The Examiner's Answers
E1 - Enterprise Operations

SECTION A

Answer to Question One
1.1 A
1.2 D
1.3 A
1.4 C
1.5 B
1.6 A
1.7 C
1.8 B
1.9 A
1.10 A

SECTION B

The answers that follow in Sections B and C are fuller and more comprehensive than would have been expected from a well-prepared candidate. They have been written in this way to aid teaching, study and revision for tutors and candidates alike.

Answer to Question Two

Requirement (a)

A government could engage in one of several forms of protectionism, including:

Import tariffs
Import tariffs increase the cost of foreign goods for the consumer, so protecting home competitors whose products appear to be less costly. Import tariffs of this kind account for a third of all protectionist measures according to the World Bank. (One recent example was called 'green protectionism' imposed by certain developed nations and involved imposing new tariffs on imports from countries with weaker carbon emissions reduction targets than themselves. This was seen as being an excuse to make imports from nations such as India less attractive to home markets.)
Regulations
When a country’s government adjusts regulations such as technical standards or health and safety standards on imported goods and services, possibly for no good reason, protectionism occurs. These governments may claim that such regulation is needed for consumer protection and the impact will be that foreign exporters may find that their products are no longer welcome on technical grounds. Like import tariffs these restrictions act as protective barriers for home producers (assuming that they comply with such regulations).

Subsidies
A government may offer subsidies for home producers. This may take several forms. Making finance available to local manufacturers more cheaply than commercial rates is one such example. This in effect gives home producers an unfair advantage over foreign producers who would not be able to source finance at such privileged rates and may price their products less competitively as a result.

Buying home products only
A government may promote domestic businesses by issuing restrictions on purchasing departments they have control over. A requirement upon government departments to purchase only goods produced in the home country may prove more costly for the tax payer but would protect local producers by eliminating some competitors from their markets.

Bail outs to struggling businesses
Government bail outs that allow unprofitable businesses to continue trading can unfairly protect these businesses against more robust foreign competitors. A recent example was widespread bail-outs by national governments to certain home banks to make sure they do not go into liquidation.

Export barriers
Governments may recognise the relationship between supply and demand in determining price. When, for instance, food prices rise sharply, major crop-producing countries may restrict exports by home producers. The impact would be to increase supply at home so reducing domestic prices.

Requirement (b)
Although Corporate Social Responsibility (CSR) does not have a generally agreed definition, most feel it to be a description of ways of integrating economic, social and environmental agendas within organisational activities. CSR therefore might be understood as an organisation’s corporate conscience and involves corporate citizenship, social and sustainable practices and its general sense of responsibility, etc. (Some CSR writers refer to honouring the triple bottom line of people, planet and profit).

CSR encompasses at least four main dimensions:
- Economic (the way in which a company is contributing to the development of a local economy in which it operates).
- Legal (the extent to which a company is restricting its operations so as to comply with the law).
- Ethical (approval by society of company’s operations as being ‘right’)
- Philanthropic (the degree of voluntary contributions a company makes to society).

When making a business decision, therefore, CSR refers to a firm’s obligation to maximise positive and minimise negative impacts upon stakeholders in these main ways. The following are offered by way of example and further explanation

- **Economic.** This dimension of CSR involves organisations recognising their responsibility to contribute to the development of economies. A good example is The Body Shop which is actively involved in community trade and against exploitation of suppliers. Through its Community Trade purchasing programme, The Body Shop buys ingredients, crafted items and accessories from marginalised communities around the world in return for a long term relationship based on fair trade. This in turn leads to villages in (say) Africa enjoying healthy returns for natural ingredients they provide and assistance with building and developing facilities.
• **Legal.** A key element of CSR is the management of an organisation's relationships with governments and regulatory agencies. It is alleged that in 2010 the oil giant BP and its partners minimised US health and safety regulations, resulting in a massive explosion costing the lives of 10 employees and an environmental catastrophe in the form of an enormous oil leak. If the allegation is correct this implies a failure in respect of this dimension of CSR.

• **Ethical.** This dimension centres on how ethical or morally acceptable the operations of the business are to society. Operations may be legal but may not necessarily be ethical. In this respect sports retailers such as Nike and their supply chain partners have in the past been accused of ethically dubious practices. Practices that could be considered unethical include using forced or child labour, as well as ignoring living and working conditions and safety of the workers.

• **Philanthropic.** The voluntary donations and contributions which organisations make to worthy causes both monetary and materially offers a fourth dimension of CSR. It is not uncommon for companies such as Marks and Spencer to routinely engage in partnerships with charities (in this example Oxfam) to raise large sums of money.

Note: other issues and examples related to non-discrimination in employment and marketing practices, avoidance of the use of non-renewable resources, non-production of socially undesirable goods and production of non-degradable packaging/products, etc. might also be included in an answer and would receive credit.

