management strategies
- marketing management strategies
- operations management strategies.

Financial management strategies

Financial management strategies are initiatives aimed at improving the finance function within an organisation. This can involve a variety of tasks, from improving the budgeting cycle to implementing a new accounting software program to reduce overhead costs.

The financial management strategy for transforming a business must align to the business's overall strategy in order to become more efficient and effective. Typically, in finance, this will relate to two core areas – profitability and growth (Figure 10.27).

Khakimullin Aleksandr/Shutterstock.com

Figure 10.27 Financial management strategies

Profitability

The focus of a business should be on minimising costs to maximise profits. When a business transforms, the core responsibilities of financial management is to control costs. The financial manager must initiate strategies to budget for additional expenses and control financial resources.

Managing costs is crucial during business transformation. A business needs to set targets and forecasts using industry benchmarks. These plans need to be revised frequently during the transformation period to ensure outcomes are achieved.

Growth

During a time of transformational change, business requirements could alter due to new markets, acquisitions or mergers. The goal for the financial manager is to be able to efficiently integrate the growing business. The manager needs to have financial insight to manage the change.

The following financial strategies could improve the overall financial position and cash flow when transforming a business:

- selling assets – disposing of assets that are no longer used in the business
- improving cash flow – collecting money owed faster, and reducing expenses
- increasing prices – using a break-even analysis to determine how much you need to sell to cover expenses
- reducing expenses – changing suppliers, modifying the quantity of stock purchased, and switching to cheaper alternatives for consumables.

Human resources management strategies

Business transformation will have a significant impact on employees at all levels within an organisation. When an organisation is undergoing change, a crucial part of the human resources function is to anchor the change management process and facilitate the transformation. As employees are a business's most valuable asset, the management of transformational change must be handled well.

The human resources manager must have the ability to develop proactive strategies when managing employees through change (Figure 10.28). This means adopting a long-term approach in having a diverse range of employees to meet the changing needs of a business. The human resources manager should be involved in organisational change from the beginning and can assist by influencing the following:

- increasing employees' understanding of the change
- improving employee skill and proficiency levels through training initiatives or retraining programs
- improving communication levels within the organisation during the change process
- enhancing relationships and building a corporate culture that embraces the change.

iStock.com/LumineImages

Figure 10.28 Human resources management strategies

It is the role of the human resources manager to unify the business in understanding the strategic direction for the change. This manager acts as a facilitator for the change and leads others into initiating the change.

The following human resources strategies could improve employee relations when transforming a business:

- rebuilding and promoting corporate culture
- promoting a clear vision for the change and its benefits to employees
- developing training or retraining programs for existing employees
- implementing performance management programs such as performance appraisals and KPIs
- initiating reward systems to reinforce the new behaviours and outcomes with both tangible and intangible rewards
- maintaining existing employees by offering flexible working arrangements or other incentives
- implementing a code of conduct to uphold ethical standards
- recruiting and selecting new employees required to meet the needs of the change
- offering redundancy packages for outgoing employees.

GAINING INSIGHT 10.7

Fine jewels in business

Leading jewellery business Michael Hill (Figure 10.29) has abandoned plans to reposition its struggling brand Emma & Roe. The company announced that all Emma & Roe stores would be closed after a strategic review of its operations. Instead the business will now focus on strengthening the Michael Hill brand.

Emma & Roe was launched in 2014 as part of the Michael Hill brand. The products sold at Emma & Roe were more fashion-focused items that competed with other jewellery brands such as Lovisa and Colette. This enabled the Michael Hill jewellery stores to focus on fine diamonds and bridal customers.

Despite several years of operations, the brand Emma & Roe never delivered sustainable sales growth. The decision was made to close Emma & Roe stores as they were underperforming. A strategic review by management determined that resources would be better utilised under one brand (Michael Hill) to achieve stronger financial results.

The decision forced a restructure of the business Michael Hill, including its finance, operations and employees. The business relocated some staff to its

Nils Versemann/Shutterstock.com

Figure 10.29 Michael Hill jewellery store

Michael Hill stores. Other employees' contracts were terminated and some staff offered a redundancy.

Michael Hill has also transformed its operations from those of a traditional retailer to a differentiated omni-channel brand. This approach is expected to provide the business with a platform to support growth and increase its market share.

Questions

1 Identify the factor that influenced the need for change for Michael Hill.

2 Outline the process the business undertook to initiate the change.

3 Identify a human resource management strategy the business implemented during the change.

Omni-channel: an approach that provides customers with the same shopping experience using different methods of sales; for example, instore, online or phone orders

Marketing management strategies

A business needs to maintain its competitive advantage during transformational change. The strategic role of marketing is to maximise its scale and profits. Marketing management strategies should focus on the customer and increasing market share (Figure 10.30). It is the role of the marketing manager to meet these needs while considering the strategic vision of the business.

The following marketing management strategies could improve the competitive advantage when transforming a business:

Bleakstar/Shutterstock.com

Figure 10.30 Marketing management strategies

- product – consider the unique selling point of the products sold
- price – price effectively to avoid financial consequences: if the price is too low, profit is reduced; if the price is too high, sales are reduced
- place – position the business to reach customers, suppliers and distribution channels
- promotion – select promotional techniques to create the most cost-effective marketing strategy
- people – employ a team that meets the marketing objectives of the business.

GAINING INSIGHT 10.8

The Duck campaign

Ken Wolter/Shutterstock.com

Figure 10.31 The 'Aflac Duck'

In 2000, an innovative marketing campaign for a small American insurance company created headlines. American Family Life Assurance Company (AFLAC) had been in operation since 1955 and only had about 12 per cent brand recognition rate before the launch of the new marketing campaign (Figure 10.31). AFLAC employed the services of the marketing group Kaplan Thaler to improve its name recognition. An innovative marketing campaign resulted in the creation of the 'Aflac Duck'. The group created television commercials featuring customers who had trouble remembering the insurance company's name. The 'Aflac Duck' would appear and quack the name 'Aflac'. The little white duck created a sensation and the brand recognition improved from 12 per cent to 90 per cent for AFLAC. The business's sales increased and catapulted AFLAC into a leading position in the insurance industry.

