BUSINESS STRATEGY AND MANAGEMENT

Professional 2
December 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 9 – Text J&S Page 217)

(a) Ethical Stances:

- Short term shareholder interest.
    - Short term focus – cost reduction/profit maximisation.
    - Legal minimum standards.

- Longer term shareholder interest.
    - Longer term interest.
    - Aware of other stakeholders and their impact on long term profit.

- Multiple stakeholder obligation.
    - Explicitly involve other stakeholders.
    - Purpose beyond the financial.

- Shaper of society.
    - Ideologically driven.
    - Vision focussed.

*2 marks for each stance, where identified and outlined –
up to a maximum of 8 marks*

QHA under John Stump took a stance between 'Shaper' and 'MSO' – by offering services outside remit for good of society, focussing on employees and customers at the extent of other stakeholders, and vision driven.

QHA under Jane Simpson would move away from 'Shaper' towards 'LTSI' although there remain elements of 'MSO'. QHA would re-focus on Boards objectives, and consider wider stakeholder groups.

2 marks each where identified and justified – to a maximum of 4 marks
(12)

(b) Corporate Responsibility is concerned with the way in which an organisation exceeds the minimum obligations to stakeholders specified through regulation and corporate governance.

Up to 2 marks for a clear definition

Issues	QHA under John Trump	QHA under Jane Simpson
Internal		
- Assisted loans	Yes	No
- Flexible working	Yes	No
- Social club	Yes	No
External		
- Community decisions	Yes	No
- Charity work	Yes	No
- Maintaining jobs	Yes	No

1 mark for each factor identified across QHA before and after to a maximum of 6
(8)

(20)

Question 2 (OLM Study Session 6 – J & S Page 152)

(a) Resources audit identifies and classifies the resources that an organisation owns or can access to support its strategies. It should identify the resources and the extent to which the resources are unique.

Up to 2 marks for the definition

Resources to consider:

- Physical – ownership, condition, use.
- Human – age, gender, skills, experience, knowledge, motivation.
- Financial – reserves, debt, turnover, contingency.
- Intangible (intellectual) – knowledge, reputation, customer relationship.

Up to 2 marks each for identification and detail – up to a maximum of 8
(10)

(b) Practical steps:

Physical:

- Asset register.
- Property deeds.
- Purchase records.
- Physical visits.

Human:

- Payroll/Personnel records.
- Employee appraisals.
- Turnover rates.
- Staff surveys

Financial:

- Balance sheet.
- Bank records.
- Management information.

Intangible:

- Customer surveys.
- Market research.
- Management survey.

1 mark per practical step up to 3 per resource and a total of 10
(10)

(20)

Question 3 – (OLM Study Sessions 18 & 19 - Text – J & S Pages 544 & 554)

(a) A Forcefield Analysis provides an initial view of change problems that need to be tackled, by identifying forces for and against change.

Up to 2 marks for definition and purpose

Forces driving Change:
- Board.
- Jane Simpson.
- Government through targets.

Forces resisting Change:
- John Trump.
- Staff.
- Tenants.
- Symbols – social club/loan scheme/community award.
- Stories.
- Recruitment method.

Up to 1 mark each to a maximum of 6 marks
(8)

(b) Practical tactics:

- Timing: Explain or generate a crisis, possibly related to missing financial targets. A crisis takes QHA into flux, and shows the employees and tenants that 'the good old days' were not in reality delivering – and change must happen.

- Symbols: Changing and removing the symbols of the old culture, including possibly social club and loans scheme. Introduce new symbols supporting the new culture – possibly target driven.

- Routines: End the walkabouts or social visits by John Trump – introduce replacements, possibly tenant meetings, and staff workshops.

- Communication: Introduce new communication methods with tenants and employees, explaining what benefits they will see in the new approach.

- Control systems: New methods of control, possibly target and reward driven.

- Job changes: Review and change staffing and tasking.

- Power bases: Identify leading staff, probably middle management, discuss the change and try to bring them onside. If they remain a barrier, look to de-layer and replace.

- Routines: Introduce new training for employees, focussed on target, and service delivery.

up to 2 marks for each practical and relevant tactic well explained
to a maximum of 12 marks
(20)

Question 4 (Study Session 1 & 2, Text J & S Pages 5 & 82)

(a)   Strategy is about setting an organisations direction to meet future environmental demands, and so the uncertainty involved in the environmental conditions is of critical importance in informing strategic decision-making.

