The Examiner's Answers – Specimen Paper
E1 - Enterprise Operations

SECTION A

Answer to Question One

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

SECTION B

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

Answer to Question Two

Requirement (a)

Human Resource planning is an organisational activity that will culminate in the production of an HR strategy to support corporate activity and aspirations. Critically, it will involve wide consultation within the organisation.

A means of gaining a realistic, strategic perspective. The process of Human Resource planning will provide a framework for clearly and rationally agreeing upon organisational challenges and obstacles that will arise in the future. Participants in the process will, as a consequence, be better able to face such challenges when they occur.

Agreement on priorities. The collaboration and discussions involved in the process should act as a focus for discussion, agreement and an establishment of common ground. In so

doing, a shared focus on organisational priorities should emerge. This should in turn help define operating and functional priorities.

Commitment and ownership of the plan. A sense of ownership of the ultimate plan and a commitment to its accomplishment should be achieved through collaboration and communication.

Underline the value of people to the organisation. The intense focus on people issues should confirm the importance of people in delivering corporate aspirations. Hopefully, it will also assist defining necessary specific staff development activities essential for organisational success.

Overcome departmentalism. The collaborative nature of the process should help overcome departmentalism and provide a basis for stronger future working relationships. It should also help in strengthening or positively shaping an organisational culture.

Motivation and personal development. The inclusion of individuals within the process may prove to be a source of motivation by offering participants a better understanding of corporate issues and an opportunity to participate in a strategic process.

Suggest a plan of action. The actions arising from the process should be clearly understood by those involved and allow a smooth transition for the organisation rather than hurried responses to environmental and other factors.

Help match future organisational activity with its human resources. The process will ultimately allow for an identification of potential solutions to a particular need:

- Increasing supply of human resources to meet increased organisational demand. (Through for example, retraining / re-skilling; increased use of IT; outsourcing; recruitment & selection; etc.)
- Reducing supply of human resources to meet reduced organisational demand. (Through, for example, early retirements, redundancy, short-time working, sabbaticals, job-sharing, more flexible working patterns, etc.).

Requirement (b)

Internal failure costs are costs associated with finding and correcting sub-quality products before they reach the customer.

Types of costs:
- time to rework inspection rejects,
- materials to replace/rework inspection rejects,
- time to repair faulty machines,
- scrap / lost materials,
- excessive inspections/checking,
- lost income from the sale of cheaper goods marked as 'seconds'.

Significance:
If the organisation wishes to protect its reputation for quality these costs are preferable to external failure costs as they occur before they reach the customer. The organisation should see these costs as necessary but may wish to reduce their incidence through processes aimed at creating quality rather than detecting quality failures.

Requirement (c)

Contribution of SERVQUAL

SERVQUAL represents a structured means of assessing quality where the service is intangible by nature and rubrics used in manufacturing (such as rejects, returned goods, scrap, etc.) are not available. SERVQUAL is a quality measurement technique used by some service and retail businesses.

Organisations benefitting:
- Potentially any non-manufacturing organisation
- The concept is widely applied in areas such as healthcare, banking, finance and education

Features of SERVQUAL

Organisationally driven. SERVQUAL is instigated by the organisation itself because it has a commitment to quality and staying close to the customer.

Customer focused. SERVQUAL is based on a scale which takes account of customer attitudes in order to obtain measurements.

An established methodology and framework. SERVQUAL offers an established methodology and a comprehensive framework. The framework indicates differences between a customer's expectations for a service and their feelings of how the service was received. It involves customers answering questions about (both) their initial expectations and their perceptions of the actual service delivered.

Conceptually straightforward and seen as relevant. SERVQUAL is a straightforward concept, and is easily explained and understood by key stakeholders such as the workforce.

Identifies areas for future attention. SERVQUAL can be used to produce a checklist for future attention in order to improve service quality. Gaps will emerge between customer expectation and perception of the quality they receive. These will suggest service gaps that need to be remedied. Such gaps will arise where:

- the organisation does not understand what the customer wants, or
- the organisation is unwilling to meet customer demands, or
- the organisation fails to meet these demands despite its best attempts, or
- the customer may have gained an unrealistic perception of the organisation's service (possibly through false or misleading promises).

