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

These Examiner's answers should be reviewed alongside the question paper for this examination which is now available on the CIMA website at www.cimaglobal.com/e2papers

The Post Exam Guide for this examination, which includes the marking guide for each question, will be published on the CIMA website by early October at www.cimaglobal.com/e2PEGS

SECTION A

Answer to Question One

Rationale

This question tests candidates' appreciation of Porter's Five Forces model to explain how the various factors could impact on industry profitability. It examines learning outcome A1(a) 'discuss the nature of competitive environments'.

Suggested approach

The answer could start with a brief overview of the purpose of the five forces model. It should then develop to consider how each factor could impact on industry profitability with reference to the question scenario.

A good answer will explain all five factors proving illustrative examples linked to the context of the scenario. A weak answer will simply describe some aspects of the five forces model, with some confusion in interpretation and no application.

Porter's five forces model is a well-established framework for analysing and understanding the competitive environment for an industry. Just as J fears, the fact that a market is growing does not automatically mean that profitability will increase for all firms within it. Porter identifies five basic competitive forces that influence the state of competition within an industry and which together will determine the long term profit potential of the industry as a whole and for the firms within it.
Taking each of the five forces in turn:

With reference to the threat of entry in the industry in which PAL Company competes, it is to be expected that the surge in interest in sport amongst disabled participants will attract additional firms to this market which may see this as a strategic opportunity. Although profits may be initially higher, over time they are likely to be driven down by all firms in the industry, with more firms competing for market share.

Much will depend on the barriers to entry for the industry and particularly how costly it might be for new firms to set up and try to overcome existing brand loyalties and meet the regulations as set out by the relevant sports federations. If barriers to entry are relatively low, then new entrants may well reduce industry profit by lowering prices, or forcing up costs of promotions and new product development. Economies of scale may also be reduced as firms such as PAL Company are forced to operate at lower volumes and market share.

With regard to competitive rivalry, if this is intensified because of a larger number of firms competing, then the struggle for market share and profit will be made harder. Ultimately, if market growth slows down, existing firms will be fighting for market share and some will inevitably suffer a fall in profits. There is also the possibility that with greater choice available to customers, rivalry will be increased and the struggle for J to capture customers will prove ever more costly.

Substitute products are defined as ones that satisfy the same need despite being technically dissimilar and as such represent competition from outside the industry. The threat of substitutes typically impacts on an industry by way of providing a cheaper or better alternative. Close substitutes restrict the ability of firms to raise prices and so can inhibit profitability when costs are rising. Also, demand becomes more elastic since customers have more alternatives. In the case of PAL Company other mobility aids, prosthetics and even pioneering developments in surgery could potentially represent possible substitutes in the future.

The bargaining power of suppliers, if strong, can exert a major influence on profit in an industry by suppliers demanding higher prices. If the supply industry for the kinds of raw materials and component parts needed by PAL Company is dominated by few specialist firms, or the products they supply possess unique features, then supply firms may be in a strong position to enforce any price increases they deem necessary. This would appear to be the case since the scenario makes reference to PAL Company using a small number of suppliers who provide specialist high quality component parts.

Finally, depending on the structure of the industry, powerful buyers can force price cuts and/or costly quality improvements which will lead to a reduction in potential profits. Where there are relatively few buyers accounting for a large proportion of sales they will hold a powerful position. However, buyer power can also be strong if the products are standardised with little product differentiation, or in the case of resellers where they are themselves making a low profit and try to force prices down. The types of distribution channels used by PAL Company will be key to how significant a factor this will be for them. The fact that sales are direct could mean it is easy for its customers to switch to other suppliers.
Rationale

This question tests candidates’ ability to discuss the merits and problems associated with outsourcing some aspects of the finance function. It examines learning outcome C2(c) ‘discuss the effectiveness of relationships between the finance function and other parts of the organisation with external stakeholders’.

Suggested approach

The answer could provide a definition of outsourcing and then develop to consider both the merits and problems that could be associated with outsourcing some aspects of the finance function.

A good answer would provide a balanced discussion of both the merits and problems associated with outsourcing some aspects of the finance function, with reference to TL Company. A weak answer would provide a general overview of outsourcing without contextualising to the finance function.

Outsourcing, in this case, is essentially concerned with giving a third party/external supplier the responsibility to carry out the work of the finance function that would otherwise be an internal activity undertaken by TL Company. Whilst it is true that outsourcing some aspects of the finance function could prove to be a cheaper option than undertaking the function in-house, this has to be weighed up against a number of potential drawbacks.

