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/e3papers

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/e3PEGS

SECTION A

Answer to Question One

Rationale

Requirement (a)(i) examines learning outcome A1(a) 'evaluate the impact and influence of the external environment on an organisation and its strategy' and is designed to test candidates' knowledge and understanding of external environmental impact and influences upon an organisation. Requirement (a)(ii) examines learning outcome A1(a) 'evaluate the impact and influence of the external environment on an organisation and its strategy' and is designed to test candidates' ability to present reasoned recommendations of actions that BM should undertake to manage the external environmental impact and influences discussed in part (a)(i). Requirement (b)(i) examines learning outcome D1(b) 'evaluate alternative models of performance measurement' and is designed to test candidates' ability to undertake a detailed comparative performance analysis of two countries. Requirement (b)(ii) examines learning outcome D1(b) 'evaluate alternative models of performance measurement' and is designed to test candidates' ability to present and justify appropriate critical success factors for an organisation. Requirement (c) examines learning outcome D1(a) 'recommend appropriate control measures' and is designed to test candidates' ability to present and justify a range of suitable performance measures to evaluate BM's staff development and training activities.
Suggested approach

For requirement (a)(i) candidates should consider the information provided in the unseen scenario relating directly to BM’s external environment for each of the three market sector types. Each market sector type must be discussed separately. Candidates could use the PESTLE framework to assist in structuring their answers to this requirement.

For requirement (a)(ii) candidates are expected to build upon their answers to part (a)(i) in recommending a range of actions to help BM to manage the external impacts and influences identified for the three market sector types. Again, it is recommended that candidates present recommendations separately for each market sector type.

For requirement (b)(i) candidates must undertake a quantitative and qualitative analysis and comparison of the operating activities within the two countries presented in the unseen scenario. The table provided in the unseen material contains considerable financial and other quantitative information which can be used to compare the performance of the operating activities within the two countries. However, candidates are expected to also use this in conjunction with the additional information provided below the table to analyse and compare each country’s performance and to evaluate the potential reasons for the results identified. This is a complex question requiring candidates to analyse and assimilate a range of information from different sources to provide a relevant discussion of country performance.

For requirement (b)(ii) candidates must present a relevant critical success factor for the retail outlets operating in each country. It is important that candidates use the information provided within the unseen material, particularly the information provided beneath the table. It is important that each CSF recommended must be clearly justified in the context of the information provided.

For requirement (c) candidates are expected to use the information provided in the unseen material relating to BM’s staff training and development activities to identify and recommend two relevant performance measures for these activities. It is important that answers relate specifically to the activities being carried out by BM in staff training and development. Again, all recommended performance measures must be fully justified.

Requirement (a)(i)

RM Market sector: Environmental impact and influence

BM is influenced by trends in house and building developments which will largely be determined by economic and social factors. Economic factors are driven by the economy or current economic cycle in any particular country or region of the world. As has been seen in the last 5 years, where economic recession has had a huge impact upon the construction industry, many house building companies have ceased to exist due to low demand for new housing developments as a result of the banking crisis. This clearly will have a direct impact upon companies such as P as major customers such as large construction companies have gone out of business. However, this economic situation is likely to have impacted positively upon the RM sector revenues as there will have been a trend toward renovation of properties and investment in repairs and maintenance of existing housing stock and buildings rather than new builds. Therefore, business from independent tradesmen and individual DIY business has increased due to the economic recession in some parts of the world. Therefore the economic environment has had a positive impact upon BM’s share of the RM market sector.

In terms of social and demographic factors, the demand for repairs and maintenance products is largely determined by the age of the houses and buildings in any particular country. Obviously BM operates in many different countries around the world and therefore it will need to evaluate the nature of the housing and building stock in each country in order to assess the level of demand for RM products in each geographical region.

Ageing populations (as indicated under the NC sector) mean that there is likely to be a greater demand for housing stock and infrastructure to cope with larger and growing populations, all of which will require long term maintenance. Ageing housing stock requires long term repairs and maintenance which should boost sales in the RM sector. BM must identify those countries in which this trend is most obvious in order to ensure that demand is met for RM products in these areas.

Enterprise Strategy 2 September 2014
The competitive environment in the RM market sector is high with many competitors offering customers a range of products and incentives. The price of BM’s products is comparable to its competitors and therefore pricing is especially important due to current global economic factors. A further factor will be the price sensitivity of BM’s customers and whether the higher levels of BM’s customer service is sufficient to attract and retain its customers. Price is likely to be a significant factor for individual customers and tradesmen as economic conditions also play a part. However, BM must ensure that its focus upon quality does not diminish.

NC market sector: Environmental impact and influence
Clearly, in the NC market sector, a key environmental influence is the position of the economic cycle. BM has identified that in some countries, in particular in northern Europe, its revenues in this sector have fallen dramatically in the last 5 years, whereas in Asia and the Middle East, its revenues have increased. This trend is likely to be driven by the economic circumstances of the different countries and regions over this period. In Europe and the USA, the NC business will have been seriously affected by the economic recession of the last 5 years, whereas the economies of Asia and the Middle East have generally not been so severely affected.

Social and demographic environmental factors also are an important aspect of the external environment. BM predicts that population in the key markets of the world are expected to grow which will increase the demand placed on governments in these countries to build new homes and infrastructure, such as roads, schools and hospitals to accommodate this growth. Clearly this will impact upon BM’s new construction business.

The competitive environment is also a key driver for BM in the NC sector. Although competition is less intense in this sector than in the RM sector, BM believes that this will change as demand for new construction grows in the key markets of the world. Due to the recession in Europe and the USA, the prices charged for building products is an increasingly important factor for construction companies trying to control their costs to maximize their margins. The number of competitors will also affect BM’s market share, volume of business and the prices they are prepared to pay for bought in products and materials. Therefore, BM must ensure that it is well placed to compete effectively. Customers in this sector expect prompt and accurate delivery and therefore BM may need to consider the investment in its transport and warehousing facilities in other parts of the world.

Politically, as a result of the economic recession, many European governments have had to cut back on their spend for infrastructure projects, such as motorways and new airports. However, many Asian countries have continued to spend vast sums on an increasingly developed infrastructure such as connecting cities by new motorways and building new hospitals and additional airports. Therefore, this is a significant opportunity for BM to win new construction business.

SB sector: Environmental impact and influence
The ecological external environment has resulted in an increasing demand across the world for sustainable building development and the preservation and renovation of existing properties. Although not a highly significant factor currently, as clearly not a major part of its business, it is a market sector which BM must focus on in the future as more governments look to invest in sustainable development.

