THIRD EDITION

INTRODUCING MANAGEMENT

A DEVELOPMENT GUIDE

Kate Williams

ROUTLEDGE

Introducing Management

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A Development Guide

Kate Williams

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Preface

Organizations need a skilled, flexible and responsive workforce in order to survive and thrive in today's competitive markets. Effective and efficient management is key to an organization's success and its ability to meet changing business demands.

The role of a manager is both challenging and complex and the aim of this book is to assist new and existing managers to make sense of their role through a greater understanding of management. This book provides an introduction to the theories and concepts of management and explores the primary responsibilities of a manager.

This third edition has been fully revised and contains updated and new material in line with the latest edition of the Occupational Standards for management and leadership. This book is an essential resource when studying for a recognized management qualification through, for example, the ILM, Chartered Management Institute or an S/NVQ. You will find this book beneficial to your learning and development as it is closely linked to the knowledge requirements for first-line manager qualifications.

Management is essentially a practical skill and, as with the first two editions, this book reflects this. You will find case studies and practical examples representing different industry sectors that enable you to apply the concepts and principles to your own work situation.

We hope you find this book helpful in assisting you to make sense of the complexities within your role. Use it as a measure of your own performance as you continually explore new and improved ways of working.

Finally, I would like to thank my husband for his advice, encouragement and patience through the revisions of this edition.

Kate Williams

Learning structure

Introducing Management: a development guide has an easy-to-follow learning structure to guide readers through their introduction to the management role.

The book is divided into five sections, as follows:

Section 1: Managing in Context starts with a brief explanation of the work managers can expect to do and the results for which they are responsible. It describes the way in which changes in the wider world affect organizations and how they may impact on the job of a manager. It explains the varying structures of organizations and the influence of culture on decision-making and methods of working. As the title suggests, the purpose of this section is to set the manager's job into the context of the whole organization and beyond. For many managers it is easy to get caught up in the day-to-day, hour-by-hour activities and over-look what the organization expects them to achieve in the longer term and the influence of external factors. Section 1 is intended to put that right and encourages the reader to consider the bigger picture.

Section 2: Providing Direction begins by examining the skills needed to develop as a professional manager, covering developing self-awareness, the importance of reflection, valuing equality and diversity, and tips for achieving work/life balance. Effective communication is critical to an organization's success, so the principles of effective communication are explored together with different situations at work when a high level of communication skill is required. A manager needs to demonstrate clear direction and effective leadership. The section explores a range of ideas about leadership, how the people issues of management fit within the context of the job of management and some techniques for effective delegation. Motivation is defined, and some theories of motivation are introduced as well as examining problems that may be encountered in trying to motivate staff. The final chapter looks at the importance of developing productive working relationships.

Section 3: People and Performance – teams deliver results, and Section 3 starts by looking at the manager's role in building a successful team. It examines ways to improve individual performance and how to manage under-performance through the disciplinary process. The impact of change on organizations is discussed as well as ideas for successfully involving people in the change process. A range of problem-solving and decision-making techniques are offered, including the important aspect of generating and evaluating alternatives. The final chapter of the section provides an overview of the steps to be taken in recruiting new staff to the team.

Section 4: Effective Resource Management offers advice on effective ways of managing and controlling resources, including information and time. The transformation of inputs into outputs is explored as well as the concept of 'adding value'. It shows how accurate, timely and relevant information is an essential basis for quality decision-making and the financial implications of the process of making strategic as well as operational decisions. It looks at budgets and the controls and decisions that have to be made to effectively manage them.

Section 5: Focusing on Results – managers achieve results through people and other resources. This section looks at the results managers should achieve, how they can make the best use of people and what they need to do to ensure that work achieves the desired objectives. It stresses the importance of identifying customers, both internal and external, and satisfying their needs and expectations. Taking a fresh look at the workplace by focusing on ways of improving design and layout is explored within the context of the manager's responsibilities in maintaining a healthy and safe environment. The final chapter examines the important role the manager has in continuous improvement.

Introducing Management includes the following features to assist your learning:

Chapter Objectives

Bullet points at the beginning of each chapter serve as a guide to the content and the learning that will be covered.