For TL Company there would be the potential for cost reduction by outsourcing some finance activities from the regional offices. This may be achieved through the economies of scale the outsourced company may enjoy by using standardised procedures and leading edge technology. The services would be provided by the outsourced supplier at a pre-agreed cost meaning that budgetary control should be more accurate. The company may also benefit from the expertise that a specialist provider could bring, particularly if it possesses expertise and specialist knowledge of the retail sector. Outsourcing the administrative and processing activities should free up the time of finance staff to focus on value adding activities.

However, the loss of control that would be an inevitable consequence of outsourcing could prove problematical for TL Company. In particular, because sales patterns and demand may vary from region to region as well as from store to store, the information emanating from an external provider may not necessarily meet with the company’s needs.

A further concern for TL Company could be that the outsourcing partner will have access to confidential information. This may be of concern since it is possible that it will be processing financial information for other retail companies which may be TL’s direct competitors. There may also be delays in stores obtaining customised information which they may need to respond quickly to changes in demand, inventory levels, etc.

There is no doubt that local knowledge is a major advantage of the current position of the finance function. The accountants based in each of the company’s regional offices will have an intimate knowledge and understanding of the needs of the stores within their region. In addition, strong relationships will have been built up between the accountants and the store managers. Nevertheless, F, as CEO, would need to look at how efficiently the finance function is operating for the company as a whole before making a final decision. In this respect she will need to consider how much duplication of effort there is across the company and the extent to which knowledge is being shared in order to ensure that best practice is being employed throughout the company.

In addition, F will need to consider potential control costs and risk, for instance unsatisfactory quality of information, and other aspects of control such as monitoring the outsourced supplier’s compliance with the contract details. Also, pursuing penalty payments if service level agreements are not being met, and possible legal action and associated costs if the outsourced supplier does not perform/deliver.
An alternative way forward for TL Company to achieve a reduction in costs could be to consolidate the finance function to run as part of a shared service centre. This would enable TL Company to enjoy substantial cost benefits whilst retaining full control and so minimise some of the control risks associated with outsourcing, as outlined above. It would also release capacity which aligns with F’s objective to allow the finance function to concentrate on its role as business partner, supporting the strategic decision making of the company.
Answer to Question Three

Rationale
This question tests candidates' appreciation of the attributes of a project compared to 'business as usual'. The question examines learning outcome B1(a) 'identify a project, a programme and their attributes'.

Suggested approach
A good answer will identify a range of relevant characteristics of a project and explain why they are different to characteristics of 'business as usual'.

A weak answer will state the characteristics of the project but will not explain the differences to 'business as usual'.

Projects are generally defined as having a number of characteristics or attributes that differentiate them from business as usual. They can be characterised as having a lifecycle, since projects tend to pass through a number of phases, starting with the identification of the need, followed by the development of the solution, implementation and completion.

Project management is a unique one off undertaking to achieve a specific objective. The CRM project has never been undertaken before by L Company and will differ from every other project L Company has undertaken in some respect. In the sales and marketing department they are carrying out the same routine/ repetitive work in scanning the external environment. The CRM project will be a finite process and will have a clearly defined start and end date. In the sales and marketing department the activities should be ongoing far into the future if the company is going to operate as a going concern.

The CRM project will support a company-wide philosophy so the project team will cut across organisational boundaries and functional lines. The project team will need to include staff from all affected departments which might include finance who will be interested in the information that can be provided in the future on the profitability of each of L Company's customers. On a day to day basis, the sales and marketing department staff will operate on a functional basis with most of their work being undertaken with the other members of their own department with the focus being on their own specialist area.

The CRM project will have specific project stakeholders who are interested in the final outcome of the project, for example the project will have a project sponsor who will provide the funds for the project. In the case of the CRM project, this will be the Board of L Company. An important stakeholder that the sales and marketing team will be concerned with on a day to day basis will be the customer.

The CRM project will have specific objectives that will be related to accomplishing the customer requirements on the project which are likely to be associated with time, cost and quality. The CRM project will have a budget allocated to deliver its objectives and must plan within this budget for costs and resources needed. L Company will have corporate objectives which are likely to include increasing market share which the sales and marketing team will be tasked to achieve. The CRM system will support delivery of this objective when it is implemented and becomes part of 'business as usual'.
### Answer to Question Four

#### Rationale

This question tests candidates' understanding of both uncertainty in the context of strategy development and the emergent approach to strategy formulation. It examines learning outcome A2(a) 'discuss concepts in established and emergent thinking in strategic management'.

