Student Workbook

BSBMGT517 Manage operational plan

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Part of a suite of support materials for the
BSB Business Services Training Package

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Innovation & Business Skills Australia

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(b)   if the breach relates to services: (i) re-supplying; or (ii) paying the cost of re-supplying, the services.

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Introduction

Features of the training program

The key features of this program are:

- Student Workbook – Self-paced learning activities to help you to understand key concepts and terms. The Student Workbook is broken down into several sections.

- Facilitator-led sessions – Challenging and interesting learning activities that can be completed in the group session or by distance learning that will help you consolidate and apply what you have learned in the Student Workbook.

- Assessment Tasks – Summative assessments where you can apply your new skills and knowledge to solve authentic workplace tasks and problems.

Structure of the training program

This training program introduces you to how to manage operational plans. Specifically, you will develop the skills and knowledge in the following topic areas:

1. Develop operational plans

2. Plan and manage resource acquisition

3. Monitor and review performance.

Your facilitator may choose to combine or split sessions. For example, in some cases, this training program may be delivered in two or three sessions, or in others, as many as eight sessions.

Recommended reading

Some recommended reading for this unit includes:

Print resources

- Anthony, W., Kacmar K., and Perrewe, P., 2010, *Human Resources Management: A Strategic Approach*, 6th edn, South Western Educational Publishing, Cincinnati.

- Cole, K., 2012, *Management: Theory and Practice*, 5th edn, Pearson, Australia.

- Compton, R., Morrissey, W. and Nankervis, A., 2014, *Effective Recruitment and Selection Practices*, 6th edn, CCH Australia, Sydney.

- Heizer, J. and Render, B., 2013, *Operations Management,* 11th edn, Prentice Hall, New Jersey.

- Standards Australia, 2002, *AS ISO 15489.1 – 2002 Records Management*.

Websites

- Business Plans Guide, 2010, 'How to Prepare a Business Operations Plan', *The Business Planning Guide*, viewed October 2014, *<http://www.business-plans-guide.com/operational-plan.html>*.

- *IP Australia*, viewed October 2014, *<http://www.ipaustralia.gov.au/>*.

- *Mind tools*, viewed October 2014, *<http://www.mindtools.com>*.

- Mind Tools, 'Stakeholder Analysis', *Mind Tools*, viewed October 2014, *<http://www.mindtools.com/pages/article/newPPM_07.htm>*.

Please note that any URLs contained in the recommended reading, learning content and learning activities of this publication were checked for currency during the production process. Note, however, IBSA cannot vouch for the ongoing currency of URLs.

Every endeavour has been made to provide a full reference for all web links. Where URLs are not current we recommend using the reference information provided to search for the source in your chosen search engine.

Section 1 – Develop Operational Plans

This section focuses on the development of skills and knowledge required to develop organisational plans. Section 1 covers the operational planning process, including: working consultatively to determine business objectives; key performance indicators (KPIs); strategy; resources; gaining approval; planning key actions; and determining contingency plans.

Scenario: BBQFun

BBQfun offers an extensive product range of barbecue and outdoor lifestyle products, incorporating both local and imported goods. Currently, BBQfun operates two stores, one in Brisbane (Kenmore), and one on the Gold Coast.

Since 2010, the increasingly competitive retail environment, technological change, changes in consumer buying patterns and consumer confidence has led to disappointing sales. However, BBQfun intends to return to healthy sales of $11 million in 2012 through following stated organisational directions:

- engaging with customers through marketing, research and personalised service

- building a reputation for quality products and quality customer service

- supporting people to perform via training and performance management

- controlling costs through operational efficiency.

Operational planning revenue and will be key to realising revenue and profit objectives.

What skills will you need?