The 'Aflac Duck' is now an internationally recognised personality and was inducted into the Advertising Walk of Fame. AFLAC changed its logo to include the 'Aflac Duck', and recently the business celebrated over 60 years in operation. The business capitalised on the popularity of the duck character and achieved overall awareness with more than nine out of 10 people knowing the AFLAC brand. In 2018, a special 'Aflac Duck' was designed as a social robot to help children cope with cancer.

Questions

1. Identify the factor that influenced the need for change for AFLAC.
2. Outline the process the business undertook to initiate the change.
3. Identify a marketing management strategy the business implemented during the change.

Operations management strategies

Jirsak/Shutterstock.com

Figure 10.32 Operations management strategies

A business under transformation may need to implement operational management strategies to ensure efficiency of operations (Figure 10.32). Strategic objectives could include improving productivity or reducing production costs. Improving the operations within a business can help it to gain a competitive advantage in the marketplace.

It is the role of the operations manager to make decisions to meet the strategic plan of a business. The main areas of concern include:

- production – development of new products and services
- process – developments in technology to improve operations
- quality controls – measuring and improving the quality of products and services.

The operations of a business will impact on all areas of the business. When changing operations in response to transformation, organisations may need to find ways to improve production time, streamline operational processes, introduce new technology or systems, or shorten production development.

The following operational strategies could improve production when transforming a business:

- introducing production technologies to support changes in the production process
- introducing ecologically sustainable practices
- outsourcing operational processes or production
- increasing the capacity of the business to accommodate changes; this could include changes to equipment and resources
- improving facilities or resources for employees, such as by simplifying or changing operational sequences
- refitting or reorganising the business to improve the efficiency of the operations
- moving the business to a more suitable location
- implementing quality controls to ensure customer satisfaction.

GAINING INSIGHT 10.9

This business has the touch

Scott Kenneth Brodie/ Shutterstock.com

Figure 10.33 A Pillow Talk store with the old logo (left); the revamped logo (right) signifies the company's commitment to comfort.

Pillow Talk is an Australian business that has been in operation for over 40 years (Figure 10.33). It began with a single store on Brisbane's Ann Street in 1977. Pillow Talk has now grown to have over 70 stores along the east coast of Australia. It is a store that prides itself on providing quality homewares and linen at affordable prices. Pillow Talk's mantra is comfort. 'We do what we do for the love of comfort. Our belief is that comfort is what binds us together, but we understand that comfort is more than a feeling – it's a state of mind. It's not just about cosy blankets or silky soft sheets – it's about feeling content in your home and in your heart.'

Pillow Talk is an innovative business that introduced products such as continental quilts and tri pillows to the Australian market. Follow the weblink to read about the history and journey of Pillow Talk.

Weblink Pillow Talk

After celebrating 40 successful years in business, the business has transformed the look of its brand and stores. The changing retail landscape has prompted Pillow Talk to revamp its business strategy. The business transformed by creating a new logo that features a feather perched above its name instead of the 'red dot' that had been there for four decades. It signifies Pillow Talk's commitment to comfort. Pillow Talk also refurbished its store configurations with a focus on open-plan layouts with less clutter. The store's new look and layout have been constructed with the customer's experience and comfort as the priority. The central theme is 'comfort', with the focus on providing a sensory experience for customers. It is about touching and feeling the product.

Pillow Talk is a retail store that places customers at the forefront. It provides online services for customers to obtain information and visualise home decor but inspires its customers to visit the store to feel the comfort of its products.

Questions

1 Identify the factor that influenced the need for change for Pillow Talk.
2 Outline the process the business undertook to initiate the change.
3 Identify an operations management strategy the business implemented during the change.

QUESTIONS 10.5

1 Explain why a business needs to use management strategies when transforming.
2 Assess the consequence of poor financial management when transforming a business.
3 Explain marketing management strategies that could be implemented when a business undergoes a transformation.
4 Examine the challenges of managing employees when transforming a business.
5 Compare two operational management strategies when transforming a business.

Weblinks
- Fair Work Ombudsman – Redundancy **(p. 384)**
- Pillow Talk **(p. 400)**

Templates
- SWOT analysis **(pp. 404 and 410)**

Chapter summary
- Chapter 10 Renewal outcomes **(p. 402)**

Nelson MindTap

To access resources above, visit **cengage.com.au/nelsonmindtap**

Chapter 10 review

This chapter introduced the concept of renewal outcomes for a business during transformation by examining the impact of change, leadership in change, resistance to change and management strategies. You can demonstrate an understanding of this chapter content by successfully responding to the following questions.

Summary
Chapter 10 Renewal outcomes

10.1 Short response

1 Explain how change can impact on the internal environment of a business.
2 Explain how change can impact on the external environment of a business.
3 Explain the importance of leadership in the effective management of change.
4 Explain why a business needs to manage change.
5 Explain performance management.
6 Explain the role of performance management when transforming a business.
7 Explain the interrelationship between performance management, change management and business transformation.
8 How can KPIs assist management with transformational change? Explain.
9 Explain the role of performance management in identifying outcomes of redundancy when transforming a business.
10 Explain the role of performance management in identifying retraining and development needs in business renewal.
11 Explain the role of consultants and how they can assist a business in the post-maturity stage.
12 Explain the role of professional services and how they can assist a business in the post-maturity stage.
13 Brant Gurge Real Estate Agency shows a decline in property listings and sales and is failing to compete with other local agencies. The manager has decided to employ a consultant. Explain the role of a consultant in this situation.
14 Explain why employees may resist change.
15 Identify two strategies that a business leader might implement to overcome resistance to change. Explain each strategy.
16 What is the difference between low-risk and high-risk strategies for overcoming resistance to change? Explain.
17 Distinguish between manipulation and threat as strategies that could be used for overcoming resistance to change.
18 Explain why manipulation is considered a high-risk strategy.
19 Explain the impact of using the strategy of participation to manage change effectively.
20 Explain why negotiation is an effective strategy when implementing change.
21 Identify and explain a financial management strategy for transforming a business.
22 Identify and explain a human resources management strategy for transforming a business.
23 Identify and explain a marketing management strategy for transforming a business.
24 Identify and explain an operational management strategy for transforming a business.

10.2 Extended response

1 Using Case study 1 on Australia Post, prepare a business report (extract) to present to the business that:
- describes an external macro environmental factor that would be a driver for change
- evaluates a change management strategy implemented by the business using business criteria. Make a decision and propose a recommendation for successful transformation of the business.

