BSB 7.0

BSBSTR601

MANAGE INNOVATION AND CONTINUOUS IMPROVEMENT

Aspire
Learning Resources

BSBSTR601

Manage innovation and continuous improvement

Release 2

Learner Guide

Aspire Version 1.2

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Copyright Warning

Version	Release date	Modification
Release 1, version 1.1	October 2020	First release
Release 2, version 1.2	March 2021	Updated the Foundations Skills table on page viii in line with Release 2 of the Unit of Competency.

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BSBSTR601 Manage innovation and continuous improvement, Release 2

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Before you begin

This Learner Guide is based on the unit of competency *BSBSTR601 Manage innovation and continuous improvement*, Release 2. 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	▪ Analyses, evaluates and integrates facts and ideas to construct meaning from a range of text types
Writing	▪ Integrates information and ideas from a range of sources, utilising appropriate support materials ▪ Communicates complex relationships between ideas and information, matching style of writing to purpose and audience
Numeracy	▪ Selects and interprets mathematical information to analyse performance ▪ Performs calculations required to establish timeframes, cost-benefits and measures for continuous improvement and innovation processes
Initiative and enterprise	▪ Adheres to organisational policies and procedures and considers own role in terms of its contribution to broader goals of the work environment ▪ Recognises the importance of taking audience, purpose and contextual factors into account when making decisions about what to communicate, with whom, why and how ▪ Recognises that the current way is only one way of doing something and explores possibilities that challenge current approaches ▪ Facilitates a climate in which creativity and innovation are accepted as an integral part of achieving outcomes
Self-management	▪ Plans and implements strategies to review and improve own performance
Teamwork	▪ Recognises the importance of building rapport to establish positive and effective working relationships ▪ Collaborates with others to achieve joint outcomes, playing an active role in encouraging innovation and facilitating effective group interaction
Problem solving	▪ Applies problem-solving processes to identify risks, evaluate options and determine solutions ▪ Uses lateral and analytical thinking to evaluate options against needs, resources and constraints before making decisions ▪ Actively identifies systems, devices and applications with potential to meet current and or future needs
Planning and organising	▪ Plans, organises, implements or reviews organisational strategies, systems and processes

What do you already know?

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

Topic	Key outcome	Rate your confidence in each section
Topic 1: Establish ways of working with a team	1A Communicate desired outcomes to team members	❑ Confident ❑ Basic understanding ❑ Not confident
	1B Establish strategies to monitor performance and sustainability of key systems	❑ Confident ❑ Basic understanding ❑ Not confident
	1C Consult on improvement opportunities	❑ Confident ❑ Basic understanding ❑ Not confident
	1D Coach and mentor team members	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 2: Identify improvements	2A Analyse performance reports and variations	❑ Confident ❑ Basic understanding ❑ Not confident
	2B Analyse changing trends and opportunities	❑ Confident ❑ Basic understanding ❑ Not confident
	2C Collect data and analyse supply chains and operational systems	❑ Confident ❑ Basic understanding ❑ Not confident
	2D Conduct a gap analysis and communicate improvement needs	❑ Confident ❑ Basic understanding ❑ Not confident
	2E Identify learning opportunities for team members	❑ Confident ❑ Basic understanding ❑ Not confident

Topic	Key outcome	Rate your confidence in each section
Topic 3: Implement innovative processes	3A Confirm objectives, time frames, measures and communication plans	❑ Confident ❑ Basic understanding ❑ Not confident
	3B Address the impact of change and implement transition plans	❑ Confident ❑ Basic understanding ❑ Not confident
	3C Implement contingency plans	❑ Confident ❑ Basic understanding ❑ Not confident
	3D Manage failures and emerging challenges	❑ Confident ❑ Basic understanding ❑ Not confident
	3E Capture learnings in a knowledge management system	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 4: Develop workplace culture and tools for continuous improvement, innovation and learning	4A Evaluate continuous improvement systems and innovation	❑ Confident ❑ Basic understanding ❑ Not confident
	4B Communicate costs and benefits of innovation and CI with stakeholders	❑ Confident ❑ Basic understanding ❑ Not confident
	4C Establish rewards for CI, innovation and learning	❑ Confident ❑ Basic understanding ❑ Not confident
	4D Seek and respond to feedback from stakeholders	❑ Confident ❑ Basic understanding ❑ Not confident

Topic 1 | Establish ways of working with a team

1A Communicate desired outcomes to team members

1B Establish strategies to monitor performance and sustainability of key systems

1C Consult on improvement opportunities

1D Coach and mentor team members

1A Communicate desired outcomes to team members

Sustainability through innovation and continuous improvement (CI) of key organisational areas is critical to compete in today's dynamic and global environment.

In the current competitive marketplace, an organisation's success is a direct result of its ability to identify opportunities to innovate and improve the quality and efficiency of its products, services and systems.

Leaders must look for opportunities to succeed in all parts of business operations, including customer service, marketing, production, delivery, information and finance – to deliver the highest quality products and services to customers at a sustainable cost-price. The key to creating and maintaining this success is based on CI and innovation practices.

CI and innovation

CI and innovation must co-exist for an organisation to maintain profitability and grow in the changing market.

CI and innovation are similar in many ways – they are both processes that focus on making changes in the organisation to enhance business performance in specific areas. They aim to achieve regular improvements and innovations that contribute directly to the goals of the business.

In specific terms, CI means an ongoing commitment to getting better in the area of systems management, and in product and service delivery. It focuses on identifying operational issues and market opportunities, then doing something to address them. The end result should aim to improve customer service, products or systems. To identify and develop solutions to these issues and opportunities, an organisation needs to be innovative – which is the key driver for CI.

Innovation is the means of creating new ideas or solutions, or finding a new use for an old idea and developing it to add value in some way. It puts life into creative ideas, generates value and encourages improvement.

The following table presents elements and examples of both CI and innovation.

Elements of CI	Elements of innovation
▪ CI focuses on fixing things that currently exist. ▪ It is based on a commitment to reviewing business practices and identifying ways to better perform operations. ▪ The emphasis is on improving quality by eliminating waste, roadblocks, defects, processing errors and variation. ▪ The end goal of CI is to improve service. ▪ Improvements are constantly measured and evaluated. ▪ CI drives innovation.	▪ Innovation focuses on things that do not yet exist and translates them into something tangible and beneficial for the organisation. ▪ Innovative ideas are usually new, bold or creative. ▪ Creativity leads to innovation. ▪ Innovation often involves the use of technology.
Examples of CI	**Examples of innovation**
▪ Implementing a quality assurance (QA) process to identify and eliminate errors ▪ Conducting a review of customer service to identify common service issues that need to be reduced ▪ Finetuning a system or process to improve the outcomes that are achieved	▪ Implementing a piece of technology to reduce manual input ▪ Improving a business process using an automated system or application ▪ Introducing a new product or service to meet an identified client need

CI theories and concepts

The concept of CI is derived from a Japanese approach called kaizen, which literally means 'change for the better'.

CI should be encouraged at every level of the organisation and it should underpin every system and process. The organisation's existing systems – such as quality, performance management, knowledge management and sustainability – should be built upon the theories and concepts of CI.

The key theories and concepts of CI include:

- elimination of waste, errors and defects that inhibit productivity and quality
- having a customer focus at all times, in everything that the business does
- effective consultation with internal and external stakeholders
- creating a culture whereby everyone is involved and engaged in CI
- conducting research based on internal and external sources of information
- effective planning
- a thorough implementation process
- monitoring and review of implemented changes
- learning from mistakes
- acting on improvement opportunities.

CI systems and processes

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 smaller, yet interdependent processes as well as procedures, people, resources and other building blocks that help achieve a task. CI must be applied systematically for it to be effective.

CI systems are important because they clarify objectives and help steer the performance of a certain task toward a set standard, hence achieving consistency, compliance and quality along the way. They also help to identify and minimise mistakes and provide necessary support to workers.

The purpose of having a CI system is to:

- check the current performance of a product, service or system
- identify variations to the required objectives
- improve the outputs to meet internal and external stakeholder satisfaction, in a controlled manner.

Four popular CI systems are explained below:

1. Deming's PDCA Cycle
2. Six Sigma
3. Total Quality Management (TQM)
4. Lean Management

PDCA

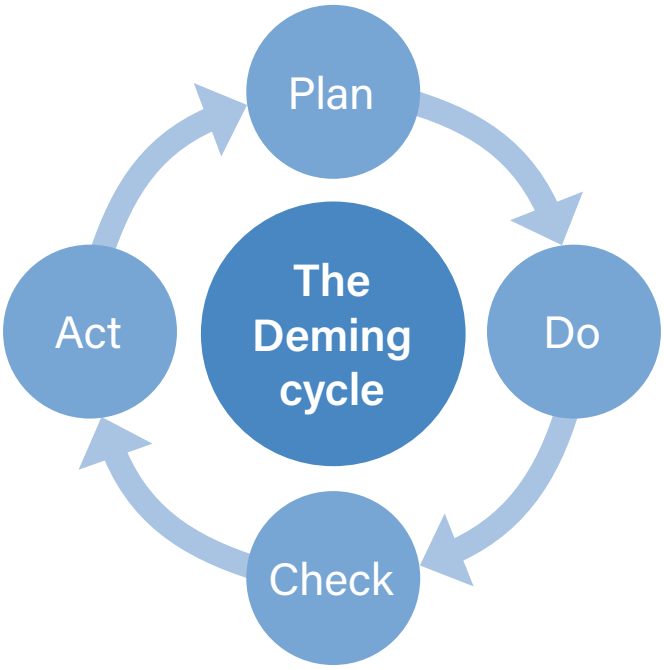
The PDCA cycle provides a framework for effective planning, implementation and corrective actions based on the results of the customer service monitoring process.

One of the most commonly used CI theories is Deming's cycle, more commonly known as the 'plan, do, check, act' (PDCA) cycle. Deming created the cycle in the 1950s.

The cycle involves the following:

- **Plan** – Determine the customer's needs and service delivery issues. Develop strategies to improve on customer service delivery performance.
- **Do** – Implement the customer service strategies, with the knowledge that you will not achieve 100 per cent success and certain areas will need to be improved.
- **Check** – Collect verifiable data and assess the results of customer service performance. Compare what *should* be happening with what *is* happening.
- **Act** – Identify the key learnings from the evaluation process and decide how customer service strategies could be done better. Implement corrective actions to reverse a negative trend or remove a root cause that is stifling customer service performance. Communicate the changes to staff and customers.

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



Six Sigma

Six Sigma is a CI methodology that uses statistical measures to identify variation and measure defect rates.

Six Sigma was introduced by American engineer Bill Smith while working for Motorola in 1986. The theory can be used in areas such as production, accounting, customer service, financial services, insurance, marketing, sales and logistics (among others), and it aims to eliminate defects and variation in the production process.

Six Sigma is based on leadership driven-principles. It establishes a clear focus on achieving measurable and quantifiable financial returns and making decisions based on valid data and statistical analysis.

In the Six Sigma philosophy, all work is viewed as processes that can be defined, measured, analysed, improved and controlled.

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

The five steps to Six Sigma are:

1. Define customer value, issues and opportunities for improvement.
2. Measure current performance and map out the current process.
3. Analyse current performance using systematic analytical tools and techniques and establish root causes.
4. Implement solutions to improve performance.
5. Control and maintain performance and integrate it into day-to-day operations.

Total quality management

Total quality management (TQM) is a widely approved philosophy about CI systems.

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

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

Lean management

Lean management is a system based on encouraging innovation and improvements to existing business practices and processes, relating to the manufacturing and production of products and services.

Lean management began in the manufacturing industry; due to its successful record, it is now used in almost every sector. The core focus of lean management is reducing costs in the production process, starting from the perspective of the customer. The system operates through identifying and eliminating waste, improving production times and streamlining each step in the process to ensure everything adds value to the customer.

Lean management can incorporate Six Sigma and TQM principles and tools, so it is sometimes called 'lean Six Sigma'.

Tools and techniques used in lean management include:
▪ the 5S system to eliminate waste
▪ kaizen
▪ kanban
▪ just-in-time
▪ key performance indicators aligned with strategic goals
▪ process mapping
▪ value stream mapping.

CI processes

A process is a smaller yet vital part of a business system that describes how a task must be completed and what the outcome should look like.

In a CI system, a number of primary and secondary processes will exist. Primary CI processes (or initiatives) focus on the act of identifying and removing variation, errors and waste.

Secondary processes focus on supporting the objectives of the primary CI processes or initiatives. These processes are essential to an effective CI system.

Primary CI processes include:	Secondary CI processes include:
▪ cyclical audits and reviews of workplace, team and individual performance ▪ evaluations and monitoring of performance ▪ modifications and improvements to systems, processes, services and products ▪ policies and procedures which allow an organisation to systematically review and improve the quality of its products, services and procedures ▪ regular team brainstorming/thinktank sessions ▪ customer surveys, focus groups or questionnaires to elicit feedback ▪ seeking and considering feedback from a range of stakeholders.	▪ performance management ▪ change management ▪ decision making ▪ communication plans and systems with key stakeholders and team members ▪ consultation with key stakeholders and team members ▪ staff training, including mentoring and coaching ▪ rewards and recognition programs.

Innovation theories and concepts

Innovation follows CI: it refers to the process of implementing a creative idea to improve a product, service, system or process; to create value for the organisation or customer; and, ultimately, to achieve organisational sustainability.

The greatest and most influential examples of innovation in the past 30 years have involved innovation using the internet and technology. These innovative solutions have led to major changes in how people and organisations communicate, advertise, socialise, entertain, learn, travel, network and organise their schedules, to name but a few.

CI enables businesses to maintain a competitive edge and keep up with the progressive market and the changing needs and expectations of customers. Leaders need to stay ahead when it comes to innovation. New ways of thinking can produce fresh, exciting and profitable outcomes and start a flow-on effect for others to follow, by also identifying new ways of doing things or producing new products and services to meet the needs of the market.

Key innovation theories and models include:

- **Incremental innovation** – a series of small improvements or upgrades made to a company's existing products, services, processes or methods.
- **Disruptive innovation** – the introduction of a product or service into an established industry that performs better, and generally at a lower cost than existing offerings, thus displacing the market leaders and transforming the industry.
- **Architectural innovation** – taking lessons, skills and overall technology and applying them to a different market.
- **Radical innovation** – when a new product, strategy, service or process is introduced to a market but is designed to make a significant impact by completely replacing existing technologies and methods.

Creativity leads to innovation

Many creative people have exciting and bright ideas; however, they cannot put their ideas into action or understand how to develop, test and implement their ideas to create something of value.

Innovation is the act of introducing change, or something new, for the better. Innovation is always birthed out of a creative idea; however, innovation and creativity are not the same thing. Many people can identify a problem or opportunity and come up with an idea to solve it. Innovation occurs when a creative idea becomes an effective working solution that delivers excitement, freshness and profit.

A wonderful idea by itself is not innovation. For it to come to life, creativity requires planning, teamwork, support, analysis and problem-solving skills as well as risk management and risk-taking.

Creativity and innovation are valuable to an organisation because they allow it to:

- develop new and exciting products and services
- meet the changing needs and expectations of customers
- provide better goods and services at cheaper prices
- create a more interesting work environment for employees
- reduce waste and environmental damage
- create growth, and increase profitability and economic wealth for all employees
- improve health and safety performance
- maintain a competitive edge and keep up with the progressive market.

Watch the 2012 TEDx presentation *The New Rules of Innovation* in which Carl Bass, President and Chief Executive Officer of Autodesk, Inc., a leader in 3D design, engineering and entertainment software, discusses the meaning of innovation, its importance and how it works in organisations. This video is available at: aspirelr.link/carl-bass-innovation-rules

Importance of teamwork

A team is defined as a group of people working together, pooling their talents and sharing responsibility in the pursuit of a common goal.

When it comes to CI and innovation, teams will typically outperform individuals who work autonomously. CI and innovation processes require multiple skill sets, judgements and experiences that can rarely be achieved solely by an individual.

Successful organisations structure themselves to compete more effectively and efficiently, and they use teams as a way to better utilise the talents of the workforce. Teams have a greater capability to identify problems and opportunities and develop and test innovative approaches to address the needs in the organisation's internal and external operating environments.

Identify relevant team members

To ensure you involve the right people, review your organisational chart to identify who in your workplace structure needs to be involved in the communication process.

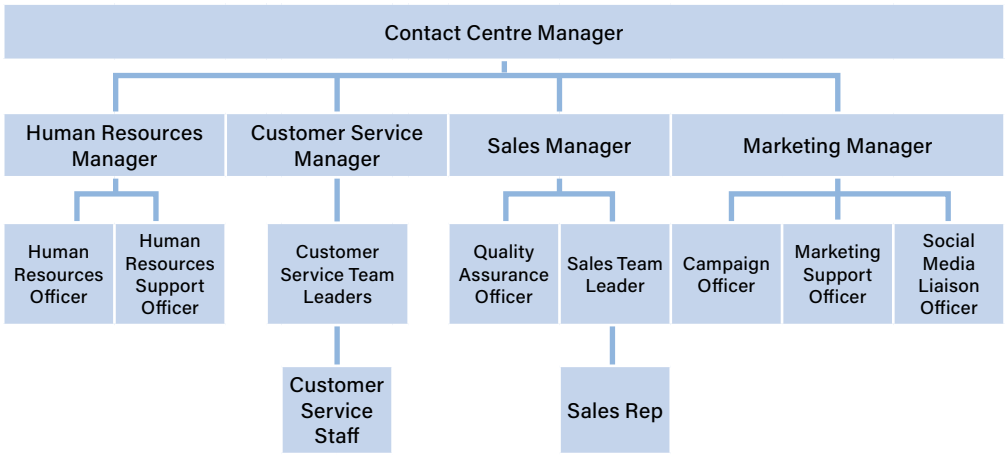
The parties involved in CI and innovation processes will vary depending on an organisation's size, structure and scope of operations.

To communicate effectively with others in your organisation about CI and innovation processes, you need to have a firm understanding of who the key people are. This information can be found in the organisational chart, a document that describes the internal hierarchy and composition of the business. It defines who each person or team is accountable to, how issues are escalated and how information is to be shared across the business.

Example

MyTel organisational chart

Here is an example of an organisational chart for MyTel – a customer contact centre. Each box and level depict an area of responsibility, and the lines between the boxes show the lines of formal authority between managers and departments.



Communicate objectives, expectations and outcomes

Once a leader identifies the team members with responsibility for CI and innovation, they must communicate the organisation's objectives, expectations and outcomes.

As a leader you are responsible for ensuring information about CI and innovation are effectively communicated to managers and team members, as well as other key stakeholders.

To establish an innovative culture, communicate objectives, expectations and desired outcomes and provide follow-up to ensure team members are contributing towards the organisation's goals.

The following table summarises the objectives, expectations and desired outcomes that you must communicate to team members.

Objectives
Description – The specific, measurable, actionable, relevant and time-bound (SMART) goals that the organisation is aiming to achieve. **Example** – To develop a new range of customer-driven products that will increase net profit by 8% every year. **Key question** – What do you want to achieve?
Expectations
Description – The standards of performance and behaviours that the organisation requires of its workforce. **Example** – Report defective products to the designated supervisor within one hour of the issue being identified. **Key question** – What needs to happen to ensure expectations are met?
Desired outcomes
Description – What should happen after an activity is completed. **Example** – A 5% decrease in production waste. **Key question** – What needs to happen to ensure we achieve the desired outcome?

Effective verbal communication

Verbal communication requires planning for what needs to be discussed and clear expression.

Leaders need to use effective verbal communication skills when explaining objectives, expectations and outcomes to team members. Be clear about what you are trying to convey and why, so your message is expressed is the best possible way and so you do not waste valuable time getting to the point.

A helpful strategy is to prepare some key points beforehand – particularly when addressing more than one person. Be sure of your material and give examples where appropriate. Strive for confidence in your delivery.

Below are some hints you can implement to ensure effective verbal communication.

Hints for effective verbal communication

- Relate your message to your audience members, their needs and their point of view.
- Customise your message to the listener's normal communication style, listening skills and familiarity with the subject.
- If you over-explain or talk down to your audience, they may resent your approach and feel disrespected.
- If you speak aggressively or in language people cannot understand, they may retreat, ignore you or feel confused.
- Your tone of voice is important – it needs to engage those around you and maintain their interest.
- Effective speakers learn to recognise their listeners' reactions and adjust their delivery accordingly.
- Always give your audience a chance to ask questions.

When explaining CI and innovation concepts to staff or issuing instructions, ensure your message is clearly conveyed and fully understood. Prepare written material using plain English, and use short words, sentences and paragraphs with consistent terminology. Provide all necessary information. Use diagrams or photographs where appropriate.

Many people need more than verbal messages to fully understand instructions. You can use pictures, symbols and diagrams as well as demonstration and role-play to cater to the needs of all your audience members.

You must be certain that all team members understand your expectations. However, they may be reluctant or unable to indicate when they are unsure, particularly if there are language barriers. Seek feedback by asking questions and assessing the response of your team members.

Practice Task 1

Question 1

How would you identify which employees should be included in communications about organisational objectives, expectations and desired outcomes?

Question 2

Explain the difference between objectives, expectations and desired outcomes. In your answer provide one example for each.

Question 3

Which of the following are examples of continuous improvement systems/processes? Tick all that apply.

- ◯ Deming's PDCA Cycle
- ◯ Total Quality Management (TQM)
- ◯ Hierarchy of Control
- ◯ Lean Management
- ◯ Six Sigma

Question 4

Describe the difference between innovation and creativity.