The technological environment is a driving factor in this market sector. New building technologies and developments in advanced building materials have resulted in a greater focus on discovering ways to build more environmentally sustainable buildings. This could be a source of competitive advantage for BM and therefore it is important that it keeps up to date with the technological advancements in this market sector.

BM’s DEMT is confident that this area of business will continue to grow with the increasing environmental awareness of customers and governments around the world. It is likely that political factors will also play an increasing role in the future, as a greater degree of regulation will occur in the use of sustainable materials and the use of sustainable building technologies becomes compulsory and governments provide subsidies for sustainable housing.

BM currently has few competitors but this is likely to change over the next few years. Therefore, although the competitive environment is not currently a driving force, it is likely to be increasingly
important in the future and BM must look to build strong market leadership in this growing area of business. This will require investment in research and development and training if BM is to exploit this opportunity effectively.

Requirement (a)(ii)

It is recommended that for the RM market sector, an evaluation of competitors and their activities will be a key area of activity for BM. The scale of BM’s operations should strengthen its competitive position and may be a barrier to entry to potential new competitors in this sector. However, BM must ensure that it continues to focus upon its high levels of customer service in order to consolidate and protect its position in those countries where it is market leader and to ensure that it becomes the market leader in those countries where it currently does not enjoy this position. Therefore, continual analysis of competitors and their pricing must be carried out by RM as this is likely to be critical to maintaining a strong competitive position.

It is also recommended that BM attempts to promote the importance of maintenance work to extend the long-term value of properties. This should encourage customers to focus upon continual repairs and maintenance of their properties. BM must also attempt to improve brand loyalty with rewards, marketing campaigns and information promoting BM’s products. Importantly, BM must survey customers to see if it is retaining/growing its customer base and surveying ex-customers not now using BM, as to why they purchase from competitors. Also, comparing prices and customer service levels with its competitors and establishing what factors customers want should be undertaken by BM to either improve its customer service or adjust its prices. It is also recommended that BM analyse population trends to ensure that it is in an optimum position to exploit demographic growth in markets around the world.

For the NC sector, it is recommended that the economic position of particular countries must be closely monitored by BM to assess the potential impact on its sales revenues of economic downturns or conversely to predict areas where economic growth can be exploited as governments invest in infrastructure investment. Therefore, where growing economies and populations are anticipated such as in Asia, BM should consider increased investment in this sector. In the NC sector, customers expect prompt and accurate delivery and therefore BM may need to consider the investment in its transport and warehousing facilities in this part of the world.

BM must focus upon winning and retaining customer loyalty especially from large construction companies. Similar to the RM sector, it is recommended that BM provide high standards of customer service and on time delivery of products. Building long term relationships with NC customers is likely to be critical in the face of increasing competition, particularly in the key developing markets such as Asia and the Middle East. BM could consider lobbying governments in key markets of the world for more construction projects to generate jobs and create more housing stock and improved infrastructure. In addition, BM should develop long term relationships with its customers by attempting to acquire ‘preferred supplier’ status with major construction companies.

For the SB sector, it is recommended that BM keeps up to date with the technological advancements in this market sector and that training is updated to enable staff to correctly advise customers on these materials. BM must invest in research and development and training if BM is to exploit this market opportunity effectively. Effective training of its employees in the locations these products are available and training in all aspects of the products will help BM to build up a reputation as market leader in this niche market. It will be important that training is kept up to date and then BM can build up a knowledge base and teams around the world to share expertise and train other colleagues. This knowledge can then be used to promote its knowledge of sustainable buildings to construction companies and governments.
**Requirement (b)(i)**

### Financial Information

<table>
<thead>
<tr>
<th></th>
<th>Country A</th>
<th>Country B</th>
<th>(B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>GBP m</td>
<td>480.0</td>
<td>GBP m 245.0</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>GBP m</td>
<td>144.0</td>
<td>GBP m 53.9 22%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>GBP m</td>
<td>16.8 3.5%</td>
<td>GBP m 11.0 4.5%</td>
</tr>
<tr>
<td>ROCE</td>
<td></td>
<td>12%</td>
<td>14% +2%</td>
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### Other Information

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<thead>
<tr>
<th></th>
<th>Country A</th>
<th>Country B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlets</td>
<td>105</td>
<td>40</td>
</tr>
<tr>
<td>Employees (FTE's)</td>
<td>1365</td>
<td>600</td>
</tr>
<tr>
<td>Training Days</td>
<td>19110</td>
<td>6000</td>
</tr>
<tr>
<td>Staff Turnover</td>
<td>1.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Product returns as % revenue</td>
<td>0.3%</td>
<td>2.1%</td>
</tr>
<tr>
<td>On time deliveries (% of total deliveries)</td>
<td>97.8%</td>
<td>92.5%</td>
</tr>
</tbody>
</table>

### Comparative Analysis

<table>
<thead>
<tr>
<th></th>
<th>Country A</th>
<th>Country B</th>
<th>% Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training days per employee</td>
<td>14.00</td>
<td>10.00</td>
<td>-4.00  -29%</td>
</tr>
<tr>
<td>Employees per outlet (FTE)</td>
<td>13.00</td>
<td>15.00</td>
<td>2.00   15%</td>
</tr>
<tr>
<td>Revenue per outlet (GBP million)</td>
<td>4.57</td>
<td>6.13</td>
<td>1.56   34%</td>
</tr>
<tr>
<td>Gross Profit per outlet (GBP million)</td>
<td>1.37</td>
<td>1.35</td>
<td>-0.02  -2%</td>
</tr>
<tr>
<td>Revenue per employee (GBP million)</td>
<td>0.35</td>
<td>0.41</td>
<td>0.06   16%</td>
</tr>
<tr>
<td>Operating profit per e'ee (GBP million)</td>
<td>0.01</td>
<td>0.02</td>
<td>0.01   49%</td>
</tr>
<tr>
<td>Product returns in GBP million</td>
<td>1.44</td>
<td>5.15</td>
<td>3.71   257%</td>
</tr>
<tr>
<td>On time deliveries (% of total deliveries)</td>
<td>97.8%</td>
<td>92.5%</td>
<td>-5.3%</td>
</tr>
</tbody>
</table>

### Market Sector Analysis

<table>
<thead>
<tr>
<th></th>
<th>RM</th>
<th>NC</th>
<th>SB</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue per sector</td>
<td>76%</td>
<td>16%</td>
<td>8%</td>
<td>100%</td>
</tr>
<tr>
<td>Market position</td>
<td>1 2 3</td>
<td>2 2</td>
<td>Unknown</td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td>364.8</td>
<td>76.8</td>
<td>38.4</td>
<td>480.0</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>265.5</td>
<td>46.7</td>
<td>23.8</td>
<td>336.0</td>
</tr>
<tr>
<td>GP</td>
<td>99.3</td>
<td>30.1</td>
<td>14.6</td>
<td>144.0</td>
</tr>
<tr>
<td>GP %</td>
<td>27.2%</td>
<td>39.2%</td>
<td>38.0%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

### Profitability and Revenues

Gross Profit % for Country A is 8 percentage points higher than for Country B. This is likely to be due to the higher cost of sales in terms of transport and distribution costs to the Asian outlets where no distribution warehouses are located nearby. However, the operating profit percentage is higher for Country B by 1% than Country A, which is likely due to the lower overhead costs of operating in the Asian market compared to the European market. This may be driven by lower staff costs and less investment in staff training and also the potentially lower costs associated with operating more modern, newer outlets.