**Requirement (c)**

Foreign Direct Investment (F.D.I.) by transnational businesses and Non-Governmental Organisations (N.G.O.s) continues to grow in emerging markets. Some of these markets may be challenging underlining the value of political risk analysis in providing management with a quantified assessment of the likelihood of the occurrence of threats and the consequent level of potential loss as a result.

The importance of assessing political risk for organisations engaging in FDI is as follows:

**Make informed decisions**
Investing in, operating in or extricating funds from these markets can even be dangerous, a point central to assessing political risk. An assessment of the likely risks associated with an investment can be set alongside the potential benefits in order that senior managers might make informed investment decisions on behalf of their organisations.

**Awareness of groups that represent a source of danger**
By understanding political risk analysis, organisations would be forced to recognise the groups that could present a danger and why this should be. Groups that offer threats potentially include current government departments and agencies, opposition groups that have political influence, organised interest groups (e.g. trade unions), international organisations (e.g. World Bank), vested interests of local businesses and competing religious groups, etc. An awareness of these factions may lead to organisational strategies to manage relationships positively with groups considered to have a legitimate interest.

**Awareness of conditions that represent a source of danger**
In addition to identifying groups, political risk analysis would make organisations aware of conditions that represent a source of danger. As such, organisations will be better briefed on contextual factors such as newly created international alliances, political philosophies that are changing, changing economic conditions, social unrest, rising nationalism and impending political independence, etc.

**Avoidance of loss**
Political risk analysis helps organisations avoid being exposed to unnecessary risk. The risk analysis can be used by management to limit levels of potential loss by strengthening areas of organisational vulnerability and safeguarding areas where the organisation feels particularly threatened. (This thinking is akin to disaster recovery planning in IS). Through this activity potential losses may be avoided or at least reduced.
Identification of unacceptable risks
It may be that, as part of the process of political risk assessment, potential risks are highlighted that an organisation may consider unacceptable possibly on ethical grounds. Some markets can be quite hazardous and an assessment of the likelihood of war, civil conflict, terrorism, insurgency and crime is helpful when gauging the risk to people. Impacts such as fatalities, injuries or threat to the workforce may lead to a decision not to invest in a particular market.

Avoidance of company damage
Without political risk analysis there may be disruption of trade, a company’s good reputation may be damaged and losses may arise. Potential expropriation of assets (possibly without compensation), unfavourable laws, restriction on operating freedom, cancellation or revision of contracts, loss of freedom to repatriate profits and increased taxes and financial penalties, etc. would undoubtedly impact on financial performance, share price and company reputation.

Strengthen subsequent planning processes
If undertaken and revisited on a regular basis, political risk analysis can act as a vital dimension to understanding an organisation’s outside environment and form an integral part of corporate and business planning processes.

Requirement (d)
Increasingly companies are recognising procurement as a strategic resource from which a competitive advantage might be gained. The notion of strategic supply is based upon the importance of organisation-wide thinking where functional and business units within the organisation as well as key suppliers and customers outside it work together to achieve value in the supply chain. Organisations considering moving from price-based procurement and policies would do well to consider Paul Cousins’ (2000) strategic supply wheel. Cousins’ thinking is based on the notion that an organisation’s supply strategy should involve a number of key areas described as ‘spokes’ in the wheel. (These spokes being organisational structure, relationship portfolio, cost/benefit analysis, skills/competencies and performance measures). As such, the model can help an organisation concentrate on key areas for attention and action.

- Viewing supply as central. The model emphasises the importance of viewing supply as central to the organisation and its effectiveness. The wheel depicts the corporate supply strategy at the hub of a wheel and underlines the need for an integrated approach to supply strategy involving a balancing of all five ‘spokes’.
- The importance of structuring to maximise benefits. Structure should enhance rather than hinder strategic supply. The model highlights the importance of structure and a need for structuring to maximise benefits of organisational operations. Organisational structure affects interactions with the rest of the organisation and the way in which control is exercised, whether centralised, decentralised or some combination.
- The need for good relationship management and partnership sourcing. The nature of relationships with suppliers and impact on the strategic success of the organisation are significant dimensions to Cousins’ thinking. Supply relationships may be based on driving deals on price and can be quite adversarial. Alternatively, they may be more collaborative where there is a joint quest to reduce costs and a sharing of technology and innovations (known as ‘partnership sourcing’).
- Decisions based on benefits as well as costs. Supply decisions should be based on benefits as well as costs, and cost/benefit analysis is a further spoke in the wheel. According to Cousins this technique should be at the heart of rational decision making over the most appropriate strategic approach to follow.
- The importance of acquiring and then maintaining appropriate skill sets. The model emphasises the importance of acquiring and then maintaining appropriate skill sets. Appropriate skills and competencies are vital in order to implement a chosen strategy. Long-term relationships with suppliers might (for instance) lead to a need to re-orientate and train
key personnel. (This thinking is consistent with the McKinsey 7S framework that highlights the relationship between strategy, staff and skills).

