

UNIT 15: MANAGING BUSINESS ACTIVITIES TO ACHIEVE RESULTS



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» UNIT 15: MANAGING BUSINESS ACTIVITIES TO ACHIEVE RESULTS



LO 3. Be able to monitor appropriate systems to improve organisational performance.

» THE BASIC SYLLABUS

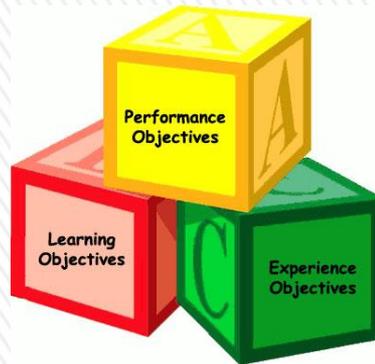


1. Understand the importance of business processes in delivering outcomes based upon business goals and objectives.
2. Be able to develop plans for own area of responsibility to implement operational plans.
3. Be able to monitor appropriate systems to improve organisational performance.
4. Be able to manage health and safety in the workplace.



» LEARNING OBJECTIVES

- » Be able to monitor appropriate systems to improve organizational performance



- » At the end of the class the students should be able to:
- » Recommend improvements which align with the organization's objectives and goals and which result in improvements



» OVERVIEW

- » An organization's performance involves identifying outcomes that it wants to achieve, creating plans to achieve those outcomes, carrying out those plans, and determining whether the outcomes were achieved. Success is achieving the planned outcomes.



» PRINCIPLES OF MODEL WHICH UNDERPIN ORGANISATIONAL PERFORMANCE

- » There is no single universally accepted model of performance management. Various experts have explained the concept in their own ways. Mabey has prescribed the model of performance management system in the form of 'performance management cycle'. This cycle has 5 elements which suggest how performance management system should be implemented in an organization. The elements of performance management system cycle includes:



» PRINCIPLES OF MODEL WHICH UNDERPERFORM IN ORGANISATIONAL PERFORMANCE

- » 1. Setting of objectives.
- » 2. Measuring the performance.
- » 3. Feedback of performance results.
- » 4. Reward system based on performance outcomes
- » 5. And amendments to objectives and activities (Mabey et al, 1999).



» PRINCIPLES OF MODEL WHICH UNDERPIN ORGANISATIONAL PERFORMANCE-

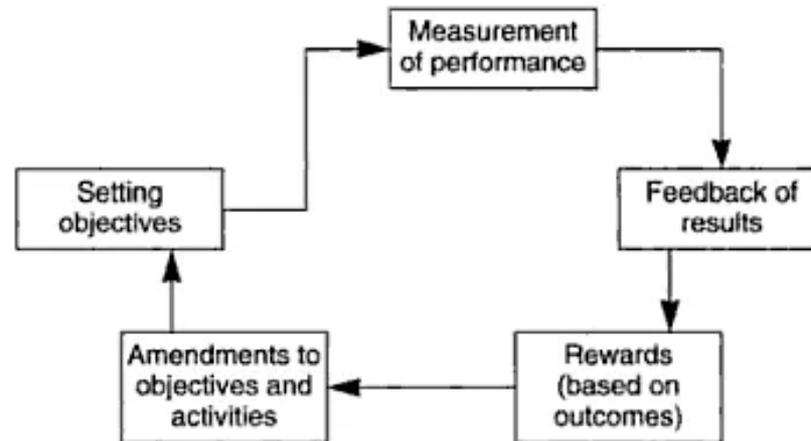


Figure 4.1 The performance management cycle



» PRINCIPLES OF MODEL WHICH UNDERPIN » ORGANISATIONAL PERFORMANCE-

- » Salaman says there are two theories underlying the concept of performance management:
 - » -The goal-setting theory.
 - » -Expectancy theory.
- » **Goal-setting theory** had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Salaman et al, 2005).



» PRINCIPLES OF MODEL WHICH UNDERPIN » ORGANISATIONAL PERFORMANCE-

- » **Expectancy theory** had been proposed by Victor Vroom in 1964. This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Salaman et al, 2005).



» TYPES OF PERFORMANCE MEASURES AND HOW TO DETERMINE AND SET THEM

- » There are four types of performance measures:
- » 1. Workload or output measures. These measures indicate the amount of work performed or number of services received. Workload or output measures indicate what was done but not how well it was done.
- » Example are:-
 - » -Number of potholes repaired;
 - » -Number of garbage carts collected; and
 - » -Number of invoices processed.



» TYPES OF PERFORMANCE MEASURES AND HOW TO DETERMINE AND SET THEM

- » 2. Efficiency measures. These measures show the relationship between the work performed and the resources required to perform the work. Efficiency measures are often expressed as unit costs.
- » Examples are
 - » • Cost per pothole repaired;
 - » • Cost per garbage cart collected; and
 - » • Tons of garbage collected per crew (or worker).



