CHAPTER 2

Internal environment of large-scale organisations

WHY IT IS IMPORTANT

Nobody likes stress. Have you ever walked into someone’s home or workplace and felt instantly at ease? If you have, that is probably because the people surrounding you were happy and relaxed, knew what they were doing and where they were going. Management has a significant role to play in a large-scale organisation, ensuring that the internal environment is managed properly so that the organisation can achieve its objectives. In this chapter, you will be studying the role of management and how managers use styles and skills to manage the organisation ethically and with social responsibility.

WHAT YOU WILL LEARN

KEY KNOWLEDGE

Use each of the points below from the Business Management study design as a heading in your summary notes.

- Corporate culture and its future development
- Management structures
- The need for, and process of, policy development and its application
- Implications of managing the internal environment of large-scale organisations in an ethical and a socially responsible manner
- The relationship between management styles and skills
- Different styles of management, including autocratic, persuasive, consultative, participative and laissez-faire, and their appropriate application to various management situations
- Key management skills as appropriate to the process of effective management
- Key management roles:
  - planning: long, medium and short-term
  - organising: resource and task allocation techniques
  - leading: importance of leadership qualities, including interpersonal, informational and decision making
  - controlling: financial and non-financial processes and control systems

KEY SKILLS

These are the skills you need to demonstrate. Can you demonstrate these skills?

- accurately use relevant management terms
- research aspects of the internal environment of large-scale organisations using print and online sources
- analyse business information and data
- analyse major aspects of the internal environment of large-scale organisations
- apply knowledge and concepts to practical and/or simulated situations.
The internal business environment refers to the factors inside the organisation that impact on its performance. It consists of the structure of the organisation, the policies, corporate culture, the role management plays, and the way in which management and employees perform their tasks. Businesses such as Morgan Stanley manage their internal environment to achieve their objectives.

Morgan Stanley is a global company that provides financial services to other corporations, governments, financial institutions and individual customers. The financial services that the company provides are numerous, but to give just one example, Morgan Stanley provides a financial advisory service regarding corporate lending. The company has its headquarters in New York City, but it started operations in Australia more than 50 years ago. It currently has more than 300 employees located in its offices in Sydney and Melbourne. Morgan Stanley operates in 40 countries around the world, with over 1200 offices and more than 60,000 employees globally. It has a relatively flat management structure (few levels of management) with a strong focus on teamwork and a positive corporate culture.

Morgan Stanley has developed a strong culture based on diversity (recognising individual differences) and inclusion. The company creates a culture of inclusion by bringing together and valuing staff with diverse backgrounds, talents, perspectives, cultural identities and experiences. Morgan Stanley’s culture can also be seen in its principle of ‘keep your balance’. The company encourages staff to enjoy a life outside of work, and realises the importance of personal events in its employees’ lives.
2.1 Different management structures

**KEY CONCEPT** A management structure is the way in which an organisation arranges its management, employees and resources in order to achieve its objectives.

**Hierarchical organisational management structure**

The management structure of an organisation is the way in which its management, employees and resources have been arranged, so that the organisation can achieve its objectives. An organisation’s structure is usually represented diagrammatically in an organisational chart. The chart shows the key positions of responsibility and accountability, and lines of communication.

This type of management structure is found in many organisations and is based on a traditional management hierarchy, where more authority is given at each higher level of the hierarchy. This means senior managers have greater accountability, responsibility and power compared with those at lower levels. Organisational structures of this type were pioneered by Max Weber in the late 19th and early 20th centuries. They can be visualised as a pyramid, as shown in the figure below.

![A management hierarchy, showing the responsibilities of each level](image)

Some characteristics of this pyramid-shaped management structure are:

- rigid lines of communication
- numerous levels of management, from managing director to supervisor
- clearly distinguishable organisational positions, roles and responsibilities
- hierarchical, linear flows of information and direction, with a large amount of information directed downwards
- centralised control with all strategic decisions made by senior management
- a chain of command showing who is responsible to whom.

Let us have a look at two of the main features of a management hierarchy — chain of command and span of control.
Chain of command/line authority

Most early approaches to solving the problem of organisational structure were based on military models in which the coordinated efforts of the entire army occur through a chain of command or line authority. The advantage of using a chain of command is that only one person ultimately remains in charge. Of course, one disadvantage of this model is that information flows only one way, from top to bottom, with little questioning of authority. In this type of structure, communication is said to be ‘top down’.

Closely related to the chain of command, and central to the effective use of this structure, is the principle of unity of command — each employee should report to a single supervisor. Where an employee is expected to take orders from several people, confusion is likely to occur.

Span of control

This refers to the grouping of people and resources into divisions in the large-scale organisation (LSO). The person in charge of each division within an organisation is called the manager. A manager’s job is to ensure the division runs smoothly. Included in this task is the manager’s duty to look after the people who work in the division. In a large division, one manager may have responsibility for a large number of employees. Span of control indicates the number of people for whom a manager is directly responsible. The span of control of general managers in the following diagram is four.

Span of control in a hierarchical management structure
Changes in organisational structures

Rapid advances in technology, coupled with the significant pressures on organisations from increased competition due to forces of globalisation, have resulted in organisations flattening their structures. This means that there are fewer levels of management. Such organisations can adapt quickly to meet changing consumer needs and market conditions because there are fewer managers who need to approve decisions.

Organisations that adopt a flatter organisational structure reduce the number of levels of management, giving greater responsibility to individuals in the organisation. Lenard’s (the Australian chicken retailer) is an example of an LSO that has a relatively flat management structure.

The trends and changes in organisational structures are summarised in the following figure. The characteristics listed on the left-hand side apply to the traditional structures, whereas those on the right apply to the most modern structures. Many organisations are in transition — they have adopted the traditional design and taken on elements of the newest designs.

- Centralised
- Task/activity centred
- Division of labour: labour specialisation
- Rigid structure: hierarchical highly layered/multi-layered
- Autocratic, didactic management style
- Performance appraisal: ‘do it our way’
- Power not shared (exclusive)
- Narrow span: workers controlled: dependent
- Communication: top–down
- Delegation: top–down
- Approach to employment relations: pluralist
- Traditional, conservative

- Decentralised
- People centred
- Multi-task, multi-skilled
- Flexible structure: flat, mono-layered
- Democratic and laissez-faire management styles
- Performance management: ‘do it the best way’
- Equal power-sharing (inclusive)
- Wide span: workers autonomous: independent
- Communication: by consensus
- Delegation: by agreement
- Approach to employment relations: unitary
- Modern, forward thinking, contemporary

It has been said that Australian companies tend to have flatter management structures when compared to companies overseas, giving them a potential advantage. David Jackson from financial services company HLB Mann Judd believes that it is particularly advantageous for private companies to adopt a flat management structure, leading to fast decision making. In a public company with a more complex management structure, information has to go through the supervisor, the manager, and then to the board of directors before decisions can be made. This process...
is cumbersome, time-consuming and, sometimes, unnecessary. In comparison, a private company with a flat management structure can be more efficient because it has a streamlined decision-making process where the employee gets direct approval from the employer.

A ‘flatter’ management structure encourages a sense of ownership and innovation by managers. This emphasises teamwork and responsibility.

**TEST your understanding**

1. Outline the three levels of management found in most management hierarchies.

2. List the characteristics of a pyramid-shaped management structure.

3. Imagine that you have just started a casual job at Kmart. How could an organisational chart help you to become oriented?

4. Describe the typical chain of command in a hierarchical organisation.

5. Explain what has caused modern management structures to become flatter.

6. Are the following statements true or false? If the definition is false, write out the correct definition.
   
   A. Management structure describes the way in which parts of an organisation are formally arranged to meet objectives.
   
   B. Management hierarchy is the arrangement that provides authority at the lowest levels of the hierarchy.
   
   C. Span of control refers to the number of customers with whom a manager deals directly.
   
   D. Chain of command is a system where one person is ultimately in charge and communication is ‘top down’.

**APPLY your understanding**

7. Draw an organisational chart for your school and identify the different levels of management. Include the following if they apply to your school: principal, curriculum committee, school council, heads of subjects, level coordinators, student council. What are the advantages and disadvantages of this management structure for you as a student?

8. Choose a large organisation you are already aware of, such as Telstra or NAB. Using resources such as their websites or annual reports, try to draw the organisation’s management structure.

9. Use the Macquarie Group weblink in your eBookPLUS to look at the group’s structure. State whether the Macquarie Group has a more traditional or a flat management structure and why.

**DID YOU KNOW?**

The term ‘bureaucracy’ was used by Max Weber to describe hierarchical organisations. The word is sometimes associated with controversy. People talk about bureaucracy as if it is self-serving and uncaring, but Weber described it positively. He believed that it contributed to a rational and more efficient organisation, because everyone knew their status and position in the organisation.
2.2 Three basic types of management structure

**Key Concept** The way an organisation is structured will vary; there are, however, three basic management structures.

The purpose of establishing a management structure is to arrange work tasks in logical sequences and combinations to avoid duplication, waste and inefficiencies. There are a number of approaches to achieving this. In reality, most LSOs do not rely on just one structure, but use a combination of structures depending on the demands of the situation.

The basic types of management structure common today include:
- functional
- divisional
- matrix.

**Functional structure**

This basic functional structure involves grouping employees according to their function (the task or job that staff do). For example, an accountant will be part of the finance department and a person who is involved in advertising will work in the marketing department. Such a structure is used by LSOs producing a small range of products.

![Functional structure diagram](image)

A basic functional task structure

The main advantages of this structure include:
- a defined career pathway for employees
- the possibility of a high degree of task specialisation
- the provision of good opportunities for skill and knowledge development
- efficient use of resources.

Some disadvantages of this structure may include:
- lack of flexibility and cooperation due to its bureaucratic nature
- a narrow departmental focus, as opposed to a broader organisation-wide focus
- ‘empire building’ behaviours among personnel in each department; that is, gaining and keeping control over resources, finances and human resources.

**Divisional structure**

The divisional structure is commonly used by organisations producing a range of different products or services (see diagram opposite). Employees are grouped together in departments based on divisions, such as:
- Customers. The grouping of jobs and people according to the customers being served; for example, wholesale or retail, corporate or private. Customers are also often grouped according to the value of the business they generate, such as large or small.
- Geography. The grouping of jobs and people according to their location; for example, regional or state, national or international.
- **Products.** The grouping of jobs and people based on single products or services. An organisation that produces a range of products, such as Cadbury Schweppes, may group activities according to whether they produce confectionery products, soft drinks and beverages, or ice-cream and dairy products.
- **Processes.** The grouping of jobs or people who are part of the same process. Car manufacturers, for example, may arrange their plant activities according to the processes required in purchasing, production, and order fulfilment.

Divisional structures can be organised according to customers, geography (location), production and process.

The main advantages of this structure include:
- the direction of expertise at specific customers, products, regions and processes
- the encouragement of cooperation between organisational departments
- greater flexibility in adapting to environmental changes.

The main disadvantages of this structure include:
- reduced benefits of economies of scale because work could be duplicated
- the potential to promote rivalry between divisions.
Highly organised structures are also found in nature. They enable leadership and teamwork.

The **matrix structure** involves bringing together specialists from different parts of the organisation to solve specific problems or to undertake specific projects in teams.

In this matrix, the accountant reports to the merchandise manager as well as the finance manager in the organisation. Similarly, the graphic designer reports to the concert tickets and bookings manager as well as the marketing manager.

**Matrix structure**

The **matrix structure** involves bringing together specialists from different parts of the organisation, based on the functions they perform and the divisions they belong to, to undertake specific projects. The term ‘matrix’ is used to describe this approach because a grid is created over the top of the already existing organisational structure. The purpose is to support more cross-functional communication between departments. The following diagram illustrates the structure of an organisation that arranges large events.

The main advantages of this structure include:

- enhanced flexibility — operations can be altered quickly to suit environmental circumstances
- enhanced communication, cooperation and teamwork throughout the organisation
- enhanced decision making — expert project teams become a critical source of information for other managers
- pooled expertise across the organisation, creating the best possible environment for problem solving.

A disadvantage of this approach is that decisions made in project teams can sometimes undermine line authority. The matrix structure creates potential for the ‘unity of command’ principle to be challenged, because people may be reporting to two managers, such as a functional manager and a project manager.
TEST your understanding

1 Outline the purpose of a management structure.

2 List the advantages and disadvantages of each of the three basic types of management structure by completing the following table.

