

BUSINESS STRATEGY AND MANAGEMENT

Professional 2
June 2002

MARKING SCHEME



Question 1

Syllabus areas/Study Sessions.

- SWOT analysis (Strategic analysis and diagnosis) – SS7.
- Generation of options (Strategic choice and evaluation) – SS11.

This question requires an answer in briefing note format. It should be appropriately addressed (to the Assistant Director of Finance), headed and dated. Students should be careful not to use their own names as authors of the note.

- (a) Present a SWOT analysis for the Education and Training Centre which shows clearly the relationship between the organisational strengths and weaknesses and the major environmental influences on the Centre.

The briefing note should provide a brief introduction leading into the SWOT analysis itself. The question specifically asks for a form of analysis which links strengths and weaknesses to environmental influences ie the formats illustrated on page 7.7 of the OLM and page 191 of Johnson and Scholes. 2 marks should be awarded for the use of the correct format (including a reasonable attempt at scoring) as this is obviously much more appropriate than a simple listing of SWOT under the four headings which is the main alternative and which some students may use in their answers.

2

An example of the points that could be included is shown below. Note that this may not be exhaustive and there may be alternative points which deserve marks (or some of the points may be expressed in different ways). Marking should be sensitive to differences in approach whilst not rewarding incorrect or superficial points. Marks should not be awarded where internal and environmental issues are clearly misplaced.

Major environmental issues can include;

- Legislation and the Disabilities Discrimination Act in particular.
- The current policies and concerns of the Trust as a whole eg scrutiny of support services costs and priority given to provision of health services.
- Changes in nurse education and training.
- Pressures upon the use of land and buildings on site.
- Markets for the services of the Education and Training Department.
- Capital funding regime.
- EU funding regime.
- Relationships with potential partners.
- Status of Middletown as EU “deprived area”.

Strengths and weaknesses can include

- Priority given to Education and Training in the past (S).
- Success of department (S).
- Reputation as evidenced by interest shown by other Trusts (S).
- Undoubted commitment of Education and Training Manager (S).
- Apparent availability of some finance (S).

- Failure of building to comply with disability access requirements (W).
- Inadequacy of building as teaching/ learning Centre (W).
- Failure to invest in building in the past (W).
- Overcrowding of hospital site and car parking problems (W).
- Lack of information (on course costing for example) and research into current problems (W).
- Possible attitude of Education and Training Manager (W).
- Attitude of trust towards partnering arrangements (W).

Opportunities

- Joint delivery of course with other Trusts (capital income).
- Option to update facilities to 'state of the art' teaching accommodation.
- Funding from the EU.
- Relocation to purpose built accommodation.

Threats

- Lack of funding.
- Poor disability provision.
- Relocation may impair access to courses.
- Seen as a non-core activity.

*½ mark for each point up to an overall maximum of 8
(subject to there being a reasonable balance in the points chosen)*

(10)

- (b) Identify the main issues that the Centre will have to face and the options available to the Centre.

The main issues should be apparent from the SWOT analysis and should flow from that. The issues should cover the main areas of strategy which will need to be dealt with. Again, the following list may not be exhaustive but it does provide a good indication of the points which should be rewarded. Other relevant issues should also be given marks.

The main issues

- Should education and training continue to be provided on the main hospital site?
- Should the trust continue to provide the service independently or should they look for some other form of arrangement?
- What form should education and training take in the future? Should the role be expanded?
- How should the disability access problem be resolved?
- What action should be taken to improve the current building?
- How can the solution of the centre's problems contribute to wider Trust issues such as site over crowding and car parking?

- What arrangements can be made for funding any development that might take place?
- What can be done to improve management information in the future?

It is important here to ensure that the issues chosen are broad and that they encompass the fundamental questions facing the Centre.