Inherent limitations in methodology. Virtually all approaches to quality contain limitations and SERVQUAL is no different in this respect. SERVQUAL can be complex to administer and maintain. In addition, the methodology is only pseudo-scientific by nature and results can be subjective, statistically unreliable and require interpretation.

Requirement (d)

Like TQM, Six Sigma is more than a quality enhancement programme; it represents instead more a business philosophy. The aim of Six Sigma is that processes are carried out to near perfect levels, through the elimination of defects and a tackling of production variations.

The costs and the benefits involved
The Six Sigma philosophy is only one of many approaches to quality management an individual organisation might choose to adopt. The organisation concerned should therefore review the alternative approaches in order to determine whether Six Sigma is the most appropriate for them. Six Sigma requires a high level of commitment and potentially a great deal of organisational upheaval, so it is important that the organisation is aware of this before choosing it as an option.

Cultural fit
The organisational culture needs to be receptive to the philosophy. Six Sigma can be considered to be a combination of measure, target and philosophy and these should be central to the way in which the organisation operates. If the culture is unreceptive, significant change may be necessary as Six Sigma strives for near perfection in order to 'delight' the customer. Six Sigma is very task oriented and demands high volumes for statistical methods to achieve significant results; as such, it may prove culturally unsuitable.

Top management commitment
Successful implementation of Six Sigma will require the full commitment from the top management of the organisation. Arguably, the culture of the organisation is created and managed by this group and the case has already been made that a sympathetic culture needs to be created and maintained.

The tools necessary
Improvements 'tools', including process mapping and problem-solving techniques, need to be adopted. As such, they need to be taught to the workforce and embedded within normal working practices.

Training
Much dedicated training is necessary to introduce Six Sigma. This might begin with convincing the workforce of the benefits of the approach, explaining the implications and then undertaking training in the tools and necessary metrics.

Monitoring and control metrics
Six Sigma aims for six standard deviations between the mean and the nearest specification limit in any process. To achieve Six Sigma, a process must not exceed 3.4 defects per million opportunities. Clearly, measurement and monitoring systems need to be established to allow organisations to do this.

Requirement (e)

Corporate social responsibility
The concept underpinning this thinking is known as 'corporate social responsibility' (CSR) or 'corporate responsibility'. CSR encourages businesses to balance financial profits, economic value addition and social good. This represents an ongoing commitment by a business to behave ethically, contribute to economic development and, at the same time, improve the quality of life of others (e.g. its work force and their families, the local community, society in general, etc.) CSR has been defined as having four dimensions: economic, legal, ethical and philanthropic. The thinking is as follows:

Validity of other stakeholder groups' claims on a business
Shareholders with their economic goals form one important group within a wider group of stakeholders. However, other individuals or groups also have a legitimate stake in the business and have goals, and these deserve to be taken into account when considering a policy decision. Business practices should be built around stakeholder analysis and engagement and reflect the needs and aspirations of society as a whole.

A need for a stable operating environment
If business trading is not to be disrupted, organisations need a stable social environment within which to operate. This stability helps provide a predictable climate. It follows that individual businesses understanding and responding to society's expectation is vital to maintaining such stability. (A programme of sustaining the environment for future generations might be seen as an investment in the future of the business).

Interdependence of business and society
Business cannot exist without society and society exists best with business. It follows that business must take full account of the societal expectations e.g. social and environmental concerns when making policy decisions. (A company's ultimate customer is after all a member of society).

CSR makes good business sense
Certain policies that take account of wider stakeholder groups can make good 'business sense'. Examples of where this may apply might include (for instance) the promotion of an appropriate work/life balance amongst the workforce which can reduce absences through ill health and increase productivity.

Better balanced decisions
Policy decisions that take a longer-term view combining social, environmental and economic considerations are more likely to be fully considered, balanced and soundly based.

Source of competitive advantage / relationship building
Policies based on principles of operating with integrity, being respectful of human rights and the environment, etc. might provide certain businesses with a form of advantage over competitors that are less sensitive to these issues. (Such considerations are also key in the management of relationships with governments and regulatory agencies, NGOs, etc.)

Requirement (f)

An organisation considering doing business in a country that has a government and political system that it is unfamiliar with should investigate the associated risks in terms of nature and potential impact.