Question 5

Draw a line to match each innovation model to its correct description.

- Architectural innovation
- Incremental innovation
- Radical innovation
- Disruptive innovation

- A series of small improvements or upgrades made to a company's existing products, services, processes or methods.
- The introduction of a product or service into an established industry that performs better, and generally at a lower cost than existing offerings, thus displacing the market leaders and transforming the industry.
- Taking lessons, skills and overall technology and applying them to a different market.
- When a new product, strategy, service or process is introduced to a market but is designed to make a significant impact by completely replacing existing technologies and methods.

Question 6

Which of the following are key requirements when communicating with team members? Tick all that apply.

- ◯ Having a plan to ensure your communication is clear
- ◯ Keeping team members informed
- ◯ Using verbal communication only
- ◯ Checking that team members understand their expectations
- ◯ Letting team members know how their actions can support workplace objectives

1B Establish strategies to monitor performance and sustainability of key systems

In a broad sense, the term 'sustainability' involves making decisions and acting in the best interests of the organisation's long-term business plans.

Sustainability is often linked to the natural world, focusing on protecting the environment's natural resources to support ongoing human life. Sustainable business is about making sure the organisation stays abreast with the demands and impacts of the market and remains profitable over time, with minimal negative impacts to the environment and to people.

Sustainability requires leaders to monitor and evaluate the performance of existing systems and to develop CI processes that continue to meet and exceed the needs of customers.

Sustainable CI systems and processes should consider three elements of business:

Social	A socially responsible business is one that aims to reduce its negative impact on society and increase its positive influence on people. Business ethics are especially important as failing to adhere to them can have a large impact on the viability of a business, including its reputation in the marketplace, customer satisfaction, staff retention and talent management.
Economic	An economically responsible business can help identify and avoid unnecessary costs associated with unsustainable CI practices, such as change processes, new systems, acquiring resources, and reducing expenses and losses.
Environmental	An environmentally responsible business involves taking action and making decisions that are in the interests of protecting the natural world, with particular emphasis on preserving the capability of the environment and our dependence on its resources. Environmental sustainability forces businesses to look past short-term profits and at the long-term impact they are having on the natural world, in particular on non-renewable energy sources.

Key systems analysis

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

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

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

Process analysis

A process is a way of achieving an outcome.

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

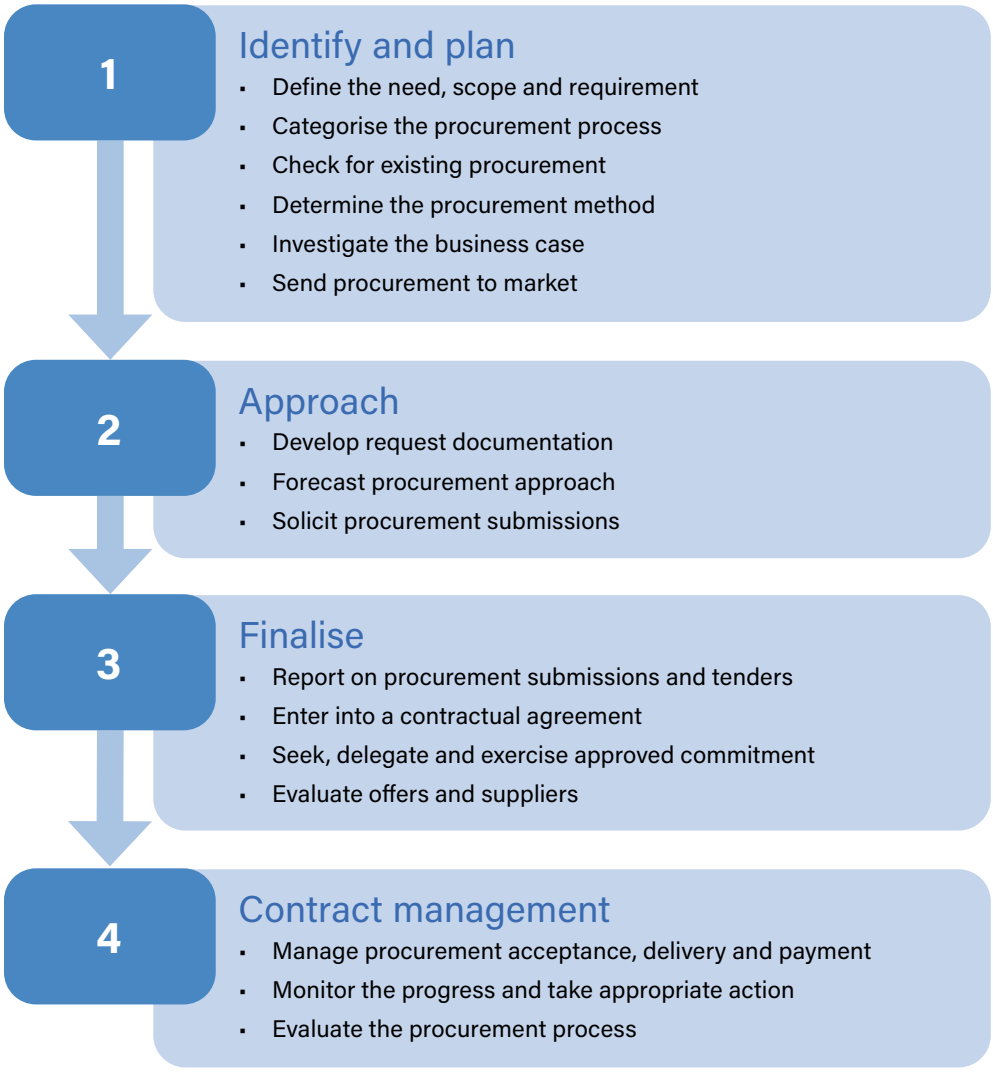
In business, some processes are formally documented, such as in a flow chart, process chart or step-by-step set of instructions, like a method in a recipe. In other cases, processes are informal and yet to be documented. This often leads to inconsistencies in how tasks are performed as well as the outcomes that are achieved.

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

Example

A mapped process

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



Monitor and evaluate systems

Monitoring and evaluating organisational performance follows the planning and implementation stages and is, in many ways, the most important part of any system.

Every business system needs to involve a process of continuous monitoring, regular comparisons between planned and actual performance, and corrective actions to ensure the initial objectives are achieved. Here is an outline of those three organisational control processes.

Measure performance	Outline what and how performance is to be measured, and the tools and techniques to be used. Measurement is generally focused on analysis of performance compared to what was forecast. Criteria are identified in performance measures.
Compare actual with planned performance	Analyse the variance between actual performance and what was budgeted, forecast, projected or anticipated. Regular monitoring will reveal variance, and this variance is what will guide action to improve performance.
Improve performance	If the variance between actual and planned performance is minimal, no action is needed. If there is a large deviation, management must take immediate corrective action to resolve issues, such as redeveloping a process to minimise time between steps.

The Balanced Scorecard

The Balanced Scorecard (BSC) is a management tool that assists in strategy development, implementation and performance management, including measurement.

The BSC, developed by Kaplan and Norton in 1992, can be used to effectively measure achievement towards business objectives and targets; it focuses on all the major elements of performance, without favouring any particular one.

Below is an overview of the BSC.

Measurement benefits	Kaplan and Norton argue that an effective measurement system enables an organisation to: ▪ determine whether the activities occurring in the organisation support the achievement of the organisation's goals and objectives ▪ determine whether those goals and objectives move the organisation closer to the stated vision ▪ see where the organisation is and where it is going.
BSC benefits	According to Kaplan and Norton, the BSC: ▪ measures the processes that drive performance and identifies the processes that are strategic ▪ complements financial measures of past and current performance with measures of the drivers of future performance ▪ captures critical value-creation activities ▪ translates a strategy into measurable objectives ▪ can drive organisational change, providing a focus and integration for CI ▪ can be used as a management system for long-term growth, therefore creating sustainability.
BSC perspectives	Kaplan and Norton believe an organisation should be viewed from four perspectives: financial, customer/stakeholder, internal business processes and learning growth. Managers should develop objectives, measures and metrics; collect data; and analyse the data for each perspective. Improving performance in the learning and growth perspective enables the organisation to improve its internal process perspective objectives, which in turn enables the organisation to create desirable results in the customer and financial perspectives.

For further information, visit the Balanced Scorecard Institute's website: aspirelr.link/balanced-scorecard. You should also watch the video *The Balanced Scorecard*, produced by the *Harvard Business Review*, in which Kaplan discusses his work. This video is available at: aspirelr.link/kaplan-norton-balanced-scorecard

The Australian Business Excellence Framework

The Australian Business Excellence Framework (ABEF) was developed in 1987 by the Commonwealth Government and industry members to assist Australian enterprises to become more effective, efficient and competitive.

The ABEF was designed to help businesses explore organisational beliefs and strategies, look for links and measurable activity, and test results for long-term success. The ABEF links to the ISO 9000 quality series standards. It has been managed by SAI Global, a private company, since 2001.

Understand the ABEF

The ABEF encourages organisations to take a holistic approach to systems management.

The ABEF framework can incorporate approaches such as the BSC, ISO 9001, benchmarking, process management, risk management, corporate governance, Lean Six Sigma and project management.

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

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

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

Key principles of the ABEF
Clear direction and mutually agreed plans enable organisational alignment and a focus on achievement of goals.
Understanding what customers and other stakeholders value, now and in the future, enables organisational direction, strategy and action.
All people work in a system. Outcomes are improved when people work on the system and its associated processes.
Engaging people's enthusiasm, resourcefulness and participation improves organisational performance.

Key principles of the ABEF
Innovation and learning influence the agility and responsiveness of the organisation.
Effective use of facts, data and knowledge leads to improved decisions.
Variation impacts predictability, ability and performance.
Sustainable performance is determined by an organisation's ability to deliver value for all stakeholders in an ethically, socially and environmentally responsible manner.
Leaders determine the culture and value system of the organisation through their decisions and behaviours.

Example

Use the ABEF to manage improvement and innovation

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

Management system objective

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

ABEF Item 6.2: Process improvement and innovation

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

Approach:

Defining and implementing a consistent methodology to facilitate process improvement:

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

Establishing processes to capture and exploit innovative opportunities:

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

Involving staff in the improvement process:

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

Learning from others:

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

Deployment:

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

Improvement:

- Replace the existing risk and audit assurance database with a web-based QA system.
- Review and improve the performance benchmarking policy and procedures; communicate changes to stakeholders.
- Conduct a risk analysis to determine which improvements have greater priority and implement these improvements.

Establish a process map illustrating the improvements that are to be undertaken and when.

Identify unsustainable systems

Sustainability is not just about reducing the amount of waste an organisation produces or using less energy; it is concerned with developing strategies to ensure that systems and processes are constantly monitored, improved and reviewed.

Sustainability must ensure the business will remain competitive now and in the future with as little impact as possible on human and environmental health and safety. It is also about making responsible decisions that will increase customer satisfaction and competitiveness and reduce the business' losses and expenses, to contribute towards ongoing profitability.

Process mapping, as well as measurement and evaluation methods, will reveal issues with the sustainability of systems.

Consider the following issues that represent unsustainable processes:

- Not focusing on customer needs and satisfaction
- Inconsistencies in the outcomes that are achieved when the process is followed
- Implementing drastic measures such as major product suite revamps, restructures or business re-branding, without first identifying and planning for the short- and long-term impacts
- Roadblocks in processes that cannot be resolved at the front line
- Purchasing new materials, equipment and human resources without consulting the budget
- Measuring areas that are irrelevant, costly or time-consuming to quantify
- Setting benchmarks and performance measures that are way too high
- Ignoring errors, waste and defects

Practice Task 2

Question 1

Briefly explain the following three organisational control processes:

- Determining performance measures
- Comparing actual and planned performance
- Improving performance

Question 2

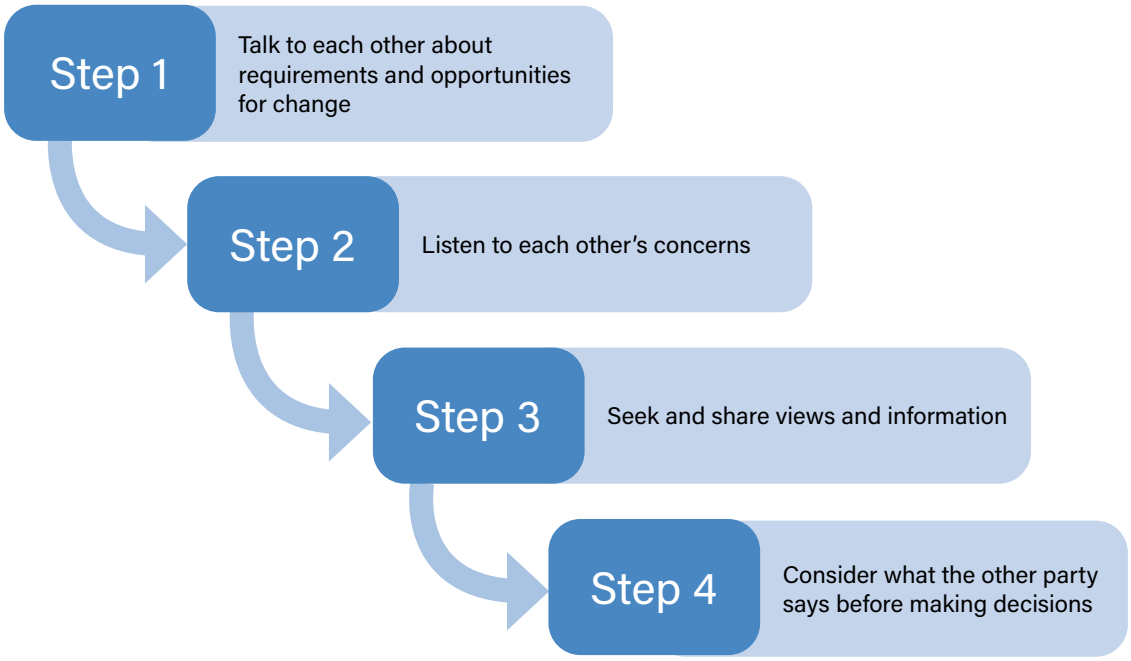
How does the Balance Scorecard facilitate strategy development, implementation and performance management?

1C Consult on improvement opportunities

Consultation is an important part of developing improvement opportunities and involving stakeholders in the decision-making process.

Consultation is a two-way process involving an organisation's leaders and its stakeholders. An effective consultation process should encourage stakeholders to participate in contributing toward improvements that meet the needs of the organisation.

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



Consultation methods

The timing and format of consultation should be specific to the needs and constraints of each stakeholder.

Consultation methods must be appropriate to the level of priority and nature of the issue or opportunity, the complexity and sensitivity of the decision, the designated time frames and the needs of the organisation based on business plans. For high-priority issues and opportunities, in most cases a formal meeting 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.

Schedule all stakeholder consultation sessions in advance with each attendee to ensure each person is well-prepared and has the time available to prepare and participate fully in the consultation process.

Types of consultation methods include the following:

- Meetings can be held where staff feel free to voice concerns or raise issues, in either a formal or informal way.
- Interviews can be used on a regular basis during operations, or at the end of an activity, to discuss specific issues on a one-on-one basis.
- Group brainstorming sessions can be held to generate ideas, raise concerns and discuss issues in a direct yet informal setting.
- Email/intranet communications can be used when teams are not located at the same site or when staff work different shifts to ensure information is available to all employees.
- Newsletters are particularly useful in larger settings or in multi-site operations.
- Other consultation processes can be also used, such as workshops, noticeboards, suggestion boxes, planning conferences or videoconferencing to link remote teams.

Improvements in technology

In many cases, information technology (IT) is identified as a way to make improvements to business.

IT is the framework supporting many workforce structures, and innovation to processes and operations will improve customer satisfaction and many other aspects of business.

Technological impacts

Every organisation is impacted by advancements in technology.

Technology can be viewed as a barrier or an opportunity to improve.

CI is closely aligned with the implementation of current technology. In modern workplaces, most tasks that are performed incorporate the use of some level of technology. This includes the type of job roles and conditions, products, production methods, supply chains, services and systems. All can be impacted in different ways through the availability of a technology-based application, device or process.

Technological influences include the following:

- technological inefficiencies
- communication systems
- information management systems
- product obsolescence
- development and impact of new technologies released to the market
- research and development activity
- rate of technological change
- release of new technology-based products and services
- production and manufacturing schedules
- innovative approaches to quality and cost-efficiency.

Consult with stakeholders

There are various methods that facilitate good consultation to ensure stakeholders have opportunities to provide input and feedback on technology-based opportunities.

Consulting with stakeholders is a critical requirement in CI and innovation. Organisational issues, challenges and opportunities within the internal and external operating environments must involve a level of consultation. Decisions impacting on budgets, resourcing, production, quality and customer satisfaction will be more accurate when the right people are involved from the beginning of the planning process.

Relevant personnel to consult about opportunities to incorporate technology can include:

- subject matter experts, such as web designers, social media marketers and software engineers
- industry associations and organisations to learn about successes and failures, and to gain contacts for providers of services and products
- internal IT staff and external IT consultants with knowledge of current technology and what is in development
- business process analysts to determine where technology can be implemented to improve systems and processes, and to design new systems and processes
- manufacturing and engineering equipment producers and suppliers
- systems integration experts to ensure organisational systems can work with each other
- electronic resource planning (ERP) experts for automating and integrating the organisation's key systems
- internal and external marketing specialists to identify business and consumer market demand, and develop strategies for e-commerce and social media
- web designers, usability experts and e-commerce consultants to develop and implement online selling solutions
- internal and external change management specialists to ensure new systems and processes are implemented
- technology and e-commerce training specialists to ensure staff are able to use new technology
- research and development teams
- key people with specialist responsibilities, such as those involved in systems and knowledge management
- team members who liaise with customers on a daily basis
- customers, consumers and members from the target audience.

Example

The impact of technology

Consider the impact of design software on an engineer's role. An entertainment product manufacturer has created a virtual lab where customers are invited to provide feedback on prototypes, and asked to provide suggestions on product features. There is also a function to enable customers to design their own vision and sound systems. The organisation's engineers take this feedback and incorporate it into the development and rework of products.

Practice Task 3

Question 1

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

- ◯ Making an intranet announcement
- ◯ Having an informal discussion over a business lunch
- ◯ Sharing innovative plans and proposals for comment
- ◯ Having a discussion with a team of stakeholders to determine how to address a problem
- ◯ Updating a job description

Question 2

Which stakeholders will you need to consult with when seeking input on technology-based opportunities for improvement?

Question 3

Which of the following are examples of technological impacts in an organisation? Select yes or no for each one.

a) New software applications	» Yes	» No
b) Policies and procedures	» Yes	» No
c) Business legislation	» Yes	» No
d) Research and development activities	» Yes	» No
e) New-release IT products	» Yes	» No

1D Coach and mentor team members

For CI and innovation to work effectively, leaders must recognise the importance of involving team members in process improvement opportunities.

There are two common critical success factors found in high performing businesses: these businesses constantly review and improve performance by becoming better, faster, cheaper and more effective; and there is a culture of CI where team members are involved in identifying problems and resolving them collaboratively.

One of the key principles of CI is teamwork – developing a culture that involves people across all areas of business in identifying, implementing and monitoring process, product and service improvements.

Promote participation and involvement by encouraging team members to develop initiative and take responsibility through coaching and mentoring processes.

Encourage participation

Without innovation and CI, organisations will consistently hit roadblocks, leading to failed ideas and missed opportunities.

Leaders have a large degree of power over the culture of a team – in particular, building teams that embrace innovation and contribute towards CI. Leaders must have a clear understanding of the expectations they are seeking within the team culture, and they must communicate these expectations to their team members.

Characteristics of effective and innovative teams include:

- respect and support for others and their ideas and concerns
- effective two-way communication
- shared responsibility, common purpose and planned objectives
- joint decision making between the leader and the team members
- positive support for changes in the organisation
- a high level of synergy and collaboration
- members who are conceptual thinkers and problem solvers
- passion about innovation
- inquisitiveness at a micro and macro level
- investment of time in brainstorming sessions
- understanding the benefits of innovation and CI
- an ability to question norms and raise ideas in a professional manner.

Involve team members

The leader is solely responsible for decisions made and the consequences; however, members should be given reasonable opportunities to participate in CI and innovation processes.

Team members' level of involvement in CI and innovation is dependent on the extent to which managers allow and encourage them to participate in analysing and resolving work-based issues and opportunities.

Participation can include team members sharing ideas, information and insights with the leader based on areas that impact on their job roles. Team members who are involved in CI and innovation processes are more likely to be engaged in the business and to support initiatives that are introduced. Making participative-based decisions fosters employee ownership and improves the knowledge and ability of workers, which in turn contributes towards greater performance in CI and innovation. In return, leaders are given a different perspective based on the experiences and insights of team members who are involved in day-to-day business processes.

Encourage responsibility

Responsibility is a common trait among high performing teams in sport, business and in community groups and associations.

Responsibility means to completely own something, as opposed to denying, rationalising or passing the buck. Ultimate responsibility means the team member sees themself as the person in charge of the problem and solution.

Although responsibility is predominantly self-generated, leaders can model responsible behaviours and encourage and influence team members to take greater ownership for themselves and the improvement needs of the organisation.