Case study 1: Transformation of a business

AUSTRALIA POST

SOURCE 1: About the business

Australia Post is a business that has evolved over time. Change is not new to Australia Post and it has experienced many significant changes. The business provides a mail and delivery service that connects people and businesses. Australia Post is the country's leading delivery business. It has optimised its business by providing a diverse range of services, both online and instore. Australia Post has a long-term sustainability plan that aims to identify new products and services to remain a customer-focused business.

SOURCE 2: Fast facts about Australia Post

- Australia Post was established in 1809.
- Australia Post is a Government Business Enterprise (GBE) and the Commonwealth Government of Australia is the sole shareholder.
- The business is commercially operated and provides accessible, reliable and affordable postal services to Australians.
- Australia Post is Australia's largest retail network and has approximately 4000 post offices across Australia, including in rural and remote areas.
- Australia Post and StarTrack employ more than 30 000 people, including licensees, franchisees and mail contractors, across an integrated delivery, logistics, retail and e-commerce network.

SOURCE 3: Transformation

In 2009, Ahmed Fahour was appointed the new managing director and chief executive officer (CEO) of Australia Post. Fahour had a reputation as a change agent after transforming other businesses, including the National Australia Bank (NAB). Australia Post was in a state of decline and needed to reposition itself as a digital business. Its business model was simple – it was a 200-year-old business that delivered mail to consumers. Fahour was hired to transform this iconic Australian business.

The task was not simple for Fahour. He needed to manage the declining side of the business while simultaneously building new services in the digital environment. The use of technology was transforming the business world and the consumer world. It was changing the way people communicated. The use of paper-based letters and postage was diminishing. This was Australia Post's core business. Australia Post needed to respond.

In 2010, Fahour commenced a business renewal program for Australia Post called Future Ready. The focus of the program was implementing a more customer-centred business model for the digital world.

This was the turning point for Australia Post.

Under Fahour's direction, Australia Post's business model was transformed and showed an increase in growth and profits. He transitioned Australia Post away from a declining and loss-making business and created a new e-commerce line that delivered success.

Ahmed Fahour was the change agent that transformed Australia Post.

SOURCE 4: Strategies

The digital disruption to Australia Post's business model required the implementation of change strategies for renewal outcomes. Australia Post responded by reforming its letter services and creating a new business model.

The first initiative was to change the operations for letter services by aligning them with consumer needs. Australia Post introduced a 'priority' service, which provided next-day delivery, and a 'regular' mail service of one to two days longer. This provided customers with a choice on both service and price. The business also provided digital communication services and the 'MyPost Digital Mailbox'.

The second initiative was to create two customer-facing brands. The first was the postal business under the Australia Post brand, which offered both instore post office and online services. This service was an access point for the mail network for businesses and consumers.

The second was the parcel delivery service under the StarTrack brand. This provided services to consumers and large-scale businesses for freight and international logistics solutions. StarTrack was the provider of e-commerce-related parcel delivery and express logistics for Australian e-tailers. StarTrack has since been rebranded with the Australia Post 'P' symbol at the front of its logo.

Integrating these two businesses was part of the postal corporation's strategy 'to build a sustainable communications business'. Australia Post has responded to shifting consumer behaviours, business needs and the changing digital world.

Martin Berry/Alamy Stock Photo

2 Using Case study 2 on Domino's, prepare a business report (extract) to present to the business that:
- describes an external macro environmental factor that would be a driver for change
- analyses the business situation by selecting data and information using a SWOT analysis
- interprets a relationship or trend in the SWOT analysis to draw conclusions about the implications for change for this business.

Template
SWOT analysis

Case study 2: Transformation of a business

DOMINO'S

SOURCE 1: About the business

Domino's is the largest pizza chain in Australia and is recognised as an industry leader worldwide. Founded in 1960, it has become a leading international franchise extending across nine countries on three continents, with a combined population of more than 340 million people, and has more than 2500 stores.

Eric Glenn/Shutterstock.com

The Domino's brand in Australia is owned by Domino's Pizza Enterprises Ltd (Domino's) and is the largest pizza chain in terms of both network store numbers and network sales.

Domino's commitment for the future is to invest in its most successful store managers and franchisees, and to expand its operations by opening more stores. Through strategic acquisitions it intends to enter new markets and diversify its portfolio of businesses. Furthermore, Domino's has initiated instore operational efficiencies that have resulted in significant cost savings and an improvement in sales. The future for Domino's business model is positive (Figure 10.34).

ZUMA Press, Inc./Alamy Stock Photo

Figure 10.34 Domino's purpose-built delivery vehicle

SOURCE 2: Domino's has secret ingredient for innovation

Domino's secret ingredient for success has been its innovation. It was the first pizza chain to introduce an online pizza tracker and a voice-ordering app and, more importantly, it was the leader in this new innovation in the industry (Figure 10.35).

