

# CHAPTER 2

## The nature of management

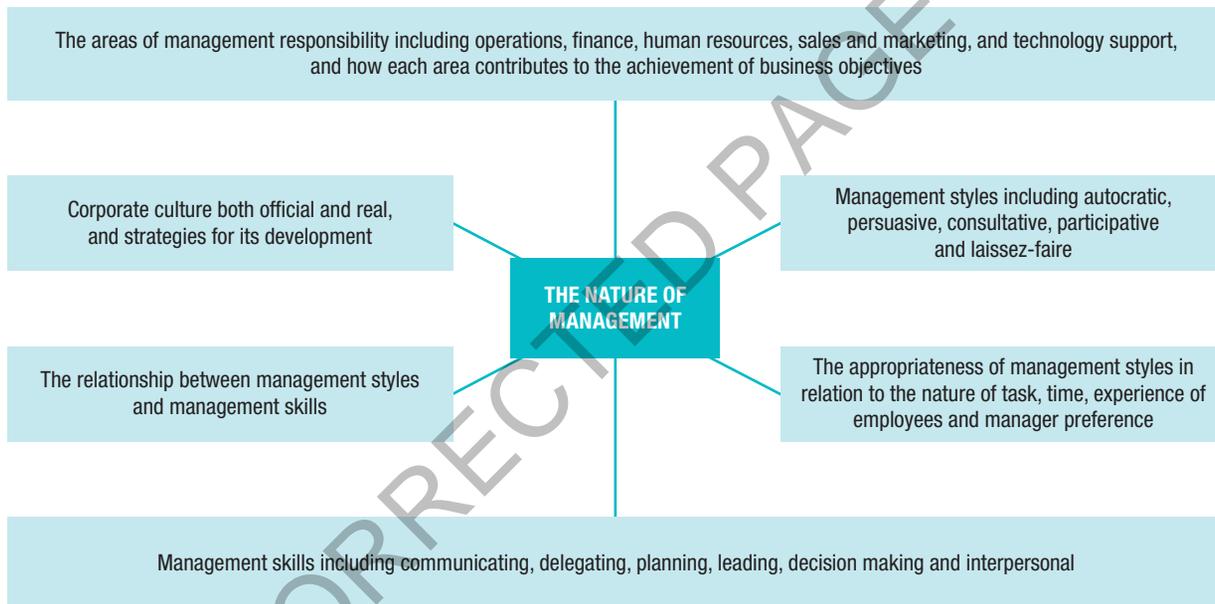
### WHY IT IS IMPORTANT

What is management? Many business writers have asked this question and many different theories have been composed on the topic. You might believe that a manager is the boss or the person in charge of a business. It is widely accepted that management is the process of efficiently and effectively coordinating all the efforts of people and other available resources to achieve business objectives. There is no doubt that management has a significant role to play in the success of a business. In this chapter, you will be studying areas of management responsibility, how managers use a range of styles and skills when managing a business, corporate culture and the relationship between each of these.

### 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.



#### Key skills

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

- define, describe and apply relevant business management concepts and terms
- analyse case studies and contemporary examples of business management
- interpret, discuss and evaluate business information and ideas
- apply business management knowledge to practical and/or simulated business situations
- analyse and discuss management styles and management skills necessary for successful business management
- evaluate management styles and management skills and their appropriateness for a range of business situations
- propose and justify management strategies for developing corporate culture.

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## Management at Morgan Stanley

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, Melbourne, Adelaide, Brisbane and Perth. Morgan Stanley operates in 40 countries around the world, with over 1200 offices and more than 50 000 employees globally. It has relatively few levels of management with a strong focus on teamwork, making use of employee-focused management styles and management skills.

The company has created a positive corporate culture. Morgan Stanley's chairman and CEO, James Gorman, has noted that, 'culture matters more than anything'. Its culture is based on diversity (recognising individual differences) and inclusion — developed 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.



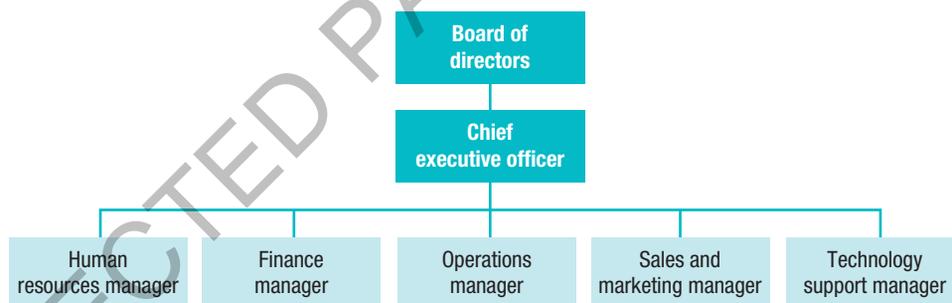
# 2.1 Management responsibilities



**KEY CONCEPTS** Businesses typically have areas of management responsibility including operations, finance, human resources, sales and marketing, and technology support. These areas of management implement different strategies to support the business in achieving its objectives.

All businesses, small, medium-sized and large, have areas of management responsibility that must be addressed if the business is to successfully achieve its objectives. The staff size of large businesses will often require a complex management structure, where employees who work on similar activities are grouped together into departments. This can be seen in the business structure diagram in the figure below. A different manager would supervise each area of management responsibility. A CEO (chief executive officer) might monitor the progress of the department managers. The manager responsible for each area will be involved in determining business objectives, along with the CEO. The managers of each area will also need to ensure that the strategies being used within their departments align with the objectives and strategies of the entire business.

The managers of a small business are usually the owners. The owners, and not specialist managers, will have responsibility for the different areas of management. Just like large businesses, the owner-operator of a small business will need to ensure that the strategies used in each area of management responsibility are contributing to the achievement of business objectives.



Typical areas of management responsibility in a large business structure

## study on

Unit 3

Operations

AOS 1

Summary screen and practice questions

Topic 4

Concept 1

## Operations

The operations area is responsible for the production of the business's product, whether it is a manufactured good or the provision of a service. It oversees the transformation of inputs into output, that is, the finished product.



The operations area is responsible for the production of the business's good or service.

The strategies used by the operations area depend on whether the business transforms inputs into goods or services. Generally, the operations strategies include the use of technology, materials management, quality management and waste minimisation in the production process. An operations manager might, for example, introduce a quality strategy to improve the competitiveness of the business's product. Quality control, the use of inspections at various points in the production process, could be used to minimise waste and defects and ensure that the product meets certain standards.

The operations area is sometimes referred to by other names, such as production, quality or supply. This management area will be covered in more detail in chapter 5.

## Finance

The finance area is responsible for managing the financial aspects of the business. This can include developing financial policies, raising finance, budgeting, accounting and reporting, and cash control.

