

BUSINESS STRATEGY AND MANAGEMENT

**Professional 2 examination
7 December 2004**

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.

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



SECTION A (Compulsory)

Quandry Housing Association (QHA) was created in 1996, with the mission of providing affordable housing and supported accommodation. From its inception QHA had a clear customer and staff focus, with a friendly atmosphere, open door policies, and customer orientated objectives.

John Trump was the Chief Executive of QHA from its launch until September 2004 when he retired. As a CEO, John Trump generated loyalty from all QHA employees, and was popular and well known amongst many of the organisation's tenants. His hands-on approach was typified by his unannounced and regular walkabouts through QHA dwellings when he would spend considerable time discussing issues with tenants and staff. He knew all of QHA's eighty-four employees by name and was involved in their recruitment regardless of their position, permanence, or hours.

Often described as 'living the job', John Trump always found time to discuss staff problems and concerns. Under his leadership, QHA introduced a popular staff loans scheme, operated a staff social club with subsidised activities and applied flexible hours, especially where employees had children.

QHA was very involved in the local communities it served, making donations to active local charities and constantly supporting charitable activities amongst staff and tenants. QHA was also known to have taken a community view to the purchase of buildings and service development, which resulted in QHA offering a diverse range of small services through a wide range of properties.

Staff turnover at QHA was very low and a staff survey in July 1999 found that the employees saw QHA as a supportive employer which was making a real difference to the lives of its customers. In 2000 QHA was awarded 'Investors in People' status, which was celebrated by a staff party in the social club.

Although staff and tenants reported much satisfaction with QHA, the few performance targets that existed were of growing concern to the Board. In 2002 new Board members expressed surprise at the lack of a clear future vision for QHA, and the scarcity of detailed plans and controls. A group of independent consultants were employed in early 2003 to provide the Board with a picture of the management and performance of QHA.

The consultants reported that the plans which existed were very much a paper exercise with the annual business plan not known within the organisation. In fact the last 3 business plans had remained in John Trump's office and no other employee of QHA had been involved in or knew of the plans. Following this report, John Trump explained that his strategic management approach was fully emergent, and that the creation of a paper based business plan was pointless 'other than to satisfy the powers that be'.

The consultants went on to compare the costs and performance of QHA against industry norms and discovered that QHA was both missing national targets and that unit costs were far higher than other similar organisations.

Following these findings, and under growing pressure from the Board, John Trump agreed to accept an offer of early retirement. The Board decided not to blemish his

reputation in the community by publicising the situation that led to his retirement. The staff organised a lavish leaving party for the departing Chief Executive which most employees attended, and many tenants put in an appearance. The employees decided to celebrate his contribution by creating an annual award for services to the community and the first winner was John Trump.

The Board appointed a new Chief Executive from September 2004, with the objective of changing the management of QHA. The appointment of Jane Simpson was something of a surprise to the staff as she was known to some of them as the 'hard-nosed business woman' who had been Finance Director at a neighbouring Housing Association.

With a need to quickly reduce costs, improve control and service focus, Jane called a meeting of all employees in a local hotel. She began her presentation with an outline of where she saw QHA, and the problems that existed with performance and cost. She went on to outline some of the changes she would be introducing over the forthcoming year which included:

- the introduction of time recording for staff to identify where resources are used, with the intention of reducing staffing costs by 25% within the year;
- to review all current services, with the aim of re-structuring all provision in line with the Board's remit. Jane explained that this would probably result in the cessation of various current services and practices;
- to out-source non-core services – specifically the loans scheme;
- to move the social club to a self-funding basis through the introduction of staff subscription;
- to introduce formalised annual business planning with staff involvement, to make the organisation more focused and accountable;
- to end the practice of formally supporting charities through QHA donations.

At the end of the presentation Jane gave all present the opportunity to ask questions and debate the issues, but she was met with stony silence. The meeting then ended and employees left the hotel with much mumbling.