Strategies to promote responsibility include:

- clarifying roles and expectations of the team
- communicating successes, shortfalls and progress in CI
- developing short- and long-term plans that factor in opportunities for team input into CI decision making
- developing a mentoring or 'buddy' system to support team members to develop confidence and knowledge
- factoring CI into individual performance plans and Key Performance Indicators (KPIs)
- rewarding and recognising contributions and behaviours that show responsibility has been taken
- providing training and development activities.

Encourage initiative

Many operational tasks and problems are not explicitly documented in job descriptions.

Initiative means being proactive, rather than inactive. For CI and innovation to thrive, team members must have a proactive attitude in which problems, quality variations and issues are picked up, reported and addressed in a timely manner. If a worker sees an issue or an opportunity to improve a business process, they have a choice to either take action or ignore the problem altogether.

Much like responsibility, initiative is conceived and developed from within a person, and it reflects an individual's attitudes toward themselves, others, their work and the business. However, leaders can also model initiative and communicate their expectations to team members regarding initiative and responsibility.

Coach and mentor

To facilitate the participative decision-making process, leaders need to coach and mentor team members.

Workplace learning is an important element in ensuring team members have the skills and confidence to support and contribute to CI, innovation and business growth. Coaching and mentoring are tried-and-true methods in the learning and development process. Each has unique advantages depending on the task, learner and leader.

Coaching is the process of developing and empowering a person to do a task. It does not follow the traditional training methodology of instructing, showing and telling – instead it involves supporting and guiding a person through a task and enabling them to follow a process to achieve the desired outcomes.

Mentoring is similar, yet different to coaching. Mentoring is viewed as a relationship that is more extended and personalised than coaching. The term 'mentor' is defined as a trusted counsellor or guide who is usually older and more experienced, and who guides the mentee through their development. Mentoring involves encouraging self-development, listening and questioning, sharing experiences and enabling the mentee to work things out for themselves.

Coaching	Mentoring
The focus of development is on technical, process and job skills.	The focus of development is on life skills and soft skills, such as relationship building, leadership, interpersonal communication, problem solving, and conceptual and contingency skills.
The approach is task-driven, to achieve a set outcome.	The approach is relationship-driven to achieve improvements in problem-solving skills.

Make coaching and mentoring effective

To ensure the mentoring/coaching process is engaging and relevant, leaders need to understand how adults learn and what they need.

As a leader of a work team, one of the most important things to understand is that not everyone learns in the same way. Every individual is unique, based on their culture which includes life experience, biology and physiology, age, background, education, work history and values. An effective coach or mentor is able to connect with their audience and facilitate the learning process in the best way according to the learner's unique needs. They need a range of skills, knowledge and attitudes all working together to ensure the team member progresses and remains engaged.

In addition, a successful coach and mentor needs subject knowledge and effective communication skills. These two requirements underpin the process and must work hand-in-hand. For example, an outstanding communicator cannot transmit the information their group needs without knowledge of the subject. On the other hand, without outstanding communication skills, a person's knowledge cannot be clearly shared in a way that the audience can understand.

When coaching and mentoring adults in the workplace, the following principles must be addressed.

Adults in the workplace need to:

- be treated with respect
- feel safe both physically and psychologically
- find the process rewarding
- be actively involved in the learning process through group discussion, action learning activities, interaction, etc.
- understand the 'why' behind the 'what'
- use a variety of senses to learn, e.g. visual, auditory, kinaesthetic
- relate new information to current workplace practices
- have opportunities to apply their newly developed skills and knowledge almost immediately after training has occurred
- receive feedback on the progress of their learning.

Example

How one organisation encouraged ongoing participation from team members

At a national fast-food restaurant chain, shift managers are trained to coach and mentor their teams to raise issues about process and customer service difficulties. Each team member is responsible for following the processes and systems that are in place, but is also accountable for meeting customer satisfaction targets and service-level agreements.

Each Friday before the lunchtime shift, the shift manager meets with their team to discuss issues experienced throughout the week. This allows team members to raise concerns, contribute ideas and agree on improvements to existing processes and systems.

Effective communication

Clear communication of CI objectives is an essential part of gaining participation and initiative from team members.

Every member of a team must understand the organisation's objectives and expectations when it comes to CI and innovation, and the leader plays an important role in this process. An effective leader is able to apply the most effective communication method to ensure every person understands their requirements. This means knowing the audience and targeting the communication to ensure everyone understands the information.

Identify appropriate communication media

Using different methods of communication is important for a leader to ensure team members understand the objectives and expectations of CI and innovation in the organisation and to establish initiative and responsibility across work teams.

The table below includes some examples of formal and informal communication methods:

Formal methods	▪ Policies and procedures ▪ Team meetings, including agendas and minutes of meetings ▪ Written reports ▪ Email (can also be informal) ▪ Completed standard forms or templates ▪ General business correspondence such as letters ▪ Marketing materials
Informal methods	▪ Telephone conversations ▪ Discussing an issue on an informal basis during a work day ▪ Chatting informally during work breaks ▪ Email (can also be formal) ▪ Social networking ▪ Information posted on noticeboards ▪ Graphs showing data such as production levels

Adapt your communication to individual needs

Leaders must know how to adapt their communication style (both verbal and written) to ensure the recipient understands what is being communicated.

It is important to understand your audience and their level of language and literacy skills. Audiences have diverse backgrounds and cultural elements that can impact on their limitations when it comes to communication.

The people you communicate with may have difficulties with the English language or not understand some of the technical terms and industry jargon frequently used in the organisation.

Here are some strategies to help you adapt your communication style to groups and individuals in your organisation and to ensure that your message is communicated in an effective manner.

Understand the audience	▪ What does your audience already know? ▪ What is the demographic profile and how will this affect understanding? ▪ Will they understand jargon and technical terminology? ▪ Do they have any needs to be addressed, such as a hearing or visual impairment?
Plan methods	▪ Will your communication be spoken or written? ▪ Will it be formal or informal? ▪ What are the main points? ▪ What media will you use? ▪ Will diagrams and visuals help comprehension? ▪ Is the environment too noisy? ▪ Do you need a private area?
Communicate clearly	▪ Repeat and restate when communicating verbally. ▪ Use plain language in written communication. ▪ Make eye contact when communicating verbally. ▪ Use 'sequence signal' words such as first, second, then – when giving or writing instructions. ▪ Use appropriate tone, pitch and intonation. ▪ Consider your pace when speaking – not too fast or slow. ▪ Be conscious of which words/parts of the communication you place emphasis on.
Check for understanding	▪ Ask direct questions to ensure the audience understands the message you are communicating. ▪ Take into account the language and literacy skills of your audience to ensure they understand the whole message. ▪ Consider cultural aspects; in some cultures, it is insulting for people to say 'no' and they would rather tell you they understand. ▪ Actively listen. ▪ Consider body language – non-verbal communication accounts for up to 70% of meaning in spoken interactions.

Example

Use appropriate media and language

Greta is the team leader of a diverse group of people working in a manufacturing organisation. She is especially mindful when communicating with team members who do not use English as a first language. Greta adopts the following communication strategies:

- Uses simple/plain language
- Avoids jargon and overly technical language
- Chunks information and delivers small bits of information at a time
- Uses pictures/diagram and visuals
- Ensures messages are delivered in a space where she can be clearly heard

Practice Task 4

Question 1

Which of the following communication methods could you use to relay CI expectations and opportunities to team members? Tick all that apply

- ◯ Face-to-face presentations
- ◯ Team/individual meetings
- ◯ Upload them to the organisation's website
- ◯ Videoconference
- ◯ Written communication

Question 2

Briefly summarise how each of the following techniques can be used to support team members in contributing to CI and innovative processes:

- Mentoring
- Coaching

Question 3

How can you effectively communicate CI expectations and opportunities to team members? Tick all that apply.

- ◯ Use exaggeration and jargon
- ◯ Use verbal and non-verbal communication methods to deliver your message
- ◯ Use active listening skills to concentrate on and understand feedback and questions from team members
- ◯ Use written communication to convey large amounts of information
- ◯ Use closed questions to elicit detailed responses from team members in order to confirm their understanding

Summary

- Continuous improvement (CI) and innovation must co-exist for an organisation to maintain profitability and grow in the changing market.
- CI means an ongoing commitment to getting better in the area of systems management, and product and service delivery.
- Innovation is the means of creating new ideas or solutions, or finding a new use for an old idea and developing it to add value in some way.
- For creativity to bring something to life, it requires innovation, which includes elements of planning, teamwork, support, analysis and problem-solving skills as well as risk management and risk-taking.
- When it comes to CI and innovation, teams will typically outperform individuals who work autonomously. CI and innovation processes require multiple skill sets, judgements and experiences that can rarely be achieved solely by an individual.
- Sustainable business is making sure the organisation stays current with the demands and impacts of the market and remains profitable over time, with minimal negative impacts to the environment and to people.
- Sustainability requires leaders to monitor and evaluate the performance of existing systems and to develop CI processes that continue to meet and exceed the needs of customers.
- Monitoring and evaluating organisational performance follows the planning and implementation stages and is, in many ways, the most important part of any system.
- Performance measures enable the assessment of process effectiveness and efficiency, and highlight areas where improvements are needed.
- Consultation is an important part of developing improvement opportunities and involving stakeholders in the decision-making process.
- Promote participation and involvement in CI and innovation processes by encouraging team members to develop initiative and take responsibility through coaching and mentoring.

Learning Checkpoint 1

Establish ways of working with a team

Part A

1. Draw a line to match each continuous improvement (CI) system to its correct description.

» Six Sigma	» Aims to embed awareness of and focus on quality in all organisational activities – to do things right the first time rather than responding to problems after the fact.
» Total quality management approach	» Provides a framework to enable effective planning, implementation and corrective actions to be identified based on the results of the customer service monitoring process.
» Lean management	» A CI methodology that uses statistical measures to identify variation and measure defect rates.
» PDCA cycle	» A system based on encouraging innovation and improvements to existing business practices and processes, relating to the manufacturing and production of products and services.

2. Which of the following are concepts related to innovation and creativity? Tick all that apply.

- ◯ Creative ideas need to work as an effective solution
- ◯ Innovation can be a series of small improvements or upgrades
- ◯ Disruptive innovation can transform an industry with change
- ◯ When creativity results in fast change it is referred to as increased innovation
- ◯ Landscape innovation can be applied to several markets at once

3. Which of the following strategies should be used to monitor and evaluate the performance and sustainability of key systems and processes? Tick all that apply.

- ◯ Clearly define performance measurement criteria and techniques to be used
- ◯ Implement the contingency response plan
- ◯ Conduct regular and systematic reviews
- ◯ Compare actual performance with planned performance
- ◯ Identify unsustainable systems

4. Which of the following are suitable ways to consult with small and medium-sized enterprises (SMEs) and stakeholders? Tick all that apply.

- ◯ Seek and share views and information
- ◯ Schedule stakeholder consultation sessions in advance
- ◯ Make a decision and then seek advice
- ◯ Use consultation methods appropriate to the level of priority and nature of the opportunity
- ◯ Describe the importance of agreement when seeking stakeholder approval

Part B

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

Case study

Amanda works as a marketing manager for a medium-sized contact centre. The organisation employs five teams with about 10 sales consultants in each team. The workforce is diverse, with at least 50 per cent born overseas, and with a broad range of ages and level of experience in contact centre work.

The centre's primary function is to generate revenue for a number of selected charities. The frontline sales consultants are required to telephone potential customers, asking for donations for a number of selected charities and responding to inbound enquires about the charities they support. Amanda reports directly to the contact centre manager, Courtney. The organisation also employs an operations manager, who oversees the systems and day-to-day productivity of the centre.

Currently, there is little involvement from the sales consultants when it comes to CI and innovation processes. Courtney sees this as a major barrier to the growth and sustainability of the organisation. As such, she has requested that Amanda seek out ways for the team members to be more involved in contributing towards CI and innovative ideas to improve the centre's sales performance, branding and marketing within the target audience.

1. Which of the following communication skills does Amanda need to use when communicating objectives and expectations to the sales consultants? Tick all that apply.

- ◯ Use plain language and follow up with written communication
- ◯ Ask direct questions to ensure the audience understands the message being communicated
- ◯ Focus on what needs to be said, instead of the audience's language skills and limitations
- ◯ Use an appropriate pace, tone and volume when speaking in front of larger groups
- ◯ Take into account the language and literacy skills of the audience to ensure they understand the whole message
- ◯ Use minimal eye contact and a relaxed informal posture

2. What expectations relating to CI and innovation may Amanda be looking for from the sales consultants?

3. Write one potential objective or outcome that Amanda needs to communicate to the work team.

4. How can Amanda use mentoring to increase team members' involvement in CI processes?

5. How can coaching help the sales consultants to become more innovative?

Topic 2 | Identify improvements

2A Analyse performance reports and variations
2B Analyse changing trends and opportunities
2C Collect data and analyse supply chains and operational systems
2D Conduct a gap analysis and communicate improvement needs
2E Identify learning opportunities for team members

2A Analyse performance reports and variations

Continuous improvement (CI) is the process of increasing the performance and quality of products, services and systems through incremental and large gains and ongoing monitoring.

Leaders must invest time in accessing and analysing operational performance reports so they can identify actual performance and compare it to projected, forecast or planned objectives.

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

Performance reports relate to the following organisational areas:

- finance
- marketing, sales and customer service
- quality
- production
- logistics
- human resources and work health and safety (WHS).

Key sources of information

To effectively assess performance, you will need to access a variety of source documentation.

To identify actual performance correctly, consider the sources of information you need to gather. Valid data and information form an important part of the CI monitoring process. If the data and information you collect is accurate, timely and reliable, you will have a clearer picture of CI performance across the business. 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 can include:

- systems productivity reports
- 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.

Variance analysis

The purpose of variance analysis is to detect and correct variances (deviations) from expected or budgeted outcomes.

The variance at the end of a reporting period is the difference between the budgeted or expected outcomes and the actual outcomes achieved. The process helps to improve cost control methods, correct errors, identify favourable and unfavourable trends, and manage resources more effectively.

The standard variance analysis process involves the following five steps:

1. Collect reliable data about actual costs/outputs as they become available.
2. Calculate the difference between actual and budgeted/planned outcomes.
3. Investigate the reasons for the difference.
4. Report issues to key stakeholders.
5. Take corrective action to bring the actual costs/outcomes into closer alignment with the budgeted/planned costs/outcomes, in accordance with organisational policies, procedures or contingency plans.

Example

Acceptable variance

Variances are usually reported as positives or negatives – or as favourable, unfavourable or within expectations. Generally, there is an acceptable level of variation, either a fixed amount or a percentage. Acceptable levels of variation will differ from organisation to organisation and will be recorded in the organisation's financial management policy or operating procedures manual.

The following example shows whether the reported variances are favourable (F), unfavourable (U) or within expectations (OK).

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

Determine reasons for variance and update plans

When considering variance, it is important to determine the reasons behind it in order to plan for any necessary corrections.

When managing quality, identify and evaluate the root causes of variation to ensure the CI actions address the real issues.

Some examples of variances and corrective actions are shown below.

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

Example

Variance from planned performance

Brewing Supplies Pty Ltd Income statement for the month of August 2020				
	Budget $	Actual $	Variance $	
Sales	1,250,000	1,245,000	5,000	U
Less cost of goods sold				
Stock as at 1 August 2020	300,000	300,000		Nil
Add purchases	1,050,000	1,100,000	50,000	U
	1,350,000	1,400,000	50,000	U
Less stock as at 31 August 2020	350,000	330,000	20,000	U
	1,000,000	1,070,000	70,000	U
	250,000	175,000	75,000	U
Gross profit	900	350	550	U
Add commission	250,900	175,350	75,550	U
Less operating expenses	25,000	22,500	2,500	F
Sales salaries	300	435	135	U
Delivery vehicle expenses	700	890	190	U
Advertising	10,200	10,200		Nil
Rent	30,000	30,750	750	U
Administration salaries	3,100	3,300	200	U
Telephone	1,800	1,750	50	F
Rates and taxes	6,000	7,550	1,550	U
Power and fuel	1,350	1,735	385	U
Office expenses	1,000	845	155	F
Interest	79,450	79,955	505	U
Net profit	171,450	95,395	76,055	U
F = Favourable U = Unfavourable				

Practice Task 5

Question 1

Which of the following reports can be used to analyse performance of continuous improvement processes? Tick all that apply.

- ◯ Sales reports
- ◯ Waste and shrinkage reports
- ◯ Census reports
- ◯ Expense reports
- ◯ Customer feedback reports

Question 2

Explain how you would analyse performance reports and variance from plans in your workplace.

2B Analyse changing trends and opportunities

Leaders need to continually analyse the internal and external environments to identify the trends and opportunities that affect performance across all functions of the organisation.

Every organisation operates in an 'environment', which can be divided into two major areas: an internal and an external domain. Analysis of the internal and external operating environments will determine changes in trends and their effect on the organisation, and identify opportunities to increase value to the customer.

An environmental analysis enables you to determine trends and opportunities and develop strategies to manage threats and take advantage of opportunities.

Identify and analyse changes in the environment

CI is dependent upon adopting a step-by-step process that starts with identifying the changes required so that an organisation may meet its strategic objectives.

Leaders need to continually analyse the external and internal organisational environments to identify areas for improvement. At the corporate level of the organisation, senior management analyses the environment to define new organisational goals and objectives, and to make sure the strategic plan achieves these objectives. Managers at the business unit, department, group or team level analyse these strategic objectives and develop organisational plans to meet these objectives.

Changes at the strategic level are considered to be 'top down'. When CI is driven from the 'bottom up', managers and employees at various levels identify the need for change to improve a situation, as part of a CI process, or to address performance issues.

Trends affecting organisational objectives

Trends occur in both the organisation's internal and external operating environments – these can affect an organisation's ability to achieve its objectives.

Trends involve a gradual change in the operating environment that occur over a period of time and that impact an organisation's objectives. They can occur in the internal and external operating environments and can have positive and negative impacts on organisational performance.

Trends that may impact organisational objectives include:

- resignation of key staff members
- change of government
- change of legislation/government policy
- natural disaster
- civil or international conflict
- economic performance/exchange rate fluctuations
- increased use of social media
- shifting demographics, e.g. ageing population, increased immigration
- changing fashion trends
- change in competitor presence or activity.

Analyse internal environment and organisational behaviour

Factors in an organisation may impact its ability to achieve its strategic objectives.

A review of the internal environment may reveal areas in which change is required in order to meet objectives. Factors identified may include a lack of awareness of how actions in one area impact another, a culture of negativity or blame shifting, or limited understanding of an organisation's values.

In instances where internal attitudes or behaviours may be affecting performance, it might be necessary to apply organisational development techniques or programs (such as team building or cultural awareness) to improve attitudes, behaviours and relationships.

Internal forces for change include:

- new leadership requiring a restructure and a change in culture
- rapid growth or decline affecting structure and employee performance
- poor employee engagement and high employee turnover as a result of structural or organisational culture issues
- a lack of awareness of how areas of work affect and intersect with others across the organisation.

Review existing policies and practices

The internal environment is governed by existing policies and practices.

Review organisational policies, procedures and behaviours to identify whether the current practices enable the organisation or area to achieve its objectives. This review can also highlight issues in performance and provide information on structural elements that work well. Where productivity is low and/or cost savings need to be achieved, a review may identify that an organisation or department restructure could streamline the decision-making process and therefore improve performance.

Policy and practice review examples
▪ Job descriptions/responsibilities to determine whether documentation reflects actual performance ▪ Work practice instructions to determine where process efficiencies could be made ▪ Review policies to ensure the organisation is compliant with legislative requirements, e.g. privacy or WHS ▪ Staff training practices to ensure staff have the skills required to meet objectives, e.g. customer service staff have the skills to support increased customer retention

Analyse external environment

The external environment consists of factors that affect the management of organisations – these are usually beyond an organisation's control.

The external environment can provide organisations with opportunities and also threats to its growth. Examine and monitor the external environment for trends and possible opportunities that will benefit the business. There are two categories in the external environment: macroenvironmental forces and microenvironmental forces.

Macroenvironmental forces include the political/legal, economic, demographic, sociocultural and technological factors that may affect the organisation.

Microenvironmental forces are related more specifically to the organisation and include customers, competitors, suppliers and pressure groups (such as environmental lobby and consumer action groups).

Macroenvironmental forces	Microenvironmental forces
▪ **Political/legal:** increased government support for training organisations; requirements to meet equity obligations ▪ **Economic:** rise of the Australian dollar making it more expensive for international students ▪ **Demographic:** population growth and immigration creating greater demand for vocational training ▪ **Sociocultural:** due to increased demand from international students, an increased need for language support services ▪ **Technological:** advancements in e-learning platforms to provide flexible learning models and communication	▪ **Customers:** increased demand for e-learning from individual students, and for groups learning from corporate and government agencies ▪ **Competitors:** change in number of competitors due to government assistance to registered training organisations and decreased funding for TAFEs and universities ▪ **Suppliers:** increased cost of computers ▪ **Pressure groups:** local residents' group concerned with increased need for parking around the campus

SWOT analysis

A 'strengths, weaknesses, opportunities and threats' (SWOT) analysis is a useful tool for identifying opportunities and threats to an organisation.

An organisation can use a SWOT analysis to look at the strengths, weaknesses, opportunities and threats associated with the internal and external environments. Strengths and weaknesses are internal to the organisation and define what it is good at and where help is required. Opportunities and threats are external to the organisation – although the organisation cannot control them, they may influence the situation.

A SWOT analysis should be carried out regularly (such as monthly or quarterly) as changes in the operating environment are constant.