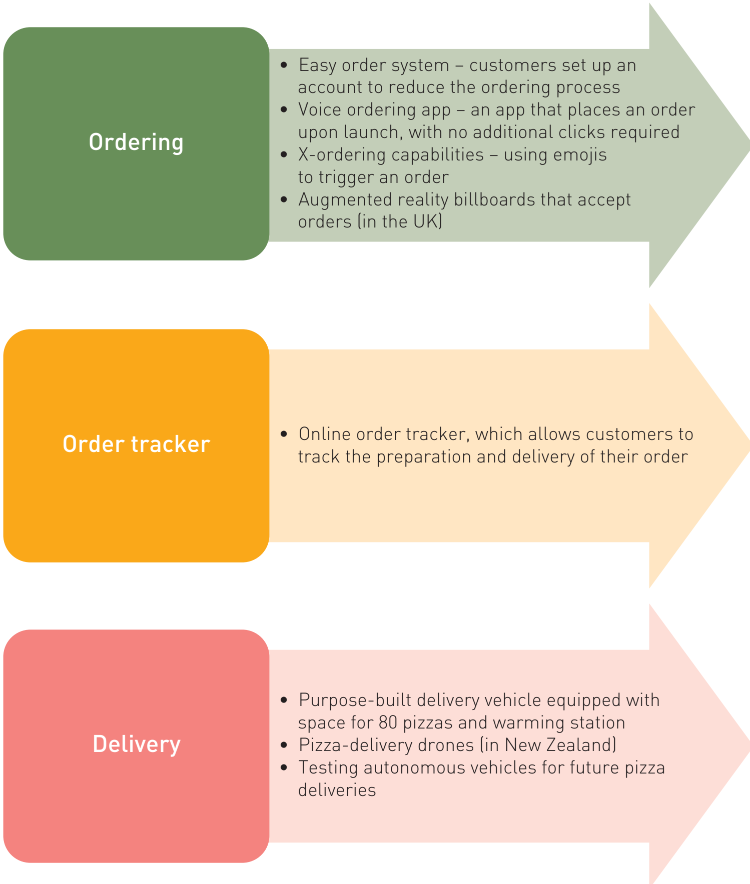


Figure 10.35 Domino's: an innovative business

Domino's success in implementing this innovation is a result of the structure of the business. All technological aspects, including programming, digital platforms, apps and functionality, are performed in-house by employees. No work is outsourced. This creates the foundations that make Domino's a leader in the industry.

Domino's completely overhauled its operations and made vast improvements in product quality, technology and e-commerce facilities. It changed its menu, ingredients and recipes. The three key ingredients to the transformation were as follows:

1 **Buy-in from the top down.** The CEO believed that, if the business was to be successful, it needed to be fully supported. Therefore, it was crucial that everyone, from the board of directors to the store managers and employees, was on board. Along with this, the business developed a strong culture of passion and excitement about the changes.

2 **Measuring results.** Another key ingredient was to understand the operational and production processes to be implemented. The inclusion of new menu items, ingredients and recipes required training of all workers. Streamlining of processes and shortening of production times were imperative. Quality control checks were introduced. Digital processes also required additional resources such as equipment, staff training and monitoring systems.

3 **Marketing.** With so many changes, the brand image of Domino's needed to be shared across all channels. It is important to be transparent during change, and Domino's achieved this by informing customers of the new menu and digital products such as its innovative ordering platforms.

9780170484367

SOURCE 3: Pizza Wars

Roy Morgan examined the major players in the competitive pizza market and tracked their progress over a five-year period (Figure 10.36).

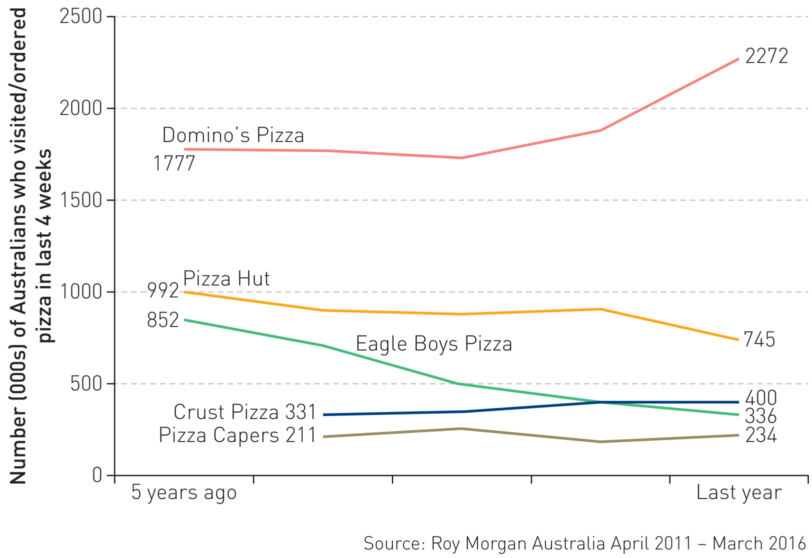


Figure 10.36 Popularity of Australian pizza chains

SOURCE 4: Fast food in Australia

Roy Morgan Research has released its figures for Australian takeaway consumption (Figure 10.37). The results show that the majority of Australians prefer McDonald's as a fast-food option. The reasons for this could include McDonald's ability to provide an affordable, quick service with a large number of drive-through outlets and extended opening times. It is interesting to see Domino's low placement, given that it offers innovative online service and a home delivery system.

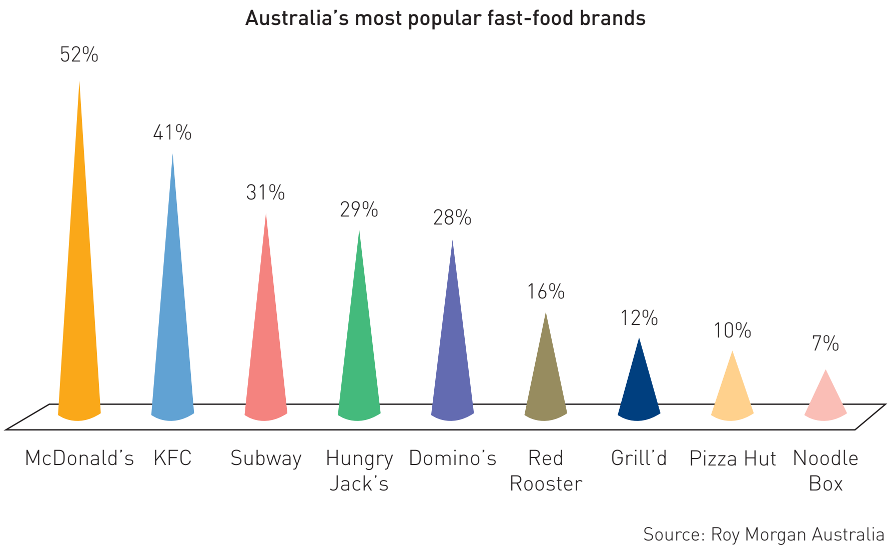


Figure 10.37 Australia's most popular fast-food brands

SOURCE 5: Healthy takeaway

Are Australians more likely to eat at home, eat out or order fast food? The following graph shows Australia's cafe, restaurant, fast-food and home delivery habits over a decade (Figure 10.38).

