MBA710 Client Case Brief

MBA710: Business Process Management

Cash at Bank	**$248,817.00**
Debtors (estimated)	**$43,344.00**
Creditors (estimated)	**$52,332.00**
Debtors outstanding more than 2 months	**25%**
Equipment	**$226,008.00**
Investments (est. value)	**$77,990.00**
Vehicles (est. value)	**$114,997.00**
Other Assets (est. value)	**$137,556.00**
Business Loan Account	**$18,077.00**
Estimated Monthly Running Expenses (not incl. salaries/wages)	**$6,957.00**
Average annual gross revenue for past 5 years	**$1,801,253.00**
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Office Computers (PCs, Quad Core, Basic Peripherals)	**7**
Laser Printers	**3**
PCs with Internet Access	**1**
Software Licences (Microsoft Office 2010)	**3**
Telecommunication Network	Optic Fibre
Computer literate staff (basic literacy)	**2**
CEO Annual Salary	**$112,801.00**
Manager Average Annual Salary	**$79,281.00**
Staff Average Annual Wages	**$63,899.00**
Functions:	**CEO:** Aijun. Z Wang **Procurement:** Hang. K Sengi **Sales:** Jenny. P Tigard **Account:** Derya. N Gucluc **HR:** Rita. P Haybloom **R & D:** Mahmoud. A Al-Madhoun **Operations:** Jake. E Fathi **Marketing:** Jenny. W Luang

Scenario

3 The firm is a music rehearsal studio complex.

The client business is located in Melbourne, Victoria.

The business is a medium sized business, i.e. there are more than 20 employees.

The firm is structured into 7 formal functions including operations; human resources; procurement; sales; accounting; marketing; and research and development.

The CEO is an experienced musician and qualified music producer and has worked in the music industry for around 25 years during which time around 15 years of management experience has been acquired. The CEO`s leadership skills are good but relate particularly to the management of musicians, not business administrators, and this probably reflects the current problems being experienced by the business.

The business operates a building complex comprised of 50 rehearsal studios and two recording studios to enable musicians [including bands] to privately practice and record music. The business also offers equipment for hire, such as amplifiers, PA systems, drum kits and electric guitars. The firm`s clientele is essentially rock bands but it also attracts some orchestral musicians and some solo artists [singer songwriters]. The business also offers band support for marketing materials and even some coaching services.

The business has been operating since its inception 12 years ago.

Business growth was strong during the early years but has plateaued during the past three years.

The CEO believes that this stabilisation is essentially attributable to external economic forces. For example, a general increase in the number of rehearsal studios located in Melbourne during the past 4 years has seen profit margins squeezed and competition increase fiercely.

The firm is under threat from competitors who have been systematically developing equally good services during the past 4 years. This threat is trending upwards.

The CEO, from the outset, has taken little interest in strategic positioning but has predominantly adopted a `cost` based stance with a focus on external strategic influences.

The formal functions of the business are each led by managers who mostly possess similar levels of management experience and similar personalities, exemplifying creative orientations and somewhat disorganised administrative approaches.

The Operations manager has ten years of business experience and is very disorganised. The operations manager has personal affections for the Human Resources manager. The operations manager is responsible for the scheduling of rehearsal and recording studios, the movement of hired equipment into and out of rooms, the management of assets within the rooms and the flow of paper work between operations and all the other departments. The operations manager is also responsible for the logistics functions of the business. The operations manager controls 4 staff. The operations manager reports directly to the CEO.

The Human Resources manager has 10 years of business experience, not in the tech sector, and has only worked with the business for 5 years. The Human Resources manager is extremely computer savvy and prefers to work with HR based computer systems but is frustrated by the level of manual record management that the CEO has accepted as normal for years. The human resources manager is responsible for employee recruitment; induction; HR legislative compliance; and departures. The human resources manager is supported by 3 administrative staff. The human resources manager reports directly to CEO.

The Procurement manager has worked with the firm for 10 years and is very casual with suppliers which frustrates some suppliers who prefer formal arrangements and certainty. The procurement manager has affections for the human resources manager which results in some clashes with the operations manager. The operations manager blames the procurement manager for inefficiencies in the operations department. The procurement manager is responsible for acquiring musical equipment for the rehearsal rooms and for hire; some products for retail sale to clients [such as guitar strings, leads, batteries and other accessories]; kitchen equipment and foodstuffs; vending machine products; and other equipment and supplies for the running of the business [everything from soundproofing materials to paint and cleaning products]. The procurement manager controls 5 assistant procurement managers. The procurement manager reports directly to the human resources manager.

