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Bachelor of Commerce (B2001) | Year 1 • Part A Core | Monash University

Introduction to management

Course Code: MGC1010 • Module 1 Notes

Module 1: Foundations of Management, Evolution of Management Thought & Organisational Environments

1. The Nature of Management and Managerial Work

Organisations are deliberate social arrangements of two or more people working together in a structured manner to achieve shared objectives that no individual could accomplish alone. From major Australian Securities Exchange (ASX) listed corporations such as Woolworths Group and BHP to public hospitals in Melbourne, community legal centres, and early-stage technology ventures in Sydney, every organisation relies on coordinated human and material effort. Management is the process of planning, organising, leading, and controlling an organisation's human, financial, physical, and information resources to achieve stated goals efficiently and effectively.

A foundational distinction in management theory separates efficiency from effectiveness. **Efficiency** concerns the ratio of outputs to inputs—doing things right by minimising waste of labour, capital, time, energy, or raw materials. **Effectiveness** concerns goal attainment—doing the right things by selecting appropriate objectives and delivering value that stakeholders actually require. An Australian retail bank that automates a cumbersome mortgage-processing form achieves higher efficiency, yet remains ineffective if customers abandon the product due to uncompetitive interest rates or poor advice. Conversely, a boutique Melbourne design consultancy may delight clients with award-winning campaigns (high effectiveness) while slipping into insolvency because unbilled overtime erodes operating margins (low efficiency). High-performing managers pursue both simultaneously.

1.1 Quantitative Measurement of Productivity and Efficiency

Managers translate efficiency into operational metrics through productivity ratios. **Labour productivity** measures output generated per unit of labour input, whereas **multifactor productivity (MFP)** evaluates total output relative to a combined bundle of labour, capital, energy, and materials.

$$LP = \frac{Q}{L}$$

Where: LP is labour productivity (units or value of output per labour hour); Q is total physical output or value-added revenue produced during the period; and L is total labour hours worked.

$$MFP = \frac{Q}{L_c + K_c + M_c + E_c}$$

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Where: MFP is multifactor productivity (dollars of output per dollar of combined input); Q is the dollar value of goods or services produced; L_c is total labour cost; K_c is capital depreciation and equipment leasing cost; M_c is materials and consumables cost; and E_c is energy and utilities cost, all expressed in Australian dollars (AUD).

Worked Example: Warehouse Productivity at a Port Melbourne Logistics Hub

Southern Cross Logistics Pty Ltd operates a regional distribution centre in Port Melbourne. In Quarter 1, the facility processed $Q_1 = 48,000$ pallet movements valued at A$25 per movement (total output value A$1,200,000). During Quarter 1, staff worked $L_1 = 6,000$ hours at an average loaded wage of A$45 per hour, equipment leasing and depreciation totalled A$180,000, packaging consumables cost A$95,000, and electricity cost A$45,000. In Quarter 2, management introduced barcode-assisted voice-picking software. Output rose to $Q_2 = 54,000$ pallet movements (A$1,350,000), labour hours fell to $L_2 = 5,400$ hours at the same A$45 hourly rate, capital/software leasing rose to A$215,000, consumables rose to A$102,000, and energy fell slightly to A$42,000. Evaluate both labour productivity and multifactor productivity across the two quarters.