The strategies used by the finance area will relate to accounting and financial management. Accounting involves the recording and analysis of all the business's financial transactions. Accountants will, for example, produce balance sheets that show the value of the business's assets, liabilities and owner's equity (proprietorship) at a certain point in time. This represents the business's financial position. Financial management is concerned with how a business funds its activities. It is very important that the business is able to manage all of its borrowings and to use the types of borrowings that best meet its needs.

The finance area is sometimes referred to by other names, such as administration.

## Human resources

The human resources area is responsible for coordinating all the activities involved from acquiring to terminating employees of the business. It manages the relationship between the employer and employees.

The strategies used by the human resources area focus on improving the motivation of employees and meeting their expectations. An important aspect of human resource management is the management of the employment cycle. This begins with the establishment phase — getting people to work for the business. The right people need to be recruited and selected. They then need to be inducted, trained and developed. The performance of employees also needs to be managed, whether by observing employees, appraising their performance or by evaluating performance against objectives. This is the maintenance stage. Finally, there will be times when employees leave the business. This is known as termination. Termination management may involve retirement, redundancy, resignation or dismissal, as well as the entitlement and transition issues that go along with each of these.

The human resources area is sometimes referred to by other names, such as people and development, or personnel. This management area will be covered in more detail in chapters 3 and 4.

## Sales and marketing

The sales and marketing area is responsible for the marketing mix, often referred to as the 7 Ps (product, price, place, promotion, people, physical evidence and process). Marketing strategies undertaken by the sales and marketing area arise through the marketing mix: developing the product, pricing, promoting and distributing products to present and potential customers.

The sales and marketing area might work with the finance area, for example, to determine the right price for the business's product. Pricing is very important. A price that is set too high could mean that sales are lost, unless the business offers superior customer service. A price that is set too low may give customers the impression that the product is cheap and of low quality.

The sales and marketing area is sometimes referred to by other names, such as simply 'sales' or 'marketing'.



### study on

Unit 3

**Finance**

AOS 1

Summary screen and practice questions

Topic 4

Concept 2

### study on

Unit 3

**Human resources**

AOS 1

Summary screen and practice questions

Topic 4

Concept 3



The human resources area is responsible for the management of the business's people.

### study on

Unit 3

**Sales and marketing**

AOS 1

Summary screen and practice questions

Topic 4

Concept 4

The sales and marketing area is responsible for promoting the product, such as through the use of billboards, as well as developing, pricing and distributing the product.

# 2.1 Management responsibilities

## study on

**Unit 3** Technology support

**AOS 1** Summary screen

**Topic 4** and practice

**Concept 5** questions

## Technology support

The technology support area is responsible for installing and maintaining technology, as well as providing assistance to the users of technology in the business. These technologies may include mobile phones, computers, computer networks, software products or other electronics. Technology support will often attempt to help employees solve specific computer-related problems.

This area of management responsibility is very important, as many businesses today have computerised part or all of their operations. For many businesses therefore, the achievement of business objectives relies heavily on the successful integration of technology throughout the business. The technology support area is responsible for the installation and maintenance of this technology.

The technology support area needs to work closely with the other areas of management responsibility in the business to ensure that the right technologies for the business's needs are being used and that technology performs as it should. Technology support may, for example, work with the finance area to ensure that a sufficient proportion of the business's budget has been allocated to technology. Technology support may also work with the human resources area to determine the training that is needed so that all employees have the capacity to use the technology.



The technology support area is responsible for the management of the business's technology.

The technology support area is sometimes referred to by other names, such as tech support or IT.



### TEST your understanding

- 1 Explain what operations management is concerned with.
- 2 Why are accounting and financial management useful for a business?
- 3 Explain what human resources is concerned with.
- 4 Outline the importance of the sales and marketing area to a business.
- 5 What is the responsibility of the technology support area?
- 6 Classify the following tasks according to the area for which it would be responsible:
  - (a) planning an advertising campaign for a new product
  - (b) preparing a cash flow statement
  - (c) providing training for employees
  - (d) introducing the just in time materials management strategy
  - (e) installing a new computer network
  - (f) recruiting and selecting new employees
  - (g) establishing a quality system.

### EXTEND your understanding

- 7 A large energy provider decides to focus on the objective of improving customer service. Identify one strategy that each area of management responsibility could implement to support the attainment of this objective.
- 8 Large businesses do not always use every area of management responsibility in their structure. Sometimes

the areas will be referred to by other names. Examine the structures for the following two large businesses. For each one, write down the names of the areas you do find. If you think an area of management responsibility is present, but named differently, write down the name of that area as well.

- (a) Tasman Tank Co designs, manufactures and installs water storage systems throughout Australasia. Use the **Tasman Tank Co** weblink in your eBookPLUS to find Tasman Tank Co's organisation chart.

**eBookplus**

**Weblink**  
**Tasman Tank Co**

- (b) Toshiba International Corporation is a subsidiary of Toshiba Corporation, Japan. Use the **Toshiba International Corporation** weblink in your eBookPLUS to find Toshiba International Corporation organisational structure.

**eBookplus**

**Weblink**  
**Toshiba International Corporation**

- 9 Find the objectives for each of the businesses you looked at in question 8. How do you think the areas that you wrote down for each business support them in achieving those objectives?

# 2.2 Management styles — autocratic and persuasive



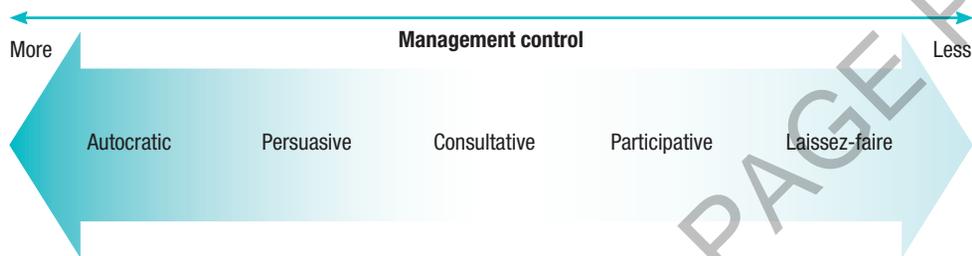
**KEY CONCEPT** Two management styles are the autocratic and persuasive styles.

The important task faced by managers is how best to achieve the objectives of their business. 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 when making decisions, when directing and motivating staff to undertake set tasks, and when implementing plans to achieve business objectives. **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.

**Management style** refers to the behaviour and attitude of the manager when making decisions, directing and motivating staff and when implementing plans to achieve business objectives.



