BSBOPS501

MANAGE BUSINESS RESOURCES

BSBOPS501
Manage business resources

Release 1

Learner Guide

Aspire Version 1.1

Aspire
Learning Resources

Aspire also has learning resources available in these areas:
· Foundation skills
· LLN and employability skills (non-competency)
· Community services
· Early Childhood Education and Care
· Allied health

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Before you begin

This Learner Guide is based on the unit of competency *BSBOPS501 Manage business resources*, Release 1. Your trainer or training organisation must give you information about this unit of competency as part of your training program. You can access the unit of competency and assessment requirements at: www.training.gov.au.

How to work through this Learner Guide

This Learner Guide contains a number of features that will assist you in your learning. Your trainer will advise which parts of the Learner Guide you need to read, and which Practice Tasks and Learning Checkpoints you need to complete. The features of this Learner Guide are detailed in the following table.

Feature of the Learner Guide	How you can use each feature
Learning content	Read each topic in this Learner Guide. If you come across content that is confusing, make a note and discuss it with your trainer. Your trainer is in the best position to offer assistance. It is very important that you take on some of the responsibility for the learning you will undertake.
Examples	These highlight key learning points and provide realistic examples of workplace situations.
Practice Tasks	Practice Tasks give you the opportunity to put your skills and knowledge into action. Your trainer will tell you which practice tasks to complete.
Summaries	Key learning points are provided at the end of each topic.
Learning Checkpoints	There is a Learning Checkpoint at the end of each topic. Your trainer will tell you which Learning Checkpoints to complete. These checkpoints give you an opportunity to check your progress and apply the skills and knowledge you have learnt.

Foundation skills

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

The following table provides definitions for each foundation skill.

Foundation skill area	Foundation skill description
Reading	- Interprets textual information including legislation and organisational policy, to plan, implement and review resource requirements - Analyses organisational information to assess resource usage practices
Writing	Develops organisational texts including proposals, reports and plans according to organisational requirements
Oral communication	Participates in spoken exchanges with stakeholders using structure and language appropriate to context and audience
Numeracy	- Selects and uses familiar mathematical techniques to determine costs and benefits associated with strategic resource decisions - Defines timeframes according to schedule requirements - Selects and uses familiar mathematical techniques to organise timely supply of required resources as well as identify budgetary information and monitor performance
Enterprise and initiative	- Contribute to the development of organisational policies and procedures - Adheres to legal requirements and organisational policies and procedures
Teamwork	Collaborates and negotiates with others to achieve required outcomes
Planning and organising	- Accepts responsibility for planning and sequencing complex tasks to achieve organisational requirements - Develops plans and systems to manage resource allocation - Systematically gathers and analyses all relevant information, evaluates options and conducts reviews to inform recommendations about resource usage improvements

What do you already know?

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

Topic	Key outcome		Rate your confidence in each section
Topic 1: Analyse resource requirements	1A	Develop resource proposal	❑ Confident ❑ Basic understanding ❑ Not confident
	1B	Consult with stakeholders	❑ Confident ❑ Basic understanding ❑ Not confident
	1C	Identify costs and benefits	❑ Confident ❑ Basic understanding ❑ Not confident
	1D	Identify opportunities to share resources	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 2: Develop resource plans	2A	Determine internal capabilities and external resource needs	❑ Confident ❑ Basic understanding ❑ Not confident
	2B	Develop resource evaluation procedures	❑ Confident ❑ Basic understanding ❑ Not confident
	2C	Establish risk management processes	❑ Confident ❑ Basic understanding ❑ Not confident
	2D	Obtain approval for resource plan	❑ Confident ❑ Basic understanding ❑ Not confident

Topic	Key outcome		Rate your confidence in each section
Topic 3: Allocate resources	3A	Follow organisational policies and objectives	❑ Confident ❑ Basic understanding ❑ Not confident
	3B	Negotiate and obtain resources	❑ Confident ❑ Basic understanding ❑ Not confident
	3C	Use systems to monitor resource usage	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 4: Review and report on resource usage	4A	Review resource allocation against objectives	❑ Confident ❑ Basic understanding ❑ Not confident
	4B	Suggest improvements to work practices	❑ Confident ❑ Basic understanding ❑ Not confident
	4C	Monitor compliance with budgets	❑ Confident ❑ Basic understanding ❑ Not confident
	4D	Report on resource usage	❑ Confident ❑ Basic understanding ❑ Not confident

Topic 1 | Analyse resource requirements

1A   Develop resource proposal

1B   Consult with stakeholders

1C   Identify costs and benefits

1D   Identify opportunities to share resources

1A Develop resource proposal

A resource is something that is of value to a person or organisation that helps in the achievement of goals. Within business management practices, you will acquire and rely upon a range of resources to achieve your organisation's goals.

A resource is defined as anything tangible or intangible that assists a person, team or organisation to achieve its business goals. Although this definition is broad, it provides insight into the types of assistance needed to ensure the business plans are successfully implemented and achieved.

The four main types of resources needed to fulfil the requirements of a day-to-day operational plan are described below.

Human resources	• Subject matter experts (SMEs) • Skilled workers and specialised staff • Technicians • Managers and supervisors • Labourers and front-line workers • Support staff • Contractors and consultants
Physical resources	• Tools and equipment • Stock/products that will be on-sold to customers • Stationery items • Machinery • Facilities and buildings • Infrastructure • Materials and consumables
Financial resources	• Money to purchase or acquire information, people, physical equipment or systems
Systems resources	• Software applications • Management systems

Types of business plans

Managers must have resource plans in place to achieve the success that the organisation requires.

Resource planning and business strategy go hand in hand. Strategy is defined as the direction, scope and focus of a leader or organisation over a period of time.

There are three main levels of strategy in business that you need to consider when planning for the business's resource needs:

Level 1 – Strategic plans
These explain the long-term objectives and direction of the organisation.
Level 2 – Organisational plans
These explain the structure and key objectives for the next 12 months (fiscal year).
Level 3 – Operational plans
These explain the day-to-day objectives, resources, budgets and short-term methods needed to achieve milestones written in organisational and strategic plans.

Resource proposal

The standard way of requesting resources is through a formal business proposal.

A business proposal is a formal document that provides key authorities and stakeholders with all of the relevant information they need to make an informed decision about the organisation's resource needs. In a sense, a business proposal is an internal sales document. By drafting a business proposal, you are trying to sell upper management on the idea of spending money for resources that your business needs, to accomplish the objectives of the operational plan.

Typically, a business proposal will be divided into a number of key sections. Each section should outline a different part of your proposal.

Below is an outline of the sections that a standard business proposal will typically include.

Introduction	The introduction should provide a brief overview of the context of the proposal and what you are trying to achieve for the business by acquiring the proposed resource/s.
Background	This section should aim at discussing the business problem that needs a resolution. Discuss the situation as it stands in simple terms so even those not familiar with all the technical aspects of the problem can understand it. Briefly explain exactly what resource you need, why you need it (what issues it addresses), what it will be used for and where you will acquire it.
Supporting evidence	Explain the quantifiable data that you have gathered that proves the acquisition of the resource is going to be of benefit to the organisation's plans. These benefits will be the motivating reason for approving any proposal. Discuss the benefits against the costs, and how the resource will help resolve your issue.
Risks/issues	Outline any risks or potential issues that the acquisition may pose to the organisation, including challenges with implementation and impact on existing processes.
Budget	Explain how the resource is within budget limitations, or cover any requests for changes to the budget to purchase the required resource.
Recommendations	Provide an overview of your recommendations moving forward, based on valid evidence and the benefits of implementing the proposal.

Guidelines for writing a resource proposal

A business proposal needs to convince and overcome whatever arguments there might be against spending the money for those resources.

A business proposal is a sales document that aims to convince your key decision-makers that the organisation will be better off if it acquires the specified resources.

Below are some key guidelines to apply when planning out your resource proposal.

Guidelines for writing a resource proposal
• Clearly state that the document is a resource proposal.
• Do not try and impress your stakeholders with elaborate wording. Keep it simple and to the point.
• Try and anticipate the questions your stakeholders will have and prepare an answer in advance.
• Any request to spend money should be supported with a description of the costs and the benefits, such as a CBA (cost benefit analysis) or ROI (return on investment).
• If you cannot show a financial benefit in spending the money, try and show that there would be a financial loss for not investing in the resource. This is almost as effective.
• Be clear in stating the problem/need and the proposed solution. If you investigated other potential solutions briefly explain them and outline why they were not chosen.
• Present your information in an organised manner, building up to the conclusion.

Aligning a proposal with business resource needs

Resource plans must be aligned with each level of the organisation's planning processes.

Throughout the business planning hierarchy, the objectives and targets should be based on a cascading effect, meaning your proposals and plans for resource outputs feed perfectly into the operational and organisational objectives, which then feed into the strategic objectives.

This relationship ensures everything that a team, department and business does creates value for the organisation, including its customers and stakeholders.

Example

BizOps business plan

Market

Target market
BizOps customers include anyone seeking innovative, high-quality exclusive products. Customers seeking a 'green' solution to their needs are especially welcome.

Marketing strategy

BizOps employs a range of marketing tools including:

- magazine presence (print and online)
- an instore/online catalogue
- a corporate website with e-commerce function
- direct marketing to the existing customer base
- a loyalty reward program
- fair trade participation.

Future

BizOps is committed to:

- providing high-quality innovative products and services to customers
- meeting the changing needs of customers
- offering innovative product solutions
- delivering speedy and personalised service
- employing professional and enthusiastic staff
- providing clean and 'green' products and services
- adopting sustainable work practices
- undertaking continuous improvement processes.

BizOps is known for its enthusiastic and inclusive culture. BizOps seeks to maintain professional and well-supported staff.

Goals/objectives

Over the next five years, BizOps will consolidate its position in the market as a lead retailer for green and sustainable solutions for high-quality exclusive products.

To do this, BizOps will focus on the business goal of achieving financial stability by:

- increasing revenue by 15 per cent (compared to the previous 12 months) by the end of the financial year
- maintaining annual profit levels of 15 per cent of revenue for all products and services, calculated at the end of each financial year
- reinvesting 75 per cent of profit back into the business at the end of each financial year.

By analysing the BizOp's business plan, it is clear that the organisation requires various resources to ensure it meets customer needs, addresses business objectives and continues to deliver on its commitments.

Here are some of the resources BizOp requires:

- Human resources:
    - IT experts to manage online presence and e-commerce functions
    - marketing professionals to maintain and enhance online, industry, print and electronic presence
    - design professionals to create innovative products
    - procurement professionals to source 'green' materials products
- Physical resources
    - technology: computers, internet access, energy-efficient printers
    - office supplies: paper, stationery
    - raw materials: 'green' materials

Practice Task 1

Question 1

You need to develop a business/resource proposal. What information would you include in each of the following sections?

- Introduction
- Background
- Supporting evidence
- Risk/issues
- Budgetary considerations
- Recommendations

Question 2

Why is it important that resource requests are aligned with each level of an organisation's planning processes
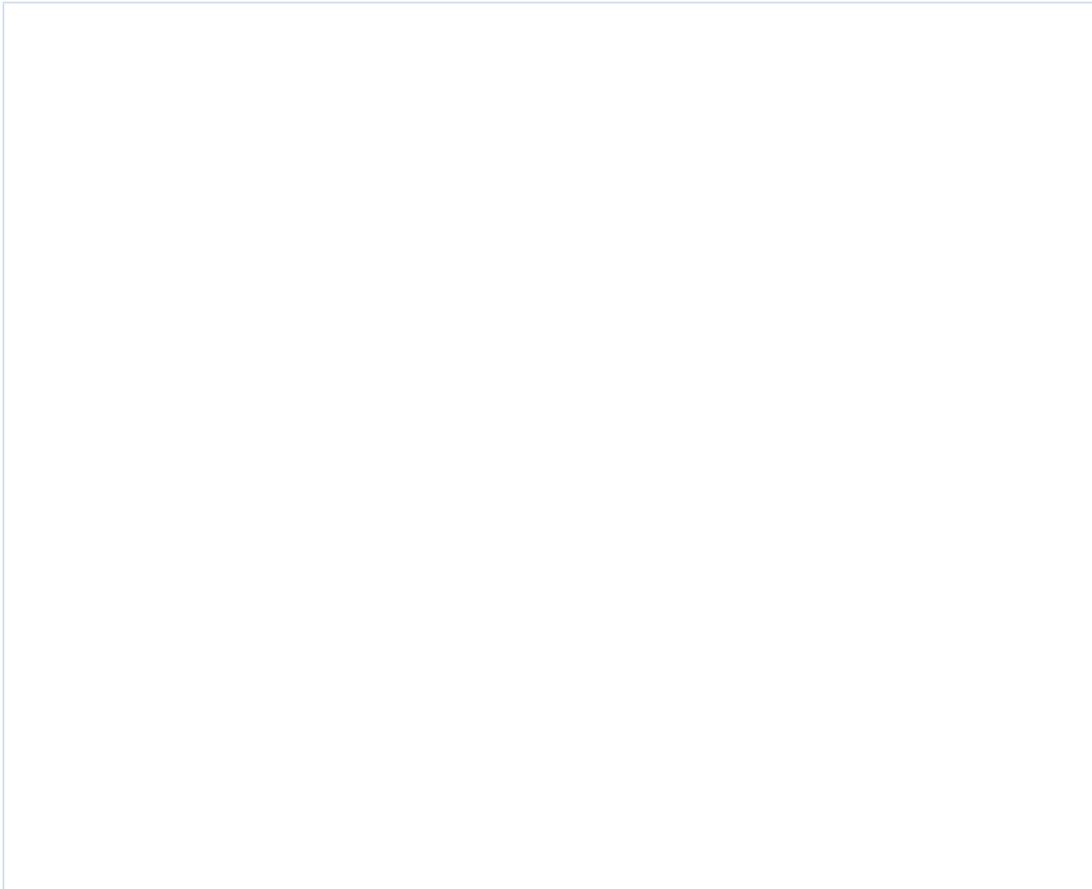
1B Consult with stakeholders

A resource proposal must be presented to key stakeholders for input and final approval.

Once you have written the resource proposal, you will need to present it to your key stakeholders for feedback and input. Consultation is a key step that managers must undertake when planning for a business's resource needs. Consultation is the process of engaging stakeholders and openly discussing information and exchanging opinions, concerns and insights relating to the organisation's resource requirements.

Consultation must be based on a two-way process of ongoing communication between the key parties involved in business and resource planning. It must aim to ensure that the stakeholders who are impacted by the organisation – including its resource usage, budget and expenditure – are involved in the planning stages, and that their views are considered during the decision-making process.

Identifying key stakeholders

A stakeholder is any person who has an impact on the business, or is impacted by the operations of the business.

Effective consultation processes will provide your key stakeholders with an opportunity to provide their input on your resource requirement plans.

Every organisation has different types of stakeholders with varying roles, depending on the organisation's structure, size and relationships. A stakeholder is any person or group who has a 'stake' in the organisation. A stake refers to a degree of influence on the company, or someone that is impacted by the operations. Stakeholders can be internal or external and have a direct or indirect influence on the strategic planning process.

You should refer to your organisational chart to identify your key stakeholders. The following table describes some examples of stakeholders in business services.

Internal stakeholders	External stakeholders
▪ The board of directors ▪ Business owner/s ▪ General Manager ▪ Chief Executive Officer (CEO) ▪ Chief Financial Officer (CFO) ▪ Department managers ▪ Store manager ▪ Team members	▪ Government agencies ▪ Customers/clients ▪ Associates ▪ Networks ▪ Shareholders ▪ Technical advisors ▪ Consultants

The consultation process

Consultation is an important part of developing healthy relationships with stakeholders and ensuring their opinions are considered in the decision-making process.

Consultation is a two-way process involving the manager and the organisation's stakeholders. An effective consultation process should encourage stakeholders to participate in developing resource plans that meet the needs and limitations of the organisation.

The standard four-step framework for a consultation process is provided here.

