THOMPSON RIVERS

CONSULTING LLP

REPORT DONE BY: BONGANI MAFULELA

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19 OCTOBER 2012

BBUS 4250

PATAGONIA, INC.

MEMORANDUM

TO: Patagonia, Inc.
FROM: Thompson Rivers Consulting LLP
CC:
DATE: 19 October 2012
SUBJECT: **ANALYSIS OF THE WORKBOOK PROCESS**

As a leading pioneer in outdoor retailing and company at the forefront of the movement for environmental sustainability, it is with great interest to your internal workbook structure that we write this letter in response to your request to evaluate your current structure and appraise the advantages as well as the drawbacks to the system. We are not in favour of the current workbook process for reasons that will list to you. We feel for a company with such a reputation as you, that you could adopt a less sophisticated but progressive system.

MAIN FINDINGS

With the research we carried out it was very clear and apparent to us that the workbook process was ineffective. However, it did open up communication among employees, and it also encouraged employees to share their ideas with upper management. We do feel that the process can be improved upon, but however we feel that it is in your best interest to adopt new and less involved process.

OVERVIEW OF THE WORKBOOK PROCESS

The Patagonia workbook process in our view was designed to make information about the company's planning, budgeting and quality improvement flow more fluently amongst all the employees. The process was also designed to encourage the employees to take a more active role in the company's planning, operating review and decision making process. We will start our analysis by critiquing and listing what we feel are major concerns of the workbook process.

CONCERNS OF THE WORKBOOK PROCESS

- The process of sharing information could weaken the managers' powerbase, because selective disclosure of information can be used to control and to manipulate employees to do their work.
- The high price of training employees to a certain level, whereas the time and money could essentially be used for other more important business functions.
- The poor deliverance of financial information, an example is the one to two months lag behind of paperwork and also the large proportion of employees who refused to engage with the process because they found it to be tedious, and also the fact that the plan was not accepted by all levels of management.
- The workbook process focuses mainly focuses mainly on planning in advance for the longer term rather than on a day by day basis.

- The workbook process had difficulty in judging environment, quality and distribution objectives, which are crucial success factors for Patagonia, Inc.
- The workbook process is very complex and time consuming. The level of planning and the enormous amount of meetings needed to discuss company plans leaves very little time for constructive work to be done.
- The plan could be limiting in the sense that it does not promote innovations; if anything it encourages people to just stick to a set plan and nothing else.
- The profit sharing plan that was introduced was not based on merit; it was just allocated in equal percentages of the base salary.

On the contrary, the workbook process also has some benefits. Although they are not many advantages we do feel that for the purposes of you making a final decision we should point them.

BENEFITS OF THE WORKBOOK PROCESS

- The workbook process has been significantly embraced amongst the employees at Patagonia, Inc. and the employees that have embraced the process and some of the employees feel that it is worthwhile and that it has given everyone an opportunity to bond; and also optimized better solutions for the company.
- The workbook Process being a much longer term strategy can detect problems or issues before they arise, which is a more proactive approach, rather than waiting for an issue to arise before it gets attended to.
- The workbook process gave a chance for employees at the top of the hierarchy a better understanding of what lower ranked employees where up to, therefore it created an atmosphere whereby everyone was interested in what was happening within the company.

EVALUATION

On the basis of our evaluation, we would like to recommend that Patagonia, Inc. discontinues with the workbook process. We are of the view that the process has served its intended purpose. The process has worked in the sense that it has educated the employees on how the company operates and how their jobs interface with each other. A control system is applied to ensure that an organization strategy is implemented which is not the case with the workbook process. The workbook process focuses on long term rather than looking at each scenario as it arises. In looking back at the time dedicated to achieving company objectives is lacking which we feel is a key component of the future success of the company. A value driver is an objective which can indicate future success. An example would include product design, quality and design, quality and customer service, which are all qualities that you company values.

MAIN RECOMENDATIONS AND MODIFICATION

Our recommended replacement for the workbook process is a Balanced Scorecard. A balanced scorecard is a less sophisticated and more grounded evaluation method. A Balanced Scorecard not only focuses on financial but also non-financial contributors to the success of the company. Management can set objectives that involve different areas of the business. For example the production and distribution could qualify as efficiency objectives, research and development would focus on innovations, and the human resources would look after the quality of life for the employees. We are of a strong view that these aspects are key elements to the success of the company.

The Balanced Scorecard will not guarantee success for Patagonia, Inc. but, it will be a step in the right direction. The Balanced Scorecard does have some drawbacks as well as advantages. The drawbacks are, a Balanced Scorecard can add a new type of reporting without necessarily improving quality or financial numbers; it could be viewed as a non-value adding report method and a distraction for achieving actual goals. One more disadvantage is that Balanced Scorecard goals are easy to reach but hard to quantify. The advantages of the Balance Scorecard are that, it caters for employees who are both financially and non-financially literate, a Balanced Scorecard is less technical and easier to understand, and the last advantage is that the Balanced Scorecard is less time consuming and will allow workers to focus more on their real tasks.

CONCLUSION

In concluding, we feel that the time and effort required to keep the process operational are too costly. The staff within the organization are only partially committed, which in our view is causing complications with the success of the workbook process. The level of training required is exhaustive. The employees who are not financially literate regardless of how much training they receive might never fully grasp the concepts of the workbook process. When an organization focuses all its efforts on financial results, other tasks that cannot be measured objectively and are neglected. We hope that you have taken all of our advice and recommendations into consideration and we would like to wish your company all the success in its future endeavours.