The continuum of management styles

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

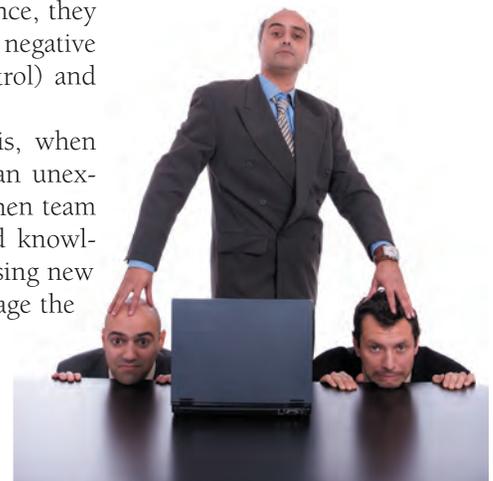
An **autocratic management style** is one where the manager tends to make all the decisions, dictating work methods, limiting employee knowledge about what needs to be done, and frequently checking on employee performance. The autocratic manager generally provides clear directives by telling employees 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. This style is centralised (management has control) and communication is one-way.

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.

An **autocratic management style** is one where the manager tells staff what decisions have been made.



An autocratic style is usually ineffective in getting the best out of staff.

## 2.2 Management styles — autocratic and persuasive

### study on

Unit 3

AOS 1

Topic 5

Concept 1



**See more**  
Autocratic  
management style

A **persuasive management style** is one where the manager attempts to sell decisions made.

### study on

Unit 3

AOS 1

Topic 5

Concept 2



**See more**  
Persuasive  
management style

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

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 business as a whole, more positively.
- Instructions 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 management 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.

# 2.3 Management styles — consultative and participative



**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 recognises the importance of good personal relationships among employees and consults with staff on certain issues before making a decision. The consultative manager seeks the opinions of employees, holds information-sharing meetings and recognises good performance. This implies a two-way communication process, with employees sharing their ideas with a manager who is willing to listen. The consultative manager believes that employees can be motivated through their greater involvement in decision making. Although this employee-centred management style is moving away from the two previous styles, where management is centralised, the final decision-making power remains with the manager.

This management style is most effective when a new operating procedure is to be introduced or some business 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 business 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 wide-spread 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 not only consults with employees, but also shares decision-making authority with subordinates. Participative managers recognise the strengths and abilities of employees and actively involve them in all the stages of the decision-making process. The degree of sharing can range from the manager outlining a solution, with the possibility of changes being suggested, to allowing the team to initiate, implement and monitor its own solutions.

A **consultative management style** is one where the manager consults employees before making decisions.

### study on

Unit 3

AOS 1

Topic 5

Concept 3



**See more**  
Consultative management style



The consultative management style

## 2.3 Management styles — consultative and participative

### study on

Unit 3

AOS 1

Topic 5

Concept 4



**See more**  
Participative  
management style

Because there is staff participation and ownership of decision making this is a decentralised management style. The participative management style makes use of two-way communication as staff are encouraged to provide ideas and feedback. Since the contribution of employees is valued, it is likely that they will have a commitment to the business's objectives via their own input.

This management style is most effective when a business is operating in an environment undergoing rapid change. Individual employees accept responsibility for, and can implement, changes. This makes the business 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:

- 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.
- Not all employees may want to contribute.



The participative management style



### 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.

# 2.4 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 the most appropriate 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 or decision-making power. Essentially, management has no role in the day-to-day running of the business. Management will set objectives and is still accountable for the overall performance of the department or business, but employees take responsibility for implementing the means of achieving the objectives. In so doing, employees are responsible for their decisions and accountable for the results. This is a completely decentralised management style, with employees operating individually or in small groups to complete tasks.



Laissez-faire is a French phrase meaning to leave things as they are, or to let (it) go.

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.
- 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 business'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 business objectives can be easily eroded. Management may find themselves with a failed business and nothing to manage.

A **laissez-faire management style** is one where the employees assume total responsibility for, and control of, workplace operations.

### study on

Unit 3

AOS 1

Topic 5

Concept 5



**See more**

Laissez-faire management style

## 2.4 The laissez-faire management style and situational management approach

### ! 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.

### study on

**Unit 3** Situational management  
**AOS 1** Summary screen and practice questions  
**Topic 5**  
**Concept 6**

**Contingency management theory** stresses the need for flexibility and the adaptation of management styles to suit the situation.

## Situational management

The management style chosen by a manager will be influenced by:

- the manager — their personality, experience, values, beliefs and skills
- the personalities, experience, values, beliefs and skills of staff
- the nature of the task 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 business 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.



### 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 choosing an appropriate management style for a given situation.

### 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. He is a 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 task and constraints) in this scenario. What management style would you recommend that Alistair use?
- 7 Compare the five main management styles by completing the following table.

	Autocratic	Persuasive	Consultative	Participative	Laissez-faire
Decision making	Manager makes all decisions and tells staff				
Control		Centralised — manager controls the processes			
Staff input			Staff input is valued		
Communication				Two way	

### PRACTISE YOUR SKILLS

- define, describe and apply relevant business management concepts and terms
- analyse case studies and contemporary examples of business management
- interpret, discuss and evaluate business information and ideas
- apply business management knowledge to practical and/or simulated business situations
- analyse and discuss management styles and management skills necessary for successful business management
- evaluate management styles and management skills and their appropriateness for a range of business situations