Compared with the BM Division’s overall operating profit of 3.1% in 2013 (213/6837) (Pre-seen material Page 4), both countries have achieved higher than the divisional average operating profit. Therefore, both countries are making a positive contribution to the overall profitability of the division.

Country A operates with over twice as many retail outlets as Country B, but BM has been operating in Country A for a significantly longer period of time and is therefore better established. However, the revenue per outlet in Country B is nearly GBP 1.6 million higher than in Country A, which is likely to be explained by the high value large industrial products sold in Country B, compared to the smaller domestic repair and maintenance products primarily sold in Country A. The gross profit per outlet is similar.

### Employees

Country A employs over twice as many employees as Country B employs, which is likely to be driven by the large number of outlets. However, on a per outlet basis, Country A employs two employees less per outlet than Country B. This could be driven by a number of factors including the size of the retail outlets, which may be larger in Country B or the skills and expertise of the employees.
Employees in Country A undertake 4 more days training per year than in Country B (40% higher) which may enable them to operate more efficiently and therefore require less staff per outlet. This investment in training in Country A may also be a key driver of the low employee turnover rate at 1% as compared to 3.5% in Country B. There is a significant difference in employee turnover rates in the two countries and this low turnover in Country A is likely to be a key driver in the high levels of customer service offered and the dedication of the employees.

The revenue per employee is marginally higher in Country B, and this is likely to be driven by the lower number of overall employees operating in fewer and larger outlets, selling higher value products.

**Product returns**
Products returns in Country A are valued at GBP 1.44 million, compared to GBP 5.15 million in Country B, which is 257% higher in Country B compared to Country A. This is significantly higher in Country B, and may be driven by the high value products sold in Country B or it may also be driven to some extent by the transportation distances required to get products to Country B. It may be that more products are damaged in transit or returns could be caused by late delivery. This is an area which needs to be addressed by BM. If this area of the world is considered to be a potential growth area for BM, then it should investigate the potential investment in more local distribution warehousing facilities. The low level of product returns in Country A is likely to be driven by the knowledgeable and highly trained employees who are able to correctly advise customers on the products that they need, resulting in a first right time approach in customer advice. In addition, Country A outlets tend to sell smaller/ lower value items to knowledgeable tradesmen.

**On time deliveries**
From the comparative information provided it is clear that deliveries are more time efficient in Country A, with 97.8% being delivered on time. This compares to a much lower on time delivery rate in Country B of 92.5%. This is an area of risk for BM in Country B, as the NC customers in particular, demand prompt and accurate delivery of goods. These are high value products, likely being required on large projects with deadlines to be met and the lateness of delivery could be a serious competitive disadvantage to BM. The fact that it has no local warehouses is likely to be a key driver of this performance and an area which BM must address if it is to develop its market position in Country B.

**Analysis by market sector**

**Revenue per market sector**
Clearly, there are significant differences in the revenues generated by the market sectors types in each country, with Country A revenues being dominated by the repairs and maintenance market sales and Country B revenues being dominated by new construction market sales. Interestingly, the gross profit percentage in both countries is highest in the new construction market where gross profit is significantly higher than the repairs and maintenance sector sales in both countries. This is likely to be due to the repairs and maintenance products being smaller, low value items with lower margins.

Gross margins across all market sector types are higher in Country A than in Country B. For the RM sector, the gross margin is almost double for Country A than that of Country B. Similarly, for the NC market sector, the gross margin in Country A is higher. The transport costs are likely to be a major driver of this difference, as the materials are being transported very long distances. The gross margin for the SB market sector is very positive at 38% in Country A and this should be a positive indicator to BM that this is a market opportunity to exploit in the future. The gross margin for the SB market in Country B however, is very low at 2.0%. It could be that these products require specialist transportation or delivery methods which require additional costs to get them to Country B. However, as volumes increase then this margin is also likely to increase. It is an area which BM must review closely.

In Country A, it is notable that the sustainable building products market, although only 8% in terms of sales revenue value, has a very high gross margin and should be considered as an area of future development for BM. It is stated that the government in Country A is actively promoting the development of more sustainable building projects in the next 10 years which should result in higher levels of profit in Country A, if BM could attempt to exploit this market opportunity. Currently BM is the third biggest competitor in the market with 8% with the nearest competitor holding 13% of the market.
Therefore, there is still a lot of market potential to exploit and therefore it would be advisable for BM to continue to develop this business area.

Similarly, the government in Country A has also stated its intentions for investment in large scale regeneration of derelict housing stock in the country. This should also promote the growth in revenues within the new construction market and again lead to increased profit in Country A. In Country B, revenues are dominated by the new construction market which is driven by the growing and developing economy in the country and the building of large scale infrastructure. This should be a continuing source of business development in Country B and an area upon which BM should concentrate. The two market leaders hold 40% of the market and therefore there is an opportunity to develop this business much further. However, this will likely mean investment in efficient transport facilities to ensure that new construction customers receive their products on time, which is a key critical success factor in this market sector. With strong local competition in this market, BM must focus upon improved customer service and price competitiveness in this market. As operating profit percentage is currently higher than the average in BM, there is room for BM to reduce its prices to its customers in order to improve price competitiveness but this must be matched by efficiency in delivery and high levels of product quality.

**Customer satisfaction**

If BM were to use a weighted average approach based upon sales revenue, Country A has an overall customer satisfaction rating of 97% and Country B has an overall customer satisfaction rating of 95%. BM has set a target rate of 96%. However, there are some concerns about Country B, in that both the repairs and maintenance sector and the sustainable building sectors do not achieve the target level of customer satisfaction. Improved levels of employee training is likely to increase this rating, as clearly employees currently undertake far less training in Country B than in Country A. Although the sustainable building sector would seem to be an insignificant aspect of Country B’s business, this is likely to change over the coming years as governments and companies are forced to consider more sustainable building methods and products and therefore investment should be made to develop this area of business in both countries.