*1 mark for each of the issues identified and properly explained
(In the event of an answer being in brief note form only ½ mark should be awarded)
Subject to a maximum of 5*

The second part of this section requires that options be identified. There are a wide range of options but the better candidates will ensure that they flow from the consideration of issues. Options can include:

- Move to another site or remain.
- Continue to provide the service alone or engage with a partner or partners.
- Provide an education and training service at current level of provision or increase this ultimately to conference standard.
- Concentrate upon existing (Trust wide) market or look to develop market outside Trust.
- Carry out disability access works or remain with status quo and face consequences.
- Carry out improvement works to building at any of the three levels identified.
- Identify alternative funding arrangements – exploration of EU or partnering options will have wider consequences.
- Develop better information systems.

Some of these are mutually exclusive, some are highly integrated and bound up with each other.

1 mark for identifying each option up to a maximum of 5

(10)

(20)

Question 2

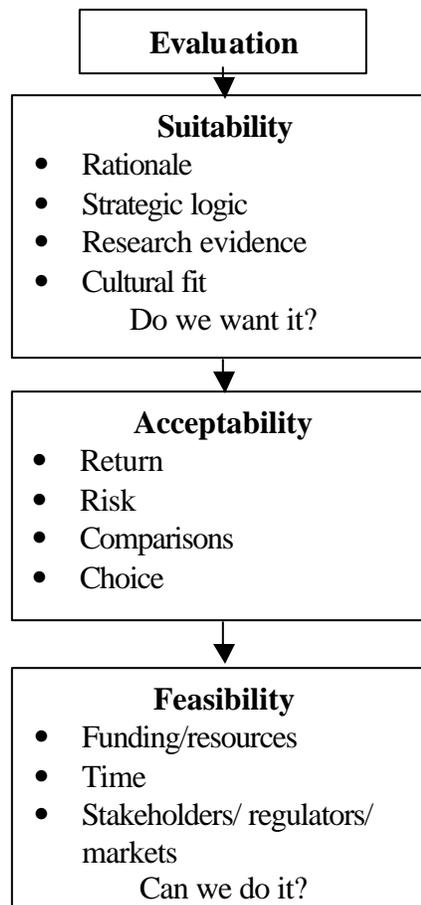
Syllabus areas/ Study sessions.

- Evaluation of options – (Strategic choice and implementation) SS12.

This question also requires a briefing note. The same comments apply as for question 1. The answer to this should build upon the analysis already carried out for question 1.

- (a) Framework for consideration of options.

This section requires students to outline a framework which could be used to inform a rational decision making process allowing for the evaluation of options leading to strategic choice. One model which students will probably be familiar with can be shown by the diagram below.



Using this model students should explain what each of the stages would comprise:

Suitability

“concerns whether a strategy addresses the circumstances in which the organisation is operating”.

(J and S, 355)

Rationale (strategic logic)

- Life cycle analysis.
- Positioning (compared to market rivals).
- Value chain analysis.
- Portfolio analysis.

Feasibility

“is concerned with whether an organisation has the resources and competences to deliver a strategy”.

(J and S, 383)

- Funds flow analysis.
- Break even analysis.
- Resource deployment analysis.

Johnson and Scholes present a narrow view, particularly for the public sector. Wider view will take on board:

- Funding and resource availability.
- Time.
- Meeting strategic and operational requirements of stakeholders including clients and customers, regulators and markets.

Acceptability

“is concerned with the expected performance outcomes such as risk or return, if a strategy is implemented”.

(J and S, 370)

Return

- Profitability.
- Return on capital employed (ROCE).
- Payback.
- DCF.
- Cost benefit analysis.
- Desiderata (weighted benefit analysis).
- Shareholder value analysis.

Risk

- Financial ratio projections.
- Sensitivity modeling.
- Simulation modeling.

If this approach is adopted 2 marks should be awarded for identifying and explaining each of the stages. An additional mark for each stage should be given for more explanation up to and including the points presented above. 3 marks should be awarded for relating the levels of the methodology together and/or presentation of the process in diagrammatic format.

This approach involves shortlisting or filtering of options in order to make choice more manageable but the approach adopted may be more overtly a two-stage procedure using specific shortlisting criteria. If students have chosen to describe a two-stage approach marks should be awarded accordingly but there is a danger that their answers will overlap with the requirements of part (b). This should be taken account of in the marking process.