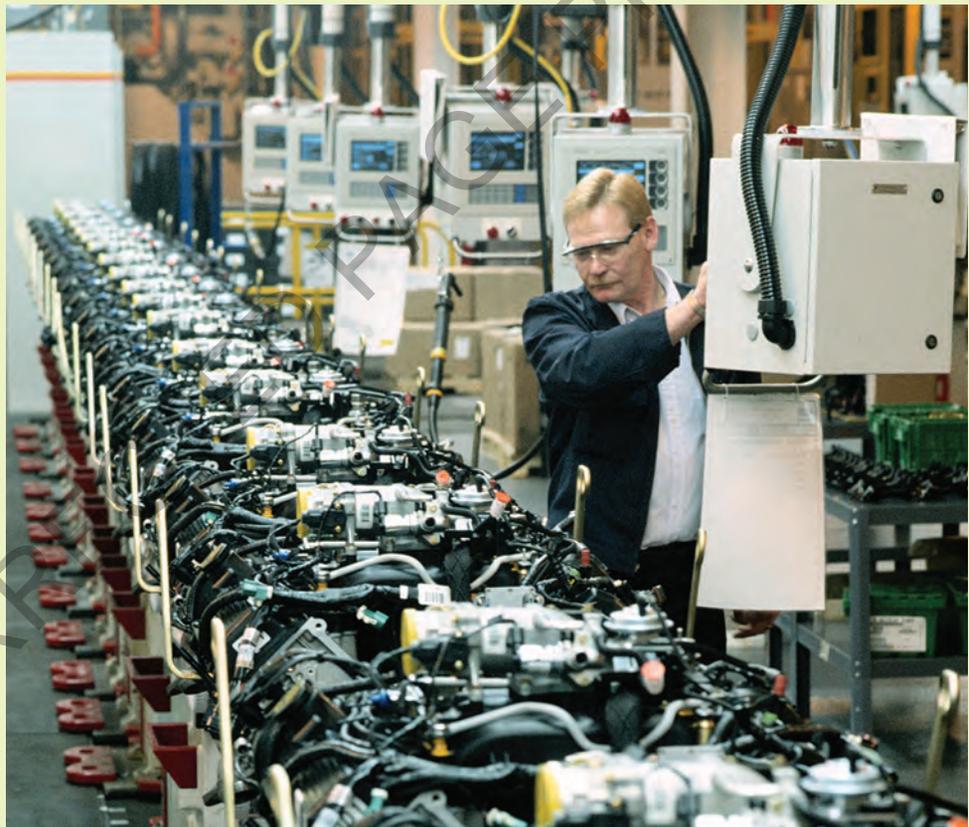
### An experienced manager

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.



• As a result, production staff are often stressed because short notice is given for the production changes required.



## 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.

## APPLY 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 explain 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.

# 2.5 Management skills — communicating, delegating and planning



**KEY CONCEPTS** All managers use their skills to achieve the objectives of the business. Different management styles rely on the manager possessing particular management skills to varying degrees.

**Management skills** are the abilities or competencies that managers use to help them to complete the tasks that are necessary for the achievement of business objectives. Usually, effective managers are those who possess a range of specific management skills and can use these skills in a number of management situations. Typical management skills include:

- communicating
- delegating
- planning
- leading
- decision making
- interpersonal.

Managers are not required to use all of these skills constantly. But, it is important that these skills are available when they are needed. There has been much research over the last 20 years into the kinds of skills that managers need to possess to carry out their work more effectively. More recently, the results of two surveys released in 2014 revealed that managers and employees believe that frontline and middle managers lack the skills they need to do their jobs effectively. These skills include communication and leading. 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 business's frontline leaders.

## 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 communicating, delegating, planning, leading and interpersonal skills will be important. A manager making use of this style would use two-way communication and delegate the responsibility for making decisions to staff. It is very likely that managers who are strong in decision making would prefer to use the autocratic, persuasive or consultative styles. However, an autocratic manager would not have much use for delegating or interpersonal skills. Furthermore, the autocratic manager would also use communicating, planning and leading — they would just utilise them very differently to a manager using the participative style, for instance.



**Management skills** are the abilities or competencies that managers use to achieve business objectives.

### 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.’

K Blanchard, P Zigarmi and D Zigarmi 1986, *Leadership and the one minute manager*, Collins, London.

### study on

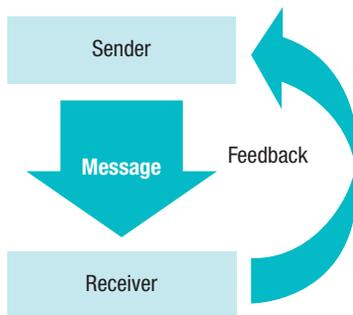
**Unit 3** Relationship  
**AOS 1** between  
**Topic 6** management  
**Concept 5** styles and  
management  
skills

Summary screen  
and practice  
questions

Graham Turner is the Managing Director and founder of Australian-based international travel management company Flight Centre. Flight Centre makes use of participative management styles, with a focus on working in teams, and strong management skills, such as communicating and interpersonal skills, which are an important part of this approach.

## 2.5 Management skills — communicating, delegating and planning

**Communicating** involves the ability to transfer information from a sender to a receiver, and to listen to feedback.



The basic communication process

**Delegating** refers to the ability to transfer authority and responsibility from a manager to an employee to carry out specific activities.

### study on

Unit 3	<b>Communication and delegation skills</b> Summary screen and practice questions
AOS 1	
Topic 6	
Concept 1	

**Planning** is the ability to define business objectives and decide on the methods or strategies to achieve them.

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

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

## Communicating

**Communicating** is the transfer of information from a sender to a receiver. Communication can occur both within and outside the business.

It can be non-verbal (body language, visual) or through the use of words (verbal — 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.

Managers use the communicating skill when explaining a vision, outlining possible changes to the business, 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 a business. Effective communication — clear, articulate and concise — helps maintain good relationships.

On the other hand, the use of this skill can lead to conflict as employees may use communication to agree or disagree with each other and with management. This can lead to resentment and tension, with the possible outcome of tasks not being completed. Effective managers should be able to use communication to resolve conflict. Sometimes the positive relationships that are formed as a result of communication become a distraction and can also reduce productivity. Communication can be time consuming and, at times, there can be too much of it, resulting in information overload.

## Delegating

**Delegating** 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.

Delegating 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. Delegation can be used to build trust and a feeling of mutual understanding between the subordinate employee and manager. A manager has to be wary of delegating major projects or executive responsibilities, such as determining the strategic (long-term) business objectives. Providing support to employees, setting deadlines and evaluating the task when completed can reduce the risk of the delegated assignment not being completed adequately. Another weakness of delegating tasks is that the subordinate employee may misuse their new power. They may, for example, share confidential information with competitors or become a target for unethical practices such as bribery.

## Planning

**Planning** is the ability to define business objectives and determine methods or strategies that will be used to achieve those objectives. It provides the key to both the short-term and long-term success of a business.

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

Once business 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 business.

- **Strategic** (long-term) **planning** is planning for the following two to five years. This level of planning will help determine where the business wants to be in the market, and what the business wants to achieve in relation to its competitors.

- **Tactical** (medium-term) **planning** is flexible, adaptable planning, usually over one to two years. It supports the implementation of the strategic plan and allows the business to respond quickly to changes. The emphasis is on how business objectives will be achieved through the allocation of resources.
- **Operational** (short-term) **planning** provides specific details of the way the business 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.

**Operational planning** provides specific details about the way in which the business will operate in the short term.

A **SWOT analysis** involves the identification and analysis of the internal strengths and weaknesses of the business, and the opportunities in, and threats from, the external environment.

