Operational Level Paper

E1 - Enterprise Operations

May 2012 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, C and E of the syllabus through the use of objective test questions (OTQs) in a conventional multiple choice format.

The correct answers are:

1.1 C

1.2 A

1.3 A

1.4 C

1.5 A

1.6 A

1.7 A

1.8 B

1.9 A

1.10 C

SECTION B

Answer to Question Two

Requirement (a)

Rationale
This question examines learning outcome A2(b) *'analyse relationships among business, society and government in national and regional contexts'.*
Suggested approach
• Identify the methods available • Briefly describe each in turn

In the light of government regulation, businesses may become involved in the political process with the aim of securing particular policy preferences. This is referred to as **Corporate Political Activity (CPA).** The most explicit forms of CPA involve arguing a business case by:

- Using **political lobbyists** who are professionals with access to key ministers and civil servants.
- Creating **non-executive directorships** for current members of a parliament and retired senior civil servants.
- Making **campaign contributions** to certain political parties.

Businesses will hope that they can influence government policy in a way that favours them and takes account of their problems and circumstances.

CPA can be an important element in any business's efforts to gain competitive advantage, particularly where domestic producers encourage their government to disadvantage foreign competitors in the home market.

Sometimes CPA is distinguished in terms of:

- **'Buffering'**: proactive political actions such as informing government decision makers about the impact of possible legislation and actively trying to reduce government regulation of the firm, etc.
- **'Bridging'**: reactive behaviour such as tracking the development of legislation so that the business is fully prepared when legislation is enacted.

A less direct means in which businesses might try to influence government policies is by **influencing public opinion** through promotional techniques. The hope is that the public will be sympathetic and that the government will take account of public opinion when determining policy.

Businesses may belong to a **trade association** or **professional body** which represents the interest of businesses within the same sector or industry. Such bodies may be a key stakeholder group as far as the government is concerned.

Bribery, 'bungs', payments and favours, etc. to key government individuals of course raise both ethical and legal questions but are nevertheless apparent in certain countries and political regimes.

Requirement (b)

Rationale

This question examines learning outcome C1(c) *'explain the particular issues surrounding operations management in services'.*

Suggested approach

- Categorise inputs, processes and outputs
- For each category highlight how a service differs from a product

Inputs

- **Inputs are intangible**. Unlike a traditional product, a service does not rely on a stock of physical raw materials but is more reliant on the interpersonal skills and abilities of its workforce.

Processes

- For a product the process of transformation is normally unseen by the customer. By comparison, customers **participate in the delivery process** of a service by interacting with an employee or representative of the organisation.
- Service processes tend to be more **labour intensive** than most manufacturing processes which can rely heavily on plant and equipment.
- Greater customisation of the service is required to meet customer needs meaning that **standardisation of process is difficult** to achieve.

Outputs

- **Outputs are intangible**. A service does not exist in a physical form and therefore cannot be stored in the same way that products can. The failure to sell a product today may leave an opportunity for a sale another day; an unsold service (e.g. a travel fare) today is 'lost' forever. A service does not exist in a physical form and therefore cannot be inspected in advance. Greater **dependence upon the skills of staff** in making a sale is involved.
- **Inseparability of the service and the person** providing it. Face to face contact is more important for a service than for most products. In the eyes of customers, an organisation's people may be inseparable from the total service that they receive.

Requirement (c)

Rationale

This question examines learning outcome D1(a) *'explain the marketing concept and the alternatives to it'.*

Suggested approach

- Identify alternative approaches
- Explain the main features of each

Marketing-orientated organisations have a main focus of the customers and their demands. In this way the products they offer for sale are determined by the consumers themselves. Alternative approaches might be classified as product-orientated, production-orientated or sales-orientated.

