Ethiopian TVET-System

customer contact works support
LEVEL-II
Based on August 2012GC Occupational standard

Module Title**: Implementing Operational Plan**
TTLM Code**:   EIS CCS2TTLM 0919V1**

This module includes the following Learning Guides

LG21: Implement Operational Plan

LG Code: **EIS CCS2M07LO1 LG-21**

LG22:Implementing resource acquisition

LG Code: **EIS CCS2M07LO2 LG-22**

LG23:Monitoring operational performance

LG Code: **EIS CCS2M07LO3 LG-23**

Instruction Sheet	**LG21: Implement Operational Plan**

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

- ❖ **Implementing Operational Plan**
- ❖ **Implementing resource acquisition**
- ❖ **Monitoring Operational Performance**

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to –**

- ❖ **Collating, analyzing and organizing** *resource requirements*
- ❖ **Implementing** *operational plans*
- ❖ **Identifying and use** *key performance indicators* **(KPIs)**
- ❖ *Undertaking contingency planning* **and** *consultation processes*
- ❖ **Providing assistance in the development and presentation of proposals**

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number 3 to 7.
3. Read the information written in the "Information Sheets1- 5". Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
4. Accomplish each"Self-check**.**
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished each self check).
6. If you earned a satisfactory evaluation proceed to the next Information Sheet.However, if your rating is unsatisfactory, see your teacher for further instructions or go back to pervious learning Activity.
7. Submit your accomplished Self-check. This will form part of your training portfolio.

| **Information Sheet-1** | **Collating, Analysing and Organizing Resource Requirements** |

Introduction

Plans are projected courses of action aimed at achieving future goals. They provide clear objectives and map the activities need to reach them effectively. Planning provides the groundwork for the future and gives you a way to track performance and assess achievements. It helps eliminate duplication of effort and meet schedules more easily.

There are different types plans that an organization may used. some of them are;

Strategic plan; to establish the future direction of the organization and show the big picture usually contains the organization's *vision, mission, goals* and *key measures of success*

Contingency plan; to provide guidance in response to any unexpected events, risks or variations.

Operational plan; to provide guidance about how to get short-term activities done and leads to the achievement of the overall goals in the business plan.

Planning and managing resources is a crucial component of implementing the operational plan for your business/organization. Resources are everything you need to implement the operational plan.

Resource requirements may refer to:

- ❖ goods and services to be purchased or ordered
- ❖ human, physical and financial resources (both current and projected)
- ❖ stock requirements and requisitions.

1.1. Human Recource

One of the most important resource requirements is human resources. These are the people who help the organization to achieve its goals and objectives. ***When determining human resource requirements, the following questions need to be considered:***

- ❖ What is the current workload of people?
- ❖ Will the workload of the team allow members to complete all of their required tasks?
- ❖ What are the required skills?
- ❖ What are the current skills of the team?
- ❖ Would it be more cost-effective to outsource work?
- ❖ Will training be required in order for the work to be completed?
- ❖ Can the workload of existing personnel be balanced differently?

A good way to do this is to use a skills sheet that matches the skills of individuals to the required activities. Remember to include their names, start dates and the cost of their labour. Look at the following example:

Activity	Skills Needed	Name of Person	Skill Level	Deliverable	Effort Days	Start Date	End Date	Cost
Prepare copy for website	Writing	Adam	Expert	Content for website	10	Apr 7	Apr 20	$9,500
Take photographs for website	Photography	Meg	Intermediate	Photographs for website	8	Apr 10	Apr 30	$7,600
Edit all content	Document editing	George	Expert	Edited content for website	5	May 4	May 20	$4,000

1.2. Physical Resources

In addition tohuman recources you will also need to consider the physical resources required to compl ete the work. ***When you determin physical resource for implemnting operational, you must Consider the following questions:***

❖ Where can you obtain the necessary resources?

❖ Will you need to hire equipment?

❖ What resource costs are involved?

❖ Are there limitations to the size or types of resources you can use?

❖ Are there safety considerations or requirements regarding the resources?

To determine the requirements for the physical resources use an availability sheet similar to the one below:

Activity	Resource Needed	Time in Hours	Date(s) Needed
Design brochure	Computer Color printer	80	4 to 29 April
Brochure review meeting	Meeting room with computer connected to projector	3	4 May
Make copies of draft brochure	Color photocopier	2	5 May

When determining the required resources you will need to ensure that you stick within budget and fina ncial guidelines.

1.3. Financial resources

Financial resources are the lifeblood that set the plan in motion. You need to estimate the funding requ ired to implementing your plan and, identify your current and potential sources of these funds, and the funding gaps.

One of the most common tools used for estimating funding is the budget. A budget shows the target of an operational plan in financial terms. A sample budget of a Training and Development Department w ithin a large company is shown below

Training & Development	

1.4. Consultation and Input

You also need to consult with relevant persons within your organization to ensure that resource allocat ion is conducted within organizational policies and procedures.

It is a good idea to consult with:

- ❖ Colleagues and specialist resource managers.
- ❖ Managers.
- ❖ Supervisors.
- ❖ Other employees.
- ❖ WHS committees and other people with specialist responsibilities.

Ensuring you seek input from a wide range of stakeholders will help you get it right first time.

| Self-Check -1 | Written Test |

Directions I: Give Short answer. Use the answer sheet provided in the next page:

1. List the questions to consider the physical resources required to complete the work

2. list the relevant persons to consult within your organization to ensure that resource allocation

3. list 4 questions to be consider when determining human resource requirements

Answer Sheet

Name: _____   Date: _____

Give Short answer Questions

1.

_____
_____
_____
_____
_____

| Score = _____ |
| Rating: _____ |

2.

_____
_____
_____
_____

3.

_____
_____
_____
_____
_____

2.1. Relationship between strategic and operational plans

In general terms, a strategic plan is an overview of an organization objectives and the methods of achieving those objectives, whilst operational plans are the means by which different parts of the organisation will use their resources to achieve the strategic objectives.

The relationship between strategic and operational plans is sometimes referred to as alignment, and one of the most important criteria for success in implementing operational plans is the degree of alignment with strategy.

An operational plan details how the organization should run on a day-to-day basis. It outlines the necessary operational requirements and resources and how they should be allocated. It is based on the organizations policies and procedures and must always comply with them.

An operational plan will include the answers to the following questions:

- ❖ Who is doing what?
- ❖ What are the day-to-day activities?
- ❖ How will suppliers and vendors be used?
- ❖ What are the resource requirements?
- ❖ What raw materials or products are required?

The operational plan will be different depending on the type of organization you work for and your organizational policies and procedures.

2.1. Operational Plan Key Components

An operational plan is part of an organization□strategic plan, and it sets out the work to be carried out and the workflow from initial input to end results, including all the resources that will be needed. It also sets out how risks will be dealt with and how the achievements of the plan will be sustained.

Key components of an operational plan include:

- ❖ Clear objectives
- ❖ Activities to be delivered
- ❖ Quality standards
- ❖ Key targets and key performance indicators
- ❖ Risk management plan

## 2.3. Planning Tools and Techniques in the Operational Planning Process

There are a number of planning tools and techniques that may be used in the operational planning process, including:

- ❖ Work Breakdown Structure (WBS)
- ❖ GANTT charts
- ❖ Project Evaluation and Review Technique (PERT)

A Work Breakdown Structure (WBS)

A work breakdown structure(WBS) is a deliverable-oriented hierarchical decomposition of the work to be executed by the project team to accomplish the project objectives and create the required deliverables. A WBS is the cornerstone of effective project planning, execution, controlling, monitoring, and reporting. All the work contained within the WBS is to be identified, estimated, scheduled, and budgeted.