#### Suggested approach

The answer should start by explaining the concept of uncertainty with reference to complexity and dynamism. It should then go on to explain the emergent approach to strategy formulation.

A good answer would give a robust explanation of uncertainty with reference to DMC Company, and then provide a comprehensive explanation of the emergent approach to strategy formulation. A weak answer will explain uncertainty but without links directly to complexity and dynamism, and provide a sketchy explanation of the emergent approach to strategy formulation.

Clearly the experience of DMC Company typifies the potential difficulties associated with the formal top down approach to strategy formulation when the environment is unpredictable and uncertain. The changes in the business environment in which DMC Company operates has meant that its intended planned strategies have had to be frequently adapted in order for them to be able to respond to unexpected challenges the external environment has presented.

Making strategic decisions in an uncertain environment certainly creates challenges for DMC in terms of its approach to future planning. Taking CIMA's definition of uncertainty, it is concerned with 'the inability to predict the outcome from an activity due to a lack of information about the environment within which the activity takes place'. Uncertainty links to the concepts of complexity and dynamism, both features of DMC's environment.

- Complexity refers to the number of variables which can impact on DMC Company, and the difficulty in predicting, forecasting and understanding the variables. Associated with this is that if the relationship between the variables is complex (e.g. political, economic and legal factors) this will also increase uncertainty.

- Dynamism refers to the rate of change of the business environment. In this context increased dynamism means that the company's view of how things work becomes out of date much quicker. Factors which have increased dynamism include speedier information communications and accelerated product lifecycles.

In terms of the implications for how strategy develops, then high uncertainty will reduce the planning horizon. In fact it could be argued that an environment which is highly uncertain challenges the very value of undertaking planning at all. Emergent strategy development, as being proposed by P, is often a response to unexpected contingencies, brought about by high levels of uncertainty. This would suggest that a more emergent approach to strategy is likely to result in a more short-term emphasis than some other approaches (e.g. the rational approach).

According to Mintzberg, successful strategies can emerge without formal deliberate prior planning. Also, the continual readjustment makes sense if the environment is continually changing. Emergent strategies arise on the basis of a series of decisions creating a pattern which becomes clearer over time as opposed to strategy as a grand plan. In this sense, an emergent approach to strategy development is one which may be tried and developed as it is implemented and if it fails then a different approach may be taken. Continual testing of strategy provides improved quality of information for major decisions.
To be successful in using the emergent approach would mean that the organisation needs to have a culture of innovation. By adopting a deliberately emergent strategy P could take heart from the fact that there is already in place a culture of innovation in DMC Company which it needs in order to respond, as it already has, to the legal, economic, technological and lifestyle changes that have impacted on its industry.

In addition, managers will need to exhibit greater flexibility by encouraging initiatives throughout the business through front line employees as well as middle managers. In particular, managers should be closer to their business in order to be able to assess the likely impact of any external environment changes whilst at the same time not feeling compelled to constantly rethink the company's strategic future.

When the environment is no longer predictable, this will mean that DMC Company will require more regular information and on a greater range of factors. If the company elects to adopt emergent strategy formulation this need for information will increase further because the number of recipients of such information will increase.
Answer to Question Five

Rationale

This question tests candidates' comprehension of the role of mission statements. It examines learning outcome A2(b) 'compare and contrast approaches to strategy formulation'.

Suggested approach

The answer should start with an explanation of the role of a mission statement. It should then go on to explain what should be considered when formulating a mission statement.

A good answer will provide a comprehensive explanation of the role of the mission statement, and consider the range of factors when formulating a mission statement. A weak answer will focus on the role of a mission statement or what should be considered when formulating a mission statement, rather than both elements.

FTF Company could include the following points on the role of a having a clear mission statement:

First of all setting the mission for FTF Company is important since it will outline the general direction the Company will follow. It will provide a broad statement of the overall purpose of the business and summarise the reasoning and core values that lie behind it. This provides focus for the strategies developed which should be consistent with the mission aimed at achieving its objectives, and the basis for making further planning decisions connected with running the business.

