

# **BUSINESS STRATEGY AND MANAGEMENT**

**Professional 2  
June 2003**

## **MARKING SCHEME**



"The examiner recognises that BSM is not an exact science and that there are many valid theoretical and practical approaches to the subject. The marking scheme set out below is based purely on the CIPFA P2 Open Learning Material and recommended text, Johnson and Scholes (J & S) and will be considered to be guidance only. Alternative views and approaches may be offered and provided they are logical, rational, valid, and relevant to the context of the question and serve to meet the requirements of the question, appropriate credit will be given. Throughout this paper students are expected to base their responses on the context and detail of the scenario presented".

<b>Question 1 (OLM Study Session 11, 13, 15, 17 &amp; 19)</b>
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- (a) The question requires the candidate to consider the sequence of events and highlight 'serious errors of judgement' the Vice Chancellor indicated had been made in the approach to solving this problem.

A number of sections in the OLM and the textbook could be bought together by the candidate, the key points are given below.

- Lack of planning – the decision to change had been left until the last minute.
- Lack of consultation with all parties.
- Timing – both in sending the e-mail and the meeting (late-on in the day).
- Autocratic manner of the announcement – 'change will occur and consultation will be fruitless'.
- No apparent consideration of the consequences when another university tried this approach.
- Apparent willingness of the Management Team to go ahead with change without questioning the Dean.
- No consideration of the effect of the change on staff (and students) and their response.
- Criticism of staff (lack of customer focus and entrepreneurial spirit) without, seemingly, any evidence.
- No consideration of the Union's response.
- Did not consider the response of the media (bad publicity).

*1 mark for each valid point up to a maximum of 8*

- (b) When answering this part of the question it's important the candidate considers the context of the problem and the key issues identified in the case. These can be summarised as:

- Lack of resources – and no further funding available.
- Student numbers have grown and are likely to increase in the coming year.
- The limited time frame for action.
- The impasse that currently exists – no side is likely to back down easily.
- The bad publicity created by newspaper article.

The approach that could be adopted is:

- Bring all key parties together to discuss the issues/problems.
- Identify all options to resolve the resource issues.
- Produce a timetable of action.
- Notify all people who may be affected eg all members of staff.
- Produce a joint press release to minimise further bad publicity.
- If appropriate it may be necessary to involve an independent third party.
- Implement agreed plan.
- Monitor agreed plan and adjust if necessary (with consultation).

The key point is to make all parties aware of the scale of the problem and ensure everyone is moving in the same direction. It would be pointless to force people to back down (loss of authority by the Dean and Management Team and/or continued resistance by staff may create further long term problems).

*1 mark for each valid point made to a maximum of 12  
(This does not have to be evenly split between two elements of the question,  
but the candidate should not be awarded maximum marks if one element is not  
considered, for markers guidance no more than 7 marks for one element)*

**(20)**

**Question 2 (OLM Study Session 3 & 19) J & S chapter 11**

- (a) This section requires the candidates to consider the role of a change agent.

The successful change agent will:

- Be sensitive to the external context of change – triggers in the environment giving rise to the change.
- Be sensitive to the organisational context – building values and beliefs, sympathy towards the need for change.
- Understand the overall strategy – magnitude and type of change necessary.
- Employ an appropriate style of management, adapting that style to circumstances rather than imposing his style without regard to the specific context of change.

Deans approach

- Did consider the external context.
- Was not sensitive to need for change.
- Did understand the overall strategy, but not necessarily the impact.
- Imposed rather than consulted – an autocratic approach.

*4 marks for outlining the components of a 'successful' change agent, and 4 marks for critically appraising the Dean's approach, up to a maximum of 8*

- (b) This section requires the candidate to consider the impact of strategic decisions on the behaviour of the organisation. Clearly the Dean's approach will require major resource changes, it is likely to affect operational activities, is of a long-term nature and will affect the frontline staff (academics).

**(i) Strategic review**

The academic staff will have regular contact with the customers (and consumers) and are likely to be aware of the issues that relate to the working of the organisation. It is therefore appropriate to involve them in the review process. It appears this has not happened.

There are a number of elements that the candidate could consider:

- Why no consultation – does the Dean (and Management Team) consider the academic staff do not understand the problems? Does not value their opinion?
- This could lead the staff to feel under-valued (respected).
- It could undermine their authority to make academic decisions.
- It may lead to resistance even if the staff agree with the proposal.
- The staff may be aware of this approach failing in another university and consequently believe the Dean does not understand the issues.

**(ii) Strategic choice**

The power of shared ideology is often cited as the success of a decision and if the ideology is not shared then this could be a driver of behaviour, in this case discontent.

