

Unit 6

RESOURCES MANAGMENT



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Learning Outcomes

By the end of this unit the learner will be able to:

- **Identify and explain requirements for effective resource management in a business**
- **Identify problems relating to managing resources, overcoming the problems and handling the resources efficiently**

Resource Management is the efficient and effective deployments of an organization's resources when they are needed. Resources are inputs to production that can be accumulated over time to enhance the performance of a firm.

Resources can take many forms, but they tend to fall into two broad categories namely, tangible and intangible assets. Tangible assets include real estate, production facilities, and raw material while intangible assets include company reputation, culture, technical knowledge, and patents, as well as accumulated learning and experience.

The Walt Disney Company, for example, has developed its strategic plan on combinations of tangible assets like hotels and theme parks as well as intangible assets such as brand recognition, talented craftsmen, and culture focused on customer service.

Through resource management, a company gets a clear understanding on how it can compete through its resources. Resources are a source of competitive advantage only under certain circumstances.

First, if the resource is instrumental in creating a customer value which increases the benefits that customers derive from a good or service relative to the costs they incur, then that resource can lead to a competitive advantage.

For instance, Amazon's powerful search technology and its ability to track customer preferences and offer personalized recommendations each time its site is accessed and to provide quick product delivery system, are clearly valuable resources that enhance Amazon's competitiveness.

Second, resources are a source of advantage if they are rarely and not equally available to all competitors. Even for extremely valuable resources, if all competitors have equal access, the resource cannot provide a source of competitive advantage.

For companies such as Amazon, Merck, DuPont, Dow Chemical, and others, patented formulas represent important resources that are both rare and valuable.

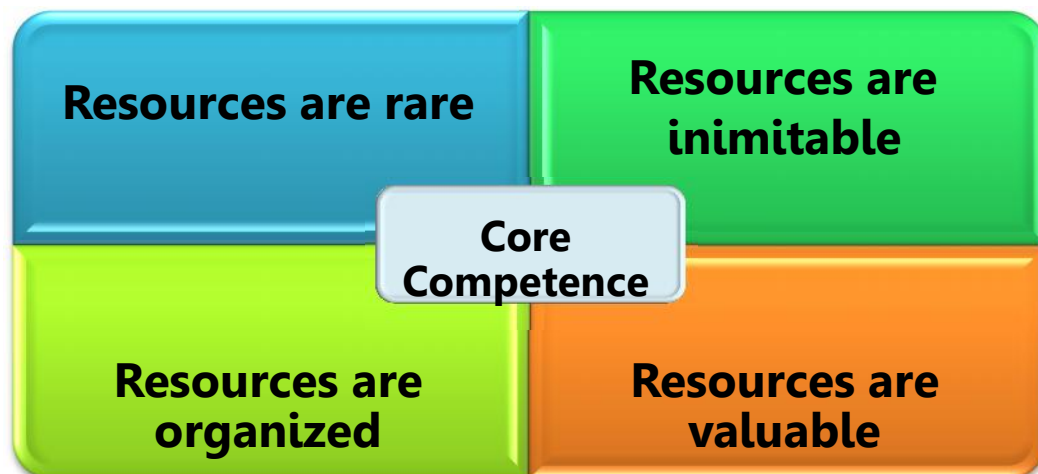
Third, if resources are difficult to imitate, they provide a source of competitive advantage. An example of an intangible resource that is difficult to imitate is a free checking account of banks. This is because it requires training and motivating employees at all levels to adopt a customer-oriented thinking and collaborate across divisions.

In the above stated example on account of Banks, resources tend to be harder to imitate. This is because Banking systems are complicated. They have many interdependent variables and no obvious links between. As a result, their resources have a higher competitive advantage compared to the others, which are easily accessible.

Finally, resources can enhance a firm's competitive advantage when they are all well-organized. A leading example for this criterion is Coca-Cola for its well-organized and global network of bottlers allows the company to quickly introduce a new soft drink worldwide and to distribute it more efficiently than any competitor.

Therefore, when resources are valuable, rare, unmatched, and organized, they can be viewed as company's core competencies. Simply put, a core competency is a unique skill and knowledge that an organization possesses that gives it an edge over competitors.

As shown in the figure below, the qualities of the company's resources make up for its core competencies relative to its competitors.



Best Case Practice: Coca-Cola's Resource Management

Coca Cola's tangible and intangible assets assure its firms in different places around the world to operate efficiently. These resources are important to be maintained so that Coca Cola can perform well in each of its operations.