## 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 business. To achieve this at the strategic planning stage, managers can use a typical planning process, such as:

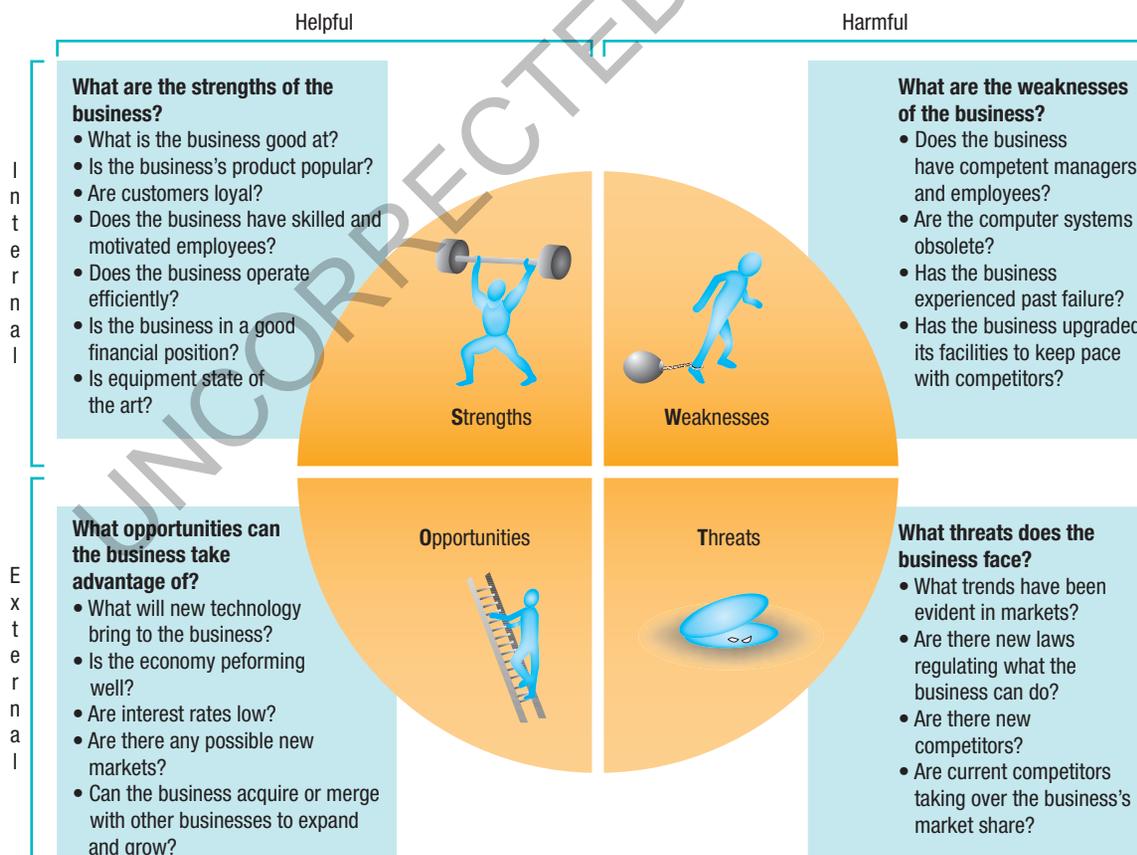
Step 1. *Define the objective.* Management begins the planning process by considering where they believe the business is headed.

Step 2. *Analyse the environment.* Managers attempt to work out exactly where the business 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 business's internal strengths and weaknesses, and also opportunities in, and threats from, its external environment (see the following figure).

Step 3. *Develop alternative strategies.* In response to the question, 'How will the business get there?', managers develop several strategies and then decide to put one into action.



It is often said that 'failing to plan is planning to fail'.



A SWOT analysis

# 2.5 Management skills — communicating, delegating and planning

## study on

Unit 3 Planning skills

AOS 1 Summary screen and practice questions

Topic 6

Concept 2

### DID YOU KNOW?

An easy way to remember the five-step planning process is to use the acronym DADIM.

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 business 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.

A manager using the planning skill gives the business purpose and direction. Having clear objectives and strategies creates unity and encourages motivation, as employees are likely to feel that they have a reason for working for the business. Planning reduces risk and uncertainty, and should result in resources being used efficiently. However, planning can be expensive and time-consuming. Opportunities can be lost while managers are planning and innovation or creativity can be hindered because everything needs to be planned.



## TEST your understanding

- 1 Outline what reports on management 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.

Skill	Definition	Characteristics	Application to the workplace
Communicating	The ability to transfer information from a sender to a receiver, and to listen to feedback	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.	Managers use it to explain a vision, to instigate change, to let staff know expectations, to answer questions and to listen.

- 3 Outline the advantages and disadvantages of communicating, delegating and planning.
- 4 Explain how each of the skills in this section would be used if a manager decided to select:
  - (a) an autocratic management style
  - (b) a participative management style.

## APPLY your understanding

- 5 When Josh, the owner of Get Fit gymnasium, arrived at his office in the morning, the first thing he did was check his calendar on his mobile phone. He was reminded that he had an early meeting with all of his employees. The purpose of the meeting was to discuss weekly planning schedules. At the meeting, Josh asked Kaila to work on rosters for the next week and suggested that Elly report back to the meeting next week with solutions for the recent drop in memberships. 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?

eBook plus

Weblink  
Communication Skills Test

# 2.6 Management skills — leading, decision making and interpersonal



**KEY CONCEPT** Managers must also be able to lead, make decisions and make use of interpersonal skills. Different management styles rely on the manager possessing particular management skills to varying degrees.

## Leading

**Leading** occurs when managers endeavour to influence or motivate people in the business to work to achieve the business objectives. Effective leadership is vital to the success of a business. The type of leadership in a business depends on the attitudes and assumptions that managers have about people in the business. Good managers lead by example — by modelling good practice — and encourage and praise good performance. Leaders actively listen to what employees say and welcome new ideas, remain calm in the face of conflict and stressful situations, and delegate tasks so that work and responsibilities are shared with employees who have the capacity to handle them.

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 business. They consider each member of staff as a unique individual and provide opportunities for team members to exercise their own judgement on decisions.



Good leadership should result in motivated employees and high staff morale. Employees who are motivated with a sense of direction and who trust management tend to work harder or more efficiently, which can lead to high productivity and the attainment of business objectives. However, leading does have disadvantages. Managers can be so busy leading that they have no time for contributing to productive activities, such as meeting with customers or making sales. Clashes can occur between leaders and employees and an ‘us versus them’ mentality can develop if staff feel that they cannot relate to management. This can be particularly true if the manager uses transactional leadership.

**Leading** is the ability to influence or motivate people to work towards the achievement of business objectives.

### study on

Unit 3

**Leading skills**

AOS 1

Summary screen and practice questions

Topic 6

Concept 3

### 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.

Naomi Simson, Founding Director 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.

### 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

**Decision making** is the ability to identify the options available and then choose a specific course of action from the alternatives.

