CHAPTER 2
The nature of management

2.1 Overview

2.1.1 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.

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 500 employees located in its offices in Sydney, Melbourne, Adelaide, Brisbane and Perth. Morgan Stanley operates in 42 countries around the world, with over 1200 offices and more than 55 000 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.
2.1.2 What you will learn

Key knowledge

Use each of the points below from the VCE Business Management Study Design as a heading in your summary notes.

- The areas of management responsibility including operations, finance, human resources, sales and marketing, and technology support, and how each area contributes to the achievement of business objectives
- Management styles including autocratic, persuasive, consultative, participative and laissez-faire
- Corporate culture both official and real, and strategies for its development
- The relationship between management styles and management skills
- The appropriateness of management styles in relation to the nature of task, time, experience of employees and manager preference
- Management skills including communicating, delegating, planning, leading, decision-making and interpersonal

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


2.2 Areas of management responsibility

**KEY CONCEPT** 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, regardless of size, have areas of management responsibility that must be addressed if the business is to successfully achieve its objectives. The large numbers of staff employed by a company or a government business enterprise 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 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 sole traders and partnerships 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.

### 2.2.1 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. Being responsible for production, operations is a vital area of management responsibility — without a product to sell a business would be unable to achieve its objectives. Operations strategies contribute to business objectives including making profit, improving productivity and increasing market share.

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.

2.2.2 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. In doing so, the strategies used by the finance area contribute to analysing whether or not a business has achieved objectives including making profit and increasing market share.

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.

2.2.3 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. A particular focus of this area of management is on positive work and employment relationships, assisting employee motivation and labour productivity, and ultimately supporting the attainment of these objectives. The management of employees is an important area of management because it is employees who make a significant contribution to the achievement of business objectives. Motivated, skilled and knowledgeable employees are much more likely to work productively to achieve objectives such as profit, increasing market share, and providing a return to investors.
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.

### 2.2.4 Sales and marketing

The sales and marketing area is responsible for promoting the business and selling its products in the market. One concern for this area is the marketing mix, often referred to as the 7Ps (product, price, place, promotion, people, physical evidence and process). Marketing strategies arise through the marketing mix: developing the product, pricing, promoting and distributing products to present and potential customers. Sales strategies include forming relationships with existing and new customers, building brand loyalty and creating new sales channels, such as online.

Sales and marketing strategies contribute to business objectives, such as improving sales and increasing market share, thereby leading to making a profit. The individual or the team responsible for 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 for achieving business objectives. A price that is set too high could mean that sales will be 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. Low pricing may not generate adequate profit to cover expenses and could also lead to low sales.

The sales and marketing area is sometimes referred to by other names, such as simply ‘sales’ or ‘marketing’.
2.2.5 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. In doing so, the strategies used by the technology support area contribute to business objectives such as improving productivity, thereby leading to making a profit.

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 sometimes referred to by other names, such as tech support or IT.
2.2 Activities

TEST your understanding
1. Explain why operations is such a vital area of management responsibility.
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. Indicate which area of management would be responsible for each of the following tasks.
   (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) The Tasman Tank Co. designs, manufactures and installs water storage systems throughout Australasia. Use the Tasman Tank Co. weblink in the Resources tab to find the Tasman Tank Co.’s organisation chart.
   (b) Toshiba International Corporation is a subsidiary of Toshiba Corporation, Japan. Use the Toshiba International Corporation weblink in the Resources tab to find Toshiba International Corporation’s organisational structure.
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?

EXAM practice
10. Define the term ‘technology support’. (1 mark)
11. EcoMe is a social enterprise that has the objective of supporting households to become more environmentally sustainable. Explain how the human resources area of management responsibility contributes to the achievement of EcoMe’s objective. (2 marks)
12. Distinguish between operations and finance. (2 marks)
13. Explain how the sales and marketing area of management responsibility contributes to the achievement of business objectives. (2 marks)

Resources
- Weblink: Tasman Tank Co.
- Weblink: Toshiba International Corporation
2.3 EXTEND YOUR KNOWLEDGE

The contribution of areas of management responsibility to the achievement of business objectives

**KEY CONCEPT** Each area of management responsibility makes a contribution to meeting business objectives.

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**INTERVIEW WITH ASHLEY WINNETT, EXECUTIVE DIRECTOR HUMAN RESOURCES AT GM HOLDEN AUSTRALIA**

GM Holden is an Australian importer and former manufacturer of automobiles. The company was established in 1856 as a saddle maker, shifted to vehicle manufacture in the early twentieth century, and became a subsidiary of US-based General Motors in 1931. In 2017, GM Holden ceased manufacturing automobiles in Australia when it closed its plant in Elizabeth, South Australia. However, the company continues to import vehicles. Holden today is headquartered in Port Melbourne. The following is an interview with Ashley Winnett, GM Holden Australia and New Zealand’s Executive Director Human Resources about his job and how his area of management responsibility contributes to the achievement of business objectives.

**What are some of your current HR challenges?**

Holden has very low attrition which speaks volumes about the corporate culture. But in a head count constrained environment it is difficult ensuring that we don’t become too insular in our thinking. We overcome this by creating new hire think tanks that meet with the Managing Director on a regular basis to get an outside-in perspective on our business and new initiatives.

Our most pressing and very public challenge is to guide the business from a past which focused on design, engineering, manufacturing, sales and service to a future that will focus on impressive world class design, and importing the best vehicles that our parent company GM has to offer — it’s a fairly impressive list.

We care about the people who have been impacted by this change and I personally know many of the people impacted. So through our world-class transition centre in a careful and considered manner we ensured that more than 80 per cent of those that have exited have been able to find new employment yet remain loyal brand ambassadors. Despite this success, we still struggle with a public perception that Holden will not be here at the end of the year — nothing could be further from the truth.

