



## Premium HSC Notes (Business Studies) by AGCoaching

### Role of Operations Management

<b>Strategic role of operations management</b>	<ul style="list-style-type: none"> <li>• Implementation of operational strategies to establish <b>cost leadership</b> and <b>product differentiation</b> whilst improving <b>productivity, efficiency</b> and <b>quality</b> in outputs, ultimately to <b>maximise profit</b></li> <li>• Long-term planning undertaken by senior management to achieve the business's goals</li> <li>• <b>Cost leadership</b> - minimising costs in production methods to increase sales volumes, gain competitive advantage. Achieved through:             <ul style="list-style-type: none"> <li>◦ Economies of scale - buying in bulk and negotiating discounts to reduce per unit costs</li> <li>◦ Standardisation - mass producing G&amp;S in similar methods to reduce costs per unit</li> <li>◦ Technology - advanced methods of production lowering labour costs</li> <li>◦ Waste Minimisation - minimising excess production or underutilisation of labour and equipment</li> </ul> </li> <li>• <b>Differentiation</b> - designing outputs differently to G&amp;S of competitors. Achieved through:             <ul style="list-style-type: none"> <li>◦ Greater quality</li> <li>◦ Faster delivery</li> <li>◦ Greater customisation</li> <li>◦ More features</li> <li>◦ Justification for higher costs</li> </ul> </li> <li>• McDonalds invests in global training program (Hamburger University) to teach both managers and employees methods of quality production, customer service and waste management</li> </ul>
<b>Goods and/or services in different industries</b>	<ul style="list-style-type: none"> <li>• Both G&amp;S use technology, satisfy consumer needs and can standardised or customised, though:             <ul style="list-style-type: none"> <li>◦ <b>Goods</b> - tangible, require inventory, capital intensive, consumed, require technical skills, customers not present in production of good</li> <li>◦ <b>Services</b> - intangible, no inventory required, labour intensive, experienced, require service management skills, customer present in experience of service</li> </ul> </li> <li>• McDonalds centralises in goods, also provides services through meals such as McChicken and McFlurry, also provides customer service in forms of cashiers and drive-thru employees</li> </ul>



<b>Interdependence between key business functions</b>	<ul style="list-style-type: none"> <li>• <b>Operations and HR</b> - operations uses human capital and labour as input for production of G&amp;S, HR recruits and trains individuals on the basis of this demand to produce</li> <li>• <b>Operations and Finance</b> - finance monitors, records and analyses business transactions when purchasing inputs, operations produces goods for sales generation</li> <li>• <b>Operations and Marketing</b> - operations produces outputs based on SWOT analysis, market research and marketing plan, marketing provides requirements and markets product for sales generation</li> <li>• <b>McDonalds' HR department hires employees in AU through \$23.83/hour average wage incentive for cook position, allowing to produce 51+ Million burgers and facilitate generation of \$2 billion revenue</b></li> </ul>
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## Influences on Operations

<b>Globalisation, Technology, Quality Expectations, Cost-based Competition, Government Policies, Legal Regulation, Environmental Sustainability</b>	<ul style="list-style-type: none"> <li>• <b>Globalisation</b> - liberalisation of trade barriers that increases integration of economies and interdependence of nations and economies <ul style="list-style-type: none"> <li>○ Facilitates international transfer of capital, labour, financial resources and technology</li> <li>○ Removes barriers by reducing tariffs and quotas, has multifaceted impact</li> <li>○ Impact on inputs <ul style="list-style-type: none"> <li>■ Larger market available for potentially cheaper resources</li> <li>■ Greater outsourcing and global sourcing opportunities for cost leadership</li> <li>■ Must convert currencies to pay suppliers, increases risk</li> </ul> </li> <li>○ Impact on outputs <ul style="list-style-type: none"> <li>■ New markets available to sell overseas</li> <li>■ Demand greater product variance due to unique markets differing from countries</li> <li>■ Increased competition in overseas market</li> </ul> </li> </ul> </li> <li>• <b>McDonalds has 37,000 restaurants in 120+ countries, generating US\$91 billion in total sales from adaptation to global conditions, making 11th on Forbes list 2018</b></li> <li>• <b>Technology</b> - innovative devices, methods and machinery used in business processes (etc. phones and computers) <ul style="list-style-type: none"> <li>○ Improves communication and streamlines business processes, makes range of devices and support system to facilitate processes and applications</li> <li>○ Operations Administration Technology - office based software like internet databases <ul style="list-style-type: none"> <li>■ Gantt Chart - graphical representation of</li> </ul> </li> </ul> </li> </ul>
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	<p>project schedule (bar chart displaying tasks of project, start and end dates)</p> <ul style="list-style-type: none"> <li>■ Critical Path Analysis - method used to determine time required to complete project tasks, critical is minimum time)</li> <li>■ Internet Database - methods used to record orders and sent directly to admin</li> </ul> <ul style="list-style-type: none"> <li>○ Operations Processes Technology - tasks allowing businesses to improve processes           <ul style="list-style-type: none"> <li>■ Supply Chain Management software assists business manage supply chain processes like inventory management, can use Computer Aided Design when designing</li> </ul> </li> <li>○ Impact           <ul style="list-style-type: none"> <li>■ Automates repetitive tasks, reduces manual errors, improves data-driven decision-making</li> <li>■ Responsive towards changing customer needs and market trends</li> <li>■ Requires high maintenance and implementation costs</li> </ul> </li> </ul> <ul style="list-style-type: none"> <li>● McDonalds uses self-service kiosks and digital menu boards to improve processing efficiency, Gantt charts used for administrative planning to organise stock orders (for burgers, chicken, nuggets, etc)</li> <li>● <b>Quality Expectations</b> - expectations of customers for business G&amp;S quality           <ul style="list-style-type: none"> <li>○ Quality expectations for goods:               <ul style="list-style-type: none"> <li>■ Quality of design (type of materials, innovation, suffice customer needs)</li> <li>■ Fitness of purpose (conform to purpose, warranties and reviews)</li> <li>■ Durability (reliability, ease of maintenance)</li> </ul> </li> <li>○ Quality expectations for services:               <ul style="list-style-type: none"> <li>■ Professionalism (kind service, attitudes, friendly staff)</li> <li>■ Reliability (provisions, reviews)</li> <li>■ Conformability (ability to meet customer needs)</li> </ul> </li> <li>○ Impact               <ul style="list-style-type: none"> <li>■ Pressure to ensure expectations met</li> <li>■ Influences product design, creation, delivery</li> <li>■ Improves quality of business products</li> <li>■ May increase production and output costs</li> </ul> </li> </ul> </li> <li>● Following coffee quality complaints, McDonalds implemented barista made coffees in 2011 to improve quality</li> <li>● <b>Cost-Based Competition</b> - cost structures and pricing policies of competitors that impact business           <ul style="list-style-type: none"> <li>○ Opportunity for price increase limited (tough to differentiate), reducing costs (of production) best</li> </ul> </li> </ul>
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	<p>way to maximise profit, establishes cost leadership</p> <ul style="list-style-type: none"> <li>○ Must efficiently cut costs, no undercut as lose profit</li> <li>○ Impact           <ul style="list-style-type: none"> <li>■ Increases reliance on market research towards pricing methods by businesses</li> <li>■ Increased use of economies of scale, waste minimisation, technology, outsourcing and global sourcing to minimise costs</li> </ul> </li> </ul> <ul style="list-style-type: none"> <li>● <b>McDonalds implements through focusing on costs through reducing waste by becoming 24/7 in 2005</b></li> <li>● <b>Government Policies</b> - internal guidelines (less formal and severe) to lead decision making, ensure consistency           <ul style="list-style-type: none"> <li>○ Operations managers must aware of monetary policy, fiscal policy, taxes, safety standards and public health</li> <li>○ Impact               <ul style="list-style-type: none"> <li>■ Increases cautiousness and proactivity of operations management</li> <li>■ Policy type impacts production scale</li> </ul> </li> </ul> </li> <li>● <b>Legal Regulations</b> - formal, written regulations (carry monetary consequences or imprisonment) if not followed           <ul style="list-style-type: none"> <li>○ Operations must abide to:               <ul style="list-style-type: none"> <li>■ Safety Standards in <u>Work Health and Safety Act 2011 (Cth)</u></li> <li>■ Environmental Resource Preservation in <u>Environmental Protection and Biodiversity Conservation Act 1999 (Cth)</u></li> <li>■ Minimum Wage in <u>Fair Work Act (2009) (Cth)</u></li> </ul> </li> <li>○ Impact               <ul style="list-style-type: none"> <li>■ Increases cautiousness and proactivity of operations management</li> <li>■ May increase production costs</li> </ul> </li> </ul> </li> <li>● <b>In Australia, McDonalds ensures fair and ethical conduct as bounded by Work Health and Safety Act 2011</b></li> <li>● <b>Environmental Sustainability</b> - concerns of society that demand practices environmentally-friendly and sustainable due to negative effects of business operations           <ul style="list-style-type: none"> <li>○ Sustainable use of renewable resources, reducing use of non-renewable assets, reducing carbon footprint, application of precautionary principle</li> <li>○ Impact               <ul style="list-style-type: none"> <li>■ Increases expenses as resources potentially more expensive when sustainable or removing non-renewable capital assets</li> <li>■ Can reduce or improve quality of products</li> <li>■ Potentially increase sales through meeting societal demands and concerns</li> </ul> </li> </ul> </li> <li>● <b>McDonalds has implemented this through paper straws in 2018 and paper cutlery in 2021</b></li> </ul>
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<b>Corporate Social Responsibility</b>	<ul style="list-style-type: none"> <li>• Open and accountable business actions in respect for people, community and environment             <ul style="list-style-type: none"> <li>◦ Address social and environmental sustainability</li> <li>◦ Refers to CSR and 'triple bottom line' (profits, planet, people)</li> <li>◦ Impact                 <ul style="list-style-type: none"> <li>■ Limits opportunities for unethical methods of cost minimisation</li> <li>■ Improves brand recognition and sales through commitment to ethical decision making beyond legal requirements</li> <li>■ Increased costs through seeking inputs from suppliers with appropriate standards</li> <li>■ Requires employees adapt</li> </ul> </li> </ul> </li> <li>• Australia does this through using domestic suppliers in Australia to support people and economy</li> <li>• <b>The difference between legal compliance and ethical responsibility</b> <ul style="list-style-type: none"> <li>◦ Legal Compliance - businesses simply abide to binding legislation set by government (etc. <u>Work Health and Safety Act 2011 (Cth)</u> or NES)</li> <li>◦ Ethical Responsibility - businesses going further than abiding to legislation by taking actions that benefit community, people and environment (etc. more employee benefits than NES)</li> </ul> </li> <li>• <b>Environmental sustainability and social responsibility</b> <ul style="list-style-type: none"> <li>◦ Expectations for environmentally-friendly practices through reducing carbon footprint, implementation of sustainable strategies</li> <li>◦ Socially responsible is ensuring address societal concerns, environmental impact is one of these</li> <li>◦ Impact                 <ul style="list-style-type: none"> <li>■ Can result in long-term benefit for company through customer loyalty</li> <li>■ Improves brand recognition</li> </ul> </li> </ul> </li> <li>• McDonalds has implemented this through paper straws in 2018 and paper cutlery in 2021</li> </ul>
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## Operations Processes