In order to work effectively to develop operational plans, you must be able to:

☑ research, analyse and document resource requirements and develop an operational plan in consultation with relevant personnel, colleagues and specialist resource managers

☑ ensure details of the operational plan include the development of key performance indicators to measure organisational performance

☑ ensure the development and presentation of proposals for resource requirements is supported by a variety of information sources and seek specialist advice as required

☑ develop and/or implement consultation processes as an integral part of the operational planning process

☑ obtain approval for plan from relevant parties and ensure understanding among work teams involved

☑ develop and implement contingency plans at appropriate stages of operational planning.

Analyse business operations

An operational plan is the 'how to' plan for achieving business goals. An organisation's mission and business plan describe the overall purpose of the organisation as well as the overarching objectives of the organisation. The operational plan then provides specific guidance on the resourcing and steps necessary to achieve the organisation's mission and business objectives.

While analysing operational plans, it is useful to consider how operational plans are developed from – and should therefore reflect – an organisation's strategic directions. Looking at operational plans in this way will help you to align all aspects of planning with the overall aims, requirements and values of the organisation.

Ideally, business plans or strategic plans should directly inform operational plans and these, in turn, should inform the specific action plans that direct resourcing and implementation. As the diagram below indicates, overall business strategic directions cascade through the operation of the organisation through all levels.

Company mission

Organisational business plan, strategic goals, overall operational plan

Departmental operational plans
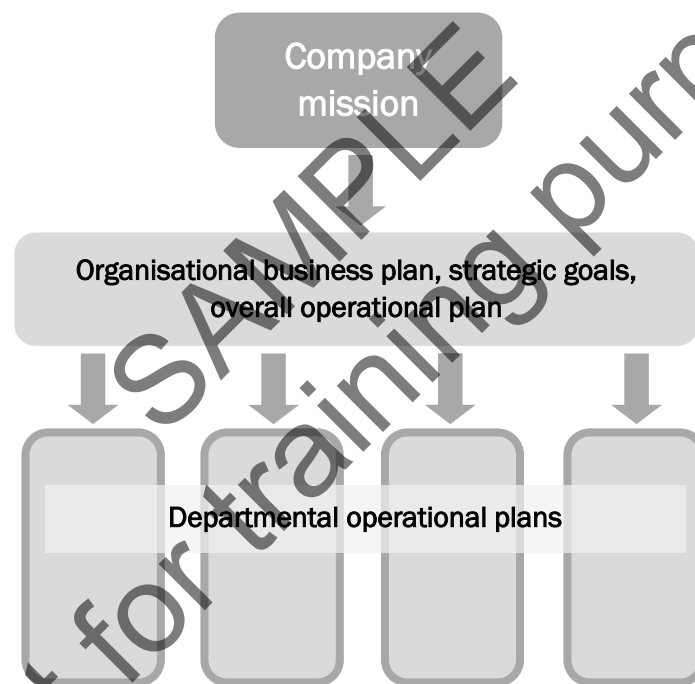
Many organisations develop long-term operational plans that outline the business direction of the organisation and the strategies it will use to achieve outcomes, such as increasing market share or profits. These plans are developed in consideration of the political, economic, social and technological context (often referred to with the 'PEST' acronym) in which the business operates and in consideration of the organisational strengths, weaknesses, opportunities and threats analysis (SWOT analysis).

Departmental or lower level operational plans are typically short-term plans ranging from one week to one year. These plans are associated with particular activities, projects, and areas of operations. The development of these plans may be delegated to and completed by department managers and provide specific details of what is to be done to achieve overall business goals. Operational plans should be prepared in consultation with all identified stakeholders and approved in a way that is consistent with organisational procedures.

Types of operational plans

The types of operational plans developed in an organisation are typically defined by the type of business and its specific needs. For example, operational plans may need to address: compliance with the regulatory environment; customer needs; acquisition of skilled personnel; location; quality; and physical resources requirements.

In general, operational plans may be developed for the planning of the following areas of business activity:

- **Production and manufacturing** – How do you produce the product/service that you provide to your customer? How do you ensure products or services or manufacturing processes meet quality standards? Productivity standards? Efficiency standards? Safety standards?