The main features of organisations that adopt these alternative approaches are shown below:

Approach	Features
Product-orientated	Little or no prior research to identify a demand for the product being produced. The organisation runs the risk of products being unattractive and not selling

	in sufficient numbers. As the main focus is the product features, this could result in the production of goods with high quality features which may or may not be valued by the customer.
Production-orientated	Production levels and processes have little regard to customer demands which means that too many units may be produced (and left unsold). As the main focus is production efficiency, the aim is low product costs which might in turn result in lower selling prices. This may not lead to greater sales however, as customers might associate low price with low quality.
Sales-orientated	A great deal of attention is given to the sales strategies applied and the enthusiasm of the sales force. Ethically questionable: high-pressure sales techniques might not be sustainable longer term as there may be adverse publicity for the company and past customers may be left feeling dissatisfied.

Requirement (d)

Rationale
This question examines learning outcome D1(e) *'describe theories of consumer behaviour'.*
Suggested approach
• Identify the five factors • Briefly describe each in turn

There are many factors that influence an individual's purchasing decision and five are highlighted below:

- **The degree to which the product satisfies a need or a want**. As implied by the definition of marketing, goods are not an end in themselves but the means to satisfying a need. The individual will be influenced by the extent to which the product satisfies their underlying needs or wants.

- **The social influence of others impacts upon an individual's buying habits**. The individual's reference group (e.g. his/her family) and his or her own role and status within these groups can be important influencing factors. So-called social interaction theory states that an individual's buying behaviour may depend upon what he or she perceives others in society to be doing. Perceived social stigma associated with purchasing a particular product or service may deter consumption. Conversely, a feeling that others are acquiring a particular good might create a 'me too' attitude within the individual.

- **The relevance of the purchase**. If a product is being purchased for the first time and is costly, the individual consumer will be highly involved. He or she may take time and effort to research the product features and evaluate alternatives in order to make the 'right' choice.

- **The influence of frequency of purchase**. In the case of low cost fast moving goods (FMCG) the individual may make purchases frequently and out of habit. If so, the consumer will give the purchase little conscious attention.

- **The influence of new product features**. Issues of fashion and new product features, etc. may influence an individual when purchasing durable goods in particular. The reason for the purchase of durable goods is generally because of a need to replace existing products that are worn out or do not have the features of newer models.

(Other factors include culture, personality, social class, the consumer's motives, perceptions, beliefs and attitudes, the balance of the marketing mix including price, availability and aesthetics of the product, etc.)

Requirement (e)

Rationale
This question examines learning outcome E2(c) *'describe the HR activities associated with improving opportunities for employees to contribute to the firm'.*
Suggested approach
• Describe Herzberg's dual factor motivation theory • Describe job enrichment • Explain the relationship between the two

Frederick Herzberg's dual factor motivation theory explains two distinct dimensions that contribute to the behaviour of most employees:

- **Hygiene factors** include pay, status, working conditions, rules and levels of supervision. If these are absent or poor (e.g. low pay, poor working conditions, restrictive regulations, high levels of supervision, etc.) dissatisfaction sets in and employees become demotivated. Positive hygiene factors by comparison may prevent dissatisfaction but do not in themselves bring about motivation.

- **Motivators** are factors that satisfy (in Maslow's terms) mainly higher level needs such as recognition for doing a good job, a sense of achievement and opportunities for career advancement and/or responsibility, etc. Strong motivators can increase job satisfaction and, in turn, work place performance.

Job enrichment (sometimes called vertical job enlargement) involves deliberately delegating responsibility for tasks normally associated with someone of a higher grade or level. This action can produce job variety and a sense of challenge and opportunity for individual development. Job enrichment therefore has nothing to do with Herzberg's hygiene factors but represents a potentially powerful motivator.

Requirement (f)

Rationale
This question examines learning outcome D2(a) *'explain the relationship between market research, market segmentation, targeting and positioning'.*
Suggested approach
• Identify the marketing processes that are necessary before targeting • Briefly explain each in turn

Targeting is the process of selecting the most lucrative part of the market for a product and leads to the development of a marketing 'mix' in order to position the organisation to appeal to that target. The key processes that are necessary before an organisation can properly target the most lucrative part of the market are market research and market segmentation. Organisations should also be aware of the activities of their competitors in the market.