1. **Step 1 — Calculate Quarter 1 Labour Productivity (LP_1):** $LP_1 = 48,000/6,000 = 8.00$ pallets per labour hour (or A$1,200,000 / 6,000 = A$200.00 per labour hour).
2. **Step 2 — Calculate Quarter 2 Labour Productivity (LP_2):** $LP_2 = 54,000/5,400 = 10.00$ pallets per labour hour (or A$1,350,000 / 5,400 = A$250.00 per labour hour). Labour productivity increased by $(10.00 - 8.00)/8.00 \times 100\% = 25.0\%$.
3. **Step 3 — Calculate Quarter 1 Total Input Cost and MFP_1:** $L_{c1} = 6,000 \times 45 = 270,000$ (A$270,000). Total input cost $= 270,000 + 180,000 + 95,000 + 45,000 = 590,000$ (A$590,000). Thus $MFP_1 = 1,200,000/590,000 = 2.0339$ (A$2.03 of output per A$1.00 of total input).
4. **Step 4 — Calculate Quarter 2 Total Input Cost and MFP_2:** $L_{c2} = 5,400 \times 45 = 243,000$ (A$243,000). Total input cost $= 243,000 + 215,000 + 102,000 + 42,000 = 602,000$ (A$602,000). Thus $MFP_2 = 1,350,000/602,000 = 2.2425$ (A$2.24 of output per A$1.00 of total input).
5. **Step 5 — Interpret Managerial Result:** Overall multifactor productivity improved by $\frac{2.2425 - 2.0339}{2.0339} \times 100\% = 10.26\%$. Although software leasing raised capital costs by A$35,000, the combination of lower labour hours and higher throughput generated a substantial net efficiency gain.

1.2 The POLC Functional Framework and Managerial Levels

Originally rooted in Henri Fayol's early twentieth-century administrative theory, modern textbooks organise managerial activity around four interconnected functions known as the **POLC framework**:

- **Planning:** Establishing organisational goals, forecasting external conditions, formulating strategies, and specifying actions and resource allocations needed to reach future targets.
- **Organising:** Designing work roles, grouping tasks into departments, delegating authority, establishing reporting lines, and allocating budgets and technology so plans can be executed.
- **Leading:** Motivating, directing, communicating with, and inspiring individuals and teams, resolving workplace conflict, and cultivating a shared organisational culture.

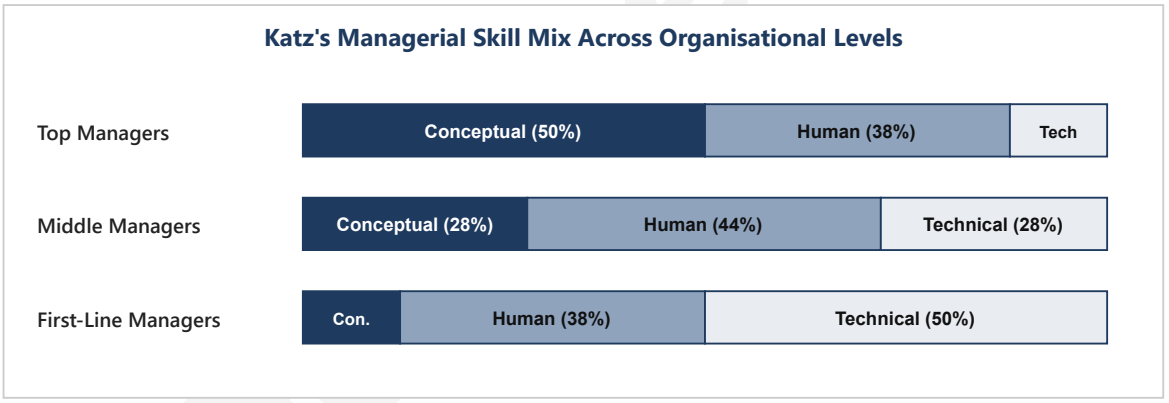
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- **Controlling:** Setting performance standards, monitoring actual results, comparing performance against benchmarks, and initiating corrective adjustments when deviations emerge.

While managers at every tier perform all four POLC functions, the proportion of time devoted to each function varies systematically across organisational levels. **First-line managers** (supervisors, shift coordinators, store managers) oversee non-managerial operational staff and spend the bulk of their day leading front-line teams and executing immediate operational controls. **Middle managers** (regional managers, department heads, project directors) translate executive strategy into divisional plans, coordinate cross-departmental structures, and coach first-line supervisors. **Top managers** (Chief Executive Officers, Managing Directors, Chief Financial Officers, and Executive General Managers) focus disproportionately on long-horizon strategic planning, capital allocation, institutional governance, and managing external stakeholder relationships.

