

# Notes & Applications

Monday, 28 October 2013 4:05 a.m.

★ denotes an assessed application exercise.

💬 denotes relevant basic content for the task, written in red.

Answers are written in purple.

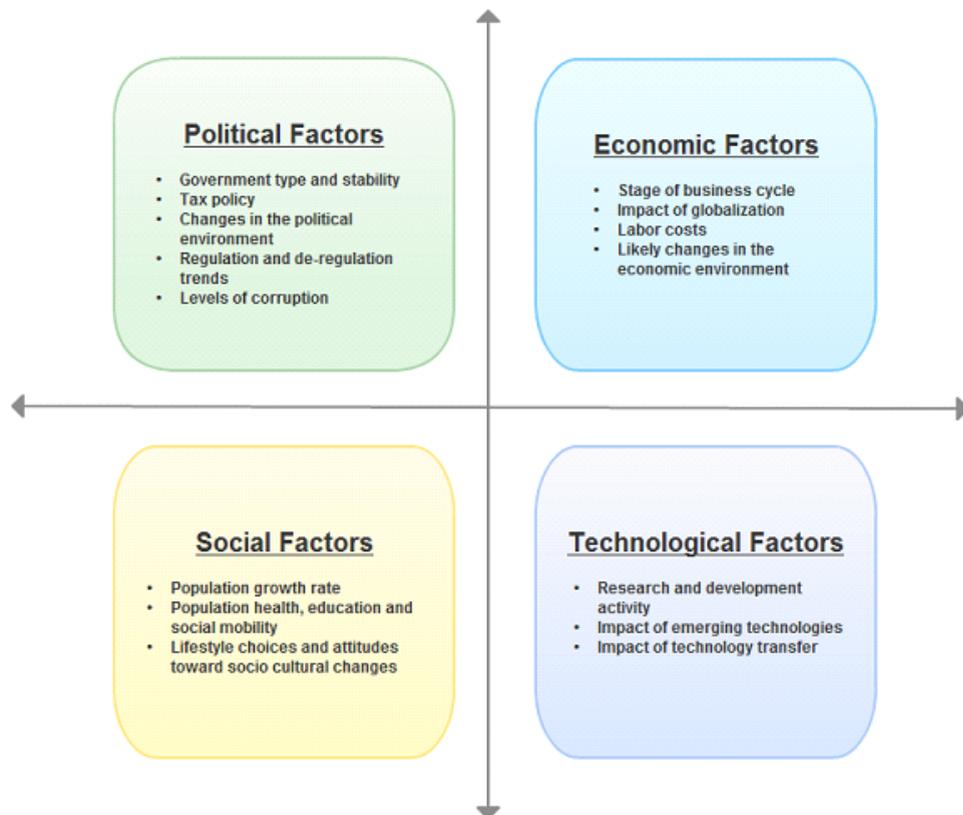
Answer options in bold were the choices my team made, but disagreements are welcome.

Note that cases differ from stream to stream :)

## WEEK 1: Introduction & External Environments (PEST Factors)

**PEST ANALYSIS:** Analyse an industry's external environment and select which factor is most influential in this industry.

💬 The four aspects of PEST are outlined below.



<b>NEWSPAPER INDUSTRY (NEW ZEALAND):</b>	Political / Legal	<ul style="list-style-type: none"> <li>- stable New Zealand government</li> <li>- political balance and objectivity</li> <li>- no censorship or propaganda</li> <li>- journalists relatively free from consequences of 'bad press'</li> <li>- freedom of speech and expression relatively safeguarded</li> </ul>
	Economic	<ul style="list-style-type: none"> <li>- increasing lack of willingness to buy information when it is free elsewhere (internet)</li> <li>- increased cost of printing newspapers</li> <li>- recession gives people less money to spend on newspapers</li> </ul>
	Social	<ul style="list-style-type: none"> <li>- 'generation gap' means different perceptions of newspapers                             <ul style="list-style-type: none"> <li>• getting an app is cooler than having a chunky A3 publication</li> </ul> </li> <li>- people's cultural interests have changed over the years</li> <li>- higher literacy rates means more demand for reading material</li> </ul>

	<b>Technological</b>	<ul style="list-style-type: none"> <li>- new technologies allow easier and more cost-effective access to news and information</li> <li>- development of apps on smartphones and tablets</li> <li>- electronic delivery faster than traditional printing and distributing</li> <li>- social platforms eg. Facebook now a more efficient means</li> <li>- wider pool of journalism and material available</li> </ul>
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## WEEK 2: Peter Drucker's Principles of Innovation & Entrepreneurship

**SUBWAY:** Your parents have just purchased a Subway franchise in New Lynn. The franchise is struggling with high staff turnover and poor customer satisfaction. Is this an example of entrepreneurship?

**No**, because the franchise is using current resources. They are not creating opportunity or something of value by looking at the external environment of business. Also there is a lack of innovation which is "the tool of entrepreneurship".

**GOOGLE'S INNOVATIONS:** Identify the source of innovation in the list of Google's innovations using Drucker's (1985) seven sources of innovation.



### Drucker's 7 Sources of Innovation:

1. Unexpected occurrences
2. Incongruity: results do not align with expectations
3. Process needs
4. Industry/market changes
5. Demographic changes
6. Changes in perception
7. New knowledge

Google's Innovations	Source(s) of Innovation
<b>Self-driving car</b> - uses video cameras, radar sensors and laser range finder to "see" other traffic; uses detailed maps to navigate the road.	<p><u>New knowledge</u> - the car uses a convergence of existing knowledge to create a new product, creating first mover's advantage (and long lead time) and a new industry.</p> <p><u>Process needs</u> - the process of driving: road networks, traffic awareness, road safety and minimising human error.</p>
<b>Google TV</b> - type your search query on TV screen and Google TV will find it by searching all your channels, recorded shows, YouTube videos and other sites. Can save favourites, eg. photo albums, channels, websites, to home screen.	<p><u>Industry/market changes</u> - new market for Smart TVs; other companies have no similar product.</p> <p><u>Demographic changes</u> - younger generation is more geared to watch entertainment media from the internet; increasing use of tools such as smart TVs.</p>
<b>Google Buzz</b> - a microblogging and messaging tool integrated with Gmail. Users can share links, photos, videos, statuses, messages, comments, etc. that appeared in the user's inbox.	<p><u>Demographic changes</u> - increased use of social media platforms results in competition for social utility usage against companies such as Facebook, Twitter, Tumblr, etc.</p> <p><u>Process needs</u> - makes the process of sharing information, updates and socialisation easier and more streamlined through integration with Gmail.</p>

<p>? <b>Google Reply</b> - search function that presents popularity of tweets in a time period, lists associated tweets for browsing chronologically.</p>	<p><b>Demographic changes</b> - a rise in popularity of social media platforms such as Twitter has resulted in a spike in information sharing.</p> <p><b>Process needs</b> - makes the process of searching and sorting through information easier and less time-consuming for users.</p>
<p><b>Priority Inbox</b> - feature separates junk and focuses on important messages. Users have + or - to indicate relevance or priority. Better Gmail prioritising comes from using + or - frequently.</p>	<p><b>Process needs</b> - improving the efficiency of the communication process through sorting emails in order of priority, importance, urgency, etc.</p>

★ From the five innovations used in the above application exercise, which innovation best fits Drucker's definition of entrepreneurship? Why? Use the two readings to justify your choice.

