**ГОСУДАРСТВЕННЫЙ УНИВЕРСИТЕТ УПРАВЛЕНИЯ**



Н.А. СухареВА

Английский язык  
(задания для самоподготовки)

Рабочая тетрадь

для слушателей Института

делового администрирования и бизнеса

МОСКВА 2023

**ТЕМЫ ЗАДАНИЙ ДЛЯ САМОСТОЯТЕЛЬНОГО ВЫПОЛНЕНИЯ**

**Выполнение 6-ти пунктов в виде короткого реферата дает возможность допуска к экзамену и означает полное покрытие данных тем:**

1. Strategy and business
2. How to increase the value of your business:
3. growth strategy: market expansion, change your market position, conduct regular market research, develop your brand and form strategic alliances;
4. management systems: show growth potential, maintain physical assets, protect intangible assets, protect your property and retain key staff.
5. How to help reduce costs – cost cutting tactics for small business – some easy savings – the potential pitfalls;
6. Flexible working: why do we need flexible working? Advantages for employer and for government.
7. Economic environment factors
8. Review your business performance

Once your business is established and running well, you may be inclined to let things continue to run as they are.

After the crucial early stages, you should regularly review your progress, identify how you can make the most of the market position you've established and decide where to take your business next. You will need to revisit and update your business plan with your new strategy in mind and make sure you introduce the developments you've noted.

This guide takes you through this essential process, detailing the stages you should go through to assess how well your business is performing, highlighting your strengths and areas that could be improved and suggesting the actions you need to take to implement the improvements that you've identified.

* [Why it's vital to review the progress of your business](file:///C:\Users\NSukhareva\Downloads\Review%20your%20business%20performance.htm#1)
* [Assess your core activities](file:///C:\Users\NSukhareva\Downloads\Review%20your%20business%20performance.htm#2)
* [Assess your business efficiency](file:///C:\Users\NSukhareva\Downloads\Review%20your%20business%20performance.htm#3)
* [Review your financial position](file:///C:\Users\NSukhareva\Downloads\Review%20your%20business%20performance.htm#4)
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**Why it's vital to review the progress of your business**

It's easy to focus only on the day-to-day running of your business, especially in the early stages. But once you're up and running, it can pay dividends to think about longer-term and more strategic planning. This is especially true as you take on more staff, create departments within the business, appoint managers or directors and become distanced from the everyday running of the business.

Reviewing your progress will be particularly useful if you feel:

* uncertain about how well the business is performing
* unsure if you're getting the most out of the business or making the most of market opportunities
* your business plan may be out of date, e.g. you haven't updated it since you started trading
* your business is moving in a direction different to the one you had planned
* the business may be becoming unwieldy or unresponsive to market demands

It is also useful if you have decided that your company is ready to move on to another level.

Setting the direction

A clear business strategy will help to answer any concerns and show practical ways forward.

**Questions you might want to ask include:**

* What's my direction? To answer this you need to look at where you are now, where you want to go over the next three to five years and how you intend to get there.
* What are my markets - now and in the future? Which markets should I compete in, how will they change and what does the business need in order to be involved in these sectors?
* How do I gain market advantage? How can the business perform better than the competition in my chosen markets?
* What resources do I require to succeed? What skills, assets, finance, relationships, technical competence and facilities do I need to compete? Have these changed since I started?
* What business environment am I competing in? What external factors may affect the business' ability to compete?
* How am I measuring success? Remember, measures of performance may change as your business matures.

It's doubtful whether you will be able to answer these questions on your own - involving your professional advisers, your fellow directors and your senior staff will all help to make your review more effective.

**Assess your core activities**

A good starting point for your review is to evaluate what you actually do - your core activities, the products that you make, or services that you provide. Ask yourself what makes them successful, how they could be improved and whether you could launch new or complementary products or services.

Key questions about your products or services

It's useful to address these questions:

* How effectively are you matching your goods and services to your customers' needs? If you're not quite sure what those needs are, you could carry out further market or customer analysis. See the page in this guide on how to conduct a customer and market analysis.
* Which of your products and services are succeeding? Which aren't performing as planned? Decide which products and services offer both a high percentage of sales and high profit margins.
* What's really behind the problems of a product or service? Consider areas such as pricing, marketing, sales and after-sales service, design, packaging and systems during your review. Look for "quick wins" that give you the breathing space to make more fundamental improvements.
* Are you reviewing costs frequently? Are you keeping a close enough eye on your direct costs, your overheads and your assets? Are there different ways of doing things or new materials you could use that would lower your costs? Consider ways in which you can negotiate better deals with your suppliers.

Answering these questions will give you the basis on which to improve performance and profitability.

**Assess your business efficiency**

Many new businesses work in a short-term, reactive way. This offers flexibility - but can cost time and money as you move from getting the business going to concentrating on growing and developing it.

The best option is to balance your ability to respond rapidly with a clear overall strategy. This will help you decide whether the actions you take are appropriate or not.

At this stage you should ask yourself if there are any internal factors holding the business back, and if so, what can you do about them?

Consider the various aspects of your business in turn.

Premises

* What are your long-term commitments to the property?
* What are the advantages and disadvantages of your current location?
* Do you have room to grow, or the flexibility to cut back if necessary?
* If you move premises, what will be the cost? Will there be long-term cost savings and improvements in efficiency?

Facilities

* If you manufacture products, how modern is your equipment?
* What is the capacity of your current facility compared to existing and forecast demand?
* How will you fund any improvements?
* How do you compare with your competition?

Information technology

* What management information and other IT systems do you have in place?
* Will these systems cater for any proposed expansion?
* Will they really make a difference to the quality of product or service your business provides? If they don't, can you change them to make sure they do?
* Do you make best use of technology such as wireless networking and mobile telephony to allow for more flexible working?

People and skills

* Do you have the right people to achieve your objectives?
* Do they know what is expected of them?
* Do you operate a training and development plan?
* Do you pay as well as the competition?
* Do you suffer from high staff turnover? Are staff motivated and satisfied?

Professional skills

* Do you have the right management team in place for growth?
* Do you have the skills available that you need in areas such as human resources, sales and IT?
* Do your staff need new or improved skills or to be retrained?

**Review your financial position**

Businesses often fail because of poor financial management or a lack of planning. Often the business plan that was used to help raise finance is put on a shelf to gather dust.

When it comes to your business' success, therefore, developing and implementing sound financial and management systems (or paying someone to do it for you) is vital.

Updating your original business plan is a good place to start.

When reviewing your finances, you might want to consider the following:

* **Cash flow** - this is the balance of all of the money flowing in and out of your business. Make sure that your forecast is regularly reviewed and updated.
* **Working capital** - have your requirements changed? If so, explain the reasons for any movement. Compare this to the industry norm. If necessary, take steps to source additional capital.
* **Cost base** - keep your costs under constant review. Make sure that your costs are covered in your sale price - but don't expect your customers to pay for any business inefficiencies.
* **Borrowing** - what is the position of any lines of credit or loans? Are there more appropriate or cheaper forms of finance you could use?
* **Growth** - do you have plans in place to adapt your financing to accommodate your business' changing needs and growth?

**Conduct a competitor analysis**

Now that you have been running your business for a while, you will probably have a clearer idea of your competitors. Gathering more information may cost time, money and effort, but there are many benefits to knowing more about what your competition is doing.

What you need to know

The type of competitor information that will be really useful to you depends on the type of business you are and the market you're operating in. Questions to ask about your competitors include:

* who they are
* what they offer
* how they price their products
* what the profile and numbers of their customers are compared to yours
* what their competitive advantages and disadvantages are compared to yours
* what their reaction to your entry into the market or any product or price changes might be

You will probably find it useful to do a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will show you how you are doing in relation to the market in general and specifically your closest competitors. See the page in this guide on models for your strategic analysis.

There are three main ways to find out more about your competitors:

* **What they say about themselves** - sales literature, advertisements, press releases, shared suppliers, exhibitions, websites, competitor visits, company accounts.
* **What other people say about them** - your sales people, customers, local directories, the Internet, newspapers, analysts' reports, market research companies.
* **Commissioned market research** - if you need more detailed information, you might want to commission specific market research.

**Conduct a customer and market analysis**

When you started your business, you probably devised a marketing plan as part of your overall business plan. This would have defined the market in which you intended to sell and targeted the nature and geographical distribution of your customers.

From that strategy you would have been able to produce a marketing plan to help you meet your objectives. When you're reviewing your business' performance, you'll need to assess your customer base and market positioning as a key part of the process. You should update your marketing plan at least as often as your business plan.

Revisiting your markets

A business review offers you the opportunity to stand back from the activity outlined in your plan and look again at factors such as:

* changes in your market
* new and emerging services
* changes in your customers' needs
* external factors such as the economy, imports and new technology
* changes in competitive activity

Asking your customers for feedback on your business' performance will help to identify where improvements can be made to your products or services, your staffing levels or your business procedures.

At the same time, it is important to remember that while reviews of this kind can be very effective - they can give your business the flexibility it needs to beat off stiff competition at short notice - it is important to think through the implications of any changes. In the new phase of your business you'll need to plan your finances and resourcing carefully at all times.

**Use your review to redefine your business goals**

To remain successful it's vital that you regularly set time aside to ask the following key strategic questions:

* Where is the business now?
* Where is it going?
* How is it going to get there?

Often businesses are able to work out where they want to go but don't draw up a roadmap of how to get there. If this happens, a business will lack the direction needed to turn even carefully laid plans into reality.