**Market Position**

BM aims to be the market leader in all countries in which it operates. It achieved this in Country A in 2013 but not in Country B for the RM sector, where it holds 20% of the market with the nearest competitor (the third in the market), holding nearly as much of the market share as BM, with an 18% market share. Therefore, BM needs to consider how it can strengthen its market share in Country B, either through improved price competitiveness or through improved customer service and speed of delivery. However, this is going to require significant investment which needs to be considered alongside the long term growth potential of this market sector in Country B.

In the new construction market sector, BM holds the second position in Country A and Country B. The market position on Country A may change in the coming years as more growth occurs in the new construction industry which BM can then aim to exploit. In Country B, BM holds the second largest market share and appears to be very closely behind the market leader, which holds 22% of the market. BM needs to consider the possibility of future investment in improved transport facilities and range of products if it is to compete against strong local competitors and to gain its position as market leader or retain its second place as market supplier in this sector.

The SB sector is clearly an area of future development for BM and more research must be carried out on the predicted growth in this market in both countries. If BM is to continue to grow its market share investment is necessary and particularly in Country B. This will require significant investment. However, it is clearly a new and developing area and if BM can be one of the first in the market it could gain significant advantages in both countries.
Requirement (b)(ii)

Note: Candidates are only required to present ONE critical success factor for each country.

**CSF for Country A**

A critical success factor for the retail outlets operating in Country A is the delivery of high levels of customer service provided, to all customers, in each of its market sectors. Customers in Country A clearly value the high levels of customer service offered by BM and this is clearly a factor which is driving its market position in Country A, which is dominated by sales to the repairs and maintenance sector. The basis of this critical success factor is the need to build upon and continually develop its staff training and development to ensure that product knowledge and commitment and loyalty to BM continues to deliver sustainable competitive advantage.

A second critical success factor in Country A could be offering the widest choice of products to its customers. The customers in Country A value the range of products offered by BM and this should be an area of focus for BM in maintaining sustainable competitive advantage. However, it is important that a wide range of products is supported with high levels of customer support and knowledgeable staff.

**CSF for Country B**

A critical success factor for the retail outlets operating in Country B would be the speed of delivery of products to customers, ensuring that high quality products are delivered to the right place at the right time. BM faces competition from two large nationally based building materials suppliers which provide highly competitively priced products. Therefore price is an important factor, but not likely to be the critical success factor for BM against its main rivals, as customers want guaranteed on time delivery at the correct location. Therefore it is critical for BM to ensure that speed and accuracy of delivery is the primary focus, in particular to its NC market sector customers.

Customers not only expect prompt and accurate delivery but also demand high quality products. Therefore a second critical success factor for BM would be delivery of quality products. Therefore it must focus upon ensuring that it provides higher quality products, where possible than its rivals in order to gain competitive advantage but these must be delivered on time. Investment in transport and local warehousing facilities should be a consideration for BM if it wishes to develop and enhance its competitive position in this market.

*Requirement (c)*

The BM Division considers that the development and retention of its employees is fundamental to its business strategy and long term success, as a skilled and engaged workforce delivers excellent customer service, which is the critical success factor for the division. Therefore, the key focus of performance measures for the staff training and development activities undertaken by BM must be upon engaging staff in their work to improve their satisfaction levels and the impact that this has upon customer satisfaction levels.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction rating % per outlet/country</td>
<td>The customer satisfaction rating which BM uses is an indicator of the success of BM’s staff training and development activities, as BM considers that a skilled and engaged workforce delivers excellent customer service. BM has set a target customer satisfaction rating of 96% across all outlets in every country. Therefore BM should use the customer satisfaction rating at different levels, i.e. with each staff member, in each branch and in each country to evaluate the areas in which training needs to be invested.</td>
</tr>
<tr>
<td>% of staff gaining online qualifications through the UK online training academy</td>
<td>Clearly, BM has made a huge investment in its training facilities, particularly in the development of an online training academy in the UK. Therefore, a measure of the success of this activity would be the number of staff who have accessed and undertaken these courses and have successfully completed them.</td>
</tr>
<tr>
<td>Staff retention % per outlet/country</td>
<td>The BM Division considers that the development and retention of its employees are fundamental to its business strategy and long term success, as a skilled and engaged workforce delivers excellent customer service. Therefore, BM should measure its level of staff retention as this should be a</td>
</tr>
</tbody>
</table>
measure of their level of satisfaction with BM as a place to work. If staff do not feel valued or engaged or inadequately trained to perform their work, then staff retention levels will reduce.

| Job satisfaction ratings/employee engagement ratings | BM conducts engagement surveys in all of its retail outlets to assess levels of employee job satisfaction. These should be a useful measure of how satisfied BM’s staff are with their working conditions and job roles and should assist BM in working towards engagement levels through directed training in specific areas. |
| % of staff trained per country (for example the % of staff trained in Country B) | BM places clear emphasis upon staff training through its customer service training programme. From the analysis undertaken in part b(i) of the question it would appear that Country B does not place sufficient emphasis upon staff training and is an area which must be addressed if customer service levels set by the DEMP of BM are to be achieved. |
SECTION B

Answer to Question Two

Rationale

Requirement (a) examines learning outcome C2(a) 'evaluate strategic analysis tools' and is designed to test candidates’ knowledge of and ability to apply Porter's Diamond model. Requirement (b) examines learning outcome C1(b) 'evaluate strategic options' and is designed to test candidates' ability to evaluate a strategic proposal. The question also tests candidates’ knowledge and understanding of the Suitability, Acceptability and Feasibility framework.

Suggested approach

For requirement (a) candidates are expected to apply their knowledge and understanding of Porter’s Diamond model directly to the scenario information provided. This should be a straightforward question. No marks will be gained for merely drawing the model. Application of the model is critical to pass this requirement.

For requirement (b) candidates are expected to demonstrate their ability to use the criteria of ‘Suitability, Acceptability and Feasibility (SAF) to evaluate the proposal detailed in the scenario. Candidates are advised to structure their answers around the three headings used in the SAF framework. It is important that candidates ensure their answers remain focused upon the task of evaluating the proposal to develop and host a more sophisticated website.

Requirement (a)

Introduction

F can evaluate the potential for competitive advantage based on its location in country S by using Porter’s Diamond. Michael Porter suggested that a firm can gain competitive advantage from its home nation by exploiting four aspects of that nation’s business environment. These four factors are factor conditions, demand conditions, firm strategy structure and rivalry, and related and supporting industries and are considered from the perspective of F below.