💬 **Loose Definition of Entrepreneurship:**  
 "the process transferring resources from areas of low productivity to high productivity and yield; creating or seizing an opportunity and pursuing it to create something of value regardless of current available resources, thereby promoting growth"

**Loose Definition of Innovation (tool of entrepreneurship):**  
 "purposeful, systematic ... analysis of the sources of new opportunities ... conversion of knowledge and ideas into new or improved products, processes or services which may be used for commercial use or for public good"

**Google's SELF-DRIVING CAR** - is the result of innovation, which is a tool of entrepreneurship. The car is an example of the new knowledge source of innovation according to Drucker. The self-driving car also responds to a process need, characterised by long period of lead time due to idea generation, technology development, product creation then marketing. This innovation fits the definition given by Drucker of entrepreneurship, as the self-driving car is a product that incorporates existing knowledge with recent technologies available (current resources) to create a new product that fills a new market gap.

### WEEK 3: Team Peer Reviewing (Process Learning)

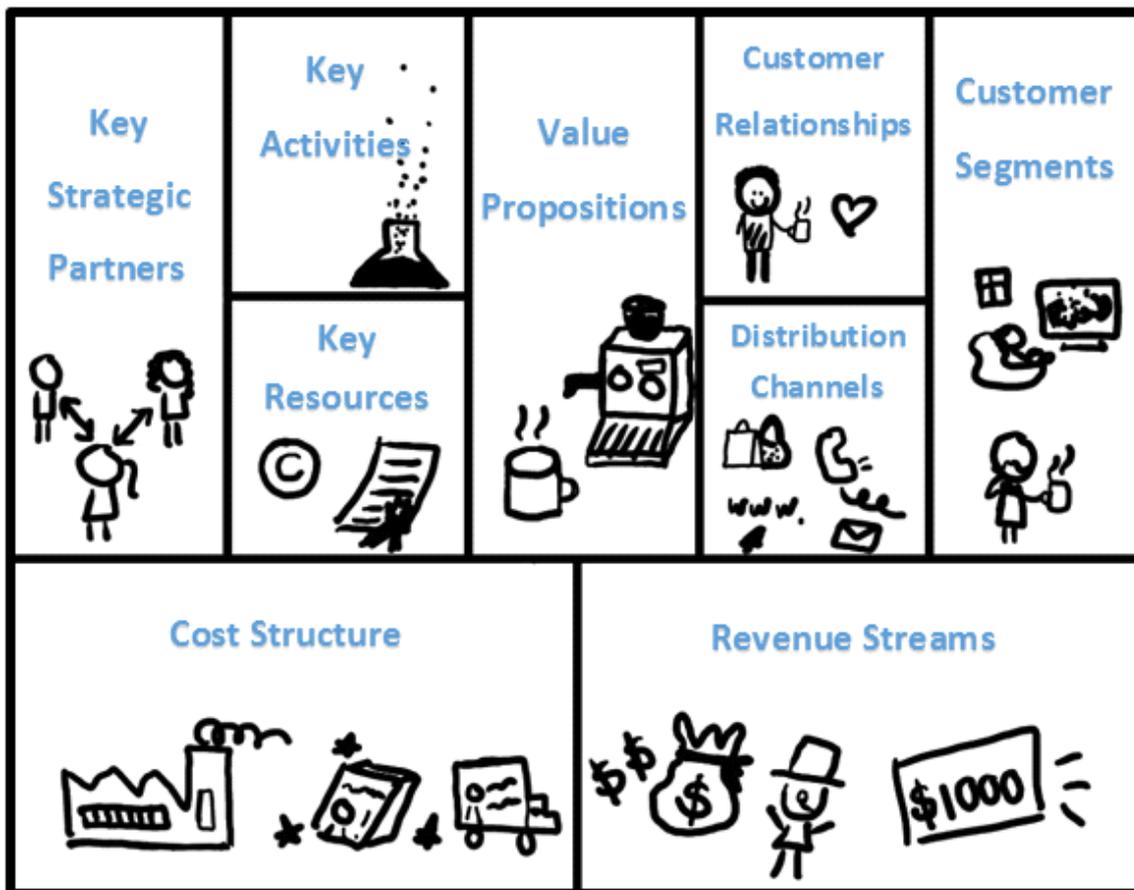
#### PAST ESSAY FEEDBACK:

- 💬 **What constitutes good feedback? (from webcast)**
- provides relevant examples to assist understanding
  - critiques the work, not the person who wrote it
  - feedback is constructive and specific
  - area of strengths and areas of weaknesses both highlighted

⚠️ **Because this is unlikely to be examined, no example will be provided here. :)**

## WEEK 4: Business Models

🗨️ The **Nine Building Blocks** that make up the **Business Model Canvas** are illustrated below. See the site [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com) for a more detailed model canvas outline.



**NESPRESSO:** Nespresso is a sub-brand of Nestlé that sells café style machines and coffee-making components that are compatible with their machines. What are some of Nespresso's most sustainable 'building blocks' and why?

- *Distribution channels:* these are methods of communication that market and sell the products for Nespresso. They currently sell their Nespresso machines and special coffee pods in regular retail stores as well as on their website. These distribution channels are important for customers to access the products, thereby generating revenue for the company.
- *Revenue streams:* Nespresso's revenue stream structure is similar to the 'razorblade' model. The machines that use Nespresso's coffee pods are relatively inexpensive, but it is the sale of the special Nespresso-specific pods that is the main source of revenue for this company.

★ **NETFLIX:** Netflix is an online media streaming service that lets users stream videos, TV shows, movies etc. for a flat monthly fee each month. Of the following four components of the business model canvas, which one contributes the most to making Netflix sustainable?

- *Key Partners:* companies such as Amazon, Tivo, HBO, Disney Pixar, Sony, Samsung, Google and lots more all assist Netflix's business operations to some extent. Entertainment studios hold exclusive online content contracts with Netflix for TV shows, movies, etc. Payment platforms Paypal and Visa are also key partners, enabling members to pay their subscriptions with ease. Affiliates are also able to refer new customers to Netflix, with a one-off reward paid. With these partners and affiliates, Netflix is able to maintain and increase its revenue streams, consolidating economic sustainability into the future.
- *Value Propositions:* Netflix offers convenience (streaming media on demand), affordability (at reasonable subscription rates per month) and a huge variety of content. Netflix also fulfils demands for original shows,

such as renewing and creating programmes such as *Arrested Development* and *Hemlock Grove*, directed by Quentin Tarantino. Netflix's accessibility on a variety of media or company platforms also provides an attractive value proposition. These value propositions are highly attractive and generate revenue for the company, thereby ensuring Netflix's economic sustainability. The availability of online content also reduces the company's carbon footprint as it does not require DVDs, making it more environmentally sustainable.