Unstable trading conditions
The political system may be unstable or could easily become so, leading to social and economic upheaval in that country. This might lead to social unrest which could disrupt business. At the extremes, this unrest might involve armed conflict, riots, terrorism or the operation of anarchist groups (possibly targeting foreign businesses). Possible effects include:
- threat to organisational property
- endangering organisational personnel
- general disruption to business activity
- delays in moving goods through customs

Unfavourable Government policies
If the organisation is unfamiliar with the political system there is a clear risk. The existing or likely future government of that country may:
- give preference to local firms, or alternatively,
- more general government policies (whilst not directed specifically at foreign businesses) might create unfavourable trading conditions.

Possible effects include:
- increased taxation and other financial penalties, etc. so reducing profitability,
- making getting new business difficult due to preference given to local firms,
- reduced freedom to trade freely,
- revision of contracts gained,
- more stringent product and process requirements, restricting operating freedom,
- exchange rate fluctuations,
- technical product adaption to meet government requirements,
- difficulty in recruiting locally if the organisation is viewed unfavourably by government.

Totalitarian Government policies
From the prospect of government policies being unfavourable, policies may instead become discriminatory and harmful if a ruling group is likely to act in a totalitarian fashion. Possible effects include:
- expropriation of assets (with or without compensation),
- loss of ability to repatriate profits,
- cancellation of existing contracts,
- a use of indigenisation policies to make the organisation fit the local culture (contemporary examples might include the Zimbabwe regime which requires foreign-owned firms to transfer majority shareholding to local individuals or groups).

Lobbying and vested interests
The organisation would do well to understand the strength of political lobbying and the influence of such lobby and pressure groups within the target country. The vested interests of other stakeholders (e.g. local business people) also needs to be considered. Possible effects include:
- retaining existing business difficult,
- getting new business made more difficult.

SECTION C

Answer to Question Three

Requirement (a)

The proliferation of charitable causes and the competition between them combined with a downturn in the economy, and "charity fatigue" has made fund-raising more difficult. It is likely that those charities employing the most appropriate marketing practices will succeed in levering the greatest contribution of peoples' time and money for their particular cause.

Marketing concepts can be adapted and certain techniques and approaches used by the charity in order to maximise the generosity of supporters. (This support includes both the time of volunteers and the monetary donations of others). It is apparent from the scenario that the charity's operations are not very professional and that modern marketing practices are not currently being employed.

Become customer focused
The marketing concept is based on identifying and satisfying customer needs and being customer focused generally. CW's own customers are a different grouping from those enabling the service to be provided. A basic principle of marketing is that an organisation should satisfy customer needs but in this case CW should seek to get close to both groups. Charities, including CW, have to improve their focus on the needs and wants of all different customer (stakeholder) groups through marketing, including:
- contributors (of money and unwanted items for resale in the charity shops),
- customers of charity shops,
- beneficiaries (in this case those benefitting from the clean water and sustainable agricultural projects in some of the poorest areas of the world), and
- volunteer workers and other supporters.

Conduct a strategic review
CW would do well to conduct a basic strategic review of its current position including a simple SWOT analysis and a scan of its external environment. In this way CW will become more 'outward facing'. This process should reveal:
- positive internal strengths to build upon and opportunities that might be seized through marketing practices, and
- internal weaknesses that need to be remedied and external threats that need to be avoided or minimised through marketing practices.

In terms of potential income levels and streams, at the moment income only comes from two sources (donations and charity shops) so there is an opportunity to develop new income streams based on the strengths CW already possess. The operation of these shops and the process of obtaining donations could also be reviewed in order to improve income levels.

A concentration on external factors might usefully lead to a consideration of the activities and initiatives of competitors (other charities). How CW might respond to these initiatives and what might be learned from their operation are valuable areas of consideration.

The possibilities thrown up by this review process will need careful debate and research and should ultimately benefit the charity.

Branding
With so many charities, competition for voluntary giving is intense. Branding is particularly important in communicating a particular charity's core values, and distinguishing it from others. A belief in the worthiness of CW as evidenced by the work of unpaid volunteers and the core values that will be articulated from analysis, organisational strengths (as part of the SWOT) need to be agreed upon and a strong brand image promoted based on this thinking. In the case of CW, this is likely to emphasise the value of its clean water and sustainable agricultural projects to those who are far less fortunate than those who happen to live in Statesland. Although costs will be involved in brand development and promotional activities, the value of the CW brand if correctly communicated, should help in a number of ways:
- By overcoming suspicions that CW's charitable income will be wasted,

- By giving a reason why a donor or volunteer worker may choose CW over other charities,
- By providing a 'shorthand' image of the charity when communicating with stakeholder groups.