At the end of any review process, therefore, it's vital that **work plans** are prepared to put the new ideas into place and that a **timetable** is set. Regularly reviewing how the new plan is working and allowing for any teething problems or necessary adjustments is important too. Today's business environment is exceptionally dynamic and it is likely that you will need regular reviews, updates and revisions to your business plan in order to maintain business success.

Continuous improvement

In addition, a **simple planning cycle** can greatly enhance your ability to make changes in your business routine if necessary. Good planning helps you anticipate problems and adapt to change more easily.

Expert input

You may find at this stage in your business' development that you need external skills to help you with the changes you have to make. In this case you might consider:

* employing skilled consultants in areas where you cannot afford to develop in house skills
* appointing an experienced non-executive director who can provide a regular, impartial assessment of what you are doing
* using a management consultant to help you identify how you can strengthen or change your management structure to grow the business

**Models for your strategic analysis**

There are a number of useful business-analysis models that may help you think more strategically about your business.

The **SWOT analysis** (strengths, weaknesses, opportunities, threats) is one of the most popular. This involves looking at the strengths and weaknesses of your business' capabilities, and any opportunities and threats to your business. Once you've identified all of these, you can assess how to capitalize on your strengths, minimize the effects of your weaknesses, make the most of any opportunities and reduce the impact of any threats.

Opportunities and threats in the external environment

It's important to remember that opportunities can also be threats - for example, new markets could be dominated by competitors, undermining your position. Equally, threats can also be opportunities -for example, a competitor growing quickly and opening a new market for your product or service could mean that your market expands too.

A SWOT analysis can provide a clear basis for examining your business performance and prospects. It can be used as part of a regular review process or in preparation for raising finance or bringing in consultants for a review.

Once you have collected information on your organization's internal strengths and weaknesses, and external opportunities and threats, enter this data into a simple table.

|  |  |  |
| --- | --- | --- |
|  | **Positive** | **Negative** |
| **Internal** | Strengths | Weaknesses |
| **External** | Opportunities | Threats |

Other tools include:

**STEEPLE analysis** - a technique for understanding the various external influences on a business – Social, Technological, Economic, Environmental, Political, Legal and Ethical.

**Scenario planning** - a technique that builds various plausible views of possible futures for a business.

**Critical success factor analysis** - a technique to identify the areas in which a business must succeed in order to achieve its objectives.

**The Five Forces** - the theory that there are five defined factors that influence the development of markets and businesses - potential entrants, existing competitors, buyers, suppliers and alternative products/services. Using this model you build a strategy to keep ahead of these influences.

**Breaking down your strategic review**

As owner-manager of your business or as a member of its management team, you should stand back once in a while and review your business' performance.

The areas you need to look at are:

* **Your market performance and direction** - how well you are performing through your sales results, which markets to aim for next and how to improve your performance.
* **Your products and services** - how long your existing products will meet your customers' needs and any plans for renewal.
* **Operational matters** - your premises, your methods, technologies used, your processes, IT and quality. Are there any internal issues that are holding your business back?
* **Financial matters** - how your business is financed, levels of retained profit, the sales income generated and your cash flow.
* **Your organization and your people** - your structures, people planning issues, training and development.

**Next steps**

The five steps above will give you a clear indication of any issues that you need to address quickly in order to maintain your business in its early stages.

If you feel all of the areas above are strong, you can start to plan for the next phase and build a cohesive strategy to develop your business. However, if there are areas that need attention, deal with them now so that you can move forward. There are a variety of growth options for every business - it's important that you settle on the right one for you.

Also, once you've isolated your best route for developing your business, you can boost your chances of success by planning it carefully and monitoring your progress against an updated business plan.

1. Answer the following questions:

-Are responsibilities clear and matched by authority?

-Is your business structure clear yet flexible?

- Are communications focused on finding solutions rather than placing blame?

-Do people have the information and resources necessary to do an excellent job?

-Do you and your employees care about the business?

-Does staff come in early and stay late on their own initiative?

-Are mechanisms for conflict resolution working?

-Is disorder minimized and channeled?

-Can people joke with and about each other and you?

-Does a corporate plan spell out the firm’s vision?

-Do employees pitch in unasked during a crisis?

-Do customers and suppliers prefer to do business with you?

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Advantages and Disadvantages of Outsourcing

Outsourcing brings in a lot of flexibility and financial freedom but it also has its pitfalls. Any company looking to outsource must keep in mind the pros and cons of outsourcing before deciding to take the plunge. Take a look at this list of advantages and disadvantages of outsourcing and decide if advantages overshadow disadvantages.

Advantages of Offshore Outsourcing

- Core activities of the business take center stage. Outsourcing non-core activities such as administration and back office operations helps to put the focus back on the core functions of the business, such as sales and marketing.

- One of the biggest advantages of outsourcing to India (or any other location) is cost savings. The lower cost of operation and labor makes it attractive to outsource.

- Outsourcing reduces overhead costs that usually come with running back-end operations.

- When certain functions of an organization become operationally uncontrollable, outsourcing helps to overcome such difficulties.

- A company's cash-flow can be streamlined.

- By increasing productivity and efficiency, a business can be more successful and better- prepared for market challenges.

- Outsourcing frees an organization from investments in technology, infrastructure and people that make up the bulk of a back-end process' capital expenditure.

- Outsourcing gives businesses flexibility in staffing and manpower management. Since the service provider is responsible for managing the workforce, you save costs and can also pick the best people to run your core functions.

- Offshore outsourcing gives businesses the ability to develop new competencies and skill- sets that can be used as a competitive advantage.

Disadvantages of Offshore Outsourcing

- One of the biggest disadvantages of outsourcing is the risk of losing sensitive data and the loss of confidentiality. It is important, therefore, to have checks in place to avoid data loss.

- Losing management control of business functions mean that you may no longer be able to control operations and deliverables of activities that you outsource.

- Problems with quality can arise if the outsourcing provider doesn't have proper processes and/ or is inexperienced in working in an outsourcing relationship.

- Since the outsourcing provider may work with other customers, they might not give 100%

# 10 BPM tools every manager needs to know

Managing business performance is everyone’s everyday job. You could argue that making sure the business is performing well is THE job of any manager. The challenge is that there are many different tools available to manage business performance, here I want to look at 10 popular BPM tools that every manager should know.

## 1. Planning and budgeting

This is probably the most widely used BPM approach in businesses by which plan ahead and set budgets for the following year. This is traditionally done annually where organization set goals for the next 12 months and negotiate a budget to achieve the goals.

Once agreed, companies then monitor spending and performance versus budget and goals. A major drawback is that this process can often be quite bureaucratic, rigid and inflexible.

Doing planning and budgeting well means not spending months doing it and creating a process by which the plans and budgets are revised more regularly (e.g quarterly). The process should be used to ensure the most important opportunities or activities are funded at any given point in time and not used to monitor spending against out-dated targets and forecasts.

## 2. Key performance indicators (KPIs)

KPIs are the navigation instruments that companies use to understand whether they are on track or veering off the prosperous path.

They serve to reduce the complex nature of organizational performance to a small number of key indicators in order to make performance more understandable and digestible for us.

It is similar to what a doctor would to assess your health where she might measure blood pressure, cholesterol levels, heart rate and your body mass index as key indicators of your health. With KPIs we are trying to do the same in our organizations.

In practice, the word KPI is overused and often describes any metric in business, rather than the vital few. Good KPIs are clearly liked to the business strategy where they provide answers to key business performance questions.

## 3. Balanced scorecard (BSC)

The BSC is another popular management tool that has been designed to articulate the strategic objectives of a business and then align performance measures and action plans to these strategic objectives to ensure the strategy gets executed.

The BSC proposes that companies develop objectives in the following interrelated perspectives:

* Financial
* Customer
* Internal processes
* Learning and growth (people, culture, IT)

In practice, many BSC are less strategic management tools, and more metrics dashboards. In order to create an effective BSC, companies should start with creating a strategy map that depicts the strategic objectives and value drivers on a single-page cause and effect diagram.

Once this has been achieved, meaningful measures should be developed to monitor the strategy execution and action plans need to be designed for each objective to ensure the strategy is being implemented.

## 4. Benchmarking

Companies use benchmarking to compare their own performance with those of others. Benchmarking is traditionally seen as comparing your own performance with external best-practice performance (where best practice performance can come from outside the sector or industry a company operates in).

For example, banks might learn about customer service from hotels and hotels might lean from insurance companies about optimizing back office processes.

Many organizations see benchmarking a bit like a target setting process by which they identify performance levels elsewhere and then use those as internal stretch targets. This can be dangerous without a proper understanding of why and where the underlying processes differ.   
Done properly however, benchmarking entails analyzing performance in detail to understand the context e.g. processes, cultures, skills, etc, to ensure companies don’t end up comparing apples with pears.

## 5. Business excellence model

The business excellence models come from the quality movement and have been developed by national bodies to assess quality standards in companies. There are various national standards that are often used as the basis for quality awards.

In Europe, the most popular tool is the EFQM model, which refers to "outstanding practices in managing the organization and achieving results, all based on a set of eight fundamental concepts."

These concepts are:

1. Achieving balanced results
2. Adding value for customers
3. Leading with vision, inspiration and integrity
4. Managing by processes
5. Succeeding through people
6. Nurturing creativity and innovation
7. Building partnerships
8. Taking responsibility for a sustainable future

While they were originally more focused on production quality they have now embraced most perspectives of business performance.

