

# BUSINESS STRATEGY AND MANAGEMENT

**Professional 2 examination  
4 June 2003**

From 10.00 am to 1.00 pm  
plus ten minutes reading time from 9.50 am to 10.00 am.

## ***Instructions to candidates***

Answer **five** questions in total. **All three questions** from Section **A**, and **two** questions from Section **B**. All questions carry equal marks.

*All workings should be shown. Where calculations are required using formulae, calculators may be used but steps in the workings must be shown. Calculations with no evidence of this (for example, using the scientific functions of calculators) will receive no credit. Programmable calculators are not permitted in the examinations room.*

*Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication.*

*Formula sheets, statistical tables, graph paper and cash analysis paper are available from the invigilator, where applicable.*



**SECTION A (Compulsory)**

Heatherton Business School (HBS), a faculty of Heatherton University, was formed in 1982 when the Departments of Accounting, Information Technology, Strategic Management and Personnel Management were relocated to one building and brought under the control of a single Dean.

Each Department within HBS provides subject specific undergraduate and postgraduate courses. Additionally, each Department contributes to cross-departmental courses, such as B.A. Business Studies and M.A. Business Studies.

Student intake, and therefore staffing and resource requirements at HBS, remained relatively stable until the academic year 1997/1998. At the beginning of the 1997-1998 academic year the student intake increased by nearly 15%, compared to the previous year. In each of the following years student numbers have increased by an average of 10% per annum.

Overall, HBS lecturing staff numbers have increased during the last four years, but this has not been at the same rate at which student intake has grown. Additionally, despite adding several new lecture and seminar rooms, demand for teaching accommodation is often greater than HBS has available, causing some lectures and/or seminars to be cancelled. The University's Vice Chancellor has made it clear in a number of statements, to both internal staff and the media, that funding for additional staff or further new accommodation is unlikely and that faculties have to manage their existing resources more efficiently and effectively.

In May 2003, the Dean of HBS realised, following a review of applications for the following academic year, that existing resources within the School were not going to be adequate, both in staffing and accommodation, to support students who commence their courses in September 2003. It had already been made clear that additional resources would not be available and therefore a solution had to be sought using the current resource base.

Following discussions with the University Management Team and consultation with Faculty Department Heads, the Dean of HBS proposed to fundamentally change the lecture and seminar programme for all new undergraduates entering HBS from 2003. No members of staff, students or their respective union representatives were invited to discuss the proposal.

Currently, students on all undergraduate courses have one 2 hour lecture and one 1 hour seminar per week in each subject the students are studying. Each lecture is delivered to approximately 100 students, no handouts are provided and students are not expected to participate. Each seminar involves 18 students and is interactive, with students having to prepare in advance, make presentations and discuss key issues. Seminar tutors also give subject specific guidance during the seminars and reinforce any points made during the previous lecture.

The Dean proposed to reduce the amount of contact time academic staff have with students and place greater responsibility for learning with the student. Although the lecture programme would remain the same, the proposal included academic staff preparing detailed lecture notes for students and giving greater direction for self-study. Seminars would be replaced with subject specific drop-in-centres, staffed by academics and open for 10 hours per week. Students could visit the drop-in-centre to ask subject specific questions.

The Dean estimated that the proposal would save HBS approximately 120 staff contact hours per week and reduce the demand for accommodation by 15%. To ensure no members of staff would be made redundant, the Dean also proposed to eliminate overtime, re-allocating the work to tutors who were affected by the reduction in contact time.

The Dean of HBS anticipated some resistance from staff and students to the proposal, as this approach had been tried in another university several years ago and had to be abandoned. Staff in that university found both their workload and student dissatisfaction had increased due to students' lack of direct contact with academic staff. Nevertheless, the Dean felt that HBS could manage the proposal and had prepared arguments from an academic and practical perspective.

The Dean's argument is as follows:

*Academically, the proposal supports the concept of developing life-long learning skills (a key element of the University's Mission Statement), thus moving from dependent learning (providing seminars) to independent learning (self-study). This is also in line with a recent survey of employers, that indicated they wished new graduates to be able to act independently and take responsibility for their own development.*

*From the practical perspective it is clear that staffing lectures and seminars, and providing accommodation, is a major problem and a radical solution has to be found.*

The proposal was sent to all staff by e-mail at 17.00 on Friday 23 May 2003. The e-mail also noted the time and date for a staff forum, 18.30 on Thursday 29 May 2003, when the proposal could be discussed and the Dean would answer any queries.

On Monday 26 May 2003, the Dean received a letter from the staff union stating that they were recommending that their members do not attend the staff forum until full consultation takes place. The following day the student union wrote to the Dean supporting the staff union's stand. The Dean replied to both unions, stating that the staff forum would go ahead as time to make the changes was running out and consultation was fruitless as the changes had to be introduced even if the staff (and students) were opposed to the proposal.

On the Thursday evening only 10 members of staff (less than 10% of staff) attended the meeting. The Dean outlined the proposal, stating that, *'the changes are an inevitable consequence of shifting demands on higher education and the proposal will be implemented regardless of any resistance'*. He further added that, *'HBS needs to embrace an "entrepreneurial spirit" to meet these demands, and that needs a change from the current culture where staff come first, to a culture where the customer and consumer come first'*.

The text of the Dean's commentary at the meeting was circulated to all staff and unions at 09.00 the following day.