Issues that could be identified are:

- No consultation on the choice.
- Lack of understanding.
- No ownership.
- High risk of failure – staff will resist the choice and deliberately sabotage the approach.
- Staff may feel if this decision is imposed then future changes may also be imposed.

### **(iii) Strategic implementation**

If the logic of the proposal is doubted then staff may not implement the proposal as intended.

Issues that could be identified are:

- If there is a fall in motivation the objectives of the change are unlikely to be achieved.
- Resistance to implementation, lack of cooperation from staff.

### **Other issues that candidates may incorporate in the answer.**

- Conflict may arise.
- Drop in productivity (efficiency and effectiveness).
- Sense of inequity (academics having to change working patterns to solve issues that they have not been responsible for).
- Lack of empowerment.
- Lack of trust.
- Unclear objectives, targets or performance measures.
- Lack of influence in the decision making process.

Candidates may use motivational theory, eg content and process theory, to support their answer. This is appropriate if the candidates make the link to the three stages of strategic management identified in the question. Also, candidates may use specific theories to illustrate their answer, eg McClelland's 'achievement motivation' theory or McGregor's X and Y management theory, again they have to make the link as above.

*1 mark should be given for each valid point made  
However, candidates should not be awarded full marks for concentrating on only one stage or focusing on the impact, it should be balanced answer covering motivational impact and likely response over the three stages.*

*Maximum marks 12*

**(20)**

**Question 3 (OLM Study Session 3 & 8, and J & S Chap 5)**

- (a) An entrepreneur can be defined as 'the owner of a business who, by risk and initiative, attempt to make a profit (Collin's Dictionary). Entrepreneurial spirit (entrepreneurial activity) is seen as the key to economic growth. Research has identified the key attributes as being:

- Need for achievement.
- Desire for independence.
- Self-confidence.
- Self-sacrifice.
- Technical proficiency.
- Managerial competence.

Often in large organisations it is referred to as 'corporate intrapreneurship'.

HBS could foster intrapreneurial activity by:

- Commitment from senior managers, willing to accept failure.
- Flexible organisation design.
- Autonomy of the team.
- Encourage innovation.
- Incentives/rewards for risk taking.
- Avoid bureaucracy.
- Culture oriented to learning from results.
- Nurturing individuals' trust in the organisation and its managers.

*3 marks for outlining entrepreneurial spirit  
5 marks for identifying how HBS could foster this spirit  
Up to a maximum of 8 marks*

- (b) A customer is defined as one who purchases the service whereas a consumer is defined as one who uses the service. This often causes confusion in the public service.

In the private sector the customer and consumer are often the same, eg the person who purchases goods is often the same person who uses the service.

In HBS the customer and consumer would be the same for self-financing students, but for many other students the customer may be the local authority, central government, parents or companies. The consumer would be the student.

However, complications with the definition occur when companies or society as a whole benefit as they may be seen as the indirect consumer and customer.

Both groups are important to HBS in that they provide the funding (customers) and the users (consumers). Satisfying both groups can be problematic if the two groups have differing objectives. For example, the customers may wish to purchase specific skills (companies) or generic skills (central government) whereas the consumer (students) may wish to have both (or neither if forced onto courses), but the courses may be driven by targets/standards (pass rates) that do not really provide sufficient specific skills or the breadth of generic skills.

Although not asked for in the question (directly) some candidates may discuss having clear objectives, consultation with customers (and consumers) and HBS trying to satisfy all demands by separating generic courses from specialist courses. This may be relevant if linked to the way HBS could define its customers from its consumers. An example would undergraduate courses differing in content and approach to professional courses.

*1 mark for each valid point made to a maximum of 12*

*For guidance, up to five marks could be awarded for a comprehensive answer to any of the three parts to the question, this would of course limit the marks for the other parts*

**(20)**

**Question 4 (Study Session 17, J & S Chapter 9)**

The candidate should answer this question by referring to an organisation they are familiar with. However, it is accepted that some candidates may provide a more theoretical answer if they work for a small organisation. This should be considered when marking.

- (a) The answer will depend on the organisation identified. However, in most cases the role of the centre will be a 'parenting' role, setting corporate objectives (strategic direction), standards, guidelines and providing expertise, services and support to the devolved functions.

The centre could add value in the following areas:

- Improving efficiency.
- Providing expertise.
- Providing investment.
- Fostering innovation.
- Mitigating risk.
- Encouraging collaboration.
- Providing external image and networks.

(See J & S P423 – 425)

*2 marks for outlining the role of the centre, and  
5 marks for identifying where the centre could add value*

- (b) If the candidate identifies an organisation that is devolved the answer should be benefits that have occurred. If the organisation is not devolved it should be the benefits that could occur.