1.3 Katz's Managerial Skills Across Hierarchy

Harvard scholar Robert Katz identified three critical competencies required for managerial effectiveness: **technical skills** (proficiency in specialised methods, procedures, tools, or domain knowledge such as financial accounting, cloud architecture, or clinical triage); **human (interpersonal) skills** (the ability to communicate, empathise, motivate, resolve disputes, and build cohesive teams); and **conceptual skills** (the cognitive capacity to view the organisation as a holistic system, diagnose complex cause-and-effect relationships, and align internal capabilities with shifting external markets).



As illustrated above, technical proficiency dominates at first-line levels because supervisors must coach operational employees directly and troubleshoot immediate workflow bottlenecks. As managers advance toward executive leadership, direct technical execution recedes while conceptual judgement becomes decisive. Crucially, human skills remain consistently high across every level: management is fundamentally accomplished through other people.

1.4 Mintzberg's Managerial Roles

While the POLC model presents a neat, logical sequence of what managers ought to accomplish, empirical observation reveals a far more fragmented reality. Henry Mintzberg shadowed chief executives and found that managerial work is characterised by brevity, variety, discontinuity, and an orientation toward verbal action rather than quiet solitary reflection. Mintzberg synthesised these daily activities into ten interrelated roles grouped into three categories.

Role Category	Specific Role	Core Behavioural Activity	Australian Managerial Illustration
Interpersonal	Figurehead	Performing ceremonial, symbolic, and statutory duties representing the organisation.	A university Vice-Chancellor presiding over a Melbourne graduation ceremony or signing an industry MOU.
Interpersonal	Leader	Hiring, training, motivating, and aligning subordinates with organisational goals.	A Coles supermarket store manager coaching department supervisors during a seasonal roster transition.
Interpersonal	Liaison	Maintaining external and horizontal networks that provide information and goodwill.	A fintech director participating in Victorian Chamber of Commerce roundtables and ASIC consultations.
Informational	Monitor	Scanning internal metrics and external media, competitors, and regulatory signals.	A Telstra network operations manager reviewing outage telemetry and ACCC broadband benchmarks.
Informational	Disseminator	Transmitting factual and value-laden information from outside or across units to staff.	A hospital chief medical officer briefing ward directors on updated Victorian Department of Health protocols.
Informational	Spokesperson	Communicating organisational plans, results, and positions to external stakeholders.	A Qantas executive presenting half-year ASX financial results to institutional analysts and journalists.
Decisional	Entrepreneur	Initiating voluntary improvement projects, product innovations, or business-model shifts.	A Canva product lead sponsoring an AI-assisted design workflow to capture enterprise clients.
Decisional	Disturbance Handler	Taking corrective action during unexpected crises, strikes, or supply disruptions.	A mining operations chief rerouting Pilbara rail shipments following cyclone damage.
Decisional	Resource Allocator	Approving budgets, capital expenditure, headcount, and managerial time priorities.	A Commonwealth Bank division head dividing A$40 million between cybersecurity and branch modernisation.
Decisional	Negotiator	Representing the organisation in major commercial, union, or supplier bargaining.	An engineering firm director negotiating an enterprise bargaining agreement (EBA) with union delegates.

2. Evolution of Management Thought

Systematic management theory emerged in the late nineteenth and early twentieth centuries as factory industrialisation, transcontinental railways, and large joint-stock enterprises outgrew informal owner-operated supervision. Understanding historical schools of management thought equips modern

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managers to recognise why contemporary workplace practices exist and where older assumptions fail.

2.1 Classical Perspective

The classical perspective arose between the 1880s and 1930s with a central objective: designing rational, standardised, and predictable organisations capable of achieving high industrial productivity. It encompasses three major sub-streams.

Scientific Management

Frederick Winslow Taylor (1856–1915), an American mechanical engineer, observed widespread "soldiering"—deliberate restriction of output by factory workers fearing piece-rate cuts or job losses. Taylor argued that management lacked systematic knowledge of work processes and relied on arbitrary rules of thumb. His *Principles of Scientific Management* (1911) proposed four core principles: (1) replace rule-of-thumb methods with scientifically measured time-and-motion standards; (2) scientifically select, train, and develop each worker rather than leaving workers to learn haphazardly; (3) cooperate closely with workers to ensure work follows scientific procedures; and (4) divide responsibility equally between managers (who plan and design methods) and workers (who execute tasks). Taylor's contemporary advocates, Frank and Lillian Gilbreth, pioneered micro-motion photography to eliminate wasted movements ("therbligs") in bricklaying and surgical procedures, while Henry Gantt developed bar-chart scheduling tools still embedded in modern project-management software.