Factor conditions

F clearly has significant access to a key strategic resource, highly qualified staff, within its home country. The local universities in country S have an excellent reputation and specialism in business and management teaching and research, and job vacancies at F appear to be over-subscribed. This may not be the case in other countries in Asia, therefore F should have a potential competitive advantage over those countries where business and management teaching and research is less well developed than in Country S.

Demand conditions

Country S appears to have a growing economy and a highly developed financial and business services sector, particularly in the capital city. This suggests that business and economic growth in country S will continue to provide F with cash flow to support its proposed growth in other Asian countries. This may put F at an advantage when competing with competitors in target countries, which may lack the resources to defend their positions or to grow outside of their own economies.

Firm strategy, structure and rivalry

Country S’s top universities have specialised courses in business and management and research. Therefore Country S has established a specific strategy to develop the business sector by providing suitable educational facilities and supporting the growth of its financial and business services companies.

F has grown significantly in the 6 years since it was founded and now has a number of top business clients in Country S. This suggests that F has experience in competing for (and winning) new business and may be better able to compete in new markets than other local rivals who lack this level
of experience. F may therefore have a competitive advantage over local rivals who are not so commercially aware, or are competing in less mature markets. Its strategy of building locally and winning business in neighbouring countries has allowed it to construct strong regional foundations which should provide it with a firm basis for an expansion strategy. Country S has enjoyed growth in its economy and has encouraged the development and expansion of its financial and business services sector.

Related and supporting industries
There is clearly a highly developed financial and business services sector within country S which has been a key driver of the growth of F. F is supported by several information systems design consultancies, management and financial training businesses and the country’s largest Internet Service Provider (ISP), W, all located within the capital city of country S. These will support F in the growth and development of its business through their expertise and assistance.

Conclusion
F seems ideally placed to pursue international expansion. However, the directors will need to analyse each target country to see if competitive advantage is available. Its home nation may give F potential for competitive advantage, but only if the aspects contained in Porter’s Diamond are present to a greater degree ‘at home’ than in each specific target country.

Requirement (b)
The directors of F recognise that the growth of F is limited by the size of the local market within S and its neighbouring countries. Therefore they are currently reviewing the suitability of its current basic website, with a view to investing in the development of a more sophisticated website in order to pursue further international development of the business through greater use of the internet. F can be described as pursuing an e-commerce strategy. This can be evaluated using Johnson, Scholes and Whittington’s criteria of suitability, acceptability and feasibility.

Suitability
Suitability is concerned with whether the proposed e-commerce strategy addresses the circumstances in which the organisation is operating. That is, does the proposal have strategic fit with F’s current strategic position?

Clearly e-commerce has a direct fit with the current position of F and the products and services offered by F to its customers. The proposal to use the services of a local specialist web design company is a suitable way for F to achieve the goal of an improved website, as this local specialist company should have all the necessary expertise. The company should be able to provide a state-of-the-art website in the shortest time period and at a competitive cost as this is its core competence.

However, it is questionable as to whether the hosting of the web server would be suitable for F. It is unlikely that F has experience in web hosting, as it currently uses another company, W, to host its website. Web hosting is a specialised business that is outside the range of F’s core competences. This would introduce significant cost and risk, as F would have to hire new staff or retrain existing employees. Web hosting also involves significant security risks, and it might be better to continue having the website professionally hosted. Therefore, it is considered that hosting its own web server is likely not to be a suitable strategy for F.

Acceptability
Acceptability is concerned with the expected performance outcomes of a strategy and the extent to which these would be in line with the expectations of its stakeholders.

There is a potential risk that the development of an upgraded website may lead F to receive a significant demand for its services from other countries. Whilst this is a positive outcome of the investment, F must ensure it has the capacity available to satisfy this demand, as disappointed customers will not be good for F’s reputation. There is also a risk that financial resources may not be sufficient to finance rapid expansion, and this could even force F out of business. F also runs the risk of demand from non-target countries (i.e. outside Asia). The Internet is a global medium, and it is very difficult to exclude other continents from its marketing effect.
The staff of F may welcome the challenge of working for clients in other countries but this may become a risk if they are not suitably trained or do not possess the experience and knowledge to work with customers in other countries. Many staff of F’s staff are natives of Country S and its universities and therefore staff may not have the experience to work on large international projects. This may make the proposal unacceptable to some of F’s staff. Therefore, F needs to consider the potentials costs of investing in new staff and training of existing staff to cope with the potential demands of international growth.

Current customers may not feel that the proposal is acceptable if this means that F will be spending less time servicing their own needs. However, the updated website will certainly provide better access to F and therefore they should react positively to this change. Potential customers should certainly find the proposal acceptable as the new website should allow them access to F which was previously unavailable.

Feasibility
Feasibility is concerned with whether the strategy could be made to work in practice and as such looks at more detailed practicalities of strategic capability.

F is proposing to outsource the development of its new website to a specialist organisation. While this may seem a sensible way to get a technologically advanced solution, there are a number of risks related to this. It is possible that, by outsourcing, F may find itself locked into a supply and maintenance contract that turns out to be restrictive and expensive. It is also questionable whether it is wise to outsource such a key element of F’s business, as there will be no incentive for the supplier to help F to gain a competitive advantage.

F already has the experience of developing its current website but is unlikely to have staff that are capable of upgrading it to the required level of sophistication. Although the new website will be used for ‘brochuring’ and marketing F’s services, this development would not be considered as part of F’s core competences and therefore it is not likely to be feasible for F to undertake itself. F’s current website was set up 6 years ago and since then the directors have been busy growing the company. It is clearly more feasible for F to outsource the development of a new website to a local specialist web design company, which is likely to be based in the same city in Country S.

The financial feasibility of hosting the web server is highly questionable as the investment in its own web server is likely to be very costly. Also it is unlikely that F has the technical expertise or internal skills to develop a more sophisticated website for its current requirements and most certainly, it would not have the expertise required to host and manage a webserver.