### study on

**Unit 3** Decision-making and interpersonal skills  
**AOS 1**  
**Topic 6**  
**Concept 4** Summary screen and practice questions

In 1999 two young men, Larry Page and Sergey Brin, offered to sell their search engine to Excite CEO George Bell for \$1 million, eventually reducing their asking price to \$750 000. Bell decided to reject the offer. The search engine was Google and the company that Page and Brin founded went on to become a multinational valued at more than \$100 billion. Excite was one of the most recognised brands on the Internet in the 1990s. It was later purchased by AskJeeves (now Ask.com) after its share price collapsed.

### 🗨️ 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.

## Decision making

Managers today are often confronted with complex, challenging and stressful conflicts, problems and issues. The world is changing rapidly and it is necessary to possess skills to identify all possible options and possibilities. **Decision making** involves identifying available options and then choosing one course of action from the alternatives. Effective decision making involves being able to make decisions within a particular time frame. It also requires a manager to adequately assess the risk involved if the decision is implemented.

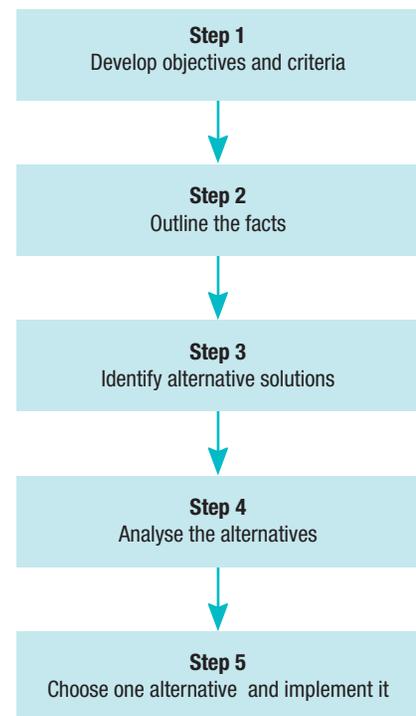


There are five steps in a typical decision-making process (see the diagram). The first step is to clearly state what the desired goal or position is, which includes determining measurable criteria for what this situation would look like. These criteria might be, for example, to increase profit by 10 per cent or to increase market share by 5 per cent. All of the facts and information related to the situation then need to be outlined, including the circumstances that may have caused the conflict, problem or issue, as well as the possible obstacles that may prevent the attainment of the desired goal or position. Once all the facts

have been outlined, the desired goal or position (step 1) should be reassessed to confirm if it was developed clearly and whether or not it is realistic.

Alternative solutions need to be generated that will possibly overcome the obstacles identified in step 2. Each alternative should then be closely examined for the resources that would be needed to carry them out and their possible consequences. As part of an analysis, the alternatives should be ranked in terms of their costs and benefits, strengths and weaknesses, or advantages and disadvantages. The best alternative according to the criteria then needs to be chosen by management, and then implemented.

A manager using the decision-making skill may be able to make decisions quickly, but this may not be true if decisions are made in a group. Teams working together to make decisions tend to take a longer time, because there is a need to discuss all the options and reach consensus. On the other hand, making decisions within a group has the potential to collect more ideas and knowledge, which can result in better decisions and more effective implementation. Group decision making may not suit all situations. In the case of an emergency or a crisis requiring immediate action, an individual may be required to make a hasty decision.



A decision-making process

## Interpersonal skills

**Interpersonal skills** refer to management's ability to deal or liaise with people and build positive relationships with staff. This skill is very important because it is through other people that managers achieve business objectives. A manager who is able to identify and recognise how other people see things and then make use of these views in a logical and understanding manner is most likely to be effective in achieving objectives.

A manager using interpersonal skills uses clear communication when working with staff and is sensitive to their needs, not threatening. Interpersonal skills can be used to inspire and influence staff while overcoming conflict, creating a workplace where people respect each other and work well together. In contrast, a manager who lacks empathy, is arrogant, opinionated, unable to communicate effectively or who has difficulty relating to people will not be able to develop positive relationships with employees. It is possible that when such a manager is absent from the workplace, employees may work much more productively because they are free from fear, intimidation and threat. Ultimately, the use of interpersonal skills is likely to lead to greater staff morale and higher productivity.

On the other hand, it can take a long time for a manager to learn and make use of interpersonal skills. It is also possible that some managers will misuse their understanding of interpersonal skills and utilise them for their own ends, possibly using these skills to manipulate other people. For example, a manager might use interpersonal skills to trick an employee into siding with management's point of view, or to lure a customer into purchasing a product that they do not need. Furthermore, a manager using interpersonal skills may be prone to making emotional decisions, rather than relying on factual information or logic.

**Interpersonal skills** refer to the ability to deal or liaise with people and build positive relationships with staff.



Interpersonal skills are used by management to interact with other people and build relationships with employees.

### **DID YOU KNOW?**

'Try honestly to see things from the other person's point of view.'

Dale Carnegie, *How to Win Friends and Influence People*



### TEST your understanding

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

Skill	Definition	Characteristics	Application to the workplace

- 2 Outline the advantages and disadvantages of leading, decision-making and interpersonal skills.
- 3 Explain how each of the skills in this section would be used if a manager decided to select:
  - (a) an autocratic management style
  - (b) 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?

# 2.7 Corporate culture and its development



**KEY CONCEPT** All businesses have their own corporate culture — the values and beliefs of the people in the business.

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

## study on

Unit 3

Elements of corporate culture

AOS 1

Topic 7

Summary screen and practice questions

Concept 1

### ! 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.

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

## Official corporate culture

Corporate culture can be revealed officially in the policies, objectives or slogans of a business.



Corporate culture may allow an informal atmosphere, encouraging teamwork and casual dress as opposed to a formal environment with more rigid standards.

## Real corporate culture

Corporate culture can also be seen in the unwritten or informal rules that guide how people in the business 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. These elements can indicate the type of corporate culture that the business has or be used as building blocks for a positive corporate culture.

- 1 Values and practices.** These are the way things are done in the business. Examples of corporate values and practices include honesty, hard work, teamwork, quality customer service, employee participation and innovation. Sony Corporation is an example of a company that values innovation. Masaru Ibuka, the company's co-founder, created the atmosphere of 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).
- 2 Symbols.** These are the events or objects that are established to represent something the business believes to be important. Businesses that believe in fostering positive competition among employees, or an active lifestyle, can organise various sporting events. Businesses 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 a business'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 business's successful employees who reflect its values and, therefore, act as an example for others.

## Developing a positive corporate culture

A manager must understand and assess all facets of a business's unique culture, because this is a powerful tool for achieving objectives. Knowing and appreciating a business's culture makes it easier to get things done or to initiate a change to routine or procedures. Competent, effective managers will use the business's culture as a force for positive change. Research has shown that businesses 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 a business'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 business. 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 business. For example, if treating customers respectfully is important in the business, 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 a business be role models for staff in those important values. Management must reinforce corporate values by communicating with staff, rewarding employees who exemplify the appropriate values, and recruiting staff who fit in with the values of the business.



