



Operational Level Paper
E1 - Enterprise Operations
May 2014 Examination
Examiner's Answers

Note: Some of the answers that follow 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/e1papers

The Post Exam Guide for this examination, which includes the marking guide for each question, will be published on the CIMA website by early August at www.cimaglobal.com/e1PEGS

SECTION A

Answer to Question One

Rationale

Sub-questions 1.1. to 1.10 test candidates' knowledge of a wide variety of topics within sections A, B, C and D of the syllabus through the use of objective test questions (OTQs) in a conventional multiple choice format.

The correct answers are:

- 1.1 B
 - 1.2 A
 - 1.3 D
 - 1.4 D
 - 1.5 A
 - 1.6 B
 - 1.7 C
 - 1.8 A
 - 1.9 D
 - 1.10 C
-

SECTION B

Answer to Question Two

Requirement (a)

Rationale
This question examines learning outcome A1(c) 'explain the impact of international macroeconomic developments on the organisation's competitive environment'.
Suggested approach
<ul style="list-style-type: none">Identify five main benefitsDescribe each in turn

Free trade leads to **overall production efficiencies** consistent with the concept of the division of labour. An individual nation no longer has to produce everything its population requires and can concentrate instead on producing a more limited range of goods and services to a better standard.

For this reason, different countries with differing competencies and resources can **specialise in the production of goods and services in which they have a natural advantage**.

Free trade allows companies to **develop a larger market** for their products beyond home sales. This has the potential of both allowing them to achieve a greater volume of production (and hence economies of scale in production) and possibly extending the product life cycle of certain products.

Free trade encourages greater competition which should lead to incentives for improvement and greater efficiencies. This in turn should result in **lower prices and greater choice for customers**. The overall outcome may be improved overall economic prosperity and raised standards of living for all.

Free trade can encourage a better understanding of other nations and cultures so leading to **greater political harmony and collaboration**. This may also lead to initiatives such as more prosperous countries supporting free trade in certain commodities where other nations have switched production from demerit goods (e.g. opium production).

(Other valid responses are possible and these will also receive credit.)

Requirement (b)

Rationale
This question examines learning outcome C1(c) 'explain the particular issues surrounding operations management in services'.
Suggested approach
<ul style="list-style-type: none">Identify five potential benefitsExplain each in turn applying to the context of a hospital

Help reduce queuing time. Queues for treatment in hospitals are common, particularly for unplanned admissions and emergencies. Operations management thinking can suggest ways of managing capacity and developing optimal staffing levels to cater for 'peaks and troughs' in demand.

Stock control of medicines, etc. There could be serious consequences if a hospital were to run out of necessary supplies such as medicines, surgical equipment and dressings. Operations

management thinking includes stock management and control systems that would prevent this happening whilst avoiding 'over stocking' and waste.

A lean philosophy and associated practices can lead to an **elimination of waste and hence unnecessary costs** in hospitals. Efficiency and cost reduction is particularly significant for publicly funded healthcare systems (such as the NHS in the UK) where funds are limited but demand is increasing.

For operating theatres, wards and patient waiting rooms to operate to maximum capacity and efficiency there is a need to plan and organise appropriate **floor layouts and work flows**. Hospitals could benefit in the same way that cellular manufacturing and plant layouts do by utilising operations thinking on layout and work flow.

Enlightened operations management thinking stresses a need to **develop relationships with suppliers** in order to guarantee quality, timely deliveries and a continuity of supply. Hospitals could develop supplier relationships with pharmaceutical companies, laundering and catering suppliers, etc. in the same way.

(Other valid responses might also include managing bed capacity, capacity planning enabling flexible employment practices to be negotiated, etc. and these will also receive credit.)

Requirement (c)

Rationale
This question examines learning outcome C1(b) ' <i>explain the relationship of operations and supply management to the competitiveness of the firm</i> '.
Suggested approach
<ul style="list-style-type: none">• Identify five different systems• Describe each in turn

Continuous. Inventory levels are continuously monitored, and when a predetermined level is reached a fixed amount is ordered to top stock up. The re-order size will depend on a number of factors such as the rate of usage and the lead time for delivery. An example of continuous inventory is the EOQ (Economic Order Quantity) system.