(12)

- (b) Identification and application of appropriate criteria. Explain the basis upon which the criteria have been selected and suggest how they could be weighed.

Criteria can be identified in a number of ways:

- Objectives.
- Constraints – any external factor beyond the influence or control of the organisation which confines the actions of the organisation.
- Restraints – Self imposed internal actions which an organisation takes on moral or political grounds whether or not they improve the ability of the organisation to reach objectives or targets.
- Benefit criteria – financial and non financial, qualitative and quantitative which may be derived directly or indirectly from objectives.

The first part of the answer should be concerned with the bases which can be used for identifying criteria. 1 mark should be awarded for each of the above with a maximum of 3 marks being available. Alternative answers should be evaluated on merit.

This should then lead into a list of criteria. The case does not include much information on the Trust's or the Centre's objectives but an objective based criterion could be:

- Contribution to aim of becoming a learning organisation and priority of education and training.

Constraints would include:

- Compliance with Disabilities Discrimination Act.
- Qualification for EU funding.
- Meeting requirements of NHS Management Executive.

Restraints are more difficult but might include:

- Availability of internal finance.
- More effective use of hospital site.
- Avoidance of additional car parking problems.

Benefit criteria could also include some of the above and it is important to accept that the methods of generating criteria are not necessarily mutually exclusive.

Additional criteria might include:

- Capital and revenue financial implications.
- Quality of service provision.
- Likelihood of attracting external business or partners.
- Availability of sources of finance.
- Effects on other aspects of Trust's business.

Ideally no more than about six criteria should be used. Marks should be awarded for each criterion judged to be relevant and suitable.

1 mark for each point up to a maximum of 3 marks.

The final part of this section should relate to how the criteria can be used. Discussion should relate to the way in which criteria, once generated, can be weighted, for example through the use of a consultative group or a questionnaire to gather information from stakeholders. Weightings can be made using a numerical scale or could be based upon a compliance basis ie where certain criteria have to be met (for example compliance with the legislation). Scoring against the criteria can then be carried out using the same constituency but could be based on either an absolute or a relative scale.

2

(8)

(20)

Question 3

Syllabus areas/ Study sessions.

- Culture is only explicitly mentioned in the Strategic Analysis and Diagnosis part of the syllabus but it is covered in SS2 and SS9 (which relates to Introduction to Strategic Management) as well as being referred to elsewhere.
- Learning organisations (SS 20).

This question requires a response to the Assistant Director in answer to her note to you. Picking up the tone of her communication, the response can be quite informal although for the examination purposes it should be as explicit as possible. It is important that students clarify for themselves the actual questions that need to be answered.

- (a) What is organisational culture? What do you understand by the term “white coat” culture and what does this imply about our organisation? What analytical approaches can be taken? Could you apply this approach to our organisation?

Answers should begin with an explanation of the concept of organisational culture. Any number of definitions could be used as a basis for this. Johnson and Scholes refer to Edgar Schein “the deeper level of assumptions and beliefs that are shared by members of an organisation, that operate unconsciously and define in a basic taken-for-granted fashion an organisation’s view of itself and its environment”. Key points of most definitions are:

- Shared assumptions, beliefs (and values).
- Taken for granted and unconscious acceptance.
- Transmitted through organisation and over time.
- Shapes organisation’s view of itself and its environment.
- Influences strategies and actions of the organisation.

4 marks for a clear and comprehensive explanation of culture

The term “white coat” culture is not a standard one, although students who have read the sections of Johnson and Scholes to which they have been referred will have come across an example of a cultural web based upon the NHS which would help them to understand this. Marks for this will be given along with the marks for consideration of the cultural web.

1 mark for explanation

The obvious “analytical approach” that could be taken to illustrate to the Assistant Director what culture involves is the Cultural Web. This is described in the OLM and in Johnson and Scholes. It can be fairly assumed that most students will take this approach. However, some students might decide to make use of alternative analyses such as Handy’s models or Miles and Snow (this is less likely and also less relevant). If what they have written is clearly relevant to the explanation required they should be awarded marks as appropriate.

