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ESCUELA DE POSGRADO**



Consulting Report – T-Copia S.A.

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MASTER IN BUSINESS ADMINISTRATION**

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PRESENTED BY:

Carlos Arroyo

Silvana Loloy

Advisor: Sandro Sánchez Paredes

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Dedications

To our parents, for their unconditional love and support during this process. Thank you for encouraging us to give our best and for all the effort you put to give us this opportunity.



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Abstract

T-Copia is a Peruvian company with more than 40 years of trajectory, they started providing printing services in their retail stores, and years later, with the technological changes in the industry, they created its second business unit: Digital Solutions. Currently they continue with this two business units, but is one of them which is facing some issues.

After reviewing the financial information and interviewing some of the employees of the company, many problems were detected, overall in the first business unit, reason why the whole project is focused in this one. The key problem in here was that during this year only six of the seven stores have achieved the profitability. After analyzing the company not only in a quantitative way, but also in a qualitative one, the conclusion was that the decrease in the sales was produced overall for the lack of training and motivation in the staff, which led to a poor customer service.

Therefore, the proposed solutions were focused in the improvement of these two fields. Regarding the training it is important to complement the soft skills like team-work or emotional intelligence with hard skills, given that the company's services are very particular and require a previous knowledge to provide an accurate customer service. About the motivation, two fields have to be approached; the first one is the extrinsic, which is going to be solved by the company with the regularization of the payments to the staff. The second one is the intrinsic motivation, which is going to be addressed by the Doctrine of 20%, focused on the employees with more potential and commitment, by letting them use the 20% of their working time in innovative projects to save cost or increase the sales of the company. The proposed solutions will take in consideration the financial situation of the company, and they will represent no big investment of money, because there will be an exchange of services with other companies.

Resumen Ejecutivo

T-Copia es una empresa peruana con más de 40 años de trayectoria. En sus inicios proveía únicamente servicios de impresión en sus tiendas minoristas, pero años más tarde, con los cambios tecnológicos en la industria, vieron la necesidad de crear su segunda unidad de negocios: Soluciones Digitales. Actualmente continúan con estas dos unidades de negocio.

Tras revisar la información financiera y entrevistar a varios de los empleados de la empresa, se detectaron distintos problemas, principalmente en la cadena de tiendas minoristas, razón por la cual el proyecto se centrará en éste. El problema principal es la falta de rentabilidad en siete de sus trece tiendas. Después de analizar la empresa no sólo de manera cuantitativa, sino cualitativa también, se llegó a la conclusión de que la disminución en las ventas se debe mayormente a la falta de formación y motivación del personal, lo que conduce a un deficiente nivel de servicio al cliente.

Por lo tanto, las soluciones propuestas se centraron en la mejora de estos dos campos. En cuanto a la formación, es importante complementar las habilidades blandas, como el trabajo en equipo o la inteligencia emocional, con el conocimiento técnico en los trabajadores, dado que los servicios de la empresa requieren un conocimiento técnico para poder proporcionar una adecuada asesoría a los clientes. En cuanto a la motivación, se abordan dos campos; el primero es la motivación extrínseca, que va a ser resuelta por la empresa con la regularización de los pagos al personal; y el segundo es la motivación intrínseca, que va a ser abordada por la Doctrina del 20%, la cual se centra en los empleados con más potencial y compromiso, permitiéndoles utilizar parte de su tiempo de trabajo en proyectos innovadores para la empresa. Las soluciones propuestas toman en cuenta la situación financiera de la empresa, y no representaran una gran inversión, debido a que se hará un intercambio de servicios con otras empresas.

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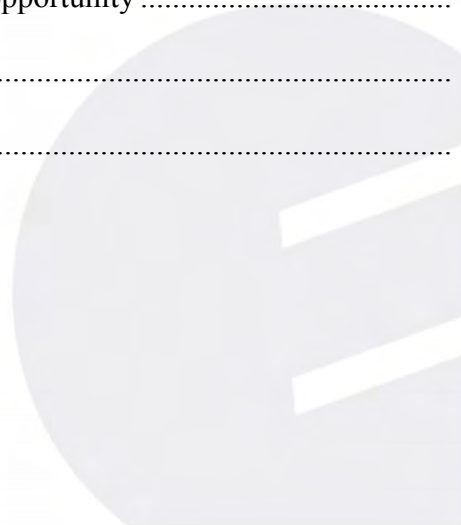
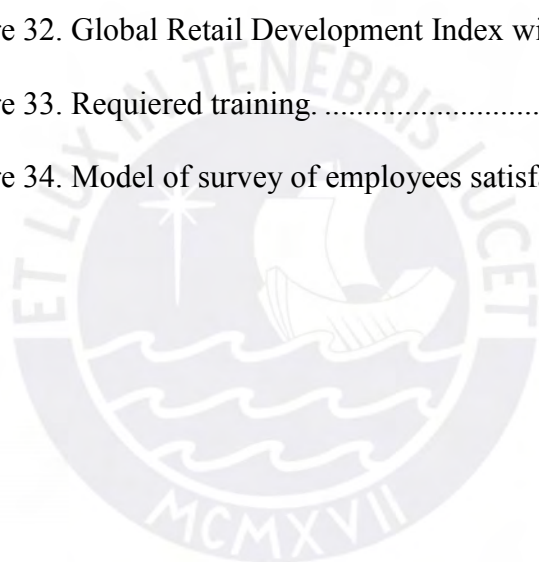
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Chapter I: General Situation of the Organization

1.1 Presentation of the Organization

T-Copia is a pioneer and consolidated with 40 years of continuous successful record company. It offers printing and copying services. As official representatives of global brands (Canon, Duplo, Teriostar, Lexmark, Xerox and Morgana), T-Copia expands to offer digital solutions in the areas of printing and copying from different sectors it is business and market high production. Currently, T-Copia has integrated more than 13 stores in seven districts of Lima located in strategic locations, offering highly personalized service with excellence with excellence in quality (Appendix A). T-Copia develops a permanent technological upgrade thanks to the support of its technical service certified by Canon USA Inc. This experience has allowed T-Copia to interact with more than 1000 companies and major institutions.

T-Copia is a family business that still has members of the family Caballero in key positions inside the organization. They have Jorge Caballero as the Director of the company, Giuliana Caballero and Luis Enrique Caballero as their legal representatives. Even though they are a family business, they have also other key positions cover form outside members that are not part of the family. For example, the marketing manager is Rodrigo Sevilla, which is the person that has provided all the information about the company for this project.

The company currently has two important business units. One of them is the retail stores and the other one is the business solutions. The retail stores are the one that have been since the beginning of T-Copia history. The business solution is a relatively new business unit, but they already have an

important part of the entire revenues of the company. According to Sevilla (2017), both business units have almost an equal distribution of the entire revenues of the company.

1.1.1 Vision and Mission

The vision of a company is how they see themselves in the future and what they want to achieve. (Maestres, 2015). Therefore, the vision will help a company to set their medium and long-term goals. Based on this mission statement, companies can begin to design their strategies for reaching those objectives. Moreover, Francés (2006) explained that the vision has three basic components to be considered as a good vision: (a) Positioning; (b) Geographic approach and; (c) Scope. Both authors agreed that the vision is a long-term objective that needs to have a time limit in order to measure if the company is doing things for reaching the vision in the time that they defined.

The Vision of T-Copia: To be the best company in offering digital solutions in corporate and graphic industry recognized in showing an innovative image and a specialized support service in the Retail channel, having as goal that each client and person associate us as the expert brand of the document (T-COPIA, 2017).

The vision is very ambitious because they want to be the best company of the industry. However, it has some missing points that they have not taken in consideration on the construction of the vision for the company. It is ok that they have set a very ambitious goal, but they have omitted some other aspects. For example, it is important to be precise with the time definition of the vision. They mention that they want to become the best in the industry, however they are not defining for when they want to achieve this goal. Without having a time limit, it is impossible to have a good definition of the vision for the company, because it does not offer a

measurable indicator for evaluating if the strategies that they designed are helping them to reach the goal that they have defined as their vision. Another important point that it has not been considered is the geographic scope that the vision needs to have. It is important to know in which zone the company wants to be the best of. They mention that they want to be the best in the industry, however they didn't mention if they want to be the big player only in Lima, or provinces, or even the entire country. Having those aspects included in the vision of T-Copia will help with the design for short and long-term strategies to achieve the main goal that the owners of the company have defined in their vision. Moreover, being more specific in the time and place, can help to make periodical evaluations to see if the progress that they are making can help them also to achieve the goal.

The mission of a company is the reason of why the company has decided to operate on a specific industry (Maestres, 2015). Therefore, the mission will help a company to see how and why they are going to operate in the market they have chosen. It also defined the way in which they are going to relate with the clients that they are going to have. Moreover, Francés (2006) explained that the mission also has three basic criteria that have to be considered for developing a good mission: (a) Products; (b) Markets; (c) Geographic scope. This basically means that companies need to have a clear idea of what necessity their products are going to satisfy, who are going to be their clients and where they are going to be operating.

The Mission of T-Copia: Advise our clients in the optimization of their work environment by generating value in the technological process, prioritizing areas involved, focusing on their best performance as a company or person, while guaranteeing the best service support. (T-COPIA, 2017).

The mission also has some aspects that are missing in their construction. They defined well that the focus will be on helping the client by offering solutions that will help them being more efficient in their work. However, they are missing the objectives of the organization such competitiveness or annual growth. Moreover, they didn't mention anything about the market which they are targeting to and the type of good or services that they offer to the customers. They are focusing too much in the definition on what they are giving to the customer, but they don't explain too much about how or what actions they are taking to help their customers. They also are not taking in consideration the definition of the market that they are targeting to. Most of their operations and incomes are related to the B2B concept, but they don't mention anything about it. They should have included some information about what type of market they are willing to attract. Also, they are not being specific with the type of service that they are going to give to the clients, they just mention that they are working for giving solutions to their clients, but they are not very detailed in defining the products that they offer, the clients and the environment in which they are going to perform.

1.1.2 Competitive advantage

T-Copia differentiates from their competitors by offering the clients a high quality and on time services for any requirements. They offer the clients solutions that adapt to their needs. Moreover, they are prepared for offering solutions that their competitors are not willing to do for their clients. They are a family business that have been in the market for over 40 years so they have a good know-how of the industry and the factors that can affect them. T-Copia also has two business units that can complement each other and they can give a wider and more complete service to their clients. The adaptability that they have to the new trends on the market has allowed them to be in it for more than 40 years. They also are always looking for the last and top

technology equipment's that allows them to perform and give a high-quality job for their clients. The technological actualization of their equipment's has been one of the main pillars for the growing of T-Copia in the past years, and this is continue to be one of the main pillars nowadays. They operate in an industry in which always there is an evaluation between price and quality, therefore they have to be updated with the last equipment's in the market. That is what they have been doing since the beginning. They have always been following the new equipment's that can give them an advantage against their competitors, and they always trying to be the first to get those equipment's.

1.1.3 Corporate Values and culture

T-Copia has established some basic values that are part of their culture of the organization. They try to make every new employee that these values have to be followed. Some of the values that they defined are the following. (T-COPIA, 2017): (a) Customer orientation; (b) Facilitate processes; (c) Teamwork; (d) Ethical conduct; (e) Continuous innovation; (f) Social responsibility; (g) Environmental responsibility; (h) Orientation to results.

They also have created a commitment that is the base of how they are going to operate and how they are going to get satisfied customers. The commitment is the following: "Our commitment is to contribute to the results of our clients and to the strengthening of their organizations, through a service of excellence and the optimal digital solution." (T-COPIA, 2017).

1.1.4 Business Units

T-Copia has been divided into two business units because of the growth and expansion process of the company. They have a business unit focus on corporate solutions for big

companies. This business unit includes services like outsourcing or renting of printing services for companies, documents management, and many others related of giving solutions to big companies for them to focus only on their core activities. This business unit represents an important amount of the general incomes of the company, and it is relatively new.

The other business unit is the retail stores that focus on the attention of clients that enter to the store. The analysis of this project will be focus on the Retail Stores. This business units offers a variety of services like printing, copies, documents digitalization, graphic design, offset printing, office supplies, special printing services, books on demand. This unit focuses on the attention of the clients that walk into a store and ask for one of the services, but as any retail business, the idea is to get clients that can ask for this service but in a big amount. They now have many stores in strategic locations around Lima, and they have two other stores in provinces, one located in Arequipa and the other located in Trujillo. Both business units are explained in Figure 1

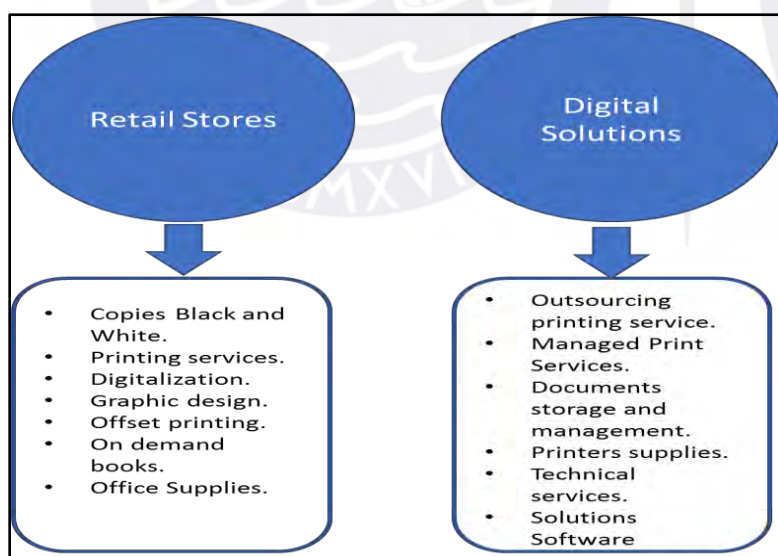


Figure 1 . T-Copia business Units

Taken from “Competitors analysis T-Copia 2017”, by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

1.1.5 Company Strategic Objectives

The company has defined some main objectives that are going to be the base for the design of the strategies for the future. Some of them are related to the general objectives that companies have that are the increase of revenues, and others are focus on solving other type of problems like the ones that they are currently facing in the human resources department. The objective must follow the SMART approach for their design. According to Jung (2007), the SMART approach states for: (a) Specific; (b) Measurable; (c) Attainable; (d) Relevant; (e) Time-related. The company main objectives that they have are the following:

Reduce the rotation of the employees: The operation in each store depends on the people that are working there. One of the strategic objectives of the company is to find a way to convince their employees to stay in the company and not to look for other job, because most of the basic level employees are constantly leaving the job. Having employees for long periods in the company help to increase the efficiency because they know the work they are doing. All new employees have a training process, and they give all the employees some basic knowledge about how the company works. Therefore, keeping them in their positions is a key aspect for the stores performance. Having to pass through all the process of hiring new people represents cost and time that the company can use in more efficient ways.

- **Specific:** Reduce Rotation.
- **Measurable:** KPI: Number of employees that leave the company per month.
- **Attainable:** Achieve employee's commitment.
- **Relevant:** Training new employees takes time and money.
- **Time:** Reduce the rotation by the end of the year 2017.

Improve the client's perception of service: T-Copia has some information of previous investigation that they have made in which the results show that they a little bit below their competitors in terms of quality of the service. For example, when a client enter to a store, on some of the main competitors there is always a person that contact the client with a good attitude and ask them what they need, and that is one point in which T-Copia still have to work. They are recognizing as a company that give very good final goods or services, but they are not strong in terms of the attention that their employees have with customers. This concern specially can be notice in the attention of the retail stores and not on the corporate sales.

- **Specific:** Increase level of service.
- **Measurable:** Surveys to customers about the how they feel the service.
- **Attainable:** Achievable by increasing motivation of employees.
- **Relevant:** A low quality of the services is related with the reducing in sales per store.
- **Time:** Increase the quality of the service by the end of the year 2017.

Increase sale of each retail store: T-Copia have a sort of stores located in strategic locations in which they are close to potential clients. For example, they have one office in Juan de Arona – San Isidro, which one of the main business districts in Lima, therefore they are targeting all the companies that are near this area. They use this criterion to open their stores. However, during the past years, they have been facing some problems in most of the stores. Each store has their own goals of sales, but most of them are not getting to that goal. Moreover, there are some stores that are obtaining negative results and those results are reducing the general profitability of the entire retail store business unit. On important goal is to identify why there are some store that sale more than other, and more important why some stores are obtaining losses. After identifying the reasons of that performance, there is going to be necessary the design of

adequate strategies to face the problem and increase the sale of the retail stores first to make them be all in positive numbers, and after that, working on strategies for achieving the sales goals set by the managers.

- **Specific:** All stores must have positive numbers.
- **Measurable:** Profits and losses per store.
- **Attainable:** Review the plans sales, and objectives per store.
- **Relevant:** Some stores are obtaining losses.
- **Time:** All stores must have profits by August of 2018.

Improve the working climate in the entire company: Having a good climate is important for every company because it can give the motivational factor that employees need to perform better in their jobs. Nowadays they are facing a not so good working climate and that can be reflected in the point number two explained before. Employees cannot be motivated only with monetary rewards; they need to have some extra motivation, for example with the opportunity grows inside the company. T-Copia doesn't have a program of developing of the human talent, which means that the low range employees now that they can't aspire to have a better position inside the company, and this may be one of the factors of the poor customer service. Moreover, they are facing some problems between areas in which there is no clarity on the responsibilities of each department. As a family business, some members of the family are in charge of some key position in the company. However, they just begin the process of bringing talent from outside of the family environment. For example, they have just hired a person for supporting the human talent program, but this program and this employee is under the supervision of the marketing manager, and not of the Human Resources Manager. This mixed up position can bring a bit of confusion on the employees because they don't really now for whom they are working for.

- **Specific:** Have a better climate in the company.
- **Measurable:** Surveys to employees to see how they feel with the company.
- **Attainable:** Work on climate programs in the company.
- **Relevant:** A good climate increases motivation and this leads to better service.
- **Time:** Increase the climate perception of the employees by the end of the year 2017.

1.2 Industry Analysis

T-Copia operates in a type of the retail industry that offers products and services for small and big clients. The small ones are the regular people that can enter to any retail store and ask for a printing service or make a copy of some documents, or ask for other of the services that they offer. The big clients are the companies that can ask them almost the same work, but in bigger amounts. T-Copia has the experience and infrastructure to offer many services in one store, which give them some advantages against their competitors. However, there are many other companies that can offer similar products that T-Copia with low prices, but maybe not in the amount that T-Copia is on the capacity to make. For example, in Lima Downtown, there are thousands of small companies that can also offer services of printing, selling office supplies, preparing business cards and so on. However, there are not so many companies that can offer those kinds of services in the magnitude that T-Copia has, and moreover, there are some special services that require special equipment's which these small companies can't afford. The industry has a lot of players that can offer many varieties of products and services, but there are only some of them that can offer them in a big scale and also can offer them in the same place, like T-Copia. For having a better understanding on how the retail industry is developing in Peru and comparing with other economies, Atkearney (2017) conducted a study whose results are presented on Figure 2:

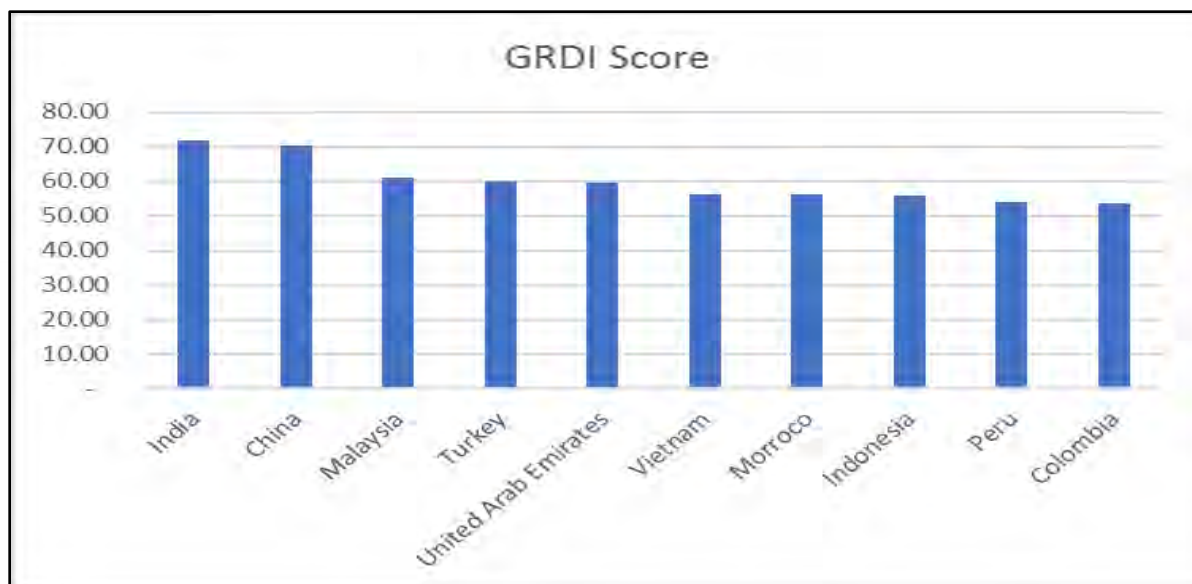


Figure 2. Global Retail Development Index 2017.
Adapted from The 2017 Global Retail Development Index by Atkearney (2017)

According to his assessment, Peru has still a great potential for the developing of the retail industry. This study made an evaluation under for main pillars: (a) Market attractiveness; (b) Country risk; (c) Market saturation and; (d) Time pressure. Moreover, Diario La Republica (2017), published an interview made to a director of Apoyo Consultoria, in which the results show that Peru sales of the retail sector will increase in 4.4% on 2017, and for the year 2018 the projections are that the growing rate will be around 6%. The potential growth of the market can be attractive for new companies to enter in this industry. However, these indicators just give a general overview of the entire retail industry, and T-Copia is operating in a small part of the retail industry which is dominated by the supermarkets and the department stores.

1.2.1 Porter's Five Forces

There are many factors that have to be taken in consideration when companies want to enter to a specific industry. If a company wants to enter into a new market, or if it is already in

this market, there are some factors that always have to be taken into consideration to make sure that their operations have a future. Some of them can be influenced directly by the company, but others are more related to the competitors, and clients. According to Porter (2009) there are five basic forces that can influence the performance of a company: (a) Threat of new entrants; (b) Bragging Power of the Suppliers; (c) Bargaining Power of the Buyers; (d) Threat of substitution; (e) Competitive rivalry. The next paragraphs will make the analysis under Porter's approach of five forces related to the situation in T-Copia.

Threat of new entrants. T-Copia can suffer from the new companies that can enter to the retail sector in which they operate. The company offers a variety of products and services that can easily be replace, at least most of them, without too much effort. For example, they have a graphic business line, in which they can make designs for business cards or make big and special type of prints, and also have the regular printing and copying service. This type of services can be easily replied by other competitors, and they will only need to have the special equipment's, which sometimes are not so expensive.

For this type of services, there are a lot of new companies that constantly are being opened, especially on Lima Downtown. The instituto de Estadística e Informatica, the national institute of statistics in Peru (INEI) carried out a research that give some information about how is the industry receiving new companies. According to INEI (2014), the number of companies that enter the graphic market during their period of evaluation was 1.1% higher than the previous year, and for the year, 2014 there where around nine thousand companies that can offer similar services than T-Copia, regarding the graphic industry. Most of these new companies are located in Lima Downtown, and they are probably under some sort of informality. The location, among the informality allows them to have a lower cost structure that can give them an advantage

regarding pricing comparison which the prices that T-Copia has. However, these companies are small, so they cannot compete with T-Copia when they have much bigger jobs; this is when T-Copia has a competitive advantage.

There are almost none entry barriers for competitors to enter this industry. There is no regulation that does not allow them to operate, and because of the informality, most of them find ways to avoid taxes and other payments that allows them to charge less for their services. In addition, there are no entry barriers from the biggest competitors. Formal companies like T-Copia have their own clients, most of them corporate, and they don't take too much attention for the creation of these new small companies, they are more worried about dealing with bigger competitors because they do consider them as threats. However, this small companies have to be also be considered as a possible threat because most of the services don't require too much know how and can easily be learn and replicate, they may only need a good investment at the beginning, and they can acquire the know how during their daily work. This in the future can give them a cost advantage and may also take some clients from T-Copia, and in general of the other bigger competitors.

Bargaining Power of the Supplier. T-Copia uses a variety of supplies for their different type of services that they use. For example, they have supplier that can give them the items that they need for the digitalization services, others for the office supplies, others for the printing services and so on. They currently uses around two or three companies for each supply that they need, but that does not mean that they are the only ones that can provide the supplies. Most of the supplies that they use are regular and not too hard to find, so if one of the companies that worked whit them failed, they have many more options in the market that can replace those suppliers. That is why their suppliers do not have too much power over them because of the

competitiveness on the type of products that they required is a lot. However, they also reduce even more their “dependence” of other suppliers by making an alliance with bigger companies to be exclusive representatives of some brands such as Cannon, Duplo, Teriostar, Brother and Morgana. (T-Copia, 2017). Having these brands allows them to reduce the dependence of external suppliers, because now they can be their own supplier, and also they can even sell their products to other companies that require those supplies.

Bargaining Power of the Buyers. The clients on the retail sector have not much power on negotiation with suppliers; especially if they buy require small amounts of a specific product or service. For example, is not the same to enter to one of the stores of T-Copia and ask for the only one or two copies than asking for two thousand copies. In that case, the client can ask for a better price and the company will give them a better offer, but the client does not have much power to negotiate that price.

The client has power in the sense that there are a lot of competitors that can offer similar services by lower prices, so the customer can decide if they work with T-Copia or if they go for another supplier. The regular customers that enter to a store have not too much power, but on the other hand, the big companies that are also clients of T-Copia have more power to negotiate better prices. As their requirements are bigger than regular clients are, they have more power when negotiate the price that T-Copia will give them for their services, and if they are not happy with the conditions, they can also look for other suppliers. The main difference is that T-Copia can afford losing some customers that come to a store, but it is going to be more difficult for them to lose one of their big accounts. Nowadays, most of the customers are looking for a good balance between quality and service, and in that matter, there are other competitors that offer similar services with similar quality, but with much lower prices.

Threat of substitution. Nowadays, most of the companies around the world are changing to a tendency of reducing the uses of paper and other supplies that are damaging the environment. For T-Copia, the main concern about this tendency is that if arrives to Peru, their market of printing and making copies is going to reduce a lot. In addition, also the services that they offer of renting printers or selling printing supplies is also going to reduce, and that will damage their profits. Companies are always looking for new ways to be more efficient and obtaining more profits, and cost reduction strategies are most of the times used. By reducing cost in paper, printing supplies and others, companies can increase their profits. The digital era is making things much simpler for everybody because now they can have all the files in one USB or another storage device, or even the cloud services, and they are not going to need more printing services.

Cloud computing services are a trend that has been increasing during the last years. They are many companies that now offer good options on cloud services like digitalization and storage of documents. According to Forbes (2016), the new tendency of cloud computing services is forecasted to bring USD 256 billion by the year 2018, and emerging markets are predicted to have 21% of the entire world consumption of cloud computing services by the year 2018. Peru is an emerging country, so this forecast show that the market of cloud computing will still have much potential to increase.

On the other hand, T-Copia is offering digitalization services, so they also are going to obtain benefit if the new trend continues it grows, but they will be having to reduce a lot of their printers and others supplies that they are not going to be using. However, they are going to be some services that still are going to be needed to be printed such as the special and big jobs that architects required for their blueprints, there are other services that in the future might disappear.

For example, the business cards that people give when they have meetings, might be affected and replaced by the LinkedIn profile, in which people can find more relevant information about somebody's jobs and skills.

Competitive Rivalry. From 2010 to 2016 (6 years) competition has been increasing.

There are 11 companies in the market of reprographics and digital printing. The competition rise is mostly in the district of San Isidro, followed by San Borja, Miraflores and others. The demand is validated for reprographic services and digital printing; however, there is growing competition in the past year 2016. The low entry barriers that are in this industry allows the creation of similar business with almost the same offer of products and services that T-Copia has to offer to the local market.

In this industry, Price sensitivity is notable for demand. The price reprographic services and digital printing is lower in 2016 compared 2015. Prices of T-Copia have not changed or have not been adjusted to offer direct market since 2010, T-Copia is currently above 30% (2015 26%) compared prices on services offered by the competition. However, it has not shown a clear differentiation to justify why it is more expensive, such as service, environment, cutting-edge technology, platforms personalized service (stations), among others. The price difference that T.Copia has with the many competitors that are currently in the market might be a factor of why their sales are decreasing. Customers may change their buying trends and try to reduce costs for their companies, this is why they now are willing to change for cheaper suppliers that may offer them lower prices for the services that they required. Table 1 explains which are the companies that T-Copia consider as their main competitors in this industry.

Table 1.

T-Copias' Main competitors (July 2017)

Competitor	Location	No. of Stores
Color y copias digital S.A.C	Av. Sucre Nro. 1128 (Magdalena Vieja), Pueblo Libre	1
Copex Digital S.A.C. Copias Express	Av. Juan de Arona 645, San Isidro	12
Copias digitales S.A.C	Av. Las Camelias Nro. 580 Urb. Jardin en Lima, San Isidro	1
Copigama S.A.C.	Av. Tamayo Nro. 156 (Costado Edificio Cofide), San Isidro	1
Copimark Center E.I.R.L	Av. Camino Real 348 Int. 9 A-Nivel B, San Isidro	1
Copy Express Perú SAC	Av San Luis N° 2647, Oficina 302 San Borja - Lima - Perú	1
Copi Service E.I.R.L.	Av. Javier Prado Este 2438, San Borja	6
Copyline import S.A.C	Av. 28 de julio, Miraflores /Av. Camino Real Nro. 3 y 4 Int. A108 (C.C.com C. Real Nivel A Tda. 108), San Isidro	3
Imago Express Corporacion de impresiones S.A.C (Imago Impresiones)	Av. Camino Real Nro. 456 Int. C.C. Camino Real B-51, San Isidro	1
Peru Copias E.I.R.L.	Av. Aviacion Nro. 2999, San Borja	3
Perú Office S.A. (Stansa / Ricoh)	Av. Conquistadores 1112, San Isidro	1
Print Planet E.I.R.L.	Pj. Mejía Nro. 103 Dpto. 25 (Alt. Cdra 10 de Arenales), Jesús María	1

Taken from "Competitors analysis T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

Regarding the price sensitivity, T-Copia have made a price evaluation in the year 2015, in which they found some differences between the prices that they charge and the ones charged by the competitors for a similar job. The company prepared a simulation of a job and ask the

competitors how much they will charge for these jobs, and then they compare the results with the prices that T-Copia will charge for the same job. The results are shown on Table 2.

Table 2.

Price comparison of T-Copia and main Competitors (2015)

Company Name	Price	Difference	% of difference
T-COPIA	S/.20,969.40	-	-
SATANSA -RICOH	S/.18,537.09	S/.2,432.31	13%
COPYLINE	S/.18,059.60	S/.2,909.80	16%

Taken from "Prices of Competitors", by T-Copia, 2015, Lima, Peru: Rodrigo Sevilla.

There are also some other qualitative considerations. For example, the "immediate" response has been absent in quotes. Example: Marketing manager sent quote request to all service companies and T-Copia has not responded (date: June 24, 2016) and five competing companies quickly responded (copiasExpress, Comimark, Copyline, imago and Copiservice). Management tools (letters, quote, brochure, general information) are in disarray, one single format is not used, so it is difficult to control management and customer retention. Poor customer service when customer enters the store. This is a differentiation point, in which competitors are doing better. Database: Client portfolio unchecked, allowing competitors take them through high staff turnover and a consequence of possible recruitment of former staff of T-Copia. Switching cost is low for Printing and copying services, since there is no high differentiation with the product provided with high price sensitivity of the customers. In consequence, it's hard to establish high customer loyalty.