<b>Inputs</b>	<ul style="list-style-type: none"> <li>• <b>Transformed resources</b> (materials, information, customers) - inputs converted or changed in operations process             <ul style="list-style-type: none"> <li>◦ <b>Materials</b> – basic elements used in the production process.                 <ul style="list-style-type: none"> <li>■ Raw materials are essential substances in unprocessed state.</li> </ul> </li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>■ Usually from mines, forests, oceans or are recycled (etc. coal).</li> <li>■ Intermediate goods/materials are manufactured and further manufactured then used (etc. sugar and steel)</li> <li>● <b>McDonalds uses 430 million hamburger buns, 25 million kg beef as material inputs, hires over 105,000 staff</b> <ul style="list-style-type: none"> <li>○ <b>Information</b> – knowledge gained from research, investigation and instruction resulting in increased understanding <ul style="list-style-type: none"> <li>■ External information - from Government (ABS), industry observers, academic papers, media reports and comparative studies (etc. information on new technology influences which machinery purchased and application) → essentially 'operations market research'</li> <li>■ Internal information – from financial reports, quality reports and KPIs such as inventory turnover rates and production data (etc. using production data to reduce waste and variability in output)</li> </ul> </li> <li>○ <b>Customers</b> - people consuming product, and so operations must reflect consumer choice <ul style="list-style-type: none"> <li>■ Customer becomes transformed resource as result of utilising business output (etc. hairdressers changing the appearance of customers)</li> <li>■ Customers needs and wants drives operations, shaping input choices, creates output, transform them as result</li> </ul> </li> </ul> </li> <li>● <b>Transforming resources</b> (human resources, facilities) - inputs carrying out transformation process <ul style="list-style-type: none"> <li>○ <b>Human Resources</b> – labour/staff that operate, maintain and manage operation. <ul style="list-style-type: none"> <li>■ Capable workers bring higher productivity and efficiency to operations processes</li> <li>■ Labour coordinates resources such as machinery or other inputs. Could improved through incentives for meeting/exceeding KPIs. (etc. business promoting policies of retraining, attracting and motivating staff to be efficient.).</li> </ul> </li> <li>○ <b>Facilities</b> – capital such as buildings, equipment, plant and process technology <ul style="list-style-type: none"> <li>■ Businesses make major decisions regarding facilities including design layout, quantity, location and capacity (etc. designing for efficiency, WHAS and energy requirements).</li> </ul> </li> </ul> </li> </ul>
<b>Transformation</b>	<ul style="list-style-type: none"> <li>● <b>Influence of Volume, Variety, Variation, Visibility</b></li> </ul>



<b>Processes</b>	<ul style="list-style-type: none"> <li>○ <b>Volume</b> – how much output made <ul style="list-style-type: none"> <li>■ High volume businesses produce more standardised products, requiring basic labour skills</li> <li>■ Low volume businesses produce more customised products which require specialized labour skills</li> </ul> </li> <li>● <b>McDonalds changes volume of seasons products (frozen drinks and ice cream)</b> <ul style="list-style-type: none"> <li>○ <b>Variety</b> – mix/range of products produced <ul style="list-style-type: none"> <li>■ Greater variety requires flexible transformation process</li> </ul> </li> </ul> </li> <li>● <b>McDonalds implements variety through 50+ menu items, 16+ drinks, 7+ wraps and salads</b> <ul style="list-style-type: none"> <li>○ <b>Variation</b> – operational processes respond to changes in demand <ul style="list-style-type: none"> <li>■ Seasonal changes spark variations in demand. Unit costs higher with high variable demand patterns</li> </ul> </li> </ul> </li> <li>● <b>McDonalds demonstrated variation in demand through implementation of BTS Meal in collaboration with BTS's upcoming overseas concerts</b> <ul style="list-style-type: none"> <li>○ <b>Visibility</b> – how much process customer experiences <ul style="list-style-type: none"> <li>■ Service industries have high visibility, manufacturing have low <ul style="list-style-type: none"> <li>● High visibility = higher customer contact and costs, Low visibility = low customer contact and costs</li> </ul> </li> </ul> </li> </ul> </li> <li>● <b>Sequencing and scheduling</b> (sequencing = order which activities occur, scheduling = length of time taken for activities) <ul style="list-style-type: none"> <li>○ <b>Gantt Charts</b> - graphs showing estimated duration to complete certain activities (scheduling) <ul style="list-style-type: none"> <li>■ Managers plan steps needed to complete tasks, makes it easier to monitor progress</li> </ul> </li> <li>○ <b>Critical Path Analysis</b> - project-management method allowing business to see duration and order of acts which occur (sequencing) <ul style="list-style-type: none"> <li>■ Allows for precise timing and simultaneous task completion</li> </ul> </li> </ul> </li> <li>● <b>Technology, task design and process layout</b> <ul style="list-style-type: none"> <li>○ <b>Technology</b> <ul style="list-style-type: none"> <li>■ Machinery/systems enabling efficiency and effective production, must be updated</li> <li>■ Business need retains staff and potentially pay for redundancy</li> <li>■ High capital costs, decision to buy or lease. Robotics, CAD, CAM or Office Tech</li> </ul> </li> <li>○ <b>Task Design</b></li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>■ Involves classifying jobs in ways that make easier for employees to successfully perform and complete them</li> <li>■ Defines job, break duties, determines difficulty, match tasks to legal regulations, articulate job using descriptors</li> <li>■ Skills Audit – formal processes used to determine level of skilling and shortfalls that must made up through recruiting or training</li> <li>○ <b>Process Layout</b> <ul style="list-style-type: none"> <li>■ Arrangement of machinery so machines and equipment grouped by function they perform</li> <li>■ Plant (Product) Layout – layout of equipment, machinery and staff has major impact on efficiency. Related to sequence of tasks performed in manufacturing product.</li> <li>■ Office Layout – organisation of office to ensure work performed efficiently.</li> </ul> </li> <li>● <b>Monitoring, controlling and improvement</b> <ul style="list-style-type: none"> <li>○ Monitoring – process of measuring actual performance against planned performance</li> <li>○ Control – occurs when KPIs assessed against predetermined targets, corrective action taken if required</li> <li>○ Improvement – systematic reduction of inefficiencies, waste, poor work processes</li> </ul> </li> </ul>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>● <b>Output</b> - Final G&amp;S delivered to customer. Customer service and warranties help business adjust transformation process so more effective.</li> <li>● <b>Customer Service</b> - how well service meets or exceed customer needs <ul style="list-style-type: none"> <li>○ Dissatisfaction when product defective, not meeting quality expectations, has long lead times or doesn't work as advertised</li> <li>○ Dissatisfied customers tell others through word of mouth, worsening reputation</li> </ul> </li> <li>● McDonalds seeks customer feedback thorough in-store questionnaires to recruit staff that are customer-centred and friendly</li> <li>● <b>Warranties</b> - agreement to fix defects in products <ul style="list-style-type: none"> <li>○ Number of warranty claims allows to evaluate effectiveness of operations processes</li> <li>○ <u>Fair Trading Act (NSW)</u> and <u>Competition and Consumer Act 2010</u> stipulates: goods quality must match price and description, fitness of purpose, product design and not faulty</li> </ul> </li> </ul>



## Operations Strategies

<b>Performance Objectives</b>	<ul style="list-style-type: none"> <li>● <b>Performance objectives</b> - goals relating to transformation function, can allocated to KPIs regarding:             <ul style="list-style-type: none"> <li>○ <b>Quality:</b> <ul style="list-style-type: none"> <li>■ Design – how well G&amp;S delivered/made</li> <li>■ Conformance – how well G&amp;S meets prescribed design with certain specification</li> <li>■ Service – how reliable, suitable and timely service delivery is</li> </ul> </li> <li>○ <b>Speed</b> - time taken for production and operations processes to respond to changing market demand</li> <li>○ <b>Dependability</b> - how consistent, reliable business G&amp;S are</li> <li>○ <b>Flexibility</b> - how quickly operations processes adjust to market changes</li> <li>○ <b>Customisation</b> - creation of individualised G&amp;S to meet specific customer needs</li> <li>○ <b>Cost</b> - minimisation of expenses so operations processes conducted cheaply as possible</li> <li>○ Each KPI allocated target goal</li> </ul> </li> <li>● McDonald's aims to take 11 sec to toast buns, 20 sec assemble burger, 14 sec wrap, customisation through creating own menu and meal</li> </ul>
<b>New product or service design and development</b>	<ul style="list-style-type: none"> <li>● Businesses need design/ develop new products/services</li> <li>● Two approaches determine product design &amp; development             <ul style="list-style-type: none"> <li>○ Consumer preferences</li> <li>○ Changes and innovations in technology</li> </ul> </li> <li>● Important factors in product design &amp; development include quality, supply chain management, output capacity and costs</li> <li>● Service design and development differs as services intangible and 'consumed' as produced. Service can:             <ul style="list-style-type: none"> <li>○ Explicit – application of time, expertise, skill and effort</li> <li>○ Implicit- feeling of being looked after</li> </ul> </li> <li>● McDonalds provides new products through taste menus, and new services through children birthday party packages</li> </ul>
<b>Supply chain management</b>	<ul style="list-style-type: none"> <li>● <b>SCM</b> - management and flow of supplies through inputs, transformation processes and outputs. Done through Logistics, E-Commerce and Global Sourcing</li> <li>● <b>Logistics</b> - physical distribution and transportation of products. Warehouses and distribution services centres crucial to successful management and movement of inventories.</li> </ul>