The corporate culture of Domino's is based on the idea of having fun at work, which leads to great things happening.

### study on

Unit 3

AOS 1

Topic 7

Concept 2

**Strategies for developing corporate culture**

Summary screen and practice questions

### 🗨️ DID YOU KNOW?

Management consultants Terrence Deal and Allan Kennedy wrote that having a positive corporate culture is essential for a business's survival given:

- the rapid rate of social, technological and environmental change
- an increasingly competitive macro environment
- intensified global competition.



### TEST your understanding

- 1 Define corporate culture and explain how it can influence the success of a business.
- 2 Outline the difference between official and real corporate culture.
- 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 Identify other indicators of corporate culture using the information in this section.
- 6 What do you think the difference is between a positive and a negative corporate culture?
- 7 Identify strategies that management can use to develop a business's corporate culture.

### APPLY your understanding

- 8 Working in groups of three or four, describe the culture of your school. Identify the shared values, practices,

symbols, rituals, rites, celebrations 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 a business 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 business. Use the Internet to find out about its corporate culture.
  - (a) Explain the values employees of that business would be expected to demonstrate.
  - (b) What symbols or celebrations did you find that reflect the business's culture?

# APPLY YOUR SKILLS

Styles, skills and corporate culture

## PRACTISE YOUR SKILLS

- define, describe and apply relevant business management concepts and terms
- analyse case studies and contemporary examples of business management
- interpret, discuss and evaluate business information and ideas
- apply business management knowledge to practical and/or simulated business situations
- analyse and discuss management styles and management skills necessary for successful business management
- evaluate management styles and management skills and their appropriateness for a range of business situations
- propose and justify management strategies for developing corporate culture

### 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?***

• Another key early focus was developing a plan to survive the next 12 months ... •

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!

**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.

**Source:** Extracts from 'Turnaround challenge', [www.ceoforum.com.au](http://www.ceoforum.com.au).

**eBook plus**

**eLesson**

**Leadership — Brambles**

Watch this video featuring Brambles and complete the attached worksheet.

**Searchlight ID:** eles-1049



**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 management skills:
  - (a) communicating
  - (b) delegating
  - (c) planning

- (d) leading
- (e) decision making.

**APPLY your understanding**

- 4 What role does a CEO play in changing corporate culture?
- 5 In your opinion, what management style did Mr Reeves adopt as he attempted to change the culture at George Weston Foods? Justify your response.

### Healthy management

City Health is a private 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 business 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 business. 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.

• She is considered to be a great leader by her staff. •



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!'

... he's treating us like we're kids.'



### 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 decision-making 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:

Style	Skills
<b>Autocratic</b>	Communicating
	Delegating
	Planning
<b>Participative</b>	Decision making
	Interpersonal
	Leading

- 8 Explain how the choice of management style will affect the way in which the skills are used.



**KEY CONCEPT** The use of employee-centred management styles and related skills can develop a positive corporate culture

One of the best ways to improve a business'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 business 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 businesses 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 a company that has led the world with its commitment to participative work practices.

## Semco — workplace participation in action

• A leader who fails more than twice to meet the standards expected of them by employees will be sacked. •

Semco Partners, based in Brazil, South America, is a most unusual business as a result of its absolute commitment to workplace participation. 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.



Ricardo Semler empowered staff at Semco and threw out the management chart.

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.

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 new management 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.

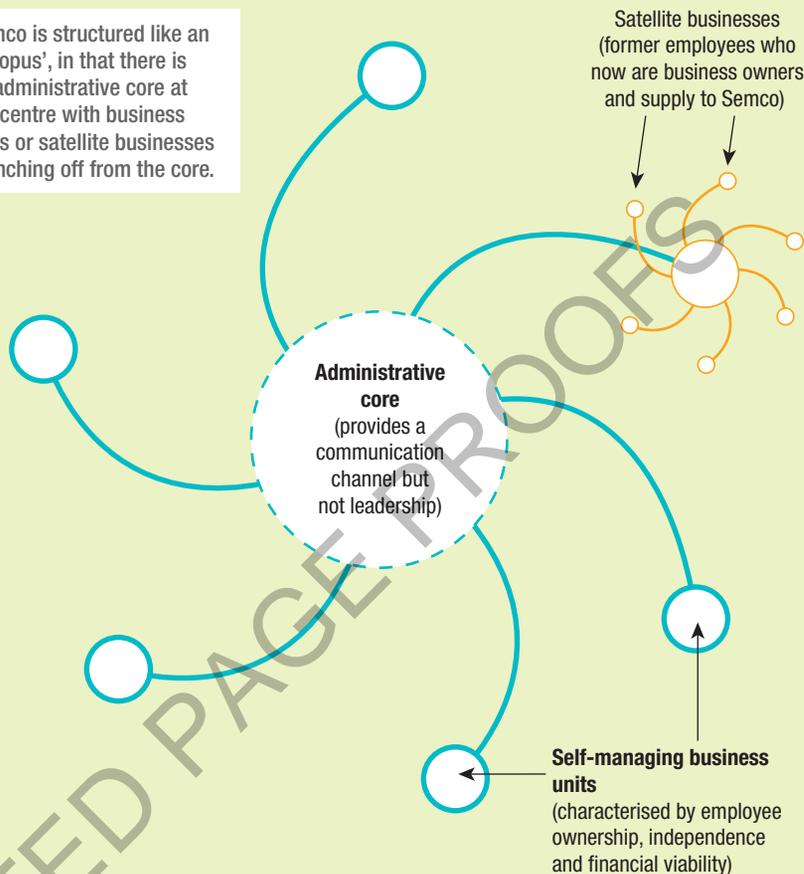
This provided greater freedom as well as more responsibility for managers and staff.

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.

An illustration of Semco's commitment to flexibility is the way in which it is structured, which looks a lot like an 'octopus' (see the diagram). This arrangement arose when recession hit and Semler wanted to avoid sacking people, even though the business could not afford to keep them. 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.

Semco is structured like an 'octopus', in that there is an administrative core at the centre with business units or satellite businesses branching off from the core.



### 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 how Semco's business is structured.

### 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:

Aspect	What Semco does
Decision making	Staff participate in decision making
Communicating	
Leading	
Values	

# CHAPTER 2 REVIEW

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## SUMMARY

### Areas of management responsibility

- Businesses typically have areas of management responsibility and each area of responsibility implements different strategies to support the business in achieving its objectives.
- The operations area is responsible for the production of the business's good or service.
- The finance area is responsible for managing the financial aspects of the business, including the development of financial policies, raising finance, budgeting, accounting and reporting, and cash control.
- The human resources area is responsible for coordinating all the activities involved from acquiring to terminating employees of the business — it manages the relationship between the employer and employees.
- The sales and marketing area is responsible for the marketing mix — the 4Ps (product, price, promotion and place).
- The technology support area is responsible for installing and maintaining technology, as well as providing assistance to the users of technology in the business.