Cultural web is a method of representing the taken for granted assumptions to be found in an organisation and the “physical manifestations of organisational culture” (J and S).

1 mark for explanation

Answers should identify and give a brief explanation of the elements of cultural web ie:

- Stories.
- Symbols.
- Rituals and routines.
- Power.
- Controls.
- Organisation structure.
- Paradigm.

½ mark for each of the above to a maximum of 3½

The final requirement is to apply the cultural web to Middletown NHS Trust. There is not enough information in the case to carry out a full analysis but the aim is to use what information there is and then make use of the strong implication in the case that the Trust is highly traditional in its approaches and its value and basic assumptions.

There is information, however, on:

- Controls – central control of budgeting and finance – traditional systems and procedures.
- Organisation – centralised and hierarchical.
- Power – status still retained largely by medical personnel.
- Paradigm – traditional public sector values – provision of good quality medical care – learning organisation.

*½ mark for each point used to illustrate the use of the model
(other points can be introduced either from the case or by inference)
Up to a maximum of 2 ½*

(12)

(b) As with part (a) it is necessary to clarify what the Assistant Director actually wants. The question splits into three sections:

- What is a learning organisation?
- How do organisations become learning organisations?
- What did Senge say about learning organisations?

Given that the OLM and Johnson and Scholes deal with learning organisations quite superficially the marks should be weighted towards answering the first part of the question but with the opportunity for students who have studied additional material to earn additional marks.

What is a learning organisation and how might we become one?

Problem is that there are so many definitions that:

- There is no universal agreement as to what a learning organisation is.
- It is difficult for organisations to claim to be learning organisations.

These are important points and marks should be awarded, ½ for each point made.

1

The OLM defines learning organisations:

“capable of benefiting from the variety of knowledge, experience and skills of individuals through a culture which encourages mutual questioning and challenge around a shared purpose or vision” (J and S, 498).

“ creation of a culture which ensures that individuals and the organisation continually learn to adapt in line with changes to the environment” (OLM 20.7).

1 mark for an explanation which covers the points raised in either or both of the definitions given above

But there are alternative views and students can earn an additional mark for a more informed consideration.

1

Point could be made that definitions range from the conceptual to the pragmatic

“Learning organisations are organisations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspirations are set free and where people are continually learning how to learn together”.
Senge (1990).

“A learning organisation harnesses the full brainpower, knowledge and experience available to it, in order to evolve continually for the benefit of all its stakeholders”.
Mayo and Lank (1994)

Is the Trust a learning organisation? The student should state whether in their opinion it is and justify the answer. In reality it is not a learning organisation at the moment, but is expressing the characteristics of becoming a learning organisation.

2 marks for explanation

How can organisations become learning organisations?

This very much depends upon how the term has been defined but some issues which can be mentioned are:

- Agreement on goals and objectives for organisation and individuals.
- Personal and group learning and development.
- Encouragement of teamworking.
- Use of frameworks such as EFQM or Business Excellence.

1 mark per point up to a maximum of 2

What did Senge say about learning organisations?

Senge is mentioned in the OLM and one mark should be awarded for knowledge of Senge's work as evidenced either through use of definition or reference to title of Senge's work (see self assessment question OLM 20.8). 1

If students are able to provide a greater insight into Senge's work and explain what he actually said they can earn an additional 2 marks. A summary of his thinking is provided below.

Senge (The Fifth Discipline: the Art and Science of the Learning Organisation, 1990) describes five interconnected disciplines necessary for the generation of a learning organisation.

1. Personal mastery.
 - Being aware of personal needs as they fit those of the organisation.
 - Being in continual learning mode.
 - Covenant between individual and organisation based on shared vision of goals, ideas and management processes.
2. Mental models.
 - Being more aware of the unconscious assumptions that support the behaviour of the organisation.
 - Being able to explain and compare our maps of the world.
3. Shared vision
 - Requires alignment of goals beyond mere compliance.
 - Commitment built upon participation.
4. Team learning
 - Beyond team building in conventional sense.
 - Common in sports but rare in organisations.
 - Need to give and receive honest feedback and to have a disciplined approach to learning.