- **Effective monitoring and control mechanisms.** Strategic planning and implementation needs to be supported by strategic control and monitoring. This is recognised by Cousins who highlights performance measures for monitoring and control as a vital spoke in the strategic supply wheel. Such measures need to be aligned with the strategy and extend beyond price alone.

- **Achieving organisational synergy and coordination.** The model highlights a need to strategically achieve organisational synergy and coordination by emphasising the point that these five spokes need to be achieved and each factor should be supportive of the other.

**Requirement (e)**

**Continuous inventory: fixed order quantity replacement systems:** Inventory levels are continually monitored and, when stock drops below a predetermined level, a fixed amount is ordered to ‘top up’ levels. The tinned food or cleaning materials held in a person’s home are domestic examples.

**Continuous inventory: Economic Order Quantity systems:** A variation on the fixed order quantity replacement system is an Economic Order Quantity system (EOQ) which takes into account total sales per annum, variable costs associated with ordering and holding the item to determine the re-order quantity.

**Periodic inventory (or bin) systems:** Stock levels are not kept under continuous review; instead they are checked after a specific time and this leads to variable ordering of new stock in variable quantities. This system is commonly used in smaller retail outlets at the end of the day or week’s trading.

**ABC systems:** ABC is not an acronym, but is instead a classification bases on the Pareto 80/20 rule which suggests that 20% of the items are likely to account for 80% of the annual expenditure. ABC focuses on those items that are most important and therefore need careful monitoring. The classifications are as follows:

- **A:** items of high value, close monitoring is needed including managing the supplier/buyer relationship.
- **B:** medium items, less tightly managed.
- **C:** low value inventory requiring little management (e.g. nails, screws, tacks, etc.).

**Just-in-time systems:** JIT systems have an objective of procuring products as they are required by a customer or for use. Attributed to the Japanese quality philosophy, the obvious advantage of JIT is the elimination of large stocks of material; indeed stock is reduced to near-zero levels. Financial savings are easily apparent as is the requirement to foster an effective working relationship with suppliers to avoid stock-outs.
Since the mid 1980s the term 'workforce flexibility' has been used in a variety of ways. The following help organisations operate in more flexible ways.

'Internal flexibility' might be achieved in a number of ways including those identified:

- **Task or functional flexibility.** Task flexibility might be achieved by an organisation developing its workforce to be more multi-skilled and less specialist. In this way the organisation achieves flexibility by moving employees from one job to another as required. This fluid movement by workers effectively ignores traditional job demarcations and involves a potentially broader set of tasks. This expansion of tasks has been described as both horizontally (at the same level) and vertically (undertaking tasks previously carried out by employees at other levels e.g. by superiors or subordinates). Task flexibility is linked conceptually to attempts at job enlargement and job enrichment.

- **Numerical flexibility.** In the context of numerical flexibility, Atkinson identified two categories of worker, core and periphery. Core workers possess key scarce skills and enjoy status, security and promotion prospects. Periphery workers include those with either temporary or part-time contracts rather than full contracts of employment. On a similar theme Handy described a 'shamrock' organisation as including core workers supported by contractors and casual workers. The flexibility of using non-core workers is that they can effectively act as a buffer against fluctuations in demand. So numerical flexibility is achieved by using a variety of casual, on-call, temporary and part-time staff to supplement the efforts of core workers. When measuring the size of an organisation's establishment it is a moot point whether such staff should be included or not.

- **Working hours flexibility.** Flexibility is being achieved by organisations which effectively redefine the notion of a 'normal working day' which traditionally has been seen as '9 until 5'. In this way, organisations can open 24 hours a day if they wish (e.g. hospitals and on-line banks). Where there are 'peaks and troughs' in demand, this flexibility helps organisations cope. This has been achieved by workers operating in differing time patterns over a week or monthly cycle. The mechanisms for achieving this have included variable shift patterns, flexitime and monthly rather than daily accounting of hours input.

- **Financial flexibility.** Organisations aim to achieve payroll flexibility through individualised and variable reward systems based upon bonuses and performance related pay schemes. Further flexibility has been achieved through paying fees for services rather than by making payments for wages and salaries. This is a direct result of subcontracting work outside the organisation to agencies, consultants and other experts. Agents may be paid on commission whilst other payments might be based 'by the hour' or 'by the day', etc.