- **Human resources** – How do you ensure that you have the right number of employees with the right skills at the right time to produce the products or provide the services to your customers?

- **Processes** – How do you ensure that you have processes in place to carry out operations? These processes determine requirements with regards to technology, quality, human resource needs, equipment, maintenance, etc.

- **Distribution** – How do you get your product/service to your customer?

- **Location and facilities** – How do you ensure your operations are located and have access to facilities required to ensure the success of your business?

- **Equipment** – How do you ensure you have access to the equipment required to produce your product or service and operate your business?[1]

Cascading goals

Operational plans will usually contain intermediate targets and performance measures to ensure successful contribution of the plans to overall organisational success. Consider the following example of how departmental operational targets cascade down from higher level organisational goals and strategic objectives.

Example: Cascading goals for BBQfun
Company mission To be recognised as leader in the market in which we operate. **Organisational business plan objectives**   - Increase market share by 10%.   - Expand product range to cater for a broader range of customer needs.   - Provide best-in-class service to customers.

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[1] Adapted from: Heizer, J. and Render, B., 1996, *Production and operations management*, 3rd edn, Prentice Hall, New Jersey, p. 31.

Departmental operational plans

Departments within the organisation may translate these goals into shorter term objectives and targets and complete operational plans that deliver on these goals.

Sales departmental targets could include:

- Increase new business calls per month by 10% by 1 July 201X.

- Sales training to be completed by all sales representatives by 31 March 201X.

- Recruit qualified and skilled sales people to fill all existing vacancies by 30 August 201X.

Production department targets could include:

- Improve productivity by 10% by 1 September 201X.

- Reduce lost time due to workers compensation injuries by 15% by 30 November 201X.

All supervisors to have completed the Effective Leadership program by 1 June 201X.[2]

Note that in the next topic we will take a closer look at setting operational performance measures and targets.

Policies and procedures

Policies and procedures provide essential support for the operational systems and processes of an organisation. Policy and procedure documents must, therefore, be taken into account when planning operations.

Policies inform employees of the overall aims of the organisation, such as ensuring quality, consistency, fairness or legal compliance, with regard to particular aspects of operations. Procedures support policy by providing employees with specific guidance on how to actually implement policy and perform particular functions.

Policies and procedures may also determine the process followed to develop and improve operational plans, including risk assessment and contingency planning, monitoring, and performance management.

Examples of policies and procedures relevant to implementing key aspects of operational plans covered by this unit of competency are provided in the Appendices of this Student Workbook.

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[2] Adapted from: Cole, K., 2000, *Supervision: The theory and practice of first-line management*, 2nd edn, Prentice Hall, Sydney, pp. 167–170.

Learning activity: Analyse operations

Consider your organisation or an organisation you are familiar with. Examine available organisational documentation:

- business/strategic plans
- operational plans
- policies and procedures
- contingency plans.

Answer the following questions in relation to the documents.

Do the documents consistently reflect organisational values, mission, and vision and articulate/support strategic goals?

How do the business's mission and strategic objectives compare with the operational plan objectives, targets, performance measures? Is there agreement and consistency?

How do policies and procedures influence the development of operational plans?

How is operational risk assessed? How do contingency plans address operational risk?

Review the legislative and regulatory context

All organisations need to comply with relevant legislation and regulations. It is very important, therefore, that an organisation's operational plan abides by these standards.

To ensure that your operational plan is compliant, you will need to gather information on your organisation's legislative and regulatory environment.

All organisations are required to comply with Australian federal law, as well as the law of the state or states in which the organisation is located. Some organisations are also required to comply with industry-specific regulations.

A number of factors can affect which laws and regulations apply to a specific organisation. These include the main functions of the company, its geographic location, the types of employees that it hires and the types of clients/customers that purchase its products or services.

Your workplace's legislative obligations may be highly complex, so you may be required to seek advice from a lawyer or consultant. There are, however, some broad areas of legislation that apply to nearly all Australian organisations.