Using a self-assessment model, organizations can assess their performance against these different perspectives. If the excellence model is purely used to gain an award then this is a bit of a wasted opportunity. Companies can actually use these tools (similarly to a BSC) to identify goals, measure performance and manage action plans.

## 6. Enterprise risk management (ERM)

ERM represents a set of tools and approaches to identify, assess and manage corporate risks. While risk management started its life very much as an internal control back-room function, today it has moved up onto the boardroom agendas of most businesses.

Organizations realize that they are facing many business risks and if these are not managed and mitigated then we could see of corporate failures we have witnessed in recent years.

Done well, ERM should start with identifying the most important strategic risks the organization is facing. Once mapped, the risks can then be prioritized and checked against the risk tolerance.

Finally, the action plans need to be put in place to manage or mitigate they key business risks. This is then usually followed by the creation of key risk indicators that function as early warning indicators and enable businesses to monitor the risk levels on an on-going basis.

## 7. Six sigma

The six sigma is a tool that was pioneered by Motorola in the late 1980s and later adopted very successfully by global giants such as General Electric and Honeywell as well as many other companies of various sizes.

Six sigma informs managers as to the stability and predictability of process results. The goal is that process defect or error rates will be no more 3.4 per one million opportunities.

As an analogy, consider a goalkeeper of a football team who plays 50 games in a season and who in each game faces 50 shots from the opposing team. If a defect is when the team scores, then a six sigma goalkeeper would concede one goal every 147 years!

As a methodology six sigma is based on the DMAIC principles.

* Define customer requirements (internal or external); that is their expectation of the process
* Measure the current performance; what is the frequency of defects?
* Analyze the data collected and map to determine cause and effect and opportunities for improvement; why, when and where the defects occur?
* Improve the target process by designing solutions to improve, fix or prevent problems
* Control the improvements to keep the process on the new course; how can we ensure that the process stays fixed?

DMAIC implementation is through an in-house team of six sigma certified employees, known as master black belts, black belts or green belts depending on their experience and levels of involvement.

In essence, the promise is that by reaching six sigma performance levels, customer dissatisfaction will decrease significantly and that, ultimately, superior and sustainable financial results will be achieved.

Six sigma are now also used in service organizations. It basically uses statistics to understand variations in performance levels. This then allows organizations to set much more precise quality targets, and understand:

* (a) what levels are acceptable, and
* (b) normal fluctuations in quality.

Tools such as statistical process control, six sigma, and other quality analytics are not just used to monitor an organization’s own performance, but also to design and measure performance contracts with suppliers using, for example, service level agreements.

## 8. Performance dashboards

Most organizations today are bursting with data, metrics, reports and analyses. Dashboards provide single-page at-a-glance overviews of areas of performance (eg corporate overview, sales, finance, HR, business units, etc).

They are designed to effectively communicate performance information using elements such as visuals, graphs, traffic lights and text.

Good dashboards make it easy for the reader to understand the key messages so they can concentrate on using the insights to make better-informed business decisions. Dashboards should be as effective as good newspaper front pages in communicating a story.

Some best-practice design principles are:

* Customize the dashboard for your audience
* Dashboards should be designed to answer specific business performance questions
* Dashboards (like newspaper font pages) should contain headlines
* Dashboards should contain meaningful graphs that make it easy to understand current performance levels
* Dashboards (again like newspaper front pages) should have short descriptive narrative and comments to provide context.
* Dashboards should not contain any distracting information, unnecessary graphics or decorations, or excessive detail.

## 9. Customer relationship management (CRM)

Most companies want to make sure they not only have satisfied customers but that they turn their customers into profitable and loyal customers.

CRM systems are used to manage a companies interactions and relationships with their existing or potential customers. It usually involves using technology and software applications to track and monitor any interactions with customers – from sales activities to customer service or customer support.

The most simple form of CRM is just tacking the various levels of interactions. More sophisticate approaches involve using CRM technology to measure conversion rates, identify opportunities to cross sell or up sell, creating early warning systems to identify customer that might want to leave, etc.

Mobile phone providers are among the most sophisticated users of CRM solutions, where they would use CRM technology to monitor customer interaction and use the insights to create models to measure customer lifetime value, propensity to call, and propensity to cancel contracts, etc.

## 10. Performance appraisals

Another popular performance management tools is the performance appraisal. It is basically a tool to assess job performance of individuals in a company.

Traditionally, performance appraisals are done annually by a line manager who discusses performance with their subordinate employees. The problem is that this type of appraisal can often be bureaucratic and has probably become one of the most-dreaded performance management practices of all leading to little actual improvements.

If performance appraisals are done right they can very well facilitate meaningful communication, ensure individual goals are aligned with the objectives of the business, motivate and engage employees, determine relevant development and training needs.

Many organizations now expand performance appraisal to 360-degree review where line-managers, colleagues and subordinates review an individual’s performance.

Organizations that report the most positive results from performance appraisals tend to:

* Focus on more regular and less formal dialogue
* Ensure that performance is reviewed in light of the company strategy
* Highlight positives and constructively discuss development needs
* Use automated systems to create an on-going track record of progress
* Use them in an open, engaging and constructive manner to create regular dialogue and to focus a high-performance culture.

Companies can use a number of these tools (or pick and choose the best elements of each of them) to create an integrated approach to managing and improving business performance.

***CASE - STUDY***

Starbucks' turnover dropped last year for the first time, in the wake of revelations about its corporate tax practices.

Sales for the year to September 29 were £399m, a decline of 3.4% compared to the previous year.

The company said the decline, the first since it started UK operations 16 years ago, was due to the closure of unprofitable outlets and not the result of other reasons.

It reduced its average UK workforce by 11.6% in the financial year to 7,726.

Starbucks was able to increase its gross profit by 13% to £79.7m, before deductions of £100.5m were taken into account.

Its pre-tax loss was £20.4m in the period, down from the £30.4m recorded in the 2011-12 financial year.

The company's tax liability in the period was £3.4m, but including deferred taxation was reduced to £2.25m.

A Starbucks spokesman told Sky News: "The UK business is moving in the right direction, but the turnaround will take time.

"The continued loss is largely because the reforms we have introduced are yet to take full effect.

"Many of the expensive leases we have renegotiated occurred after our financial year started in October 2012. The benefits of this action will be shown in the accounts for this current year."

It said the £10m fall in the pre-tax loss was largely due to the rise in gross profits. Its staff costs dropped £13.5m in the tax year compared to the previous year.

In October and December 2012, key executives were grilled by MPs about multinational corporate (MNC) arrangements.

Revelations about royalty, licensing and transfer pricing structures used by MNCs to minimize UK tax burden became a focus for Westminster's Public Accounts Committee.

Seattle-based Starbucks was quizzed on why it remained a loss-making business for tax purposes while telling investors it was profitable.

Groups such as UK Uncut urged boycotts of Starbucks and organized store protests and the company's unmoderated website blog was flooded with hundreds of critical comments.

But the company said the latest sales drop was not related to the 2012 tax furor and says Britain is its star EU performer.

Executives from Amazon, Google and Starbucks were grilled by MPs in 2012

"The UK is our fastest growing market in Europe. We are on schedule to open 100 new stores this year and expect the business to continue to grow as economic growth picks up,” the spokesman said.

However, the latest accounts filed with Companies House show that it is acutely aware of the impact certain issues may have on the company.

It said there was potentially a "significant risk" of "adverse impacts resulting from negative publicity regarding the company's business practices".

Responding to the widespread criticism in late 2012 it offered to pay a voluntary £20m in tax over two years, and has already given £15m of that to HM Revenue and Customs.

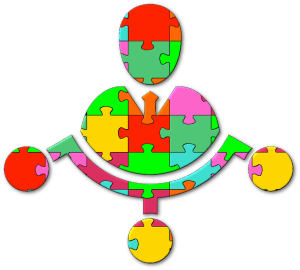
It also dropped total remuneration for its three directors by almost a fifth to £886,000, with the highest paid executive's salary falling by more than half to £268,582.

At the end of last September Starbucks had 549 company-operated stores in the UK, down 44 in the period.

It also had 125 licensed and 57 franchised operations. Although it has a planned franchise expansion, the company's website says it is [**not looking for new partners**](http://www.starbucks.co.uk/business/franchised-stores).

**BUSINESS STRUCTURER /ORGANIZATION**

Common structures are;

The legal structure of the company influences the liability for tax, the paperwork your business has to complete, the personal liability for the directors and your ability to raise funding for the business. So this is an important decision.

Sole partner or proprietor, or sole trader

* Partnership
* Limited company
* The limited liability company (LLC)
* Limited liability partnership (LLP).
* Employee ownership
* Not for profit
* Charity
* Sole trader

The most basic structure is the sole trader or proprietorship, which usually involves just one person who owns and operates the business. You have complete control over your business and make all the decisions.

If you decide to start your business as a sole trader but later decide to take on partners, you can reorganize as a partnership or other entity.

The tax aspects of a sole proprietorship are simple. The income and expenses are included on your personal income tax return. This means that any business losses you suffer may offset the income you have earned from other sources.

The disadvantage is that you are personally responsible for your company’s liabilities. As a result, you are placing your assets at risk, and they could be seized to satisfy a business debt or a legal claim filed against you.

Raising money may be difficult. Banks and other financing sources may be reluctant to make business loans to sole traders, so you will have to depend on your own financing sources, such as savings, home equity or family loans.

