Enterprise Pillar

E1 – Enterprise Operations

19 November 2013 – Tuesday Morning Session

**Instructions to candidates**

You are allowed three hours to answer this question paper.

You are allowed 20 minutes reading time before the examination begins during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will not be allowed, under any circumstances, to open the answer book and start writing or use your calculator during the reading time.

You are strongly advised to carefully read ALL the question requirements before attempting the question concerned (that is all parts and/or sub-questions). The requirements for questions 3 and 4 are highlighted in a dotted box.

ALL answers must be written in the answer book. Answers or notes written on the question paper will not be submitted for marking.

ALL QUESTIONS ARE COMPULSORY.

Section A comprises 10 sub-questions and is on pages 2 to 4.

Section B comprises 6 sub-questions and is on page 5.

Section C comprises 2 questions and is on pages 6 and 7.

The list of verbs as published in the syllabus is given for reference on page 11.

Write your candidate number, the paper number and examination subject title in the spaces provided on the front of the answer book. Also write your contact ID and name in the space provided in the right hand margin and seal to close.

Tick the appropriate boxes on the front of the answer book to indicate the questions you have answered.
SECTION A – 20 MARKS

[You are advised to spend no longer than 36 minutes on this question]

ANSWER ALL TEN SUB-QUESTIONS

Instructions for answering Section A

The answers to the ten sub-questions in Section A should ALL be written in your answer book. Your answers should be clearly numbered with the sub-question number and ruled off so the markers know which sub-question you are answering. For multiple choice questions you need only write the sub-question number and the answer option you have chosen. You do not need to start a new page for each sub-question. Each of the sub-questions numbered from 1.1 to 1.10 inclusive, given below, has only ONE correct answer. Each is worth two marks.

Question One

1.1 Loss of goodwill and the expense of product recalls are known as which ONE of the following?
A External failure costs
B Costs of lean
C Excess production costs
D Transaction costs

(2 marks)

1.2 The psychological contract is an important factor when considering which ONE of the following?
A Staff retention
B Supply networks
C Buyer behaviour
D Corporate political activity

(2 marks)

1.3 Assessment centres are associated with which ONE of the following activities?
A Staff selection
B Career counselling
C Focus group market research
D Societal marketing

(2 marks)
1.4 Most supply chains involve which ONE of the following?
A A number of different companies
B An organisation’s infrastructure
C After sales service
D A strategic apex

(2 marks)

1.5 Regular reporting on stockholding of products (inventory) is an example of which level of organisational information?
A Strategic
B Tactical
C Integrative
D Techno-structural

(2 marks)

1.6 A lack of physical presence and extensive use of IT are typical features of which sort of organisation?
A Non-governmental organisations (NGO)
B Multinational enterprises (MNE)
C Shamrock organisations
D Virtual organisations

(2 marks)

1.7 Which ONE of the following features is NOT normally a result of gaining ISO9000?
A Improved marketing
B Improved quality
C Work rationalisation
D Improved industrial relations

(2 marks)

1.8 The quality management thinker Philip Crosby is most closely associated with which ONE of the following ideas?
A Fitness for purpose
B The fishbone diagram
C Zero defects
D Business process re-engineering

(2 marks)
1.9 Herzberg's dual (two) factor theory involves which ONE of the following?
A  Theory X and Theory Y workers
B  Hygiene factors and motivators
C  Low and high power-distance
D  Carrots and sticks

(2 marks)

1.10 Personal characteristics, qualifications and necessary experience expected of a particular post holder are normally all found in which ONE of the following documents?
A  Job description
B  Person specification
C  Reference letter
D  Summary appraisal meeting record

(2 marks)

(Total for Section A = 20 marks)

Reminder

All answers to Section A must be written in your answer book.
Answers or notes to Section A written on the question paper will not be submitted for marking.