The summary of all the factors is shown on Figure 3:

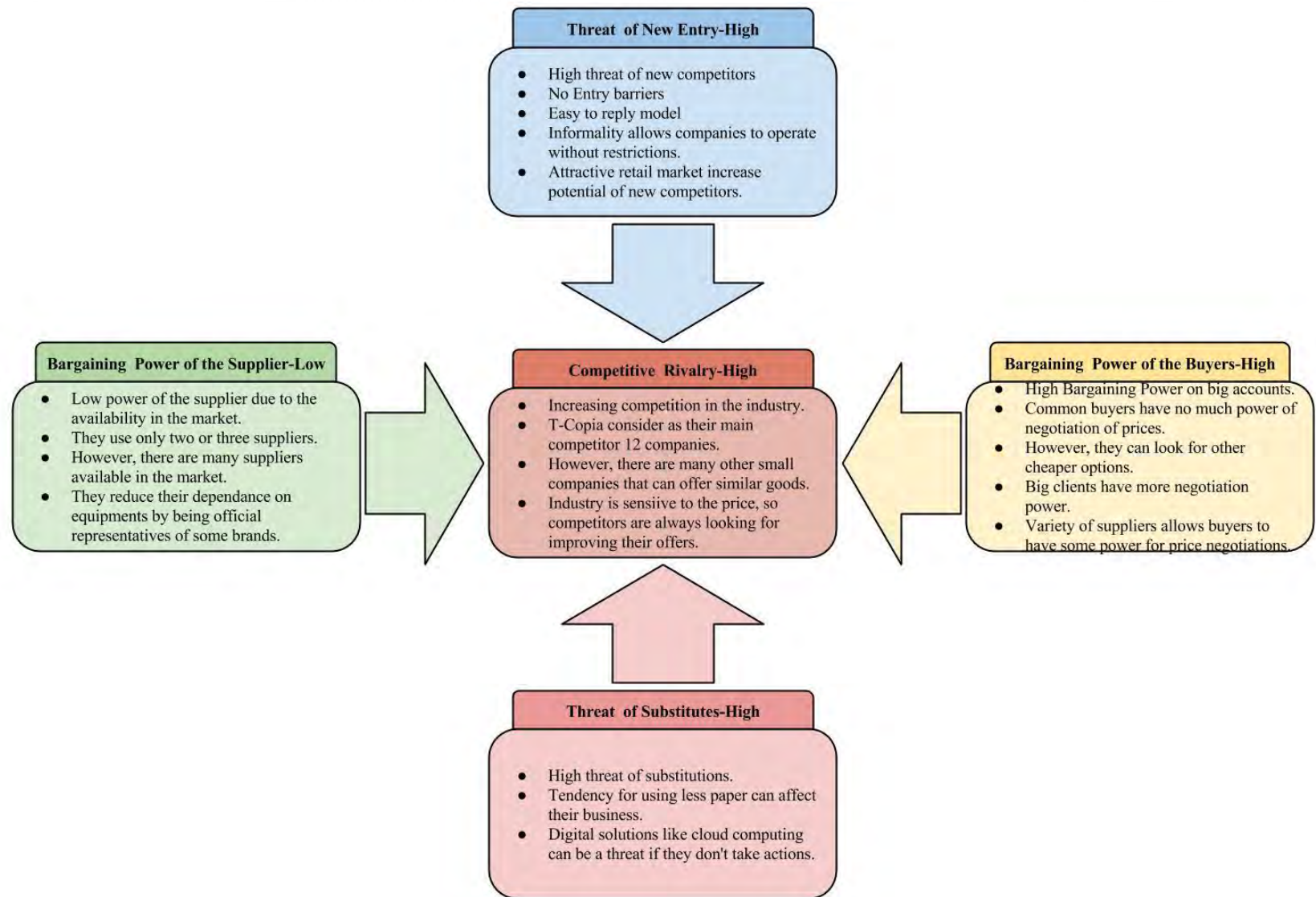


Figure 3. Porter Five Forces for T-Copia

1.3 External Analysis

There are some factors concerning the environment that the company cannot control. These factors can be drivers for taking opportunities for improving the performance of the company, or it also represent threats that the company will face. It will depend on the company what solutions or strategies they will design to take advantage of the opportunities, or take actions against the possible threats. Some of the main external factors that can influence the performance of any company are going to be explained in the next paragraphs. At the end of this analysis it will be possible to have a clearer idea of about what are the threats and opportunities that T-Copia may face from the environment in which they are operating.

1.3.1 Political

The current political situation in Peru has made the economy stop and that affect in general all type of business. The problems that the local government is having with the decisions that they have made so far are increasing. According to Gestion (2017), since the government of the president Pedro Pablo Kuczynski starts, there have been around 829 protests against the decisions made by the government. This is a bad indicator for any country that wants to attract foreign investment and made their economy more dynamic.

Moreover, according to the assessment made by Transparency International (2017), they have found that the perception of the corruption in Peru is one of the highest in Latin America. Peru is currently on the position 101 of 176 evaluated countries. In comparison with some of the most important economies on the region, Peru is not doing so well. For example, Colombia is on the position number 90, Brazil is on the 79th position, and Chile is on the 24th position. This indicator is important, because added to the perception of no strong government; foreign investment will prefer to look for some other countries to take their money. If companies take

their investment to other places, then there will not be clients for T-Copia to offer their product or services. For example, during the years 2016 and 2017 there have been some investigations made by the Peruvian government about some irregular contracts given to the Brazilian company Odebrecht. The investigation found out that the last government of Ollanta Humala, former president of Peru during the years 2011-2015, have made some illegal agreements with Odebrecht in order to obtain some big projects for the company, in exchange of a monetary compensation for the public functionaries of the government. (RPP Noticias, 2017). This type of behaviors projects an image of a very corrupt government system in the country which will not be too attractive for companies to make investments in Peru.

One important factor that for many years has been a constant problem in Peru is the informality. Informal jobs and informal companies are very common, and they disturb the fair competition on the industries in which they operate. For example, informal companies do the sales and they don't pay taxes, and they also hire their employees also under an informal way. With these actions, they reduce their cost structure and that is why they can charge lower prices than their competitors. According to some information obtained from Instituto Nacional de Estadística e Informática (INEI), on the year 2015 of the entire working force in Peru was almost six million people, and from that the informal employees were around 73.2%, and the commerce industry is responsible of 22.4% of the contribution of the informal companies. (INEI, 2016). The informality in Peru have been a common problem that many governments had to face but they didn't find an effective way to eliminate it, or at least reduce it in a significant amount. During the last elections in Peru, this was also a topic that was being discussed, and all the candidates have state that they will fight against informality because it damages the Peruvian economy, but at the end, the elected president has failed with this subject.

1.3.2 Economic

Even though Peru is facing a hard-political situation, there is still some potential for economic growth. After the 2008 world financial crisis, Peru was one of the countries that still show a positive growth rate. According to the World Bank (2017), Peru is having an increasing GDP for many years and under a scenario in which most countries had negative rates. Moreover, during the last years, Peruvian GDP growth rate have been reducing, but it is still in a positive way, and for the year 2016 the GDP growth rate was 3.882. This continues growing rate is a good indicator for investors because they know that they will be working in an economy that has a good economic future. Figure 4 will show the GDP and % of growth that Peruvian economy is having.

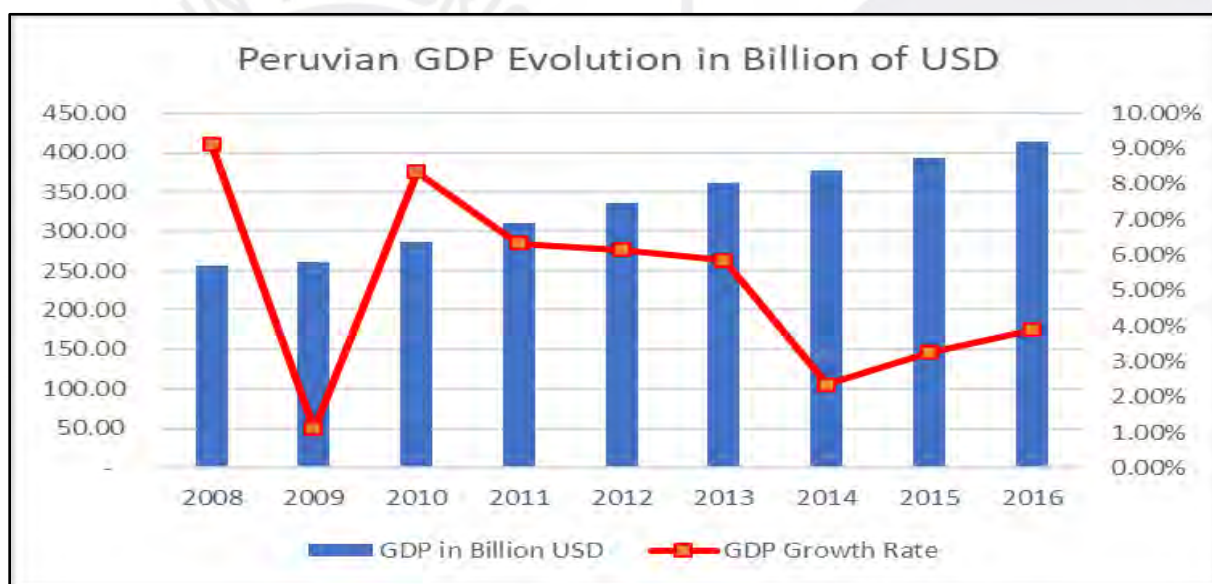


Figure 4. Peruvian GDP Evolution 2008-2016.

Adapted from The World Bank Data (2017)

(<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=PE&start=2006>)

Even though, the growth rate is still positive, the local government is still worried about why their growing rate is not as good as before, and they are working on solutions to solve this issue. Under that matter, the Ministry of Finance and Economics (MEF) has created a plan called “Plan de impulse económico”. This plan aim to get a GDP growth rate over 4% for the year 2017 and it have 6 pillars: (a) A fiscal boost of five thousand million soles; (b) Promoting a more dynamic formal employment; (c) Promotion of easy access for buying houses; (d) Financial support for micro and small companies with credits programs; (e) Promote the program “Obras por impuestos” in which companies can compensate tax payments by making some contribution on the infrastructure of the country; and (f) Developing a program for projects in key areas looking for sustainability (Mef.gob.pe, 2016). The main objective is to keep as an attractive country for investment and also keep a good dynamic in the local economy that has been facing some problems on increasing the GDP growth rate.

The economical behavior of the company is much related with the performance of the company. During an interview with the director of T-Copia, Jorge Caballero, he mentioned that their business is very sensible to national economy. He explained that when there are some projects that are being developed, obviously they have to be presented in hard copies for the people that are going to be in charge of their evaluation. This means, that if the Peruvian economy is going well, there are going to be more projects, more projects means more printings that are going to be needed, which impacts directly to the work load of T-Copia (Caballero, 2017).

1.3.3 Social

For the social factor, it is important to have and understand some of the demographic information that can be obtained. For this evaluation, the main source will be the INEI because it

is the national organization in charge of collation all the relevant information about the population. The first important indicator is that in the year 2015, Peru has around 31 million people and the distribution and from that, around 76.70% is urban population, with Lima as the city which concentrates most of the population. In more detail, of the entire population, the group of age between 20 and 40 represents 32.61% of the population, and the group of age under 20 represents 37.19% (INEI, 2015).

These numbers are important for two aspects. The first one is that the range of age from 20 to 40 is the people that the company will be trying to hire because they are the ones with the energy to be in front of the retail stores business unit. The dynamic and energy from this population is important, but it is also important to combine them with other skills. The second aspect to take in consideration is the importance of the group of the age range lower than 20, because they are the ones that just enter the working market, or are going to be part of it in the future. Therefore, this indicator gives a general idea of how much people is going to be available for hiring in the future. This is a very important approach because there are some countries around the world that are facing problems because their working force is getting to old, and their birth rate is low. For example, according to BBC News (2015), Germany is facing some problems with their birth rate, and they are worried about their working force getting to old and not having enough population that can replace them. This problem will affect their economy in the future on some industries, like the manufacturing because this is more operative and dynamic and there is needed to have people that can be able to perform those kinds of activities.

1.3.4 Technological

One of the main historical activities from T-Copia is making copies of documents, or printing services. However, these types of services have been reducing in a significant way in

comparison on when they begin their operations. T-Copia is a company with more than 40 years in the market, therefore it has been through the beginning of the digital era. Some years ago, companies used to print all their documents and put them in files and storage them in big files, and that takes too much time and space, which also means extra costs for companies. However, that trend is coming to an end. Chavez (2001) some years ago stated that the digital era is making big advances and the digitalization of documents have helped with the filling problems of companies, because now they can have all their files in storage devices. This statement was made 16 years ago, and now the digital era has made more advances, and now there even are cloud services offered by companies such as Google or Dropbox that can help with the storage problem.

This represented a problem at the beginning for T-Copia because one of their historic activities was in danger; in fact, they are still in danger. However, they have managed to keep updated and now they offer digitalization of documents as one of their services, because they now know that this is the future and this is having good acceptance in the market. For example, Carmona (2007) gives an example about a company called Popular Auto that has managed to save USD 125 000 by using digital documents and increase their efficiency because documents were easier to find. It is important to understand that they only offer the digitalization of documents and not the storage of them. Digital trends are more important now and the digitalization has been demonstrated that is good for increasing efficiency and reducing costs for companies.

Another technological factor that can affect the company is the e-commerce business model penetration in Peru. According to Caballero (2017), he mentioned that they have plans to begin working on the project for offering e-commerce approach to their customers. However, there are some numbers that have to be reviewed by the company if they plan to begin operating

using digital platform for making sales. For example, there are some indicators reflected in a study made by Arellano Marketing in the year 2015 that give some clear information about the internet penetration in Peru, and also there was a study made by INEI (2015) showing how much people have access to internet in Peru. The evolution of the access to internet is shown on Figure 5.

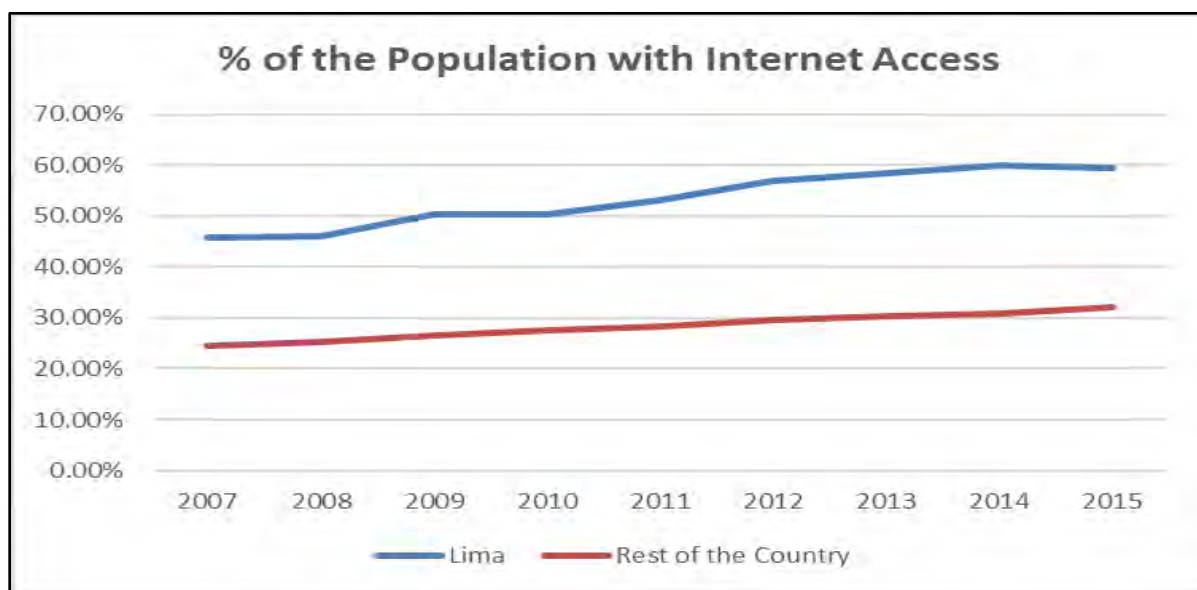


Figure 5. Peruvian access to internet.

Adapted from “INEI- Tecnologías De La Información Y Comunicación”, Instituto Nacional de Estadística e Informática (2015).

The study conducted by INEI confirms the growing tendency of the Peruvian population of access to internet. Nowadays, more people have access to internet services, especially in Lima, which the growth rate is a better than in provinces in which the internet penetration is under 35%. Even though, the research shows a good growing rate of internet penetration in Peru, another study conducted by Arellano Marketing shows results that are not so good for companies that wants to try e-commerce. The study shows that almost 90% of the people have never uses

internet services for making purchases of any kind, which is not a very good number for the e-commerce business. These results are shown on Figure 6.



Figure 6. Peruvian uses of internet for buying.
Adapted from “ENCP 2015 - Perfil del Consumidor Peruano” Arellano Marketing (2015)

Both studies show that the Peruvian market is still very aware of the dangers that making e-business could bring, as the leaking of private information, or cloning of credit cards and so on. This might be one of the reasons of why the main board of T-Copia is still evaluating the viability implementing e-commerce, because of the low penetration that this business model has in Peru.

1.3.5 Environmental

Companies under this type of commerce are not too much influence by the ecological factors. However, there is a tendency on reducing the use of paper that is growing around the world. However, Peru is not a country that is well known for this type of environmental

concerns. If that type of tendency comes to Peru the company will have to adapt for example their paper options into cleaner options like using recyclable paper, or not using paper at all and focus only on the digitalization of documents business. Moreover, there are other options aside from paper recycle. For example, the American company Staples have a program to promote the recycle of the ink and toner packages. For using the program, first clients will have to buy at least 30 USD on ink or toner for printers, after that they can return the empty packages when they want to buy more ink or toner, and the company will give them back 2 USD as a compensation or “reward” for being part of this environmental initiative. (Staples.com, 2017). The idea is to be prepared if the new tendencies arrives to the Peruvian market and try to design strategies like the one show in the example for showing the clients that they are a company that is worried about the environment.

1.3.6 Legal

Some of the legal aspects that can have an impact on the industry in which T-Copia is performing are related with the work legislation that Peru has. In Peru, the government organization in charge of the preparations and promotions of laws that have to be approved by the congress is the Ministerio de Trabajo y Foramcion de Empleo. The main job of this entity is to give the employees and the employers the framework in which they can work, and the basic rights and responsibilities that they have as part of a well constituted and formal company (Ministerio de trabajo, 2017). One of the main problems in Peru, as it has already been explained is informality. It is because this way of operating that most companies prefer to remain as informal, because if they became formal, they will have to pay taxes, and also they will have to give their employees social health, and that obviously will increase the cost structure of the company. This is why most companies, even though they are constituted as formal, they still

have some of their employees hired in a way in which they don't have to pay them any extra amount apart from their salary.

1.3.7 Opportunities and threats

Some of the main threats identified after the external analysis, is that there are many competitors now in the market, and also they are not being regulated by anybody. Peruvian law has established some rules about informal jobs and companies, but there is no much work on following that these rules are being followed. Another threat is that there are no barriers to any company for entering the retail market in which T-Copia is performing, and there is no much complex know how that have to be learn for anybody who wants to open a similar business.

Another threat that can be detected is that the inefficiency of the local government has made the economy to deaccelerate and all the investments are stopping, because people don't know what course does the government is going to follow, so the feeling of uncertainty is making investors thinks twice at the moment of putting money in some business.

Some of the opportunities identified are that the market is still growing, and the economy of Peru, despite the last years, is still one of the most healthies economies in the region. Also, there are some plans for boosting the entire economy again, and this is good for T-Copia, because more business means more potential clients for them. This is a good indicator for the business because a more dynamic economy means more work for companies that offer services like T-Copia. In addition, there is a good part of the population that is in a working range, so that means that the company will have no problem in finding people for covering the basic job positions that they need, they only will have to work on making sur that these new employees will be staying in the job for a long time. The opportunities and threats can be seen on Table 3,

and also with an indicator of how much impact it will have in the company between a range from low to high.

Table 3.

T-Copia table of opportunities and threats.

Opportunities	Threats
1. Retail market potential growth.	1. No entry barriers.
2. Government efforts to recover economy.	2. Informality allows the creation of new companies that don't follow the rules.
3. With the digital trend, there might be new opportunities for developing new businesses.	3. Digital era might put in danger the copies and printing services.
	4. Easy of replicate business model of retail stores.
	5. Environmental trend might arrive and change consumers' trends of consumption.

Own Elaboration

1.4 Internal Analysis

The internal situation is very important to understand how a business is going well or bad. There are some areas which are more sensible than others and have more impact on the performance of the company. The following lines will present an internal evaluation of the company focusing in the main areas that have influence in T-Copia, and supported by some interviews with members of the company that can give their own points of view of how things are being managed inside the company. The internal information will help to find out which are the strengths and weak points that the company have to deal with in order to be more efficient and try to reach their objectives.

1.4.1 Administration

There is clear organizational structure with job descriptions; however, people do not abide well to the administration. There is one store manager on every retail store, but they work as they were an independent company, there is nobody in charge of connecting every store

manager and processes they require. Also, there is a lack of cooperation between stores. For example, when each store is short of some supplies, they make purchase separately at their needs. This has created overall higher material costs. This is highly inefficient because buying small amounts of a supply is not the same as buying a big amount of it. The concept of economies of scale is not being well understood.

As, there is no person responsible for overseeing all the stores, each store manager reports directly to Rodrigo - the marketing manager, which is not the best way to go because he was hired for doing marketing activities and strategies. Rodrigo has a lot of flexibility in solving problems, but he wasn't granted any budgets and sometimes he has too much work to do that is not related for what he was brought to the company.

The organization chart of the company can be seen in the appendix B. As it can be seen, it is a sort of function distribution. The main problem with this distribution is that there is no clarity in which is the responsible of each department. This is why they have a mix up functions as it can be seemed with the new member that is in charge of the human resources functions, which is under the supervision of the Marketing Manager, Rodrigo Sevilla. The organizational shows that they currently don't have a special department that in charge of managing the retail stores. They just have store managers on each store, but they don't have any type of integration and collaboration between them.

According to the interview with Lorena Urbano, which is a store manager from one of the most profitable stores located in Juan de Arona-San Isidro, she mentioned that there are also some internal problems that do not allow her to manage efficiently her team. She mentioned that sometimes they face financial problems and they cannot pay their employees on time, and the

managers argument that they are not going to pay unless the people on the stores are available call all the clients that these stores has and collect the bills that are unpaid (Urbano, 2017). This create a feeling of disconformity with the employees because they feel that they are almost been treated by the company. The unpaid employees most of the times show their disconformity by skipping the job without any advice, and this give a big problem to stores managers because they are going to be facing a lack of personal on the stores, which brings a bad image to the store and the company.

1.4.2 Marketing and sales

They currently have a marketing manager, which is very busy doing other activities that are not related with marketing itself. These other functions that he is developing don't allow him to concentrate and take a lot of time thinking on marketing solutions. However, there is still some advertisement that the company has being doing such as web advertisement, and use of social media such as Facebook. However, the content published in the social network is not good enough to attract new clients, and also the time of response thorough that platform is low. Moreover, marketing is conducted through magazines and other written media (IT channel, Agudi, etc); their delivery is free to companies. Events are hosted in Hotels to promote the area of solutions and Grafınca "graphic fair", all along with Canon. Below the line Marketing involves customized shipments with the services of the unit and telemarketing. Email is used to advertise services such as wide format and color printing on seasonal dates, through database and street communication. The structure and plan of Communication and Advertising was made, but the budget was absent.

Nowadays, they have a special person in charge of watching over all the social media communication and interaction with possible customers. However, they don't have a way to measure if the impact of having a person in charge of all social media are really working and turning from possible customers to real customers. The main idea to have this type of position in the company is to keep close to customers and be aware of what they need. This is why for solving the low rate of answers through web services, T-Copia now has a community manager. They even have set up a special feature on their Facebook page to ask for rates for some jobs that customers will like to purchase. This is a good way for having another opportunity of making a sale through this new digital platform. In addition, T-Copia is giving more importance to the development of their social media for letting know their customers the news about the company. For example, they are now working on renewing the image of some stores and they announce it through their social media. An example of how T-Copia Facebook page looks is shown on Figure 7.

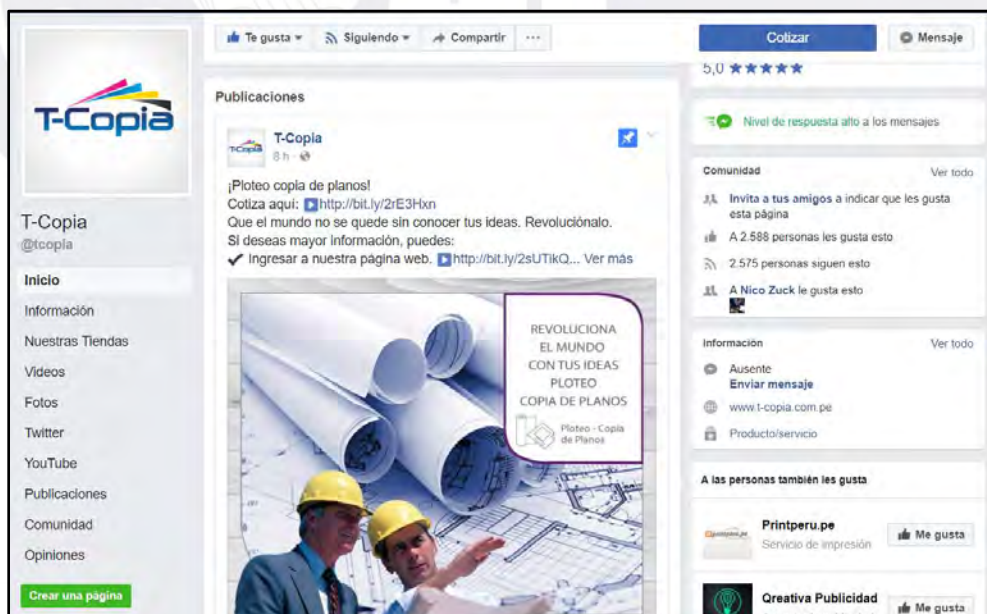


Figure 7. T-Copia Facebook Page example.

This new format of the Facebook page is a good initiative to keep in touch with their clients, and also, they can use this platform for marketing purposes. Is cheaper to post images or vides with the presentation of the company and the services that they offer. However, for having better results with this type of marketing campaigns, it is important to have a good amount of people following the page. In addition to the Facebook page, there is also a Twitter page that is planned to be used also as a way to keep in touch with regular customers, or attract new ones. The Twitter page is shown on Figure 8.



Figure 8. T-Copia Twitter Page example.

Regarding the sales force of the company, at least for the retail stores, they are being leaded by the new sales manager Kristy Mory. She is responsible of all the sales team of T-Copia retail stores. According with the interviewer with Mory (2017), she explained that currently they are trying to have a sales executive in three or four of the most profitable stores in order to deal

with the current clients and try to attract new clients. These sales executives are in charge of dealing with regular customers, and also try to get new customers and recover previous customers that have gone with the competitors. These sales executives have their own goals for that they have to achieve in order to obtain a bonus. However, there is a new proposal for redesigning the incentives and bonus programs. Nowadays, sales executives are focus on the B2B approach, and they are doing a good job, but they are not getting much new customers. The new proposal will set new goal and bonus according to the performance of the sales executive. For example, the new model proposes to give a bigger incentive to the sales executives that bring new customers to the company, and reduce the amount of commission that they are getting for keeping the regular customers. Moreover, these new models will also give extra incentives for those sales executives that can bring back the old customers that have gone to the competitors. The sales manager has detected that most of the employees are comfortable with the current situation of sales that they can manage, and that is why they don't make efforts for bringing more customers to the company. This is why she designed this new model that is focusing on bring more revenue sources to the company.

1.4.3 Operations

As some of the process evaluated were very straightforward, like printing or taking a copy of a document, the evaluation of the operations is going to be based more on the quality of the service that the employees gives to the customers. Based on Store visits the consultants have conducted (Javier Prado and Benavides stores), the experience was not optimal. At Benavides location, there was first some errors printing documents, then the employee forgot to return the USB drive. One male employee at the second store was not very attentive with perfunctory attitude. Additionally, there is no good inventory management: People in the store are not

updating the inventory information. More importantly, there is a big client retention problem: T-Copia has no clear strategy and operations to maintain the frequent customers that come into the store. The main focus of the people inside the store, especially if they are a sales executive, is trying to keep the big clients that they have now.

According to the interview made to Mory (2017), she explained that one time she visits some stores in order to see how the employees on these stores perform when a customer comes in. She found out that in most of the stores, the customer has to wait until one of the employees have the will to ask them if they need anything. This is not good for the company, because employees now that when customers enter to the store they are the ones that have to go talk to the customer and offer them help. There is a manual of functions in which they detail that one of the main activities that people that are in charge of the customer service on the stores have to bring a fast attention to any clients, and help them in what they required. However, this is not being accomplished, at least not in all the stores.

The manual of functions has been handled to every employee on T-Copia, however, it just has been implemented in the year 2016, and that may be one reason of why people don't have a clear idea on what they have to do. There is still room for some corrections in the manual because, as it is new, it may have deficient or not clear instructions that employees could not understand. This is where another important point comes into place, the induction process.

According an interview with Lorena Urbano, she mentions that every employee need to have at least one month of preparation before being able to have the required knowledge and skills for customer service. (Urbano, 2017) However, one of the main issues in this topic is that employees are only receiving one week of induction process, and sometimes they don't ever receive a single day of induction. This is a key point, because the company expects that employees perform

under the manual of functions that they give them, but these employees don't receive the proper training or the opportunity to ask questions about points that were not clear in the manual of functions, which can lead to misunderstandings that at the end will be harmful for the client.

Another issued that could collected form the interviews made, was that most of the stores are not willing to collaborate between each other. According to the interview with the store manager of Juan de Arona, she mentioned that sometimes they fell that they have to beg other stores for their help. There is no will of collaboration between stores, because they fell that if they give help, they won't be able to perform and achieve the goal of their own stores. They see the stores as independent businesses and that is why they don't want to collaborate. They are not focus on increasing the competitiveness of the entire company because stores only are focusing on their own benefit.

1.4.4 Finance

There is no financial manager, which means there is no one specific person in charge of financial issues. Currently, Rodrigo is preparing financial report; financial decisions are made by the main board, which always guess, assume financial situations without really using solid numbers. They are facing big Difficulty: T-Copia is losing money on the business solutions, which in turn cuts budget for the retail stores. Currently, only seven out 13 are not making money. At the same time, they have a lot of clients are not paying on time.

According to an interview made with Jorge Caballero (2017), he mentioned that now they are facing three options for improving the financial situation of the company. He mentioned that the next three actions are being evaluated: (a) Turn the unprofitable stores into "independent stores" that will work under a Pyme (micro and small company) approach; (b) Make an increase

on the equity of the company; (c) Refinance their current debt. With these actions, the director expects to have more liquidity for making payments. The payment of their employees is also considered as a top priority because they are aware that nowadays this a key issue on the motivation and performance of the employees.

T-Copia has two business units that are having different financial results. For example, the Digital Solutions' Business Unit is being very profitable. In fact, this is one of the main causes on how the company experiences a growing rate during the last five years according to the director Jorge Caballero. Moreover, the company received an award on the year 2009 from Canon Latin America for their performance on sales, and this was for the products listed on the digital solutions business unit. (RPP Noticias, 2009). On the other hand, the retail stores business unit have been facing very difficult financial situation in the last years, and some of their stores are being unprofitable, which is making the company have loss profits. Figure 9 will give an idea of the financial performance of the company.

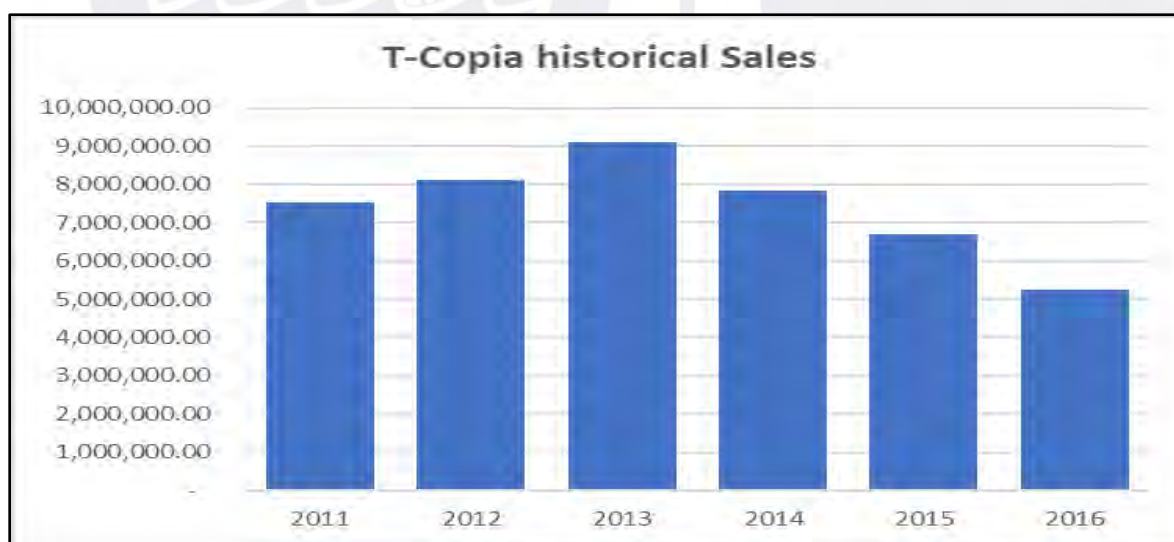


Figure 9. T-Copia historical sales 2011-2016.

Adapted from “Análisis Ventas Retail T-Copia”, by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

The financing situation of T-Copia is changing since the year 2013, in which they reach their highest sales point of the last 5 years. This could be related to the performance of the Peruvian economy also since the year 2013. As is has been explained before, during the last years the growing rate of the economy of Peru have been decreasing, and this affects many industries. This deceleration of the economy also has influenced on the performance of T-Copia, because as its General Manger explained, this is a business that is almost the reflection of how the economy is performing. If the economy is not going well, there will be no need for some of the services that T-Copia has to offer. For having a better understanding on how much was the impact of this decrease of sales, Figure 10 will show how the growing rate of the sales of the company is behaving. This is also a reflection of how the behavior of the economy of the country impact the performance of the company.