Market research
Market research involved finding out about the market. There are two main forms of research that could be undertaken:

- ***Primary*** research involves generating new information about the market. This can take a number of forms but popularly includes questionnaires and telephone surveys. Specialist research companies can be employed to carry out such work using sometimes sophisticated methods such as focus group surveys and the use of observational equipment and specialist software. Due to the costs associated with data collection, primary research is normally only undertaken if secondary research is lacking or not readily available

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- ***Secondary*** research involves accessing data that already exists and here web-based searches might produce a wealth of potentially relevant detail (some produced by government departments and trade associations). Many universities also typically have effective databases allowing for research and analysis of customer behaviour.

From the information gathered, market forecasts of demand for products and services might be made including total market potential, geographical potential, total industry sales and relative market share between main competitors, etc.

Market segmentation
Market segmentation is the process of dividing the market into similar groups with common characteristics. This thinking recognises that every market consists of potential buyers with different needs and different buying behaviour. Market segmentation may therefore involve subdividing a market into distinct sub-groups of customers, where any sub-group can be selected as a target market to be met with a distinct marketing mix. Although, within the total market, widely different groups of consumers may exist, each group consists of consumers with common or similar needs and preferences who will perhaps react to a particular market mix in a similar way.

Competitor analysis
Before an organisation can properly target the most lucrative part of the market some competitor analysis is also advisable. This will ensure that the organisation is aware of the competitors in relevant market segments and the strategies and marketing mix that they are adopting. The viability of each segment and the approach to adopt should become clearer as a result.

SECTION C

Answer to Question Three

Rationale

Requirement *(a)* examines learning outcome B2(b) *'discuss ways of organising and managing information system activities in the context of the wider organisation'.* Requirement *(b)* examines learning outcome A1(b) *'explain the emergence and importance of outsourcing and offshoring'.* Requirement *(c)* examines learning outcome D1(c) *'explain marketing in a not-for-profit context'.* The question examines the ability to apply this thinking to the context of the scenario.

Suggested approach

(a)

- Identify the potential advantages of decentralisation
- Relate to the scenario
- Discuss each advantage in turn

(b)

- Explain the idea of total outsourcing
- Relate to the scenario
- Discuss the associated issues specifically for IS within WV8

(c)

- Identify marketing principles and practices that may be of relevance given the scenario
- Identify and describe the lessons WV8 could learn from these

Requirement (a)

Decentralisation involves a systematic attempt to delegate functions and responsibility to the lowest practical levels of authority within an organisation. Inevitably, there are both advantages and disadvantages associated with decentralisation of central services such as CIS. The advantages are reflected here.

A positive response to user feedback
Decentralisation offers a positive response to criticisms made by WV8's service users. Service users are, in reality, internal customers of providers of central services such as CIS. A move to decentralisation might be seen as a positive response to the claims that organisations such as WV8 have a lack of understanding of the customers it is meant to serve.

Symbolic response to external forces
Decentralisation might be seen as a proactive response to the challenges WV8 currently faces. WV8, like many public sector organisations, is under pressure to deliver value for money in the provision of services. With funding cuts, WV8 is under pressure to operate more cost effectively. WV8 will also want to meet the challenge of the government spokesperson who claims that organisations such as WV8 are 'expensive'.

Reduced central costs
A complete delegation of CIS functions and responsibility to the lowest practical levels of authority would involve a much reduced function or no central function at all. If permanent financial savings can be made then there is an obvious advantage particularly in the light of public funding cuts.

Reduced 'red tape'
Public sector organisations such as WV8 are often accused of being bureaucratic, top-heavy and tied in 'red tape'. Decentralisation would provide an environment for speedier decision making. Decentralisation of WV8 will not only reduce levels of management and expensive central overheads, but should also reduce the bureaucracy of decision making by handing responsibility to users.