Relationship marketing

Relationship marketing involves an organisation seeking to develop a long term relationship with key customers in order to retain their loyalty and increase sales. This concept could be easily adapted to the charity's requirements. CW should look to identify its main donors, capture this information (possibly on a database) and keep in touch in some way. This might be achieved through newsletters and updates (either through traditional mail or emailed). One-off appeals, thanks for past support and explanations of some of the worthy projects financed by the charity should strengthen the donor/charity relationship and produce greater income flows. (It is acknowledged that an investment in IT and systems might be a necessary precursor to this). The charity also needs to recognise that it relies heavily on the work of unpaid volunteers and that an investment in strengthening these relationships is needed if continuing support is to continue.

Cause marketing

At the moment charitable donations from CW are received solely from individuals and CW might want to consider how they might obtain support from businesses and other organisations. This may prove difficult in times of economic downturn but it is an option worthy of consideration. Cause marketing involves the cooperative efforts of a business and a charity for mutual benefit. Relationships are established with a specific business (possibly local to CW's base) and would go much further than the organisation merely making a charitable donation. The organisation would 'adopt' the charity. It may make the relationship known in the media and might (for instance) collaborate and allow workers to participate in the running of events, promotions and certain aspects of the charity. The business would receive good public relations and CW would gain obvious benefits.

Requirement (b)

Implications for CW

The reality is that every market (whether industrial, domestic or charitable) consists of potential buyers/customers/donors with different needs, and with differing decision making and behaviour. Market segmentation is a technique based on recognition of this fact. The different variables within the market such as attitudes may be grouped into distinct **segments** or parts of an entire market. This then gives the possibility of a different marketing approach being taken for each market segment. The organisation itself may, however, consider that it is either undesirable or impractical to **target** every segment in this way and may make decisions accordingly.

For CW, the implications of market segmentation and targeting is that it needs to analyse its market and make rational decisions as to how it addresses itself to its customers and potential customers.

Quite apart from the outcomes of the analysis, one valuable result of the process is that CW will, for the first time, build a mental picture of who the customer currently is and who it might be in the future.

In common with all organisations, CW is offering its market a mix of product, promotion, price and place. (CW is possibly doing this at the moment without much thought). This mix is, however, powerful as it represents a set of available tools or ingredients from which effective marketing strategies can be developed and customer needs satisfied. The implication for CW is that by undertaking segmentation and targeting it can, for the first time, adopt a more sophisticated marketing approach and the appropriateness of its existing mix reviewed in order to better meet the needs of the target segment(s).

Process of segmentation

Market segmentation involves subdividing a total market into distinct subgroups of customers, where any subgroup can be selected as a target market to be met with a distinct marketing mix of product, promotion, price and place. For CW this will involve subdividing the total potential market for charitable support in Statesland.

The value of market segmentation to CW is that, although within the total market, widely different groups may exist. Each group consists of people (or organisations) with common needs and preferences, which perhaps react to a certain marketing mix in a similar way.

Segmentation can take place on virtually any basis but CW might identify the following variables as relevant:

- *Geographical area:* It seems that the current target is the region around the north and capital of Statesland but other areas (and indeed neighbouring countries) may also have potential.
- *Age:* The age profile of potential donors.
- *Gender:* The choices to be made in terms of gender are to focus marketing on males, females or both.
- *Income:* The income profile of potential customers.
- *Business/Individual:* Currently income comes solely from individuals but the potential for corporate 'customers' should not be excluded.

Other segmentation variables might be identified as relevant including occupation, social class, lifestyle, etc.

Process of targeting
Once the process of segmentation has been completed, targeting follows on naturally. At this stage the choice is made over which of the identified market segments the charity should target with its marketing efforts. This will involve weighing up the potential of one segment against another and realistically considering the ability of CW to serve such segments.