	<ul style="list-style-type: none"> <li>● <b>E-commerce</b> - enables businesses source through online links to suppliers through B2B processes, also enable customers direct access through B2C processes</li> <li>● <b>Global sourcing</b> - use of global markets for purchasing of supplies/inputs. In SCM, global sourcing refers is where and how supplies sourced within limitations of geography</li> <li>● <b>McDonalds uses its own distribution centres to ensure reliable supply to restaurants</b></li> </ul>
<b>Outsourcing</b>	<ul style="list-style-type: none"> <li>● Outsourcing - taking to market internal business processes and activities to external vendors for lower cost or superior quality/service</li> <li>● Often called business process outsourcing (BPO) and captures range of outsourced business processes including:             <ul style="list-style-type: none"> <li>○ Finance and accounting outsourcing (FAO)</li> <li>○ Knowledge process outsourcing (KPO)</li> <li>○ Legal process outsourcing (LPO)</li> </ul> </li> <li>● <b>Advantages:</b> <ul style="list-style-type: none"> <li>○ Simplification</li> <li>○ Efficiency and cost savings</li> <li>○ Increased process capability</li> <li>○ Increased accountability</li> <li>○ Access to skills/resources lacking within business</li> <li>○ Allows focus on core competencies, improves inhouse performance</li> </ul> </li> <li>● <b>Disadvantages:</b> <ul style="list-style-type: none"> <li>○ Cost and uncertainty associated with payback</li> <li>○ Communication issue risk overseas as language barriers</li> <li>○ Lose control of standards and information security</li> <li>○ Lose corporate memory</li> <li>○ Maintenance costs with IT</li> <li>○ Organisational change</li> <li>○ Must redesign and manage hierarchies</li> </ul> </li> <li>● <b>McDonalds outsources their management IT services and point of sale software</b></li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>● Technology - machinery utilised by businesses to conduct key processes</li> <li>● <b>Leading Edge Technology</b> – most advanced/innovative at point in time – allows businesses gain competitive advantage:             <ul style="list-style-type: none"> <li>○ Create more products quicker to higher standards</li> <li>○ Reduce waste</li> <li>○ Operate efficiently</li> </ul> </li> <li>● <b>Established Technology</b> – widely accepted and used – helps establish basic standards for productivity and speed</li> <li>● Both forms give businesses efficiencies, productivity gains and capacity to improve operations processes</li> <li>● PROs:</li> </ul>



	<ul style="list-style-type: none"> <li>○ Automate repetitive tasks</li> <li>○ Reduce manual errors</li> <li>○ Improve statistical decision making</li> <li>● Cons: <ul style="list-style-type: none"> <li>○ High maintenance costs</li> <li>○ Increased cybersecurity risks</li> </ul> </li> <li>● McDonalds uses self-service kiosks, a MyMaccas App for ordering and even drink-dispensing machines to improve efficiency</li> </ul>
<b>Inventory Management</b>	<ul style="list-style-type: none"> <li>● Inventory/stock - amount of raw materials, work-in-progress and finished goods business has at time point.</li> <li>● PROs (of holding stock): <ul style="list-style-type: none"> <li>○ Improved responsiveness to changes in demand</li> <li>○ Greater development of new markets that supply stock quickly</li> </ul> </li> <li>● CONs: <ul style="list-style-type: none"> <li>○ Costs of tying money that could applied elsewhere</li> <li>○ May reduce GP as value of sold and unsold stock determined profit</li> <li>○ Alternative inventory valuation methods: LIFO (last-in-first-out) and FIFO (first-in-first-out)</li> </ul> </li> <li>● Businesses want 'lean' (emphasise low cost), apply JIT approach meaning product made only when order placed</li> <li>● McDonalds uses stock control system 'manugistics' to schedule supplies, throws burgers after 20 min chips after 7 min</li> </ul>
<b>Quality Management</b>	<ul style="list-style-type: none"> <li>● Quality management - processes business undertake to ensure consistency, reliability, safety and fitness of product purpose</li> <li>● Most common quality management approaches: <ul style="list-style-type: none"> <li>○ <b>Quality controls</b> – inspection, measurement and intervention</li> <li>○ <b>Quality assurance</b> – application of international quality standards like ISO 9000 series</li> <li>○ <b>Quality improvements</b> – continuous improvement and TQM</li> </ul> </li> <li>● Focusing on continuous improvement is ongoing commitment to improve business G&amp;S. Innovation, employee involvement and quality closely aligned, indicate quality working processes</li> <li>● McDonalds controls does through sample testing outputs before releasing them</li> </ul>
<b>Overcoming Resistance to Change</b>	<ul style="list-style-type: none"> <li>● Sources of change external generally and business must respond to threat change poses</li> <li>● Factors causing resistance to change:</li> </ul>



	<ul style="list-style-type: none"> <li>○ Financial - costs of purchasing new equipment and technology, redundancies, retraining employees, structural reorganisation</li> <li>○ Psychological (Inertia) - feeling uncertainty or fear of unknown</li> <li>○ Utilise change model (unfreeze-change-freeze)</li> <li>● McDonalds uses redundancy payments equal to 2 weeks of base pay</li> </ul>
<b>Global Factors</b>	<ul style="list-style-type: none"> <li>● 4 key global factors in Globalised environment, affect operations strategies and provide opportunities</li> <li>● <b>Global sourcing</b>– reference to sourcing business supplies or services across borders for cheaper cost or higher quality</li> <li>● <b>Economies of scale</b> – experiencing reduced per unit costs of production through large-scale production methods and improved efficiency</li> <li>● <b>Scanning and learning</b> – operations management tool allowing managers to adapt best practice to business operations through scanning best businesses in world</li> <li>● <b>R&amp;D</b> – use of market research to develop and implement innovative, quality and competitive practices in business</li> <li>● McDonalds uses research and development to implement such technologies as the MyMaccas App</li> </ul>



## Role of Marketing

<b>Strategic role of marketing</b>	<ul style="list-style-type: none"> <li>• Implementation of marketing strategies to <b>maximise sales</b> through increased <b>brand awareness</b> and improving <b>customer satisfaction</b></li> <li>• Long-term planning undertaken by senior management to achieve the business's goals</li> <li>• In 2020 McDonalds used '<i>Accelerating the Arches</i>' as marketing strategy to maximise sales through spending US \$4 billion towards advertising spend</li> </ul>
<b>Interdependence of marketing with other key business functions</b>	<ul style="list-style-type: none"> <li>• 'Marketing concept' is philosophy that all sections of business involved in satisfying customer needs and wants while achieving goals</li> <li>• Marketing plan need embedded in all key business functions to achieve goals</li> <li>• <b>Marketing and Operations</b> - exchange of SWOT analysis for design of goods, whilst production of goods for sale</li> <li>• <b>Marketing and HR</b> - exchange of market research, advertising and promotions for labour</li> <li>• <b>Marketing and Finance</b> - exchange of provided funds for market research, labour, promotion for generated funds through sales</li> <li>• In 2020 McDonalds invested US \$4 billion in their '<i>Accelerating the Arches</i>' marketing strategy, which generated 12%+ sales and US \$7 billion revenue that quarter as finance</li> </ul>
<b>Production, selling, marketing approaches</b>	<ul style="list-style-type: none"> <li>• <b>Production Approach</b> (1820s-1920s) - focusses on production of G &amp; S</li> <li>• <b>Selling Approach</b> (1920s - 1960s) - focusses on selling by increasing demand since increased competition (hence spend more on advertising and training sales representatives)</li> <li>• <b>Marketing Approach</b> (1960s - present) focus on finding what customers want through market research and satisfying what they need             <ul style="list-style-type: none"> <li>◦ Customer-oriented</li> <li>◦ Satisfy customers</li> </ul> </li> <li>• McDonalds implements new features (etc. drive-thrus, MyMaccas App, self-service kiosks) in store as the customer-based marketing approach</li> </ul>



<b>Types of markets - resource, industrial, intermediate, consumer. mass , niche</b>	<ul style="list-style-type: none"> <li>• <b>Resource Market</b> - where primary production occurs (etc. farmers)</li> <li>• <b>Industrial Market</b> - where produce is bought to to make other products or use in operations (etc. steel )</li> <li>• <b>Intermediate Market</b> - where wholesalers and retailers purchase finished products and resell for profit</li> <li>• <b>Consumer Market</b> - where individuals plan to use or consumer products</li> <li>• <b>Mass Market</b> - where seller mass-produces, distributes and promotes one product to all buyers</li> <li>• <b>Niche Market</b> - narrowly selected target market segment</li> <li>• McDonald's retails goods to consumers, henceforth targets a consumer market</li> </ul>
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## Influences on Marketing

<b>Factors influencing consumer choice - psychological, sociocultural, economic, government</b>	<ul style="list-style-type: none"> <li>• <b>Psychological</b> - factors affecting buying behavior (perception, motives, attitudes, personality and self image, learning)</li> <li>• <b>Sociocultural</b> - forces exerted by others, not individuals themselves (etc. trends, religion, reference groups)</li> <li>• <b>Economic</b> - state of economy affecting consumer spending and demand for business products</li> <li>• <b>Government</b> - the key body creating legislature and policies affecting economic activity and business practices</li> <li>• The growing 'foodie' mentality caused psychologically and socioculturally forced McDonalds to offer more healthier options (salds, wraps) and government regulations require publish calories on foods</li> <li>• Sociocultural influences and opinion leaders 'KSI' and 'Logan Paul' played a significant role in Prime Hydration's \$250 million revenue within 1 year, \$45 million in its first year of launch</li> </ul>
<b>Consumer laws</b>	<ul style="list-style-type: none"> <li>• <b>Deceptive and misleading advertising</b> - <u>Competition and Consumer Act (2010)</u> criminalized acts including Fine Print, Before and After, Tests and Surveys, Dishonesty, Bait and Switch</li> <li>• <b>Price Discrimination</b> - setting of different prices for products in separate markets, <u>Competition and Consumer Act (2010)</u> prohibits if could reduce competition or causes favoritism</li> <li>• <b>Implied Conditions</b> - unspoken and unwritten terms of contract. Product must be acceptable quality and conform to representation.</li> <li>• <b>Warranties</b> - promises made by businesses to correct defects in G &amp; S produced/delivered</li> </ul>



	<ul style="list-style-type: none"> <li>● In 2019, LG Electronics Australia faced \$160,000 in penalties for making 'misleading representations' to consumers regarding 'consumer guarantee rights', breaching the CaCA</li> </ul>
<b>Ethical</b>	<ul style="list-style-type: none"> <li>● <b>Truth, accuracy and good taste in advertising</b> - unethical practices make vague statements, exaggerate claims, invade privacy. Grey areas for advertising (etc. can target children, sexualism, insecurities, use of historical events)</li> <li>● <b>Products that may damage health</b> - tension arises when products are dangerous and whether they should be promoted (etc. relating gambling, smoking, fast food)</li> <li>● <b>Engaging in fair competition</b> - <u>Australian Competition and Consumer Commission</u> ensures businesses do not engage in anti-competitive behaviour that lessen competition (etc. cartel conduct, exclusive dealing, misused market power)</li> <li>● <b>Sugging</b> - selling under guise, where businesses disguise as competition or surveys to collect data to later sell to customers (not illegal, but raises unethical issues regarding invasion of privacy and deception)</li> <li>● McDonald's breached <u>Spam Act 2003</u> in 2012 by sending text messages regarding happy meal deals as excessive sales promotion with no opt out option, in 2015 accused of poor taste in advertising as focus on toy in happy meal rather than food itself</li> </ul>