Empowerment
Decentralisation is consistent with an enlightened management philosophy of empowering the workforce. Users are closest to the problems and best able to understand their own needs. Those users who are delegated responsibility for providing their own CIS will be empowered to develop a service that meets their needs more effectively. (This might be viewed as a form of job enrichment for those newly liberated workers.) Empowerment should encourage innovation, improved user involvement in CIS design and reduce the potential resistance to implementation.

Source of morale and job satisfaction
At a time when schools may feel threatened by government cuts, it is important that staff morale is maintained. Decentralisation could lead to enhanced job satisfaction and morale amongst workers in schools. Decentralisation increases autonomy, so empowering employees to make decisions that matter to them. By offering this autonomy to make local decisions, employees can develop and apply their talents locally, potentially leading to improved job satisfaction.

Improve managerial capacity
Decentralisation can enhance managerial capability within WV8. Employees in units away from central services will, possibly for the first time, have the opportunity to acquire skills of decision making, project management, directing skills, etc., strengthening leadership at all levels of the organisation. Decentralisation enables the workforce to be innovative and creative due to the authority and freedom it provides. The enhancement of managerial capability will, in some way, offer a response to the government spokesperson's claim that organisations such as WV8 lack business acumen and basic skills.

Act as a pilot scheme
By decentralising the CIS function, decisions over CIS can be made closer to the point of customer delivery and the outcomes of this initiative are worth monitoring. CIS therefore may form a suitable pilot project for further decentralisation and, if successful, might lead to further decentralisation of services to users within WV8.

Overcoming staffing difficulties
In the past there have been difficulties in recruiting IS specialists and this may have influenced the standard of service that users have received. The deficiencies of central provision will disappear as responsibility will now fall on service users to articulate and then fulfil their services requirements. The IS specialists that WV8 has, in the past, been unable to attract may be considered unnecessary by the users themselves (or alternatively contractors could be used to bring this expertise).

Requirement (b)

Several issues should be taken into account when deciding whether or not to totally outsource the CIS function as a means of overcoming some of the problems facing WV8.

Relative attractiveness of alternative means of provision
Currently CIS services are provided centrally and the policy review team is obviously looking to both improve the service and overcome the difficulties that WV8 faces. Centralised provision through a wholly outsourced CIS function is apparently one of the various options being discussed. Such a move would involve a total outsourcing of all aspects of IT including system development, maintenance, training, etc., to a single supplier. Before WV8 decides to outsource the function other alternatives should be carefully considered including an improved central service or decentralisation. If the decision is to totally outsource the CIS function to a single provider, there will be finality to the decision. The contract would normally be for 3 to 5 years and after this it would be very difficult for WV8 to bring provision back in-house.

Outsourcing alternatives
Total outsourcing may be seen as a radical and potentially high risk solution which may not necessarily alleviate the problems WV8 is facing. Alternatives to total sourcing that might be considered might include:

- Multiple sourcing whereby WV8 would negotiate with a range of suppliers and retain a core of central or main IS/IT staff.

- Developing a strategic joint venture with an external partner to use its particular expertise to help remedy the specific difficulties and deficiencies in areas of existing provision.

Much depends upon how WV8 views the function. If CIS is seen strategically as a complementary competence, outsourcing should only be to trusted key suppliers with the necessary expertise and a strong relationship should be fostered between both parties. Alternatively if CIS is viewed as a residual competence, WV8 could outsource adopting a simple 'arms-length' relationship with the supplier; a simple 'buy' decision.

Cost implications
WV8 is wholly funded by government grants, but with funding cuts is under pressure to maintain existing services whilst operating more cost effectively. Outsourced alternatives tend to be highly competitive in terms of pay, terms and conditions of service and, after total outsourcing, WV8 may initially reduce central costs. One clear advantage of outsourcing for WV8 would be a more accurate prediction of costs and, hopefully, improved budgetary control; something crucial in the current environment.