5. Systems thinking (the fifth discipline)
- Fifth discipline makes the difference compared with piecemeal approaches.
 - Requires understanding of systemic relationships within and outside the organisation to ensure that change genuinely adds value to the organisation in its wider system.

1

(8)

(20)

Question 4

This question should be answered in the form of a proposal to the General Manager of GYROS. It should be set out formally and addressed as appropriate. The two sections of the question will correspond to the main sections of the proposal.

- (a) Set out the benefits to be gained by having written and published strategic direction statements and identify potential problems which could arise.

Benefits of statements can include:

- Answers questions about the nature and purpose of the organisation.
- Clarifies what the organisation is seeking to achieve.
- Communicates with key stakeholders both within and outside the organisation.
- Provides a basis for the development of strategy.
- Informs planning at all levels in the organisation.
- Provides a motivation to achieve strategic aims.

These are some of the more important benefits but there may be others that can be regarded as relevant. To earn 1 mark students should list and explain the benefit. ½ marks should be awarded if the answer is in note form and considered not to be sufficiently explicit. 1 mark for each benefit up to a maximum of 5

Potential problems

- Unrealistic aims and objectives.
- Statements are qualitative, non specific, unclear and ambiguous and serve little useful purpose.
- Compromise between different interest groups inside and outside the organisation.
- Whilst no-one can disagree with them they have no real influence.
- Inconsistent and self contradictory.
- Poorly integrated.
- Too visionary and out of touch with reality (Field of Dreams).
- Looking inwards and backwards rather than to organisational environment and the future.
- Badly written and subject to cynicism within organisation.
- Not owned by key stakeholders.

As it is likely that students will find it easier to come up with problems there is ½ mark per problem up to a maximum of 5

(8)

- (b) A detailed specification of the aims and objectives of the exercise, the methodology to be followed and an indication of who should be involved, both from within and from outside the organisation, and the extent of their involvement in the process.

This should be presented as the core of the proposal and should be structured clearly.

Aims and objectives of the project can be stated as being:

- Review of existing mission and other published statements.
- Identification of specification for a new set of strategic direction statements.
- Production of a new set of statements.
- Publication of statements in the form required by the key stakeholders of GYROS.

2 marks for a reasoned set of aims and objectives similar to or equivalent to the above

Methodology may take a number of alternative forms but the following is an example of the process which could be provided as an answer.

1. Identify key stakeholders and determine senior management stakeholders.
2. Communicate and consult with senior management stakeholders on form of strategic direction statements and basis upon which they will be published. This consultation should be restricted initially to the General Manager, management team and the Chair of GYROS.
3. Reach agreement on process and present recommendation to decision making board (or equivalent).
4. Following agreement, hold a series of meetings with all groups of stakeholders to identify the necessary elements ie vision, values, mission and strategic objectives.
5. Collate views of stakeholders to achieve a form of consensus and meet again with senior management stakeholders to begin drafting.
6. Test statements against key criteria – vision, achievable, integrity, understandable, competence base, memorable, reflect values and beliefs, motivational.
7. Produce draft statements and circulate to other stakeholders.
8. Collate feedback and reach agreement.
9. Produce final version and publish.

6 marks should be awarded for a rational and comprehensive process which covers most if not all of the issues raised above

Involvement

The key stakeholders need to be identified, from the case scenario they would appear to be:

- General Manager.
- Senior managers.
- Chair of Board.
- Board members.
- Other staff.
- Partner organisations.

In addition it is likely that the organisation may have clients who may receive the organisation's services and there may be other stakeholders in the form of funding bodies and other organisations who facilitate the business of GYROS.

*½ mark for each type of stakeholder up to a maximum of 3
plus 1 mark for comment on involvement*

This would pick up on the process referred to above and perhaps make a distinction between internal and external stakeholders and also make some reference to the role of the partner organisations.