Conclusion
There are significant specific risks, both in the strategy proposed and the suggested implementation methods. F should perform a full risk analysis and consider avoiding the most serious risks and managing the remainder. Overall, the development of a more sophisticated website would appear to be a sensible and a progressive development for F and has clear strategic fit with the growth of the business. However, hosting website would not fit within the SAF criteria as F does not have the required experience of suitable resources to undertake such a task.
Answer to Question Three

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<tr>
<th>Rationale</th>
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<tr>
<td>Requirement (a) examines learning outcome C1(a) ‘evaluate the process of strategy formulation’ and is designed to test candidates’ knowledge and understanding of the role of an organisation’s mission statement. Requirement (b) examines learning outcome D1(e) ‘recommend changes to information systems appropriate to the organisation’s strategic requirements’ and is designed to test candidates’ understanding of the impact of adopting lean production methods on an organisation’s competitive advantage. Requirement (c) examines learning outcome A1(e) ‘recommend how to interact with suppliers and customers’.</td>
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<tr>
<th>Suggested approach</th>
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<tr>
<td>For requirement (a) candidates are required to clearly discuss how T’s mission statement supports its business strategy. Answers should focus directly upon T’s mission statement and the role it plays, specifically focusing upon how it would be used by T’s stakeholders, in particular, its customers. For requirement (b) candidates are expected to apply their knowledge of lean production to T and its role in achieving competitive advantage. Again, answers must focus directly upon how lean production is being implemented by T and must also specifically address the role of lean production in achieving competitive advantage. For requirement (c) candidates are required to demonstrate their knowledge and understanding of the internet and its use by T in addressing the needs of its customers. Candidates are expected to use the 5 elements of the ‘SEVQUAL’ approach directly in relation to T and how it can use the internet to address these 5 required areas of customer satisfaction. Answers must be directly applied to T’s use of the internet and the 5 SEVQUAL criteria.</td>
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Requirement (a)

T’s mission statement is as follows:

“We are committed to providing our customers around the world with professional and high quality promotional and marketing products at an affordable price, that will make a long lasting impression. Our business is to promote our customers’ businesses”.

The mission statement is an important part of the strategic planning process of an organisation. It is the starting point where organisations clearly set out who they are and what they want to achieve. T’s strategy is to target small businesses and individual customers which cannot afford the cost of using conventional large printing companies. T values highly the relationship it builds up with its customers and customer retention is a primary focus of its business strategy. Therefore, the first step in building this relationship with its customers is through its mission statement.

The role of a mission statement is normally to set out the fundamental objectives of the organisation and to describe its overriding purpose. It should also underline the values and beliefs of the organisation, both for internal and external stakeholders. A mission statement should assist in an organisation’s strategic planning process as it is the primary tool in setting the direction of the business and clarifying it for the internal stakeholders.

T’s mission statement fulfils a number of these factors. Firstly, the mission statement focuses directly upon T’s role in providing affordable and high quality marketing products to its small business customers. This focus on affordability for its customers is clearly the driving force behind its business processes, as making the process as cost effective and efficient as possible is the basis of T’s business model. Therefore the internal stakeholders of T have clear direction, through the mission statement, that the focus upon affordability is a key part of T’s strategy.

Secondly, T’s mission statement is directly targeted at its main external stakeholder group – the customers. Normally, the first step in creating a mission statement is to analyse the stakeholders of
the organisation and identify their needs. From this a mission statement can be created that reflects the customers aims and shows how the organisation wants to relate to these stakeholders. The scenario material states that T values highly its relationship with customers and this is evident from the focus of its mission statement upon this stakeholder group. The mission statement clearly demonstrates to its customers that they are the main focus of T and this should help in providing customers with confidence in T’s products and services and help to foster customer retention.

Importantly, T must deliver on the contents of its mission statement. That is, its products and services must be perceived by its customers to be professional and meet high quality standards and must be affordable to the customers it is targeting. Otherwise its mission statement will be perceived to be meaningless.

Requirement (b)

The concept of lean production can be described as an operational strategy oriented towards achieving the shortest and most efficient production cycle time. This is achieved through the elimination of waste in every area of the production process, including product design, supplier management and factory management and the elimination of human intervention in production processes, wherever possible.

The aim is to hold less stock, reduce time and space in production processes and reduce human intervention, in order to become as responsive as possible to customer demands whilst producing high quality products in the most efficient and economical way. This responsiveness to its customers in the most economical way is a key competitive advantage for T.

From the scenario information provided, it would appear that T is operating a lean production process in a number of areas.

T uses its own technology to mass produce customised products in small batch quantities. T’s integrated front-end online design and print production technology has allowed T to change the traditional mass printing processes, allowing small customers to benefit from customised small batch quantities taking place within T’s large production runs. It would seem that other organisations do not offer customers this advantage.

Using T’s integrated front-end online technology and its automated design technology, the customised production and delivery of products for customers allows T to create high-quality products. Traditional mass print processing techniques, which often only operate through very large batch sizes, would make this too expensive for small businesses and individual customers.

In addition, the front-end online design technology used by T minimises the variability of print jobs which also assists T in batching similar print jobs together, allowing costs and prices to customers to be minimised. All of these are examples of T using lean production technology. T’s technology allow it to minimise costs which can be passed on directly to its small business customers. Other organisations not offering this lean production facility can not offer the same service and cost options.

T’s own technology also allows for minimal human intervention which helps to minimise downtime and set-up times for print runs and the sophisticated job handling software maximises production facilities and minimises waste. These are key drivers of the concept of lean production in T, driving its ability to deliver competitive advantage.

However, T needs to be vigilant and to continue to innovate and not rely on its current lean production methods to keep prices and costs low, as customers continually demand increasingly different types of products, especially in respect of marketing material. Innovation is the key to T’s success and it needs to offer its customers greater choice and more new products. T also needs to monitor its product quality to ensure customer satisfaction, as poor product quality could affect T’s CSF to retain its customers. T should undertake regular monitoring of customer satisfaction using automated emails following the dispatch of products to customers.
Requirement (c)

Key to T’s customer retention is the understanding and delivery of the drivers of customer satisfaction as customer satisfaction is the key driver of customer loyalty for T.

The SERVQUAL approach to service quality focuses on the following 5 factors, which can be delivered through use of T’s website and the internet more generally.

1. **Tangibles**
   The ‘tangibles’ factor considers the appearance of physical facilities and equipment. For an online business such as T, the key issue here is the appearance and appeal of the website. Customers will revisit the website if they find it appealing and more importantly, easily accessible and useable.

   Therefore, to deliver service quality in this area, T’s website must be well structured and designed, must be easy to use and navigate by its customers and T must make sure that it is updated frequently. There is a need to keep the webpages up to date and fresh, looking to appeal to both existing and new customers. T needs to ensure it updates its website regularly as this is a tangible measure of how it serves its customers.

   Website technology is fast changing and the need to speed up the ordering process or ease of ordering will please customers and could result in increased business.