'External flexibility' might be achieved through:

- **Location flexibility.** The use of designated peripatetic workers such as sales staff and specialists travelling from one location to another allied to the use of home working by employees away from the organisation's premises offers flexibility. (Normally facilitated by maximising the benefits of communication and information technology). In this way savings may be made to location costs and employees may be better placed geographically to respond to the needs of customers in different parts of the country.
SECTION C

Answer to Question Three

Requirement (a)

TT’s current marketing approach is very reactionary and certainly not strategic with the adoption of 'copy cat' strategies originally initiated by its competitors. More systematic planning processes culminating in the development of an effective marketing strategy will be needed. The following features should be reflected in TT’s strategy in order that it might be considered effective.

Centred on priorities
The marketing strategy should be consistent with TT’s organisational mission and help achieve TT’s strategic vision, aims and objectives. The strategy should develop key priorities identified in the overall corporate strategy and should support corporate aspirations. As the marketing strategy would need the approval of TT’s Executive Board this should enable an important check that the strategy is properly centred on corporate priorities.

Internally relevant
TT should take account of the key internal factors that are relevant when determining marketing strategies. The strategy should be realistic in terms of the capability of the organisation to achieve any identified strategies. Relevant internal factors include TT’s existing portfolio of products (including black teas, green teas, flavoured teas and fruit infusions) and the knowledge and accumulated skills of its 300 strong workforce as well as its supply networks. The strategy should build on TT’s competences and key organisational resources. If these competences and resources are unique they can represent a source of strategic strength and could form the basis of a cohesive strategy. Conversely if weaknesses are identified as part of this internal analysis, then actions should be determined to eliminate or reduce them.

Externally focused
The external environment in which the organisation operates can have a major impact upon TT’s performance (either positively or negatively). It is vital that these influences are understood in order that opportunities might be seized and threats accounted for. A key stage in developing a strategy involves an environmental audit in order that the strategy itself is outward facing and relevant to external factors and trends.

In order that TT might develop an effective strategy that is truly externally focused it needs to:

- Reflect any relevant existing marketing research and possibly commission new or further research.
- Address significant macroeconomic factors.
- Focus on marketing implications of the external environment, including customers, market conditions and competitors.

Marketing research
Marketing research involves a structured investigation of TT’s marketing activities. This research can be used to review TT’s existing activities and strategies and provide a basis for developing a new strategy. This therefore includes the impact and potential impact of TT’s branding, product mix, pricing, advertising, sales promotion, public relations, packaging, and distribution, etc. In this way, the importance of marketing research is to provide information that will enable effective marketing decisions to be made.

Macroenvironmental factors
A PEST or PESTEL (Political, Economic, Social, Technological, Environmental, Legal) analysis represents one framework for considering the macro environment and determining relevant external factors and trends influencing the market. A consideration of the position of TT relative to these factors is needed for an effective strategy to emerge.
Implications of the external environment
This includes customers, their buying habits, nature and expectations, etc. TT needs to identify its customers, understand their needs and preferences, analyse their attitudes to promotion and other factors that influence their purchasing decisions and persuade them to buy TT’s products rather than competitor products. TT should also try to gain an appreciation of the market including its segmentation possibilities, TT’s position within it and potential for future development. Equally important is knowledge and understanding of the competition (who they are and the basis upon which they are competing, also their distinctive strengths, weaknesses, track record, etc.). To this end TT’s new Director of Marketing previously worked for a rival drinks company and may be able to offer some vital intelligence.

Clear position statement
The position statement summarises the position of TT relative to all the factors discussed above and is most conveniently captured in summarised form by use of a SWOT (strengths, weaknesses, opportunities and threats) analysis. This is usually depicted by a four-cell matrix where SW factors are internal and OT external factors. Internal factors are controllable, but external issues are normally beyond the control of TT.

Makes alternatives explicit
Having determined TT’s position and with specific goals defined then strategic alternatives to the current position can be discussed and ways to achieve them can be chosen. For the strategy to be considered effective, these options need to be made explicit before choices are made. Discussions centred on developing an appropriate marketing mix to achieve corporate aspirations can then occur.

Performance orientated
An effective marketing strategy should include targets and performance measures incorporating SMART (specific, measurable, achievable, realistic time bound) targets. This is important for future monitoring and control purposes and will lead to a specific plan of action which can be constantly revised and updated as marketing campaigns progress.

Cohesion
TT’s strategy should cohesively plan and co-ordinate elements in an integrated fashion. It is vital that these factors are blended together to ensure that TT’s products satisfy (or exceed) the benefits demanded by its customers.

Realistic costing
The strategy should be realistic in terms of the finance available. TT’s marketing strategy needs to be costed to produce a revenue budget and a statement of any capital requirements.

