

POLICY STATEMENT NO. 38

BUSINESS UNITS

JANUARY 1991

1. OBJECTIVE

To establish business units within CALM as a means of improving management and services and maximising returns to the Department.

2. BACKGROUND

Definition

A business unit is a discrete group within an organisation which draws on and provides defined services and products which could be purchased at agreed prices by internal or external customers.

Benefits

Benefits from use of the business unit approach include:

- . improvement of management of business processes;
- . recognition of the true cost of products;
- . necessity for development of a business plan for future services;
- . encouragement of an ongoing critical examination of the quality, quantity and price of service offered;
- . enhancement of reporting and performance measurement;
- . an incentive to plan and budget for services and resources purchased.

Requirements for success

A successful business unit must have:

- . clearly defined boundaries, including specification of the services required from suppliers and products or services that can be supplied;
- . management commitment to the process;
- . a clear understanding of why business units are being established;
- . clear goals;

- . participative planning and management.

Business units must support the objectives of the Department. The extent to which full commercial principles apply may vary. Performance indicators must therefore be tailored for each business unit.

Some changes in organisational structure and corporate culture may be necessary. There are significant differences between delivering a function and the business approach of delivering quality management and value for money. Training in quality management, business practices, marketing and budgeting may be an essential prerequisite for effective management of business units.

Action Required

The establishment and operation of business units requires:

- . defining services, products and suppliers required to support the unit;
- . defining services and products provided and potential customers;
- . establishing a business plan for each business unit;
- . ensuring that there are mechanisms for effective communication between the business units and their suppliers and clients;
- . alignment between responsibility and accountability for resources, activities and services;
- . efficient management and operating structures;
- . decisions on how true costs of services will be measured;
- . decisions on how services will be priced;
- . decisions on the accounting and reporting systems to be used.

3. BUSINESS UNITS WITHIN CALM

Vehicle fleet management within CALM has operated as a business unit for many years.

The Plant Propagation Centre (nursery and seed store) operates as a business unit for external customers and is intended to become a business unit for internal customers in 1991/92.

The commercial part of the Vegetation and Tree Planting Advisory Service will operate as a business unit for external customers.

but there is no choice or comment on price etc

The timber supply sub-program and hardwood and softwood sharefarming have some business unit features which can be further developed.

Other possible business units include parts of the computing, finance, communications, mapping and publications functions and the Wood Utilisation Research Centre.

4. POLICIES

The Department will:

- 4.1 Introduce quality management according to business units with charging for services wherever this is practical and advantageous.
- 4.2 Adopt the business unit approach where a standard ongoing service is provided externally and charged for.
- 4.3 Ensure that business units are commercially competitive where possible;
- 4.4 Disperse business unit profits or subsidise losses by decision of the Corporate Executive.
- 4.5 Ensure that business unit charges reflect full costs, including opportunity costs for funds employed, especially for external work.

5. STRATEGIES

- 5.1 The creation of new internal business units will be considered for services that can be practically charged for and when efficiency can be greatly improved and costs of providing the service greatly reduced.
- 5.2 Managers will identify areas of Departmental activity for consideration as potential business units. Proposals will be evaluated and recommendations made to the Corporate Executive.
- 5.3 New business units will be phased in over time.
- 5.4 Each business unit is to have a current business plan which sets out objectives, issues, strategies, demands, pricing policies, performance indicators, expenditure, revenue, accounting requirements and other relevant matters.
- 5.5 Managers of business units are to prepare an annual report including appropriate financial statements, conforming to guidelines drawn up by the Finance and Budget Management Committee.

- 5.6 Business unit charges are to be reviewed annually by the business unit manager, Finance and Economics Branches. New charges will be ratified by the Corporate Executive and advised in time for inclusion in budget submissions.
- 5.7 The Finance and Budget Management Committee will consider needs for new business units and review programs of business units each month, including the annual report from Business Unit managers.
- 5.8 When new business units are introduced, adjustments will be made to the accounting system and individual budgets as necessary.

Syd Shea

Syd Shea
EXECUTIVE DIRECTOR

29 January 1991

Distribution: Lists A B D E & L