Gaining expertise and IS specialism
In the past, there have been difficulties in recruiting IS specialists and the service quality may have deteriorated as a result. Outsourcing would, of course, represent an easy means of overcoming IS staff resourcing difficulties. Under Cox's classification of organisational competences it is clear that IS is not a core competence. As such, it is appropriate to consider outsourcing. Often the contracting out of non-core services to a specialist provider not only improves service quality but also leaves the service in the hands of genuine experts.

Strategic fit and flexibility
Outsourcing involves contracting out non-core services to specialist providers rather than attempting to provide them in-house. WV8 would, in effect, be relieved of the burden of managing specialist staff in an area that the organisation does not understand well. Rather than attempting to provide services in-house, outsourcing would help WV8 achieve strategic focus (being consistent with the so-called 'stick-to-your-knitting' concept). It also supports the concept of the 'flexible firm' championed by writers such as Atkinson and Handy.

Risk involved
Consistent with Quinn and Hilmer's tests for whether non-core activity should be outsourced or not, WV8 should carefully consider the level of risk associated with total outsourcing. The potential vulnerability of WV8 to market failure is higher if the whole service is outsourced. WV8 should consider what can be done to reduce these risks and should structure arrangements with suppliers in such a way as to protect itself best.

Impact on existing IS staff
WV8 may conclude that outsourcing is counterproductive and an unwelcome problem if there is likely to be strong staff and union resistance. Presently, there are centrally employed IS staff whose jobs will be threatened by total outsourcing. This could possibly lead to resistance from unions and staff groups representing these workers. Also the impact on other groups and fellow trade unionists within WV8 might be negative in terms of morale and motivation.

Contractual complications
Outsourcing will involve WV8 in contractual issues and certainly additional (transaction) costs associated with determining service specifications and then monitoring performance will be incurred. There will be a requirement to retain intelligence user expertise in-house in order to monitor outsourced provision. There may be difficulties in agreeing and managing a 'service level agreement' (SLA) particularly if WV8 has little experience in this area.

Service quality and understanding
It might be argued that the quality of CIS service under an outsourced option could be of a higher standard due to the specialist nature of the external provider. However, the provider concerned may have little empathy and understanding of a public service ethos and needs of schools if the service is outsourced. As such, the service provided might not meet user needs.

Requirement (c)

The recent criticism of public sector organisations like WV8 includes the claim that they lack 'basic skills in areas such as marketing' and have a 'lack of understanding' of the customers it is meant to serve. This criticism may or may not be fair but clearly WV8 can learn from marketing principles and practices, despite the fact that this thinking was developed with the private sector in mind.

Customer focus
The Chartered Institute of Marketing defines marketing as 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably'. Although WV8 is by definition a non-profit making organisation, a key aspect of the definition is the acknowledgement of the importance of the customer, their requirements and the careful planning processes needed to achieve the organisation's goals. It follows that marketing is a business activity that should be at the core of any organisation, including WV8.

Identification of user needs and wants
This marketing definition stresses the need to identify user needs and wants as a first step. This is particularly relevant to WV8 as a spokesperson has claimed that organisations such as WV8 have a 'lack of understanding' of the customers it is meant to serve. To re-engage and identify customer needs and wants, WV8 needs to listen to what users say. This includes internal as well as external customers, and clearly there has been dissatisfaction expressed in the past which will need to be addressed in the future.

A shared philosophy
The basis of the marketing philosophy is that marketing is a managerial imperative not a simple functional requirement and, as such, the whole organisation needs to share the marketing vision. WV8 would do well to adopt this thinking.

Effective communication with customers
The promotional mix whereby the organisation communicates with its customers is a lesson WV8 can take on board. In WV8's case effective communication will need to involve several groups, not least the government and general public (through taxation) which represent contributors of money and the customers it is meant to serve. Customers, in WV8's case, might be referred to in a different way such as student, client, etc.