## Marketing Process

<b>Situational analysis - SWOT, product life cycle</b>	<ul style="list-style-type: none"> <li>● <b>SWOT Analysis</b> - situational analysis analysing strengths, weaknesses, opportunities, threats. S and W are internally controlled and what a business has over others, O and T are external and what others have over business.</li> <li>● <b>Product Life Cycle</b> - stages a product passes through within life cycle. Introduction = low sales, profit, high promotion, growth = rise in sales, profit, brand recognition, maturity = high competition, steady sales, post-maturity = decline (negative profits, eliminated product) or renewal (revitalised sales).</li> <li>● McDonald's strengths (goodwill, market share, global brand), weaknesses (poor operating performance, protecting intellectual property), opportunities (expansion into countries, reinvesting in restaurant), threats (negative publicity, commodity price increase, supply chain disruptions)</li> <li>● Apple responded to demands in SWOT that customers want continual advancements in technology within products to ensure up-to-date and not obsolete, whilst also cheap so</li> </ul>
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	<p>affordable, hence introduced lower cost iPhone XR in 2018, increasing market share from 16% to 20% between 2018 and 2020</p>
<b>Market research</b>	<ul style="list-style-type: none"> <li>● <b>(1) Determining information needs</b> - problem clearly defined and stated to determine measured needs and issues</li> <li>● <b>(2) Collecting data from primary and secondary sources</b> - collecting data to analyse primary (first hand collected from surveys) and secondary (through ABS) data</li> <li>● <b>(3) Analysing and interpreting data</b> - tabulating data to identify trends, then taking corrective action based on conclusions</li> <li>● McDonald's asked 2602 people in 2005 as primary research to what they hope to see in McDonalds products, found demand healthier options, hence improved vegetable oil, salt reduction and seared chicken use</li> <li>● Coca Cola deduced customers becoming health conscious hence exploited this external opportunity through new product design and development by introducing 'Coke Zero' and 'Diet Coke'</li> </ul>
<b>Establishing market objectives</b>	<ul style="list-style-type: none"> <li>● <b>SMART</b> (specific - clear and precise, measurable - able to develop control measures to assess, achievable - able to achieve with resources, realistic - fair and realistic for business, timely - can achieve in time frame)</li> <li>● McDonald's use 3 pillar marketing objectives (retain existing customers, regain lost customers, convert casual customers)</li> </ul>
<b>Identifying target markets</b>	<ul style="list-style-type: none"> <li>● <b>Mass Markets</b> - large range of customers with similar needs, limited variation in marketing mix</li> <li>● <b>Market Segmentation Approach</b> - total market subdivided into groups with common characteristics</li> <li>● <b>Niche Market</b> - specific, narrowly selected market segment (etc. Lamborghinis for high income earners)</li> <li>● In the UK, McDonalds's target market is families and busy workers, in Australia is lower to middle class consumers (mass and segmented markets)</li> </ul>
<b>Developing marketing strategies</b>	<ul style="list-style-type: none"> <li>● <b>Product</b> - potentially providing different G &amp; S for customers through brand name, packaging, design, utility</li> <li>● <b>Price</b> - using different pricing methods (etc. below competitor price) depending on consumer demand, quality</li> <li>● <b>Promotion</b> - different methods used to generate product awareness to increase purchases (etc. personal selling)</li> <li>● <b>Place</b> - where product distributed, sold, stored (etc. e-commerce, warehouses, trucks)</li> <li>● McDonald's enhances digital capabilities to elevate customer experience relating to 'product', redefines</li> </ul>



	customer convenience through delivery to improve 'place'
<b>Implementation, monitoring and controlling</b>	<ul style="list-style-type: none"> <li>• <b>(1) Developing a financial forecast</b> - forecasting prediction of future events through projecting costs and revenues</li> <li>• <b>(2) Comparing actual results against planned results</b> - developing KPIs to determine if marketing mix working through sales analysis (breakdown sales figures and market share analysis (compare against competitors).</li> <li>• <b>(3) Revising the marketing strategy</b> - assessing which marketing objectives are met, and which lack to take corrective action on marketing plan, adjust market mix or delete product</li> <li>• 2015 &amp; 2016's unforecasted loss of 4% revenue caused McDonalds to revise marketing strategy by implementing MyMaccas app as control measure to increase loss of sales</li> </ul>

## Marketing Strategies

<b>Market segmentation, product/service differentiation and positioning</b>	<ul style="list-style-type: none"> <li>• <b>Market Segmentation</b> - breaking down a whole market to satisfy particular customer needs based on geographic, demographic, psychographic and behavioural differences</li> <li>• <b>Product/Service Differentiation</b> - providing greater customer value and distinguishing from competitors for a competitive advantage (good have distinguishing features such as price and quality whilst se services have better service and customer loyalty)</li> <li>• <b>Positioning</b> - the distinct image of a product distinguishing it from competitors, determined by price, direct comparison and quality (better means better positioning)</li> <li>• McDonald's uses happy meals with toys as demographic separations, healthier options for psychographic separations and geographic operations such as halal options in Egypt</li> </ul>
<b>Product - goods and/or services</b>	<ul style="list-style-type: none"> <li>• <b>Branding</b> - the actual brand and distinct identity of the business, distinguishing product from competitors and building reputation.</li> </ul>



	<p>Greater brand name increases expectations and loyalty.</p> <ul style="list-style-type: none"> <li>● <b>Packaging</b> - actual design of the product, how it is physically represented, should be quality and good to look at through design &amp; colour, features, nutritional information, attracting customers for sales</li> <li>● McDonald's branding occurs through the recognisable golden arches alongside packaging that claims 'beef: great taste' and '100% beef'</li> </ul>
<p><b>Price including pricing methods - cost, market, competition-based</b></p>	<ul style="list-style-type: none"> <li>● Pricing methods:             <ul style="list-style-type: none"> <li>○ <b>Cost-plus pricing</b> (price based on product cost and mark-up for profit)</li> <li>○ <b>Market price</b> (price based on market factors of supply and demand)</li> <li>○ <b>Competition-based pricing</b> (price according to competitor's price to better compare)</li> </ul> </li> <li>● Strategies include:             <ul style="list-style-type: none"> <li>○ <b>Skimming</b> - charging highest possible price for innovative products, then gradually skimming/lowering it (risky)</li> <li>○ <b>Penetration</b> - charging the lowest price possible to attract customers and achieve large market share (sacrifices profit)</li> <li>○ <b>Loss Leaders</b> - selling product below cost price to attract customers to business (sacrifices profit)</li> <li>○ <b>Price Points</b> - setting various prices depending on qualities to appeal to various budgets and consumers (most used, achieves differentiation, higher costs)</li> </ul> </li> <li>● <b>Price and quality interactions</b> - customers tend to believe higher prices means higher quality, durability, service, attracting them. Further, gives 'premium' feel and aura of prestige, attracting customers (etc. Gucci).</li> </ul>



	<ul style="list-style-type: none"> <li>McDonald's uses loss leaders through '<i>Loose Change Menu</i>' to encourage customers to buy a cheap option as well as more expensive. They use price bundling with family boxes alongside price points with higher quality burgers being more expensive (etc. Chicken and Cheese vs Big Man)</li> </ul>
Promotion	<ul style="list-style-type: none"> <li><b>Elements of the promotion mix</b> <ul style="list-style-type: none"> <li><b>Advertising</b> - paid, non-personal messages communicated through mass media to build brand image</li> <li><b>Personal selling and relationship marketing</b> - sales representatives sell directly to customers through persuasion and personal characteristics (creates customer satisfaction and loyalty)</li> <li><b>Sales promotions</b> - short-term attempts such as gifts and price reductions to get customers to repurchase as a means of long-term relationships (generates interest and awareness of product)</li> <li><b>Publicity and public relations</b> - creating vents to establish goodwill and present business in positive light (creates reputation, improves word of mouth)</li> </ul> </li> <li><b>The Communication Process</b> <ul style="list-style-type: none"> <li><b>Opinion leaders</b> - individuals who are respected, influential and held in high esteem can influence consumers as trustworthy (sways perception)</li> <li><b>Word of mouth</b> - people influencing each other through recommendations and conversations of product (could cause avoidance of product)</li> </ul> </li> <li>McDonalds spends \$400 million ads</li> </ul>



	<p>annually, allowing them to reach over 5 million individuals with 91% success rate, \$2 billion sales in AU 2022</p> <ul style="list-style-type: none"> <li>• McDonald's uses TV commercials, radio ads, catch phrases, relationship marketing (free wifi, newsletters with offers and deals) and publicity by sponsoring events (FIFA, Olympics, V8 Supercars, Monopoly)</li> <li>• Sociocultural influences and opinion leaders 'KSI' and 'Logan Paul' played a significant role in Prime Hydration's \$250 million revenue within 1 year, \$45 million in its first year of launch</li> </ul>
<b>Place/Distribution</b>	<ul style="list-style-type: none"> <li>• <b>Distribution channels</b> - ways in which products are distributed from manufacturers to consumers. Intermediaries have lower costs, storage and increased distribution, whilst no intermediaries have increased efficiency and used in service industries. Can have:             <ul style="list-style-type: none"> <li>○ Producer to consumer (no intermediaries involved and product straight to consumer)</li> <li>○ Producer to retailer to consumer (retailer is intermediary and accesses goods from producers then sells to consumers)</li> <li>○ Producer to wholesaler to retailer to consumer (wholesalers buy in bulk, resell to retailer, resell to consumers)</li> </ul> </li> <li>• <b>Channel choice</b> - channel in which consumer product is sold, who accesses and is attracted to it             <ul style="list-style-type: none"> <li>○ <b>Intensive</b> - widely available in as many outlets as possible</li> <li>○ <b>Selective</b> - available in limited number of outlets in geographical area, using most appropriate and best performing outlets</li> <li>○ <b>Exclusive</b> - individual outlets given exclusive distribution rights, usually for expensive products requiring specialist skill</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>● <b>Physical Distribution Issues</b> - activities involved in efficiently moving products from producer to consumer             <ul style="list-style-type: none"> <li>○ <b>Transport</b> - method chosen to move goods from locations (must consider good type, cost, speed and distance)</li> <li>○ <b>Warehousing</b> - involves storing product in secure manner before distribution, with ready access to easily dispatch (decreases lead time, depends on goods type)</li> <li>○ <b>Inventory</b> - level of inventory held (ensures product available, overstock may reduce profit and understock may waste sales potential and customer loyalty as cannot satisfy consumer demand)</li> </ul> </li> <li>● McDonald's uses a selective distribution channel, alongside partnershiping with Uber Eats since 2017 to improve transport and physical distribution of products</li> </ul>
People, processes and physical evidence	<ul style="list-style-type: none"> <li>● <b>People</b> - performance of human resources (having right staff for excellent customer service = higher customer satisfaction)</li> <li>● <b>Processes</b> - consumer's total experience from searching product to buying to experiencing benefits</li> <li>● <b>Physical Evidence</b> - environment in which good/service is delivered, physical appearance of product's presentation (environment of delivery, product packaging, develops positive image)</li> <li>● McDonald's MyMaccas app, self-service kiosks and drive-thrus are used to significantly improve processes, alongside packaging which improves physical evidence</li> </ul>
E-marketing	<ul style="list-style-type: none"> <li>● <b>E-marketing</b> uses internet and digital media to perform activities             <ul style="list-style-type: none"> <li>○ Expands business reach</li> <li>○ Allows reach to global audiences</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ Allows personalized marketing and increased brand awareness</li> <li>○ Faster communication</li> <li>○ Better targeting of target markets</li> <li>○ Overcomes geographical barriers</li> <li>○ Low cost in setting user-friendly websites</li> <li>○ Messages and payments communicated efficiently</li> <li>● McDonalds uses an online McDonalds website, MyMaccasApp, online newsletters and reminders of deals, demonstrating the use of e-marketing</li> </ul>
Global marketing	<ul style="list-style-type: none"> <li>● <b>Global branding</b> - using brand name, trademark or logo world-wide <ul style="list-style-type: none"> <li>○ Brand becomes universally recognisable to increase awareness and worldwide loyalty</li> <li>○ Makes easier to undertake promotions because brand recognisable</li> </ul> </li> <li>● <b>Standardisation</b> - selling same product in more than one country with no differentiation (reduces costs in production/marketing, but doesn't factor in cultural, government requirements and taste differences)</li> <li>● <b>Customisation</b> - product differentiation to better suit product needs and wants of customers (develops barrier of entry into market by competitors, can encounter difficulties to sustain as competitors always come out of with innovative/new ideas)</li> <li>● <b>Global pricing</b> - how businesses coordinate pricing worldwide and across nation. Could involve worldwide supplier agrees to charge customer same price for delivery of parts/services anywhere in world (more sales, complications arise from tariffs, credit risk and interest rates) <ul style="list-style-type: none"> <li>○ Customized pricing - set pricing for each country</li> </ul> </li> </ul>