Health and safety legislation

Health and safety – sometimes referred to as work health and safety (WHS) or occupational health and safety (OHS) – legislation is enacted and enforced by each individual state and territory.

State and territory legislation prescribes a similar set of requirements for all workplaces. These are:

- to ensure that work is performed in a safe manner and does not have any negative effect on the worker's health

- to ensure sufficient information and education is provided so that the work can be undertaken safely

- to ensure workers have a say in the safety of their own workplace by recognising and acting on risks and hazards in the workplace

- to implement audit and control measures that verify the effectiveness of WHS/OHS activities

- to ensure equipment and machinery is kept in a safe condition.

Employers have a responsibility to identify workplace health and safety risks, take measures to ensure that work can be performed safely and ensure that safe work practices are understood and followed by employees.

In relation to operational planning, it is important to ensure that any activities related to acquiring new equipment or adjusting/developing work processes are reviewed so that any potential health and safety implications can be identified. Training activities that support safe performance of new or modified work processes may be required.

For more information, you will need to identify your state or territory's official work health and safety body and access that organisation's guidance information and resources.

Privacy legislation

Currently, privacy legislation in Australia falls under the *Privacy Act 1988* and is regulated by the Office of the Australian Information Commissioner. The Privacy Act exists to, among other functions, protect the privacy of citizens by ensuring that personal information is only collected when necessary, stored securely and not misused by organisations.

Not all organisations have the same responsibilities when it comes to protecting the privacy of employees and customers. These requirements may vary according to their respective size, annual revenue and main functions, so all organisations need to investigate which level of responsibility applies to them.

Adding or changing activities in the operational plan that require the collection of customers' or employees' personal information – a customer survey, for example, or an update to software that manages customer data – will need to be assessed to ensure compliance with privacy legislation.

For more information, visit the privacy section of the Office of the Australian Information Commission at: *<http://www.oaic.gov.au/privacy/about-privacy>*.

Australian Consumer Law

Australian Consumer Law details consumers' rights and responsibilities. Its primary role is to prevent false and misleading conduct relating to the advertisement, sale and provision of products and services. It is legislated under the *Competition and Consumer Act 2010* and regulated by the Australian Competition and Consumer Commission, as well as a range of state protection agencies. All Australian businesses must comply with the Australian Consumer Law.

Any activities either involving alterations to the product or service being sold or relating to after-sales services will need to meet the requirements of Australian Consumer Law. These requirements primarily relate to product repair, replacement or refund; compensation for damages and losses; and ability to cancel services.

For more information, visit the Australian Consumer Law website at: *<http://www.consumerlaw.gov.au>*.

Workplace relations legislation

Workplace relations legislation ensures that organisations treat their employees fairly by providing appropriate employment conditions and wages. The main piece of legislation covering workplaces in Australia is the *Fair Work Act 2009.* The Fair Work Act is jointly regulated by the Fair Work Ombudsman and the Fair Work Commission.

Organisations must ensure that they are providing at least the minimum workplace conditions and wages required by the relevant awards or agreements, and that they are following correct procedures when undertaking performance management or termination of employees. Of particular importance are the National Employment Standards, which are the ten minimum entitlements that must be afforded to all employees.

Operational plans must ensure that any activities relating to labour changes do not infringe on employees' minimum entitlements.

For more information, visit the website of the Fair Work Ombudsman at: *<http://www.fairwork.gov.au>*.

Anti-discrimination and equal opportunity legislation

There is a range of federal and state legislation in Australia dealing with anti-discrimination and equal opportunity provisions. These laws exist to ensure that all Australians seeking employment or performing work are treated fairly by employees and employers regardless of inherent personal traits such as gender, race, disability, age and so on (these are considered 'protected attributes').

When developing and modifying operational plans, it is important to ensure that activities do not result in discrimination – direct or indirect – against any individuals or groups within the organisation regarding their protected attributes.