A mission statement is a statement in writing that describes the basic purpose of FTF Company. Its role is essentially to communicate to stakeholders, both inside and outside the organisation what the company stands for, what it is trying to accomplish and where it is heading. It therefore needs to be expressed in a language that translates to all those involved so that they feel that it is relevant to their own particular circumstances, and they understand what the company is trying to achieve.

The process of developing a mission statement is useful because it encourages debate amongst staff, and also a commitment within the company. Having a clear mission statement could provide promotional value, for instance inclusion on the company's advertisements, on letterheads and on its website.

FTF should consider the following factors when formulating a mission statement:

- Consideration of the nature of its business and fundamentally why it exists. For instance, what business is it in and what business should it be in? (i.e. reflecting on any changes from the current purpose of providing health and fitness centres). The answer may not be as simple as it first appears. The company may want to consider a wide range of reasons why people may want to use its services.

- Consideration of for whom the business exists. This is clearly concerned with the target market that could be made up of one specific market segment but is more likely to comprise many diverse types of customer.

- The mission statement will need to reflect the basic values and beliefs of FTF Company (this could include reference to, for instance, inclusiveness and fitness for all).

- The mission statement should also reference the elements of how FTF Company achieves sustainable competitive advantage as a leading chain of health and fitness centres. In other words, its distinctive advantage based upon its strengths.

- It should be specific enough to have an impact on the behaviour of individuals working for FTF Company.
• Finally, the mission statement should be realistic and attainable and also flexible enough to take account of shifts in FTF Company's environment.
Answer to Question Six

Rationale

Requirement (a) tests candidates’ appreciation of the need to manage projects using a recognised methodology. It examines learning outcome B1(c) ‘construct an outline of the process of project management’. Requirement (b) tests candidates’ appreciation of the contribution of project stakeholders and examines learning outcome B2(c) ‘explain the roles of key players in a project organisation’.

Suggested approach

(a) The answer could start with an explanation of the planning phase. The various plans required should then be discussed.

A pass standard answer will define clearly the various plans and relate them to the rewind and replay lectures project. A weak answer will discuss planning at a general level and not relate the points made to the scenario.

(b) A pass standard answer will discuss the role of the project manager with reference to the rewind and replay lectures project. A weak answer will discuss the role in general terms and not relate the role to the rewind and replay lectures project.

Requirement (a)

The planning phase is a vital part of any project and the investment in planning is crucial to the ultimate success of the project. The detailed project objectives would need to be established. In the case of F Company the timescale of 6 months for the project delivery and the $1m budget have already been established, the level of technical quality expected for the recording will also need to be detailed.

A schedule or time plan should be developed. This should include a list of all the activities and how long each is planned to take. Techniques such as a Work Breakdown Structure will help in deconstructing the project into phases and manageable work units. In the case of F Company this would look at the various activities required to be undertaken for the recording of the content of the qualifications and the editing of this content into a product that can be made available to its students.

This will allow for milestones and check points to be established for the different components of the project and can help to calculate the timescale of the various activities that need to be undertaken to ensure the estimated overall timescale of 6 months can be achieved.

The cost plan can be used to create a budget for the project. Each hour of recording can be given a rate, costs of any additional resources can be calculated plus any contingency costs in order to create an overall budget for the project. This will be time phased to provide a cash flow forecast and to ensure the $1m budget is achievable.

The quality plan will include the technical standards expected for each of the recordings. The specifications need to be detailed and a plan for the testing of the agreed criteria needs to be compiled. There will need to be detailed testing of the quality of the recordings on a regular basis. The recordings should be checked in small chunks otherwise any faults may not be discovered until the end of the day and this would lead to wasted time and effort and could ultimately result in the project being over budget and not delivered on time.

The responsibility plan will need to be defined that will outline the key roles. The project authorisation document will identify roles and responsibilities of the various project
stakeholders e.g. the F Company Board, as project sponsor, will be responsible for providing the funding for the project. There should be a plan to determine what the various tasks are for the team and how they will be accomplished in terms of time, resources and costs.

The communication plan identifies the key people in the project, their likely concerns, planned methods of communication and responsibilities. The Finance Director will need to communicate with the Board on a regular basis; the communication will include information on project progress so that corrective action can be taken on a timely basis if required.

The risks for the rewind and replay lectures project should be identified and contingency plans made, including extra activities, cost and time buffers to be added to ensure achievement of budget and completion date.