Two hours later the staff union contacted the Dean stating that it was going to ballot its members with a view to taking strike action. This was supported by the student union. The staff union was particularly unhappy with the Dean's comments that implied academic staff did not put customers and consumers first and that an entrepreneurial spirit did not exist.

The staff union also contacted the local newspaper, and the headlines of the paper that evening were 'Academics to Strike'. The article went on to accuse the Dean and the University Management Team of taking decisions without considering the consequences and that whilst change may be needed, lack of proper planning and consultation was going to lead to disruption of students' education and demotivate staff. It went on to cite the example of these changes being abandoned at another university several years ago.

On Monday 2 June an emergency meeting of the University Management Team was called. The Vice Chancellor was furious at the bad publicity the University was receiving. He said, *'this situation needs resolving this week, we cannot afford a strike and at the same time the changes must go ahead if the University is to match existing resources to demand. It seems we have made serious errors of judgement in our approach to this problem. These need to be identified and then rectified'*. He closed the meeting saying he was going to contact a firm of public sector management consultants and ask them to produce an independent review of the events and to present their findings at a meeting one week from today.

You work for a firm of public service management consultants and they have been invited to produce the independent report as requested by the Vice Chancellor. You, and the senior partner, met with the Dean who explained the sequence of events and the background to the changes.

The Senior Partner of the firm is currently involved with another major project and has asked you to produce three briefing notes for her by Thursday.

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**1**

- **Requirement for question 1**

In the first briefing note you should review the sequence of events that has led to the threat of strike action by:

- (a) Outlining the 'serious errors of judgement' the Vice Chancellor indicated had been made by the University Management Team and the HBS Dean. 8
- (b) Identifying the key issues faced by HBS and determining an approach that would rectify the 'serious errors of judgement' highlighted in part (a) of the question. 12

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**2**

- **Requirement for question 2**

The second briefing note should consider the role of the Dean as 'a change agent', and the impact the proposed changes may have on the motivation of the academic staff.

- (a) Outline the characteristics of a successful 'change agent', and critically appraise the Dean's approach to the proposed change. 8
- (b) Determine the motivational impact, and the likely response of academic staff, at the three stages of the strategic management process given in the scenario, that is:
  - (i) Strategic review.
  - (ii) Strategic choice.
  - (iii) Strategic implementation. 12

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**3**

- **Requirement for question 3**

The final briefing note should consider two elements of the Dean's commentary to the staff that may have inflamed the situation, that is, 'HBS needs to embrace an entrepreneurial spirit' and, 'the need to put the customer and consumer first'.

- (a) Outline what is meant by, and what are the attributes of, 'entrepreneurial spirit', and how this could be fostered within HBS. 8
- (b) Identify who the customers and consumers are the Dean may be referring to in his commentary; consider the difference between the two groups and why it may be difficult for HBS to satisfy both groups. 12

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**SECTION B (Answer two questions only)****4**

Over the last decade many public service organisations have sought to devolve control and decision-making closer to the point of delivery. This has led to the role of the centre being redefined and responsibility for actions being devolved throughout the organisation. Politicians, academics and practitioners have debated the respective values of centralisation versus devolution without coming to a clear consensus.

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- **Requirement for question 4**

For an organisation with which you are familiar, outline:

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|-----|------|--|---|
| (a) | (i)  | The role of the centre; and  | 2 |
|     | (ii) | Specifically identify where the centre adds value to that organisation.                              | 5 |
| (b) |      | The benefits that devolution could bring, or has brought, to that organisation.                      | 7 |
| (c) |      | The risks associated with devolution and how the organisation has reduced or may reduce those risks. | 6 |

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# 5

‘An organisation’s strategic capability is ultimately assessed in relative terms’.

(Johnson and Scholes)

There are a number of different approaches an organisation can use for comparative analysis, or benchmarking the organisation’s strategic capacity over time. The two common forms of comparative analysis are historical analysis and comparison with industry norms. Both have benefits and limitations when used to determine an organisation’s capability.

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- **Requirement for question 5**

- (a) Define ‘historical analysis’ and ‘comparison with industry norms’, and outline the strengths and weaknesses of these two approaches in the public services. 12
- (b) Benchmarking is defined as comparison with ‘best in class’ and many public service organisations have created benchmarking clubs. Outline the benefits for an organisation of being a member of a benchmarking club and explain, with examples, why when comparing ‘best in class’ it is important to compare processes not functions. 8

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# 6

It is critical to the success of the strategic management process that there is a clear understanding of the organisation. The tangible aspects of an organisation and the broader environment are normally the main elements for consideration. However, it is also important to consider the less tangible aspects.

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- **Requirement for question 6**

- (a) One of the strategic issues organisations face is the ethical stance they take regarding obligations to stakeholders. This is a key issue for managers and it is important that they understand the ethical stance their organisation is taking.
    - (i) Outline the four possible (stereotypical) ethical stances for an organisation. 6
    - (ii) For an organisation you are familiar with, identify the ethical stance that organisation takes and explain why it does so. 4
  - (b) Having identified the possible ethical stance an organisation can take, it still leaves the need to identify a detailed agenda of issues an organisation has to take into account when developing strategies. This is often referred to as the corporate social responsibility of the organisation.
    - (i) Explain the meaning of corporate social responsibility and give an example to support the definition. 2
    - (ii) Produce a checklist, supported with examples, of both internal and external issues that an organisation's actions on corporate social responsibility could be assessed against. 8
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