AoS 1, DOT POINT 7:

PERFORMANCE INDICATORS USED TO EVALUATE THE PERFORMANCE OF LARGE-SCALE ORGANISATIONS

Organisations are increasingly measuring and evaluating their performance. It is imperative that measures are used to gauge both individual and team performance, to ensure their organisational objectives are being met. Performances can be effectively gauged through the use of Performance Indicators.

PERFORMANCE INDICATORS SPECIFICALLY MENTIONED IN THE STUDY DESIGN

<table>
<thead>
<tr>
<th>Percentage of market share</th>
<th>The % of the sales that an organisation controls in the total market. It is used as a measure of growth and competitive advantage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit figures</td>
<td>A measurement of revenues less expenses. It indicates the ability of the business to earn more profit from each sale.</td>
</tr>
<tr>
<td>Rate of productivity growth</td>
<td>This is an efficiency measurement by producing more at the lowest possible cost and can be achieved through technical efficiency. It measures the change in productivity from one year to the next.</td>
</tr>
<tr>
<td>The number of sales</td>
<td>The volume of sales/services multiplied by the selling price or fees charged.</td>
</tr>
<tr>
<td>Results of employee satisfaction surveys</td>
<td>A survey that requires employees to respond to questions that evaluate their enjoyment in the workplace.</td>
</tr>
<tr>
<td>Results of customer satisfaction surveys</td>
<td>A survey that requires customers to respond to questions that evaluate their satisfaction with the product or service.</td>
</tr>
<tr>
<td>Level of staff turnover</td>
<td>The rate that employees leave an organisation over a period of time, expressed as a % of the total workforce. This is used as a measurement of employee satisfaction.</td>
</tr>
<tr>
<td>Level of wastage</td>
<td>The rate that waste occurs in the production of a good or service. It is usually expressed as a %. A reduction in waste means a reduction in costs and an increase in productivity.</td>
</tr>
<tr>
<td>Number of customer complaints</td>
<td>Customer complaints received by the organisation indicate issues with quality and service related to their expenditures.</td>
</tr>
<tr>
<td>Number of workplace accidents</td>
<td>An indicator of health and safety issues in the workplace. It is usually measured as the number of lost time injuries per month.</td>
</tr>
</tbody>
</table>
QUESTION 6
Select and describe two performance indicators that could be used to evaluate the performance of an organisation after a decision to outsource its training and development program? How do they measure success? Give comparisons to previous periods.

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_________________________________________________________________________

Remember it is the RESULTS of the survey that represents the PI’s, not the survey itself. Make sure that you refer to the RESULTS.

Use specific measurable indicators that relate to the stimulus material.

Identify what the direction, size or value of the PI indicates about performance.

E.g. If the PI increases then it means.....
PERFORMANCE INDICATORS ARE MEASURABLE
(UNITS, $, %, NUMBERS ETC.)

They relate to the management role of **CONTROLLING**.

The PI’s are compared against appropriate **benchmarks** to enable the evaluation of performance.

Measures can be quantitative (numerical) or qualitative (descriptive).

**Quantitative** measures will be measurable (%, $ or units).

**Qualitative** measures will be narrative based on interviews and descriptions. EMOTIONAL.

There is often confusion between the method and the performance indicator (PI). A method is a technique for gathering information and results.

**For example, a survey is a technique not a PI.**

The actual ‘results of a survey’ and what data the survey was trying to elicit would be the PI. For example, increased worker satisfaction would be the PI.

There are many other Performance Indicators that are used by organisations to monitor performance.

*Ensure that you are able to link appropriate performance indicators with management functions.*

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>Operations</th>
<th>Financial</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Turnover</td>
<td>Lost Time Injuries</td>
<td>Number of sales</td>
<td>Customer complaints</td>
</tr>
<tr>
<td>Staff absenteeism</td>
<td>Machinery breakdowns</td>
<td>Profit</td>
<td>Defective products</td>
</tr>
<tr>
<td>Results from Staff satisfaction surveys</td>
<td>Product returns</td>
<td>Market share</td>
<td>Results from Customer Satisfaction surveys</td>
</tr>
<tr>
<td>Number of sick days</td>
<td>Productivity – units produced</td>
<td>Environmental complaints</td>
<td>Web site hits</td>
</tr>
<tr>
<td>Days lost through strikes</td>
<td>Wastage</td>
<td>Community involvement</td>
<td>Call times</td>
</tr>
<tr>
<td>Employer of choice rating</td>
<td>Stock levels</td>
<td>Corporate ethics &amp; social responsibility rating</td>
<td>Waiting times</td>
</tr>
<tr>
<td>Results from exit interviews</td>
<td>No. of defects</td>
<td>Share price</td>
<td>Repeat business</td>
</tr>
<tr>
<td>Industrial audits</td>
<td>Workplace accidents</td>
<td>Market capitalisation</td>
<td>Product returns</td>
</tr>
</tbody>
</table>
IDENTIFICATION AND CHARACTERISTICS OF STAKEHOLDERS OF LARGE-SCALE ORGANISATIONS, INCLUDING THEIR INTERESTS, POSSIBLE CONFLICTS AND RELATED ETHICAL AND SOCIALLY RESPONSIBLE CONSIDERATIONS