	<ul style="list-style-type: none"><li>○ Market-customized pricing - vary depending on demand and supply in global market</li><li>○ Standard worldwide pricing - charging customers same price for product worldwide</li><li>● <b>Competitive Positioning</b> - how businesses differentiate products to create value for market, how they stand out from competition. Conveyed through value proposition:<ul style="list-style-type: none"><li>○ Operational excellence - ability to run as efficiently as possible (can pass cost savings to customers for lower prices to attract them)</li><li>○ Customer intimacy - developing personalized profile of customer shopping habits (able to devise effective marketing plan through this)</li><li>○ Product leadership - ability to produce best product first</li></ul></li><li>● McDonald's uses global branding through the same logo worldwide, offers the famous BigMac worldwide as standardisation and has meals specific to location such as the KPop Meal, Halal, McSpicy, Philippines' McSpaghetti (customisation)</li></ul>
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## Role of Financial Management

<b>Strategic role of financial management</b>	<ul style="list-style-type: none"> <li>• Planning and monitoring of financial resources to enable business to achieve financial goals of <b>maximising sales, profitability, growth</b></li> <li>• Long-term financial planning undertaken by senior management to achieve the business's goals</li> <li>• <b>McDonald's executives meet annually to determine set financial goals for the annual year, and this is presented in the McDonalds Annual Report</b></li> </ul>
<b>Objectives of financial management</b>	<ul style="list-style-type: none"> <li>• <b>Profitability</b> - ability to maximise profits (total revenue - total expenses) through minimising COGS, expenses and maximising sales</li> <li>• <b>Growth</b> - ability for business to increase it's size long-term, depends on sales, market share and occurs through acquisition and mergers</li> <li>• <b>Efficiency</b> - ability to minimise costs and manage assets so maximum profit with minimum level of assets through monitoring inventories, receivables, cash</li> <li>• <b>Liquidity</b> - ability for business to meet short-term (under 12 months) financial obligations, require cash flow to meet</li> <li>• <b>Solvency</b> - ability for business to meet financial commitments in long-term (over 12 months), indicates gearing (debt-to-equity)</li> <li>• <b>Short-term and long-term</b> objectives are operational, tactical, strategic and must be monitored as can clash (etc. liquidity vs profitability)</li> <li>• <b>McDonald's aims for 20-40% of profit growth annually, and 3-5% of sales growth to achieve their strategic goal</b></li> </ul>
<b>Interdependence with other key business functions</b>	<ul style="list-style-type: none"> <li>• <b>Finance and Operations</b> - exchange of funds for purchase inputs and conduct transformation process for produced goods and services</li> <li>• <b>Finance and HR</b> - exchange of wages and salaries for labour to conduct key business functions</li> <li>• <b>Finance and Marketing</b> - exchange of funds for market research, labour, promotion for generated funds through sales</li> <li>• <b>In 2020 McDonalds invested US \$4 billion in their 'Accelerating the Arches' marketing strategy, which generated 12%+ sales and US \$7 billion revenue that quarter as finance</b></li> </ul>

## Influences on Financial Management



<b>Internal sources of finance</b>	<ul style="list-style-type: none"> <li>● <b>Owner's equity</b> - funds contributed by owners or partners to build the business</li> <li>● <b>Retained Profits</b> - profits not paid out to shareholders (sustainable, lower dividends required to shareholders, restrict use of debt finance, not as large as debt)</li> <li>● McDonald's had \$48.3 billion USD in retained profit in 2017 annual report</li> </ul>
<b>External sources of finance</b>	<ul style="list-style-type: none"> <li>● <b>Debt Financing</b> - provided by creditors and lenders in exchange for loan repayments <ul style="list-style-type: none"> <li>○ <b>Short-Term</b> (less than 12 months) <ul style="list-style-type: none"> <li>■ <b>Overdraft</b> - banks allowing businesses/individuals to overdraw account to agreed limit for specified time (overcome cash shortages, higher interest rates)</li> <li>■ <b>Commercial Bills</b> - short-term loans by financial institutions for larger amounts (\$100,000+) for 1-6 months (larger finance, assets at risk)</li> <li>■ <b>Factoring</b> - selling of accounts receivable for discounted price to factoring company</li> </ul> </li> <li>○ <b>Long-Term</b> (more than 12 months) <ul style="list-style-type: none"> <li>■ <b>Debentures</b> - promises of repayment issued by companies for fixed interest rates of period of time (secured by assets, lower interest rates)</li> <li>■ <b>Unsecured Notes</b> - loans for set period not backed by assets or collaterals (high risk, high return)</li> <li>■ <b>Leasing</b> - long-term source of borrowing involving payment of money for use of equipment owned by another party</li> <li>■ <b>Mortgages</b> - loans secured by property of business or borrower (assets at stake, low interest rates)</li> </ul> </li> </ul> </li> <li>● <b>Equity Financing</b> - funds provided in exchange for part ownership <ul style="list-style-type: none"> <li>○ <b>Ordinary Shares</b> - money invested, shared and listed on ASX <ul style="list-style-type: none"> <li>■ <b>New Issues</b> - securities issued and sold on market for first time</li> <li>■ <b>Rights Issues</b> - shareholders having rights over new securities offered and purchased</li> <li>■ <b>Placement</b> - private offers to a selected group of shareholders</li> <li>■ <b>Share Purchase Plans</b> - employees have option to sacrifice income for shares in company</li> </ul> </li> <li>○ <b>Private Equity</b> - money invested in private company, not listed in ASX</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>● McDonald's has \$25 billion USD in overdraft, leases 12,262 stores worldwide (paying \$16 billion), issued 1660 million shares</li> </ul>
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>● <b>Banks</b> - most important source of funds, offering range of financial products such as credit cards, cheques, overdrafts, insurance</li> <li>● <b>Investment Banks</b> - financial institutions that specialize in large sums of money, complex financial transactions (arrange project finance, advice on mergers and takeovers)</li> <li>● <b>Finance Companies</b> - non-banking financial institutions specialising in smaller commercial finance</li> <li>● <b>Superannuation Funds</b> - a scheme set up by federal government requiring employers to make financial contribution to a fund providing retirement benefits to employees</li> <li>● <b>Life Insurance Companies</b> - contracts between individuals and insurance companies, whereby company pays lump sums for beneficiaries after individual's death</li> <li>● <b>Unit Trust</b> - pool of money any number of investors contribute to and dedicate money for high to low-risk investments</li> <li>● <b>Australian Securities Exchange</b> - key benchmark for Australia's share market, acting as primary and secondary market for the purchasing and selling of securities</li> <li>● In 2019, 52% of McDonald's finance came from banks to fund their business processes</li> </ul>
<b>Influence of Government</b>	<ul style="list-style-type: none"> <li>● <b>Australian Securities and Investment Commission</b> - key regulator maintains integrity in financial markets by reducing fraudulent activity and unfair practices by businesses to protect consumers. Enforces <u>Corporation Act 2001</u> and remedies breaches to this through penalties, imprisonment, damaged reputation.</li> <li>● <b>Company Taxation</b> - tax levied at flat rate, requiring businesses to pay 27.5%-30% of net profit, paid before profits distributed to shareholders as dividends</li> <li>● In 2016, McDonald's paid \$109 million AUD in tax on \$375 million in profits</li> </ul>



<b>Global market influences</b>	<ul style="list-style-type: none"> <li>● <b>Economic Outlook</b> - global economic outlook affects demand for Australian exports, with a positive outlook being more beneficial for businesses to generate sales and profit. International business cycle is also affected, with rippling effects of economic growth.</li> <li>● <b>Availability of Funds</b> - impacts whether businesses can access money to expand. Since deregulated financial system, Australians borrowed and invested assets overseas to fund themselves. Poor availability influences businesses to not expand.</li> <li>● <b>Interest rates</b> - impact whether businesses can afford to produce, make repayments, expand and take on board loans. Australia typically has higher interest rates, hence businesses seek overseas finance to expand as lower interest rates, but could costly long-term if currency fluctuate.</li> <li>● COVID-19's poor economic outlook caused McDonald's revenue to decline by 9.3% between 2019 and 2020</li> <li>● McDonalds has US \$2 billion line of credit available should it be required</li> </ul>
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## Processes of Financial Management