- » TYPES OF PERFORMANCE MEASURES AND HOW TO DETERMINE AND SET THEM
- » 3. Effectiveness or outcome measures. These measures reflect the quality of work performed. They
 - » tie together work, resources and results. Examples are
 - » • Water meters read per day with less than 1 percent error;
 - » • Number of invoices processed without error within two days of receipt; and
 - » • Number of cold patch pothole repairs that last for three months



» TYPES OF PERFORMANCE MEASURES AND HOW TO DETERMINE AND SET THEM

- » 4. Productivity measures. These measures add efficiency and effectiveness. Productivity ties together work, cost, resources, and results. Examples are:-
 - » • Unit cost per effective meter repair (effective meter repair means that the meter was not returned for further repair within six months);
 - » • Unit cost of effective cold patch pothole repair (effective cold patch pothole repair means that the patch held up for at least three months); and
 - » • Cost of successful hires within 60 days of vacancy (successful hire means that the hire satisfactorily
 - » passed the probation period).



» TYPES OF PERFORMANCE MEASURES AND HOW TO DETERMINE AND SET THEM

- » To begin the process, you and the employee will collaborate on the development of performance standards. You will develop a performance plan that directs the employee's efforts toward achieving specific results, to support organizational growth as well as the employee's professional growth. Discuss goals and objectives throughout the year, providing a framework to ensure employees achieve results through coaching and mutual feedback. At the end of the rating period, you will appraise the employee's performance against existing standards, and establish new goals together for the next rating period.



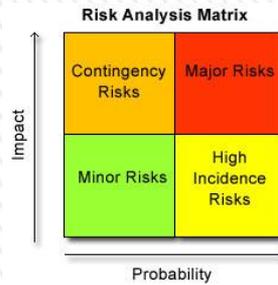
» COST /BENEFIT ANALYSIS

- » Cost Benefit Analysis is a relatively simple and widely used technique for deciding whether to make a change. As its name suggests, to use the technique simply add up the value of the benefits of a course of action, and subtract the costs associated with it. Costs are either one-off, or may be ongoing. Benefits are most often received over time.



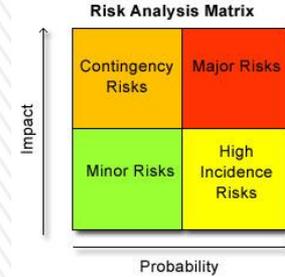
» COST /BENEFIT ANALYSIS

- » We build this effect of time into our analysis by calculating a payback period. This is the time it takes for the benefits of a change to repay its costs. Many companies look for payback over a specified period of time – e.g. three years.
- » In its simple form, cost-benefit analysis is carried out using only financial costs and financial benefits. For example,
 - » a simple cost/benefit analysis of a road scheme would measure the cost of building the road, and subtract this
 - » from the economic benefit of improving transport links. It would not measure either the cost of environmental
 - » damage or the benefit of quicker and easier travel to work.



» RISK ANALYSIS

- » Risk analysis is systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
- » Risks are typically defined as negative events, such as losing money on a venture or a storm creating large insurance claims. However, the process of risk analysis can also uncover potential positive outcomes. By exploring the full space of possible outcomes for a given situation, a good risk analysis can both identify pitfalls and uncover new opportunities.



» RISK ANALYSIS

- » Risk analysis can be performed qualitatively or quantitatively. Qualitative risk analysis generally involves assessing a situation by instinct or “gut feel,” and is characterized by statements like, “That seems too risky” or “We’ll probably get a good return on this.” Quantitative risk analysis attempts to assign numeric values to risks, either by using empirical data or by quantifying qualitative assessments. We will focus on quantitative risk analysis.



» THE VALUE OF A CUSTOMER-FOCUSED CULTURE

- » In order for a culture of customer service excellence to grow and thrive, management must have a burning desire for it to be that way and the energy to ensure that this desire spreads throughout the organization and remains there permanently. The organization must become a totally customer-focused organization. Everyone, from the top down, must believe that they work for the customer.
- » This can be achieved in the following ways:-



- » THE VALUE OF A CUSTOMER-FOCUSED CULTURE
- » 1. Management must make the measurement of service quality and feedback from the customer a basic part of everyone's work experience.
- » 2. Be very clear about specifying the behavior that employees are expected to deliver, both with external customers and their coworkers.
- » 3. Explain why giving excellent customer service is important -- not only for the company, but for the world. What does your company do that makes life easier for everyone? What does your product or service add? Be sure to include this in the reasons for achieving customer service excellence.



» THE VALUE OF A CUSTOMER-FOCUSED CULTURE

- » 4. Create ways to communicate excellent examples of customer service both within and outside the company.
- » 5. Indoctrinate and train everyone in the culture as soon as they are hired.
- » 6. Encourage a sense of responsibility for group performance. Help employees see how their performance affects others



» THE VALUE OF A CUSTOMER-FOCUSED CULTURE

- » 7. Establish policies that are "customer friendly" and that show concern for your customers.
- » 8. Remove any employees who do not show the behavior necessary to please customers



» THE IMPORTANCE OF PREVENTION RATHER THAN CORRECTION

- » Generally the most effective way to manage quality costs is to avoid having defects in the first place. It is much less costly to prevent a problem from ever happening than it is to find and correct the problem after it has occurred. Prevention costs support activities whose purpose is to reduce the number of defects. Companies employ many techniques to prevent defects for example statistical process control, quality engineering, training, and a variety of tools from total quality management (TQM).
- » Prevention costs include activities relating to quality circles and statistical process control. Quality circles consist of small groups of employees that meet on a regular basis to discuss ways to improve quality. Both management and workers are included in these circles.



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