The Periodic Review System (fixed re-order intervals). Orders of variable size are placed at fixed, pre-determined intervals. For some operations this may be once a week, possibly (in the case of supermarkets for instance) there may be a daily top up of stock.

ABC. This classification is based on the Pareto rule which suggests that 20% of the items are likely to account for 80% of the total expenditure. The system focuses on the important 20% of items that need careful monitoring (called category A). Items which are much less significant (e.g. nails, screws, tacks, etc.) are referred to as category C and demand little attention. Category B items fall between these two extremes and are treated as such.

Just-in-time (JIT). The aim of this system is to purchase a stock of products or components only when they are required for use. JIT is the exact opposite of 'just in case' and represents a pull-based system of planning and control in response to customer demand. The obvious advantage of JIT is the elimination of large stocks of materials to near-zero levels.

Materials Requirement Planning (MRP). MRP is normally a computerised system that plans the requirement for raw materials, work in progress and finished items based on orders and expected future workload. The system starts by determining production planned and from this develops a timetable so that stocks arrive in time for their use. Stock is therefore only held as a response to future known demand.

(Other valid responses are possible and these will also receive credit.)

Requirement (d)

Rationale
This question examines learning outcome B1(c) <i>'discuss the transformation of organisations through technology'</i> .
Suggested approach
<ul style="list-style-type: none">• Identify five discrete reasons• Explain each reason in turn

Technological advances in systems and telecommunications. Organisations can manage and link individuals who work across different time zones and locations through improved, reliable communications and information technologies.

Potential for cost savings for the organisation. Virtual team working can offer the organisation a number of potentially significant financial benefits. These include reduced office accommodation and other overhead costs, greater employee productivity (through fewer workplace interruptions) and reduced travel costs (through e-mail, videoconferencing, Voip (voice over internet protocol) and webcam equipment, etc.).

Advantages to individual employees. Virtual team working offers employees greater flexibility of working hours and patterns and allows an improved work/life balance to be achieved. The time and cost saved by removing a need to commute to the office on a daily basis could also be significant (and better environmentally).

Availability of faster cheap travel. Despite the available technology face-to-face meetings may occasionally be necessary. The growth in cheaper, efficient transport including economy flights means that such arrangements are viable.

The opportunities offered by globalisation. Business opportunities and expanded trade with other nations can be better supported by a network of workers who are not based in a fixed location. Indeed, there are advantages to employees working in different countries and time zones. This could potentially lead to an organisation operating 24 hours a day.

Note: The Examiner's answer and subsequent marking scheme have been prepared on the basis that the teams are geographically dispersed but from within the same organisation. Cross-organisational teams do exist and this might legitimately be reflected in alternative answers which may also be given credit.

Requirement (e)

Rationale
This question examines learning outcome C1(a) <i>'explain the shift from price-based to relational procurement and operations'</i> .
Suggested approach
<ul style="list-style-type: none">• Identify five reasons• Explain each reason in turn

Dependency upon particular suppliers

A firm might attempt to actively manage its relationship with its suppliers due to its dependency on that supplier. The dependency will be greater if there are only a few suppliers in the industry or the raw material involved is crucial to the production of the final product.

Influence

A firm might attempt to actively manage its relationship with its suppliers in order to positively influence the price paid and negotiate discounts for (for instance) swift payment, loyalty or bulk orders, etc. (A more contemporary view is rather than emphasise price, firms should build relationships with suppliers in order to jointly manage the entire supply chain better so that mutual benefits can accrue).

Competitive advantage

One aim of actively managing its relationship with its suppliers may be to gain a relative competitive advantage over rival firms which do not currently practice relational procurement and operations.

Quality of supply

Relationships might be formed to ensure suppliers are performing well, in particular to ensure the quality of supply. This is especially important where the purchasing firm is attempting to operate TQM or JIT approaches, etc.

To establish long-term relationships and continuity of supply

To help ensure a continuity of supply and goodwill, strong relationships are needed with suppliers. A firm might attempt to actively manage its relationship with its suppliers because it recognises that it may need a supplier's cooperation when there are 'rush' orders or changes in production requirement at short notice.

(Other valid responses are possible such as innovations by learning from suppliers, improved delivery through better communication and these will also receive credit.)