<table>
<thead>
<tr>
<th>Type of structure</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divisional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matrix</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3 Complete the following sentences by filling in the blanks:
   (a) A functional structure involves ________ together according to the ________ that they perform.
   (b) A divisional structure involves ________ together according to ________, that might be based on ________.
   (c) A matrix structure involves bringing together ________ from different parts of the organisation to work in teams on a specific ________ or ________.
   (d) A member of a ________ in a matrix structure will report to a ________ manager as well as a ________ manager.

4 Construct a mind map outlining the basic types of management structure common today. The mind map below has been started for you.

APPLY your understanding

5 Suggest how the following organisations might decide on their management structures. Provide reasons for your answers. Try to draw an organisational chart for each organisation. The first has been started for you.
   (a) an organisation with its head office in Melbourne and with smaller branches in five regional areas
   (b) an organisation producing jam, fruit juices and canned fruit
   (c) an organisation dealing with several projects.

6 Hay Group is a management consulting company that offers management advice to businesses throughout Australia and the world. Use the Hay Group weblink in your eBookPLUS to look at Hay Group’s ‘Cracking the Matrix’ report.

7 What benefits does a matrix structure bring to organisations?
   (a) Choose one organisation that has successfully implemented a matrix structure. Discuss why it has been successful in using a matrix structure.
**2.3 Corporate culture and its development**

**KEY CONCEPT** All large-scale organisations have their own corporate culture — the values and beliefs of the people in an organisation.

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**Corporate culture** refers to the values, ideas, expectations and beliefs shared by members of the organisation.

All organisations have their own corporate culture — the values, ideas, expectations and beliefs shared by the staff and managers of the organisation. Each organisation develops its own particular way of doing things. The style or character of an organisation is consequently reflected in its culture.

The official corporate culture can be revealed in the policies, objectives or slogans of an organisation. The real corporate culture can be seen in the unwritten or informal rules that guide how people in the organisation behave, such as the way staff dress, the language staff use, and the way that staff treat each other and customers.

**Elements of a corporate culture**

A corporate culture normally consists of four essential elements:

1. **Values and practices.** These are the way things are done in the organisation. Examples of corporate values and practices include honesty, hard work, teamwork, quality customer service, employee participation and innovation.

2. **Symbols.** These are the events or objects that are established to represent something the organisation believes to be important. Organisations that believe in fostering positive competition among employees, or an active lifestyle, can organise various sporting events. Organisations that want to reinforce a strong employee development culture can offer employees the opportunity to participate in training and development programs.

3. **Rituals, rites and celebrations.** These are the routine behavioural patterns in an organisation’s everyday life. For example, regular social gatherings can be held to help develop a sense of belonging among employees who work in small teams during the week.

4. **Heroes.** Heroes, or champions, are the organisation’s successful employees who reflect its values and, therefore, act as an example for others.

**Culture and organisational structures**

The culture of an organisation is often evident in its organisational structure. Formal organisations with an emphasis on bureaucracy, line authority, hierarchical management structures, and defined job titles and areas of responsibility often have prevailing cultures that emphasise accountability, communication and cooperation. They also tend to conform to a culture of loyalty and respect for superiors (or for their positions of superiority). A culture that values and expects defined career pathways may be evident in formal organisations.

Less formal organisations with flatter management structures, less departmentalisation and fewer defined spans of control often exhibit highly flexible, innovative and risk-taking cultures. Sony Corporation is an example of a company that values innovation. Masaru Ibuka, the company’s co-founder, created the atmosphere of

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**DID YOU KNOW?**

When Anita Roddick founded The Body Shop, her vision was to build an ethical business that supports the community. Therefore, she came up with five values: (1) support community trade, (2) defend human rights, (3) against animal testing, (4) activate self-esteem and (5) protect our planet. These values guide all employees and the business decisions they make.

**DID YOU KNOW?**

Origin Energy Australia is an energy company. Its employees are expected to reflect the company values, which include caring, listening, learning and delivering.
innovation that allowed the company to successfully introduce new products such as the Walkman (1979), the Trinitron colour television (1968), PlayStation (1994) and the first Blu-ray players (2006).

**Developing a positive corporate culture**

A manager must understand and assess all facets of an organisation’s unique culture, because this is a powerful tool for achieving objectives. Knowing and appreciating an organisation’s culture makes it easier to get things done or to initiate a change to routine or procedures. Competent, effective managers will use the organisation’s culture as a force for positive change. Research has shown that organisations with a healthy, well-developed and strong culture are more likely to be successful, because such a workplace is perceived by the employees to be more positive and personalised. Employees who have clear expectations feel better about their work — they develop a sense of belonging. A manager who does not understand an organisation’s culture may experience failure or disappointment.

Management can develop a positive corporate culture by introducing or building on any of the four essential elements of a corporate culture. Management might, for example, establish social gatherings that will allow employees to feel valued because they are part of the rituals, rites and celebrations of the organisation. Once a positive corporate culture is established, it needs to be kept alive. Management must ensure that staff members are given sufficient training to reflect the values of the organisation. For example, if treating customers respectfully is important in the organisation, it should be part of its customer service training program.

For a change in corporate culture to be successful and sustainable, it is vital that senior management in an organisation be role models for staff in those important values. Management must reinforce company values by communicating with staff, rewarding employees who exemplify the appropriate values, and recruiting staff who fit in with the values of the organisation.

**TEST your understanding**

1. Define corporate culture and explain how it can influence the success of an organisation.
2. Outline the difference between official and real corporate cultures.
3. Why is a positive corporate culture important when new work methods are being introduced?
4. Briefly outline the four essential elements of a corporate culture.
5. Explain the relationship between an organisation’s structure and its corporate culture.
6. What do you think the difference is between a positive and a negative corporate culture?
7. How can management develop an organisation’s corporate culture?

**APPLY your understanding**

8. Working in groups of three or four, describe the culture of your school. Identify the shared values, symbols, rituals, rites, ceremonies and heroes. Present your information in a table. Share your answers with other members of the class.

9. Discuss the following statement: ‘It takes years for an organisation to establish a positive corporate culture, yet a return to a negative culture may occur overnight’. In your answer, refer to:
   (a) the importance of a positive corporate culture
   (b) strategies to develop a positive corporate culture
   (c) circumstances that result in a negative corporate culture.

10. Choose a large-scale organisation. Use the Internet to find out about its corporate culture.
    (a) Explain the values employees of that organisation would be expected to demonstrate.
    (b) What symbols or celebrations did you find that reflect the organisation’s culture?
One of the best ways to improve an organisation’s productivity is to give employees some input into the decision-making process. Most people care about what they are directly involved in, so employees who have an input in the decision-making processes of their organisation tend to be more committed, productive and creative. Inclusive and democratic management practices (management practices that include employees) are often talked about, but rarely practised — this process is more difficult and takes longer than traditional management techniques.

Another trend is to structure organisations around the needs of the employees. This may mean allowing flexible working hours, or encouraging employees to work in teams and set their own goals. Semco is an organisation that has led the world with its commitment to democratic work practices.

Semco — workplace democracy in action

Semco Partners, based in Brazil, South America, is a most unusual business as a result of its absolute commitment to workplace democracy. It has had a noteworthy history, managing to grow when whole industries collapsed, and an international reputation for its democratic employment relations practices. Today, Semco is active in managing portfolios for a variety of corporations doing business in Brazil. Semco actually began life in the 1950s as a company manufacturing centrifuges for the vegetable oil industry (a centrifuge is a piece of equipment where a compartment spins on a central axis to separate materials). Between the 1950s and the 1980s, Semco became a traditional hierarchical business, characterised by many layers. After running into trouble as a result of employee reaction to autocratic management, however, changes began in the mid-1980s that have continued to the present day.

Ricardo Semler, the founder’s son, took over as the CEO of Semco and fired 60 per cent of the top managers on his first day.

A leader who fails more than twice to meet the standards expected of them by employees will be sacked.
In the 1980s, Semco was heavily involved in producing pumps, axles and other components for the naval industry. Semler believed that the company could be rescued by diversifying (moving into other industries). Semco introduced a matrix organisational structure, but this did not deliver the improvements that Semler was after. Semco then developed the idea of satellite units or strategic business units to develop new businesses and product lines. This provided greater freedom as well as more responsibility for managers and staff.

Semco is now completely based on the concept of employee ownership, full employee participation, flexibility and a focus on meeting customer needs. Employees design their workplace, set their own hours and share all information. At Semco, there are no managers. There are team leaders, but leadership depends on the leader passing an appraisal that subordinates conduct every six months. A leader who fails more than twice to meet the standards expected of them by employees will be sacked.

There is an emphasis on ownership and disclosure — all wages are tied to the performance of the business, and each person’s wage is published so team leaders are shown not to be earning unfairly high salaries. Staff set their own salaries, but need to be careful because there are no secrets. Staff are provided with information about how much they could make if they worked for another business using similar skills. Each employee has been trained in accounting so they can understand the business’s earnings and how their work affects the business.

The structure is an ‘octopus’ (see the diagram). This is a structure that Semco has created through its commitment to flexibility. This structure arose when recession hit and Semler wanted to avoid sacking people, even though the business could not afford to keep them. An arrangement was made whereby the business sold off parts of itself to employees, who would otherwise have been retrenched. Semco then purchased its supplies from these former employees who, now in their own businesses, were able to sell not only to Semco but also to Semco’s competitors.

**TEST your understanding**
1. Identify the principles or values that are important to Semco.
2. Suggest how requiring team leaders to be appraised by subordinates every six months can benefit Semco.
3. Why does Semco train each employee in accounting?
4. What would it be like to work at Semco (in other words, describe the corporate culture at Semco)?
5. Describe Semco’s management structure.

**EXTEND your understanding**
6. What lessons can modern managers learn from Semco?
7. Explain how Semco deals with some of the aspects of management that have been covered so far in this chapter, by completing the following table:

<table>
<thead>
<tr>
<th>Aspect</th>
<th>What Semco does</th>
</tr>
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<tbody>
<tr>
<td>Chain of command</td>
<td>No chain of command — staff participate in decision making</td>
</tr>
<tr>
<td>Flat management structure</td>
<td></td>
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<tr>
<td>Bureaucracy</td>
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<tr>
<td>Values</td>
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</table>
2.4 Key management roles

**KEY CONCEPT** The key management roles are planning, organising, leading and controlling (POLC).

Regardless of whether they are responsible for operations, finance, human resources, marketing or research and development, all managers are required to perform the key management roles.

**Planning**

Planning is the process of defining objectives and determining methods or strategies that will be used to achieve those objectives. It is often referred to as the primary management role. It provides the key to both the short-term and long-term success of an organisation.

It is often said that ‘failing to plan is planning to fail’.

**Levels of planning — strategic, tactical and operational**

Once organisational objectives have been determined, decisions about how they will be achieved must be made. This requires detailed plans for activities at all levels of the organisation.

**Strategic planning** is long-term planning, usually over three to five years.

**Tactical planning** is flexible, adaptable, medium-term planning, usually over one to two years, which assists in implementing the strategic plan.

**Did you know?**

The key management roles, planning, organising, leading and controlling, were first described early last century by a French engineer named Henri Fayol. He provided a type of job description for managers. Fayol’s explanation of the functions of management was so concise and easy to understand it formed the foundations of most management courses offered during the last century. His explanation was often used as a definition of management itself.
the allocation of resources. **Operational** (short-term) planning provides specific details of the way the organisation will operate in the short term. Management controls the day-to-day operations that contribute to achieving short-term actions and objectives. Examples of operational plans are daily and weekly production schedules.

**The planning process**

At the core of the planning process is the need to base all decision making on accurate information that is relevant to the organisation. To achieve this at the strategic planning stage, managers can use a typical planning process, such as:

- **Step 1. Define the objective.** Management begins the planning process by considering where they believe the organisation is headed.
- **Step 2. Analyse the environment.** Managers attempt to work out exactly where the organisation currently stands. A common analysis technique is known as a **SWOT analysis** (an acronym for strengths, weaknesses, opportunities and threats). This identifies and analyses the organisation's internal strengths and weaknesses, and also opportunities in, and threats from, its external environment (see the following figure).

**A SWOT analysis**

- **Step 3. Develop alternative strategies.** In response to the question ‘How will the organisation get there?’, managers develop several strategies and then agree to put one into action.
- **Step 4. Implement an alternative.** The strategy that has been agreed upon needs to be put into place.
- **Step 5. Monitor and seek feedback on the implemented strategy.** Management must set targets and check whether they are met. If objectives are not met, the planning process would have to be repeated. Any plan formed should be a living document, regularly reviewed and revised if necessary.