Step 1: Talk to each other about resource requirements

Step 2: Listen to each other's concerns

Step 3: Seek and share views and information

Step 4: Consider what the other party says before making decisions
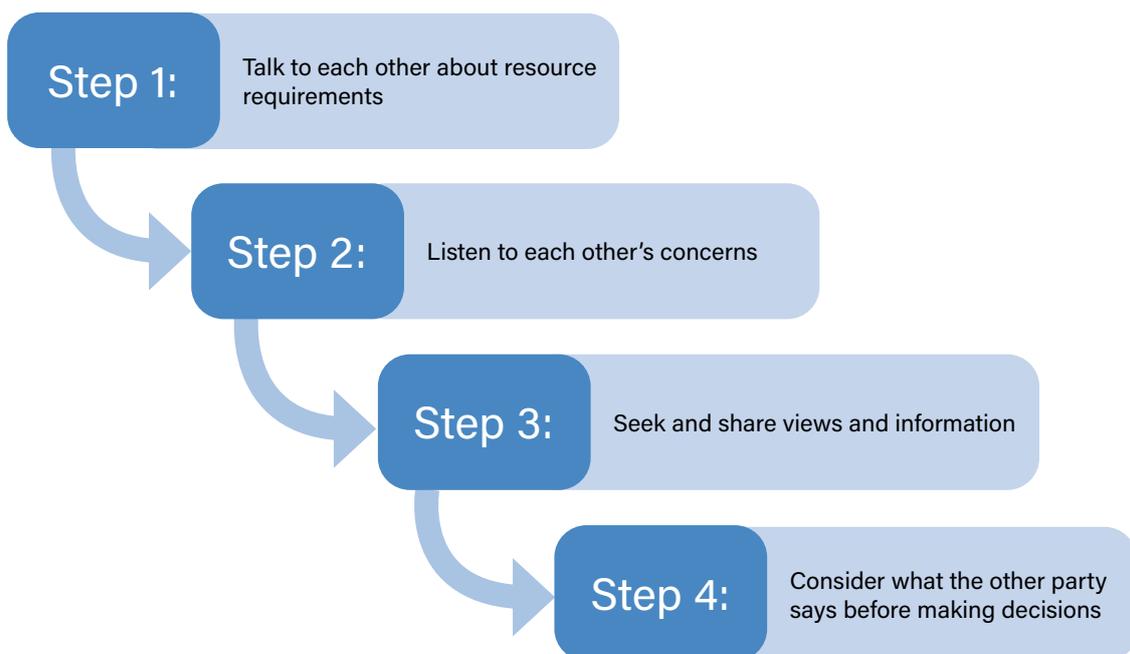
Consultation methods

The timing and format of your consultation methods should be specific to the needs and constraints of each stakeholder within the resource planning process.

Consultation methods must be appropriate to the level of priority of your resource plans, the nature of the resources, timing and the needs of the organisation based on other business plans. For resource requirements that have a high priority, a formal meeting involving management will be the appropriate method to facilitate a stakeholder consultation session.

This may include brainstorming sessions, facilitator-led discussions or open forums.

If the key stakeholders work or reside in different locations, a video webinar or teleconference may be more appropriate.

All stakeholder consultation sessions will need to be scheduled in advance with each attendee to ensure each person is well-prepared and has the time available in their schedule to prepare and participate fully in the consultation process.

Types of consultation methods include the following.

Team meetings	Regular team meetings can be used to discuss broad resource issues, collaborate as a group and provide a forum for stakeholders to raise issues and provide input to resolve operational resource problems.
One-to-one discussions	Formal and informal one-to-one discussions are an important part of the consultation process. This approach can be particularly valuable when working with individual stakeholders, rather than with a group.
Email/notices/ written communication	In some instances, consultation may require written communication. This may be needed if stakeholders are in remote locations, or if input is to be gathered and formally evaluated.

Example

Establish a consultation process

Phil is a human resources manager in an insurance company. He holds regular monthly management meetings, where he invites the department managers from within the business to report on their respective human resource needs and issues.

The meetings provide a forum for various department managers to provide direct input to Phil. They can communicate staff changes, including attrition and promotions, as well as flag upcoming changes in the business's operations that may mean hiring new staff. The management team are able to discuss opportunities for rotating staff into other roles, set plans for future human resource needs and stay informed of each other's activities. Phil also uses the outcomes from the meetings to report on the organisation's future human resource needs to the board, and to improve human resource planning practices for the organisation.

Practice Task 2

Question 1

How can a manager seek input from stakeholders about the organisation's resource requirements? Provide three examples.

Question 2

Which of the following are examples of consultation processes? Tick all that apply.

○   Intranet announcement

○   Informal discussion over a business lunch

○   Sharing resource plans and proposals for comment

○   Discussion with a team to determine how to address a resource problem

○   Updating a job description

Question 3

Number each step from 1 to 5 in the order you would follow when consulting with stakeholders.

○   Seek and share views and information

○   Schedule a consultation meeting with key stakeholders

○   Consider what the other party says before making decisions

○   Listen to each other's concerns

○   Talk to each other about resource requirements

1C Identify costs and benefits

When assessing the need for resources, you will need to consider the costs, benefits and the acquisition's likely return on investment.

Acquiring new resources, whether it be purchasing, leasing or another arrangement, can cost organisations a significant amount of money, impacting their bottom line.

As part of the planning process, you will need to identify the costs and benefits of acquiring the proposed resources. This will involve calculating how much the resources are costing the business and how much value the organisation will receive in return.

Cost versus benefit analysis

The financial benefits of acquiring new resources must be calculated to determine the viability of the resource proposal.

Cost benefit analysis (CBA) is a model that is commonly used in business to identify the viability of an investment. It was first introduced in the 1930s by Jules Dupuit, a French engineer. It became popular in the 1950s as a simple means of quantifying the project costs and benefits to identify whether to go ahead with a project.

A cost versus benefit analysis requires you to complete three key steps:

1. Quantify all of the upfront and ongoing costs associated with acquiring the resource	2. Quantify all of the positive factors that are considered benefits, including the revenue and savings that can be generated by the resource acquisition	3. Calculate and compare the difference between the two sums
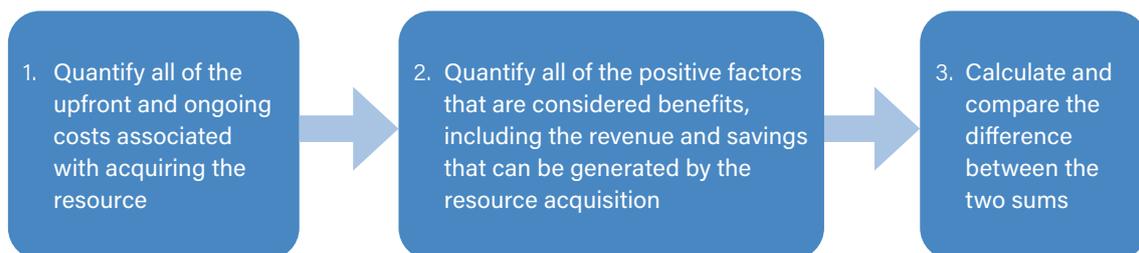
The difference between the two will show whether the resource acquisition is financially beneficial for the business. If the value of the benefits outweighs the value of the costs, the resource acquisition will most likely be of value to the organisation.

Calculating return on investment (ROI)

Using quantifiable metrics improves the credibility of the resource proposal and allows stakeholders and key decision-makers to identify measurable benefits to the organisation.

In addition to cost versus benefit analysis, you can also calculate the return on investment (ROI) in terms of a percentage of value of acquiring the resource.

The following process represents one method of calculating ROI:

- First, calculate the value (benefits) of the specific product, system or service by subtracting the cost of investment from the total value of the gains (revenue generated).
- Second, divide this figure by the costs of implementing the resource (total investment).
- Third, multiply this figure by 100 to arrive at a percentage.

This process is reflected in the following formula:

$$\text{ROI (\%)} = \frac{(\text{Benefits} - \text{Cost of Investment})}{\text{Cost of Investment}} \times 100$$

Determining quantifiable costs and benefits

Where possible, the CBA process must involve quantification of the non-monetary benefits of improvements in productivity, work processes, indirect sales and people management.

Quantification involves identifying the monetary value of costs and benefits to the organisation. This process is important, as it will highlight the true value for the organisation – both in the short- and long-term. It is an important part of the business proposal.

The following table provides examples of cost and revenue areas to be considered when undertaking a CBA.

Cost areas (Costs)	Revenue areas (Benefits)
• Acquisition and development costs • Implementation costs • Operating/ maintenance costs (ongoing)	• Direct and indirect sales from existing products and services • Immediate and long-term sales from existing products and services • Opportunities to generate sales from the development of new products or services • New business opportunities, such as partnering with other organisations or expanding into new market segments

Identifying cost savings

The savings of acquiring a resource should be highlighted in your proposal when calculating ROI and conducting a cost versus benefit analysis.

In addition to the revenue that can be generated from acquiring a resource, it is important to identify the cost savings, as these can often be of more value to the organisation's bottom line.

There are essentially three types of savings that can be made from a resource acquisition.

Direct savings	Quantitative savings directly attributed to the resource – for example, reduced administration costs
Costing avoidance	Spending that is no longer required as a result of implementing the resource – for example, the organisation is no longer required to pay ongoing leasing fees for an existing resource
Intangible benefits	Qualitative benefits as a result of implementing the resource – for example, less time manually processing administrative tasks and increased automation allows staff to concentrate on more meaningful tasks

Determining the value and costs of the investment

The most challenging part of calculating costs versus benefits and ROI is to quantify the value of the revenue and costs of the investment.

The benefits of acquiring a resource may at times be difficult to quantify and assess. For example, it is difficult to quantify reductions in staff attrition, increases in productivity or value from indirect sales. When quantifying the organisational benefits, you may need to isolate the portion of the changes to productivity, performance, sales or other measurable output that may occur as a result of purchasing the new resource.

The key is to focus on producing a quantified metric such as a rate, percentage or dollar value that can be determined. However, if the benefits are too difficult to objectively quantify, reasonable assumptions based on valid evidence may be used to determine the costs and benefits gained as a result of the new resource.

When calculating the ROI of acquiring resources, consider the following points:

Factors to consider when calculating the ROI of acquiring resources
▪ Salaries of the people involved in using the resources
▪ Difference in hours required to use the resources compared to the previous model
▪ Reduction in direct costs due to a reduction in staff conflicts, disputes, performance problems and work-related injuries
▪ Costs saved by correlated reductions or improvements, based on performance before the date the resources were implemented and after the implementation date – such as a reduced attrition rate, increased customer satisfaction or higher productivity

Example

Cost versus benefit analysis and return on investment

BizOps is planning to implement a new client relationship management (CRM) system that will cost the organisation $50,000 for the first year including purchasing, implementation, training and maintenance. The organisation determines the value to the business of implementing that system for the first year will be $60,000, as a result of increases to productivity and sales.

Following the cost versus benefit analysis process, the investment will yield $10,000 worth of benefit for the first year: CBA=$60,000−$50,000

The return on investment will be 20 per cent:

$$\text{ROI (\%)} = \frac{(\$60,000 - \$50,000)}{\$50,000} \times 100$$

Practice Task 3

Question 1

What are the three key steps in conducting a cost versus benefit analysis?

Question 2

Which of the following are benefits of cost versus benefit analysis? Tick all that apply.

○ Immediate and long-term sales from existing products and services

○ Implementation costs

○ Reductions in staff attrition

○ New business opportunities, such as partnering with other organisations

○ Cost of acquisition

Question 3

How do you conduct a cost versus benefit analysis if costs and/or benefits are difficult to objectively quantify?

1D Identify opportunities to share resources

Resource purchases can have significant impact on an organisation's budget and bottom line.

Operational budgets specify the amount of money the organisation can spend on resources for a given period. Budgets can often be rigid and offer little flexibility. If a budget is exceeded, the organisation's profit margins will be directly impacted, which reduces the overall value of the business.

This can pose a significant issue for business managers who are responsible for ensuring the organisation remains profitable.

Reducing the need to purchase resources

Where possible, look for opportunities to acquire resources from within the organisation and share them across business units.

Managers may need to look for ways to reduce spending by identifying other opportunities to meet the organisation's resource needs. Managers may be required to identify resources that may be shared within the organisation or across business units. This may be as a result of conflicting internal projects, a budget constraint or a resource supply issue.

Sharing resources across business units achieves three main outcomes for the organisation.

The three main outcomes of sharing resources across business units
1. Sharing resources means you can avoid having to purchase them from external suppliers. This reduces spending and overall expenditure.
2. It increases profit margins by reducing expenses.
3. Sharing resources across business units increases the value to the business, by ensuring resources are maximised for as much time as possible.

Identifying opportunities to share resources

Business operations management will often present a number of issues relating to resource requirements that need to be settled.

Operational management can involve identifying cost-effective ways to acquire and resolve resource issues and needs within the business. Over an operational period, you may need to consult with other department managers to identify creative and innovative ways to share resources across business units.

The following table presents some examples of sharing resources across business departments.

Examples of sharing resources across business departments
- Placing key staff in temporary roles as part of a secondment or job rotation   - Training and up-skilling staff to take on additional duties that other departments cannot fulfil   - Promoting staff from within the organisation, as opposed to hiring externally   - Taking an inventory of resources and establishing a resource loan register to maintain an account for equipment, tools and materials that are temporarily allocated to other departments   - Extending the capacity of an operating system to allow more users to have access

Managing shared resources

In various organisations, resources are used to perform more than one task in a process or are shared across multiple processes.

Managers need to be aware of all resources, both human and physical, used in their operational areas. There may be times when these resources are used across processes or are involved in one task of another process. For example, an administrative assistant in a doctor's surgery not only welcomes patients but is also responsible for collecting payment and scheduling future appointments.

Similarly, a fashion designer may design more than one type of garment in a set period of time for different brands or departments within the one fashion house. It is important to identify these situations and understand that special monitoring and planning is required, to ensure that performance metrics and budgets are not impacted negatively.

Resource conflicts

Resource conflicts happen when either a physical or human resource is assigned to carry out two or more tasks on different operations at the same time.

It can be appealing to assign a resource to more than one operation in a process in order to keep budgets in check and to balance workload across staff and machinery. However, managers should always take care when assigning resources so that they do not create resource conflicts. This requires analysing current business demands and operational time frames.

Resource conflicts will arise when either a physical or human resource is assigned to carry out two or more tasks on different operations at the same time. For example, a fashion designer cannot create a new spring look for the retail department at the same time as creating a new winter look for the national wholesale department; this is a resource conflict.

Example

Sharing equipment across sites

Jarryd is a manager of three commercial gyms within a region, all owned by three partners. Each of the three gyms are performing very differently. One of the gyms is experiencing significant growth, another is barely meeting its profit targets and the third one is experiencing a decline in members and revenue.

Part of Jarryd's role is to ensure all the gyms are adequately staffed and have sufficient equipment to meet the needs of its members and personal trainers. Jarryd is aware that purchasing fitness equipment is an expensive task that needs to be carefully managed so that the three gyms achieve a healthy profit margin each quarter. He sees an opportunity to share and rotate equipment across the three gyms in order to reduce the need to acquire new equipment.

The three managers meet with Jarryd and discuss the issues and resource needs of the business. They agree for each club manager to take an inventory of each piece of fitness equipment. Then, Jarryd consults with each gym manager to determine how often each item is used. Based on these discussions, Jarryd decides to move the equipment from the underperforming site –because it is rarely used – to the gym that is performing well, as there are often wait times on some pieces of equipment.

There are some costs to relocate the larger pieces of equipment. However, when compared to the costs associated with buying the equipment, the delivery fees are much lower. As a result, Jarryd has addressed the resource needs of the three gyms, and maintained the expense budget for the business.

Practice Task 4

Question 1

Which of the following are potential benefits of sharing resources across business units?
Tick all that apply.

○ Removes the need to purchase additional resources from external suppliers

○ Increased profit margins due to reduced expenses

○ Increased down time due to waiting on resources in transit

○ Increased value to business, due to maximising resources for as much time as possible

○ Increased security threats

Question 2

Give two examples of resource sharing across business departments.

Summary

- A resource is defined as anything tangible or intangible that assists a person, team or organisation to achieve its business goals.

- A business proposal is a formal document that provides key authorities and stakeholders with all of the relevant information they need to make an informed decision about the organisation's resource needs.

- Resource plans must be aligned with each level of the organisation's planning processes.

- Stakeholder consultation is a key step that managers must undertake when planning for a business's resource needs. It is a two-way process involving the manager and the organisation's stakeholders.

- When assessing the need for resources, you will need to consider the costs, benefits and the return on investment that is likely to occur as a result of the acquisition.

- Using quantifiable metrics improves the credibility of the resource proposal and allows stakeholders and key decision-makers to identify measurable benefits to the organisation.

- Operational budgets specify the amount of money the organisation can spend on resources for a given period. Where possible, look for opportunities to acquire resources from within the organisation and share them across business units.

Learning Checkpoint 1
Analyse resource requirements

Part A

1. Which of the following items should be included in a resource proposal? Tick all that apply.

   ○ Supporting evidence such as quantifiable data

   ○ Introduction and background including why the resource is required

   ○ Resource terms of use such as safe operating procedures

   ○ Risks or opposing conflicts that the acquisition may pose

   ○ Budgetary considerations and recommendations

2. List five guidelines you should follow when writing a resource proposal.

3. What formula is used to calculate the following terms? Explain what the solution means.

    a) Cost benefit analysis (CBA)

    b) Return on investment (ROI)

4. Draw a line to match each type of business strategy to its objectives.

    » Operational plans   » long-term objectives and direction of the
                                             organisation

    » Strategic plans   » structure and key objectives for the next
                                             12 months

    » Organisational plans   » day-to-day objectives and short-term
                                             methods to achieve organisational and
                                             strategic plans

Part B

Read the following case study then answer the questions that follow.