Requirement (f)

Rationale
This question examines learning outcome B2(a) ' <i>discuss ways for overcoming problems in information system implementation</i> '.
Suggested approach
<ul style="list-style-type: none">• Briefly explain the approach• Identify and then explain five risks involved

A direct approach to changeover means that at a predetermined time an old system ceases completely and a new system starts. There are risks associated with such an approach.

Risk of errors being undetected. There is no parallel run under this approach. Instead there will be a direct changeover between the old and new systems. There are risks that errors may occur in migrating data between the two systems which may be difficult to identify because it would be impossible to compare the output from the two systems.

Risk to continuity of operations. Stopping one system and implementing another may have a significant negative impact on the organisation if the new system does not work.

Risk of misuse. Even if a new system is easy to use it is possible that users will not be aware of the most effective or efficient method of using it. Mistakes can be made, significant amounts of time can be lost through 'trial and error' and users may become frustrated.

Risk of lack of user acceptance and inefficiencies. If users have not been involved in system testing, then they may not fully accept the new system when it goes live. In addition, the new system may not meet user requirements, leading to inefficiencies in operations.

Risk of outright rejection. The sudden introduction of the new system and a lack of user testing (which is a feature of direct changeover) carries the problem that because of this extreme approach users may reject the system completely.

(Other valid responses are possible and these will also receive credit.)

SECTION C

Answer to Question Three

Rationale

Requirement (a) examines learning outcome D1(c) '*explain marketing in a not-for-profit context*'. Requirement (b) examines learning outcome D1(b) '*describe the marketing environment of a range of organisations*' and A2(b) '*analyse relationships among business, society and government in national and regional contexts*'. Requirement (c) examines learning outcome A1(c) '*explain the impact of international macroeconomic developments in the organisation's competitive environment*'.

Suggested approach

- (a)
- Briefly explain the basis of social marketing
 - Identify the main issues associated with introducing such a programme
 - Explain each issue in turn as it relates to Oland
- (b)
- Identify the range of different measures
 - Explain each measure in turn as it relates to Oland
- (c)
- Identify the different forms of taxation that are available
 - Describe each in turn

Requirement (a)

The concept of social marketing

The term 'social marketing' first gained popularity in the 1970s when marketing gurus Philip Kotler and Gerald Zaltman argued that the same marketing principles used to sell products to consumers could be used to 'sell' ideas, attitudes and behaviours. Social marketing uses commercial marketing practices to achieve non-commercial goals, specifically by communicating with and then influencing a target population using marketing thinking and techniques. In doing so the approach combines science, practical 'know how' and reflective practice and is particularly useful in addressing issues such as health and the environment.

The use of social marketing in international health programmes highlights the potential to Oland's new government in trying to address issues such as unwanted pregnancies and the rate of alcohol related disease. There are a number of issues associated with introducing a social marketing programme in Oland, some of which are explained below.

Establish a budget for the programme(s)

Any programme will need funding whether directly from government budgets or through part funding provided by sources such as foundations or charitable donations, etc. The size of the budget available will need to be clearly established in advance.

Agree goals

The Government will need to articulate what it wishes to achieve in SMART (specific, measurable, attainable, realistic, and time driven) terms. (Examples might include a reduction in unwanted pregnancies amongst teenagers by a percentage by a specific date.)

Market research to understand behaviour

The social marketing approach attempts to understand existing behaviour before modifying it for social good. Gaining research data on the target population, their knowledge, attitudes and beliefs, in addition to the social context in which they live and work will provide a clear focus for understanding existing behaviour and the key influences upon it.

Segmentation and targeting

The target population for social marketing programmes might be identified by segmentation of Oland's entire population by (for instance in the case of unwanted pregnancies) age and possibly gender. (Although some might argue strongly that the target audience must include both males and females.) By focusing on the target audience, marketers can pinpoint the most appropriate means of engaging with their target audience.

Understand the social marketing 'product(s)'

In order to have a viable 'product', individuals must first perceive that they have a genuine problem, and that the product offering is a good solution for that problem. In the cases of the social difficulty cited in the scenario the 'product' aspect of the marketing mix may range from tangible, physical products (such as contraceptive devices), to services (such as health check-ups, and counselling for heavy drinkers).