Insights

Short anecdotes about different situations a manager may find themselves in followed by questions to generate possible solutions.

Case Studies

These are used to bring a real-life aspect to the information and, as with the Insights, are intended to contextualize the reading for the learner. They are also followed by questions which require more thinking and time.

Review Your Learning

Each chapter ends with review questions. These reinforce and check the understanding from the chapter that has just been read.

Theory to Practice

These activities relate the knowledge gained back to the workplace for the reader. This helps to contextualize the learning and encourages the reader to reflect and improve on their own management style and skills.

Resource Bank

Located at the end of each section, these are intended as a bank of resources for the reader including reference sources, additional reading and website addresses.

Section 1 Managing in Context

- *What is management?*
- *What do managers do?*
- *What resources do managers have?*
- *Where do resources come from?*
- *Who are our customers?*
- *What do they buy?*
- *How does culture affect an organization's performance?*
- *What is the significance of organizational culture to you as a manager?*
- *What affects an organization's success or failure?*

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1 Achieving results

Chapter Objectives	
	• *What is management?* • *What do managers do?*

We begin this book by examining the role of the manager; this will help you to have a better understanding of management, what managers do and the impact effective management has on an organization. You may not necessarily have 'manager' in your job title. In fact many organizations avoid the term, particularly for jobs that have a management element at a junior level. For example, the Civil Service typically uses the titles 'Administrative Officer' and 'Executive Officer' for such positions. Many companies call their junior managers 'supervisors' or 'team leaders'. On the other hand, in some small firms, the Directors are also responsible for day-to-day management.

That's all very well but not particularly helpful without some understanding of what the management role involves. There are many differing views amongst writers on management, which help towards an overall understanding.

Many of the early writers on management have significantly influenced the way we view the management role. For example, in the first European book on management, Henri Fayol (1916) stated that management involved:

- Forecasting and planning
- Organization
- Command
- Control
- Co-ordination.

E. F. L. Brech (1953) described management as:

A social process entailing responsibility for the effective and economical planning and regulation of the operations of an enterprise, in fulfillment of a given purpose or task.

Koontz (1914), on the other hand, in his book *Towards a Unified Theory of Management*, argued that management was:

... the art of getting things done through and with people in formally organized groups.

More recent definitions include:

Management is ... the organ of society specifically charged with making resources productive.
Drucker (1954)

Deciding what should be done and then getting other people to do it.
Stewart (1999)

Management is fundamental to the effective operation of work organizations.
Mullins (2002)

As you can see, there is a common thread that links these views:

- Management involves making plans and decisions about the future needs of the business
- Management is about making cost-effective use of resources through efficient organization and control
- Management is about getting the best out of people to achieve objectives.

Your role as a manager

It is the content of your job which makes you a manager not simply your job title. Regardless of the title, a genuine management job involves:

- Forecasting the future nature of the business and of your operation and the challenges (environmental factors) affecting it
- Planning the targets and objectives your operation will deliver either in the short term (day-to-day) or in the medium to long term, or both

- Ensuring you have the resources (people, equipment, budget, materials) to meet your objectives
- Making cost-effective use of those resources
- Giving clear and relevant instructions to your staff
- Gaining and maintaining staff commitment to the organization and to their work.

These activities reflect the content of a manager's job whatever the level. However, the balance of activities varies according to whether we are considering a junior, middle or senior manager. Research in America, by Rosemary Stewart, shows that junior managers are much more involved in short-term, relatively simple, day-to-day decisions. At higher levels, decisions take longer to make and put into practice.

Decisions at the lower levels are often more clear cut. They usually have to be done quickly and there is less uncertainty about the result than at higher levels. Downsizing and streamlining across a number of different industry sectors has led to a reduction in the number of management levels and has pushed decision-making responsibility and leadership roles further down the organization. Nevertheless it is still the case that:

- First-line managers are mainly responsible for day-to-day and hour-by-hour decisions
- Their decisions tend to be followed by immediate action which allows an early chance to see if they have worked
- First-line management decisions usually deal with fairly straightforward issues where the results and effects of the decision are obvious.