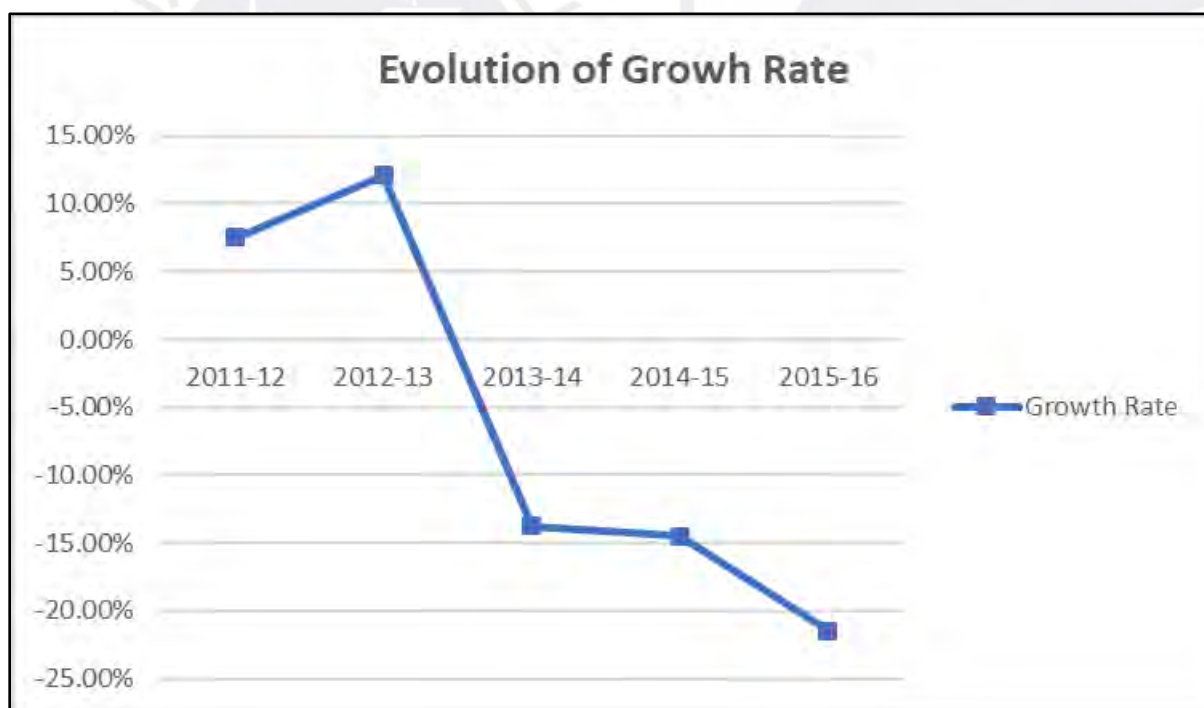


Figure 10. Sales Growth rate 2011-2016.

Adapted from "Análisis Ventas Retail T-Copia", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

Both figures show that the financial situation of T-Copia has been suffering some decrease growth rate. The problems began on the year 2013, in which they begin their expansion process and start opening more stores. The idea is that if they open more stores, then the sales are going to increase, however, the information collected shows the contrary. Sales are going down even though they have more stores than before. It is important to take in consideration that sales do not mean that this is the money that the company will keep, because there are other costs involved that have to be analyzed more deeply, and obviously if the sales are low, the profits also reduce. The financial analysis of the company will be done in Chapter IV of this project in the section of the quantitative analysis.

It is also important to know that it was only possible to make this financial analysis of the company with the information that could be obtained from the company. The information regarding the balance sheet and profits and losses in a more detailed way from previous years could not be obtained from the company.

1.4.5 Human Resources

The Human Resource department is currently in chaos. First, HR manager only does the payroll works, without spending time and resources on developing talents. He is preoccupied with dealing with previous workers on Admin processes and payrolls. Secondly, there is no clear HR strategy. Thirdly, a new HR Assistant has been recently hired; however, she works under Rodrigo, the marketing manager. She is trying to develop talent development programs at this moment.

More importantly, based on observation and surveys, Store employees lack Motivation, and high turnover has been a normal among them. When someone new is recruited, there is a

lack of necessary training. Function manual for store employees exists, however not exercised. According to an interview made with Rodrigo Sevilla, he said that one of the main problems about T-Copia is that they have all the rules, and they know that there are rules that have to be followed, however nobody following them, and nobody to make sure that these rules are being followed (Sevilla, 2017).

Nowadays, one of the main problems in the stores is the rotation of the employees that they are having. The current rotation ratio of basic level positions on the year 2017 is around 70%. (Sevilla, 2017). This represents a problem for the human resources department because they have to spend a lot of time doing interviews to people that are going to leave the job very fast, and when they leave, the human resources department will also have to spend time doing all the paperwork involved. This dynamic takes too much time to the human resources department, and this may be one of the possibilities of why they are not developing programs for retaining the talent and improve them.

1.4.6 Information system and technology

There was a telephone exchange and generated a reception order with their respective segments, web page, was commissioned System, but the area was diluted and only outsource the maintenance of the SAP. There are no plans for implementing a special department of information technology in the short term.

In the past, they use to third-party their technological services, but now they have abandoned it. Nowadays buy PC or Laptop on demand, but maintenance care is problematic. In the past, because they rent the equipment, they just have to call the supplier of the service and they are sent an employee to solve the problem because it was part of the service. Now, they

have to contact an external guy that can offer repair their computers or laptops, but they have to wait until the guy have time for going to the company and solve the problem.

One of the T-Copias main features is that they are always trying to get the most advance equipment's for offering good services to the products. According to Jorge Caballero, he mentions that when they start the business, they were focus on having top technological equipment. Moreover, he mentions also that he is still involved in the process on looking for the best equipment, by going to international expositions in which the new equipment is being showed and make an evaluation if it is going to be possible and profitable to take the new technology to T-Copia. (Caballero, 2017). In addition, during the interview, Jorge Caballero mentioned that they are evaluating the opportunity of the e-commerce business model, and include it in the offer that T-Copia has for their customers. As it has already been analyzed on the precious chapter, the penetration of internet in Peru and the willingness of people for doing online purchases is still very low, due to the lack of confidence for this business model. Maybe this will be a good opportunity on the future for improving the performance and the quality of the service for the customers.

1.4.7 Strengths and weaknesses

The main strength that T-Copia has is the name that they have gain during the years that they have been working in the market. They also have a good adaptability approach in which clients can feel satisfied for the final product or service that they offer. One of the main differentiation factors that they have is there willingness for making the customer happing and adapting to their needs, as small or big as they can be.

The weaknesses that they show are broader. They now face some problems in the entire organization because there is no clear organizational structure. There is a mix up in the functions of managers. For example, the marketing manager is doing jobs that the human resources department should do, there is no financial head that can take the important decisions in the company, and stores operate as they were independent. This brings a collective inefficiency for the entire store chains because they are not going to be able to achieve economies of scale if they do not work together as a group.

There is also a lack of motivation inside the retail stores of the people that talk directly to customers. Some of them have deficient communication and behavior skills that make clients look for other options for the next time that they need a work. This is not good if the company wants to look for customers' retention. Moreover, the lack of motivation in the workplace leads to a lack of identification of the employee with the company, therefore they don't care too much about the company future growth, and they plan to leave the job as soon as they can. The impact or the consequences of this lack of motivation is reflected on the customer services that they offer to the customers that comes into the stores.

In fact, one of the main problems of the company is the rotation of the basic lines employees. The company said that they make some effort in training those people, but they don't know why they are leaving their jobs if they are paying more than the competitors. In this project, there will be an analysis and an explanation on how it is not only important to have financial rewards, there is also important to have some other motivational factors. There is also a lack of financial analysis because they now have some stores that are not being profitable, and they don't want to close them. There have to be a good forecast of the potential demand and an environmental assessment of the locations in which the stores are, and with that information,

managers can make a better cash flow projection. After this analysis, if the store shows that there will still have obtaining losses, maybe it is going to be a good idea to close those stores and focus on the ones that obtain and have better profits projections. The strengths and weaknesses are detailed on Table4.

Table 4.

T-Copia Table of Strengths and Weaknesses

Strengths	Weaknesses
1. Market experience.	1. High rotation of basic position employees.
2. Adaptability to new trends.	2. Low perception of quality service from the clients.
3. Variety of services.	3. Employees without motivation.
4. Strategic locations near possible clients.	4. Lack of commitment with the company.
5. No dependence of suppliers in the case of inks and toner for their printers.	5. Functions sometimes are made by the people that are not responsible of it.
6. High technology equipment	6. Lack of collaboration between stores.
	7. Human resources only focus on solving problems instead of promoting the development of the human talent.
	8. Lack of proper training
	9. Unpaid employees skip the job without advice as a way of protest.

1.5 Conclusions

To wrap up, T-Copia is a company with many years in the market, and it has a clear vision on what they were wanted to be in the future. This section has helped to understand some historical information about the company, how it develops their business, which are their competitors advantage, and know about some internal factors that are not performing well. Moreover, it also helps to understand how some external factors can influence the local performance of the industry in general. For example, one of the most important findings after the internal analysis of the company was the financial performance. The numbers show that the company have been facing problems since the year 2013 for many factors, and also this financial

problem have big influence from an external factor. The behavior of the company is related with the behavior of the economy, therefore if the national economy is not going well, it would have an impact on the performance of the company. After the external analysis, it was possible to understand and make a relationship between the economy and the financial performance of the company. The GDP of Peru have been reducing their growing rate since the year 2013, which match the time in which the financial performance of T-Copia began their decrease. There are also some internal problems such as motivation inside the company, or mixed up functions between the managers that also can have some influence on the performance of the company. Moreover, after the external analysis of Porters five forces, it was possible to find that this type of business model is not too difficult to copy, and there are no entry barriers for new companies to enter a compete in this industry. In addition, after a price assessment made, it was also possible to find that the increase of competition has made prices go down and T-Copia is still a company that charge much more than their competitors. It is possible to make a relationship between the decrease of sales without locking the performance of the economy of the country. Customers may be willing to pay more for some services, if the quality of the job and the quality of the services that they are going to receive is good. However, after the internal analysis, it was found that customer services of T-Copia was not good because of the motivational problems that they are facing, therefore the services offer to customers is poor. This is a possible of why customers are not willing to pay the prices T-Copia ask, because they do not find any difference in the quality of the service that they receive, then they base their shopping behaviors only on prices rather than service.

Chapter II: Key Problem

T-Copia is a familiar company with more than 40 years of trajectory, in which they have opened 11 stores in Lima, Trujillo and Arequipa. However, this growth has been developed in a disorganized way. Through the analysis collected during the meetings with the company, visits at T-Copia official stores, and the quantitative and qualitative information provided by them, several problems have been detected: most of them related with the human resources area, but also with the finance and marketing ones. All of them have, as a common root, the disorganized structure that this company have developed during its growth which occurred by taking decisions without carefully analyzing each circumstance related to internal and external environment.

2.1 Identified Problems

The two meetings with the Marketing Manager Rodrigo Sevilla showed that T-Copia has been facing several problems mostly in three areas, the most important one related to Human Resources and the others two with Finance and Marketing. These issues negatively affect the productivity of the company, so as consequence the profitability as well.

The first meeting with the Marketing manager has highlighted mostly problems related to Human Resources area. The chief has not been focusing on the employee' satisfaction, training, motivation but on the contrary, he focuses mostly on technical issues. Furthermore, the not clear structure of each employee's functions, even if there is a manual in regard to this topic, aggravates the situation. According to the Marketing Manager Rodrigo Sevilla (2017), the employees start fully working with just one week of training which is not sufficient if the intention is to increase the quality of customer service and as consequence, brand image. A real example is given by Nicola Zocca, another member of the consulting team who visited the T-

Copia' store (Benavides). There was uncertainty regarding who supposed to be in charge of Nicola's request, so each employee sent the request to the next worker by creating a "chain" that ended thanks to an employee that decided to handle the situation.

Moreover, there is a lack of supervision in the stores. There is not an employee in charge of supervising the other ones, so for this reason the workers do not pay attention to the job. An example in regards their distraction is given by Jason Rong, who visited one of the stores to analyze the service. The employee forgot to give the USB key back to Jason after printing some papers on request. An element that can influence the lack of attention from the employees in their tasks is related to the fact that there is also a shortage of well-organized system of incentives and promotions which, according to a T-Copia's employee (2017), implicates a dearth of motivation on the part of the employees to work hard and to broad their horizons in order to achieve the goals and create new ones. Hence, this is a serious problem because the quality of customer services and brand loyalty decrease, so it will be very difficult to reach goals of loyalty and maintain a solid structure of certain incomes. This shortage of motivation has a strong impact on the employees' rotation and retention as well; in fact, one of the manager of the T-Copia' shops stated (2017) that the employees do not feel part of a family, so they are very inclined to leave the company and its project by a short term. Furthermore, the other two reasons why the employees have this mentality are because of the process of recruitment, which is not challenging and stimulating, and the training session, which is just a week.

The wages process is characterized by a high informality in the payment. When a new employee is hired in the company, he or she has a three-month trial period and the payment they received is without benefits by using receipt for fees. After this period, they are included automatically in the worker's list. However, the company asks them to split their total payment

in two different recipes, one for concept of monthly salary and the other for concept of transportation. The company avoids the payment of taxes by using this strategy, but also generates delays in the payments of monthly wages, given that the salary-concept receipts are paid automatically, but not the transportation-concept ones. According to a T-Copia's employee (2017), this situation is not the only that has been causing dissatisfaction among the employees; in fact, the work conditions are very low. In some of the stores the employees work without air conditioning during summer, when the weather raises high temperatures, roughly 35 degrees.

Another issue is related to the communication between the managers of the Human Resources and the Marketing departments. The assistant of Human resource reports any kind of issue or information, connected to the Marketing sector, directly to the Manager of the Marketing department because the managers of these two departments have a bad communication system. The assistant skips intentionally to send information to his or her manager in order to avoid insurgence of discussions inside the company between the two managers in charge of these two departments. As consequence, the situation is critical because the assistant, who does not have a deep experience in his or her role, would need the point of view from his or her manager that missed because of this process. Moreover, the communication between the Human resource and Marketing departments is constantly getting worse causing a grave damage for the company in term of production quality because many decisions need to be re-taken after the Marketing manager's point of view. This scarce communication is also increasing the tension inside of the company which is a negative aspect because employees should work in a "peaceful" environment in order to maximize their performance.

As regards the Finance department, the second meeting brought to light few issues. A serious problem regards the situation that involves credits asked by clients to each official shop.

Basically, the client asks for a credit to the manager of the shop whom queries the treasury, which is a branch of Financial Administration, if this credit is acceptable. The problem is not related to the approval part but to the next step; in fact, the financial department wants the manager of the store to check if the debtor can fully cover his or her debt in the accorded time. However, the manager of the shop is convinced that this next step should be in charge of the Financial Department because it should be part of its job. Furthermore, there is another issue strictly related to this specific process. It is quite common that the manager of the shop accepts to give the credit to the client without asking the treasury department. This is a serious problem because each action should be taken by analyzing the situation under each aspect. For example, in this case the treasury has more tools and knowledge to do it but the manager of the shop, because of bad rapports with this department, prefers to avoid a confrontation with the treasury sector.

During the second meeting, it was also briefly discussed problems related to the Marketing department. T-Copia has been suffering of lack of promotion and publicity, because the Marketing Manager is more focus on solving administrative problems instead of working on these two elements. It is very difficult to attract new customers because of this shortage so T-Copia, as mentioned by the Marketing manager (2017), is keeping the old customers instead of attracting new ones through a push strategy. This scenario mostly regards the B2B which occupies 70% of incomes.

Another lack is about the lack of identity of the company which has been also negatively affecting this situation. Two examples will be shown in order to better understand what it is assumed. The store located on the street called Javier Prado is quite old, so all the structure, included the decorations, is negatively affected by it. On the contrary, the store located on the

street named Benavides was just under reconstruction, so both interior and exterior are very modern and pleasing to the eye. A great example that can be useful to underline this situation is offered by Apple and its channel affiliates; in fact, all shops have the same design with attention to the detail. As regards this, for example, according to the Apple Identity Guidelines (2016, August), the color is very important, choose a color for the storefront in order to help establish the brand's identity. The last issue that was brought to light is related to the presence of unprofitable stores. The owner of the company has focused more on the quantitative growth of the company rather than on the quality of the service that each of their stores offer. Thus, he has opened many retail stores without preserving the same customer service. Table 5 summarizes the problems of the company.

Table 5.

List of problems in T-Copia

List of main problem in T-Copia	
Main Problem	Lack of profitability in several stores
Secondary Problems	Lack of training and motivation Lack of motivation Salaries delayed Lack of supervision in the stores Distraction of the employees Lack of communication between departments Bad work conditions Bad credit system Lack of Promotion and Publicity Lack of identity of the company

2.2 Key Problem

By analyzing the weaknesses described in the AMOFHIT framework and comparing it with the strategic and operational goals the company have for this year, it is concluded that the key problem T-Copia is presenting is the absence of profitability in more of the 50% of the retail stores they have currently open. This is related to the core business of the company and is affecting the short-term operations, but could also affect the permanence of this business unit in the medium or long term. Therefore, this key problem is going to be analyzed by using the following five factors:

2.2.1 Substance

The substance of the key problem of T-Copia is related with the Administration and Financial Management, which affect directly the performance of the employees and consequently the service they offer to the customers, causing as a secondary effect the reduction of sales. This is due to disorganization in the mentioned field, given that the area of Administration and Finances does not have a head who is in charge to lead it, but only employees who are focused in their specific topics, such as treasury, legal and accounting, and do not think strategically in the overall area as a key one to the company.

2.2.2 Location

The stores that are non-profitable are located mainly in Lima. The stores in Trujillo and Arequipa were opened by assigned projects in those regions. This problem is located in the human resources area due to the bad performance of the staff regarding the customer service; however, it does not belong only to the human resources department, but to the General Management too, because there is a lack of interest for solving the problems presented there.

This is affecting the sales which have repercussions in the results of the whole company, moreover in the direct profits of the same employees who receive less commission for the work they are doing. So, there is a need to solve this shortage of human resources management in order to educate the future employees who enter in the company.

2.2.3 Ownership

The owner of this problem is the General Manager and the Human Resources Manager, because they have not established a proper structure in the Administration and Finance area, reason why the decisions taken in this area have not been strategic, but operational mostly. Also, the Human Resources manager, have focused more in the technical part of human resources such as payrolls instead of the construction of an organizational culture that allow the employees to collaborate between each other's or to provide a better customer service; but in the opposite way, it has created a huge gap between all the stores in this retail chain.

But this problem exceeds the boundaries of the Human Resources area, given that T-Copia is a medium company and the general manager, Jorge Caballero, should be more involved in the strategic decisions. However, even if nowadays he has delegated the responsibilities of the operational and strategic decisions to the managers of each business unit; every decision has to still be consulted with the general manager, who not being so involved in the day-to-day operations, delays in approving certain decisions.

2.2.4 Magnitude

T-Copia has 13 stores in Peru, from which only 6 out of 13 are profitable as it is shown in Figure 11 and 12. However it does not mean that this key problem is not affecting the whole company, because as it is going to be analyzed in the following chapters, this is disserving also

the profitable stores and the administrative employees. Then, it is concluded that the magnitude of this problem is absolute, because it is settled in the General Management, but in the finances and human resources areas as well; and what is more, it is reflected in the working environment and the way how the employees are performing the customer service in all the retail stores through all the company.

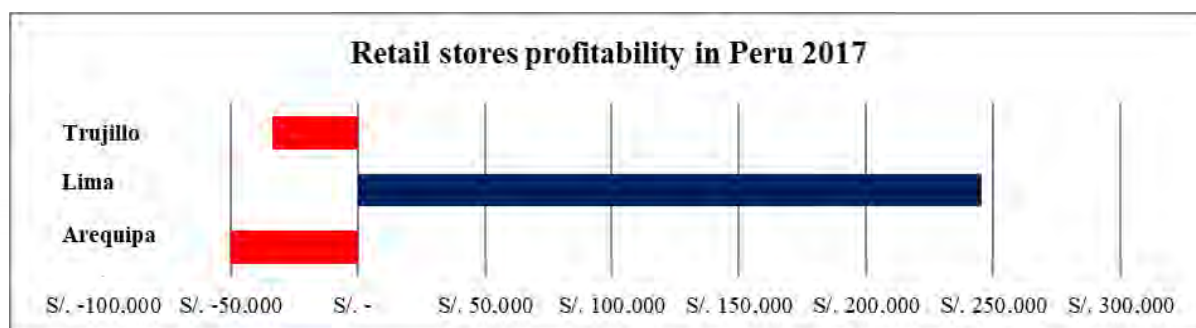


Figure 11. Retail business profits T-Copia 2017

Taken from “P&L T-Copia 2017”, by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

In the last figure, it is shown that the stores in Trujillo and Arequipa are not profitable; however, these stores were created due to the existence of local projects in each department. These stores continue opened until the present, but currently they have only sporadic works, which are not enough to maintain the fixed cost of these stores, and even less to make them profitable.

About the stores in Lima, despite in average the stores seem to be profitable, some of these are presenting financial issues, because they have not achieved the breakeven point in this year. As it is shown in Figure 12, the most profitable one is Juan de Arona with more less 171 thousand soles in this year, and the less ones are Espinar and Dasso with average incomes of 59 thousand soles in 2017; without doubt a huge gap between them.



Figure 12. Retail business profitability in Lima, T-Copia 2017
 Taken from “P&L T-Copia 2017”, by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

2.2.5 Time perspective

This problem described came from the disorganized growing and without focus on the performance of the human resources over the last years. As it is shown in the Figure 13, since 2014 the company have started to decrease their sales significantly, and this have also produce the closure of some of their stores. Back in 2011, T-Copia owned 16 stores; however due to financial reasons, only 13 of them remain opened. It is important to analyze since when this problem started in order to detect what changes have caused the decrease in sales. As it has been explained before in this document, this might be a consequence of the deacceleration of the national economy, which also is showing some lower growing rates than before.

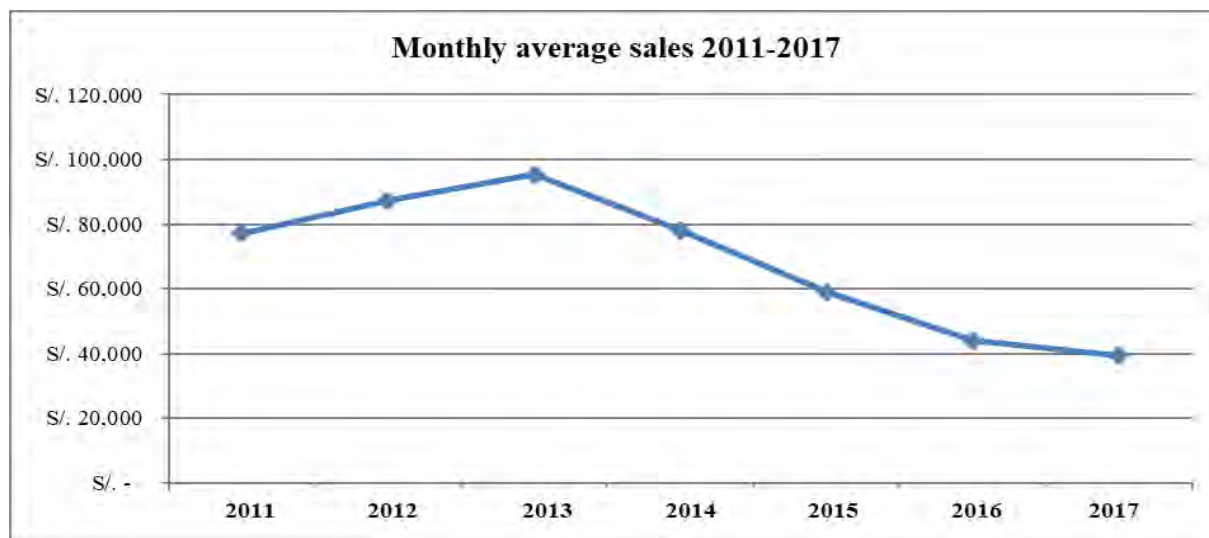


Figure 13. Sales analysis from 2011 to 2017

Taken from “Análisis Ventas Retail T-Copia”, by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

2.3 Conclusions

This business model is threatened by the mega tendency of the digital transformation, and in order to survive in the next years this company would have to innovate their business model in order to have a clear differentiation not only in the operations but also in the kind of service they offer to their customer. However, nowadays, the key problem is the reduction in sales which have occasioned the lack of profitability in several stores, and this is directly related with the performance of the General Management and the Human Resources area, and this has direct influence on the financial performance of the company.

Therefore, the consultancy will assess the operational deficiencies of both of them since 2014, when the problem detonated, with the purpose of suggesting feasible proposals that will allow them to recover the profitability they use to have, by solving the issues with the work climate and the customer service in the different stores of the T-Copia chain. These alternatives are going to be explained in Chapter 6.

Chapter III: Literature Review

This chapter focuses in academic research retrieved from different sources of the CENTRUM library system, which is organized based on a structure that allow the readers to understand the use of the literature in the solving of the key problem of the company mentioned in the previous chapter. The main idea of this chapter is to find relevant information and theoretical framework that will be useful for the development of the entire project.

3.1 Literature Mapping

It is important to have a structure that could show the literature that is going to be use for the development of this document. The literature background is important to support and relate the findings form the analysis of the company and see which are the problems, and possibly the causes of this problem. The literature mapping is a tool that will help to have a more visual structure of the authors and books that were used for this project.

Through the mapping technique, the most relevant fields were identified from the information compilation. The central topic in which the research has focused is “Importance of Human Resources in a SME’s profitability”. Firstly, the framework and KPI’s of the problem solving in SME’s are going to be explained and used as a main frame to the whole consulting project. Likewise, the main topic will be subdivided in two topics: (a) Human resources, which includes the models & roles in SME’s, Recruitment, Training and motivation of the staff; and (b) Profitability, which will go deeper in the literature related to the retail sector, the impact of customer service and the financial management & control in the sales of a SME. The summary of the main authors review is detailed in Figure 14.

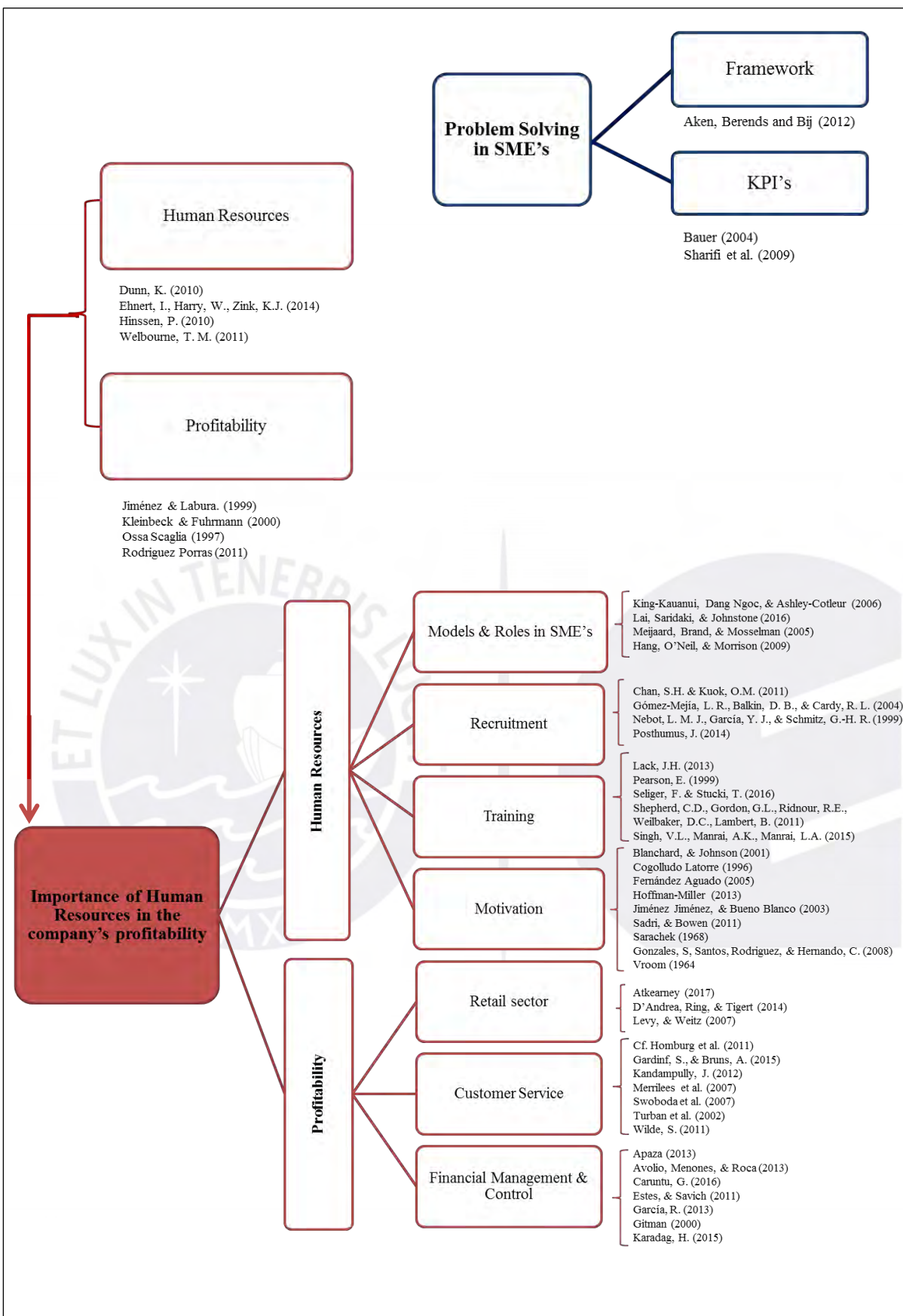


Figure 14. Literature Review

3.2 Literature Review

3.2.1 Problem-solving in small and medium enterprises

Framework. Problem solving is the fundamental skill within any organization, including Small and Medium enterprises (SMEs). To maximize efficiency and performance, Problem solving Framework and KPIs are of vital importance. The cycle of the problem-solving is explained in Figure 15.

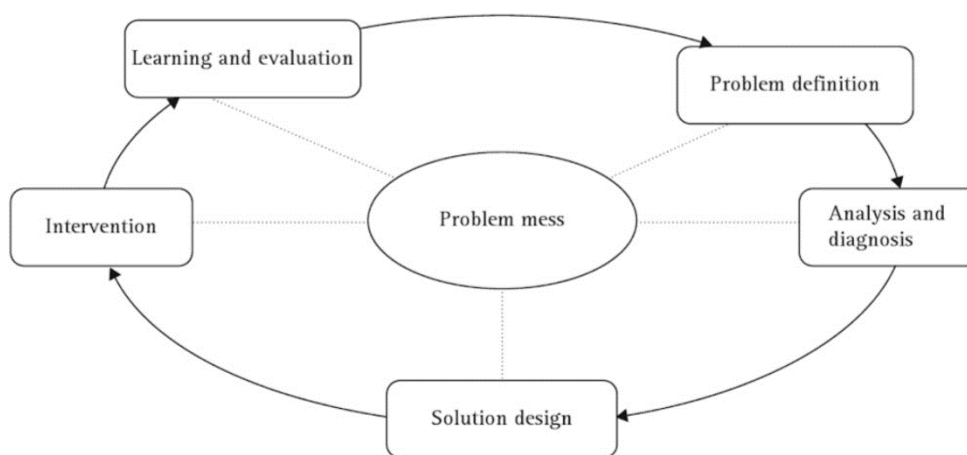


Figure 15. The Problem-Solving Cycle, Taken from Aken, Berends and Bij (2012)

According to Aken, Berends and Bij (2012), The problem-solving cycle arise, when a company has a business problem. In general, companies face a problem mess of interrelated problems. In order to make the business problem clear, the problem mess has to be identified and structured.

The following stage in the problem-solving cycle comprises of analysis and diagnosis. Amid this progression, the problem and its context are investigated and the reasons for the issue built up as far as possible. Once the business issue and its most critical causes have been recognized and approved, a solution can be designed. This is done in the subsequent stage of the

problem-solving cycle. The designed solution needs to handle the most imperative causes. In this progression, the execution of the solution likewise must be outlined.

The last strides of the Problem-solving cycle are intervention and the learning/evaluation steps. In the intervention step, the solution for the business problem is actualized at the organization on the premise of the activities considered in the plan step. In the evaluation step, the impacts of the actualized arrangement are assessed. This Evaluation may prompt the definition of another business problem and a restart of the problem-solving cycle.

KPIs. Key Performance Indicator (KPI) means “A set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals” (Bauer, 2004). According to Sharifi et al. (2009), It can be said that KPIs are instruments to control the status of the organization. In Business problem solving, KPI can be used to measure the status of the problem-solving process. As per Sharifi et al. (2009), 8-10 KPIs for each procedure in Problem management is adequate. It is ideal to consider an achievable target for that specific KPI for sensible time in light of the fact that generally there might be some excitement amid beginning usage yet after some time there will be no any regard for them and nothing will occur but to build bureaucracy in the association.

Based on Key Performance Indicators (KPI): The 75 measures every manager needs to know (Marr, 2012), KPIs are grouped in the 6 following business perspectives, irrespective of type or industry sector: Financial Perspective, Customer Perspective, Marketing and Sales Perspective, Operational processes and supply chain perspective, employee perspective and Corporate Social Responsibility perspective.