Six key steps to conducting a SWOT analysis:

1. Form a focus group to conduct the SWOT analysis, led by a facilitator.
2. Gather information and data based on all research undertaken on the internal and external environments.
3. Identify and discuss the strengths and weaknesses and where opportunities can be identified in the business, based on the microenvironment, or internal conditions.
4. Identify and discuss the threats and opportunities including trends in the market, based on the macroenvironment, or external conditions.
5. Decide upon targeted actions to build upon the organisation's strengths and address its weaknesses; also consider opportunities and guard against threats.
6. Document your outcomes using a table or business report format.

Example

SWOT analysis

The following is an example of a SWOT analysis for the introduction of a new product, which provides information in terms of change requirements.

Strengths	▪ Strong marketing team with experience in managing new products ▪ Sales team with appropriate knowledge and experience ▪ Good supplier networks ▪ Technological resources ▪ Current business process able to support introduction and delivery
Weaknesses	▪ Limited budget for marketing activities ▪ Technological resources that need replacing in 12 months ▪ Warehouse concern about additional workload and space required
Opportunities	▪ Growth in existing client revenue ▪ Access to new markets ▪ An increasing trend towards acceptance of e-commerce enabling easier online selling ▪ Increased uptake of social media (use for promotional activities)
Threats	▪ Pending changes in consumer legislation that may affect e-commerce activity ▪ Possibility of competitor getting to market first, affecting sales volumes ▪ Difficulty sourcing a component from single supplier – may have to consider manufacturing component in-house

Cost–benefit analysis of opportunity

A cost–benefit analysis begins the process of evaluating the outcomes presented by a SWOT analysis.

A cost–benefit analysis is a process that seeks to determine whether the costs associated with pursuing an opportunity make it worthwhile.

The following table explains how to identify and compare costs and benefits of an opportunity.

Identify costs associated with opportunity	Identify the costs involved in addressing cost or performance gaps, which may include time, physical resources and equipment. Consider also that the costs incurred for addressing gaps and for ongoing maintenance may be less than the costs that might be incurred if the requirement or gap is not addressed.
Identify benefits associated with opportunity	Benefits associated with an opportunity may be quantitative or qualitative. Strategic benefits may relate directly to the corporate and competitive strategies of the organisation, such as increased competitive advantage and increased sales. Other benefits may relate to increased efficiency, effectiveness and innovation. Consider benefits in light of their relationship to meeting organisational objectives. They are also merely predictions.
Compare costs and benefits of opportunity	To determine if the benefits outweigh the costs, calculate total costs and total benefits for comparison. Compare them by dividing the total costs by the benefits. Do the costs outweigh the benefits, or do the benefits outweigh the costs? Should the benefits outweigh the costs of the change that is to be implemented? A risk analysis assessment will help to identify strategies to manage costs and maximise benefits.

Practice Task 6

Question 1

Explain the difference between the macroenvironmental and microenvironmental factors that affect changing trends and opportunities.

Question 2

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

a) SWOT stands for strength, weakness, options and threats » Yes » No

b) The internal operating environment can be divided into two groups: macro and micro » Yes » No

c) Continuous improvement requirements affecting a specific department result from a management decision based on analysis of the operating environments for the business » Yes » No

d) A SWOT analysis should be carried out during every five-year period » Yes » No

e) Trends can indicate gradual changes in the operating environment over a period of time » Yes » No

Question 3

Provide three examples of external trends that might impact organisational objectives.

2C Collect data and analyse supply chains and operational systems

Managers need to collect information and data to analyse an organisation's supply chain, and its operational, product and service delivery systems.

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

By analysing the supply chain, leaders can collect information on the activities in the organisation that can be improved in order to provide higher quality products or services at reduced costs.

Supply chain analysis

Supply chain analysis identifies and evaluates the processes in a supply chain to highlight areas of inefficiency.

A supply chain analysis involves mapping the product flow, from production to the delivery of the finished product to the customer. It allows you to identify opportunities for strategic partnership with your suppliers and those you supply, helping you to cut costs and improve efficiency.

Map the supply chain

A supply chain map is a visual representation of the elements of your supply chain, including the products, services and processes involved in getting the product or service to the client or customer.

Supply chain mapping is best performed in consultation with the managers and staff members in your organisation who deal with suppliers and customers – you will need their expert opinion to create an accurate map. The mapping process will help identify areas where improvements and efficiencies can be implemented.

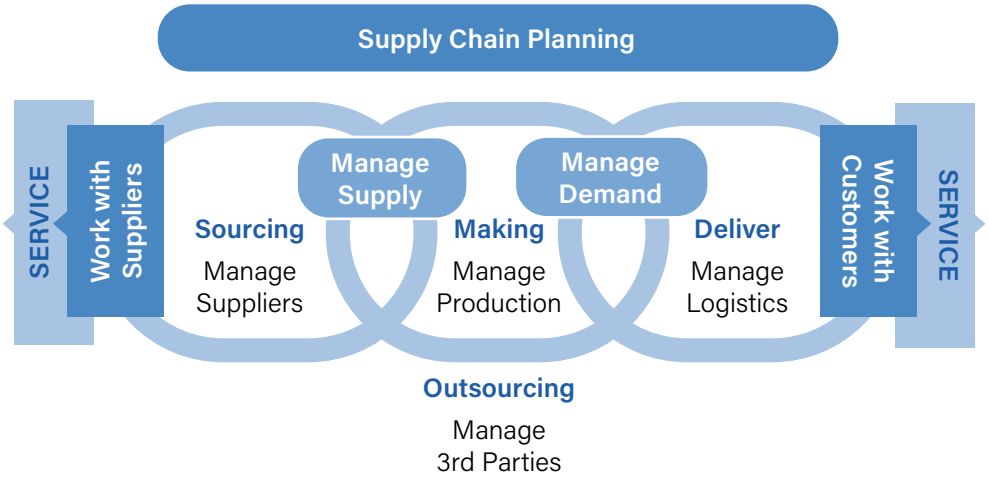
The following table shows the steps involved in mapping the supply chain.

Supply chain mapping process	
1	**Brainstorm the suppliers' list** Identify who supplies the most products or services, their importance in getting the products or services to market, and the quality of their products or services. Consider whether there are environmental factors that affect them, such as regulations or changes in the Australian dollar. Are there environmental factors that affect their suppliers? This will help to identify areas of risk.
2	**Draw the current supply chain** Identify the activities that occur between your suppliers and customers, using boxes in a flow diagram. Use arrows to show the flow of information, products/services and money between suppliers and customers. Identify how long each step takes.
3	**Analyse the steps and relationships** Consider each step and the processes involved in the supply chain. Brainstorm areas that could be improved. You may involve process management specialists at this point to investigate the processes, or undertake a 'define, measure, analyse, improve and control' (DMAIC) project. Assess the current relationship with each supplier. Consider whether they would be willing to work in partnership with your organisation to identify areas where material or service costs and time could be saved and value added. Prioritise areas for improvement, based on the activities that will provide the most value following cost–benefit analysis. Map the potential solutions.
4	**Develop an implementation plan** From the prioritised list, develop an action plan for process improvement and strategic partnerships. Ensure that the plan clearly allocates responsibilities to relevant managers and sets out time frames. Also make sure that you have an effective monitoring and evaluation strategy in place to measure improvements and the effectiveness of the analysis process.
5	**Execute the plan and monitor progress** The plan needs to be driven by a supply chain champion or team leader, who should ensure that the improvements are implemented and partnerships developed. This person will also need to ensure that changes are tracked and the value assessed.

Example

Supply chain map

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



Operational processes

An operational process is a group of structured activities that contribute to delivering a specified and measurable result, such as a product, deliverable or service for a customer.

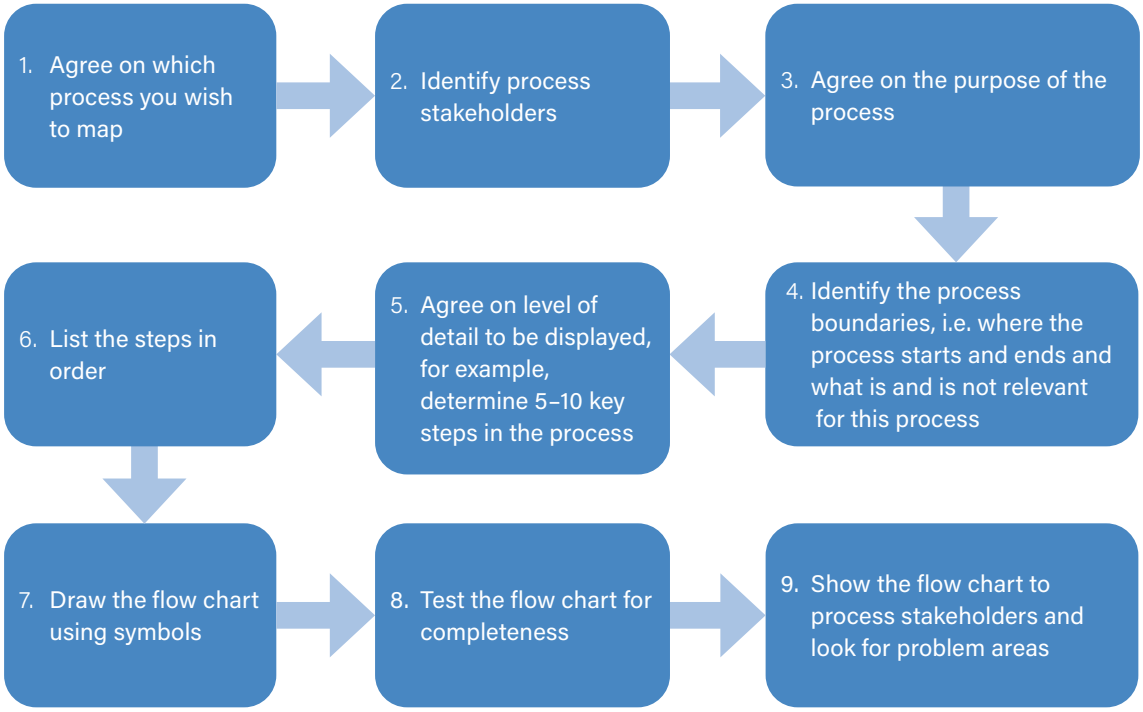
An operational process is the series of activities required to turn inputs into outputs for your customer. Anything that transforms inputs into outputs is called a 'process'. Any activity that you undertake to produce a product or service can be characterised as an 'operational process'. Examples include picking an order for a customer, completing a report, processing the payroll or opening the office at the start of the day.

Map an operational process

Process mapping involves taking an existing operational process and transferring the information into an easy-to-follow flow chart.

Process mapping allows you to identify all of the steps involved in completing a task. From here, you can analyse how a product or service is produced from beginning to end. Once the process has been mapped, issues can be identified and improved to increase levels of quality, performance and productivity. These issues or improvements are best represented as measurable data so they are easier to examine and measure if changes made are effective and result in improvements such as cost, quality or efficiencies in team labour or time.

To map an operational process, you will need to follow these steps in order:



Process mapping techniques

Process mapping helps leaders to understand the flow or order of events in an operational process.

Process mapping is more than simply drawing a number of boxes and arrows and filling each box with words. This results in a process map that runs to many pages, making it difficult to read, understand and follow.

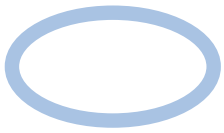
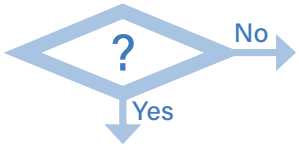
Some basic rules can be applied to creating process maps that make them easier to understand and follow.

Process mapping techniques
▪ Process map what you would like the process to be – not what it currently is. ▪ Try using a piece of A3 paper with Post-it notes, coloured highlighters and stickers to map out your initial work process and make changes as the process evolves. ▪ Work in groups to brainstorm each aspect of the operational process before attempting to map the task. ▪ Keep your symbols the same size. ▪ Use only reliable and current information sources. ▪ Gather and rank information according to: – critical steps – essential for achieving process outcomes/goals – important steps – improve outcomes/goals through greater speed or quality – optional steps – not related to achievement of outcomes/goals. ▪ Ensure your process map has start and end points. ▪ Start using draft documents and make changes along the way to refine your map.

Flow chart symbols

Every flow chart should use the same types of symbols to highlight key aspects in the process.

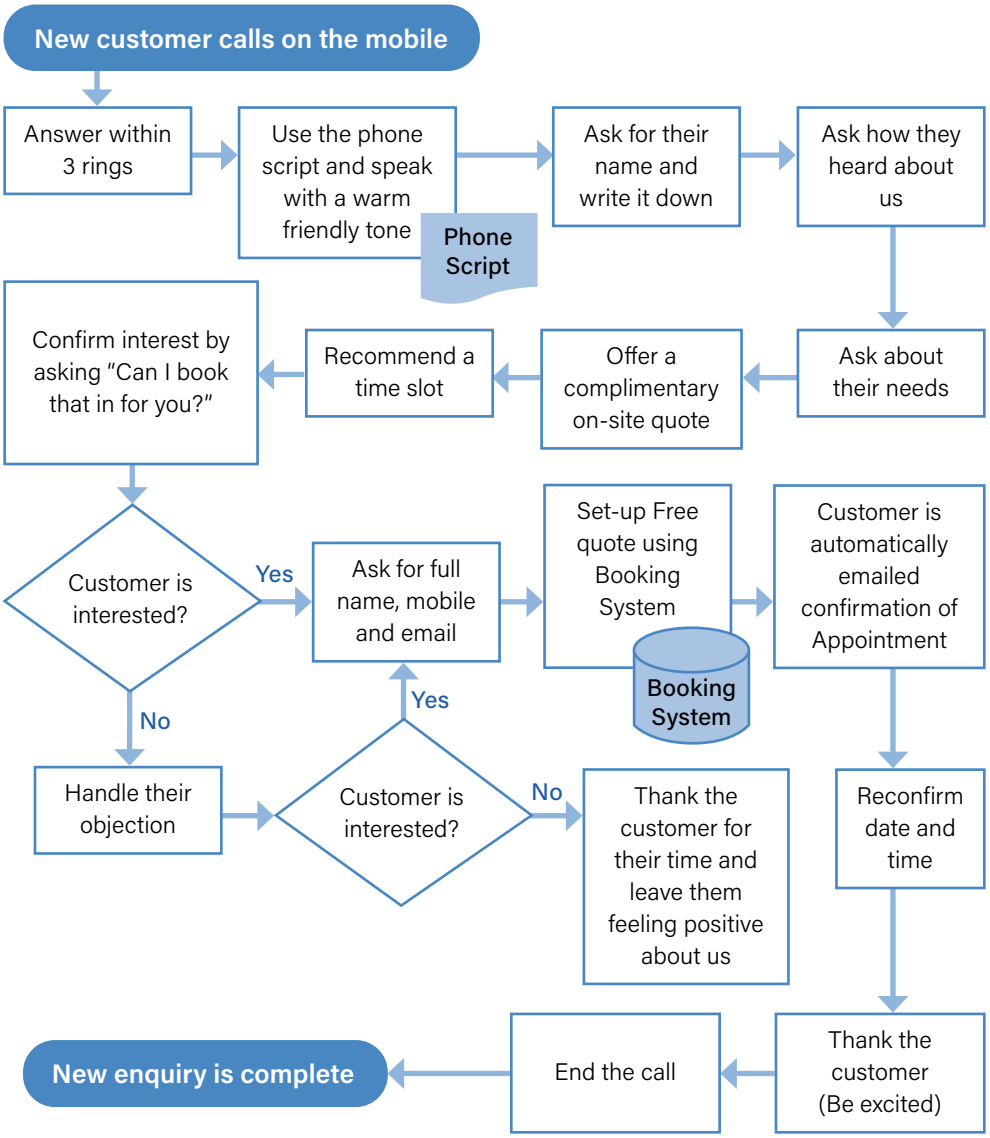
Symbols are used to explain the steps, resources and decision points in a process. The most commonly used flow chart symbols are provided below.

	**Start or end, input or output:** An oval is used to show the materials, information or action (inputs) to start the process or to show the results at the end (output) of the process.
	**Activity, task or action point:** A box or rectangle is used to show a task or activity performed in the process. Although multiple arrows may come into each box, usually only one arrow leaves each box.
	**Connectors:** Connectors show the flow of activities and link process steps and symbols.
	**Decision point:** A diamond shows those points in the process where a yes/no question is being asked or a decision is required.
	**Page connector:** A circle with either a letter or a number identifies a break in the process map that is continued elsewhere on the same page or another page.

	**Document:** A rectangle with an oblong base is used to refer to a particular business document throughout the flow chart.
	**Database:** A 3D pie is used to illustrate a reference to a database that must be accessed during the process.

Example

Flow chart for handling a customer complaint



Practice Task 7

Question 1

Number each step from 1 to 5 in the order you would follow to map a supply chain.

- ( ) Develop an action plan for process improvement and strategic partnerships.
- ( ) Identify who supplies the most products or services, their importance in getting the products or services to market, and the quality of their products or services.
- ( ) Consider the processes and relationships involved in the supply chain. Brainstorm and prioritise areas that could be improved.
- ( ) Identify the activities that occur between your suppliers and customers, using boxes in a flow diagram.
- ( ) Execute the plan and monitor progress.

Question 2

What is the purpose of mapping an operational process?

Question 3

Define the following terms and provide one example for each:

- Supply chain
- Operational processes

2D Conduct a gap analysis and communicate improvement needs

Identifying the variations between desired and actual performance provides the basis for determining CI requirements.

A gap analysis is a process that compares the current state or actual performance against the desired state or performance in order to identify gaps. The data collected from analysis of supply chains and organisational and service systems can be used to direct improvements and identify opportunities where change is needed.

The following table shows how to conduct a gap analysis:

Identify objectives	▪ Improved financial performance, e.g. increased turnover or profit ▪ Market share ▪ Shift into new market/area/industry ▪ Reduce staff turnover
Identify current performance	▪ Current financial performance, e.g. turnover or profit ▪ Market share ▪ Current market/area/industry ▪ Current staff turnover rate
Identify gap	▪ The gap is the difference between the planned objectives and the current level of performance

Improvement needs and opportunities

After completing a gap analysis, develop, approve and implement the identified CI needs and opportunities.

When identifying and actioning CI decisions and changes, maintain consultation and ongoing communication so that the changes stay consistent with the strategic and operational goals of the organisation. Sometimes the gaps identified are not the focus of current operational plans or objectives and so may not be acted upon.

Change as a result of review processes is often made at an operational rather than a strategic level. In these instances, the manager determining the requirement for change may be involved in the activities supporting that improvement. A gap analysis may indicate changes required in supply chains or other operational systems. Here are some examples:

- expanding suppliers to meet growth targets
- designing new work area layout to improve safety or productivity

- changing the steps in a quality assurance process
- implementing an organisation restructure in manager's department
- implementing training and communication plans
- amending existing operational processes to eliminate or clarify steps in the process
- increasing social media usage in communications team
- changing the process for inducting new staff.

Communicate improvement needs to stakeholders

The findings of the CI review and the internal and external analyses need to be communicated to team members and other relevant stakeholders.

Stakeholders, including those who are affected by the change and/or are involved in the implementation and management of the change in the organisation, need to be kept informed of any changes that impact their job roles. These stakeholders may be employees, senior managers, external business and operational specialists and consultants, or even suppliers and clients affected by changes in product development or service delivery.

Effective communication with stakeholders to confirm change opportunities and processes is an essential part of successful change implementation. It may be necessary to also consult with relevant change specialists on specific elements of the change process or on an ongoing basis throughout the change project. Likewise, experts, either internal or external to the organisation, may be consulted to provide specific expertise and opinion.

Key stakeholders are set out in the table below.

Change stakeholders
▪ Employees (may be divided into subsets when change impacts departments differently) ▪ Customers ▪ Clients ▪ Suppliers
Specialists
▪ Change management consultants ▪ Organisational development consultants ▪ Strategy development specialists

Experts
▪ External subject matter experts, e.g. information technology (IT) consultant ▪ Internal subject matter experts, e.g. IT team leader ▪ Experienced staff members ▪ Procedural experts

Seek agreement from team members

It is important to consult with your team members and to aim for agreement before the change process is implemented.

Gaining a formal agreement between team members and the leadership team gives each party to the process a level of accountability. Giving team members an opportunity to contribute to the development of CI plans and change processes helps to build engagement, commitment and, ultimately, better performance.

The way you communicate and confirm agreement with your team members will vary according to their needs, the nature of the work being performed and the structure of the team. For example, routine procedures like agreeing by email could be invalid if you work in the same vicinity as your team members. In most cases, a team or one-on-one face-to-face meeting will be more suitable.

Confirm CI opportunities and change processes

Confirm CI needs and requirements in consultation with relevant stakeholders to determine priorities and actions.

Change management in the organisation consists of three major stages: identifying change requirements and opportunities; planning change management; and implementing change. Within these three stages, the number and nature of steps will vary according to the type of change and the organisation's and manager's preferred approach. The steps in each stage are outlined in the table below.