A narrowing down of *potential* segments should take place in order to establish a viable, *practical* focus on potential customers. Marketing wisdom suggests that since the purpose of these processes is to identify target markets, segments must be:

- *Measurable.* (Meaning that abstract segmentation by 'personality' for example might be elusive and difficult to measure. A segment identified as 'those with a belief in charitable giving' might present less difficulties in measurement.)
- *Accessible.* (The segment must be 'reached' by the charity without any undue difficulty through (for instance) promotion.)
- *Substantial.* (The likely revenue streams from the segment must outweigh the effort in reaching the segment or segments.)

It is highly likely that national statistics exist that indicate levels of charitable giving and may indicate sources (either geographical or corporate versus individual) and the potential of a segment might be gauged. This is, of course, only relevant so long as CW can access the segment concerned.

Any market segment can become a target market, requiring a unique marketing mix in order for the organisation to exploit it successfully. Recognition of market segments will enable any organisation to adopt a more refined marketing approach to a given group of potential customers. These same principles apply to CW, and like any organisation they have potentially three main targeting strategies available to them:

- *Undifferentiated:* Targeting the whole market with one marketing mix (something arguably they may be doing already by default).
- *Differentiated:* Targeting several segments with distinctive mixes unique to each segment (which can be expensive and complicated if many segments are targeted).
- *Concentrated:* Targeting a single segment with a single mix.

Once this process is completed and target segments identified, precise marketing mixes will need to be determined in order to position the charity to its potential customers.

Requirement (c)

Trustees are supportive but worried that certain practices particularly promotional activities might damage the good reputation of the charity. Having targeted a particular segment, CW needs to consider and avoid promotional practices that might be considered unethical.

Promotion of charities involves engaging in persuasion, more specifically engaging in ways of convincingly communicating the benefits of the charity to supporters and potential supporters. There are potentially many individual promotional tools available, but the following represent

those most likely to be considered by CW:

Advertising
Advertising is a non-personal promotion of ideas and is targeted at a specific market through some media channel such as TV, radio, newspapers, posters, billboards, fliers, on-line advertising, etc.

Ethically questionable practices:
TV and radio advertising are expensive media and these may be seen as inappropriate for a charity that prides itself on low overheads and directing a large proportion of its income to "on the ground" projects. The big ethical dangers are, however, potentially overstating claims in promoting the charity or not applying money raised in the way 'promised' in the advertising material.

Sales promotion
Sales promotion is impersonal and short term by nature and involves offering incentives to encourage sale of products by stimulating consumer purchasing. Sales promotion might therefore be used in CW's charity shops.

Ethically questionable practices:
The difficulty of this is that if promotions such as special offers, discounts, BOGOFs (buy one get one free) are used donors may feel 'let down considering that donated products could have been sold for much more. An additional downside is that stocks could be depleted as a result of the activity.

Personal selling
Personal selling is an option that involves a direct, often one to one contact with potential customers. The salesperson verbally presents the benefits of the charity in the hope of gaining a donation. This may take the form of telesales or 'cold' calling by salespeople knocking on doors, or stopping members of the public in the street.

Ethically questionable practices:
This approach could be expensive as the costs of employing salespeople needs to be 'covered'. It would also go against what CW prides itself on, namely low overheads and directing income to 'on the ground' projects. In addition, tactics that pressure vulnerable members of the public or the application of undue pressure to get a donation are dangers (particularly where bonuses to sales people are based on income attracted).

Direct mailing
Direct mailing involves widespread distribution of promotional literature and brochures, through traditional mail systems or emails.

Ethically questionable practices:
The danger of this is that the literature and messages are seen as junk mail or SPAM and the efforts could be counter productive if recipients are irritated by the approach. If the approach is seen as invasive or bullying then it is clearly ethically inappropriate.

Answer to Question Four

Requirement (a)

It is clear from the scenario that S1K's operations might be improved considerably through both information technology and information systems.

Use of information technology

The new Chief Executive believes that the opportunities for the use of information technology (IT) needs to grasped, particularly in the implementation and running of the information system network and in support of management operations. The opportunities that IT offers are evident in a number of ways including the following:

- *Strengthening current operating and managing systems.* S1K's systems are generally weak and clearly these need to be improved upon and developed. In theory, it would be possible to have effective information systems without using information technology (IT). The size and complexity of the group means that IT is the only practical delivery option for meeting S1K's expanding information needs arising from an expanding product range and (soon) 35 geographically diverse shops.