Market research
Sophisticated market research techniques exist and WV8 could adopt and use some of these practices. Market research is commonplace amongst private sector organisations. Social problems concerning (say) the disabled student may call for information and investigation using such techniques.

Public relations
It seems from the scenario that WV8 has a poor image amongst service users and better public relations as part of its promotional mix is called for. The techniques adopted by private sector organisations wishing to improve their PR might be considered by WV8.

A focus on the marketing mix
Developing an effective marketing mix involves blending an appropriate combination of factors associated with the product, price, place (including location) and promotion: the way it communicates with its customers. WV8 might usefully focus on these areas in order to determine priorities and future actions.

Answer to Question Four

Rationale
Requirement *(a)* examines learning outcome C2(d) *'illustrate a plan for the implementation of a quality programme'.* Requirement *(b)* examines learning outcome E2(a) *'explain the HR activities associated with developing the ability of employees',* and requirement *(c)* examines learning outcome C2(a) *'apply contemporary thinking in quality management'.*
Suggested approach
(a) • Identify the requirements for achieving a TQM approach and relate to the scenario • Explain each requirement in turn *(b)* • Identify some TQM training requirements • Relate these to the scenario and describe each in turn *(c)* • Discuss how high quality can reduce costs down and revenue up • Relate to the scenario

Requirement (a)

Total Quality Management (TQM) is one of many approaches to achieving quality. TQM gained popularity in Japanese industry in the 1950's and later in the west from the early 1980's onwards. CIMA's Official Terminology describes it as follows:

> *'An integrated and comprehensive system of planning and controlling all business functions so that products or services are produced which meet or exceed customer expectations. TQM is a philosophy of business behaviour, embracing principles such as employee involvement, continuous improvement at all levels and customer focus, as well as being a collection of related techniques aimed at improving quality such as full documentation of activities, clear goal setting and performance measurement from the customer perspective'.*

The MD has announced a commitment to TQM training for all 2JN's staff and the establishment of a Quality Committee and Quality Circles.

Effective Communication
The importance of quality must be effectively communicated throughout the organisation in order to improve understanding of its purpose and benefits. At the recent senior management meeting the MD announced the establishment of a Quality Committee and Quality Circles to underpin the initiative. 2JN now needs to develop an effective communication strategy that includes briefings, written reminders and visible symbols. There needs to be a clear willingness to discuss and measure quality.

Leadership: Senior management commitment
Commitment from the top is crucial. If management is not fully committed, it is unlikely that customer requirements of quality will be met. (In 2JN's case the commitment is not guaranteed at this stage. Clearly the MD believes in TQM and although he announced the initiative at a recent senior management meeting their commitment still needs to be assured).

Workforce commitment
Commitment from the workforce is also vital and might be achieved by management support for quality rather than dictat to get quality right. A philosophy of self-checking and preventing quality failures (Quality Assurance) rather than correction of quality following independent quality control (QC) are important.

Funds for skills and competence development
Quality is achieved through competence in whatever activity is undertaken. Competence can only be gained through continuous training, skill development and experience. The MD has identified training

in TQM for all staff as a priority. He will, however, need to commit funds to training, recruitment and people development, etc. Training will be needed in areas where the company is felt to be weak and the TQM programme should identify these. Resources will need to be committed by 2JN to make this possible.

Continuous improvement
As CIMA's definition makes clear, continuous improvement (*Kaizen*) underpins TQM. This involves the constant analysis of work processes and practices to allow continued improvement in performance and quality. In the past, 2JN has implemented a series of initiatives aimed at reducing product defects and the number of customer complaints. 2JN needs to concentrate more on continuous improvement with a valuing of small improvements rather than instigating new practices as if they were one-off events. Improvements need to be aimed at all areas including production flow, product specification and manufacturing methods.

