

CHARTERED MANAGEMENT INSTITUTION
DIPLOMA IN MANAGEMENT

UNIT 5004
RESOURCE MANAGEMENT



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History of the Defence Academy

The Defence Academy is the UK Defence's Higher Educational Institution - and a key component of operational capability. The Academy is comprised of the Royal College of Defence Studies, the Joint Services Command and Staff College, the Defence College of Management and Technology, the Advanced Research and Assessment Group, and the Armed Forces Chaplaincy Centre. The Academy has three strategic partners – King's College London, Serco Defence and Aerospace, and Cranfield University – who provide our academic and facilities support. The Joint Services Command and Staff College (JSCSC) trains the future commanders and staff officers of all three UK Armed Services and those from many countries around the world.

Serco are a facilities management company contracted by the MOD to run various aspects of the JSCSC. They provide support through training services, logistics, estates, finance, travel and Sports and fitness.

I am employed by Serco to run the JSCSC fitness suite and sports fields. My role at the college is Head of Sports and Fitness. I am a lone worker, I have no staff and report to my line manager only.

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Part A – The Nature of Resources

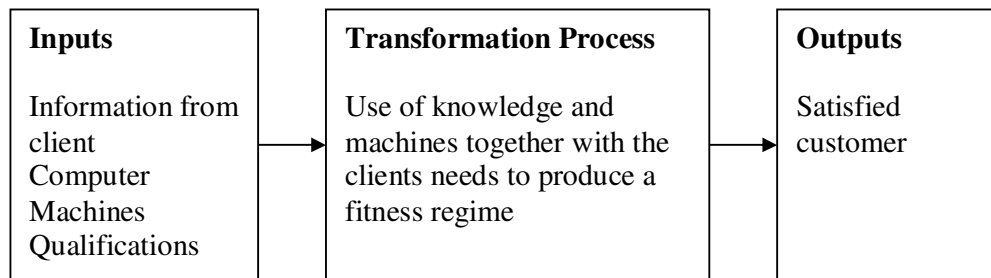
Introduction

What is a resource?

A resource can be defined as a source of supply, support, or aid, esp. one that can be readily drawn upon when needed (dictionary online). A resource is time, information, people, materials and supplies, finished products and money.

Input – Output model

Organisations can be seen as open systems that interact with their environment. This basically means that they take something from the environment and convert them into outputs that are passed back out to the environment. This idea can be shown in a simple **input output model**. I am going to use the example of someone wanting a fitness programme from me as an example of this at work:



The diagram above explains what I need to have to be able to organise a fitness programme. I need the information from the client I need the machines in the gym I need the knowledge through qualifications and a computer to write it up. All these things together in the transformation process allow me to write the programme up and the output is the fitness programme.

Organisational Planning

To consider exactly what resources an organisation requires, it must plan for future activities. According to my self study guide there are 3 levels of planning. It is these three levels I must constantly consider when I am planning:

1. Strategic
2. Operational
3. Business

Strategic planning

Strategic planning determines where an organisation is going over the next one or more years but also how it is going to get there and how it will know if it got there. The focus of strategic planning is usually on the entire organisation while the focus of the business and operational plans plan usually on a particular product, service or activity.

Benefits

There are many benefits to strategic planning of which some are listed below:

- Clearly defining the purpose of the organisation to establish realistic goals and objectives consistent with mission
- Developing a sense of ownership of the plan
- Getting the best out of everyone
- Bridging staff and managers
- Building strong teams

The strategic planning process involves:

- **Defining the mission and objectives** – the mission is a guiding statement that an organisation will be working towards. The mission in Serco is to adhere to the highest possible standards putting the needs of the customer first. All work carried out must be in cognisance of the ISO standards and Business Manual.
- **Environmental scanning** – enables the organisation to identify its internal strengths and weaknesses, its external opportunities and threats. New legislation and ISO standards continually mean that there is change within Serco.
- **Strategic formulation** - which is where internal strengths are matched to the opportunities in the external environment. Serco must maintain high standards at all times in order to maintain the contract at Defence Academy.
- **Strategy implementation** – involves putting together programmes, budgets and procedures. I write my working procedures and work instructions and constantly monitor and change them if required.
- **Evaluation and control** – is where the strategy must be monitored and changes must be made where necessary. Non conformity is usually picked up through internal and external audit but it is my role to make sure everything is in order.
- **Business Planning** – the business plan involves how we are going to achieve the strategic plan. These plans should be created by managers in each department within Serco in order to create a long term goal what will allow the company to meet the strategic objectives.
- **Operational and functional planning** – a plan can be short or long term and basically states what will happen and when it will happen and who will be involved. According to Jones in my self study guides, the purpose of a functional plan is to indicate how a function intends to achieve its goal. It is concerned with the actions of various managers in individual departments to add value to the organisations good and or

services. In order to add value in an area, I must consider the following objectives:

1. to attain superior efficiency – doing as little as possible and achieving as much as possible
2. to attain superior quality – providing goods or services that are of high quality that meet the customers needs
3. to attain superior innovation – new ways of producing the goods or services
4. To attain superior responsiveness to customers – are they happy with what they are getting?

Within my department of sport and fitness I am always trying to improve on what I do to provide the customer with the best possible service. I try to come up with new fitness classes and add more things into the programme so it is always evolving and meeting the rolling customer’s needs, I gain responses through word of mouth and recommendation so I know whether the customer is happy overall.

Implementing Plans

In order to implement any of the plans I and or the team come up with I must consider 4 things:

| Implementing Plans | Evaluation |
|-----------------------------------|---|
| Set smart objectives | Most plans I write are written using smart objectives. They are specific, measurable, achievable, realistic and timebound. By writing smart objectives it allows the plan to run more effectively and lowers the risk throughout implementation. |
| Detailing the plan | Putting together a set of activities and allocating resources to groups or individual seems to work best. This ensures that everyone knows what they are doing and have what they need to do to complete it. |
| Implementing the plans | By starting the plan and watching/monitoring the progress and updating the plan where necessary. |
| Reviewing and evaluating the plan | Making sure that I and the team have achieved what I set out in the first place and learning from any errors that arose. This is always going to be an issue in my role as people always want to add to the plan as it is running so the evaluation always concludes that more planning at the beginning to identify external issues are covered. |

The table above shows that where possible I do manage to write good plans with SMART objectives. The implementation and allocation of resources usually run well until such a point that an external party might want to change the original plan.

Identifying resource requirements and involving my team

In a table I am going to list resources I use in the fitness suite, why they are managed and how they are controlled. The only one of these I am not responsible for is financial. The rest of which are all in my control and areas of responsibilities.

| Resource | Why Managed | How it is controlled |
|-----------------------|---|--|
| People | To ensure everyone has been correctly inducted into the gym and make sure they are using the equipment correctly and safely | Regular walks around the gym. My office is open so I can see out at all times and no one is permitted using the gym if not inducted. |
| Money | To provide essential items to and for the fitness suite annually and contractually. | Controlled via DM (W) on a asset renewal contract or via the sports fund. |
| Equipment | To ensure that the fitness suite is running as per the contract. To ensure that all equipment is safe. | Safety checks done daily. Regular maintenance carried out and full services carried out. |
| Computer | To ensure always working correctly as it is required for most paper work | Monthly checks are carried out to ensure its safety and speed. |
| Consumable items | To ensure that the gym is stocked with blue roll and spray to wipe the kit down after use as this is hygienic | Signs up all over the gym asking people to clean kit after themselves. This is also covered in the induction brief |
| First aid kits | To ensure they are up to date and adequate in case of an emergency | Monthly checks are carried out on all first aid kits |
| Sports pitches/courts | To ensure set up and ready for use as per the contract | Meetings with grounds staff every Monday morning. Pitch inspections carried out twice weekly. |

The amount of resources may be affected by extra demand, seasonal fluctuations and unexpected demands by the customer. As a manager I need to draw on my experience from the past, knowledge about certain events and statistical techniques. In addition to using my own experience I can draw on team members for thoughts also. To do this effectively I would ask them to gather and record resources they use, ask them to contribute to resource planning, agree that they should monitor use and discuss problems with the

team. Ensuring that myself, the customer and the team have the resources they need is the first good step to resource management.

Part B - Sourcing suppliers

Introduction

What is a supplier?

A supplier is someone or an organisation that supplies products or service that help a company produce a service to the customer. According to Cambridge Dictionary Online, a resource can be defined as a company, person, etc. that provides things that people want or need, especially over a long period of time.

Why buy services or goods?

It is quite simply impossible for any organisation to run using its own goods and services. We can't supply ourselves with electricity or heating for example. If we didn't use suppliers we wouldn't have a company.