Case study

Bette works as a customer service manager for an IT company, reporting directly to the business operations manager. The organisation specialises in providing over the phone and email-based help-desk support services to corporate clients, using a central contact centre.

The customer service department is split into three teams of eight to ten staff, all reporting to their own team leader. Each team also has a subject matter expert (SME) who is an experienced IT support consultant.

Recently, the business has experienced excellent growth, including the acquisition of two new large corporate clients. As a result, it needs to employ an additional ten IT consultants, who will work in the contact centre providing help-desk support. The business plans to finalise the ten new appointments in the next 30 days.

Bette is required to establish a proposal for the new resource requirements to support the hiring of additional staff. The proposal must consider the current needs of the business, as well as proposed growth.

1. List three key stakeholders that Bette will need to consult with when preparing her resource proposal.

2. Describe an appropriate consultation method and process Bette should use to verbally communicate with the key stakeholders about their resource needs.

Bette has identified an opportunity to purchase new computers and hardware components from a supplier. These computers will be an upgrade from the organisation's existing systems. The new systems would cost the company $42,500, including purchasing, implementation, training and maintenance. Bette determines the value to the business of implementing the new systems will be $50,000 as a result of increases to productivity and professional sales.

3. Calculate the return on investment (ROI) for the purchase of the new computing systems. Show all your calculations.
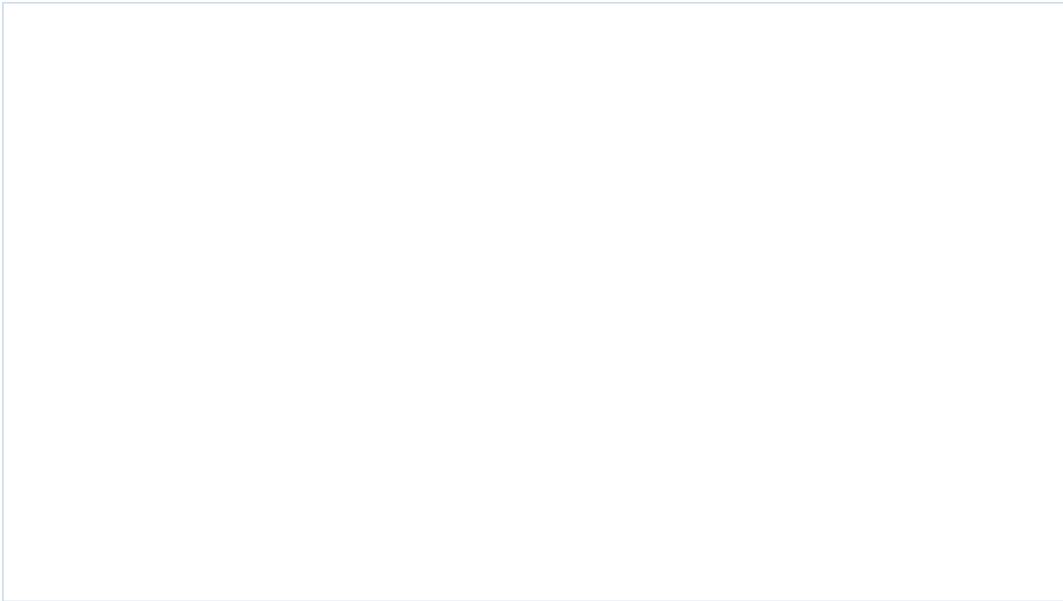
4. Within the organisation, what other resource-sharing opportunities might Bette explore to support the needs of the ten new hires?
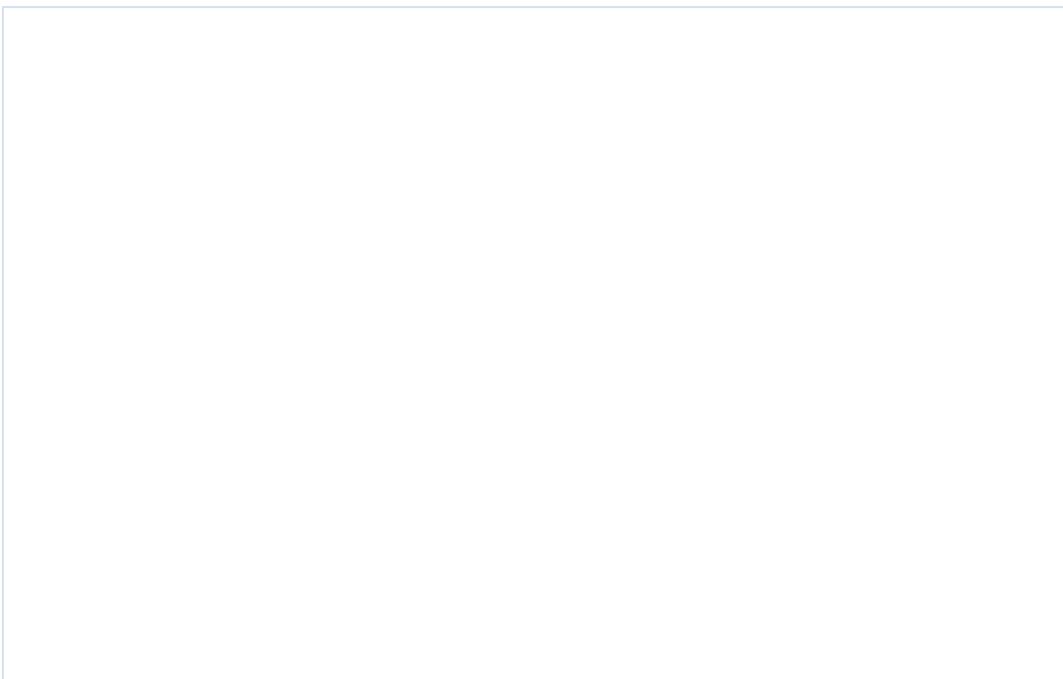
Topic 2 | Develop resource plans

2A Determine internal capabilities and external resource needs

2B Develop resource evaluation procedures

2C Establish risk management processes

2D Obtain approval for resource plan

2A Determine internal capabilities and external resource needs

Resources are essential to ensure the workforce has the necessary support to achieve individual work objectives.

Resources are at the heart of every business plan. In the case of operations management, you will need to identify and plan for the resources that you will need in order to achieve your organisation's objectives as stated in the relevant business plans. This will need to be documented in a resource plan – a document that summarises the level of resources required by a team, department or organisation to complete a project or work operation. A detailed resource plan will identify the specific quantities of labour (human resources), materials and equipment (physical resources) and budget (financial resources) required to complete a project.

In the day-to-day operations of an organisation, different departments and teams will require access and use of a range of different types of resources.

Some examples of business resources are listed in the following table.

Examples of business resources
• People/human resources • Physical resources • Financial resources • Systems resources

People as a resource

Human resources are crucial to a business achieving its objectives and goals.

An organisation's ability to maintain profitability, achieve operational objectives and meet client demands is often a direct result of the performance of the people (human resources). Managers must undertake forward planning, forecast its human resource needs and maintain optimum staffing levels to meet business objectives and goals.

Successful organisations have sufficient people with the right levels of skill, willingness, diversity and the ability to work together, support each other and problem solve.

The following table lists some questions to consider when evaluating your organisation's staffing levels.

Questions to consider when evaluating your organisation's staffing levels
▪ What is the knowledge you need to meet the requirements of the operational plan? ▪ Is this knowledge available internally? ▪ Who has the expertise in which areas? ▪ Are there external specialists that can be utilised? ▪ Do you need to recruit specialist skills or knowledge? ▪ Do you need to increase the labour force?

Physical business resources

Physical resources may include anything tangible that makes work more effective and efficient.

The most practical resources you need to achieve the objectives of the operational plan are physical resources. Physical resources can include anything tangible that makes work more effective and efficient. Examples include stock, stationery items, tools, equipment, consumables, materials, marketing aids, machinery, access to new or existing buildings and facilities, and infrastructure including power and internet.

The following table outlines some questions to consider when evaluating your organisation's physical resources.

Some questions to consider when evaluating your organisation's physical resource levels
▪ What existing resources are available within the organisation? ▪ How long do we need the resources for? ▪ Who are our preferred suppliers? ▪ What are the lead times for ordering and receiving the resources? ▪ What do we need now and into the future? ▪ How much use will the resources be subject to?

Financial business resources

An organisation will need to allocate financial resources to acquire new resources or maintain existing resources, as part of the operational plan.

Financial resources may be needed to support the implementation of the operational plan. Financial resources are often needed to acquire new resources, maintain existing resources, travel, or conduct research activities, as part of the organisation's operational plan.

It is important that authorisation limits and allocated budgets are followed and allocated funds are not exceeded through excessive spending. To do this, managers should consult with key stakeholders such as finance and operations management personnel.

Business systems

A system can be defined as a series of parts that work together to achieve a planned outcome.

Systems are everywhere in organisational life. They are made up of functions, procedures, equipment, resources and other building blocks that help achieve a task to meet a controlled outcome.

Systems are important because they clarify processes, provide objectives and help steer the performance of a certain task toward a set standard, hence achieving consistency, compliance and quality along the way. Systems also help to identify and minimise mistakes, clarify procedures and provide support to workers. They are regarded as the glue that holds all of the building blocks together, creating the foundation for business success.

Systems may include an application (app), a new documented work process or a fully-fledged operating system, such as a client relationship management system, human resources management system or project management system.

Some questions to consider when evaluating your organisation's system resource levels are listed in the following table.

Questions to consider when evaluating your organisation's system resource levels
• What existing systems are being used within the organisation?
• How many people are using the system?
• What are the variations in performance that require a systematised approach?
• What internal systems can be expanded to take an increase in volume usage?
• What systems are needed now and into the future?
• How can existing work tasks become more automated?

Consulting about internal resource capabilities

To determine the nature and capabilities of existing internal resources, consult with your key stakeholders.

When planning for a business's resource needs, managers should first look within the organisation to identify the capabilities of existing resources. This will avoid unnecessary spending, increase the value of existing resources and lead to better profits, as expenditure is decreased.

Obtaining accurate information about internal resources is crucial. It not only requires research and analysis, but also consultation with relevant personnel who are involved in the day-to-day operations of the business. It is a key component in resource planning due to the number of variables involved in the process.

Relevant stakeholders must be involved throughout the resource planning phase to confirm the resource requirements for the period.

Examples of key internal stakeholders are listed in the following table.

Examples of key internal stakeholders
• Colleagues and specialist resource managers
• Operations manager
• Managers and supervisors from other teams and departments
• Specialist resource managers and departments such as finance/accounts, human resources or procurement
• Work health and safety committees and other people with specialist responsibilities
• Members of the work team

External resourcing needs – preferred suppliers

When internal resourcing capabilities do not meet operational needs, you will need to look externally – your first port of call will be your organisation's preferred suppliers.

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

Preferred suppliers are identified in organisational policies and have a contract in place to provide your organisation with resources. They are the approved vendors that have passed an initial set of quality checks and have an ongoing relationship with your workplace. Therefore, preferred suppliers must be prioritised to ensure the organisation's requirements for resource acquisition are met.

Refer to your preferred supplier list to identify the recommended external suppliers of the service or item you need. Then, source quotes from each of them. Doing this will enable you to identify the preferred provider that offers the best value and can fulfil your requirements in terms of quantity, quality and other variables such as delivery timing.

Selecting alternative suppliers

If a preferred supplier is not able to provide the right product or service, you may need to go out to tender to source an alternative supplier.

Not every item needed as part of an operational plan can be sourced from a preferred supplier. In these cases, you will need to consult alternate suppliers. These may be found through industry bodies or directories, the internet or from recommendations from business associates.

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

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

Always check your resource acquisition policies and procedures for the approval guidelines for sourcing alternative suppliers.

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

Tender processes

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

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

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

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

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

Example

New WHS management system

Richard is a work health and safety manager in a commercial cleaning company. The organisation has recently had an increase in safety incidents over the past three months and workers are concerned about their own wellbeing at work. Currently, the organisation uses a less-than-effective paper-based reporting system that only some workers follow, and many of the workforce are unsure as to how to manage and report hazards and risks.

Richard's priority is to research a new WHS management system, that will allow the cleaning team members to conduct hazard inspections at each worksite, report hazards and incidents using tablets, and have input into their safety concerns through an online consultation process.

Richard is working with two suppliers to understand the functions of their various WHS management systems to determine the best fit for the organisation. He is also holding consultation meetings with supervisors and cleaning team members to provide a forum for personnel to provide him with direct input about the requirements for the new system. Richard and the participants in the sessions are able to discuss their issues and identify opportunities that can be addressed through the new system.

Practice Task 5

Question 1

Draw a line to match the following internal and external resources to their correct resource type.

» Equipment   » Financial resource

» Overdraft facility   » Human resource

» Policies and procedures   » Physical resource

» Information system architecture   » Systems resource

» External specialist   » Technological resource

Question 2

How would you establish the nature and capabilities of existing internal resources?

2B Develop resource evaluation procedures

A resource plan needs to include a procedure to determine the effect of the resources on business performance.

When resources are first introduced into business operations, you will want to monitor and measure their impact on business performance.

With any resource plan, you need a set of performance benchmarks to measure how well the resources are helping the organisation accomplish its goals.

Resource evaluation requirements

As part of implementing the resource plan, a procedure should be put in place to show how to monitor and measure performance. This will give an insight into whether the resources have been of benefit to the organisation.

In general business terms, an evaluation is a comparison of actual performance against intended performance. It requires the establishment of a procedure to guide the evaluation process, benchmarks to review performance against, research into what is currently happening, and analysis of the variations to identify improvement opportunities.

Resource performance evaluation should be an uncomplicated and efficient task, provided the initial planning and target setting has been developed correctly. The resource plan should clearly state the step-by-step procedure for gathering and evaluating information and outline the objectives that you are aiming to achieve for the operational period.

Resource evaluation procedures must clarify how the resources have impacted on the business's operational performance.

Required elements of resource evaluation procedures
• Time frames and frequency of monitoring explaining when an evaluation will take place
• The types of information and data that need to be gathered to determine the impact of the resources on operational performance
• Who will be involved in evaluating the information and data
• Methods used to compare planned performance with actual performance
• A reporting procedure explaining how results will be communicated to key stakeholders

Gathering resource performance data

Monitoring the impact of resources on business operations does not need to take a lot of time. Where possible, establish systems that make it quick and easy to collect data about operational performance.

Effective managers work smarter – not harder! Where possible, you should focus on gathering data and information that is readily accessible and time-efficient. Aim to utilise any existing automated reporting systems that can help confirm improvements in productivity, safety, sales results or service performance, as this will save money, resources and most of all time.

Results to measure
Do measure results that: • are cost-effective • are easy to measure and understand • are measured on-site • ae directly related to a new resource that has been introduced • are included in resource plans and objectives • would help identify problem areas.

> **Example**
>
> ## Resource evaluation procedure
>
> Ted works as an operations manager for an online retail store. The current average time for warehouse staff to pick and process an order is 16 minutes – a number that Ted hopes to reduce to 10 minutes. A large part of the issue is that the organisation currently uses an email-based ordering notification and processing platform that requires a lot of manual work from the warehouse team. It is also difficult to identify actual quantities of stock held in the warehouse as it relies on team members carrying out weekly stocktakes and updating the website manually. This has led to issues relating to stock-outs which have increased the time required to process some orders.
>
> Ted is planning to implement a new inventory system that will integrate with their existing e-commerce website. The inventory system will help support warehouse workers by reducing a lot of the manual work involved in responding to customers, actioning order requests and maintaining accurate stock levels based on orders processed in the system.
>
> Ted has written the following procedure that describes how the impacts of the new inventory system will be evaluated over the next three months.
>
> **Daily tasks**
> - Picking teams are to conduct three checks per day using a stopwatch to record the total time in minutes for each order to be completed.
> - Operations manager is to complete three random spot checks per day.
> - Picking team and operations manager are to enter the times into a shared Google spreadsheet, including date, time and order details (reference number, quantity and items) and total processing time for each order. The spreadsheet will be made available on the staff portal.
>
> **End of week**
> - Calculate the average processing time for all orders entered into the spreadsheet.
> - Collate information into a line chart, using the 10-minute metric as the performance benchmark.
>
> **End of month**
> - Review the actual results compared to previous results and the benchmark of 10 minutes average order time.
> - Present a copy of the chart to senior management at the monthly management meetings, with a numerical summary of the improvements/declines in processing time.

Practice Task 6

Question 1

Which of the following procedures/measures for determining resource effectiveness should be included in your resource plan? Tick all that apply.

○ A set of performance benchmarks to measure how well the resources are helping the organisation accomplish its goals

○ A procedure for calculating asset write-off amount

○ Step-by-step procedure for gathering information on resource usage

○ A procedure to determine the effect of the resources on business performance

○ Step-by-step procedure for evaluating information on resource usage

Question 2

What information would you need to include in resource evaluation procedures? Provide four examples.