# Partnership

If your business will be owned and run by several people, structuring your business as a partnership may be right for you.

Partnerships can be general partnerships or limited partnerships. General partners are liable for all debts and obligations of the company, limited partners can contribute capital and are not liable for debts and obligations over that amount as long as they do not receive back their contribution or take part in the management of the business.

Limited partnerships are more complex administratively; a general partnership is much easier to form.

One of the major advantages of a partnership is the tax treatment. A partnership does not pay tax on its income but passes any profits or losses to the individual partners.

But personal liability is an issue if you use a general partnership. General partners are personally liable for the partnership’s obligations and debts. Unless the partnership agreement forbids it, each general partner can act on behalf of the partnership, and may take out loans and make decisions that will affect and be legally binding on all the partners.

Partnerships are more expensive to establish than sole proprietorships because they require more legal and accounting services.

# Corporation or limited company

The corporate structure is more complex and expensive than most other business structures. A corporation or limited company is an independent legal entity, separate from its owners; it has to comply with more regulations and tax requirements.

The biggest benefit for a business that is incorporated is the liability protection. A corporation’s debt is not considered that of its owners, so if you organize your business as a corporation, your personal assets are not at risk.

A corporation can retain some of its profits without the owner paying tax on them. However many banks and finance companies will often insist on Directors offering personal guarantees for business loans.

Limited companies or corporations can be privately or publicly owned.

It is also easier for a public corporation to raise money, by selling stock to raise funds. Corporations do not depend on the involvement of named partners but can continue to trade, even if one of the shareholders retires, dies or sells the shares.

Disadvantages are higher costs, and more complex rules and regulations. You will probably need the services of accountants and lawyers.

Another drawback to forming a public corporation is the tax situation. Companies pay corporate income tax but earnings distributed to shareholders as dividends are taxed as personal income. However salaries and compensation are paid before corporation tax.

A shareholders’ agreement can provide for and deal with other important issues, including:

* board constitution and control of the management of the business
* contributions of each party and how those contributions may be applied
* agreeing and amending a business plan
* terms on which shares can be transferred
* distribution policy
* reserved matters to protect any minority shareholders
* confidentiality and restrictive covenants
* ownership of intellectual property rights

Although these points can be included in the company’s articles of association, most of them will not be included by default on the incorporation of a company, so would need to be amended. The articles of association is a public document and any provisions included would be subject to company law, limiting the scope of bespoke provisions.

The shareholders’ agreement is a private document, enforceable only between the parties. This affords flexibility to tailor the provisions according to personal requirements and circumstances.

The parties’ exit strategies should be considered when drawing up these documents, and may be factored into agreements.

# Employee ownership

[](http://skills.wpengine.com/wp-content/uploads/2013/10/M.png)This a business model in which employees totally or significantly own the company.

There are several formats:

* The workforce directly own most or all of the share capital
* The share capital held in trust for the benefit of the employees;
* A hybrid of these two formats.

Employee ownership is becoming a popular alternative business structure for start-ups seeking employee commitment, long-established businesses dealing with a succession challenge, or new forms of public service delivery vehicles.

In the UK, employee ownership already contributes more than £30bn each year to GDP. Growing interest in this form of business structure in both the private and public sector led to a 10% increase in the number of employee owned companies created in the UK in 2012.

Economic competitiveness and high performance are a feature of employee owned business, which tend to have higher productivity, greater levels of innovation, better resilience to economic turbulence and more engaged workers than externally owned organizations. Shares in employee owned businesses have significantly outperformed those in the FTSE All-Share Index over the last 15 years.

The implementation of employee ownership can be simple and straightforward. The costs of creating an employee owned business from the outset or achieving an employee buyout are modest compared with other types of company formations or mergers and acquisitions.

Building a structure that creates a genuine sense of ownership amongst employees is one of the considerations when selecting the model.

Other issues to be considered include;-

* How the transfer to employee ownership will be funded
* Long term safeguards for employees?
* How will the voice of the employees be heard?
* How will senior managers be free to commercially drive the business, and still be properly accountable to the employee owners?

The sense of purpose and commitment that employee ownership delivers makes this an attractive option. It encourages retention of the very best talent to enable businesses to compete successfully.

# The non-profit and charity sector

The purpose of the non-profit sector is to improve and enrich society, and create social wealth rather than material wealth. Firms in this sector exists to make a difference to society rather than to make financial profits.

This is also referred to as the third sector, the Voluntary and Community Sector (VCS), the not-for-profit sector, the charity sector, the social sector. It is made up of many different types of activity affecting many aspects of society.

The term, the third sector, indicates that it sits between government (the public sector) and the private or commercial sector.

These companies can exist in a range of formats from social enterprises, trades unions, public arts organizations, community interest companies, voluntary and community organizations, independent schools, faith groups, housing associations, friendly societies, and mutual societies.

They must be registered and approved by the relevant governing body and abide by their regulations. Because they broadly exist for public benefit they are usually eligible for a range of income and property tax exemptions.

Whatever option you choose for your structure, the name you choose for your business should reflect the image you want to project to your market. Select one that’s easy to pronounce and remember. And make sure that it’s not already in use, that it is available as a web address and will work on your business stationery.

Look through the review to get ready for the talk on the subject.

Company structure. In business, organization structure means the relationships between positions & people who hold the positions. Organization structure is very important because it provides an efficient work system as well as a system of communication.

First of all we should distinguish between the organizing function & organizing structure. The organizing function is the process of breaking down the overall task into small jobs along with delegated authority to do those jobs & then putting them back together in units, or departments, of an optimal size according to some consistent bases. Thus we can describe the organizing function as dividing task into jobs, delegating authority, determining appropriate bases for departmentalizing jobs, & deciding the optimal number of jobs in a particular department.

It helps to coordinate effort & create authority relationships. Organizing structure is considered by many to be “the anatomy of the organization, providing a foundation within which the organization functions”. So the idea of a structure is a frame work – differentiation of position, prescriptions of authority.

So structure helps to regulate the behavior of employees. There are can be different kinds of organization structure, & firms can change their organization structure by becoming more or less centralized. The main principle of modern management is that there are no the best structure – appropriate structure depends on situation.

Most organization have a hierarchical or pyramidal structure, with one person or a group of people at the top, & increasing number of people below them at each successive level. There is a clear line or chain of command running down the pyramid. All the people in the organization know what decision they are able to make, who their superior (or boss) is (to whom they report), & who their immediate subordinates are (to whom they can give instructions).

This structure is one of the simplest & it’s also called a line structure. Some people in the organization have colleagues who help them: for example, there are might be an Assistant to the Marketing Manager. This is known as a staff position: its holder has no line authority, & is not integrated into the chain of command, unlike, for example, the Assistant Marketing Manager, who is number two in the marketing department.

This structure is known as a staff structure. Yet the activities of most companies are too complicated to be organized in a single hierarchy. Shortly before the First World War, the French industrialist Henry Fayol organized his coal-mining business according to the functions that it had to carry out.

He is generally credited with inventing functional organization, including (among others) production, finance, marketing, sales, & personnel or staff departments. The functional type of organization structure reflects an arrangement based on the nature of the activities that must be performed. Related activities are grouped together in the functional areas with which they are most clearly identified.

The chief executive of each area occupies a position on the second level of the organization & generally has the title Vice-President. This means, for example, that the production & marketing departments cannot take financial decisions without consulting the finance department. The functional structure allows for coordination of related activities, thereby reducing the risk of empire building by specialized areas & resulting in greater efficiency.

The structure’s most distinguishing feature is that staff managers may have line (functional) authority for their particular activities. But in a functional structure the request could be an order.

As I’ve already said the functional structure is efficient, but there are two standard criticisms. Firstly, people are usually more concerned with the success of their department than that of the company, so there are permanent battles between, for example, finance & marketing, or marketing & production, which have incompatible goals. Secondly, separating functions is unlikely to encourage innovation.

An inherit problem of hierarchies is that people at lower level are unable to make important decision, but have to pass on responsibility to their boss. One solution to this is matrix management, in which people report to more than one superior. For example, a product manager with an idea might be able to deal directly with managers responsible for a certain market segment & for a geographical region, as well as managers responsible for the traditional functions of finance, sales & production.

This is one way of keeping authority at lower levels, but it’s not necessarily a very efficient one. Thomas Peters & Robert Waterman in their book “In search of Excellence” insist on the necessity of pushing authority & autonomy down the line, but they argue that one element – probably the product – must have priority; four-dimensional matrices are far too complex. A further possibility is to have wholly autonomous, temporary groups or terms that are responsible for an entire project, & are split up as soon as it is successfully completed.

Terms are often not good for decision-making, & they run the risk of relational problems, unless they are small & have a lot of self-discipline. In fact they still require a definite leader, on whom their success probably depends. Also we can talk about a geographic structure.

The geographic structure is particularly useful in connection with the personal selling part of the promotion function. Decentralization of authority is virtually mandatory in managing salespeople, although it can be adapted to the entire organization if circumstances suggest such an arrangement. A geographical structure reflects decentralization & pushes authority & responsibility close to the scene of action.

Such an arrangement provides for better relationships with customers in handing their problems & adjusting complaints. In matrix & geographical structure decentralization plays the key role. & it has its advantages & disadvantages.

Advantages of decentralization:

1. It encourages managers to develop their decision-making ability, training for promotion into position of greater authority & responsibility.