At the same time, not all decisions at a junior level are of this short-term, straightforward nature. Increasingly, managers at this level are being expected to make or suggest improvements to working practices, the use of resources and the quality of their output and to take responsibility for longer-term issues like staff recruitment and customer satisfaction.

However, not all the work a manager does is truly management work. Consider this situation:

Insight

Ranjit Khan is the manager of a small neighbourhood supermarket. Each morning he comes in early to open the shop and serves at the checkout until his staff arrive. He then gives them their duties for the day. During the day, he meets sales representatives and places orders for next week. When the shop is busy, he refills the shelves. In quiet moments he prepares wage packets, checks stock levels and pays bills.

Which of Ranjit's jobs are management jobs?

The following are the management elements we see in Ranjit's job:

- *Using Resources*
  This involves opening the shop, checking stock levels and placing orders.
- *Working with People*
  This involves giving his staff their duties and presumably supervising them during the day.
- *Providing Direction*
  Ranjit's presence in the shop enables him to assess the extent to which it is providing customer satisfaction and to make improvements.
- *Managing Information*
  The jobs of preparing wage packets and paying bills are not management jobs. However, they may encourage him to seek more effective ways of managing the payroll or keeping accounts.

In a small operation like this it would be unrealistic to expect that the manager will manage all the time. Ranjit is not managing when he serves at the checkout or refills the shelves. But those activities do keep him close to customers and aware of the issues and problems facing his staff when they do the same jobs. This is one of the main considerations which have led to the delegation of decision-making – decisions should be taken by the people affected by them and who will understand the consequences.

For many junior managers the jobs they do are an uncomfortable mix of managerial and 'hands-on' work. It is important to be aware of the difference. Managerial work involves the activities of forecasting, planning, managing resources and managing people that have already been described. 'Hands-on' work involves the basic tasks that keep the operation running.

Review your learning

Check your understanding of this chapter by completing the following:

1 Henri Fayol listed five elements of management. What words did he use to describe the following activities?

(a) Look to the future and deciding what to do about it ....

(b) Get together the necessary resources and procedures to deliver objectives ....

(c) Give instructions and granting authority ....

(d) Check results and take corrective action ....

(e) Keep everything and everybody working towards defined goals ....

2 List the four types of resources managers manage.

3 What is the main consideration when delegating decision-making?

Theory to practice

Apply this chapter to your own experience by answering the following:

1 Identify the main activities you undertake at work. Decide roughly what percentage of the working week you spend on each. What percentage of the week do you spend on managerial activity?

2 What do you know about the aims of your organization?

3 Which aspects of your role enable you to contribute to the achievement of these aims?

4 How far can you influence the resources you manage?

5 What are your responsibilities to and for the people you manage?

2 Using resources

Chapter Objectives

- *What resources do managers have?*
- *Where do resources come from?*

Increasingly in today's competitive markets there is a need for managers to **add value** through the work that they do. In fact this does not only apply to managers. The main idea is that the only way people can justify their employment is by producing something that is more valuable or desirable than the raw materials they started with. Here are some examples:

- An assembly line worker adds value by turning lengths of wood into table legs.
- An accounts clerk turns orders and delivery notes into invoices – which are of greater value to the organization because they ultimately result in income.
- A haulage driver adds value by moving goods from their starting point to where they are wanted.
- A good waiter adds value by providing a superior level of service whilst projecting a sparkling personality.

The manager's contribution to this process of adding value is to ensure that through the process of 'transformation' the final result is worth more than the combined cost of the raw materials and the resources used.

This process of transformation involves:

- Making sure the tools, machinery or equipment are in place to change them into something more valuable
- Getting hold of the necessary raw materials
- Managing the people involved
- Continually checking that the final result meets the expectation of customers and their willingness to pay.

You will find ideas and thoughts that illustrate the process of transformation and adding value throughout this book. For the moment though, let's concentrate on the resources on which managers depend, where they come from and how difficult they are to get hold of. This will then lead us into looking at how the organization and the environment have an effect in the final two chapters of this section.