(12)

(20)

Question 5

Syllabus areas/ Study sessions:

- Value chain analysis (Strategic Analysis and Diagnosis) SS6.
- BCG matrix (Portfolio analysis - Strategic Analysis and Diagnosis) SS7.

This question requires students to consider the applicability of strategic management to the public sector in the light of the argument that strategy is largely about the achievement of competitive advantage. Students are required to describe two techniques/approaches and provide arguments for and against the relevance of each. Answers should be organisation specific and marks should be awarded for appropriate illustrative material.

Value Chain Analysis

Answers should begin with a brief description of Value Chain Analysis. Some of the key points are produced below.

Value Chain Analysis “*describes the activities in and around the organisation, and relates them to an analysis of the competitive strength of the organisation*” (J and S, 156).

Value of the products/services produced by an organisation are ultimately judged by its customers/clients/users. A private sector organisation is only able to sell its products/services if customers perceive them to be of value. Activities carried out in relation to the design, production, marketing delivery and support of the product must add value. These value activities need to be judged in relation to:

- Customer view – how does the organisation gain competitive advantage and display distinctive competencies?
- Linkages between activities and relationships with suppliers and customers may also be the source of competitive advantage.

Value chain analysis is all about examining how resources are being used, how they are being perceived to be used and what competitive edge is being gained (or lost). Porter distinguishes between Primary and Support activities.

Primary activities may be grouped into five main areas

1. Inbound logistics: relating to inputs.
2. Operations: processing.
3. Outbound logistics: output to customer.
4. Marketing and sales: making customer aware.
5. Service: after sale or provision.

Each primary activity is linked to four Support activities

1. Procurement.
2. Technology development.
3. Human resource management.
4. Infrastructure (including finance).

Students may make use of the familiar diagram to illustrate and explain the above.

This is far beyond what is required in the examination but illustrates the range of material which could be used.

3 marks should be awarded for a general description which covers the main characteristics of Value Chain Analysis

The main part of the answer should present arguments for and against the relevance of the approach. The arguments presented below are generic in the main but students will do better in relating their answers to a specific organisation or sector.

Arguments for:

- Such approaches as Best Value and market testing instill the values of the market place and the need to pursue competitive advantage.
- All organisations need to understand the relationship that exists between the different activities within the organisations and between primary and secondary activity.
- The value chain extends outside the organisation and this is also an area that needs some analysis and understanding.
- Value Chain Analysis encourages innovation and invention in the use of resources which is important in the pursuit of efficiency and effectiveness which are accepted public sector aims.
- The customer view and marketing focus are necessary in assuring the quality of public services and ensuring that organisations provide the services which people need.

Arguments against:

- Public sector organisations are not competing with each other and are being encouraged to collaborate eg changes in regimes such as the NHS away from markets to partnerships.
- Public sector organisations do not possess the transparency that eg the retailing sector possesses and can never be as accessible to its customers/ clients.
- The demand for public services is often determined by need factors and supply is prescribed by public policy. Value Chain Analysis makes no allowance for this.
- The markets that do exist are managed markets or may be quasi markets in that the forces of supply and demand are subject to external controls and influences.

2 marks should be awarded for the relevance of the organisation specific scenario that students gives. 1 mark should be awarded for each valid point presenting the argument for and against the relevance of VCA up to a maximum of 5

Answers should be reasonably balanced (though not perfectly balanced eg could be five pros and three against). There are a number of alternative arguments that could be made especially when organisation specific issues are introduced.

(10)

BCG Matrix

This is the Boston Consulting Group Matrix. Again this should be described briefly. The matrix shows market share against market growth as a way of suggesting where resources should be concentrated and as a means of achieving some balance in the use of resources within an organisation.

		Market Share	
		High	Low
Market growth	High	Established Rising Product – Star	New Product - Problem Child/ question mark
	Low	Established Stable Product - Cash Cow	Declining Product - Dog

3 marks for a description of the approach (to include the diagram as shown above)

2

The answer should then go on to examine the pros and cons.