With relevance to this consulting project, the focus will be on the Financial Perspective, which consists of Net Profit, Net Profit Margin, Gross Profit Margin, Operating Profit Margin, EBITDA, Revenue Growth Rate, Total Share Holder Return (TSR), Economic Value Added (EVA), Return on Investment (ROI), Return on Capital Employed (ROCE), Return on Assets (ROA), Return on Equity (ROE), Debt-to-Equity (D/E) Ratio, Cash Conversion Cycle (CCC), Working Capital Ratio, Operating Expenses Ratio (OER), CAPEX to sales ratio, Price/earnings Ratio (P/E Ratio).

Customer Perspective, which consists of Net Promoter Score (NPS), Customer Retention Rate, Customer Satisfaction Index, Customer Profitability Score, Customer Lifetime Value, Customer Turnover Rate, Customer Engagement, Customer Complaints. Employee Perspective, which consists of Human Capital Value Added (HCVA), Revenue Per Employee (RPE), Employee Satisfaction Index, Employee Engagement Level, Staff Advocacy Score, Employee Churn Rate, Average Employee Tenure, Absenteeism Bradford Factor, 360-degree Feedback Score, Salary Competitiveness Ratio (SCR), Time to Hire, Training Return on Investment.

3.2.2 Importance of Human Resources in the company's profitability

All the companies have different departments, which have specific functions that they will have to follow. One of them is the human resources department which is the responsible of dealing with all the employees' related topics. For example, some of the basic functions of the human resources department is to talk with the heads of the areas and see which profile of people they need on their teams. Sometimes there is the wrong mindset that human resources are in charge only of hiring people, but this is not true. Human resources have been evolving during the years and now they have much more and important functions inside the company. One of the functions is to keep happiness, motivation, good working climate inside the company. This is

because there are factors that can influence the performance of employees and make them more or less efficient. It is important obviously to have well qualified people for certain positions, but it is also important to keep them motivated. Therefore, the human resources jobs do not end when you find a suitable candidate, you will have to work every day for making sure that everybody inside the company really wanted to be in it. The next sections will discuss how is the relationship between the human resources management and the profitability of the company.

Human Resources. It is important to have a clear and general idea about what the Human Resource department includes. The Human Resource Management systems is fundamental to achieve organizational goals and to offer advice about how to treat individuals, groups or managers with the scope to ensure their abilities and preparedness to contribute to organizational purposes effectively and efficiently on a long run view. The term Human Resource Management is referred to broad, generic term equivalent to people management and not a specific version (Ehnert, I. et al. 2014).

The Human Resource systems are an articulated system that has to be understood by everyone inside the Human Resource department. It is fundamental to concentrate all efforts and deliver a product/service that perfect fits the customer's needs without overcharging the product/service of irrelevant elements. For this reason, we need more quality than quantity.

According to Welbourne (2011), the Human Resource sector could face a serious problem because it could not be able to deliver in time for the business and all the stakeholders involved. Usually Human Resource is associated to the idea of the creation of heavy systems and processes, which most of the time seriously slow the entire organization as has been shown (Dunn, 2010). Moreover, as Hinssen and Chellam (2010) demonstrated that adding more elements will cause an increasing of complexity related to the product that no one will use it

entirely. As consequence, the Human Resource should use the principle “Good enough beats perfect” as first rule.

Models and roles in SMEs. The role of HR has proven to be of great importance by researchers and practitioners alike. With the uniqueness of SMEs, HR Models that applies are subsequently different from those of large organizations.

Currently, according to *Armstrong's Handbook of Human Resource Management Practice* (Armstrong & Taylor, 2014), The most familiar HR management Models includes the following:

The 5-P model of HRM: as formulated by Schuler (1992), the 5-P model HRM describes how HRM operates under the five headings of: HR philosophy; HR Policies; HR programs; HR practices and HR processes.

European Model of HRM: Brewster (1994) described a European model of HRM as follows: Environment, Objectives, Focus, Relationship with employees, Relationship with line managers, Role of HR specialist.

The Hard and Soft HR models: Storey (1989) distinguished between the hard and soft versions of HRM. Hard one emphasis on hard data and analysis, which is more rational, while Soft version traces its roots to the Human Relations school, it emphasizes on communications, motivation and leadership.

According to Zhang, O'Neill & Morrison (2009), The extent to which firms have adopted innovative human resource practices is shown to be closely associated with human resource outcomes and firm performance. SMEs see obviously the advantages of dedicating more noteworthy thoughtfulness regarding HR practices to accomplish their future development potential. As per Meijaard, Brand & Mosselman (2005), after studying 1411 Dutch small firms,

it's concluded that organizational structure indeed matters and that it deserves to be taken into account in models and future analysis of small firm performance.

A Research done by King-Kauanui, Ngoc, and Ashley-Cotleur (2006) shines lights on western HR practice in developing countries. This research particularly explores the effect of three HRM practices: training, performance appraisal systems and incentive pay, on firm performance to determine whether results mirror those gotten developed western economies. A sample of 200 Hanoi manufacturing SMEs was reviewed with respect to their practices in these areas. The outcome gives empirical support that training, performance appraisal and incentive compensation positively affects the Vietnamese SME performance, with incentive compensation having the best impact.

According to Lai, Saridakis and Johnstone (2016), there is a positive and direct connection between the utilization of certain formalized Human Resource (HR) practices and SME performance, measured by financial performance and labor productivity. All the more vitally, it's found that the positive connection between HR practices and financial performance fluctuates between SMEs with high job satisfaction and those with low job satisfaction, and that the relationship is diluted in SMEs with high job satisfaction. The outcomes recommend that specific HR strategies and practices may enhance SME performance, particularly inside firms with low levels of commitment and satisfaction.

Recruitment. According to Chan and Kuok, 2011, recruitment is the process of creating an accumulation of capable people applying to an organization for employment. It is common that employers who want to cover a position quickly or do not want to invest in recruitment process may be less discriminating in the quantity or quality of the applicants, on the other hand employers who spend more efforts in the recruitment process switch on more search channels

than employers that did not. Companies are more selective when the cost of making a mistake in recruitment is high.

According to Nebot (1999), the recruitment process is very meticulous and it is composed by two different kind of recruitment system: external and internal recruitment. The former is about the reunion of potential candidates for a position available. Example of external sources are: publications in public releases, learning centers, employment office, files and other sources. As regards the external recruitment, it is common a rotation or promotion of the employee. Companies benefits from this situation, for example there is a reduction of the costs; the process is more efficient because the managers already know the candidates; the employees are more motivated to work; the candidates already know the firm by making advantages in terms of time, integration and adaptation. Thus, the entire process will be faster.

As Posthumus (2014) demonstrated, the impact of recruitment on firm and individual worker performance has been the topic of many studies. The output of the firm is directly affected by the quality of the workers that it is able to attract. As regards the retention and turnover, they are led by organizational commitment that could be expressed as the strength of an individual's identification with and participation in an organization as well as their disposition to switch on output on behalf of an organization.

According to Gómez-Mejía, et al. (2004), the economic value of many processes of selection is better than what most of the people think. For example, an academic research showed that the government uses a very well-developed process of selection which allows to save 15,000 million of dollars per year.

Training. Training in strategic selling is a focal point in order to increase the profitability of a company. According to Pearson (1999), the training in strategic selling enables sales people to show the advantages of their firm's products in a way that increases the profitability of a sale. In strategic selling training, sales personnel learn four crucial topics: a realistic view of the situation in which the firm's products can be successfully sold; how to present the company's products compared to specific competitive products; and how to ask queries, the answers to which favor the firm's products. The salespeople need to enlarge a realistic view of the benefits and disadvantages about their firm's products in order to avoid appearing blind.

Training system should be based on the idea to make the employees' jobs easier and faster. According to Seliger and Stucki (2016), training is crucial to enable problem solving, to enhance knowledge for better decision making and to make workers know of skills needed for more job tasks. It is fundamental to utterly understand the determinants of such training.

Workplace training offered by employers creates important human capital that directly fits the needs of firms and so becomes instantly valuable. The training boosts worker productivity and has been recognized as decreasing the marginal cost of production, rising salaries and profitability, and creating positive externalities for the entire economy (Bilanakos et al., 2016). If you are in the retail, you may have a large, active customer base that is quite inclined to grow, but you may find your average sale per ticket that is not high enough. Thus, your incentive plan should be based on appealing your in-store personnel in order to more proactive in upselling to the customers. This stratagem is not only entails some type of incentive but also some sales training about how to upsell certain products when a consumer is purchasing a standard product. Many studies have indicated sales training as a waste of energy and resources unless it is made sustainable, so advocate sustainability through local coaching and performance

management in order to keep the period up and the training always active. Constant coaching is also a key point of more formal training into modules. Improvements in customer service through focus on ethics and customer orientation and development of “consultative” approach, where sales personnel moves as partners to the customers, enhancing the value to their business and giving right solutions. It was discovered that following the training, new advertisers and revenues were reached while simultaneously enhancing morale and retention rates among the sales team (Singh, et al, 2015).

Training is not just “basic” employees but it is important for managers as well in order to be updated to any change of the market. Attracting, retaining and satisfying the needs of sales managers are crucial elements to make sure that the organization can survive in a long term. Sales managers that are better prepared to deal and lead will perform better and add value to the company as well. Individuals do not necessarily understand this required skill set until they have been trained about this. The topics included into sales manager training are various: - those related to general management i.e. performance reviews, recruiting and selection etc. – Those connected to self-development i.e. time management, problem solving, and business ethics. – Those related to business skills development incorporated into training practices i.e. quota setting and forecasting. – Those connected to planning, evaluation and control activities i.e. profit analysis and selling cost analysis (Shepherd et al, 2011).

Training system should be based on the idea to make the employees’ jobs easier and faster. According to Seliger and Stucki (2016), training is crucial to enable problem solving, to enhance knowledge for better decision making and to make workers know of skills needed for more job tasks.

Theories of motivation. One of the main problems identified in T-Copia is that they are lacking of motivational programs for their employees. They now have a big rotation of employees on basic positions, and they don't know why this is happening if they are paying more money than the competitors, and also giving them some monetary incentives if they reach some goals. However, monetary rewards are important, there are not the only ways to keep motivation on their employees. There are other ways that are more related with the perception of the employees about the company, their future in it, some personal goal, and so on. It is important to identify some literature that will help to make a better assessment on which motivational theories can be applied in this company to increase the motivation of their employees. Low motivated employees lead to a poor customer service and that lead to poor customer satisfaction and willingness to return. All these events at the end hurt the financial performance of the company because they are not going to obtain profits. On the next paragraphs, there will be a literature review regarding some important motivational theories, and how they are or they are not being implemented in T-Copia.

There are many theories that talk about a sort of approaches about how keep employees, or people in general, motivated. Motivation is a key factor for increasing the performance of any person because this is the factor that will make the difference between an effective and efficient employee, and a "common" employee. Obviously, companies look for the people that have certain type of characteristics that will improve the general performance of the company. However, it is thought that the main driver that can keep an employee motivated is money, but there are many other factors that can also increase the motivation. For example, Cogolludo Latorre (1996) found that there are three main approaches to take in consideration when managers deal with motivation factors. The first type is extrinsic motivation, which is basically

the common motivation that people have when they do some certain activity and they expect something as a reward, typically this is working for money. The second is the intrinsic motivation, which is related to the own persons feeling of doing a good job, is related to the personal satisfaction of knowing that you are good at something. The third, and last one, is the transcendent motivation, this means that people driver is the feeling that their actions can have some consequences on the people that are on their environment.

Nowadays, T-Copia way of motivation under this theory is the extrinsic motivation approach, because their employees feel that their only motivation that they have is the payment that they are going to receive at the end of the month. However, for increasing the performance and the collaboration between all the works of the company, is important to shift to a more intrinsic motivation approach. T-Copia nowadays don't have any kind of programs or actions that make their employees feel that they have other type of motivation for going to work, and this may be one of the reasons of their poor customer service. Lack of motivation could also lead to a poor quality on the service.

Continuing with the assessment of motivational concepts and theories, Silva González made some interesting approaches. According to the investigations of the author, there are three ways in which people can be motivated for doing something: (a) Threat of receiving a punishment; (b) Promise of a reward; (c) Convincing people that working is worth it (Silva González, Santos, Rodríguez & Hernando, C, 2008). The author also has a similar point of view as the one explained in the previous paragraph, and also state that motivation have two basic components, one external and one internal. The external factors are the ones that can affect the behavior of any person, and the internal factor which is basically the ways in which each person can keep the auto motivated. The promise of a reward and convincing that the job is worth it can

be considered as internal motivation because they are going to depend on how each person perceive the amount of the reward and if the quantity of the job is worth the payment that they receive. However, the promise threat of receiving a punishment is another and more negative way of keeping motivation. Employees are not going to be motivated by that, they are going to be afraid of doing something that can get them into troubles then. Regarding this topic, Fernández Aguado have made an interesting definition of the concept “Direction by threat”. The concept explains that the person in charge of a group of people, is going to use some hostile behavior, like constant threats or to the employees, and if they sometimes get used to deal with this type of management, the manager will find new ways of creating new threats. The basic idea of this concept is that some employees will only respond better to negative stimuli rather than giving them the opportunity to see if they can perform better under other approach. (Fernández Aguado, 2005).

In addition, a deeper investigation by Silva González et al. (2008), have defined two new theories of motivation. The first one is the Content theory which has to answer the question “what driver motivates the employee”, and the second one is the Process Theory which answers the question “how to motivate an employee”. The first group is composed by five theories: (a) Taylor Theory: Taylorism; (b) Mayo Theory: Human relationships; (c) Maslow Theory: Hierarchy of needs; (d) Herzberg Theory: Factors Theory; (e) McClelland Theory: Achievement motivation. The second group is composed by three theories: (a) Vroom theory: Expectancy; (b) Adams Theory: Equity; (c) Goleman Theory: Emotional Intelligence.

It is important two understand how the different theories of each group works, so it would be explained in the following lines. Regarding the Taylorism theory, it is based on the idea that people motivation for working is money, and the idea of dividing the jobs for becoming

specialist in one specific task was a good idea for increasing efficiency, because workers receive a payment according to what they produce (Motivational theory in practice at Tesco,2014).

However, this study made in Tesco, which is a retailer, found out that money can't be the only driver for motivating employees, and they design a special program that will focus on other aspects rather than the monetary benefits, called Tesco's Employee Reward Programme.

(Appendix B). The theory of Mayo suggests that "the desire for social cooperation of some sort is innate in man, then a state of cooperation which would permit both parties to gain mutually should be mutually satisfying" (Sarachek 1968, p.192). Moreover, Hersey, Blanchard, & Johnson (2001) explained the theory as the influence that the behavior of the people around your environment will have a direct impact on your motivation for doing a specific activity. All these authors agreed that human contact and interaction are the basic and more important approach of Mayo's theory of motivation, because, for example, if you are in a job and you see that there is a partner that is not working so hard, you might be influence by his/her behavior and your performance and efficiency will decrease.

The next theory is the well know Maslow hierarchy of needs theory which is based on five pillars: (a) Physiological needs, which are the basic needs that every human being requires; (b) Security, which is the need to feel safe and protected against threats that can harm you; (c) Social needs, which is the desire of loving and be love by somebody or having the feeling that you belong to some specific environment, a job or a company for example; (d) Steem need, which is the need of obtaining recognition from others for something what you are doing ok; (e) Self-actualization need, which is the feeling that every person has of fulfilling their goals and be the best person that they can possible be. (Sadri & Bowen, 2011). Moreover, this definition, Silva González et al. (2008) explain the relationship of this hierarchy of needs with the

requirements that employees need inside a company. For instance, talking about physiological needs, the authors related them to the money that the employees will get, because they need that money to buy the things they require for fulfilling their basic needs. In the case of security, the authors relate the concept with the health care that the company can give to the employees, and the duration of the contract that they signed, because they have the security that they are going to be working in the company as long their contract lasts. Regarding the social needs, the authors related those needs on the feeling that the employees has about the company, that means if they feel that they are an important part and member of the company and this is the place they need to be. For the Esteem need, they explained that is related to the status that the employee has inside the company and to the satisfaction that they are feeling for doing a specific job.

On the last topic, these authors have no difference between the definitions explained before. On the case of the company T-Copia, and trying to make a relationship with the Maslow theory, the employees are only under the first two concepts of fulfilling their physiological needs and the feeling of security in some cases. This is reflected on the high rotation that the employees of lower ranges have inside the company. They don't feel that they are growing, and they don't feel that the job that they are doing is being recognized, so they also are not feeling that they are an important part of the company, this may be one of the reasons that they don't hesitate on looking for other jobs. The next theory that is going to be reviewed is the Herzberg factors theory. For understanding this theory, Jiménez Jiménez and Bueno Blanco (2003) made a very good and simple definition. The authors explained that this theory is based on two pillars: (a) Motivational Factors; and (b) Hygienic factors. Regarding the motivational factors, the authors explained that these are the ones that when they are not present, people can feel unsatisfied and their performance and motivation will decrease. Some of them are autonomy on the job, relationship

with their superiors, possibilities of growth inside the company, status, responsibilities (Silva González et al ,2008). This last one can be detected in T-Copia, but in a negative way. They don't have a program in which they can assure that any employee can grow inside the company if they detect that this employee has the potential and profile that they are looking for. This may one of the reasons of why they don't feel the motivation for doing a good job, which is reflected on the quality of the service given to the customers. Regarding the hygienic factors, they are the ones that are related with the context or the environment of the work. The authors explain that these are the aspects in a organization that when they are present, people don't consider them as a motivational driver, but when they are absent people do consider them. For example, the authors mention an example of an air conditioner system inside the company, if you have it in your company you wouldn't say that this is a motivational factor, but when you need it and you don't have it for example, you do feel that this can make some difference. In the case of T-Copia, this example comes to reality, because there are some stores in which they only have fans for cooling the environment, and in other stores, they have air conditioner systems. Even though they don't notice that this is an important factor for motivation, they behavior can be influence by the working environment and conditions that they are working with.

The last theory of the first group is the Achievement motivation of McClelland.

According to the explanation given by Silva González et al (2008), they are three basic pillars under this theory. The first one is related to the feeling of affiliation, or being part of a place. This means that people are always looking for liking other people and be accepted by them, and they prefer the cooperative rather than a competitive approach. The second pillar is power, which can be explained as the need of influence and control over other people. People under this pillar are more likely to have a more competitive approach rather than a cooperative, because they

need to feel that they are in control of the situation. The third pillar is the feeling of achievement which is basically the tendency of looking for achieving objectives that can give the person satisfaction for knowing that they were able to fulfill some tasks. On the case of T-Copia, is more important two have an affiliation approach and the feeling of achievement, because with these two pillars, managers can get better results of the collaboration between the workers instead of having competition among them, and also they will be targeting a common goal, which in the case of the company can be reach the sales goal set by the managers.

The second group related to the process theory, are more related on the way and actions that managers have to do to keep motivated an employee and it also has some theories that support it. This is more focus on the mental and thinking processes that and how it affects the decision of taking certain action Silva González et al (2008). The first one is the expectancy theory from Victor Vroom. On his book, *Work and motivation*, Vroom (1964) explained that there is a relationship between the behaviors of a person and the expectations and possibilities of achieving the expected results. That means that every person passes through an internal evaluation process about all the possibilities that they have and which are going to be the results of the different decisions that he or she could take. Furthermore, this theory has three aspects that have to be taken in consideration. The first one is valence, which is the attraction that to a specific results or reward. The second one is expectancy, which is the probability of achieving the wanted results, taking in consideration the personal effort of the employees and also the external factors that could help or not to the pursuit of achieving the expected result. The last one is instrumentality, which is the belief of the worker that the actions that he or she takes, will bring some results and can give them certain reward. In the case of T-Copia this kind of theory is present because employees know that if they reach the sales goal set by each store, they are

going to receive a monetary reward, so in their minds they are thinking on ways to achieve the goal. However, the lack of motivation on other aspects rather than monetary compensation, doesn't allow them to increase their performance and the quality service to the customers, they are just focus on reaching the sales goals, but they don't care about the attention that they give to the public. The second theory is Adams theory of equity. Studies made by Hoffman-Miller (2013), reveal that the theory of equity is based on the idea that employees may feel a unfair situation when they see that they work a lot for the company, and they are not being well rewarded. The author also explained that there is a direct relationship between that perception and the behavior and performance of the employee. If he feels uncomfortable with the situation, he is not going to perform well in the job because there is no recognition for him, and he may also have perceived that there are others that work less than him and obtain the same or even more benefits.

This is a situation that can be detected in T-Copia retail stores. All the stores have sales goals, and if they reach that goal, all the members of the store will receive a reward, in this case a monetary reward. However, it is very hard to determine which are the persons that work harder for reaching that goal, so sometimes they might be some people that see that others are working a lot and they are obtaining the benefits from others job. This will bring a sense of inequity to the people that are making a big effort for working on reaching that goal, therefore, they might feel uncomfortable with this situation and their performance in the job will decrease, which means that nobody will get the reward because the goal will not be reached. The last theory will be the emotional intelligence made by Goleman. Silva González et al (2008) explained Goleman's theory as the social aptitudes and abilities that employees must have. The emotional factor allows companies to get more compromised employees that have more skills to understand and

deal with customers. Moreover, they are five basic emotional abilities that support the theory. The first one is self-awareness, which is the personal evaluation that people should do to identify which are their abilities. The second is auto regulation, which means that people have to manage their own emotions in order to make easier doing some specific activities, or putting emotions aside when doing a job. The third is motivation, which means take initiatives and be more efficient and look for ways to reach the personal goals. The number four is empathy, which is the ability of understanding what the other person is feeling without making them tell why they are acting in that way. The last one is the general social abilities that everybody must have in order to deal with others. In the case of T-Copia, the emotional intelligence cannot be easily identified in all the employees, because some of them look motivated to do their job, or at least they show empathy with the clients, and others just don't care about what the client might feel when they are treated in an unfriendly way. This also reduces the willingness of the client to return to the stores, which means less profit for the store and the entire company.

All the motivational theories review on this section shows and explain the importance of having different approaches. It is impossible to keep motivation on employees based only on a payment or a monetary reward. At the beginning, it might be a fast solution for increasing motivation, but they have to think on the long term. In the future, this low range employees can get tired of doing some straight forward job that don't represent any challenge to them, and they might go to other places to look for the personal satisfaction that they want. T-Copia must work on programs that increase the motivational factors that will last longer in the head of the employee in order to assure that they are going to stay on the job and do it in the best possible way.

Profitability. The main reason of any company is to obtain profits for their shareholders. If a company is not obtaining profits, on the long term they will have to close because their costs structure will absorb all the incomes that they have, and finally they are not going to be able to pay their bills. The main concerns of any company show up when they are facing decreases on their profitability and they don't know why or what to do to stop them. Some of the common ways in which companies, especially the small ones, can keep their profits in positive like firing people, however this is not an efficient strategy because that means that some employees will absorb the jobs left by the ones that are no longer in the company. On the long term, these employees will end up losing the motivation and their productivity will decrease.

One of the way in which companies can keep profitability, is by achieving economies of scale. According to Jiménez & Lahura (1999) economies of scale are the savings that a company have for producing an extra product when they are in mass production. Which means, if you produce more, the unitary cost of producing an additional good will reduce, therefore the total production cost will reduce. Moreover, Ossa Scaglia (1997) explained that economies of scale can also be achieved by buying big amounts of supplies. This approach is related to the theory of 5 forces of Porter especially to the purchasing power of the client. If you are a buyer who have always purchase big amounts of some supplies, then you will have much more power to negotiate the price and conditions of delivery of what you are buying, will be reflected in lower total costs of purchasing goods. In the case of T-Copia, they can achieve both approaches of economies of scale because they have to buy bight amounts of supplies, especially for their printing services, but they now are facing a problem because each store is buying the things they need individually.

Another approach that companies can use to increase their profitability is the relationship that exists between motivation and productivity. According to Rodríguez Porras (2001) and Kleinbeck & Fuhrmann (2000) explained that every company is the reflection of their employees that work in them, therefore is important to keep employees motivated in the workplace, because they feel the company as their own house. Moreover, the authors also explain that there is psychological component in the behavior of the employees that can increase or decrease their motivation, and therefore there general performance inside the company. Having employees that are motivated on doing their job will increase their productivity obtaining better results. For example, an employee that is on a production line, will be able to make more of some specific product, and in the best way possible. In the long term, this means that the efficiency of the company will increase and also their cost structure can decrease making them more efficient and that will be reflected on their profits. There are many theories about motivation that will be review in this document, because this is one of the main problems that T-Copia is having with their employees. The lack of motivation that they have is making the profits of the company decrease.

Retail sector. There are some actors present on the distribution chain of any product or service. These actors have different functions and also different target clients. The production of any product and the beginning of this chain is located in the manufacturing plant. Then the manufacturer sales the product that they produce to the wholesaler, that basically buy big amount of the product to take advantage of the economies of scale. After that, the retails buy from the wholesaler, and keep smaller amounts of the products in the warehouses and sold it to the final consumer of that product. According to Levy & Weitz (2007) retailer will “satisfy the consumer needs by having the right merchandise, at the right price, at the right place, when the consumer

wants it (p.6). This means that a retailer is a seller that can have the products that the clients want at the moment that they need it. The authors also explained that the retailer perform 4 basic functions: (a) Provide variety of products, which means that they will have many products on stock on their stores; (b) Breaking Bulk, which means that they buy big amounts to the wholesaler, but can sale smaller quantities to the final clients; (c) Holding inventory, which means that as they sale smaller amounts, it is more probable that they will always have some product when the consumers requires it; (d) Providing services, they complement their products sales by offering services that will increase the value perceived by the client.

Even though, they are many types of retailers, being the department stores, supermarkets the most commons, there is a special category in which T-Copia can be located. According to D'Andrea,, Ring & Tigert (2014), during the 80's in the United States, a new type of retailer appear called category-killers, which are stores focus on offering specific type of product, some examples are Toys R us, Circuit city and Staples. All of these stores specialize in some sort of product that they offer to the clients, and Staple is one very similar to T-Copia because they offer some of the same products and services as they are focus on giving office solutions for clients. As a retail store, T-Copia must have a good location because it is going to be more beneficial to be around an environment that has a lot of people movement around, especially if they are close to financial centers, or places which have many corporate buildings. According to Levy & Weitz (2007), one of the top decisions that managers have to face is where they are going to locate their store. The author explains that customers usually go to buy to the place which is close to them and don't take much consideration about the price if the amount that they are buying is not so significant. This is one of the strategies follow by T-Copia; they usually identified strategic locations that will allow them to have a potential and important demand of their supplies. This is

why they are located nearby big corporate building, because if some of these employees need a product or service offer by T-Copia, they will go to the store and purchase is because they cannot lose much time looking for better prices. However, T-Copia have failed in some store locations selection and this may be one of the reasons why some stores are losing money, which affects the general profits of the company. Having a good location depends also on the forecast of the demand that the company have to make because it will have direct influence on the profits of the company in general.

There is also important to recognize the potential of the market in which the company is developing, to see if it has a future or not. There is a world ranking of global retail development index that measure the potential that countries has for having retail companies. According to the assessment made by Atkearney (2017), Peru is located on the position number out of 30 evaluated countries. Moreover, the study shows that Peru is entering to a peaking phase of the industry which means that there is still potential for increasing the participation in the market for new companies, or considers expansion processes for new ones. (Appendix C). The study also shows that Peru has a general retail market of USD 61 billion dollars, and is the best located South American country of this ranking. However, the retail industry is dominated by the department stores and supermarkets, which are the ones with the most participation in the market.

Customer service. Customer service is defined by Turban et al. (2002) as a series of activities designed to enhance the level of customer satisfaction; which means the comfort a customer feels when the good or service acquired have reach his expectations. “In today’s business environment, customer service is a major aspect in customers’ buying decisions. A study on customer orientation, conducted in 2011 by Homburg et al., confirmed the strong

impact the customer focus of a company has on the attitudes of customers towards the company” (Cf. Homburg et al.; 2011, p. 55). What is more, it has been identified by a study of the Institute for Corporate Productivity as the most important challenge for the future. Therefore, T-Copia must focus on this topic and tried to solve all the issues that is facing nowadays related to it in order to ensure its success in the future. According to Wilde, S. (2011) “If customers and customer relations are effectively managed, it can finally enhance the company’s profitability” (p.1). However, the customer relationship management is not just related to hard factors like databases, but also requires soft factors such as the relationship development, which can establish loyalty among customers and ensure the continuity of the sales.

According to Gardinf and Bruns (2015) despite the importance of the customer service, most companies are unaware of individual sales and do not notice if there is a low-quality in this process; it is up to the customers themselves to voice their complaints about the service. However, research reveals that only a minority of customers do indeed complain while on average, 66–95 % of all customers remain silent rather than protest, which is harmful for companies, because it represents the existence of dissatisfied customers who remain silent and do not give the opportunity to the companies to make amends, and what is worst spread the voice that the service is not good in that company. Also, these customers are expected to be less loyal compared to customers who experienced successful service recovery. In T-Copia, the customer service plays a crucial role in the profitability of the company, because it is mainly related with the performance in the sales of the retail stores.

In the last decades, retail companies have put more attention on the basis of the services they provide to their customers; even those ones that have traditionally relied on manufactured goods to generate the bulk of their income are increasingly aware that they now compete

primarily on the basis of the *services* that they provide to their customers. This is described as a “service phenomenon” by Kandampully (2012) and he emphasizes the rapid growth and increasing importance of services and describes it as the most significant phenomenon in the global economy. What is even more interesting is the fact that this phenomenon has become so pervasive that is also taking place in the retailing industry, which has traditionally been almost totally focused on the sale of physical goods; however the service element of retail businesses has assumed greater importance as a key factor to differentiate from their competitors in the minds of their customers.

According to Merrilees et al. (2007) customer service is such an important topic for the profitability of the companies that in some countries is considered even more important than the price of the products and the store organization. Similarly, Swoboda et al. (2007) found that service is the most important attribute in building a strong retail brand across retail settings, when compared to attributes such as value/price, assortment, advertising, and store design. Both studies highlight the importance of linking customer service to key performance measures in order to set it as a priority in the company with the aim to attract and keep the right type of profitable customers. For T-Copia it will be challenging but necessary not only to asses a good customer service, but also to maintain the same level through all their current and future retail stores in order to recover the profitability in all of them.

Financial management and control. The financial management is important for every company because it will give the monetary resources for all the projects and activities that the company will have to do. If a company wants to grow, is necessary to make investment that sometimes it will look very risk, but if they are manage in a correct and in an efficient way, the return will be beneficial for the company. However, this concept is not very well known inside

Peruvian companies. According to a research conducted by Avolio, Menones and Roca (2013), they found that around 75% of the new companies that begins operations in Peru have to close before reaching their fourth year. The authors also explained that there are many reasons for this but maybe the most important are: (a) new companies overestimate demand; (b) these new companies are, most of the times, family businesses, so maybe the managers have not the preparation that is required to made investment evaluations. T-Copia is no more a small company, but it is not a big one either, therefore it still has some deficient process on some aspects. The financial management is one of the points in which they are not doing so good. Nowadays in T-Copia there is no department focus on the financial management of the company, all the decisions regarding the money are taken by the administration department, which is connected with the accountability and treasury, but they do not have a head of all the financial issues inside the company.

The importance of having a good financial management have been studied and documented by many authors, and all of them may have different approaches, but all of them agreed that is a key factor for a company success. For example, a paper published by Căruntu Genu (2016) explained the importance of the finance inside a company, and how it also has to work together to the accountability department. The author explained that the financial information have three main purposes: (a) Forecasting, which is how to project some financial information about sales or the expenses that a company is going to deal with; (b) Control, which is dedicated to make sure that the plans and strategies set after the forecast are follow, and if something happen during the process take fast actions to correct it; (c) Evaluation, which is the final assessment of the results that are obtained at the end of a certain production process for example, and se which were the weakest points in order to work better on them. One of the main

financial statements used by any company is the profit and losses statement. According to García Restrepo (2013), this financial statement reflects the profitability of the company based on taking in consideration all the income sources and the outcomes sources for obtaining a final number which will represent how profitable is the operation. Moreover, Apaza Meza (2011) also explained that it is important to have a clear identification on all the possible expenses that have to be included in this financial statement, because if it is more detailed, then the result will be more accurate and further analysis can be asses. For example, if a company has well defined what are their cost of sales, then the gross profit that they obtain will reflect how efficient is the company on producing and selling their products, without considering other factors that can add some extra costs.

Moreover, it can be used to evaluate other KPI of financial information, like revenues, profits, gross margins, return over investment, and so on. In the case of T-Copia, the company had some troubles before because they made wrong forecasts about sales, and the goals set by the managers were unreal for the environment in which the stores behave. However, they have set up more realistic goals for the year 2016 and 2017, but they are still having problems because they are some stores that are not even close to achieve the goal, moreover there are some stores that are losing money. Under this scenario, the three purposes of the financial management explained by Căruntu Genu are not being well implemented. For example, if the company have identified that there are some stores that have been losing money during the last year and the don't show sing of recovering, they may have to think on other actions like shutting down the inefficient stores. The information is there to be analyzed and obtain the KPI that they need and they will show that there are some inefficient stores, so maybe it should be a good idea focusing only on the stores that have real potential to growth.