Benefits of using suppliers

- To provide the raw materials necessary for running the gym
- To be able to run the machines in the gym
- To carry out work using IT
- To employ people
- To carry out work faster

Serco

At Serco and more specifically the fitness suite, the resources bought in include:

- Electricity
- Power
- Air conditioning
- Machinery
- Equipment
- Cleaning products
- First aid supplies
- People

Identifying suppliers

Having identified the types of goods and services needed to run the fitness suite, I need to identify which suppliers are best to provide what I require. There are a few things Serco and myself take into consideration when identifying suppliers:

- Can the good or service be provided by one supplier? This is the case from a Serco perspective on electricity, heating and air con. I do not have any say in these resources and suppliers.
- Can deals be negotiated with a single supplier – I can usually negotiate military discount with suppliers

- Flexibility – will they give me what I want when I want
- Price – is the price within my budget?
- Quality – is the machinery or equipment of any good?
- Reliability – will the machine last or will it break down?
- Lead time – what’s the life expectancy of the item
- Customer service – are the customer service team friendly and helpful?
- After sales service – will I get the support I may need once I have purchased from the supplier
- Delivery – do they deliver and will they deliver when I want them to.

Internal suppliers

Within Serco we audit everyone so we know that they are doing what they are meant to be doing. If they are not doing what they are meant to be doing then that is bad for Serco. To have good relationships with internal suppliers, I need to speak to them. The better the relationship is between myself and the internal suppliers the more likely I am to get what I want and need to meet my objectives. In order to maintain a good working relationship with my internal suppliers my self study guide suggests I grade myself on the following questions. The questions and grades are outlined in the table below:

| Question | Grade 1 (poor) 5 (good) 1-5 |
|--|---|
| I discuss my supply needs with internal suppliers on a regular basis | 2 – I know I should make this more regular |
| I pay regular visits to my internal suppliers and they visit me regularly | 3 – I visit them but they rarely visit me |
| I know the managers of my internal suppliers | 4 – I know the managers well |
| I discuss ideas with my suppliers on how they might improve their services | 2 – ideas are often squashed |
| I know how to speak to if there is a supply problem | 4 – I know who to speak to in case of an issue. |

Negotiating with suppliers

Once a supplier has been chosen and a formal agreement is in place, we can work together to amend practices required. At least there will be something that can both be agreed upon and work with.

How to negotiate?

- Being ethical and basing the buyer seller relationship on trust for one another and understanding things like not revealing details of other suppliers to the one you are negotiating with.
- Not committing to a contract unless authorised to do so which means ensuring the buying staff have the appropriate experience and ability
- Not being fooled by comments
- Meeting suppliers face to face as opposed to the phone or e mail
- Not overlooking long term issues for short term gain

Based on these hints of how to negotiate I can analyse my performance. In honesty I do not negotiate very much. We have a specific purchasing department within Serco who authorise whether or not a supplier can be used on a general basis. If there is something I need operationally from a supplier that isn't on their list then I will have to source the best and negotiate a good deal. For example if I wanted new treadmills it may not be just the price I negotiate but it could also be the servicing and warranty. With big suppliers like these I find it best to meet face to face as I feel more confident of getting what I want this way.

Solving supplier problems

There could be many problems with suppliers if they are not sourced properly. Some of these problems include:

- Increasing their prices without warning
- Supply goods or services that are suddenly of poor quality
- Not deliver on the time agreed
- Fail to deliver because they can't get the stock.

A problem I have been faced with before was when I purchased a Grappler machine. This piece of equipment was relatively new out and only supplied by one company so I went with them. I did however fail to look into how they dealt with mechanical faults and servicing. Consequently when ever something goes wrong I have to fix it myself or send it away which takes such a long time. When the machine works it is great but if I could turn back time I wouldn't but it again as the customer service and lack of service and warranty were so poor that it just creates so much work.

Part C - Financial planning

Introduction

What is a budget?

A financial plan is also known as a budget which can be defined as a plan to show how much money a person or organization will earn and how much they will need or be able to spend.

Why have a budget?

Planning a budget helps businesses allocate resources, evaluate performance and formulate plans. This basically means that it is a plan expressed in quantitative terms (figures rather than facts) and can include income, expenditure and capital. Budgets must be prepared in advance and for this reason are often termed in part of a feed forward process. A budget can be drawn up for an entire organisation and segments of which can be broken down.