<b>Planning and implementing</b>	<ul style="list-style-type: none"> <li>● <b>Determine financial needs</b> - businesses must determine current position to decide appropriate goals (determined by phase of business cycle, size of business, management skills)</li> <li>● <b>Budgets</b> - forecasts for future costs and revenues, used for planning and control (operational, project and financial budgets)</li> <li>● <b>Record Systems</b> - accounting system for collecting accurate, reliable and accessible information (must be up-to-date to ensure no legal action taken against business)</li> <li>● <b>Financial Risks</b> - aware of credit, market, liquidity and operational threats facing business, insurance can reduce risk</li> <li>● <b>Financial Controls</b> - policies of business to ensure plans are achieved efficiently (including separation of duties, control of cash)</li> <li>● <b>Debt and Equity Financing</b> - debt financing is obtained externally from lenders and creditors in exchange for loan repayments (gain larger injection, interest repayments, assets are at stake, no ownership lost) whilst equity is obtained in exchange for part ownership (no interest repayments, lose part ownership, assets aren't at stake)</li> <li>● <b>Matching the Terms and Source of Finance</b> - must</li> </ul>
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	<p>determine the most appropriate source of finance for depending on short-term and long-term sources</p> <ul style="list-style-type: none"> <li>● In 2018, McDonalds recognised needs to renovate stores for better quality to customers, hence implemented US\$2.5billion in capital expenditure to renovate and open new stores</li> </ul>
<b>Monitoring and controlling</b>	<ul style="list-style-type: none"> <li>● <b>Cash Flow Statement</b> - shows movement of cash inflows and outflows over period between months and inflows and lows, showing various operating, investing and financing activities (indicates liquidity)</li> <li>● <b>Income Statement</b> - calculates sales revenues generated by business through COGS (cost of goods sold), gross profit, net profit and includes various operational expenses</li> <li>● <b>Balance Sheet</b> - shows assets, liabilities and owners equity of a business at a set period of time, accounting equation (<math>A = L + OE</math>)</li> <li>● McDonald's utilises income statement to measure their revenue in years, which has allowed them to see their 9% decrease between 2019 and 2020 due to COVID-19</li> </ul>
<b>Financial ratios</b>	<ul style="list-style-type: none"> <li>● <b>Liquidity (Current Ratio)</b> - Current Ratio = Current Assets / Current Liabilities, with ideal being 2:1. Too high over 2:1 means waste of investment opportunities as too much cash, too low means not liquid and risk of not paying back short-term obligations. CR = 2:1 (<i>Per \$1 of current liabilities, there are \$2 current assets</i>)</li> <li>● <b>Gearing (Debt-to-Equity Ratio)</b> - Debt-to-Equity Ratio = Total Liabilities / Total Equity, with ideal being 1:1 or more. Higher debt-to-equity means more debt and higher risk of insolvency and not meeting long-term obligations. Lower than 1:1 means more equity than debt, and more safer, but could waste expansionary opportunities. DOE = 1:1 (<i>Per \$1 of total liabilities, there is \$1 of total equity</i>)</li> <li>● <b>Profitability (Gross, Net, ROE)</b> - indicates the profitability of a business. <ul style="list-style-type: none"> <li>○ <b>Gross Profit Ratio</b> = Gross Profit / Sales x 100 - reflect margin of markup between business's purchasing and selling prices. Less than 40% should seek cheaper suppliers, more than 40% means highly prices and high profit. GPR = 12.5% (<i>Per \$1 contributed by owner, generates 12.5 gross profit</i>)</li> <li>○ <b>Net Profit Ratio</b> = Net Profit / Sales x 100 - in income statement, reflects operating costs and expenses of business. 20% = high, 11-18% is good, less than 10% low. Higher means low costs, high profits, lower means low sales, high costs. NPR = 20% (<i>Per \$1 contributed by owner, generates 20 cents profit</i>)</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ <b>Return on Owner's Equity Ratio</b> = Net Profit / Owner's Equity x 100 - in balance sheet, higher the better, expressed as percentage. ROE = 12.5% (<i>Per \$1 contributed by owner, generates 12.5 cents return</i>)</li> <li>● <b>Efficiency (Expense Ratio, ARTR)</b> - ratio indicates efficiency of business.             <ul style="list-style-type: none"> <li>○ <b>Expense Ratio</b> = Total Expenses / Sales, ratio indicates sales allocated to expenses. Lower percentage/ratio is better as per sales, there is less expenses involved with same sales. ER = 20% (<i>Per \$1 of sales, there are 20 cents allocated to expenses</i>)</li> <li>○ <b>Accounts Receivable Turnover Ratio</b> = 365/ (Sales / Accounts Receivable), with higher number indicating less efficiency. If is 20, means takes 20 days for business to collect accounts receivables, meaning efficiency. Ideal is 30 days or less.</li> </ul> </li> <li>● <b>Comparative Ratio Analysis</b> means businesses should compare figures, percentages and ratios to industry averages and previous years to gain a greater understanding and valuation of their current position</li> <li>● McDonald's uses their profitability ratios (NP, GP, ROE) to calculate their profit margin, which was 30.5% in 2023's first quarter</li> </ul>
<b>Limitations of financial reports</b>	<ul style="list-style-type: none"> <li>● <b>Normalised Earnings</b> - earnings adjusted to take into account changes in economic cycle or remove one off or unusual items affecting profitability, gives more accurate depicting of company (etc. removal of a land sale which causes large capital gain)</li> <li>● <b>Capitalising Expenses</b> - accounting method where business records expense on income statement as asset on balance rather than expense. Overstates the value and profits of the business whilst understating the expenses (etc. listing research and development as asset)</li> <li>● <b>Valuing Assets</b> - process of estimating value of assets when recording them on balance sheet, issues revolve around historical costs as assets may depreciate, or intangible assets may be subjective in valuation</li> <li>● <b>Timing Issues</b> - account concept of expenses incurred being recorded on income statement for accounting period in which expenses relate and revenue is earned (etc. real estate selling property in June, receive 2% commission but not paid till july, hence recorded in June)</li> <li>● <b>Debt Repayments</b> - highly geared business take on more risk, though financial reports do not have capacity to disclose specific information about these debt repayments, such as due dates, capacity to repay, how long debt faced, hence can distort perception</li> </ul>



	<ul style="list-style-type: none"> <li>• <b>Notes to Financial Statements</b> - additional information at the bottom of business report, containing information may useful to stakeholders to help make sense of financial statements, notes contain important information used for recording and reporting</li> <li>• McDonalds have intangible assets such as goodwill which cannot be recorded on financial reports</li> </ul>
<b>Ethical issues related to financial reports</b>	<ul style="list-style-type: none"> <li>• <b>Audited Accounts</b> - independent check of accuracy of financial records and accounting procedures by either internal audits, management audits, or external audits as required by the <u>Corporations Act 2001</u>. Important part of control function, used to examine reliability of business statement, costly if inaccurate.</li> <li>• <b>Reporting Practices</b> - stakeholders and shareholders are entitled to access business's financial information, even if company is small business. Businesses must ensure access to everyone and ethical reporting practice, otherwise this could be costly when buyers look closely at financial report.</li> <li>• <b>Record Keeping</b> - accounting processes depend on accuracy and honesty, documents must be created for each transaction, even when cash changed hands. If cash not recorded, won't show on revenue, will reduce profit and tax, which is penaliseable by Australian Tax Office, which can affect reputation and prosecute business for tax evasion.</li> <li>• In 2019, Amazon was accused of tax evasion as their tax rate was 12.7% per cent over the past decade when the headline tax rate in the US was 35 per cent</li> </ul>

## Financial Management Strategies

<b>Cash Flow Management</b>	<ul style="list-style-type: none"> <li>• <b>Cash Flow Statement</b> - can be used to to indicate a movement of cash receipts and cash payments from transactions over a period of time.</li> <li>• <b>Distribution of Payments</b> - splitting major cash payments through month, year or over a period of time to reduce lump sums and cash shortfalls with expenses not occurring at the same time. More equal cash outflows to improve liquidity.</li> <li>• <b>Discounts for Early Payments</b> - discounts if payments are made earlier than required is popular management strategy (particularly for accounts receivables). Can provide discounts is pay early or punishments for paying late. Improves liquidity, sacrifices profitability and working capital.</li> <li>• <b>Factoring</b> - selling of accounts receivables for discounted price to a specialist factoring company. Business saves</li> </ul>
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	<p>costs involved in following up on unpaid accounts and improves liquidity in exchange for loss of profitability to improve immediacy and continue operations.</p> <ul style="list-style-type: none"> <li>● <b>McDonalds uses cash flow statements to determine worldwide liquidity and improve financial management asset allocation</b></li> </ul>
<b>Working Capital Management</b>	<ul style="list-style-type: none"> <li>● <b>Control of Current Assets</b> - ensuring adequate assets to maximise liquidity to meet short-term obligations <ul style="list-style-type: none"> <li>○ <b>Cash</b> - goal of maximising cash at bank, the most liquid asset, to improve liquidity. Can use sale and sale and lease back to improve.</li> <li>○ <b>Receivables</b> - goal is to minimise value of receivables to minimise late payments and ensure customers pay for invoices within 30 days. Can use factoring to improve.</li> <li>○ <b>Inventories</b> - risk to have an oversupply of inventory because if not sell, cash inflows dry up, whilst cash outflows continue. Business must control inventory levels. Can sell to improve.</li> </ul> </li> <li>● <b>Control of Current Liabilities</b> - ensuring liabilities are minimised to maximise liquidity and meet short-term obligations <ul style="list-style-type: none"> <li>○ <b>Accounts Payable</b> - business should minimise accounts payable liabilities as can lead to multiple simultaneous cash outflows, preventing from adequate cash resources (make sure pay invoices on time)</li> <li>○ <b>Loans</b> - minimising interest charges and keeping debt levels low enough so can be repaid within 12 months through sales revenue (make sure decisive in what loans are taken)</li> <li>○ <b>Overdrafts</b> - aim to minimise and have infrequent use of overdrafts since only used when bank balance below zero (must monitor daily and weekly budgets as can affect liquidity and profitability)</li> </ul> </li> <li>● <b>Strategies</b> <ul style="list-style-type: none"> <li>○ <b>Leasing</b> - hiring an asset rather than buying it. Frees up cash and allows to be used elsewhere, attractive as expenses are tax deductible, firms can increase own asset numbers through leasing and increase profits (improves liquidity and profitability)</li> <li>○ <b>Sale and Lease Back</b> - selling an owned asset to a lessor and leasing the asset back through fixed repayments for a specified duration of years. Increases cash assets through instantaneous payment for sale, whilst spreading payments over time to reduce liabilities, improving liquidity</li> </ul> </li> <li>● <b>McDonalds makes majority earnings through real estate. Creates revenue through leasing its restaurants to owners</b></li> </ul>



