

BUSINESS STRATEGY AND MANAGEMENT

**Professional 2
December 2003**

MARKING SCHEME



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“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, 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”.

Question 1 (OLM Study Session 5 – Text J&S Page 112)

The question specifically asks the candidate to ‘analyse the market’ which should lead to the selection and use of Porter’s 5 Forces Model. This tool will identify all the major market forces in operation, and is the simplest way to the answer.

It is possible that some students will use a more generic model, for example SWOT or PEST, or alternatively apply market life-cycle – and the results of any of these tools will be accepted. There are no marks for outlining any model – only for the results. Hence, whichever model they use, it is possible to generate all the marks.

The following analysis pulls out the normal interpretation of this marketplace:

Threat of New Entrants

- Housing Association – sheltered housing
- Nursing homes – reclassifying
- Private provider – re-modelled community hospital site
- Threat high and increasing.

Impact – more available places in a mature market will increase the pressure on Thinksafe’s occupancy rates and prices.

Existing Rivalry

- Was growth, but now shakeout as market mature
- Voluntary Sector – increased aggressive marketing
- Private Sector – increased aggressive pricing
- Threat high and increasing.

Impact – lower prices in other sectors, and improved public perception of the voluntary sector will put pressure on Thinksafe’s occupancy rates and prices.

Power of Buyers

- Newsletter – increasing information and so power
- Greymark – increase power through bringing together buyers
- Threat medium and increasing

Impact – potential mobilisation of buyers increases pressure on Thinksafe to modify its provision and reduce prices.

Power of Suppliers

- Specialist Carers – critical and scarce

- Agency – increase bargaining power
- Threat medium and stable

Impact – with specialised costs likely to remain high, there is increased pressure on Thinksafe to modify provision or increase prices to cover increase in expenditure.

Alternatives and Substitutes

- Private sector – retirement village (possibly entered as a new entrant)
- Home Care – Govt sponsored cultural change
- Threat low and increasing

Impact – little initially but long term significance if demand were to decrease as a result in an already competitive market.

Overall

- Threat to Thinksafe High and increasing
- Market is in shakeout and Thinksafe seems vulnerable
- Clear strategic actions by competitors
- Action by Thinksafe critical

Clearly interpretations of the level of threat may vary, and marks should be awarded where reasonable or supported conclusions are reached. However, it is important that some assessment is made as to the state of the market, rather than simply a re-statement of the case material.

*½ mark for identification of threat, up to a maximum of 6
1 mark for the interpretation of threat, up to a maximum of 4
1 mark for identification of impact, up to a maximum of 4
1 mark for each conclusion, up to a maximum of 4
Up to 2 marks are available for format within an overall total of 20*

(20)

Question 2 (OLM Study Session 10 – J & S Chapters Page 319)

(a,b) The question specifically focuses on the Strategy Clock, and candidates are expected to format their answers to that model. Where Porter's generic strategies are applied, credit should be given – but full marks can only be awarded when consideration of differentiation and cost leadership are broken down.

One interpretation of the application of Bowman to the scenario is:

No Frills

- Minimum quality and space as directed by law
- Low price

Not appropriate as:

- Need cost leadership to maintain
- Overheads too high
- Facilities not all appropriate
- Political acceptability?
- Does not match objectives

Cost Leadership

- Standard quality – same as competition
- Low price (or same price so more margin)

Not appropriate as:

- Overheads too high
- Facilities unacceptable
- Regulations and policies increase costs – so cost leadership unlikely

Hybrid

- Use economies of scale across homes
- Shared quality staff (possibly with health)
- Offer high perceived value at low price

Difficult but possible as:

- Links with other elderly services in existence
- Number of homes to share overheads
- Problems include high overhead, and restrictive policies

Differentiation

- Could offer no drugs and/or high therapy
- Could offer high dependency
- Given current demand, all niches possible

Appropriate, and most likely as:

- Medium price acceptable as specialist areas with less competition
- Increased market threats suggest a niche response
- Meets objectives

Focused differentiation

- High quality, plus differentiation
- No drug, high therapy, high dependency options
- High price for premium service

Inappropriate as:

- Does not meet Thinksafe objectives (equity)
- Historic brand (council) known
- Facilities need major investment for this