Benefits of budgeting

If a budget is used properly it can be beneficial in many ways. My self study guide suggests such benefits:

| | |
|---------------------------|--|
| Planning and coordination | It works within a framework of overall |
|---------------------------|--|

| | |
|---|--|
| | objectives to produce detailed operational plans and planning is key to success. In Serco, each department had to plan and coordinate to fit into the master plan. Generally the managers of each department know what they need, use and require. |
| Clarification of authority and responsibility | The adoption of a budget authorises the plans contained within. And the authority to carry out the tasks. Each department within Serco are responsible for running within the budget to contribute to the mater plan. Anything requiring more funding must be decided at the highest level |
| Communication | Because budgeting should include all levels of management it is important to communicate throughout the levels. My line manager discussed with me the requirement for various resources required in my sub department and I feedback to him |
| Control | This is the process of comparing actual results with the planned results and reporting variations. This is not something I do at my level but does happen higher up the chain. Peter Drucker suggests 7 key areas that a budget must satisfy in order to be effective, these include: <ol style="list-style-type: none"> 1. economical 2. meaningful 3. appropriate 4. congruent 5. timely 6. simple 7. operational |
| Motivation | The involvement of the lower and middle management with the preparation of budgets and establishing clear targets. |

A properly prepared budget will help:

- see if the organisations strategy makes sense
- see if the business is likely to achieve its objectives because they have turned into figures

- highlight potential problems and estimate sensitivity of forecast profits to errors
- measure performance against a standard that has been set
- make decisions if the actual spending varies from the planned budget

Weaknesses in budgeting

A well planned budget will reduce potential weaknesses. The problem with budgets is mainly the assumption that people will stick to them and stay inside the lines. In best practise the budget would be adhered to but it is not always the case. Humans make mistakes. I could over spend on new equipment or provide a service that isn't paid for like use of the football pitch. Time, money, effort and equipment are used to run sports pitches but if the users do not pay up there has been waste in preparing the grounds and a loss of money is incurred. Unnecessary expenditure is can result from the belief that the budget must be used entirely when this is not always the case.

Types of budgets

Serco has its own master budget. The master budget can be broken down across the various site at which Serco operate. Once this split has occurred then the budget can be used accordingly.

The budget process

According to the self study guide, there is a 7 step model to the budgeting process that is rigorous and methodical. Using this guide I will apply it to Serco.

| Process Suggested | Serco Process Evaluation |
|---|---|
| Determining the principle budget factor | Serco considers all the key aspects that effect the budget including things like maintenance, stationary, wages and running costs |
| Identify sales levels for the next year | Serco is a service supplier so does not sell anything. However this is reducing costs over the next year where possible. |
| Out together an income budget | This is based on the same year to year income with the added variable of unexpected loss or gain in income over the year. |
| Lowest level – important when contributing to the budget setting exercise | This is where staff that will be effected by the budget are consulted and their contribution is taken into consideration by the line manager |
| Mini budgets fed back up | This does happen within Serco as my line manager will compile the entire Logistics budget having spoken to all staff involved and this will be fed to the contracts manager |
| Senior managers approve the budget | The senior management team and contracts manager will scrutinise the budget until approved. |
| Final Budget | The budget is then referred to in management meetings |

Preparing a budget

When preparing a budget, there are some basic steps that should be followed:

- make sure the latest data is used
- write down the basic planning assumptions and business strategy
- define the business plan for the period under budget
- prepare budgets for each department
- ensure that each budget is consistent with others.

Serco use incremental budgeting. This is used by many organisations and involves looking at what happened last year and updating the forecast for the year. The main advantage of this method is that it can be done very quickly provided there is information regarding actual costs. The disadvantage is that it is not as rigorous as starting from scratch. The process is made up of four main steps:

1. gathering information
2. drawing up the budget
3. presenting a budget forecast
4. submitting the budget forecast

Keeping financial control

A budget holder must monitor what is happening in the budget in any way as long as it is straight forward and regular. Information needed to be monitored can be gained from the prepared budget. It is important to monitor to ensure the actual figures are as close to the budgeted costs as possible. The only person able to sign off on my area of the budget is my line manager. He is responsible for signing off everything for the logistics department as a whole. In some cases, others may have permissions to do so but not in my department.

Analysing variances

It is beneficial to investigate variances no matter how small they are and whether they are adverse or favourable.