**Organising**

**Organising** is the process management goes through when it attempts to arrange resources, including staff, assets and finances, so that they are matched with tasks or work activities. Management does this to achieve the objectives of a large organisation.
2.4 Key management roles

The organising process

Resource and task allocation can be completed using an organising process. The steps in an organising process include:

1. **Determining the tasks.** The tasks required to achieve objectives must be determined. Tasks are then usually broken down into smaller steps.

2. **Classifying and grouping tasks.** Once the tasks of a business have been broken down into smaller steps, similar ones can be grouped together. This improves efficiency by enabling the most appropriate allocation of resources. It is common practice, for example, to group tasks into departments or sections, and to allocate employees and supervisors to each section or department.

3. **Assigning work and delegating authority.** The next step in the organising process is to determine who is to carry out the work and who has the responsibility to ensure the work is done. Delegation also involves ensuring the person who has been given responsibility carries out the processes. Effective delegation can increase productivity and efficiency, and increases job satisfaction for the employee.

**Leading**

**Leading** occurs when managers endeavour to influence or motivate people in the organisation to work to achieve the organisation’s objectives. Effective leadership is vital to the success of an organisation. Effective leaders typically display the following qualities:

- **Interpersonal.** This quality involves management’s capacity to deal or liaise with people and build positive relationships with staff.
- **Informational.** This quality involves gathering and communicating or sharing data and knowledge.
- **Decision making.** This quality involves identifying available options and then choosing one course of action from the alternatives.

**DID YOU KNOW?**

Leadership is:
- coping with change
- determining direction
- aligning people
- motivating people
- ensuring career development of potential leaders.

**DID YOU KNOW?**

One contemporary, and somewhat controversial, viewpoint on the much-debated topic of effective leadership is that of Robert K. Greenleaf. In the Reflections on leadership and Insights on leadership series, he argues that a truly effective leader is a manager who serves. He outlines a practical philosophy of ‘servant leadership’, which holds that people who choose to first serve, and then to lead, make the most effective leaders, because they expand services to others. Servant-leaders encourage cooperation, trust, listening, foresight and ethical use of power.

**Did you know?**

Leadership is:
- coping with change
- determining direction
- aligning people
- motivating people
- ensuring career development of potential leaders.

Naomi Simson, Founding Director/CEO of RedBalloon and Dick Smith, founder of Dick Smith Electronics and Dick Smith Foods, are both leaders. They set an example, earn the respect of employees, and clearly communicate a vision in order to achieve objectives.
The type of leadership in an organisation depends on the attitudes and assumptions that managers have about people in the organisation. Managers can be categorised as transactional or transformational leaders. A transactional leader provides staff with rewards in return for their compliance and acceptance of authority. Incentives such as pay rises or promotions are offered depending on whether or not performance goals are met. A transformational leader inspires or enthuses staff with a vision to ensure that they are committed to achieving the objectives of the organisation. They consider each member of staff as a unique individual, and provide opportunities for team members to exercise their own judgement on decisions.

A rogenSi study conducted by Zenger Folkman from 2011 to 2013 asked 630 Australian managers to rate their leadership competencies. The survey found that ‘inspires and motivates others’ was the most important leadership competency. However, the business leaders rated themselves very poorly when it came to actually using this skill. They rated it as their second lowest across the 16 core leadership competencies. Some of the characteristics or traits that leaders are expected to possess can be seen in the following figure.

When managing large-scale organisations in uncertain times or during change, leadership characteristics and traits are very important.

**Controlling**

Controlling is the process that management goes through when it evaluates performance and takes corrective action to ensure that objectives are being achieved. A control process is used to compare what was intended to happen with what has actually occurred. If there is a discrepancy between performance and objectives, changes and improvements can be made.

**Control process**

There are three steps in a typical control process:

- establishing financial and non-financial standards in line with the objectives of the organisation
- measuring the performance of the organisation against those standards or benchmarks
- making changes when necessary to ensure the objectives of the organisation have been met.

**DID YOU KNOW?**

‘Management is doing things right; leadership is doing the right things.’
Peter Drucker, management consultant

‘Management is not dictatorship. Top management of a company has to have the ability to manage people by leading them.’
Akio Morita, co-founder and former CEO of Sony Corporation
Control systems

Traditional management control involves checking procedures and products at the end of the production process. The concept of control throughout the whole process is relatively new and is part of quality control practices developed and used extensively in Japan. Total quality management and quality control are two control systems that are now in place in many Australian organisations.

Other types of control systems include financial control (for example, making use of financial records such as budgets), cost control (for example, identifying costs and evaluating whether or not they are affordable) and balanced scorecard (a report on performance focussing on a small number of financial and non-financial measures).

TEST your understanding
1. What does the term ‘planning’ mean?
2. Explain the difference between strategic, tactical and operational planning.
3. Complete the following table by identifying whether the planning activities are strategic, tactical or operational. The first one has been completed for you.

<table>
<thead>
<tr>
<th>Planning activity</th>
<th>Type of planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 An organisation plans to build a new warehouse.</td>
<td>Tactical</td>
</tr>
<tr>
<td>2 A supervisor wants to have regular weekly production meetings.</td>
<td></td>
</tr>
<tr>
<td>3 A department sales manager requires the sales team to increase sales by 10 per cent over the next six months.</td>
<td></td>
</tr>
<tr>
<td>4 A government business enterprise decides to undertake planning to fully privatise during the next four years.</td>
<td></td>
</tr>
<tr>
<td>5 A large-scale organisation decides to undertake an extensive restructure of its entire organisation.</td>
<td></td>
</tr>
</tbody>
</table>

4. Outline the steps in a typical planning process.
5. What are the benefits of a SWOT analysis?
6. Outline the importance of the organising role of management.
7. List the steps in an organising process.
8. What is meant by ‘leading’?
9. Explain the difference between these three leadership qualities: interpersonal, informational and decision making.
10. Explain why controlling is an important management role.
11. List the steps in a control process.
12. Provide an example of a control system.

APPLY your understanding
13. ‘The three levels of planning — strategic, tactical and operational — correspond to the three levels of management — top, middle and frontline.’ Outline the relationship between the level of planning and the level of management.
14. ‘Any organisation that does not understand the importance of planning will ultimately fail.’ Do you agree or disagree with this statement? Provide reasons for your answer.
15. Prepare a SWOT analysis for:
   (a) an organisation you deal with regularly, such as a video store, sports club or retail store
   (b) your school.
16. Explain the relationship between the roles of organising and establishing a management structure.
17. Working in groups of three or four:
   (a) Prepare a list of five or six people who are effective leaders. You could select businesspeople, entertainers, sports personalities, academics, politicians or school leaders.
   (b) Against each name, list the personal leadership qualities each person displays.
   (c) What leadership qualities do the individuals tend to have in common?
   (d) Compare your answers with other groups.
18. Choose two different large-scale organisations in your local area (for example, manufacturing, wholesaling, community service, retailing or agricultural). Explain the different types of control procedure that each type of organisation might employ.
Interview with the CEO of George Weston Foods

George Weston Foods (GWF) is one of the largest food manufacturers in Australia and New Zealand. It is a wholly owned subsidiary (a company that is completely owned by another company) of Associated British Foods plc. Its brands include Tip Top and Don KRC. The CEO of GWF, Andrew Reeves, was appointed to his position in 2011. Since then he has transformed the culture, strategies and vision of the company. The following is an interview with Andrew about his job and the changes he implemented.

What was your understanding of the challenges you faced at GWF before you took up the CEO role, and how did it change, if at all, in the first few months in the position?

Before you take up a CEO role you do, of course, talk to a range of people, both within and outside the company. The impression of GWF I got from those discussions was of a business that was in an OK state — reasonable market position, good capabilities, a workable strategy and so on, but was not fulfilling its potential, and it was my role to make sure that more of that potential was realized.

When I arrived at the business, however, it became clear that the state of the business was less robust than that. There had been a lot of short-term decision-making that had made recent results seem better than they really were, and these were not sustainable. Added to that, there were some very worrying, longer-term underlying issues that needed to be urgently addressed. This was certainly not foreseen by me, and it was not something that others had discussed with me. Rather than a business that was simply under-performing; the challenge was a full blown turnaround situation that had the potential to become a very serious crisis unless urgent action was taken.

What were the key 2–3 challenges you faced then?

There had been a very high rate of turnover amongst senior managers, so there was not that continuity and/or stability of leadership within the company. As well as this, there was a lack of accountability generally within the organization – people were not taking responsibility for outcomes, and/or attempting to solve problems. Things were often just being ‘kicked upstairs’ i.e. there was an expectation that ‘someone higher up’ would make all the problems go away!

(continued)
How quickly did you move to address some of these issues, and were you worried about acting too quickly?

I believe you have to act relatively quickly, and that you can’t wait for perfect information. Especially with a large business, it takes a lot longer to turn things around than you think, so you need to get moving! You have to set a tone of decisiveness early, and also demonstrate that. That encourages other people to do the same, and is consistent with the urgency that was needed. I think this was particularly important to do, given that there had previously been a culture of prevarication, avoidance and delay when it came to dealing with issues.

What were the most important decisions/initiatives undertaken in that early period of your appointment?

The most critical decisions were around people — I made some fairly quick calls in that regard. Because I had inherited a fairly large team (12 direct reports). Because we wanted to restructure the business and bring in some new capabilities, it ended up that about half of those people were changed. Speaking with the existing team, and interviewing for new roles, took up a lot of my time in the first months.

Another key early focus was developing a plan to survive the next 12 months — we took a lot of restructuring decisions to remove the costs from the business. We had inherited a very top-heavy organizational structure — around 1500 white collar staff in a total workforce of around 7500. We removed around 400 of these positions, in order to reduce costs, sharpen focus and strengthen accountability.

We also invested time on organisational alignment that had a two-fold purpose of anchoring the business in its purpose and driving clarity on roles and accountabilities (especially between the business units and head office). In the past, there had been confusion and duplication of accountabilities and roles, so we needed to sort this out to move the business forward. We had a problem in the past with people pursuing ‘the interesting rather than the important’ in a business sense, and that in itself was a symptom of the fact that priorities, roles and accountabilities were not as clear as they needed to be.

Running through all this early period was the need to communicate the case for change — many people in the organization had no real idea about what state the business was really in! We had to provide that contextual understanding, so they could understand why so much change was necessary. In my first three months, for instance, I had more than a hundred one-on-one conversations with individuals (mostly senior leaders) in the business. This not only enabled me to convey to them what I thought the challenges were, but also help me better understand their capabilities, and suggestions to improve the business.

My view is that establishing this case for change is imperative. Not only does it help them understand the organisational changes they are experiencing, but also empowers them to contribute their own changes to the process, once they understand the urgency of the situation the business faces.


TEST your understanding

1. What was George Weston Foods’ corporate culture like when Andrew Reeves took over as CEO?
2. Describe the challenges that Mr Reeves faced.
3. Provide an example of how Mr Reeves used the following key management roles:
   A. Planning
   B. Organising
   C. Leading.

APPLY your understanding

4. What role does a CEO play in changing corporate culture?
5. In what way, or ways, do you think that Mr Reeves will use the controlling role?
Paper plane business

Ask your teacher for permission to complete this activity during class. The aim of this activity is to put your theoretical understanding of business management into practical use as you solve problems, plan and make management decisions.

INSTRUCTIONS

You are about to embark on your latest venture . . . running a rather large paper plane business. Your team’s task is to construct the ultimate paper plane.

1. Arrange your class into groups of three or four. Each of these teams will become a business. Organise for some of the students in the class to be observers.

2. Your business has 30 minutes to produce the paper plane that will travel the longest distance (you could also have a competition for the best looking plane or most innovative design).

3. As a team, determine the objectives (the goals) of your business. Write down an action plan for your business (your strategies). List the performance indicators (PIs) that will show whether or not you have met your objectives.

4. Establish your management structure (who is going to complete the various necessary activities for your business to achieve its objectives). Your teacher will explain the responsibility of each position. You would definitely need a CEO. Make sure each team member’s task is clear. Each team member should take responsibility for a particular objective.

5. Discuss a design for your plane, and then produce it. Make sure that you do your very best to meet all of your objectives.

6. Find a safe place to test your planes. Use the tape measure to determine distance. Record these measurements.

7. The winner will be the group whose paper plane travels the furthest. Alternatively, the winner could be the team with the best looking plane, the most innovative design etc.

8. The observers should next report to the class. What did they see happening as groups were planning, organising and controlling? Did any leaders emerge during the activity?

TEST your understanding

1. After finishing the paper plane activity, list your group’s objectives. How did you plan to achieve these objectives? What PIs did you plan to use to measure whether or not you met the objectives?