Get the price right

Merit goods are commodities that society believes that individuals should have on the basis that it is good both for them individually and for society as a whole. Governments often provide merit goods 'free at the point of use' and then finance the programme through general taxation (e.g. in the UK access to health care through the National Health Service). 'Price' in this context represents the cost to the consumer in order to obtain the social marketing product. This cost may represent actual financial cost, time, effort, embarrassment and disapproval of peers, etc. If these costs are seen as less than their benefits, then the programme is likely to succeed. If the physical product (e.g. alcohol-free drinks or contraceptive devices) are priced too low, or provided free of charge, then consumers may perceive them to be of low value and undesirable and so reject them. Conversely if the price is too high, some will not be able to afford the good and the programme will fail.

Establish a clear focus on the message: sell beneficial behaviour

Social Marketing is based on the logic that if marketing techniques can encourage people to buy products such a fizzy drink brand or a particular telephone handset then it can also encourage people to adopt 'beneficial' behaviours for their own good and the good of others. There does however need to be a clear focus in any programme or campaign on the benefits. Demerit goods are the exact opposite of merit goods and negative consequences can arise from their consumption for society as a whole. The campaign message needs to persuade people to refrain from demerit goods (harmful behaviour) and adopt merit goods instead.

Determine effective communication media

The focus of the promotional aspect of the marketing mix is on creating and sustaining demand for a product. The integrated use of appropriate communication media may be key to achieving this (possibly including in this case paid newspaper and magazine advertising, billboards, mass mailings, media events, editorials, public relations events, personal selling, public service announcements, etc.)

Using social marketing as part of a coordinated approach

It should be recognised that social marketing should be used alongside a combination of other measures in order to achieve a particular behavioural goal (see *(b)* following).

Anticipate competitor action and measure a programme's effectiveness

Finally, there is a need to anticipate possible counter-promotion (for instance increased advertising activities by firms and outlets selling alcohol). There also needs to be some means of capturing the effectiveness of the programme by devising monitoring mechanisms guided by the SMART objectives set at the beginning of the programme.

(Other valid responses are possible and these will also receive credit.)

Requirement (b)

Oland's new Government has promised to introduce a set of cohesive measures to help address the country's social problems. Part of these policies includes the use of appropriate social marketing programmes (see *(a)* earlier). Other potential measures are also available. These are explained below using the illustration of alcohol consumption (as Oland has the highest rate of alcohol related disease on the continent).

Partnership and joint initiatives

Social and health issues are often so complex that the activities of a single agency (such as Oland's Government) acting alone may be insufficient to address the problem. Instead, a team approach with other organisations with similar (but not necessarily identical) goals might be more effective and discussions might lead to the identification of ways in which collaboration may be possible. In the case of excessive alcohol consumption partnerships could be cultivated with (for instance) local community groups that are troubled by drunken behaviour, medical organisations, professional healthcare groups (such as representatives of nursing professionals and doctors) and religious groups which discourage the consumption of alcohol, etc. Joint initiatives and coordinated programmes might be possible through an inclusive team approach.

Education

In addition to attempting to discourage existing consumers' use of demerit goods (in this case the excessive consumption of alcohol) through social marketing there is an argument for educating the very young before they engage in the same activities. Future drinking habits might be influenced by persuasive education in schools, etc. from a young age. Such measures are likely to have a more lasting effect as they seek to influence cultural and societal attitudes to the dangers of excessive alcohol consumption. This is a long term approach to the social problem and 'results' may not be evident for several years.

Voluntary regulation

When making a business decision a conflict may be encountered between what furthers an individual firm's interests and what satisfies society more generally. This gives rise to the notion of social responsibility for businesses which might be understood as taking more than just the immediate interests of the shareholders into account when making such a decision. One issue that might be associated with this concept is the decision of a business to cease or reduce producing socially undesirable goods. A case might be put by the Government to alcohol producing and distributing businesses to curb their activities, or to self-regulate in order that alcohol is consumed in a responsible way.

Legislation

If the drinks industry fails to regulate itself in a way that is acceptable to the Government then compulsory regulation may be necessary. The scenario states that successive governments within Oland have been guilty of imposing high levels of taxation and heavy regulation of businesses which has apparently had the effect of stifling innovation and economic prosperity. Despite this, both taxation and regulation (if administered efficiently) have some potential to help address the country's social problems, along with social marketing. (Efficient regulation is said to exist if the total benefit to the nation is greater than the total cost of administering the legislation).