**What is the favourite part of your job?**

Observing others and intervening where necessary to ensure the right outcome for the business — are the right people in the right roles focusing on the right things. This is achieved by becoming a trusted advisor and confidant to the Managing Director. I also very much enjoy asking two simple yet very powerful questions of my colleagues — why not and what if?
What attracted you to a career in HR?
The commercial impact that great HR can make on a business. From purposefully hiring the right people, recreating a business a person at a time, developing the right people and creating tomorrow’s leaders through to exiting those that aren’t right for our business quickly and with dignity. When HR is respected for what it can deliver within a business it’s interesting the issues you get to be involved in from the very outset.

What’s one piece of HR-related advice you would offer?
Learn hands on how your business earns revenue, how and why it turns a profit or makes a loss and then ask how can a HR team improve your businesses profitability or cut its losses. Once you learn this you’ll always be invited back to every meeting.


INTERVIEW WITH CLAUDINE OGLIVIE, CIO AT JETSTAR

Jetstar is an Australian low-cost airline and a wholly owned subsidiary of Qantas. Jetstar’s management operates independently of Qantas and has a different focus to that of the parent company. Jetstar’s mission is ‘to offer low fares to enable more people to fly to more places, more often’. The following is an interview with Claudine Ogilvie, Jetstar’s Chief Information Officer (CIO) about her job and how her area of management responsibility contributes to the achievement of business objectives.

In June last year you replaced Grainne Kearns, who had restructured Jetstar’s IT team and put into action a transformation plan made up of 21 initiatives. Kearns moved the organisation from a cost-driven start-up where teams were executing in silos to behaving more like an enterprise. Where are you taking the organisation from here?

Jetstar has always been a fast growing/evolving organisation. We’ve moved from a siloed start-up to an enterprise model, and this has created a foundation for the team to take the next steps.

These include creating a business-focused and strategically-aligned technology function, supporting and also helping the business drive its strategic directives; and continuously improving our operational model and effectiveness of our technology function to support Jetstar-branded airlines and the broader Qantas group.

We have moved from operating separately from the rest of the Qantas Group to exploring synergies, i.e., major contracts with companies like Telstra, and leveraging economies of scale. Qantas is becoming increasingly lean and efficient and has much to learn from Jetstar’s low-cost history and evolution.

Jetstar has grown into an organisation of a size that demands mature systems and processes but is no less agile and cost-effective and can learn from Qantas Airlines’ and Qantas Loyalty’s journey.

We are aiming to adopt the best of both worlds and apply it to enhance the value proposition offered by the Jetstar brand.

Finally, technology is the launch pad for innovation at Jetstar. Our innovation framework is focusing on achieving specific strategic outcomes. These include improving customer experience and employee engagement, which helps us grow (particularly in Asia), providing the lowest, most affordable fares by keeping our TCO low, and innovating with the business through automation, etc.
Qantas is building in-house software expertise, working on placing API layers in front of legacy systems. Is Jetstar doing the same with the Axway API gateway? Which software capabilities are you keeping in-house and which ones are being outsourced?

Both Jetstar and Qantas use the Axway API gateway, however Jetstar’s technology environment is quite different to the Qantas environment. We have internalised some technical leadership (technical support, configuration and optimisation), and integration will continue to be important. However, at this stage I don’t see Jetstar building out a particularly large team in this space.

Wherever possible, we will adopt off-the-shelf solutions which are fit-for-purpose rather than a premium product. This helps us stay agile and low-cost, which is important. Where software opportunities do arise that align with Jetstar’s strategy, we will explore how we can best leverage Jetstar’s and Qantas’ resources while not duplicating our capabilities and making sure we stay as lean as possible.

What innovations are planned in the coming months? Artificial intelligence and machine learning technologies are being talked about quite a lot so far this year. Does Jetstar have plans to utilise these technologies?

Innovation is an integral part of our culture. We are focusing our innovation on growth across Asia with technology as a leader and enabler to improve customer experience and employee engagement. Cabin crew and airport staff are equipped with iPads, and we are supporting operations to deliver on-time performance and net promoter scores to automate and remove human error.

We will continue to invest in infrastructure with cloud so we remain flexible and agile; while improving decision-making and technical direction and ensuring it aligns with our business strategy.

We also have Jess, our virtual assistant, and will evolve towards using robotics to improve the customer experience, provide efficiencies and cost savings. We are investigating ways to better automate operational processes to reduce cost and human error to improve compliance and minimise rework.


2.3 Activities

TEST your understanding
1. Read ‘Interview with Ashley Winnett, Executive Director Human Resources at GM Holden Australia’. Identify the area of management responsibility that Ashley Winnett oversees.
2. Explain how Winnett’s area of management responsibility contributes to the achievement of business objectives.
3. Read ‘Interview with Claudine Ogilvie, CIO at Jetstar’. Identify the area of management responsibility that Claudine Ogilvie oversees.
4. Explain how Ogilvie’s area of management responsibility contributes to the achievement of business objectives.

EXTEND your understanding
5. The areas of management responsibility must contribute to the achievement of business objectives. For most businesses, this is profit. The tables below list the profit reported by GM Holden and Jetstar in recent years.

<table>
<thead>
<tr>
<th>Year</th>
<th>GM Holden profit (loss)</th>
<th>Year</th>
<th>Jetstar profit (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$152.8 million</td>
<td>2016–17</td>
<td>$417 million</td>
</tr>
<tr>
<td>2015</td>
<td>$128.2 million</td>
<td>2015–16</td>
<td>$452 million</td>
</tr>
<tr>
<td>2014</td>
<td>($255.2 million)</td>
<td>2014–15</td>
<td>($230 million)</td>
</tr>
</tbody>
</table>

(a) Using online sources, find the most recent profit figures for GM Holden and Jetstar. How successful have both businesses been in recent years?
(b) In your opinion, how successfully has the human resources area contributed to the achievement of business objectives at GM Holden?
(c) In your opinion, how successfully has the technology support area contributed to the achievement of business objectives at Jetstar?
6. For both GM Holden and Jetstar, increasing market share is important.
   (a) Explain how the human resources area of management responsibility can contribute to the
   achievement of GM Holden's objective of increasing market share.
   (b) Explain how the technology support area of management responsibility can contribute to the
   achievement of Jetstar's objective of increasing market share.