2. Outline the role that you played in your business. For example, if you were the production manager, outline how you were involved in planning, organising and controlling your business.

3. Using the information from the observers, did anyone emerge as a leader in your group?

4. How did your group perform in terms of meeting its PIs?

APPLY your understanding

5. After finishing the paper plane activity, complete the following table to show the role of each member of your business. The first entry has been started for you.

<table>
<thead>
<tr>
<th>Manager</th>
<th>Planning</th>
<th>Organising</th>
<th>Leading</th>
<th>Controlling</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Determined objectives for group</td>
<td>Delegated responsibilities to members of group</td>
<td>Motivated team members to get the task done</td>
<td>Compared planned performance with actual performance</td>
</tr>
<tr>
<td>GM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Benchmark your performance against other groups in your class (that is, compare the results for your PIs to the other results). How could you improve?
2.5 Policy development and its applications

KEY CONCEPT Policies and procedures must be developed and implemented to establish and communicate basic expectations about behaviour, conduct and decision making.

Policy

A policy is an established set of broad guidelines to be followed by all employees when dealing with important areas of decision making.

- **Policy**
  - A policy is an established set of broad guidelines to be followed by all employees in an organisation. Your school will have a well-defined policy on bullying and harassment. This policy would have been widely communicated in your school. One important area of policy development for all organisations is discrimination. Several federal and state laws aim to end discrimination in the workplace, including Victoria's Equal Opportunity Act 2010. This law forces organisations to take action in eliminating discrimination, sexual harassment and victimisation. All equal opportunity policies in Victoria must conform to the provisions of this Act.

DIVERSITY AND EQUAL OPPORTUNITY POLICY

**Scope**
This policy applies to all employees and contractors engaged by Toll globally.

**Principles**
Toll's commitment We are committed to:
- attracting and selecting a diverse range of people based on merit and through fair and equitable processes, without regard to personal attributes
- providing a workplace that is free from inappropriate conduct such as bullying, discrimination, harassment, vilification, victimisation and violence
- educating and training our employees on the value of diversity and their roles and responsibilities in relation to diversity and equal opportunity
- providing tools/process for employees to raise grievances and for Toll to annually review these tools/processes
- fostering diversity through the setting of measurable objectives which are reported in the Annual Report

- providing flexible work options to:
  - assist our employees balance their work and personal lives
  - enable us to retain a diverse workforce
- providing training and leadership programmes that promote respect and fairness in how we work with and value others
- complying with local legislation such as, but not limited to, anti-discrimination.

**Expected workplace behaviour**
Toll expects all employees and contractors of Toll to:
- at all times behave in a manner that is consistent with Toll’s commitments set out in this policy; and
- report any instances where the actions or behaviours of Toll employees are not consistent with Toll’s commitments set out in this policy.

**Implementation of this Policy**
The Group Managing Director is responsible for this policy across all business units, worldwide. The Group Managing Director will communicate this policy and any subsequent updates or amendments to it, to all Divisions within the company for implementation.

Reading the policy above, you will notice that a framework for behaviour, decisions and actions has been established for all members of the organisation. In this way, the policy ensures the daily actions of every employee are consistent with the values, objectives and strategies of the organisation. Policies, therefore, guide employees by pointing them in the right direction.

Procedures

A procedure is a series of actions that enable a policy to be put into practice. It is a step-by-step set of instructions. A procedure can also be used to provide a means of resolving a dispute brought about by a breach of a policy. Most organisations have procedures for paying accounts, handling grievances, preparing budgets, dealing with customer complaints etc.
To support an equal opportunity policy, specific procedures would establish how a complaint would be handled. These procedures might include:

- how to record the complaint
- the process used to investigate an allegation of sexual harassment, bullying or discrimination
- how to arrange counselling for victims
- the process used to counsel, warn or terminate employees responsible for sexual harassment, bullying or discrimination
- the steps to be taken when an allegation is found to be untrue.

Similar to policies, procedures provide a sense of consistency in an organisation by putting in place common methods to deal with problem solving or routine tasks.

Policy development

Having policies and procedures will help an LSO achieve its objectives. Management can guide the development of policy to reinforce positive aspects of corporate culture, such as teamwork and cooperation.

Policies should be reviewed regularly. The need to change a policy may originate with any of the stakeholders of the LSO. Regardless of where the pressure to change occurs, the organisation will need to use a policy development process.

The need for a new policy may arise because there is an issue or problem that needs to be resolved, or a change to the law that necessitates the introduction of a new policy into the workplace. For example, any changes to the Victorian Equal Opportunity Act will require businesses, such as Toll, to review their policies, making sure there is no discrimination. Following research and analysis, a summary of changes should be provided to all stakeholders, seeking feedback. Once a decision has been made to proceed with the policy development, a team would form to write a draft policy, incorporating the feedback of stakeholders and any changes to legislation.

After the draft policy has received feedback, it should be revised and then presented to senior management for approval. A final version must be distributed to all stakeholders and it needs to be clearly communicated to all staff. Management and staff may need training related to the new policy and its implications. After the policy has been introduced it will need to be monitored and evaluated to ensure it is easily understood and is being followed.

**TEST your understanding**

1. What is the purpose of a set of policies and procedures?
2. Examine the Toll diversity and equal opportunity policy and answer the following questions:
   - (a) To what Act are all equal opportunity policies in Victoria required to conform?
   - (b) Whom does the policy cover?
   - (c) In what ways is Toll committed to a diverse and discrimination-free workplace?
3. List three other areas for which an organisation needs to have policies.
4. Outline the difference between a policy and a procedure.
5. What are the main pressures for a change in policy?
6. Explain the steps in a policy development process.

**APPLY your understanding**

7. Inspect a number of policies being used in an LSO with which you are familiar. Evaluate the effectiveness of each policy by looking at aspects such as:
   - (a) the connection of the policy to the LSO’s objectives
   - (b) the extent of consistency within the policy
   - (c) how easy it is to follow.
8. Use the Coca-Cola Amatil weblink in your eBookPLUS to locate Coca-Cola Amatil’s environmental policy. What information does this policy contain? Can you find other policies on this website? What information is in the other policies?
KEY CONCEPT Two management styles are the autocratic and persuasive styles.

The important task faced by managers is how best to achieve the objectives of their organisation. This task can be accomplished only by working with and through other people, so managers must select a management style appropriate to the environment in which they operate.

A manager's style is essentially their way of doing things — their behaviour and attitude. Management styles can be placed on a continuum (see the following figure), with the autocratic manager at one end and the laissez-faire manager at the other. The assumption is that all types of manager appear somewhere on that continuum.

We will examine the five styles shown in the figure in turn and outline their main features, advantages and disadvantages.

**Autocratic management style — do it the way I tell you**

An autocratic management style is one where the manager tells staff what decisions have been made. The autocratic manager tends to make all the decisions, dictating work methods, limiting employee knowledge about what needs to be done in the next step to be performed, and frequently checking on employee performance. The autocratic manager generally provides clear directives by telling employees what to do, without listening to or permitting any employee input. This style of manager motivates through threats and disciplinary action. Autocratic managers expect compliance and obedience, they are controlling (often requiring many detailed reports), and they give more negative and personalised feedback.

The autocratic style of management can be effective in a time of crisis, when immediate compliance with rules or procedures is needed, or in meeting an unexpected deadline, when speed is important. This approach is also effective when team members do not know each other well or when individuals lack skills and knowledge. A frontline manager, for example, might adopt this style when supervising new employees. It is generally accepted, however, that this style does not encourage the best performance from employees.

The main advantages of the autocratic management style include the following:
- Directions and procedures are clearly defined; there is little uncertainty.
- Employees’ roles and expectations are set out plainly, so management can monitor their performance.
- Control is centralised at top management level, so time is used efficiently and problems are dealt with quickly, because there is no discussion or consultation.
The main disadvantages include the following:
• No employee input is allowed, so ideas are not encouraged or shared. This means employees do not get the chance to develop their skills, and they do not feel valued.
• When no responsibility is given to lower level staff, job satisfaction decreases. This impacts on issues such as absenteeism and staff turnover.
• Conflict, or the potential for conflict, increases. Often workers are competing for the approval of managers, which can lead to disagreements and tension.
• An 'us and them' mentality may develop, because of the lack of employee input.

**Persuasive management style — I think it is best if you do it this way**

An extension of the autocratic style, the persuasive management style is one where the manager attempts to convince employees that management’s way is the right way. Authority and control are centralised with senior management, but managers attempt to make employees accept the objectives of the organisation and work to certain plans and procedures. Communication is one-way, and workers are not given the opportunity to share ideas or provide feedback.

The advantages of the persuasive management style include the following:
• Managers can gain some trust and support through persuasion.
• Workers believing that their feelings are being considered may approach tasks, and the organisation as a whole, more positively.
• Instruction and explanations remain clear and constant.
• There is some acceptance of negative situations (such as altered work hours) when the benefits of management decisions are explained.

The main disadvantages include the following:
• Attitudes and trust remain negative. Employees fail to give full support to management.
• Communication is still poor and limited to a top-to-bottom, one-way system.
• Employees remain frustrated, because they are denied full participation in the decision-making process.

The persuasive style is often appropriate in similar conditions to those suiting the autocratic style.

**TEST your understanding**

1. Explain what is meant by a management style.
2. Outline the characteristics of the autocratic style and the persuasive style.
3. In what ways is the autocratic style similar to the persuasive style? In what ways are the two styles different?
4. List the main advantages and disadvantages of the autocratic and persuasive styles.
5. Outline situations where the autocratic and persuasive styles would be appropriate.

**APPLY your understanding**

6. Do you know an autocratic manager? What features of the style do they display? How do they make staff get things done? Is their style successful?
7. For the following situations, suggest whether the autocratic or persuasive style is being used, and explain why you made your choice:
   A. Maurice is the manager of an inexperienced customer service team. He convinces the team that new customer relationship management software should be trialled for six months.
   B. Dianne is the human resources manager of a large mining company. Senior management has decided that there will have to be staff cutbacks due to the deterioration in the economy. Dianne will let staff know about this decision.
KEY CONCEPT Two management styles are consultative (based on relationships) and participative (which encourages responsibility).

Consultative management style — I put the people first, the task second

A consultative management style is one where the manager consults employees before making decisions. This style is based on relationships and encourages the recognition of the importance of good personal relationships among employees. Managers who adopt this style consult with staff on certain issues before making a decision. This implies a two-way communication process, with employees sharing their ideas with a manager who is willing to listen. This type of manager believes that motivating employees will help achieve performance objectives. They also believe in enhancing personal relationships by offering job security, providing social activities, and offering fringe benefits. The consultative manager seeks the opinions of employees, holds information-sharing meetings, and recognises good performance. This employee-centred management style is moving away from the two previous styles, where management is centralised.

This management style is most effective when a new operating procedure is to be introduced or some organisational change implemented. It provides an opportunity for employees to have some input at the time of decision making. The main advantages of the consultative management style include the following:

- Asking for suggestions from employees allows for a greater variety of ideas, and should improve the quality of management decisions.
- Employees begin to have some ownership in the way in which the organisation is run, so they take more of an interest in it. This is reflected in their levels of motivation and commitment, which increase substantially.
- When decisions are discussed and fine-tuned before implementation, tasks are completed more efficiently and with better results.

The main disadvantages include the following:

- The time taken to consult all the relevant employees can slow the entire process.
- Some issues to be decided are simply not suitable for a widespread consultation process. If the process is not consistent with each decision made, staff can become uncertain and confused about their role.
- When a number of ideas are shared, some are bound to be ignored or overlooked in the final decision. This may cause conflict or resentment.

Participative management style — I believe the people have something valuable to contribute

A participative management style is one where the manager unites with staff to make decisions together. This style is sometimes referred to as employee involvement or participative decision making. Managers who adopt this approach believe in the value of employees' contributions and actively involve them in all stages of the decision-making process. This style is frequently practised in those organisations that have flatter management structures.
and work teams, and especially where there are diverse groups to be coordinated. The contribution of the employee is valued; in turn, employees have a commitment to the organisation’s objectives via their own input.

This participative management style is most effective when an organisation is operating in an environment undergoing rapid change. Individual employees accept responsibility for, and can implement, changes. This makes the organisation more responsive to change. Activities such as brainstorming generate a range of opinions and ideas, and these may lead to better decisions being made.