In the previous chapter we saw that managers depend on the resources of:

- People
- Equipment
- Budget
- Materials.

These four are all **inputs**. They form the resources which are then transformed into the products and services needed by customers. Inputs or resources can be split into two categories:

Consumable resources

As the name implies these are used up as the process of transformation takes place. Some examples of consumable resources are:

- Raw materials
- Energy in the form of heat and light
- Time
- Budget (which pays for energy and time).

Renewable resources

These are resources necessary for the transformation process but which can be used repeatedly over time. Examples are:

- Equipment or machinery
- Staff experience and expertise
- Premises, space
- Furniture, computers, telephones.

Insight

Picture the staff canteen in a corporate headquarters office block. The canteen is subsidized and serves morning coffee, afternoon tea, snacks and lunches.

What inputs does the canteen need?

Which are consumable and which are renewable?

What differences would it make if the canteen were expected to make a profit?

One view could be as follows:

The canteen's *consumable resources* would consist of:

- Raw materials like instant coffee, teabags, water, milk, sugar, meat, vegetables, salad and so on
- Energy – gas or electricity to heat drinks and cook the food
- Pre-packed snacks like biscuits, cakes or sandwiches – assuming the canteen staff do not make sandwiches themselves
- The canteen staff's time
- Money – the budget to subsidize the canteen.

Renewable resources would be made up of:

- Teapots and coffee urns
- Cups, saucers, plates, cutlery – unless the canteen uses disposable versions which would be thrown away after use and therefore would be consumable resources
- Cookers
- Refrigerators and freezers
- Canteen furniture – tables and chairs
- Dishwashers
- The cooks' expertise in preparing and cooking food
- Serving staff's ability to, for example, operate the tills, serve the food and clear the tables.

If the canteen were not subsidized, two main differences would come into play. First the prices in the canteen would increase as the canteen would have to make a profit in order to fund itself. The office staff would therefore become customers who could choose to use the canteen or go elsewhere. Which raises the second difference. We said just now that part of the manager's role in managing resources was to make sure that products or services satisfied customers. If the canteen received no subsidy it would be even more important that the quality and value offered by the canteen met customer expectations and compared successfully with competitors outside. We shall return to this theme both briefly in the next chapter and at greater length in Chapter 24.

Obtaining resources

Managers often complain that they have insufficient resources to meet their particular needs of the business. Lack of necessary resources is an understandable source of frustration. However it is important for managers to recognize the wider context in which their operations take place.

The amounts an organization can afford to spend on resources are partly the result of past income and expenditure and partly the result of external constraints. In an ideal world senior managers would predict their likely resource needs in future years and set money aside to pay for them. However, such an ideal situation often does not apply.

Example

A commercial business may not achieve the sales turnover and resulting profit it expected. In years of really poor sales performance it may even trade at a loss. As a result money that should have been set aside for future resources will either not be there or will be used to keep the business running.

Government-funded bodies such as the health or defence services are generally not allowed to put money aside to spend in future years. Any surplus budget at the end of a financial year is lost. Consequently, the amount of money a Civil Service department has available to spend, for example, on new or extra resources depends on the generosity or otherwise of government at the time that year's budget is prepared. In other words, the obtaining of resources depends on the 'political' environment, i.e. the agendas and 'rules' within that company – a factor we shall return to in the final chapter of this section.

Publicly funded operations often find that the demand for their services is greater than they have forecast. There are several possible reasons for this. In the health service progress in diagnosis and treatment has meant that doctors can now treat diseases that were previously incurable. The treatment will be available but at a greater cost than that forecast because the treatment did not exist when the forecasts were made.

For road maintenance programmes, severe weather may demand greater road maintenance than anticipated. As their processes become more sophisticated employers may need greater numbers of staff with degrees. As a result society expects more people to attend university. Any of these causes of higher-than-forecast demand will mean that past money set aside for resources will be inadequate.