2. It creates competitive climate. Managers can be compared with each other that make them to be more productive.

3. Managers have more freedom so they can be involved into solving different problems, so they become more creative.

Many organizations choose to follow decentralization of authority. But it also has disadvantages:

1. It needs more intensive & expensive management training. Managers must be retrained for making decisions of high-level.

2. It needs more sophisticated planning & reporting methods, especially for upper management, because the flow of information to upper managers increases.

3. Top managers should delegate a portion of their decision-making job to middle & 1st level managers, but sometimes they can be unwilling & unable to do it.

# Factors That Influence Organizational Structure

Organizational structure is important because a good structure allows efficient communication, encourages departments and groups within the company to work together, establishes a hierarchy of responsibility and allows the company to grow in a controlled manner. There are several factors that influence organizational structure. In order to create and maintain an efficient organizational structure, you must first understand the factors that go into it.

## Training

* Proper training helps to encourage a healthy organizational structure. When employees are schooled in how the company operates, what the proper channels of communication are and how to work together, these tasks and the organizational structure remain intact. Reinforce the company's structural integrity by making sure that each employee takes part in regular corporate trainings designed to introduce new concepts within the framework of the organizational structure.

## Mission Statement

* An organization should be designed to rally around the corporate mission statement. A mission statement is more than just a marketing device placed on the corporate pamphlets; it should summarize the beliefs of the company and how the company wants its customers and vendors to perceive it. Create a mission statement that the entire company can understand, and then encourage managers and executives to reinforce the mission statement each day. A company that is unified behind a single vision is better conditioned to maintain a strong organizational structure.

## Change

* It can be difficult to implement an effective organizational structure when there is significant employee turnover, or when employees are constantly moved from one department to another. Stability can be one of the best ways to encourage the growth of a strong organizational structure. Improve employee retention by offering a competitive wage and opportunity to advance, and hire employees that are specific to each department rather than all-purpose employees that would be moved around.

## Priorities

* Corporate priorities can sometimes dictate organizational structure. For example, if the company dedicates more resources to engineering than sales, then over time the engineering department will become more influential in the company structure. The challenge with something like that is engineering tends to not be geared toward driving sales, and a company needs to drive sales to survive. When you are designing projects and determining where company resources go, use the right priority for your organization to be sure that your company is structured efficiently.

# Company Analysis: Business Potential & Performance

Business analysis requires consideration for the past, present, and possible future conditions of the company in question. A firm’s past condition provides insights about its actual growth and the challenges it has faced. On the other hand, the present business condition indicates how the company really fares, given current issues in the industry and market. The company’s possible future conditions imply how it aims to improve its performance and achieve long-term success.

Investors must evaluate the interactions between the company and its environment to determine potential profitability. A company that effectively addresses current domestic and international markets must remain effective in the years to come. In this way, investors would benefit from any funds they put in the company.

Different models and theories are used to analyze a company, yielding a variety of information about the business. Commonly, detailed financial analysis is used to assess business conditions and potential. For example, financial statements provide information on such variables as profitability and liquidity. However, there are other approaches, models, and theories to determine business soundness, as follows:

**1. Mission and Vision Statements**. An analysis of a company’s mission and vision statements shows business focus and direction. The mission statement presents what the company aims to do, while the vision statement shows the target future condition of the business.

**2. Generic and Intensive Growth Strategies**. An analysis of a company’s generic strategy (based on Michael Porter’s model) indicates how the business achieves and maintains competitive advantage. The intensive growth strategies show how the company intends to grow its business. ([Browse Articles: Generic & Intensive Growth Strategies of Companies](http://panmore.com/tag/generic-strategy-porter-model-intensive-growth-strategies))

**3. Organizational Structure**. The organizational structure affects business abilities. Analyzing a company’s organizational structure yields information about potential barriers in addressing business issues. Some organizational structures support rapid change, while others ensure business consistency. ([Browse Articles: Organizational Structures of Companies](http://panmore.com/tag/organizational-structure))

**4. Organizational Culture**. An analysis of the organizational culture shows characteristics and potentials of the company’s human resources. Factors like leadership, employee morale and human resource development are under the influence of the company’s organizational culture. ([Browse Articles: Organizational Cultures of Companies](http://panmore.com/tag/organizational-culture))

**5. SWOT Analysis**. A company’s strengths, weaknesses, opportunities, and threats (SWOT) show the issues facing the business. The internal strategic factors (strengths and weaknesses) are issues based on the company’s nature and characteristics. The external strategic factors (opportunities and threats) are based on the market and industry conditions. Thus, the SWOT Analysis provides information about the major challenges that the company must address. ([Browse Articles: SWOT Analyses of Companies](http://panmore.com/tag/swot-analysis))

**6. Five Forces Analysis (Porter’s Model)**. The Five Forces Analysis (based on Michael Porter’s model) identifies the external factors based on the company’s industry environment. The analysis provides insights on competition. Investors can also use the Five Forces Analysis to evaluate the soundness of business strategies. ([Browse Articles: Five Forces Analyses of Companies](http://panmore.com/tag/porters-five-forces-analysis))

**7. PESTEL/PESTLE Analysis**. The PESTEL/PESTLE Analysis model determines the **P**olitical, **E**conomic, **S**ociological, **T**echnological, **E**cological, and **L**egal external factors that affect business. The analysis indicates the condition of the company’s remote or macro-environment, along with possible issues or effects of such condition on the business. ([Browse Articles: PESTEL/PESTLE Analyses of Companies](http://panmore.com/tag/pestel-pestle-analysis))

**8. Marketing Mix (4Ps: Product, Place, Promotion, Price)**. An analysis of a company’s marketing mix shows how the business implements its marketing plan. Investors can use this type of analysis in determining the suitability of marketing campaigns, business potential for success in certain markets, and the soundness of the company’s marketing strategy. ([Browse Articles: Marketing Mix/4Ps of Companies](http://panmore.com/tag/marketing-mix-4ps))

**9. Stakeholder Analysis (Corporate Social Responsibility)**. A company’s stakeholders influence the business through various ways. For example, customers directly affect sales revenues, while communities influence corporate image. A stakeholder analysis of the company’s corporate social responsibility programs yields information about such influence and how stakeholders’ interests are addressed. ([Browse Articles: Stakeholders and CSR Analyses of Companies](http://panmore.com/tag/stakeholder-analysis-corporate-social-responsibility-csr))

**10. Operations Management**. An analysis of a company’s operations management shows how business activities are organized and directed. The firm must carefully address the 10 strategic decision areas of operations management. These decisions pertain to key areas or aspects of the business. Successful operations management leads to optimal productivity and business efficiency.

# What Are the Aims & Objectives of HR Development?

Human resource development professionals provide programs to orient, train and develop personnel by improving skills, knowledge, capabilities and competencies required to perform well on the job. By offering programs designed to promote personal and professional career growth, they enable organizations to improve efficiency, productivity and profitability. The aims and objectives of HR development programs include planning development programs based on identified performance gaps by enabling individuals to achieve short-term and long-term career goals and supporting succession planning by implementing leadership development programs. HR development programs also help organizations comply with local, state and federal regulations.

## Benefits

Effective HR development programs provide support for current and future employee development. This ensures organizational effectiveness by ensuring that employees get new employee orientation, performance support to complete tasks successfully and formal education to improve productivity. HR personnel analyze employee needs, design and develop or purchase relevant training courses, implement support systems and evaluate the effectiveness and business impact of learning solutions. HR development professionals enable continued success.

## Providing New Employee Orientation

HR development programs ensure that new employees get the tools and information they need to be successful on the job. This includes presentations on company history and its strategic objectives, organizational structure and job-specific policies and procedures. By providing instruction on how to complete operational tasks such as sending email, setting up and attending meetings or submitting status reports, this overview information allows new employees to minimize the time it takes to function effectively.

**Related Reading:** [The Duties of the Human Resource Manpower Development](http://smallbusiness.chron.com/duties-human-resource-manpower-development-78168.html)

## Helping Employees Develop Their Careers

Career development programs help ensure employee retention, saving the company the money it costs to recruit, interview, hire and train new staff. By providing opportunities for employees to register for courses, obtain reference and resource material, access online training and get the coaching and mentoring they need to advance in their careers, HR development organizations help employees improve their skills and knowledge. By clearly defining job descriptions and associated competencies, HR professionals let employees know what they need to work on in order to get a promotion, secure a new role or advance into management. By encouraging employees to align their development objectives with the company’s strategic goals, HR professionals ensure that all development supports the company’s mission.

## Identifying Performance Gaps

HR development professionals help managers develop long-range plans. By assessing the skills of existing staff, these professionals help identify performance gaps and design programs to mitigate those issues. For example, if the company seeks to decrease product defects, increase customer satisfaction and eliminate waste, but employees lack skills in process improvement, HR development professionals need to purchase or develop programs that develop skills in quality management. By enabling employees to get certified as Six Sigma professionals, HR development teams contribute to the company’s growth and sustainability. They also implement initiatives, such as diversity training and coaching or mentoring programs, to ensure that employees share their knowledge and experience to function effectively as a team. This enables employees to achieve strategic goals.

**Work in the 21st Century: The Changing Role of Human Resources**

 There are an incredible number of pressures on today's organizations. To name a few: environmental pressures such as increasing globalization, rapid technological change, and tougher competition; organizational changes such as new organizational alliances, new structures and hierarchies, new ways of assigning work, and a very high rate of change; changes in the workforce, including employees' priorities, capabilities, and demographic characteristics. Within these pressured organizations, there is a need for (and opportunity for) the human resource function to play a critical role in helping organizations navigate through these transitions. In order to play this role, however, HR will have to increase its real and perceived value.

