

BUSINESS STRATEGY AND MANAGEMENT

Professional 2 examination

5 December 2001

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.



SECTION A (Compulsory)

The Permanent Secretary responsible for the government department in which you are employed announced this Spring that there are to be radical changes to the structure of the department. She explained that change was necessary in order to improve the department's ability to deliver the government's modernisation agenda, by focussing management on client groups and resources on supporting front line delivery of services to customers.

At present the department is organised functionally with less than one third of the 7,000 staff currently employed involved directly in front line delivery of services to clients. The outline organisation chart at Appendix 1 indicates the present structure.

No alternative structure has been put forward. Consultation with Headquarters and Field Operations section heads to establish the most appropriate structure is planned but has not yet taken place, but the Permanent Secretary has set a target of a minimum of 50% of whole time equivalent staff to be involved in front line operations by April 2002. Although the department operates a no compulsory redundancy policy, rumours are rife among the staff that the unwritten agenda is to reduce headcount.

Your position as trainee accountant involves you in a job rotation scheme. For the last six months you have been working in the Human Resource Management (HRM) Section of Departmental Headquarters. One of the major tasks you have been involved in is the human resource survey conducted by the Section during the summer.

The department has only been in existence in its present form since 1998. At its inception a comprehensive staff survey was conducted and the intention of the HRM Section in conducting the follow up survey was to map the progress of the HRM interventions they had undertaken between 1998 and 2001. Clearly the hope of the Head of the Section was to document the success of the HRM team.

It would appear, however, that the survey results have been significantly affected by the announcement by the Permanent Secretary of the impending change, as the results are not what was expected.

In each of the surveys staff were presented with a series of statements and asked to indicate their opinion on a scale of:

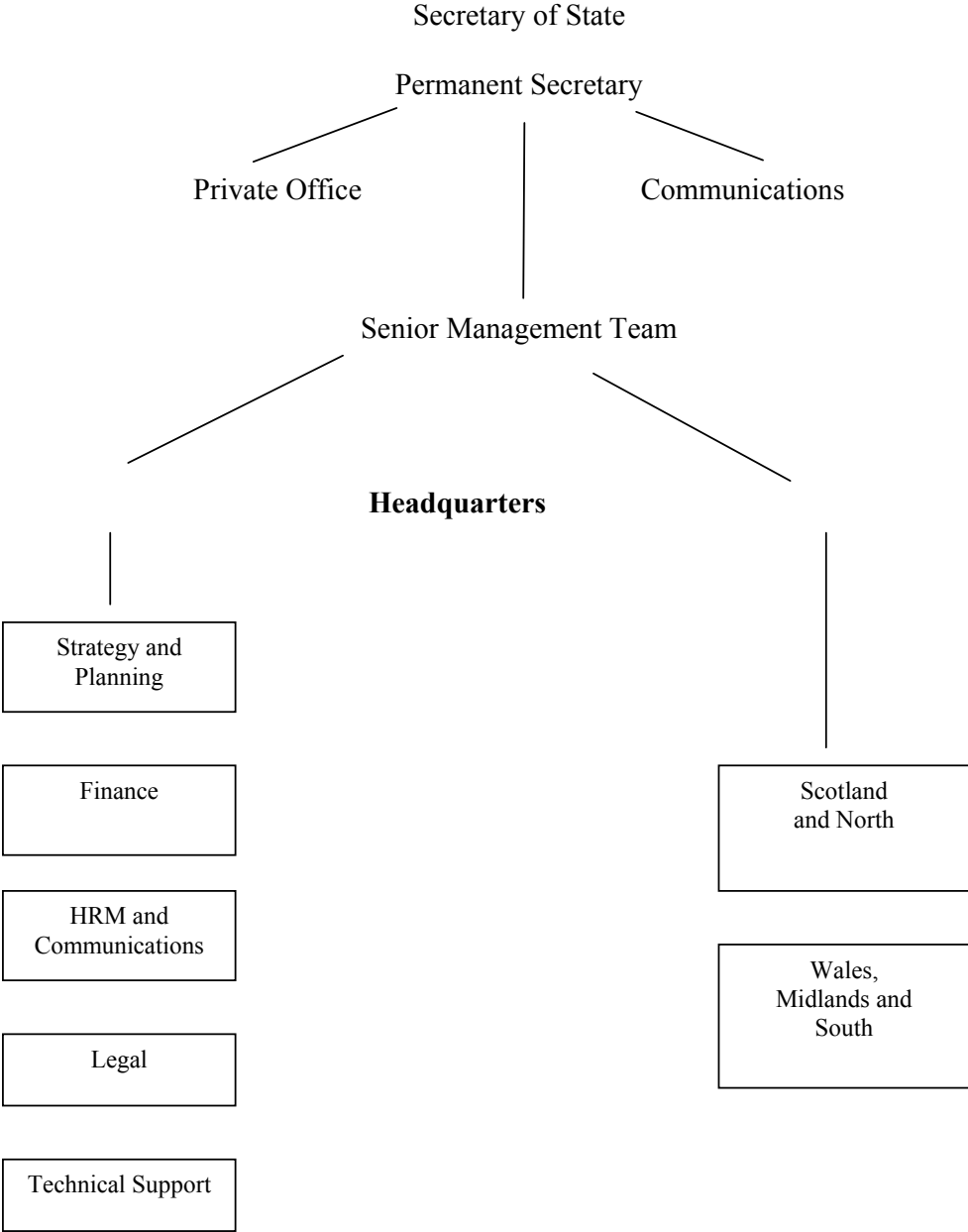
- Strongly agree
- Agree
- Disagree
- Strongly disagree

A summary of the key findings is shown in Appendix 2.

