CIMA

Intermediate Level

Systems and Project Management

10

ISPM

INSTRUCTIONS TO CANDIDATES

Read this page before you look at the questions

You are allowed three hours to answer this question paper.

ALL questions are based on the scenario.

Answer the THREE questions in Section A.
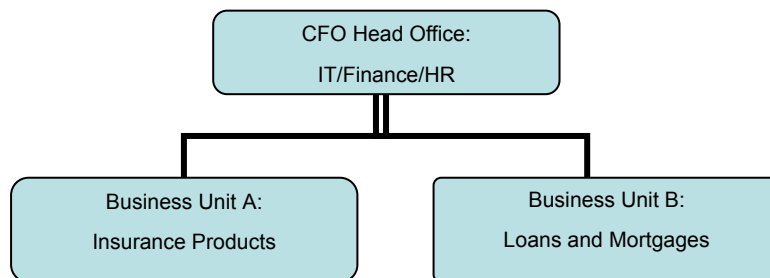
Answer ONE question ONLY from Section B.

This scenario is structured in two sections. Section 1 introduces CFO, the organisation under review, and Section 2 introduces the systems implementation project being undertaken by CFO.

SECTION 1

Background
CFO Ltd is an organisation based in the United Kingdom. It offers a range of financial services, including home, life and car insurance products, personal and business loans and home loans (known as "mortgages").**Error!**

The structure of CFO is shown below:

| CFO Head Office: IT/Finance/HR |
| Business Unit A: Insurance Products |
| Business Unit B: Loans and Mortgages |

Business Unit A
Business Unit A operates five call centres located throughout the country, selling home, life and car insurance products. As the larger of the two business units, the management team of Business Unit A has frequently over-used the resources of the whole organisation to meet their aggressive and often over-ambitious deadlines and targets. In recent years, Business Unit A has lost market share to rivals, largely due to its slowness in introducing information technology to deliver its products to customers.

Business Unit B
Business Unit B is smaller and less technologically innovative, operating from two call centres. CFO loan and mortgage customers are less likely to require on-line website facilities than insurance product customers, instead being more interested in high quality customer care and on-going customer service.

Head Office IT department
The IT staff consists of 6 technicians/analysts, 2 designers (one of whom is an expert in core CFO systems and one who is a web designer), and 2 help-desk advisers (both of whom have experience of training in previous jobs). In the past, the IT team has only been involved in core technical work and not involved in training or customer support of new systems. The IT manager believes that only IT staff have the necessary skills to be involved in IT projects.

Market environment
The financial services industry has become increasingly regulated in recent years, and a number of job losses have occurred in CFO as a result of increased competition and falling profits. This has resulted in low morale. For the last two years, CFO has been a member of a benchmarking group called "The Forum for Quality in Lending", the aim of which is to improve the quality of customer service and standards of excellence in the mortgage industry.

SECTION 2

IT infrastructure upgrade : Project scope
At the start of May, the CFO board of directors committed to a new operating system and the re-design of the organisation's website and intranet. The official project start date, as set by the IT department manager, was 1 June 2004. (However, the systems analysis phase of the re-designed website had already been completed in May.) The operating system must be fully installed by mid-September, and the website must be up and running by the first week of November. CFO has already announced to the public that the re-designed website would be available at the beginning of November. As a result of problems which had occurred during previous systems projects, at the beginning of July the board of directors of CFO brought in a team of management consultants, EZ, to oversee the project.

You are a senior management consultant working for EZ.

Findings by EZ of initial review of CFO organisation
On review of the organisation, the management consultants have discovered the following issues:

- After carrying out a detailed systems analysis in May, Business Unit A announced to the public the new website (to be linked to the internal intranet) to improve customer interface and management;

- Business Unit B staff are more interested in a stable desktop environment and user friendly operating system, than a state-of-the-art intranet and website;

- The IT department has a history of forcing ill-suited and poorly tested technology on the staff, with IT technicians of CFO controlling entire projects and dismissing user suggestions;

- There is an apparent inability for both business units to work together with the IT department.

By the end of July, the management consultants had also uncovered the following issues relating to the project activities up to that date.

1: Project team work
The IT department was responsible for organisation of the project team. True to its past history, the IT department had put together a project team with no members from the business units. When the IT team went into each individual call centre, users were not asked for input into the overall plan.

2 : Agreement of project objectives

The IT department manager set the objectives and timescales for the roll out of the new operating system and updated website and produced a project plan for the IT team only (see Figure 1), with no input from the staff of the two business units.

TO: IT DEPARTMENT STAFF
FROM: HEAD OF IT

TWO PHASE INFRASTRUCTURE UPGRADE

	Task assigned to	June 4 wks	July 5 wks	August 4 wks	Sept 4 wks	Oct 5 wks	Nov 4 wks
PHASE 1: Operating system installation							
Systems analysis & design work	IT Team	▓▓▓					
Site installation	IT Team		▓▓	▓			
PHASE 2: Update intranet and website							
Systems design work	IT Team				▓▓		
Implement and correct	IT Team					▓	
Live and handover	IT Team						*

Figure 1

The IT manager planned to complete the roll out of the new operating system by the middle of September. There is to be one roll out completed each week. That is, it will take eight weeks to install the operating system in all of the call centres and at Head Office.

3: User focused implementation

All six IT technicians/analysts travel to the installation site for the week, three to carry out the main installation work and the other three to act as back up, providing any extra assistance required. They do this during normal working hours, displacing individuals from their desks and completing the installation at each site to a rigidly defined timetable.

The plan shown in Figure 1 has no defined pilots, training or contingencies and has no agreed method for handling the calls that would normally be received during the planned installation time. During the two installations which took place during July, the management consultants estimated that several hundred telephone calls (approximately 20% of the total number of calls expected during this period) from existing and potential customers were missed due to the displacement of call centre staff.