A process for managing changes on the project should be established. Change management requests should be authorised and not just incorporated into the plan without approval. The policy should state that any requests for change throughout the life of the rewind and replay lectures project should be authorised and approved by the F Company Board.

**Requirement (b)**

The Finance Director as project manager will play a key role in determining the overall success or failure of the rewind and replay lectures project. He is the person who will ultimately be responsible for ensuring that the desired results of 6 months' timescale and within $1m budget are achieved. This involves co-ordinating the project so that the activities are performed on time and within budget and to the quality standards set out in the project plan.

An important role which contributes to successful project delivery is having the competence to lead the project team. A project manager can make a significant difference to the success of the project through effective leadership. Effective leadership will be essential in influencing the team to achieve the project objectives. The Finance Director must have the ability to lead and motivate the project team in order for the team to be effective and work well as a team. The Finance Director must be able to display a range of leadership styles from being autocratic on occasions to being democratic at other times on the project.

The Finance Director will play an important role as an effective communicator; he will need to communicate regularly with the different project stakeholders. Communication is essential at all stages of the project. In the early stages of the project this will be to communicate the project objectives to the project team so that everyone is clear about what constitutes a successful project outcome. The Project Board will need to be kept informed of the progress of the project and the achievement of key milestones.

Regular meetings should be held with the project team where team members can participate and air their views. Effective team working will be essential for the overall success of the project and the Finance Director can achieve this through regular meetings to establish team cohesion.

The project manager will be responsible for building and managing the project team. The project team will need to include technical staff for the recording of the lectures. The project manager will need to ensure that the team is made up of the correct people with adequate knowledge and experience. The project manager should be aware of Belbin’s model and ensure that all required roles in the team are met. This will avoid conflict and foster good working relationships.

The Finance Director will need to try and manage conflict throughout the project and so may need to be responsible for trying to reach agreement with others via the process of negotiation. This could include negotiation on issues such as the availability and level of the resources for recording the content for each of the qualifications. The aim would be that the Finance Director, as project manager, would use his negotiation skills to be able to manage the project outcome so that conflict is avoided.
Answer to Question Seven

Rationale

Requirement (a) tests candidates' appreciation of leadership styles. It examines learning outcome C1(a) 'discuss the concepts of power, bureaucracy, authority, responsibility, leadership and delegation'. Requirement (b) tests candidates' appreciation of the benefits of team working and examines learning outcome C2(d) 'identify tools for managing and controlling individuals, teams and networks, and for managing group conflict'.

Suggested approach

(a) The answer could start by evaluating the current approach to leadership and why this approach is not effective. It should then go on to discuss alternative styles that would be more effective.

A good answer would use relevant theory to evaluate the leadership approach currently used, and the approach that could be introduced, in the context of the scenario organisation. A weak answer will be descriptive of leadership without application to the scenario.

(b) The answer could start with an explanation of organisational teams/groups. It should then develop to articulate the benefits for individuals of working in a team.

A good answer will discuss a range of benefits associated with team working. A weak answer will discuss aspects of team working in a general sense but without focus on the specific benefits.

Requirement (a)

It would seem that the leadership approach adopted by the GN Holdings management team is not effective in managing Z Company's staff. The apparent failure of the autocratic 'do-this' style of leadership adopted by GN's management team (based on reward and punishment) reflects the findings expressed in many of the 'style' theories of leadership including McGregor's Theory X, along with Lewin's authoritarian style and Likert's exploitative authoritative approach.

Clearly the reason for this approach was based on the belief that the employees at Z Company were accustomed to being told what to do. However, this was based on the trust the workers shared in the ability of the previous owner-managers, and most recently A, to make the right decision for everyone. Whilst it was probably true that the employees at Z Company, like soldiers in battle who have followed their leader in whatever he wanted them to do to improve the performance of the business, this was based on a strong relationship between the owner and employees built up over many years. It would also seem that A was a charismatic character and, as such, most probably possessed many of the personality traits attributed to born leaders.

In this regard it would have been almost impossible for the new managers to carry on where A left off. Their leadership approach has similarities to McGregor's Theory X whereby an authoritarian style of management is used based on the assumption that employees are basically lazy, dislike work, need constant supervision and show indifference to the organisation's needs. However, despite the views of some of the new managers, there is no evidence to suggest that any of these factors apply to Z Company's workforce. They have in the recent past demonstrated a commitment to the success of the company through accepting lower pay, working longer hours, and adapting to the changes to their work practices introduced by A to modernise the company.