These could be:

- Freeing-up top managers to concentrate on strategic issues.
- Developing lower managers competences.
- Increase in motivation.
- Decision-making closer to the customer.
- Change in culture (achievement focused).
- Less autocratic management (more consultation).
- Problems solved quickly.

(See OLM Study session 17)

*1 mark for each valid point, to a maximum of 7*

- (c) Risks:

- Corporate objectives/policy subject to different interpretation.
- Differing priorities.
- Managers inexperienced.
- Cost.
- Poor control environment (financial and non-financial).
- Split organisation culture.



These could be overcome by planned/staged devolution associated with close performance monitoring and training. Clear corporate guidance and regular review would also ensure strategic drift does not occur.

(See OLM 17 and J & S 9.4.2)

*1 mark for each valid point made to a maximum of 6  
However, maximum marks should not be given unless candidates answer both  
elements, eg risks and how risks can be reduced  
(6)*

**(20)**

**Question 5 (Study Session 7 and J & S Chapter 4)****(a) Historical analysis**

This looks at the deployment of resources and the performance of an organisation by comparison with previous years in order to identify significant changes (J&S p179).

**Issues**

- Must be realistic base and expectations.
- Changes in Govt policy/priorities may have an effect.
- Funding changes.
- It is not the change that necessarily matters but the outcome of the changes.
- What is the purpose of the analysis – improve efficiency? Effectiveness? Performance? or all three?

An example may be that pay has increased 20% over 5 years, appears good? But, what if inflation has increased 30% over the same period – historical analysis cannot be based on a single set of indicators.

**Comparison with industry norms**

This compares the relative performance of an organisation in the same industry against an agreed set of performance indicators. (J&S p181).

**Issues**

- What is a norm? Are organisations in the same sector really the same?
- Geographic differences.
- Funding differences.
- Different structures/culture/aims/objectives/customer profiles.
- Poorly performing on a number of indicators does not always mean they are not meeting customer needs.
- Does it create a focus on performance indicators as opposed to effectiveness?

Example; University A only awards 5% first degrees but university B issues 20% – does this mean A has poor teaching or B is giving lower standard firsts?

Note: the question requires the candidate to 'outline the usefulness and weaknesses of these two approaches. The marking scheme identifies the issues there may be seen on 'useful' or 'weakness' depending on the candidates answer – each example given demonstrates this.

*1 mark for each valid point up to a maximum of 12*  
*However, the candidate must answer both elements of the question to get maximum marks, as a guide it is suggested 1 mark for each definition and then 1 mark for each point made under that definition to a maximum of 7 for each element, providing the overall mark does not exceed 12*

**(b) Benefits**

- To learn from each other.
- To set standards.
- Promote best practice.
- To improve effectiveness and efficiency.

It is important to compare processes rather than functions as many organisations carry out the same process but have different functional splits.

Examples that could be used include:

- Refuse collection.
- University awards.
- NHS A & E provision.
- Housing repairs.
- Charity collection/funding.

(See J&S p181 – 183 and OLM study session 7 for further (detailed) examples.

*Suggest 1 mark for each benefit to a maximum of 4  
then up to 4 marks for outlining what to compare and examples  
Maximum marks for part (b) 8*

**(20)**

**Question 6 (Study Session 9 J & S Chapter 5)**

**(a) (i)** The four stereotypical ethical stances are:

- Short-term shareholder (key stakeholder or taxpayer) interests.
- Longer-term shareholder (key stakeholder or taxpayer) interests.
- Multiple stakeholder obligations.
- Shaper of society.

(See J&S P225 – 229 and OLM study session 9 for full detail).

*1½ marks for identifying and outlining each ethical stance – up to a maximum of 6*

**(ii)** *1 mark for identifying the ethical stance and 3 marks for explanation*

**(b) (i)** Corporate social responsibility is the detailed issues on which an organisation exceeds its minimum required social obligations to stakeholders (J&S p230).

Other definitions that broadly follow the above may be used providing the principle is observed.

Example: employee welfare

*1 mark for definition and 1 mark for example*

**(ii)** Checklist examples

Internal

- Employee welfare: medical care, mortgage assistance, extended sick leave etc.
- Working conditions: social and sporting clubs, clean environment, above minimum safety standards, etc.
- Job design: increased job satisfaction, flexible, etc.

External

- Green issues: reducing pollution, energy conservation, etc.
- Products/services: meeting consumer needs and requirements.
- Suppliers: fair trade, blacklisting suppliers.
- Employment: equal opportunities, no redundancy policy.
- Community activities: supporting charities, sponsoring/organising local events.

(See J&S p231 and OLM 9.3 for further examples and detail).

*1 mark for each valid point made*

*Suggest split between internal and external points be maximum 5 marks for one or the other*

*Maximum marks for part (b) (ii) 8*

**(20)**