The Work Breakdown Structure (WBS) is developed to establish a common understanding of project scope. It is a hierarchical description of the work that must be done to complete the deliverables of a project. Each descending level in the WBS represents an increasingly detailed description of the project deliverables.
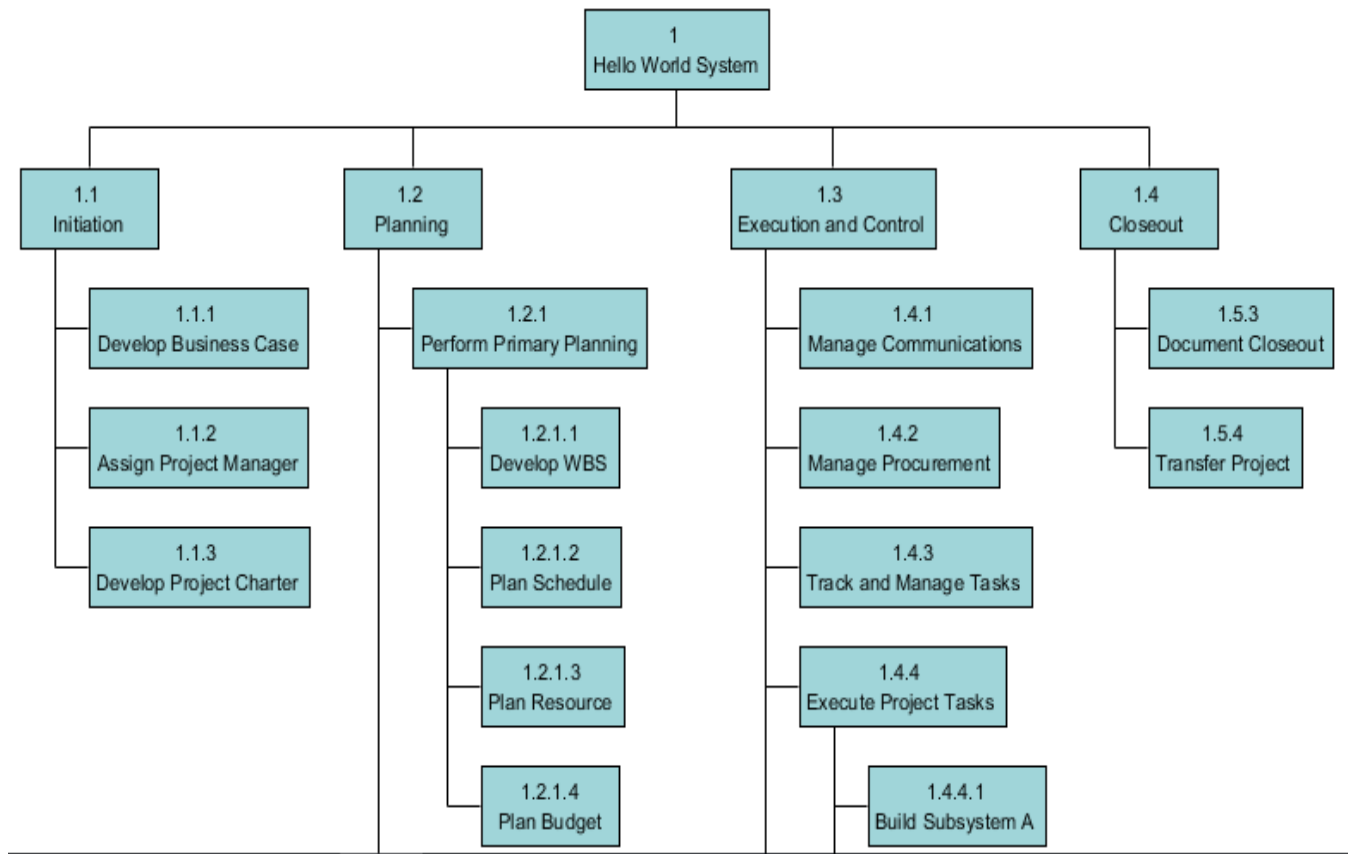
A Work Breakdown Structure (WBS)
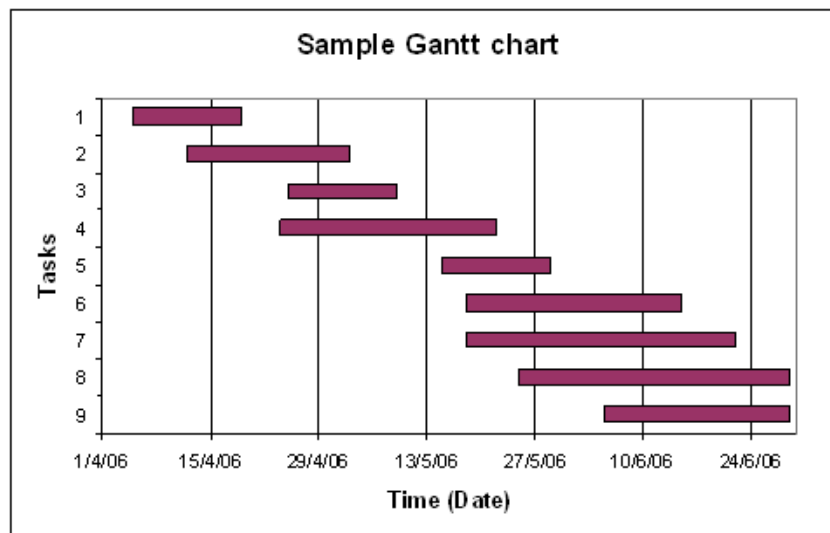
Gantt chart

A Gantt chart is a bar chart commonly used in project management to track project schedules. On the left of the chart is a list of the activities (tasks or events) and along the top is a suitable time scale. Each activity is represented by a bar; the position and length of the bar reflects the start date, duration and end date of the activity. This allows you to see at a glance:

- ❖ What the various activities are
- ❖ When each activity begins and ends
- ❖ How long each activity is scheduled to last
- ❖ Where activities overlap with other activities, and by how much
- ❖ The start and end date of the whole project

In other words they display exactly what has to be done and when. Below we show a very simple example of a Gannt chart.

Gantt chart

Reasons to use Gantt charts
- ❖ Gantt charts are highly visual
- ❖ Keeps project on track
- ❖ Communication
- ❖ Resource allocation
- ❖ Flexibility
- ❖ Efficiency
- ❖ Time management

A PERT chart

A PERT is a project management tool used to schedule, organize, and coordinate tasks within a project. PERT stands for *Program Evaluation Review Technique*, a methodology developed by the U.S. Navy in the 1950s to manage the Polaris submarine missile program. A similar methodology, the *Critical*

Path Method (CPM) was developed for project management in the private sector at about the same time.

2.4. Risk Analysis Techniques in Operational Planning

Management of operational risk is usually the direct responsibility of a senior or middle manager who will be responsible for dealing with conditions that may cause risks to materialise and for ensuring that identified risks are dealt with promptly and appropriately.

Measurement of risk is necessary in order to compare and rate risks across the organisation in terms of agreed risk criteria such as potential consequences and probability of each risk happening.

There are a variety of techniques available for analysing risk, including:

- ❖ Risk probability and impact assessment
- ❖ Probability and impact matrix
- ❖ Expert judgment
- ❖ etc.

Most organisations define scales for rating risk in terms of an agreed risk criteria in order to ensure consistency across the organisation and to allow ranking and prioritisation of risks, and a Risk Log that defines each risk and the action to be taken should the risk materialise will be incorporated in the operational plan

2.5. Establishing realistic operational goals and objectives

Operational goals and objectives clarify the purpose of the operational plan; what you are trying to achieve and the major tasks within the plan. They allow managers to go ahead with planning, organizing, implementing, monitoring and controlling activities.

The goal provides the overall or longer term aim, providing focus and direction for day-to-day activities and a reference for decision making, e.g. to provide a safe, healthy and satisfying work environment

Objectives are shorter term and more specific. One method that is often used is to break down goals into smaller goals, and break these down further and further until you have operational objectives that can be easily implemented.

Objectives must be SMART: Specific, Measurable, Achievable, Relevant and Time-bound. If you can't measure your objective, you will have no idea whether or not you have actually managed to achieve it.

- *Specific*: Clear, unambiguous, straightforward, understandable
- *Measurable*: Related to quantified or qualitative performance measures
- *Achievable*: With known resources

- *Realistic*: Linked to business needs
- *Time-bound*: Building-in completion date and review dates

Defining tasks

Once you have defined the operational goals and objectives, you can begin to focus on the actual work required to implement the plan.

Defining tasks involves identifying all the tasks to be carried out in the implementation stage of the operational plan. This usually results in a detailed work breakdown structure from which your team has a complete understanding of the work that is required to achieve the goals and objectives of the operational plan.

A task is an element of work and must be clearly defined. A guideline for defining tasks is outlined below:

- ❖ Identify tasks as precisely as possible. Each task should be short compared to the overall duration of the work plan
- ❖ Tasks must be significant enough to include in the work plan. Insignificant tasks only clutter your work breakdown structure.
- ❖ The level of detail in your list of tasks should be appropriate for the amount of planning and control you want.
- ❖ Remember to include reports, reviews and coordination activities in your work breakdown structure, as well as tasks for anticipated rework or modifications.

elf-Check -2	Written Test

Directions1:Fill in the Blank space

1. _____ is an overview of an organization□s objectives and the methods of achieving those obje ctives

2. _____ are the means by which different parts of the organisation will use their resources to achi eve the strategic objectives.

3. _____ is a project management tool used to schedule, organize, and coordinate tasks within a pr oject.

Directions2: Answer the question. Use the Answer sheet provided in the next page:

1. list the question that an operational plan will be answerd
2. List Key components of an operational plan
3. List planning tools and techniques in the operational planning process
4. List the reasons to use Gantt charts
5. List the techniques for analysing risk,

nswer Sheet

Name: _____   Date: _____

Directions1: Fill in the Blank space

1. _____
2. _____
3. _____

Score = _____
Rating: _____

Directions2: Answer the question

1.
_____
_____
_____
_____
_____

2.

_____
_____

Information Sheet-3	**Identifying and Use Key Performance Indicators (KPIs)**

3.1. Key Performance Indicators (KPIs)

The term "Performance Indicator" (or "Key Performance Indicator") may be defined as a standard or target that should be achieved. Performance Indicators are established and used as an integral aspect of the business planning and monitoring processes. There is an old saying that " you can only manage what you can measure" and this regard. The use of Performance Indicators enable management to measure the success of business strategies.

Key Performance Indicators therefore are a standard or reference point that allows management to:

- ❖ Measure the actual result of strategies
- ❖ Make comparisons between desired results and actual results.

3.1.1. Setting key performance indicators to measure organizational performance

Key Performance Indicators help define and measure progress toward organizational goals and objectives. Once an organization has defined its goals, it needs a way to measure progress toward those goals. Key Performance Indicators are those measurements.