Legislation: taxation

An alcohol tax (like a tobacco tax that is applied in many countries) artificially inflates the purchase price of the product. The main aim of such a tax might not necessarily be to raise revenue for the government (although it could help fund a social marketing campaign) but to discourage the target population from drinking which will be good for the nation's health and reduce the demands on the health provision. In the UK, the Scottish Government has also introduced a compulsory minimum unit price for alcohol sales to prevent outlets selling very low cost alcohol.

Legislation: compulsory regulation of advertising

Compulsory regulation of advertising may be seen by some as heavy handed but if business is seen as acting irresponsibly (by, for instance, portraying drinking alcohol as glamorous to an impressionable audience) then regulation may be seen as necessary. This can be a significant measure for government to use, for the simple reason that if advertising had little effect on sales it would not be used by producers. So, in the case of provision of alcohol, the legislative approach would be to not only apply a product tax but also regulate product advertising. This legislation might cover when and how products are advertised, and the packaging that is used.

Legislation: other

An extreme policy the new Government might wish to introduce would be an outright ban on sales but such a move might prove counter-productive and lead to illegal activity (as American prohibition once proved). Other forms of regulation short of outright bans on sales of alcohol might be considered, for

instance there could be a compulsory regulation of outlets to make alcohol less readily available. This may include a process of registration or licensing to permit and approve the provision of alcohol and a process of inspection to ensure compliance to standards. There may also be restricted times when sales might legally take place and venues where alcohol might legally be consumed.

(Other valid responses are possible e.g. limiting sales to adults, packaging warning of dangers, etc. and these will also receive credit.)

Requirement (c)

There are several different forms of taxation that the new government may consider in order to finance its spending plans. Some may be considered more suitable than others. The scenario makes clear that successive governments in Oland have stifled innovation and economic prosperity through high levels of taxation for individuals. (Too high a level of taxation will not encourage people to work harder to raise their income levels). This suggests that an appropriate balance between the incidence of tax (e.g. the individual and business) and the different types has not been appropriate in the past.

Direct taxes on earned income

Straightforwardly revenue can come through taxation (normally a percentage) raised on earnings of both

- Individuals (normally referred to as **income tax** and deducted by employers on behalf of the government at source), and
- Businesses (**corporation tax**) through tax being applied to profits.

In addition an individual may be **self-employed** and again tax might be applied to earnings (possibly net of costs of self-employment).

Direct taxes on unearned income

Individuals may also accrue income through so called 'unearned income' such as dividends from shareholdings (possibly unrelated to their work) and interest on investments, etc.

Indirect taxes on general expenditure

Indirect tax is unlike direct taxation in that the incidence falls on expenditure rather than on income and is sometimes referred to as consumption tax. It is common for a form of value added tax (VAT) to be applied meaning that the cost of an item will have been inflated by a percentage which the vendor pays to the government. One of the advantages of this type of tax for the government is that it has to collect tax from fewer sources (there are fewer vendors in most economies than there are earners).

Indirect taxes on expenditure on demerit goods

Particular purchases may be the target of additional tax beyond the normal general level of indirect taxation because they are deemed to be demerit items (as explained earlier). This means that a number of governments levy a hydrocarbon tax (tax on fuel used in motor vehicles) or a tobacco tax. The motivation for government over and above the mere raising of revenue is that it wishes to discourage demerit goods.

Protectionism: the imposition of taxation on imported goods

Where a government is pursuing a policy of protectionism it may impose a tax on imported goods. The impact would be that those goods would be made more expensive and may cost more than locally produced goods as a result, so their purchase would be discouraged. Where imported goods continue to be purchased the tax would be a source of revenue for the government. This could be used as a general form of revenue or specifically be used to (for instance) make local producers more competitive.

Other forms of tax

There are many other examples of tax that have been applied by various governments in the past including a wealth tax on property, an inheritance tax, a premium tax (for example in the UK, so-called stamp duty on house purchases). Sometimes a special tax on individuals will be designated for a particular purpose, (for example to help finance healthcare or road improvements, etc.).

(Other valid responses are possible and these will also receive credit.)