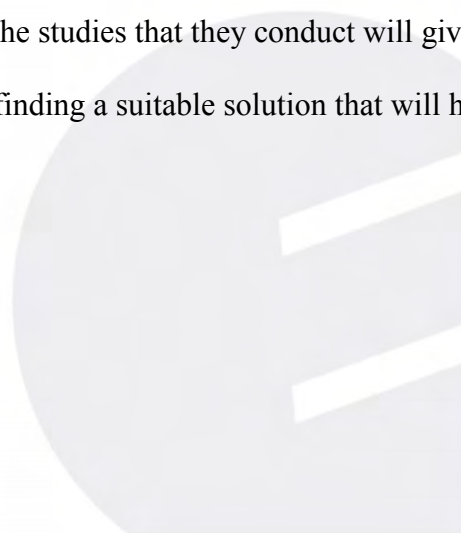
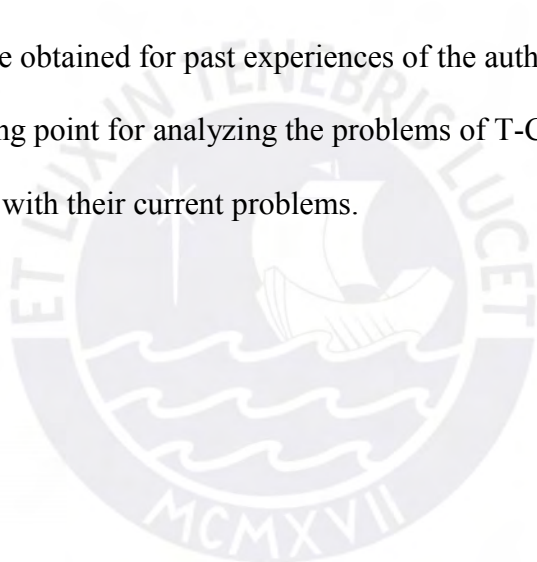
There are some other researches about how the financial management influences the development of small and medium size companies around the world. One of them is the one made by Karadag, H. (2015), in which he found that some of the causes of why business failed are related to lack of financial planning as one of the main reasons. One of the aspects of a good financial planning is the correct uses of the information and how it can be processed in order to obtain measurable and comparable KPI. For that reason, Gitman (2000) explained the importance of having financial ratios, which are a sort of KPI but focus on the evaluation of the financial result of the company. The author explains that having this information is important because it allows doing benchmarking with their competitors and see if they are more or less efficient. In the case of T-Copia, the company only has made an evaluation of the salaries wages of their competitors and this is why they claim that they are paying more to their employees. However, they have to make a deeper financial analysis to really evaluate why some of their competitors can offer much lower prices than them. Maybe their competitors have a lower costs structure and that's why they can charge less for the service, or maybe they use less quality supplies,

For having a good financial management, it is also important to have good tools that make easier the job for the people that is going to collect, process and analyze the information. Estes & Savich (2011) explained the importance of having advance software that include some features and tools that help with budgeting and forecasting, cash flow analysis, KPI evaluations, financial statements preparation, and so on. The authors give the example of ACCPAC CFO by Sage Sofirware which will cost around USD 1,900.00 per user, but the benefits that come from its usage are very important. In the case of T-Copia, they nowadays do not have financial software that can process the information that the company collects. They are using only excel

spreadsheets and this may way more difficult the information analysis and it could also lead to some mistakes on the calculation of ratios or preparation of financial statements because they are made manually by the employees, and not by a system that could reduce the margin of error.

3.3 Conclusions

This chapter has helped to know and understand the relevant literature that is going to be used for finding and designing future solutions for the company. The literature is important because it give a background and support on how the ideas are going to be built. Understanding some theories about motivation for example, will help to understand why it is a very important factor inside any company, especially in the case of T-Copia. The theoretical background that can be obtained for past experiences of the authors or by the studies that they conduct will give a starting point for analyzing the problems of T-Copia and finding a suitable solution that will help them with their current problems.



Chapter IV: Qualitative/Quantitative Analysis

4.1 Qualitative Analysis

The McKinsey's seven S's framework is going to be applied in this chapter in order to analyze qualitatively the key problem that T-Copia is facing. However, only four of the seven S's are going to be analyzed as they fit properly in the key problem of the company.

4.1.1 McKinsey's framework

Strategy: According to Avolio, Mesones, & Roca (2013), the problems that small and medium companies in Peru have to overcome in order to continue growing are categorized into (a) administrative; (b) operational; (c) strategic and (d) external. The key problem that T-Copia is facing fits in the administrative field, which means a lack in the organizational structure and in the ability to obtain and develop the necessary resources to run a company such as financial liquidity, and also include topics related to the staff performance, finance and business management.

This idea is reinforced by Konja (2004), who conclude that many Peruvian companies scarce planning and performance almost exclusively in short-term situations. Also, he explained that this kind of companies are highly vulnerable to economic recession such as the one that Peru has experienced for several years; and as they use unskilled labor, which results in a bad customer service, they do not present a high differentiation in the market. All the elements mentioned before are characteristics of the current situation of T-Copia.

Staff: The problems related with the staff are located in two levels: the strategic and the operational. About the first one, as it was mentioned in Chapter II, it is due to the management of some areas of the company that things are not working properly in T-Copia. For this reason,

some interviews with the heads of the main areas have been developed. The main findings in these key positions are presented in Table 6.

Table 6.

T-Copia key positions analysis

Name	Position	Main findings related with the Key Problem
Jorge Caballero	General Manager	<p>He started the company by himself more than 40 years ago, and have growth improvised since then.</p> <p>Nowadays he is not totally involved in the operations of this business unit, as he has other businesses such as a logistic company, a real state, and also a university. The control of the company is in charge of the business unit's managers for Digital Solutions and Retail Stores.</p> <p>He maintains monthly meeting with the business unit's managers, but only for accountability, not for fellowship.</p> <p>He maintains the administration as a familiar company, almost all the members of his family are involved in the business.</p> <p>He values his old employees and have a direct communication with them.</p>
Rodrigo Sevilla	Retail Store's Business Unit Manager	<p>He has less than a year in this position, in which he has organized the areas with procedure manuals, but they have not been assimilated yet by the employees.</p> <p>He is also in charge of the Marketing Management, but as the company is facing financial problems now, he is not focusing in Marketing Strategies, but in the structure of the Business Unit.</p> <p>He believes that the closure of some stores is necessary but does not receive the approval for this decision from the general management.</p>
Kristy Mory	Retail Store's Business Unit Sales Manager	<p>She has only 3 months in the company, this position did not existed before</p> <p>She is currently facing the conformist mindset of some of the old sellers and the rejection to accomplish goals from new employees as they do not receive their payments on time.</p> <p>She maintains a close relation with the sales executives by having weekly meeting with each of them.</p>
Cristina Merino	Talent Manager	<p>She has only 3 months in the company, this position did not existed before.</p> <p>She has focused more in improving the communication between the employees and the management in order to calm down the complaints from the delays in payments.</p> <p>She is more focused in recruitment, selection and training, because of the high turnover and the low customer service overall in the operational level.</p>

Based on T-Copia employees' interviews (2017)

About the operational level, the main problem is the demotivation of the employees. This is caused by intrinsic and extrinsic factors, but for sure the one that have more impact in the company is the extrinsic one, caused by the delay in payments from the company mainly, which produced as a main reaction the absence or the reluctance in the workplace, or what is even worst, a bad customer service. The intrinsic factors are neither well developed in the company, because the business career line is not so promising for the employees as the company is small; and also not camaraderie or integration activities are organized by the company in order to provide a better work climate.

Skills: According to Lorena Urbano, Store Manager of one of the most profitable retail stores in the T-Copia chain, the differentiation the company can offer in such a competitive industry where the products are very similar, is the customer service, then this should be skill requested or developed in each employee of the company. However, T-Copia present in the operational level one of the main characteristics of Peruvian SMEs: the hiring of low-qualified personnel (Konja, 2004); which leads to a low-quality customer service.

Almost all the employees in the operational level are youth without previous experience, and the company does not invest in a proper induction or in training. Then, the service offered by these unexperienced youth is not good enough to create a differentiation in the company.

Structure: The profitability problem is related to the structure the company has developed by growing improvised. The company started its operations more than 40 years ago, when a good location was more than enough to attract clients; however as the technology started gaining land in the business, the customer service became more important as a differentiator element.

As the company was opening more stores, it became necessary to create new areas and hiring professionals who could lead them, nevertheless it was not planned properly, and as a result nowadays there is a lack of strategic vision in the human resources area, as the only person in charge pay more attention to the operational aspects of the area, instead of pay attention to the training or motivation of employees. The same situation happened in the Administration and Finance area, which does not have a head to think strategically.

4.2 Quantitative Analysis

This quantitative analysis will be based on numerical data that was obtained directly from the company. This information will try to explain the financial performance that T-Copia has on their retail stores business unit, and also will try to identify the most sensitive points for the performance evaluation. However, it is important to know that the only financial statements provided by the company was the profit and loss of the year 2017 until the month of May. Therefore, the findings will be a result only of the analysis of the mentioned financial statement and without making any assumption of information of previous years.

4.2.1 General Overview of the stores performance

First, it is important to have a good overview of the performance of the entire stores of the company. It is important to understand that this analysis will be based only on the information that could be obtain from the company at the moment of the development of this project. This analysis will be made with the information obtained from the company for the year 2017 with data between January and May. Table 7 will show the profit and loss statement of all the stores per month for the year 2017 until May.

Table 7.

T-Copia Profits and Losses in thousand Soles 2017

	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Sales	366.21	431.11	375.08	352.80	368.51
Cost of Sales	-57.42	-48.45	-30.94	-50.17	-47.91
Gross Profit	308.80	382.67	344.14	302.63	320.60
Sales Expenses (SE)	-3.19	-4.18	-1.34	-1.06	-2.63
Gross Profit after SE	305.61	378.49	342.80	301.57	317.97
Operation Expenses (OE)	-309.87	-306.99	-301.83	-303.58	-298.62
Gross Profit after SE & OE	-4.27	71.50	40.97	-2.01	19.35
EBITDA	-4.27	71.50	40.97	-2.01	19.35
Depreciation	-6.95	-6.90	-6.94	-6.86	-7.03
EBIT	-11.21	64.60	34.03	-8.87	12.32
Financial Expenses	0	0	0	0	0
Profits before taxes	-11.21	64.60	34.03	-8.87	12.32

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

The table shows a trend that has already been identified on previous chapters. There are some stores that are being unprofitable and this is a problem that the managers are aware of. Having unprofitable stores is causing that the general performance of the entire business unit is showing numbers that sometimes are really bad for the indicators of the company. For example, if managers will like to make a financial analysis of the company performance, they will see the profit and losses in order to find out if the operations are being profitable. The profit and losses will give a general overview on how the profitability of the sales and the revenues that are obtained from selling the products, are divided in many cost factors, that at the end will show if the company is spending too much money on raw material, or maybe they are expending too much money in financing their operations or there is a problem with the other expenses that are involved in the sales process. For better understanding, the next figures and tables will show some indicators based on the previous financial statements.

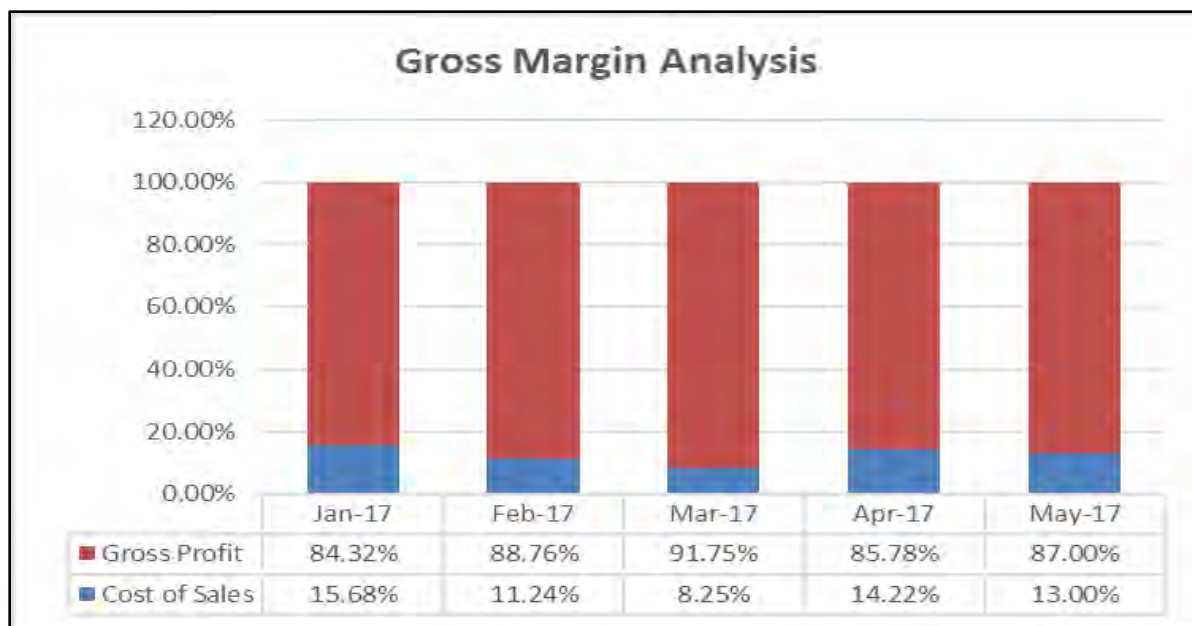


Figure 16. T-Copia Gross Margin Analysis 2017.

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

Figure 16 explains the relationship of how well the company is performing only on the production of good or services, and the cost of producing and selling those goods. There is a relationship that can be identified between the cost of sales and the profit before taxes. For example, the month of February and March have a lower cost of sales that is around 10 or 11%, and those are the months that had obtain better profit before taxes. Therefore, is a first relationship that the company must identified and follow. In order to obtain more profits, it is important to have a low cost of sales ratio that, according to the figure above, it has to be around only 10% in order to have more probabilities to obtaining better net profit at the end.

It is important to have a clear idea of the impact of the cost of sales on the performance of the company for obtaining better profits, because is an effective way to measure if the company is doing well just on the production and sales of any good and services. However, there are also other expenses that can take away the profitability of a company. If a company have a good sale,

and also have a good cost structure that allows them to have a low cost of sales, the general idea will be that at the end, they are going to obtain good profits; however, this is not always what happens. Figure 17 represents the distribution of the expenses that T-Copia has and this will help to understand which are the costs that are taking most of the profits obtained by the sales of the company.

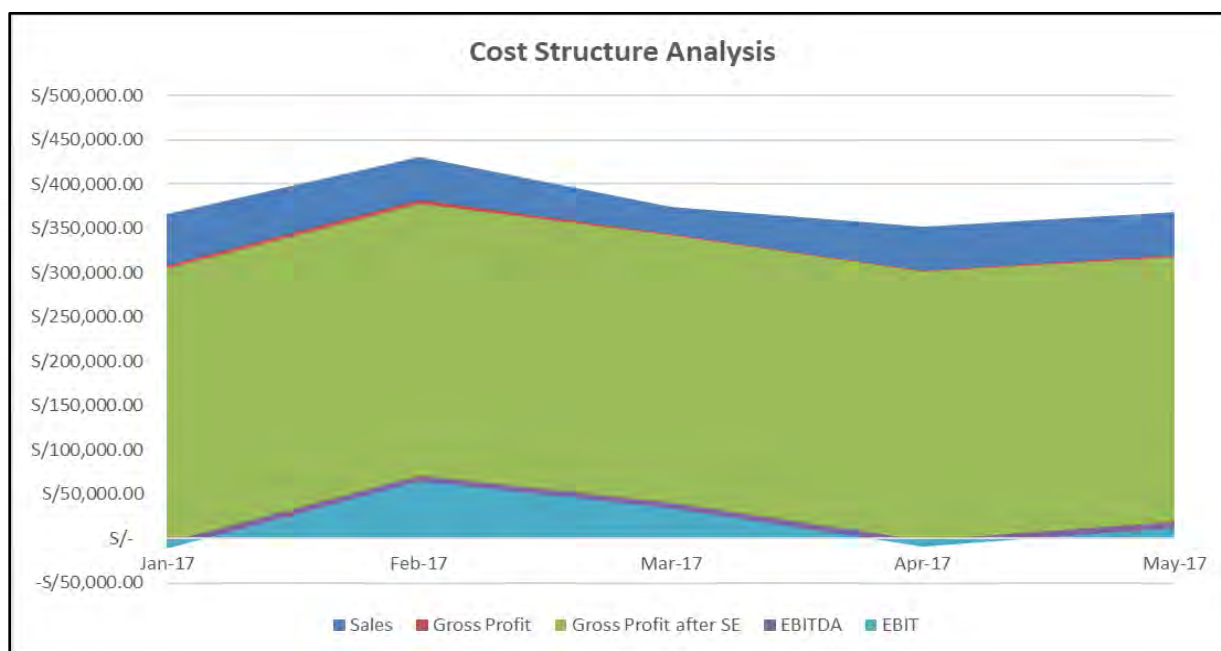


Figure 17. Cost Structure T-Copia 2017.

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

Figure 17 shows that there is one big group of cost that is taking away a lot of the revenues obtained by the sales of the products that the company has to offer. By looking to the table of profit at losses analyses, it can be notice that the operational costs are the ones that are taking almost all the profits. Sometimes this operational cost is even bigger than the sales and this is why the company is having losses in January and April. It is important to know the composition of this operational cost in order to see if the company can improve some of them and make their operations profitable again. T-Copia has divided their operational expenses in 6

small groups: (a) Payroll Expenses; (b) Rent and Services; (c) Administrative Expenses; (d) Technical Services for Machines; (e) Working Capital for Transportation; (f) Variable Costs. All these small groups have their own composition with other smaller concepts that are under the big group. Table 8 and Figure 18 will show in a more detailed way the composition of the operational cost concept for the year 2017 expressed in Soles in order to have a much clear idea on which concepts are absorbing most of the revenues coming by the sales, and taking some corrective actions if it is necessary.

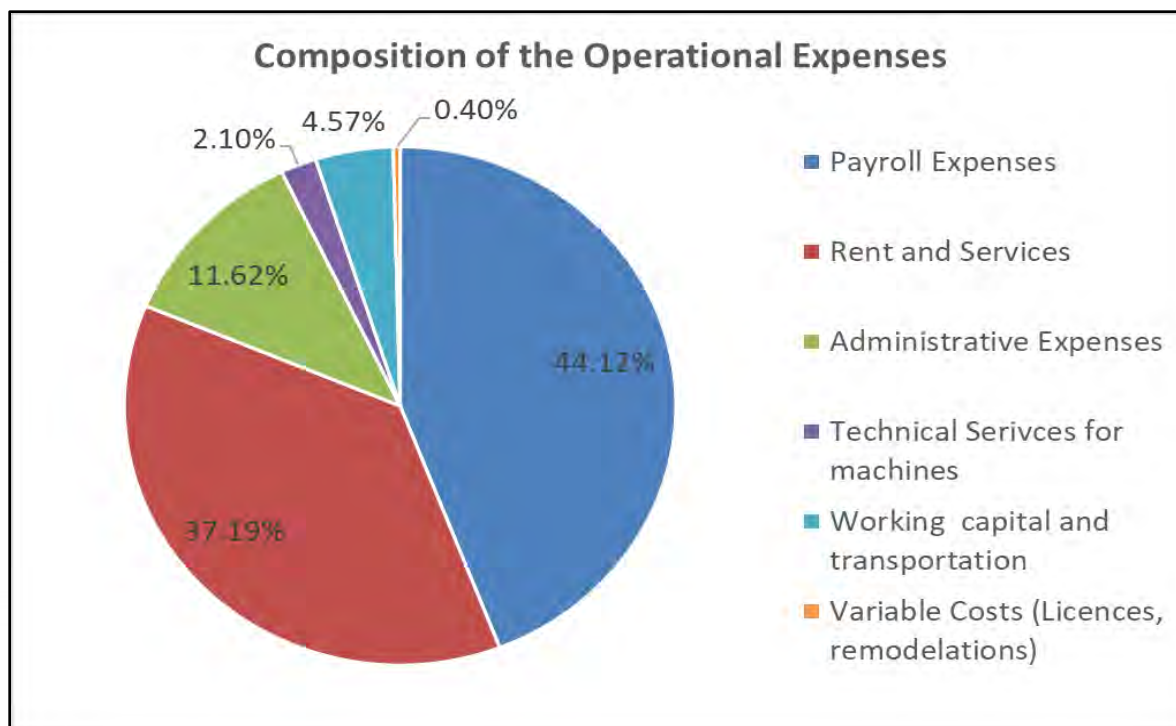
Table 8.

T-Copia Operational Expenses Distribution in Thousand Soles 2017

Concept	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Operational Expenses	309.87	306.99	301.83	303.58	298.62
Payroll Expenses	136.79	135.55	131.29	130.45	136.98
Rent and Services	116.31	114.66	113.28	112.60	108.72
Administrative Expenses	36.48	36.48	36.96	36.96	29.83
Technical Services for Machines	6.60	6.60	6.60	6.60	5.59
Working Capital and Transportation	13.50	13.50	13.50	13.50	15.50
Variable Costs (Licenses, Remodeling)	0.20	0.20	0.20	3.47	2.00

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

Figure 18 also explains in a much simpler way the composition of the operational expenses. As it can be seen in the figure, there are some costs that are taking most of the incomes obtained from sales. This is important for the company because they can identify which costs they have to keep as low as possible, or even if they really need to spend money on those costs. This analysis is important because the company now will have a much clear picture of how is the distribution of their expenses and how much impact those costs have on the final profitability for the company.



*Figure 18. Composition of the Operation Expenses in % of T-Copia 2017.
Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla*

The two big concepts that are absorbing most of the revenues are the Payroll Expenses and the Rent and services costs. Both of them are responsible for taking away over than 80% of the revenues coming from the sales operation of T-Copia. The Payroll Expenses has inside of them the next sub cost factors: (a)Store Staff; (b)Sales Executives; (c) Offset – Operators; (d) Workshop Operators; (e) Staff. Basically, these are the expense that they have inside each store divided by the functions that employees are performing. The next sub group is Rent and services which also have some sub cost factors which are going to be shown on the following tables.

Therefore, it is important for the company to identify and recognize the cost factors that are more relevant for the profitability analysis. Table 9 will show the composition of these sub groups of costs in order to identify which are more critical for the company.

Table 9.

Payroll Expenses Composition in Thousand Soles T-Copia 2017

Concept	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Store Staff	108.53	108.53	105.60	105.60	113.78
Sales Executives	12.39	10.16	10.16	10.16	0.00
Offset - Operators	3.82	3.82	3.82	3.82	3.82
Workshop Operators	4.89	5.89	4.55	4.55	5.96
Staff	7.15	7.15	7.15	6.32	13.42

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

With the table, it is possible to develop a chart which will help to have a more visual idea on the behavior and composition of the sub cost inside operational expenses. It can be seemed that the staff salaries of the stores are the cost factor that is more expensive for the company as it is shown in Figure 19.

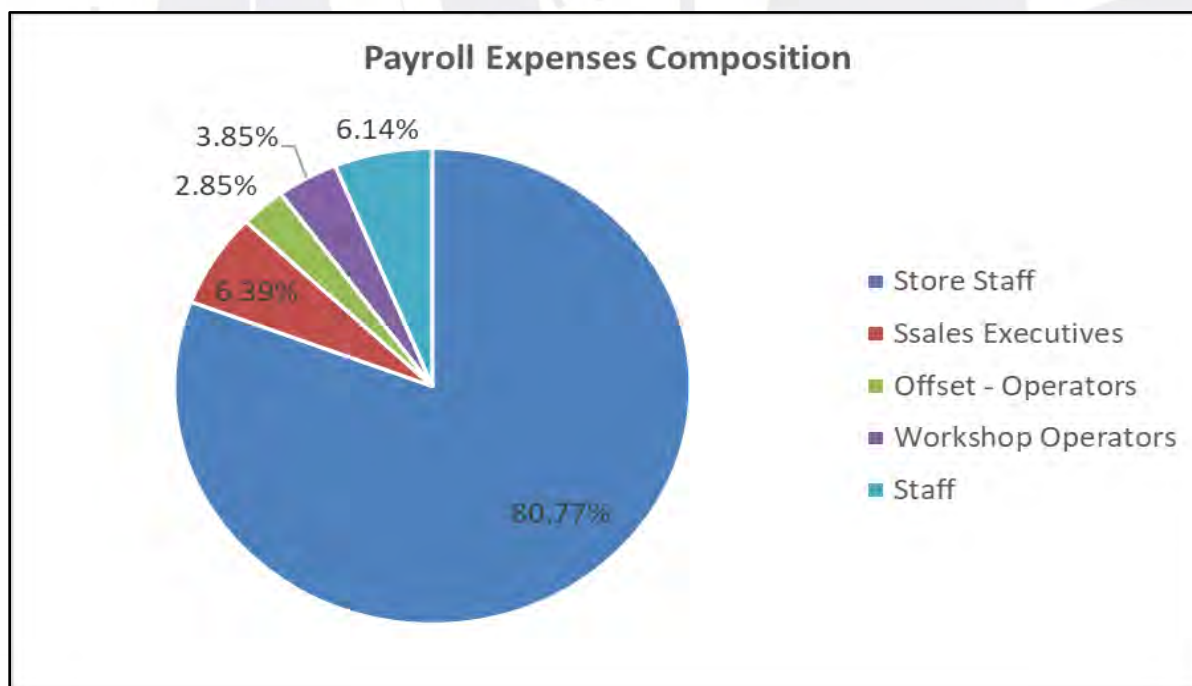


Figure 19. Composition of the Payroll Expenses in % of T-Copia 2017.

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

Table 10 represents the composition of other part of the operational expenses which is the rents and expenses related to them. This is also important to know because with the information obtained, the company can take measure if they identified a cost that is been very expensive.

Table 10.

Rent and Services Composition in Thousand Soles T-Copia 2017

Concept	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Rents	94.03	94.68	93.52	92.84	89.28
Maintenance	3.41	1.49	1.49	1.49	1.49
Light	9.19	9.97	9.73	9.73	9.42
Water	2.26	2.16	2.06	2.06	1.95
District Taxes	0.60	0.59	0.59	0.59	0.59
Internet	1.20	1.20	1.20	1.20	1.20
Telephone Services	5.31	4.27	4.39	4.39	4.32
Security System	0.30	0.30	0.30	0.30	0.47

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla.

Figure 20 shows how much each amount represents as a percentage of the total expense on rents and services division. As it can be seemed, the main cost factor is related directly with the rent of the locations for the company, and the second most important is related with the light expenses that the company pays for each store also. There is a very high expense of money on paying for renting the places in which the stores are located. This depends on the area of each store, and the prices that they are going to pay. Some of the stores are bigger than others because they also are used as workshop for preparing the big orders given by the clients that the company needs to fulfill, and they need bigger spaces for putting all the machinery that they are going to need for the production process.

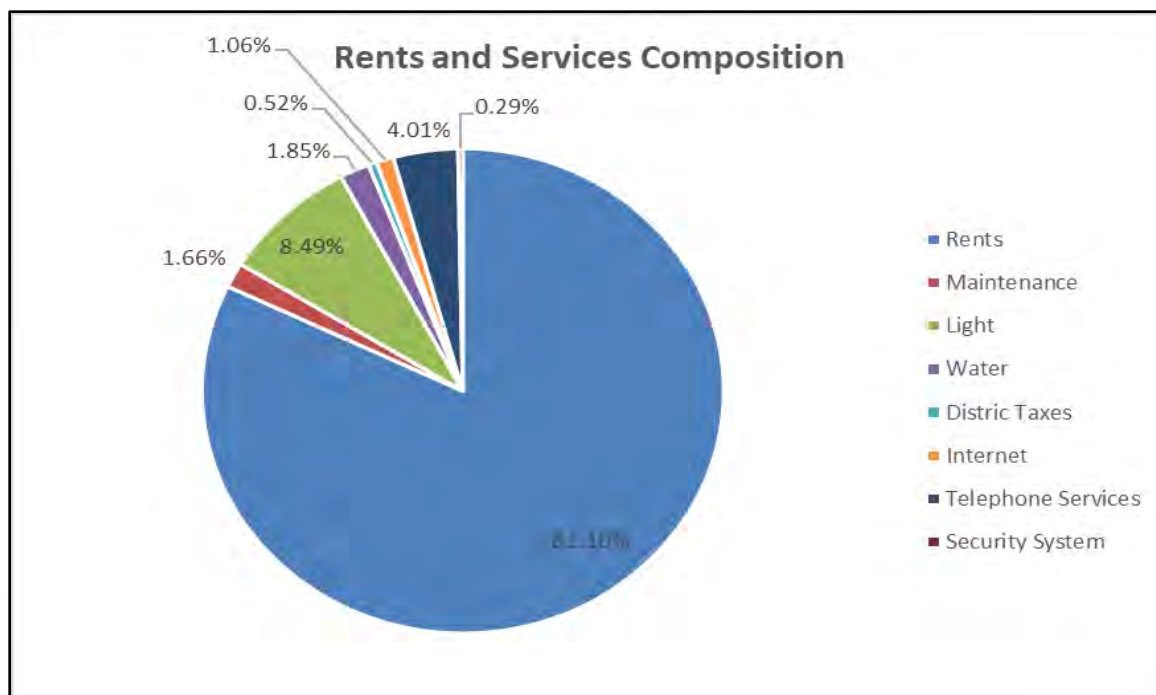


Figure 20. Composition of the Rents and Services in % of T-Copia 2017.
Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

The previous information shows that the most important cost factors that have an impact on the profitability of the company are the payroll, which is composed by the salaries of the employees and the commission obtained by the sales executives, and also the rents play an important role on the expenditures of T-Copia. This is something that the company already knows and also was expected because of two decisions that they have already define. The first one is regarding the salaries for their employees, which according to the information given by the company is a little big above how much their competitors are paying to their employees. The second one is regarding the location of the stores that they have. One of the strategic decision that the managers made since the beginning of T-Copia was that they will always have to be in strategic locations. These means that they are always looking for the best spot to open a new store and they take considerations the potential demand that they will have there because of the

traffic of public around the area, and also all the businesses that are around the area also. Both decisions were made around the idea that they will increase the sales because of the location that they considered as a potential to increase the sales, combined with more motivated employees' due to the higher salaries and commissions. However, as it has already been explained before, they are not doing so well in some of the stores.

4.2.2 Stores Comparison

First of all, it is important to mention that Juan de Arona is the most profitable store, because the smaller stores that do not have the capacity for producing big orders, send those orders to Juan de Arona, and this store makes the invoice, therefore in their statements appears that Juan de Arona is making a lot of sales. The ideal situation will be that each store that makes the agreement with a client for some specific product or services, will be able to reflect those sales on their statements, instead of other stores absorb this sales as part of their own performance. The main problem with this situation is that there is no good clarity of how the incomes per stores are distributed, instead it exists the idea that the store of Juan de Arona is making a lot of money from their own performance, when this is not entirely true.

All the previous analysis was for understanding the overall behavior of the company regarding only to the retail stores business unit. However, it is also important to understand some individual behaviors of the stores in order to compare why they are some of them that are being more profitable than others. The next tables and figures will follow the previous analysis made with the difference that the chosen stores for the analysis will be the Juan de Arona Store, because it is the most profitable, and the one located in Dasso which is the second less profitable after the one in Espinar. It is important to know that for this analysis it is better to use the data from Dasso store, because the Data from Espinar is just for the last two months, and this may not be a

significant measurable way because is a relatively new store. Therefore, the comparison is going to be made with a store that has more time in the market like the one in Dasso.

The evaluation will be based on the last two months of performance of each store and will be comparing similar indicators as the ones review above. This analysis will be useful for finding which are the main differences between a rally profitable store, and one of the stores that is constantly losing money for the company. This is a kind of internal benchmark that the company have to perform in with a regular frequency because the idea is to keep all the stores as similar as possible, maybe not in profits, but in similar distribution of the incomes and outcomes of money and it is detailed in Table 11.

Table 11.

Store Comparison in Thousand Soles T-Copia April 2017

Store	Dasso	%	Juan de Arona	%
Sales	11.89	100.00%	55.59	100.00%
Cost of Sales	-1.45	12.17%	-6.25	11.24%
Gross Profit	10.45	87.83%	49.34	88.76%
Sales Expenses (SE)	0		-0.23742	0.43%
Gross Profit after SE	10.45	87.83%	49.11	88.33%
Operation Expenses (OE)	-26.09	219.39%	-29.27	52.65%
Gross Profit after SE & OE	-15.64	-131.56%	19.84	35.68%
EBITDA	-15.64	-131.56%	19.84	35.68%
Depreciation	-0.69	5.77%	-0.69	1.23%
EBIT	-16.33	-137.32%	19.15	34.45%
Financial Expenses	0		0	
Profits before taxes	-16.33	-137.32%	19.15	34.45%

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

The previous graph explains how the composition between two stores of T-Copia is. It can be seen that the EBIT of both of them are very different, this is due to the composition of the

expenses that each store is having. For example, the store located in Dasso is having a big amount on expenses in Operation Expenses. These operational expenses are the ones that are taking most of the money incomes coming from the sales. The following figure represents how the revenues coming from the sales of the company are diluted among the different expenses that the company has, and the most important expenses comes in the operational expenses. This is why in Figure 21 it can be seen that there is a big drop on the profits after this concept.