7. Eco Point is a social enterprise that operates with the objective of working towards sustainable
   environmental change. Explain how the following areas of management responsibility can contribute to Eco
   Point’s objective:
   • operations
   • finance
   • human resources
   • sales and marketing
   • technology support.

8. Sean is a sole trader who operates a café with the objective of making a profit. Explain how the following
   areas of management responsibility can contribute to his café’s objective:
   • operations
   • finance
   • sales and marketing.

2.4 Management styles: autocratic and persuasive

**O 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.
EXAM TIP

The key skills for Unit 3, Area of Study 1 state that you need to ‘analyse and discuss management styles’ as well as ‘evaluate management styles’. This suggests that you should know the advantages and disadvantages of each management style.

2.4.1 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.

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.

### 2.4.2 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.
2.4 Activities

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 trialed 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.

EXAM practice
8. Explain the difference between the autocratic management style and the persuasive management style. (2 marks)
9. Samo is the CEO of Resources and Minerals Ltd. The business is facing the threat of a takeover. He has chosen to use the autocratic management style at this time. Discuss Samo’s use of the autocratic management style. (4 marks)
10. Analyse how the persuasive management style would be necessary for successful business management. (4 marks)

2.5 Management styles: consultative and participative

**KEY CONCEPT** Two management styles are consultative (based on relationships) and participative (which encourages responsibility).

2.5.1 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 of 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 widespread consultation process. If the process is not consistent with each decision made, staff can become uncertain and confused about their role.
- When a number of ideas are shared, some are bound to be ignored or overlooked in the final decision. This may cause conflict or resentment.

### 2.5.2 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.

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.
The participative management style

- 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.

2.5 Activities

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. She has worked with her team to make 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.

EXAM practice

7. Explain the difference between the consultative management style and the participative management style. (2 marks)

8. Petrea is the HR manager at Real Technologies Ltd. She uses the participative management style. Identify two characteristics of this management style, and explain one advantage and one disadvantage of using this style. (4 marks)

9. Analyse how the participative management style would be necessary for successful business management. (4 marks)

2.6 The laissez-faire management style and the appropriateness of management styles

**KEY CONCEPTS**

- Another management style is the laissez-faire style.
- The most appropriate management style for any given situation is the one that the manager selects after considering the nature of the task, time, the experience of employees and the manager's preference.

2.6.1 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.

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 of 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.

**DID YOU KNOW?**

- Laissez-faire is a French phrase meaning to leave things as they are, or to let (them) go.
- 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  AOS 1  Topic 5  Concept 5

Laissez-faire management style  Summary screen and practice questions

2.6.2 The appropriateness of management styles

Circumstances in a business are constantly changing. Managers will often simply choose the management style that they are most comfortable with. However, highly effective managers change styles depending on the situation. The most appropriate management style chosen by a manager for any given situation will be influenced by:

- the nature of the task itself — for example, an autocratic style might be used for a relatively straightforward task whereas a participative style might be used for a more complicated task that would benefit from a range of ideas.
- time, and other constraints both internal and external, such as resources — for example, an impending deadline might mean that an autocratic style is appropriate. On the other hand, an extended timeframe, with access to ample resources, might lend itself to a manager making use of a more participative style.
- the experience of employees, as well as their personalities, values, beliefs and skills — for example, a workplace with inexperienced staff might necessitate the use of an autocratic style, whereas a team of experienced staff would indicate that a consultative or participative style would be appropriate.
- the preference of the manager — for example, a manager’s personality, experience, values, beliefs and skills might mean that they prefer to use a particular management style.
The consideration of the appropriateness of management styles in relation to the nature of task, time, experience of employees and manager preference is often referred to as ‘situational management’. Another name for this approach is contingency management theory. It is important to note that there is no one best management style, except the one chosen appropriately and that contributes to the business achieving its objectives.

2.6 Activities

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 preference of the manager, the experience of employees, the nature of the task and time) in this scenario. What management style would you recommend that Alistair use?
7. Compare the five main management styles by completing the following table.

<table>
<thead>
<tr>
<th></th>
<th>Autocratic</th>
<th>Persuasive</th>
<th>Consultative</th>
<th>Participative</th>
<th>Laissez-faire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision-making</td>
<td>Manager makes all decisions and tells staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>Centralised — manager controls the processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff input</td>
<td>Staff input is valued</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
<td>Two-way</td>
<td></td>
</tr>
</tbody>
</table>

EXAM practice
8. Explain the characteristics of the laissez-faire management style. (2 marks)
9. Wilson’s Pty Ltd is a business that manufactures and retails flat-pack furniture. The CEO of the company, Shadi Wilson, is detached and often hard to find. She believes that if the business employs competent staff, they will be able to manage themselves. Identify the management style that Shadi Wilson has been using. Discuss the use of this style. (5 marks)
10. Paul uses the autocratic style to manage the inexperienced employees of his café. This is the management style that he feels comfortable using, therefore he has used it for some time. Referring to two factors indicating the appropriateness of management styles, justify the use of Paul’s use of the autocratic style. (4 marks)

2.7 APPLY YOUR SKILLS Management styles

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 necessary for successful business management
- Evaluate management styles and their appropriateness for a range of business situations

AN EXPERIENCED MANAGER

Peter Anderson is 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.