This also includes assuring the safety in the workplace and ensuring that all its manufacturing plants, where the entire manufacturing processes takes place such as labelling, bottling, and filling machines work well and are in good condition.

- **Fixed Resources**

Coca Cola's physical resources include its different buildings and facilities focused on different activities and operations. The Coca Cola Company has manufacturing buildings such as factories to make sure the company's inventory and stocks are produced with the best quality and that the employees are in a safe working environment.

Also, only the employees and employers are allowed to visit the place. The building is used for manufacturing which is technologically-advanced.

It also has warehouses to keep their products in a safe location for preparation to be delivered to customers; the warehouses usually supply big supermarket stores and food chains.

The warehouses are usually very large, high stock rooms with a lot of capacity which helps the company use up their facilities wisely; not wasting resources and money.

The company also has its own shops to directly sell and promote its products for the small to medium-scale businesses.

- **Waste Disposal Management**

As a company dedicated to environmental protection, Coca Cola has its internal policies for proper waste disposals that are used to produce and package their products.

Moreover, this practice helps them save money as well as help the environment's wellbeing and promote recycling since whatever waste they have left over- gets recycled.

Coca Cola also encourages their customers to recycle Coca Cola bottles and cans as it is displayed on the packaging for the target audience to see.

This is important for Coca Cola because these materials and managing waste impacts their performance by helping all departments work more efficiently which means they make

more profit and save more time since all facilities are organized. Furthermore, such practice increased the world's respect for Coca Cola.

- **Vision-aligned maintenance and transformation**

At Coca Cola, all their buildings, plants, and machineries are being updated and maintained regularly. This assures that all of its facilities, equipment, and machineries are guaranteed safe and well-functioning 24 hours.

Plants and offices are transformed into an environment-friendly workplace by using more energy resourceful materials such as eco-friendly light bulbs.

Emergency Guidelines

The Health and Safety at Work Act 1974 directs the Coca Cola management to set up policies for the 'in case of an emergency' situations within a certain Coca Cola building.

This means that all of Coca Cola's buildings should create implementing rules and regulations and conduct evacuation trainings for all of the employees as well as clear instructions of what actions must be taken in case a fire, earthquake, or any other misfortunes that may happen within the premise.

With that, Coca Cola and its department heads are responsible for providing safety equipment such as fire alarms and extinguishers, fire exits etc.- To make sure all employees are still safe even if a fire might occur in the building.

The employees are responsible to be informed and to apply the said guidelines to Coca Cola customers and people who visit the building. Failure to do this will result in instant loss of all its resources and capital.

- **Insurance**

All of Coca Cola's resources especially the buildings that are owned or rented by the company do have a valid insurance. Its insurance includes:

- ✓ Natural disasters such as floods, earthquakes, storms, fires etc. that will surely damage all its resources such as the building facilities, equipment, and inventories.
- ✓ Theft from inside the building.

- ✓ Damaged equipment.
- ✓ Vandalism.
- ✓ Gas and chemical leaks like leaking gas pipes which can cause health and workplace hazards.
- ✓ Collisions like vehicular collisions.

Benefits of Resource Management Processes:

- **Increase in revenue** – Resource Management solutions help the managers easily assess how well utilized the entire resource pool is on a daily, weekly or monthly basis. Helping to ensure the business' most valuable resources are maximized in a minimized cost of production.
- **Conflict resolution** – Resource conflicts can have a significant effect on revenue, at worst an unresolved resource conflict may result in an immediate missed revenue opportunity, along with a negative future impact through reduced customer satisfaction.

Employing software resource management tools; conflicts can be immediately detected and quickly resolved whenever orders overlap or when a project plan has been rescheduled. By storing the details of resources skills, experience and knowledge, an alternative solution can be efficiently applied.

- **Improve project delivery** – Improving project delivery will help reduce costs and increase margins. Research shows that organizations that have implemented a resource and project management office have significantly reduced costs.

Resource management innovations enable resources to be allocated based on a number of specific criteria such as their availability, skills and location.

In fact, by improving the business resource management processes, it will be easy to identify the lack of skills and training requirements and it helps to lessen any future resourcing conflicts and their negative effects. Also, it enables the organizations to gain real time visibility into resource capacity to deliver future projects, enabling managers to better manage customer expectations, whilst minimizing any adverse effects on customer satisfaction and future revenue targets.

- **Reduce administration costs** –Utilizing a home-grown or spread sheet based resource management system is prone to errors and is burdensome to use. True enough, it is

usually being reviewed only once a week, or worse, once a month, leading the businesses to suffer from administrative and delivery issues.