Positive culture of quality improvement
Quality is increasingly being recognised as the critical issue for modern organisations operating in sometimes hostile environments with intense competition and demanding customers. Ultimately, 2JN's objective must be complete customer satisfaction through quality. This renewed focus needs to be accepted and then reinforced throughout the organisation. 2JN will need to develop a non-threatening culture to achieve this and the commitment to Quality Circles and training will be crucial in breeding the *Kaizen* philosophy.

Scope of TQM
There needs to be widespread commitment to improvement in quality to all customers. All those involved in the company are part of the TQM environment: from top management to the shop floor. As its name suggests, TQM applies to the total organisation and even includes external stakeholders (such as suppliers and customers). Within 2JN, all sections may see themselves as potential customers of other sections and potential suppliers to other sections.

Developing team working
TQM is about designing quality into the product and production processes. This means there needs to be a close working relationship between sales, production, distribution and research. The establishment of Quality Circles within 2JN should help break down departmentalism and help with this process.

Developing new measures
CIMA's Official Terminology definition of TQM mentions clear goal setting and performance measurement from a customer perspective. 2JN will need to establish a system of regular reporting of key indicators of quality. This will involve 2JN setting standards and gathering information that perhaps had previously been ignored. Performance feedback itself should be both quick and intelligible.

Alignment of reward systems
Reward systems need to be revised to encourage a new quality orientation. Incentive reward and remuneration schemes based on (for instance) improvement suggestions and attaining quality targets would be a very rapid way of improving quality and changing working attitudes and behaviour.

A focus on customers' quality requirements
The CIMA definition of TQM stresses products that 'exceed customer expectations' and a need for 'customer focus'. It therefore follows that 2JN's workforce have a vital requirement to focus on customers' quality requirements possibly in a way in which it never has before.

Requirement (b)

2JN's Managing Director has rightly identified training in TQM for all staff as a priority. This training should be organised in a coherent fashion.

Agree key elements of TQM for 2JN
For successful implementation of TQM, an organisation must concentrate on the several key elements such as:

- shared values (including ethics, integrity, trust),
- skills (including teamwork and leadership),
- effective communication.

It is important that the MD and the senior managers agree the key elements for 2JN so that these might be incorporated into effective training programmes. From these key elements, targets and methods of assessing the effectiveness of training might be determined in advance.

Identify different training needs
A range of TQM training will be necessary within 2JN. The differing needs of distinct groups of workers might be identified and a programme for each drawn up and agreed. These groups might for instance include:

- Senior managers
- The workforce as a whole
- Supervisors
- Members of the Quality Committee
- Quality Circle members

Training facilitators and venue(s)
One issue to be addressed is who should provide the training and where it should take place. Analysis of organisations that have successfully introduced TQM suggests that it is preferable for an external consultant with TQM experience to conduct this training. If this is the decision of 2JN, then a suitable budget will need to be established for the purpose.

Training senior managers
It is a good idea to start training with senior managers as they operate at a strategic level within the organisation. It is they that will need to display leadership and drive the quality agenda, so their commitment is crucial. It is likely that consultancy led executive style training (possibly off site) will be the most effective form of training for this group.

Training the workforce
So far the workforce has received no briefing on the initiative, its aims and why it is important. This needs to be done as some priority, and this basic message needs to be reinforced on a regular basis. Meaningful training is needed so that the workforce understands the processes and benefits arising from the TQM approach. 2JN's objectives for introducing TQM need to be explained through presentations and training sessions that allow some time for 'questions and answers'. To be effective there will have to be more than one event arranged and, if facilities are suitable, this should be onsite to maximise uptake.

At the first event there should be a general introduction to the quality philosophy and its long-term benefits. Successive sessions can then deal with more specific aspects covering procedures, next steps, and progress so far, etc.

Training supervisors
Under most TQM schemes, supervisors and first line managers assume responsibility for implementing TQM within their departments, sections and work teams. It is important therefore that supervisors get effective training and support in order to perform their vital role.

In order for supervisors to teach and mentor subordinates in TQM they will need training in areas such as:

- Interpersonal skills development, team working skills, etc.;
- Problem solving techniques, decision making, performance analysis and improvement, etc.;
- Effective mentoring practice.