3.1.2. Key performance indicators reflect the organizational goals

An organization that has as one of its goals "to provide maximum return on investment in our industry" will have key performance indicators that measure return on investment. "Earning per share" will be among them. On the other hand, a public school is not concerned with return on investment, so its Key Performance Indicators will be different. KPIs like "Graduation Rate" and "Success in finding employment after graduation".

3.1.3. Key performance indicators must be key to organizational Success

Many things are measurable. That does not make them key to the organization's success. In selecting Key Performance Indicators, it is critical to limit them to those factors that are essential to the organization reaching its goals. For example, if an organization has one of its goals "to be the most profitable company in our industry" will have Key Performance Indicators that measure profit. "Net Profit Margin" will be among them. However, "Percent of Profit Contributed to Community Causes" probably will not be one of its Key Performance Indicators.

It is also important to keep the number of KPIs small just to keep everyone's attention focused on achieving the same KPIs. That is not to say that a company will have only three or four KPIs in total. Rather there will be three or four KPIs for the company and all the units within it will have three, four, or five KPIs that support the overall company goals and can be "rolled up" into them.

If a company's KPI is "Increased Customer Satisfaction", that KPI will be focused differently in different departments. The Manufacturing Department may have a KPI of "Number of Units Rejected by Quality Inspection", while the Sales Department has a KPI of "Minutes a customer is on hold before a Sales Rep answers". Success by the Sales and Manufacturing Departments in meeting their respective departmental KPIs will help the company meet its overall KPI.

3.1.4. Performance indicators must be quantifiable

If a KPI is going to be of any value, there must be a way to accurately define and measure it. "Generate More Sales from Repeat Customers" is useless as a KPI without some way to distinguish between sales generated from new customers and repeat customers. It is also important to define the KPI and stay with the same definition. You need to address considerations like whether to measure by number of sales transactions or by dollar value of sales. You also need to set targets for the KPI such as percentage increase of sales per year.

For example, a company goal to be the employer of choice might include a KPI of "Turnover Rate". After the Key Performance Indicator has been defined as "the number of voluntary resignations and terminations for performance reasons divided by the total number of employees at the beginning of theperiod" and a way to measure it has been set up by collecting the information in an HRIS (Human Resources Information System), the target has to be established. "Reduce turnover by five percent per year" is a clear target that everyone will understand and be able to take specific action to accomplish.

Self-Check -3	Written Test

Directions:Give Short Answer. Use the Answer sheet provided in the next page:

1. Define and explain Key Performance Indictors(KPI)

Answer Sheet

Name: _____   Date: _____

Give short answer Questions

1.

_____

_____

_____

_____

_____.

Score = _____
Rating: _____

Information Sheet-4	*Undertaking Contingency Planning* and *Consultation processes*

4.1. Contingency Planning

Organizations must consider that no matter how well things are planned, they can go wrong. Organizations must identify and examine the potential risks in implementing their plans. Leaders need to consider worst-case scenarios, unforeseen events and situations, and the effect they may have on the organization.

Most organizations will have emergency plans for disasters, accidents and other incidents that can be anticipated. However, wider planning is required to ensure operational integrity is maintained.

Contingency planning can help to identify organizational vulnerabilities. These risks can then be removed or managed to minimize the impact on the organization and regain control.

Leaders need to undertake contingency planning within their own teams and responsibilities. They need to examine operational plans and use decision-making processes to identify how the current operations could be impacted by failure.

From identifying potential causes of failure, leaders can put in place actions to prevent the failure from occurring.

4.2. Situations for Contingency Planning

Some examples of situations requiring a contingency plan include:

- ❖ Contracting out or outsourcing human resources and other functions or tasks.
- ❖ Diversification of outcomes.
- ❖ Finding cheaper or lower quality raw materials and consumables.
- ❖ Increasing sales or production.
- ❖ Recycling and re-use.
- ❖ Rental, hire purchase or alternative means of procurement of required materials, equipment and stock.
- ❖ Restructuring of organization to reduce labour costs.
- ❖ Risk identification, assessment and management processes.
- ❖ Seeking further funding.
- ❖ Strategies for reducing costs, wastage, stock or consumable

Not all contingencies can be planned for. In the event of an unplanned contingency, the leader will need to make a decision and respond quickly. Leaders can then draw on anticipated contingencies and plans to help them determine the best course of action for the situation at hand

4.3. Contingency Planning Questions

Use the following questions to help you plan for contingencies:

- ❖ What events may occur that require a response?
- ❖ What disasters might happen during the execution of the plan?
- ❖ What scenarios are possible for the situation?
- ❖ What is the worst-case scenario for the situation?
- ❖ What would cause the greatest disruption of current and planned activities?
- ❖ What would happen if the costs of the plan were excessive?
- ❖ What would happen if the plan was delayed?
- ❖ What would happen if key people involved in the plan left the organisation?
- ❖ What are competitors likely to do?

- ❖ Who or what might impede the implementation of the plan?

4.4. Tactical Risk Analysis

A tactical risk analysis will help you to plan for contingencies. This involves providing a subjective, q ualitative risk rating based on your own professional judgment. You should rate the risks you identifie d when answering the questions above as high, medium or low. This rating should be based on your as sessment of the current situation and the likelihood and consequence of something going wrong.

Once you have identified the risks and rated them, you should aim to reduce any high or medium risks . The idea is to reduce all of the risks to low, as part of your contingency plan. Significant risks will ne ed to be reported. Where a high risk has been identified, you will need to alert an appropriate person. Depending on the nature of the risk, this may be a manager, department head, safety or environment of ficer.

4.5. Consultation Processes

Consultation is the process of seeking information prior to making a decision. Seeking the opinions an d ideas of others results in better decision-making and more effective implementation. In some instan ces, such as work health and safety, consultation is required by law.

4.6. Principles of Consultation

Consultation can take many forms including direct manager to employee communication and more for mal consultation processes. The underlying principle of consultation is allowing staff to have input int o the decision-making process, although leaders still have the final say.

The first stage in consultation is to provide information to those being consulted about:
- ❖ What is being considered.
- ❖ The process for consideration.

❖ How a final decision will be made and who will make this decision.

The better the information provided to those being consulted, the better the information received. There are varying degrees of formality in consultative processes. Consultation may be as informal as a one-off meeting between a manager and an employee. However, it could also be a more formal process where all staff are canvassed.

Communication and Inclusion

The next stage is to make everyone involved feel comfortable enough to share ideas. Some people may feel reluctant to participate or negative about the consultation process initially. For consultation to be effective, it needs to be incorporated into the culture of the organization.

Internal communication devices should be used to encourage feedback. Wherever possible, two-way communication should be encouraged. Consultation will become widely accepted and supported within the organization when:

❖ It occurs early, before agendas are set.

❖ Senior managers are interested in and value employee ideas.

❖ Employees are proactive and encouraged to submit ideas.

❖ Interaction is planned, genuine and collaborative.

❖ There is trust and mutual respect.

❖ Relevant information is provided.

❖ Decisions are acted on.

❖ Where decisions are not acted on, explanations are offered.

Remember that consultation is one of the key elements in implementing your operational plan. Without consultation it may be very difficult to gain support for the plan and its implementation.

Self-Check -4	Written Test

Directions:Fill in the Blank Space. Use the Answer sheet provided in the next page:

1. List the Contingency Planning Questions

2. List the Situations for Contingency Planning

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Answer Sheet

Name: _____   Date: _____

Short Answer Questions

1.

_____
_____
_____
_____
_____
_____

2.

_____
_____

_____

_____

_____

_____

Score = _____

Rating: _____

Information Sheet-5	**Providing Assistance in the Development and Presentation of Proposals**

5.1. Presenting Proposals and Obtaining Approval for Operational Plan from Relevant Parties

Each proposal regardless of its purpose should:

- ❖ Add value to an organization
- ❖ Comply with organizational purposes
- ❖ Contribute to meeting strategic objectives, and
- ❖ Fit with organizational policies.

Proposals for use of resources should emphasize the efficiency and effectiveness of the usage of operating resources. Any proposal should meet any legal requirements in relation to the behavior of an organization.

Though some proposals for use of resources may be considered informally by an organization many organizational proposals need to be formalized and presented in writing for consideration. Proposals for additional resources will generally need to be approved by the management.

The proposal is essentially a sales document. For a proposal to be successful it should be well organized and be able to persuade the manager who will make the decision to agree to the proposal. Though each proposal may be different in terms of the information you have and what you want to sell, the following is a general guideline that might be used:

- ❖ Title for the request
- ❖ Purpose of the request
- ❖ Introduction and background information - including any issues and problems
- ❖ Reason for the request - seeking funds to acquire resources to perform certain activities
- ❖ Objectives to be achieved and how they Relate to the organization's objectives
- ❖ Nature of the resources required, including detailed timing and estimated costs
- ❖ Any risks to the organization in using the resources and proposed solutions
- ❖ Proposed outcome of the request for resources ⬚ benefits
- ❖ Possible consequences if the request is not granted
- ❖ Options available to acquire resources and methods of acquisition

Self-Check -5	Written Test

Directions:Say True/False. Use the Answer sheet provided in the next page:

1. Any proposal should meet any legal requirements in relation to the behavior of an organization.

2. Proposals for use of resources should emphasize the efficiency and effectiveness of the usage of operating resources.

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Answer Sheet

Name: _____   Date: _____

True/False

1.

_____

2.