Identify requirements and opportunities
▪ Identify the internal and external needs for change ▪ Identify the organisational requirements needed to make the change ▪ Prioritise the identified change needs

Develop change management strategy and plan
▪ Analyse costs, risks and barriers to change ▪ Develop a change management plan ▪ Assign resources to begin plan implementation
Implement and evaluate change
▪ Implement the change management plan ▪ Communicate the reason for change and the plan, to manage resistance ▪ Action change interventions and activities to ensure change becomes embedded ▪ Monitor the plan and evaluate the change

Communication methods used to communicate CI information can include:

Electronic	Use of email, messenger applications (apps), webinar, facsimile, public announcement (PA) system, two-way radio, teleconference, text message/mobile, fixed line telephone or other internet-based communications
Non-electronic	Group meeting, one-on-one discussion, letter, memo, poster, signage, policies and procedures, or flow charts
Live/real-time	Communications by which feedback can be sent and received immediately, for example, a telephone discussion, ad hoc discussion or face-to-face meeting
Virtual	Communications by which there is a delay in the response, for example, use of email

Example

Confirm requirements with stakeholders

A review of internal processes at Dillington Early Learning Centre identified the need for cultural awareness training for its staff in response to a rise in refugee families from the Middle East attending their centre.

Dillington's Human Resources (HR) Manager, Harvey, has been tasked with introducing this training and ensuring that it is embedded as part of the induction processes for all new staff. Harvey has met with the centre's team leaders and management to seek input on their needs and preferences around this training event. In addition, he has contacted a number of parents at the centre to confirm the nature of information to be addressed as part of the training. As a result of this consultation process, Harvey has identified the need to engage cultural sensitivity experts to ensure the training is developed and implemented in a manner that meets the needs of his team and families at the centre.

Practice Task 8

Question 1

Explain how completing a gap analysis can help identify improvement needs and opportunities.

Question 2

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

a) Only senior management should be consulted when confirming change requirements » Yes » No

b) A gap analysis may identify changes in service systems such as staff training » Yes » No

c) Employees are a stakeholder group » Yes » No

d) A gap analysis will always find problems that will require improvements » Yes » No

Question 3

Draw a line to match each action step to the correct stage of the change management process.

» Action change interventions and activities to ensure change becomes embedded

» Identify the internal/external needs for change and prioritise the identified change needs

» Analyse costs, risks and barriers to change, and develop a change management plan

» Identification of requirements and opportunities

» Development of change management strategy and plan

» Implementation and evaluation of change

2E Identify learning opportunities for team members

Knowledge is regarded as one of the most important assets in business.

The more an organisation seeks to grow, the more it requires a high-quality and knowledgeable team of staff to do the job. Without a skilled, quality-focused workforce, an organisation will struggle to keep up with the evolving demands of its clients and will be overrun by its competitors.

To remain responsive to market demand and to retain a competitive edge, organisations must develop an environment that promotes learning. It is through implementing learning and development systems, empowering and motivating team members, and creating awareness about the importance of learning, that organisations will continue to meet customer demand. When improvements are identified, a business must be responsive to these changes. Adjustments may be required from all levels of the organisation which may require staff to build on their knowledge and skills and enhance their capabilities. In many cases, operational practices will need review and staff must make adjustments to their work processes and procedures. These adjustments may require reskilling or training to be undertaken.

Organisational learning

Organisational learning is the process of transferring knowledge in an organisation.

In his book *The Fifth Discipline: The Art & Practice of The Learning Organization*, Peter Senge (2010) states that organisations learn through five disciplines:

Systems theory
Systems theory aims to comprehend and address the whole and integrate the disciplines. This includes three essentials: 1. Systems theory looks at connections and the whole – this allows people to look beyond their own actions to understand how their actions impact others. 2. While the building blocks of systems theory are simple, they can build into a more sophisticated model. By moving beyond the parts, you can see the organisation as a whole and appreciate it as a dynamic process. 3. Systems thinking allows us to realise feedback mechanisms in organisations.

Personal mastery
Personal mastery is the foundation on which organisational learning is built. It is about personal learning and growth, and it is the gap between current reality and personal desired growth. Individuals who have personal mastery can be recognised through the following characteristics: ▪ they are inquisitive ▪ they see change as an opportunity ▪ they are systems thinkers as they see that they are part of the whole ▪ they accurately assess their current reality ▪ they have a sense of purpose.
Mental models
Mental models are ingrained assumptions and generalisations that influence the way we see the world and the actions that we take. These assumptions and generalisations relate to mindset, beliefs and perspectives and are the greatest barrier to implementing new ideas. To develop mental models, you can learn and also teach your employees the: ▪ skills of reflection. Ask these questions: – Are my beliefs inaccurate? – What data do I base my beliefs and generalisations on? – What evidence can be used to prove my beliefs wrong? ▪ skills of inquiry, which shape how we operate face-to-face. Mutual learning can be practised by: – testing our assumptions by providing evidence – sharing information so we can see the whole – focusing on interests and outcomes, not positions – considering what we base our actions on.
Building shared vision
Sharing vision is where everyone finds meaning, direction and reasons to exist.
Team learning
Senge believes that 'teams, not individuals are fundamental learning units in modern organisations. They are pivotal in stretching the ability of the organisation to develop and grow'.

Develop a learning culture

A learning culture can be defined as the attitudes and actions that embrace, value and integrate learning into everyday work practices to enable the business to remain competitive.

Learning culture is lived out daily by all staff from upper management to frontline employees, and it is seen in the practices, policies and systems of a workplace.

It is important to ensure that managers and supervisors support a culture of CI which is underpinned by ongoing training and development of staff. Training and personal development are key elements to achieving quality and meeting the ongoing needs of external clients.

To adopt a culture of learning, ensure that staff are aware of and responsive to the demands placed upon the business from the marketplace (e.g. competitors, regulators and clients). This ensures staff understand why they must continuously improve.

To achieve the benchmark goal of being a 'learning culture' or 'learning organisation', leaders must:

- align all learning and development with business goals
- integrate learning into standard work processes
- reward and recognise learning
- provide sufficient learning and development opportunities for employees
- manage learning plans effectively
- support employee development and skills transfer into work practices
- monitor and review learning programs regularly.

Skills audit

Every team member will have different learning needs based on their job requirements and existing competencies. Learning and development needs can be best identified through a formal skills audit.

A skills audit should be carried out to discover the unique learning needs of work teams and individuals. The process can cover the whole organisation, a specific group of people (such as a team) or an individual. An organisation-wide skills audit involves the structured gathering of data about the current skills and capabilities in the entire workforce. Alternatively, a skills audit can be conducted on one employee who may be underperforming, or looking at advancing their competencies as part of a career plan.

As a leader, you must decipher these specific learning needs for each person and understand how to bridge the gap between an individual's current competencies and the needs of the organisation.

The three main steps of conducting a skills audit are shown in the table below:

Identify the core competencies needed for the job role	Gather information from job descriptions, team/ operational plans, organisational plans, policies and procedures, and performance appraisal documents.

Identify the learner's current competencies	Gather information using direct observation, samples of work completed by the employee, performance reports, tests, questionnaires, one-on-one interviews, client feedback/complaints, feedback from team members or other employees, or self-assessments.
Determine the training gaps	These are the differences between Steps 1 and 2, and are expressed in terms of skills, knowledge and attitudes. A performance gap exists when the learner does not have the required competencies to perform a task to the workplace standard.

A skills audit should aim to provide a systematic process for identifying the learning needs of team members. The primary outcomes from a skills audit will be to uncover performance gaps that can be used to form the basis of a tailored learning and development plan. The learning plan is a document that explains how these competencies will be improved to meet the required standards.

To implement an effective skills audit, you need to:

- ensure the learning and development needs are aligned with the organisation's goals and strategy
- keep the process simple and flexible
- look at future as well as current skill/capability requirements
- gather sufficient, valid and reliable information about the job role and the learner's current competencies
- follow through by completing each step of the process in a timely manner
- continually identify the development needs of the people you manage and coach them to enhance their capabilities.

Learning opportunities

Provide team members with access to the best learning opportunities so they will have the skills, knowledge and attitudes required to perform their tasks to the highest level of quality and efficiency.

A learning opportunity is the way in which a desired skill, knowledge or attitude is transferred to a learner. It is also referred to as a 'vehicle' because it takes the learner from Point A (not having a skill, knowledge or attitude) to Point B (developing the skill, knowledge or attitude to a competent level).

Learning organisations are able to provide a range of suitable learning opportunities to meet the different needs and learning styles of their workforce. As a leader, it is your responsibility to encourage your team members to access learning opportunities to meet organisational and individual objectives. Once these opportunities have been accessed, provide your team members with the support they require to ensure the learning objectives are successful.

The table below presents a range of learning opportunities:

E-learning	▪ Many companies have implemented e-learning, which encompasses several different types of technology-assisted training, such as web-based training (WBT). ▪ This training delivery method is valuable because it can automatically document participants' progress through the learning module and provide appropriate practice modules to improve areas of weakness. ▪ However, there is often little, or delayed, opportunity during e-learning processes, to discuss topics of interest, attitudes or learning difficulties with a facilitator. In addition, it is difficult to monitor, direct and reinforce the learner's progress to support the desired outcomes.
Tutorials	▪ The tutorial method focuses on meeting the needs of a group. Learners can ask questions and pose discussions during the session. Tutorials are best used for developing knowledge that does not require immediate development of a skill. ▪ Several variations in the tutorial format allow it to be more or less restrictive regarding time and agenda. Communication usually begins as a one-way process from the facilitator to the learning group and then, as the session progresses, more interaction and discussion occurs from the participants. ▪ A good tutorial begins with an introduction, an agenda and ground rules about discussion and questions. The topic areas are broken up into chunks, with group questions strategically placed at key parts of the tutorial to generate discussion and identify the progress of the learner group. The tutorial should include visual representations and demonstrations of the tasks that need to be completed. It should conclude with a summary of the main learning points and/or conclusions.
Group discussions	▪ The group discussion method uses an informal two-way communication model between the manager and the work team. This method uses a short presentation (20 minutes or less) to provide staff with basic information. ▪ This is followed by an open discussion among the learning group that is led by a facilitator who supports, reinforces and expands upon the information presented in the short discussion. ▪ Verbal and nonverbal feedback from learners allows the facilitator to determine if the desired learning outcomes have been achieved. If not, the facilitator may need to spend more time on this area and/or present the information again, but in a different manner.

Coaching	▪ Coaching assists in the achievement of long- and short-term goals that in turn assist in career development. The process helps individuals improve their current competencies and addresses areas that need improvement. ▪ Coaching should aim to achieve the following key outcomes: – Build capability in task skills and technical competence – Produce desired results – Inspire and motivate – Improve areas of underperformance
Mentoring	▪ Mentoring is the personal development relationship that exists between a mentor and mentee. While coaching focuses on developing technical and task skills, mentoring focuses on developing soft skills, such as communication, interpersonal skills, problem solving, teamwork and leadership. Mentors are generally people who are currently in a position where the mentee aspires to be. ▪ Mentoring should focus on: – sharing experience and knowledge that will further the mentee's personal growth and success – a structured mentoring program appropriate to the mentee's needs – addressing behaviours that need to be changed, improved or removed – building a mutually beneficial relationship where both parties trust each other.

Learning plans

A learning plan is a formal document that outlines the goals and strategies for improving a team member's competencies.

The skills audit and the learning opportunities that have been agreed to need to be documented so that team members and management have clear goals and strategies in place. Furthermore, by documenting the learning and development process, you are putting accountabilities in place that will help everyone involved to stay on course as team members progress through their professional development journeys.

A typical learning plan will include the following information:

Learning objectives
These are the targets explaining what the learner hopes/needs to achieve. They should be written as SMART goals: ▪ S – Specific ▪ M – Measurable ▪ A – Achievable ▪ R – Relevant ▪ T – Time-bound
Focus areas
These are the gaps needing improvement, such as specific skills, knowledge and attitudes.
Actions to improve competencies
These are the learning opportunities that learners will participate in to improve in focus areas, for example: ▪ e-learning ▪ tutorials ▪ group discussions ▪ coaching ▪ mentoring ▪ external training courses ▪ accredited training ▪ listening to podcasts and watching YouTube presentations on key topics ▪ self-paced study and research using text or online articles and resources ▪ secondments and job rotations.
Indicators for success
These are the performance measures that explain how the learner will know whether they have been successful in meeting the learning objectives.

Develop a learning plan

Learning plans are essential in meeting personal and business goals and achieving the required outcomes of the CI change process.

Learning plans ensure that the learning process for team members is carefully considered and that learning opportunities have goals to be achieved. Developing learning plans ensures that your team members receive the training they need and that they are constantly improving.

A learning plan must be developed based on collaboration and consultation with the team member involved. The plan requires extensive input from the employee undertaking the learning process. If team members have more say and influence over their own learning, they are more likely to be engaged and committed and take greater responsibility for completing the actions set out in the plan.

A nine-step process can be followed to develop an effective learning plan:

1. **Who are the learners?**
   Use your skills audit outcomes to identify who your learners are. The skills, knowledge and attitudes may be similar or they may be completely different.
2. **What do they need to learn?**
   The learning needs of the audience should have been identified in the skills audit. It is important to be 100% clear on what competencies learners need to develop.
3. **When do they need to learn it?**
   The learning required may vary according to when the competencies are required. Identify learning priorities and time frames for when they must be achieved by.
4. **Who will facilitate the learning?**
   Who should facilitate the learning will vary according to the method of learning or training you choose. This may be you as the manager, an internal trainer, a subject matter expert, an external consultant/trainer, a workplace mentor or a coach.
5. **How long will the learning take?**
   The time line for learning will vary according to the needs of the organisation, and in most cases, it will be quite clear. The learning will vary according to the budget that has been allocated. You should also indicate the time frame required to complete the learning sessions.
6. **How will learning be measured?**
   Tools and/or methods should be identified and utilised to measure whether the training has met its goals. This will usually include the use or development of performance measures.
7. **What resources will be needed during the learning process?**
   The resources required will vary according to the learning needed. Resources can include a venue, personnel, equipment and learning support materials, etc.
8. **What learning methods will be used?**
   When deciding which learning methods to implement, consider the learner's preferred style of learning, the objectives and the availability of resources.
9. **How will ongoing learning be supported?**
   Consider what ongoing support the learner should be provided with and how long should they get this support.

Example

Provide on-the-job coaching to improve performance

The use of a systems approach to performance management has seen Midfield Hospital improve patient safety, treatment, services and outcomes. The process uses a 'plan, do, check, act' (PDCA) approach, along with a rigorous performance review process, that generates inputs for the hospital's management system. With management support, supervisors at the hospital provide ongoing coaching as the staff development tool of choice, due to the personal nature of the health services industry and the camaraderie developed in the team environment.

When interviewed about the factors that led to the ultimate success of the system and the hospital's outstanding record, senior administrator Professor Kerryn Williams reported that the ability of her unit supervisors and professional support staff to adapt to the new processes and to seek out better methods to produce excellent work performance was the underpinning secret to success.

She said: 'Our supervisory staff are quick to recognise achievement and praise creativity in the workplace. This is rare in the medical sector as hours are often very long and the pay for support staff is not at a level the industry should accept. This recognition and one-on-one support for all junior staff has created an atmosphere where success is expected; achieving above-industry benchmarks for all levels in the workplace drives staff to greater heights'.

Practice Task 9

Question 1

Draw a line to match each training method to its correct description.

» Coaching	» Uses an informal two-way communication model between the manager and the work team.
» Discussion method	» Focuses on meeting the needs of the group; learners can ask questions and pose discussions during the session.
» Mentoring	» Encompasses several different types of technology-assisted training, such as web-based training (WBT).
» E-learning	» The process of training, developing and empowering a person to develop their technical skills. It involves supporting and guiding a person through a task and enabling them to follow a process to make sound decisions.
» Tutorial method	» The personal development relationship that exists between a mentor and mentee. The focus is on developing soft skills and leadership abilities. It involves encouraging self-development, listening and questioning, sharing experiences and enabling the mentee to work things out for themselves.

Question 2

Explain the link between organisational learning principles and continuous improvement.

Summary

- Leaders must invest time in accessing and analysing performance reports so they can identify the actual performance and compare it to the projected, forecast or planned objectives.
  - The difference between planned and actual performance is referred to as 'variance'.
- Variance analysis allows managers to quantify the deviations from planned performance, using data collected relating to resource usage, expenses (costs) and outputs and outcomes.
  - Generally, there is an acceptable level of variation, either a fixed amount or a percentage.
- Analysis of internal and external operating environments will determine changes in trends, their effect on the organisation, and identify opportunities to increase value to customers.
- An organisation can use a SWOT analysis to look at the strengths, weaknesses, opportunities and threats associated with the internal and external environments.
- The supply chain is the system of organisations and activities that are involved in getting a product or service to the customer.
  - The activities are those that transform materials or resources into a product or service.
  - A supply chain analysis involves mapping the product flow, from production to the delivery of the finished product to the customer.
- Process mapping involves taking an existing operational process and transferring the information into an easy-to-follow flow chart.
- A gap analysis is a process that compares a current state or actual performance against the desired state or performance in order to identify gaps.
  - Once these gaps have been identified, an organisation can then determine the changes required to address the gaps and pursue its objectives.
- Continuous improvement needs and requirements should be confirmed in consultation with relevant stakeholders to determine priorities and actions.
- A learning opportunity is the way in which a desired skill, knowledge or attitude is transferred to the learner.
  - It is also referred to as a 'vehicle' because it takes the learner from Point A (not having a skill, knowledge or attitude) to Point B (developing the skill, knowledge or attitude to a competent level).

Learning Checkpoint 2
Identify improvements

Part A

The following is an extract from a budget variance report. Review the report and then answer the question that follows.

(Note: you may be required to perform some mathematical calculations to help you determine the correct answers.)

Budget Variance Report – Extract				
January 20XX	**Budget ($)**	**Actual ($)**	**Variance ($)**	**Variance (%)**
REVENUES				
Area 'A' sales	12,000	11,662		
Area 'B' sales	12,000	12,798		
Area 'C' sales	12,000	4,458		
TOTAL REVENUE	**36,000**	**28,918**		
EXPENSES				
Wages – Area 'A'	3,250	3,250		
Wages – Area 'B'	3,250	3,250		
Wages – Area 'C'	3,250	1,500		
Accounting fees	550	550		
Equipment costs	800	1,504		
Rent	2,200	2,200		
Administrative and office costs	600	600		

1. Which of the following statements about the budget variance report are true?
Tick all that apply.

- ◯ Current CI initiatives are helping to achieve expected sales targets across all areas
- ◯ Current resource usage should be investigated to see whether equipment costs can be reduced
- ◯ CI initiatives should be developed to improve underperforming sales in Area 'C'
- ◯ Staff shortages have resulted in Area 'C' wages coming in under budget by 53.85%
- ◯ Equipment costs have exceeded budget by 61.05%
- ◯ Area 'C' sales are $7,542 below budget

2. Provide three examples of trends that may impact on opportunities for improvement in the workplace.

3. What is supply chain analysis and what does it involve?

4. When mapping operational processes, what techniques should you apply?

5. Provide two benefits of organisational learning.

Part B

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

Case study

Paulina works in the change management department at an organisation called EziPay – a third-party financial payment provider that assists small to large organisations in transferring money to and from their customers' accounts.

In the main office, there are 35 staff including customer service agents, supervisors and department leaders. The team works around the clock on a continuous roster. Agents can provide a 24/7 service to customers via telephone, email or live chat. Due to the sensitive nature of the work involved at EziPay, the organisation is at high risk of cybercrime, as well as physical theft of financial documents and personal information.

Paulina and her team are in the process of conducting an audit on the office security system. Using emerging technologies and trends, they are looking for opportunities to introduce a range of enhanced security procedures in the building, such as swipe card access to office areas, increased computer system protocols, a paperless desk policy and mandatory wearing of security/ID tags.

1. Explain a step-by-step process that Paulina can use to analyse the current operational security systems in place at EziPay to identify improvement needs.

2. In what ways can Paulina communicate to and gain agreement from her team about the new security procedures?

3. Explain how Paulina can identify learning opportunities for team members to ensure they understand and can follow the new security system procedures.

4. List three learning methods that can be used to ensure team members have the skills required to implement the new security procedures.

5. Describe the process Paulina can follow when conducting a gap analysis as part of her review of office security.

Topic 3 | Implement innovative processes

3A Confirm objectives, time frames, measures and communication plans
3B Address the impact of change and implement transition plans
3C Implement contingency plans
3D Manage failures and emerging challenges
3E Capture learnings in a knowledge management system

3A Confirm objectives, time frames, measures and communication plans

For continuous improvement (CI) to thrive in an organisation, it is essential that all team members receive up-to-date information about the change processes they are part of.

Leaders are responsible for the effective communication of CI processes and changes in their work spaces. Effective communication ensures work teams and other stakeholders are informed about CI processes, including the objectives, time frames and performance measures they need to achieve.

Communication processes must ensure that all stakeholders have access to the required information and data to make an informed decision.

Effective communication of CI processes

Effective communication means the intent of your message is successfully sent and received by the audience.

Although not every stakeholder and frontline worker needs to know all the details of a CI process, it is important that they learn about and understand the key elements of the changes that are to be implemented into work operations.

Without effective workplace communication, most teams would come to a halt. As CI processes are planned, implemented and monitored, effective communication becomes increasingly important.

Communication of CI processes should include the following information:

Objectives	Objectives are the specific, measurable, actionable, relevant and time-bound (SMART) goals the organisation is aiming to achieve. For example: Develop and implement the new quality control system and ensure all staff are trained and competent to follow the system by 30 September.
Time frames	Time frames can be split into either key milestones or deadlines. Milestones reflect a time frame for when a portion of the change process must be completed by. For example: All staff are to complete their training by 15 September. Deadlines are the set dates that explain when the change is to be fully implemented.
Performance measures	Performance measures are the measurable targets that show whether the change process is achieving the objectives. They must be quantifiable and use figures to clearly explain what needs to be achieved. For example: Reduce defective products by 5% by the end of the first month.