The role of human resources has been evolving for some time. The shift from "personnel" to "human resources," for example, was part of the movement to acknowledge the value of employees as an organizational resource, and was an attempt to remove some of the stigma that was coming to be associated with slow, bureaucratic personnel departments. This shift in label was accompanied by a call for HR to become a strategic partner with the leaders of the business-to contribute to significant business decisions, advise on critical transitions, and develop the value of the employees-in short, to have a seat at the table.

Dave Ulrich provides a clear path to the next generation of HR with *Human Resource Champions: The Next agenda for Adding Value and Delivering Results* (1997). He describes a multi-faceted approach to delivering HR services that meets the needs of both employees and employers, and positions HR as a significant contributor to organizational success.

Ulrich presents his approach in terms of deliverables, or outcomes, for which HR should be responsible: strategy execution, administrative efficiency, employee contribution, and capacity for change. In the course of delivering in these four areas, he describes four corresponding roles for HR to play within a business: a) as a strategic partner working to align HR and business strategy, b) as an administrative expert working to improve organizational processes and deliver basic HR services, c) as an employee champion, listening and responding to employees' needs, and d) as a change agent managing change processes to increase the effectiveness of the organization. One of unique things about Ulrich's approach is that it is includes all of the ways that HR can deliver value to an organization, rather than shifting focus from one area to another.

Similarly, Johnson (1997) describes his experiences in executive search in which CEOs describe the HR leaders they want to hire. They want people who will be successful business partners, strategic thinkers, and people who will understand the pressures of running an effective business in today's market. He reports that, when hiring a leader for the HR function, most CEOs ask for someone who is, "not a typical HR person," and that most of the successful candidates describe themselves that way. This trend reflects the common perception that HR "business-as-usual" is not prepared to meet the challenges that today's businesses present.

Making the shift to a new HR role will raise unique issues for every HR group that attempts it, but there are some common steps and activities that will increase the likelihood of success. Some of these steps and activities are:

* *Strong HR leadership*. As with any major change effort, a strong leader can develop a clear vision, motivate others to share that vision, and help them work toward achieving it. In order to change the role of HR in an organization, the HR leader will need to work both within the HR group and with the organizational leaders to reshape everyone's expectations of what HR can and will deliver. The success of the change will depend upon HR's ability to meet the real needs of the organization and the credibility it develops.
* *Acute future orientation*. One of the ways that HR can provide value is to understand how changing environmental, organizational, and workforce factors will likely influence the business, anticipate the associated HR needs, and be prepared to deliver appropriate solutions to meet those needs. By maintaining a focus on workplace trends, for instance, HR can prepare to evaluate the impact that particular changes are likely to have on an organization's people and processes, and be prepared to work with the business leaders to decide how to respond-being ahead of the curve, not behind it. For example, one movement that is likely to have significant impact on the way people are hired, managed, and valued is that of intellectual capital. A "new role" HR department is one that has learned about intellectual capital and its implications, evaluated the impact on current practice, and developed ideas and recommendations for changing HR practice and other business processes.
* *Flexibility and creativity*. An HR group that is successful in the future will likely be one that is responsive to the changing needs of its client organization. Responsiveness in the changing world of work will require being flexible-as the organizations change, so will their needs and priorities. In addition, traditional activities and processes may not be sufficient to meet the unique needs of the future-HR leaders will likely rely on creativity of their groups to achieve effective results. Increasing globalization of the market will create a need for both flexibility and creativity as businesses try to succeed in new locations, with a new workforce, and with new customers.
* *Delivering value*. Although this is not a new challenge for HR, it remains a critical one. HR is still perceived by many within today's organizations as simply a non-revenue generating function. It is important to make apparent the value provided by working with the management team to hire the right people, manage them well, pay them appropriately, and build a working environment that encourages success. Beatty and Schneier (1997) extended the concept of delivering value within the organization by arguing that HR must deliver economic value to the *customers*, as well as to employees.

Here is a sampling of strategies that I have seen implemented as HR groups work to respond to environmental and organizational changes, become more valuable, and deliver results.

* *Business unit assignment*. Some companies are assigning HR employees to specific business units as a way of enabling them to develop a focused relationship with a small part of the business. This relationship can be enforced when the HR person has a direct reporting relationship with the leader of the business unit. In these situations, the central HR group usually provides information and services to the "distributed" HR representatives, who then deliver the service personally to the business unit. One advantage of this structure is that it fosters the flexibility and creativity mentioned above, as the local HR people can modify and tailor processes and services to meet the needs of their assigned business units.
* *Centers of excellence*. As organizations grow by merger and acquisition, they often find themselves with multiple HR groups. These can be duplicative or complementary. When they are duplicative, they can be subject to (painful) downsizing and consolidation, leaving behind a department that is unable to serve all areas of the business as well as they had been accustomed, which can, in turn, undermine the credibility of HR. An effective response to this issue is to utilize the multiple HR groups differently. One approach that seems to work well is to develop "centers of excellence," where the HR groups in different parts of the company develop their expertise in a particular area and serve the needs of the larger company in that area-HR groups operating within this model can see each other as resources rather than competitors, and the company benefits from high levels of expertise in a number of areas.
* *Consulting model*. A number of HR departments with whom I've worked have adopted a consulting model of providing service. They view their internal customers as clients, learn consulting skills, and take their client satisfaction as a measure of their success. In one large high-technology firm, internal clients whose needs cannot be met by the internal HR group can go to external service providers directly-even for basic HR needs.
* *Job rotation*. One way to bring the perspective of the business into HR-and vice versa-is to rotate line managers into the HR function for periods of time. These individuals often serve as reality checks for the HR group, and then bring an increased understanding of the value of HR back to their line function when the rotation is over. This approach seems to work best when the duration of the assignment is sufficient to allow the rotated individual enough time to become proficient in some area(s) of HR and when he or she is working closely with experienced HR people who can help them learn. Sending HR people into other areas of the business can serve a similar purpose.
* *Increasing line managers' capabilities*. Part of the future HR model is that responsibility for HR activities is shared between line management and HR people. This approach allows the manager to be more fully involved in the development and direction of employees, with HR as a resource; it requires, however, that those managers have the capabilities needed to work through issues with employees successfully. Many companies are therefore increasing line managers' access to information. Many of today's HR information systems and integrated HR systems put tools and data on each manager's desktop.

It is clearly time for a quantum leap in the HR field, and I/O psychologists working with and for HR professionals can support this transition by taking seriously the organizational pressures to change, helping to identify ways to measure the value delivered by HR, and conducting meaningful research related to all areas of human performance in tomorrow's organizations.

# Flexible working

Flexible working describes a **range of employment options designed to help employees balance work and home life.**

Why use the term “flexible”? It is because flexible working relates to working arrangements where there are a variety of options offered to employees in terms of working time, working location and the pattern of working.

Amongst the most popular flexible working practices are the following:

|  |  |  |
| --- | --- | --- |
| Part-time working | Term-time working | Working from home |
| Flexitime | Career breaks | Job sharing |
| Annual hours contracts | Mobile working | Shift swapping |

Of the options listed above, by far the most popular in the UK currently is part-time working. 86% of businesses surveyed by the CPID in 2007 offered part-time working options. Job sharing, flexitime and working from home are also increasingly popular.

There are good business reasons why businesses are increasingly likely to offer employees one or more flexible working options. For example:

* Most importantly, savings on costs. A business can make substantial savings on overheads if it does not have to provide office and other accommodation for so many employees or if staff can work from home rather than commute into work every day
* As a way of helping with recruitment and staff retention. There is lots of evidence that flexible working results in better job satisfaction and higher staff morale
* To reflect the changing profile of the UK workforce. There are more women in the labour market and an ageing population – as a result, it is increasingly common for staff to have caring responsibilities outside work
* To take advantage of developments in technology – it is now simple and cost-effective for employees to be able to access their employers online and other networked systems, and to communicate digitally with colleagues
* An increasing need for businesses to be able to deliver services to customers on a 24/7 basis. Flexible working makes it easier for businesses to offer extended opening hours, for example
* The “credit crunch” - some organizations, for example firms of lawyers and accountants, have offered part-time working or career breaks as a method of avoiding or minimizing redundancies
* To meet employment legislation – increasingly the law allows certain groups of employees the legal right to request flexible working

Whilst there any many advantages to flexible working, it is not always simple or appropriate to introduce it.

Amongst the concerns that employers often raise about flexible working are:

* Additional administrative work and “red-tape” involved in setting up and running flexible working
* The potential loss of customers if key employees reduce their working hours
* Lower employee productivity
* Inability to substitute for certain skills if certain employees are absent (a common concern of smaller businesses\_
* Managers finding it difficult to manage or administer the flexibility

A study by the Joseph Rowntree Foundation found that flexible working practices were most likely to be found in the following situations:

* In large organizations and businesses
* In public sector organizations
* Where the business does not operate in a highly competitive industry
* Where there are recognized unions
* Where there is a well established HR function
* Where there is high employee involvement in decision-making
* In workforces with larger proportions of women
* Where there is a highly educated workforce who has a large amount of discretion in organizing work (e.g. professions, creative industries)

# The Benefits Of Flexible Working

Flexible working benefits and options

The traditional 9 to 5 pattern of working hours may present problems for men and women who have to combine work and family responsibilities. There are benefits therefore in introducing flexible working arrangements which permit individuals to better balance the needs of home and company commitments.