2C Establish risk management processes

When planning to allocate business resources, you will need to identify and manage risks that can impact on the operations of the business.

Risk is defined as any potential threat to the organisation achieving its operational goals. No matter what resource you want to implement and how much you plan, there are always risks associated with resource plans and business operations.

Every business faces a range of threats that make it uncertain as to whether organisational goals will be achieved. The systematic management of workplace risk is essential to all businesses, regardless of resource type or operations.

Risk management process

A risk management process is the determination of the risks that may impact on business objectives and an analysis of the likelihood and consequences of a negative event preventing the organisation meeting its objectives.

Risk management is an important part of resource planning. It is an ongoing process comprising seven main elements, as identified in the AS/NZS ISO 31000:2009 standard.
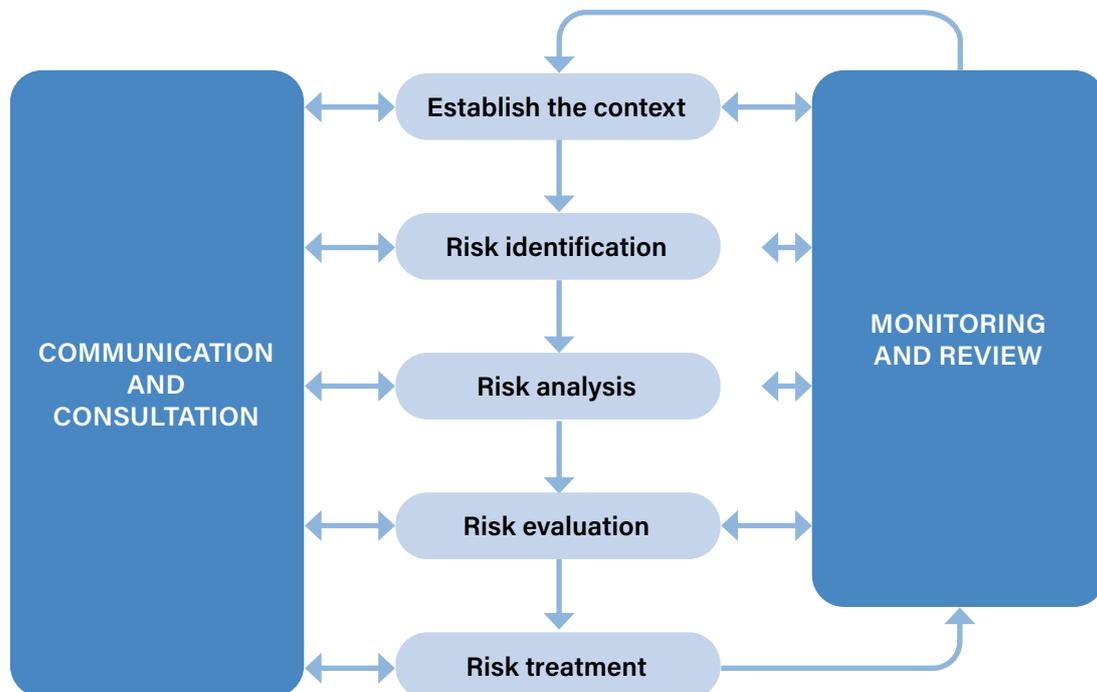
Step 1: Establishing the risk context

The first step in managing resource risks is to evaluate both the internal and external context under which your organisation operates.

Establishing the risk context means defining the external and internal parameters to be taken into account when planning for your resource requirements. By better understanding the risk context, you will also be able to set specific contingency plans to guide your risk management system and activities in the right direction to ensure the resources that you implement achieve the outcomes that you plan for.

The external and internal context can include the following factors.

External risk context
• **Social and cultural factors** – population growth rate, lifestyle trends, age distribution, consumer trends, attitudes toward domestic and foreign products and services, community health and attitudes towards work health and safety and the environment
• **Political** – political stability, changes in government priorities and funding, requirements and expectations of industry regulatory authorities, environmental protection laws and regulations, taxation laws, consumer laws, trade laws and Import and export law
• **Legal** – impacts of legislation and regulations at a state and national level, such as privacy and confidentiality of information, work health and safety, workplace relations, anti-discrimination and environmental laws
• **Technological** – advances in technology, communications, product and system development and science and its relative impact on business operations
• **Economic** – stability and changes within the economy such as inflation, unemployment, value of the dollar, interest rates and market cycles and how these forces impact on the labour market, internal workforce and consumer behaviours
• **Natural and competitive environment** – performance of local, national, rural or global markets
• **Drivers and trends** – current issues impacting on the industry, environment and specific sectors across Australia

Internal risk context
• **Corporate governance** – the structures, polices, plans and accountabilities that govern how the organisation and its activities are directed and controlled
• **Capabilities** – what the organisation is equipped to achieve and offer its stakeholders
• **Systems** – internal systems and processes for health and safety, environmental protection, quality, production, human resource management, contract management, procurement, service and communication
• **Products and services** – the range and quality of product and service offerings and degree of demand from consumers
• **Finance and resources** – the budget allocated to developing and maintaining the business and existing resource capabilities
• **Suppliers** – relationships with key suppliers including their performance in terms of the provision of goods, their services, prices, quality and reliability of delivery

Monitoring changes in government priorities

Government policies need to be monitored as part of the risk management process as changes can impact on funding and resource availability.

Governmental policies are developed with the aim of gaining improvements in the Australian economy as well as greater productivity within industry. Local, state/territory and Commonwealth governments invest millions of dollars every year to stimulate the Australian economy through reforms, incentives, subsidies and grants. These policies focus on areas flagged as having skills shortages or industries regarded as integral to the long-term economic health of the country.

New and revised government policies can have direct and indirect impacts on the supply and demand of human resources within the industry, as well as opening opportunities for organisations to tender for project work that involves infrastructure and services.

In certain cases, government policies and priorities need to be monitored, as any changes can have direct impacts on the risk profile of a business. For example, if the government suddenly withdraws funding for a project that your organisation has supplied labour or other physical resources for, you may need to scale back production or reduce your workforce.

Examples of government reforms that you may need to monitor as part of your risk management practices are included in the following table.

Taxation and income support	Reduction in the marginal income tax rates and increases to the thresholds at which the rates start to apply
Assistance for families	Access to affordable high-quality childcare through the Child Care Benefits and the Child Care Tax Rebate policy
Labour market regulation	The Fair Work System was introduced on July 1, 2009 and was designed to reduce unemployment, protect people from unfair dismissal, improve productivity and participation and deliver fairer minimum entitlements to workers.
Education and training	Subsidised and fully funded courses including nationally recognised qualifications, trade apprenticeships and traineeships, that target key areas of demand in the labour market
Employment programs	Measures aimed at helping parents and people with disabilities to re-enter the workforce and encouraging employers to hire people who are long-term unemployed
Immigration policies	The Migration Program for skilled and family migrants focuses on attracting skilled migrants to address Australia's labour demand, including servicing areas experiencing a skills shortage and addressing the ageing population issue.

Step 2: Risk assessment

Risk assessment involves identifying, analysing and evaluating any threats to your resource plans.

According to AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines, the risk assessment process includes three key stages.

This three-part process enables managers to determine what actions (risk treatments), if any, need to be taken to minimise the impact of risks on resource objectives.

Risk identification
Risk identification is the process of gathering together a comprehensive list of all risks that may impact resource plans and operational objectives. This task is completed by analysing the internal and external context and discussing the potential risks with your key personnel, including senior managers, middle level managers, HR teams, SMEs and team members.
Risk analysis
Risk analysis is the process of considering the causes and sources of risk, their potential consequences and probability of harm occurring.
Risk evaluation
Risk evaluation is the process of allocating a priority number to each risk and determining the tolerability of risk.

Risk analysis

Analysing risks to resource plans involves assessing the likelihood and consequence of a risk event occurring.

The risk analysis task can be very subjective. The risks associated with any single action can vary dramatically given variables such as supplier issues, lack of support from the workplace or conflicting resource issues. The likelihood of a risk occurring can be expressed as a rating value of 1 to 5 as shown below.

The following example represents a 5 x 5 risk score matrix (semi-quantitative) method of analysing risks.

Consequence of risk

Risk consequence	Value descriptor	Explanation
5	Catastrophic	Extreme scale of impact – death, off-site release with detrimental effect, huge financial loss
4	Major	Large scale of impact – extensive injuries, loss of productivity, off-site release with no detrimental effects, major financial loss
3	Moderate	Manageable scale of impact – medical treatment required, on-site release contained without outside assistance, high financial loss
2	Minor	Some impact would be noticeable – first aid treatment, on-site release immediately, medium to low financial loss
1	Insignificant	Inconsequential impact – no injuries or financial loss

Likelihood of risk

Risk consequence	Value descriptor	Explanation
5	Likely	100% possibility of risk occurring – is expected to occur in most circumstances
4	Likely	Most probable that risk will occur – will probably occur in most circumstances
3	Possible	Reasonable to consider risk would occur – might occur at some time
2	Unlikely	Slight possibility of risk occurring – unlikely to occur, but history of event exists within the business
1	Rare	1 in a 100 chance of risk occurring – may occur only in exceptional circumstances

Risk evaluation

Once the likelihood and consequence has been determined, you need to assign a priority number or rating to each risk to help determine what actions need to be carried out to manage the risk.

To calculate risk ratings or priorities, the likelihood of the risk needs to be multiplied by the consequence of the risk:

Risk priority = likelihood of risk × consequence of risk

For example, a publishing firm is at risk of running out of photocopy paper by the end of the day. They only have two reams left and they have an important client project that needs to be printed by 10am the following day. This project will require 1.5 reams of paper.

The likelihood of the risk = 4 (most likely).

The consequence of the risk = 2 (minor – medium to low financial loss).

Therefore, by plotting these figures on the table, as shown below, the risk priority would be given a moderate (8) rating.

See the table below for more example calculations.

		Consequences				
		Insignificant (1) No injuries /minimal financial loss	Minor (2) First aid treatment/ medium financial loss	Moderate (3) Medical treatment/high financial loss	Major (4) Hospitable/ large financial loss	Catastrophic (5) Death/ massive financial loss
Likelihood	Almost certain (5) Often occurs/ once a week	Moderate (5)	High (10)	High (15)	Catastrophic (20)	Catastrophic (25)
	Likely (4) Could easily happen/ once a month	Moderate (4)	Moderate (8)	High (12)	Catastrophic (16)	Catastrophic (20)
	Possible (3) Could happen or known it to happen/once a year	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
	Unlikely (2) Hasn't happened yet but could/ once every ten years	Low (2)	Moderate (4)	Moderate (6)	Moderate (8)	High (10)
	Rare (1) Conceivable but only on extreme circumstances/ once in 100 years	Low (1)	Low (2)	Low (3)	Moderate (4)	Moderate (5)

Here is a synopsis of each level of risk rating.

Result/impact of risk event occurring		
Rating	**Descriptor**	**Equates to**
1	Insignificant	• Little impact; low or no financial or material loss • Risk consequences dealt with by routine operations
2	Minor	• Financial impact less than $10,000 (for example) and not fully covered by insurance • Minimal damage to company's image and reputation • Risk consequences dealt with by routine operations
3	Moderate	• Financial impact $20,000–$100,000 (for example) and not fully covered by insurance • Medium damage to company's image and reputation • Moderate impact on business and strategic objectives
4	Major	• Financial impact $100,000–$500,000 (for example) and not fully covered by insurance • Significant damage to company's image and reputation • Significant impact on business and strategic objectives
5	Outstanding or catastrophic	• Financial impact exceeds $500,000 (for example) and not fully covered by insurance • Irreparable damage to company's image and reputation • Business and strategic objectives unable to be achieved

Step 3: Risk treatments and contingency plans

Once you have identified and assessed the risks, your goal is to eliminate or avoid risks where possible and control their impacts on resource plans.

There are various options available for a manager to control or manage risks associated with resource plans. These are called contingency plans.

The goal of a contingency plan is to document appropriate risk treatment options according to the priority of the risk, the level of urgency required in addressing the risk, and legal implications.

The following information outlines the four major strategies which can be used to manage risk as part of a contingency management plan.

Avoid	Avoid the risk; for example, do not purchase resources from a supplier who is known to be unreliable.
Reduce	Reduce the likelihood of the risk occurring; for example, ensure supplier contracts are comprehensive.
Transfer	Transfer the risk to another party; for example, take out insurance when purchasing equipment and machinery so that the risk is fully or partly transferred to the insurer for a fee.
Retain	Retain the risk; for example, you may accept and retain some risk where the impact can be handled in normal business operations.

Documenting your contingency plan

Risks to the implementation of your resource plan can arise for many reasons, so you need to document how these issues will be dealt with, if they arise.

The main purpose of a contingency plan is to describe the actions to be taken should an identified risk be realised. There are a wide range of treatments that can apply to mitigate risks to your resource plans.

Examples of contingency plans to mitigate risk
• Modifying the time frames, KPIs or objectives of the resource plan
• Implementing initiatives to increase staff support for new resources
• Maintaining regular communications with key personnel as part of an implementation process
• Having back-up suppliers in place
• Having additional resources, such as casual/contractor staff on standby
• Restructuring of the plan to reduce costs

> ### Example
>
> ## Contingency plan
>
> Review the following example which explains how contingencies are documented and managed.
>
> | Event | Consequence | Probability | Proposed action |
> |---|---|---|---|
> | Sudden increase in staff turnover | High | Possible | ▪ Effective consultation processes with supervisors
▪ Ongoing communications with team members
▪ Develop staff retention strategies
▪ Keep interested candidates on file |

Legislative obligations

Legal compliance is the largest risk area when considering the types of risk relating to business resources.

Legislative requirements for business are shown in the table below.

Work health and safety (WHS)	Employers must ensure they provide a safe and healthy workplace for all employees and have a system for risk management in place. Resources that are implemented in to work operations must be safe to use and workers must be trained to ensure they have the required skills and knowledge to use them correctly, without causing harm to themselves or others.
	▪ State/territory laws relating to work health and safety include:
	  – ACT, NT, NSW and QLD – *Work Health and Safety Act 2011* (WHS Act)
	  – SA and TAS – *Work Health and Safety Act 2012* (SA, Tas)
	  – VIC – *Occupational Health and Safety Act 2004* (Vic)
	  – WA – *Occupational Safety and Health Act 1984* (WA)
	▪ Codes of practice are practical guides to achieving the standards of health, safety and welfare required under the applicable WHS Act or OHS Act and the Regulations in a jurisdiction. To have legal effect in a jurisdiction a code of practice must be approved as a code of practice in that jurisdiction.

Anti-discrimination	In Australia, national and state/territory laws cover equal employment opportunity and anti-discrimination in the workplace. Employers are required by these laws to create a workplace free from discrimination, bullying and harassment.
	An organisation cannot discriminate against current or potential staff based on age, race, sex, physical ability, culture or religion.
	Federal laws relating to anti-discrimination include:
	▪ *Age Discrimination Act 2004* (Cth) – makes it unlawful to discriminate on the basis of age
	▪ *Disability Discrimination Act 1992* (Cth) – makes it unlawful to discriminate against a person on the grounds of a disability (including a disease)
	▪ *Racial Discrimination Act 1975* (Cth) – makes it unlawful to discriminate on the grounds of race, colour, national or ethnic origin
	▪ *Sex Discrimination Act 1984* (Cth) – makes it unlawful to discriminate on the grounds of a person's sex, marital status, pregnancy or potential pregnancy or to sexually harass another person
	Each state/territory has its own specific laws covering discrimination.
Workplace relations	Workplace relations impacts on human resources. Managers must ensure they are up-to-date with workplace relations laws, including working conditions relating to leave, rosters, pay and other entitlements.
	Managers need to be aware of any union involvement within their workplace to ensure representatives are included in relevant staff communications.
	Federal laws relating to industrial relations include:
	▪ *Fair Work Act 2009* (Cth)
	▪ Industrial relations legislation and regulations
	▪ Fair Work Commission, established under the Fair Work Act, provides for employers:
	– help to resolve issues, disputes and dismissals
	– confirmation if a right of entry permit is valid
	– approval or alteration of enterprise agreements
	– help to find an agreement or an award.
	▪ *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* (Cth) – includes the requirement to collect statistics for four target employment groups: women, Aboriginal and Torres Strait Islander people, people from diverse cultural and linguistic backgrounds, and people with a disability.
Privacy laws	Organisational systems must ensure personal information is kept secure and cannot be accessed by unauthorised persons. Confidential personal and company information cannot be used for commercial gain under contractual employment terms.
	Federal laws relating to privacy include the *Privacy Act 1988* (Cth), which includes the 13 Australian Privacy Principles (APPs).