- *Standardising operations.* IT would allow S1K to operate a number of different types of systems each designed to assist management, group coordination and decision-making. This will involve a move from the current stand alone applications to common integrated technology and systems.

- Offering a platform for greater accuracy and completeness of information through the introduction of IS.

- *Increasing operating efficiencies.* Currently the equivalent of over 40% of a full time workers time can be spent manually analysing and searching for information. IT can offer the platform to perform these functions in a less time hungry fashion. The time released should enable more value adding activities to be undertaken and potentially allow for a speedier answering of telephone and customer queries.

- *Simplifying procedures.* S1K's shops operate independent systems of varying sophistication and effectiveness, some based on manual systems rather than information technology. IT and the associated IS applications offer the potential to simplify and ensure consistency of operations.

- *Offering a platform for further system enhancement.* With appropriate information technology in place, the opportunity is then open in the future to introduce further information system networks and systems to support management operations and ensure greater group cohesion.

Use of information systems

- *Internet access.* The installation of internet access in all shops would enable email systems which offer speed and versatility, allowing easy communication, and the facility to send electronic attachments, so making returns to S1K's head office more efficient.

- *Maximising the benefits of a website.* Many organisations now use the potential offered by websites. By investing in a well designed web site, S1K could:
  - use it as a means of advertising and staying in touch with customers,
  - develop an online booking system for optical and other appointments.

- *Operating a network*, where a number of computers and devices are linked. As S1K operates throughout the south of the country the most appropriate computer systems configuration would be through a wide area network (WAN). Operations can be improved through the use of such a network in the following ways:
  - Speeding up communication between S1K's central management and headquarters functions and individual shops.
  - Improving inter-shop collaboration. A WAN would provide e-mail access and easier inter-shop communication and cooperation. This would allow resource and information sharing between S1K's growing number of shops.

- *New financial system software.*
  - The new financial systems software will be able to cope with the size and complexity of the group in a way that the existing software cannot.
  - This software has the clear advantage of giving S1K access to an industry best practice system and is identical to that used by all its main competitors.

Requirement (b)

The existing financial system is struggling to cope with the rapid growth of the group and replacement software is due to go ahead within the next six months. Based on his past experience, the Chief Executive has analysed potential implementation problems and solutions.

The potential problems appear to be as follows:
- Mismatch of software and business processes
- The implementation approach to adopt
- The current absence of a project manager

Mismatch of software and business processes
The new software does not fit existing business processes exactly. Despite this, the Chief Executive believes the software is 'a good choice'. This is based on two reasons identified in the scenario:
- It would give S1K access to an industry best practice system
- It would mean that S1K has the same opportunities as all its main competitors who use identical software

Realistically, given the timescale, an additional point is that S1K has already committed itself to take the software, will already have incurred some costs and will probably be contractually obligated to take the software.

The software is an 'off the shelf' package designed to perform specific financial functions of the business. As such, it is less expensive than a bespoke option. A bespoke solution would require some expertise to carry out software development and it is probable that S1K may need to employ outside sources for the purpose. Thus, such a process might be lengthy and costly.

Changing the business processes to correspond with software requirements represents a change initiative that staff may respond to negatively. Negative responses should be challenged. Competitors are using the software already and it is reasonable to assume that it will encapsulate industry best practice. The indications are, that because of its rapid growth and acquisition policy, S1K may operate in an inconsistent and possibly inefficient fashion, so a change in practices might be a positive thing.

The implementation approach to adopt
There are several potential implementation approaches S1K could adopt. Again the Chief Executive has backed previous decisions made by S1K, in this case those made by the previous project manager who has drawn up a staged programme of events for implementation.

The Chief Executive believes this approach to be the 'least problematic' for S1K. This staged approach allows for a degree of pilot testing to be carried out prior to full implementation across the organisation. The phased approach is often used in large system projects or in organisations that are geographically dispersed (like S1K). This might involve implementing a complete system in one geographical location at a time. If the system operates as expected then a further transfer can be made with existing systems retired in an orderly, staged way. Currently staff are likely to be experiencing 'change fatigue' from the instability caused by takeovers and a change of Chief Executive and this staged approach looks eminently sensible.