The main advantages of the participative management style include the following:

- Communication is a two-way process.
- Employer/employee relations are positive and there is reduced likelihood of industrial disputes. Employees are more likely to accept management decisions.
- Motivation and job satisfaction are optimal, because employees feel they have played an active role in allocating tasks and implementing actions to meet objectives.
- Employees have a greater opportunity to acquire more skills.
- There are opportunities for employees to put forward ideas. This power-sharing approach encourages the development of work teams, and employees display high levels of commitment.
- There is a high level of trust, often resulting in improved employee performance.

The main disadvantages include the following:

- Reaching decisions and introducing tasks can be time consuming when differing views have to be considered. The quality of decisions may also suffer because compromises are made rather than decisive, clear directions given.
- The role of management, and the control of the manager, may be weakened and undermined, with employees given too much power in some cases.
- Internal conflict can arise with so many views and opinions being shared. More involvement may bring about disagreement.
- The importance of the organisational structure may be minimised, leading to an informal system that could result in a complete collapse in management.
- Not all employees may want to contribute.

TEST your understanding

1 Outline the characteristics of the consultative style and the participative style.
2 In what ways is the consultative style similar to the participative style? In what ways are the two styles different?
3 List the main advantages and disadvantages of the consultative and participative styles.
4 Outline the situations where the consultative and participative styles would be appropriate.

APPLY your understanding

5 Do you know any participative managers? What characteristics of the style do they display? How do they motivate staff to get things done? Is their style successful?

6 For the following situations, suggest whether the consultative or participative style is being used, and explain why you made your choice:
   A Lisa is the project manager of a very experienced team of programmers. Her team has made all of the decisions about how to design, develop and implement new software applications.
   B Greg is the production manager for a large manufacturing company. He holds a meeting to seek the opinion of his staff about introducing a direct marketing system.
2.8 The laissez-faire management style and situational management approach

Key Concepts Another management style is the laissez-faire style.
The situational approach is when a manager selects a style to suit the situation.

Laissez-faire management style — the employees can take complete control

A laissez-faire management style is one where employees are responsible for workplace operations. Management has no central role and power. Essentially, management has no role in the day-to-day running of the organisation. Management will set objectives and is still accountable for the overall performance of the department or organisation, but employees take responsibility to implement the means of achieving the objectives. In so doing, employees are responsible for their decisions and accountable for the results. There is a completely decentralised organisational structure, with employees operating individually or in small groups to complete projects.

The laissez-faire management style is most effective for creative work or research, with employees who are highly talented or qualified in the tasks to be performed and where minimal supervision and direction is required.

The main advantages of the laissez-faire management style include the following:
- Employees feel a sense of ownership, which can promote outstanding results.
- There is continual encouragement for creativity, which is conducive to a dynamic working environment.
- In a flat structure, communication is completely open and ideas are both discussed and shared.

The main disadvantages include the following:
- There is a complete loss of control by management. No control or direction means there is potential for misuse of the organisation's resources, including time and money, because these have been placed in the hands of the employees.
- This style can breed personal conflicts, where individuals do not cooperate or wish to implement only their own ideas. In these cases, management is not there to direct or negotiate.
- The focus on meeting organisational objectives can be easily eroded. Management may find themselves with a failed organisation and nothing to manage.

Situational management

The management style chosen by a manager will be influenced by:
- the manager — their personality, background, values, beliefs and skills
- the personalities, backgrounds, values, beliefs and skills of staff
- the situation itself
- internal and external constraints, including time and resources.

Managers will choose the styles they are most comfortable with. However, highly effective managers change styles depending on the situation. Another name for this approach is contingency management theory. There is no one best style, except the one chosen appropriately and which contributes to the organisation achieving its objectives.
A laissez-faire management style is effective for work situations like medical research. This management style encourages ownership, which may produce outstanding results.

**Did you know?**
Some people argue that the laissez-faire approach should not be recognised as a separate management style. They argue it is only an extreme example of the participative style of management.

**Test your understanding**
1. What is meant by ‘laissez-faire management style’?
2. When might it be appropriate to use a laissez-faire management style?
3. List the main advantages and disadvantages of the laissez-faire management style.
4. Explain what is involved in using the situational approach when choosing a management style.

**Apply your understanding**
5. Which management style would you prefer to adopt if you were a senior manager? Under what style of management would you prefer to work?
6. Alistair is the communications manager responsible for producing the company annual report in six months’ time. He is a very highly experienced and skilled manager but is working with a team consisting of many new employees. Outline the details of each of the situational elements (the manager, the staff, the situation and constraints) in this scenario. What management style would you recommend that Alistair use?
7. Compare and contrast the five main management styles by completing the following table.

<table>
<thead>
<tr>
<th>Decision Making</th>
<th>Autocratic</th>
<th>Persuasive</th>
<th>Consultative</th>
<th>Participative</th>
<th>Laissez-faire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager makes all decisions and tells staff</td>
<td></td>
<td>Less centralised, though final decision-making power rests with the manager</td>
<td></td>
<td>High level of employee empowerment</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff participation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>One-way (top down)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**An experienced manager**

Peter Anderson is the production manager at BKW Pty Ltd, a manufacturing company that supplies assembly parts to vehicle production companies. The difficult aspect of Peter’s job is responding to the demand to maintain adequate stock levels to service all the vehicle companies. Peter’s management experience comes from working on the factory floor for over a decade before being promoted to production manager four years ago. He has extensive knowledge of equipment and procedures, and has built up a reputation for being a hard, technical man who will always get the work done. Despite this, he has avoided dealing with problems that the marketing department has created with late requests for new stock requirements.

The marketing manager, Kim Laffin, is keen to take orders to provide parts for a variety of models and makes from different vehicle companies. However, she does not always communicate her ideas to Peter. As a result, production staff are often stressed because short notice is given for the production changes required. Harvey Beck manages a team of three employees who rotate on a shift roster, including full-time and part-time workers. Working together, they plan the workload for the production department and prepare stock checklists to ensure work takes place continuously between shifts.
Internal environment of large-scale organisations • CHAPTER 2 75

TEST your understanding

Scenario one

Due to the marketing department’s desire to service a greater range of customers, the number of parts in stock has increased by more than 30 per cent this month. However, Peter feels that his department has not been given enough time to complete the job satisfactorily. He has arranged two important meetings, one with the CEO and one with Kim Laffin. He hopes to point out that they do not fully understand and appreciate the problems in production, and that this is due entirely to the lack of communication from the marketing department.

1 What management style will Peter adopt with the CEO and Kim Laffin? Give reasons for your answer. How could communication between Peter and Kim be improved?

Scenario two

Peter has arranged a second meeting with his own production staff. He realises that he must accept management’s decision to increase the number of parts in stock. However, he is aware that some of his staff are not happy about the situation. They resent not being given enough time to prepare adequately for the changes. They do not feel they can perform their jobs efficiently under these demanding circumstances.

2 What management style should Peter adopt when meeting with his staff? Give reasons for your answer.

EXTEND your understanding

Scenario three

When changes to the stock requirements take place, Harvey Beck is responsible for coping with the new schedule. He often experiences stress due to the need to supervise the work of his section and also the remaining sections and their staff. He is involved with three levels: (1) his manager, Peter Anderson, (2) his own staff and (3) other sections who are expected to respond to the new requirements.

3 Explain what management style you might expect Harvey Beck to adopt for each relationship. Give reasons for your answer.

4 The following scenarios illustrate different management styles. Working in groups of three or four, determine what style is being used. Also discuss whether it is correct for the situation or whether a different style would work better.

A A manager is leading a team of research scientists working on new ways to use plastic. Although the team discusses the merits of each idea and project, she retains the final decision-making authority.

B A new supervisor has just been put in charge of the production line. He immediately starts by telling the crew what changes need to be made. When some suggestions are made, he tells the crew he does not have time to consider them.

C A construction crew has worked together for the past four years with little changeover in personnel. They always vote whenever a decision has to be made on how to proceed with the project.

D The manager of an electronics manufacturing department starts every day by telling the 15 employees what has to be done and how to do it.

E An inspection line has no supervisor. The employees are expected to have the correct staffing, procedures and expertise on each shift to ensure no defective parts get past them.

F There are seven people on a special project team, and each individual is from a different department. Although a leader was elected, for a decision to pass it must have the approval of each individual.

G A small department performs the same functions every day. To get information out to staff, the supervisor sends it by email or voicemail; rarely is a meeting called.

H An employee is not wearing the correct safety equipment. The supervisor tells him very sternly never to do that again and notes it in his log.

I A project is running late. The manager decides on a course of action to recover the lost time.

J A manager is working on the budget. He is told to get an important project running immediately. He calls his staff together and explains the project. He then tells them to get it up and going while he completes the budget.
2.9 Management skills — communication, delegation, negotiation and team building

**KEY CONCEPTS**

All managers use their skills to achieve the objectives of the organisation.

Different management styles rely on the manager possessing particular management skills to varying degrees.

Effective managers have skills that help them complete tasks effectively. Usually, effective managers are those who:

- possess a range of specific management skills
- can use these skills in a number of managerial roles.

Managers are not required to use all these skills constantly. But, it is important that these skills are available when they are needed. Research from 1995, documented in *Enterprising nation: renewing Australia’s managers to meet the challenges of the Asia–Pacific century* (known as the Karpin Report), provided some insight into the skills that managers need to carry out their work more effectively. To identify ideal management skills and characteristics, the authors of the Karpin Report interviewed a number of Australian management experts.

The Karpin Report suggested that managers need better ‘people’ or ‘soft’ skills, including communication, delegation and negotiation. We will look at these skills, as well as some of the other skills identified by the report: team building, problem solving and technical skills, time management, stress management and emotional intelligence.

The report said that these skills are needed, so that managers can organise and motivate staff to work effectively towards objectives. In 2003, the Australian Institute of Management published *Management development practice in Australia*, a study confirming beliefs that Australian managers were developing new skills and that Australian organisations were changing.

**DID YOU KNOW?**

‘Effective leaders can communicate with their staff — they are able to reach agreements with them not only about their tasks but also about the amount of direction and support they will need to accomplish these tasks. These three skills — flexibility, diagnosis and contracting — are the three most important skills managers can use to motivate better performance on the part of the people with whom they work.’


Graham Turner is the Managing Director and founder of Australian-based international travel management company Flight Centre. Flight Centre has developed a culture of working in teams and strong management skills, such as communication and negotiation, which are an important part of this approach.

The results of two surveys released in 2014 revealed that frontline and middle managers lack the skills they need to do their job effectively, including communication skills. A Monash University and Australian Institute of Management survey of 2000 managers and employees found that 83 per cent rated their middle manager’s leadership skills as average or below average. A DDI Australia survey of 224 HR professionals found that 85 per cent had low or moderate confidence in their organisation’s frontline leaders.
Communication

Communication is the transfer of information from a sender to a receiver. Communication can occur both within and outside the organisation. Managers use communication skills when explaining a vision, organisational changes, or simply to let staff know what is expected of them. A manager may also need to answer questions from staff when introducing a new policy, or listen to feedback from other stakeholders. Communication is fundamental to almost everything that occurs in an organisation. Effective communication — clear, articulate and concise — helps maintain good relationships.

Communication can be non-verbal (body language, visual) or through the use of words (in written form or orally). Written communication includes letters, memos, emails, reports and text. Oral communication in the business world includes meetings, one-on-one conversations and conferences. The method of communication chosen will depend on the audience; that is, whether management is communicating with employees, suppliers or shareholders.

Delegation

Delegation occurs when the authority and responsibility to carry out specific activities is transferred from a manager to an employee. The manager delegating the task remains accountable for the outcome of the delegated work, but allows the employee or employees to make their own decisions. Clear communication must be used when passing on instructions about what needs to be done.

Delegation is an appropriate skill to use in order to manage time effectively and to enable staff to learn new skills. It can lead to fresh ideas and an improvement in employee motivation. A manager has to be wary of delegating major projects or executive responsibilities, such as strategic planning. Providing support to employees, setting deadlines and evaluating the task when completed can reduce the risk of the delegated assignment not being completed adequately.

Negotiation

Negotiation occurs when two parties enter into discussions that are intended to resolve a dispute or to produce an agreement on a course of action. The outcome should be satisfying to both sides. Managers, for example, use negotiation skills when they meet with customers to finalise a sale or with employees to determine workplace conditions.

When negotiating, managers should:
• try to put themselves in the shoes of the other party
• encourage the discussion of each side’s perceptions
• allow the other party to participate in the process, so that they feel involved
• listen actively and acknowledge what is being said
• speak clearly and purposefully
• build a working relationship with the other party.