Environmental laws	Environmental laws concern the use of resources that impact on land and waterways, carbon emissions, and effects on native flora and fauna. Workplace tasks and their associated resource integrations should not direct employees to contravene environmental laws. The risks associated with contravening legislative obligations include heavy fines and costly court orders. Environmental laws relevant to your organisation can be found at: http://aspirelr.link/austlii

Example

Conduct a risk analysis

Brodie is a branch manager in a small real estate business. The business is currently looking to hire three new real estate agents to keep up with the growing demands of their customers. Brodie decides to hire attractive women for all the available positions in his company as he believes this will increase sales for the business.

The new female recruits figure out that Brodie likes the company of attractive women. Several of the team begin to resent his choice of recruitment as it devalues their skills and knowledge. After three months, one of his team members mentions this 'trend' to a male friend who unsuccessfully applied for a job with Brodie.

The result is a complaint lodged with the state's anti-discrimination board. Brodie's business suffers costly financial and time losses dealing with the complaint, which leads to his actions being scrutinised by the real estate industry body as well as lawyers for the complainant.

Practice Task 7

Question 1

Which of the following statements about contingency planning and risk analysis are correct? Select yes or no for each one.

a) Risk is defined as the impacts of legislation and regulations at a state and national level. » Yes   » No

b) Step 1 of the risk analysis process is to establish the risk context. » Yes   » No

c) Risk analysis is the process of allocating a priority number to each risk and determining the tolerability of risk. » Yes   » No

d) Step 3 of the risk analysis process is to implement risk treatment. » Yes   » No

e) Risk treatment and contingency planning includes methods for avoiding, reducing, transferring or retaining the risk. » Yes   » No

f) Implementing initiatives to increase staff support for new resources is a form of mitigating risks and can be included in contingency planning » Yes   » No

Question 2

When managing risk, why is it important to monitor changes in government priorities? Provide four examples of government reforms you should continue to monitor.

Question 3

Identify four laws you must consider when conducting a risk analysis on resource plans involving personnel.
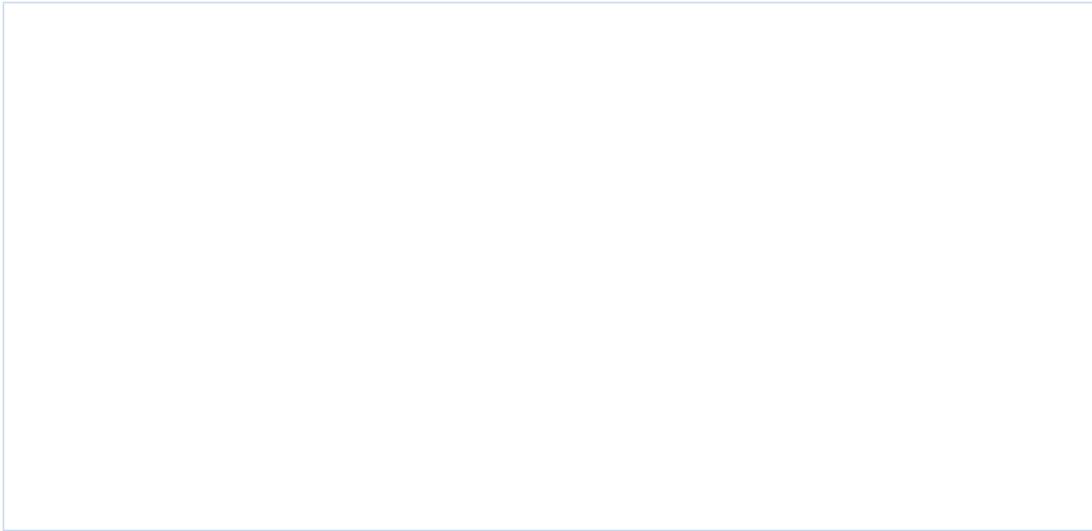
Question 4

List three common types of risks associated with managing business resources.
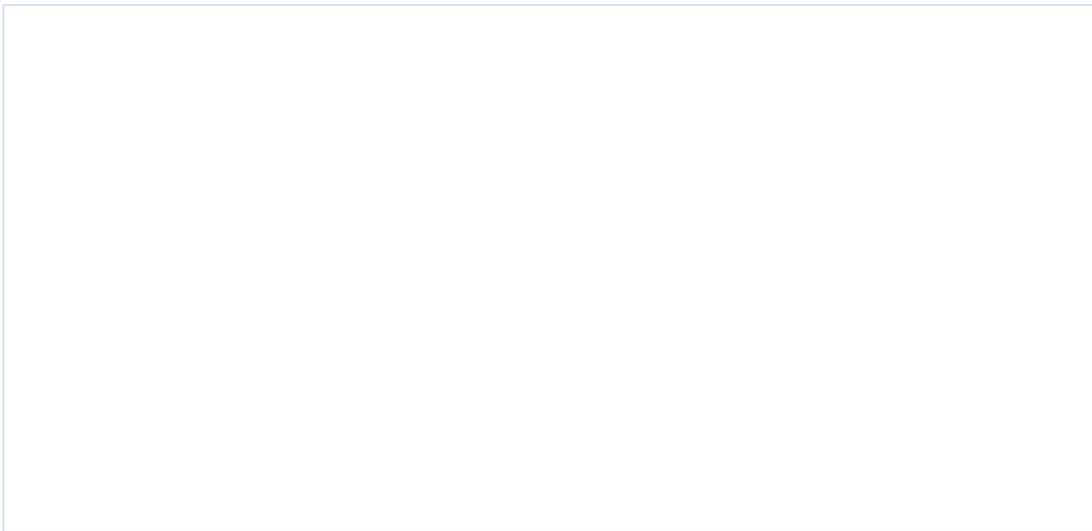
2D Obtain approval for resource plan

Resource plans must describe the strategies used to acquire and implement new resources into the business. They must be submitted to key personnel for approval, before they are implemented into business operations.

A resource plan is a detailed business document that outlines the objectives for acquiring new resources as well as how and when the resources will be acquired and implemented into business operations.

It is the key document for ensuring that the right resources are acquired and allocated, to secure the best possible outcomes from the investment.

Finalising your resource plan

A resource plan will provide management with a clear picture of what needs to be achieved and how the business will meet its objectives.

Managers must take time and care in developing a detailed resource plan. This document should be developed in consultation with key stakeholders and with feedback from key decision-makers in the business. The plan must also be aligned with organisational policies and procedures for resource acquisition.

A resource plan will need to include the following information.

Objectives
The key outcomes that the organisation aims to achieve as a result of acquiring and allocating the resources – these should be clear actionable statements, based on the SMART framework: • Specific – set clear, accurate and detailed objectives. • Measurable – include metrics that can be used to measure performance, such as percentage increases/decreases, dollar values or other numerical figures. • Achievable – set objectives that are challenging, yet still attainable. • Relevant – ensure the objectives support organisational strategic objectives and operational plans. • Time-bound – set a time frame for when the resources will be allocated and when you expect to achieve the outcomes from the resource plan.

Acquisition strategy
Explain how the resources will be acquired, including methods used to either purchase, hire/lease or borrow resources. Describe the supplier's details for each resource and the processes used to order and receive the resources.

Time lines
Describe the time lines and schedule for purchasing the resources, including placing orders with suppliers, receiving the resources and allocating them out into business operations.
Risks and contingency strategy
Describe the risk management process that is to be followed to manage and respond to any threats to the objectives of the resource plan. The risk management process can include the following details: ▪ internal and external risks that may impact on the achievement of resource objectives ▪ risk assessment, including a risk analysis and risk evaluation to determine ratings and priorities for the identified risks ▪ risk contingency plans, outlining the treatments that are to be used to either avoid, reduce, transfer or retain the risks.
Implementation/allocation strategy
The implementation strategy is an action plan that should explain how the resources will be released, including types, quantity of resources, when they are to be allocated and what level of training, communication and follow-up will be provided to support team members in using the resources. The action plan should also include an outline of responsibilities for allocating resources and providing training and communications to team members.

Example

Resource plan template

Objectives
▪ Objective #1 ▪ Objective #2 ▪ Objective #3

Acquisition strategy			
Resource	Acquisition method	Supplier details	Acquisition date

Acquisition strategy

Resource	Acquisition method	Supplier details	Acquisition date

Time lines

Resource	Order date	Estimated receipt date	Allocation date

Risks and contingency strategy

Risk	Risk rating	Possible impacts	Risk treatments	Time frame for action	Monitoring and review processes

Implementation/allocation strategy

Resource	Audience impacted	Training/ Communication methods	Responsible person	Time frames

Presenting resource plans to decision-makers

Where possible, present resource plans to key decision-makers in person.

Once the resource plan has been developed with the evaluation procedure, risk management process and proposals, it will then need the formal support and approval of relevant decision-makers. This step in the process is important in ensuring your key stakeholders are in agreement as to what is contained in the resource plan. This is the final step before implementation.

The presentation may be through a face-to-face formal meeting, using video conferencing, via email, use of file sharing technology or sent through internal mail.

Where possible, you should present your proposal to upper management in person. Email or internal mail can be useful and should be followed if this is the preferred method, as requested by your manager. However, by presenting the plan in person, you are assured that your audience has received the information and will respond to you accordingly. Face-to-face presentations also allow for effective two-way communication, so each party can ask questions, provide input and feedback and negotiate on any changes to the plan.

Usual processes to obtain agreement for a resource plan
- Formalise your plan, including your resource objectives, risk processes and acquisition strategies.   - Present your plan in a formal report or presentation to key stakeholders.   - Discuss, negotiate and refine the objectives and strategies.   - Agree on the most effective way forward.   - Gain written sign-off on the objectives and strategies from stakeholders.

Obtaining approval

It is important to gain approval from relevant parties so that they are in agreement with what is contained in the plan and that it accurately supports organisational and strategic plans.

Once you have developed the resource plan, you must submit the document to the relevant authority for formal approval. Check your organisational chart and workplace procedures for obtaining authorisation and approval before implementing your resource plan.

Relevant authorities that may sign off on a resource plan

- **Employer** – person or partners that own the business
- **Directors** – members of the board that oversees the management of a company
- **Chief executive officer (CEO)** – executive of a company, who is responsible for the development and implementation of high-level strategies and decisions. The CEO may also be the chairman of the board
- **Company president** – person with the highest ranking within a corporation after the chairman of the board. This person may also be the Chief Operating Officer (COO)
- **General Manager (GM)** – person with broad responsibility for strategy, financial and operational performance of a business or business unit

Example

Present resource plans to general manager

Carolyn works as a training manager for a small private registered training organisation (RTO). The RTO is looking at purchasing some new power tools and equipment to support its civil construction courses. The new equipment will potentially increase experience to existing students and open up opportunities for new students and employers to study with them.

Carolyn has produced a formal PowerPoint presentation outlining the resource plan, which she will present to her general manager in a formal meeting. The presentation outlines the summary of the resource needs, the types of resources to be purchased, a background of the resource issue and the benefits to the business, if they move forward and purchase the resources.

The formal presentation includes Carolyn's recommendations, outlining the specific time lines for purchasing and implementing the new equipment and tools. Carolyn then allows the general manager to ask questions and clarify some key information, including costs to the business, return on investment and risks. Following the conclusion of the presentation, the general manager negotiates some changes to the quantities of equipment Carolyn proposes to reduce the overall cost to the business. Following some healthy discussion, the general manager then formally approves the resource plan.

Practice Task 8

Question 1

Number each step from 1 to 5 in the order you would follow to obtain agreement from key decision-makers for your resource plan.

( ) Agree on the most effective way forward.

( ) Formalise your plan, including your resource objectives, risk processes and acquisition strategies.

( ) Discuss, negotiate and refine the objectives and strategies.

( ) Present your plan in a formal report or presentation to key stakeholders.

( ) Gain written sign-off on the objectives and strategies from key decision-makers.

Question 2

Why should you use a formal face-to-face meeting when presenting your resource plan to key decision-makers?

Question 3

List four examples of key personnel you would need to seek approval from when implementing your resource plan.

Question 4

Draw a line to match each resource plan content requirement with the correct example.

» Risk and
contingency
strategy

»
- Resources will be acquired through XYZ Supplies.
- Resources will be purchased with 30 per cent deposit.
- Outstanding amount to be paid 24 hours prior to delivery
- Orders to be placed within a 14-day window of delivery

» Acquisition
strategy

»
- Resource purchase order to be completed by 21/01/20
- Delivery of resources to be received by 15/02/20
- Resource allocation and set up to be completed by week of 21/02/20 – project start date

» Time lines

»
- Ongoing communication with supplier to ensure timely despatch and delivery of resources
- Quantity and quality checks to be conducted upon receipt of delivery
- Issues to be followed-up and rectified immediately
- Staff to be provided with training on latest resource acquisition

Summary

- A resource plan is a detailed business document that outlines the objectives for acquiring new resources as well as how and when the resources will be acquired and implemented into business operations.

- At the heart of every business plan are the resources. In the case of operations management, you will need to identify and plan for human, physical, financial and systems resources.

- To effectively manage business resources, operational performance must be monitored to assess the impact of resources on key metrics. Without this assessment, it is impossible to determine the benefits of the resources to the business.

- Resource evaluation procedures must clarify how the resources have impacted on the business's operational performance. You will need to establish systems that make it quick and easy to collect data about operational performance.

- Risk is defined as any potential threat to the organisation achieving its operational goals. There will always be risks associated with resource plans and business operations.

- A risk management process involves identifying the risks that may impact on business objectives and analysing the likelihood and consequences of this risk in preventing the organisation from meeting its objectives.

- New and revised government policies can have direct and indirect impacts on the supply and demand of human resources within the industry.

- Document your risk management strategies using a contingency plan to describe the actions to be taken should an identified risk be realised.

- A completed resource plan, including evaluation procedures and a risk management process, will require formal support and approval from relevant decision-makers.

Learning Checkpoint 2
Develop resource plans

Part A

1. Which of the following statements about organisational resources are correct?
Select yes or no for each one.

   a) Personnel involved in the day-to-day operations are a source of information regarding the nature and capabilities of existing internal resources. » Yes » No

   b) When planning for a business's resource needs, managers should first look within the organisation to identify the capabilities of existing resources. » Yes » No

   c) Business resources that may need to be sourced externally include human, physical, financial and productive resources. » Yes » No

   d) Human resources include all aspects of an organisation's workforce including employees, their expertise, knowledge and time. » Yes » No

   e) Resource requirements should be determined in consultation with key stakeholders. » Yes » No

2. Provide three examples of procedures to include in your resource plan for determining the effectiveness of business resources.

3. Summarise the key elements of each of the following sections in a finalised resource plan:

a) Acquisition strategy

b) Time lines

c) Implementation/allocation strategy

4. What communication methods could you use when presenting your resource plan to key decision-makers for approval? List at least three methods.

Part B

Read and analyse the following information from BizOps.

Document 1: Business plan objectives

Over the coming year, BizOps will consolidate its position in the market as a lead retailer of sustainable, high-quality products. It will expand its reach and presence across Australia and into parts of Asia.

To do this, BizOps will focus on the following business goals.

- Financial stability:
    - increase revenue by 15 per cent (compared to the previous 12 months) by the end of the financial year
    - maintain annual profit levels of 15 per cent of revenue for all products and services, calculated at the end of each financial year
    - reinvest 75 per cent of profit back into the business at the end of each financial year.
- Market position:
    - maintain the number one rating in the annual national industry customer service awards
    - launch new high-quality exclusive consumer products to meet customer demand ahead of competitors, within budget and by the agreed deadlines
    - increase reach across Australia and into Asia with enhanced online presence and expansion of home shopping TV channels in Australia and parts of Asia.
- Right people:
    - provide induction training at the commencement of employment to train new employees to be knowledgeable, helpful and enthusiastic
    - provide the physical, human and time resources to support an annual professional development program for all BizOps employees
    - ensure BizOps has the capacity and capability across all its operations to accommodate the aggressive marketing strategy over the coming year.

Document 2: Human resource acquisition plan

Human resources objectives:

- fulfill ten vacant roles with highly skilled and teachable customer service candidates that support the values and vision of the organisation
- acquire a healthy balance of age, gender and ethnicity to support our diverse workforce demographic.

Strategy:

- confirm approval from general manager to recruit
- advertise internally and externally using Seek.com
- screen applications
- arrange interview dates with appropriate personnel
- conduct first interviews
- conduct second interviews
- conduct reference checks
- make selection decision
- make offer to applicants
- complete all required administrative paperwork
- conduct induction
- commence in role.

Time frames:

Commence advertising process by 1 June. Fill all vacancies by 30 June.

Costs:

Budget of $35,000 for advertising, recruitment and selection of ten candidates.