4: Support infrastructure

The IT department has a poor track record of supporting the technology they deliver and has no resources planned to train staff. In the past this has resulted in frustration for IT staff and users. There have also been complaints from customers in the past as a result of slow service and errors made by call centre operators. Many staff have an incomplete understanding of some of the basic functions of the current systems as they have never been properly trained.

5: Ownership

As the IT department has taken full responsibility for running and implementing the project, users have shown little enthusiasm for, or interest in, the system. Support in design or attempts to generate ideas or innovation are non-existent, as most users do not feel that the operating system is anything to do with them.

6: Updated website and intranet

The updated website will allow customers to review all products on offer, to obtain quotes, to compare quotes with rival companies, to send email queries and to instantly sign up for insurance products and make payments electronically.

A basic website is already in existence (showing all current products on offer, the ability to make comparisons with rivals, and the ability to get on-line quotes), but, as at the end of July, the enhanced features had not been designed, as both designers have been working full time on the new operating system.

In early July, the web designer informed the IT manager that he believed his time would be better spent on the re-design of the new website, and suggested that developing a prototype web page in order to test customer acceptance would help to improve design and customer acceptance. The web designer estimated this would only take 4 weeks. However, development of the prototype would need to begin at the end of July if the web site is to be in operation by early November. The IT manager dismissed this suggestion, stating that time would be better spent working on operating system problems.

Part of the systems analysis work on the website was carried out on the arrangements for credit facilities and discounts that are to be automatically applied to each on-line sale (under the current system these were done over the phone). Under the planned system, if the on-line enquiry is for car insurance, then no credit terms will be offered to the customer. If the enquiry is for home or life insurance, then credit is automatically offered. Customers with existing insurance policies with CFO are offered credit at 6% interest, whereas new customers to CFO are offered credit facilities at 8% interest. In addition, existing customers get a 5% discount on all new sales, but new customers get no discount on the first sale.

Following these investigations, the board of directors has appointed **you as the project manager until the end of the project**. You called a meeting with the project team and other relevant members of CFO which took place on 2 August.

The meeting of 2 August

Present at the meeting were the IT department manager, who was previously the leader of the project, and the IT staff who had been assigned to work on the project. In addition, the general manager of each business unit was also present. The main issues raised by the participants were as follows:

The general manager of Business Unit A was worried about the security of the new website, particularly as it was planned to introduce electronic payments by customers. He was concerned that insufficient time had been allowed in the project to test security of the website.

The general manager of Business Unit B was concerned that the introduction of the new operating system was being done too quickly, with little regard for the needs of the staff, and with no training or after support being provided. He reminded the IT department manager that, as a member of the Forum for Quality in Lending, CFO had a duty to customers to maintain a high standard of performance, which was being threatened by this project.

The IT department manager was most concerned with achieving the project deadline within the allocated budget. One of the IT department staff raised concerns that no training had been built into the plan and that resulting increased workload would put pressure on the IT staff after the system was up and running. She was most concerned that the high workload of the very limited and over stretched IT department would reduce morale, which was already very low in the department.

Today's date is 3 August. You have been asked by the board of directors to prepare a number of documents relating to the above information.

Question One

Required:

The board of directors of CFO has asked you, as the Project Manager, to prepare an internal memo to the IT department manager which will

(a)   identify and explain the problems with the plan prepared by the IT department manager, as shown in Figure 1 on page 4.

(10 marks)

(b)   recommend **four** main improvements that should have been made to the plan, as prepared by the IT department manager, at the start of the project. You should clearly explain how these would have overcome the problems identified in part *(a)* of your answer.

(12 marks)

(Total = 22 marks)

Question Two

Required:

Prepare a second internal memo for the staff of both business units of CFO which will

(a)   *(i)*   explain the term "operating system", and describe **four** main features of commonly used operating systems such as *Microsoft Windows,* and

        (ii)   identify the benefits of these features to CFO.

(15 marks)

(b)   *(i)*   explain the importance to CFO of an updated website; and

(6 marks)

        (ii)   produce a decision table for the on-line credit and discount facilities.

(12 marks)

(Total = 33 marks)

Question Three

Required:

The board of directors of CFO is particularly concerned about the management of the IT department and the inability of the IT department staff to work effectively with the other departments. It is also concerned that poor management may lead to poor control.

The board has asked you to prepare a report for them which will

(a)   propose a plan for an audit of the management activities of the IT department manager in respect of this project. Clearly explain the aim of each stage of the audit.

(15 marks)

(b)   explain the importance to CFO of ensuring adequate security controls to be included in the new website, and the importance of testing these security controls during and after the project.

(10 marks)

(Total = 25 marks)

End of Section A

Question Four

YOU ARE TO ASSUME THAT YOU ARE THE PROJECT MANAGER FOR QUESTION FOUR ONLY

On 1 August, you were preparing for the meeting which was to take place on 2 August.

Required:

(a)   Discuss the challenges faced by you, as the new project manager of the project, when you conduct the project meeting which is to take place on 2 August.

(12 marks)

(b)   Explain the skills required of a project manager when trying to improve staff morale in relation to the project.

(8 marks)

(Total = 20 marks)

Question Five

The Forum for Quality in Lending is a benchmarking group specifically set up to improve standards of excellence and quality of customer service for organisations working in the mortgage industry.

Required:

(a)   Identify **four** advantages for organisations of benchmarking, explaining the advantages to organisations like CFO of being a member of a benchmarking group.

(*12 marks*)

(b)   Identify and explain **four** reasons why improvements in staff training in CFO (both in the use of the technology and in the products sold), could improve quality of customer service.

(*8 marks*)

(Total = 20 marks)

End of paper