Answer to Question Four

Rationale

Requirement (a) examines learning outcome E2(d) '*discuss the importance of the line manager in the implementation of HR practices*'. Requirement (b) examines learning outcome E1(a) '*explain how HR theories and activities can contribute to the success of the organisation*', and requirement (c) examines learning outcome B2(b) '*discuss ways of organising and managing information system activities in the context of the wider organisation*'.

Suggested approach

- (a)
- Identify factors associated with such an approach
 - Describe each in turn
- (b)
- Identify potential benefits
 - Explain each benefit in turn
- (c)
- Establish possible features
 - Describe each in turn

Requirement (a)

The high level of staff turnover within North Western SBU is a serious matter. Doubtless this trend is partly contributing to the falling productivity and financial performance of the SBU.

Staff turnover has been interpreted by BP as due to 'certain staffing problems', and his assistant general managers apparently believe that improved recruitment and selection may offer some solution. They may be correct. However, it is likely that there are other issues and factors that are contributing towards the situation.

Ineffective management

Ineffective management might be leading to the high staff turnover. If there is poor management locally, then staff may experience a variety of emotions including feeling ignored, mistreated and unsupervised. They may lose confidence in management's ability to maintain a stable working environment and ultimately may decide to work elsewhere. There is some suggestion of poor management in the scenario. BP has been the general manager of the same SBU for many years and is 'very traditional' in his approach, distrustful of management information, and perhaps over reliant on personal instinct and judgement. In addition the SBU's assistant general managers generated limited solutions to the issue BP raised in their meeting.

Poor promotion and career opportunities

The most capable employees are likely, by their very nature, to crave promotion, development and career opportunities. Progression or promotion through developmental pathways and career ladders are often effective ways of rewarding performance. It is noted in the scenario that North Western SBU has been unable to retain its most valued workers. This may possibly be due to a lack of promotion and career opportunities within the SBU, meaning that staff are leaving in order to find such opportunities elsewhere.

Uncompetitive rates of pay

A key aspect of any job is the associated economic rewards such as pay, security, and general 'perks', etc. A well designed pay structure provides a fair and consistent basis for motivating and rewarding employees and recognising contribution, skill and competence. The managerial aims of a reward system include both successful recruitment from the market place and retention of key staff. There is evidence that the SBU is experiencing difficulties in both retention and recruitment suggesting that it has a weak pay structure or rates of pay that are uncompetitive within the local market (the SBU has lost its most valued workers to its competitors). If factors such as these are left unattended to by management then further staff will leave.

Inadequate training

Training is often a formal, short-term process where the organisation attempts to increase an individual's ability to perform a particular set of tasks in a particular way. On-the-job training delivered by peers can be effective if existing employees have time to devote to the process, and are themselves competent and have the know-how to impart the necessary skills. When new staff have been appointed to North Western SBU 'most' do not perform their role to a very high standard and often move on after a short period of time (possibly out of frustration and a lack of job satisfaction). One reasonable interpretation for this situation might be inadequate training for these new employees.

Low levels of morale

Morale tends to be high in well-managed organisations that create opportunities for workers to play a role and offer remuneration systems that provide a fair and consistent basis for rewarding contribution. Research also suggests that both absenteeism and staff turnover will increase where morale is low. Morale is likely to be low in the SBU meaning that employees are moving on. If it is common knowledge that productivity and financial performance have decreased this in itself may be driving a vicious circle leading to even lower morale and hence lower productivity, etc.

Unsatisfactory job design

An important consideration is the intrinsic satisfaction an employee receives from the nature of work and the job itself. Individuals will feel frustrated if jobs are poorly designed or if they cannot make the contribution they want to. The scenario states that new workers tend to fail to 'fit into the patterns of work' within the SBU. It may be that these patterns of work and their associated job roles are difficult or unpleasant meaning that poor job design is contributing towards the high level of staff turnover that the SBU is experiencing.

Lack of general hygiene factors, etc.

Herzberg's dual factor theory is based on the idea of so-called motivators and hygiene factors. Factors linked to job satisfaction are called 'motivators' such as recognition, achievement, work itself, advancement, etc.), and factors that cause dissatisfaction are called 'hygiene factors' (such as status, pay, supervision, working conditions, etc.). In Herzberg's terms North Western's staff turnover may be high because of general lack of hygiene factors and insufficient motivators within the organisation.