_____

Score = _____
Rating: _____

Instruction Sheet	**LG22: Implement Resource Acquisition**

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

- **Implementing Operational Plan**
- **Implementing resource acquisition**
- **Monitoring Operational Performance**

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to –**

- ❖ **Recruiting and inducting employees**
- ❖ **Implementing plans for acquisition of physical resources and services**

Learning Instructions:

8. Read the specific objectives of this Learning Guide.

9. Follow the instructions described in number 3 to 7.

10. Read the information written in the "Information Sheets1-2". Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.

11. Accomplish each "Self-check**.**

12. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished each self check).

13. If you earned a satisfactory evaluation proceed to next Information Sheet. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to pervious learning Activity.

14. Submit your accomplished Self-check. This will form part of your training portfolio.

Information Sheet-1	Recruiting and Inducting Employees

1.1. Meaning of Recruitment Process

Recruitment is the process of searching the candidates for employment and stimulating them to apply f or jobs in the organization.

In other words, Recruitment is the development and maintenance of adequate manpower resources. I t involves the creation of a pool of available labor upon whom the organization can draw when it need s additional employees. The recruitment process leads to a collection of candidates for any vacancies an organization might have.

The purpose of the recruitment process is to find talented and qualified individuals for the growth and development of their organization. It is part of the human resource management(HRM) department.

1.2. Sources of Recruitment

There are many sources of recruiting potential employees but all of them can be grouped into two cate gories, namely.

1.2.1. Internal Sources of Recruitment

Internal sources of recruitment consist of employees who are already on the payroll of a firm. It also in cludes former employees who have returned to work for the organization. Recruitment from internal s ources is done to fill up vacancies through promotion, re-hiring and transferring employees within the company.

Advantages of Internal Sources of Recruitment

❖ Selecting and transferring existing employees is a simpler process.

❖ The managers are aware of the talents and abilities of already existing employees.

❖ Internal recruitment serves as a tool to boost the morale of employees as internal hiring creates job and promotion opportunities for existing employees.

❖ Internal hiring promotes a feeling of loyalty amongst the employees.

❖ Existing employees are already aware of the company's working methods and don't take a lon g time to adjust to new positions.

However, there is a potential drawback to the internal recruitment process. It can lead to a stagnation i n the company's/organization workforce. No introduction of new employees or fresh ideas.

Often employees who are not suitable for a higher position are given promotions just because they hav e been at the organization for a long time, not because of their skills and qualifications.

Characteristics of Internal Sources of Recruitment

- ❖ Quick process.
- ❖ Cheaper than the external recruitment process.
- ❖ Works as a tool of motivation for the staff.
- ❖ The company's choice is limited to existing employees of the company.
- ❖ Hiring fresh employees is a lost prospect.

1.2.2. External Sources of Recruitment

External sources of recruitment refer to the sources that lie outside or exist external to the organization

.

Sources of external recruitment include:

1. People joining an organization, specifically through recommendations.
2. Employment agencies(e.g. naukri.com) or employment exchanges.
3. Advertising
4. Institutes like colleges and vocational schools (e.g. campus selection)
5. Contractors
6. Hiring unskilled labor
7. List of applications
8. Temporary workers.

Encouraging existing employees to recommend suitable candidates can thus lead to the hiring of the right individuals for the right jobs. A higher level of teamwork and synchronization among employees would, therefore, be achieved.

However, it might also lead to employees picking their close friends and family members who are unfit for the jobs. Thus, talented individuals might lose out on good opportunities.

Whereas, external recruitment provides a wider collection of potential employees with the necessary skillset. It has proven to be a successful recruitment process when hiring for managerial and technical positions.

Characteristics of External Sources

- ❖ Long and time-consuming process.
- ❖ It is an expensive process.
- ❖ When external people are given opportunities over them, then existing workers lose morale
- ❖ Hiring new employees can lead to the introduction of new blood and thus the introduction of a new set of skills and ideas.

1.3. Selection Process and its Importance

1.3.1. Selection Process

The selection process can be defined as the process of selection and short listing of the right candidates with the necessary qualifications and skill set to fill the vacancies in an organization. The selection process varies from industry to industry, company to company and even amongst departments of the same company.

Every organization creates a selection process because they have their own requirements. Although, the main steps remain the same. So, let's understand in brief how the selection process works.

Preliminary Interview

This is a very general and basicinterview conducted so as to eliminate the candidates who are completely unfit to work in the organisation. This leaves the organisation with a pool of potentially fit employees to fill their vacancies.

Receiving Applications

Potential employees apply for a job by sending applications to the organization.The application gives the interviewers information about the candidates like their bio data, work experience, hobbies and

interests.

Screening Applications

Once the applications are received, they are screened by a special screening committee who choose candidates from the applications to call for an interview. Applicants may be selected on special criteria like qualifications, work experience etc.

Employment Tests

Before an organization decides a suitable job for any individual, they have to gauge their talents and skils. This is done through various employment tests like intelligence tests aptitude tests,proficiency tests,

 personality tests etc.

Employment Interview

The next step in the selection process is the employee interview. Employment interviews are done to identify a candidate□s skill set and ability to work in an organization in detail. Purpose of an employment interview is to find out the suitability of the candidate and to give him an idea about the work profile and what is expected of the potential employee. An employment interview is critical for the selection of the right people for the right jobs.

Checking References

The person who gives the reference of a potential employee is also a very important source of information. The referee can provide info about the person☐s capabilities, experience in the previous companies and leadership and managerialskills. The information provided by the referee is meant to kept confidential with the HR department.

Medical Examination

The medical exam is also a very important step in the selection process. Medical exams help the employers know if any of the potential candidates are physically and mentally fit to perform their duties in their jobs. A good system of medical checkups ensures that the employee standards of health are higher and there are fewer cases of absenteeism, accidents and employee turnover.

Final Selection and Appointment Letter

This is the final step in the selection process. After the candidate has successfully passed all written tests, interviews and medical examination, the employee is sent or emailed an appointment letter, confirming his selection to the job. The appointment

letter contains all the details of the job like working hours, salary, leave allowance etc. Often, employees are hired on a conditional basis where they are hired permanently after the employees are satisfied with their performance.

1.3.2. Importance of Selection Process

- ❖ Proper selection and placement of employees lead to growth and development of the company. The company can similarly, only be as good as the capabilities of its employees.
- ❖ The hiring of talented and skilled employees results in the swift achievement of company goals.
- ❖ Industrial accidents will drastically reduce in numbers when the right technical staff is employed for the right jobs.
- ❖ When people get jobs they are good at, it creates a sense of satisfaction with them and thus their work efficiency and quality improves.
- ❖ People who are satisfied with their jobs often tend to have high morale and motivation to perform better.

1.4. Methods and Strategies of Recruitment

Businesses, human resources managers and other staffing professionals use many recruitment strategies and methods. Some of the more widely used recruitment methods include placing advertisements in local newspapers and online, publishing internal announcements for promotions and personal referrals,

enlisting employment and executive recruitment agencies and using government job centers. Progressive companies also use social and new media strategies to target the best candidates.

Online and Print Job Advertisements

One of the most common recruitment methods for businesses is job advertisements placed in local and national print and online publications. The key is to advertise in places that are more likely to attract the kinds of candidates sought by the company/organization. For example, technical businesses tend to advertise in specific trade publications and websites with high traffic rates. Advertisements and promotions typically include important information such as the location, job title, description, compensation package and instructions on how to apply for jobs.

Internal Bulletins and Personal Recommendations

Businesses/organization sometimes use internal bulletins to alert staff to positions available. The reasons are usually twofold: to pose an incentive for those seeking advancement to apply, and to seek referrals from employees. This can be a very effective way to isolate some of the best job candidates.

Both existing staff and those referred already have a relationship with someone connected to the company/organization. This can easily save companies/organizations time and money on recruitment efforts. Recognizing this, some firms even offer bonuses for referrals who become employees.

Employment and Recruitment Agencies

Companies sometimes use employment and recruitment agencies as part of a staffing strategy. An employment agency can save businesses the hassle involved with the initial screening of outside resumes, assessing qualifications and testing, and checking references. Recruiters provide services for a fee, often specializing in certain employment areas, such as financial services professionals, teachers, office workers and executives.

Government Job Centers

Government job centers usually offer advertising services as part of employment development efforts for citizens. The government has job training and seeking divisions that work in concert with businesses that need staff. The state employment development departments usually have both online and print listings where companies may advertise job vacancies free of charge.

Social and New Media

Social and new media can be a fruitful resource, since they connect professionals on a worldwide basis. Using popular social networking websites, it is possible to find, collaborate with and get introductions to many qualified professionals. Social utility websites used primarily for leisure activities can also be a viable source.

1.5. Induction for New Employees

1.5.1. Meaning of Induction

Induction of Employee is the first step towards gaining an employees' commitment, Induction is aimed at introducing the job and organization to the recruit and him or her to the organization. Induction involves orientation and training of the employee in the organizational culture, and showing how he or she is interconnected to (and interdependent on) everyone else in the organization.

The new employee's first contact with his or her physical and human working environment is extremely important, since it will condition his or her relationship with the company. The employee must feel supported and important. The first person he or she will meet is the immediate supervisor, who should present the corporate profile in addition to providing information on the organization's background, values, clientele, services offered, staff, and expected behavior. The immediate superior will also specify the newcomer's role. The points listed below should be covered during this meeting.