- Revenue Streams: Netflix's revenue streams is currently limited to monthly subscription fees that the company charges its members. It costs US\$8.99 per month for unlimited streaming with no late fees compared to the traditional order-and-post DVD services. This rate is deemed attractive and is of course a significant contributor to Netflix's economic sustainability.
- **Key Resources:** Netflix's library of media content, including exclusive and original content only available through the company, successfully deliver on the value propositions (outlined above). These resources contribute the greatest to the sustainability of the business as it is with these key resources that Netflix can deliver its value propositions and therefore generate revenue streams. The decline in demand for physical DVDs and the increase in demand for online streaming or downloaded content reduces costs of purchasing and posting DVDs, allowing the company to be more economically sustainable. In the environmental sustainability perspective outlined by Nidomolu et al. (2009), less postal services means less harmful contributions to the environment, giving Netflix a competitive advantage over traditional videostore competitors such as Blockbuster.

## WEEK 5: Marketing Customer Orientation & Marketing Myopia



**Marketing myopia** is concerned with businesses adopting a short-sighted, restrictive approach to their marketing. This could occur in a variety of ways; for example they could perceive their industry to be narrower than it really is or they are concerned with short-term profits as opposed to long-term foreseeability and investment.

Examples from **Theodore Levitt's** leading article on marketing myopia include:

- railway companies: thought railway industry but really in the transportation industry
- old film companies: thought movie industry but really in the entertainment industry

A wider scope of vision is required in order for a company to survive, especially with advancing technologies and remarkable shifts in demographics.



**McDONALDS:** What industry is McDonald's really in? In a maximum of two sentences, provide a succinct definition that answers this question in a way that will ensure you are not being "myopic" in your marketing.

McDonalds is operating in the **restaurant industry**, due to the nature of their business being preparing, producing and serving food to customers which is the base definition of a restaurant.

In a maximum of two sentences, provide a justification for your definition and explain how your definition relates to your company thinking from the perspective of customers' needs and benefits rather than from the perspective of products and services.

McDonalds is a business that focuses on the customer experience, responding appropriately to shifts in customers' needs and wants by introducing classic menu choices such as the Kiwiburger and Oreo McFlurry as well as healthy selection and vegetarian choices. The made-to-order platform also caters to a great degree of flexibility for customers' dietary needs and wants; combined with the convenience of time and place utility, McDonalds achieves added customer value which is so pivotal in competing in the restaurant industry.

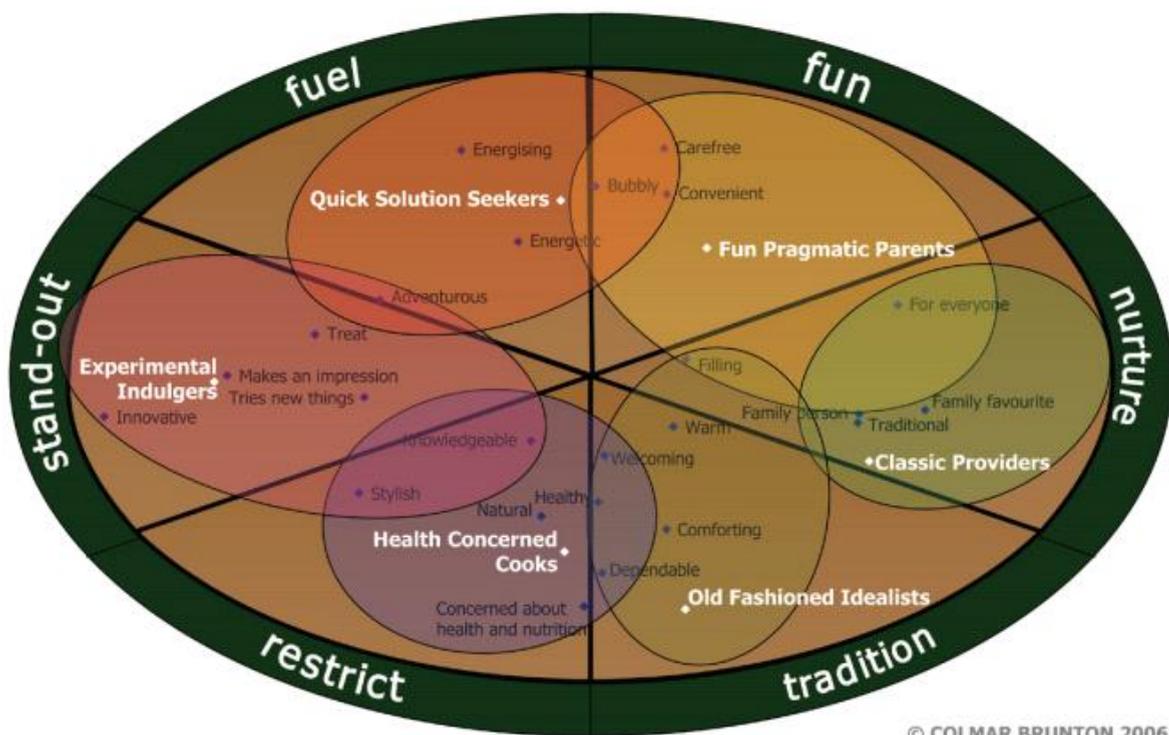
## WEEK 6: Segmenting, Targeting and Positioning

Markets need to be **segmented** according to a particular internal or external factor: geographic, demographic, psychographic, or behavioural. It is important to remember that segmentation is viewed as **groups of people, not groups of products**. Products are developed as a response to a business' desire to satisfy the needs and wants of particular market segments.

A specific **target market** then needs to be selected (**targeting**). Businesses then need to **position** a particular association, image or idea into the minds of people in this particular target market to successfully give their product or service a competitive advantage. Positioning is essentially how a company presents itself or its products or services in order to get on the customers' "shopping list". Positioning can be achieved through various ways:

- key product attribute
- key product benefit
- quality
- emotion/image/association
- price/value

The exercises about McCain's potato products use the following market segmentation diagram.



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### McCain 'PURELY POTATOES':

Target Market Segment: **Fun Pragmatic Parents**

Key point(s) of differentiation: **convenient, for everyone**

Appealing slogan: **A fuss-free feed for the family!**

Explain and justify in 2-3 sentences exactly why you think that your team has come up with a good positioning strategy and an effective slogan for the product if targeted at this particular segment. **The fun pragmatic parents** deeply value the factor of convenience without compromising quality and an appealing and filling feed for their family. This target market enjoys preparing quick-to-serve, simple meals and we feel that our slogan highlights the convenience and versatility of 'Purely Potatoes'.

★ **McCain 'CROSS TRAX':**

**1) Target Market Segment: Quick Solution Seekers**

Key point(s) of differentiation: convenient, creative type

Appealing slogan: A season-ational quick fix!