The Sales manager has about 10 years of experience with the firm. This is the sales manager`s third job and previously the sales manager worked at a bank. The sales manager is organised, but is somewhat lazy. The sales manager has 2 sales support staff and is responsible for achieving efficient front line customer sales for room and equipment hire. Sales are administered at the business premises when clients come in. Bookings are not often made and clients often miss out on rooms because of this. After sales service functions, such as replacing faulty hired equipment and resetting equipment in rehearsal rooms, are also administered by the sales manager which is another source of frustration, particularly as it impacts sales resources heavily. The sales manager reports directly to the CEO.

The Accounting manager has been with the firm for 3 years and holds a degree in accounting and an MBA. The accounting manager is somewhat insecure and possesses little emotional intelligence, as is reflected in an arrogance portrayed to all staff in the firm, including the CEO [which is odd because the CEO employed the accounting manager as a result of a long held friendship between them]. The accounting manager is supported by 3 assistant accountants who are CPAs and who are far more competent than the accounting manager. The assistants have been with the firm for over 6 years. The accounting manager is responsible for recording all accounting details for the firm such as all sales and purchases, debtors and creditors, asset management, etc. as well as maintaining all compliance functions as mandated by government authorities. Finance functions are also performed in the accounting department (such as securing and managing loan accounts with the bank and managing hire purchase contracts and a few investments). The accounting department uses a PC based accounting software package that is now 10 years old and which is not networked, and it also works from several spreadsheets, as well as filing many paper based records in a couple of cupboards and cardboard boxes. The ICT function of the business is controlled by the accounting function too. The accounting manager reports directly to the CEO.

The Marketing manager has been with the firm for 2 years and was previously a chemist in a biomedical government facility. The marketing manager is a distant relative of the CEO. The marketing manager controls 6 marketing staff and the whole sales function [including the sales manager]. The marketing manager is responsible for all marketing efforts in the firm. The marketing manager has not invoked any marketing initiatives since arriving at the firm. The marketing manager clashes regularly with the sales manager and is often heard stating `must I do everything in this place.` The marketing manager reports directly to the CEO.

The Research and Development (R&D) manager has been with the firm since its inception. The R&D manager directly controls 8 staff (mainly sound engineers and sound proofing technicians). The R&D manager is responsible for updating the rehearsal rooms and recording studios and fixing technical equipment problems. The R&D manager tries to work closely with the operations, sales and marketing managers to gather intelligence to help the innovation effort. The R&D manager constantly [and legitimately] complains of a high work load imposed upon the R&D team. The R&D manager argues relentlessly with the accounting manager to increase insurances on equipment because of constant breakages and the difficulties around trying to fix rather than replace assets but the accounting manager considers the R&D manager to be an ignorant technician [the R&D manager is actually a world class and award winning sound engineer]. The R&D manager communicates reasonably well with the operations manager. The R&D manager reports directly to the accounting manager.

The following notes were established by the CEO at a recent meeting that was held with the functional managers to address declining profitability. The CEO passes these notes and the above information over to you in the hope that it informs you enough to scope and analyse the firm`s process management approach and provide solutions and recommendations where possible

customers (rock bands and musicians) make bookings for rehearsal rooms by either telephoning, sending an email or Skype message (as listed in the Yellow pages telephone directory; note, the studio does not have a web presence), or by simply arriving at the studio, without notice, in the hope that a rehearsal room is available

when a room is booked, the sales manager (or staff), who control the reception area, enter customer details into a hard copy paper register (details include the room number being hired, customer name, address, contact phone number and mode of payment details` e.g. credit card, cash, direct debit or cheque)

the sales staff then process the payment (most customers tend to pay in cash only, but reasons for this are not known); then they get the customer to sign an insurance waiver; and then they call for an operations staff member to come to collect the customer and escort the customer to the booked room, unlock it and provide access to it whilst verbally expressing a set of five studio rules for use of the room, which must be adhered to; if the rules are breached then penalty payments will apply

typically, the customers purchase rehearsal time in 6 hour blocks but this can be changed by negotiation at the booking stage. There isn`t a register to monitor custom time frames above or below 6 hours, so at any given time it isn`t really known when rooms will be vacated