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.
2.7 Activities

TEST your skills

1. Define the term ‘management style’.
2. Describe the characteristics of the persuasive management style.
3. Using the information in the ‘An experienced manager’ case study and the scenarios below, answer the following questions.

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.

(a) 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.

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

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.

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

APPLY your skills

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.
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.

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.

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.

5. The task word (sometimes referred to as command word or instructional word) ‘discuss’ generally requires you to consider both sides of something. This might mean writing about the advantages and disadvantages, the strengths and weaknesses or the benefits and costs of that thing. Using the example of Peter Anderson in the ‘An experienced manager’ case study and the scenarios, discuss the use of the autocratic management style as being necessary for successful business management.

6. The task word (sometimes referred to as command word or instructional word) ‘evaluate’ generally requires you to consider both sides of something, and then provide an overall conclusion or judgement related to which argument is the more persuasive and why. Evaluate the appropriateness of Harvey Beck using the participative management style with his team.

2.8 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.

2.8.1 Management skills

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 skills.

Managers are not required to use all of these skills constantly, but it is important that these skills are available when they are needed.

RESEARCH ON MANAGEMENT SKILLS

Beginning with the release of the Karpin Report findings in 1995, there has been much research over the past 20 years into the kinds of skills that managers need in order to carry out their work more effectively. To identify ideal management skills and characteristics, the authors of the Karpin Report (otherwise known as Enterprising nation: renewing Australia’s managers to meet the challenges of the Asia-Pacific century) interviewed a number
of Australian management experts. The report found that businesses in Australia had failed to invest in the
management skills needed for best practice; the majority of Australia’s managers did not have the skill levels of
those of the major trading nations. The Karpin Report suggested that managers needed better ‘people’ or ‘soft’
skills, including communicating, delegating and leading, and strategic skills, such as planning.

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 (AIM) 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.

This research appears to have been confirmed by the release of findings from the Australian Management
Capability Index (AMCI) in 2017 by the Institute of Managers and Leaders (rebranded from AIM). The research
found that Australian management capability had continued to decline. It also found that CEOs and managing
directors rate management capability in their businesses higher than middle managers.

Also in 2017, the Australian Bureau of Statistics (ABS) released the first official survey data on management
capability in Australia. The data presented statistics on a number of topics including strategic plans and
management skills. Approximately 14 500 businesses were sampled for the survey, with all industries and all
business sizes for the whole Australian economy covered for the 2015–16 financial year. The management
capability survey found that businesses that are ‘innovation-active’ have higher levels of management capability.
Small businesses were less likely to address skills shortages than medium-sized or large businesses. The
businesses surveyed suggested that the main factors affecting skills shortages were the specialist skills and
knowledge required, wage or salary costs being too high and the lack or availability of training.

EXAM TIP
The key skills for Unit 3, Area of Study 1 state that you need to ‘analyse and discuss … management skills’ as
well as ‘evaluate … management skills’. This suggests that you should know the advantages and disadvantages
of each management skill.

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.

2.8.2 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.
Graham Turner is the chief executive officer, 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.

2.8.3 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.

Satya Nadella is the CEO of Microsoft. One of the first things he did when he took over the role in 2014 was to write a letter to employees outlining his objectives and vision for the company. The letter was emailed to all staff. Nadella also included some personal information about himself.

‘I am here for the same reason I think most people join Microsoft — to change the world through technology that empowers people to do amazing things. I know it can sound hyperbolic — and yet it’s true,’ he said. ‘I am here because we have unparalleled capability to make an impact.’

Nadella clearly articulates Microsoft’s vision and a consistent approach to building the company. He has since transformed Microsoft into an innovative mobile and cloud-services business. Microsoft’s share price has risen more than 150 per cent since Nadella became CEO and continues to trade at all-time highs. Nadella has received praise for his calming and collegial style of communication. He has shown that he is prepared to work with staff and listen to them. Nadella is also a confident and charismatic public speaker.

COMMUNICATION PROBLEMS
Messages are misinterpreted all the time. The following information comes from a number of telephone conversations between employees within a fictitious business. There is no feedback and none of the messages are written down.

Conversation 1: Managing director to the general manager
On Monday morning, at precisely 10.00 am, a total eclipse of the sun will occur — an event that takes place once in every 85 years. Please ask employees to meet in the parking area outside the main entrance, wearing safety glasses, and I will explain this rare natural event. If it rains, we will not be able to witness the event so have employees meet in the auditorium and I will show them a video of the eclipse.
Conversation 2: General manager to department head
The managing director has ordered a total eclipse of the sun above the parking area outside the main entrance on Monday at 10.00 am. If clouds cover the event, instruct the employees to wear safety glasses, then proceed to the auditorium where this natural event will take place, something that occurs every 85 years.

Conversation 3: Department head to sectional manager
At 10.00 am on Monday, the managing director, who will be wearing safety glasses, has ordered a total eclipse of the sun in the auditorium. In case of clouds, assemble in the main entrance before going to the parking area, where the managing director will give another order, something that occurs only every 85 years.

Conversation 4: Sectional manager to senior supervisor
A rare event will occur on Monday at 10.00 am. The managing director will appear in the auditorium with his son, who will eclipse him now he is 85 years old. The managing director’s position has been under a cloud for some time. A presentation of rare safety goggles will be made to him in the parking area outside the main entrance, where all employees will be waiting.

Conversation 5: Senior supervisor to employees
On Monday 10, the rare 85-year-old managing director, accompanied by his son, Eclipse, will park in the main entrance before watching the clouds. Everyone will then assemble in the auditorium, where safety goggles will be presented to employees.

2.8.4 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.

DELEGATION VERSUS ABDICATION
To succeed in business, one of the most important skills you must learn is how to delegate. Delegation allows you to get tasks done without having to chew into too much of your own time and resources.