Explain and justify in 2-3 sentences exactly why you think that your team has come up with a good positioning strategy and an effective slogan for the product if targeted at this particular segment. This market segment appreciates convenience and their behavioural patterns indicate that they are more likely to consume processed potatoes, which is what 'Cross Trax' is. The product also appeals to the behaviour of those categorised as 'quick solution seekers' and requires minimal efforts in preparation while having the benefits of potatoes!

**2) Market segment being targeted: Old Fashioned Idealists**

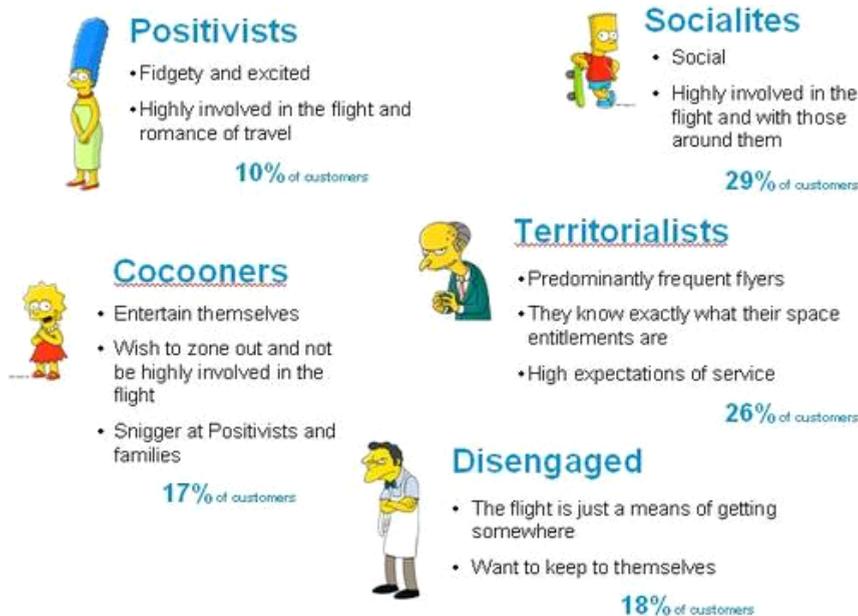
Key point(s) of differentiation: dependable, comfortable

Appealing slogan: Fast Trax you can rely on

Explain and justify in 2-3 sentences exactly why you think that your team has come up with a good positioning strategy and an effective slogan for the product if targeted at this particular segment. Cross Trax is a product that would be rather unusual for people in the 'old fashioned idealists' category to purchase, so the idea that it is a dependable product that people can rely on for nutrition and the occasional treat is vital in marketing to this segment. The slogan emphasises its reliability and also its convenience, which may be a welcome change to those who usually take time making roast or baked potatoes with their meals.

**AIR NEW ZEALAND:** Air New Zealand positions several qualities of service that appeal to their different market segments. They present themselves as a people-centric business, which positions the association of quality service and responsive to diverse customer wants and needs.

## Long Haul Flyer Segmentation



There are also various services and programmes which cater for the various market segments. There are AirPoints for frequent flyers and Above & Beyond for business travel. These all position the idea of the airline's dedication to their customers.

The Grabaseat site also caters for low-expenditure passengers, associating low prices with excellent service in the minds of Air New Zealand's customers who use the site to purchase tickets.

**ICE CREAM:** Different brands of ice cream market their products to customers in different manners, conveying different features, images and ideas relating to their product. These features and ideas are tailored to the characteristics of customers in respective segments. Some examples are outlined below.

- **Tip Top or Kiwi** (similar companies): ice creams are available in a wide range of flavours and normally in larger volumes compared to the other brands (often 2L tubs). Ice blocks such as Popsicles are also manufactured by Tip Top and sold in boxes with multiple ice blocks, readily available in supermarkets. They are marketed more to families, who would recognise the savings in buying greater volumes at a lower-per-unit cost.
- **Rush Munro's or Kohu Road or Kapiti** (similar companies): ice creams are normally available in smaller, usually 1L tubs and individual ice blocks are sold at lesser volumes compared to Tip Top. Their colour palette

and marketing campaigns usually convey the idea of higher-end luxury with a 'boutique-y' feel and the cost of their ice creams reflect this. Kapiti ice creams would be aimed at slightly wealthier and smaller families or individuals who would want to treat themselves from time to time, but often still available in regular retailers such as supermarkets.

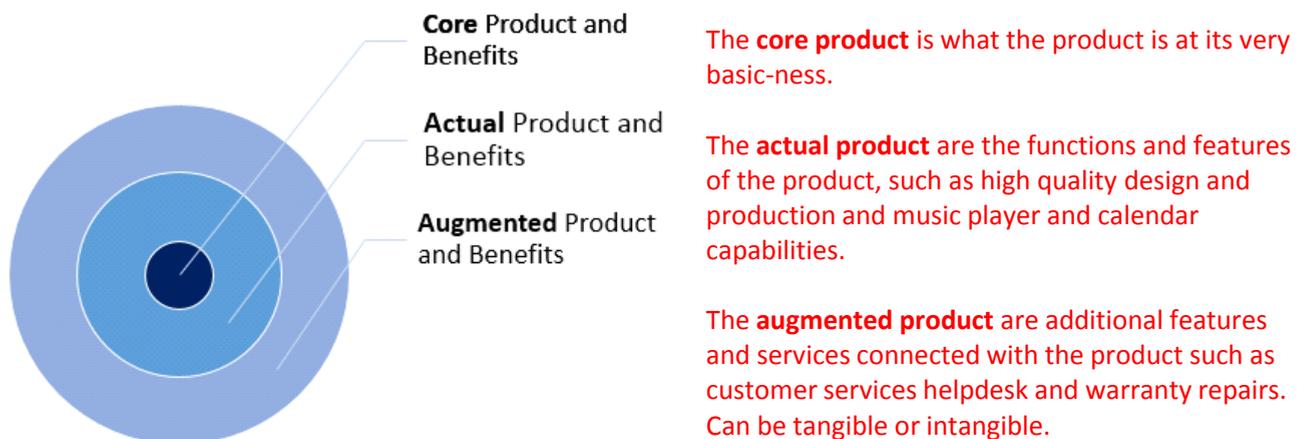
- **New Zealand Natural:** ice creams are more available in smaller tubs (approximately 1L) and marketed to a mid-to higher end segment.

## WEEK 7: The Marketing Mix - 4 P's & Augmented Products

The marketing mix needs to support the initial steps of the marketing strategy (segmenting, targeting and positioning as outlined above). The 4 P's of the marketing mix are: **product, price, place and promotion**. These components make up the basic tools for implementation and must work together.

- **Product:** functions, appearance, quality, packaging, brand, warranties/guarantees, customer after-sales service and support
- **Price:** list prices (RRP), discounts/allowances, financing (interest free, lowered interest percentage), lease options
- **Place:** channel members and movement, market coverage (stores, retailers, etc), location, logistics
- **Promotion:** advertisements, personal selling, public relations and awareness, media exposure and coverage, budgeting for customer awareness, competitions, bundling, up- or cross-selling

But first a product needs to be evaluated for its various benefits: **core, actual and augmented**. By categorising the benefits associated with a product, the business is able to determine what the customers perceive they are paying for and "extra" benefits. This can best be summarised by the diagram as follows.