With a central and organized resource management process and tools, managers can have an up-to-date view of the entire resource pool. Such reduces the administration costs associated with maintaining out of date systems.

With the integrated visibility and control measures, a business expects an upward slope of revenue and employee and customer satisfaction.

As we already know, a lot of things go into a business organisation, and each and every element of it needs to be planned, researched, managed, and constantly improved and upgraded, to avoid unwanted surprises and stay ahead with the competition.

All the things that go into the production of the final product of the company, or contribute to its creation are called resources of that company. Traditionally, it can be defined as those units of the organisation which help it gain profit.

In a business sense it refers to the people who work for and with the organisation, the machinery, the equipment, or the technological instruments that it uses, and the money that goes into the business.

Resources are essential for any business to run. It is not possible to work without resources of any kind in an organisation that wishes to acquire profit, or even if it is a non-profit organisation. However, it can be really hectic to acquire, and keep a track of all the resources.

Resource Management can be defined as the proper and effective management of the various resources of a business for its benefit and profit. The resources of any organisation are the manpower, money, materials, and machinery used and employed by that organisation.

We have already read about the Human Resource Management and the Financial Management of a business. This unit deals with raw materials and machineries, which are an essential part of every business.

An effective management ensures that there is no waste or loss because of careless use of resources, and also that they are sent to the right place at the right time and in the right quantity and the right quality.

The aim of managing resources should be to cut the time of production, as well as the cost to a considerable degree, but still produce good quality products that would please the customers.

And to use the best possible resources in such a way that there is no wastage and that there is consistency in the quality and appearance of the end result.

Problems Related to Managing Resources

It is difficult to predict the problems that one might have in the future, but it is possible to think ahead and try and create conditions that would tackle any problem that may occur. The problems that are related to managing of raw material resources and machinery are:

- **Cost**

The cost of raw materials and machinery could vary. Higher quality raw materials or certain raw materials cost more and a bulk purchase could be taxing, as well as latest technological improvements create new technology that make the work easier, but the machines would be expensive and need to be worth the purchase.

- **Availability**

Some raw materials might need to be exported from another state or country, or might be seasonal. Their availability might be limited, and therefore the cost for these would also increase and the production can be halted if they are not sufficient or not available.

Therefore it is important to have more than one sources, and to stock the materials properly to avoid damage, or use materials that are easily available.

With machines, the availability issue might arise if a certain component of the machinery has broken down, and that part is not available due to the newer products in the market, or if the machine has recently come out and only a limited number of them have been produced.

- **Maintenance**

Raw materials, specially the kinds that can be consumed even before production, usually come with an expiry date. They can be easily damaged and can be subjected to fungus, bacteria, and other problems that would lead it to rot and thus make it unsuitable for use.

Therefore, it is important to store them properly and in the conditions prescribed for their storage. It is also necessary to check if they are of the right quality, and match the standards that are set by the government, and also by the previous productions.

Inconsistency in the quality of the product could give the company a bad name. For machinery, it is important to regularly maintain and oil them, and also clean them to ensure that there are no sudden breakdowns.

The weak parts must be replaced, and if any part of the machine is causing a problem in production, it must be immediately replaced.

- **Sources and Trained Use**

The company must ensure it has more than one source of raw materials, or at least a reliable source that does not leave them in trouble mid-way.

The hiring of employees that would work in the storage of materials, and handle its transformation, and the machines, should be done after confirming that they can handle the materials and the machines, and can be trusted with the various factors of productions.

When it comes to handling resources and managing them, it is essential to plan ahead, and have every aspect of them, from the ordering of materials, to the delivery and the use of them, critically analysed and reviewed.

For this, planning of the amount of resources required is important. This would ensure that there is no wastage of resources that are not needed, and that there are none left over.

The number that is arrived upon can be used for the years to come, until the supply needs to be increased or reduced. Analysing the cost of all the materials is necessary to ensure that the ordering of the materials is done as per the budget, and does not exceed it.

The amount of materials and the list of machines needed, and the cost to maintain them would then determine the annual budget of the corporation.

Trusted suppliers should be hired, so that the company can build a strong permanent relationship with them. They must deliver the materials on time, and in the right quantity and quality, and not make the company wait or enforce hidden costs or taxes, and demand extra money out of the blue.

It is important to understand the various factors of production, and the way the company works, and train the employees so that they too could understand the business and work to create a profit.

Managing resources is an essential part of running a successful business that can steer itself out of the complications and threats of internal and external unpredictable forces.

Suggested Further Readings:

- ✓ Resource Management: Prentice Hall PTR; 1st edition (September 13, 1999) by Richard McDougall