at the end of a session the customer pushes a button on the wall of the studio room which signals to sales staff at reception to organise for an operations staff member to attend to lock the room and escort the customer back to the front desk customers can wait up to 15 minutes for this process to roll out (especially if the reception desk isn`t being attended for some reason (which is common), meanwhile the next group of customers can be left waiting for the room to be vacated before they get access (which in itself is generating some negative social media reactions about the studio

a sales staff member then `signs the customer out` on the register and the customer also signs out

the customer reports any equipment faults to the sales staff member who hand writes these onto a form which is then signed by the sales manager and forward via internal mail to the operations manager who signs the form and forwards it via internal mail to the R&D manager who examines the form to determine whether the fault requires a quick fix by the technicians in R&D or new equipment (i.e. replacement)

if a quick fix is required then the R&D manager completes another paper form, outlining the nature of the problem and the room number housing the faulty equipment and then places this on a spike in the office for the technicians to attend to. Technicians take forms as they appear on top of the spike. On any given day there are at least 20 forms on the spike. The forms aren`t dated so it isn`t known when the fault occurred (or when it was reported). It is common for around half a dozen forms to be left on the spike at the end of each day

if new equipment is required then the R&D manager completes a purchase order and sends this to accounting for approval. The accounting manager examines the form and approves or disapproves the funds for purchase. If disapproved, then the form is sent back to R&D for more information (a huge source of aggravation to the R&D manager). If approved then the accounting manager signs and sends the form to the operations manager to register the purchase request into a paper based register and sign it. The operations manager then forwards the request to the procurement manager who organises the purchase with respective suppliers. The typical turnaround on equipment fixes and new purchases is equally, around three months. Sometimes rooms are rendered inoperable for this time until the fix/replacement has occurred but a register denoting that a room is inoperable is not kept so sales staff really need to `just know` which rooms are `functional and which rooms are not at the end of every day the sales staff report all of the day`s sales to the accounting department. They do this by totalling the amount of cash and cheques received and `approximating` the credit card and EFTPOS receipts then sending a note to the accounting department via internal mail. Sometimes time is against the sales staff so they just leave the tallying until the next day. Cash and cheques are held in a small safe under the reception counter and taken to the bank in an envelope at 10am on the following day by one or two of the HR staff. The CEO never knows at any point, how much cash is moving in and out of the firm`s bank account and relies on gut feel and instinct, which is actually annoying to the CEO

if a recording studio (i.e. not rehearsal studio) is actually booked then this can be for a minimum of ten hours and often this extends well into the night (24 hour sessions are common). Typically one day`s notice is required for this so that the R&D manager can organise a technician/sound engineer to be in the studio for the duration of the recording session. Often though, the sales people fail to contact the R&D manager about such bookings until the moment the customer has arrived to start the session. This gives rise to dreadful arguments between the R&D people, the Accounting manager and all of the Sales people

if customers want to hire equipment such as drums, guitars and amplifiers then they need to complete a separate form for each piece of equipment, sign the form and then have this signed off by the sales manager. If the sales manager is not in attendance then the equipment cannot be hired. There isn`t an equipment register so sales staff need to know intuitively what is available and what is already hired out. Stocktakes (audits) on equipment is rare and theft has become a problem, especially for smaller equipment like guitar leads and high performance microphones

when equipment is hired, the sales staff telephone the operations manager who then organises operations staff to deliver the equipment to the respective room. Sometimes equipment is delivered to the incorrect room because of errors in the operation manager`s note taking. This creates conflict between the customers and the sales staff regularly. Some customers have not returned to the studios because of this issue alone!

the kitchen equipment is dated, dirty and dysfunctional, the vending machines are empty and the kitchen cupboards and refrigerator (which usually contain complementary tea, coffee, hot chocolate, biscuits, noodles and milk are empty). The procurement manager complains of being too busy for such trivialities (and yet it is the procurement manager`s responsibility to replenish these). No record is kept, or stocktake conducted, in relation to any of this. Customers have been heard stating that the studios are falsely advertising that these amenities are available. Some have actually lodged written complaints about this to the CEO. The CEO has not checked the reality of this situation due to time constraints and the fact that a physical check would be required to do this. The CEO believes that this is an important competitive advantage offered by the studio and considers that a fully stocked, clean kitchen and vending machines are essential to maintain an edge in this industry

no further information was acquired or sought by the CEO