2. **Reliability**
   The reliability factor focuses upon the ability of T to provide the promised service dependably and accurately. For online service quality, reliability is largely concerned with how easy it is to connect to the website and how accessible the website is in terms of processing orders efficiently. If the website is not always available or if customers find that order processing fails first time, or that part of the facility is not available then this will severely reduce the level of confidence customers have in the process. Therefore, it is important that T invests sufficiently in web server technology and that any glitches in the website are addressed and customers notified immediately.

3. **Responsiveness**
   Responsiveness relates to how willing the company is to help customers and provide prompt service. Therefore, T’s website and its linked proprietary order processing software must provide customers with an efficient service with minimum delays. T’s proprietary technology, from order processing, through to batch printing and despatch are clearly all focused upon maximising customer responsiveness by processing customers’ order in the most efficient and cost effective way.

   T should also ensure that it has sufficient customer contact facilities such as email or social media access for example Facebook, where customers can contact T in order to make queries and post their satisfaction comments. It is important that T responds effectively and appropriately to queries and comments by customers as soon as possible.

   How T deals with customer complaints can either result in losing customers or retaining the affected customers. T must be efficient in dealing with all customer enquiries and ensure quick response times to customers’ emails or phone calls. T should have a target response time and measure whether it is achieving it.

4. **Assurance**
   Assurance relates to the knowledge and courtesy of T’s employees. For T this will mean ensuring the quality of responses to queries and customer contacts in whatever form they are made and maintaining the confidentiality/security of customer information.

   Therefore T must ensure that any email responses to customers are prompt and courteous and should be personalised as much as is possible. Also, T must ensure that customer information is held securely within its own systems and that customer confidentiality is maintained.

   It is likely that a company such as T will undertake some form of affiliate marketing whereby it uses customer data to market products or it may sell customer data to marketing customers. However, it must ensure that customers are fully aware of this and are given the option to opt out of these marketing schemes.
T must guarantee the confidence of its customers in its website and that all aspects of the order / payment / transaction details will be kept secure and not accidently muddled with other customers or “leaked”.

Customers, especially small businesses, must have confidence and trust in T not to lose or publish any of confidential data. In order to protect customer details, T must invest in the necessary level of IT security aspects (firewalls, etc.) to prevent accidental loss of data as well as protection of customers’ data from hackers. As technology improves and changes, T must ensure that all aspects of its websites are secure and customer data protected. As T is an online retailer only, any major fraud or loss of data could have a catastrophic effect on customer confidence and loyalty. Therefore it needs to continuously invest to protect data and give customers the confidence to do business with T.

5. Empathy
Empathy relates to the caring, individualised attention a business gives to its customers. To some extent, this is optimised through personal contact, which is limited in T’s business. However, websites can be personalised for example, when customers sign in they receive a personal greeting or offers which relate directly to products and services which they have purchased previously. Personalised emails containing references to previous purchases and related offers is also a potential form of empathy. The key is that customers feel understood and therefore expect a degree of personal attention from T. However, an important aspect of empathy is that T must get the right balance, so as not to bombard customers with offers and mailshots, which may in fact put them off future purchases. T must ensure that any offers or emailing activities positively encourage customers.
Answer to Question Four

Rationale
Requirement (a) examines learning outcome B1(a) ‘discuss the concept of organisational change’ and is designed to test candidates' understanding of the types of change. Requirement (b) examines learning outcome B2(c) ‘evaluate tools, techniques and strategies for managing the change process’ and is designed to test candidates' ability to apply Lewin's Force Field Analysis model. Requirement (c) examines learning outcome B2(d) 'evaluate the role of change leadership in managing the change process’ and is designed to test candidates' understanding of the importance of effective change leadership.

Suggested approach
For requirement (a) candidates are expected to use the information presented in the scenario to determine the type of change proposed in M. This requires a discussion of the type of change occurring and the extent of this change. This should be a straightforward question but answers must be directly applied to the changes occurring within M.

For requirement (b) candidates are expected to apply their knowledge and understanding of Lewin's Force Field Analysis model to the scenario information provided. The scenario information provides a range of facts and details which can be used by candidates to assist in answering this question effectively. Candidates must make sure that they discuss both driving and restraining forces in their answer.

For requirement (c) candidates must discuss each of the three proposed changes separately in order to identify and recommend a number of change leadership activities for each one. Candidates must be careful to not merely repeat activities under each heading. Instead, candidates must clearly state why each change leadership activity that has been recommended is appropriate for each of the changes proposed in M. Again, a high degree of application to the scenario information is required for this answer. Generic answers focused upon mere description of actions such as ‘communicate’, ‘educate’ and ‘participate’ will be awarded very few marks.

Requirement (a)

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<th>Extent of Change</th>
<th>Transformational</th>
<th>Realignment</th>
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<tr>
<td>Incremental</td>
<td>Evolution</td>
<td>Adaptation</td>
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<tr>
<td>Big Bang</td>
<td>Revolution</td>
<td>Reconstruction</td>
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The changes proposed by the Board of M to improve customer service levels would likely be categorised as ‘Reconstructive’ change, according to the above classifications.

Under the heading of “reconstruction”, change is undertaken to realign the way in which the business operates, with many initiatives being implemented at once. Reconstructive change is often forced or reactive because of the changing competitive position of the industry and the organisation’s position within it.

For M, the changes proposed are not transformational, in that the proposed changes will not change the fundamental basis of the way in which M operates or its business model. Rather, it is a change to enhance what it currently does in order to realign the operations of the staff with the focus being upon winning business through excellence in customer service.

However, the changes are proposed to take place immediately and therefore would be considered a ‘Big Bang’ form of change.
Reconstructive change is often seen as reactive, because of the changing competitive environment. This is the case for M, as the competitive environment is changing through the use of the internet to book holidays and M is having to react to this change in order to develop its competitive position.

Requirement (b)

It is important that M should consider the factors which are encouraging and facilitating change (the driving forces) and the factors which are hindering and resisting change (the restraining forces). Importantly, change will only be successful if the driving forces are stronger than the restraining forces or if the organisation can in some way negate or remove the restraining forces altogether.

For M, the following driving and restraining forces for the changes being proposed to improve customer service in M should be considered:

Driving Forces

Growth of internet competition
The market for holidays has changed significantly since the development of the internet. Customers can now easily carry out the activities traditionally undertaken by travel agents, within their own homes. The internet has also created a greater degree of competition as travel agents are no longer competing on a local scale but now have to compete with worldwide competition through the internet. Therefore this is a significant force, as M believes that the erosion in its market share is largely due to the online competitors.