Rupert Murdoch, founder and Executive Chairman of News Corporation, is known for his negotiation skills, in both the business world and the political arena.
2.9 Management skills — communication, delegation, negotiation and team building

Team building

The traditional hierarchical structure of many businesses is disappearing. Layers of management are being removed and replaced by work teams, resulting in ‘flattened’ management structures. These self-directed work teams alter some of the traditional roles of management. One obvious change is that managers have to work more closely with people over whom they have no apparent authority. They are required to adopt a team approach, negotiating consensus decisions rather than imposing demands.

The role of managers is changing from controller to facilitator. Without being able to impose their authority, managers have to achieve their aims by balancing the needs of the team with those of the business. This can be accomplished by the manager attempting to understand the views of others, handling disagreements honestly and directly, and persuading others to adopt new ideas. Above all else, the manager must build a sense of trust, team building’s key ingredient.

Now that teams are becoming the basic building block of many businesses, effective team building has the potential to empower employees and transform managers. To achieve it, managers need a good understanding of team/group dynamics — that is, the interaction of individuals within teams or groups.

TEST your understanding
1 Outline what reports on management from the last 10 years have said about the skills that Australian managers will need to develop.
2 Draw a table similar to the one following to summarise details of the management skills in this section. The first entry has been completed for you.

<table>
<thead>
<tr>
<th>Skill</th>
<th>Definition</th>
<th>Characteristics</th>
<th>Application to the workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>The ability to transfer information from a sender to a receiver,</td>
<td>Communication can be in words (written — such as letters, memos, emails, reports and text, or oral — such as meetings, one-on-one conversations and conferences). Communication can be non-verbal — such as body language or visual cues.</td>
<td>Managers use it to explain a vision, to instigate change, to let staff know expectations, to answer questions and to listen.</td>
</tr>
</tbody>
</table>

3 Explain how each of the skills in this section would be used if a manager decided to select an autocratic management style.
4 Explain how each of the skills in this section would be used if a manager decided to select a participative management style.

APPLY your understanding
5 When Josh, the human resources manager, arrived at his office, the first thing he did was check his email. He was reminded that he had an early appointment with representatives from the union. The purpose of the meeting was to discuss work conditions and pay for the warehouse staff. After coming to an agreement, Josh decided that it would be appropriate to establish some teams to look at the issue of work safety. He began to seek employees who would be able to lead each of the teams and report back to him with solutions to the high numbers of workplace accidents which were occurring recently.

What skills is Josh using? In what way is he using each of those skills?

6 Use the Communication Skills Test weblink in your eBookPLUS to take the test. What were your results? Do you think this is accurate? How could you improve your communication? How competent do you think you are with the other skills in this section?
Problem solving

When confronted with a problem, many of us search for an answer, jump at the first workable solution and move on. Management requires a more systematic problem-solving process when confronted with difficult and unfamiliar situations. 

Problem solving means finding and then implementing a course of action to correct an unworkable situation. Although managers have to deal with many problems in the course of a day, not all problems require such a systematic, formal process. One of the most important skills a manager can develop is the ability to decide to which problem they should give their full attention.

There are six steps in a typical problem-solving process (see the diagram). The first step is to clearly identify what the problem is and what has caused it. The problem might be an industrial dispute or a need to develop a more socially responsible organisation. All of the facts and information that are relevant to the problem must be gathered. Some methods to use might be simply talking to people or completing questionnaires or surveys.

Management will need to develop alternative solutions, so that the problem can be solved with an open mind. A list of possible solutions are then made, including the seemingly ridiculous ones. After analysing each of the alternatives for their advantages and disadvantages, management chooses what they deem to be the best solution. The solution to the problem will then be implemented and subsequently evaluated. If the solution does not work, management will have to start the problem-solving process again.

Problem solving involves finding and choosing a course of action to correct or improve a situation.
2.10 Management skills — problem solving, technical skills, time and stress management, emotional intelligence

**Technical skills**

Technical skills involve the ability to accomplish tasks in a specialised field, such as finance, information technology, marketing or research and development. Frontline and middle managers will make heavy use of technical skills. For example, an operations manager will make use of technical skills when they talk to staff about the technical aspects of operations. A manager needs to have a sufficient technical understanding of the area they work in to be able to coordinate the efforts of staff in their department.

**Time management**

We only have 24 hours in any one day, so we all need to make careful decisions about how we spend our time. Time management involves prioritising tasks and setting deadlines for their completion. Prioritising allows a manager to deal with what is urgent first, leaving other tasks until later. Time management also involves reviewing how certain tasks are progressing.

**Stress management**

Stress is a normal part of our everyday lives, and it can be used to motivate us. Too much stress, however, can be unhealthy and prevent employees from performing at their best. Stress management is all about managing the levels of stress that develop in employees.

**DID YOU KNOW?**

In 1986, NASA management had to decide whether to launch the space shuttle Challenger, even though temperatures at the launch site had fallen below the levels normally required for a safe launch. Lower level engineers expressed their concerns. However, top-level NASA managers decided to go ahead with the launch — a decision that resulted in the deaths of all the astronauts on board.

Watch who you are looking at! Many zoo keepers employ stress management techniques to keep gorillas calm. Classical music is sometimes used to drown out the noise of visitors, and better designed enclosures allow gorillas to take a break from prying eyes.
in employees while they are working. There are many causes of stress — referred to as ‘stressors’ — such as working long hours, dealing with new technology, fear of losing a job and frustration with poor organisational systems and processes. ‘Stressors’ can also be external to the organisation, including family problems. High levels of stress are likely to cause poor performance, absenteeism and health problems.

Managers use stress management skills when they introduce strategies to help staff cope with or change stressful work environments. Levels of stress in the workplace can be reduced through better time management or delegation of tasks, and by introducing flexible work arrangements or providing compulsory leave. Managers can also organise activities to help staff reduce stress, such as exercise sessions and social events.

### Emotional intelligence

**Emotional intelligence** or emotional intelligence quotient (EQ), refers to the ability to identify, assess and manage the emotions of yourself and others, including groups of people. It is a relatively new management skill, but one which is growing in importance in effectively managing an organisation. A manager using the skill of EQ uses clear communication when working with staff, and is sensitive to their needs, not threatening. Emotional intelligence can be used to inspire and influence staff while overcoming conflict, creating a workplace where people respect each other and work well together.

### The relationship between management styles and skills

Management styles and skills are closely related. The type of management style that a manager selects will determine the range and degree of skills they use. For example, if a manager assesses a situation and chooses to use a participative style, then clear communication, delegation, negotiation and team building skills will be important. An autocratic manager would use communication and problem solving skills, but use them very differently.

**TEST your understanding**

1. Draw a table similar to the one following to summarise details of the management skills in this section.

<table>
<thead>
<tr>
<th>Skill</th>
<th>Definition</th>
<th>Characteristics</th>
<th>Application to the workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Explain how each of the skills in this section would be used if a manager decided to select an autocratic management style.

3. Explain how each of the skills in this section would be used if a manager decided to select a participative management style.

4. In your own words, outline the relationship between management styles and skills.

**APPLY your understanding**

5. In groups of three or four, select a management skill. Explain the skill to the class using a PowerPoint presentation, a report or in the form of a lesson. Include a definition of the skill, its characteristics and application to the workplace.

6. Form groups of three or four. Imagine that you are members of the board for a large electronics manufacturer. Your company employs 1000 staff and earns annual revenue of $1 billion. Your company has been facing increasing competition, and sales and profits have been decreasing over the last few years. You need to hire a new CEO for the company. In your group, list the skills you would require. What type of personality and management style would you hope to find for your company? Compare your response to that of other groups in the class. Were there similarities or differences? Why might this be so?
KEY CONCEPT There is a relationship between management styles and skills.

Healthy management

City Health is a public healthcare provider serving a population of 500,000 people and operating with a budget of $500 million. It employs 3000 staff and has grown steadily over the last five years due to the merging of several major city hospitals. The chief executive of City Health, Dr Jan Dvorak, recently called a meeting of the executive team to discuss a strategic plan. These discussions explored the objectives of:

- developing a culture of quality and innovation
- working in partnership with all stakeholders to enhance the health of the community
- providing an environment that values and supports staff
- achieving a financially sustainable health service.

Up until now, Dr Dvorak has managed and guided City Health through its period of high growth. She has led the organisation to where it is today by listening to her employees, the hospital's patients and the community. She includes staff unconditionally in the decision-making process of the organisation. She is considered to be a great leader by her staff.

Dr Dvorak considers that the change to a new corporate culture will be her greatest challenge so far, but believes that the hospital is well on its way to achieving this goal.

Many hospitals today are introducing cultures which expect quality healthcare.
Choco management

Jack has been the general manager of Nars Chocolates for only six months. He had previously worked for a company with serious financial and staffing problems. From that experience he concluded that it is best to be very firm with staff in order to get results.

Jack’s recent behaviour has prompted staff to consider leaving. He shows very little interest in the needs of individuals, or their concerns. He severely criticised the work of the marketing manager at a planning meeting last week. ‘Carly, I just don’t think you have all the facts here,’ Jack said. ‘Firstly, from what I can see, you’ve done a poor job. And secondly, the rest of you people will need some clear guidelines or you will all be producing the sort of rubbish that Carly has presented.’

Some time later, two managers were discussing the deteriorating workplace conditions over a cup of coffee. ‘Can you believe the way that Jack treated Carly in the meeting last week?’ complained Josh. ‘Carly is a great manager, she listens to her staff and encourages her team to work with her to make decisions.’

‘And she was totally embarrassed by Jack’s comments because the new chocolate bar project her team is working on is still in its developmental stages,’ said Mai.

‘I heard him telling off Khalid last week for expressing an idea,’ said Josh. ‘He told him that he’s the boss, and if he wanted opinions, he certainly wouldn’t ask a subordinate for them. Mai, he’s treating us like we’re kids. But we’re experienced professionals.’

‘I agree,’ said Mai. ‘It won’t be long before I’m out of this place!’

TEST your understanding
1 What management style is Jan Dvorak using? What are the characteristics of this style?
2 What management style is Jack using? What are the characteristics of this style? Compare this style to the one being used by Carly.
3 Are these the best styles to use in each of these situations or should any of the managers reconsider? Justify your answer.
4 Identify and explain two management skills that could be used by Jan Dvorak to develop the corporate culture.
5 Identify and explain two management skills that Jack could use to improve the workplace conditions at Nars Chocolates.
6 Explain and apply a problem-solving process that could be used either to develop the corporate culture at City Health, or at Nars for the new chocolate bar project.

EXTEND your understanding
7 Match the two extreme styles with the skills below and then explain why you think each skill matches up with that style:

<table>
<thead>
<tr>
<th>Style</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autocratic</td>
<td>Communication</td>
</tr>
<tr>
<td></td>
<td>Delegation</td>
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<tr>
<td></td>
<td>Negotiation</td>
</tr>
<tr>
<td></td>
<td>Team building</td>
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<tr>
<td>Participative</td>
<td>Problem solving</td>
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<tr>
<td></td>
<td>Time management</td>
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<tr>
<td></td>
<td>Stress management</td>
</tr>
<tr>
<td></td>
<td>Emotional intelligence</td>
</tr>
</tbody>
</table>

8 Explain how the choice of management style will affect the way in which the skills are used.
KEY CONCEPT Ethical and socially responsible management of the internal environment has many implications for the organisation.

It is important that managers understand the implications of managing the internal environment of an organisation in an ethical and socially responsible manner. How managers respond to ethical situations and socially responsible issues will have long-lasting consequences for the image and reputation of the organisation, as well as its corporate culture, policies, objectives and strategies.

Ethics involves the study of moral issues and choices. Ethics is not concerned with legal obligations, but with what is morally right or wrong (and all the shades of grey in between). In many decisions involving ethical questions, it is sometimes difficult to definitively say what is ‘right’ and what is ‘wrong’ because it often depends on the circumstances surrounding the situation.

Ethical management refers to moral standards as applied to management behaviour. Like individuals, organisations are frequently confronted with ethical dilemmas. What does an organisation do:

• with a loyal, long-serving employee who cannot adapt to new technology?
• with confidential information about a competitor’s pricing policy that a disgruntled employee leaked?
• when it is asked for a cash payment to help hasten a decision about a tender contract?

Managers confront these types of issues, and their implications, when they deal with the internal environment.

Today, it is generally accepted that ethics is good for business. In 2013, a KPMG Survey of corporate responsibility reporting revealed that corporate governance is gaining in prominence. The report showed that 71 per cent of the 4100 companies studied across 41 countries are using the process of corporate responsibility reporting. More and more management courses are teaching ethics and corporate social responsibility. Research, such as that completed by James Burke (former head of US company Johnson & Johnson), and more modern findings, suggest that there is a positive connection between ethics and financial performance.

