***Chapter 2 Examination preparation solutions***

1. A stakeholder is an individual or group that has a vested interest in the activities of an organisation. A business has many stakeholders, both in the internal and in the external environments. These stakeholders have different and sometimes conflicting interests in the business. Stakeholders exert pressure on a business to behave in a particular way. Businesses must listen to the concerns of stakeholder groups and it is their job to balance the competing demands of conflicting stakeholders. Businesses who fail to acknowledge or adequately respond to the concerns of their stakeholders are indeed doomed to fail. For example, a trade union is a stakeholder, an organisation that exists to negotiate fair wages and working conditions for its members. If a business tries to develop a new wage agreement with its employees without appropriately consulting the relevant trade union, the union may recommend that the employees strike (stop work). The business will then lose money in lost productivity and may also damage its reputation.
2. Spik ’n Span Ltd case study
   1. The official corporate culture refers to the culture that management *wants to establish* in the organisation. The official culture reflects the values, priorities and personalities of management and their objectives for the future of the business. The real culture refers to the *actual culture that exists* in the business. Employees do not always behave in the way that they are directed to by management, which means there is often a difference between the official and the real corporate culture.
   2. Real corporate culture is the corporate culture that actually exists in the organisation. This is often different to the corporate culture that management would like to see in the organisation. The management consultant that examined Spik ’n Span Ltd found it to have a poor corporate culture. A business that has a poor corporate culture is likely to have low productivity levels and poor customer service. This is because in a poor corporate culture, employees often do not communicate effectively with each other. As a result, they may be unclear about their roles and responsibilities, they may have poor training for their job and as a result of these factors are unlikely to be completing work on time and as required. As a result, Spik ’n Span Ltd is likely to be underperforming. The customers that use the service will notice that the work is not up to scratch and the employees do not seem to be happy, confident or competent in their roles. Any employees that are good at what they do will try to leave the business and find employment elsewhere, which will make the problem worse. As a result, the business will lose customers, struggle to attract new customers and this will affect their revenue and profit. The management consultant needs to recommend ways to improve the culture at Spik ’n Span so that productivity and service levels improve.
   3. Effect on corporate culture, competitiveness and market share.

* If staff members arrive late and leave early, then less cleaning will get done, or else it will get done less thoroughly. This equates to decreases in quality of work and productivity. Ultimately, employees may fail to meet their targets and objectives on time. As a result, they may lose customers and fail to attract new customers, leading to decreases in competitiveness and market share. If employees are allowed to behave in this way, they may start to believe that the business is not monitoring their performance, or just does not care enough about them or their work. This may make the problem worse.
* The establishment of a policy setting out distinct procedures for cleaning an office space is a positive step that will help to set some expectations for behaviour. Employees like clear instructions and expectations. The policy will provide a standard of work to which every employee must adhere. This may improve corporate culture because every employee will now be clear about what is expected of them. Certainty it helps employees to feel confident at work, which is likely to increase the quality of their work and their productivity. Increases in quality and productivity should help the business to win new work and increase its market share.
* The introduction of a staff uniform will introduce some formality into the corporate culture and may help foster a better sense of being in a ‘team’, since each employee is now a visible representative of the company. A staff uniform may help attract new business because it is a form of promotion, which may help Spik ’n Span Ltd to increase its market share.
* A manager who encourages staff participation in decision-making is likely to have a positive impact on corporate culture. When staff are included in decision-making, they feel valued because their ideas are listened to, and they feel like they can make some real change in the operation of the business. Staff who feel valued are more likely to be productive and loyal employees. The employees that do the revenue-generating work (in this case, the actual cleaning) are often most likely to have the ideas that can really improve business processes. This is because they are the ones that know most about the strengths and challenges of the current system. If the manager can access these ideas, he or she can use them to gain an edge over their competitors and increase their market share.
* A mission statement that promotes the pursuit of profit above all else is likely to foster a negative corporate culture that is competitive, secretive and suspicious instead of teamwork oriented, open and honest. This is because in profit-driven businesses, employees feel ignored and undervalued. Where profit is pursued above all else, employees tend to feel like a disposable resource, which leads to an ‘us and them’ mentality between managers and employees. When managers and employees perceive themselves to be on different ‘sides’, they begin to resent one another and this leads to decreases in quality of work and productivity, which inevitably leads to reduced competitiveness and market share.