	<p>at huge markups over the real estate market value for property.</p>
<b>Profitability Management</b>	<ul style="list-style-type: none"> <li> <b>Cost Controls</b> - measures to control the costs business incurs to improve profitability             <ul style="list-style-type: none"> <li> <b>Fixed and Variable</b> - fixed not dependent depending on level of operating activity, whilst variable are those that vary in direct relationship to levels of operating activity in business                 </li> <li> <b>Cost Centres</b> - particular areas and departments where business costs can be directly attributed to, in some instances there may be several cost centres in department (etc. assembly line in manufacturing department)                 </li> <li> <b>Expense Minimisation</b> - removing unnecessary costs of business in any particular point in production, promotion and selling. Improves profit of business by reducing expenses. (etc. reducing waste of business)                 </li> </ul> </li> <li> <b>Revenue Controls</b> - measures to improve the sales and revenue of business to improve profitability             <ul style="list-style-type: none"> <li> <b>Marketing Objectives</b> - reevaluating marketing objectives to better increase sales will allow the business to improve their profitability. This can include expanding the product mix, maximising customer service, or reviewing strategies through a SWOT analysis and market research, ultimately increasing sales and profit.                 </li> </ul> </li> <li> <p>For McDonalds, fixed costs are council rates and insurance premiums, variable costs are royalty fees payable, foods and drinks</p> </li> </ul>
<b>Global Financial Management</b>	<ul style="list-style-type: none"> <li> <b>Exchange Rates</b> - currencies fluctuate in two directions, either appreciating or depreciating. Appreciation raises value of AUD, whilst depreciating reduces it. Appreciation reduces international competitiveness of AU businesses as exports become more expensive overseas.             </li> <li> <b>Interest Rates</b> - global businesses have options of borrowing money from financial institutions in Australia, or can borrow from overseas financial markets. Overseas tend to have lower interest rates, although this can costly if used as AUD could depreciate due to currency fluctuations.             </li> <li> <b>Methods of International Payment</b> - various methods of paying in global market             <ul style="list-style-type: none"> <li> <b>Payment in advance</b> - exporters receive payment before goods are sent to importer (low risk for exporter, high risk for importer)                 </li> <li> <b>Letter of credit</b> - document buyer can request from bank to guarantee payment of good will occur and transferred to seller (no risk)                 </li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ <b>Clean payment</b> - exporter ships goods directly to importer before payment received (high risk for exporter, low risk for importer)</li> <li>○ <b>Bill of exchange</b> - document drawn by exporter requesting payment at a specified time, either bill against payment (exporter sends to importer after paid) or bill against acceptance (exporter sends good to importer before paid)</li> <li>● <b>Hedging</b> - strategies used to minimise risks of currency fluctuations <ul style="list-style-type: none"> <li>○ <b>Natural Hedging</b> - business creates non-financial instrumental strategies to avoid risks of currency fluctuations (etc. insisting contracts for importer and exporter be conducted in AUD)</li> <li>○ <b>Derivatives</b> - financial instruments used to minimise exporting risks involved with currency fluctuations</li> </ul> </li> <li>● <b>Derivatives</b> - financial instruments used to minimise exporting risks involved with currency fluctuations <ul style="list-style-type: none"> <li>○ <b>Forward Exchange Contracts</b> - contract to exchange one currency for another at an agreed, spot exchange rate on a future date in financial market</li> <li>○ <b>Options Contract</b> - gives buyer (option holder) right, but not obligation, to buy or sell foreign currency at agreed upon price at some time in future, gives chance for them to exchange at their advantage</li> <li>○ <b>Swap Contracts</b> - contract whereby two parties agree to exchange currencies in spot market, with agreement to reverse transaction in a future date (allows businesses to minimise exposure to exchange rate fluctuations through a reverse)</li> </ul> </li> <li>● <b>McDonalds holds \$12.4 Billion in debt in countries other than the US (42% of its long-term debt)</b></li> </ul>
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## Role of Human Resource Management

<b>Strategic role of human resources</b>	<ul style="list-style-type: none"> <li>• Management of <b>relationship</b> between <b>employer and employee</b>, linking <b>people related activities</b> to strategic goal of business</li> <li>• Strategic role – provide business <b>people/labour</b> with appropriate skills and attributes required to <b>achieve long-term objectives</b></li> <li>• Ensure HR adds value by <b>developing</b> and <b>maintaining efficient, productive, loyal, flexible and adaptive</b> workforce</li> <li>• <b>McDonalds publishes 60-page document named 'business conduct - the promise of the golden arches' setting out standards and expectations business has of employees</b></li> </ul>
<b>Interdependence of marketing with other key business functions</b>	<ul style="list-style-type: none"> <li>• HR embedded in all key business functions, payments of labour allow certain functions occur</li> <li>• <b>HR and Operations</b> – HR provides operational positions for workforce in exchange for recruited staff with skills &amp; experience necessary to produce product</li> <li>• <b>HR and Marketing</b> – HR provides marketing positions for workforce in exchange for designs &amp; development, conduct tasks like market research. Etc. sales representatives.</li> <li>• <b>HR and Finance</b> – provides financial job opportunities regarding record keeping and accounting positions in exchange of payment through wages &amp; salary. Funds provided for training and development, in exchange for creating managing finance.</li> <li>• <b>McDonalds' HR department hires employees in AU through \$23.83/hour average wage incentive for cook position, allowing to produce 51+ Million burgers and facilitate generation of \$2 billion revenue</b></li> </ul>
<b>Outsourcing</b>	<ul style="list-style-type: none"> <li>• <b>Outsourcing</b> - transfer of business function to external vendor, often to obtain cheaper or more superior service</li> <li>• <b>Human Resource Functions</b> <ul style="list-style-type: none"> <li>○ HRM is most corporate function to outsourced, mainly in areas like recruitment, induction, training, payroll. Reduces business need to employ staff full time.</li> <li>○ Growing occurrence amongst SMEs with same HR needs as large firms but lack financial resources</li> <li>○ PROS: enables business focus on CBF, reduce costs, improve quality, contractual agreement with another business (if G&amp;S faulty can seek compensation)</li> <li>○ CONS: cost savings not always achieved, lose</li> </ul> </li> </ul>



	<p>degree of control, employees may feel displaced &amp; inexperienced, outsourced firm not understand business culture &amp; existing issues, potential language barriers</p> <ul style="list-style-type: none"> <li>● <b>McDonalds outsources WHAS requirements to company 'SafetyWorks' to ensure stores best equipped in meeting legal mandates</b></li> <li>● <b>Using Contractors – Domestic, Global</b> <ul style="list-style-type: none"> <li>○ Contractors - independent workers not subject to regulations and directives of business</li> <li>○ Fill position, cost effective, flexible, problems from lack loyalty and time lags</li> <li>○ Employees – under contract of service (offer services for business on regular basis, subject to lawful authority of employer)</li> <li>○ Independent Contracts – under contract for service (employment not ongoing, agreed fee paid for service, usually for fixed period)</li> <li>○ <b>Domestic Contracts</b> - hiring domestically           <ul style="list-style-type: none"> <li>■ PROs: expert knowledge on AUS business operations, easy communication as same time zone &amp; no language barriers</li> </ul> </li> <li>○ <b>Global Contracts</b> - hiring globally           <ul style="list-style-type: none"> <li>■ Firms pressurised from global competition to contract foreign businesses for readymade workforce</li> <li>■ PROs: reduces costs, allows business access labour without consider minimum labour requirements &amp; WHS laws</li> <li>■ CONS: difficulty controlling quality, reliability of services, cultural differences &amp; language barriers impacting customer service, different time zones hinder efficiency</li> </ul> </li> </ul> </li> <li>● <b>McDonalds always contracts domestically in suppliers according to McDonalds Report 2021 due to cheaper costs of minimum wage standards, communication advantages, expert knowledge on AU brand</b></li> </ul>
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## Key Influences

