

BUSINESS STRATEGY AND MANAGEMENT

Professional 2 examination 4 December 2002

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.

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

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.



SECTION A (Compulsory)

Peakland National Park is located in Northern England. It covers an area of 550 square miles. There are two major towns in the area, Hopton and Riverton, the former being the 'holiday centre' and the latter being an old industrial town. There are also a number of small villages, many of which are in remote areas of the Park.

There are numerous miles of public footpaths and bridleways throughout the park, particularly on the moorlands; additionally, high rocky crags at the centre of the Park make it ideal for climbing, fell walking and pot holing.

Many small businesses exist in the area providing services for tourists. There is no major employer in either of the towns; most of the working population in the area is involved in either farming or the tourist industry. Unemployment rates for the area are currently 3% above the national average.

However, a leading leisure group has expressed interest in building a leisure facility on the outskirts of Riverton, on the site of an old mill. It would incorporate elements of the old mill, which is currently run down, but is nevertheless a listed building. The old mill is a problem for the local council as it is responsible for the maintenance and security of the building. This is proving to be too costly and the local council is keen to see a developer use the site. The leisure facility would employ over 100 local people.

The Peakland Trust that manages and controls the park is based in Hopton. The 10 members of the Trust Board all reside within the boundaries of the park, except a representative from the British Tourist Authority. The Park falls within the boundaries of four district councils, with each council having a representative on the Trust Board.

Peakland Trust receives funding from the British Tourist Authority, the district councils and an annual grant from the European Parliament. It has also received a grant from the Millennium Fund to develop access for recreational visitors. Other funding comes from one-off special events held within the boundary of the Park.

Over the last decade, considerable damage has been caused to footpaths and bridleways by intense usage. Additionally, traffic congestion has increased to a point where the area is almost gridlocked on summer weekends. Parking in the area, particularly around the main towns, is also a problem.

The Trust has agreed to lease 2 three-acre sites for car parking from local farmers to alleviate the congestion in the towns: one on the outskirts of Hopton and the other on the outskirts of Riverton. A charge for parking will be made which must cover the cost of the leases and car park security. One of the car parking sites is liable to flood during periods of heavy rain, therefore a new drainage system would have to be built. The cost of the drainage system would be met by the Environment Agency, although maintaining the system would be the responsibility of the Trust. This maintenance cost would also have to be met by the car parking charge. Seasonal fluctuations of visitors also have to be considered when setting a charge.

Any surplus from the charges would be used by the Trust to help in repairing and maintaining footpaths and bridleways in the Park.

Although tourism is a major employer in the Park, farming still provides many of the villages in the area with employment. Many of the local farmers and residents of villages employed in that work would like to restrict the number of visitors to some areas of the Park. The recent foot-and-mouth epidemic was damaging to the farming community as many are sheep farmers, and any further outbreaks may lead to many farmers going out of business. Also, the farmers have cited traffic congestion as a major problem for them when carrying out their day-to-day business activities.

On the other hand, businesses in the area, also damaged by the foot-and-mouth crisis, are keen to expand the facilities for visitors and recover some of their recent losses.

The major investment by the leisure group is conditional on additional visitors to the park being encouraged. However, many other interest groups, in addition to farmers, have expressed concern about the environmental impact of unrestricted access and traffic congestion whilst other groups, including businesses, are actively supporting the freedom of visitors to the area. In total, the Trust has received over 60 letters of concern from these groups, evenly split between restricting access and promoting further access.

The local newspaper has tried to be objective on the issue, but it is rumoured the owner would support extending access as this may increase the newspaper's circulation and increase its advertising income. The newspaper editorials have led the demand for car parking but are actively supporting a low charge so as not to deter visitors from using the car parks. The concern is that if the charge is too high, visitors will still park in the towns and surrounding roads.