Conditions can be categorised:

- Simple Static: relatively straight-forward, little change.
- Simple Dynamic: relatively straightforward, but fast changing.
- Static Complex: difficult to understand, little change.
- Complex Dynamic: difficult to understand, fast changing.

2 marks for importance, 1 mark each for environmental conditions up to 6 marks

(b)   Tools:

- Historical analysis: Use trends based on past experience to forecast future situations.
- Forecasting: Identify predictors which will drive changes in the environment and use these to forecast the future – an example would be demographics on birth statistics to predict school places.
- Scenario planning: Build possible futures based on active sensing of environmental change.
- Decentralisation: To understand complex situations, decentralisation of strategic decisions helps to specialise through segmentation. Decisions taken at a local level.
- Experience and learning: Create flexible, innovative, learning organisations which continually adapt to the environment rather than trying to forecast the future.

1 mark each to a maximum of 5 marks

- Simple Static: Historical analysis, forecasting.
- Simple Dynamic: Scenario planning.
- Static Complex: Decentralisation.
- Complex Dynamic: Experience and learning

1 mark each to a maximum of 5 marks
(10)
Credit should be given where parts (a) and (b) are answered together in a diagram
However, full marks are only available where applicability is approved

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

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

Up to 2 marks for each
(4)

(20)

Question 5 (Study Session 16 – Text J&S page 419 & 455)

(a)   Merits of organisational structures.

Simple structure:

- Run by personal control of owner/director.
- Flexible and informal.
- Clear management responsibility.

Multi-divisional structure:

- Concentration on business area.
- Facilitates measurement of unit performance.
- Ease of addition and divestment of units.
- Facilitates management attention on strategy.
- Encourages general management development.

Matrix structure:

- Good quality decision making where interests conflict.
- Direct contact replaces bureaucracy.
- Increases managerial motivation.
- Develops managers through involvement in decisions.

1 mark per valid point up to a max of 4 marks each to an overall maximum of 9

(b)   Mintzbergs 6 organisational configurations:

Configuration	Outline	Appropriate environment
Simple	Small, young Simple tasks CEO control	Simple/dynamic hostile
Machine Bureaucracy	Old, large Regulated tasks Design control	Simple/static
Professional Bureaucracy	Simple systems Professional control	Complex/static
Divisionalised	Old, very large Divisible tasks Middle management control	Simple/static diversity
Adhocracy	Often young Complex tasks Expert control	Complex/dynamic
Missionary	Middle aged Often enclaves Simple systems Ideological control	Simple/static

Up to 2 marks for each, where identified, outlined,
and related to environment situation to a maximum of 11
(20)

Question 6 (Study Session 3)

(a) Answers will depend on an individual candidates selection, but each candidate is expected to select only one content theory and one process theory. Where more than one of either is given, only the first should be given credit.

Students could choose between:

Content theories:
- Maslow.
- Hertzberg.
- McClelland.

Process theories:
- Goal.
- Equity.

Although other recognised theories of motivation will be given credit.

Up to 3 marks for each where appropriately identified, and explained
(6)

(b) Once again, answers will depend on the organisation, but students are expected to relate their organisations to different motivational theories - for example, where target are set each year in an organisation, this could be linked to either goal theory or Hertzberg's motivating factors.

For each issue discussed, related to theory, and the success or failure
appraised, up to 2 marks should be awarded

An example may be:

An organisation publishes all pay scales, and all staff know each others salaries. This relates directly to equity theory, in an attempt to show staff that they are being treated fairly. In organisation X it has not led to motivation, but rather demotivation because staff identified that payment relates directly to years of service and not performance. Hence the attempt has failed to motivate using equity theory.

(8)

(c) Answers will differ dependant on the organisation, but a student should attempt to address the issues raised in part (b), taking problems and failures that exist (and successes) and identify ways in which motivation could be improved (further). Answers should be linked back to theory.

An example may be:

Organisation X could set individual objectives for the year which relate to an employees experience, years of employment and so salary. Objectives should be publicised, so according to equity theory, an employee could compare their objectives and salary with another, and see there is balance between input and outcomes.

Up to 2 marks for each improvement linked to theory to a maximum of 6

(20)