

BUSINESS STRATEGY AND MANAGEMENT

**Professional 2
June 2004**

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, 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 16 – Text J&S Page 422)

The original structure is multi-divisional, with devolved finance

Advantages:

- Specialist in the service developed
- Local, improved decision making
- Structured around the customer
- Flexibility
- Strategic managers free to ‘do’ strategy
- Encourages general management development

Disadvantages:

- Expensive as duplication exists
- Hard to control financial standards
- Loss of career path
- Loss of professional lead
- Conflict between divisions
- Confusion over responsibility

(up to a maximum of 5 marks)

The CEO proposed structure is functional, with centralised finance

Advantages:

- Cost savings through functional speciality
- Professional lead/simplifies control
- Career path
- Clear lines of responsibility

Disadvantages:

- Difficult to cope with diversity
- Failure to adapt and be flexible
- Senior management bogged down in operations
- Out of touch with service needs

(up to a maximum of 5 marks)

The Directors alternative is a matrix structure

Advantages:

- Good decisions as involved specialist and professional
- Increases motivation
- Develops managers
- Best of all worlds
- Improves understanding of organisation

Disadvantages:

- Slow decision making
- Unclear responsibility
- High levels of conflict
- Confusion

(up a maximum of to 5 marks)

Given the Organisations need for cost savings, create standardisation, entrepreneurship, and retain stewardship, no structure is perfect. However, the CEO seems to have an over-riding requirement to reduce costs and staff numbers have already been reduced. Given this situation, only the functional structure is likely to provide the appropriate service levels at the required cost, and so it is the most appropriate structure. However, there will be problems in the short term, and management need to be aware of the short falls in a functional structure and make arrangements to counteract them.

Additionally:

The matrix structure is unlikely to succeed given the current levels of conflict within the organisation and the time and cost involved.

The multi-divisional structure will not produce the required savings.

(Up to a maximum of 5 marks)

(20)

Question 2 (OLM Study Session 9 & 19 – J & S Chapters Page 230 & 554)

In analysing the culture of the finance areas, the question requires an appropriate model. The most appropriate would be the 'cultural web' although others (and other versions) would be acceptable. However, simply re-stating the case should receive a maximum of 5 marks for part (a).

(a) Central Finance:

- Stories – good old days, others are non-professional
- Symbols – Professional status
- Power - DoF (of old)
- Structure – rigid, hierarchical
- Control – standards, bureaucratic, flexi-time
- Rituals – internal promotion, examinations

CS Finance:

- Stories – Central just want control, we are here to serve
- Symbols – casual dress
- Power – through service
- Structure – flat and wide
- Control – fixed time, close supervision
- Rituals – internal promotion, political enmity

ED Finance:

- Stories – We get it done, achievers
- Symbols – unclear
- Power – doing the job for the council
- Structure – flexible, open
- Control – group and individual, no bureaucracy
- Rituals – risk taking

(up to 4 marks each for application and reasonable assumptions)
(12)

Principal differences include:

- Different control procedures
- Variety of structures
- Incompatible stories
- Therefore difficult to integrate the three

(up to 3 marks for identification of principal differences flowing from cultural analysis)
(3)

Practical tactics for integration:

- Standardise procedures
- Standardise controls
- Introduce new rituals
- Take the best from each – and create new (not a takeover)
- Open communication
- Look for champions from each old area
- Use some quick small wins (making it better for all)
- Utilise informal contact (away days/team building)

(1 mark each reasonable tactic up to a maximum of 5)

(20)

Question 3 – (OLM Study Sessions 14)

The question specifically requires the candidate to use the marketing mix and answers should be based upon the model. All 4 elements of the mix should be considered, and marks should be allocated out of 4 for each element. Clearly the case does not give full details of the proposal, so candidates may make a number of assumptions, and where these are reasonable and logical, full credit should be given. Some suggestions are stated below:

Product:

- The service has not been defined.
- Do others want the service? What is the use?
- Have staff the skills to deliver it?
- Current staff have no private sector experience.
- What image/brand will be portrayed?
- Is there spare capacity in the market for such a product?
- How may competitors react?

Price:

- Income target suggests high price for 2 employees.
- Will high price be acceptable?
- Would a loss leader be appropriate?
- Could cross subsidisation with internal services take place to help start the concept?
- Is the objective income generation or building a service?
- What are prices of competitors?

Place:

- Where will service be provided from?
- Will electronic access be available?
- Does the IT infrastructure exist to support any electronic provision?
- Do the resources to deliver these services exist even if they are sold to the marketplace?
- How much spare capacity exists?
- What is the makeup of the spare capacity?
- Are resources mobile?

Promotion:

- What promotional mix should be used?
- How will prospective customers find out about the service?
- Promotion costs – is there a budget for promotion?
- What image does the service wish to portray?
- What is the likely competitor response?
- Could free publicity be utilised?
- Are the staff involved entrepreneurial?

*(up to 4 marks each to a maximum of 16 marks)
(Where the marketing mix theory has been repeated with no application to the
case a max of 6 marks should be awarded)*

Appraisal of the concept:

Given the analysis above there are far too many questions outstanding.
Before market entry can be seriously considered these need researching.
Entry at the current point is likely to cost money.
Entry now is likely to effect other services.
Failure on market entry could damage the Georgetown image.
Failure on entry now, would make entry in the future more difficult.