- ★ **SAMSUNG GEAR:** is a smart watch that is connected to the Samsung Galaxy Note 3 device. It has the very basic functionalities of a smart phone, with calendar and agenda applications and is able to receive text messages.

**Core product and benefit:** smart phone accessory.

**Actual product and benefits:** renowned brand (Samsung); high quality design and manufacturing; comfortable; features of basic smartphone (calendar, music, texting, Bluetooth, internet access, exercise monitor, camera, clock and alarms)

**Augmented product and benefits:** GPS locating of phone (when synchronised); warranty; convenience; after-sale services (repairs); social status (relative cost defines wealth and \$wag); Android/Google marketplace for applications; operating software updates.

**Elevator Pitch:** In 30 words or less, provide a concise summary directed at your target market (**university students**) of what your product is and of what it will do for them.

The product on offer is a smart watch -- a little gadget that's cool, convenient and comfortable, making life easier for the university student struggling with their hectic schedules! ~~Be smarter with a smart watch!~~

Each of the 4 P's is important and they must all mix effectively together. This often presents trade-offs and challenges in trying to come up with the "best" overall offer to appeal to the target market. Which of the 4 P's is the biggest challenge in trying to market your smart watch to **university students**?

**Price:** is the most challenging P for the marketing of the Samsung Gear to university students. This is because of students' financial constraints, which reduces willingness and ability to pay for the smart watch. The price will need to overcome the difficulty in creating a need recognition in university students, in addition to setting the price at a reasonable penetration level into the market to compete with existing and prospective smart watch products.

#### APPLE IPHONE:

**Core product and benefit:** mobile phone

**Actual product and benefits:** music player, calendar and agenda function, internet access (WiFi, 3G, 4G), game centre, quality design and manufacturing, accessories, sharing platforms (Bluetooth), GPS, synchronisation

**Augmented product and benefits:** customer care service, helpdesk, repairs service, social status (Apple products are expensive), compatibility with other Apple products

**DE BEERS ("DIAMONDS ARE FOREVER"):** De Beers, one of the biggest diamond merchants in the world, essentially created the 'traditional' link between romance and diamonds. They wanted their customer to think about romantic idealism and spend great amounts of money to express this sentiment (through a diamond ring). The idea of shopping for the perfect ring as a shared experience; the wedding ceremony as an expression of commitment; the 'post-purchase evaluation' being the joy of love -- these were all ideas that De Beers cemented into 'tradition' that were previously not 'necessary'.

**Core product and benefit:** compressed carbon

**Actual product and benefits:** a diamond ring, romantic connotations, fitting

**Augmented product and benefits:** romantic connotations, representation of love ("forever"), wealth/status (diamonds are expensive)

#### AIR NEW ZEALAND:

**Core product and benefit:** transportation

**Actual product and benefits:** seating, meals, on-flight service, check-in processing

**Augmented product and benefits:** Koru Lounge, Airpoints, priority boarding, comfort, reliability in service

## WEEK 8: Customer Relations, Co-Creation of Value & Customer Lifetime Value

 A customer's **lifetime value** is measured in monetary amounts, the **value of all cash flows created by a customer relationship**, often by computing an estimate of what they spend over a reasonable 'lifetime' period (eg. 25 years). Customers with a high lifetime value compared to the other customers should be the focus of retention activities (**retaining is cheaper than acquiring**), and **long-term relationships should be valued over short-term relationships**.

By delivering value to the customer, businesses secure customer satisfaction. They should also personalise customer experiences, and use **tools for customer retention** such as offering special reward programmes for different tiers of customers or bundle offers. **Over time, customer frequency should increase** and so should the **share of wallet!**

**COUNTDOWN:** The mother in a family of five spends around \$250 per week on groceries, shopping every week, approximately \$13,000 per year. If she shops at Countdown for 20 years her lifetime value is \$260,000. She would probably be ranked quite highly in the 'relationships to retain' list. Incentives such as the Onecard gives her discounts on products that she is a frequent buyer of, and multi-buy specials give her discounts on her usual groceries.

 The fourth era of marketing, currently the present, focuses on relationship marketing -- marketing to the needs and wants of customers. Companies increasingly aim to engage their customers to **be active players and creators of value** as opposed to being **traditional passive recipients of value**. Through **co-creation of value** not only do businesses effectively aggregate and engage customers' wants and needs, therefore making their product/service of even greater value to end consumers. For something to be truly co-creative

the business should not hold too much control over the options; **most self-service products** eg. petrol stations and checkouts, **and services do not constitute co-creation** (although creativity and artistic factors may be argued, eg. KiwiYo).

Companies who use co-creation have **open processes, are transparent and are enablers of value**. Co-creation can also include the collaboration of users to create an experience.

★ **YOUTUBE:** Content creation is an example of co-creation of value for YouTube and its users. The users who upload videos create value by giving YouTube the opportunity to place advertisements on the videos, thereby earning the site revenue. In turn, YouTube creates value by providing a platform on which users can watch videos and interact in the community, through voting or commenting on videos. Subscriptions are also available for channels to users' liking which allows them to customise their site experience and therefore increases customer value. Popular users are encouraged to continue with their videos through the YouTube Partners scheme. The participation of other users plays a big part in creating the environment of the site or on particular channels, which can greatly affect other users' quality of experience on the site.

**AMAZON:** Amazon has a variety of functions that personalise the user experience on amazon.com. Through past purchases and favouriting products, users are able to view similar or related products that may be of interest to them. For Amazon, this increases the probability of revenue being generated. Customers are also able to upgrade their account to the premium tier, which offers more benefits than the regular membership account, catering to the flexibility of different customer segments and their demands.

**ONLINE GAMING SITES (WORLD OF WARCRAFT, CALL OF DUTY, etc):** Various online gaming sites rely on the behaviours of users to create a particular gaming environment which is the base of the gameplay experience for all users. This is known as co-experience where users interact with both the game and other users. It involves an engagement platform which is used to deliver the gaming interface and facilitate user interactions such as chat, trading and location maps, which delivers player enjoyment and therefore value to the game. With increased player satisfaction and engagement they may be more willing to upgrade their accounts for additional features and benefits, which is a main revenue source for the company.