Scientific management produced dramatic productivity breakthroughs in standardised manufacturing, yet attracted fierce criticism from trade unions and humanists. Narrow task fragmentation created monotonous, deskilled work, treated employees largely as interchangeable physical extensions of machinery, and assumed workers were motivated almost exclusively by financial piece-rate incentives.

Administrative Principles

Whereas Taylor concentrated on shop-floor task efficiency, French mining executive Henri Fayol (1841–1925) focused on senior administration of the total enterprise. Drawing on decades managing the Commentry-Fourchambault coal and steel combine, Fayol articulated five universal management functions (planning, organising, commanding, coordinating, and controlling) alongside fourteen principles of management. Key principles include **division of work** (specialisation increases dexterity and output), **authority and responsibility** (managers need formal right to give orders commensurate with accountability), **unity of command** (each employee should report to only one direct superior to avoid conflicting instructions), **unity of direction** (activities sharing one objective must follow one plan under one manager), **scalar chain** (an unbroken line of authority from top to bottom, supplemented by horizontal "gangplanks" for speed), **subordination of individual interest to general interest**, **equity**, and **esprit de corps**.

Bureaucratic Management

German sociologist Max Weber (1864–1920) analysed how modern industrial societies transitioned from traditional authority (inherited status) and charismatic authority (personal magnetism) toward **rational-legal authority** grounded in codified rules and office jurisdiction. Weber's ideal-type bureaucracy was not a pejorative term for inefficiency; rather, it represented the most technically reliable form of large-scale administration because it replaced nepotism and arbitrary patronage with merit and predictability. Its six defining characteristics are: (1) a clear hierarchy of authority; (2) explicit

division of labour with defined jurisdictions; (3) written rules, procedures, and records ensuring continuity; (4) impersonal application of rules regardless of personal favour; (5) selection and promotion based on technical qualifications; and (6) separation of official organisational assets from personal property.

Subsequent sociologists, notably Robert Merton, documented **bureaucratic dysfunctions**: when adherence to rules becomes an end in itself (goal displacement), employees refuse sensible exceptions, hide behind procedural red tape, and resist customer-focused innovation. Large Australian public agencies and regulated banks continually balance Weberian procedural fairness against service agility.

2.2 Behavioural and Human Relations Perspective

Beginning in the 1920s, scholars challenged the classical assumption that economic incentives and formal rules alone govern workplace output. The behavioural perspective emphasised human psychology, social groups, informal norms, and leadership.

Mary Parker Follett (1868–1933), a pioneering political and social theorist ahead of her era, argued that authority should flow from knowledge and situational competence rather than rigid hierarchy ("law of the situation"). She distinguished *power-over* (coercive domination) from *power-with* (collaborative co-active power) and championed *integration*—creative problem-solving that satisfies both sides of a workplace dispute rather than one-sided domination or shallow compromise.

Elton Mayo and the Hawthorne Studies (1924–1932) at Western Electric's Hawthorne Works near Chicago marked a turning point in management research. Initially designed as classical engineering experiments to test how lighting levels affected productivity, researchers discovered that output rose in both the test group (brighter lighting) and the control group (constant or even dimmer lighting). Follow-up investigations in the Relay Assembly Test Room and Bank Wiring Observation Room led by Mayo and Fritz Roethlisberger revealed two enduring insights: first, workers responded positively to feeling valued, observed, and consulted by management (the **Hawthorne Effect**); second, informal work groups enforced powerful social norms regulating acceptable output ("rate-busting" vs. "chiselling") independently of management's piece-rate pay formulas.