Ethical issues

Within the business world, the following ethical issues regularly occur.

Fairness and honesty

Managers must obviously obey all laws and regulations. As well, society expects managers to tell the truth and avoid using misleading or deceptive information. Employees expect to be dealt with honestly and fairly. For example, if an organisation promises a promotion to an employee, then the organisation should honour this commitment to the employee (except in exceptional circumstances).

Respect for people

If managers treat their staff with respect, then you would also expect employees to act ethically.

Occasionally, an organisation may become aware of an unethical practice of an employee. This can place the business in a difficult position, especially if the employee is important to the successful operation of the business. At other times,
an employee may be placed in a difficult ethical position by other employees; for example, when older employees decide to play a practical joke on a young apprentice. Sometimes, these ‘practical jokes’ get out of hand and may develop into a serious harassment or negligence case.

**Conflict of interest**

Conflict of interest occurs when a person takes advantage of a situation or piece of information for his or her own gain rather than for the employer’s interest. Such conflicts can often occur when gifts or payments are offered. There is a fine line between what is regarded as a gift and what may become a bribe. Corruption undermines the integrity of the business and, if unchecked, infiltrates the workplace culture.

Once a pattern of corruption takes hold and is seen to be acceptable behaviour, it quickly becomes entrenched within the organisation. Changing the attitudes and practices of individuals within such an organisation is extremely difficult. What begins as a small incident, to which most people turn a blind eye, may soon develop into corruption on a grand scale. When such corrupt practices are eventually exposed, the organisation’s image will be severely damaged.

**Financial management**

Organisations have ethical and legal responsibilities in relation to financial management. In recent years, unethical practices have been highlighted and increasingly questioned. There are growing calls for codes of behaviour to regulate the activities of organisations in relation to financial management.

It is generally accepted that financial management decisions must reflect the objectives of an organisation and the interests of shareholders. An area in which ethical considerations are important is the valuing of assets.

In preparing budgets, a business estimates its expenditures and revenues. The common practice of overestimating expenditures and understating revenue to allow for unexpected and uncertain events is an ethical issue for an organisation.

All financial records should be regularly audited. Internal and external audits assist in guarding against unnecessary waste, inefficient use of resources, misuse of funds, fraud and theft.

**Encouraging ethical organisational behaviour**

It is not always easy to maintain a consistently high degree of ethical behaviour in the real world. Employees who want to act ethically sometimes find it difficult to do so, especially if unethical practices are ingrained into the workplace culture.

One strategy that can be implemented to encourage ethical behaviour is to devise a corporate code of conduct. This is a set of ethical standards for managers and employees.

Many organisations now document and distribute their codes of conduct or core values, to provide internal stakeholders with ethical guidelines for workplace behaviour and practices. Training may be given to employees to ensure they understand the values of the organisation. Most organisations also establish formal proceedings for reporting unethical behaviour in the workplace.
Social responsibility of organisations

Social responsibility refers to an organisation’s management of the social, environmental, political and human consequences of its actions. A socially responsible business will attempt to achieve two goals simultaneously: expanding the business as well as providing for the greater good of society. It is a recognition that business activities have an impact on society; as such, businesses need to give careful consideration to their actions. The central theme is ‘above and beyond’ making a profit and obeying the law.

Social responsibility is good business — customers eventually find out which businesses are acting responsibly and which are not. Customers can react and stop purchasing an organisation’s product if they learn that the business is exploiting employees, accepting bribes or polluting the environment. At the same time, customers reward socially responsible organisations by purchasing more of their products. Obviously, socially responsible behaviour costs money in the short term but in the long run turns out to be in the company's best interest.

Google is an example of an ethical and socially responsible organisation. It encourages staff to be involved in charitable efforts of all kinds and routinely communicates the importance of ethics to its employees. Google’s code of conduct covers respect for each other, conflict of interest, financial integrity and responsibility, confidentiality and obeying the law.

Google was named one of the world’s most ethical companies in 2014 by Ethisphere, a think-tank dedicated to research and promotion of profitable best practice in business ethics and corporate responsibility.

The evolution of the concept of social responsibility in Australia

In the past 70 years, society’s attitudes towards business operations have changed. Today, society is more informed and better educated, resulting in higher expectations of business practices and a greater awareness of the social responsibility...
of business. Employees demand improved working conditions, consumers want reliable, safe products and conservationists desire careful consideration be given to our delicate natural environment. These groups demand that businesses be held accountable and responsible for their actions. In addition, government involvement in the economy has increased, with legislation being passed that directly influences business behaviour. Business owners must account for all these competing interests, which add to the pressures businesses already face. Those businesses who fail to meet such challenges, however, will suffer.

The social report

Today, most large-scale organisations assess their progress towards fulfilling their social responsibility obligations by conducting a social report. A social report may also be referred to as a corporate social responsibility report, a social audit or a sustainability report. The report details what an organisation has done, and continues to do, to address the social and environmental issues that are relevant to the organisation. The report also assesses how the organisation’s practices and operations affect society. Similar to the way a school report indicates the academic progress of a student, the social report measures the success or failure of the organisation in fulfilling its social responsibilities.

Many social reports, including those of Telstra and AGL Energy, follow guidelines set out in the Global Reporting Initiative (GRI). GRI is a global network that exists to create and continuously improve a sustainability reporting framework for organisations around the world.

### TEST your understanding

1. What do you believe is the most ethical way in which to behave in the following situations?
   
   (a) A disgruntled employee from your main competitor offers to provide you with confidential information about that business’s marketing strategy. Would you accept such information? Give reasons for your answer.

   (b) An employee is suspected of misusing the organisation’s internet facilities. However, the employee is the best salesperson in the organisation, generating thousands of dollars worth of sales each year. What should happen to the employee? Compare your answer with that of other class members. Discuss any similarities or differences.

2. Construct a mind map summary outlining the four main ethical issues in the internal environment faced by managers.

3. What is required for a code of ethics to work successfully?

4. Suggest why fulfilling social responsibilities is good for an organisation.

5. Suggest arguments against increasing ethical and socially responsible management of organisations.

### APPLY your understanding

6. Justify why you agree or disagree with the following statements:
   
   (a) Social responsibilities are another unwelcome constraint on business.

   (b) Unethical behaviour of senior management soon becomes the standard adopted by all employees.

   (c) Enlightened organisations are keen to adopt social responsibilities for purely altruistic reasons.

   (d) It is not socially responsible for alcohol companies to sponsor sporting events.

7. In groups of four or five, research and report on a social issue confronting an organisation. You may wish to either prepare a PowerPoint presentation or use a word-processing package for your report.
   
   (a) Outline the issue.

   (b) How has the organisation reacted to the situation?

   (c) What indicators would you use to determine the success or failure of the organisation’s response to the situation?
PRACTISE YOUR SKILLS

- accurately use relevant management terms
- research aspects of the internal environment of large-scale organisations using print and online sources
- analyse business information and data
- analyse major aspects of the internal environment of large-scale organisations.

ANZ blasted for bankrolling ‘dirty’ mine

The ANZ ignored warnings that a mine it financed in the Philippines had contaminated local waterways and crippled communities dependent on fishing for their livelihoods, a damning report claims.

International aid agency Oxfam said ANZ continued to back the mine financially, despite becoming a signatory in 2006 to the Equator Principles. Signatories of the Equator Principles set international social and environmental benchmarks that guide financing decisions for banks.

Oxfam Australia’s mining ombudsman Shanta Martin said ANZ had a responsibility to critically assess the potential social and environmental risks when considering whether to lend to a mining project.

‘When things went as badly wrong as they did, both the mine and ANZ should have taken steps to address the problem,’ she said.

The gold, silver, copper and zinc mine, which was owned by the now defunct Melbourne company Lafayette, opened in 2005.

The report claims that soon after, two spillages of cyanide-laden waste contaminated local seas, killing fish and robbing islanders of their means of income.

‘Fish vendors told the mining ombudsman they struggled to earn enough to feed their families and afford schooling for their children,’ the report says.
A fact-finding commission appointed by the Philippines president, found Melbourne mine owner Lafayette had engaged in ‘grossly negligent activity’.

The company was suspended from full operations for 12 months and fined $258,000.

In December (2007) Lafayette went into voluntary administration and was suspended from the Australian Stock Exchange in 2008. The mine was sold in April.

‘Rather than take steps to address the negative impacts of the mine, ANZ and the other banks that invested more than US$268 million (A$311 million) in the Rapu Rapu project prioritised the objective of minimising losses,’ the report says.

‘No money was made available for environmental rehabilitation. No money was set aside to foster alternative livelihoods or for compensation.’

Oxfam has called on the ANZ to guarantee that money is available for any environmental damage caused by projects that they are backing, implement better screening practices and ensure that companies financed by the bank have a complaints mechanisms in place for affected communities.

A spokeswoman for ANZ said the bank no longer had any involvement in the mine.

‘Generally we believe project proponents are in the best position to engage fully with all stakeholders and communities and make any changes to the project to respond to concerns raised,’ she said.

‘However, we understand our clear responsibility to support their efforts in applying appropriate social and environmental safeguards.’

The spokesman said that since the Rapu Rapu mine was first financed, ANZ had adopted the Equator Principles and finalised a mining policy which provided ANZ with a framework for working with clients towards best practice environmental protection and community engagement measures.

‘These measures taken by ANZ will ensure the types of issues raised in Oxfam’s report are identified and managed by the clients as early as possible in the future,’ she said.


Westpac and National Australia Bank were recognised for their ethical behaviour when they were named in the Ethisphere Institute’s 2014 World’s Most Ethical Companies list. Ethisphere is an independent research centre. It aims to promote best practices in corporate ethics and compliance.

Teachers Mutual Bank also made the list of 144 companies across 41 industries. The three lenders were the only Australian companies recognised by the list, and were among the only five banking companies mentioned across the world.

‘We’re honoured to be recognised at an international level by the Ethisphere Institute, and are proud to be punching above our weight alongside the biggest in the industry when it comes to ethical business practices and sustainability’, Steve James, CEO of Teachers Mutual Bank, said.

‘For us, it’s not a bolt-on, it’s at the very heart of our strategy. It’s great to see Australia leading the world in ethical banking practices which is testament to the forward-thinking nature of our industry.’

Westpac was named in Ethisphere’s 2014 World’s Most Ethical Companies.
Some of the other companies appearing on the list included Gap, Levi’s, Ford Motor Company, Google, Microsoft, Mattel and PepsiCo. Most of the companies are based in the United States of America.

The list is proof that not all companies are involved in the bribery cases, corporate scandals, lawsuits and news of corruption that seem to fill the media today. There are many businesses that give back to the community through volunteer work, observe ethical business standards, and are transparent about their corporate practices.

Tim Erblich, CEO of the Ethisphere Institute said that the companies on the list ‘recognize that leading ethical business practices present an unprecedented opportunity to deliver significant tangible and intangible organizational benefits’. He also noted that, ‘this year’s honorees from all countries and industries understand that outstanding compliance programs, investment in a corporate culture of integrity, and sound business ethics have key roles in attracting and retaining talent, expanding business globally and driving financial performance’.

Companies nominate themselves to be considered for the list. Ethisphere then uses a rating system to evaluate how each company performs on its ethics and compliance program; reputation, leadership and innovation; governance; corporate citizenship and responsibility; and culture of ethics. Responses are verified before a final score is awarded.

It’s great to see Australia leading the world in ethical banking practices...
CHAPTER 2 review

Summary

**Different management structures**
- A management structure is the way in which an organisation arranges its staff and resources in order to achieve its objectives.
- Management structures are typically hierarchical, but have evolved over time as the needs of LSOs have changed.

**Three basic types of management structure**
- Modern management structures include the functional, divisional and matrix structure.
- The functional structure involves grouping staff together according to the tasks they perform (such as finance and human resources). The divisional structure groups staff together based on divisions (such as products or geography). The matrix structure groups staff into teams which work on specific projects.

**Corporate culture and its development**
- All LSOs have their own corporate culture — the values and beliefs of the people in an organisation.
- The elements of corporate culture include the practices that are valued by the organisation, such as honesty, innovation and hard work, the symbols that are important to the organisation, the rituals of the organisation (such as social gatherings and celebrations), the heroes of the organisation and the degree of staff participation in the organisation.
- A manager must understand an organisation’s culture and how it can be maintained or developed.

**Key management roles**
- The key management roles are planning, organising, leading and controlling (POLC).
- These are the things that managers do to achieve the objectives of the organisation.
- Planning is the process of setting objectives and deciding on the methods to achieve them. Organising is the process of arranging resources and tasks to achieve the objectives. Leading is the process of influencing or motivating people to work towards the achievement of the organisation’s objectives. Controlling is the process of evaluating performance and taking corrective action to ensure that the set objectives are being achieved.