**FACEBOOK:**

Features people use on FB	Features >> Outcomes	Overall outcomes of using FB
<ul style="list-style-type: none"> <li>- news feed</li> <li>- wall posting</li> <li>- chat/IM</li> <li>- groups</li> <li>- sharing content</li> <li>- games</li> <li>- apps</li> <li>- photos/videos</li> <li>- poking</li> <li>- calendar/events organisation</li> <li>- polls/voting</li> <li>- advertising</li> <li>- liking stuff</li> <li>- birthday reminders</li> </ul>	<ul style="list-style-type: none"> <li>- participating in the online environment</li> <li>- self-developers of apps/games</li> <li>- collaborating to share information</li> <li>- communicating/interacting</li> <li>- uploading content</li> <li>- trolling</li> <li>- marketing</li> <li>- reacting</li> <li>- sharing</li> <li>- accepting friend requests</li> <li>- providing information</li> </ul>	<ul style="list-style-type: none"> <li>- communication medium</li> <li>- organisation</li> <li>- collaborative platform for sharing</li> <li>- networking/making connections</li> <li>- stalking people</li> <li>- entertainment</li> <li>- spreading the wonderful world of the internet</li> <li>- lower friend loss rate</li> </ul>

**How does Facebook earn revenue (income generation) through a free social utility platform?**

- advertising
- Facebook coins (for games and apps)
- job opportunities, 'street cred'
- brand promotion

**RESTAURANT:** How different parties contribute to your dining experience:

	<b>GOOD</b>	<b>BAD</b>
<b>Restaurant</b>	Friendly and prompt service Free appetisers Complimentary wine Nice music	Bad service Rude waiters Fly in soup Long waiting time
<b>You and/or the people you are eating with</b>	Good conversation and laughs No awkward moments Good table etiquette	Socially unacceptable behaviour Ragequitting for no reason Table-flipping
<b>Other customers in the restaurant at the same time</b>	Relaxed background conversation Appropriate dress for restaurant No overly PDA couples	Inappropriate behaviour Causing a scene Rejected marriage proposal

## WEEK 9: Management & Employee Motivation

There are many theories of employee management, both classical and contemporary. Nevertheless, classical theories are still applicable today and can be applied to many situations in the workplace. Some of the most well-known theories are outlined below.

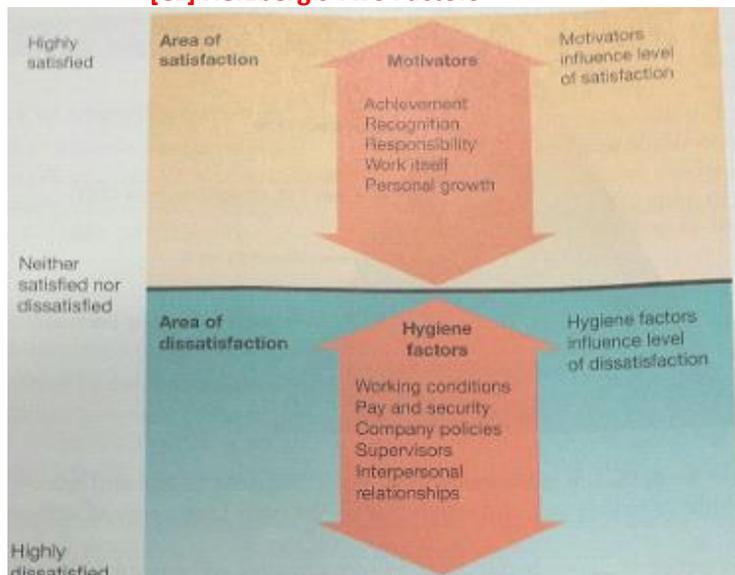
### MOTIVATIONAL THEORIES

#### [CL] Theory X & Theory Y

Theory X is the negative managerial assumption that employees are lazy, irresponsible and lack ambition in their work. The belief that employees dislike their work motivates managers to use fear of losing jobs and extrinsic rewards (eg. money and promotions) to motivate employees.

Theory Y is the positive assumption that employees enjoy their work if it is meaningful and are naturally committed to goals. Creativity and responsibility are encouraged when appropriate and managers prefer to have employees seek intrinsic rewards (eg. self-satisfaction and growth).

#### [CL] Herzberg's Two Factors



Herzberg's theory of two factors identifies factors in work experience into satisfying and dissatisfying areas. Motivators (usually **intrinsic factors**) were factors that influenced employee satisfaction (see left).

On the contrary, **hygiene factors** (usually **extrinsic factors**) influenced employee dissatisfaction. They could include company policies and working conditions but also uncertain job security.

Employers would ideally need to address these hygiene factors to increase employee satisfaction in the workplace, by removing factors of dissatisfaction and adding factors of satisfaction.

#### [CL] McClelland's Three Needs

The three needs recognised by McClelland are:

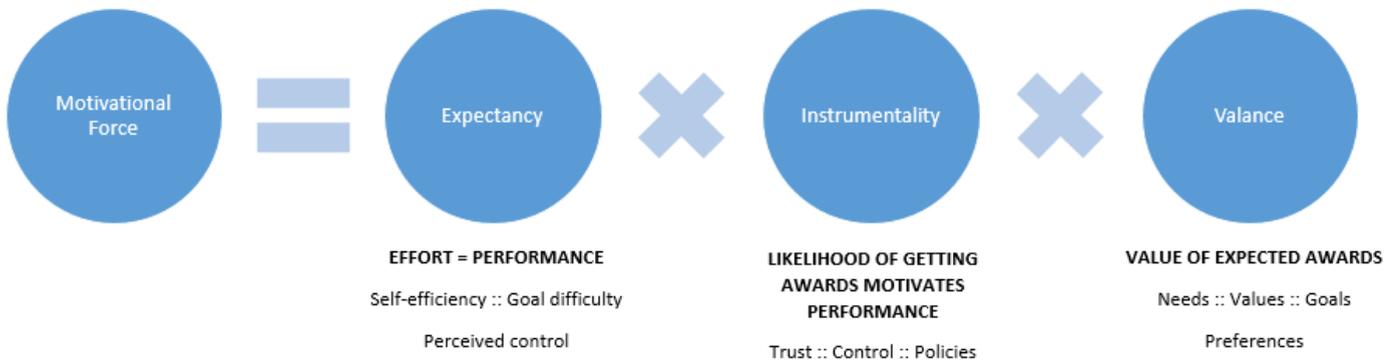
- need for **power**: having and using control over others
- need for **affiliation**: being accepted by others and having social interactions with others
- need for **achievement**: accomplishing goals that are personally meaningful

### [CL] Maslow's Hierarchy of Needs

The needs of an individual are arranged into an order (pyramid). From the base to the top:

- **Physiological**: basic needs, eg. salary
- **Safety**, eg. health insurance, pension planning
- **Social**: sense of belonging, eg. friends at work :)
- **Esteem**, eg. job title, recognition
- **Self-actualisation**: fulfilling potential, eg. leadership roles

### [CO] Expectancy



The expectancy theory is often considered the best explanation of employee motivation. It takes into account the combination of an employee's self-expectations on ability, expectations of likely rewards and how attractive those rewards are. The quality of effort depends on several things: individual effort, individual performance, organisational rewards and individual goals.

People are motivated to satisfy needs for survival and growth. They respond when they value the rewards being offered and do the job in the confidence that they will be rewarded for their work.

### [CO] Equity

Very basically, this theory is based on fairness in pay systems. Employee satisfaction is dependent on the input to outputs or rewards ratio in their job. When employees feel there is inequity they could take remedial actions such as ask for a payrise, slack off or even quit to re-balance this ratio. Common equity issues include the gender pay gap and the "glass ceiling" and racial or cultural pay gaps.