Two weeks later the employees presented a petition to the Board calling for the immediate removal of the new Chief Executive and the recall of John Trump from retirement. The employee who presented the petition to the Board explained that John was immediately available and the issue had been discussed with him in the social club over the past two weeks. John Trump was also still fully on top of issues within QHA, and had continued his ad hoc walkabouts to all the QHA units, primarily on the basis of social calls.

Further questioning of the staff identified that motivation had plummeted since the change in management, and many staff members were considering their positions. There was general bewilderment as to the reason for the drastic changes introduced and genuine confusion as to this major change of direction.

On discussing the petition and the suggested changes with Jane Simpson, the Board found they had lacked appreciation of the level of change being proposed. Jane explained that past management control was so poor that she was unable to ascertain exactly what resources the organisation had, let alone what they were used for. Services were fragmented to the point of competing with each other, and the staff treated their employment more as a social activity than a professional pursuit.

Jane explained that in her view, QHA was more interested in creating a ‘workers utopia’ than meeting the objectives of the Board and general public. The requirements of the wider community, especially those of taxpayers and Government, were completely ignored. In Jane’s view there is no alternative but to shift the ethical stance of the organisation, and revisit the issue of corporate social responsibility.

The Board turned back to the Public Service Consultants for assistance in understanding the organisation’s situation, and how it could move forward.

1

- **Requirement for question 1**
- (a) Outline the four possible ethical stances, explaining which stance was taken under John Trump, and which is proposed by Jane Simpson. 12
- (b) Define ‘corporate responsibility’ and outline the internal and external aspects of responsibility relating to QHA. 8
- (20)
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2

- **Requirement for question 2**
- (a) Jane Simpson has suggested that a good starting point would be to complete a ‘resource audit’. Outline what a ‘resource audit’ is, and explain what resources and details need to be considered. 10
- (b) Outline practical steps that could be taken to complete a resource audit for QHA. 10
- (20)
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3

• **Requirement for question 3**

The Board is keen to drive forward with the change suggested by the new Chief Executive but are unsure as to how to proceed. They are aware of some change management tools but need guidance on their purpose and application.

- (a) Explain the purpose of a ‘forcefield analysis’ and appraise the principal forces in the change QHA is facing. 8
- (b) What practical tactics could be employed by Jane Simpson to assist in the success of the change implementation? 12

(20)

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

Strategic management is notoriously complex, and the usefulness of tools which can be used to assist the strategic manager vary depending on environmental conditions. Similarly, strategic decision-making can be seen as either 'fit' or 'stretch'.

- **Requirement for question 4**

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| (a) Outline the importance of environmental conditions (eg static) to the strategic management process, and explain how conditions can be categorised. | 6 |
| (b) Identify and outline the ways in which an organisation can estimate and manage the future environment. Appraise how applicable they are to different environmental conditions. | 10 |
| (c) Explain the difference between strategic decision making through 'fit' and through 'stretch'. | 4 |
| (20) | |
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5

Configuring an organisation appropriately is critical to the potential success of any strategy. Mintzberg identified six contingent organisation configurations, and put forward the situational factors in which they are most likely to apply.

- **Requirement for question 5**

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| (a) Outline the relative merits of a simple, multi-divisional, and matrix organisational structure. | 9 |
| (b) Identify and outline Mintzberg's six organisational configurations, explaining the environmental factors most appropriate for each. | 11 |
| (20) | |
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6

As the majority of most organisations' resources are human, the importance of staff motivation in achieving competitive advantage is critical. Theorists have for many years argued about both the question of 'what motivates a workforce', and 'how a workforce can be practically motivated'.

- **Requirement for question 6**

- (a) Identify and explain one process theory, and one content theory of motivation. 6
- (b) Discuss how motivational theory is applied within an organisation of your choice, analysing the success and failure which you perceive has been the result. 8
- (c) For the organisation in question, discuss how motivational theory could be proactively used to motivate the workforce. 6

(20)