Favourable – meaning that the actual cost of running the fitness suite is lower than the budgeted costs. For example, low maintenance cost through a given month.

Adverse – which could mean that the running costs of the fitness suite are greater than those budgeted. For example by the end of the financial year, I may have used more graphics requirements than expected.

My line manager would be responsible for any adverse variances ultimately. However, I could have helped out more in the budgeting process to allocate more finances in to the areas that are of high use for the fitness suite.

The sort of costs that are non controllable are things like fuel costs and rates. The fitness suite is a high power use and so uses a lot of energy but it is a requirement.

Evaluation

At the end of the budget period, it is important to look back and evaluate the accuracy of the forecast and the effectiveness in the way it was monitored throughout the year. If the budget was not effective enough then it is important to assess where things went wrong and how they could have been prevented for next time.

Part D - Financial Forecasting

Introduction

Forecasting

According to smallbusinessfindlaw on the internet, forecasting can be defined as, 'the calculation of reasonable probabilities about a business' financial future'. Forecasting is a suggestion of what will happen. It is an early indication of things to come.

Forecasting techniques

There are three different techniques that can be used when looking into forecasting.

The payback method – technique 1

The pay back method is the most simple of all three approached and the easiest to understand. The method involves taking the number of years by which the capital outlay will be recouped given the anticipated additional income generated.

The formula for the pay back method: $\text{payback period} = \text{capital cost} / \text{annual revenue}$

The work brief gives an example to demonstrate this. If I had two projects to choose from, I would choose project A as I would be paid back earlier than project B. Project B also remain running for 8 further years generating no income.

| | Project A | Project B |
|-----------------|-----------|-----------|
| Investment | £90,000 | £90,000 |
| Profit | £22,500 | £20,000 |
| Pay back period | 4 years | 4.5 years |

Technique 2 – the discounted payback system

This technique is a variation of the payback method and recognises that money changes its value over a period of time. To use this method I would need to use the present value factor (PV factor).

The work brief asks me to look at two different projects both with the initial outlay costs of £20,000. Using the PV factor calculation it can be seen in real terms over three years and would only be worth £16,335 at the three year point and so wouldn't pay for itself in three years.

| Year | Cash flow | PV factor | Present value |
|------|-----------|-----------|---------------|
| 0 | -£20,000 | 1.000 | £20,000 |
| 1 | £5000 | 0.909 | £4,545 |
| 2 | £7000 | 0.826 | £5,782 |
| 3 | £8000 | 0.751 | £6,008 |
| | £20,000 | | £16,335 |

Technique 3 - accounting the rate of return

This method looks at the over income and expenditure of an entire project and the formula is: rate of return % = average profit/capital outlay x 100. The work brief asks me to calculate two projects both with the same outlay costs.

Project A:

| | |
|---------------|---------|
| Profit year 1 | £7000 |
| 2 | £4000 |
| 3 | £3000 |
| 4 | £2000 |
| Total outlay | £50,000 |

The total profit comes to £16,000. Using the calculation formula I can calculate the % profit.

$$£16,000/4\text{years} = \text{average profit of } 4000 \text{ p.a} / £50,000 \text{ outlay} \times 100 = 8\%$$

Project B:

| | |
|---------------|---------|
| Profit year 1 | £2000 |
| 2 | £3000 |
| 3 | £4000 |
| 4 | £7000 |
| Total outlay | £50,000 |

The total profit comes to £16,000. Using the calculation formula I can calculate the % profit.

$$£16,000/4\text{years} = \text{average profit of } 4000 \text{ p.a} / £50,000 \text{ outlay} \times 100 = 8\%$$

At a first look it would appear that either project would be ok as they both make the same 8% return. However I would go with project A. the reason for this being that you get the most money back in the first two years. This is important when you take into account the value of money. The money in the first few years will be worth more than the last two so it is better to get more at the beginning than at the end.

Non financial considerations

Most people think in terms of finance whenever purchasing discussed. There are many other issues that need to be considered and they are termed non financial. This is something Serco takes into consideration as we are a service supplier. While Serco will always strive to generate a profit, there are other important things to consider. In my area, we need to know that the customer is happy with the service they receive. All users fill out questionnaires on leaving the college so we can compile any trends in answers for providing a better service. Also the performance review meetings which occur every month allow the customer to sit down and discuss issues that may have come up or ideas they might have. It is not just the finance and figures that Serco are interested in.

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