Effective delegation is not simply giving the task to someone else. There is much more to it. When you simply hand over a task to someone else and forget about it you are abdicating. As tempting as it may be sometimes, there are many risks and consequences when you abdicate.

What is abdication and why should you avoid it?
Abdication is simply issuing a task to someone and then forgetting about it.

Signs that you are abdicating:
• you give little (often unclear) information to the person
• you don’t clarify that they understand, you don’t set deadlines or timeframes
• your expectations are unclear
• you don’t plan to review the process.
This is the ‘it’s not my job any more’ attitude.
The issue with abdication is that it causes distrust and a lack of respect. There is little communication, things are not productive, jobs can often get delayed and go over budget, clients get upset and often it means that you won’t get future work.

What is delegation and why should you encourage it?
Delegation is a more hands-on approach than abdication.
You assess the task at hand and issue it to the right person and provide support for them.
You know that you are delegating effectively when:
• you can provide specific, crystal-clear instructions that they can repeat back to you
• it is clear that they have understood
• you set a timeframe and request clarification once the task has been achieved
• you take the time to review after the task.
If you delegate this way it builds trust and respect, there is effective communication, productivity increases, jobs are completed within budget and on time and clients are kept happy and want to work with you again in the future.

When done right, delegation is a powerful skill. But like any skill, it does take time to learn and master. Here are some guidelines you can use to help you be more effective at delegating. [Guidelines courtesy of Keith Gunningham]
• Clearly define and agree on the task/result.
• Delegate the task to someone with demonstrated competence.
• Set up the guidelines/rules and explain the resources available.
• Have a clear deadline or planned schedule to follow.
• Ask for questions and feedback, then have the person repeat the instructions back to ensure they understood.
• Define what you are going to measure to determine if the task is on track and complete 100%.
• Decide and define what the consequences will be if the task isn’t completed as outlined by the scheduled date.

Using this simple process you will be able to effectively delegate and get the most out of your team.

2.8.5 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.

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

**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:

1. **Define the objective.** Management begins the planning process by considering where they believe the business is headed.
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 figure on the next page).
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.
4. **Implement an alternative.** The strategy that has been agreed upon needs to be put into place.
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 SWOT analysis

What are the strengths of the business?
• What is the business good at?
• Is the business's product popular?
• Are customers loyal?
• Does the business have skilled and motivated employees?
• Does the business operate efficiently?
• Is the business in a good financial position?
• Is equipment state of the art?

Strengths

Weaknesses

What are the weaknesses of the business?
• Does the business have competent managers and employees?
• Are the computer systems obsolete?
• Has the business experienced past failure?
• Has the business upgraded its facilities to keep pace with competitors?

What opportunities can the business take advantage of?
• What will new technology bring to the business?
• Is the economy performing well?
• Are interest rates low?
• Are there any possible new markets?
• Can the business acquire or merge with other businesses to expand and grow?

Opportunities

Threats

What threats does the business face?
• What trends have been evident in markets?
• Are there new laws regulating what the business can do?
• Are there new competitors?
• Are current competitors taking over the business's market share?

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.

DID YOU KNOW?

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

study on

Unit 3 AOS 1 Topic 6 Concept 2 Planning skills Summary screen and practice questions
2.8 Activities

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 below to summarise details of the management skills in this subtopic. The first entry has been completed for you.

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

3. Read the ‘Communication problems’ case study and answer these questions.
   (a) Why did the original message become so confused?
   (b) Whose responsibility is it to make sure the message is correctly understood?
      • The sender
      • The receiver
      • Both the sender and the receiver
   (c) What suggestions would you make to improve the communication in this case study?
4. Read ‘Delegation versus abdication’. Describe an effective delegation process.
5. Outline the advantages and disadvantages of communicating, delegating and planning.
6. Explain how each of the skills in this subtopic would be used if a manager decided to select
   (a) an autocratic or (b) a participative management style.

APPLY your understanding

7. 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?

8. Use the Communication Skills Test weblink in the Resources tab 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 subtopic?

9. Ask your teacher to make up a statement and then play a game of ‘Pass the message’. Each member must pass the message on to another person. At the end of the activity have your teacher read out the original statement and compare it with the final verbal statement from the last class member in the group who was told the statement.

EXAM practice

10. Define the term ‘communicating’. (1 mark)
11. Distinguish between delegating and planning. (2 marks)
12. Discuss the use of communicating for resolving a dispute between management and employees. (4 marks)

Resources

Weblink: Communication Skills Test
2.9 Management skills: leading, decision-making and interpersonal

**KEY CONCEPTS**
- 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.

### 2.9.1 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.

**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 Daniel Flynn, Managing Director and co-founder of Thankyou, are both leaders. They set an example, earn the respect of employees and clearly communicate a vision in order to achieve objectives.
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.

**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

2.9.2 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 timeframe. 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 at right). 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 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.

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.

2.9.3 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.

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

2.9 Activities
TEST your understanding
1. Draw a table similar to the one below to summarise details of the management skills in this subtopic.

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

2. Outline the advantages and disadvantages of leading, decision-making and interpersonal skills.
3. Explain how each of the skills in this subtopic 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?
7. Interview a senior person from your school, or a friend or relative occupying a position of authority, on the topic of management skills in the workplace. Develop a list of questions beforehand. Focus on the role of the person and the type of skills selected — why the skills were chosen and how he or she assessed the effectiveness of the selected management skills. Report your findings to your class and choose your own presentation method — video, sound recording, PowerPoint or written report.
EXAM practice
8. Distinguish between leading and interpersonal skills. (2 marks)
9. Explain a decision-making process that could be used by a manager introducing new technology to a business. (2 marks)
10. Analyse how the use of leading would be important in the achievement of business objectives. (4 marks)

2.10 Corporate culture and its development

**KEY CONCEPTS**
- All businesses have their own corporate culture — the values and beliefs of the people in the business.
- Corporate culture can be both official and real. There are a number of strategies that managers can use to develop corporate culture.