Negative culture

It is generally acknowledged that a positive organisational culture can be a source of corporate strength, and valued employees are more easily retained. As demonstrated by the classic Hawthorne study many years ago social relationships, such as being part of a team and relationships between workers and their bosses, can have positive outcomes. The converse is also true and a negative underlying culture may be at the root of some of the SBU's difficulties- not least the high staff turnover levels.

Poor appraisal systems

Appraisal of staff performance is an important dimension of human resource management. The best appraisal systems aim to provide staff with meaningful feedback on their performance whilst focusing on future activities to achieve important organisational and individual objectives. Appraisal is a pivotal process enabling managers to assess the gap between existing staff competences and the skills and knowledge that the individual needs to develop. The lack of performance by new starters and slipping corporate performance strongly suggest that performance appraisal is either absent or poorly administered within the SBU so contributing towards dissatisfaction and staff leaving.

Poor induction and mentoring processes

Many new staff joining the SBU do not perform their role very well and generally struggle with patterns of work before moving on after a short period of time. This represents an organisational failing possibly as a result of inadequate induction programmes to familiarise new employees with the SBU. In addition mentoring/buddying arrangements to support new staff which are often used by 'good' organisations may not be in place in the SBU or may be poorly administered.

(Other valid responses are possible and these will also receive credit).

Requirement (b)

One of BP's assistant managers has drawn attention to the potential use of assessment centres in the selection process. Under this approach vacant jobs are first analysed to produce a list of criteria and competencies. The assessment centre tests and procedures are designed to expose a group of candidates to a comprehensive interrelated range of techniques which test them against necessary job criteria and competencies. Assessors observe this testing, interpret results and pool their individual judgements so that an overall assessment of each individual's suitability is reached.

A team of assessors in this case might include SBU managers and HR professionals. Although assessment centres can be a very accurate method of selection (if administered properly), they are expensive to design and operate and can only be justified for certain types of job, possibly the supervisors and more senior staff identified by one of BP's assistants.

Improve reliability, validity and fairness generally

At the moment BP is personally involved in the selection of all staff and conducts a twenty minute one-to-one conversation with all candidates because he believes himself to be a good judge of character. This is far from an enlightened contemporary HR practice and is prone to errors of judgment and unfairness. Any technique used in staff selection should be reliable (give consistent results), valid (accurately predict performance), and fair (make selections in a non-discriminatory way, particularly in terms of race, age, and gender, etc.). Research suggests that unstructured one-to-one selection interviews of this nature are fraught with difficulty and often invalid. The failure of new workers to fit into the patterns of work within the SBU and indifferent performance in their new roles demonstrates a 'defective' process. Fairness is extremely important in order to fulfil potential legal requirements and also be consistent with the ethical frameworks under which an organisation operates. The use of an assessment centre instead would guarantee improved reliability, validity and fairness with its breadth of testing, lack of personal bias and focus on job requirements.

Focuses on necessary competencies

Mention was made earlier of the need to identify criteria or competencies of a job role prior to the design of the assessment centre tests and processes. This focus on competencies means that there will be a concentration on the key skills, behaviours, attitudes and values that are necessary for different roles within the SBU. One of the main advantages of assessment centres is that they focus on how candidates can perform and their potential for developing existing levels of competency.

Help prevent outcomes of a faulty selection process

The reliance on the judgement of a single individual (BP) based on intuition is dangerous and is likely to be causing faulty selections being made. Faulty selection currently is manifesting itself in organisational underperformance, a failure of new recruits to 'settle' and high turnover levels. This will lead to a loss of morale and additional future recruitment costs. Scientific, empirically proven techniques such as those used in an assessment centre can help remedy this situation.

Unique insight into candidates' suitability

One of the advantages of an assessment centre is that it provides a detailed and balanced set of insights into the ability, psychology, and motives of candidates as well as measuring the alignment of their own values to corporate values. Insights such as these would be impossible to derive from the existing situation of a simple interview or analysis of a job application form or CV. If the SBU were to adopt the assessment centre approach then BP would have more confidence in newly recruited staff succeeding in the future.

Allows good candidates to 'shine'

Apart from employing people who turn out to be unsuitable the 'missed opportunity' of rejecting applicants who would have been suitable might be significant if these individuals go and work instead for the SBU's competitors. It may be that in the past perfectly capable candidates have not been appointed to vacancies due to the limited nature of selection techniques used and the lack of opportunity for them to 'shine' under examination. An assessment centre offers a rare opportunity for candidates to demonstrate a range of necessary skills and demonstrate their potential to make a contribution to the operation of an organisation such as the SBU.