1.5.2. Induction Programme

A good induction programme should cover the following:

- ❖ The company/organization, its history and products, process of production and major operations involved in his job.
- ❖ The significance of the job with all necessary information about it including job training and job hazards.
- ❖ Structure of the organization and the functions of various departments.
- ❖ Employee□s own department and job, and how he fits into the organization.
- ❖ Personnel policy and sources of information.
- ❖ Company policies, practices, objectives and regulations.
- ❖ Terms and conditions of service, amenities and welfare facilities.
- ❖ Rules and regulations governing hours of work and over-time, safety and accident prevention, holidays and vacations, methods of reporting, tardiness and, absenteeism.
- ❖ Grievances procedure and discipline handling.
- ❖ Social benefits and recreation services.
- ❖ Opportunities, promotions, transfer, suggestion schemes and job satisfaction.

An induction programme consists primarily of three steps:

General orientation by the staff: It gives necessary general information about the history and the operations of the firm. The purpose is to help an employee to build up some pride and interest in the organization.

Specific orientation by the job supervisor: The employee is shown the department and his place of work; the location of facilities and is told about the organization□s specific practices and customs. The purpose is to enable the employee to adjust with his work and environment.

Follow-up orientation by either the personnel department or the supervisor: This is conducted within one week to six months of the initial induction and by a foreman or a specialist. The purpose is to find out whether the employee is reasonably well satisfied with him. Through personal talks, guidance and counselling efforts are made to remove the difficulties experienced by the newcomer.

1.5.3. Who Should Do The Induction?

If you are unsure about the best way to pass on the information, then leave it all to whoever will be the new employees superior. However, you may decide that it is relevant to break down the information to be given by the relevant departments. For example, your personnel department may inform them about employment contracts and procedures.

If the new employee will be working with others, you may offer the responsibility to one of his/her future colleagues. This way can benefit the new employee because they will be making a new friend at the same time and could see it as a doorway to their social involvement.

If this isn□t yourself, then you may think it is best to leave the induction to the person who is most interested about the effectiveness of the induction scheme. They will then perhaps make it their responsibility for ensuring that the new employee integrates into the company with the right balance (job/social/personal involvement).

Whoever you allocate to do the induction, it will start to form a good relationship between those involved (or not as the case may be).

1.5.4. The Importance of inducting for new Employees

Employee induction programs□differs from company to company and also depends on the type of industry. Some view induction programs as a chance to welcome and support new employees, while other companies view the induction programme as a waste of time and hope that their new employees □hit the ground running□

Apart from being a legal obligation, the new employee induction program is an essential and critical final piece of the hiring process.

Here are the two main reasons why you should have this in place:

- ❖ It starts the employee off with the right information to ensure maximum productivity as quickly as possible.

- ❖ It fulfils your legal obligation to train new workers to do their jobs safely and what to do in the event of an emergency

In addition, a strong induction process helps reduce stress and anxiety associated with a new job, and improves their morale and feelings about the new job and organization they have joined.

Induction programs can include both training and mentoring, can be conducted by HR and/or the department manager, and may last weeks or even months. Regardless of the length, these programs allow the employee to gain valuable information regarding the organisation and how they are expected to integrate with it.

1.5.5. Benefits of induction programs include:

❖ Workplace Safety

❖ Increased retention rate

❖ Improved employee moral

❖ Increased productivity, and;

❖ Increased sense of acceptance into the organization

A well designed employee induction program not only saves your money and time in the long run but it avoids money being spent on covering absences such as hiring replacements.

A number of organizations do not provide a structured induction training which means new employees are then left to pick up the information necessary on their own or through asking, following or copying existing employees.

However, new workers are often anxious and a little shy, which may prevent them from getting information this way. This can lead to new employees not learning the □right□ way of doing things, loss of productivity and serious issues such as safety breeches and in worst case, fatalities. As an employer you could face financial loss, prosecution, fines and even jail sentence, depending on circumstances.

1.5.6. How to best deliver new employee inductions

Lately, we have seen a massive shift towards cloud based training as it removes the variables associated with face-to-face training and unsustainable practices, such as printing thick manuals.

Online training ensures;

❖ Training content and delivery is consistent.

❖ Information is kept up to date.

❖ Record keeping is done automatically

❖ Training is accessible from anywhere and any device□(Which means that new starters can complete the training even before arriving for their first date

For a long time, online inductions needed a large investment in set up costs and problematic lock-in contracts. However, that is changing and now Small and Medium Businesses can access today s online technology without the big price tag!

Self-Check -1	Written Test

Directions I: *Fill in the Blank Space. Use the Answer sheet provided in the next page:*

1. _____ is the development and maintenance of adequate manpower resources.
2. _____ refer to the sources that lie outside or exist external to the organization.
3. _____ is the process of selection and short listing of the right candidates with the necessary qualifications and skill set to fill the vacancies in an organization.
4. _____ is involves orientation and training of the employee in the organizational culture, and showing how he or she is interconnected to (and interdependent on) everyone else in the organization.

Directions II: Give Short answer. Use the answer sheet provided in the next page:

1. List sources of external recruitment

2. List the selection process

3. List benefits of induction programs

4. List the three steps of induction programme

5. List methods and Strategies of Recruitment

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Information Sheet-2	**Implementing plans for acquisition of physical resources and services**

2.1. Implement resource acquisition

Resource acquisition can be the most costly part of any implementation plan, but is also one of the most critical. After all, how can you implement a plan successfully if you don't have the right tools for the job? Activities relating to resource acquisition should follow the guidelines, rules, procedures or practices used within your organization, such as human resource and purchasing policies, standard operating procedures (SOPs) or undocumented practices that have not been formally adopted by the organization but are accepted as part of its processes.

In many organizations, recruiting staff and purchasing goods and services are specialist functions undertaken by human resources (HR) or purchasing departments. Sometimes, recruitment is outsourced to specialist recruitment agencies.

Purchasing process

Purchasing is a highly complex organizational process with objectives that reach far beyond the traditional belief that purchasing primary role is to obtain goods and services in response to internal needs. The overall goals of purchasing can be categorized in five major sections: supply continuity, manage the sourcing process efficiently and effectively, develop supply base management, develop aligned goals with internal stakeholders, and develop integrated purchasing strategies that support organizational goals and objectives.

Development of a strategic sourcing plan is driven by the recognition that tactical sourcing will not succeed in yielding a supply base that results in the benefits of collaborative relationships and strategic alliances. The basic steps in the strategic sourcing process follows:

- ❖ Discover potential suppliers.
- ❖ Evaluate potential suppliers.
- ❖ Select suppliers.
- ❖ Develop suppliers.
- ❖ Manager supplier relationships.

Discovering Potential Suppliers

The ability to discover qualified and competent suppliers has increased exponentially with the introduction of the Internet. Following is a list of resources to use in establishing a robust list of potential suppliers:

- ❖ Supplier websites
- ❖ Supplier information files
- ❖ Supplier catalogs
- ❖ Trade registers and directories
- ❖ Trade journals
- ❖ Phone directories
- ❖ Mail advertisements
- ❖ Sales personnel
- ❖ Trade shows
- ❖ Company personnel
- ❖ Other supply management departments
- ❖ Professional organizations

Other strategic issues to consider in determining the list of potential suppliers include

- ❖ Company policy on single versus multiple sourcing
- ❖ Company policy on buyer's share of supplier's capacity
- ❖ Company policy on buying from minority- and women-owned business enterprises
- ❖ Company policy on environmental, health, and safety (EHS)-qualified or certified suppliers

Evaluating Potential Suppliers

After developing a comprehensive list of potential suppliers, the supply manager's next step is to evaluate each supplier individually. The type of evaluation varies with the nature, criticality, complexity, and dollar value of the purchase to be made.

Table 1-4 Evaluation Techniques for Potential Suppliers

Technique	Description
Supplier surveys	Surveys ask a number of questions of the supplier, including referrals, references, P&L history, defect rate, and quality management system.
Financial condition analysis	Financial analysis can often prevent the expense of further study. This analysis includes key financial metrics and ratios that assess the financial stability of the supplier. Credit ratings can also help determine whether the supplier can meet the demands.
Third-party evaluators	Trained third-party organizations are often hired to evaluate and audit suppliers or even processes like handling of hazardous waste.
Evaluation conference	Face-to-face discussion can help clarify specifications and determine whether a supplier can meet the demands of a complex purchase.
Facility visits	Many suppliers look good on paper, but visiting a site can help determine whether there are inefficiencies. These visits usually include a crossfunctional team with both strategic and tactical participants from the buying firm. Weighted scorecards are often used during evaluation.
Quality capability analysis	The quality department and top management help to shape the quality capabilities of a firm. Understanding the supplier quality philosophy and past quality performance can help determine whether the supplier is in alignment with the buying company.

The supplier's strategies must also be aligned with the strategies of the buying organization. A supplier scorecard is usually cross-functionally developed with weights assigned to the different areas. The final score on the scorecard helps to narrow the supplier pool but also allows the evaluator to focus on those things that are critically important to the buying organization.

Selecting Suppliers

When the supplier pool is reduced to a manageable level and one or more potential suppliers has passed the initial evaluation process, the purchasing manager or sourcing team can invite potential suppliers to submit bids or proposals. Purchasers have to decide whether to use bidding or negotiation, or some combination of both. Reverse auctions are often utilized here (depending on the classification).