Two of the district councils support restrictions to visitors, whilst the other two, one based in Hopetown and one based in Riverton, would actively support and promote extending facilities, providing that they have increased representation on the Trust Board. They would like the right of veto to any development that occurs within the boundaries of their authority that they perceive as detrimental to the towns. The first issue they would veto if they had the opportunity would be high parking charges for the reasons identified in the local newspaper editorials.

Three Members of Parliament have part of their constituencies in the Park. None has made a commitment to support any particular group, but it is likely that at least two will support expanding facilities. The Member of the European Parliament (MEP), who covers the Park is actively opposed to any development that would encourage more visitors, but would support increases in European funding to support 'alternative' employment if tourism based businesses suffer as a consequence. The MEP has not been specific on what 'alternative' employment schemes would be supported.

The intention of the Trust is to try to satisfy, and protect, current and future needs of all the interested parties, and prepare a strategic plan for the Park that will form the basis for future decisions concerning the Park's development. The Chief Executive Officer (CEO) has said that the strategy 'should be visionary, should incorporate the key values of the Trust and should be for the benefit of all stakeholders'.

The Peakland Trust Board has asked your firm, a public sector strategy consulting group, to undertake an environmental and financial analysis of the likely impact of any options the Trust propose.

The Peakland Trust Board meets next week to discuss the future of the Park. Two key items on the agenda are:

- *Visitor numbers, promote or restrict?*
- *Car parking – setting the charge*

The CEO of the Trust is keen to ensure all possible options are considered for promotion or restriction of visitors, and is considering using two approaches to identify the strategic options for the Park. The first is to take a considered, analytical approach (SWOT analysis) carried out by your firm of public sector strategy consultants, and an open approach (brainstorming), bringing all interested parties together to ensure everyone has the opportunity to contribute.

The second key agenda item is to discuss setting a price for parking. A price is not expected to be set at the meeting as the full costs of providing the facility have not been determined. However, the CEO wants to ensure full consultation takes place and has proposed employing an independent company to undertake market research.

- **Requirement**

The CEO has invited you, an accountant representing the firm of public sector strategy consultants, along to the next Board meeting to discuss the two approaches she intends to take for identifying strategic options for visitors. You have also been asked to contribute to the discussion on car parking, particularly setting the charge and the promotion of the car parks.

1

- **Requirement for question 1**

- (a) Prepare a set of notes you can refer to during the meeting that:
- (i) Briefly outlines what is involved in undertaking a SWOT analysis, and give examples of what it is likely to identify for the Peakland Board. 7
 - (ii) Briefly outlines what a brainstorming session is and what elements are involved in ensuring one is successful, and identifies the main interest groups that should be invited by the Peakland Trust Board to take part. 8
- (b) Although not asked for, you anticipate questions will arise as to the advantages and disadvantages of using these techniques. Therefore you should also prepare notes on:
- (i) The advantages and disadvantages of SWOT analysis and brainstorming when seeking to identify strategic options for the Board to consider. 5
- (20)

2

The SWOT analysis and/or the brainstorming session identifies a number of strategic options for the Board to consider. You have been asked to determine how these options should be evaluated.

- **Requirement for question 2**

- (a) Briefly describe the main techniques/methods the Peakland Trust Board could use to assess the:
- (i) suitability;
 - (ii) acceptability; and
 - (iii) feasibility
- of the options, outlining the applicability of each technique/method in ensuring that all interested parties' views are considered. 11
- (b) The CEO of the Trust stated that the strategy “should be *visionary*, should incorporate the *key values* of the Trust and should be for the benefit of all *stakeholders*”. Explain what you understand the terms in italic above to mean in the context of the given scenario. 9
- (20)

3

The Trust has agreed to lease land for car parking on the outskirts of the two towns within the Park. Setting the charge for parking is a key item on the Board's agenda for the meeting that you have been invited to attend. Prior to setting a charge, the CEO has indicated she would like to employ a company to undertake market research.