Improves decision making

In the case of North Western SBU, the team of assessors in the assessment centre might comprise BP, the relevant line managers and professionals from the group's HR Department. This combination offers a good opportunity for BP and his line managers to compare opinions with experts in their field and so get a more rounded and balanced view of the candidates. This experience will benefit those involved from the SBU by helping them develop their own abilities in staff selection and improve their team working skills generally.

Improved collaboration

BP's self-reliance and distrust of existing services provided by CM's central departments suggests a general lack of collaboration and mistrust. By operating an assessment centre there will be a vehicle for SBU/Departmental collaboration and team working. This should enhance relationships within the organisation as a whole and lead to greater cooperation and more harmonious working in the future.

Cost effective

Assessment centres because of their very nature can be seen as costly to design and administer. However, such costs are relatively modest in comparison to the annual salary and associated overhead costs of a new appointee. Employers that use this form of selection can be more confident of the abilities of successful candidates to make a real organisational contribution once in post. These benefits represent something of a 'payback' and viewed in cost benefit analysis terms, assessment centres may be viewed alternatively as cost effective rather than costly.

Improve retention

When poorly performing new staff move on after a short period of time it is very disruptive to SBU operations, impacts on work colleagues and leads to expensive repeat job advertising costs. Selection centres can improve this situation by ensuring that successful candidates are correctly matched to job requirements so leading to greater stability within the workforce and less disruption.

Benefits to candidates

The depth and level of analysis provided by this selection process can pinpoint an individual candidate's strengths and development needs. Often organisations operating assessment centres provide written feedback with analysis of scores and a rationale for the 'scoring' to candidates upon request, or provide face to face feedback at the close of a process. In this way even unsuccessful candidates may receive some benefit from the experience they have encountered as part of the selection centre.

(Other valid responses are possible and these will also receive credit).

Requirement (c)

CM's central service departments provide performance data and management reports to the general managers of its SBUs. Unfortunately, BP distrusts these reports calling them 'ineffective'. It is not clear from the scenario whether or not this is fair criticism. There are certain features that should be present in any organisational information system for it to be considered effective by its users. The system should aim to deliver effective information and possess a number of important features as described below.

Relevance

The system should be capable of generating information that is capable of helping managers such as an SBU general manager make an informed management decision. Relevant information can reduce uncertainty and increase knowledge about that decision. For example, making a decision about reducing prices to generate greater sales might include an analysis of competitor's response to previous price cuts. (An analysis of competitor staffing levels would not be relevant).

Accuracy

One feature that should be present in any organisational information system for it to be considered effective might be the degree to which managers rely on it for decision making. For this to happen, the manager concerned should have no doubts about the accuracy of the information provided. Clearly inaccurate or only partially accurate information can lead to poor decision making and might be considered ineffective for decision making purposes.

Timeliness

Information should be available to decision-makers in a sufficiently timely fashion for it to be used in the decision-making process. (For instance productivity ratios provided some time after the event may mean that is impossible to investigate why certain units have performed poorly in a particular month). There is often a tension between timeliness and accuracy and it may be decided that it is preferable to sacrifice 100% data accuracy in favour of slightly less accurate information delivered in more timely fashion.

Understandability

Information needs to be presented in a way that allows the manager to understand and so apply it effectively when making a decision. Information needs to be clear enough that the user can easily appreciate the potential importance of it to a particular decision.

It is perhaps of some significance that CM's central services provide performance **data** to SBU general managers. This suggests that the data is left for the user to try and interpret and turn into intelligible information. (Information is data that has been produced in such a way that it is meaningful to the user and may be used in decision making).

Neutrality

Information should not be biased towards one particular perspective over all others or rely unduly on one particular source. Unless neutrality is maintained (by for instance reflecting a range of viewpoints and validating information by the use of multiple sources) biased information is likely to result. Biased information can lead a decision-maker to make a faulty or an incomplete decision.

(Other features might include meaningfulness, consistency, completeness and cost of production of the information, etc. features such as security and ease of amending, etc. might also be identified. All valid alternatives will receive credit.)