As mentioned earlier, the final selection of suppliers is often based on a supplier scorecard or weighted factor analysis. Developing a weighted scorecard consists of four primary activities:

- ❖ Develop the factors that serve as the selection criteria and the weight that each of those factors carries in decision making. What areas are critical to your organization for this type of commodity or service? For example, a paper company has to buy significant quantities of starch for its manufacturing process. Starch is truly a commodity and the primary consideration is price.
- ❖ Expand the subfactors or performance factors within the broader selection criteria and the weighting of those factors. An example might be financial performance and key ratios of inventory turnover, return on assets, or even profitability.
- ❖ Establish a scoring factor to evaluate potential suppliers. This is generally the scale used for evaluation: 1 through 5, for example. The raters have to be clear on what a 1 is compared with a 5.
- ❖ Score and evaluate each supplier. This is generally done individually by those who have a relationship with the supplier and for those who have access to the information. For example, on-time delivery may not be known by all members, but the person responsible rates the supplier. The scores are all compiled and totaled to get to the scorecard number.

Careful evaluation of the suppliers using the scorecard enables the appropriate selection of the supplier that clearly supports the needs of the buying organization. It is possible that the highest number is not the best supplier simply because the highest priority factor is what actually matters (for example, quality).

Developing Suppliers

Supplier development is any activity undertaken by a buyer to improve a supplier's performance or capabilities to meet the buyer's short- and long-term supply needs. There is sometimes conflict between the buying firm and the supplying firm, especially if a supplying firm does not see the need for post-de

velopment. Also, it is critical for purchasers to have a defined set of performance metrics that are transparent to the supplier and established goals for development.

Effective supplier development requires the commitment of financial capital and skilled personnel, timely and accurate information sharing, and process improvement.

Managing Suppliers

Key performance metrics are in place to help manage the suppliers. However, purchasers must assess the supplier's capabilities to meet the firm's long-term needs. The buyer must be willing to ask the supplier about general growth plans, design capabilities, and future production capacity. An important part of managing the supplier is building and maintaining the appropriate relationship.

Purchasing criteria

Centralized Purchasing

Centralized purchasing refers to the purchase of materials by a single purchase department. This department is headed and managed by a purchasing manager. Under centralized purchasing, all purchases made by the purchase department to avoid duplication, overlapping and the non-uniform procurement. A company has to follow the centralized purchasing of materials for ensuring proper materials control as well as efficient store keeping. Under this system, the purchasing department purchases the required materials for all the departments and branches of the company.

Advantages of Centralized Purchasing

- ❖ Bulk quantity of materials can be purchased at a low price with favorable purchasing terms.
- ❖ The service of an efficient, specialized and experienced purchase executive can be obtained.
- ❖ Better layout of stores is possible in centralized stores.
- ❖ Economy in recording and systematic accounting of materials.
- ❖ Transportation costs can be reduced because bulk quantity of materials purchased.
- ❖ Centralized purchasing avoids reckless purchases.
- ❖ Centralized purchasing discourages duplication of efforts.
- ❖ Centralized purchasing helps to maintain uniformity in purchasing policies.
- ❖ Centralized purchasing helps to minimize the investment on inventory.

Disadvantages of Centralized Purchasing

- ❖ High initial investment has to be made in purchasing.
- ❖ Delay in receiving materials from the centralized store by other departments.
- ❖ Centralized purchasing is not suitable, if branches are located at different geographical locations.
- ❖ In case of an emergency, materials cannot be purchased from local suppliers.
- ❖ Defective materials cannot be replaced timely.

Decentralized Purchasing,

Decentralized purchasing refers to purchasing materials by all departments and branches independently to fulfill their needs. Such a purchasing occurs when departments and branches purchase separately and individually. Under decentralized purchasing, there is no one purchasing manager who has the right to purchase materials for all departments and divisions.

The defects of centralized purchasing can be overcome by decentralized purchasing system. Decentralized purchasing helps to purchase the materials immediately in case of an urgent situation.

Advantages of Decentralized Purchasing

- ❖ Materials can be purchased by each department locally as and when required.
- ❖ Materials are purchased in right quantity of right quality for each department easily.
- ❖ No heavy investment is required initially.

Disadvantages of Decentralized Purchasing

- ❖ Organization losses the benefit of a bulk purchase.
- ❖ Specialized knowledge may be lacking in purchasing staff.
- ❖ There is a chance of over and under-purchasing of materials.
- ❖ Fewer chances of effective control of materials.
- ❖ Lack of proper co-operation and co-ordination among various departments.

Self-Check -2	**Written Test**

Directions: Fill in the Blank Space. Use the Answer sheet provided in the next page:

1_____is refers to the purchase of materials by a single purchase department.

2._____ is refers to purchasing materials by all departments and branches independently to fulfill their needs.

Directions2: Give Short Answer. Use the Answer sheet provided in the next page:

1. List the basic steps in the strategic sourcing process

2. list at least 4 advantage and disadvanges of centerlized purchasing

3. list at least 3 advantages and disadvanges of decentralized Purchasing

Instruction Sheet	**LG23: Monitoring Operational Performance**

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

- ❖ **Implementing Operational Plan**
- ❖ **Implementing resource acquisition**
- ❖ **Monitoring Operational Performance**

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, **you will be able to –**

- ❖ **Monitoring performance systems and processes**
- ❖ **Assessing progress in achieving profit/productivity plans and targets**
- ❖ **Analyzing and using budget and actual financial information**
- ❖ **Identifying unsatisfactory performance and take action to rectify the situation**
- ❖ **Providing mentoring, coaching and supervising**
- ❖ **Presenting recommendations for variation**
- ❖ **Implementing *systems*, *procedures and records* associated with performance**

Learning Instructions:

15. Read the specific objectives of this Learning Guide.
16. Follow the instructions described in number 3 to 7.
17. Read the information written in the "Information Sheets1- 7". Try to understand what are being discussed. Ask your teacher for assistance if you have hard time understanding them.
18. Accomplish each "Self-check**.**
19. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You have to get the key answer only after you finished each self check).
20. If you earned a satisfactory evaluation proceed to next Information Sheet. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to pervious learning Activity.
21. Submit your accomplished Self-check. This will form part of your training portfolio.

Information Sheet-1	**Monitoring Performance Systems and Processes**

1.1. Monitor and review operational performance

Performance management can be analyzed at several levels in an organization: strategic, operational, team and individual. If the first one deals with the company's/organizational objectives and the last two with the team's and each employee's performance results, the operational performance has a more f

unctional purpose. Although aligned with the corporate strategy, it mainly focuses on how each department conducts its daily activities in order to contribute to the company's goals.

Firstly, in order to monitor performance, it is sufficient to identify the Key Performance Indicators (KPIs) that are relevant for the company/organization and to put them on a performance management instrument (e.g. dashboard or scorecard). Data is then collected and centralized over periods of time, allowing a clearer image over the company's/organization's progress.

However, when performance is not meeting the required levels, actions need to be taken, so as to put the company/organization back on track. This is the beginning of performance management. The person responsible for improving companies'/organization's results, be it manager or director, has to identify the key people and processes that are not functioning properly and to direct them on the right path.

The linkage between the two concepts is given by decision management, which is crucial in moving from performance monitoring to performance management. Once vulnerable people and processes are identified, decisions need to be taken regarding the steps to be further implemented. The appropriate actions can lead the company/organization towards development. Otherwise, it may be difficult to identify the right solutions.

Practically, the difference between these two concepts is that performance monitoring has to do with the strategy formulation, while performance management is connected to strategy execution. The objectives companies set need to be put in practice. They need to become realistic targets employees have to achieve, and the day-to-day activities create the framework for strategic goals to be met.

So, companies should first establish their objectives then monitor the performance in reaching them and, if necessary, take action to improve the existing performance. This is basically the performance monitoring – performance management flow.

1.2. *Operational performance systems and processes*

Operational performance systems and processes involve:

- ❖ Identifying and describing essential job functions and relating them to the mission and goals of the organization
- ❖ Developing realistic and appropriate performance standards
- ❖ Giving and receiving feedback about performance
- ❖ Writing and communicating constructive performance appraisals
- ❖ Planning training and development opportunities to sustain, improve or build on employee work performance

We implement operational performance systems and processes because we need to assess the progress of the operational plan towards achieving its performance targets. We need to know at every moment how we are doing and what we can do better.

Operational performance systems and processes provide a systematic approach to assessing operational performance. They enable the operational manager and staff to:

- ❖ Align operational activities and processes to the goals of the organization
- ❖ Focus on results rather than activities
- ❖ Focus performance reviews on contributions to organizational goals
- ❖ Maintain ongoing communication and feedback about organizational goals
- ❖ Optimize operations in the organization because goals and results are more closely aligned

It's important to understand the benefits of such a system, because this will enhance its implementation and, at the same time, contribute to buy-in. that is s a rule of thumb: we cannot accept something we don't understand and don't consider useful.

Self-Check -1	**Written Test**

Directions II: Give Short answer. Use the answer sheet provided in the next page:

1. List Operational performance systems and processe

Answer Sheet

Name: _____   Date: _____

Give Short answer Questions

1.

_____

_____

_____

_____

_____

_____

Score = _____
Rating: _____

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Information Sheet-2	Assessing Progress in Achieving Profit/Productivity Plans and Targets

2.1. Monitoring and Measuring Operational Performance

Monitoring helps you to measure progress towards your goals and compare actual results with planned performance. You must be able to use control techniques to identify potential problems and take corrective action to keep operations on target. You also need to adapt when changes occur to schedules and resources due to variations in activities.