Organisationally consistent
The strategy should be consistent with other organisational planning processes because decisions made about marketing will impact on all other functional areas, for instance:

- **Finance**: Cash flow implications, finance for marketing campaigns, etc.
- **Human Resourcing**: Training requirements, specialist recruitment, etc.
- **Operations**: Cost and volume implications of switching production, etc.

TT’s Director of Marketing has announced that an effective strategic marketing plan will be developed ‘in conjunction with key stakeholders’. The fact that the strategy will be developed in conjunction with a body of individuals and groups will help coordinate marketing with other aspects of the organisation and ‘ground’ strategies within local realities.

Requirement (b)
The new Director believes that TT should use a more strategic approach to product investment utilising models and frameworks such as the product life cycle and the Boston Consulting Group (BCG) matrix.
Portfolio Management Issues
A product portfolio is a collection of products or services an organisation provides to its customers. There are three dimensions of TT’s product mix to consider, namely:

- **Portfolio length** or overall number of individual products offered, (in this case tea or fruit flavoured drinks, etc.)
- **Portfolio breadth** of product lines (for instance loose tea, tea bags, catering packs, etc.)
- **Portfolio depth**: the products in each product line, so for instance within TT’s tea line there might be Indian, Chinese, Earl Grey, Morning, etc.

TT will need to determine how much funding it allocates to each product within its overall portfolio of products. Decisions over which products to discontinue, promote more, conduct further research into, etc. are all essential considerations. The marketing models and frameworks identified might be helpful in TT achieving a more strategic approach to planning investment and disinvestment decisions over products within its portfolio. In short, both should help TT manage its product portfolio as explained below.

Market/Product lifecycle
The value of the product life cycle is that it can be used to help TT determine appropriate strategies and inform decisions over investment in products. Classically, marketing explains products as passing through a cycle of life. The marketing mix will change over time as the product goes into different stages of its ‘life’. When a product is in its ‘growth’ stages, the marketing mix might emphasise the development of sales outlets and advertising. In its ‘mature’ phase, there might need to be more concern for product quality. To postpone the eventual decline, it may be necessary to reduce prices and spend more on advertising. A brief description of the life cycle and its distinct stages now follows.

- **Introduction.** When a company starts to produce and sell a new product, initially demand is low and heavy advertising or other selling costs are needed to make customers aware of the product (‘product recognition’). High prices are normally charged, because the product is new and supply is limited. TT needs to identify the products that correspond with this stage of development and act accordingly.

- **Growth.** When demand for the product builds, product design improves as production and marketing experience is gained. Advertising and sales promotion are still important as the distribution network expands. Competition between rival producers intensifies. The most significant feature of this stage is increasing complexity as rivals enter the market and the range of products widens as producers seek to attract customers with novel features. The marketing focus switches to seeking to differentiate the firm’s product and brand. Prices fall, but profits improve because of the higher sales volumes. For any of TT’s products that correspond with this stage, clear strategic and marketing actions are implied.

- Some marketers consider that an additional phase (shakeout) occurs when sales growth begins to dip because the market is saturated by providers. The weakest providers are ‘shaken’ out and exit the business.

- **Maturity.** This is the longest and most successful stage in the life cycle. Purchases settle down into a pattern of repeat or replacement purchasing. Demand has reached its limit and in general, prices fall. A good distribution network has built up, and advertising costs are much lower. If TT has any products at this stage it should consider further advertising, product design changes, and segmentation in order to extend the maturity phase of an individual product’s life.

- **Decline.** The product declines into obsolescence as technically superior alternatives replace it. Many competitors will have already found alternative industries, while those remaining will be looking for an orderly way to exit due to a lack of profitability as demand falls. For TT, any products believed to be in declining markets will require immediate strategic attention.

The practical problems associated with the model include the fact that it is difficult to determine where the product is on the cycle with any accuracy. Most relevant for TT is that the model considers a product
singly and not as part of an overall portfolio and radical strategic decisions cannot be made in isolation. It is preferable for TT to use more than one framework for analysis including the BCG matrix.

**Boston Consulting Group (BCG) matrix**
The Boston Consulting Group (BCG) diagram plots all products in a portfolio in a 2 x 2 cell matrix according to the growth rate of the market served and the market share held. In this way TT’s products and the portfolio as a whole may be considered in a strategic fashion. The principal benefits of the BCG matrix are that it provides a convenient way for TT’s management to visualise a diverse range of products together and prompt management to pay attention to cash-flow balances within its overall product portfolio.

According to the BCG products may be classified as being:

- **Problem children** or Question marks when they are in a high growth market but with as yet few sales. For these products investment is needed to improve market share and for them to succeed. If insufficient funds are available, choices will need to be made over which to invest in and which to let go. Strategically, if TT has any products in this category management must decide between investing considerably more in the product to build its market share or ceasing production quickly before it absorbs any further investment which it will never repay. If TT decides to invest this might take the form of price reductions, additional promotion, securing of distribution channels or product modification.