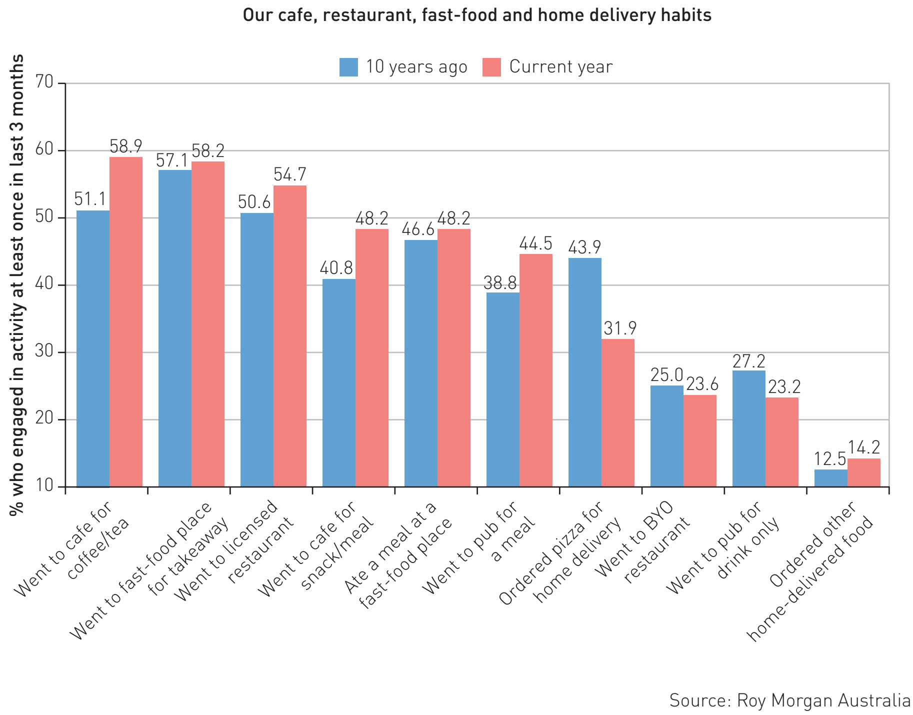


Figure 10.38 Our changing culinary habits

Case study 4: Transformation of a business

Kingsley Australia Pty Ltd

SOURCE 1: Business profile

Kingsley

AUSTRALIA PTY LTD

Figure C4.1 Kingsley Australia Pty Ltd

Kingsley Australia Pty Ltd is a privately owned Australian company that manufactures football jerseys and supplies its products to a range of sporting teams and schools (Figure C4.1).

The business has built a strong reputation for producing quality Australian-made products and providing exceptional customer service. It also has a strong following of customers who place orders yearly.

The business is located in the city of Logan at Yatala and has been in operation since 1980. It presently employs 100 staff and uses a hierarchical organisational structure.

Kingsley Australia Pty Ltd operates in a highly competitive market. The company is finding it increasingly difficult to compete with larger suppliers of jerseys who primarily outsource manufacturing overseas (Figure C4.2). These businesses are able to reduce their overheads and therefore lower costs to consumers. The owner of Kingsley Australia Pty Ltd, Kane Kingsley, is concerned about the future direction of his business. He has drafted a new strategic plan.

iStock.com/Sidekick

Figure C4.2 Sample jersey

SOURCE 2: Strategic plan (extract) for Kingsley Australia Pty Ltd

Extract of new strategic plan (two years)

Vision: Leading producer of Australian-made jerseys

Goal: To increase market share by 10 per cent

Actions:

- upgrade machinery and equipment
- upskill staff and providing training programs
- increase marketing campaign promoting Australian-made products.

SOURCE 3: Organisational chart for Kingsley Australia Pty Ltd

The business operates under a three-tier management system (Figure C4.3):

- Tier 1 – managers
- Tier 2 – assistant managers/supervisors
- Tier 3 – workers.

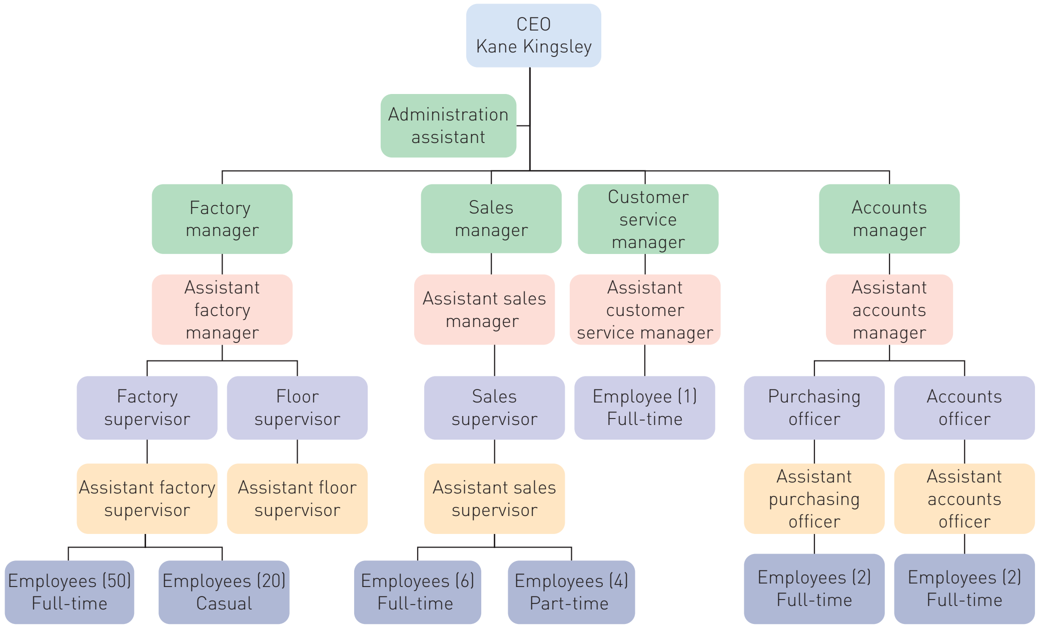


Figure C4.3 Organisational structure at Kingsley Australia Pty Ltd

SOURCE 4: Workplace review of Kingsley Australia Pty Ltd

Review of current workplace at Kingsley Australia Pty Ltd

Ageing machinery and equipment
- machinery maintenance costs have increased significantly
- processes are slow due to breakdowns and maintenance interruptions
- increase in workplace accidents due to machinery faults.