Douglas McGregor (1960) crystallised the behavioural challenge to classical supervision through **Theory X and Theory Y**. Theory X assumes the average worker inherently dislikes work, avoids responsibility, lacks ambition, and must be coerced, tightly monitored, and threatened with penalties. Theory Y assumes work is as natural as rest or play, that people exercise self-direction toward objectives to which they are committed, and that creativity and problem-solving capacity are widely distributed across the workforce. Crucially, McGregor warned of self-fulfilling prophecies: managers holding Theory X beliefs create rigid, mistrustful controls that trigger worker passivity and cynicism, falsely confirming the manager's original pessimism.

2.3 Quantitative (Management Science) Perspective

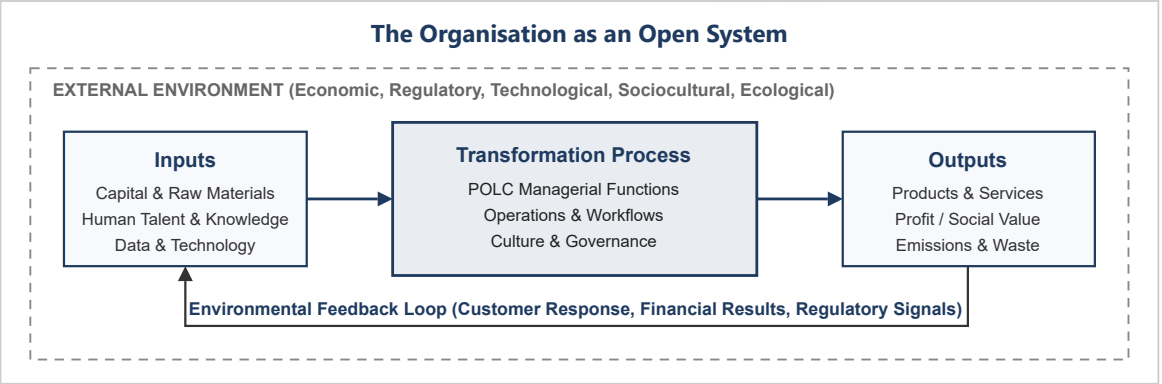
Emerging from Allied operational research teams during the Second World War, the quantitative perspective applies mathematical modelling, statistical inference, and computational algorithms to managerial problems. Sub-branches include **management science** (linear programming for resource optimisation, network analysis such as PERT/CPM, Monte Carlo risk simulation), **operations management** (inventory control models such as Economic Order Quantity, queuing theory for call centres and hospital emergency departments, Six Sigma quality control), and contemporary

management information systems and predictive analytics. In Australia, airlines such as Qantas deploy integer programming models to optimise crew rostering and aircraft maintenance rotations under Civil Aviation Safety Authority (CASA) fatigue limits, while Woolworths uses machine-learning demand forecasting to reduce perishable food spoilage across more than 1,000 supermarkets.

2.4 Contemporary Integrative Perspectives: Systems and Contingency Theories

Modern management synthesises classical structure, behavioural insight, and quantitative precision through two overarching frameworks: **Systems Theory** and **Contingency Theory**.

Originating in biologist Ludwig von Bertalanffy's general systems theory and adapted to organisations by Daniel Katz and Robert Kahn, **Systems Theory** views an organisation as an **open system** that continuously exchanges energy, materials, capital, people, and information with its external environment. Unlike a closed system (which ignores external forces and gradually deteriorates through **entropy**), an open system imports inputs, transforms them via internal technology, workflows, and human capabilities into outputs (goods, services, financial returns, community impacts, waste), and uses environmental feedback to adapt. Key systems concepts include **subsystems** (interdependent departments where a marketing promotion affects warehouse capacity and cash flow), **synergy** (the whole outperforms the sum of isolated parts when units collaborate), and **equifinality** (multiple different strategic configurations can reach similar successful outcomes).