The phased approach is less risky given that the project manager would be new to the role and risk will be reduced as issues found in small-scale use of the new system can be remedied in time for wider software roll-out.

Alternatives S1K may have considered include:
- *Direct approach.* Under this approach, at a predetermined point in time all old systems cease and the new financial system becomes operational. This approach has the highest risk, as there is no opportunity to validate the new system's output with the old.
- *Parrallel approach.* This approach involves both old and new systems processing the same current data together for an agreed time (e.g. for a month). The outputs of the new system would be compared with those from existing systems to determine whether the new system is operating as expected. The downside of this approach is that implementation of the new system is delayed. This might indicate to S1K's workforce that management does not have complete confidence in the new system. Furthermore, additional time and effort would be taken in operating both old and new systems together.
- *Retrospective pilot.* This approach involves operating the new system with 'old' data (e.g. last month's financial data). The results produced by the new system can then be crosschecked with the results already processed by the existing systems. If there are no difficulties the old systems can then be withdrawn in favour of the new system. Like the parallel approach, additional time and effort would be taken in operating both old and new systems together to obtain duplicate output.

The absence of a project manager
The project manager who was overseeing project implementation has now left S1K. Clearly the introduction of such an important project as this needs to be properly managed and must not be left to chance. The Chief Executive's judgment that a replacement project manager should be appointed as a matter of priority seems well founded. However, he feels that the appointment should come from within S1K. The advantage of this is that the individual would have a good local knowledge. On the downside, there is no indication as to whether anyone within the group possesses the necessary expertise. Indeed, the system deficiencies within S1K suggest that little IS project management experience exists. This may be an error of judgment and a better option might be to buy in the services externally from a specialist IS project manager on a short term contract.

Requirement (c)

Main individuals and groups to be targeted

New project manager: Project management skills
Effective project management is crucial to the successful implementation of this important system. For the S1K employee who is appointed to oversee the introduction of the financial system it is likely that training in the technical skills of project management will be needed. If the appointee is inexperienced, or unfamiliar with what is required of a project manager, then this training is a priority. It is best provided by placing the individual on an externally facilitated training event.

Senior S1K managers: behavioural considerations
Support from the top is crucial for any significant change. In this case, senior management must be seen to support the new software initiative. They should understand the Chief Executive's analysis and a general overview of the system and its benefits could help, possibly through executive training seminars. This training is best provided in-house, possibly in conjunction with the Chief Executive (if possible) and the new project manager.

Central headquarters finance staff: training in all aspects of the new system
The new software is an 'off the shelf' package designed to perform specific financial functions of S1K's business. Finance staff will need to understand all aspects of the new package. This staff group will require regular returns from shops and, if properly trained, they can act as a source of advice and guidance to users in shops. Often software suppliers offer training options either as part of the contract or for an additional fee. Alternatively, as the software appears to be widely used within the industry, private training courses might already operate. The most convenient means of training staff would, however, be onsite but externally facilitated if this can be arranged.

System users in shops: general training in computer systems
Some shops still use manual systems, others use basic stand alone computers, so it is conceivable that some staff will not have sufficient confidence or experience to use any new application. Targeting further technical training might be beyond such staff without ensuring they first obtain a degree of computer literacy. S1K may have sufficient expertise in-house to provide such basic support and tuition for such individuals.

System users in shops: training in specific aspects of the new system
Detailed user instructions on how to operate the new system in shops will be needed (including procedures, commands and data-entry requirements, etc.). On-the-job training while staff are actively using the new system would be most appropriate. As shop users make returns to headquarters, appropriately trained headquarters staff could be used for the purpose. User manuals, 'help lines' and dedicated support teams might also be needed to support this process. Later, updates as users become familiar with the system may help consolidate growing knowledge and skills.

Users' managers: behavioural considerations
S1K's shop managers will be called upon to help ensure that potential disruption caused by the introduction of the system is kept to a minimum. Successful user acceptance is vital and local managers are also best placed to achieve local buy-in. Users' managers should therefore be made aware of the benefits of the system and the reasons for its introduction. In addition, an outline understanding of the elements of the system for which they are responsible should also be given. This training could be carried out by in-house staff through seminars and workshops, etc. Managers participation in such events could help get their full commitment and engender feelings of 'ownership'.

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