### [CO] Goal Setting

Goal-setting theory is basically the idea that setting goals is an effective means of motivating employees. Effective goals need to be:

- specific enough to achieve clarity and focus
- difficult enough to inspire effort
- clear in accountability (who "owns" the goal?)
- evaluated with timely feedback on progress
- believed achievable by the employees

Goals cannot be overly narrow, generally unattainable, have unreasonable time constraints, etc. as this will only demotivate employees who feel that have no chance of attaining them.

## HUMAN RELATIONS MANAGEMENT

### Mary Parker Follett - Integrative Conflict Resolution & Other Principles

Follett's idea of integrative conflict resolution involves the two parties who have disagreed to approach the conflict by indicating their preferences then building a solution together to meet the needs of both parties. While there is likely to be some degree of compromise, Follett does not believe that conflict is best solved this way, nor by domination in which one side would lose out.

Follett's other key contributions to management theory include:

<b>Constructive conflict</b>	- unavoidable, should not condemn it - use to resolve things positively
<b>Power</b>	- causal agent used to create change - 'power-with' not 'power-over': joint power and not domination
<b>Giving of orders</b>	- often command that is resented, not what is commanded - discussing instructions with employees allows disputes to be dealt with
<b>Authority</b>	- job dictates amount of authority as opposed to hierarchical position - knowledge and experience goes with authority, regardless of hierarchy
<b>Leadership</b>	- leader should aim to find a source of unification - see things as a whole and not as separate parts - ability to organise a team with common purpose - good leader is not aggressive, masterful or dominating
<b>Co-ordination</b>	- cross-functionality and interrelation between departments - flat hierarchy, no high-to-low ladder of authority - unity does not exist but unifying does
<b>Control</b>	- 'fact-control' over 'man-control' - many controls rather than one dominant control

### Henri Foyal - Principles of Management

Foyal's fourteen universal principles of management highlight his belief in administrative management being as or more important as technical management. His management functions are commonly known now as PLOC (Planning, Leading, Organising and Controlling). His fourteen principles, which he believes are also needed in addition to PLOC, are listed below.

<b>Division of work</b>	Specialisation of labour necessary for organisational success
<b>Authority</b>	Right to give orders must accompany responsibility.
<b>Discipline</b>	Obedience and respect helps with running an organisation smoothly.
<b>Unity of command</b>	Employees should receive orders from one superior.
<b>Unity of direction</b>	Everyone in the organisation should be focused in the same direction and have a common purpose.
<b>Subordination of individual interests to the general interest</b>	Balancing the interests of the organisation over personal interests, when there is a conflict, to favour the organisation is difficult.
<b>Remuneration</b>	Fair pay in accordance to contribution.
<b>Centralisation</b>	Optimum balance between centralisation and decentralisation must be found for every organisation.
<b>Scalar chain</b>	Formal chain of command to be followed unless authorised by superiors to communicate against chain.
<b>Order</b>	Material things and people should be in proper places.
<b>Equity</b>	Fairness resulting from a combination of kindness and justice will lead to devoted and loyal service.
<b>Stability and tenure of personnel</b>	Time is needed to learn jobs.
<b>Initiative</b>	Formulating and executing a plan is a great satisfaction.
<b>Esprit de corps</b>	Harmonious effort among individuals is key to organisational success.

### Elton Mayo - Hawthorne Studies (Western Electric Co.)

Main findings of the studies included the fact that financial incentives are not the key driver to employee performance (Bank Wiring Room experiment). Mayo also found that employees worked better when there was a team cohesion factor which allowed individuals to work together harmoniously when given the freedom to cooperate. Engaging with employees to hear their opinions, and allowing them to negotiate decisions, was also important in increasing the production levels (Relay Test Assembly Room experiment) as a result of increased employee satisfaction.

### Chester Barnard - Co-operation and Acceptance of Authority

Barnard defined organisation as 'a system of consciously co-ordinated activities or forces of two or more persons' -- he viewed organisation as an intricate and multi-part system that works towards the same purpose for which co-operation was vital. He believed that co-operation depended on the perception of the executive authorities in an organisation. In the 'zone of indifference', acceptance of managerial authority becomes automatic for employees. Employees in this 'zone' understand orders that are consistent with the organisational purpose and personal interest. Orders must also be able to be executed by the employee receiving the command. The essence of Barnard's theory is that workers give managers their authority.

★ **SATURNZ SOFTWARE:** Saturnz Software is a local software development company. Originally a typical start-up with a close decision-making body and few employees, a surge in demand has resulted in huge growth in both profit and the number of employees. However, there is a high turnover of staff at Saturnz and many of the more experienced employees are only staying on out of loyalty; many young graduate hires are feeling unsupported in their new workplace. There is also confusion as to who the 'bosses' are and there is no clear chain of command.

Select five of either **Mary Parker Follett's Key Contributions to Management** or **Henri Foyal's Principles of Management**, provide examples from the case, then **choose one** that is most likely to help address the current issues at Saturnz Software.

#### (i) MARY PARKER FOLLETT:

1. **Co-ordination:** high staff turnover results in instability and uncertainty; cross-functional employees.
2. **Giving of orders:** younger employees lack experience; employees mostly graduates; not sufficient time to learn requirements of job fast enough; confusion as to what is needed and when.
3. **Leadership:** Keegan is CEO but is absent; lack of clear hierarchy; lacking suitable HR practices.
4. **Authority:** Keegan oversees everything informally; no dilution of control amongst employees.
5. **Constructive conflict:** cultural diversity causes conflicts in values and ethics in workforce.

**Justification:** **Co-ordination** is the contribution which will best reform the disorganisation at Saturnz Software. At the moment the business is very disorganised, lacks unity between the employees and senior managers -- the staff are uncoordinated in communications and team projects. Younger and newly-hired graduates also lack direction and guidance from senior members of Saturnz Software, demonstrating a hierarchical gap between the two workforce groups. The lack of co-ordination results in inefficiencies and a high staff turnover which is plaguing the business. Through more efficient communication channels and increased cross-functional team projects, the workload could be managed better and allow the efficiency of the company to improve.

#### (ii) HENRI FOYAL:

1. **Stability of tenure of personnel:** high staff turnover, particularly with younger employees; loyalty key retention factor; long-serving staff dissatisfied.
2. **Division of work:** employees experiencing skill shortage; overworking and overtime common without remuneration; low morale due to stress.
3. **Esprit de corps:** low morale due to overworking; 'under-appreciation' for work done.
4. **Unity of command:** flat company hierarchy confusing; team projects no certain manager.
5. **Initiative:** employees should act with initiative in the absence of key managers such as Keegan.

**Justification:** **Stability of tenure of personnel** is the most likely contribution to address the current issues at Saturnz Software, as the younger employees that have been hired lack the motivation to stay at the company. This poor retention rate affects the workplace environment, creating a tense uncertain workplace. The lack of graduate retention can be put down to lack of mentoring support from and low morale in the

existing employees. If Saturnz Software actively supports these newly-hired graduates, they would rejuvenate the company to its previous 'entrepreneurial start-up' attitude with a 'small family' feel. Lowering the staff turnover would increase staff morale and reinforce a more positive office environment.