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.

2.10.1 Official and real corporate culture
Corporate culture can be revealed officially in the policies, objectives or slogans of a business. This is referred to as official 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. This is referred to as real corporate culture.

Corporate culture may allow an informal atmosphere, encouraging teamwork and casual dress as opposed to a formal environment with more rigid standards.
2.10.2 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.

**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.
- Origin Energy Australia is an energy company. Its employees are expected to reflect the company values, which include caring, working as a team, being accountable and finding a better way.

2.10.3 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. A positive corporate culture should encourage employees to produce goods or services that meet high standards.

A positive corporate culture has a number of other benefits. Research has shown that a business with a healthy, well-developed and strong culture is more likely to be successful, because such a workplace is perceived by the employees to be more positive and personalised. Employees should experience high morale and a positive attitude toward the business. They would be expected to be loyal to the business, which should reduce the level of staff turnover. Improved morale of employees could also increase productivity. Furthermore, a business with a positive corporate culture should gain a positive reputation, allowing the business to attract talented and skilled employees.
Strategies for developing corporate culture

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. The senior managers, as well as the ‘heroes’, of the business should act as role models for staff in the values that they believe are important.

Some other strategies that can be used by management to develop corporate culture include:

- ensuring 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
- communicating desired values to staff
- rewarding employees who exemplify appropriate values
- recruiting staff who fit in with the values of the business
- changing the prevailing management style — for example, a business might make greater use of the participative style to emphasise the way it values staff input and the contribution of its employees
- changing the style of dress and language used in the workplace.

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

study on

Strategies for developing corporate culture  Summary screen and practice questions
2.10 Activities

TEST your understanding

1. Explain how corporate culture can influence the success of a business.
2. What is the main 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 subtopic.
6. In your opinion, what is the difference between a positive and a negative corporate culture? Explain your response.
7. Outline two 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?

EXAM practice

11. Define the term 'corporate culture'. (1 mark)
12. Distinguish between official corporate culture and real corporate culture. (2 marks)
13. Then Data Ltd is a business with a poor corporate culture. Justify two management strategies for developing corporate culture at Then Data Ltd. (4 marks)

2.11 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
2.11.1 Managing brand identity and corporate culture

PACKED WITH PASSION: NIGEL GARRARD, MD AND CEO OF ORORA

The demerger of Amcor’s Australasian packaging and distribution division as Orora in 2013 acknowledged that the two companies were different in terms of product segment and geographic attention. Therefore, it made sense to separate the packaging and distribution arm from the rest of Amcor’s operations, which concentrates predominantly on flexibles and rigid plastics packaging.

The last time The CEO Magazine spoke to Nigel Garrard, he was president of Amcor’s Australasian packaging and US distribution business. Now he is the Managing Director and CEO of Orora — we ask him to explain the catalyst behind the split. ‘It mainly came down to focus. The demerger has enabled both businesses to focus on their core business models and to have their own direction. Amcor shareholders received one share in Orora for each Amcor share they owned,’ he says.

Staff were involved with the rebranding process from the get-go. Inclusion was key, Nigel shares, as was being respectful of the history and excited about the future of the business. ‘We started out the way we wanted to finish. We asked our people what they thought we should call the business. We gave them five days to come up with ideas. We had 1560 suggestions from five different countries. Six people from the business all suggested Orora.’

The Orora Way

The company then went on to ask the unofficial leaders in the business to nominate 300 opinion leaders to invent a new brand identity and culture. The communication process resulted in a new operating model — ‘The Orora Way’ — and the brand has come from that. ‘It’s what we believe, what we value, and what we deliver,’ Nigel notes.

Rather than send out emails, booklets, pamphlets or brochures the traditional way, Orora rolled out a live event in its various locations worldwide which went about explaining the upcoming transformation. ‘People were expecting change and expecting things to be different, and it was important that we delivered that.’

With the company operating in seven countries, the live show visited about a dozen of its sites around Australasia and North America, reaching more than 65% of its people. It was important that choices regarding the demerger reached as many employees as possible, Nigel shares.

‘We did our best to get to as many sites as we could with face-to-face communication, and when we weren’t able to present “Orora Live”, we did a scaled-down version of it at every site. The vast majority of people heard the message direct, everybody got given the material and had the opportunity to ask questions about how we were going be different.’

Nigel Garrard creates a culture of belonging

Feeling that it was an opportunity to create something significant, Nigel knew the importance of creating an environment where people belonged. It’s one thing the executive is proud of — the passion of its employees. ‘It’s a great lesson — how people really want to belong to something that they believe in — and that has been one of the highlights of the past three and a half years since we demerged.’

Through Orora Live, the company established a good cultural and brand platform. The shift in company dictum proved to be both challenging and rewarding for Nigel, with him recalling two highlights specifically. The first in Los Angeles: ‘I remember two people coming up to me. One was a gentleman who was nearly 70. He had been working for the business for nearly 50 years. He came up and said, “Nigel, I just wanted to give you some feedback. I really enjoyed the presentation; I understand where we are. I’ve worked for this business for a long time and I want to tell you this: this is the first time I feel like I really belong,” and he had tears in his eyes when he was saying that to me.’
The Orora Way summarises who the business is and what it stands for.

The second involved one of the company’s leading salesmen seeking Nigel’s permission to bring his wife and children along the next time so they would ‘know the type of company that I’m working for’. Nigel believes this gives Orora its point of difference. ‘Assets are one thing, but it’s people who make a company and it is people who make a difference.’

Orora has invested approximately A$400 million in growth since listing on the ASX in December 2013. With more than 6700 team members and 54 000 shareholders, it’s evidence of its success so far. A fit balance sheet and healthy cashflow mean Orora is well-positioned for a period of accelerated innovation, with ongoing enhancements to its core business operations and calculated investments to push future growth for shareholders.