<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>● <b>Employers</b> - individuals or organisations seeking to employ labour           <ul style="list-style-type: none"> <li>○ Provide employment opportunities and responsible for wages and working conditions, goals regarding efficiency, productivity, management skills</li> </ul> </li> <li>● <b>Employees</b> - individuals providing skills in return for regular income</li> </ul>
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	<ul style="list-style-type: none"> <li>○ Responsibility to complete tasks lawfully as required by employer</li> <li>○ Incorporated into decision making process (gives motivation and improves productivity)</li> <li>○ Goals regarding pay and conditions, job security and sense of achievement/satisfaction</li> <li>● <b>Employer Associations</b> - organisations aiming to promote interests of employers within business environment (etc. Australian Industry Group) <ul style="list-style-type: none"> <li>○ Lobby governments with employer views</li> <li>○ Appears before industrial tribunals on behalf of members</li> <li>○ Advise members on EEO, dismissal, wage negotiations</li> <li>○ Formulate policies and strategies</li> <li>○ Process of claims served by trade unions</li> </ul> </li> <li>● <b>Unions</b> - organisations formed by employees in industry, trade or occupation to represent in efforts to improve wage/working conditions <ul style="list-style-type: none"> <li>○ Represents employees in industrial conflict, WHS, negotiating wage and conditions, peak body is Australian Council of Trade Unions</li> </ul> </li> <li>● <b>Government Organisations</b> - organisations establishing the legal framework which operates employment relationships. Etc: <ul style="list-style-type: none"> <li>○ Award - legal document specifying minimum working conditions applying to all people employed in common industry, relates to wages, holidays, sick leave and overtime</li> <li>○ Working Conditions - non-wage features of employee's workplace contract. Include hours of work, rostering issues, promotional policies and OH&amp;S</li> <li>○ Certified Agreement - agreement negotiated between employer and employees, if requested, unions may assist employees in negotiating process</li> <li>○ Better Off Overall Test - used by FWA to examine whether employees worse off if sign new wage agreement rather than employed under award and relevant laws</li> <li>○ Industrial dispute - problem arising between employer and group of employees in workplace</li> <li>○ Conciliation - used by FWA which offers suggestions to help resolve dispute</li> <li>○ Arbitration - involves commissioner hearing cases put forward by both parties then deciding which legally binding on both parties</li> <li>○ Fair Work Australia key organisation - established in 2010 by <u>Fair Work Act 2009 (Cth)</u></li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>■ Encourages prevention and settlement of industrial disputes between employers and employees through conciliation and arbitration</li> <li>■ Determines minimum wages through national wage case hearings</li> <li>■ Arbitrates unfair dismissal claims where employee believes his/her dismissal 'harsh, unjust or unreasonable'</li> <li>■ Applies BOOT test to certain wage agreements</li> <li>● <b>Society</b> - views of general public             <ul style="list-style-type: none"> <li>○ Workplace practice reflective of behaviours upheld within society</li> <li>○ Issues like perceived discrimination, harassment and unfair work conditions increasingly publicised and businesses must respond to societal views</li> <li>○ HR decisions impacts living standards and rate of economic growth through demand effects</li> </ul> </li> </ul>
<b>Legal - The Current Framework</b>	<ul style="list-style-type: none"> <li>● The Employment Contract             <ul style="list-style-type: none"> <li>○ Common law - rights and obligations of employers and employees                 <ul style="list-style-type: none"> <li>■ Developed by courts and tribunals</li> <li>■ Employers and employee's have certain rights and obligations to each other as identified by court system and legal standards of behaviour</li> <li>■ Employer Obligations                     <ul style="list-style-type: none"> <li>● Providing work (if not work must paid leave option)</li> <li>● Fair income (as in industry awards, collective agreements or employment contracts)</li> <li>● Cover work related expenses</li> <li>● Meet requirements of industrial relations legislature</li> <li>● Duty of care (provide safe and healthy workplace)</li> </ul> </li> <li>■ Employee Obligations                     <ul style="list-style-type: none"> <li>● Obey lawful and reasonable commands made by employers</li> <li>● Use care and skill in performance of work activities</li> <li>● Act in good faith and interests of employer</li> <li>● Duty to disclose relevant information to employer (etc. if health condition that can lead work-related accident)</li> </ul> </li> </ul> </li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ Minimum employment standards - minimum standards must followed by employees and employers           <ul style="list-style-type: none"> <li>■ National Employment Standards (NES) set out in <b>Fair Work Act 2009</b> (10 minimum entitlements applying to all employers &amp; employees in workplace system). Provides safety net for employees, particularly vulnerable/ lowest paid.               <ul style="list-style-type: none"> <li>● Maximum weekly hours work (38+ reasonable additional hours)</li> <li>● Requests for flexible working arrangements</li> <li>● Parental leave and related entitlements</li> <li>● Annual leave (4 weeks paid/year)</li> <li>● Personal/carers leave &amp; compassionate leave (10 days paid, 2 unpaid)</li> <li>● Community service leave (e.g. jury duty)</li> <li>● Long service leave</li> <li>● Public holidays</li> <li>● Notice of termination and redundancy pay</li> <li>● Provision of a Fair Work Information Statement</li> </ul> </li> </ul> </li> <li>○ Minimum wage rates - minimum rate of pay for employees           <ul style="list-style-type: none"> <li>■ Reviewed annually by FWA's Minimum Wage Panel</li> <li>■ Panel provides range of fair minimum wages for juniors, trainees &amp; disabled employees</li> <li>■ Since 2010, base rate of pay for ordinary hours determined by               <ul style="list-style-type: none"> <li>● Award/agreement covering them</li> <li>● National minimum wage (<b>applies to award and agreement-free employees, currently \$21.38</b>)</li> </ul> </li> </ul> </li> <li>○ Awards - legal documents outlining rates an conditions of employment           <ul style="list-style-type: none"> <li>■ Modern awards commenced in 2010 after FWA</li> <li>■ Legally binding documents operating with NES to regulate minimum terms for specific industries</li> <li>■ Includes minimum wages, overtime and penalty rates, dispute settlement procedures and other entitlements based</li> </ul> </li> </ul>
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	<p>on industry</p> <ul style="list-style-type: none"> <li>○ Enterprise Agreements - collective agreements made at workplace level between employers and employees regarding term and conditions of employment           <ul style="list-style-type: none"> <li>■ Either between employer and group of employees or trade union</li> <li>■ FWA assist in making of, deals with disputes arising under terms and must assess and approve</li> <li>■ Can tailored meet needs of particular enterprises and offers employees above minimum pay and conditions covered in awards</li> <li>■ Must pass FWA's 'BOOT test' compared to modern award</li> </ul> </li> <li>○ Other employment contracts           <ul style="list-style-type: none"> <li>■ Common law contracts               <ul style="list-style-type: none"> <li>● Significant flexibility to vary wages and conditions to suit individual needs</li> <li>● Commonly used for executives, managers and professionals with above average incomes</li> </ul> </li> <li>■ Fixed term               <ul style="list-style-type: none"> <li>● For specific period (etc. replace absent staff or complete project)</li> </ul> </li> <li>■ Casual               <ul style="list-style-type: none"> <li>● Temporarily or irregularly employed and paid by hour</li> <li>● Higher pay than part-time and full-time as receive less hours</li> <li>● Not entitled to sick or holiday leave, but receive casual loading which higher than permanent employees</li> </ul> </li> <li>■ Part-Time               <ul style="list-style-type: none"> <li>● Work less than standard full-time hours in relevant award/agreement</li> <li>● Unlike casuals, don't have access to entitlements offered to full-time employees, but on pro-rate basis (in proportion to % of time work compared to full time)</li> </ul> </li> <li>■ Full-time               <ul style="list-style-type: none"> <li>● Full-term of contract</li> <li>● 35-40 hours per week</li> <li>● Permanent basis and paid hourly wage or set annual salary</li> <li>● Contract includes super, hours of work, overtime, annual leave/sick</li> </ul> </li> </ul> </li> </ul>
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	<p>leave</p> <ul style="list-style-type: none"> <li>• Tends to contract of service</li> <li>• Work Health and Safety and Workers Compensation             <ul style="list-style-type: none"> <li>○ In NSW, <u>Work Health and Safety Act 2011</u> establishes rights and responsibilities of employers and employees regarding WHAS</li> <li>○ Employers must provide staff safe workplace and minimise potential risks that may arise</li> <li>○ Businesses with 20+ employees must establish OHS committee to address concerns</li> <li>○ OHS laws and workers compensation administered by SafeWork Australia, statutory body responsible for achieving safe workplaces, effective return to work and security for injured workers</li> <li>○ <u>Workers Compensation Act 1987 (NSW)</u> and <u>Workers Compensation and Workplace Injury Management Act 1998 (NSW)</u> governs financial compensation processes for employees for injuries sustained at work. Aims to maintain income of injured employees and ensure can return work once rehabilitated</li> </ul> </li> <li>• Anti-Discrimination and Equal Employment Opportunity             <ul style="list-style-type: none"> <li>○ Anti-Discrimination                 <ul style="list-style-type: none"> <li>■ Employers must prevent discrimination to avoid large fines. Must:                     <ul style="list-style-type: none"> <li>• Comply to legislation and audit all policies and practices to ensure don't discriminate</li> </ul> </li> <li>■ Illegal to take adverse action in employment on grounds of race, age, disability, gender, religion, sexual preference, etc. under <u>Sex Discrimination Act 1984 (Cth)</u>, <u>Anti-Discrimination Act 1977 (NSW)</u></li> <li>■ Enforced by Human Rights and Equal Opportunity Commission</li> </ul> </li> <li>○ Equal Employment Opportunity                 <ul style="list-style-type: none"> <li>■ <u>Human rights and Equal Opportunity Commission Act 1986 (Cth)</u> explicitly mandates EEO                     <ul style="list-style-type: none"> <li>• Refers to equitable policies and practices in recruitment, selection, training and promotion to eliminate indirect discrimination</li> <li>• To comply with legislation, businesses must implement affirmative action policies to identify and remove barriers causing discrimination and assist potentially</li> </ul> </li> </ul> </li> </ul> </li> </ul>
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	<p>disadvantaged groups like women in attaining equal access to pay and positions</p> <ul style="list-style-type: none"> <li>• Employers with 100+ employees must report annually EEO programs to they develop in consultation with employees and progress achieved</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Economic Cycle - succession of booms and recessions that take place in economy. Affects employment levels, demand for labour and employee bargaining power all fluctuate according to stage of economy.</li> <li>• Boom = activity rises thus:             <ul style="list-style-type: none"> <li>○ Lower unemployment</li> <li>○ Increased inflation</li> <li>○ Employers raise production</li> <li>○ High demand labour</li> <li>○ Easier to negotiate benefits and bargain as improved wages and working conditions</li> </ul> </li> <li>• Recession = activity decreases thus:             <ul style="list-style-type: none"> <li>○ Higher unemployment (increased redundancies in staff to cut costs)</li> <li>○ Decreased inflation</li> <li>○ Employers reduce production</li> <li>○ Lower demand for labour</li> <li>○ Employee bargaining power falls as poorer economic conditions</li> </ul> </li> <li>• Globalisation             <ul style="list-style-type: none"> <li>○ In global markets, increased competition for AUS businesses</li> <li>○ More foreign ownership of businesses within Australians now working overseas companies</li> <li>○ Relocating production overseas and outsourcing labour to reduce costs of labour and production, causes increased redundancy in AUS</li> <li>○ Increased diversity of AUS workforce gives greater access to wider skill range, skilled migration, multicultural workforce, encouraged training for different authority approaches</li> </ul> </li> </ul>



<b>Social</b>	<ul style="list-style-type: none"> <li>● Changing Work Patterns <ul style="list-style-type: none"> <li>○ Increased mobility and flexibility of workers with many leaving full-time positions after developing specialist skills and experience to become contractors or consultants</li> <li>○ Rising female participation rate (48% of workplace) = influence related in parental/cares leaving improvements</li> <li>○ Ageing workforce = likely to experience skill shortages to population upskilled, incentives to encourage postponed retirement, remove discrimination in recruitment of older workers, opportunities to update skills growth in services industries like retail, food services, accommodates and travel <ul style="list-style-type: none"> <li>■ Increased casual and part time work as well as earlier retirees wanting ease out of full time</li> </ul> </li> </ul> </li> <li>● Living Standards <ul style="list-style-type: none"> <li>○ Living standards generally measures by real income per person, poverty rates, access and quality of health care, income growth inequality end educational standards</li> <li>○ Populations with high SOI have high demand for consumer goods → stimulates economy through spending</li> <li>○ Australia SOL higher than rest of world, though gap for indigenous and rural vs urban Australians</li> <li>○ Results make Australia attractive for working and immigration, meaning business have access to local and international well-skilled workforce</li> </ul> </li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>● Used in aspects of HR like recording employee actions, payroll, recruitment and job applications, also allows staff to work away from office</li> <li>● Pros <ul style="list-style-type: none"> <li>○ Potential employees can search and apply jobs easier and business can perform background checks online</li> <li>○ Employee self service → can access pay, tax information and leave applications online</li> <li>○ More efficient production techniques and employees can upskilled</li> </ul> </li> <li>● Cons <ul style="list-style-type: none"> <li>○ Lower employee empowerment and decision making as technology becomes key driver in production methods</li> <li>○ Use of new communication increases need for training programs</li> <li>○ Employee resistance to change upon use of</li> </ul> </li> </ul>



	<p>technological methods</p> <ul style="list-style-type: none"> <li>Higher maintenance costs</li> </ul>
<b>Ethics and corporate social responsibility</b>	<ul style="list-style-type: none"> <li>Ethics - what perceived as morally right by society rather than simply legislature             <ul style="list-style-type: none"> <li>Ethical business practices are those which socially responsible, morally right, honourable and fair.</li> </ul> </li> <li>Possible HRM issues:             <ul style="list-style-type: none"> <li>Discrimination</li> <li>Issues arising from traditional view of employer/employee relationships</li> <li>Issues affecting employee privacy e.g. workplace surveillance, drug testing</li> </ul> </li> <li>Corporate Social Responsibility - commitment to businesses to contribute to sustainable development by delivering economic, social and environmental benefits for all stakeholders             <ul style="list-style-type: none"> <li>By treating staff well and acting responsibly, employers can sustain valuable, productive employees and avoid damage to company reputation</li> <li>Businesses can demonstrate commitment to CSR by:                 <ul style="list-style-type: none"> <li>Investing in community projects</li> <li>Introducing WHS measures</li> <li>Anti-discrimination programs</li> <li>Adopting environmentally friendly practices</li> <li>Applying code of ethics to company operations</li> </ul> </li> </ul> </li> </ul>