Consider this situation:

Case Study

The Copy Shop is an independent business offering a printing and photocopying service in the small town of Swinford. It was set up five years ago with two leased photocopiers and a reconditioned printing press. Last year was a profitable one. So the owner set some of his profits aside to buy a new printing press because the current reconditioned machine needs expensive maintenance and is no longer able to produce the quality customers expect. Unfortunately a national chain has set up a printing and photocopying branch in the town. The Copy Shop has lost two major customers, turnover has dropped by 20% and it is currently trading at a loss.

The owner calculates that he can afford to continue paying his staff for another four months without touching the reserves he has put aside for the new printing press.

What choices are open to the owner?

What would you advise him to do?

We might see these as the decisions between which the owner has to choose:

- Buy the new printing press, keep his staff and mount a marketing campaign to restore the lost business. A high-risk decision but commercial decisions are risky by definition!

- Forget the new press and use the money to pay his staff for longer than four months. But he may find it difficult to maintain and increase his business if the quality produced by the old press is not competitive.
- Find ways of reducing the cost of resources: for example, could the new press be leased rather than bought? This may be more expensive in the long term but cheaper in the short term. Will staff accept a drop in wages – or can they find better-paid jobs elsewhere? Can new materials such as paper and ink be bought more cheaply – or will the quality suffer?
- Cut back on the scale of his business. Ending the lease on one of his photocopiers, making staff redundant or even moving to smaller premises would all reduce overheads – although the photocopier lease almost certainly contains a penalty clause for early termination, staff will be entitled to redundancy payments and there will be costs involved in moving premises.

Faced with these alternatives, what advice would you give? There is no 'right' answer to this question. However, any action to reduce costs without attempting to rebuild the business is likely to lead to a further decline in the Copy Shop's turnover and profit. But at the same time the owner cannot afford to upgrade his resources, keep all his staff and pay the costs of an advertising campaign. The only approach to this crisis which is likely to have any chance of success will need to combine cost savings, the development of a more competitive service and major marketing activity.

External factors

That last case study shows that historical success in building up reserves to increase or upgrade resources can often be hindered by external factors outside an organization's control. So far in this chapter we have mentioned the impact of:

- Customer choice
- Political decisions
- Technological improvements
- Competitor activity
- Social change
- The weather.

All of these affect an organization's operations by affecting the cost and availability of resources.

Example	A coffee manufacturer will find raw materials (coffee beans) scarce and expensive if bad weather leads to crop failure. New improved operating methods may require staff with different expectations and qualifications. If the country's education and training system has not caught up with the changes, staff with relevant backgrounds will also be hard to find and costly. Both of these problems (raw materials and staffing) will be aggravated if competitors are seeking the same resources. Many governments have now limited or banned the exploitation of natural resources like hardwoods. Organizations with processes that depend on them need to find alternative sources or to redesign their processes.

Resources and you

This chapter has presented a 'big-picture' view of resources, emphasizing an organization's need to be aware of external influences when planning resource needs or seeking to obtain them.

You may be wondering what these strategic considerations have to do with you. There are two answers to this question. The first is that managers do not work in isolation. To be effective, managers need to have an interest in, and understanding of, the wider world they are in, so that they can effectively plan resource needs. Such an understanding is essential if managers are to make sense of decisions taken elsewhere in the organization, and be able to explain them to their staff. As far as using resources is concerned, these decisions may involve:

- Changes to products or new materials
- Changes to processes
- Changes to budgets
- Why necessary resources can or cannot be made available.

These references to change lead on to our second answer. Management is an ever-changing, dynamic process. Much of a manager's work should involve looking for, making or recommending improvements. In order for improvements to be relevant and desirable, they need to take account of the organization's past performance, future plans and the environment in which it operates.

Review your learning

Check your understanding of this chapter by completing the following:

1 Managers are responsible for a_ _ _ _ _ v_ _ _ _ through the work that they do.

2 Resources are also known as i_ _ _ _ _ .

3 What are the two categories of resources?

4 List four external factors that might affect resource availability.

5 Give two reasons why managers need to understand the context in which their organizations operate.

Theory to practice

Apply this chapter to your own experience by answering the following:

1 What resources do you manage?

2 What changes are you responsible for?

3 How does your organization fund extra or upgraded resources?

4 What improvements would you like to see to the resources you manage?

5 How practical are those improvements in view of the context in which your organization operates?

6 What are the foreseeable changes for your organization which may affect availability of resources?

3 Customer focus

Chapter Objectives

- *Who are our customers?*
- *What do they buy?*

Many managers have little or no contact with their organization's external customers. In fact, for many organizations, like government departments and hospitals, the idea that the people they serve are customers at all is a comparatively recent one.