There are five characteristics of an effective monitoring process. These are:

Accuracy: The information gathered must be accurate.

Timeliness: The information gathered must be in time to allow corrective action to be taken.

Economy: The benefits of gathering the information must be greater than the cost of gathering it.

Ease of understanding: The information should be understandable by the target audience.

Meeting needs: the information must meet the needs of the organization and the individuals involved in the process.

The results of monitoring may be to:
- ❖ reschedule activities
- ❖ allocate resources differently
- ❖ modify the operational plan
- ❖ acquire additional resources

The three steps of the monitoring and measuring process are:

1. Establish where monitoring is needed

The key point for a manager in monitoring the implementation of operational plans is identifying where monitoring is needed.

In order to identify and establish the areas that require monitoring, ask yourself the following questions:

- ❖ What are the most important areas in my operational plans? Are they:

- ❖ Cutting costs?
- ❖ Improving quality?
- ❖ Reducing waste/electricity/water/paper?
- ❖ Improving employee productivity?
- ❖ Improving customer satisfaction?
- ❖ Lowering employee turnover?
- ❖ Other?
- ❖ What would be their impact on the operational plan if they went wrong?

✦ How do these areas support the organization's mission, vision an goals?

2. Establish the performance measures

The performance measures you set should allow you to monitor and review the key areas that you have identified in the first step, including those that support the organization's goals.

There are two types of performance measures that are commonly used in the workplace.

1. **Lag indicators:** These measures quantify the success of a process after it has completed a cycle. An example is the measure of trainee satisfaction after a training program has been completed. The negatives of using lag indicators include the fact that they are retrospective and do not therefore allow you to take corrective action during the process. Lag indicators may not assist in helping you to identify what went wrong and how the process could be run with more success in the future. Lag indicators tell you only what a process has achieved.

2. **Lead indicators:** These measures are more effective than lag indicators as they allow you to monitor a process in real time. An example is evaluation of the effectiveness of a training program conducted during the program. If a process is failing, action can be taken immediately to improve the process. Lead indicators tell you if the target of a process is being achieved. Carefully chosen lead indicators can also help you to identify the type of corrective action that should be taken.

These types of indicators are usually set in the form of performance standards and key performance indicators, and used to monitor time, costs, quality and productivity.

If the development of your operational plan has been effective, you will have identified indicators of planned performance:

3. Compare actual performance with planned performance

The third step in the monitoring process is comparing what should be happening with what is happening in order to identify where actual performance is not in line with the indicators of planned performance. Remember that in any operational plan some variation to the planned outcome will occur. As a manager your role is to identify when this variation is important.

For instance, the planned customer service performance of your team may be reflected in a KPI such as 80% of telephone queries to be answered successfully by the first point of contact

Monitoring of the team's actual performance may show that only 60% of telephone queries are answered successfully by the first point of contact. The **variance** between planned and actual performance is

20%. In most organisations this would be considered unacceptable, and actions would be taken to add ress this under-performance.

2.2. Operational monitoring tools

Operational monitoring tools provide a measure of the current status of an operational plan implementation, and a measure of where it is in relation to the overall targets of the plan. Here are some examples of operational monitoring tools.
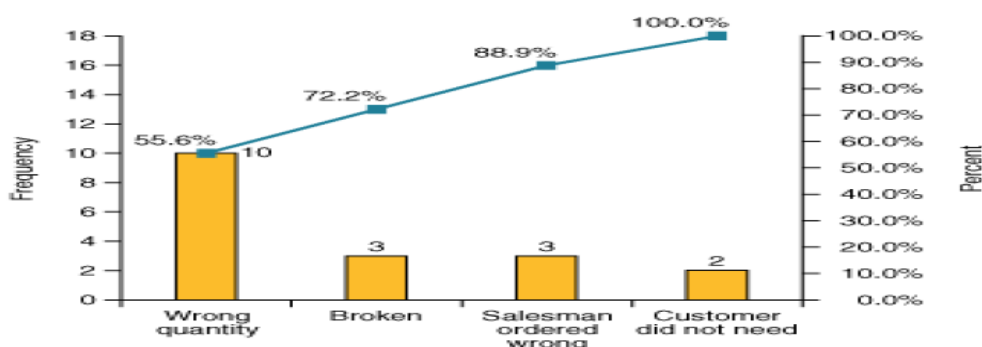
Pareto chart

Many managers spend their days in a frenzy of activity, but achieve very little because they are not concentrating on the right things. Wilfredo Pareto was an Italian economist who formulated the general principle (now called the 'Pareto Principle' or 80/20 Rule) that says: 20% of the sources cause 80% of any problem.

We frequently see the Pareto Principle in action in our workplace. For example, you may find that:

❖ The bulk of absenteeism in an organization is usually accounted for by a relatively small number of employees

❖ Within a department, section or unit, a few of the people tend to do much of the effective work

❖ Solving a few key problems leads to major improvement, and

❖ At meetings a few of the people do most of the talking!

The Pareto chart offers a simple way for a manager to collect and analyze the relative importance of data relating to the implementation of an operational plan. Used well, a Pareto chart shows the 20% of problems where process changes or improvements are likely to give the 80% of pay-off.

An example of a Pareto chart that shows data about returned items in a retail store:
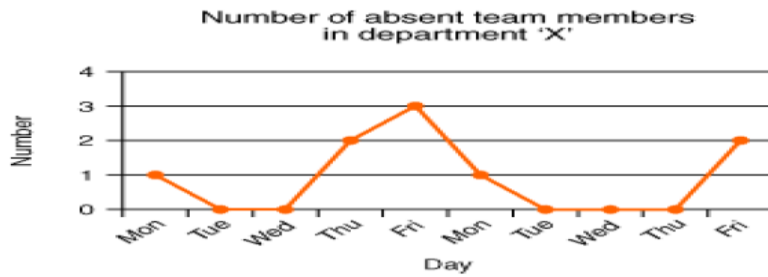

Pareto chart

Run charts

A run chart is an extremely important tool for a manager as it shows the change in a measured characteristic (e.g. customer numbers) over a set period of time. Run charts identify trends or patterns in the data that is, if the values are consistently going up, down or moving cyclically.

An example of a run chart is provided below.

Run Chart

Run charts are used to help:

- ❖ Monitor the performance of one or more processes over time to detect trends, shifts and cycles

- ❖ Identify a problem that may require investigation

- ❖ Compare a performance measure before and after implementation of a solution to measure its impact

- ❖ Focus attention on changes in a process, and

- ❖ Identify if there are other factors influencing the results you are getting.

Histograms

Histograms show the frequencies with which events are occurring, for example, the number of complaints received per product produced or sold by an organization.

Dashboards

Dashboards are performance monitoring tools that collect and centralize data relating to key performance indicators that are relevant to the business operations of an organization. These specific indicators are tracked in graphs that enable managers to monitor the performance of their operational plans.

Self-Check -2	Written Test

Directions: Answer the following questions. Use the Answer sheet provided in the next page:

1. List the characteristics of an effective monitoring process

2. List the three steps of the monitoring and measuring process

3. List an operational monitoring tools

Answer Sheet

Name: _____   Date: _____

Directions: Answer the following questions.

1.

_____

_____

_____

_____

_____

2.

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3.

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Score = _____
Rating: _____

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

3.1. Analyzing and Interpreting Budget and Actual Financial Information to Monitor and Review Profit and Productivity Performance

Some of the most common tools used for managing operational plans within organizations are those related to financial controls. The tool you are most likely to use is the budget. The budget lets the manager know where they are going and how they are going to get there.

The language around financial controls can be confusing. The objective of this section is simply to introduce some of the terms used within financial monitoring tools, in particular budgets, that may be used by those you work with.

Budgets

Budgets are used in the management of operational plans. Operational plan budgets evolve from the strategic, group and operational plans in your workplace.

A budget is not so much about dollars or numbers; it has much more to do with collecting and using information about the day-to-day operation of a workplace and spotting budget related problems before they derail the operational plan.

Examples of the types of budget you may be involved with are:

- ❖ Sales budgets
- ❖ Training budgets
- ❖ Staff budgets.
- ❖ Operating costs budgets

A budget shows the target of an operational plan in financial terms, e.g. dollars or sales forecast. A manager is usually required to reach budget (e.g. sales) or stay within budget (e.g. training).

Tips for creating and managing operational plan budgets

The following list provides generic tips for creating and managing operational planning budgets within the workplace.

See budgeting as a business tool, as it:
- ❖ Forecasts revenue and expenditure
- ❖ Records actual revenue and expenditure
- ❖ Reports and allows actions to be taken when there is a variance between the two.

Consider revenue and expenses separately, as:

- ❖ There will usually be a lag between expenses and revenue
- ❖ Expenses, the cost of your resources, will be incurred before any revenue is generated.

Identify and list expenses by:

- ❖ Identifying each resource as a separate item (also called a line item) in your budget
- ❖ Grouping resources. For example, administration might include stationery or office rental.

Forecast revenue, remembering that:

- ❖ Revenue is sales
- ❖ Revenue is usually broken down into monthly or weekly components
- ❖ You need to allow for variations between these instalments, based on historical data. For example, these might be caused by the end of the financial year or calendar year affecting business activity.

Prepare working papers that:

- ❖ Details the projections in terms of cash flow for each line item
- ❖ Shows your month-by-month projections.