Contingency Theory (developed by Joan Woodward, Paul Lawrence, Jay Lorsch, and Fred Fiedler) rejects universal "one best way" prescriptions. Instead, optimal organisational structures, leadership styles, and control systems depend ("are contingent upon") key situational variables: environmental turbulence, organisational size, core production or service technology, and workforce expertise. A rigidly formalised bureaucratic structure excels in a regulated nuclear power facility or surgical sterilisation unit, whereas a Melbourne generative-AI software start-up requires flat, organic, autonomous teams capable of rapid iteration.

Management Perspective	Key Theorists	Primary Focus	Principal Limitations	Contemporary Australian Application
Scientific Management	Taylor, Gilbreths, Gantt	Task standardisation, time-motion efficiency, financial incentives.	Neglects social needs, intrinsic motivation, and cognitive autonomy.	Warehouse picking standards and fast-food kitchen ergonomics.
Administrative & Bureaucratic	Fayol, Weber	Formal hierarchy, universal principles, rational-legal rules.	Goal displacement, slow adaptation in fast-changing markets.	Services Australia eligibility governance and university academic boards.
Behavioural / Human Relations	Follett, Mayo, McGregor	Group norms, participatory leadership, employee dignity and motivation.	Can underplay economic constraints, technology, and structural design.	Psychological safety and autonomous teams at Atlassian and SEEK.
Quantitative Management	Dantzig, Operations Researchers	Mathematical optimisation, forecasting, statistical quality control.	Models can oversimplify human behaviour and qualitative ethics.	Qantas crew scheduling and Coles automated replenishment models.
Systems & Contingency	Katz & Kahn, Lawrence & Lorsch	Environmental fit, cross-unit interdependence, situational adaptation.	Diagnostic complexity; requires high conceptual skill from managers.	Dual operating models combining core banking compliance with agile digital squads.

3. Organisational Environments and the Australian Business Context

Because organisations function as open systems, managerial decisions are shaped continuously by external forces beyond direct executive control as well as internal capacities inside the firm's boundaries. Management scholars divide the external environment into the **general (macro) environment** and the **task (industry) environment**.

3.1 The General Environment: PESTEL Analysis in Australia

The general environment comprises broad societal forces that indirectly influence all industries over the medium to long term. Managers systematically scan these conditions using the **PESTEL framework**:

- **Political and Legal:** Federal and state government policy, taxation settings, industrial relations legislation, competition regulation, and corporate governance statutes. In Australia, managers operate under the *Corporations Act 2001 (Cth)* (enforced by the Australian Securities and Investments Commission, ASIC), the *Competition and Consumer Act 2010 (Cth)* incorporating the Australian Consumer Law (enforced by the Australian Competition and Consumer Commission, ACCC), the *Fair Work Act 2009 (Cth)* (administered by the Fair Work Commission and Fair Work

Ombudsman), and the *Privacy Act 1988 (Cth)*. Prudential stability for banks and insurers is overseen by the Australian Prudential Regulation Authority (APRA).

- **Economic:** Macroeconomic indicators affecting demand, borrowing costs, and input prices—including Reserve Bank of Australia (RBA) official cash rate decisions, consumer price inflation, unemployment rates, Australian dollar (AUD) exchange rate fluctuations affecting exporters and importers, and global commodity cycles (iron ore, liquefied natural gas, lithium, and agricultural exports).
- **Sociocultural:** Demographic trends, cultural diversity, education levels, and shifting values regarding work–life flexibility, mental health, gender equity, and reconciliation with Aboriginal and Torres Strait Islander peoples. Australia's ageing population increases demand for aged-care and healthcare services while tightening skilled labour supply, whereas high multicultural immigration enriches linguistic and global market capabilities.
- **Technological:** Pace of digital transformation, cloud computing, artificial intelligence, cybersecurity threats, automation, and clean-energy infrastructure. Australian enterprises face acute cyber-resilience obligations alongside rapid adoption of generative AI and fintech payment rails.
- **Ecological and Environmental:** Climate change physical risks (bushfires, floods, heat stress affecting insurance, construction, and agriculture), decarbonisation targets, circular-economy packaging laws, and mandatory climate-related financial disclosures under Australian Accounting Standards Board (AASB S2) standards.