- **Cash cows** are characterised by relatively high market share but market growth for them is low. The function of such a product is to generate cash for use elsewhere in the portfolio. For TT’s cash cow products, investment should be kept under review and the priority will be to maximise ‘harvesting’ so that cash can be used to support the question mark products as well as satisfy demands for dividends and interest.

- **Stars** are characterised by relatively high market share and high market growth. Although investment may be needed to maintain market share, it is worthwhile as the market size is growing. Stars will become tomorrow’s cash cows. If TT has star products the strategy suggested by the framework is to hold market share by investing sufficiently to match the commitment of rivals and the requirements of the marketplace.

- **Dogs** are characterised by relatively low market share and low market growth. There may be little or no justification for continuing to invest in these products and TT must divest itself of dog products completely as swiftly as it is able.

**Requirement (c)**
The new director obviously supports the concept of sustainability believing it to ‘make good business sense’. TT will need to develop a more cohesive long term practice involving several initiatives.

Sustainability is a long term programme involving a series of sustainable development practices which offer a number of potential benefits to TT as explained below.

**Improving operational efficiency**
Practices associated with sustainability include reducing waste, improved energy and water consumption and the sale of by-products that were previously a cost of disposal. Such practices aimed at improving operational efficiency ultimately contribute to improved long term financial performance. Currently TT is paying contractors to dispose of waste products from the production process and if this situation can be avoided, this represents an easy gain. Apparently at least one competitor recycles such waste to make a soil enrichment treatment, which is much in excess of what the company itself needs. Rather than pay to have the fruit waste taken to a landfill site, TT could reuse the soil enhancer. This is an environmentally sound practice and if more enhancer than it requires is generated, new income streams may be identified for sales. Even if it is just given away to local farmers, this will help create value for someone else. Sustainable practices will benefit TT in terms of efficiency.
By gaining external stakeholder support
Sustainability can result in enhancing relationships with external stakeholders. If local farmers were 'gifted' the soil enhancer as indicated above then relationships with the local community would be strengthened. Similarly local communities might view TT and its operations more positively if it convinces them through sustainable practice that it is no 'rip and burn' organisation. If TT were to achieve sustainability as part of wider policy, green measures such as reducing greenhouse gas emissions would undoubtedly strengthen the relationship between the organisation and environmentalists. Other practices could be aimed at addressing the agendas of other stakeholder groups such as shareholders, customers and suppliers, etc.

By gaining internal stakeholder support
Sustainability can result in enhancing relationships with TT’s workforce. It may be that TT's employees have many valuable ideas to contribute as often it is those who are the closest to the front line that have the best insights into sustainable ideas. By offering some rewards or by involving the whole workforce in discussions, then this may provide a powerful source of motivation. If employees could be engaged by a sustainability agenda this might provide a potential source of motivation, and help shape a positive culture. In turn, this may lead to less sickness, greater productivity, improved industrial relations and less disruptive staff turnover.

By achieving a market edge over competitors
Ultimately sustainable practices will help an organisation gain a competitive advantage by exploiting new business opportunities, so increasing market share and profitability. If customers share TT’s aspirations or are impressed by its efforts, sustainability may breed brand loyalty.
Answer to Question Four

Requirement (a)

There a number of challenges for TB’s managers when managing teams that are geographically dispersed and every manager will need to determine the best means of overcoming these challenges.

Redefining their own role

Challenge: ‘face-to-face’ contact and the concept of ‘management by walk around’ will need to be replaced by different mechanisms that build relationships and monitor progress of projects.

Overcome by: managers viewing their own role differently and redefining it in a way that adds value to TB’s operations. Rather than emphasising leadership, managers might have to accept that instead they need to work hard at coordination.

Instilling the correct attitude in employees

Challenge: subordinates who may not have a line manager close by must have the right mental attitude and be able to use their own initiative, resolving local difficulties. They will need to be prepared to work in isolation on occasion, show initiative and be a ‘self starter’.

Overcome by: managers will need to ensure that appropriate recruitment and then training is in place and that ‘at risk’ employees are supported to deal with these requirements.

Maintaining communication

Challenge: TB is apparently working hard to improve communication through its own social networking sites with blogs, wikis, podcasts, RSS feeds and the use of instant messaging software. Despite this wealth of communication devices which also include e-mail, videoconferencing and Voip, it does not follow that communication is automatically good. A challenge for managers is ensuring that team members are communicating with each other frequently and effectively in order to build team cohesion and avoid misunderstandings and unnecessary duplication of effort.