For more information on equal opportunity and anti-discrimination provisions, as well as links to information for your state, visit the 'Equal employment opportunity & anti-discrimination' page at: *<http://www.business.gov.au/business-topics/employing-people/Pages/equal-employment-opportunity-and-anti-discrimination.aspx>*.

Learning activity: Identifying the regulatory environment
Consider your workplace or a workplace you are familiar with. Using the list of government websites listed below, research this organisation's basic regulatory responsibilities within each legislative sphere: ● work health and safety – *<http://www.safeworkaustralia.gov.au>*. ● information privacy – *<http://www.oaic.gov.au>*. ● Australian Consumer Law – *<http://www.consumerlaw.gov.au>*. ● workplace relations – *<http://www.fairwork.gov.au>*. ● EEO and anti-discrimination – *<https://www.business.gov.au>*.

Develop operational targets and performance measures

To undertake operational planning, you will need to identify performance measures and targets. Setting targets and performance measures will allow you to implement a monitoring system to ensure progress is on track and detect performance issues so that remedial actions may be taken.

Below is a comparison of some common performance management terminology: KRAs, KPIs, and performance targets.

Key result areas (KRAs)

Key result areas are areas of business performance that will determine the success of the organisation in reaching its strategic objectives. KRAs may differ from organisation to organisation, but most businesses recognise the following KRAs or similar:

- financial

- customer satisfaction

- internal business processes

- professional development.

Each KRA typically has two to three related key performance indicators (discussed below) which focus on measuring performance in the most critical aspects of the KRA.

As you might expect, these critical aspects vary from business to business and are determined by thorough analysis of the business plan, budgets, and strategic directions for the organisation.

Key performance indicators (KPIs)

A KPI is a number, percentage, or ratio that indicates some important measure of performance for an organisation. Performance measures may be categorised as:

- output or operational

- input or managerial.

An example of an output or operational performance indicator could be, for example, the actual number of products produced using new machinery, since this indicator would reveal an operational result.

The percentage of performance reviews completed by each line manager for their respective teams would be an example of an input or managerial performance indicator, since it would measure an input into the successful operations of an organisation.

Performance targets

Targets detail specifically what is to be achieved, in what timeframe, and are then compared with actual performance in order to evaluate individuals, teams or systems and processes. Targets should ideally follow the SMART format:

S Specific	States exactly what the organisation wants to accomplish and uses action words such as 'design' and 'implement'. When writing specific goals you are identifying the tasks to be done and the time it will take to complete them.
M Measurable	Measurable goals provide you with milestones that indicate your progress. This could be set in terms of how many customers an individual serves of a daily basis, or how many sales are made by a sales representative. Setting measurable targets allows you to determine and compare the progress of team members or employees.
A Agreed	Each team member or employee should be in agreement as to what is to be achieved.
R Realistic	Goals must be attainable. There is no point in setting unreachable targets. Instead, set goals that might stretch capabilities a little. Goals that are too hard may not allow you to perceive important but small improvements in performance; Goals that are too easy to achieve may undermine performance potential.
T Time-specific	Goals must have deadlines if they are to be effective. If you do not have a schedule to work to, your goals might be pushed aside by inevitable day-to-day problems. Setting deadlines helps you to estimate your progress and focus on your achievements.

To clarify the difference between a target and a KPI, consider the following examples.

Example: Targets and KPIs	
Target	**KPI**
To increase sales by 10% by 1 October 201X.	● Sales revenue figures as at specified date. For example: Sales reporting completed on 1 October 201X demonstrates sales revenue has increased by 25% from $100,000 to $125,000.
To reduce staff turnover by 15% by 1 July 201X	● Staff turnover figures as at specified date. For example: Staff turnover on 1 July 201X is reported at 31% which indicates an increase in turnover of 5%.