Although the question is broken down into 2 parts to give clear guidance to the candidate, answering the two elements together is probably the most appropriate way to address the task. Whether the parts are split or not – the marks should be allocated:

*Application of Bowman's Clock using case relevant detail –
2 marks per explained segment to a max. of 9*

*Logical, justified consideration of appropriateness –
2 marks per explained bases to a max. of 9
Up to 2 marks for presentation*

(20)

Question 3 – (OLM Study Sessions 8 & 14. Text J&S page 208)

- (a) The question requires the candidate to appreciate that a stakeholder mapping exercise is required. Where some other method is used, marks should be made available for appropriateness of approach and results achieved. A bullet point list of stakeholders with no attempt at grouping or prioritising should be given a maximum mark of 3.

No marks are available for outlining the stakeholder mapping process, but answers are expected to follow the format, considering each group in terms of power and interest. Some justification is expected, but where it is obvious, correctly grouped stakeholders should be awarded marks.

One interpretation of the scenario would be:

High Interest / High Power – Key Players

- Greymark Councillors
- Thinksafe Director
- Social Services Councillors

Low Interest / High Power – Keep Satisfied

- Local MP
- Other Councillors
- Chief officers in the Authority
- Media
- National Government

High Interest / Low Power – Keep Informed

- Greymark newsletter
- Residents
- Relatives of residents
- Voluntary organisations

Low Interest / Low Power – Minimal Effort

- Council Taxpayers
- Local Residents
- Local Businesses

*Clearly there are alternatives and this list is not exhaustive
Evaluation of power should relate to the influence on this particular decision
1 mark per valid (justified) stakeholder and grouping
Up to a maximum of 10
Where no justification is included, a maximum of 6 marks should be awarded
Up to 2 marks for presentation*

- (b) The question is looking for application of communications theory – so a list of possible communications methods without reference to the case should be given a maximum of 3 marks. Either each stakeholder or each group should be allocated a communications method with reasons why.

There are clearly many options, but ALL segments of the analysis should be covered, and as a general rule, the more 'key' the stakeholder the richer the communication method should be.

One approach would be:

High Interest / High Power – Key Players

- Rich, full communication
- 2 way communication with feedback
- Meetings, Presentations, Discussions, Briefing Packs

Low Interest / High Power – Keep Satisfied

- Keeping satisfied means good communication
- Inform in overview what and why
- Give plenty of opportunity to discuss
- Educate where required
- Letters, briefings, presentations

High Interest / Low Power – Keep Informed

- Some, but less, 2 way flow
- Keep informed with clear, honest information
- Letters (personalised) with individual impact for residents/relatives
- Press releases, presentations.

Low Interest / Low Power – Minimal Effort

- 1 way overview provided
- Press release, leaflets.

8

*Up to 3 marks per group for justified
applicable communication methods up to a max. of 8*

All groups must be considered to exceed 6 marks

*In examining – this can be the justification, in that examining the stakeholders needs,
justifies the selection of communication method.*

(20)

Question 4 (Study Session 1 - J & S Page 60 - 81)**(a) Explain Punctuated Equilibrium**

The model of punctuated equilibrium should be drawn either as Exhibit 2.11 on Page 78, or Exhibit 2.13 on page 81.

The elements should be briefly explained:

- Continuity – stability in line with environment
- Incremental – incremental change to emulate environment change
- Flux – when strategic drift occurs
- Transformation – relaunch in line with environmental wants.

4

Relevance to Public Services:

- Model remains relevant in public services, however the driver for change may be slower, and the period of flux and transformation may be enforced by Government rather than by customers leaving.
- Many public service organisations are in flux, as they try to find their appropriate future given the changing wants of the public over time.