Overcome by: maximising the benefits of the technology to get feedback and share intelligence within the team. When face-to-face conversations do take place, summaries of key points need to be confirmed by email. Managers should guard against ‘information overload’ by focusing communication on what is relevant to individuals, their team and their job.

Breeding and maintaining trust

Challenge: when managers are not physically present with a team member, then trust is important. In a remote relationship, even with videoconferencing and webcam equipment, managers will not have the same visual stimulus between individuals and will not be able to build the same sort of personal connection with their staff.

Overcome by: managers being open and honest with employees about the limitations of virtual contact in order to help establish a strong relationship. Managers also need to accept that in terms of accessibility a failure to get hold of somebody, does not automatically imply that they are ‘skiving’.

Retention of valued staff

Challenge: it is hard to prevent valuable employees from being poached by competitors if they are on the other side of the world where local labour laws and employees’ expectations may be very different.

Overcome by: managers being prepared for such a situation and accept different cultural norms. To this end, the most valued staff must be made to feel wanted and a sense of loyalty to TB needs to be nurtured by such managers.

Collaborating across time zones

Challenge: collaborating across time zones has inevitable challenges that managers must come to terms with. For instance, a request by a manager to a virtual team may not receive a response until much later on the same day or even the next day.
Overcome by: managers being flexible and moderating expectations. Managers need to accept that decision making will often be ambiguous and that communication is less spontaneous.

**Establishing performance expectations**
Challenge: ensuring that employees who may be physically very distant are clear about what they are supposed to be doing. It is important that these staff understand what is expected of them, what they need to do, when they need to do it, and to what standard.

Overcome by: managers giving briefings more carefully and putting in place progress monitoring and control mechanisms, (most probably using the range of technology available within TB to best effect).

**Overcoming a lack of personal contact**
Challenge: it is clear that the way in which TB has responded to globalisation means that managers who want to stay in touch with their team now need to cover vast distances either using technology or through air travel (which if overused can be both expensive and time hungry). One challenge is a potential loss of team cohesion and a lack of a true sense of belonging. Virtual contact is not a total replacement for face-to-face interaction.

Overcome by: managers working out how to make physical contact cheaply and efficiently, possibly by arranging a series of trips to reinforce virtual relationships. Managers need to identify what individuals value most whether a simple email or a blog to stay in touch and feel as if they ‘belong’.

**Coping with cultural differences**
Challenge: cultural differences can be a challenge to those managing dispersed teams. Cultural diversity has implications for building relationships, motivating staff, structuring projects, and developing strategy. What works in one location may or may not work somewhere else principally because of cultural differences. (This point was confirmed by psychologist Geert Hofstede through detailed research in order to develop a model of cultural dimensions).

Overcome by: managers arranging training in cross cultural appreciation to mitigate the problem in conjunction with the HR department.

**Developing and sharing a compelling shared vision**
Challenge: a need to develop team goals compatible with individual's aspirations, which may be more difficult in a virtual environment.

Overcome by: managers ensuring that everyone is kept updated with information coming from higher up the organisation in order that they can be better informed and feel part of TB.

**Requirement (b)**
Apparently large numbers of TB’s headquarters employees work from home rather than being based in an office. By utilising a combination of communications technology staff have the ability to communicate with colleagues, customers and suppliers from their own homes. There are a number of clear advantages and disadvantages of home-working (or teleworking).

**Advantages**
- **Reduced travel time** (and consequently individual cost savings). This is the most obvious benefit and is likely to be the most persuasive argument for changing working arrangements as far as TB’s staff are concerned. Annual commuting costs may represent a significant proportion of an individual’s income. The move to home working would therefore produce tangible savings for the individual. (A spin-off benefit is that this means that less fuel is consumed and the environment is subject to less vehicle pollution. For socially conscious employees this may be an important factor in terms of retention and job satisfaction).

- **Reduction in stress and consequent ill health.** The opportunity now exists to work in a less stressful pattern with fewer distractions associated with a traditional office setting. The potential pressure experienced through a busy commute to work daily may cause anxiety, stress and ill health and loss of time from work. Travelling into a busy capital city (possibly like Utopia) with potential driving, transportation and parking problems may be highly stressful and...
the removal of this burden may be seen as positive. Teleworking means that employees are now at liberty to move out of a city dwelling or suburban environment and relocate somewhere more peaceful.

- **More rewarding working arrangements.** The scheme offers improved opportunities to work creatively and in ways that are consistent with an individual’s desired work/life balance.

- **More stable family life.** The elimination of a need to relocate in the country’s capital can lead to a better balance of work and an enhanced family life. There is potential to spend more time with the family or a partner as well as contributing more fully to home and parenting responsibilities. The additional time freed by these arrangements may, conceivably, lead to greater participation in a person’s local community (e.g. acting as school governor or helping in the running of local clubs and societies), so strengthening rural communities and enhancing a personal sense of worth.