- **Requirement for question 3**

- (a) Define market research and outline, by using examples, how the market research could be undertaken. You should include any limitations of undertaking different types of market research. 8
 - (b) (i) Setting the 'right price' for the car parking charge will be important for the Trust. Outline why this is important and the likely effect of setting a price too low or too high. 6
 - (ii) Assuming the 'right price' for parking is determined, explain the importance of promoting the car parks, and suggest ways in which this could be undertaken by the Trust. 6
- (20)

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

The local council elections for Hampton District Council have recently been completed. A number of new councillors have been elected. The new councillors have attended an induction programme which included details of the Council's strategic plans for differing departments and the Council's overall vision and objectives.

Councillor Jones, a newly elected Independent Councillor, could not attend the induction programme but received all the information/documents by post.

Having read through the information/documents, he has been left confused by some of the terminology and has written to the Chief Executive to seek clarification.

As a member of the induction team responsible for explaining strategic development within the Finance Section, you have been asked to formulate a response to questions that relate to the finance function.

The extract from the letter to which **you** have to reply is as follows.

It seems your intended expenditure on staff development is going to fall short and you stated that the realised expenditure is now going to be about 40% less. This, you say, may have an effect on staff morale; Why? You added that the money was diverted because of an imposed strategic development from central government. What does this mean?

Additionally, you say that a key objective of the Finance Section is to 'attract resources in preference to other councils' and you give an example of gaining additional funding to support new initiatives. This seems to indicate that we are competing for money with other councils – surely this is incorrect as competition does not apply to the public sector?

- **Requirement for question 4**

Draft a reply to Councillor Jones that explains:

- | | | | |
|-----|------|--|---|
| (a) | (i) | What an intended strategy is, what a realised strategy is and the impact this may have on the Council staff morale if it reduces its staff development expenditure by 40%. | 6 |
| | (ii) | What an imposed strategy is. | 2 |
| (b) | (i) | Why the Council is seeking competitive advantage over other councils for resources, and what may happen if competitive advantage is lost. | 4 |
| | (ii) | How the Council could seek to gain competitive advantage, giving two examples to support your explanation. | 8 |

(20)

5

One of the key challenges for strategic managers in developing a strategy is understanding the political and cultural context of the organisation. A framework for providing this understanding is the cultural web.

‘The cultural web is a representation of the taken-for-granted assumptions, or paradigm, of an organisation and the physical manifestations of organisational culture’.

(Johnson and Scholes, p73)

- **Requirement for question 5**

(a) For a sector of the public services or an organisation within the public services with which you are familiar, map out a cultural web and outline the assumptions that constitute the paradigm. For **each** element of the cultural web you should include **three** examples, giving a reason for inclusion of each example in that element.

14

(b) Using the cultural web as a basis for your analysis, identify **four** barriers to change and explain how they may be addressed if the sector is facing major restructuring (enforced by government legislation).

6

(20)

Note – candidates should provide a **brief** outline of the sector or organisation they are using. For example, if you are using an NHS Trust, outline the key services, approximate number of staff, age of organisation and any other key information to enable the examiner to place your answer in context.

You should not use the actual name of an organisation.

6

It is often said one of the main problems faced by strategic management is coping with uncertainty. The degree of uncertainty in an organisation is partly dependent on environmental conditions. The level of environmental uncertainty faced by an organisation is a result of the extent to which the environment is static, dynamic or complex.

• **Requirement for question 6**

(a) Explain what is understood by, and the implications for an organisation, of:

- static conditions;
- dynamic conditions; and
- complex conditions.

6

(b) It is useful for an organisation to consider what environmental influences affect it. One method involves identifying the political, economic, social and technological influences (PEST analysis).

Using a sector of the public services with which you are familiar, prepare a PEST analysis of its most important environmental influences at the present time, and in the next five years. (You should give reasons as to why the influences selected are important).

8

(c) Scenario planning is also a common form of environmental analysis and is often used in the public services.

Define scenario planning and outline the main steps in drawing up a scenario.

6

(20)