End of Section A

Section B starts on the opposite page
SECTION B – 30 MARKS
[You are advised to spend no longer than 9 minutes on each sub-question in this section]
ANSWER ALL SIX SUB-QUESTIONS IN THIS SECTION - 5 MARKS EACH

Question Two

(a) Describe FIVE different improvements a manufacturing organisation might experience as a result of introducing Total Productive Maintenance (TPM).

(5 marks)

(b) Describe the different organisational benefits of Information Systems (IS) and Information Technology (IT).

(5 marks)

(c) An individual employee's productivity level is influenced by a number of factors including those within the control of the organisation and those unique to a particular individual. Describe briefly FIVE factors unique to a particular individual that are likely to influence an employee's productivity.

(5 marks)

(d) Distinguish quality circles from quality control inspection.

(5 marks)

(e) The ideas and principles established by the well-known theorist F.W. Taylor have implications for both operations and management even today. Describe briefly FIVE of these ideas and principles.

(5 marks)

(f) Systems review represents a stage in a systems development lifecycle. Describe the main areas that should be considered as part of such a review.

(5 marks)

(Total for Section B = 30 marks)

End of Section B

Section C starts on the next page
Question Three

OK4u is a company with diverse operations across two continents. Originally a small textile manufacturer, OK4u now also operates a large electronics company, hotels, a leisure chain and owns a household cleaning brand. The company is not listed in the UK and therefore is not subject to the UK Listing Rules and Corporate Governance Code (which are intended to help achieve good corporate governance).

Last year, the fortunes of OK4u's major rival, IPP, took a downturn following a fraud investigation. Certain allegations were made against AK, the high profile entrepreneur at the heart of IPP's business empire and IPP's share price collapsed. AK, who acts as IPP's Chairman and Chief Executive, now faces charges of theft totalling millions of dollars. Press reports suggest that his individual control over finances allowed him to transfer funds, take money for personal use and borrow to buy IPP shares without requiring another director's counter-signature. Each quarter, exceptional profits were reported and the share price soared - until the dramatic collapse. One influential newspaper suggested that AK's individual power was able to grow because of a lack of corporate governance and a 'cultural tolerance in the countries within which IPP operated'.

Naturally, OK4u wishes to distance itself from the actions of its rival, particularly as both companies operate in the same markets. In a press statement, OK4u confirmed its commitment to 'serve rather than exploit our stakeholders'. Following a complete review, led by an independent management consultant, the company has appointed a new Director of Compliance and Ethics. Her role is to implement the consultant's report, encourage ethical operations and strengthen OK4u's system of corporate governance. She has also announced an intention to establish a minimum professional standard amongst all OK4u's managers and is interested in the lessons that can be learnt from existing established codes of professional practice.

Required:

(a) Explain the benefits of good corporate governance for both OK4u and IPP. (10 marks)

(b) Explain, using Hofstede's thinking on national culture, how cultural tolerance could have allowed AK's power to grow. (10 marks)

(c) Describe FIVE features of CIMA's Code of Ethics for Professional Accountants that OK4u's Director of Compliance and Ethics could learn from. (5 marks)

(Total for Question Three = 25 marks)

Section C continues on the opposite page
Question Four

YY has worked for the manufacturing company RU2 all his adult life and is currently Production Manager. Although he can be uncooperative and single-minded at times, he is respected for his experience, honesty, direct speaking and the results he achieves.

Change is coming to RU2 and many senior managers have gradually been replaced by younger managers with different ideas and approaches. A new Managing Director (MD) was appointed six months ago but YY’s first dealing with him did not go well. YY requested that some of the production machinery be upgraded but his request was declined until a full written proposal including an investment appraisal analysis was produced. No proposal has been produced and no machinery has been upgraded since this time.