Its A$45-million global innovation initiative saw it recently sell surplus land to allocate money to the Orora Global Innovation Fund. This move sent a clear statement, internally and externally, of delivering to its customers and stakeholders while also reaffirming its cultural journey. A further demonstration of its cultural shift was the innovative implementation of a crowd-sourcing initiative inside the business.

Nigel adds: ‘It’s quite an innovative approach where everybody can contribute. We had collaboration across different countries and business units where people could get on board knowing they can make a difference. By involving people in the process, they’re part of the solution rather than being threatened by change. This is a key part of who we are and what we stand for.’

This ethos of engagement that has now been established at Orora is what Nigel is most proud of. ‘Which is why we spell Orora with an O, because O stands for ‘our’. It’s our company. It’s our opportunity. It’s our future. It was named by our people and it’s something that I think everybody’s embraced.’

2.11.1 Activities

TEST your skills
1. In what ways were Amcor staff involved in the demerger process?
2. Outline how the change at the business was communicated.
3. Describe the culture at Orora.
4. Identify the strategies used by management at Orora to develop corporate culture.
5. What role does a managing director/CEO play in changing corporate culture?

APPLY your skills
6. The task word (sometimes referred to as command word or instructional word) ‘propose’ generally requires you to put forward an idea, argument or suggestion for consideration or action. This involves writing a little more than simply just identifying or suggesting something. The task word ‘justify’ requires you to show how the statement or statements that you have made are correct or to provide evidence to support your argument.
   (a) Propose one strategy used by management at Orora to develop corporate culture and justify the use of this strategy.
   (b) In your opinion, what management style was adopted by management at Amcor to manage the demerger and to change the culture at Amcor? Justify your response.
7. Provide an example of how Nigel Garrard did use, or may use, the following management skills to influence corporate culture at Orora.
   (a) Communicating
   (b) Delegating
   (c) Planning
   (d) Leading
   (e) Decision-making
   (f) Interpersonal skills
8. The task word (sometimes referred to as command word or instructional word) ‘analyse’ generally requires you to identify the main features of concepts and terms and then examine them closely or show how the parts relate. In many cases, it will involve explaining the relationship between concepts or terms. Analyse how a management style and a management skill can be used to develop corporate culture.

2.11.2 Management styles and skills

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. 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.

Many hospitals today are introducing cultures that expect quality healthcare.

CHOCO MANAGEMENT

Jack has been 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 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!’

2.11.2 Activities

TEST your skills

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.

APPLY your skills

7. The task word (sometimes referred to as command word or instructional word) ‘analyse’ generally requires you to identify the main features of concepts and terms and then examine them closely or show how the parts relate. In many cases, it will involve explaining the relationship between concepts or terms.

(a) Match the two different management styles with the management skills below and then explain why you think each skill matches up with that style.

<table>
<thead>
<tr>
<th>Management skill</th>
<th>Management style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicating</td>
<td>Autocratic</td>
</tr>
<tr>
<td>Delegating</td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td></td>
</tr>
<tr>
<td>Decision-making</td>
<td></td>
</tr>
<tr>
<td>Interpersonal</td>
<td></td>
</tr>
<tr>
<td>Leading</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Participative</td>
</tr>
</tbody>
</table>

(b) Explain how the choice of management style will affect the way in which management skills are used.

(c) Using your answers to part (a) and (b), analyse the relationship between management styles and management skills.

(d) Analyse the relationship between corporate culture, management styles and management skills.

8. The task word (sometimes referred to as command word or instructional word) ‘discuss’ generally requires you to consider both sides of something. This might mean writing about the advantages and disadvantages, the strengths and weaknesses or the benefits and costs of that thing. Using the example of Jan Dvorak in the ‘Healthy management’ case study, discuss the use of one management skill necessary for successful business management.

9. The task word (sometimes referred to as command word or instructional word) ‘evaluate’ generally requires you to consider both sides of something, and then provide an overall conclusion or judgement related to which argument is the more persuasive and why. Using the example of Jack in the ‘Choco management’ case study, evaluate the appropriateness of the use of the autocratic management style at Nars Chocolates.

2.12 EXTEND YOUR KNOWLEDGE The relationship between corporate culture, management styles and management skills

**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 practiced — 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**

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.

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, characterized by many layers. However, after running into trouble as a result of employee reaction to autocratic management, 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. Responding to the suggestions of employees, 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.

**2.12 Activities**

**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 in this chapter, by completing the following table.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>What Semco does</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision-making</td>
<td>Staff participate in decision-making.</td>
</tr>
<tr>
<td>Communicating</td>
<td></td>
</tr>
<tr>
<td>Leading</td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td></td>
</tr>
</tbody>
</table>
2.13 Review

2.13.1 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 promoting the business and selling its products in the market.
- 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 nature of the task; time and other constraints such as resources; the experience of employees, as well as their personalities, values, beliefs and skills; and the preference of the manager.

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.
• Corporate culture can be developed by introducing or building on any of the four essential elements of a corporate culture, such as introducing rituals, rites and celebrations, or by senior managers and ‘heroes’ acting as role models.
• Some other strategies that can be used by management to develop corporate culture include providing training, communicating desired values to staff, rewarding employees who exemplify appropriate values, recruiting staff who fit in with the values of the business, changing the prevailing management style or by changing the style of dress and language used in the workplace.