Example: Targets and KPIs	
Target	**KPI**
To train all safety committee team members in WHS[3] consultation using approved WorkCover accredited training program by 1 November 201X	● WorkCover accredited certificates for WHS consultation training cited for all committee members. For example: WorkCover accredited WHS consultation certificates have been cited for all safety committee members. Copies have been recorded on file.
To sign five new clients to two year contracts by 20 December 201X.	● An increase of at least five new clients signed to two-year contracts. For example: A review of current two-year contracts completed on 20 December 201X reveals that five new client contracts have been signed in the last 12 months.
To implement new computer system into 90% of business units by 1 March 201X.	● Number of business units who have new computer installed. ● Number of business units using new computer system. ● Number of outages as a result of new system. ● Number of issues logged by IT service desk due to new system. ● Training completed for all employees using the new system. For example: A survey completed on 1 March 201X by all business unit managers advises that the new system has been implemented in 100% business units and it has failed to work as per specification in 15% of business units. This failure has resulted in the system being unavailable for use (outages) for 10% or more of the working day for the last month.

Different employees will have differing responsibilities for performance with respect to implementing operational plans. For example, managers may be responsible for team production, quality or cost reduction targets. Individual work team members may be responsible for individual targets that contribute to team goals.

A CEO may be responsible for the profitability of the organisation as a whole. Employee responsibilities need to be clearly defined so that all team members understand their responsibilities in relation to meeting operational objectives. An individual who does not meet their targets may be coached or placed on a performance improvement plan to assist them in achieving their targets.

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[3] Work health and safety. Sometimes referred to as occupational health and safety (OHS).

Approaches to developing key performance indicators

Key performance indicators can be developed in a number of ways. Some approaches are broad enough to be used in any organisation and across any industry. These include:

- strategic ('top-down') approach

- operational ('bottom-up') approach

- leading indicators

- lagging indicators.

Strategic approach

A strategic approach to developing targets and associated KPIs involves developing KPIs that cascade down from organisational goals and strategic objectives. This can be considered a top-down approach, because it begins with consideration of top-level organisational vision.
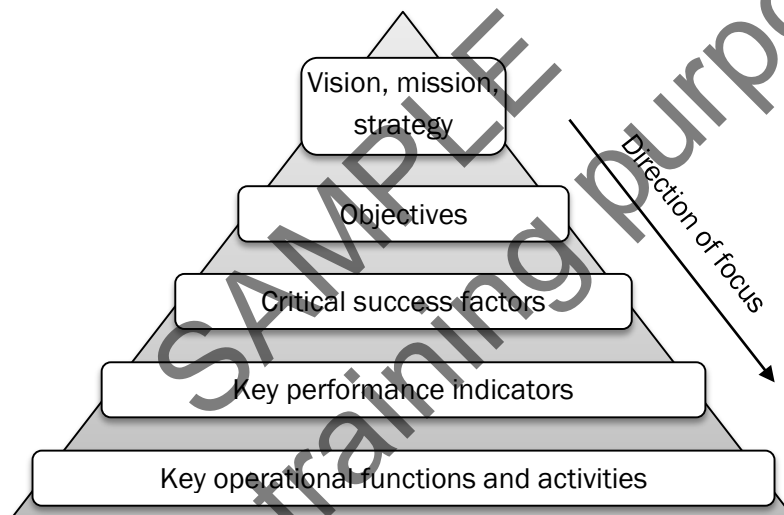
For example, an organisation's strategic objective could be to ensure customer satisfaction. An associated target could be that all enquiries are answered and completed within five minutes by customer service personnel. The performance indicator, therefore, could be the average amount of time taken to complete a call.