Develop a communication plan

The real success of CI is in the implementation, and a large portion of a successful implementation plan is based on communication.

Carefully consider the context and information needs of your team members and determine the best way to explain the requirements about CI processes to ensure the message effectively reaches your audience. Ensure your messages about CI processes are consistent, accurate and relevant to the needs of the workforce.

When delivering important information about CI and innovation requirements, create a communication plan which outlines a clear roadmap for consistently communicating with team members so they feel informed and confident in their expectations.

Communication plans should contain the following information:

Key content	Key content may include: ▪ current issues, opportunities and needs ▪ organisational objectives for the innovation processes ▪ expectations and measures of performance standards and behaviours to be achieved ▪ direction of the organisation relating to the innovation process ▪ details of a new workflow or procedure.
Target audience groups	Who are the key stakeholders and team members that need to know the key content about the innovation process?
Communication methods	Different audiences require different methods. Examples include: ▪ team meeting ▪ email ▪ e-letter/newsletter ▪ memo ▪ floor announcement ▪ one-on-one conversation ▪ web-based video call.

Communication timings	What time lines need to be met? When does the information need to be communicated by to ensure each person has the right information at the right time? Timing may align with or be dependent on the following: ▪ budget periods ▪ school terms ▪ seasons ▪ project milestones ▪ funding reporting periods ▪ on request ▪ in response to market opportunities or community needs.

Determine the audience

Every organisation has different types of stakeholders with varying roles depending on its structure, size and relationships. The focus of a communication plan is your stakeholders – the people who need information about the change process from you.

Your audience includes your stakeholders – any person or group who has a 'stake' in the organisation. A stake refers to a degree of influence on the company, or someone who is impacted by the change process and improvements that are introduced. Stakeholders can be internal or external to the organisation.

Examples of internal and external stakeholders who require information about CI objectives, time frames and measures can include:

Internal stakeholders	External stakeholders
▪ Board of directors ▪ Business owner/s ▪ General manager ▪ Chief executive officer (CEO) ▪ Chief financial officer (CFO) ▪ Department managers ▪ Store manager ▪ Team members	▪ Government agencies and their representatives ▪ Customers/clients ▪ Associates ▪ External business networks ▪ Shareholders ▪ Technical advisors ▪ Consultants

Determine the communication methods

The method you use to communicate CI information will vary depending on the nature of the information and your audience's needs.

The following table explains four common types of communication methods used in business to communicate information to a wider audience.

Forums	A forum is a meeting that aims to promote open discussion. These are generally face-to-face in a boardroom environment, involving a select group of participants, led by a facilitator such as a manager. Digital forums are growing in popularity, in particular where teams are spread across different locations. Website members can post discussions and read and respond to posts by other forum users. An internet forum is also called a message board, discussion group, bulletin board or web forum. An internet forum usually allows all members to make posts and start new topics.
Meetings	Meetings can be either formal or informal. Formal meetings are planned to gather information or feedback. Informal meetings may be a discussion between two members of a team, or a quick discussion before a shift.
Newsletters	A newsletter can be paper-based or delivered via email in digital format. The aim of most of these formats is to reach as many stakeholders as possible to ensure that specific parties are supplied with up-to-date information.
Reports	Reports are usually written for stakeholders based on agreed reporting systems. They are written weekly or monthly and aim to identify where goals are not being met, and to implement strategies to enhance CI processes and systems.

Example

Communication plan

Thomas is the warehouse manager for a medium-sized transport and logistics organisation. The business acts as an intermediary between local farmers and the larger supermarket chain warehouses that are located across the country. The organisation employs over 60 staff, including 40 people who work in the picking and processing team on the warehouse floor.

Following a recent gap analysis on the current picking process used by warehouse staff, Thomas has identified a number of significant improvements that can be made to increase productivity in the picking and processing team.

To communicate the change process, Thomas is conducting a series of meetings, which will be attended by 8–10 staff at a time. The meetings run for one hour, so as to not impact on the productivity rates in the warehouse, and they are scheduled at different times to ensure everyone has an opportunity to attend. Each team member who attends the session receives a printed flow chart handout that explains the new picking process they are to follow. To handle ongoing questions and concerns from team members, the shift supervisors are in charge of running daily team briefings over the coming two weeks, which are to be held before the commencement of each shift.

Practice Task 10

Question 1

Which of the following questions should be asked when preparing a communications plan? Tick all that apply.

- ◯ What are the key points to be communicated?
- ◯ Whose jobs are directly affected by the change?
- ◯ What communication methods are easiest?
- ◯ What methods have worked in the past?
- ◯ What methods will take the least amount of time?
- ◯ What communication method will work for all groups?

Question 2

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

a)	A communication plan should include the objectives, time frames and performance measures for the improvement or innovation	» Yes	» No
b)	Benefits of innovation and change should be communicated from the perspective of senior management	» Yes	» No
c)	Social media should be used to communicate with internal stakeholders	» Yes	» No
d)	Staff directly affected by change should be informed using team meetings, email notifications and personalised meetings	» Yes	» No

3B Address the impact of change and implement transition plans

When implementing improvements, evaluate and manage the impacts of change on the workforce and their job roles.

In preparing for change, managers need to analyse a number of factors that may result from the implementation of a CI process. This includes implications to workers and their ability to perform their job roles to the required standards.

Take an analytical approach to identifying and assessing the issues associated with change and its impacts on worker safety, productivity and quality. This includes using tools such as a risk assessment matrix to calculate the consequences should a risk occur.

Changes can impact worker performance in the following ways:

- Creation of new hazards that can impact the health and safety of workers
- Creation of new roadblocks and challenges in a workflow process
- Decrease in productivity due to the time required to follow a new process
- Introduction of new systems that may not integrate with existing systems, causing excessive downtime
- Increase in time required to learn how to use new equipment and develop confidence in the new process

Transition plans

A transition plan ensures that the innovations or improvements are successfully embedded in the organisation.

Whether the innovation or CI process is run as a project or as a change management initiative, a transition plan is essential in achieving the planned objectives, time frames and measures.

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

Here is one process for developing a transition plan:

Transition planning	
1	**Identify likely effects of change** What will the consequences of change be? You should: ▪ identify gaps between the current and desired situation, including the skills and knowledge staff need to implement the change and to work in the desired situation ▪ identify barriers to change ▪ conduct a risk analysis and develop treatments, including contingency plans (the table in the 'Manage risks using contingency plans' section below notes that the 'change the consequences' treatment involves developing contingency plans).
2	**Determine change readiness** Determine how ready organisation members are for change, and identify potential barriers to successful implementation by using surveys and interviews to obtain feedback. Analysis of findings will identify potential member ownership of the change; group, team or individual resistance; and organisation system and process barriers to implementation.
3	**Determine transition activities** Identify the activities and tasks that will produce the outputs and outcomes identified in the objectives. A useful tool to use is the work breakdown structure (WBS). To develop a WBS, the team considers the change outcomes, and then identifies the outputs. These outputs are broken down into the activities required to achieve them. These activities are then further divided into tasks. For each task, identify the human resources (HR), equipment, money and time required. Remember to take into account the requirements for training and development, communication and performance reporting.
4	**Estimate required resources** To estimate resources needed to produce outputs and outcomes, multiply the resource effort by the resource unit rate for all the tasks listed in the work breakdown structure. It is important to include all costs, allowing for contingency. For example, there may be staff movement or training, which will involve additional costs. The finance and HR teams should be able to estimate costs relating to such issues and any standard percentages of contingency required in planning for budgets. The total estimated cost of all activities (generally by month) until the project is finished becomes the cashflow, which is the project's budget.
5	**Allocate roles and responsibilities** Use the findings from the WBS to identify who will lead the transition process and who will take charge of activities or groups of similar activities. Consider the current roles and responsibilities of managers and team leaders, and their knowledge and leadership skills. If the required knowledge or skills are not available, you may have to consider employing or contracting a person with the required skills and knowledge. At this stage, also identify who the leader of the transition needs to report to.

Transition planning	
6	**Prepare the schedule of activities** Develop the schedule by calculating the time required to complete tasks. Take into account that one activity or task may require the completion of another before it can start. For example, training needs for a new work method must be identified before training plans can be developed to address those needs. Activities and tasks that are not dependent on each other can be undertaken at the same time. For example, new HR procedures can be written while planning for training occurs. The schedule of activities is often presented in the form of a table; managers with project management software experience may create a Gantt chart.
7	**Determine communication requirements** Change implementation requires a communication plan to ensure that people understand the reasons for the improvements and are provided with the full facts and expectations on how they will need to change. Information sessions, team meetings, newsletters and blogs can be used to communicate requirements, and to keep staff up to date. Those responsible for the change – the change leaders – need to build trust with those affected by the change. This can be achieved through employee participation in the transition planning process. Feedback should always be encouraged, and suggestions for improvements sought at every briefing, training session or meeting.
8	**Develop strategies to manage barriers and resistance** Change leaders must make training and development available to the people who will be required to change. Training and development will address skills and knowledge gaps, and build organisational learning. Opportunities to share skills and knowledge need to be made available during the transition process. As noted earlier in the unit, a reward system may be useful in encouraging organisation members' behavioural change. Consider recruiting people who are adaptable to change as 'change champions'. As with creativity and entrepreneurial behaviour, those who readily accept new values and change should be supported and promoted where possible. These champions can be asked to speak at forums and to contribute to blogs or wikis to promote the value of CI.

Transition planning	
9	**Identify methods for monitoring and evaluation** Evaluation criteria need to be developed to assess progress and success of the transition. Considerations include the following: ▪ How will performance results and feedback from those involved be collected? ▪ How will you know when you have reached a milestone; that is, when a major stage or activity has been completed? ▪ What activities need to be reported on, what types of reports need to be generated and when, and who will be responsible for each one? ▪ How will progress be communicated – for example, via forums, meetings, email, intranet, social media? ▪ What factors indicate success of the transition – for example, achievement of organisational objectives, an increase in productivity, sales or profit? ▪ When will final evaluation of the transition be conducted and who will be involved in conducting the evaluation? ▪ What tools can be used to determine whether the change has been embedded – for example, interviews, surveys, focus groups?
10	**Prepare the final plan for approval** The plan needs to include the following elements: ▪ Explanation of the reasons for change, the change vision and strategy ▪ Time lines or schedule for activities and activity responsibilities ▪ Resources required for the change, including training needs and all associated costs ▪ Risk management and contingency plans ▪ How requirements will be communicated ▪ Explanation of how the change will be monitored and evaluated Take audience needs into account by matching the style of writing to the purpose and the audience. For example, the plan requires a formal tone, and should be structured to ensure requirements and justifications are clear for managers.

Example

Transition plan template

Objectives

- Objective #1
- Objective #2
- Objective #3

Action steps

Priority	Program/ activities	Responsibilities	Time frames

Reporting strategy

Report name	Stakeholders	Reporting/ communication methods	Responsible person	Time frames

Promote the value of creativity, innovation and sustainability

A central theme of any transition plan is to ensure team members understand the purpose and value of what they are required to support.

Creativity is the birth of a new idea. Innovation means putting life into creative ideas and generating value for the organisation. Sustainability refers to making decisions that ensure the business stays current with the demands and impacts of its customers and other stakeholders. Creativity leads to innovation and sustainability in organisations. Without creativity, team members cannot identify solutions to organisational threats and opportunities, which would halt the growth and overall longevity of the business.

An effective transition plan must ensure that team members understand the 'why' behind the 'what' – in other words, they need to know the purpose and value of what it is they are contributing to. If team members have a clear understanding of the 'why', they will be more likely to support the change process and make an effort to ensure improvements are implemented to the best of their abilities.

Use Kotter's change process to manage transition

Handle change management in a strategic and sensitive manner to achieve the best outcomes for the business.

Improvements can be difficult to implement as many people are resistant to change. Therefore, it is critical that you have all of the relevant information in order to implement the changes in your work teams.

Change management involves taking a planned approach to help people transition through a period of change. The success of any change usually stems from the manager's ability to provide team members with appropriate information and support.

John Kotter, an academic who studies leadership and change, has developed an effective process for leading change.

Successful change management practices can be broken down into the following steps, following Kotter's 8-step change management model:

Kotter's 8-Step Process for Leading Change	
1	**Create a sense of urgency** Change leaders need to ensure that employees feel an urgent need for change. They can do this by formulating a compelling and persuasive reason for why change is needed. CI and innovation need to be consistently promoted to ensure people understand the role they play in sustaining organisational success.
2	**Build a guiding coalition** Leaders need to get on board senior management and other stakeholders who have power to affect outputs and outcomes and who have influence over inputs. An example of a stakeholder with high power and influence over transition is the senior manager or management group ultimately responsible for approving a project and making funds available to implement change.
3	**Form the strategic vision and initiatives** Leaders need to create a strategic vision that will direct the change and initiatives. This is critical in promoting innovation and CI. The vision needs to be effectively communicated throughout the organisation and to external stakeholders.
4	**Enlist a volunteer army** Leaders need to empower a broad group of people as change agents, people who can act on the vision and drive change. These agents need to be encouraged to engage in creative problem solving to ensure issues do not become major problems.
5	**Enable action by removing barriers** Leaders need to remove barriers to change that threaten the achievement of the vision. They need to increase the driving forces for change and decrease the resisting forces. To identify driving and resisting forces, a force field analysis can be conducted. In some cases, the driving forces can be increased, while in others the resisting forces can be decreased.
6	**Generate short-term wins** Leaders need to plan for and track accomplishments, rewarding short-term wins that move the organisation towards achieving the new vision.
7	**Sustain acceleration** At this stage, leaders should change organisational policies and processes that do not support the vision. This may mean hiring or promoting people who can implement change and/or create new processes.
8	**Institute changes** Embed the change by demonstrating the relationship between organisational success and the new behaviours.

Further information is available on the Kotter International website at: aspirelr.link/kotter-international

Ensure managers and team leaders become change agents

A change agent – someone who is trained and equipped in system implementation and change management – can help in the process of integrating improvements.

Change agents assist organisations in a smooth transition through large-scale changes, but they can also be used in the integration of smaller incremental improvements. Given the nature of the role primarily deals with leading people rather than facilitating processes, the change agent role is usually given to a person who works in the HR department. The change agent might organise:

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

Example

Meet sustainability requirements

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

He develops the following table:

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

Change: Green office program	**Consideration** ▪ Research successful green office programs. ▪ Gain staff support by explaining the benefits of a green office program. ▪ Encourage minimum use of paper, re-use paper, recycle, use non-disposable items such as cups and cutlery, switch off lights when not in the room, dress appropriately to reduce heating and air conditioning costs, and run dishwashers only when they are full. ▪ Provide rewards for meeting targets.
Change: Reporting on sustainability	**Consideration** ▪ Research how others report on social and environmental activities. ▪ Report sustainability successes that have helped reduce the organisation's ecological footprint. ▪ Publicise achievement of targets in internal newsletters, on the intranet and in newspaper articles for the local community.

Practice Task 11

Question 1

Which of the following tasks do you need to follow when preparing a transition plan? Tick all that apply.

- ◯ Announce the innovative change to external stakeholders
- ◯ Estimate required resources, roles and responsibilities
- ◯ Allocate roles and responsibilities
- ◯ Determine communication, monitoring and evaluation requirements
- ◯ Develop strategies to manage barriers and resistance

Question 2

Outline the key considerations when addressing the impact of change on the workforce.

3C Implement contingency plans

Identifying and assessing risks associated with change is an important component of implementing change management requirements and managing non-performance.

Risk is defined as any potential threat to the organisation achieving its goals. Many organisations have developed risk management processes to guide and assist staff in identifying, analysing and treating organisational risks and following up on non-performance.

The following table provides an outline of how risks relating to change can be identified and managed by leaders.

Identify risks
Risks can be identified by brainstorming likely risk scenarios and consulting with area specialists, experts and staff. It can be useful to review documentation related to previous change initiatives to identify indicators of risk, which may include: ▪ loss of production capability ▪ loss of key staff or staff resistance ▪ delays in installing new equipment ▪ budget overruns ▪ loss of productivity ▪ increased risk of injury or illness ▪ resources not made available at the appropriate times ▪ impact on current service delivery to clients ▪ impact on suppliers if different resources are required.
Assess risks
Assessing risks evaluates a risk's likelihood and impact. The likelihood of the risk occurring may be 'very likely', 'likely' or 'unlikely'. Some organisations may use different words such as 'expected', 'probable' and 'improbable'. The consequences of the risk may be 'major', 'moderate' or 'minor'. Other rating terms commonly used are 'disastrous', severe', 'extreme', 'minimal' and 'negligible'. Risk analysis is generally directed at the negative consequence of risks. However, risk management is also able to identify and prioritise opportunities. For example, analysis may reveal that a member of the group has relevant expertise that has not previously been taken into account.

Evaluate risks using a risk assessment matrix

Use a risk assessment matrix to evaluate a risk, and identify likelihood and impact, to determine the level of the risk.

High risks become the priorities for treatment and may require attention by senior management. Moderate risks need management focus. Some low-level risks may be seen as low priority as they can be resolved through routine procedures.

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

Grading – severity of impact			
	Minor	Moderate	High
Likely			
Possible			
Unlikely			

Key	
	Acceptable risk – monitor and reduce as much as possible
	Concerning risk – must be reduced as much as possible
	Intolerable risk – must be acted on and reduced immediately

Manage risks using contingency plans

In treating risks, the goal is to eliminate or avoid the risk where possible and, should the risk materialise, to control the outcome.

There are various options available for a manager to control or manage risks associated with change processes and non-performance. These are called contingency plans.

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

The following table outlines five major strategies which can be used to manage risk as part of a contingency plan.

Avoid the risk	Can the risk be removed completely? For example, if the risk of implementing a new workflow at this time is too high, can the organisation simply look for an alternative process or revert back to the original process? Options to avoid risk include: ▪ not becoming involved in change processes and activities that lead to the possibility of the risk eventuating ▪ outsourcing risk-related tasks to contractors or specialist providers ▪ discontinuing practices and innovative changes that may realise the risk.
Change the likelihood	The likelihood of risks can be lowered by removing various stimuli or situations likely to materialise the risk. This may be as simple as improving consultation or communication channels with suppliers, or: ▪ reducing exposure to the risk environment ▪ removing or reducing activities that may lead to the risk being triggered ▪ using inspection controls and quality assurance measures ▪ implementing tighter control of contract conditions ▪ ensuring time lines are realistic.
Change the consequences	Consequences can be managed through contingency planning. Contingency plans are a valuable tool for helping to reduce the impact or consequence of a risk event and include: ▪ establishing measures to control or minimise damage if the risk is realised, such as fraud control planning, public relations, disaster recovery planning and pricing controls ▪ developing administrative measures, controls, policies or procedures to provide guidance.
Share the risk	If a risk is at too high a level to take on alone (for example, expanding the business into a new industry), partnerships and strategic alliances allow for risks to be shared. Sharing a risk also commonly involves external investors, such as venture capitalists or insurers and underwriters, and includes: ▪ insurance against an event occurring ▪ joint ventures ▪ partnering arrangements ▪ underwriting ▪ investor participation.
Retain the risk	Some negative risks may be at an acceptable level when the likelihood and consequences can be adequately managed internally by the organisation. Other risks may be at such a low level as to not warrant any effort. For example, an occasional small loss in productivity due to introducing new technology may not have a huge impact on customer satisfaction and service level agreements, so this low-level risk can be accepted.

Contingencies to support change

Contingency plans must include actions that support workers who are required to implement change processes. Activities to change the behaviour and attitudes of organisation members are referred to as 'change interventions'.

Changes in work processes can have varying degrees of impact on worker performance. A change intervention is a term used in organisational development to describe the actions designed to improve the effectiveness, efficiency and relations of individuals when faced with the task of learning new processes. These contingencies will ensure workers have the necessary resources and support to follow the new initiatives, which will lead to greater outcomes for the organisation.

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

The following table presents a range of possible change interventions:

Team building	Team building helps people to get to know each other, learn what to expect from each other and understand how they can best work together. The actual activities depend on whether the team is new, has a new member or has been together for a while. Brainstorming workshops, where members develop change goals and identify strengths to build on and weaknesses to overcome, are popular. Team leaders, HR members and transition team members can facilitate sessions.
Inter-group development	This intervention involves changing the attitudes and perceptions that work groups have of each other. A common technique is conflict resolution meetings, where groups or teams get together to brainstorm issues affecting cooperation and efficiency and work together to resolve them. Common goals should be identified and actions undertaken to develop and achieve these goals. Team building and inter-group development underpins Senge's five disciplines for building a learning organisation.
Process consultation	This method is used to continuously improve the new or adjusted process being implemented. Groups and teams come together to work on process effectiveness and efficiency. The process is re-mapped at various points during the transition and performance reviewed to identify habits and practices that could be improved to better meet objectives. For example, the consultation could lead to removing unnecessary approvals on completion of steps and revising procedures to manage reworks so other steps are not affected.