**Policy development and its application**
- Policies and procedures must be developed and implemented to establish and communicate basic expectations about behaviour, conduct and decision making.
- A policy is a set of broad guidelines to be followed by employees when making decisions.
- Policies should be reviewed regularly and changed if necessary, using a policy development process.

**Management styles**
- Management styles are the ways managers work with and through other people to achieve the objectives of the organisation. The main management styles are autocratic, persuasive, consultative, participative and laissez-faire.
- The management style chosen by a manager will be influenced by the manager’s personality, background, values, beliefs and skills; the personalities, backgrounds, values, beliefs and skills of staff; the situation itself; and constraints, including time and resources.

**Management skills**
- All managers use skills as they seek to achieve the objectives of the organisation.
- Some of the main management skills are communication, delegation, negotiation, team building, problem solving and technical skills, time management, stress management, and emotional intelligence.
- Different management styles rely on different management skills to varying degrees.
Ethical and socially responsible management of the internal environment

- Ethical and socially responsible management of the internal environment has many implications for the organisation.
- Ethical and socially responsible management will affect the image and reputation of the organisation. A corporate code of conduct will need to be produced to guide ethical behaviour. Organisations must not exploit staff, pollute the environment or accept bribes.
- Introducing ethical and socially responsible management can cost money in the short term but will result in consumers purchasing more products or services in the long term.

Review questions

TEST your understanding

1. Define management structure.
2. Outline the main characteristics of a hierarchical management structure.
3. Explain the purpose of a management structure.
4. Outline the three main types of management structure.
5. Define corporate culture.
6. Why is it important for a manager to understand an organisation’s corporate culture?
7. What elements indicate the type of culture an organisation has?
8. Identify and explain the four management roles.
9. Explain the difference between the three levels of planning.
10. Outline the steps involved in a planning process.
11. Explain the difference between management and leading.
12. Define ‘policy’.
13. Why are policies important?
14. Outline a typical process for developing a new policy.
15. Explain the main features of each of the management styles.
16. Outline the factors a manager will need to consider when choosing an appropriate management style.
17. Define each of the management skills and then list their main features.
18. Explain how the management skills relate to the management styles.
19. Define ‘ethical management’.
20. Define ‘social responsibility’.
21. List the four main ethical issues that managers will face when managing the internal environment.
22. What is a code of conduct?
23. What is a social audit?

APPLY your understanding

24. Which structure would suit the following situations?

<table>
<thead>
<tr>
<th>Situation</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>A business which needs to divide tasks into projects</td>
<td></td>
</tr>
<tr>
<td>A business which groups tasks and people according to their location</td>
<td></td>
</tr>
<tr>
<td>A business which groups people together according to the tasks they perform</td>
<td></td>
</tr>
<tr>
<td>A business which groups jobs and people based on products</td>
<td></td>
</tr>
</tbody>
</table>
25 Outline the roles of any manager, explaining what each of those roles will involve.

26 Compare and contrast the characteristics of the various management styles by completing the following table.

<table>
<thead>
<tr>
<th>Management style</th>
<th>Main feature</th>
<th>Communication</th>
<th>Decision making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autocratic</td>
<td>Do it the way I tell you</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Persuasive</td>
<td>One-way, top down</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participative</td>
<td></td>
<td>Staff and managers work together</td>
<td></td>
</tr>
<tr>
<td>Laissez-faire</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

27 In which situations would the autocratic style be best? In which situations would the participative style be best?

28 Complete the following table. List any skills that you think could be used to achieve the business objectives, as well as how they could be used. The first entry has been completed for you.

<table>
<thead>
<tr>
<th>Business objective</th>
<th>Skills</th>
<th>How</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the culture of an organisation</td>
<td>Communication</td>
<td>Explain to staff the changes which will take place. Use the problem-solving steps to work out what problems are preventing the culture from improving.</td>
</tr>
<tr>
<td></td>
<td>Problem solving</td>
<td></td>
</tr>
<tr>
<td>Successfully merge with another company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve social responsibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve staff satisfaction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

29 If a business wanted to introduce a new workplace policy, what skills would best be suited to making sure that the policy was successfully implemented? Explain your answer.

30 Outline the implications of managing the internal environment in an ethical and socially responsible manner.
Exam questions

Question 1  (VCAA Business Management exam 2013, question 3)

Alice Smith has read the biographies of many great business leaders. She would like to follow in the footsteps of these successful leaders. Alice has just taken over as the CEO of The Traveller’s Helpmate, a business that publishes print and online travel guides. Her observation is that her staff are professional, highly educated and independent. In private conversations, some staff have said that they felt underappreciated by the previous CEO as positive feedback was rarely provided.

a. Define the following leadership qualities that Alice will need in order to be an effective leader.
   - interpersonal
   - informational
   - decision-making

   3 marks

b. The biographies that Alice read indicated the importance of a strong corporate culture.

   Identify two indicators of corporate culture and explain how each reflects the shared values and beliefs of an organisation.

   4 marks

Question 2  (VCAA Business Management exam 2013, question 2)

ZX Bank is a large retail bank that operates in all states in Australia. In response to a recent market survey of its customers, it is considering opening its branches on Saturdays and Sundays.

Currently, the bank’s employees feel that their expectations regarding conditions of employment and work–life balance are being met.

The employees have been asked about the proposed change in opening hours and 70 per cent said that they would prefer not to work on weekends but, if they had to, they would expect higher pay rates on those days.

The Human Resource Manager has responded, saying that an increase in pay rates might make opening on weekends unprofitable. The bank executives are hoping to reach an agreement with the employees that keeps pay rates at current levels.

Both sides believe that it is important to discuss this issue further.

b. To resolve the issue regarding the proposed change in opening hours and the employees’ expectations of higher pay rates on weekends, the bank executives will need to apply a range of management skills.

   Describe two management skills and justify their use in this situation.

   4 marks

Question 3  (VCAA Business Management exam 2012, question 2)

Glass Transport is a long-established bulk transport provider, which has recently taken a decision to invest in becoming a national parcel delivery service. The opportunity that CEO Catherine Glass seized on arose from fast-growing online sales. In order to build the expanded business, a significant number of new staff will be required. Some of these staff could be relocated from the bulk transport division and some will need to be recruited. Service standards will need to be set and new vehicles purchased. Further decisions will be made to determine whether parcel pick-up from residential and business premises will be offered.

The major existing competitor in parcel delivery is a government-owned postal service. Its business of delivering mostly letters is declining because of emails and texting. Its delivery infrastructure is mostly suited to letters, not parcels. The growing parcel sector is a highly profitable business opportunity for the organisation that ‘gets it right’.
As Glass Transport is becoming more complex in its service offerings, Ms Glass is considering changing the management structure of her organisation.

a. Discuss an appropriate management structure for Ms Glass’s expanding business.  

b. By nature, Ms Glass is a consultative manager. Identify two characteristics of this management style, and explain one advantage and one disadvantage of using this style.  

c. Ms Glass has identified that she will have to use the management roles of organising, leading and controlling. Define each role and explain how the use of these roles will contribute to the success of her new national parcel delivery service.  

Question 4  
(VCAA Business Management exam 2011, question 1)  
In the foyer of the head office of Southern Industries hangs a sign that states ‘Employees are our most important resource. If we look after our staff everything else will take care of itself’.  

a. Define the term corporate culture.  

b. Describe one way management can develop an organisation’s corporate culture.  

Question 5  
(VCAA Business Management exam 2011, question 2)  
Freda Campbell is setting up a new business in Melbourne that will manufacture and sell furniture.  

b. Many large-scale organisations use a multistage planning process in order to achieve their objectives. Explain each of the steps in this process.  

c. Describe and justify two management skills, other than communication, that Freda could use while establishing her business.  

Question 6  
(VCAA Business Management exam 2011, question 3)  
Jason Green is an Operations Manager who has just moved from an organisation that provides Internet services to an organisation named Trendsetters, that manufactures clothing. His supervisor has indicated that one of his first tasks is to work with the Human Resource Manager to update the firm’s employee relations policies. Jason is concerned about making changes too soon after he arrives.  

a. Define the term policy.  

Question 7  
(VCAA Business Management exam 2009, question 1)  
The 2008/2009 global financial crisis has led to a decrease in automobile sales in Australia and, hence, a reduction in demand for parts of all types. At Johnson Automotive, a manufacturer of brake parts, the workforce has been reduced from 500 to 300. The remaining staff had their hours of work and pay reduced by 30%. These changes have been made in an autocratic manner, upsetting many of the stakeholders of the organisation. The plant manager who made these changes has since resigned and has been replaced by a new plant manager who plans to adopt a participative management style.
b. Contrast the participative and autocratic management styles. Include two characteristics of each management style in your answer.  
4 marks

c. Discuss two advantages and two disadvantages of the participative management style.  
4 marks

e. As a consequence of the significant changes at Johnson Automotive, the plant manager has decided to focus on the roles of planning and controlling. Define each of these roles. Discuss how these roles will assist the new plant manager to deal with these changes.  
4 marks

f. Describe three management skills that a participative manager could use. Discuss how the new plant manager at Johnson Automotive could apply each of these skills to the current situation.  
6 marks

Question 8  
(VCAA Business Management exam 2008, question 1)

Australian Mineral Resources (AMR) and Jerrildeni Mining have been negotiating a merger with the aim of achieving economies of scale. The Chief Executive Officers (CEOs) of the two mining companies have been in discussion over the past three months. The focus of these discussions has been:

- the potential problems of merging two well-established companies with different cultures
- the possible structure of the new entity
- the content of a joint mission statement
- the adoption of a single planning process at the three levels.

b. i. Define organisational structure.  
ii. Describe the key features of a matrix organisational structure.  
1 + 2 = 3 marks

c. Identify and describe the three levels of planning.  
4 marks

d. Discuss two indicators of corporate culture the organisations would have considered.  
4 marks

School-assessed coursework

OUTCOME 2
Discuss and analyse major aspects of the internal environment of large-scale organisations.

ASSESSMENT task — structured questions

Time allowed: 80 minutes
Marks allocated: 40 marks (the marks for each question are indicated at the end of each question)

Conditions: closed book (no notes or textbooks may be used when completing this task)

Fedcomm is one of Australia's leading telecommunications companies and has its head office in Melbourne. Fedcomm employs 20,000 people and is listed on the share market. Its vision is to meet customer needs in the simplest and best way. Its current management structure is based on geographic lines. These divisions were
developed as the business grew from a small company serving customers in one State to the large organisation it is today.

Fedcomm provides staff with promotion opportunities and very satisfying rewards for high performance. This has encouraged strong staff loyalty. Staff members enjoy working at Fedcomm — it is a fun place to be and its divisions are managed by people with many years of service. Staff and management relations are very strong and there is a good customer focus. Fedcomm has grown to be the business it is today by management listening to employees and customers. Staff are included in the decision-making processes of the organisation unconditionally.

The CEO of Fedcomm has recently announced a new five-year strategic plan which includes the following objectives:
• expand the business into Asia
• reduce waste
• be recognised as an employer of choice
• improve customer service through the use of technology.

The strategic decision to expand the business overseas means that the old structure is no longer relevant. The company would like to restructure using a different model to make sure that there is no doubling up of activities, or disputes over responsibility. The company plans to gather feedback from staff on this proposal and then make the changes within the next 12 months.

Fedcomm's management structure

1 Outline the purpose of a management structure. 2 marks
2 Suggest a management structure that will best suit Fedcomm when it expands overseas and explain your choice. 4 marks
3 Define ‘corporate culture’. 2 marks
4 Explain two elements that indicate what the corporate culture is like at Fedcomm. 4 marks
5 Define ‘strategic plan’. 2 marks
6 Define ‘leading’ and explain why it is a key management role. 2 marks
7 Identify and explain two other key management roles that the CEO would need to adopt to make sure that the change at Fedcomm is successful. 4 marks
8 Identify and explain the management style currently used at Fedcomm. 4 marks
9 Outline the factors that managers at Fedcomm would consider when choosing an appropriate management style. 2 marks
10 Identify and explain two management skills that could be used by the CEO to successfully introduce the changes at Fedcomm. 4 marks
11 Describe how two of the objectives in the strategic plan will assist Fedcomm to become a more socially responsible organisation. 4 marks
12 Explain and apply a problem-solving process that could be used at Fedcomm to achieve any one of the objectives. 6 marks