When RU2’s Senior Sales Manager retired last month he was replaced by a new Marketing Manager. (The job advertisement referred to RU2 as a company ‘undergoing significant change and looking to develop a more customer-led approach’). YY is irritated to find that the MD has approved the purchase of a Customer Relationship Management (CRM) system straightaway. YY told colleagues that the CRM system will be ‘a waste of money that could be spent elsewhere’. Now the new Marketing Manager is, for the first time, developing a comprehensive marketing plan and she has invited a number of senior colleagues across the organisation to help contribute to the plan including YY. YY immediately declined the invitation telling the Marketing Manager that she would do well to ‘concentrate on the basic job of selling rather than wasting time drawing up pointless plans’.

Required:

(a) The new Managing Director wants RU2 to have more of a marketing focus and become more customer-led. Describe the impact on RU2 of such a development. (10 marks)

(b) Explain the benefits of developing a marketing plan for RU2. (10 marks)

(c) Identify the range of possible costs associated with a Customer Relationship Management (CRM) system. (5 marks)

(Total for Question Four = 25 marks)

(Total marks for Section C = 50 marks)

End of Question Paper
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### LIST OF VERBS USED IN THE QUESTION REQUIREMENTS

A list of the learning objectives and verbs that appear in the syllabus and in the question requirements for each question in this paper.

It is important that you answer the question according to the definition of the verb.

<table>
<thead>
<tr>
<th>LEARNING OBJECTIVE</th>
<th>VERBS USED</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 1 - KNOWLEDGE</strong></td>
<td>List</td>
<td>Make a list of</td>
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<tr>
<td></td>
<td>State</td>
<td>Express, fully or clearly, the details/facts of</td>
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<td></td>
<td>Define</td>
<td>Give the exact meaning of</td>
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<tr>
<td><strong>Level 2 - COMPREHENSION</strong></td>
<td>Describe</td>
<td>Communicate the key features</td>
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<td></td>
<td>Distinguish</td>
<td>Highlight the differences between</td>
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<tr>
<td></td>
<td>Explain</td>
<td>Make clear or intelligible/State the meaning or purpose of</td>
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<tr>
<td></td>
<td>Identify</td>
<td>Recognise, establish or select after consideration</td>
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<tr>
<td></td>
<td>Illustrate</td>
<td>Use an example to describe or explain something</td>
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<tr>
<td><strong>Level 3 - APPLICATION</strong></td>
<td>Apply</td>
<td>To put to practical use</td>
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<td></td>
<td>Calculate</td>
<td>Ascertain or reckon mathematically</td>
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<tr>
<td></td>
<td>Demonstrate</td>
<td>To prove with certainty or to exhibit by practical means</td>
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<td></td>
<td>Prepare</td>
<td>Make or get ready for use</td>
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<tr>
<td></td>
<td>Reconcile</td>
<td>Make or prove consistent/compatible</td>
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<tr>
<td></td>
<td>Solve</td>
<td>Find an answer to</td>
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<td></td>
<td>Tabulate</td>
<td>Arrange in a table</td>
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<tr>
<td><strong>Level 4 - ANALYSIS</strong></td>
<td>Analyse</td>
<td>Examine in detail the structure of</td>
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<td>Categorise</td>
<td>Place into a defined class or division</td>
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<tr>
<td></td>
<td>Compare and contrast</td>
<td>Show the similarities and/or differences between</td>
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<td></td>
<td>Construct</td>
<td>Build up or compile</td>
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<td></td>
<td>Discuss</td>
<td>Examine in detail by argument</td>
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<tr>
<td></td>
<td>Interpret</td>
<td>Translate into intelligible or familiar terms</td>
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<td></td>
<td>Prioritise</td>
<td>Place in order of priority or sequence for action</td>
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<tr>
<td></td>
<td>Produce</td>
<td>Create or bring into existence</td>
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<tr>
<td><strong>Level 5 - EVALUATION</strong></td>
<td>Advise</td>
<td>Counsel, inform or notify</td>
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<td></td>
<td>Evaluate</td>
<td>Appraise or assess the value of</td>
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<tr>
<td></td>
<td>Recommend</td>
<td>Propose a course of action</td>
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Operational Level Paper

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