Operational approach

An operational approach to developing KPIs starts from the ground up, using the key operational activities to determine how to indicate success.
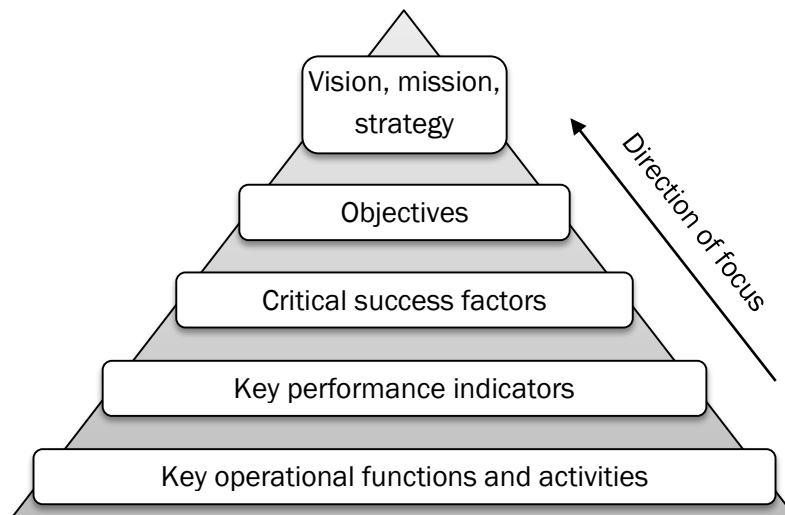
For example, performance management and consultation might reveal that an organisation's customer service personnel are struggling to resolve enquiries of a particular nature. The organisation might then set KPIs related to delivering training on this subject.

Leading indicators and lagging indicators

KPIs may be considered leading or lagging. If they are leading, they indicate future success at achieving key organisational goals. In other words, these indicators describe the key drivers of future success with respect to some aspect of performance – the factors that drive the achievement of business results. For example, how many people have been trained in new software and practices in order to enable effective management of business activities? How proud are staff of the organisation's vision and culture?

Lagging indicators, on the other hand, indicate past performance. How much revenue was generated in the current period? What was the return on investment in efficient manufacturing equipment? How much electricity was saved?

Some other examples of both leading and lagging KPIs for sustainability include:

● amount of raw material used in manufacturing (lagging)

● quantities of waste produced (lagging)

● percentage of waste reused (lagging)

● number of staff attending training courses (leading)

● number of health and safety incidents (lagging)

● number of community meetings held (leading).

Specific approaches

In addition to the broad approaches to developing KPIs that we have just discussed – strategic, operational, leading and lagging – your organisation may want to consider specific approaches to developing KPIs for a specific outcome.

For example:

- achieving sustainability

- documenting KPIs.

Sustainability targets and KPIs

Business operations not only affect traditionally recognised stakeholders such as customers, suppliers, employees and shareholders. Operations may also affect the local and global community, which has a stake in the organisation's social and environmental impact. Maintaining an organisation's valuable goodwill and reputation for environmental and social responsibility may play a key role in strategic decision-making and reporting. Operational plans and the policies and procedures that support sustainability may include ways of operating to reduce waste, reduce environmental impact and promote community involvement.

Triple bottom line monitoring and reporting aim to gather information on and report on aspects of organisational performance, such as sustainability and social responsibility, which go beyond the traditional financial measures. For some organisations, sustainability may constitute a fifth KRA, in addition to the four noted above. Consequently, sustainability targets and KPIs may be set and monitored in accordance with organisational requirements.

Documenting KPIs

Setting and monitoring targets and KPIs in an organisational context may involve a mix of technologies. Organisations may use paper-based systems, and electronic human resources (HR) systems and electronic resource planning (ERP) systems to assist all aspects of operations and performance reporting. Furthermore, organisations may require systems, such as the organisation's accounting systems, ERP systems, customer relationship management, recruitment and performance management systems, to be integrated to ensure efficient operations and useful reporting.

Balanced scorecards

A useful tool in performance management is the balanced scorecard. The use of balanced scorecards is a performance management approach which considers both financial and non-financial contributions of individual employees to business strategic goals and operational goals.

Typically, a balanced scorecard will list targets for teams or individuals to be monitored against based on key result areas such as:

- financial

- customer satisfaction

- internal business processes

- professional development.