Figure 21. T-Copia stores comparison of April 2017.

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

Table 12 follows the same structure as the previous one. The only difference is that this one represents the behavior of the stores on the month of May. The same trend shows on the previous table can also be seen on the month of May. The operational expenses are still the main issue that the company has regarding the profitability per store. It is important for the company try to keep the operational expenses as low as possible.

Table 12.

Store Comparison T-Copia May in Thousand Soles 2017

Store	Dasso	%	Juan de Arona	%
Sales	18.76	100.00%	68.20	100.00%
Cost of Sales	-3.76	20.03%	-9.29	13.63%
Gross Profit	15.00	79.97%	58.90	86.37%
Sales Expenses (SE)	-0.04		-0.57	0.83%
Gross Profit after SE	14.96	79.77%	58.34	85.54%
Operation Expenses (OE)	-25.59	136.39%	-33.40	48.97%
Gross Profit after SE & OE	-10.62	-56.62%	24.94	36.57%
EBITDA	-10.62	-56.62%	24.94	36.57%
Depreciation	-0.70	3.75%	-0.70	1.03%
EBIT	-11.32	-60.37%	24.24	35.54%
Financial Expenses	0.00		0.00	
Profits before taxes	-11.32	-60.37%	24.24	35.54%

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

Figure 22 also shows that after the operational expenses, the incomes of the company are diluted. This information also confirms that there is a trend after the operational expenses.



Figure 22. T-Copia stores comparison of April 2017.

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

The previous tables and graphs reflect the trend analyzed before on this paragraph. The most important cost that the company has to face is the operational expenses. The main difference between both stores is the efficiency that they are having with the resources that they are using. For example, the Dasso store is having a higher cost of sales which reflects the inefficiency on the production process in the company. Another aspect that the store of Dasso is not performing well with the operational expenses, which mean that they have problems with the high salaries expense and also with the rent of the store. This cost concept is even higher, more than double, than the sales made by the store, which reflects that the company has very high fixed cost in that store.

The company allocated important amount of resources to this store in salaries for employees, and also paying an important amount of rent for the place with the expectation that the strategies that they defined before are going to work on this store. However, the results show that even though the efforts that the company made in providing tools for having good sales, the store located in Dasso.

In order to measure the efficiency between each store, Table 13 will show a comparison between the efforts that the company is making on having a good location and good pay employees, and how this investment is turn in sales for the company. This is a key indicator for the company, because if they follow the same procedure for comparing all the stores, they could really find which are the ones that are using better the resources that the company is providing them. The idea is to obtain a good way to measure the efficiency of each store and try to make all of them improve their performance.

Table 13.

T-Copia efficiency comparison

Store	April		May	
	Dasso	Juan de Arona	Dasso	Juan de Arona
Sales	11.89	55.59	18.76	68.20
Cost of Sales	1.45	6.25	3.76	9.29
Operation Expenses (OE)	26.09	29.27	25.59	33.40
Total	27.54	35.52	29.34	42.69
Efficiency ratio	0.43	1.57	0.64	1.60

Adapted from "P&L T-Copia 2017", by T-Copia, 2017, Lima, Peru: Rodrigo Sevilla

This efficiency comparison is making an evaluation on how the investment made by T-Copia is translated into sales. In other word, it represents how much sales the company is making for each Sol invested. In the table, it can be seen that the Juan de Arona store is around three times more efficient than the Dasso store. This means that they are taking more advantage of the resources that the company provides. The store located in Juan de Arona is been able to transform each Sol of investment in May into 1.60 Soles of sales, on the other hand, the Dasso store is making 0.64 Soles for each Sol the company invest. Therefore, it is possible to say that one of the main problems is that employees are not taking advantage of the resources they have in order to increase the sales of the store.

4.3 Conclusions

There is a huge difference in terms of profitability between the stores in Juan de Arona (most profitable one) and Espinar or Dasso (the less profitable ones), and this is related with the customer service that each one offers. In the first one for example, the store manager has a

extensive experience in the business and have commercial skills, which does not happen with the manager of the other store. However, there is a common malaise in both: based on the interviews conducted and the observation of the consulting team, the perceived internal situation by the employees is negative, and more than the training or the integration activities is related with the delays in the payment of salaries, which produced a poor customer service and consequently a reduction in the sales, that reflect that the company is facing a financial crisis based on the low profitability of their stores.

The general conclusion for the quantitative analysis of the profits and loses statements is that there is a clear inefficiency on the stores. This might be because they didn't know how to choose a correct location, this is why they are not being able to find clients therefore the sales are not being enough to cover at least their fixed costs. Other option is that the employees are not performing very good and not taking advantage of the efforts made by the company for them to have a good work environment with all the conditions needed for performing in a better way.

Based on both qualitative and quantitative analysis, there is a conclusion that might seem as logical and could answer the question on why the profits of some stores are really low. The qualitative analysis was useful to found that the climate inside the company is not the best. Employees are not feeling good in the company because of the financial problems that they are facing, and also, they are not feeling motivated for doing their job. This information is supported by the findings obtained in the quantitative analysis, in which it was possible to understand that the company have made the efforts to give the employees the tools for increasing the sales, but the financial problems related with the payment to the employees is affecting their performance, therefore this is one of the reasons why they are not making efforts for finding new income sources for the company.

The company have to be very aware of this relationship because is the employees are not taking any consideration on improving the financial situation of the company, obviously the company will not be able to have more incomes. Having a few sources of incomes and low sales will make the company not able to fulfill with their obligations with their employees which is reflected on the motivation for working. On the next few years, the company might be facing a bigger problem whit this situation, because it might come the time that the profitable stores will absorb the costs of the unprofitable stores, and also become unprofitable.



Chapter V: Root-Cause Analysis of the Problem

This chapter will further analyze the key problem presented in Chapter II, in order to find out the Root causes of the presented problems. As stated in 2.1, the biggest problem lies in Human Resources functions of T-Copia, while there are also major problems with finance and marketing functions.

5.1 Identified Causes

5.1.1 Human Resources Causes

Among the HR causes, Payment issue comes on top. When a new employee is hired in the company, he or she has a three-month trial period and the payment they received is without benefits by using receipt for fees. After this period, they are included automatically in the worker's list. However, the company asks them to split their total payment in two different recipes, one for concept of monthly salary and the other for concept of transportation. The company avoids the payment of taxes by using this strategy, but also generates delays in the payments of monthly wages, given that the salary-concept receipts are paid automatically, but not the transportation-concept ones.

Lack of Training is a crucial part of the HR map. Currently, when a new entry-level employee comes in, T-Copia does not provide any structured training for him or her. This lack of training has caused employees work unprofessionally, which lead to inefficiency, poor customer service, higher error rate, etc. One study has found out that, workplace training offered by employers creates important human capital that directly fits the needs of firms and so becomes instantly valuable. The training boosts worker productivity and has been recognized as

decreasing the marginal cost of production, rising salaries and profitability, and creating positive externalities for the entire economy (Bilanakos et al., 2016)

Recruitment poses a huge problem for T-Copia. Hiring the right people increases the profitability because Good Recruitment makes Companies find the right talents; Finding the right talents, which means talents and the company are more compatible, will lead to higher satisfaction, then in turn increase the productivity of these talents; it would also lower the turnover rate, which saves the company money from short-staffed time, reducing the cost of recruiting new people and training them.

Low Motivation comes as a crucial cause to poor profitability. Ultra-low motivation among store entry-level employees has been prevalent throughout different stores, which has been proven by interview with sales manager Kristy Mory and Marketing manager Rodrigo Sevilla. One greatest reason to motivation's impact on profitability is that it leads to poor customer service, which then results in less customers' visits, less return customers and less purchase. It also leads to low productivity, which makes it longer to get the work done or more employees have to be hired, incurring cost to the company.

Clear responsibilities are not well defined at the store level. Many Entry-level employees have no clear understanding of their roles and responsibilities, which makes responsibilities bouncing around without the work getting done. The team member, Nicola Zocca, who visited the Javier Prado store, has proved this. There was uncertainty regarding who supposed to be in charge of Nicola's request, so each employee sent Nicola and his request to the next one by creating a "chain" that ended thanks to an employee that decided to handle the situation.

Another issue is related to the communication between the managers of the Human Resources and the Marketing departments. The assistant of Human resource reports any kind of issue or information, connected to the Marketing sector, directly to the Manager of the Marketing department because the managers of these two departments have a bad communication system. The assistant skips intentionally to send information to his or her manager in order to avoid insurgence of discussions inside the company between the two managers in charge of these two departments. As consequence, the situation is critical because the assistant, who does not have a deep experience in his or her role, would need the point of view from his or her manager that missed because of this process. Working condition is a great root cause for high dissatisfaction among entry-level employees. In some of the stores the employees work without air conditioning during summer, when the weather raises high temperatures (roughly 35 degrees). This could also have an impact on the performance of the employees, especially the ones that are on the workshop preparing all the big jobs.

5.1.2 Financial Causes

Poor Financial Management of the company is almost inevitable given the fact that there is no financial Manager in company. All the important financial decision where consulted with top managers of each area and they not necessarily had a strong financial background. As pointed out in chapter 2, the Retail Stores unit and Digital Solutions unit share budget and profit, which are highly inefficient, given that Digital Solutions unit generates more profit. Both business units have to be financially separate, in order to have a real grasp of the situation of each unit. There is also unclear responsibility of who should review the clients' credit information to extend credits to them. This has led to a serious problem that many clients are granted credits without being reviewed. Moreover, the process of expansion and opening new

stores was very expensive for the company, and this is why they are also facing financial problems, and as their director said during an interview, they are trying to re structure this debt in order to be able to pay their obligations, especially with their employees. In addition, the financial statement shows that there is a poor use of the resources that the company gave to the employees, as it was explained during the quantitative analysis, especially during the analysis of the efficiency ratio with the comparison between a profitable store and a non-profitable store.

5.1.3 Marketing Causes

Key word of marketing area of the company is “almost Inactive”. As mentioned in Chapter 2, T-Copia is suffering of lack of promotion and publicity, because the Marketing Manager is more focus on solving administrative problems instead of working on these two elements. It is very difficult to attract new customers because of this shortage so T-Copia, as mentioned by the Marketing manager, is keeping the old customers instead of attracting new ones through a push strategy. This scenario mostly regards the B2B which occupies 70% of income.

5.2 Main Causes of the Problem

When looking at these Human Resource Issues of the company, it can be deducted that Retail Unit of T-Copia has humble Human Resource Management. Two persons are accountable for this modest management, first is the HR manager of T-Copia. It's important to note that currently HR manager is mainly focused on the payroll related work, while hardly paying any attention to the core of Human Resource management, which includes building a good organizational structure, recruit, train, retain which can bring out the potential of the human capital to the highest in the company. It's difficult not to say that the General manager Jorge Caballero is not responsible for this. Based on limited information in hand, it is highly possible

that he has not picked the right HR manager, haven't assigned the essential work to HR manager and/or have been not too successful in providing the resources for the HR manager to manage Human resources well. Rather than an operational problem, this is mindset problem of the general manager: he has to invest time and money into building better human resources to turn the profitability of the company around. The cause of deficient financial management is lack of professional financial processes and possibly lack of talents. T-Copia doesn't have a formulated financial department, with a financial manager dedicated to finance. Marketing problem further reflects the high informality of the company. Retail business Unit manager Rodrigo is at the same time marketing manager of T-Copia, this makes marketing activities kept at minimal level with Rodrigo so occupied with non-marketing related jobs in hand. The main causes are detailed on Figure 23:

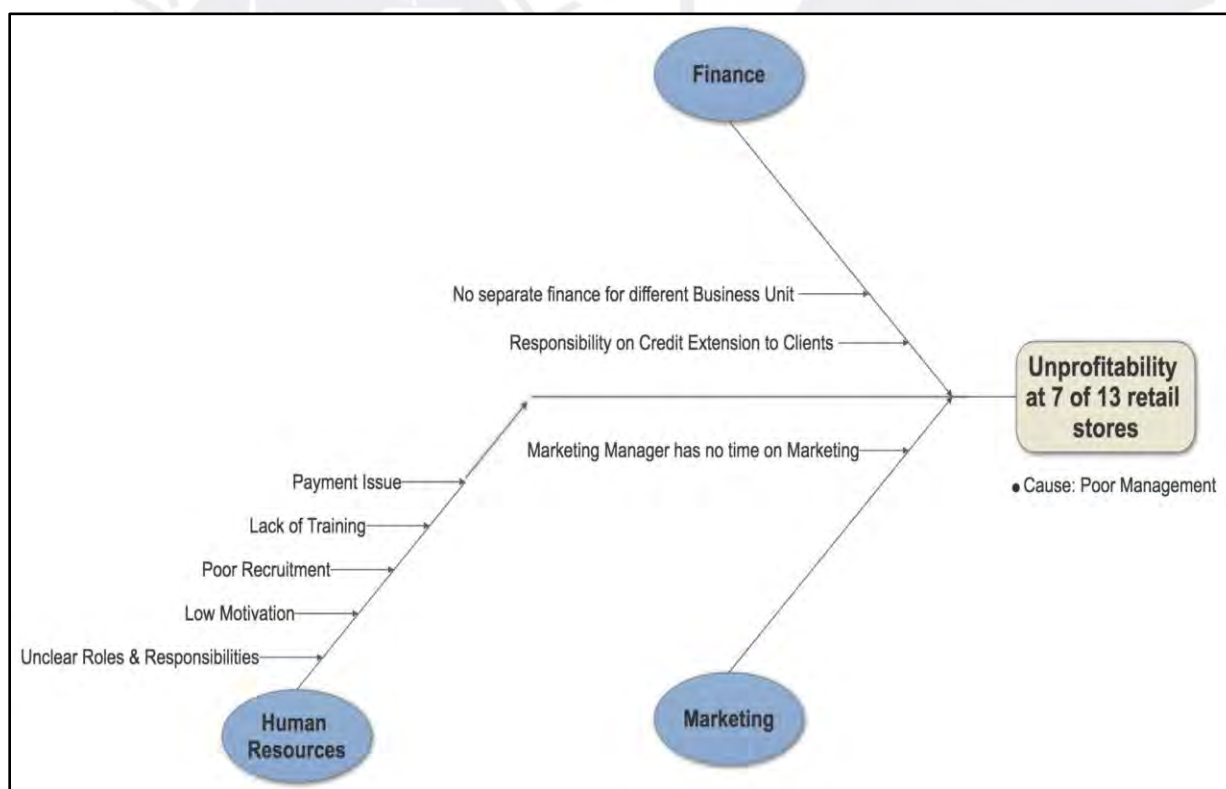


Figure 23. Fishbone diagram of the main root causes of the key problem

5.3 Conclusions

The purpose of this chapter was to explain the causes of the key problem which is the profitability of the stores. As it was explained before, there are some areas that are facing problems that do not allow the company to perform well on their sales and therefore the profits. For example, the marketing department is more focus on solving other problems that the company has rather than preparing marketing campaigns or strategies to increase the sales. In addition, the finance area of the company is not performing well and this is reflected on the lack of payments that the company is facing. The main issue is that they do not have separate financial statements; therefore, it is hard to analyze the real profitability of the retail stores business unit.

Furthermore, there are more problems on the Human Resources department. The lack of payment, lack of training, and in general all the actions made by this department, are causing that the motivation of the employees is decreasing. The lack of motivation is reflected on the performance that the employees give to the customers, and this poor customer service might be a reason of why customers are not willing to work with T-Copia and why they are changing to the competitors of the company.

These three departments, with their own problems, are the reason of why the financial performance of the company is decreasing. Everything is working together to decrease the general performance of all the departments of T-Copia, because there is lack of motivation, and also a mix up function that does not allow to have a clear vision of who is in charge of what specific function. This mix up also creates confusion that decreases the times of responses which also affects the performance of the company.

Chapter VI: Assessed Solution Alternatives

This chapter will focus on possible solutions that the company called T-Copia should apply in order to solve the problems which were established in the previous chapters. It was determined, after many meetings with the company, that the main problem is the absence of profitability in more than 50% of the retail stores that are currently open. Thus, a list of key criteria was determined to evaluate the possible solutions for T-Copia's problems. It is also important to know that for this chapter, the times period considered as short term will be three months, the medium term will be nine months, and long term will be around two years.

6.1 Criteria

It was identified five main criteria which are listed below. These criteria were selected after different meetings with the owner and the managers of various department of T-Copia. They basically sum up the line of thinking of this company; in fact, T-Copia needs to increase its internal process but maintaining the costs as low as possible. Moreover, all the actions that will be likely taken should be effective in a short term and also add value to the company, besides they should be accepted by the employees as an added value that can increase their skills and knowledge and not like an obstacle to fight.

As explained in the brief introduction, they will evaluate the possible solutions offered to T-Copia. This Criterion is crucial to eliminate not "top" efficient" solutions and at the same time to help in coming up with the perfect solution that utterly fits the T-Copia's needs. Each criterion has their own weight that will be the base for the future calculation of the best solution for the company. Moreover, each criterion will also be explained in a more detailed way on the next

paragraph to have a clear idea of why it is important for the assessment. Table 14 shows the criterion and weights.

Table 14.

Criteria and Weights for evaluating the propose solutions

Concept	Weight
Cost/Investment	35%
Timing	20%
Effectiveness	20%
Added Value	15%
Acceptability	10%

6.1.1 Cost / Investment

This criterion is one of the most common one to evaluate different solutions proposed. Many companies take it in consideration, either SMEs or huge and famous firms, however, Cost/Investment can make a strong difference in SMEs which need to evaluate each single cost and investment without taking risks because they have budgets limited, or in some cases they are in loss. It is fundamental to have as criterion the rapport Cost / Investment because the investment at least must fully cover the cost. However, this criterion related to a good forecasting process can make the difference in order to have a successful investment.

6.1.2 Timing

This criterion does not focus on when to launch the strategy, but timing is intended as the period that a proposed solution needs in order to deliver its entire value. It is fundamental that the strategy will be taken as soon as possible and also should make the difference in a quite short time because T-Copia needs results in a short term.

This company does not have a big amount of money available, so the results should be visible in a short time which will be one of the criterion that will evaluate all the proposed strategies to reduce the absence of profitability in more than 50% of the retail stores that are currently open.

6.1.3 Effectiveness

This criterion will be used to evaluate each level in which the solutions proposed are successful to achieve the goals of the company. A real problem that nowadays many companies worldwide are facing is related to the fact that the solutions applied are just partially successful. Thus, these solutions only solve certain levels of the problem but not all of it, and because of this reason, the companies generally must spend more money in order to apply various strategies to solve fully one problem.

Hence, it is fundamental to evaluate the solution at each level of the problem in order to totally cover it. Two questions could wrap up this criterion: can this solution perfectly cover the all stages of the problem? Any other solution can better solve this problem?

6.1.4 Added Value

The solution proposed should add value to the company before offering the product or service to the customers. It is important that what the company will offer should make a different

with the one provided by the competitors. This value addition will increase the product/service's price or value, however, even if the price or value is increased, the performance will be enhanced as well. Thus, it will be activated a chain reaction where each level of the company will benefit from it, besides there will be an increase of customer satisfaction and brand loyalty as well.

Famous companies have built their strong brands add value just adding their logo to the product/service provided, however, SME need to invest more effort in order to create and maintain this strong brand value. Thus, value added is not just referred to add the logo but also using many different types of strategies that will be analysed successively.

6.1.5 Acceptability

This criterion is strictly related to Human Resources because each employee must accept the solution proposed to solve the problem. Acceptability works parallel with effectiveness because both must work to the level of the problem. It is very common that the solution proposed is accepted by a certain level but not by all of them, so it will be necessary to adopt more than one strategy. As I just said, this criterion is related to effectiveness; in fact, it is crucial to reach a full acceptability in order to have effectiveness as a result.

This is an important criterion for this company because one of the reasons why the employees do not provide high performance is related to the fact that they are not inclined to the change. Nowadays, the work market is changing very fast, so for this reason it is fundamental that all employees are willing to the change.

6.2 List of Alternative Solutions

This section will make an overview of the possible solutions for the problem T-Copia is facing. The proposal alternatives will be focusing in: (a) Recruitment; (b) Training Programs; (c) Motivation Programs; and (d) Employees queries. Each alternative will be individually explained on the next paragraphs.

6.2.1 Recruitment

According to what cited in the Chapter 3 there are two different type of recruitment: internal and external. The former is less expensive because does not require all the hiring process from outside the company. T-Copia should use both types in order to have employees with high skills that will increase the customer satisfaction and as consequence, the profitability as well.

T-Copia should start to promote employees of basic levels to the next positions until the store manager position because after this one it will be very difficult to find employees already in the company that have managerial skills. Thus, it will be more useful to apply an external recruitment to cover the higher positions because it will be possible to select external possible employees with more experience and skills that fit these positions. A good idea to reach as many plausible employees as possible is to post job offers on different platforms that are very famous in Peru, for example Trabajando.com, Aptitus.com, Laborum.pe and Bumeran.com.

As it was said, T-Copia needs to save as much money as possible, so a great idea related to the external recruitment which is the most expensive process is to arrange groups of interaction between potential candidates. It will be possible to analyse their character, degree of interest, communication and working skills. The idea is to invite these candidates for group session and make the current employees interact with them.

Another great idea in order to find possible candidates, but always keeping in mind that the budget is not a positive side, is to search forum like Meetup for group events where there are high possibilities to meet people qualified for the positions available. The idea is to expand the options in which the company can look for qualified employees.

6.2.2 Training Program

This is a possible solution that T-Copia can adopt in order to reduce the absence of profitability in more than 50% of the retail stores that are currently open. This alternative solution can make a difference also on different other aspects which contribute to increase the profitability as well. Many employees have some weaknesses in their skills related to their roles, so a training program can help these employees to improve the skills that are weak in order to bring them at the same level each other.

As consequence, one employee can easily substitute another one as needed; besides trained employees can work individually or in team without having the necessity of supervision. It is useful to divide the shop in two different areas where the employees work, the first one is related to the direct contact with customers while the second one is focused on employees that work in the back of the shops with machines.

The training program, connected to the area that has a direct contact with customers, is divided in three steps. The first one will be having a business barter with a company like New Horizons or Nueva Acropolis, so T-Copia can offer printing service in exchange of training to T-Copia's employees. This first part of the strategy will be applied for three days. After that it will be actuated the second step which is related to the strategy called Role-Playing. This second step is very specific in jobs that have contact with the public. Salespeople should be put in a Role-

Playing training program in order to learn how to face challenging situations with customers. In this strategy, the managers have an important role because they play the part of the customers, so they have the role to teach the employee how to interact with customers. It is fundamental for T-Copia to apply this strategy to the customer service which is an area that is very weak and disorganized.

Managers should teach the customers how to explain to interact with customers' complaints. The last step will be to pair employees under training with savvy employees because the former need to have a real contact with customers in order to put in practice what they learned in the first two steps.

They will build confidence because they will have the opportunity to try simulations in order to be ready for the real situations; they will develop listening skills by paying attention to body language which is very important once they will work full-time; they will develop creative problem solving by trying to solve challenging situations (Bowman, 2010).

Another training program should focus on the area related to the employees that work in the back of the stores with machines. The main idea is to exploit the agreement between T-Copia and one of the partners like Duplo or Canon. They now provide training sessions for the employees of the digital solutions business unit. The employees that receive the training are going to provide internal training sessions to the employees of the retail stores business unit. These strategies just proposed should be applied to the time slot between 2pm to 4pm which is the one with fewer turnouts of customers. All the training options should start with two full days after recruitment, specifically before working, with online training and then in situ training and mentoring by the store manager.

As it was explained before, these benefits that a well-developed training session will offer to the employees will improve the absence of profitability in more than 50% of the retail stores that are currently open.

There are also negative sides that should be taken in consideration related to training. The training program is quite expensive because it requires workers that provide this service, besides it is necessary to give the employees manuals, books and online platforms training where to study in order to put into practice what learned. Moreover, the training programs can be viewed as an extra work for the employees and as consequence can be feeling demotivated, besides they will not probably put it into practice anyway. Another negative point is related to the fact that is difficult to quantify the training, so it is even more difficult to justify it.

6.2.3 Motivation Program

Motivation is another key proposed solution; in fact, it is fundamental to enhance employees' performance and as consequence, customer satisfaction. T-Copia needs to focus on the extrinsic motivation, so it should start paying the employees on time in order to have the possibility to focus on intrinsic motivation because T-Copia's employees are much unmotivated.

Intrinsic motivation is a big incentive to motivate employees; in fact, employees need personal satisfaction in doing well their jobs. T-Copia should include employees in the corporate decision-making process, so they will feel totally part of this company, even in the success. They will see themselves as an added value to the company and not just a number in it. This will increase the feeling of being an important part of the company, and also their productivity might increase because they know that if the company is doing well, they are going to be well also.

T-Copia should also allow time for special staff projects following the Doctrine 20% strategy. This strategy consists on allowing the employees to take around 20% of their working time for personal projects and brainstorming in order to increase their creativity and productivity. This strategy is explained by Ryan Tate (2012), and also supported by previous works developed by Ferriss (2011) as fundamental to free the creativity of all employees, from the bottom to the top of the company. It is crucial that employees have some hours per week to work on their own possible projects with topic related to increase the value of T-Copia. This is a very useful strategy because it allows the employees to feel actively part of the company and the success of the project depends totally on them, so they will feel more motivated and responsible to deliver a good project to the managers.

As previously explained, T-Copia should provide a great training session, however the supervisors in the shops should give the employees the freedom to approach each customer's request as they prefer because it is important to maintain high the level of challenge in a positive, so the employees will feel very motivated to push themselves to do their best. Managers should give the employees regular feedbacks in order to build a process where employees feel they can constantly increase their performance. Employees need to know where they are exactly about performance measurements, so they will feel to have more control over the stability of what they are doing and the quality also of their jobs.

These possible solutions end up in one called transcendent motivation which means that employees through their actions and behaviours can influence the others that work next to them. As consequence, this transcendent motivation creates a relaxed and professional workplace that will have a strong influence also on customers that will get in the stores, so customers will be

more attract by this kind of professional ambient. It will be possible to reduce the absence of profitability in more than 50% of the retail stores that are currently open.

There are also negative sides related to the motivation trainings. A motivation training poorly executed can lead to an increase of turnover. Employees could not understand the rationale for motivation, so they just stop trying. This situation could bring to T-Copia high costs and time-consuming. Another negative point connected to the motivation training is about to set goals that could be unrealistic. Too much motivation can over motivate the employees by leading them to think to have the skills to achieve goals that are out of their leagues. If the goals are unrealistic, they probably will be really hard to achieve, and this could make the employees fell that the training was not good because they cannot achieve a goal, and their motivation could decrease.

6.2.4 Employee queries

The employees' queries can be conducted through an intranet platform inside the company. This is an innovative idea that not many companies have been adopting but it can be very useful to increase the communication and make the employees feel actively part of T-Copia.

Intranet offers its browsers, search capabilities, also information sharing skills to the knowledge management. Intranet has many different benefits; in fact, encourages communication and builds "knowledge communication". Intranet helps knowledge management about different ways, for example it offers reducing of time and space among the users, offers the opportunity to exchange information, and supports organizational networking independent of direct contacts among the users (Ruppel & Harrington, 2001).

It is difficult for the employees of different shops to get connect each other, so T-Copia should adopt internal communications tool using likely an app for laptop/cell phone, which offers forums in order to fill this gap. This stratagem will increase the collaboration between teams and managers as well. Employees will be happy to share their views, and senior managers will have the opportunity to answer employees' queries. An innovative idea that should be added to the forum is about the votes that each post could get, for example if a post gets 20/25 votes, it will be forwarded to the senior management team for review, which means that all employees of different degrees of the company can contribute to the success.

This is an outstanding innovation because it gives the opportunity to the employees to interact between each other and ask about clarifications. Moreover, it gives the opportunity to the management to understand the realities of how the entire organization works at each level, so to adjust strategy accordingly.

However, there are negative sides related to this tool. There could be a potential of security risk; in fact, T-Copia will provide access to sensitive data that could be stolen even if protected by gateway and firewall. Another negative side is related to time consuming and costs. These procedures can be costly and all employees should learn how to use these platforms, so it will be an increase of training costs. Moreover, Intranet can be very useful but if it will be uploaded excessive information in unorganized way, it could be counterproductive and as consequence, it will create confusion among the employees.

6.2.5 Close the Stores

T-Copia is facing losses in different stores in Lima but also in the ones located in Trujillo and Arequipa. The store in Trujillo was losing S/5,147 in May 2017, while the store situated in Arequipa is had a loss of S/6,836. As regards the stores in Lima, the one located in Espinar had the bigger loss compared to the other with an amount of S/15,536. The best action to take in order to decrease and almost eliminate the loss is to close the stores in Trujillo, Arequipa and the ones situated in Espinar and Dasso, Lima.

6.3 Evaluation of Solution Alternatives

In this section, there is going to be an assessment of the best option for the company, based on the criteria defined on the previous paragraph. The following table shows the criteria to which are assigned different scores and weights based on the importance in order to evaluate the alternative possible solutions proposed above. The most important criteria are Cost/Investment because T-Copia is facing serious financial problems; Timing and Effectiveness are weighted 20% both because T-Copia needs results in a short term and they have to be very effective. Added Value is weighted 15% because it comes immediately after Timing and Effectiveness in terms of importance, while the acceptability is weighted 10% because it is true that employees' thought is important but now it has more value the entire company.

Each alternative was given a weight between 1 and 10 regarding the impact that they will have inside the company. After multiplying the number by the weight of each criterion, it is possible to find the result for each proposal solution and see which of them have the highest punctuation among the others. Table 15 will show the distribution of the punctuation and the final results obtained.

Table 15.

Best Alternative Selection

	Cost/Investment	Timing	Effectiveness	Added Value	Acceptability	Score
Weight	35%	20%	20%	15%	10%	
1. Recruitment						
1.1 External (strategic positions)	4	4	8	8	3	5.30
1.1 Internal (Operational positions)	7	9	6	6	8	7.15
2. Training Program						
2.1 Business Barter	8	7	9	9	5	7.85
2.2 Role-Playing	8	4	8	8	5	6.90
2.3 Mentoring	8	6	8	8	5	7.30
3. Motivation Program						
3.1 Feedback process	8	6	8	8	6	7.40
3.2 Doctrine 20%	9	6	9	9	7	8.20
4. Intranet						
	3	4	9	9	6	5.60
Own Elaboration						

The table also shows the evaluation of each alternative possible solution based on the criteria: Cost/Investment, Timing, Effectiveness, Added Value and Acceptability. The solutions Business Barter and the Doctrine 20% Strategy have the highest scores, 7.85 and 8.2 respectively, so they will be probably the solutions that will be implemented in the next chapter because they fit the criteria proposed above. It is important to notice that even though there are solutions that obtain low punctuation, they could still be improve and could be useful for the company in the future. Moreover, some of them can even improve together and work as a big solution for the company in the future.

The idea of making this kind of assessment and ponderation is to give the company set of possible solutions and show how feasible they are for being implemented. On this paper, there

will be a formal proposition of which are the best solutions that the company need to follow taking in consideration al the previous analysis made on the previous chapters. However, the company could choose to implement more than one solution for improving their situation, this is why is important to have a table showing the ranking for the company. Whit this table the company could made their own assumptions or observations about the punctuation given to each criterion, and come up with a new order on the propose solutions.



Chapter VII: Proposed Solutions

Based on the ranking conducted in the previous chapter, it was found more convenient to focus on the integration of the solutions number 3 and 7, which are going to be explained in the following paragraphs. This is because it has been concluded in the whole project that the customer service is an issue that must be solved in order to increase the sales and continue the growing of the company. However, as it going to be explained in the limitations, it is going to be important to solve firstly the liquidity problem that the company is facing currently in order to catch up with the employees' payments.

Even though the company is not applying currently marketing strategies to boost the sales, such as publicity or corporate discounts and this could be covered with proposed strategies in this area, the selected solutions are mainly focused in the Human Resources area, given that it is the most affected by the key problem. Also, based on the qualitative and quantitative analysis of the problem it has been considered that given that the service T-Copia offer is a commodity in the market, the main differentiation should focus on the customer service, which must be developed in the personnel of the company.

7.1 First proposed solution: Training Program

The situation has turned in a vicious circle as it is shown in Figure N° because the sales have decreased caused by the poor customer service. Then, the obvious answer would be to invest in training, however, as the sales have decreased, there is no budget for this, and as the employees do not receive training nor on-time payments, they feel demotivated and offer a bad customer service. Figure 24 will show the vicious circle that the company is facing.



Figure 24. Key Problem' vicious circle

The economic impact this proposed solution have is more related with administrative cost in terms of negotiation time. The consulting team agreed that as the company is facing a lack of liquidity there is no budget for external training activities, however it is crucial that the company train their employees so they can provide a better customer service that can increase the sales in the retail channel. For these reasons, the proposal is to apply a barter strategy by doing an exchange of services in order to train their employees in their soft skills related with customer service, without need of disburse money, but with the exchange of services, such as printing or copying. The name of this strategy is called business barter, and basically presents a win-win situation for both companies, T-Copia and the training company.