Pros

- Provides a good basis of analysis for any form of organisation given that the demand for services and market share could be related to aspects of public sector work such as the development of new policies and services.
- Basis for questioning resource allocation, particularly in a public sector context where decisions are often made on an incremental basis.
- Useful for income generation and income earning schemes.
- Can be used with some adaptation to even better effect. Students may mention other forms of portfolio analysis which they see as being related but of more relevance eg the work of Nutt and Backoff, Montonari and Bracker or even John Nicholls.

Against

- Market share may be irrelevant to most public sector organisations as the nature of the market is predetermined eg by geographical factors.
- Market growth may be difficult to determine and, as above, may not be relevant.
- The allocation of resources may be determined by non market considerations – in particular public policy, legislation and government directives.
- Public sector organisations may be encouraged to take decisions which were not in the interests of all their stakeholders.

2 marks should be awarded for each valid point up to a maximum of 10

Answers should be reasonably balanced (though not perfectly balanced eg could be five pros and three against). There are a number of alternative arguments that could be made especially when organisation specific issues are introduced.

(10)

(20)

Question 6

This question asks students to explain the concept of the matrix organisation and discuss the benefits and problems, either actual or potential, in relation to an organisation of their choice.

- (a) Explain what is meant by a matrix organisation, provide and illustrate your explanation with a diagram.

The first requirement is to define the term matrix organisation. It is defined in Johnson and Scholes as “ *a combination of structures which often takes the form of product and geographical divisions of functional and divisional structures operating in tandem*” (J and S, 409).

A clearer definition would describe it as a form of departmentalism which combined a horizontal set of divisional reporting arrangements onto a hierarchical functional structure and that this involves having two chains of command, one vertical and one horizontal.

2 marks for a satisfactory definition which includes the main elements of the above

Answers should provide an illustration of a matrix structure. This is likely to be drawn from the student’s own experience but for an example of what is required see Johnson and Scholes (p410) reproduced below (relating to a school).

		Head of languages	Head of science	Teacher Leadership Head of social studies	Etc.
Pupil groups	Head of lower school				
	Head of upper school				
	Head of sixth form				

2 marks for an illustration making use of a valid diagram

(4)

- (b) The second section asks for an outline of real or potential benefits and problems arising from the use of matrix structure, and guidelines for successful operation. Much of this could be taken directly from the OLM and Johnson and Scholes but a wholly theoretical approach should not be given high marks. Answers should be related to a specific area chosen by the student and should relate to an actual matrix structure or a situation where a matrix structure could be used. Points should be fully explained; if note form lists are used marks should be adjusted to

take account of this. Normally this should be done by reducing the marks for each point by one half. This would also be the case if answers were purely theoretical and if there was no attempt to relate points to an actual area of an organisation.

Actual or potential benefits:

- Improved quality of decision making where danger of one vital interest dominating strategy.
- Formal bureaucracy replaced by personal contact between individuals.
- Claimed to increase managerial motivation and involvement because of wider involvement in strategies.
- Divisional staff can specialise on client groups.
- Functional staff can specialise on processes.
- Career path available to all staff.
- Much cross-divisional discussion on complex issues.
- Innovation encouraged in service provision.
- Functional divisions specialised and relatively cheap.

*1 mark for each valid point up to a maximum of 5
(5)*

Actual or potential problems:

- High risk of dilution of priorities.
- Time taken to make decisions may be much longer.
- Responsibility may be unclear.
- May be a good deal of conflict because of lack of role definition and responsibility.
- “Creeping bureaucracy” through increased controls.

*1 mark for each valid point up to a maximum of 5
(5)*

“Guidelines” for operation of matrix structure.

- One arm should lead to minimise risk of paralysis.
- Allocation of workloads and duties for individuals should not be spread evenly across the matrix as this can result in a loss of ownership.
- Suitable for managers who collaborate rather than those who compete and find ambiguity difficult to cope with.
- Needs to be a clear means of breaking stalemates which could arise (but should not be used as a matter of routine).

*1 ½ marks for each point up to a maximum of 6
(16)*

(20)