Stakeholders are all those who have an interest in the activities of the organisation success. All stakeholders must be considered when developing corporate objectives and strategic plans.

- Employers – Management
- Employees
- Customers
- Suppliers
- Government
- Local community groups
- Shareholders
- Unions
- Community as a whole

QUESTION 7
What is the difference between a stakeholder and a shareholder?

Stakeholder:
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________

Shareholder:
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
QUESTION 8
Identify the stakeholders of Fosters Group.
QUESTION 9
Examine the case studies below and then complete the accompanying table to identify and explain why some stakeholder's interests could be in conflict with one another.

Example:

Pollution produced by large scale organisations contributes to global warming and this is adversely affecting activities such as farming. On the other hand, shareholders and employees are receiving profits and wages as a consequence of the organisation's activities.

Scenarios:

- A large organisation has decided to use cheaper labour and move its production facilities to China.
- A major fast food chain has offered to donate new sporting equipment to schools if they agree to sell their products in the school canteen.
- A major producer of chocolate has been able to source cheaper cocoa supplies from countries that use child slave labour.
- A large organisation is resisting attempts by trade unions to increase wages by 3% above the rate of inflation.
- The organisation has decided to increase the length of time that it takes to pay its bills to improve its cash flow position.
- A large organisation producing alcoholic beverages has introduced a new “alcopop” targeted at the younger drinker.
- Senior managers of the organisation have received generous pay increases that are not matched by improvements in productivity or profits.
- The organisation has an excellent environmental record in it is constantly developing new technologies to use less resources. As a consequence, their prices are generally 10% higher than its competitors.
- A government project to construct a new freeway that will result in the loss of parkland and several sporting ovals.
- Employees are concerned that cost savings by an organisation have severely increased the risk of injury in the workplace.
The most obvious conflict is between employees/unions wanting improved pay and conditions compared to employers and shareholders that desire increased productivity, increased profits and decreased costs. Conflict is where there are opposing viewpoints.
QUESTION 10
Complete the table outlining conflicting interests of stakeholders:

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Conflicting Interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management &amp; Employees</td>
<td></td>
</tr>
<tr>
<td>Shareholders &amp; Employees</td>
<td></td>
</tr>
<tr>
<td>Shareholders &amp; the Community</td>
<td></td>
</tr>
<tr>
<td>Shareholders &amp; Customers</td>
<td></td>
</tr>
</tbody>
</table>

ETHICAL & SOCIAL RESPONSIBILITY

Society has developed a notion that all LSO’s should act in an ethical and socially responsible manner to all stakeholders.

Ethical management is abiding by moral standards and doing the ‘right’ thing in the interests of all stakeholders.

Social responsibility the obligations a business has over and above its legal responsibilities to the wellbeing of employees and customers, shareholders and the community as well as the environment.

LSO’s must balance these responsibility areas and the interests of stakeholders to achieve objectives. This is a theme running through all areas of the course.
AoS 2, DOT POINT 1:
MANAGEMENT STRUCTURES

Management structure refers to the degree of complexity, formalisation and centralisation within an organisation. Management structure traditionally deals with authority relationships and the level of centralisation/decentralisation in the decision making process. It depicts the chain of command within the organisation and the accountability of managers.

Management structure refers to the ways in which the management, employees and resources of an organisation are formally arranged to achieve organisational objectives. They tend to be hierarchical.

Organisations are continually restructuring to get the best performance structure to achieve their corporate objectives. Areas that will be addressed in a management structure will be:

1. **Span of control**: Number of employees being supervised.
2. **Responsibility**: The focus on delivery of goals.
3. **Authority**: The power to command and direct.
4. **Delegation**: Assigning tasks to other employees.
5. **Communication flow**: The exchange of information informally and formally.
6. **Chain of command**: The line of authority to determine reporting and accountability.

The Study Design does not specify any particular management structures that students must study. Therefore, students are free to refer to any recognized structure in their responses – it should be noted that some structures are more applicable than others when answering examination questions.