**Benefits for the Company may include:**

* Retention of trained and valuable staff
* Increased productivity
* Decreased absence
* Individuals who have jobs tailored to meet their individual needs may be more motivated
* The company is seen to support its Diversity values
* Access to a talent pool which might otherwise be unavailable thus improving recruitment
* Ability to allow employees to continue to develop and grow in their career and to match the natural cycle of family commitments that everyone experiences

**Benefits for the Individual may include:**

* Ability to balance work and home commitments more readily
* Increased quality of life
* Reduced Stress
* Greater levels of job satisfaction
* Ability to continue to work
* Access to more interesting and better paid work
* Ability to maintain career development and personal growth during a period of temporary increased family commitments
* Ability to balance work and ones natural life cycle during which personal commitments outside work may increase or decrease

**There are four categories of flexible working:**

* Working full time but with flexibility about the exact timing of these hours either through flexible working time or through a personalized annualized hours contract
* Working reduced hours through for example part-time working (shorter days or less days a week), part year working, term-time working, job sharing
* Working either full or reduced hours at home to enable more flexibility over balancing work and home commitments, or allowing people who may have specific difficulties getting to a set place of work to make a valued contribution to an organization.
* Taking a temporary period off work or a career break to allow men or women to care for children of preschool age or older dependent relatives with the guarantee of a suitable job at the end of the period.

**Some circumstances that might warrant flexible working:**

* Care of pre-school children
* Care of school age children
* Care of elderly and dependent relatives
* Personal disability (making it hard to travel to a specific location, or work very long hours)
* Recovery from a prolonged illness
* Preparation for retirement (working reduced hours in the years leading up to retirement)
* Taking time to develop new skills or to take up a hobby (perhaps in anticipation of a change in career or to start up your own business)
* Commitment to charity or volunteer work
* Desire or need to change the pace of one’s lifestyle or adjust your work-life balance.

**Implementing flexible working**

Whether or not your company has a formal policy regarding flexible working, best practice suggests that if individuals take personal responsibility for thinking through how things can be managed from the companies point of view, the introduction of flexible working arrangements will be both more likely to happen and more likely to be successful. This makes sense. After all it is the individual who will be the primary beneficiary and whilst there are compelling reasons for a company to be flexible and some demonstrable benefits, it is something that they are doing for you.

**Considerations for individuals who are seeking flexible working:**

* What arrangements would suit you best.
* What flexibility can you offer to make it easier for your manager/employer to support you
* What is the likely duration - a year, 2-3 years, longer
* What are the likely implications of the arrangements for co-workers, customers, family.
* What can you do to address the likely concerns with regard to co-workers, customers, family.
* What are the cost implications for you and the company.
* What arrangements can you put in place to make home working feasible
* What arrangements can you put in place to cope with unexpected work demands, attendance at training courses etc

If working from home is the goal, what will you do to maintain contact with your manage and the company

If job sharing, what can you do around handover and knowledge sharing with your job partner.

**Considerations for the manager/employer looking to introduce flexible working arrangements for an individual or on a company wide basis:**

* How will the impact of this best be managed in terms of co-workers and customers
* How can continuity of service be maintained
* What 'keeping in touch' arrangements can you put in place
* What can technology do to make things easier
* How will you continue to support learning and development
* How can the organization use its willingness to consider flexible working to improve its attractiveness as an employer, attract and retain high quality individuals, etc.

How will individual arrangements be set up and what will be the considerations when deciding whether or not to support such an arrangement (whilst the arrangements may be quite different and not everyone may qualify the criteria for eligibility should be the same)

What can the individual do to make this more possible

If at face value it looks too difficult what could be changed to make it possible

Work-Life Balance

Work-life balance defined

Work-life balance is about people having a measure of control over when, where and how they work. It is achieved when an individual's right to a fulfilled life inside and outside paid work is accepted and respected as the norm, to the mutual benefit of the individual, business and society. [Employers and work-life balance]

Achieving satisfactory work-life balance can be as much a responsibility of the individual worker as it is of the employer. There is no one standard which applies to everyone. Life is changes constantly for all of us and an individual's needs change with it. Work-life balance is dynamic: long hours spent in the office may be acceptable at the start of a career but may no longer satisfy an employee who is approaching the next decade or two as responsibilities alter. [HalsAllan limited]

**Business benefits**

Recognising employee needs and corporate social responsibility need not mean compromising productivity. Much experience shows that employees work best when they are able to control the pressures they face, whether work related or arising from life circumstances.

Promoting flexible working encourages agile mindsets; while making the best use of new technologies can extend workplace access to a much wider pool of potential employees.

**Work-life balance business benefits include:**

* Increased productivity - driven by increased motivation, sense of purpose and control and reduced distraction
* Improved recruitment and retention - offering benefits to employees around choice, and control increase their commitment and reduce the attractiveness of alternative job options
* Lower rates of sickness, time off and absenteeism - allowing individuals to better balance their commitments both reduces stress but also time off to manage outside responsibilities
* An improved customer experience - evidence shows that a more relaxed and motivated employee will better service your customers
* A more motivated, satisfied and emotionally balanced workforce - much of this is driven by an increased sense of choice and control, and appreciation of the options on offer.
* Competitive advantage - the ability to retain talent throughout their lifetime career cycle and a reduced choice of competitors to lose them to
* Increased talent pool - the ability to attract high quality candidates who would otherwise not be interested in working for you
* And in some circumstances, reduced overheads - effective use of shift working and hot desking can increase space and infrastructure utilization

**Best practice guidelines include:**

* Rather than simply assuming that traditional work patterns and organization should prevail, review business and employee requirements in terms of meeting customer needs, employee satisfaction and ensuring compatibility with relevant legislation.
* Look for examples of best practice in other organizations' and consider how this might apply in your organization or provide ideas for alternatives. Do not assume that a successful solution can simply be imported - management inclination and capability along with organization culture and business needs require a bespoke solution that works for you and your people.
* Have success measures, including productivity indices, labour turnover, sickness and absence rates. Set targets for performance. Treating this area with the same rigour as any other investment will increase credibility and thus, in turn, sustainability.
* Consult with management and staff representatives about options and implementation - there is little point imposing something that is geared to give people increased control and choice - the implementation approach should model the values.
* Support management through implementation. Monitor progress and amend as appropriate. Incorporate this into managers objectives, organization values. Recognize that it will take time, be open about successes and problems - work together to find the best solution.
* Work Life Balance and the competition for talent
* Options for working are increasingly varied with the growth in independent consulting and contracting.
* New entrants to the labour market look more closer than ever at the organization's track record on corporate social responsibility
* Highly talented employees are increasingly willing to negotiate on working terms and to factor in considerations far wider than simply pay

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# Advantages and Disadvantages of Flexible Work Schedules?

Employers Need to See Their Advantages When They Offer Flexibility

Advantages for employers and employees exist when the employer [allows employees to work flexible schedules](http://humanresources.about.com/od/glossaryf/g/flex_schedule.htm). Whether the flexible work schedule involves compressing work days, flexible daily hours, or telecommuting, challenges exist for the employer and the employee.

Let's take a look at the advantages for employers and employees that flexible work schedules provide.

### Advantages of Flexible Work Schedules for Employees

With flexible work schedules, employees experience these benefits:

* **Flexibility to meet family needs, personal obligations, and life responsibilities conveniently**. If you have a flexible schedule, you can go to a parent-teacher conference during the day, take a yoga class or be home when the washing machine repair person comes.
* **Reduced consumption of employee commuting time and fuel costs**. In some areas, commutes of more than an hour each way are not uncommon. If these employees are allowed to work from home, that saves two hours of time, gas, and wear and tear on the road. Not to mention, fewer people driving means it's easier for those people who are commuting.
* **Avoids traffic and the stresses of commuting during rush hours**. You'd be amazed at how much faster a commute can be if you have to be in the office at 10:00 instead of 8:00.
* **Increased feeling of personal control over schedule and work environment**. One reason people like to work for themselves is the control issue. By allowing employees to determine their own schedule and work environment you appeal to the entrepreneurial spirit - which can be good for your employees.
* **Reduces employee burnout due to overload**. Flexibility means employees can take a break when they need it without incurring the wrath of a boss.
* **Allows people to work when they accomplish most, feel freshest, and enjoy working**. (eg. morning person vs. night person). Many managers feel that earl birds are hard workers and night owls are slackers. There's no evidence that that is the case - it's simply cultural.
* **Depending on the flexible work schedule chosen, may decrease external childcare hours and costs**. It needs to be clear that for all but a handful of jobs, working from home still requires child care.  
    
  However, if a couple both have flexible schedules, mom can go into the office at 6:00 a.m. and dad can get the kids ready for school. Mom's 8 hour day is finished by 2:00 p.m. and she's there to meet the bus, while Dad starts his work day at 9:30 a.m. There result is two full time jobs with no child care costs.