However, in the past few years, management thinking and management literature have placed considerable emphasis on the need for 'customer orientation', i.e. basing the majority of actions and decisions on the needs and wants of the customer. Here are some statements which make the point:

There have always been strategic advantages in staying close to customers. Good customer relationships reverberate not only in current sales but also in future effectiveness and growth. Satisfied customers are the single best source of new business. Timely knowledge of changing customer requirements makes it possible to guide production more efficiently, reducing waste, inventory costs and returns.
Kanter (1989)

We believe in making a difference … We deliver a quality service by empowering our employees and we facilitate and monitor customer feedback to continually improve the customer's experience through innovation.
(Virgin.com website)

To say that 'the customer is king' is an understatement of many of our successful companies. For them good customer relations and a deep knowledge of the market in which they operate are essential, routine and unquestioned parts of their day-to-day method of doing business.
Goldsmith and Clutterbuck (1985)

There are two themes that are important to this emphasis on customers. The first is the theme of change. As Kanter stresses, all organizations now operate in environments where change is massively unpredictable and taking place at a bewildering speed. Secondly, in order to keep their operations relevant, organizations must check constantly on their customers' expectations and requirements because customer satisfaction should be their primary goal.

The second theme is that of total quality management or continuous quality improvement. The TQM philosophy is also based on the principle that customer satisfaction is the main objective of any organization. But it goes further; total quality management starts from the position that everybody in an organization is somebody else's internal customer. A closer look at some of these internal customer–supplier relationships reveals some important issues.

Most internal service problems are a result of 'silo' mentality where people and departments work in isolation, consider only their own priorities and think others are sitting around twiddling their thumbs with nothing to do ...
Donna Earl (2005)

The TQM theme is related to the theme of change because it is founded on the idea that internal relationships make up a supply chain which ultimately leads to the external customer. If that supply chain is working properly to identify customer needs at each stage, the whole organization will be able to adapt to the changing needs of external customers. We shall return to the topics of customer satisfaction and the internal supply chain in Section 5.

Therefore, an organization is full of customers. Your colleagues are your customers and you are their customer. They can fulfil your needs and requirements by carrying out their role efficiently and vice versa. For example:

Insight

Katie works in the internal communications department in the Head Office of a large retail company. Her job involves editing and collating all the information from the relevant departments in order for it to be clear, understandable information that can be sent out to all departments. In this scenario, the members of staff working in the other departments are Katie's customers. She serves their needs and requirements in order for them to carry out their jobs efficiently. However, Katie is also a customer. She is a customer of the IT department. They need to keep her PC and printer in good working order so that she can input all the data to enable her to extract the information to disseminate to the departments. The IT department needs to ensure that they serve Katie's needs and requirements so that she is a satisfied customer.

Because they all work for the same company everyone here is an internal customer.

Who are your 'internal' customers?

On the other hand, we are all the 'external' customers of, for example, supermarkets. If a supermarket is continually out of stock with empty shelves then it does not serve our needs or requirements satisfactorily. We will cease to visit it. It won't get any customers and eventually will make so little money that it will be forced to close.

Just as Katie relied on the IT department to keep her computer functioning in order for her to distribute information, the supermarket relies on us in order to make enough money to sustain itself. For the moment we shall explore the needs of external customers and how these are affected by their environment.

Customers and quality

The TQM literature takes as its starting point that customers buy quality.

It is important to understand what quality means in this context. It does not mean the same as 'high quality', 'top quality' or even 'good quality'. Instead TQM emphasizes that quality should be 'satisfactory' – in other words, it should meet the needs of customers. Quotations from two of the early total quality gurus clarify this point.