The services that T-Copia offers are mainly required for companies, either for contracts, proposals or any other business activities. This can be exploited by T-Copia, because they can offer their services in exchange of training for their employees. Another advantage of the

business barter is that it allows small and medium-sized firms such as T-Copia to come into contact with larger companies that, in the long run, can become a customer in the traditional way. This mechanism is also an additional option to catch new customers by giving them another alternative payment.

This initiative is seeking to provide T-Copia a solution that could be implemented in the short-term but that will also have results in the future performance of the company. In summary, the benefits of this system are many: acquire training services without cash movements, introduce the company into new business channels, improve financial results and increase productivity. However, the limitations of this alternative are that the company needs a liquidity injection in order to solve the extrinsic motivation of the employees. Even if the proposal is implemented in its totality, it will not success if the company do not solve the liquidity program

Another important element in the training program is the reinforcement of the hard skills in the employees, because the will be useless if they know how to provide a high-quality customer service, but they are unable to solve questions related to the services they offer. This is why, before the implementation of the barter strategy, the operators of the retail stores should be trained in the technical skills of the T-Copia services. And this is going to be reached by an internal agreement with the other Business Unit of the company, Digital Solutions, which provide technical training to their operators and can update the other employees in the technical skills of the machines they use.

7.2 Second proposed solution: Motivation Program

The training is going to solve the customer service the employees offer in the retail stores; however, it is necessary to reinforce the motivation in the employees, after more than a

year of crossing continuous delays in the payments. In order to do this it is important to differentiate the two types of employees in the retail stores: (a) the old workers, who represent the minority but are also the most committed with the company; and (b) the new workers; who are not committed with the company and present a high turnover.

The second group of employees could feel motivated with the training as they are younger and see it as an opportunity to continue learning, and also it does not mean any monetary investment for them; however, the way to motivate the second group varies from the first one. As the older employees have already many years in the company, and also a close relationship with the owners, the recognition from Caballero family could be taken as more valuable for them.

The initiative suggested for the first group is the Doctrine of 20%, which basically means to give the employees the chance to develop their own improvement proposals and allow them to lead the projects. As they know really well the way in which the company works, they can contribute sufficient to the strategies of the business. Even if most of them have followed a career line inside the company and do not have enough professional preparation, they represent a key element for the new heads of the company, which are people with professional background but without a vast knowledge of the company.

By giving to this group of employees the chance of using the 20% of their working time to be analytic and propose projects that might help the company to solve problems that could be small or big ones; and also by leaving them to lead the execution, they would feel more involved in the strategic decisions of the company, which will increase their commitment and productivity.

The Doctrine of 20% is explained by Ryan Tate (2012) as a strategy that should be mandatory applied by companies. He explains that companies have to become innovative and to motivate their employees to be creative in order to develop competitive advantages, because it means better products in terms of quality and prices, services with more efficiency and better results. This strategy was first implemented by companies like Google or Yahoo, where successful projects such as AdSense or even Gmail emerged as results.

7.3 Conclusion

The customer service is a key factor that needs to be developed in order to provide T-Copia not only an increase in the sales and the recovery of their profitability but a long-term differentiation from their competitors by giving them a high-quality service that will also be recognize as a new competitive advantage of the company. The combination of both alternatives will help initially to boost the sales of the retail stores by improve the motivation in old and new employees, which at the same time will allow them to retain in a better way the training received. And what is more important is that these alternatives have a low cost of implementation so they can be implemented in the short term in order to see the results soon.

Chapter VIII: Implementation Plan & Key Success Factors

8.1 Enablers

For this project, there are some specific factors that have to be taken in consideration, because those factors are going to be key for the implementation process. In this case, those factors are called enablers, and they are going to be divided in two big groups: (a) Personal involved, which are going to be the key people that need to have an active participation; (b) Actions required, which are a set of specific actions that the company need to accomplish. Each group is going to be explained in a more detailed way on the next paragraphs.

8.1.1 Personal involved

The implementation of the solutions for the problem that T-Copia is facing needs to have the collaboration and commitment of many areas and people inside the company. Only by working together as a real team a positive change could be achieve in the future. For this case, there are five key positions that need to have extra commitment with the project: (a) Talent Manager; (b) Operational Manager; (c) Retail Store Manager; (d) Retail Business Unit Manager; (e) General Manager. All these positions have to work together to create a good environment for implementing, controlling and evaluating the solutions, and will be in charge of working directly with the employees. The importance of each position for the success of the project will be explained in a more detailed way on the next paragraphs.

Talent Manager. Even though this is a new position inside T-Copia, the participation of this person is really important. One of the main reasons why this person was hired on the first place was for taking care of the human talent development inside T-Copia. As it has already explained before, the Human Resources department of T-Copia is mainly focus on solving the

many problems that they are having because of the complaints of the employees for the lack of payment that they are facing in the company. This is why they needed to find somebody that could be in charge of all the aspects related with the human capital development. The person in charge of this is Cristina Merino and she has around three months inside the company. It is important for her to be directly involved in the project because one function that the position requires is to control and improve the human talent development inside T-Copia. Cristina will be in charge of looking for alternatives of educational institutions that can offer T-Copia. These institutions will provide T-Copia their service of training in many aspects that will be useful for the employees of the company.

Operational Manager. This position is basically in charge of the production of the many services that customers required from T-Copia. Therefore, the person in this position will have to work in collaboration with the Talent Manager, because he/she will receive the orders of which services they will have to prepare. The idea of exchanging services with other companies will only be possible if the employees are able to fulfill the agreements meet by the Talent Manager in the negotiation, but also have to be supported by the Operational Manager, because this position is the one that knows the workload that the stores has. First there will have to be an internal negotiation process with the Operational Manager, because he will provide the information on how the work is going, and if they are going to be capable of fulfilling the agreements, or even if they need more resources for reaching the goal of the negotiation. Moreover, he will be the one that knows how many people he needs in the store for the production process or the customer service, so he will decide how many people can leave the store in order to attend the training sessions.

Retail Store Managers. As it has been explained before, all the stores have a manager that is in charge of the general performance of the store. This person is the one in charge of dealing with the problems of the employees that skip a working day because they did not receive their payment on time. The Store Manager also is important in the execution of the solution because they will be the ones giving the time to the employees for going to the training sessions. If the store's manager sees that there is many people coming to some stores, obviously they cannot send too many employees to the training sessions, or maybe they will have to find some way of replacing them in order to not affecting the customer service or the production performance. They will have to deal with flexibility on the working hours of the employees in order to not affect their motivation or their felling of over working.

Business Unit Manager. The person in charge of the retail stores business unit is Rodrigo Sevilla. He is the first interested on finding solutions that can help the company increase their profitability. His participation is also important because he is the head of the business unit, and he may be the one in charge of setting the limits of the negotiation that the Talent Manager is going to have with the institutions. Maybe he will have to make an evaluation and giving a proposal to the Talent Manager for she to go and negotiate with the possible partners. Moreover, he might have a direct participation on the negotiation process. As head of the business unit, he will also be in charge of making sure that everything is going as they plan and ask for some performance reports and see if there are somethings that can be improved, or if the solution is not obtaining the expected results.

General Manager. The General Manager, Jorge Caballero, does not have much participation on the daily performance of the company. This responsibility relays on Rodrigo Sevilla. However, it is important to have his participation for the implementation of this project

because he is the head and the face of the company. It is like re defining the organizational culture of the company. As general manager, he is in charge of setting the goals, strategies, vision and mission, and culture of the company. Therefore, as head of the company, he will need to participate at least at the starting point of the project for giving a message to the employees. The message will have to transmit the commitment of the company for improving things, and also will have to show that the company cares about their employees and this is why they are interested on doing some changes. Maybe after that, he will give the entire responsibility of the execution and evaluation to Rodrigo Sevilla, but is important for the employees to see that their leader is also committed with them.

These five actors will have to work together because some of their functions or objectives might interfere with others. As it is the case of the Talent Manger, Operational Managers, and Stores Mangers. This people will have to be in constant communication because they are going to be in charge of dealing directly with the human capital of the company. On the other hand, the top positions will have a different but very important role.

8.1.2 Actions required

As the people involved in the project is important, it is also important to define some specific actions that will have to be accomplished. Some of them will have to be performing by the key positions explained before, and some other will be directly responsibility of the rest of the employees of the company. All these actions need also to have some way to be measure in order to see if they are being performed correctly, or if there are some changes that have to be done.

The first actions that have to be made is related to the performance of the employees of the company, specially of the personals involved described on the previous paragraphs. All these positions need to give a monthly assessment of the evolution of the change process, and for doing that, they will have to design and measure their own KPI in order to make and evaluation and ask for changes if it is necessary. All the KPI will have to be relevant and measurable for assuring that they are going to be really useful. For example, the Talent Manager will have to measure aspects related to the performance of the employees of the company after the training sessions, the operational managers will have to measure aspects related to the productivity of the employees, and the stores managers will have to measure the general performance of the store and see if the training sessions have brought results to each store. All these efforts are being made because the company wants to obtain some results, in this case increasing the profitability of the stores by attacking some of the causes of this problem, as it is the motivation of the employees. Therefore, it is important to have some ways to measure if the training sessions are bringing some real results to the company. It is important to measure the results and the impact because is the only way to see if the efforts were worth it and take the corrective actions if it is necessary.

The second action required is possibly the most relevant one. This action is related with the entire searching and negotiation process with the possible suppliers of the training services. This is a key aspect for T-Copia, because when they find a suitable supplier, then they will have to convince them to make an arrangement with the company in order to make an exchange of product and services. Some key aspects that have to be part of the negotiation will be the quantity of hours and the quantity of employees that can attend to this training sessions, and what type of services the company will be willing to obtain from T-Copia. T.

The third action is related with obtaining the commitment of the employees. All the basic level employees will be part of the training sessions, so it is important for the company that they learn as much as they can. As the motivation of the employees of the company now is very low, they might see this as an opportunity to waste some working hours doing something else. It is the job of the top positions inside T-Copia to give a message that can catch the attention and commitment of the employees. They will have to make the employees understand that all these efforts are being made because they trust on the capabilities of everybody and they want them to be more prepared and improve their working performance.

One strategy that the company can use to promote the commitment of the employees is talk to them, and explaining that this training sessions will be useful for them in the future, even if they do not stay in the company, because is a knowledge that will rest on their minds. Moreover, they can also be flexible in the working hours as a way of promoting the interest of the employees on the training sessions, but only if they can demonstrate that these sessions were not a waste of time and resources for the company. This is a key aspect that have to be managed by the top positions because without a real commitment from the employees is impossible to achieve the expected results.

The fourth activity that has to be accomplished is having an effective way to explain the idea. This means that top managers, or even the General Manager, have the reasonability of transmitting a clear and easy to understand message on why they are promoting these initiatives. The communication process has to be in a way that can make employees understand the importance of their commitment and also why is important for the company to have these changes. It is going to be better if the General Manager, as the head and leader of the company can give this message to his employees. In addition, this message will have a better impact if is

given face to face to the employees and not send by an email, or a video. It is important to have a direct conversation with the employees, because in that way is going to be possible to see how they feel base on their reactions, and also, they can provide some good insights that managers may not be considering. Moreover, the General Manager need to have a special meeting with the employees that have more time in the company, because this people possibly will be more reluctant to change. Therefore, the General Manager should explain the Doctrine of 20% strategy to these employees in order to keep them motivated and committed with the project.

8.2 Activities

The list of activities for the implementation plan is going to be distributed in three phases: (a) planning, (b) developed, and (c) review of results. However, as it was mentioned before, there is a previous step that the company has to accomplish, the regularization of the payment to their employees. Without this regularization, T-Copia will not be able to motivate their employees completely.

The implementation plan will start in September, so is being considered that the company has to regularize the delay in payments by a capital injection before this date. According to an interview with the General Manager, Jorge Caballero, he is currently managing a Capital injection to solve the liquidity problem of the company; and after that the improvement of the customer service will be needed in order to increase the sales and continue growing.

8.2.1 Phase I: Planning

This first stage is the most important one, as is the foundation for the training strategy and is going to settle the correct measurement of results in order to prove the success of the initiative. The sub-stages in this first phase are the followings:

Definition of roles and responsibilities. As it was mentioned in the first part of this chapter, part of the staff will play the role of enablers to implement this proposal. The leader of the training project will be the Talent Manager, Cristina Merino, who will receive the support of Rodrigo Sevilla, the manager of this business unit, in order to assign the tasks that must be developed in each stage.

Establishment of the training needs. The training should aim to solve some particular issues the staff is struggling with, which are the customer service and the team-work mostly. Also the talent manager should elaborate a list of the employees who are going to be sent. The schedule is going to be based in the numeric results of the stores, starting by the less profitable ones. In the Gantt chart it is showed the order of training that the employees will follow.

About the Doctrine of 20% that is going to be implemented only for some employees, the Talent Manager, Cristina Merino, will have to evaluate the potential of each of the employees and define the list of the participants by analyzing the commitment they have with the company, the desire for continuous improvement, the analytical skills and more important the influence they have over their work-teams. This will have to be decided in coordination with the Business Unit Manager, and approved by the General Manager himself, in order to promote the competitiveness between the chosen ones and motivate them to commit with the program.

Negotiation with training companies. The project leader should create a list of possible educational institutions that offer training in these specific skills, customer service and team-work. Then, arrange appointments with all of them in order to propose the barter strategy; in this meeting, she should receive the support of the business unit manager in order to define which

products T-Copia is able to offer. Finally, a contract with all the specifications of the agreement such as the duration, participants and expected results must be signed for both parts.

Development of Key Success Indicators. As the company, scarce hard data related to the customer service; before starting with the implementation it is important to collect information of the current level of customer service the company is offering in order to compare it with the results after the implementation. For this, there will be two main milestones, where the level of customer satisfaction will be measured and compared with the initial results. These milestones are settled after eight weeks of the first and second training received by each store, because according to New Horizons (2017), which is one of the best training centers, 70% of the skills acquired in a training session are applied at work within the first 8 weeks.

Also, the integration and collaboration of the employees in the different stores will be measured with the results after the training. In this field, the company does have hard data of the current situation of the company, which was collected by a survey. This will be useful to compare the results and notice the improvements after the implementation. The details of the milestones in each key indicator are going to be explained in more detail in the Gantt chart and also in the point 8.5

8.2.2 Phase II: Development

The development phase will include the two strategies mentioned in Chapter VII, each one focused in a different group of employees: (a) new and untrained employees; and (b) old and more committed employees. But before starting with the implementation of the training sessions and the Doctrine of 20% program, the communication to the whole company by the General

Manager will be the previous step to provide the proper framework to the employees about the new initiatives the company is developing.

Communication to the employees. Inform to the whole company about the improvements the General Manager is implementing in the company and the required commitment he need from the whole team in order to make it work. This speech need to be given by Jorge Caballero like a motivational talk, in order to let the employees, know that the company is concerned about the situation of the company, and now that they have regularized the situation with the payments they need the commitment of the whole staff in order to make the company grow. He should explain that all the employees are going to receive a training program by the implementation of a barter agreement so the employees can be aware.

Also, as it was mentioned before, T-Copia has a group of employees that have been working there for several years and are more committed with the performance and success of the company. These loyal employees are going to be informed directly by the General Manager and the Business Unit Manager about the doctrine of 20%, so they can perceive that the company trust them and is going to give them the 20% of their working time to forget about the operational and use it to be more creative and propose solutions or improvements in their specific areas.

Training. The first part of the training should be focused in the check-up of the basic knowledge of all the current employees in T-Copia related to the operations of the company. T-Copia offers more than ten different services in their retail business unit, so before reach the training in soft skills, they must be trained in the hard skills of the operations. For this, the most experienced employees of each area are going to provide the training to the rest of the company.

This training is going to be taken by all the employees in the company. In the Appendix F it is explained the structure of this training process and who are going to be the mentors.

Then, on the first week of October, the training sessions will be provided to the 11 stores in the order assigned by the talent manager. Each store will assist to 3 different training during the framework of this strategy, and each training session will last one week per store. The first training pack will start in September 2017 by covering the field customer service, given that is the main issue related to the key problem. The second path will start in the following year, in January 2018; and the third one will take place in April of the same year.

The last part of the training will be given to the machines' operators. Actually, T-Copia employees from the Digital Solutions Business Units receive continuous training, which is provided by the brands they represent each time there is an update in the system or any new machine is acquired. However, as they belong to another business unit, they do not share the information with the operators in the retail stores. Then, there must be collaboration between both business units in order to maintain updated the operator of the whole company. This is going to be achieved by the training provided but the experts in the Digital Solutions Business Unit to the Retail Stores Business unit at least each three month.

The doctrine of 20%. As the name of the doctrine suggest, the implementation of this strategy would give the employees the 20% of their labor time to develop their creativity, which means eight hours or a whole day per week. In T-Copia, the employees will one day per week to choose an activity such as visit other stores, go to a meeting with the sales manager, visit the areas they choose to analyze, or just stay in their office checking their own information; in general, any activity they decide will be useful to think out of the box. This day is going to be

called “The innovation day” and will work as a workshop where the employees who are participating will have the whole day to observe and explore, to come out with an improvement proposal by the end of the day, which is going to be presented to the Business Unit Manager. The objective of this strategy is to generate ideas that could save money by reducing costs or increase the sales.

The employees who are going to participate in this project will start in September and in each weekly workshop they will receive the necessary tools and advices to implement their proposals. Each month they should present the progress of their own projects to the General Manager in a formal presentation; and by the end of July, the best proposals will have a final presentation with the General Manager, who will recognize publicly and award the participants.

8.2.3 Phase III: Review of results

It would be necessary to measure the improvement in the 3 main groups, who will be benefited by the implementation strategy. Then, surveys and interviews must be taken to the customers, old employees and new employees.

Surveys to customers. The first milestone will take place in December 2017, after more or less two months of the first training path. These surveys aim to verify the improvements in the perception the customers of T-Copia have at that point related to the quality of service they have received. The second milestone will be in June 2018, six months after the first training, where even more improvements should be showed in comparison with the first results. These surveys are going to be applied to a sample of the total number of customers and is going to be in charge of the Sales Manager.

Surveys to employees who took training. The evaluation for this group will be more persistent, two months after each training session they receive, and store by store, in order to have a follow-up of the results in each one. The 3 main milestones where the surveys are going to be taken are in December 2017, March 2018 and June 2018. In the point 8.5 more information about these surveys is going to be provided.

Meetings with employees of the doctrine of 20%. The evaluation of this particular initiative will take place during the whole implementation, to do a continuous follow-up of the initiatives the employees are proposing in each weekly workshop, but also to provide the necessary support to implement them in the company. By the end of the program, the best proposals will be presented to the General Manager, Jorge Caballero in a formal ceremony, where the participants are going to manage their own presentations.

8.3 Gantt chart

Figure 25 provides the step-by-step in the implementation of each of the three phases, like so the responsible ones and the time each step is going to take. In the first phase, the total duration of the planning will be three weeks starting in September. For the second phase, the development, it is divided in 3 fields: (a) the communication to of the project to the whole company; (b) the general training process and the detailed one per each store; and (c) The Doctrine of 20%. Finally, the review of result will be divided in the evaluation of the Key Success Factors for customers, employees who have received training and the participants of the Doctrine of 20%. The whole duration of the project will take 12 months. The Gantt chart is shown on Figure 25:

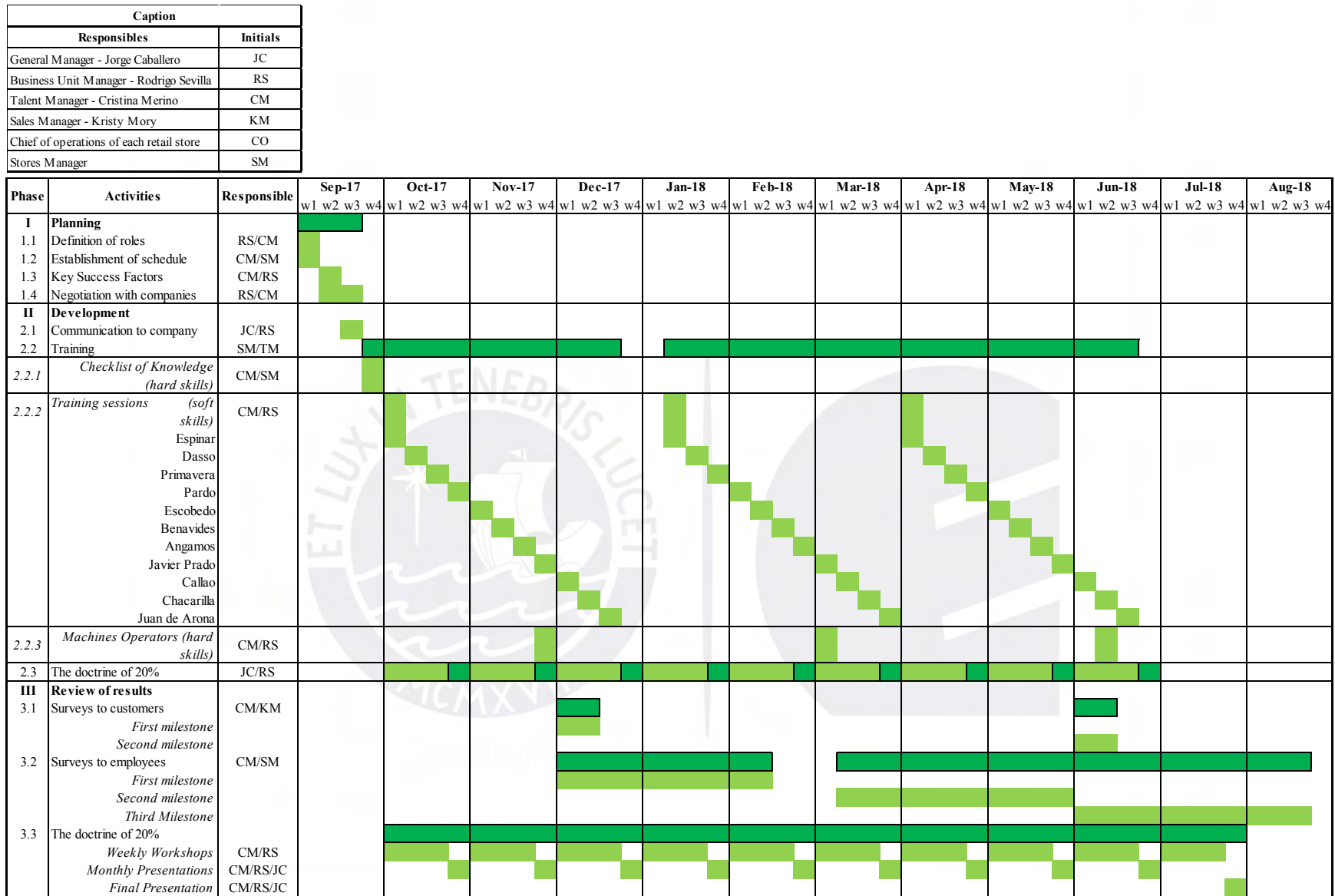


Figure 25. Gantt chart of implementation process.
Own Elaboration.

8.4 Risks

In any action taken by a company there are risks of not obtaining the expected results. It is important to take in consideration those risks because in that way, the company can think on the possible solutions if a situation comes up. The risks are bigger when a changing process is planned. This is the case of T-Copia, they are facing a difficult time and they are looking for options on making changes inside the company in order to perform better and obtain more profits, this is why they are going to face some risks during this process.

One of the risks that the company can face is related to the fact that operators can reject the orders given by somebody else. For example, the Operation Managers of each store could reject the orders given by the Talent Manager when this person give the order to fulfill some requirement made with the supplier of the services that T-Copia is going to be exchanging. This scenario might be possible because the Operational Managers has to deal with the daily work that each retail store has, and also the reward for achieving a goal is going to be in danger if they decided to spend time in works that are not going to be part of the sales made by each store, therefore they do not count as part of the sales that are going to be the base for calculating the rewards. For reducing this probability, the General Manager, as head of the company, need to have meetings with all the employees and make them understand that this is the way to go, and this way is going to be useful for solving the problems of the company, therefore the commitment of all the employees is very important.

One risk related to the one explained on the previous paragraph is the production process. The services that T-Copia is going to provide to the training institutions are not going to generate any cash income. Therefore, employees can focus more on the jobs coming from companies that

generate those revenues that are going to be important for them because their monthly payment depends on the money that the company can obtain.

Another risk that the company could face is related with the resistance to change that employees might have. It is possible that employees reject the training initiatives because this would make them get out of their comfort zone. It is common that people have some difficulties doing things that they are not used to. This is going to be a difficult task, but is necessary to have the commitment of the employees that are going to be participating on the training sessions. Managers have to explain them why they are doing these changes, and why it is important for the employees to take advantage of this opportunity that T-Copia is giving them. All the knowledge that employees are going to get is going to remain on their minds, and are going to be part of their set of skills, therefore there is no reason for avoiding this kind of sessions that are going to be useful for them on the future. This is a win-win situation for the employees and the company, because both of them are going to obtain benefits if everybody is committed for using wisely the training sessions.

There is also some risk involved during the execution of the propose solution. The solution will involve movement of the employees from T-Copia to the facilities of the institutions that are going to provide the training for T-Copia. During this movement of people, there is the risk that people receive money for the transportation, but they do not use all the money and keep some for them. In addition, there is also the risk of not attending the training session. Maybe employees are going to leave the store saying that they are going to the training session, but they go somewhere else. The managers have to find ways to keep control of this possible situation that can come up during the implementation of the solution. One possible solution is to hire a special transportation service, like private taxis, in order to ensure that people

are going to the place they should and also that the money allocated for transportation is going to be used for that.

There is one risk related with the knowledge that the employees participating on the training sessions are going to obtain. The company is going to allocate resources to allow the employees be part of these sessions for obtaining a mutual benefit for the future. However, there is a risk associated with the willingness of the employees to stay in T-Copia for a long period. Employees can take advantage of the training sessions and acquire new skills, but they can leave the company and take this knowledge with them. This is a situation that at the beginning will have a high probability of happening given the current situation that T-Copia is facing with the rotation of employees. After the training sessions, employees will have new skills which they can use for looking for other job options. For reducing this risk, maybe the company can persuade the employees that participate on the training sessions to sign letters of engagements. This letter will be like contracts that employees will sign with duration of a period of time, three months for example, in order to ensure that the skills that they acquire are going to be implemented in the company in order to improve the general performance.

8.5 Key success factors

All the projects need a way to measure if they were effective or not, and for this one there will be no exception. For the implementation of the propose solution, there are some key factors that will measure if the proposal was useful or not. This key success factors are related with: (a) Turnover rate of the employees; (b) Performance of salespeople; (c) Internal climate; (d) Profitability measure of the EBIT. Each of these key factors will be developed on the next paragraphs.

8.5.1 Reduction of the Turnover Rate

T-Copia has been facing the serious issue regarding the turnover rate which according to Rodrigo Sevilla (2017), it was 70% last year regarding the basic employees. The provided solutions will help to reduce the turnover rate that has been causing a decrease of customer satisfaction and as consequence the profitability of the entire company.

Training and motivational programs, will decrease drastically the turnover rate because they will promote the loyalty of employees towards the company. Thus, the turnover rate will decrease because the employees will be motivated to keep their jobs for which they worked hard to obtain and they also were trained for.

Another key element related to this voice is the action that T-Copia should strongly take. It is strongly suggested to make employees sign a letter of engagement, which is an internal agreement, in order to make them work at least 4 months in the company. This is very useful because it will help to give the first input to reduce the turnover rate and make the employees understand that T-Copia trusts in them.

Reduction of the turnover is crucial because it will allow T-Copia to have employees with experience in the sector and in the company, so it will be possible to deliver a service of higher level compared to a situation where it is present a high turnover rate because employees that work for a company for a short term, without having goals of long term, will be less motivated to work and as consequence to deliver a service of low quality to the customers.

The table proposed below shows how to come up with the employee turnover rate based on the number of employee at the end and the beginning of a certain period, and the employee hired in the same period. T-Copia should strongly adopt this table in order to maintain recorded

the exact turnover rate per year, so it will be possible to propose forecasting more accurate based on hard data about this important sector. Figure 26 will show the propose equation.

Number of employees at the end of the period (E)

Number of employees at the beginning of the period (B)

Number of employees hired during the period (H)

Employee Turnover rate = $((E - H)/B) * 100$

Figure 26. Proposal of turnover equation.

Adapted from: <http://www.evergage.com/blog/how-calculate-customer-retention/> (2017)

It is crucial to divide the period in milestones in order to check constantly the achievements, so in case the expectations are not respected, it will be possible to modify the solutions adopted. The period of 6 months will be divide in 3 milestones: (a) 1st week of December – 2nd week of February; (b) 2nd week of March – 4th week of May; (c) 1st week of June – 3rd week of August. At the end of the first two months, it will be reached a reduction of the turnover by 15% roughly, while it will be approximately 18% at the end of the second milestone and 20% at the end of third one. As it is possible to notice, the trend will increase around 4% after the first two months because the solutions proposed, training and motivational program, are very efficient in a short-medium term. The turnover rate will still increase after 6 months until the end of the first year where it will be possible to evaluate a decrease of the turnover rate about 30%. It is crucial that the company has the hard data about the variables that the formula above requires, so managers of each store can record this data very detailing.

8.5.2 Improve the customer service

This key success factor will measure how well the salespeople are performing after the training sessions. First, they will be measure on how many new customers they bring to the

company, and also how many old customers that change to their competitors they are able to get back. This two are going to be the most important measures related with customers and sales.

Moreover, the company need to keep track of their customers' behaviour and opinions about the service given by the company in order to see if there is an improvement on the customer service. As it was explained in the previous chapters, T-Copia should focus its analysis mostly on customers and not competitors. According to the National Business Research Institute (2017), the surveys has been given customers an opportunity to explain their concerns acknowledging the surveys as a key factor to open communication with the consumers and also to predicting consumer behaviour and feelings.

The key success factor is related to deliver surveys in each shop after the clients receive the service. The survey will be very easy since we are going to consider the value of the customers' time. Thus, the survey will be composed by 3 simple questions which are: (a) Are you completely satisfied with the service delivered by T-Copia's employees? (b) Do you think the customer service improved from last time? (c) Would you recommend T-Copia?.

Each question will have five possible answers from 1 to 5. A one will indicate the worst score which will indicate a very low level of satisfaction and a five will be the best score and will indicate that they are completely satisfied. The target for the company is to have the customers answer with a four or five which reflects an exceptional level of satisfaction.

This survey must be available in each store and the employees should ask the customers to fill it up once the service is delivered. The survey should be printed on papers, so the manager can gather all of them at the end of the day in order to create an excel spreadsheet with all the results. This is very useful because it will be given the possibility to compare the results weekly

or monthly. This key success factor will drastically increase the motivation of the employees because it challenges them to deliver a great service.

According to Smith (2017), studies how many responses the company need. A larger sample can offer accurate results but excessive responses can be pricey. The sample size calculation is provided below in Figure 27.

$$\text{Necessary Sample Size} = \frac{(Z\text{-score})^2 * \text{StdDev} * (1\text{-StdDev})}{(\text{margin of error})^2}$$

Figure 27. Equation for determining the required sample.
Taken Form: <https://www.qualtrics.com/blog/determining-sample-size/>

It is possible to adjust this formula by fitting it for T-Copia's needs Most common confidence standards for this type of measures are: (a) 90%, Z score of 1.645; (b) 95%, Z score of 1.96; (c) 99%, Z score of 2.576. The final equation will be as the one shown in Figure 28:

$$1 + \left(\frac{z^2 \times p(1-p)}{e^2 N} \right)$$

Figure 28. Adapted Equation for determining the required sample.
Taken Form: <https://www.qualtrics.com/blog/determining-sample-size/>

In order to solve the formula provided above, it is fundamental to know each single element. The z-score (or z in the second formula) is the confidence level which tells you how reliable a measure is. For example, 95% confidence level means that if the survey is taken 100 times, 95 of the measure would lie somewhere within the margin of error. The standard deviation (StdDev or p in the second formula) is usually based on the last surveys. For example, if the last

survey shows that 60% of the customers said yes, they are satisfied with the products offered, so you can use 0,6 as standard deviation in the next survey. However, it is not present any previous surveys, so the decision will be to adopt 0,5 which is the most forgiving number and assures that the sample will be vast enough.

As regards the margin of error (e), there is no sample that will be perfect, so it is necessary to decide how much error to actually allow. The margin of error shows how much higher or lower than the customers you are willing to fall. In this case, it will be 5%. For example, suppose to pick 5% as margin of error and 90% of the survey responded that the quality of the customer service was 5 out 5. Thus, a 5% of margin of error means that between 85% ($90\%-5\%$) and 95% ($90\%+5\%$) of the total number of customers would vote 5 out 5. N is the number of the total customers which is not the sample.

T-Copia will come up with the total number of surveys required in order at the end to find the most accurate number that will show the quality of the customer service. These surveys must be available in each store and the employees should ask the customers to fill it up once the service is delivered. This is very useful because it will be given the possibility to compare the results weekly or monthly. It is suggested to strongly value and focus more on the negative comments; in fact, according to Scout (2017), for every customer that gives a negative comment, twenty-six other customers remain silent. This key success factor will drastically increase the motivation of the employees because it challenges them to deliver a great service

8.5.3 Improvement of the store's internal climate

The improvement of the stores' internal climate is another fundamental success factor that will help to increase the profitability of the company. According to Gestion (2015), 52% of

the employees claim that their ideas are not appreciated, so they are not happy to work. They state also that this situation is caused by problems related to internal climate of the workplace. This situation is also reflected in the employees of T-Copia, because most of them feel lack of motivation according to a survey made by the company.