3.2 The Task Environment and Environmental Uncertainty

The **task environment** consists of external actors that interact directly with the organisation on a day-to-day basis and immediately influence operational performance: **customers** (whose preferences and switching costs dictate revenue), **competitors** (rival firms vying for market share and talent), **suppliers** (providers of raw materials, capital, software, and logistics), **labour market & trade unions** (such as the Australian Council of Trade Unions and industry unions), and **special-interest or regulatory bodies**.

The degree of **environmental uncertainty** confronting a manager is determined by two dimensions: (1) **environmental complexity** (the number and heterogeneity of external factors the manager must monitor) and (2) **environmental dynamism** (the rate and unpredictability with which those factors change). When both complexity and dynamism are low (e.g., municipal water distribution), managers rely on stable routines and long-term forecasts. When both are high (e.g., Australian renewable energy retailing amid volatile wholesale electricity spot prices, rapid battery technology advances, and shifting federal energy policy), managers invest in **boundary-spanning roles** (competitive intelligence units, regulatory affairs specialists, real-time data analytics) and agile cross-functional structures. Organisations also deploy **buffering strategies**—such as holding strategic inventory reserves, signing multi-year power purchase agreements, or diversifying supplier bases across Southeast Asia and domestic manufacturers—to insulate core technical operations from sudden supply shocks.

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Australian Regulator	Primary Statutory Mandate	Core Managerial & Compliance Implications
ACCC (Australian Competition & Consumer Commission)	*Competition and Consumer Act 2010 (Cth)* & Australian Consumer Law	Prohibits cartel conduct, resale price maintenance, unconscionable conduct, and misleading claims ("greenwashing"); reviews major mergers and acquisitions.
ASIC (Australian Securities & Investments Commission)	*Corporations Act 2001 (Cth)* & ASIC Act	Oversees director duties, continuous ASX market disclosure, financial reporting integrity, AFSL licensing, and corporate whistleblower protections.
APRA (Australian Prudential Regulation Authority)	Banking, Insurance & Superannuation Prudential Standards	Enforces capital adequacy, operational risk resilience, and Financial Accountability Regime (FAR) executive obligations across ADIs and super funds.
Fair Work Commission & Ombudsman	*Fair Work Act 2009 (Cth)*	Sets National Minimum Wage and Modern Awards, approves Enterprise Agreements, adjudicates unfair dismissal, and audits wage underpayments.
Safe Work Australia / State WHS Authorities	Model *Work Health and Safety Act 2011*	Mandates safe physical workplaces and proactive management of psychosocial hazards (burnout, bullying, violence) with officer due-diligence liability.

3.3 The Internal Environment

Inside organisational boundaries, managers work within an internal environment composed of three interlocking pillars: **organisational culture** (shared values, norms, and assumptions shaping employee conduct), **tangible and intangible resources** (cash reserves, facilities, intellectual property, brand reputation, and workforce capabilities), and **internal governance structures** (board oversight, risk committees, internal audit, and delegation charters). Under Australian corporate law, company directors owe statutory duties of care and diligence (s. 180), good faith and proper purpose (s. 181), and non-improper use of position or information (ss. 182–183) under the *Corporations Act 2001 (Cth)*.

4. Stakeholder Analysis and Australian Case Application

While classical economic orthodoxy (associated with Milton Friedman) argued that a corporation's sole social responsibility is to maximise shareholder profits within legal rules, R. Edward Freeman's **Stakeholder Theory** demonstrates that sustainable enterprise value depends on managing relationships with all groups who affect or are affected by the organisation's actions. Primary stakeholders (employees, customers, shareholders, suppliers, financiers, local communities) maintain direct economic or operational ties, whereas secondary stakeholders (media, environmental NGOs, industry associations, broader civil society) shape public legitimacy and regulatory pressure.

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4.1 Stakeholder Salience and the Power–Interest Matrix

Because managerial attention and budgets are finite, managers prioritise competing claims systematically. Mitchell, Agle, and Wood proposed assessing stakeholder **salience** along three attributes: **Power** (ability to impose will via coercive, financial, or normative leverage), **Legitimacy** (perception that the stakeholder's claim is socially, legally, or morally appropriate), and **Urgency** (degree to which the claim demands immediate attention due to time sensitivity and criticality). Stakeholders possessing all three attributes are *definitive stakeholders* requiring immediate executive engagement.