2

(6)

(b) Straight Theory as per text:

Design

- Deliberate positioning
- Rational Analysis
- Mechanistic
- Top managers set strategy

Experience

- Incremental development
- Strategy based on cultural experience
- Culture driven
- Top managers enact their experience and manage culture

Ideas

- Emergence of order from innovation
- Variety and diversity encourage innovation
- Strategy is complex and evolves
- Top managers are coaches and champions

Logical Incrementalism

- Strategy as ‘trying things out’
- A mix of experience and ideas
- When successful model identified, then planned implementation

Learning Organisations

- An extension of logical incrementalism
- Continued challenge
- Experimentation is the norm
- Capable of continual regeneration

Up to 2 marks per element well explained
10

(c) Imposed Strategy is:

- Forced strategy from outside the organisation
- Usually from regulator

2

Relevance to Public Sector

- Highly relevant
- Most Government strategy is imposed on local providers
 - NHS has strategy cascaded down

2

(4)

(20)

Question 5 (Study Session 6 – Text J&S page 160)

- (a) An outline of the value chain, with each segment explained, (as at J& S Exhibit 4.3 on page 161)

4

Where just a diagram is produced with no explanation, a max. of 2 marks should be awarded.

The key benefits of value chain analysis are:

- Organisations may use resources in unique ways and develop competences which can give them competitive advantage – the value chain can assist in identifying competences.
- Separate activities are identified and classified as primary or support activities in order to establish links and the value added by each activity.
- Value chain goes beyond the organisation, backwards to suppliers and forwards to customers.
- Competitive advantage may be gained through customers' perceptions of value added through the value chain.

1 mark for each appropriate benefit up to 4

(8)

- (b) One interpretation of the value chain to a primary school would be:

Inbound Logistic:

- Getting the appropriate aspects into the classroom together – including pupils, teacher, equipment etc.
- Alternatively – getting pupils in to the school reception class if a macro view is taken

Operations:

- The education process in the classroom

Outbound Logistics:

- Getting the pupils home, re-setting the learning environment
- Alternatively – moving the students into employment or further education.

Marketing & Sales:

- Advertising and promoting the school – prospectus/brochure

After Sales Service:

- Alumni activities
- School references

Margin

- Value added by school

1 mark for each reasonably applied primary activity, up to a maximum of 5

- (c) Candidates could come up with a range of issues here, which should relate parts (a) and (b) of the question together. So, for example, in taking the 'analysing where value is added' benefit, a candidate could see appraising the value added of school transport against the cost of providing it.

All reasonable options should be credited and some actions could include:

- Create linkages with feeder schools
- Build linkages with employers/FE/HE providers
- Compare resource allocation across activities with other schools
- Consider cost cutting (in excessive segments)
- Analyse linkage between Technology and Operation – use more technology in providing education
- Consider linkages between HRM and primary activities – what is valued by management against what adds value.

Up to 2 marks per action (explained) to a max. of 7

Marks should only be awarded where actions relate directly to the use of value chain analysis. A general list of actions, unrelated, should be awarded 0 marks.

(20)

Question 6 (Study Session 18 and 19, Text J & S Pages 536 and 545)

- (a) The question relates to Exhibit 11.2 of the text – specifically identified in the study session.

Types:

Re-alignment / Incremental = Adaptation

- Slow, managed change
- Accommodated in current paradigm
- Most common

Re-alignment / Big Bang = Reconstruction

- Rapid – much upheaval
- Accommodated in paradigm
- Reactive cost cutting or restructuring

Transformation / Incremental = Evolution

- Major change over time
- Requires paradigm shift
- Planned, managed major change

Transformation / Big Bang = Revolution

- Rapid, major change
- Requires paradigm shift
- Reactive, often forced, immediate change

1 and ½ marks for each type outlined up to a max. of 6

(b)**Styles of managing change.**

STYLE	MEANS/ CONTEXT	CIRCUMSTANCES OF EFFECTIVENESS
Education and communication	Group briefings assume internalisation of strategic logic and trust of top management	Adaptation / Evolution
Collaboration / participation	Involvement in setting the strategy agenda and/or resolving strategic issues by taskforces or groups	Adaptation / Evolution
Intervention	Change agent retains co-ordination / control: delegates elements of change	Incremental or non-crisis transformational change Adaptation / Evolution / Reconstruction
Direction	Use of authority to set direction and means of change	Reconstruction / Evolution / Revolution
Coercion / edict	Explicit use of power through edict	Revolution

Incremental change or long-time horizontal transformational change

*Up to 3 marks for each type where identified (½ mark), outlined (1 ½ mark) and circumstances addressed (1 mark)
Up to a maximum of 14*

Note: Interpretations of circumstances may depend on context, and where explained and justified (and reasonable) credit should be awarded.

(20)