How to monitor and control using a budget

Once a budget is prepared, it can be used to control the work of your area by allowing you to compare the actual results with your planned expectations. To do this:

- ❖ Check for variance. For example, at the end of each month compare budget to actuals.
- ❖ Highlight both positive and negative variations in an action list for follow-up. These may mean the need to reassess the budget calculations, rethink how actuals are recorded or take action to address the cause of the variance.
- ❖ Determine actions that need to be taken, who will undertake them and when they will be completed.

Preparing variance reports

The key use of a budget is in preparing a variance report which shows variances between actual figures (i.e. cost/sales figures) and budgeted figures. These figures will be used to find areas where improvements can be made and support your requests for additional people or other resources.

The variance report will:

- ❖ Set out the variance, the reasons for the variations and recommend actions
- ❖ Provide you with a report to submit to your manager, or designated person, to agree on the actions you have recommended.

Here is a sample variance report of a Training and Development Department within a large company.

Sample variance report Training & Development			
DESCRIPTION		**January**	
Budget	**Actual**	**Variance**	**Reason for variance**
Labour			
Employees	32,083	32,083	0
Employee Development/Relation			
In-house Training Provided	47,655	47,655	0
External Training / Conferences	850	1000	150	Increase in fees
Course Materials	5400	6000	600	CPI adjustment
Operating Expenses			
Consultants ⬚ Other	31770	40000	8230	Increase in hours
Couriers	142	70	(82)	Less couriers
Dues & Subscriptions	0	0	0
Newspapers & Publications	0	0	0
Photocopying	2215	2215	0
Postage & Airfreight	500	500	0
Printing & Stationery	291	291	0
Rental/Hire Equipment	3916	4220	304	CPI adjustment
Telephone	754	754	0
Travel/Accommodation ⬚ Local	500	520	20	CPI adjustment
TOTAL	**126,076**	**135,308**	**9,222**

Self-Check -3	Written Test

Directions I: Answer the question. Use the answer sheet provided in the next page

1. List the ways to monitor and control work using a budget

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**
Answer Sheet

Name: _____   Date: _____

Directions I: Answer the question.

   1.

_____

_____

_____

Score = _____
Rating: _____

4.1. Identifying areas of under-performance and taking prompt action to rectify the situation

If a variation is identified it may become necessary for you to take corrective action. Cole describes five types of action that are generally taken by the managers of operational plans. These are:

Interim action: These are actions that you can take as a stopgap to allow for, breathing time⬚ before taking one of the actions listed below. An example could be the use of casual staff to deal with the loss of a full-time staff member.

Adaptive action: These are actions that are required when the performance standards will not meet the operational objectives, or the operational plan environment has changed. These adaptive actions enable you to manage these changed conditions in the most effective way to achieve some of the original operational plan targets.

Corrective action: Corrective actions remove current influences on an operational plan that may have a future negative effect on the performance of the plan. An example could be to implement an advertising campaign in an area if targets for sales are not being met.

Preventative action: As the name suggests, preventative action is the action that you can take to remove the cause of a potential performance shortfall for an operational plan. Unlike adaptive action, the objective of preventative action is to continue to achieve all of the operational plan targets. For example, a non-performing staff member may be rotated.

Contingency action: Operational plan monitoring can sometimes show a negative trend in the operational plan performance, which may in future cause a drop in output below the original expectation. You can decide that if the negative trend continues an action should come into place to reverse the trend and prevent any future impact on the output of the operational plan.

Self-Check -4	**Written Test**

Directions: Answer the question. Use the Answer sheet provided in the next page:

3. list the five types of action that are taken by the managers of operational plans.

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Answer Sheet

Name: _____   Date: _____

Direction: Answer Questions

1.

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_____

_____

_____

Score = _____
Rating: _____

Information Sheet-5	Providing Mentoring, Coaching and Supervising

5.1. Providing mentoring and coaching

The ways in which a manager monitors, assesses and manages the performance of team members need to be flexible, and should enable and encourage the continuous learning and development of individuals and teams. Whatever action is taken to address poor performance, it should be done with objectivity, fairness and recognition of the feelings of the individual. Sometimes, what causes your plan to falter is poor usage of resources. In this case a plan may need to be implemented to ensure that mentoring and coaching are provided to support individuals and teams to effectively, economically and safely use resources.

Coaching

All individuals need to undertake training from time-to-time to ensure they are up-to-date with current or new processes, practices and procedures. Training may occur off the job but more usually training occurs on the job. The training may take the form of individual and/or group coaching.

The person who provides the coaching will be technically up-to-date and capable of imparting their knowledge and skills to other people. The coach will concentrate on certain capabilities the employees being coached need to acquire in order to perform their current job in a more effective, efficient and safe way

Mentoring

If a mentoring program is properly conducted, it can be a useful training tool. It allows those who are managing resources to promote best practice in resource management.

Mentors play a part in introducing employees to new systems, processes and people. They perform a valuable service, selecting employees with potential and delegating tasks and duties to train them for greater levels of responsibility.

Self-Check -5	**Written Test**

Directions: **Fill in the Blank Space. Use the Answer sheet provided in the next page:**

1. The person who provides the coaching will be technically up-to-date and capable of imparting their knowledge and skills to other people.

Note: **Satisfactory rating - 3 points   Unsatisfactory - below 3 points**
Answer Sheet

Name: _____   Date: _____

Short Answer Questions

1.

_____

_____

_____

Score = _____
Rating: _____

Information Sheet-6	Presenting Recommendations for Variation

6.1. Investigating performance gaps

Variances shown in the variance report are gaps between actual and estimates. When examining performance gaps in variance reports, you should look at reasons for:

- ❖ Variance in materials
- ❖ Variance in labor, and
- ❖ Variance in overhead costs

Where the variances are negative you should examine them, discover the real causes and decide on corrective actions you should take to achieve the targets. Where variances are positive you should look at what you have done well and try to apply the knowledge elsewhere.

Variance in materials

There are two reasons why you could have variance in materials used: the amount used and the cost price. However, there could be a number of causes for the variances, and while some are under control of the work team, others may not be.

Direct material usage variances could result from defects and rejects caused by:

- ❖ Poor quality materials
- ❖ Poor quality tools
- ❖ Poor workmanship
- ❖ Loss through damage or stealing.

Price variances would normally result from changed supplier prices and may often be out of your direct control. It may be necessary to negotiate long-term pricing contracts or change suppliers as long as there is no negative effect on the quality of materials supplied to reduce costs.

Variance in labor

Labor variances could result from more hours being used to make a product or deliver a service than expected. You may also experience increases in wage rates as a result of wage increases or increased over time to make up for lost time.

The causes of additional hours being used include:

- ❖ Poor quality materials needing more work on defects, or rework if there are rejects
- ❖ Poor quality tools or equipment slowing the work process
- ❖ Poor workmanship or work practices

- ❖ Equipment breakdowns
- ❖ Delays in supplies of materials leading to idle time
- ❖ Power failures
- ❖ Increases in staff absenteeism.

Variance in overheads

Overhead costs are those costs that are required to keep an organization operating but are not directly attributed to the production of goods and services. Examples are maintenance of machinery and rental of floor or office space. Changes in these overhead costs could result from increased usage of the variable items from reworks, poor workmanship or poor work practices. Each of these could result in the use of more consumable items or electricity.

Whatever the type of variances you turn up, you will need to address their causes. You may need to provide training or coaching, implement new work practices, or negotiate with internal or external suppliers to ensure quality.

For a more details on this topic, it is recommended that you refer to the policies and procedures related to budgeting in your workplace.

6.2. Negotiating recommendations for variations to plans and gaining approval

Following the monitoring process, the manager may need to negotiate recommendations for variation to the plan. The recommendations may include prompt action to rectify a problem, mentoring and coaching to individuals or teams; increased documentation/instructions or rewriting the plan.

Variation on an existing plan needs to be agreed with, and approved by, an appropriate manager.

- ❖ Changes to strategic level plans need to be signed off by the owners or board of directors of the organisation
- ❖ Changes in tactical level plans need to be signed off by strategic level managers.
- ❖ Changes in operational plans should be signed off the by tactical level managers.

All the way up the line, revised plans must contribute to meeting the goals the organisation.

Self-Check -6	Written Test

Directions: Answer the questions. Use the Answer sheet provided in the next page:

1. list the cause of defects and rejections of direct material usage.
2. list the causes of additional hours being used to make a product or deliver a service than expected.

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Answer Sheet

Name: _____   Date: _____

Short Answer Questions

1.

_____

_____

_____

2.

Information Sheet-7	Implementing *Systems*, Procedures and Records Associated with Performance

7.1. Implementing Systems to Manage Procedures and Records

For effective monitoring of operational plans, systems must be in place to manage procedures and records associated with documenting performance. These systems must be developed and implemented in accordance with organizational requirements.

Systems may include:

❖ Databases and other recording mechanisms for ensuring records are kept in accordance with organizational requirements

❖ Individual and team performance plans

❖ Organizational policies and procedures relating to performance.

Self-Check -7	**Written Test**

Directions: Answer the question. Use the Answer sheet provided in the next page:

1. List the system to manage procedures and records associated with documenting performance.

Note: **Satisfactory rating - 3 points**   **Unsatisfactory - below 3 points**

Answer Sheet

Name: _____   Date: _____

Short Answer Questions

1.

_____
_____
_____

Score = _____
Rating: _____

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