Employment conditions:
- most staff members have worked at Kingsley Australia Pty Ltd in excess of 10 years
- staff have been using the same processes to complete their jobs
- staff are reluctant to change positions or processes as they are confident in their current role
- no staff training has been provided in the past five years.

SOURCE 5: Financial status of Kingsley Australia Pty Ltd

After reviewing the financial records of the business, the following issues were found:
- high levels of debt (from customers) owed to the business
- customers are taking 90 days to pay accounts. Industry average is seven days
- reduced market share – now 5 per cent of market
- profit results decreasing over 10-year period (Figure C4.4).

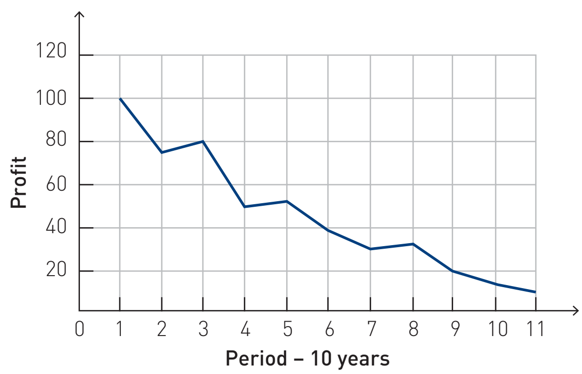


Figure C4.4 Profit results for past 10 years at Kingsley Australia Pty Ltd

SOURCE 6: Buy Australian-made products

It's time to promote Australia!

A recent survey of Australian consumers showed shoppers are favouring Australian-made products (Figure C4.5). The research revealed that more than 85 per cent of Australians say buying products produced in Australia is important to them. This was compared to only 3 per cent saying that the buying Australian-made wasn't as important to them.

This is great news for our Australian industries producing products made in Australia. It is time for consumers to continue supporting our businesses.

Australian Made Campaign Ltd

Figure C4.5 Australian-made tag

SOURCE 7: Customer review

Warning to others

Don't get caught like I did. I thought I was doing the right thing by ordering our team's jerseys from this overseas company who were offering discounted prices. Well, didn't I get caught. I placed the order in January and received our order eight months later (they said it would take one month) only to discover they had spelt Queensland wrong – there is no 'w' in Queensland! And, the price was not as quoted; it ended up costing us double the original price. Next time, I'm keeping my business in Queensland and going for a Queensland-based business. I'm sure they know how to spell Queensland right!

SOURCE 8: Increase in overseas production

There has been an increase in businesses outsource production to overseas manufacturing plants. The primary reason being their ability to mass-produce items using automated processing operations. The use of computerised and robotic systems has meant processing time has been reduced. It appears that businesses are replacing quality with the ability to mass-produce items.

Questions

Using Case study 4 on Kingsley Australia Pty Ltd, prepare a business report (extract) for the owners of the business that:

- describes the business situation related to the case study business.
- analyses the business situation by selecting data and information using a SWOT analysis. Interpret a relationship or trend from the SWOT analysis to draw conclusions about the implications for change for this business.
- evaluates one management strategy that Kingsley Australia Pty Ltd could use to transform its business using business criteria. Make a decision about the suitability of this strategy and propose a recommendation for its implementation.

Template
SWOT analysis

GLOSSARY

Acquisition: when one business purchases another business and takes over responsibility for management and strategic planning

Administration: a process, explained under the *Corporations Act 2001* (Cth), whereby an insolvent company is placed in the hands of an independent person who assesses the options available, and generates the best outcome for all stakeholders including the business owner and creditors. Administration can be initiated voluntarily by the business, or involuntarily by the creditors who are owed money.

Administrator: an independent, qualified person or third party who is engaged by a business, or ordered by the court, to report on the financial position of the business

Agile method: a flexible approach to project management that seeks to deliver projects more quickly, with successive iterations, rather than one huge release at the end of the project

Automated production line: a series of workstations linked by a transfer system and an electrical control system, where each station performs a specific operation and the product is processed step by step as it moves along the line in a predefined production sequence

Automation: the replacement of human effort with machinery and technology

Backward incremental planning (BIP): looks at the requirements from the due date backwards and schedules the process accordingly

Brand awareness: the degree to which customers associate a brand with a specific product, service or business idea

Brand equity: the brand knowledge, structures and goodwill that a mature brand develops over an extended period of time

Capital market: where buyers and sellers engage in the trade of financial securities such as bonds and stocks to grow investment capital and create wealth

Case study: group or business used or analysed in order to illustrate concepts, processes, strategies or practices

Change: the process causing a function or practice in business to become different

Change agent: a person who acts as a facilitator and assumes responsibility for the management of change to enable a business to transform

Change management: a planned and structured approach that moves a business from its current state to a desired future state

Change process: the approach taken to implement change in a business in order to achieve a desired outcome

Cite: to reference a primary or secondary source in a body of text by acknowledging the author and publication details

Communication: the process of sending and receiving information through verbal or non-verbal means

Communications: refers to how a business strategically plans its messaging to satisfy key stakeholders, maintain a positive reputation and achieve its objectives

Competitor intelligence: data and information gathered by a business to understand its competitors and their objectives, strategies and capabilities

Computer-aided design (CAD): technology that streamlines the design and technical documentation of products; it replaces manual drafting with an automated process

Computer-aided manufacturing (CAM): the use of software and computer-controlled machinery to automate a manufacturing process

Computer-integrated manufacturing (CIM): combines various technologies including CAD and CAM to deliver an error-free manufacturing process controlled from the start to the finish of the production system

Consultants: a professional who provides expert advice in a particular area to a business

Contingency planning: a prepared course of action designed to help a business respond effectively to a future event or circumstance that may or may not happen

Corporate affairs: an area of communications in which well-known large public and private companies monitor how they are perceived in the market. Their decisions often attract the interest of highly influential or powerful stakeholders such as the media and government

Cost leadership: aiming to have the lowest costs, and therefore be the most price-competitive, within an industry

Cost–benefit analysis: an approach used to determine the financial viability of a project or strategy by comparing the predicted benefits (returns or income) with the anticipated costs associated with the project or strategy

Creditor: a person, organisation or business that is owed money by another business. Creditors can include suppliers, financial intermediaries (such as banks) and employees

Crisis: any situation that threatens harm to a business and its staff or customers, and that consequently can damage the business's reputation and have a negative financial impact