Juran defined quality as 'fitness for purpose or use'. Crosby used the phrase 'conformance to specification'.

From the customer's viewpoint, therefore, quality describes the extent to which a product or service *meets their needs* or *satisfies their expectations*.

Insight

Two friends have gone shopping to buy cutlery – sets of table knives, forks and spoons. The first wants them for a holiday caravan the family has just bought, which they plan to use for their annual holidays and occasional weekends. The second wants them to give to a nephew as a wedding present.

Based on this limited information what do you think would constitute 'quality' in each case?

Without being able to ask the customers, we have to make some assumptions. It seems reasonable to assume that cutlery for the holiday caravan should ideally be robust and relatively inexpensive, without needing to look particularly special. The cutlery for the wedding present on the other hand will need to be impressive, a well-known brand, possibly silver plate and with the weight and design to give a positive message about the good wishes and generosity of the givers.

External influences

Of course making assumptions like these are subjective and unreliable. That is why in Section 5 we shall go into greater detail about the need to carry out proper and frequent research into customer requirements. But it is also essential to recognize that customer needs are in part a reflection of the external factors affecting customers. Here are some examples:

Example

- More rigorous drink–driving laws in the UK have increased pub sales of soft drinks.
- Greater public awareness of environmental issues has led to an increase in supermarket sales of recyclable products and organically farmed foods.
- Tourism revenue in the UK during 2005/06 is predicted to rise from an increase in visitors from China following China's decision to allow 'ordinary' citizens visas to travel.

In each of these cases something in the wider world has changed. Customers, manufacturers and suppliers will have had little or no influence on that change. However the change has either increased or reduced the amount of a product or service that customers were willing to buy. In other words, external factors brought about a change in customer expectations or requirements.

In a similar way, external factors can influence what customers see as ‘satisfactory quality’. For many employees a company car delivers satisfaction in a number of ways:

- As a means of transport for getting from A to B
- As a source of comfort on journeys
- As a status symbol.

Any car will meet the first requirement. The second is to do with a range of considerations like seat design, whether the car has air conditioning, the smoothness of the ride. The third requirement has historically been met by a combination of size and brand.

Today the requirements of a company car remain the same in terms of comfort and status but a change in external considerations has added an extra requirement and brought different expectations. Company cars are often seen as:

- ‘Gas guzzlers’
- Wasteful of national resources
- Environmentally damaging.

Big company cars are consequently seen as reflecting badly on the environmental sensitivity of both their drivers and the employing organizations.

What response to this change would you expect from customers and car manufacturers?

The typical customer response was to move to smaller cars which offered the same standard of comfort they had been used to in their previously preferred larger cars. However, manufacturers like Jaguar and BMW did not make smaller cars. As a result their sales declined. In response, they broke with tradition by developing their own compact models – the X type in the case of Jaguar and the 1 series in the case of BMW. Once again a change in the external environment forced suppliers to change their product range in order to remain responsive to customer requirements. Alternatively and more charitably you would argue that prestige car manufacturers had predicted and planned for changes in customer requirement but slightly mis-timed their response.

Comparable changes in the external environment have resulted in other changes in customer definitions of 'satisfactory quality'.

Example

- Internet shopping has led to fast and easy access to a wide range of products and services.
- Competition from Japanese car manufacturers led customers to expect higher basic specification levels of equipment from European made cars.
- Privatized public transport has led to higher customer expectations of service, convenience and price.

Your contribution to customer satisfaction

As was mentioned at the start of this chapter, many managers have little or no contact with external customers. And if your organization has not moved along the total quality route you may have no formal way of identifying the requirements and expectations of your external customers. Nevertheless, this does not remove your need to be aware of what your organization's customers expect from your products or services.

So, **what can you do?** There are three steps you can take:

In **Step 1**, you need to recognize that all organizations have customers:

- Patients are the customers of hospitals and GP surgeries.
- Taxpayers are customers of the Inland Revenue.
- Road users are the customers of local council road maintenance departments.
- Churchgoers are the customers of their local vicars.

You will notice we have deliberately chosen examples from non-profit making sectors in order to emphasize the fact that *all*