Training Quality Committee members
Within 2JN the TQM programme will be supported by a Quality Committee which has responsibility for overseeing the initiative. Members are likely to be drawn from all levels of the organisation and all work areas. This group must be trained in the TQM philosophy in a more detailed way than the rest of the workforce. Training will also include how an individual can effectively contribute to the committee's operations. As such, a constitution and standard agenda for meetings needs to be discussed and agreed upon. A training facilitator could show members of the committee examples of good practice in

other organisations and try to stimulate areas for attention. Quality targets need to be set and actual results monitored against these standards on a regular basis. It would seem appropriate that this group be responsible for target setting with appropriate training aimed at assisting this process.

Training in supporting processes and documentation
Those reporting to the Quality Committee will need training in data collection and analysis. Experience of introducing TQM programmes in other organisations has indicated the need for processes, procedures and activities to be undertaken thoroughly with clear documentation. There are several good reasons for this:

- It helps ensure continuity as the programme develops
- It represents a trail of evidence in future quality audits
- It assists in communication of the quality procedures and successes
- It provides feedback and monitoring information for 2JN's Quality Committee

Training quality circle participants

2JN's MD obviously sees a value in the use of quality circles and has identified these as a necessary part of TQM. Quality circles are small groups of staff (typically eight to ten) drawn from all work areas which meet on a regular basis to identify quality issues and attempt to formulate solutions. One of the outcomes of quality circles is that it enables a devolution of authority and responsibility for quality down to a practical working level. Their purpose is to work as a team to identify, investigate, analyse and solve work-related problems or tasks. As such, members of quality circles will need training in the following areas:

- Team roles and team building
- Effective chairing of meetings
- Problem solving and quality-related data collection techniques.

Material delivery and content
2JN will need to consider issues such as the robust design of appropriate training materials and their subsequent updating of content. In addition, issues of delivery and measurements of effectiveness will also be necessary.

(Note: alternative valid approaches to answering this question will also receive credit.)

Requirement (c)

At a recent senior management meeting the MD made clear that TQM is vital to 2JN and that high quality 'will put costs down and revenue up'.

High quality may bring costs down in a number of ways:

- Quality is orientated towards the elimination or errors and, if successful, **reworking costs and scrapped items** will be reduced. This will help drive down unit costs of products.
- Under TQM **internal inspection costs** will be reduced. With an improvement in quality inspection and testing, costs may be reduced or eliminated completely leading to reduced operating costs. Currently, 2JN operates a system of quality control involving inspection of product quality. High quality through TQM will eliminate these costs as everyone becomes his own inspector and quality assurance replaces quality control.
- External quality costs will be reduced. Complaints from customers and **warranty costs** will be reduced as the number of products not meeting the appropriate standards will not be incurred.
- It is possible that, with the emphasis on continuous improvement as part of TQM, **ways of improving processing time** will be found so contributing to reducing costs overall.

Evidence amongst competitors and elsewhere indicates that long-term quality improvement will, in itself, lead to long-term profit improvement. High quality may lead to a growth in revenue in a number of ways:

- Cost savings can be passed on to customers in the form of **lower prices** to generate additional sales and revenue.
- It is true to say that it is far more effective to retain existing customers rather than to attract new ones. High quality is a good route to retention of existing customers and therefore **repeat sales** and revenue growth.
- As quality improves 2JN's **image** within the market place will be enhanced, so strengthening 2JN's brand and position within the market which should translate into improved revenue.
- With an improved reputation 2JN's sales volumes may increase; not only will existing customers be retained but **new customers** will be attracted through word of mouth.
- Despite past attempts product defects and customer complaints have harmed 2JN and it has lost some of its major customers to its competitors and profits are declining. If TQM is successful and high quality is achieved, 2JN might find itself in a **better competitive position** relative to its competitors and so enjoy improved revenue as a result.