1. Explain five types of risks that the organisation's management team need to plan for as part of the human resources plan.
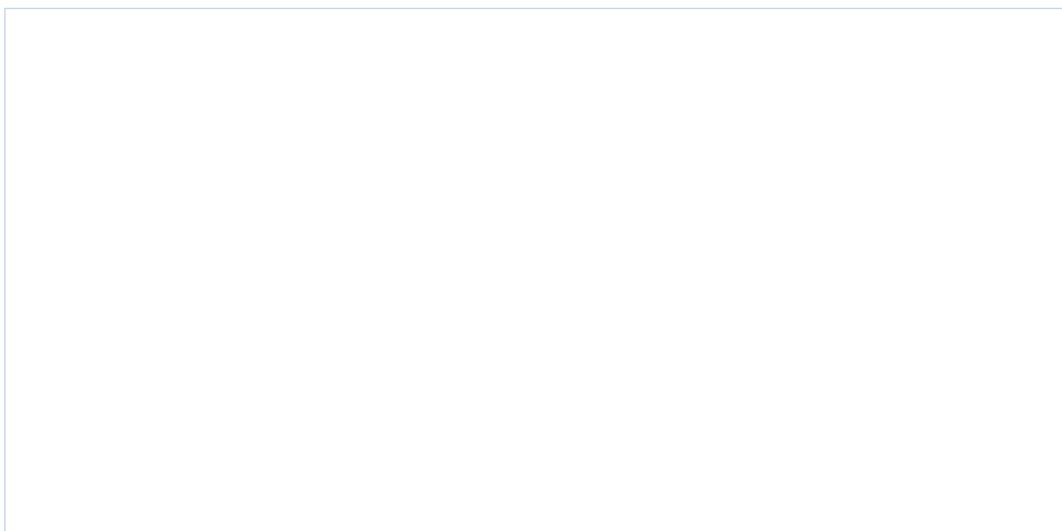
2. Outline a basic risk management process that the HR department can follow to ensure these risks are addressed throughout the recruitment, selection and induction process.

3. List and briefly explain three examples of legislation that the management team need to consider when planning for their human resource needs.
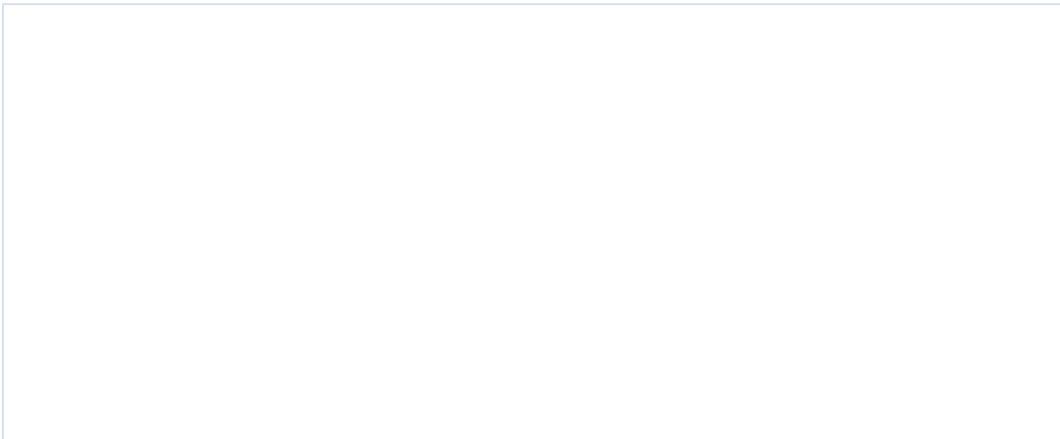
4. Discuss three work practices BizOps can implement to ensure that its new recruits are ready to commence work immediately.
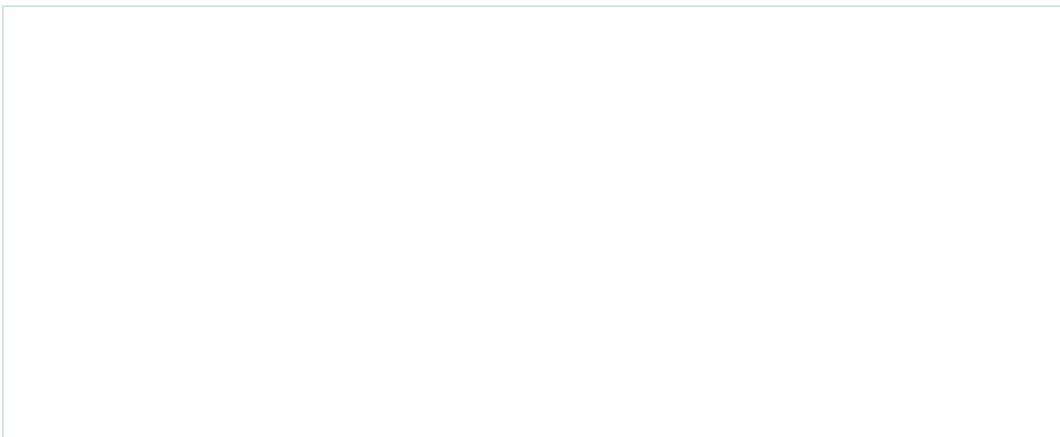
Topic 3 | Allocate resources

3A   Follow organisational policies and objectives

3B   Negotiate and obtain resources

3C   Use systems to monitor resource usage

3A Follow organisational policies and objectives

Resource allocation requires implementing the resource plan by releasing the resources into business operations, using a strategic approach.

The main purpose for having a resource plan is to guide the allocation of resources to ensure business operations are performing as they should. These plans communicate the specific resource requirements and the implementation process that each department or team needs to follow.

Resource allocations must be based on existing organisational policies, procedures and objectives for the business, including individual departments.

Resource policies and procedures

Policies set out the organisation's commitments, expectations and standards for a given topic. Procedures explain the steps that need to be followed to meet the requirements of the relevant policy.

An organisation will establish resource acquisition and allocation policies and procedures to outline how human, physical and systems resources are purchased and implemented into operations. They aim to guide those in a position to acquire resources and ensure the resources meet organisational requirements including: quality; time; cost; quantity; selection and use of preferred suppliers; methods of implementation; and any associated risk.

Organisations may also implement a policy on the total number of vendors, as limiting this can deliver cost savings and enhance the vendor relationships by increasing business with fewer preferred vendors.

Procedures are written to provide detailed guidance on how to carry out the process of acquiring and allocating resources. These policies and procedures must be followed to ensure consistent and quality outcomes are achieved in the business.

Example

BizOps resource acquisition policy

Purpose

The goal of this policy is to ensure that products and services purchased by or contracted for BizOps Enterprises conform to the organisation's needs. BizOps will strive, where feasible, to use the most efficient, effective and environmentally responsible purchasing process that meets the organisation's needs.

The emphasis on purchasing environmentally friendly products is part of the organisation's clear commitment to its customers, employees and natural environment. It is hoped that by having an environmentally sustainable purchasing policy, other producers and suppliers will be encouraged to support and adopt environmentally preferable products and practices.

Scope

This policy applies to the procurement of all goods, services, equipment and related services undertaken by BizOps, irrespective of the nominated settlement method. Settlement methods include purchasing and contracting activities.

Policy statement

BizOps will maximise the benefits that can be delivered through effective, efficient and environmentally responsible procurement of all goods and services. The organisation endeavours to carry out all purchasing activities in a manner that is ethical, honest and fair to all stakeholders.

Principles

The organisation will:

- endeavour to always get value for money
- be held accountable for all procurement results
- ensure the decision-making process is transparent and documented
- ensure that all staff involved in the purchasing process possess and demonstrate highly developed professional ethics and standards of personal integrity
- comply with all aspects of Australian laws and regulations that pertain to purchasing goods and services
- integrate the practice of sustainability (wherever possible) into the acquisition of goods and services by prioritising products that:
  - contain the highest percentage of post-consumer recycled content possible
  - are made with renewable energy
  - are reusable, recyclable or bio-based/compostable
  - have minimal packaging
  - serve several functions (e.g. generic cleaning detergents)
  - have minimal effect on the depletion of natural resources and biodiversity
  - are provided by suppliers and contractors who conduct their businesses in an environmentally friendly way.

All BizOps staff who are responsible for purchasing decisions will undergo training to ensure they understand the requirements of this policy.

Non-compliance with the terms of this policy may lead to disciplinary action.

Authorised purchasing officers

Purchasing delegations are as follows.

Position	Purchase delegation limit
Senior management officers	Up to $5,000
Managing directors	$5,000 to $10,000
Chief executive officer	Unlimited

Associated policies and procedures

- Purchasing resource acquisition procedures

Supporting organisational objectives

Resources must be managed and allocated in a way that aligns with each level of the organisation's objectives and plans.

Throughout the organisational planning hierarchy, a number of operational objectives and targets will be set for the period – weekly, monthly, quarterly and annually. This includes targets for expenditure and revenue.

Your resource management plans should feed directly into these operational objectives. This ensures the organisation's strategic objectives, budgets and targets are achieved. This relationship ensures that every action taken by a manager, employee, team and department aligns with the higher-level plans and objectives.

Strategic plans – 3–5 year goals and strategies

Organisational plans – goals, strategies and budget for the next 12 months

Operational plans – goals and actions for a reporting period, e.g. one month, for a team or business unit

Accessing business objectives, policies and procedures

Research, read and understand the requirements of the organisation's objectives, policies and procedures before allocating resources into business units.

Objectives set out what the organisation is aiming to achieve. Policies and procedures outline the commitments, expectations and process required to control the acquisition and allocation of business resources.

You will need to invest time in researching and reading these various documents to ensure your actions and implementation strategies are consistent with the requirements of the business.

Business objectives, policies and procedures may be accessed from:

- staff portal
- intranet
- network drives
- policies and procedures manual/operations manual.

Practice Task 9

Question 1

Which of the following aspects of resource management will be covered by organisational policies and procedures? Tick all that apply.

- ◯ Preferred suppliers and vendors

- ◯ Resource allocation and implementation methods

- ◯ Quality and cost standards for purchasing resources

- ◯ Information privacy requirements

- ◯ Resource approval procedures and authorised officers

Question 2

Explain the importance of meeting business objectives when managing business resources.

Question 3

Where would you locate information about business objectives and resource management policies and procedures?

3B Negotiate and obtain resources

As part of the resource acquisition process, managers may need to negotiate with stakeholders in order to purchase, loan and access resources.

Negotiation is a careful exploration of your position and the other person's position, with the goal of finding a mutually acceptable decision that gives you and the other party a positive outcome.

Negotiation skills help to resolve issues and disagreements that occur when acquiring and allocating resources. It is a valuable tool for managers in the workplace, in particular, when you have to deal with resource conflicts and operational constraints.

Negotiating with key stakeholders

Identify who your key stakeholders are and negotiate to ensure the right resources are accessed and allocated in accordance with resource and operational plans.

Negotiating with stakeholders about resource requirements is an integral part of the resource allocation process. A stakeholder is any person or group who has a 'stake' in the organisation. A stake refers to a degree of influence on the company, or someone that is impacted by the operations.

Stakeholders can be internal or external and have a direct or indirect influence on the strategic planning process.

Examples of stakeholders that you may need to negotiate with are listed in the following table.

Internal stakeholders
▪ Assets manager ▪ Storeman/warehouse manager ▪ Department managers ▪ Business owner/s ▪ General Manager ▪ Chief Executive Officer (CEO) ▪ Chief Financial Officer (CFO)

External stakeholders
▪ Suppliers
▪ Manufacturer and producers
▪ Labour hire companies
▪ Delivery and logistics companies
▪ Customers/clients
▪ Technical advisors
▪ Consultants

Accessing resources within operational time frames

The negotiation approach should produce a solution that ensures resources are acquired and allocated within the time frames required in the operational plan.

Operational plans are regarded as the 'game plans' or 'work plans' that apply to a business, a work team or department. Operational plans are used to identify the objectives, how the goals will be achieved and what resources are required to meet the goals. Operational plans also specify time frames for when these objectives need to be achieved.

Therefore, the main purpose for having an operational plan is to guide the way in which resources are allocated to ensure individuals and teams have the right level of support to meet their requirements, based on the strategic goals of the business and the objectives for the financial year.

When negotiating with key stakeholders, you must stay focussed on the business's needs and the time frames that need to be achieved in the operational plan. If resources are not made available on time, team members cannot fulfil their job tasks to the required standard and productivity will drop, resulting in shortfalls of business objectives.

Negotiation skills

Your negotiation approach will be key to achieving a successful outcome. You can choose to be aggressive, passive or assertive.

The goal of any negotiation is to meet business requirements and maintain a healthy working relationship with your key stakeholders. The best approach for negotiation is to explore the situation using an assertive interpersonal communication approach. Strive to find a win-win solution that is acceptable to both parties, i.e. one in which both parties feel positive about the situation when the negotiation is concluded. This helps to maintain ongoing beneficial relationships with your key stakeholders.

The following table outlines some assertive negotiation skills.

Assertive negotiation skills
▪ State your needs in a clear and objective manner.
▪ Stay on track – what does the business need from this situation?
▪ Be empathetic towards the other person's needs and interests.
▪ Be an active listener.
▪ Negotiate with a spirit of cooperation.
▪ Be prepared to give, in order to receive.
▪ Offer a solution that meets the other party's needs, but puts the needs of the business first.
▪ Use open and honest communication.
▪ Take responsibility for your communication as well as any mistakes or offences made.
▪ Remove your emotions from the discussion. Ensure they do not impact on the words or tone used in your message.

Example

Negotiate on resource access

Ted works in the human resources department of a warehouse and logistics company. The organisation is currently experiencing growth which has led to hiring a number of new team members in the warehouse department.

Ted needs to organise an experienced worker from the warehouse to train, induct and mentor a number of new warehouse team members who will be starting in two weeks' time. He meets with Dany, the warehouse manager, to discuss a suitable person for the role. Dany expresses her concerns about releasing an experienced person from her team, as the warehouse is extremely busy and team members are already putting in large amounts of overtime to keep up with customer demand.

Ted shows concern and understanding for Dany, who is feeling stressed about the current workloads. He highlights the needs of the business as being most important in this situation and reiterates the long-term positives of expanding the warehouse team. He negotiates with Dany to place Robert, a senior warehouse team member, into the trainer role for 20 hours per week.

Ted also offers to take some of the administrative work from Dany's team into the office for the next month, in order to create more time for her team to focus on processing and shipping customer orders.

Dany is happy with the agreement as she is confident that the business needs, as well as her team's needs, will be met in the short- and long-term.

Practice Task 10

Question 1

List five types of stakeholders you may need to work with to negotiate on resource allocations.

Question 2

Which of the following are skills to apply when negotiating with stakeholders?
Tick all that apply.

○ Offer a solution that meets the other party's needs, but puts the needs of the business first.

○ Be a passive listener.

○ Negotiate with a spirit of cooperation.

○ Be prepared to receive – not give ground.

○ Use open and honest communication.

Question 3

Why is it important to allocate resources within the time frames set out in operational plans?

3C Use systems to monitor resource usage

The purpose of monitoring is to identify actual performance in resource usage and address variations that do not meet the required standards set out in your resource plan.

Effective monitoring tells you how well the resource plan is unfolding and whether your strategies to control resource usage are working. If resources are not being acquired or used as intended, your monitoring process should identify this. You can then take action to rectify the situation.

Monitoring is also an essential part of the overall business performance management system, which is underpinned by the principles of continuous improvement (CI). CI is an ongoing effort to improve the quality standards of products, services and systems to meet and exceed customer needs, wants and expectations.

The monitor and review system

One of the most important parts of managing an organisation's business resources is to systematically monitor operational performance and determine the impact of resources on key metrics. Without this assessment, it is impossible to determine the benefits of the resources to the business.

A system is a set of interdependent parts that work together to achieve a set outcome. Systems are essential in ensuring that work tasks are performed in a consistent and controlled manner and variations in performance are reduced. The performance monitoring process must be systematised to ensure resource usage is identified correctly.

Four steps are usually completed in the resource monitoring system:

1. Identify areas where monitoring is needed	2. Identify specific measures
Concentrate on what is important in terms of objectives and performance areas, such as safety, productivity, sales or service.	These are the benchmarks and performance measures that must be achieved in a set period of time that have a direct relationship to the resources being implemented into operations.

4. Report on results	3. Gather data to compare what is happening with what should be happening
Identify the source of the variation to resource performance and what needs the most attention. Provide a clear report to key stakeholders to describe how the resources are impacting on business performance – including negative and positive.	Through observation, data, feedback and performance reports, you can have a clear understanding as to what you have achieved, as a result of implementing the resources.

Performing regular monitoring

The system for monitoring resource usage performance should be a continuous task. There should be no surprises about performance when the operational plans and budgets are reviewed.

You must commit to monitoring your resources regularly, in line with the reporting processes outlined in the operation plan.

Weekly monitoring should be conducted as a minimum, to ensure you are heading in the right direction and your operational objectives are being achieved. Resource usage can also be monitored daily, using reporting systems, observations and feedback from team members, supervisors and managers.

Setting performance measures

Monitoring systems need to support operational objectives – these explain what needs to be achieved for a reporting period and what it means for the business to be successful.