### Management styles

- Management styles are the ways managers work with and through other people to achieve the objectives of the business. They differ according to the degree of decision-making control that management exercises, the direction of communication and the value that management places on staff input.
- The autocratic style is one where the manager tells staff what decisions have been made.
- The persuasive style is one where the manager attempts to sell decisions made.
- The consultative style is one where the manager consults employees before making decisions.
- The participative style is one where the manager unites with staff to make decisions together.
- The laissez-faire style is one where the employees assume total responsibility for, and control of, workplace operations.
- The management style chosen by a manager will be influenced by the manager's personality, experience, values, beliefs and skills; the personalities, experience, values, beliefs and skills of staff; the nature of the task; and constraints, including time and resources.

### Management skills

- All managers use skills (abilities or competencies) as they seek to achieve the objectives of the business.
- Communicating refers to the ability to transfer information from a sender to a receiver, and to listen to feedback.
- Delegating is the ability to transfer authority and responsibility from a manager to an employee to carry out specific activities.
- Planning is the ability to define business objectives and determine methods or strategies that will be used to achieve those objectives.
- Leading is the ability to influence or motivate people to work towards the achievement of business objectives.
- Decision making is the ability to identify the options available and then choose a specific course of action from the alternatives.
- Interpersonal skills refer to management's ability to deal or liaise with people and build positive relationships with staff.
- Different management styles rely on different management skills to varying degrees.

### Corporate culture

- All businesses have their own corporate culture — the values and beliefs of the people in a business.
- Official corporate culture can be revealed officially in the policies, objectives or slogans of a business.
- Real corporate culture can be seen in the unwritten or informal rules that guide how people in the business behave, such as the way staff dress, the language staff use, and the way that staff treat each other and customers.
- The elements of corporate culture include the practices that are valued by the business, such as honesty, innovation and hard work, the symbols that are important to the business, the rituals of the

business (such as social gatherings and celebrations), the heroes of the business and the degree of staff participation in the business.

- A manager must understand a business's culture and how it can be maintained or developed.

## REVIEW QUESTIONS

### TEST your understanding

- List the typical areas of management responsibility in a business.
- Distinguish between the operations and human resources areas.
- Describe the following areas of management:
  - finance
  - sales and marketing
  - technology support.
- Explain the importance of management styles to a business.
- Compare the autocratic management style to the persuasive management style.
- Identify two advantages and two disadvantages of the autocratic and persuasive management style.
- Distinguish between the consultative and participative management styles.
- Identify two advantages and two disadvantages of the consultative and participative management style.
- Describe the laissez-faire management style and outline two advantages and two disadvantages of this style.
- Outline the factors a manager will need to consider when choosing an appropriate management style.
- Define each of the following management skills and outline their main features:
  - communicating
  - delegating
  - leading
  - interpersonal.
- Explain the difference between the three levels of planning.
- Outline the steps involved in a planning process.
- Define 'decision making' and identify the steps in a decision-making process.
- Explain how management skills relate to the management styles.
- Define corporate culture.
- Explain the difference between official and real corporate culture.
- Why is it important for a manager to understand a business's corporate culture?
- Briefly outline elements or indicators of the type of culture a business has.
- Identify strategies that management can use to develop a business's corporate culture.

### APPLY your understanding

- Summarise the way in which each area of management responsibility contributes to the achievement of business objectives by completing the following table.

Area	Main characteristic	Strategies
Operations	Responsible for the production of the business's good or service — oversees the transformation of inputs into output	
Finance		
Human resources		Recruitment and selection Motivation strategies Training Performance management
Sales and marketing		
Technology support		

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#### Digital documents

##### Missing word glossary quiz

Test your knowledge of key terms from this chapter.

**Searchlight ID: doc-19075**

##### Crossword

Check your understanding by completing this crossword on key concepts from this chapter.

**Searchlight ID: doc-19076**

- 22** Chloe is the marketing manager for Exceptional Technology Company. She prefers to use a participative style where her staff have some responsibility in the decision-making process. Chloe regularly holds brainstorming meetings to generate a range of ideas from staff.
- Discuss Chloe's use of the participative management style.
  - Identify one management skill that Chloe is making use of and justify why it is necessary for the successful management of Exceptional Technology Company.
- 23** Brendan is the owner of a small paint store. The business is struggling financially and he needs to consider the best course of action to ensure its survival. He can see two options: close the store or introduce new products to broaden the business's target market.
- Evaluate the use of the autocratic management style in this situation.
  - Discuss the appropriateness of decision-making skills for this situation.
- 24** Complete the following table. List any management skills that you think could be used to achieve the business objectives, as well as how they could be used. Some entries have already been completed for you.

Business objective	Skills	How
Improve the culture of a business		Explain to staff the changes which will take place. Use the decision-making steps to work out solutions to improve the culture.
Make a profit	Communication Planning Leading	
Increase market share		
Fulfil a social need		

- 25** Management at Australian Industries is very concerned about the culture of the business. The negative culture appears to be affecting the company's performance. Management would like to develop a positive corporate culture.
- Propose and justify two management strategies for developing corporate culture at Australian Industries.

### study on



Sit VCAA exam

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## SCHOOL-ASSESSED COURSEWORK

### OUTCOME 1

**Discuss the key characteristics of businesses and stakeholders, and analyse the relationship between corporate culture, management styles and management skills**

### ASSESSMENT task — structured questions

**Time allowed:** 40 minutes  
**Marks allocated:** 20 marks — the task contributes 10 marks out of a total of 20 marks for Outcome 1. (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. The business employs 20 000 people and is listed on the share market. Its vision is to meet customer needs in the simplest and best way.

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. 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 business unconditionally.

The CEO of Fedcomm has recently announced a new five-year strategic plan that will focus on improving customer service.

- |  |         |
|--|---------|
| 1 Define 'planning'.   | 1 mark  |
| 2 Identify an area of management responsibility. Outline one strategy that this area could use to improve customer service at Fedcomm. | 2 marks |
| 3 (a) Identify and explain the management style currently used at Fedcomm.   | 3 marks |
| (b) Evaluate the use of this management style at the company.  | 3 marks |
| 4 Outline the factors that managers at Fedcomm would consider when choosing an appropriate management style.                           | 2 marks |
| 5 Explain a decision-making process that could be used at Fedcomm to improve customer service.   | 5 marks |
| 6 Analyse two strategies for developing a positive corporate culture at a business such as Fedcomm.                                    | 4 marks |

UNCORRECTED PAGE PROOFS