Survey feedback	Survey feedback involves presenting employees with questionnaires to obtain feedback to identify and assess attitudes. The survey results help to identify issues or inconsistencies. The questions may look at the organisation and team cultures, employment and pay conditions, the chain of command and senior leadership styles, and team structures. Differences between the current attitudes and those required during the change and for the future can be discussed and resolved in feedback groups.
Sensitivity training	Sensitivity training uses unstructured group interaction to change behaviour. It is an intervention designed to help people understand how their behaviour affects others, and involves each member of a group or team putting themselves in another's position to be able to better relate to that person and their position. Team and group members need to be encouraged to share their perceptions of others and their values, beliefs and attitudes.
Training and development	Training is a critical component of any strategy for assisting organisation members to implement new ways of working, and it is a key principle of building a learning organisation. It can take many forms, including: ▪ mentoring to provide encouragement and guidance ▪ developing an employee's formal qualifications to help them adjust to new responsibilities ▪ offering internal and external opportunities to build communication, leadership, and problem-solving and decision-making skills ▪ coaching for support and to resolve underperformance ▪ having redeployment strategies in place ▪ retraining when a redundancy is made to help the person find employment. The training needs analysis (TNA) undertaken during the planning phase will have identified requirements. Leaders need to encourage team members to participate in the required training.
Job redesign	Positions are analysed to fit new structures, technologies or processes. A position may be redesigned to ensure a better fit between individual capabilities, job requirements and changes to elements of the organisation's structure. Any redesign needs to consider how the change affects the team's and organisation's culture and any skill development required. Some positions may be enriched to include greater responsibility and areas of interest to motivate staff, with the individual involved in deciding how tasks are managed and decisions are made.
Career planning	Career planning involves managers working with their team members to plan their futures and motivate change. People are encouraged to set and meet personal career goals. Succession planning involves identifying those who may be able to take on greater responsibility in the future and implementing a development program to build their skills and knowledge.

Health promotion	Health programs are designed to reduce or prevent stress and anxiety. Fitness, stress management and counselling programs that aim to reduce risk factors (such as obesity, smoking, drinking and burnout) by changing behaviour will improve employee performance and reduce staff turnover.
Counselling	Change is stressful, not only for those who have experienced a significant change to their position or who have been redeployed or retrenched, but also for those who remain. People should be offered personal and professional counselling to present their skills in a positive way in preparation for finding new employment. Some organisations choose to outsource this counselling to behavioural and occupational psychologists.

Document your contingency plan

Risks to the implementation of your change process can arise for many reasons; therefore, 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 change processes and transition plans.

Contingency plans can include consideration of the following actions to mitigate risk:

- Modify the time frames, key performance indicators (KPIs) or objectives of the transition plan.
- Implement initiatives to increase staff support for new equipment or processes.
- Maintain regular communications with key personnel as part of an implementation process.
- Have back-up processes in place, such as a manual process if introducing an electronic process.
- Have additional resources on standby.
- Restructure the plan to reduce costs or allow for issues to occur.

Example

A contingency plan

Review the following example which explains how contingencies are documented and managed:

Event	Consequence	Probability	Proposed action
Introduction of new processes	High	Possible	▪ Develop consultation processes with supervisors ▪ Ongoing communications with team members on task processes ▪ Develop staff training strategies

Practice Task 12

Question 1

Which of the following statements about the risk analysis process 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) Risk assessment involves establishing the threats in the organisation's internal and external operating environments » Yes » No

c) Risk identification is the process of brainstorming likely risk scenarios and consulting with area specialists, experts and staff in identifying issues » Yes » No

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

Question 2

When managing risk, why is it important for leaders to implement change interventions and other contingencies to support change?

Question 3

List three common types of risks associated with implementing improvements and innovations.

Question 4

What is the purpose of documenting a contingency plan? In your answer, include the key components recorded in a contingency plan.

3D Manage failures and emerging challenges

When implementing innovative processes, it is important to promptly investigate failures and complete an analysis to identify the cause of the failure.

Once an innovative idea has reached implementation phase, the organisation will have invested substantial amounts of time and money in the change process. Following the implementation of a change process, investigate performance so that the actual outcomes and impacts are understood. There may be an opportunity to make small amendments that would improve the new initiative and the transition plans. In some cases, CI initiatives may fail to meet the agreed objectives. It is important to identify the root causes and learn from these failures to ensure the same mistakes are not repeated.

Root cause analysis

Unfavourable variances between planned and actual performance need to be promptly investigated and addressed to get the process or project back on track. This requires leaders to determine the underlying causes for the failures.

Root cause analysis (RCA) is the process used to find the underlying causes of a problem. RCA is based on the belief that problems are best solved by attempting to correct or eliminate root causes, as opposed to merely addressing obvious symptoms. Directing corrective measures at root causes should eliminate or minimise the likelihood of the problem rematerialising.

RCA involves:

- identifying as many causal factors as possible
- eliminating the factors that are not relevant.

RCA involves finding out what happened, how it happened and why. The purpose is to prevent the problem from happening again. There are various RCA tools that can be used to assist in completing investigations analysis to determine the cause of change process failures.

The two most common RCA tools are:

- The 5 Whys technique
- Cause and effect diagrams

The 5 Whys technique

To determine the root cause of a problem, you will need to gather factual data and analyse the problem.

The 5 Whys approach to RCA can be used in many situations, including investigations into equipment failure events and workplace safety incidents. It is the process of repeatedly asking why a particular event occurred by peeling back the secondary causes to identify the underlying cause. It is called '5 Whys' because the question 'Why?' should be asked at least five times.

The 5 Whys technique is a simple way to solve a stated problem without a large detailed investigation requiring many resources. When problems involve human factors, this method is the least stressful on participants. It is one of the simplest investigation tools easily completed without statistical analysis.

To conduct a 5 Whys analysis, start with a statement of the situation and ask why it occurred. Then turn the answer to the first question into a second 'Why' question. The next answer becomes the third 'Why' question and so on. By refusing to be satisfied with each answer you increase the odds of finding the underlying root cause of the event. Though this technique is called '5 Whys', five is a rule of thumb. You may ask more or less 'Why' questions before finding the root of a problem.

Example

The 5 Whys technique in action

The table below gives a basic example of a 5 Why analysis that was conducted on a restaurant kitchen when the head chef noticed that the poultry was off when preparing for a service period. Note how each answer becomes the next question.

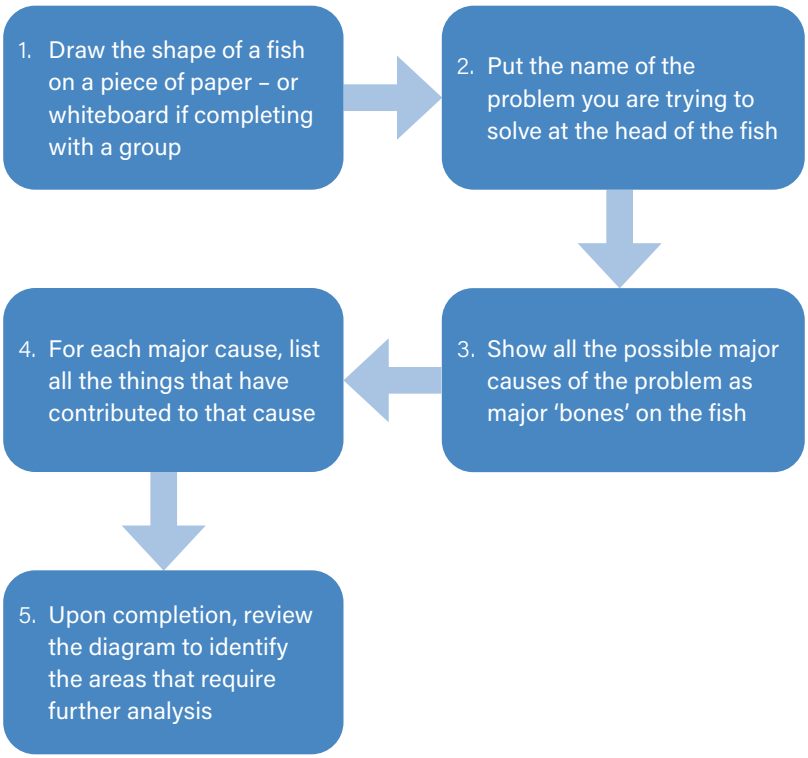
Why question	Answer
1. Why did the meat go off?	The power in the freezer failed.
2. Why did the power fail?	The electrical substation went out.
3. Why did the substation go out?	A main cable touched the ground.
4. Why did the cable touch the ground?	A shackle failed.
5. Why did the shackle fail?	It was not on the maintenance schedule.

Cause and effect diagrams

A cause and effect, fishbone or Ishikawa diagram is a way of identifying all the possible causes related to a problem.

In many situations, an event can be produced by multiple causes and multiple combinations of causes. The cause and effect diagram process is far more capable of identifying multiple causes, unlike the 5 Whys technique which is limited to working on one flow of events only. The 5 Whys technique is also only useful when there is only one cause of every effect. The purpose of the cause and effect diagram is to present all the causes so that the root cause can then be determined.

To make a cause and effect diagram:



Implement a sustainable solution

The results of your RCA will highlight the root causes of a failed change process. To provide solutions to the root causes, you must decide how to address them.

A solution to a problem should be viewed as the counter measure rather than the permanent solution. This means it is not necessarily the final fix for the problem as there is always opportunity for improvement. The solution may change as it is used, analysed, critiqued and continuously improved.

When you identify a failure with a CI initiative, it is important that you do something about it as quickly as possible. In some cases, a quick fix may be required before a more thorough solution is implemented. This may be useful when faced with the risk of a person being injured, damage to property or customer dissatisfaction.

Where possible, however, always focus on eliminating the root causes using sustainable solutions that have little impact on the social, environmental and economic performance of the organisation.

Methods for eliminating root causes may include:

- modifying or eliminating the process
- changing the layout of the equipment
- updating the standard operating procedures
- providing training to operators
- changing the supplier or raw materials
- substituting a piece of equipment, machinery or person for something/someone that is able to perform the task to a higher standard
- updating plant or equipment to new technologies.

Manage emerging challenges and opportunities

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

Organisations that implement innovative processes will continually be faced with emerging challenges and opportunities. Challenges will occur as a result of industry changes, increasing demand, changing customer behaviours and increased competition in the market.

To manage these emerging challenges and opportunities, leaders must have in place CI systems and processes that: regularly monitor and evaluate key organisational systems and processes; monitor the internal and external operating environments; encourage innovative thinking among employees to identify options for improving performance; and capture, assess and implement innovative ideas.

It is also for this reason that leaders need to be focused on CI, as once a challenge is overcome another may arise.

Practice Task 13

Question 1

What is the main objective of a root cause analysis (RCA) and how is one conducted?

Question 2

What two steps are conducted as part of a root cause analysis? Tick all that apply.

- ◯ Eliminate the factors that are not relevant
- ◯ Scan the external environment to look for new innovations and opportunities
- ◯ Identify as many causal factors as possible
- ◯ Consult with stakeholders to obtain their feedback about risks and opportunities

Question 3

Why do leaders need to constantly monitor and address challenges and opportunities?

3E Capture learnings in a knowledge management system

Once the improvement or innovation has been introduced and is being evaluated, leaders should reflect on the learning and experiences that have come out of the process. This process should occur whether the change was successful, unsuccessful or somewhere in between.

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

Knowledge management

Information means taking raw data (numbers and facts) and putting it into a meaningful pattern. Knowledge is the ability to use that information to add value to something.

Knowledge management is the process through which organisations generate value from their intellectual and knowledge-based assets, including the insights and experiences of workers. It involves identifying, acquiring, distributing and maintaining knowledge that is helpful to the organisation.

The primary aim of knowledge management is to generate value for the organisation by gathering, organising and sharing intellectual capital. Intellectual capital is value-based knowledge – rather than common knowledge. Knowledge that generates cashflow, satisfied customers, innovation and improvements to business processes, products and services are valuable assets that managers must capture and utilise in their teams.

As a leader, determine who knows what in the company and create systems and opportunities to store, share and distribute that knowledge to those who need it.

As an additional reference, watch the *Harvard Business Review* video *Learn from Failure* in which Amy Edmondson, Harvard Business School professor, describes strategies for analysing workplace mistakes and learning from failure. Go to www.youtube.com and search for 'Learn from failure Edmondson'.

Benefits of knowledge management

If organisations are able to harness different levels and types of knowledge that exists throughout its workforce, it will have a competitive advantage.

In the modern marketplace, technical, industry and organisational knowledges are valuable assets. This provides organisations with a competitive advantage through the full utilisation of information coupled with connecting people's skills, ideas and experiences.

Knowledge management is important as it can complement and enhance the impact of other organisation initiatives such as total quality management, CI, innovation, sustainability and organisational learning.

Effective knowledge management leads to the following CI benefits:

- It fosters stronger relationships between teams, departments and organisational levels in the hierarchical structure
- It reduces impacts of the silo effect
- It provides quicker access to information that is of value
- It aids in decision-making processes
- It assists with impact and risk analysis
- It increases employee engagement, involvement and support for CI initiatives
- It reduces time and costs involved in researching, identifying and contracting external specialists to resolve issues
- It assists in building new ways of achieving work outcomes

Knowledge management systems

Insights and experiences from business activities should be captured and made accessible through a knowledge management system.

Knowledge management predominantly uses technology-based systems. The most well-known knowledge management system is Wikipedia – a free online encyclopaedia written collaboratively by subscribers from all over the world.

Wikipedia provides users with access to information covering a range of topics in business, community, religion, education, sport, history and much more. Subscribers can add and edit knowledge stored in the system, which can then be accessed from any place where an internet service is available.

Many organisations have some kind of system for the management of knowledge, whether it be simple or complex. However, they may not necessarily call it a knowledge management system.

Organisational knowledge management systems can include:

Network groups	This refers to an internal or external web of contacts with similar interests and experiences. People in a network share and assist each other and connect others to their business contacts. Networks can be managed through contact lists, directories or online websites such as LinkedIn or Facebook.
Intranet/staff portal	An intranet/staff portal is an internal website designed strictly for staff and managers to access a wide variety of knowledge about business processes, policies, procedures, frequently asked questions, issues and solutions.
Knowledge warehouse/ repository	This is a system used to develop, store, organise, process and disseminate knowledge to the workforce. Typically, users interact with a knowledge warehouse through a portal-like interface that enables customised access to various elements, such as databases, presentations, data, audio and video files. A knowledge warehouse may be developed for a specific use or bought as a customisable product.
Decision support systems	Decision support systems (DSS) are interactive software-based systems designed to help managers access large volumes of information generated from internal or external information systems involved in organisational business processes. They can collate data from several fields to produce reports and are common in client management systems, work health and safety (WHS) management systems, or transaction processing systems.

Capture lessons learnt

The lessons learnt from investigation and analysis of failures forms an important record of knowledge that must be stored, so it can be accessed and referred to in future.

It can be difficult to capture and share knowledge between work teams and departments, in particular if knowledge management is a relatively new concept in your organisation and if minimal systems currently exist.

Consider the following principles that can be used to effectively capture and share team member knowledge:

Principles for sharing team member knowledge

- Encourage free-sharing of ideas and experiences between team members
- Ask team members to email suggestions, insights and input where possible, to develop a record of knowledge
- Implement regular meetings where internal knowledge is readily shared between individuals
- Encourage and reward team members who involve themselves in internal and external knowledge sharing activities
- Model knowledge sharing by talking about your insights, experiences and thoughts on CI processes and systems
- Set up a basic spreadsheet, table, matrix or database that includes the members in your team and their knowledge assets

Example

Document lessons learnt

At 2.20pm in Area B of the warehouse, a forklift truck being driven by a newly hired worker spun out of control and crashed, destroying property and injuring the worker and a quality control supervisor.

After the incident, the safety manager conducted an investigation involving the safety team, supervisors and a number of forklift operators, to identify the root causes of the accident. After testing the controls on the forklift, the team learnt that the brakes were faulty.

The group completed a cause and effect diagram and concluded that the faulty brakes were a result of a poor maintenance system, a lack of pre-operational safety checks and insufficient money allocated to the maintenance department to ensure all machinery was being properly maintained.

At the end of the analysis, the group documented the investigation and the root causes using the WHS management system, which enabled learnings from incident investigations to be captured, stored and shared throughout the organisation. The incident investigation outcomes were also emailed to all employees in the organisation and a copy of the final report was stored on the staff portal.

Practice Task 14

Question 1

What are the functions of a knowledge management system?

Question 2

List five benefits of capturing knowledge and lessons learnt.

Question 3

Provide two examples of how a knowledge management system can be used to capture new learnings from improvement processes.

Summary

- Leaders are responsible for the effective communication of continuous improvement (CI) processes and changes in their work spaces.
  - Effective communication ensures work teams and other stakeholders are informed about CI processes, including the objectives, time frames and performance measures they need to achieve.
- When delivering important information about CI and innovation requirements, create a communication plan which outlines a clear roadmap for consistently communicating with team members so they feel informed and confident in their expectations.
  - Messages should be consistent, accurate and sensitive.
- Whether the innovation or CI process is run as a project or as a change management initiative, a transition plan is essential to achieving the planned objectives, time frames and measures.
- In preparing for change, managers need to analyse a number of factors that may result from the implementation of a CI process.
  - This includes the impacts associated with a proposed change, including the implications to workers and their job roles.
- A risk assessment matrix can be used to evaluate a risk: likelihood and impact are identified to determine the level of the risk. Contingency plans must include actions that support workers who are required to implement change processes.
- Following the implementation of a change process, investigate performance so that the actual outcomes and impacts are understood.
  - There may be an opportunity to make small amendments that would improve the new initiative and the transition plans.
- Root cause analysis (RCA) is based on the belief that problems are best solved by attempting to correct or eliminate root causes, as opposed to merely addressing obvious symptoms.
  - RCA can be conducted using the 5 Whys technique or a cause and effect diagram.
- Analysis may reveal a positive or favourable variance in actual performance.
  - As with negative variances, the root cause needs to be established to identify potential challenges and opportunities.
- Lessons learnt from the RCA process must be captured as part of a knowledge management process through which organisations generate value from their intellectual and knowledge-based assets.
  - This involves identifying, acquiring, distributing and maintaining knowledge that is helpful to the organisation.

Learning Checkpoint 3
Implement innovative processes

Part A

1. How can an improvement or innovative process impact on job roles and workforce performance?

2. In the event of the new process improvement not performing, what would be your contingency planning approach?

3. Which of the following are methods to identify and manage opportunities and challenges? Tick all that apply.

- ◯ Incident investigation process
- ◯ Risk assessment
- ◯ Market segment analysis
- ◯ Kotter's 8-Step change process

4. Discuss how a communication plan can be an effective way of providing the workforce with information about continuous improvement (CI) objectives, measures and time frames.

5. Draw a line to match each of the following types of knowledge management systems to their correct definitions.

» Intranet/staff portal	» An internal or external web of contacts with similar interests and experiences.
» Decision support systems	» An internal website designed strictly for staff and managers to access a wide variety of knowledge about business processes, policies, procedures, frequently asked questions, issues and solutions.
» Network groups	» A system used to develop, store, organise, process and disseminate knowledge to the workforce using a portal-like interface that enables customised access to various elements, such as databases, presentations, data, audio and video files.
» Knowledge warehouse/ repository	» An interactive software-based system designed to help managers in decision making by providing access to large volumes of information generated from internal or external information systems involved in organisational business processes.

6. How can new learning be captured in the organisational knowledge management system?

Part B

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

Case study

Ben is the operations manager for an online clothing business. The organisation hires 10 staff who are responsible for managing sales and service requirements, including responding to queries over the telephone, via email and using the live chat function. The staff are also required to pick orders from the warehouse floor, package the items and organise them to be shipped to customers.

The organisation has recently purchased a new inventory management system and upgraded all of its computers. Staff will now be able to identify, pick and process customer orders more efficiently than when using the previous version, which involved significant amounts of printing and paper trails.

The new hardware and software system require a major restructuring and transformation of internal systems as well as the website. It includes scanners to scan incoming and outgoing stock and an integration with the e-commerce website, which customers use to make their purchases. The system is set to go live in one week.

1. How can Ben assess the impacts of the new system on the workforce?

2. What objectives and strategies should Ben include in a basic transition plan, in preparation for implementing the new system?

3. Which risk management concepts would you apply if the new system failed?

It is now four weeks since the new system was introduced. Staff are struggling to grasp the new method for picking and processing orders, which has led to 23 complaints of customers failing to receive their orders on time.

1. Using the 5 Whys root cause analysis method, propose a potential root cause for this issue.

Topic 4 | Develop workplace culture and tools for continuous improvement, innovation and learning

4A Evaluate continuous improvement systems and innovation

4B Communicate costs and benefits of innovation and continuous improvement with stakeholders

4C Establish rewards for continuous improvement, innovation and learning

4D Seek and respond to feedback from stakeholders

4A Evaluate continuous improvement systems and innovation

Regularly review continuous improvement (CI) approaches and innovations to determine the true effect of the change on business performance.

An ongoing evaluation process makes it possible to determine whether a change process is working properly in achieving its objectives. Monitor and evaluate improvements to determine if a tangible benefit has resulted and the initial problems have been rectified.

To evaluate the CI system in an organisation, take a holistic approach and consider the change processes involved and the methods, tools and techniques used. This could include reviewing the performance result from a previous evaluation, reviewing policies and procedures, process mapping, consulting with those involved in the change processes to determine actual practice, and comparing actual practice to planned objectives.

There are a number of key areas in which you can evaluate CI systems and innovations. These include the following:

Financial impacts	Have the implemented improvements and innovation resulted in financial gains for the organisation, such as increased revenue or decreased costs?
Productivity	Has the change/innovation increased productivity?
Individual and organisational performance	Has the change/innovation improved individual performance and overall organisational performance?

Evaluation processes

An evaluation process can be used by the organisation to regularly collect and analyse data to determine the true effect of the change process.