**FUNCTIONAL STRUCTURE**

The functional structure groups employees together according to the tasks they perform. Separate departments may be created with separate managers responsible for each department. This facilitates a high degree of task specialisation. Employees with similar expertise and qualifications are able to provide specialist advice throughout the organisation. Career paths tend to be very clear and this can be very motivating for employees. This is usually supports a vertical reporting structure. For example, the Sales Manager would control all people within the Marketing function.

This structure may inhibit fast responses and impact on communication channels throughout the organisation. Employees may feel stifled and lacking in challenges. The specialised focus may cause dissent and conflict if there is a need for other departmental cooperation and interaction. This structure will be continually challenged as an organisation continues to expand and grow, particularly if this expansion is geographic.
DIVISIONAL STRUCTURE

This form of structure will group jobs/people according to their location or activity. This structure is very common today and encourages responsibility and accountability of each profit centre. It is much easier to identify performance for each product or activity of the business. These structures tend to be more autonomous and independent compared to functional structures. They can also give better strategic direction as each division has its own manager, budget and goals and objectives. This can lead to higher levels of motivation as each division has its own identity and culture.

The negatives are that divisions may duplicate roles in the organisation and not take advantage of economies of scale. This probably explains why many organisations have their Finance and Human Resource management roles centralised whilst maintaining a divisional structure in other areas. The structure can also cause inefficiencies in the organisation as it may lead to different policies and procedures being developed that are not compatible across all divisions. Divisions may also become overly competitive against one another and this can cause conflict and distrust.

There are four main forms of divisional structure.
MATRIX STRUCTURE

The matrix structure involves bringing together specialists from different parts of the organisation to solve specific problems or to undertake specific projects. The purpose is to support more cross-functional communication between departments. The grouping is according to product/activity and function.

It is a combination of the Functional and Divisional structures.

Example: Employees from operations, marketing, finance and human resources are sent to manage a project overseas.

This structure may be advantageous because:

There may be greater flexibility when operations can be altered quickly when operating/macro environments change

- Greater communication, cooperation and teamwork
- Enhanced decision making and employee empowerment
- Pooled expertise
- Encourages democratic management styles – participative and laissez-faire

Disadvantages:

- May create internal complexity and conflict. Confusion created regarding the chain of command, lines of communication and accountability. Could lead to increased staff turnover.

- Can be extremely costly to maintain with increased managerial requirements. Could cause disputes over managers competing for staff resources. Every manager would want the best employees on their particular project. This could impact on morale and productivity if the resource allocation is not well managed.
<table>
<thead>
<tr>
<th></th>
<th>Functional</th>
<th>Divisional</th>
<th>Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Employees grouped on the basis of common tasks, skills or activities</td>
<td>Employees grouped according to different products or services they are involved in producing.</td>
<td>Implements the functional and divisional structures simultaneously</td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td>• Career pathways can be easily identified</td>
<td>• the direction of expertise at specific customers, products, regions and processes</td>
<td>• Enhanced flexibility – operations can be altered quickly to suit circumstances</td>
</tr>
<tr>
<td></td>
<td>• Staff can become experts in their field through task specialisation</td>
<td>• the encouragement of cooperation between organisational departments</td>
<td>• Ability to trouble-shoot – a project team can be created to solve problems</td>
</tr>
<tr>
<td></td>
<td>• Opportunities for skill and knowledge development</td>
<td>• greater flexibility in adapting to environmental changes.</td>
<td>• Enhanced communication, cooperation and teamwork</td>
</tr>
<tr>
<td></td>
<td>• Efficient use of resources</td>
<td></td>
<td>• Pooled expertise allows better problem solving</td>
</tr>
<tr>
<td></td>
<td>• Ability to develop as a team and enhance goal congruence</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disadvantages</strong></td>
<td>• Departments can become inflexible and overly bureaucratic</td>
<td>• Decisions in one department can undermine line authority in that department</td>
<td>• Decisions in one department can undermine line authority in that department</td>
</tr>
<tr>
<td></td>
<td>• Departments can become narrow in their focus and move away from broader organisational goals</td>
<td>• This can challenge the ‘unity of command’ principle</td>
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</tr>
<tr>
<td></td>
<td>• Managers can become more concerned about ‘empire-building’</td>
<td>• Employees may find themselves reporting to two managers which can effect communication and goal congruence</td>
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</tr>
<tr>
<td></td>
<td>• Hoarding of resources for future use rather than ‘sharing’ excess resources.</td>
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<td>• Managers can become more concerned about ‘empire-building’</td>
</tr>
</tbody>
</table>