Crisis management: the strategies a business will implement in response to a serious issue or event and the way it is addressed with stakeholders, most often through the media

Critical path method (CPM): a scheduling technique that focuses on the sequence of activities that requires the longest time to complete. These activities are assigned priority in terms of resources to ensure the project operates as efficiently as possible and is delivered on time

Customer relationship management (CRM): focuses on customer retention and relationship marketing, enhanced by technology. CRM involves sophisticated software that assists with analysis of customer revenue and costs, identifies high-value customers, targets promotional efforts, captures customer data and tracks retention

Data: in business, quantitative details and statistics collected from primary or secondary sources

Decline: in a business context, decline occurs when the sales reduce or demand decreases for a business and its products or services

Describe: give an account (written or spoken) of a situation, event, pattern or process, or of the characteristics or features of something

Development: the second stage of the employment cycle, which focuses on the induction and training of staff to support the business in achieving its desired corporate and organisational culture

Dissolve: in a business context, the way in which a business exits the market or closes down

Diverse: of various kinds or forms; different from each other

Dividend: a portion of the profits of a company that is paid to the shareholders

Domestic market: the supply of, and demand for, goods and services within a single country; also referred to as the internal market

Downsizing: a decision for a business to trade at a smaller capacity, through either having less staff or reducing the range of products and services it offers

Drivers of change: the forces that support a change

Economies of scale: cost savings or advantages that can be created as a result of an increase in the scale of business operations, resulting in lower per unit input costs

Emerging market: a market that is building accountability and strength, opening to new foreign investment and trade, and expected to provide higher returns despite greater risks

Emerging technology: a new technology with the potential to substantially alter the business and social environment

Employer of choice: a recruitment and retention strategy to offer attractive incentives, meaning people will choose to work for, dedicate themselves to and be loyal towards a business, despite offers from alternative employers

Entrepreneur: a person who sets up a business or businesses, taking on financial risks in the hope of profit

Environmental, social and governance (ESG): a framework used to evaluate how effectively a businesses plans and performs in relation to environmental impact, social responsibility and governance practices to ensure long-term sustainability and ethical operations

Established state: a state in which the business is consistently generating revenue and adding new customers and should be generating a consistent source of income

Ethical standards: the principles a business should abide by in order to maintain positive relationships with stakeholders – handling information sensitively, being moral and satisfying community expectations

Expansion: a business strategy to increase market share by entering new markets and providing new avenues to reach customers

Expansion state: a state in which the business adopts strategies to move into new markets and distribution channels, either geographically or demographically

Explain: make an idea or situation plain or clear by describing it in more detail or revealing relevant facts; give an account; provide additional information

Export: to manufacture products in a home country and then send them to be sold in another country

Extrinsic rewards: tangible recognition of staff performance and achievement focused on offering pay increases and bonuses

Financing: providing a source of money for a business or project

Force field analysis: a tool used to identify and analyse the positive factors (driving forces) and negative factors (restraining forces) in an environment where change is occurring

Fringe benefit: a benefit provided to an employee in addition to their salary or wage

Globalisation: the process of extending manufacturing or trade operations to other parts of the world beyond the home country of a business

Global market: the buying or selling of goods and services in all countries of the world

Gross domestic product (GDP): the total value of everything produced by all the people and companies within a country

Growth strategy: a specific strategy affecting either new or existing products and markets, designed to increase the overall market share of a business

Guided inquiry: an approach where the teacher provides students with an initial inquiry question and supports the student in developing further inquiry questions, researching and completing the investigation

Horizontal growth: the replication or expansion of a business product, service or model into new markets or industries

Hostile environment: a situation in which businesses actively compete against one another for customer attention and market share

Hypothesis: a predicted answer that requires research to establish its truth or otherwise

Import: to bring a good or service into one country from another for processing, sale or distribution

Inclusive: a workplace that is accepting and welcoming to all kinds of people regardless of their differences

Industry: a group of businesses producing products or services that are close substitutes

Information: in business, qualitative details collected from primary or secondary sources

Initial public offering (IPO): the process of selling to new investors for the first time shares that were formerly privately held; also known as floating

Inquiry-based learning: a framework that informs how an investigation can be completed through conducting research, analysis of information, evaluation of outcomes and a reflection on the process

Inquiry process: the steps to follow in order when engaging in inquiry-based learning

Insolvent: a classification for a business that is unable to pay back its liabilities (debts) by due dates. The term 'bankruptcy' is only used when referring to an individual and their personal financial circumstances

Integrated marketing communications (IMC): a unified, seamless brand experience across communication channels that is characterised by clarity, consistency and maximum communication impact

Intrapreneur: a manager within a business who promotes innovative product development and marketing

Intrinsic rewards: intangible recognition of staff performance and achievement focused on connection and relationships

Involuntary administration: a situation in which creditors of a company in an insolvent financial position seek a court order for an administrator to be appointed to the company to assess its financial affairs

Joint venture: a partnership between two businesses that pool resources and invest to create a third, jointly owned business

Key performance indicator (KPI): an objective, set by a business, that can be measured to allow business performance to be assessed

Leadership styles: the traits, behavioural tendencies and characteristic methods of a person in a leadership position; an important dimension of leadership styles is the extent to which the leader is willing to delegate responsibility and encourage input

Lead time: the time it takes from placing an order until it is received

Lean production: an operations approach that aims to improve efficiency and effectiveness by eliminating waste and improving quality

Licensee: the person or business that holds a licence to conduct approved business activities or operate a business under a licensing agreement

Licensing: a contractual agreement that allows a business to use the intellectual property (IP) of another business

Licensor: the person or business with the legal rights over a business who then gives, sells or otherwise enables another person or business a limited right to use the business's IP

Liquidation: a process to finalise a business that is closing. It involves selling assets at a discounted or cheap rate to be quickly converted to cash

Lobbying: actions taken by a business in an attempt to influence government on policy decisions and ensure a favourable result for the business

Loyalty programs: structured marketing efforts that reward, and thereby influence, consumer buying behaviour and build loyalty

Maintenance: the third stage of the employment cycle, focused on motivating and supporting staff in the workplace to help the business achieve its goals and objectives

Manipulation: the skilful, or sometimes scheming, exercise of influence over someone to achieve a desired outcome

Market share analysis: examines the sales performance of a business and compares it against its direct competitors