As part of the monitoring system, performance measures for resource usage can be used. These support the objectives and explain the specific standards of performance that must be achieved at ground level during, and upon completion of the operational period.

Performance measures form the backbone of the monitoring system. Examples of performance measures are explained in the table below.

Performance measure	Example
Usage time	Total of 80 hours spent using the resource per week
Money	Budget of $5,000 spent per week
Faults and error rates	Five faults reported per week
Waste and shrinkage	10% waste per week
Down-time	10 hours lost time per week

Collecting valid data

Once you have set and documented your resource usage performance measures, you will need to collect relevant data that will help you identify performance.

Valid data forms an important part of the monitoring and reporting process. If the data and information you collect is accurate, timely and reliable, you will have a clear picture of how effectively resources are being used across the business and will be able to manage your business's resources better into the future. If the data and information is of poor quality, it will be difficult to identify, compare and report on actual performance.

Examples of reliable data and information sources
▪ Waste and shrinkage reports
▪ Time sheets
▪ Maintenance reports
▪ Systems user reports
▪ Sales reports
▪ Product recall reports
▪ Issues registers/logs
▪ User feedback
▪ Customer feedback
▪ Expense reports
▪ Stocktake reports

Reporting on resource usage performance

The final step of the monitoring system is to specify how resource usage will be reported to the relevant stakeholders.

As part of the performance monitoring system, stakeholders need accurate and timely information about resource usage in order to understand the performance of the business and the outcomes of any money invested into resource acquisition.

Business reports should be presented in a format suitable to the stakeholder you are reporting to, and distributed according to agreed time frames. They must be professionally written and provide a clear and accurate picture of the current performance of resource and operational plans within the business. All information contained within a business report must be reliable, valid, current and sufficient.

Example

Monitor resource usage

No Limits is a small consulting business that employs nine staff. The business usually spends over $500 a month on office supplies including toners, copy paper, pens and other stationery items. The office manager uses a monthly stocktake process to manually count quantities of these items that are used throughout the business. The stocktake is also used to identify damaged items, losses and other shrinkage, and to assess the value of stationery items that are yet to be used. This includes items that are not damaged but can be allocated out to team members.

The quantities of each item are entered into a spreadsheet, to keep a record of evidence and to assess actual quantities and value of all stationery items on hand. Although the process can be time-consuming, the office manager is able to demonstrate the most accurate picture of stock quantity and value, which helps manage spending and allocation of stationery throughout the business over the next operational period.

Practice Task 11

Question 1

Which of the following are key components of a resource monitoring and review system?
Tick all that apply.

○ Identify areas where monitoring is needed.

○ Identify specific measures to use to determine required performance levels.

○ Develop SMART strategic objectives.

○ Gather data to compare what is happening with what should be happening.

○ Report on results.

Question 2

Draw a line to match each term about resource monitoring measures to the correct example.

» Faults and error rates   » Less than 5% waste per week

» Money   » Total of 45 minutes spent using a system
                                             per week

» Waste and shrinkage   » Budget of $25,000 to spend on marketing
                                             materials

» Usage time   » A maximum of 10 faults reported per week

Question 3

List five examples of reliable information and data that you can access to determine actual performance of resource allocations on business operations.

Summary

- Resource allocation requires implementing the resource plan by releasing the resources into business operations, using a strategic approach.

- Resource allocations must be performed based on existing organisational policies and procedures and objectives for the business, including individual departments.

- Resources must be managed and allocated in a way that aligns with each level of the organisation's objectives and plans.

- As part of the resource acquisition process, managers may need to negotiate with stakeholders in order to purchase, loan and access resource.

- Negotiation helps to resolve issues and disagreements that occur when acquiring and allocating resources.

- Effective monitoring tells you how well the resource plan is unfolding and whether your strategies to control resource usage are working.

- Monitoring is an essential part of the overall business performance management system, which is underpinned by the principles of continuous improvement (CI).

- An effective monitoring system requires four key parts: identify areas where monitoring is needed; identify specific measures; gather data to compare current and planned performance; and report on results.

Learning Checkpoint 3
Allocate resources

Part A

1. Which of the following statements are correct? Select yes or no for each one.

    a) Resource plans need to support operational plans and objectives.   » Yes   » No

    b) Strategic plans are written last, and explain how to support organisational and operational plans.   » Yes   » No

    c) Throughout the organisational planning hierarchy, a number of operational objectives and targets will be set for the period. » Yes   » No

    d) Strategic plans outline what goals need to be achieved for a monthly period and the resources that are needed for the period. » Yes   » No

    e) Policies and procedures outline the commitments, expectations and process required to control the acquisition and allocation of business resources.   » Yes   » No

    f) The impacts of business resources should be monitored reactively, such as when issues occur.   » Yes   » No

2. How frequently would you need to implement a performance monitoring system to ensure you are tracking the impact of resources on business operations?

3. Which of the following statements summarises the main goal of a negotiation process?
Tick all that apply.

○ Identify resource needs and budgets for the business and develop effective resource proposals

○ Meet business operational requirements and maintain a healthy working relationship with key stakeholders

○ Meet stakeholder needs and ensure a win-lose outcome for you and your business

○ Build healthy communication and develop the relationship between the two parties

Part B

Read the case study, then answer the questions that follow.

Case study

Brianna works as a sales manager at MyTel communications. She oversees five sales teams who work in a contact centre, responding to customer enquiries and converting leads into sales. The sales teams are an effective unit, and are on track to meet their quarterly operational targets.

The primary business objective for the next quarter is to increase the team's quality of work by reducing administration errors by 25 per cent, increase sales by 15 per cent and improve conversion rates by 10 per cent. Brianna understands that by providing the workforce with sufficient resource support, they will have everything they need to perform their job tasks to the highest standard.

A key strategy to achieve this objective is through increasing team members' sales skills. This has opened up opportunities for training and development. Brianna has been allocated a budget of $35,000, from which she has been given approval to engage a consultant.

The consultant will run an intensive 10-week sales development program for the team, including having an experienced sales coach on-site for five hours per week. The sales training program is set to commence in one week's time.

1. How will Brianna's choice of professional development for her team help them meet set business objectives?

The centre has strict rostering systems in place to ensure there are sufficient staffing levels at all times. The contact centre manager has requested that the training sessions be held between the times of 2pm and 3pm throughout the week, as these are the quiet periods for call volumes.

2. What techniques should Brianna use to negotiate with the consultant to ensure the training is held at a time that meets business objectives?

3. Describe a monitoring system that Brianna can implement to monitor the hours (and cost) of the consultant against workplace budgets.
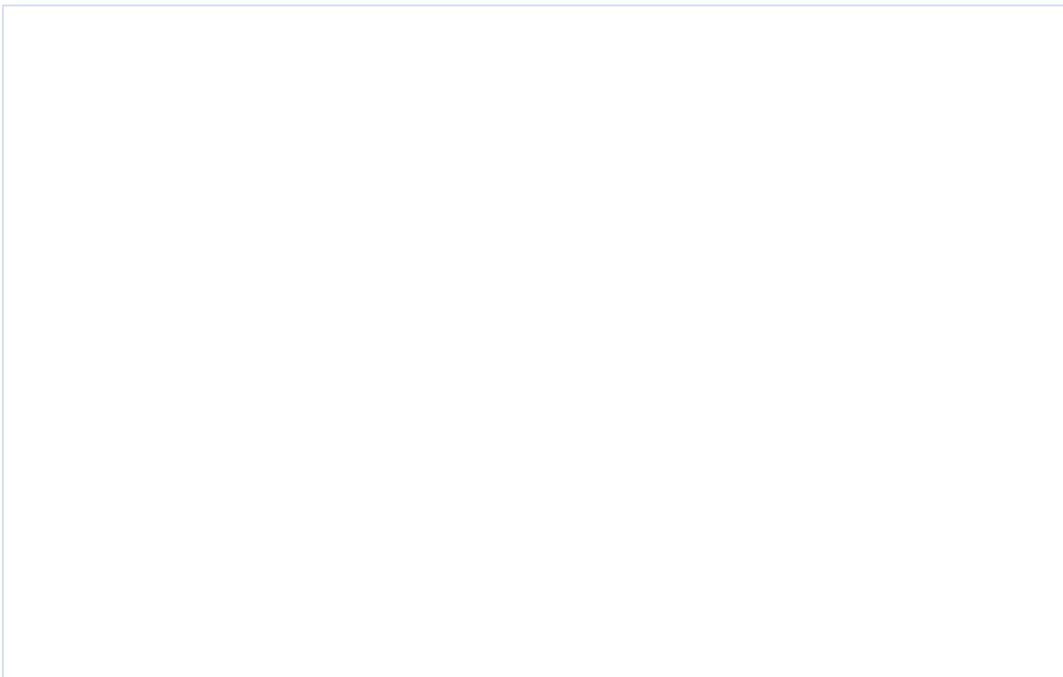
Topic 4 | Review and report on resource usage

4A   Review resource allocation against objectives

4B   Suggest improvements to work practices

4C   Monitor compliance with budgets

4D   Report on resource usage

4A Review resource allocation against objectives

Regular reviews of resource allocations must be undertaken to identify their impacts on operational performance and business objectives.

Once resources are allocated out to business teams, you will need conduct regular reviews to assess how they are being used and identify the true impact on operational objectives.

Resource allocation review should enable you to answer the following three questions.

What happened?	What are the quantifiable results and how do they compare with the operational objectives and resource performance measures?
Why did it happen?	How did the resources impact on operational results?
What happens from here?	What needs to be changed and improved to the way in which resources are allocated and used by the workforce to achieve better results?

Monitoring, measuring and evaluating operational performance

Operational performance must be monitored, measured and evaluated as part of a systematic approach to identify operational performance.

A systematic approach to monitoring and reviewing processes must be adopted to ensure regular reviews are carried out and the business's operations are effectively monitored and adjusted throughout the reporting period.

Key terms in the monitoring and review system are described in the following table.

Monitoring	Collecting and analysing quality data to contribute towards assessment of the actual performance of the resource and operational plans.
Measuring	Analysing the data collected to measure the actual performance, in terms of changes to productivity, quality or another metric.
Evaluating/ assessing	Drawing accurate conclusions about what went well, what did not and why. These summary conclusions are based on monitoring and measuring processes.

Gathering quality data

To assess the impact of resource allocations on operational objectives, you will need to know who to speak to, where to find the right information, and how you can access the best information in the shortest possible time.

The quality of your monitoring and review process will be contingent on the quality of data and information you collect. Data sources and collection methods should be documented as part of a review procedure.

The following table lists ways in which quality data can be defined.

Reliable	The information is factually correct, accurate and is taken from reputable sources of information.
Valid	The information has direct relevance to the topic. In this situation it discusses the impact of resource allocations on operational objectives.
Current	At the time of the review, the information is up-to-date and provides a real-time picture of the performance and outcomes achieved.
Sufficient	There is enough information through multiple sources to ensure the review is valid and reliable.

Consulting with stakeholders

Through consultation with staff, subject matter experts, customers, suppliers and other key stakeholders, you will identify opportunities for improvement.

In addition to collecting data from reporting systems and personal observations, stakeholder consultation can be a valuable process in discovering the true value and impact of business resources.

Consultation is a two-way process of giving and receiving useful information, working together to uncover root causes and collaborating on solutions. Consultation involves meeting with staff, subject matter experts (SMEs), customers, suppliers and managers and discussing their experiences and exploring issues relating to resource allocation.

Consultations may be formal or informal. Formal consultations will generally require stakeholders to complete surveys, questionnaires or to document their feedback in writing. Informal consultations may take place during team meetings or one-on-one conversations over the telephone with suppliers. The important thing is to take note of any feedback received, document it as part of your monitoring and review process and use it as data to support overall findings.

Frequency of the review

The rate of resource allocation reviews should be based on a joint agreement between members of the management team and stakeholders, such as the business manager or owner.

Although the frequency of a resource allocation review can vary depending on your organisation's needs, there must be regular reviews so that once the operational period has ended, there should be no surprises as to what has been achieved.

Review periods should be planned and documented as part of a review procedure to ensure consistency in the process.

Possible frequency of resource reviews
▪ Hourly
▪ Daily
▪ Weekly
▪ Monthly
▪ Bi-monthly
▪ Quarterly
▪ Half-yearly

Example

Review CRM system

Nikki works as a regional manager for an essential oils company. Her main role is to manage the performance and needs of a team of approximately 50 sales consultants. The organisation recently implemented a new customer relationship management (CRM) system that all sales consultants need to follow when engaging with their customers and selling products.

After the first month of implementing the new system, Nikki conducted a formal review to determine the frequency with which the system was used and its effect on business performance. The review involved accessing a user report from the CRM which showed that only 45 per cent of her sales team were using the system and 8 per cent of customer orders had not been processed correctly.

As part of the review, Nikki sent out an online survey to all sales consultants to identify some of the key reasons for this low level of uptake and poor performance. The responses were conclusive, showing that the sales consultants did not feel confident or knowledgeable using the system and required more training and information.

As a result, Nikki has developed a report outlining a webinar-based training program for all sales consultants which will be presented to her regional director for approval.

Practice Task 12

Question 1

Draw a line to match each term about reviewing resource allocation to its definition.

》 Evaluating/assessing

》 Collecting and analysing quality data to contribute towards assessing the actual performance of resource and operational plans

》 Measuring

》 Analysing data collected to measure actual performance, with regards to changes in productivity, quality, or other metric

》 Monitoring

》 Drawing accurate conclusions (based on monitoring and measuring processes) about what went well, what did not and why

Question 2

Which of the following procedures can be used to monitor and evaluate resource efficiency? Tick all that apply.

○ Conduct regular reviews to assess resource usage rates and impact on operational objectives.

○ Conduct reviews every two years to identify a true indication of budget and operational performance.

○ Gather quality data and information to identify actual resource use and efficiency.

○ Consult with key stakeholders to determine ways in which resources can be integrated into business operations effectively.

○ Conduct a cost versus benefit analysis to determine resource efficiency rates.

4B Suggest improvements to work practices

As a result of your review procedure, you will identify ways resources are allocated and used that require improvement. This is commonly referred to as an 'improvement opportunity'.

Resources cost organisations money and therefore need to be used efficiently to ensure the best possible return on investment. A review may uncover areas for improvement in the way in which resources are allocated and used within the workforce. These may relate to changes in training and communication processes, increasing or decreasing resource allocations, or introducing different resources into business operations.

The continuous improvement process

The term continuous improvement (CI) refers to the ongoing commitment to improving products, services and systems to meet quality standards and customer expectations.

Many organisations do the right thing in developing and implementing policies, plans and systems. However, they forget about them until a problem arises. Since internal and external environments, equipment, workforce and legislation is always changing, your organisation must also change to adapt to the new requirements of your workplace.

CI means that resources must be monitored and evaluated to ensure they remain effective as they are being used.

The P-D-C-A cycle

The P-D-C-A model provides a process for effective planning, implementation, monitoring and continuous improvement.

The resource allocation review process should follow the basics of the P-D-C-A (Plan-Do-Check-Act) framework. The P-D-C-A cycle provides a simple recipe for how CI actions should be conducted from start to finish.

Each stage of the P-D-C-A cycle is described in the table below.

Plan
Develop clear resource and operational plans that describe the objectives and strategies for the effective acquisition, allocation and use of resources. Include clear metrics to use as the benchmarks for monitoring, measuring and evaluating performance.

Do
Allocate the resources according to the plan, with the knowledge that you may possibly miss the mark in one or more areas.

Check
Collect useful data and assess the impacts of the resources on operational performance and objectives. Test the operational plan and measure changes in performance based on the metrics set out in the plan. Identify what worked well and what did not work well. Decide how it could be done differently.

Act
Identify the key learnings from the review. Decide what changes need to be made, what to keep and what to modify to ensure the operational objectives will be achieved.
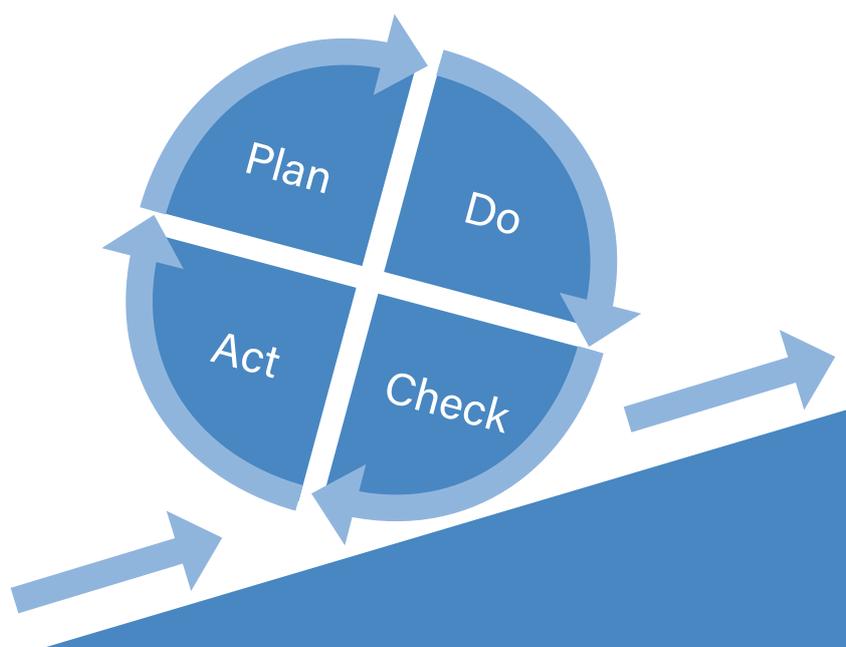
Suggesting improvements

Improvements to the way in which resources are allocated and used can be documented in a formal report.