T-Copia distributed a survey to their employees in order to cover different topics regarding their work and in particular their satisfaction to work in the company. The survey is divided in 2 different parts. The result from the last survey was not very positive mostly about the areas of motivation, appreciation, communication, and bonus and so on. This survey was answered by every employee of each store that the company has, in order to have some findings of what is the perception that they have about the company performance.

There will be an overall improvement of the results after taking the proposed solution. As regards the first part of the survey, it is composed of several questions as it is explained on the Appendix F. Two very useful queries were: “How your boss treats you” and “What do you think about the new management for the chain stores?”. The possible answers that the employees could choose in the first part of the survey are: a) Very good b) Good c) Regular d) Bad. Tabs below describe the expectations regarding the answers per each milestone. Each question will have their expected outcomes from the results of the surveys. Table 16 will show the expectations from the answers to the first question. The idea is to obtain a significant improvement after each milestone a see if the implementation of the proposal solution is having the expected results on the performance of the company. More precisely, this type of questions will also help to measure if the perception of the working climate of the company is performing better. These surveys will have a significant importance if a lot of employees participate, making

the sample more significant, and all of them will be anonymous surveys in order to assure that employees can answer with total honesty.

Table 16.

Expected Result to the question What do you think about the new management?

	Last Survey	1st Milestone	2nd Milestone	3rd Milestone
Very Good	10,29%	20,00%	27,00%	33,00%
Good	52,94%	50,00%	51,00%	47,00%
Regular	36,77%	30,00%	24,00%	14,00%
Bad	0,00%	0,00%	0,00%	0,00%

Table 17 will show the results of the second question. This second question is more related with the perception that each employee has of the relationship that they have with their bosses. This is a very important factor because a poor perception of this indicator will show that employees are not feeling comfortable with their current bosses and this probably also have influences on their motivation.

Table 17.

Expected Result to the question How your boss treats you?

	Last Survey	1st Milestone	2nd Milestone	3rd Milestone
Very Good	11,67%	22,00%	26,00%	30,00%
Good	31,67%	43,00%	47,00%	48,00%
Regular	43,33%	28,00%	23,00%	19,00%
Bad	13,33%	7,00%	4,00%	3,00%

As regards the former, it is crucial that the atmosphere at work is not tense in order to maximize the productivity. The last survey made by the company show some results different from the expected. The number of total answers were 68 divided in: (a) Seven employees answer “Very Good” which represents 10,29%; (b) 36 answered “Good” which represents 52,94%; (c) 25 answered “Regular” which represents 36,77%. After adopting the proposed solutions, there will be a drastically increase of answers regarding the point a; in fact, the employees will be more inclined to answer, “Very good”, which will be roughly 20% after two months, 27% after four months and 33% after six months. The answers regarding the point c will decrease from 36,77% to 30% after two months, 24% after four months and 14% after six months.

As regards the second question, it is very important to ask this question because it shows how employees are inclined to accept news at the workplace. The survey shows a total of answers equal to 60. 11,67% of the employees answered, “Very good”, 31,67% chose “Good”, 43,33% answered “Regular” and 13,33% “Bad”. It is possible to note that the voices “Regular” and “Bad” need to be decrease in order to increase the first two voices. Thus, after adopting the proposed solutions there will be a drastic decrease around 15% regarding the answers “Regular” and 6% about “Bad”, so they will decrease to 28,33% and 7,33%, respectively, with an increase of the other two voices as consequence. This situation will be present after two months. The trend will constantly continue on this “wave” by decreasing the voices “Regular” and “Bad”, and increasing the ones called “Regular” and “Very good”.

As regards the second part, it is composed of questions with answers “Yes or No” and open answers. An important question that is fundamental to ask is if the employees feel totally part of the company. The specific query is “Do you feel that the firm value your work?”. The result showed 35,39% of the employees that answered “Yes” and 38,46% of them answered

“No”. After applying the proposed solutions, the employees will be inclined to think that the company strongly value their work, so the number of “Yes” will double, 75%, by the first two months. It is possible to come up with these percentages because training and motivational programs, for example the one called 20:80, are crucial to increase the feeling that employees have of being part of the company.

The other question is: “Are you afraid to lose your job?”. The results are very balanced; in fact, the survey shows 50% “Yes”. However, the situation will be totally different after only two months because the number of “Yes” will increase until reaching quote 80%. This is totally possible because training and motivational programs, for example the one called 20:80, enhance the self-security that each employee has in working by making the employees feel part of the company.

The open questions related to the second part of the survey offer different points view where it is possible to know what they think in detail. The negative comments about internal climate in each shop will drastically decline. There will not be any more comments such as: “T-Copia does not value, motivate us, and we work under fear”, “I do not have incentives to work”, “Managers do not take care of the employees by incentive and motivate them” and “We would be more productive if the workplace was more harmonized and peaceful”.

Hence, employees will work more efficiently because they will not have negative thoughts about the company, so they will approach their tasks in a positive way and with enthusiasm. It is suggested to use the survey just explained once per year because it is very long; in fact, it covers many topics. On the other hand, the survey based on customer satisfaction, which is just created, should be delivered each Milestone.

8.5.4 Profitability measure of stores. KPI: EBIT

Another very important factor that the company has to measure is the profitability because this is directly related with their main problem. The EBIT is a way to measuring is the company is creating value, and as it was explained in chapters before, the company is not doing really well in this topic. First of all, the company need to have a clear distribution of the sales made by each store. It was explained before that the EBIT of Juan de Arona is not too accurate because this store is absorbing the sales made by other stores. This means that if another store gets a big client and do not have the capability of preparing the products or services in their location, they have to ask for help to other stores, in this case Juan de Arona. The problem is that Juan de Arona is assuming these sales as if the client was from this location and not from the store that gets the client.

After having a clear distribution of the sales, now the company will have a much accurate financial situation of each store in this scenario, the company needs to calculate the EBIT of each store as a starting point, and then measure if they are creating value after the training and motivational sessions. They have to set a realistic goal per each store and measure if each store is able to accomplish that goal. It is going to be really hard to make all the stores have the same amount of sales or EBIT, but what the company can do is to stablish an internal benchmarking between their stores. For example, if the most profitable store is obtaining an EBIT of 10% of the sales of the store, the other stores will have to follow this distribution taking in consideration their own sales and costs structure, but the idea is to get every store follow the same distribution of incomes and outcomes.

Chapter IX: Expected Outcomes

9.1 Benefits of the implemented solutions

The implementation of the solution will have their impact on both financial results and people performance improvement. However, there is some time needed to see these changes or improvement work and settle on the company. In addition to the two approaches of improvement, is important to set some time goals in order to measure if the solutions implemented in working well or if there is needed to have some improvements in the way. The time frame will be divided into (a) Short-term benefits and; (b) Medium and Long-term benefits. Each of them are going to be explained in a more detailed way on the next paragraphs.

9.1.1 Short-Term benefits

The short-term benefits are more related with the improvement of the performance of the people and they can be notice in a few months after the training sessions begins. After the training sessions are over, there is an expected improvement on the quality of the service that employees are going to give to the customers. This improvement will have to be measured by the surveys that customers will fill. The implementation plan also contemplates the payment of the debts that the company has with their employees. If the company manages to pay their debts and also to give their employees training and motivational sessions, their performance can increase. This will also have an impact on the turnover rate, because if the employees see that the company is showing interest in complying with their debts and also, they are willing to give them more preparation and a new set of skills, employees' motivation can increase. The motivation factor is important to assure that the performance of the employees is going to improve. However, this is part of the implementation of the propose solution, this process have

to be replicated in the future, because it is important to always be in constant improvement. If the company has more capable employees, then their chances of having a better performance on the customer service and increasing their sales by attracting more customers or getting back old ones will increase.

9.1.2 Medium and Long benefits

The medium-term benefit related with the human factor is that the internal climate of the company can be improved before the first year after implementing the solution. For example, the perception of the employees of working in a place that is concerned about their wellbeing is going to increase, and also the commitment with the company will increase. The commitment and the opportunity of having constant training sessions will also be a benefit that the employees will perceive that they are obtaining from the company. Therefore, the climate will be better for them because now they are working on a place that is accomplishing all their obligations with them, and also they are preparing them and giving them new set of skills that they are going to use on the future.

The long-term benefits are more related to the financial situation of the company on the following two years. The financial situation of the company will improve after the implementation of the solution; however, this will take some time. Even though, the company now will have more motivated employees, they will have to work really hard on convincing possible customers to work with them. In addition, the company also will have to work on their internal benchmarking, and it will take at least a year in order to gather relevant information for all the stores. After one entire year, it will be possible to determine the sales considering the stationarity of the industry and considered which are best and worst moths for the company. This is where the EBIT KPI is going to be playing an important role as a way to measure the

efficiency of each store under similar conditions. The idea of getting every store to follow the same distribution of the costs and incomes will also take some time because first the company needs to have a clear vision of their numbers. The next step will be to have the internal benchmark and see what the differences between the stores are. Then, they will have to work on the corrective measures that they will have to make in order to have the stores under the same incomes and costs distribution. If the company is able to have a good management of this financial aspect, in the future if there is an unusual variation in the costs, they will be able to detect it on time and take the corrective measures.



Chapter X: Conclusions and Recommendations

10.1 Conclusions

According to the interview with the General Manager, who founded the company more than 40 years ago, he did it in an improvised way at the beginning by hiring people based on the short-term needs, without a proper planning. Even if some of the employees were more committed with the company, this situation does not carry in the best results in the long-term. This is why the company is now recruiting more qualified employees, such as the Business Unit Manager, Sales Manager or Talent Manager who have a professional background in their fields.

Then, it is important that the company maintain a balance between the old employees and the ones with professional background, so the first group can contribute with the knowledge about the company and the passion to work on it, which can be complemented by the professional background of the second group.

As regards the training and motivation programs, they are fundamental in order to reach the final goal which is to increase the profitability. It has been chosen to adopt the strategy called “Barter” which is based on exchanging services in order to train the employees on their skills related with customer service, without needing of disburse money, but with the exchange of services, such as printing or copying.

This strategy can strongly be exploited by T-Copia because they can offer their services in exchange of training for their employees. Moreover, T-Copia will come into contact with larger companies such as New Horizon, Nueva Acropolis, Canon and Duplo. Thus, there are many advantages by taking this first program; in fact, it is possible to acquire training services

without cash movements, to introduce the company into new business channels and to improve financial results and increase productivity.

As regards the motivation program, this solution will emphasis on solving problems related to the customer service in the retail stores. This strategy will focus on two class of employees divided by a demographic criterion which is the age. The first group is composed by the old workers who represent the minority but are also the most committed with the company while the other group includes the new workers, who are not committed with the company and present a high turnover.

The target audience will be the second group and it will be adopted the strategy Doctrine 20%, which means to give the employees the chance to develop their own improvement proposals and allow them to lead the projects. This strategy will be very useful because the employees will feel more involved in the strategic decision of the company, which will strongly enhance their commitment and as consequence the productivity, as well. However, there are limitations related to the availability of the budget to implement the processes of these strategies. The company needs a liquidity injection in order to solve the extrinsic motivation of the employees, so to focus on the other problems, such as in the case of the training program.

On the financial situation of the company, the analysis was only based on few information that could be obtained from the company. The idea of the quantitative analysis was to find more insights of the behavior of the company financial situation, but this was impossible to do because of the lack of information provided from the company. It is important to have a much-detailed financial picture in order to see the real situation of the company. For example, on the financial statement provided by the company, profit and losses, it is only possible to see how

is the behavior of the sales and the composition of the expenses that take away those revenues. However, those sales do not mean liquidity for the company, because almost every sale made by the company, at least for the big accounts, are made with credit. Therefore, it is not accurate to say that the company has money if only the profit and loss statements is analyzed. For this case is important to have the balance sheet in order to see how much money the company have on the account collectible from other companies. Maybe the financial situation of the company is also problematic because they are not having a good collection process and they are not able to collect the money that they have to comply with their obligations.

10.2 Recommendations

As we explained throughout the project, motivation and training programs are crucial to make employees feel part of the company, so they will be more actively involved in all procedures and the results will be directly observed in an increase of the quality of customer service which will lead to enhance of the profitability of the company, as well.

It will be fundamental to maintain constantly the use of these two strategies because the training program is important either right after the recruitment process in order to make employee ready to start working with the right skills to deliver the best service or at any point of their life career because the market is moving very fast and the technology as well. Thus, training program is vital to make employees know about all the new features that the machines could have.

T-Copia should constantly check and evaluate the efficiency of these two programs. The most efficient way is the use of surveys about customer and employees' satisfaction in order to know, through the former, what it is going well and what it could be improved to deliver a better

service. As regards the survey about employees' satisfaction, it is important because its results show the level of motivation that the workers have. Thus, it will be possible to enhance the motivation program or to keep using it without modifying it.

It is cardinal to keep in mind that this is just the starting point. It is suggested to give continuity to the process, so T-Copia should continue to apply these programs also after that the progresses will be checked at each Milestone. Moreover, it is crucial that T-Copia will work on new programs with the scope to not make these actual programs redundant, so the employees will be more active and inclined to learn. Hence, it will be crucial to keep motivation and training programs part of the company policies, and make sure that they are being fulfilled.

On the financial situation of the company, as it was explained before, it was impossible to get more detailed financial statements from the company. One of the reasons is that the company have global financial statements. This means that both business units are included on their financial statements. This is not useful for making individual evaluations of each business unit. Therefore, the recommendation for the company will be to split their financial statement for each business unit. In that way, the information regarding each business unit will be more accurate and will be more useful for measuring the performance of them. If they continue having global financial statements, maybe one business unit will be absorbing the losses of the other, and at the end the picture will show that both business units are facing problems, which sometimes this scenario is not true. It is better to have individual statement because in that way, the analysis will be based on the situation of each business unit and considering only the factors that could affect them.

Given that many of the solutions proposed are related with the empowerment of the employees in order to promote in them an improvement in the customer service they provide to the clients, the recommendation is that the General Manager, as the face of the company, is more involved in the programs in order to motivate them; at least for the first months, until the new Managers, who have less than 6 months in their positions, develop a closer relationship with the staff and can continue the work by themselves.



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Appendix A: T-Copia retail stores map



Figure 29. Map of retail stores of T-Copia (2017)
Taken from <http://www.t-copia.com.pe/nuestras-tiendas/>

Appendix B: T-Copia organizational Chart

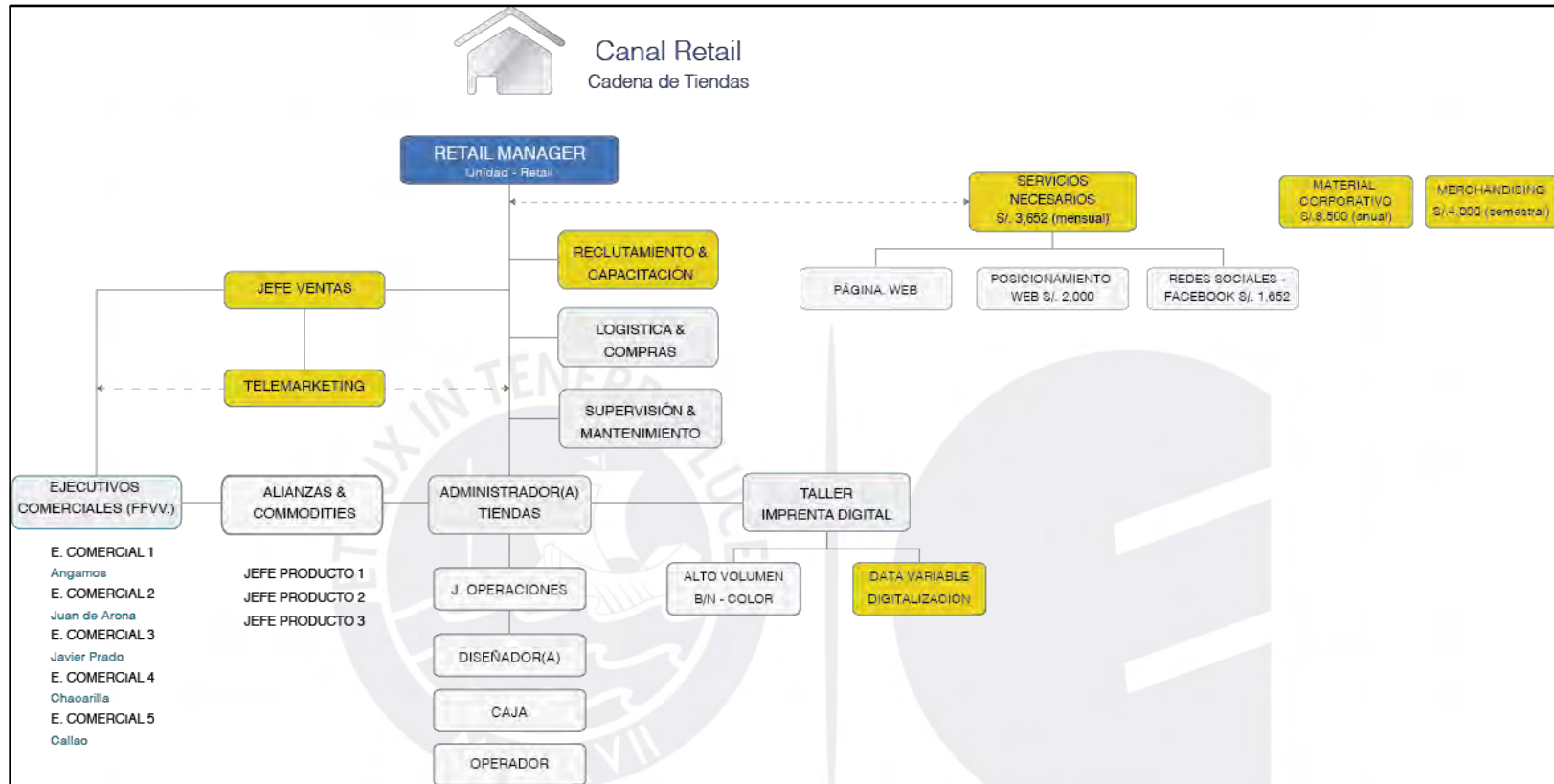


Figure 30. T-Copia organizational structure

Appendix C: Tesco's Employee Reward Programme



Figure 31. Tesco's Employee Reward Programme
Data from Times 100 Case Studies, 1-4 by Motivational theory in practice at Tesco (2014)

Appendix D: Global Retail Development Index window of opportunity

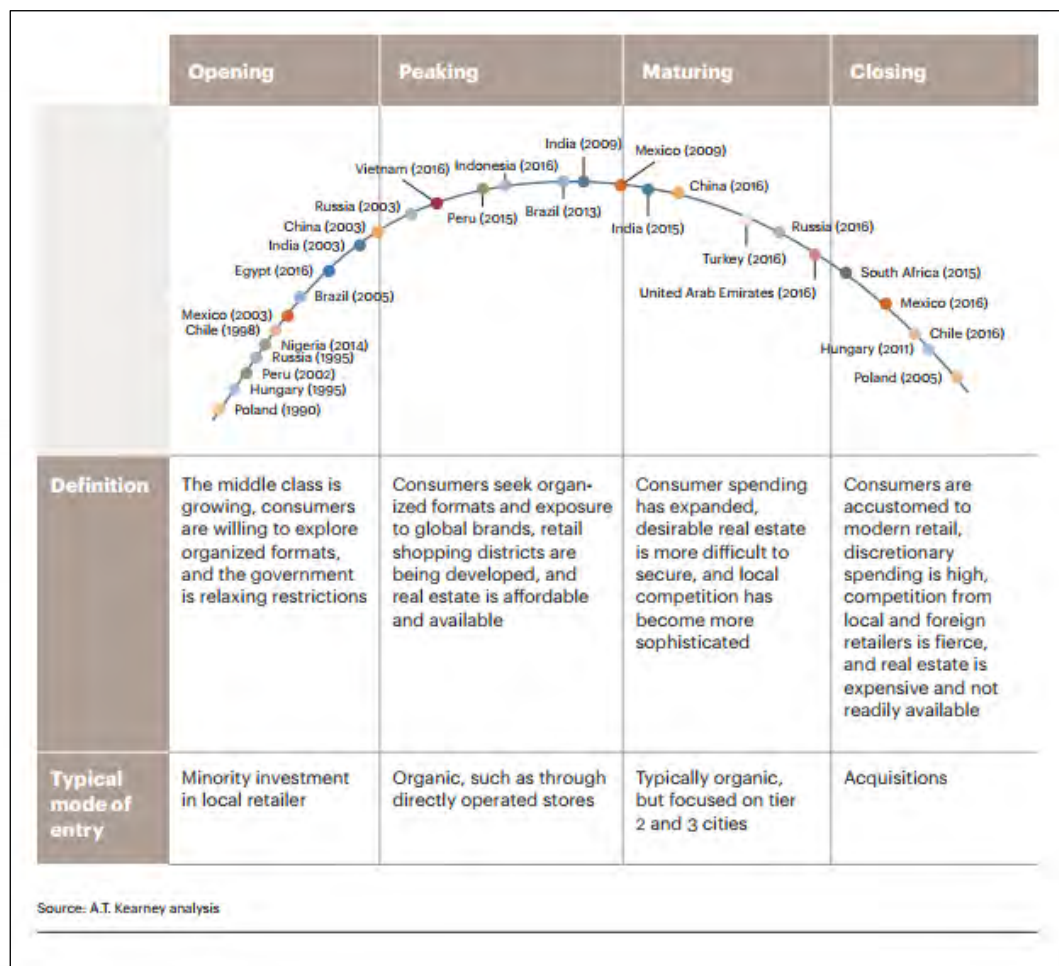


Figure 32. Global Retail Development Index window of opportunity
Data from The 2017 Global Retail Development Index by At Kearney (2017)

Appendix E: Required training

Nº	PUESTO REQUERIDO	EVALUACIÓN PREVIA	Nº	CAPACITACIÓN EN:	¿QUIÉN CAPACITA?
1	ADMINISTRADOR(A)	NO, Debe tener experiencia en la administración de un local y saber todo sobre la tienda a su cargo	1	INDUCCIÓN EMPRESARIAL Y, PRODUCTO Y SERVICIOS	MARKETING /JEFE DE VENTAS
			2	CALIDAD DE SERVICIO Y ATENCIÓN AL CLIENTE	MARKETING /JEFE DE VENTAS
			3	OPERATIVIDAD DE EQUIPOS DIGITALES	SERV. TÉCNICO
			4	OBLIGACIONES ADMINISTRATIVAS EN TIENDA	TESORERÍA
			5	FACTURACIÓN	CONTABILIDAD
			6	USUARIO SOFTWARE P.O.S	SISTEMAS
			7	PROCESO LOGISTICO	JAVIER GUTIERREZ
			8	TERCERIZACIONES Y ALIANZAS	JEFE DE PRODUCTO
			9	PRODUCCIÓN POR DEMANDA -TALLER	TALLER
2	JEFE(A) DE OPERACIONES	NO, Debe tener experiencia en el manejo total de una tienda.	1	INDUCCIÓN EMPRESARIAL Y, PRODUCTO Y SERVICIOS	MARKETING /JEFE DE VENTAS
			2	CALIDAD DE SERVICIO Y ATENCIÓN AL CLIENTE	MARKETING /JEFE DE VENTAS
			3	OPERATIVIDAD DE EQUIPOS DIGITALES	SERV. TÉCNICO
			4	OBLIGACIONES ADMINISTRATIVAS EN TIENDA	TESORERÍA
			5	FACTURACIÓN	CONTABILIDAD
			6	USUARIO SOFTWARE P.O.S	SISTEMAS
			7	PROCESO LOGISTICO	JAVIER GUTIERREZ
			8	TERCERIZACIONES Y ALIANZAS	JEFE DE PRODUCTO
			9	PRODUCCIÓN POR DEMANDA -TALLER	TALLER
3	DISEÑADOR(A)	SÍ, Escoger uno de los 12 Servicios de tiendas y Diseñar un Flyer de promoción <i>50% de Dcto. durante un mes!</i> . Tiempo: 1 Hora y se calificarán 4 puntos: 1.- Simplicidad, 2 Impacto Visual, 3 Contraste 4 Espacio y Composición.	1	INDUCCIÓN EMPRESARIAL Y, PRODUCTO Y SERVICIOS	MARKETING /JEFE DE VENTAS
			2	CALIDAD DE SERVICIO Y ATENCIÓN AL CLIENTE	MARKETING /JEFE DE VENTAS
			3	OPERATIVIDAD DE EQUIPOS DIGITALES	SERV. TÉCNICO
			4	TERCERIZACIONES Y ALIANZAS	JEFE DE PRODUCTO
			5	PRODUCCIÓN POR DEMANDA -TALLER	TALLER
4	CAJERO(A)	NO, Con Experiencia, pero no necesita evaluación ya que cada empresa tiene software diferentes en los que se le debe capacitar	1	INDUCCIÓN EMPRESARIAL Y, PRODUCTO Y SERVICIOS	MARKETING /JEFE DE VENTAS
			2	CALIDAD DE SERVICIO Y ATENCIÓN AL CLIENTE	MARKETING /JEFE DE VENTAS
			3	OPERATIVIDAD DE EQUIPOS DIGITALES	SERV. TÉCNICO
			4	OBLIGACIONES ADMINISTRATIVAS EN TIENDA	TESORERÍA
			5	FACTURACIÓN	CONTABILIDAD
			6	USUARIO SOFTWARE P.O.S	SISTEMAS
5	OPERADOR(A)	NO, No necesita evaluación previa, ya que es un puesto básico y de alta rotación. Solo capacitar antes de ingresar a una tienda.	1	INDUCCIÓN EMPRESARIAL Y, PRODUCTO Y SERVICIOS	MARKETING /JEFE DE VENTAS
			2	CALIDAD DE SERVICIO Y ATENCIÓN AL CLIENTE	MARKETING /JEFE DE VENTAS
			3	OPERATIVIDAD DE EQUIPOS DIGITALES	SERV. TÉCNICO

Figure 33. Required training.
Taken from Training Process of T-Copia (2017)

Appendix F: Model of Employees Satisfaction Survey

Employee Satisfaction Survey



Gender:
Age:
Job level:
N° of Years in T-Copia:

For each item identified below, circle the number to the right that best fits your judgment of its quality. Use the rating scale to select the quality number.

Survey Item	Scale				
	P o o r	Good			E x c e l l e n t
Your Work					
1. How challenging is your work?	1	2	3	4	5
2. How meaningful is your job?	1	2	3	4	5
3. How clearly are your responsibilities and goals defined?	1	2	3	4	5
4. How often do you feel stressed at work in a typical week?	1	2	3	4	5
5. How much does your job give you a sense of personal satisfaction?	1	2	3	4	5
6. How meaningful is your job?	1	2	3	4	5

Survey Item	Scale				
	P o o r	Good			E x c e l l e n t
Communication & Feedback					
7. How interested is your manager in your professional development?	1	2	3	4	5
8. How often do you receive the training you need to do your work well?	1	2	3	4	5
9. How encouraged are you to learn from your mistakes?	1	2	3	4	5
10. How many opportunities are you given to be promoted or advance?	1	2	3	4	5
11. How likely are you to be working for the company in two years?	1	2	3	4	5
Mission & Purpose					
12. How well do you understand the mission of the company?	1	2	3	4	5
13. How familiar are you with the company's strategy?	1	2	3	4	5
14. How well do you feel your values align with those of the company?	1	2	3	4	5
15. How confident are you that the company is currently heading in the right direction?	1	2	3	4	5
Respect					
16. How much do you feel respected and valued?	1	2	3	4	5
17. How much do you respect and value your coworkers?	1	2	3	4	5
18. How much of a priority do you feel employee satisfaction is to the manager?	1	2	3	4	5
Overall, how satisfied are you with your job?	1	2	3	4	5

Figure 34. Model of survey of employees' satisfaction.

Appendix G: Summarize of the interview with the key positions of T-Copia

General Manager, Jorge Caballero

In this interview he mentioned how he started by himself the business 40 years ago, after the opportunity he had to buy a printing business in San Isidro, and given the relation he had with Xerox, his former employer. He believes that T-Copia gain credibility thanks to this partnership and this is one of the main reasons why it becomes a successful company. He also mentioned that the company grew rapidly; at the beginning he did everything by himself, then he saw the need to hire assistants, but then he realized the need of stablishing areas in the company and hire a responsible for each one. Also, at the beginning the sales were 90% in cash, and only 10% in credit, but now it has turn into 70% in credit and only 30% in cash.

Nowadays, he is not too involved in the business management; he delegates everything to his son Luis Caballero, Manager of the Digital Solutions Business Unit and to Rodrigo Sevilla, Manager of the Retail Business Unit. About the communication he has with them, it occurs every month and it is only to talk about the results of the company; he says that in this period time there is no extra time for informal meetings. He is not planning to close any store by the recommendation of his daughter; he is planning to turn the non-profitable stores into different stores by the umbrella brand of T-Copia and let her daughter to manage it. Likewise, he is planning to inject money to regularize the payments of the company.

Retail Business Unit Manager, Rodrigo Sevilla

He has been in the company for around a year, and he is also in charge of the marketing department of the company. During the interview, he started explaining how the company was divided in two business units, Digital Solutions and Retail Stores. He explained that Digital

Solutions Business Unit is only focus on the B2B approach, and the Retail Stores has a distribution of 30% B2C and 70% B2B. The focus of the Retail Stores is to get the attention of the companies that are around the stores that T-Copia has. He also mentioned that one of the strategies that T-Copia has is to open stores in location with very high traffic of public, and also near to corporate businesses.

The main issues that Rodrigo found for the company is related with the performance of the company. He mentioned that nowadays, the marketing department is not focus on doing marketing related jobs, and he feels that there is no much time for working on marketing in the company because of the many problems that they are currently facing regarding the financial problems, and the high rotation of employees. The perception of Rodrigo is that the company is facing problems in the Human Resources department, because nowadays T-Copia is having a high rotation of employees, 70% according to his own analysis, the current employees do not follow the manual of functions that he designed. Moreover, he also feels that the employees are not giving a good customer services and this could also have an impact on the sales of the company. He also explained that nowadays, new employees are only receiving one week of training, and this is a very short time for learning all the processes of the company. He also explained that nowadays, T-Copia is paying more to their employees than the competitors, in order to increase the motivation of their employees, but this is not working.

In addition, he provided financial information related to the profit and losses statement of the company for the year 2017, and he explained that the information of the previous years was no well-structured and he prefer not to provide it. This is why on this project there is no much financial information. He mentioned that there is no financial order inside the company, and this is reflected on the financial performance that the company is facing. Regarding this situation, he

is trying to convince the General Manger to close some of these unprofitable stores, but this is still a topic that is under conversation, and it is not likely to happen.

Talent Manager, Cristina Merino

She has only 3 months in the company, her mission in T-Copia is to work in the motivation and training of the employees of the Retail Business Unit given the issues T-Copia have with the customer service. She said that there was a lack of training when she just entered to the company, which was reflected in a poor customer service in the stores. It was mainly due to the absence of a proper induction to the culture of the company, such as the dress code or the communication style with the clients.

She is also planning a training program, but it is still under evaluation given that there are not enough budgets for this initiative. Until now she has improved the communication with the employees as she is acting as a bridge between them and the heads of the company, which have improved the internal client.

Sales Manager, Kristy Mory

She joined the company just 3 months ago to lead the sales area of the Retail Business Unit. She has more than nine years of experience working with corporate client. She explained us that in T-Copia there are two types of stores: type A and type B. The first type refers to the biggest stores that have a complete structure, which includes a sales executive to increase the corporate sales around the area of the store. This is why there are only four sales executives leaded by Cristina. She has weekly meeting with them, usually on Mondays.

The distribution of the sales is 70% corporate business and only 30% direct sales in the stores. This is why she mentions that almost all the stores look empty, because all the work is done in the back office by the requirement of corporate clients. She have restructured in these months the perspective all the sales personnel in the company have, so they can be more focus on the corporate business, given that is the 70% of the total sales. About the motivation, she has presented a new formula to calculate the commissions, based on the percentage of new clients, recovered client and frequent clients, but it has not been well accepted by the employees as it take them out of their comfort zone. She also said that there are missing some tools such as training to accomplish the sales goals. She is working now with the Talent Manager to improve the customer service because it is crucial for the performance of the sales.

Lorena Urbano, Juan de Arona Store Manager

She has more than 7 years in the company and she has been promoted in the company since she started there. She has a close relation with the owners and is very loyal to the company despite the inconvenient it is facing nowadays. She considered that the location have a direct relation with the sales, reason why the Juan de Arona store is very profitable, because it has a lot of businesses nearby. But another key factor is the customer service; unfortunately, even if she is working with her team to improve it, it is not working properly because many of the employees leave soon the position due to the delay in the payment of their salaries. The customer service is a main issue as well and has its repercussion in the sales. But also the internal climate is another big issue, as the performance of the employees is being affected by the delays in the payments. For example the day of the interview only three of the four operators of that store were absent as a protest for the mentioned delays.