Complementing salience theory, Aubrey Mendelow's **Power–Interest Matrix** classifies stakeholders along two axes to guide ongoing communication and engagement strategy.



4.2 Quantitative Stakeholder Priority Scoring

When managing major infrastructure or restructuring projects, managers often operationalise stakeholder salience into a weighted Stakeholder Priority Index (SPI_k) to allocate engagement hours and consultation budgets systematically:

$$SPI_k = w_P P_k + w_L L_k + w_U U_k$$

Where: SPI_k is the composite priority score for stakeholder group k (on a 1.00–10.00 scale); P_k, L_k, and U_k are rated scores (1 to 10) for Power, Legitimacy, and Urgency respectively; and w_P, w_L, w_U are management weightings summing to 1.00 ($w_P + w_L + w_U = 1.00$).

Worked Example: Regional Renewable Grid Transmission Proposal in Victoria

A Victorian transmission operator is planning a high-voltage interconnector corridor and assigns weights $w_P = 0.40$, $w_L = 0.35$, and $w_U = 0.25$. Three stakeholder groups are assessed on a 10-point scale: (A) Registered Aboriginal Party & Traditional Owner Corporation ($P = 8, L = 10, U = 9$), (B) State Energy Regulator ($P = 10, L = 9, U = 6$), and (C) Boutique Equipment Sub-Contractor ($P = 3, L = 6, U = 5$).

1. **Step 1 — Group A (Traditional Owner Corporation):** $SPI_A = (0.40 \times 8) + (0.35 \times 10) + (0.25 \times 9) = 3.20 + 3.50 + 2.25 = 8.95$.

2. **Step 2 — Group B (State Energy Regulator):** $SPI_B = (0.40 \times 10) + (0.35 \times 9) + (0.25 \times 6) = 4.00 + 3.15 + 1.50 = 8.65$.
3. **Step 3 — Group C (Sub-Contractor):** $SPI_C = (0.40 \times 3) + (0.35 \times 6) + (0.25 \times 5) = 1.20 + 2.10 + 1.25 = 4.55$.
4. **Step 4 — Resource Allocation Decision:** Both Group A ($SPI_A = 8.95$) and Group B ($SPI_B = 8.65$) qualify as definitive stakeholders requiring dedicated senior co-design and formal consultation protocols prior to corridor finalisation, whereas Group C ($SPI_C = 4.55$) is managed through standard procurement updates.

4.3 Australian Case Study: Stakeholder Salience Failure at Juukan Gorge (2020)

In May 2020, mining multinational Rio Tinto detonated explosives at the Juukan Gorge rock shelters in Western Australia's Pilbara region to access high-grade iron ore worth approximately A$135 million. The shelters contained archaeological evidence of continuous Aboriginal habitation dating back 46,000 years and held profound cultural significance for the Puutu Kunti Kurrama and Pinikura (PKKP) peoples. Although Rio Tinto held legal ministerial consent granted under Western Australia's 1972 heritage legislation, the decision triggered national and international outrage.

Analysed through Module 1's frameworks, the incident illustrates severe failures across environmental scanning, stakeholder salience, and organisational subsystems. Internally, fragmented communication between heritage specialists, site mine-planners, and senior executives prevented urgent warnings from halting the blast—a breakdown of systems coordination and Fayol's internal communication linkages. Externally, management relied narrowly on legal compliance ("doing what is legally permitted") while drastically underestimating the legitimacy and moral power of Traditional Owners and the rapid shift in institutional investor ESG expectations. Major Australian superannuation funds, institutional shareholders globally, and federal parliamentary committees intervened forcefully, leading to the resignation of the CEO and two senior executives, overhaul of board heritage governance, and broad industry reform toward Free, Prior, and Informed Consent (FPIC) principles. The case demonstrates that an organisation's **social licence to operate** is an indispensable external resource that legal permits alone cannot guarantee.

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