Market share: a competitiveness indicator that measures the percentage of sales in the total market sold by one business, either in units (volume) or sales revenue. A rise in the market share of one business typically represents a decline in the market share of another

Merger: when two businesses come together to operate as one new and larger organisation

Mind share: the degrees of influence of competing brands in the mind of the consumer; there can be a competitive advantage for the business that is top of mind

Negotiation: a bargaining process with the aim of reaching an agreement

Niche market: a small segment of the market that has a unique set of characteristics

Offshoring: the relocation of a business process or activity performed in one country to another country, with either the same or another business

Omni-channel: an approach that provides customers with the same shopping experience using different methods of sales; for example, instore, online, phone orders

Onboarding: the process whereby new staff learn the social and performance areas of their new job, including attitudes, knowledge, skills and behaviours

Open inquiry: an approach where the student completes the inquiry process independently

Outsourcing: a strategic decision to transfer certain activities in a business's operations to external specialists

Outsourcing: a strategic decision to transfer certain activities in the business operations to external specialists

Pareto principle: a 'cause and outcomes' principle, also known as the 80/20 rule. This states that 80 per cent of one variable is accounted for by 20 per cent of the causal variable

Participation: the act of being involved or taking part in some action

Performance management: a process by which management reviews the overall performance of the business and its employees to determine how goals can be better reached

Post-maturity: the stage in the business life cycle following maturity when a business starts to experience a consistent decline in sales or reduced demand from the market

Private equity: the funds that institutional and retail investors use to acquire public companies or invest in private companies

Professional services: providers of expert knowledge in a particular field to a business

Program evaluation review technique (PERT): a visual tool for scheduling projects in a network or flow plan that focuses on meeting deadlines to improve operational efficiency

Project: a unique, one-time operation, designed to achieve a specific set of objectives

Project team: a work team, created for a particular task or project, whose members are chosen based on their background and experiences being directly useful to the team's purpose

Public affairs: the communication relationship between business and government, which can include working collaboratively on projects or lobbying to influence government policy

Public relations: a part of the marketing function that utilises unpaid methods of promotion to engage customers with a business's goods and services. It further focuses on developing mutually beneficial relationships with customers and the media

Quality assurance (QA): establishing and using a set of procedures and processes that will prevent product defects and assure a stated level of quality

Quality circles: groups of employees from different areas of the business that come together to discuss ways of resolving problems and improving productivity in the workplace

Quality control (QC): a system based on inspecting, testing or checking the product to ensure it conforms with 'acceptable quality' and is free from faults

Quality management: the processes that a business carries out to meet its quality objectives, from the business and consumer perspective

Quality of conformance: the degree to which a product, service or process meets its design specifications

Recall: where consumers can remember a brand without any prompts or cues (also known as unaided brand awareness)

Receivership: a process carried out by an independent and suitably qualified person, known as a receiver, who is appointed by a secured creditor, or sometimes by a court, to take control of some or all of a business's assets

Recession: a period when the economy of a country is in decline and conditions for business are not considered optimal

Recognition: how well consumers can identify a brand from a list of alternatives based on a surface level of awareness, often with cues or prompts (also known as aided brand awareness)

Redundancy: an employer-directed separation strategy that occurs when a business reduces the number of employees because a position is no longer required

Relationship marketing: the process of establishing, maintaining and enhancing long-term relationships with customers so that the objectives of both parties are met

Renewal: an outcome of post-maturity where a business may transform or reposition to ensure the future success of the business

Repositioning: a strategy where a business attempts to engage with a new or broader target market by offering new products or services, rebranding or updating tactics used in promotion to change how it is perceived in the market

Research and development: the process by which a business develops new technology or improves existing technology to improve operations

Restraining forces: the forces that resist a change

Retraining: the process of learning new skills

Risk management: a process to identify, evaluate and understand the risk of business actions and decisions in order to minimise, control or eliminate the impact of unacceptable risks

Robots: programmable machines that undertake a variety of repetitive tasks, especially where the task is difficult or dangerous for a human, or takes place in a hostile environment

Staff retention: the rate at which a business keeps its staff within a given period; ensuring staff retention rates remain high can be an objective of the business

Staff wellbeing: the physical and mental state of employees demonstrated through work–life balance, satisfaction and engagement

Steady state: an outcome of post-maturity where the business may experience minor decline but is able to maintain this level and continue to trade in the market

STEEPLE analysis: an analytical tool that identifies how different macro factors – socio-cultural, technological, economic, environmental, political, legal and ethical – impact on business

Strategic alliance: a partnership between two businesses that benefit equally to gain access to a new area of expertise, technology or market

Strategic direction: specifying the vision and strategy the business seeks to develop over time, framed within the context of environmental factors

Strategic interaction: found in highly concentrated markets, it involves acting in a way that accounts for the anticipated behaviour and strategies of rival businesses

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Strategic planning: a long-term view of where the business is going and how it will get there, typically over two to five years

Strategy: the means by which a business sets out to achieve its desired goals and/or objectives

Structured inquiry: an approach where the teacher provides students with inquiry questions, sources and class activities to conduct the investigation

Succession plan: a process for identifying and developing new managers in a business to replace former managers lost due to restructure or retirement

Sustainability: the ability to maintain or support a process over time; in business it seeks to reduce the depletion of resources and ensure the long-term viability of society

Threat: a tactic used with the intention of enforcing conformity

Total quality management (TQM): a management philosophy that seeks to unite all business functions and employees to focus on continuous improvement and meeting customer needs

Touch point: any promotion avenue or communication that reaches the target consumer to present the brand in a positive manner

Transformation: the process of changing from one state to another

Triple bottom line: an accounting framework that broadens a business's focus from only the financial bottom line to include social and environmental considerations

Unique selling proposition (USP): a key factor that differentiates one product from another. It is the reason that one product or service is better than that of the competition – it is the competitive edge

Vertical growth: the adaptation of business products and services to increase sales revenue from the existing market

Vision for change: a desired or future state in which the organisation will be after a change has been implemented

Voluntary administration: a situation in which the directors of a company in an insolvent financial position appoint an independent, qualified person or party to investigate and assess the financial position of the business

Waterfall method: a traditional, linear approach to project management, with phases that move sequentially from project conception through to closing

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