(1 mark for each reasonable point to a maximum of 4 marks)

(20)

Question 4 (Study Session 1, Text J & S Pages 8-15)

(a) Operational Management is:

- Routinised
- Operationally specific
- Has short term implications

Strategic Management is:

- Ambiguous and uncertain
- Complex
- Organisation-wide
- Fundamental
- Has long-term implications

Up to 2 marks for a definition of each
(4)

(b) A SBU is a part of an organisation for which there is a distinct external market for goods or services that is different from another SBU – or one for which there is a distinct client group.

2

Corporate level strategy is concerned with the overall purpose of an organisation, and in large organisations is too broad to take account of every specific service unit. Hence a corporate strategy sets the organisation wide agenda, and a SBU strategy is directly concerned with creating competitive advantage over its competitors.

The 2 are linked together in that the corporate strategy will inform the SBU strategy, and the later will need to show how it moves the organisation towards its corporate goals.

4

An example is that of a University – where a corporate strategy would consider the overall mission and direction of its constituent parts, including what subject areas (schools) it is comprised of, and how it will meet the requirements of Government and Society. A business school (SBU) within the university would set a strategy on how it is to attract students to it, possibly through research activity, quality teaching, or business links.

4

(10)

(c) Environment-led Fit strategies are developed by identifying opportunities in the business environment, and adapting what the business does to meet that need.

An example is a hospital trust identifying that there is a shortage of physiotherapy services in the local health market, and creating a unit specifically to meet that need.

Resource-led Stretch strategies use the leverage of resources and competences within an organisation to gain advantage and create opportunities.

An example is a hospital trust having specific expertise in non-intrusive surgery, and promoting the benefits to the public so that demand grows.

Up to 3 marks for each where an acceptable example is given

A maximum of 1 mark each where no example is apparent

(6)

(20)

Question 5 (Study Session 10 – Text J&S page 239)

- (a) A mission statement is a generalised statement of the over riding purpose of an organisation. It is an expression of its raison d'être.

According to J&S most attempt to address the following:

- The vision – a beacon in the distance that is likely to last a considerable time.
- The main intentions and aspirations – often referred to as strategic intent, clarifying its principle goals.
- Describes the main activities – making it clear as to the business it is in, and by identifying it, prioritising where there are many.
- Key values held – especially stakeholder groups and ethical agendas.

(up to 2 for the definition and 2 for each issue explained)
(There is much academic debate as to this so reasonable variations should be accepted)
(10)

- (b) Mission statement can be used to:

- Sell an organisation to its customers (especially governments in terms of generating additional funding). Set by senior management and marketing with little reference to workforce.
- Set a rallying point for staff in a complex and changing environment. In this situation the statement is likely to be agreed by some consensus throughout the organisation.
- Drive change – especially where transformational change is required, as it can clarify exactly where an organisation is going. In this case, the mission statement is usually created by the change agent, and used as a symbol of change.
- Direct action, when set by a powerful external stakeholder, and can then be used to hold the organisation to account.

(up to 2 marks each where creation is also included to a maximum of 6)

- (c) The mission statement is of little value to the organisation in that it clarifies little. It does not attempt to address any of the issues in part (a), and is self-contradictory. It is likely to be meaningless as it is impossible, and will result in a falling of staff morale as trust in management reduces. The worst type of mission statement, which is more a goal than a mission, and an unachievable one at that.

(Up to a maximum of 4 marks)

(20)

Question 6 (Study Session 6 & 8 - J & S Page 152)**(a) Resource Audit**

A resource audit identifies and classifies the resources an organisation owns or can access to support its strategies.

The resources involved are:

- Physical
- Human
- Financial
- Intangible

(3)

(b) Human Resource Audit

<i>Information</i>	<i>Source</i>
Number of employees	Personnel or payroll system
Mix of age and gender	Personnel system
Skills – formal and informal	Formal skills from training records Informal from staff survey
Experience & knowledge	Employment histories Staff surveys
Adaptability	History of employment
Innovation	Historical and culture
Motivation	Satisfaction surveys Appraisals & reviews
Loyalty & commitment	Turnover rates Attitude surveys

(Up to 2 marks per element where information & source clear to a maximum of 9)

(c) Organisational specific but an example for a Police Service could include:

Internal:

- Finance etc.
- Transport support.
- Estates.
- IT Support.

External

- Cleaners
- Security (sic)
- Canteen

(up to 4 marks for identifying suppliers and allocating to internal and external)

Supplier performance is critical to any service as the final customers have a contract with their supplier, and how that supplier arranges services, it can not pass off responsibility and the final customer will always hold the supplier to account.

Suppliers can be controlled formally or informally.

Formal controls with external suppliers are likely to be by contract. Internal formal controls take the form of SLAs and TAGS.

Informal controls are usually through partnership, reciprocal arrangements, or no specification.

(up to 4 marks where importance highlighted and control types explained)
(8)

(20)