### Advantages of Flexible Work Schedules for Employers

With flexible work schedules, employers experience these benefits:

* [**Increased employee morale**, engagement, and commitment](http://humanresources.about.com/od/glossarye/g/employee-morale.htm) to the organization.
* **Reduced absenteeism** and hardiness.
* **Increased ability to** [**recruit** outstanding employees](http://humanresources.about.com/od/recruitingandstaffing/a/Tips-For-Hiring-Superior-Employees.htm).
* [**Reduced turnover**](http://humanresources.about.com/od/retention/a/turnover_tips.htm) of valued staff.
* **Allows people to work when they accomplish most**, feel freshest, and enjoy working. (e.g. morning person vs. night person).
* **Extended hours of operation** for departments such as customer service.
* [**Develops image as an employer of choice**](http://humanresources.about.com/od/glossarye/g/employer-of-choice.htm) with family friendly flexible work schedules.
* **There are also key organizational challenges you need to address** to make flexible work schedules support your business. In and of themselves, as a positive benefit for employees, flexible work schedules support employee engagement, positive morale, and retention. But, flexible work schedules must operate to meet the needs of the business, too.

### Disadvantages of Flexible Schedules for Employees

* **Employees that thrive in an office environment** may find it difficult to work when his colleagues don't hold the same schedule.
* **Working from home can often make neighbors and friends think you aren't actually working,** thus causing problems with relationships. (Friends can become upset when you say you can't watch their child, or let the repairman into their houses - because after all, you're home all day.)
* **There is no clear delineation between work and home.** When we use “flexible” schedules sometimes that means “work all the time.” If you boss allows you the flexibility to go to to your child's soccer game, then the boss doesn't feel guilty about calling you at 9:30 pm

### Disadvantages of Flexible Schedules for Employers

* In team oriented departments, **teams still need to meet**, which requires some set guidelines.
* **Some people take advantage of flexibility** and use that as an invitation to “work from home” which really means watch Netflix with their email screen open.
* Some managers, who are used to seeing when their staff members come to work, watching what staff do all day at work, and knowing when people leave for home, **have trouble** [**adjusting to the new management style**](http://humanresources.about.com/od/delegation/qt/management-styles.htm) **which** [**requires trust**](http://humanresources.about.com/od/workrelationships/a/trust_rules.htm).
* Office-oriented people sometimes **view their work-at-home colleagues as slackers** because they can't physically see their productivity.
* **Compressed work weeks can make client handovers complicated** - clients expect service 5 days a week during business hours and can be fussy when an employee isn't in on Friday.

Overall, the advantage generally outweigh the disadvantages and a good manager can handle the disadvantages.

CASE-STUDY

# Flexible Working Disadvantages

In our work in implementing hundreds of flexible working systems for tens of thousands of employees, we at FlexTime have found that there are several arguments cited against the introduction of flexible working arrangements. Indeed in **the FlexTime** **blog** elsewhere on website we consider if flexible working suits everyone?

So to start with organizations need to :

* Take a serious look at the appropriateness of current working time arrangements as well as the impact of the policy in respect of where employees work now
* Compare that to what can be achieved through combining newer, more effective practices backed up by clear and agreed rules of engagement combined with web technology specially designed for managing the flexible working environment
* Appreciate how research confirms that absences, overtime and staff turnover will all reduce through flexible working

### Frequent concerns

* **Heating and lighting costs.** Some will argue that because buildings might in some cases have to be left open through a wider bandwidth, extra lighting, and heating costs can result. However, there is an equal and some say a much more compelling and opposite point of view on this too.  That view maintains that a well managed flexible working policy, whereby job sharing, hot desking and home working are applied, it means that working space can actually be utilized in a more efficient way and can SAVE costs!.

By developing a sound energy policy matched with flexible working arrangements which can result in facilities being run more cheaply, it provides management with new choices and decisions:  for instance

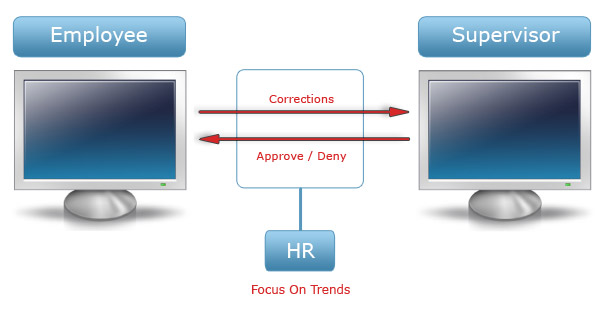
* + 1. To introduce a plan to regulate light and heat supply and usage in work spaces that are not being used due to job sharing or home working
    2. To reduce space needed due to its less regular use or in some cases where it is not being used at all e.g when full time home working exists.
    3. To use the newly available space in different ways

 For example: Often organizations are sometimes hard pressed to find space to hold meetings - some even resorting to hiring external rooms at a cost.  FlexTime customers are now using [VisionTime Room Booker](http://flextime.ie/solutions/access-control-visitor-management/room-booking/) to support this more efficient method of utilizing workspace.

* **Will staff be available when needed?** Some managers can fear an exposure as employees may now not always conform to a fixed working day or maybe even location.

Naturally, when any new concept is introduced, a certain amount of adjustment is required. This is why we recommend a pilot period of one or two staff groups and their supervisors. Initially, departments may not always be fully manned during flexible times. Then whereby other arrangement such as, home or mobile working and hot desking, are in force it can add to the "physical" non availability of employees.

However, considering flexible hours specifically,  concrete evidence shows that even with the opportunity of flexibility, people still tend to set their own arrival and departure patterns and tend to stick to them, in the main. Ironically, it can often mean employees reverting to a type of fixed hours. But the key point is that now there is a personalized working time pattern at play.  This can be geared towards the employee's own needs who importantly also has an obligation to balance that with organizational considerations too. Overall, if managed well, this has been shown to suit the issue of workplace cover in a department, as daily habits are, in general, reasonably predicable.



Such patterns can be predictable because employee decisions about working time is governed now by matters such as wanting to avoid traffic, catch a train or by personal commitments. The fact that not everyone in the workplace is the same age and at the same stage of life means that each person creates their own personalized working time pattern.

This reasonably fixed behaviour by employees is connected to the very issue that flexible working sets out to solve; the employee's work/life balance.

In a survey carried out in one organization, 1,000 calls were made to staff before the introduction of flexible working hours and again after. It was found that they were just as easy to contact on flexible working hours as they had been on fixed hours.

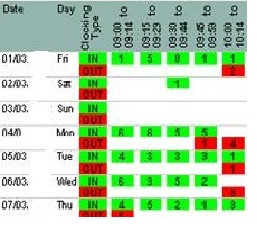
A more recent trend towards employees increasingly working from home or in a mobile setting, brings separate challenges. Therefore in any given day an employee might not be physically for a growing range of reasons.

Apart from FlexTime's role in advising organizations in these issues, undoubtedly our innovative VisionTime system acts is a major comfort for organizations grappling with modern workplace arrangements.

**VisionTime works in real time on an "always on" basis and across technology platforms such as PCs, Mobile phones. Nobody needs ever to be in the dark as regards to what is happening - either employees or managers.**

**Users have confessed to being astonished as to how one system can handle so many complex and almost competing scenarios. But then we have been working solely on its development for 32 years. Of equal importance we also have the support of thousands of organizations with tens of thousands employees in our efforts.**

* **How can we be sure that staff will be available when needed?**



VisionTime has features to counter issues such as the concern over poor workplace cover caused by employees using flexible working. This includes a report called the Cover Report which shows how many employees have been available for work during the various segments of the working day over a specified date range.

If managers are worried that employees are not available during critical operational times, they can find out how many people were present between 9.00 and 9.15 in January. Or how many were available yesterday between 12.00 and 13.00.

Meanwhile other reports can look at varying aspects of how attendance needs to be handled.

If your organization does not offer a flexible working hours' scheme, can you easily find out just how many staff were actually available yesterday between 12.00 and 13.00?

The answer is probably not. And the reason for this is that your staff is unlikely to be clocking in or out. This is an essential prerequisite for people operating flexible working hour schemes.

VisionTime also has an option to ensure the smooth running of the scheme called [VisionTime Who's In](http://flextime.ie/solutions/access-control-visitor-management/whos/). Using this, management has an overview of any group of employees regarding behaviour and how working time arrangements are being treated.

* **The time recording system:** The system itself can be viewed by some as a disadvantage in this context. Some staff might initially be uncomfortable at the prospect of having to use a time recording system. According to our latest independent research, those concerns are totally unfounded and the opposite is the case.

The research found that over 1,000 VisionTime users strongly felt that they have enhanced job control which points to them being less stressed than employees not using the system. Therefore after a short while the benefits to be gained tend to override that concern.

* + Punctuality no longer needs to be rigidly watched
  + A permanent and personal check on worked time is kept
  + There is an appreciation that because of the sheer flexibility of what is being offered, and the associated calculations required, that management would not cope without such a system, and thus flexible working would be a non starter

Some organizations might feel that they can offer flexible working on an honours basis – as they trust staff. Trust is not the primary issue here and the main consideration is the loss of shape which would become quickly evident in the organization trying out flexible working on an honours basis.

FlexTime has more than [30 time devices](http://flextime.ie/solutions/time-attendance/time-devices/) providing a huge choice in how employees clock in and out.

VisionTime ensures that shape will be kept, meaning that flexible working will not only stay for good, but allows new flexible routines to more easily emerge to the benefit of management and staff. This includes home and mobile working, term time, time in lieu, individualized working time arrangements, varieties of job and work sharing.

Such wide combination of flexible working arrangements are becoming commonplace in our user group. It might be a fearsome consideration, were it not for the availability of a system specially designed and fit for the purpose.