A thorough evaluation process will assist in identifying the effectiveness and efficiency of the underpinning CI changes and innovations. As with any CI of a system or process, the program should be cyclical – an ongoing commitment to making products, services and systems better.

The four steps commonly involved in evaluating a CI process are outlined below.

The evaluation program	
1	**Prepare for evaluation** ▪ Identify the participants. ▪ Identify criteria and set time lines. ▪ Access previous evaluation data, if applicable. ▪ Select the techniques and tools. ▪ Identify the information requirements and how the data will be sourced. ▪ Specify actual tasks required to perform the review. ▪ Assign employees to tasks and inform them of deadlines.
2	**Gather and analyse data and information** ▪ Collect the data through review of documentation and figures, interviews and questionnaires. ▪ Organise the data. ▪ Examine the collected information. ▪ Brainstorm information with the team. ▪ Compare information to evaluation criteria. ▪ Identify root causes of issues through cause and effect analysis. ▪ Prioritise issues for improvement.
3	**Develop recommendations and plan improvements** ▪ Determine what can be done to improve policies, procedures and processes. ▪ Develop recommendations. ▪ Identify tasks to implement improvements and resources required. ▪ Prepare an action plan for improvement. ▪ Assign responsibilities to tasks required to implement improvements, such as new policies and procedures or software add-ons to improve reporting. ▪ Seek approval from senior management.
4	**Implement and monitor improvements** ▪ Implement the approved action plan. ▪ Ensure relevant staff are aware of changes and any training required in new procedures is carried out. ▪ Monitor performance according to identified time lines. ▪ Assess the effectiveness of improvements. ▪ If successful, inform stakeholders and adopt the improvements as the new standard practice. ▪ If not successful, reassess and monitor the implementation of adjustments. ▪ Set up processes to continue to monitor the improvements. ▪ Determine the timing for the next holistic evaluation.

Timing of the reviews

One of the best ways to evaluate the effectiveness of CI systems and processes is to complete an initial review, as well as scheduled reviews over a set period of time.

For evaluations to be meaningful, they should provide for regular reviews, such as the schedule detailed in the table below.

Review	Timing
1	1 month post-implementation
2	3 months post-implementation
3	6 months post-implementation
4	12 months post-implementation
5	2 years post-implementation

Example

Evaluate the CI system

Macprairies and Azure Services is a large consulting and training organisation; it is structured according to the consulting and training areas in which staff operate. The major units are Business Services, Executive Education and Community Services.

The organisation has a CI committee, made up of members from each unit, including the director, quality manager, business development manager and at least one trainer. The committee is responsible for the cyclical evaluation of the organisation's CI system, which is done in four phases, described below.

Collect data
Data includes client and student numbers, profit and margin reports. Surveys can be used to generate data to answer specific questions.
Analyse data
The committee enlists the support of the marketing and finance specialist in each unit to perform qualitative and quantitative analysis of survey results and ratio analysis of financial data. They also analyse the variance between planned and actual performance.

Propose improvements
The committee identifies areas of concern. Using root cause analysis (RCA), the reasons for underperformance or success are examined, and risk management informs priorities for improvement. Issues relating to processes are resolved by engaging business process specialists. The marketing managers in each unit are responsible for monitoring the environment to identify opportunities and threats.
Implement changes
Each change is formulated as a project, managed by a relevant manager in the unit most affected by the change. Change management techniques are used to make the transition to the new situation or state.

Practice Task 15

Question 1

Why should continuous improvement (CI) evaluation processes be ongoing?

Question 2

Identify at least two key areas in which you can evaluate CI systems and innovations.

Question 3

Summarise the process you would use to evaluate CI and innovation in your organisation.

4B Communicate costs and benefits of innovation and CI with stakeholders

It is important that leaders identify the costs and benefits of all change processes and innovations and communicate these findings to key stakeholders.

The processes need to be transparent to encourage a culture of innovation and so that all stakeholders are aware of the business impacts as a result of implementing the changes.

Any change processes and innovations that have been implemented must achieve the targets outlined in the program or project budget. An evaluation process must therefore identify the actual costs associated with the change process and the benefits the organisation has achieved, as a result of that financial investment.

The evaluation process needs to uncover any deviations from planned budget targets so they can be corrected with minimal disruption to the objectives and budgets.

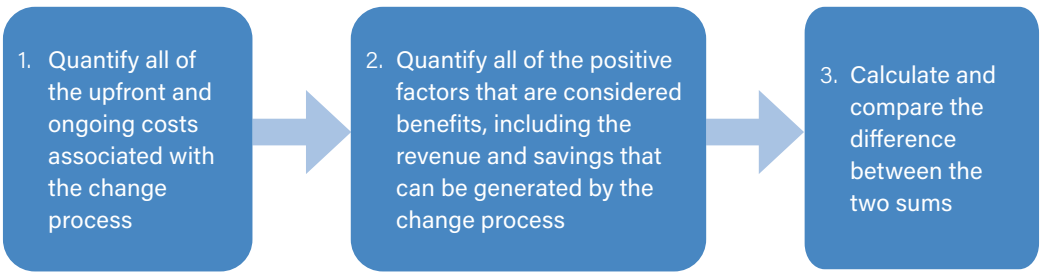
Cost versus benefit analysis

Calculate the costs and benefits of implementing CI processes to determine the viability of the change.

Cost benefit analysis (CBA) is a model 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 a project's costs and benefits to identify whether to go ahead with the project.

A cost versus benefit analysis can be completed before or after a change process has been implemented.

It requires you to complete three key steps:



The difference between the two sums will show whether the change process has been financially beneficial for the business. If the value of the benefits outweighs the value of the costs, the change will most likely have been of value to the organisation.

Determine 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 received both in the short- and long-term for the organisation, and it is an important part of the evaluation and reporting process.

Examples of cost and revenue areas to be considered when undertaking a CBA include:

Cost areas (costs)	Revenue areas (benefits)
▪ Acquisition and development costs ▪ Resource costs, including materials, tools, equipment, systems, etc. ▪ Implementation costs ▪ Ongoing operating/maintenance costs	▪ 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

Identify cost savings

Highlight the savings associated with implementing a change process when performing a CBA.

In addition to the revenue that can be generated from implementing a change process, 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 change process:

Direct savings	These are quantitative savings directly attributed to the CI or innovation. For example, reduced administration costs.
Costing avoidance	This refers to spending that is no longer required as a result of implementing the changes. For example, the organisation is no longer required to pay ongoing leasing fees for an existing resource.

Intangible benefits	These are qualitative benefits as a result of implementing the changes. For example, less time spent manually processing administrative tasks and increased automation allows staff to concentrate on more meaningful tasks.

Determine the value and costs of the investment

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

The benefits of implementing CI processes may at times be difficult to quantify and assess, for example, reductions in staff attrition, increases in productivity or value from indirect sales. When quantifying the benefits, you may need to isolate the portion of the changes to productivity, performance, sales or another measurable output that may occur as a result of the change.

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.

When calculating the costs and benefits, consider the:

- salaries of the people involved in the CI or innovation process
- difference in hours required to use a previous process compared to the new process
- 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 and after the date the changes were implemented – such as reduced attrition rate, fewer errors, increased customer satisfaction or higher productivity.

Example

Cost versus benefit analysis

Gina is the operations manager at Branched-Chain Logistics. She recently completed the following CBA for implementing the process change that involved restructuring the sales department to remove the need for five positions.

Option	Cost	Risk	Benefit	F/MF/NF
Remove 5 sales team positions	Redundancy costs: $160,000	Industrial action from employees Processing times increase due to sales representatives spending more time on each order	Higher performing sales teams with resource requirements needed to support the sales department Less wages due to 5 positions no longer required	Feasible but needs to be carefully managed with a change and communication strategy

F: Feasible MF: Maybe feasible NF: Not feasible

Communicate costs and benefits

Keep stakeholders informed on the impacts of change processes.

Through ongoing communication with your key stakeholders about costs and benefits, you will identify opportunities for further improvement.

Stakeholder communication involves meeting with staff, subject matter experts, customers, suppliers, managers and other key stakeholders and providing them with meaningful information about CI and innovation costs and benefits.

Key questions to consider when communicating costs and benefits with key stakeholders include:

What information would you communicate?	▪ **Financial impacts** – costs involved with implementing the innovation or improvement and any savings that have occurred since implementation. ▪ **Productivity** – productivity gains/losses that have occurred as a result of implementing the innovation or improvement. ▪ **Individual and organisational performance** – details of performance improvements since implementing the innovation or improvement.

Why communicate this information?	There are a number of reasons why you should communicate costs and benefits to your employees, including to: ▪ celebrate success ▪ learn from mistakes ▪ create awareness regarding investment involved in implementing innovations and improvements ▪ assist with embedding the innovation or improvement into the business ▪ reinforce a culture of creative thinking and CI.
To whom would you communicate this information?	There are a variety of people in the organisation that you could communicate this information to, including: ▪ board members ▪ executive management teams ▪ team members ▪ managers and supervisors ▪ consultants ▪ subject matter experts ▪ customers (just the benefits of the innovation or improvement).
How would you communicate this information?	▪ Email correspondence ▪ Formal presentation to management teams ▪ Team meetings ▪ Written report

Prepare reports for stakeholders

Once you have identified and verified the overall impact of a change process, you may need to prepare a report for your stakeholders.

Reporting means sharing information, notifying stakeholders of achievements, problems and issues you experience, and communicating progress against a set plan.

Business reports aim to describe the true outcomes achieved over a period of time. Reports must be professionally written and provide a clear and accurate picture of the current performance and outcomes of CI processes.

All information contained in the report must be of high quality: it must be reliable, valid, current and sufficient.

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

A standard structure for a business report includes:

- Report title
- Executive summary
- Introduction
- Findings
- Recommendations

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 change process and must be scheduled and planned to ensure optimum outcomes are achieved.

Example

Business report template

Report title	
Includes:	▪ Name of the report ▪ Audience ▪ Date ▪ Author
Executive summary	
A summary of the report's key findings and high-level points and recommendations.	
Introduction	
Includes:	▪ What was monitored ▪ The monitoring system used ▪ Data sources and collection methods
Findings	
Includes:	▪ 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 objectives
Recommendations	
Changes that need to be implemented to meet business objectives.	

Practice Task 16

Question 1

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

Question 2

List three areas that you need to consider when calculating the costs associated with innovations and improvements.

4C Establish rewards for CI, innovation and learning

A rewards program is a way of acknowledging contributions and outstanding performance in the workforce.

Leaders must be invested in promoting the value of creativity, innovation, sustainability and learning. Reward team members who support change processes and deliver results in CI, innovation and learning to show that you value their contributions.

A rewards program can be an effective way of generating more ideas, building higher performance in the workforce and promoting engagement. It can also contribute toward reductions in staff attrition.

A rewards program

An effective rewards program must recognise the different levels of achievement in the workforce, including advancements in performance and achievements that have positively impacted on CI processes, sustainability, innovations and learning.

A rewards program can provide a needed boost for many team members, build spirits, inspire creativity and increase motivation to assist in achieving greater support for the organisation's initiatives.

Principles of an effective rewards program
▪ The system must be fair and achievable for all employees – not just the high achievers. ▪ It must aim to motivate workers and be relevant to the objectives and targets set out in the transition plan. ▪ It must be based on clear targets that are known to the workforce to eliminate any sources of conflict that may arise if one employee feels another is being given preferential treatment. ▪ It must aim to generate tangible benefits for the organisation and create a positive return on investment. ▪ It must support the organisation's core values.

Types of rewards

The rewards program must have some value to all employees, which is often difficult since people are motivated by different things.

Rewards do not always need to be financial. For example, rewarding employees can include publicly recognising an employee's outstanding efforts in front of management or their peers. The key is to ensure that every team member has a reasonable opportunity to achieve a reward.

Examples of rewards include:

Email notification	Email to the team/department/senior manager acknowledging improvements and outstanding results
Lunch with the boss	Once a month a senior manager has lunch with the selected employee
Half-day reward	Staff can leave early if they meet their targets
Parking space for a month	Reward a team member with one paid parking space for a month
Gift vouchers	Online or retail shopping vouchers or movie tickets
Catalogue programs	Allow employees to build up points that can be redeemed through a prize catalogue
Massage therapist	Hire a chair masseuse for an hour
Travelling trophy	Organise a trophy for the best performer which sits at each person's desk for a set period, and is then rotated around the team
Time off in the field	Access to a specialised conference, training event or seminar
'Tiki hut'	Have a free drinks/coffee trolley circulate around the office after lunch
Certificates	Paper-based certificates acknowledging high achievements and improvements

Example

Rewards system at DMP Youth Centre

The human resources department at DMP Youth Centre recently launched a new rewards system which is playing an important role in motivating its workforce and contributing towards CI. The rewards system focuses on encouraging staff to contribute towards finding practical solutions to everyday workplace issues, including reporting, client management, communications and general administration tasks.

The system is based on the principles of fairness, excellence and innovation, and all staff are eligible to attain a specified number of points for their contributions, based on a set of metrics. As team members earn and accumulate points, they are able to purchase a range of prizes using a third-party online retail store. Prizes include cooking classes, tickets to events, regional tours, spa and wellness packs, driving and flying experiences, and other indoor and outdoor activities.

The rewards system is communicated to staff via the staff portal and on posters which are situated around prominent areas in the building.

Practice Task 17

Question 1

Which of the following elements need to be included in an effective rewards program? Tick all that apply.

- ◯ Aligned with the organisation's core values
- ◯ Reward high achievements and outstanding contributions toward CI and innovation
- ◯ Aligned with objectives and targets of change process transition plans
- ◯ Attainable only for the high achievers
- ◯ Promote the value of creativity, innovation, learning and sustainability

Question 2

Outline features of a rewards program that would be suitable to reward staff for innovation, CI and learning.

4D Seek and respond to feedback from stakeholders

Feedback on the outcomes achieved from a change process enables initiatives to be further refined and improved and identifies lessons learnt.

Feedback is defined as any useful information about work performance, based on the observations and evaluations of others, such as supervisors, direct managers, peers or other stakeholders.

It is good practice to seek feedback from a range of key stakeholders in order to gather a variety of opinions and experiences about change processes. If there is an issue with a change process that needs to be improved, it is best to identify it sooner rather than later, as you could be missing opportunities to enhance business performance.

Feedback can be sought from the following stakeholders:

- Customers
- Frontline workers
- Managers and supervisors
- Human resources team members
- Work health and safety (WHS) team members
- Middle and upper level management
- Change agents
- Consultants
- Subject matter experts
- Other specialists working in areas of the business impacted by the change process

Methods of seeking feedback

A combination of formal and informal strategies can be used to gather feedback about CI, innovation and learning initiatives.

Proactively seek feedback about CI, innovation and learning initiatives by specifically asking key stakeholders to share their thoughts and experiences. Feedback is important because it can help to identify what is working well and what may need to be changed.

Common methods to seek and respond to feedback can be formal or informal. Utilising multiple sources of feedback provides a more balanced view on your performance. The following table provides suggestions on how you can seek and respond to feedback on CI, innovation and learning initiatives.

Focus groups	Focus groups are used to consult with groups of stakeholders. They are often the most time-efficient method for obtaining information from large groups. When facilitating focus groups, it is a good idea to have questions prepared to promote discussion in the areas that feedback is required. The focus group facilitator, or a chosen note-taker, is responsible for taking notes throughout the discussion to capture the feedback.
Surveys	Surveys are an excellent tool for obtaining feedback from large groups of stakeholders, particularly when they are situated across a number of locations. Surveys typically involve preparing a paper-based or online questionnaire that is distributed to respondents to complete and return.
Interviews	Formal interviews are similar to focus groups except that they are conducted one-on-one. As with running focus groups, it is important to prepare a set of questions to obtain feedback in the areas required.
Team meetings	Facilitating a meeting with a number of frontline team members provides an opportunity for ideas, issues and experiences to be discussed in an open forum. During the meeting, solutions and lessons learnt can be identified and actions put in place to correct any problems with CI processes.
Informal discussions	Informal methods of gathering feedback can include: ▪ having ad hoc conversations with team members, customers and other stakeholders ▪ requesting feedback during formal meetings and events ▪ sending stakeholders an email which requests their feedback ▪ following up complaints and feedback personally using a telephone call, email or text message.

Respond to feedback

Welcome any feedback with a positive attitude and with respect and courtesy – regardless of whether the information is positive or negative.

When you receive feedback about CI, innovation and learning initiatives, try to understand clearly what the other person is telling you. You may wish to compare it to what others say as well as your personal perception.

Assess the information on its merits to determine its validity and use your wisdom to determine whether it can help you to improve in the areas of CI, innovation and learning initiatives.

Although you do not need to take on board and agree with every piece of criticism you receive, it is important to show appreciation to the person who is providing you with their honest opinion, as these conversations can be awkward and uncomfortable for many people. Feedback is an opportunity to encourage group interaction and build rapport with the team.

Follow these guidelines when responding to feedback:

- Ask open and closed questions to better understand the feedback.
- Clarify the action steps you need to take to make improvements based on the feedback received.
- Show that you value the comments and points of view given to you.
- Stay humble and be open to change.
- Do not be defensive or take negative feedback as a personal attack.
- Acknowledge what has been said, even if you do not immediately agree.
- Ask for positive suggestions on how to address feedback that is negative.

Example

Sample employee feedback form

Please complete the following in relation to your current role in the workplace	Yes	Somewhat	No	Comments
1. Do you feel the new process has made your job role easier?				
2. Were you provided with sufficient support, such as training and information to follow the new process?				
3. Were you given an opportunity to contribute towards the development of the new process?				
4. Are there opportunities to develop and apply new ideas to this process?				
5. Do you feel that you are listened to and things are being done to improve the success of the workplace?				

Practice Task 18

Question 1

Describe the key principles you need to follow when responding to feedback.

Question 2

Identify two ways your responses to feedback can encourage CI and learning.

Summary

- Regularly review continuous improvement (CI) approaches and innovations to determine the true effect of the change on business performance and whether a change process is working properly in achieving its objectives.
  - The evaluation process should focus on financial impacts, productivity, and individual and organisational performance.
- The four steps commonly involved in evaluating a CI process are: (1) prepare for the evaluation, (2) gather and analyse data and information, (3) develop recommendations and plan improvements, and (4) implement and monitor improvements.
- Any change processes and innovations implemented must achieve the targets outlined in the program or project budget.
  - An evaluation must therefore identify the actual costs associated with the change process and the benefits the organisation has achieved, as a result of that financial investment.
- Calculate the costs and benefits of implementing a CI process to determine the viability of the change.
  - Where possible, the cost benefit analysis (CBA) process must involve quantification of the non-monetary benefits of improvements in productivity, work processes, indirect sales and people management.
- Use ongoing communication with your key stakeholders about costs and benefits to identify opportunities for further improvement and to keep stakeholders informed on the impacts of change processes.
- The most common type of report used to communicate costs associated with a change process is the budget-versus-actual report.
- Reward team members who deliver outstanding results in CI, innovation and learning initiatives using rewards programs.
  - Rewards programs are used by management to recognise the contributions and support of team members, and to promote engagement.
- It is good practice to seek feedback from a range of key stakeholders in order to gather a variety of opinions and experiences about change processes.
  - If there is an issue with a change process, it is best to identify it sooner rather than later as you could be missing opportunities to enhance business performance.

Learning Checkpoint 4

Develop workplace culture and tools for continuous improvement, innovation and learning

Part A

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

2. Number each step from 1 to 4 in the order you would follow to evaluate and correct a CI process that failed to achieve its objectives.

   ◯ Develop recommendations and plan improvements

   ◯ Prepare for evaluation

   ◯ Implement and monitor improvements

   ◯ Gather and analyse data and information

3. Which of the following are positive responses to receiving feedback? Tick all that apply.

- ◯ Clarify the action steps you need to take to make improvements based on the feedback received
- ◯ Show that you value the comments and points of view given to you
- ◯ Ask open and closed questions to better understand the feedback
- ◯ Stay defensive and closed off to change
- ◯ Contest the feedback and provide valid reasons why the change process was the right approach
- ◯ Acknowledge what has been said, even if you do not immediately agree

Part B

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

Case study

Ronald is the manager at Birdwood Automotive Care – a medium-sized mechanical and service workshop. He reports to Tony, the chief executive officer.

Ronald recently introduced a new online booking and client management system that has replaced the previous paper-based system. When a customer calls the workshop to book in their vehicle for a service, the receptionist processes the order in the system, which then automatically triggers an email to the workshop manager who allocates the job to a mechanic. The job can be monitored from start to finish in the system by anyone in the organisation. The job is closed off by the receptionist once the customer has paid for the job and collected their vehicle.

The system cost the business $35,900 to purchase and implement. Ronald estimated that they would save approximately 30 minutes of administration time, which would equate to $25 in wages, per job. Plus, the organisation can set up a marketing system to retain existing customers by sending promotional offers, as well as automatic vehicle service reminders every 12 months.

1. Outline an evaluation process that Ronald can use to determine the actual impact of the new system on business performance.

2. Using the cost benefit analysis (CBA) process, determine the costs and benefits of implementing the new system over the next 12 months, based on an estimated average of 60 jobs per week.

   In your answer, state whether the implementation of the new system is feasible, maybe feasible or not feasible, and include any additional considerations.

3. What would be an appropriate reporting method that Ronald could use to communicate the outcomes of the change process to the CEO?

4. Recommend a basic rewards program that Ronald could implement to encourage team members to contribute towards CI, innovation and learning in the organisation.

5. Explain how Ronald could gather feedback from team members to determine their experiences in using the new system.