It is not surprising that many of the workers are unhappy and reacted in the way they did to the takeover by GN Holdings and its new managers. It is equally understandable, if rather naive of the new managers, to assume that they were acting in the best interests of the employees in giving them instructions in the belief that they had been used to just getting on with their jobs in this way in the past.
GN's management team should be advised that a democratic approach to leadership would be more effective. This is based on the work of a number of studies undertaken in the field of leadership. For example, McGregor's Theory Y which is based on the view that employees enjoy their work, are self-motivated and are willing to work hard to meet both personal and organisational goals. Employees will exercise self-direction and self-control.

Other researchers who support this approach to leadership included Lewin, who identified that a democratic style would create greater productivity and satisfaction for workers. He went on to suggest that a participative or consultative style of leadership will often prove to be the most beneficial for an organisation and its workers. Past history would suggest that the employees of Z Company are willing to work hard to meet both their own and the organisational goals.

The employees are also experienced and have shown themselves to be flexible to change in order to modernise the company. All of this fits in with McGregor's Theory Y which suggests that a more democratic approach could work for managers. In Likert's model of leadership he asserts that effective managers are those that adopt a consultative (System 3) or participative style (System 4) of leadership. These approaches are based on trust and paying attention to the needs of both the organisation and employees.

In the case of Z Company, a consultative approach would involve seeking the views and opinions of employees on management's need to increase production to deliver the export contract before making any final decisions. With a participative approach there would be full involvement of the workforce in goal setting and deciding work schedules with decision making possible at all levels in the organisation. As discussed earlier, both consultative and participative styles are based on trust and would show that the new management team is concerned about the needs of the employees.

In another study undertaken by Tannenbaum and Schmidt, the researchers came up with a continuum of leadership styles based on the degree of authority used by a manager and the degree of freedom for subordinates. In a similar way to Likert's model boss-centred behaviour is associated with an authoritarian approach and employee-centred with a participative approach. It is clear that if the new management team is to turn things around then it needs to win the trust of the workforce by providing them with an opportunity to put forward their ideas and opinions and possibly to participate in some way with the decision relating to overtime and extended working hours needed to meet the company's production targets.

(Answers could develop using alternative leadership theories)

Requirement (b)

A work team is essentially one which is defined by the organisation's structure to achieve specific tasks. Working as a multi-skilled team is one way which brings together workers who can perform any of the group member's tasks.

There are a number of benefits that GN Holdings managers could convey to the workers of Z Company, hopefully reducing their scepticism. For example:

Working as part of a team could facilitate the development of new skills for the individual workers. This could be viewed as motivational, adding to job enlargement, and providing greater variety of work tasks. In addition, it could lead to the development of improved problem solving skills in that having team members with different abilities should, in turn, mean a higher likelihood of having the knowledge and skills to solve problems. In addition, members may work harder for other members of the group since they will feel a collective responsibility and will not want to let the other members down.

There could also be improved focus and responsibility with each member given the responsibility for specific tasks, avoiding role overload of one person who may end up having too much responsibility which in turn could lead to a loss of focus.
Research has indicated that teams can fulfill the social needs of workers. People generally enjoy the regular interaction that comes with team membership, and on-the-job interactions with others are a primary source of fulfilling worker needs for affiliation. In this regard working as a team should bring greater satisfaction to the team members, since it can bring social benefits and create a sense of belonging and identity to its members. The team members would also provide a good support system for each other. For example, being part of a team can reduce the insecurity of standing alone. People feel stronger, have fewer self-doubts when they are part of a team. Another associated benefit is that being part of a team can provide people with a feeling of self-worth.

A further positive aspect of team working is that it should encourage greater creativity on the basis that two or more heads are better than one. The view here is that discussions within groups of people will generate ideas through bouncing suggestions between each other, which then sparks off other ideas, more so than when individuals are working alone. Generally team work should also lead to improved flows of information and more effective communication between team members.

Whilst there are benefits for individual team members, the company should also benefit since it is suggested that working as part of a group can result in increased productivity, than if each individual worked independently. The reason for this is that by breaking up a task into its component parts different members of the team could work on different aspects of the task at the same time. This is linked to the notion of synergy. In other words, one person cannot do or be everything, but a team can combine all the main areas of skill and knowledge that are needed for a particular task. This means that the combined activity of separate people has a greater effect than the sum of the activity of each person working alone (often referred to as 2+2=5).