2.13.2 Key terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>autocratic management style</td>
<td>one where the manager tells staff what decisions have been made</td>
</tr>
<tr>
<td>communicating</td>
<td>the ability to transfer information from a sender to a receiver, and to listen to feedback</td>
</tr>
<tr>
<td>consultative management style</td>
<td>one where the manager consults employees before making decisions</td>
</tr>
<tr>
<td>contingency management theory</td>
<td>stresses the need for flexibility and the adaptation of management styles to suit the situation</td>
</tr>
<tr>
<td>corporate culture</td>
<td>the values, ideas, expectations and beliefs shared by members of the business</td>
</tr>
<tr>
<td>decision-making</td>
<td>the ability to identify the options available and then choose a specific course of action from the alternatives</td>
</tr>
<tr>
<td>delegating</td>
<td>the ability to transfer authority and responsibility from a manager to an employee to carry out specific activities</td>
</tr>
<tr>
<td>interpersonal skills</td>
<td>the ability to deal or liaise with people and build positive relationships with staff</td>
</tr>
<tr>
<td>laissez-faire management style</td>
<td>one where the employees assume total responsibility for, and control of, workplace operations</td>
</tr>
<tr>
<td>leading</td>
<td>the ability to influence or motivate people to work towards the achievement of business objectives</td>
</tr>
<tr>
<td>management skills</td>
<td>the abilities or competencies that managers use to achieve business objectives</td>
</tr>
<tr>
<td>management style</td>
<td>the behaviour and attitude of the manager when making decisions, directing and motivating staff and when implementing plans to achieve business objectives</td>
</tr>
<tr>
<td>operational planning</td>
<td>specific details about the way in which the business will operate in the short term</td>
</tr>
<tr>
<td>participative management style</td>
<td>one where the manager unites with staff to make decisions together</td>
</tr>
<tr>
<td>persuasive management style</td>
<td>one where the manager attempts to ‘sell’ decisions made</td>
</tr>
<tr>
<td>planning</td>
<td>the ability to define business objectives and decide on the methods or strategies to achieve them</td>
</tr>
<tr>
<td>strategic planning</td>
<td>long-term planning, usually over two to five years</td>
</tr>
<tr>
<td>SWOT analysis</td>
<td>the identification and analysis of the internal strengths and weaknesses of the business, and the opportunities in, and threats from, the external environment</td>
</tr>
<tr>
<td>tactical planning</td>
<td>flexible, adaptable, medium-term planning, usually over one to two years, which assists in implementing the strategic plan</td>
</tr>
</tbody>
</table>
2.13.3 Review questions

TEST your understanding

1. List the typical areas of management responsibility in a business.
2. Distinguish between the operations and human resources areas.
3. Describe the following areas of management:
   (a) finance
   (b) sales and marketing
   (c) technology support.
4. Explain the importance of management styles to a business.
5. Compare the autocratic management style to the persuasive management style.
6. Identify two advantages and two disadvantages of the autocratic and persuasive management style.
7. Distinguish between the consultative and participative management styles.
8. Identify two advantages and two disadvantages of the consultative and participative management style.
9. Describe the laissez-faire management style and outline two advantages and two disadvantages of this style.
10. Outline the factors a manager will need to consider when choosing an appropriate management style.
11. Define each of the following management skills and outline their main features.
   (a) Communicating
   (b) Delegating
   (c) Leading
   (d) Interpersonal skills.
12. Explain the difference between the three levels of planning.
13. Outline the steps involved in a planning process.
14. Define ‘decision-making’ and identify the steps in a decision-making process.
15. Explain how management skills relate to the management styles.
16. Define ‘corporate culture’.
17. Explain the difference between official and real corporate culture.
18. Why is it important for a manager to understand a business’s corporate culture?
19. Briefly outline elements or indicators of the type of culture a business has.
20. Explain two strategies that management can use to develop a business’s corporate culture.

APPLY your understanding

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

<table>
<thead>
<tr>
<th>Area</th>
<th>Main characteristic</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>Responsible for the production of the business’s good or service — oversees the transformation of inputs into output</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td></td>
<td>Recruitment and selection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Motivation strategies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance management</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology support</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.
   (a) Discuss Chloe’s use of the participative management style.
   (b) 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.
   (a) Evaluate the use of the autocratic management style in this situation.
   (b) 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.

<table>
<thead>
<tr>
<th>Business objective</th>
<th>Skills</th>
<th>How</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the culture of a business</td>
<td></td>
<td>Explain to staff the changes that will take place.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Use the decision-making steps to work out solutions to improve the culture.</td>
</tr>
<tr>
<td>Make a profit</td>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leading</td>
<td></td>
</tr>
<tr>
<td>Increase market share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fulfil a social need</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
   Describe two management strategies for developing corporate culture at Australian Industries.

**EXAM practice**

26. Define the term ‘real corporate culture’. (1 mark)

27. Rochelle uses the autocratic management style. Identify two factors indicating the appropriateness of this style. (2 marks)

28. Explain the difference between management styles and management skills. (2 marks)

29. Describe two skills that would be appropriate for a manager making use of the autocratic management style. (4 marks)

30. Using examples, explain the relationship between management styles and management skills. (4 marks)

31. Fit Fads is a fashion workout business that started selling activewear through its website five years ago. It currently operates from a converted warehouse in Richmond. The number of employees has rapidly grown to 350. The business now ships to more than 100 countries and stocks more than 70 brands. Sales have increased by 50 per cent over the past year. The CEO, Dinesh, has suggested that the reasons for Fit Fads’ success include the global activewear trend, positive relationships with suppliers, as well as loyal and experienced employees who have respect for management. Fit Fads is planning to continue to grow with the objective of increasing market share.
   (a) Describe one area of management responsibility and explain how the area would contribute to the achievement of Fit Fads’ objectives. (4 marks)
(b) Discuss a suitable management style for the successful management of Fit Fads. (4 marks)
(c) Propose and justify a management strategy for developing the corporate culture that will be required to accommodate Fit Fads’ growth. (4 marks)

2.13.4 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.
Note: This assessment task is for the second half of Outcome 1 only.

ASSESSMENT task — structured questions
Time allowed: 30 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
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.
Read the case study above, then answer the following questions.

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)