As part of the review process, seek to identify improvements to the way in which resources are allocated and used within work practices. These improvement opportunities must be documented as part of the reporting process, and distributed to key stakeholders for consideration and approval before any changes are implemented.

Possible improvements to resource allocations
▪ Revise and improve policies and procedures to clarify how resources are to be used by team members.
▪ Restrict the amount of resources allocated to individuals or teams.
▪ Allocate additional resources to support improvements in operational performance.
▪ Acquire a different type of resource.
▪ Change suppliers to acquire resources at a better price, decrease lead times or obtain higher quality products.
▪ Provide additional training and communication to support team members in understanding how to use the resources correctly.

Example

A skills labour analysis in a business plan

A specialist research organisation has recently created a new department, the Knowledge Transfer Team, to market and sell reports that are produced by the various specialist research teams. They developed a customer service website with a chat room that hosts online information sessions and workshops, and organisational planning and development webinars for their clients. The business operations manager set out the following human resources plan for the Knowledge Transfer Team.

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

Following the first three months of launching the new department, the operations manager conducted a formal review which identified that the organisation needs seven more full time staff and three part-time staff.

The operations manager is keen to promote from within and has been watching the staff for signs of promise. The business has four staff to promote which means they need to recruit three new staff for the full-time positions and four staff to fill the roles of those being promoted. The operations manager provides this information into a report and presents it to the general manager for consultation and approval. Following an agreement, the operations manager announces this to the Knowledge Transfer Team who are supportive of the strategy and are looking forward to seeing the team grow.

Practice Task 13

Question 1

Draw a line to match each term about the Plan-Do-Check-Act cycle to its definition.

» Act

» Check

» Plan

» Do

» Develop objectives and strategies for the effective acquisition, allocation and use of resources.

» Implement the resource plan by allocating resources, with the knowledge that you may possibly miss the mark in one or more areas.

» Collect quality information to assess the impact of resources on operational performance and objectives. Identify what worked well, what didn't and what could be improved.

» Decide on what needs to change to improve resource efficiency issues.

Question 2

Which of the following statements relate to making improvements to resource plans?
Tick all that apply.

◯ Continuous improvement (CI) refers to the ongoing commitment to improving products, services and systems to meet quality standards and customer expectations.

◯ When making suggestions about improvements, only evidence-based decisions should be made.

◯ Feedback from customers, staff and managers should not be considered when identifying improvement opportunities.

◯ Improvements to resource plans should be made based on your past experiences and knowledge.

Question 3

Suggest three improvements that could be made to ensure resources are used efficiently in the workplace.

4C Monitor compliance with budgets

One of the most important parts of resource management is that of monitoring and controlling expenditure against the budget.

Resource allocation and monitoring are largely about maintaining control over the costs associated with acquiring and implementing resources, ensuring it is aligned with budget constraints.

Operational management must ensure that all activities are being accomplished according to the targets outlined in the program or project budget, and that any deviations are identified early and corrected with minimal disruption to the operational objectives.

Monitoring resource expenditure

Program and project resources must be monitored to ensure costs are controlled and budgets are achieved.

Monitoring finances involves tracking spending against budgets through the program or project's lifetime and reporting on how money has been spent on resource allocation. You will need to gather reliable information about resource expenditure, prepare regular financial reports and present the actual expenditure to key stakeholders.

You need to ensure all financial records, such as invoices, financial statements, purchase orders and petty cash slips are obtained when required, checked for accuracy and filed appropriately. This information can be used to produce a budget-versus-actual report which is distributed to the stakeholders.

Information needed to monitor resource expenditure
• Estimated and actual expenditure (or number of labour hours) for each resource
• Amount spent to date against the total program/project costs as well as against budget breakdowns
• Estimated remaining costs to complete the program/project both in total and by budget
• Issues that are causing the program/project to cost more (if applicable) and what is being done to contain expenditure

Budget-versus-actual report

The most common type of report used to identify resource expenditure is the budget-versus-actual report.

A budget-versus-actual report is a simple method for monitoring and reporting on resource allocation and spending, by focussing on the outcomes of actual and budgeted expenses.

Columns in a budget-versus-actual report:
• The first column shows the budgeted amounts. • The second column shows actual performance. • The third and fourth columns show the variance between actual results and budget expectations. Variances are identified as 'black' for favourable or 'red' for unfavourable and are shown as a dollar figure and a percentage figure.

Example

Budget-versus-actual report

Item	Budget	Actual	Variation	
	$	$	$	%
Costs				
Labour	63 000	63 000	-	-
Tools & equipment	76 700	78 000	+1 300	+1.7%
Stationery	460	600	+140	+30.4%
Laptop	2 000	3 500	+1 500	+75.0%
Mobile phones	2 040	1 600	-440	-21.6%
Consumables	3 000	2 200	-800	-26.7%
Total	**147 200**	**148 900**	**+1 700**	**+1.2%**

Maintaining accurate financial records

Monitoring resource allocation requires managers to store, secure and keep track of the financial records.

Information is vital in order for everyone in the organisation to do their job effectively. Managers must invest the time in ensuring the right information is captured, stored and communicated to the right people, using the most reliable and efficient methods possible.

Records and documents relating to resource purchases must be retained according to organisational policies and procedures. Furthermore, the operational plan should have an established procedure for recording and communicating financial information to key stakeholders. This function is primarily associated with information and communication management.

Cost variance analysis

Cost variance (CV) is a measure of cost performance on a program or project.

The purpose of cost variance analysis is to detect and correct variances (deviations) from the budget. The cost variance at the end of the program or project will be the difference between the budget at completion and the actual amount spent. The process helps to improve cost control methods, correct errors and manage your resources more effectively.

The standard cost analysis process involves the following five steps:

1. Collect reliable data about actual costs as they become available.
2. Calculate the difference between an actual cost and an estimated cost.
3. Investigate the reasons for the difference.
4. Report issues to stakeholders.
5. Take corrective action to bring the actual cost into closer alignment with the expected cost, according to the change management plan.

Corrective actions

Projects and resource plans can often run over budget due to a wide range of controllable and uncontrollable circumstances.

One of the most effective ways to correct a negative cost variance is to implement cost reduction methods. There are a number of ways to reduce costs within a resource program or project.

Some strategies to reduce costs are described in the following table.

Reducing running costs and overheads
Reducing travel, stationery, and utility costs and implementing a reduce, re-use, recycle policy
Controlling overall spend
Implement change management and authorisation procedures, freeze all purchases for a short period of time, communicate current cost performance and expectations
Revising purchasing strategies
Sourcing cheaper labour and physical resources, negotiating price with suppliers, seeking out new suppliers, requesting cheaper products that perform to the same standards, purchasing bulk quantities to reduce unit costs
Reviewing resources needs
Sharing resources across other departments or projects and cancelling unnecessary purchases from external suppliers
Increasing efficiency within current resource pool
Implement staff training and performance management, repair and service equipment and machinery, extending the life of existing resources
Implement lean management strategies
Reviewing existing work processes and eliminating waste such as unnecessary purchases, process inefficiencies, under-performing resources and removing needless steps in the work package

Practice Task 14

Question 1

List three types of information you would need to gather to monitor resource expenditure for a program or project.

Question 2

Which of the following reports can you use when monitoring resource expenditure?
Tick all that apply.

○ Project report

○ Status and progress report

○ Budget-versus-actual report

○ Profit and loss statement

○ Issue report

Question 3

Identify three steps managers can take to make corrective changes to resource allocations, to ensure budgets are achieved.

4D Report on resource usage

Once you have verified the overall usage, impact and performance of resources within projects or programs, you will need to prepare a summary report of the performance to your stakeholders.

Reporting means sharing information, notifying stakeholders of achievements, problems and issues you experience and communicating progress against the operational plan. Business reports vary depending on the information requirements of the stakeholder and the organisation's reporting strategy.

You can report resource usage performance and results in various ways:

- as a one-off 'snapshot' of resource usage
- comparing results over a period of time following the allocation of resources.

Business reports

Business style reports must be clear, concise and presented in an appropriate format suitable to the audience's needs.

Business reports are formal documents that aim to describe the true outcomes achieved over a period of time within the business. Reports must be professionally written and provide a clear and accurate picture of the current performance of resources and how they have contributed to operational objectives.

All information contained within the report must be reliable, valid, current and sufficient.

Report structure

Reports can be formal, using a specific organisational reporting template, or informal. Informal reporting may include simply emailing your findings to management.

The format for presenting your findings to your stakeholders will be relevant to the organisational reporting policies, procedures and style guides, as well as the unique needs of your stakeholders.

Reports should have a clear and logical flow and structure, so your stakeholders can easily read and find the information that they are looking for.

Standard structure for a business report
▪ Report title
▪ Executive summary
▪ Introduction
▪ Findings
▪ Recommendations

Example

Business report template

Report title
▪ Name of the report
▪ Who the report is addressed to
▪ Date
▪ Who compiled the report

Executive summary
▪ The summary of key findings and high-level points and recommendations of the report

Introduction
▪ What was monitored
▪ The monitoring system that was used
▪ Data sources and collection methods

Findings
▪ Presentation of the information and evidence including successes and issues
▪ Objective analysis of the operational results achieved including trends, patterns and forecasts
▪ Variations in performance from the operational objectives

Recommendations
▪ Changes that need to be implemented moving forward to meet business objectives

Report writing guidelines

You can follow a number of key guidelines to ensure your reports are of a professional standard and meet the needs of your stakeholders.

When writing a report based on a review of resource allocations, be sure to follow the principles for formal report writing to give yourself the best possible chance to achieve the outcomes you are looking for.

Use the following guidelines to ensure you produce a quality business report.

Accuracy	Only report reliable and valid information. Make distinctions between fact and hearsay, fact and opinion, and fact and conclusions. Be clear about the meaning of words used in the report and avoid jargon if the audience will not understand it. Clarify all abbreviations, such as CRM (Client Relationship Management). Proofread and edit the report and rewrite as needed.
Completeness	Completeness is achieved by reporting all the information as per the stakeholder's request. When in doubt, include the information, but only if there is clear relevance. Avoid partially stated facts which can be misleading and misinterpreted.
Conciseness	Avoid adding superfluous information and detail. Ensure grammar, spelling and sentence structure is correct. Do not use adjectives and repetition unnecessarily. Avoid using wit and sarcasm as this can be misinterpreted in writing. Structure your report by using headings, paragraphs, indentations, underlining, and capitalisation. Use formatting to give weight or visibility to information readers will deem important.
Impartiality/ objectivity	Report the information and facts as they are. Do not hide or delete information. Refrain from making your own assumptions and conclusions. Remain unbiased and open-minded about the results by staying emotionally detached.
Clarity and report formatting	Order the contents of the report into easy-to-read sections to make it easier for the reader to review and understand. Sequence information chronologically and avoid ambiguous or vague statements.
Positive language	Apply positive language to highlight opportunities for improvement. For example, write 'the system will require ongoing maintenance and upgrades to keep up with the changing demands of the business environment', instead of 'the current system is not working effectively and is unlikely to meet the needs of the business'.

Descriptive and specific	Use descriptive adjectives instead of umbrella terms. For example, write 'changing to a customised WHSIS will lead to a more efficient and user-friendly hazard and incident reporting process', instead of 'a change of information system will lead to good improvements in safety'.
Reduce adverbs and adjectives	Avoid the over-use of adverbs and adjectives. An adverb is a word used to modify a verb (action words) or adjective (descriptive words). For example, write 'a software-based CRM will improve user-accessibility', instead of 'a state-of-the-art and user-friendly CRM system will uniquely improve the productivity of users'.
Images and charts	Reports can be enhanced by the use of graphs, charts or other graphics generated by databases and spreadsheets. This allows the reader to see trends and key issues without spending a lot of time reading text.

Presenting reports to stakeholders

Based on your findings from the resource usage review process, you may have uncovered issues, successes and areas that can be improved. This information needs to be presented to your key stakeholders.

The final step is to present the report to your target audience within the required timelines. This will usually be in the form of an email attachment, in-person presentation, data point share drive or hard copy (internal mail).

Ensure you attach relevant appendices or documents as noted in your report and follow up to see that your recipient has received the report.

Your report may need to be formally presented to key stakeholders as part of ongoing communication and consultation processes.

Formal presentations are used to inform stakeholders on the progress of the allocated resources and must be scheduled and planned to ensure optimum outcomes are achieved.

Practice Task 15

Question 1

Which of the following information do you need to include when reporting on resource usage? Tick all that apply.

○ Include detailed recommendations for improvements.

○ Explain in general terms the estimated amount of money spent on resources.

○ Provide a clear outline of the achievements, issues and variations to operational objectives and budgets as part of an executive summary.

○ Describe an objective analysis of the operational results achieved including trends, patterns and forecasts.

○ Present your report to your key stakeholders based on agreed reporting procedures.

Question 2

Number each step from 1 to 5 in the order you would follow to set out a business report.

○ Findings

○ Report title

○ Introduction

○ Executive summary

○ Recommendations

Summary

- Once resources are allocated out to business teams, you will need to conduct regular reviews following a set procedure to assess how they are being used and identify the true impact on operational objectives.
- Review periods should be planned and documented as part of a review procedure to ensure consistency in the process.
- Identify opportunities for improvement through consultation with staff, subject matter experts, customers, suppliers and other key stakeholders.
- A review may uncover areas of resource allocation and usage requiring.
    - These may relate to changes to training and communication processes, increasing or decreasing resource allocations, or introducing different resources into business operations.
- The P-D-C-A model provides a process for effective planning, implementation, monitoring and continuous improvement.
- Operational management must ensure that all activities are being accomplished according to the targets outlined in the program or project budget.
- A budget-versus-actual report is a simple method for monitoring and reporting on resource allocation and spending, by focussing on the outcomes of actual and budgeted expenses.
- Once you have verified the overall usage, impact and performance of resources within projects or programs, you will need to prepare a summary report of the performance to your stakeholders.
- Reports must be clear, concise and presented in an appropriate format suitable to the audience's needs.

Learning Checkpoint 4
Review and report on resource usage

Part A

1. List three procedures you could implement to effectively monitor resource expenditure.

2. Draw a line to match each term found in budget-versus-actual reports to its description/location.

» The budgeted amounts	» Black
» Unfavourable variances	» Red
» The variance between actual results and budget expectations	» First column
» The actual performance	» Second column
» Favourable variances	» Third and fourth columns

3.   Draw a line to match each cost reduction method term to its definition.

» Reviewing resources needs

» Sourcing cheaper labour and physical resources, negotiating price with suppliers, seeking out new suppliers, requesting cheaper products that perform to the same standards, purchasing bulk quantities to reduce unit costs

» Lean management

» Reducing travel, stationery, and utility costs and implementing a reduce, re-use, recycle policy

» Revising purchasing strategies

» Reviewing existing work processes, such as removing needless steps in the work package, and eliminating waste, including unnecessary purchases, process inefficiencies and under-performing resources

» Reducing running costs and overheads

» Sharing resources across other projects and cancelling unnecessary purchases

Part B

Read the case study and answer the questions that follow.

Case study

Johan is the operations manager for a medium-sized screen printing and embroidery company. He reports to the general manager. The organisation specialises in producing a range of customised sporting apparel, including shirts, hats, jumpers, pants, shorts and socks that include the unique colours and logos of their clients' sporting clubs.

Two months ago, the organisation purchased a $15,000 state-of-the-art sublimation printing machine from an interstate supplier. The machine uses heat and pressure to transfer designs onto the garments and is unique to the workforce. Once the machine was introduced into production line operations, each production worker received a 60-minute demonstration and training support program.

The primary aim of the machine was to increase quality and productivity for the production workers. Johan is interested to see how much of an impact the machine has had on productivity and operational objectives since it was introduced.

1. Describe a procedure that Johan can use to review the impact of the sublimation printing machine on operational objectives.

2. Based on Johan's two-month review, productivity only increased by two per cent and user errors increased by 15 per cent. What strategies can you suggest for John to improve on these figures?

3. Explain what information Johan needs to report to the general manager and how he must present his recommendations.