- **Control.** The opportunity to control a work/life balance arising from the individual autonomy over hours worked is a clear advantage. This flexibility means that individual preferences for work patterns can be adopted. Traditional commuting patterns and fixed office hours condemn everyone to work roughly the same hours. The more flexible home working implies a degree of individual control over working times and arrangements. Workers who feel in control are less likely to suffer from stress.

- **Employment and promotion opportunities for the disadvantaged.** Sections of the population with specific difficulties, problems and disabilities may have difficulty with travel and working in a traditional manner (e.g. nine-until-five working day in the same location). Single parents who need to be at home for the children at certain times and carers with family responsibilities, etc. will now be able to form part of TB’s workforce.

### Disadvantages

The scheme however may present certain difficulties for the workforce, including:

- **Motivational issues.** Home working may not be appropriate for some employees. Those who have poor personal motivation and are not ‘self starters’ may miss the structure and discipline offered by fixed hours and a managed environment. Those switching to home-working ‘give back’ 50% per of the time they previously spent commuting in the form of extra working hours. This may lead to feelings of exploitation, resentment and a lack of personal motivation.

- **Working distractions.** Staff productivity may be improved by interruptions in a traditional office environment (particularly if the office is open plan and has crowded workstations where conversations can be easily overheard). Far from improving matters, home working may offer more distractions. The distractions of the home may mean that even the most highly self motivated staff could be distracted by family members (e.g. demanding children).

- **The loss of learning from individual human contact.** Although TB offers fast communication and saving some travel costs thanks to its use of cutting edge technology, those new to work or returning after a career break would miss the support offered by a physical rather than virtual environment. Similarly, opportunities for mentoring the vulnerable or those undertaking personal development may be lost in a virtual environment.

- **A loss of social interaction and stimulation.** The traditional office setting offers a number of distinct advantages including opportunities for casual interaction and mutual learning, being part of a group including camaraderie, effective team working and friendships. (A point emphasised by the Hawthorne studies long ago). Although technically it may be feasible to replicate this social experience at a distance it is not always achievable.

- **An erosion of work and own time** which may be harmful to the individual and could potentially lead to ‘burnout’ or damaged personal relationships.
• *Homes may not be suitable for teleworking.* The physical space required (e.g. a spare room converted to a home office) or the need to secure office equipment may make home working difficult.

**Requirement (c)**

TB’s current working practices mean that there are potentially three categories of worker at least:

- Office based staff
- Home-workers: employees who work in physical isolation of others
- Team members in a globally dispersed environment sometimes in physical isolation of others

TB’s HR department can play an important role in terms of all three categories, that role is likely to be distinctive in respect of the latter two categories of staff.

**Establish corporate policies and practices**

The department should support the organisation by establishing corporate policies and practices. Providing training and written guidelines on HR procedures (e.g. how people should be appraised) should ensure that processes are transparent and consistent across continents.

**Developing mechanisms for knowledge sharing, etc**

The HR department could usefully ensure that knowledge is shared throughout virtual teams. This is something that happens naturally in an office environment, but it must be worked at in a virtual team even when there is technological support. The department should attempt to involve these workers in discussions and information sharing. In the same way home-workers should be encouraged to knowledge share.

**Personal development planning**

The HR department could usefully create a clear personal development plan for each member of TB’s workforce which is particularly important so that individuals do not feel isolated by geographical distance. To this end HR might design counselling, mentoring or ‘buddying’ programmes which could usefully support individuals in their roles.

**Induction**

TB’s HR department can design structured training programmes for new employees, which is important in organisations such as TB with non-traditional working practices, high instances of technology usage, distance learning and global operations.

**Provide training programmes**

The HR department is in the best position to provide support in key areas and develop training programmes to make the workforce more effective. Most likely this will centre on the areas of technological awareness and cultural awareness.

- *Technological awareness.* Advances in technology and the variety of applications within the organisation mean that employees will need knowledge refreshment and updating training and support.

- *Cultural awareness.* It may be that HR has to arrange training to mitigate problems associated with different national orientations, cultures and practices. Workers in some countries can be more process-orientated than those in others, leading to frustrations during project work. It may be that training is required to ensure that everyone understands socially acceptable behaviour in particular countries.

**Recruitment, selection and support of staff who work in isolation**

HR in conjunction with managers will need to ensure that appropriate recruitment and then training is in place and that ‘at risk’ employees are supported. As a line manager may not be physically close, TB’s employees must have the right mental attitude, use their own initiative, resolve local difficulties and make their own decisions. They will need to be ‘self starters’, be prepared to work in isolation and show initiative.