Customer behaviour
Customers buying habits, in all areas of business have changed significantly since the development and wide scale use of the internet. Lifestyles of customers have changed and many appreciate the convenience and ease of use of the internet for many of the traditional products and services traditionally offered on the high street. Customer attitudes towards the need for convenience over the need for personal service is driving M to re-think its focus upon customer service and product knowledge to attract customers back into the travel agency branches to obtain a level of service which they cannot attain through a website. Therefore, customer buying behaviour is a significant driving force in M having to re-think how it offers its products and services to customers.

The Board of M and the branch managers
The Board of M clearly is a driving force of these changes as it can clearly see that a continued decline in market share could be fatal for the business. The Board of M is convinced that there is still a huge demand for a more personal luxury holiday booking experience but in order to exploit this M must develop its in-branch expertise and high levels of customer service as a unique selling point for M in the luxury holiday market. Therefore the influence of the Board of M will be key in the successful delivery of these changes within M.

M’s branch managers also appear to be positive towards the proposed changes and as they are the closest to the branch staff, the strength of their commitment will be a key driver of the successful outcome of these changes. Therefore it is important that the Board of M should ensure that the branch managers remain committed and enthusiastic about the change so that this can be transmitted to the branch staff.

Restraining Forces

Current bonus structure
High performance rewards in terms of bonuses are currently paid to staff in each branch if they meet or exceed their quarterly sales targets. Therefore the current bonus structure is purely based upon number of sales made and not upon quality of customer service. This could be a serious negative feature of such a system in that the bonus is such that it may encourage the branch staff to engage in a ‘hard sell’ which clearly does not accord with M’s vision of customer service and could in fact alienate customers. This might then restrict repeat customer sales if the promised holiday did not quite live up to expectations. M’s branch staff appreciates the high level of bonuses offered which points to the possibility that the quarterly sales targets currently set are possibly too low and easily attainable and therefore bonuses are high. Clearly, staff are not going to want this situation to change and therefore will resist the change of the bonus system proposed.
Currently, the bonus system is also very easy to understand, in terms of achieving a set number or target of sales units. This is likely to be easily attained and could be open to manipulation by branch staff. However, the proposed changes will likely be more difficult for branch staff to manipulate and result in potentially lower levels of bonus payments, depending on the targets set. Therefore, the embedding of the current bonus structure in the working lives of the staff is a significant restraining force at the moment.

Branch staff experience of change in M
Another key restraining force is the fact that up to this point, M’s branch staff have had little experience of change, and that which has occurred previously has had limited impact upon their working lives. Previous changes that have been made to M’s services or to working arrangements have always been introduced gradually and have generally had a low impact upon M’s branch staff. The Board of M has never previously had to involve staff directly in any change decisions made. Therefore staff will resist change because they have not experienced it to any significant degree previously and because they have never been involved in a change process.

Culture of limited change and lack of staff involvement in change
Historically within M, there appears to be a culture of limited change which has had very limited effects on staff. Previous changes that have been made to M’s services or to working arrangements have always been introduced gradually and the Board of M has never previously had to involve staff directly in any change decisions made. Therefore, the lack of experience of change and the culture of no involvement in change in M is likely to lead to staff resistance as they will fear the process of change. As culture is very difficult to change in a short space of time, this is likely to be a significant restraining factor.

Herzberg hygiene factors
Employees want to feel safe and secure in their work environment and it is unfair to insist that all employees move away from their local branch. M needs to meet all of the basic needs of its employees, in accordance with Herzberg’s hygiene factors, and M cannot insist that they move job location away from their home. This is clearly going to result in resistance as staff will fear the change to their working lives.

Requirement (c)
1. A change to the current bonus system whereby bonuses will be based upon achievement of targeted levels of customer service. This is to encourage its staff to strengthen its focus on customer satisfaction levels, rather than on branch sales targets.

There are a number of change leadership activities which should be considered to successfully implement this change.

Firstly, the Board of M must communicate with the staff on the need for this change. It needs to clearly demonstrate to branch staff the competitive environment in which they are now operating and the potential consequences on the business of continual erosion in market share. This should give the staff an incentive to change as they will see the potential for large job losses if the business does not focus upon its unique selling point of high levels of customer service. The Board must convey to the staff that they play a vital role in the future success of the business and its long term survival.

Secondly, the Board must provide adequate training programmes and facilities for the branch staff in customer service. They cannot hope to achieve high levels of customer service without the necessary level of training to support this. This must be an on-going facility within M.

Thirdly, the Board of M must involve the branch managers and ultimately the branch staff, in setting their target performance levels. Staff are far more likely to attempt to achieve the performance targets if they have been involved in setting them. Previously, it was not necessary to involve branch staff as the targets were clearly very attainable and therefore they would not want these to be changed. Participation in setting customer service performance levels will help to achieve a buy-in to the proposed bonus system.
2. A test every 6 months, which all branch staff must undertake, to assess their level of product knowledge and customer service skills. Those staff not meeting the required level of performance will have to undertake additional training or they will not receive their annual pay increase (which is additional to the bonuses earned by branch staff).

Again, education and training will be necessary to prepare staff for the test to be undertaken. Learning support, including on the job training should be provided to all branch staff on a regular basis in order for them to keep up to date with the latest offerings from M. If the staff of M can see that they are being assisted to develop their skills and are well prepared for regular testing then they are more likely to accept the change. M needs to recognise though that staff will still be nervous when they are tested as some of them will not have undertaken any formal kind of assessment since they were at school. The tests therefore must be set in such a way to enable the staff to be as relaxed as possible and to encourage them to perform at their best in the test.

M could offer incentives for those staff reaching a certain level of attainment on tests such as prizes for the best performances (for example discounted or free holidays).

3. A system of short-term placements through which branch staff will be expected to work in other branches and at Head Office in order to gain experience and a better understanding of M’s overall operations and activities. This may involve branch staff having to travel or to stay away from home for periods of time.

Support should be offered to staff to be able to undertake placements in other branches and at head office. Staff should be given additional holiday time or incentive payments for the time spent away from home. For those staff who find it difficult or impossible to undertake placements, they should be offered alternative arrangements, such as having head office staff come to branches to give presentations to branch staff. M could make use of web based training packages and possibly an intranet to provide company wide information to staff throughout the branches.

Staff should not be forced or threatened to undertake placements. M is likely to employ many female staff, many of whom are likely to have children. Forcing them to be away from home could be seen as unethical and may lead to M losing highly valued and experienced staff. On the other hand, some arrangements may be made for short-term placements for staff with young children whereby the children are cared for while the mother is away, perhaps in a crèche or nursery near to the location of the placement. It should be recognised that very many staff will probably be enthusiastic about the chance of a short-term placement and this should be encouraged.