## WEEK 10: Human Resource Management & Labour Relations

Human resource management is a key area in most businesses. It is a complex and dynamic functionality of organisations, who must deal with people. Organisations provide employee development and support in order to satisfy their employees and create a positive workplace environment. The four main staffing challenges to any organisation are:

- **aligning** workforce with changing requirements
- ensuring employee **loyalty**
- monitoring **workloads** and avoiding burnout
- managing **work-life balance**

The stages of the **employment life cycle** is as follows:



The diagram on the left also shows the three key stages of human resource management.

- **Recruit** involves hiring employees and the process, such as screening and interviewing applicants up to the offer.
- **Reward** is a pivotal part in this cycle as it motivates employees through incentives, both intrinsic and extrinsic. Rewards could take the form of bonuses or staff awards such as Employee of the Month.
- **Retain** involves managing employees in such a way that they are inclined to stay. This could be through continual development, new opportunities to work cross-department, secondments overseas, incentive/disincentives etc. **Retention is cheaper than recruiting.**

The human resources department also needs to manage staff needs, such as evaluating job requirements, forecasting talents and skills required for jobs as well as worker supply to fill positions. Issues of diversity in the workplace also falls to HR, such as inequities between age, race, religion and gender.

★ **GOOGLE ("RECRUITING TO RETAIN"?)**: Is Google's human resources management system is focused on a particular function (out of recruit, reward or retain)? Provide a justification along with the answer.

**Yes** - the Liane Hornsey quotes suggest that Google's human resources management system is highly focussed on employee **retention** and also hiring to a certain extent. From the video, there were many opportunities for employees to add to their skillset and knowledge. Reassignments for cross-area experience as part of ongoing development also helps individuals better themselves personally and professionally. Employee benefits available at the Googleplex environment also encourage an informal "non-paternalistic" work culture that is focussed on the retention of existing employees. Employees are also able to air grievances during "bureaucracy busters" without repercussion, improving employee satisfaction.

Liane also emphasises the importance of hiring people who are not only talented but able to work well with potential peers, evidenced through the 360° interview process. This also ensures workplace culture compatibility, thereby encouraging greater productivity and retention through better worker-workplace congruence.

🗨️ **Labour unions** are groups of workers in various industries that aim to protect the interests of its members. This protection can be achieved through wages and benefits adjustments, improving working conditions and ensuring job security as best as possible. These are all linked to **Maslow's Hierarchy of Needs** and **Herzberg's Two Factor Theory**.

Unions rely on strength in numbers to engage in **collective bargaining** procedures with employers to address their grievances and achieve aims. Common symptoms of a break-down in negotiations are strikes and protests.

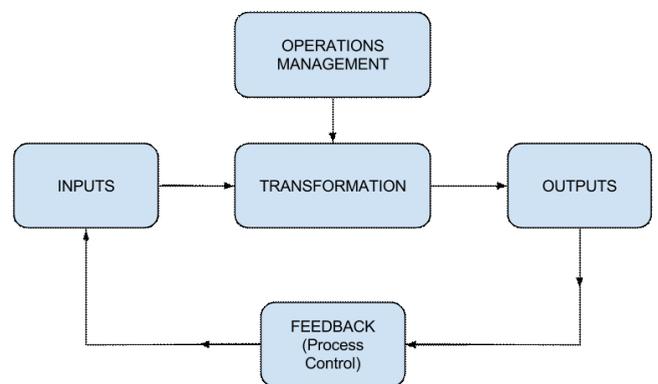
**McDONALDS:** Workers have recently went on strike to protest against unfair pay rates, calling the minimum wage that they are paid not a "living wage". Members of the union have also went on strike to demand an end to discrimination in the workplace, particularly homophobia.

**JB HI-FI:** New Zealand JB Hi-Fi union member employees also recently went on strike to protest unfair wages, apparently including a backlog of unpaid hours for some workers, against the Australian owners of the retail chain. While members of the union, if successful, would enjoy a pay rise, non-union members would not expect to be given the same benefits. There is also the point of morality whether or not a non-union member will join their union colleagues in solidarity or go to work as per usual -- consequences from either action could be negative. Failure to show up to work could result in termination; choosing not to join your striking workmates could put you in a bad light with them.

## WEEK 11: Managing Systems & Operations

🗨️ The **systems way of thinking** considers all process steps in addition to constant feedback provision from outputs to another input in the subsequent cycle. Processes include manufacturing or providing a service.

The chart on the right shows this basic system, with feedback looped back to inputs. More complex systems would have more loops and components.



🗨️ **Laws of Systems Thinking (Zemke)** are several rules that apply. These are rather generic and in essence say that taking the easy, simple way out in systems thinking is most likely not going to be an ideal (or cost-effective) answer for an organisation.

- You cannot afford straightforward and simple solutions
- Pushing a problem does not solve it - today's problems are from yesterday's solutions
- The harder you push, the harder the system will push back
- Behaviour will get better before it gets worse
- The easy way out usually leads back
- The cure can be worse than the disease
- Halving an elephant won't produce two elephants

★ **REX BIONICS:** Rex Bionics is a small firm that has developed and manufactured bionic legs that enable wheelchair-bound people to walk again. This North Shore company is looking at expanding their market to the USA. There are two options for Rex Bionics for their supply chain to consider. They will need to locate the following bases in either USA, New Zealand or China.

Production :: Repairs :: Sales :: Customer service :: Research & Development :: Head office :: Freight & Transport

	China	USA	NZ
<b>OPTION 1</b>	P   R	S   C   F&T	H   R&D
<b>OPTION 2</b>	-	P   R   S	H   R&D   C   F&T

Would your team recommend option 1 or 2 for Rex Bionics? Justify your answer.

**Option 2** - shows the most promise as we value quality in the bionic legs above other aspects. Rex Bionics can offer better quality bionic legs by locating both production/manufacturing and repairs to the USA as there is likely to be a higher level of quality assurance by the contracted manufacturers. The USA also have their own health and safety regulations which would be easier to enforce if the product were made there as opposed to China. Basing the repairs in the USA would also remove lag time in sending the legs back to China for repair and back, which would also cut costs for the end user. This option would also improve customer service after sale which is clearly a primary value chain activity for Rex Bionics.

For your selected option, identify the most important challenge Rex Bionics is likely to face if they decide to go ahead with this option. Explain your choice and justify why.

**Production control and costs** - would be the most challenging aspect of option 2 if Rex Bionics chooses to implement it. If Rex Bionics outsources their production to China, they save labour and procurement costs compared to the USA. This will drive down the end price of the bionic legs for their customers, resulting in a greater market outreach through increased affordability. The company recognises the need for quality assurance and so we feel that the potential compromise of quality standards being met in China is both a big challenge and a potentially detrimental risk. In the USA manufacturers are more likely to comply with international standards such as the ISO 9000, which would increase Rex Bionics' bionic legs' reputation for excellent quality and design.