On your arrival this morning the HRM Section head called you into his office. He has received an e-mail from the Permanent Secretary's office asking for his views on the restructuring. "She wants to know what we think will be the most appropriate form of organisational structure and how we can best manage the change" he says. "I actually feel like telling her we've made a complete mess of it already. It's been three months since she made her announcement and the only thing that has swung into action is the office grapevine; the rumours about redundancies and job moves are getting stronger every day. Seriously though, I'd like your help on putting together some ideas. I've got a meeting at ten so we can't do anything together this morning, but could you put some ideas on paper and we'll talk about it this afternoon? I think the key things are about coming up with a structure that will get us closer to the clients, the problem is we've been so far removed from them we've no idea who they are, let alone what they want from the service. We also need to make sure we handle the change properly so that we don't demotivate the staff, you know the kind of thing – communication and all that. On the motivation issue, you might be able to throw in some stuff from your analysis of the staff survey – you're nearly finished working on that aren't you? Anyway, see what you come up with and we'll talk about it this afternoon".

Appendix 1

Outline Organisation Chart



Appendix 2

Table 1 : Comparison of results: Staff Survey 1998 and 2001

	<u>1998</u>		<u>2001</u>	
	Strongly agree/agree %	Strongly disagree/ disagree %	Strongly agree/agree %	Strongly disagree/ disagree %
1. I feel secure in my job	75	25	45	55
2. I feel the department is good at planning for the future	29	71	21	79
3. The department is changing for the better	66	34	42	58
4. I have confidence in the senior management team	55	45	40	60
5. I feel valued by the department	60	40	42	58
6. I feel valued by my line manager	56	44	63	37
7. There is good communication within the department	26	74	20	80
8. I like the kind of work I do	88	12	81	19
9. My job makes good use of my skills	68	32	65	35
10. My working life is very important to me	94	6	80	20

1

- **Requirement for question 1**

Prepare a report to the Head of HRM that:

- (a) Outlines the need to examine motivation from two perspectives. Illustrate your views with at least one example of content theory and one of process theory. 8
 - (b) Draws conclusions from the staff survey in relation to the motivation of staff, making appropriate links to theory and indicates the potential impact of the change initiative on levels of motivation. 12
- (20)

2

- **Requirement for question 2**

Prepare notes for the meeting which:

- (a) Define a functional structure and outline its advantages and disadvantages for the department. 5
 - (b) Examine the potential application of a multidivisional structure to the department. 7
 - (c) Outline the use of stakeholder mapping as a means of strategic diagnosis, indicating its potential use in the restructuring. 8
- (20)

3

- **Requirement for question 3**

Produce a briefing paper that:

- (a) Describes the main styles of managing change, outlining the benefits and problems of each and recommends which would be appropriate in the present circumstances. 10
 - (b) Explains different tactics that can be used to facilitate change. 6
 - (c) Outlines the importance of communication in the change process. 4
- (20)

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

“Business strategy is all about competitive advantage. Without competitors there would be no need for strategy, for the sole purpose of strategic management is to enable the (organisation) to gain, as effectively as possible, a sustainable edge over its competitors – to alter an (organisation’s) strength relative to that of its competitors in the most efficient way.” - *Kenichi Ohmae*

- **Requirement for question 4**

- (a) What is competitive advantage? Explain how this concept is expressed throughout the work of Michael Porter. 10
 - (b) In what ways is competitive advantage relevant in a public sector context? 4
 - (c) Provide **two** current examples of public sector organisations operating within a competitive environment and suggest how **one** of Porter’s key concepts could be applied. 6
- (20)

5

“If anyone was in any doubt about the new style BBC before, there is no room for ambiguity now: despite its public service, licence fee status, the BBC has the same sharp elbows and competitive instincts as any commercially funded media owner”.
Dominic Mills, The Daily Telegraph, October 17 2000

In his article Mills cites two specific issues which, he argues, have led to accusations that the BBC has stepped too far into the realms of commercial competition.

The first is the rescheduling of the BBC1 news. Commercial advertisers saw the return of ITV’s News at Ten as an opportunity to reach a certain market. Coupled with an increase in advertising time this greatly appealed to the advertising community. By moving its own evening news to 10 pm the BBC chose to compete with, rather than complement, commercial media. Advertisers and Westminster were not pleased.

The second issue concerns the BBC’s expanding publishing activities. Although it is one of the biggest publishers in the UK, the BBC caused little upset whilst it stuck to programme-related publishing such as *Radio Times* and *Top Gear*. But since the launch of *Eve* and *Star* it has moved into heavily competitive markets. One of the main criticisms of this move is the BBC’s use of its own airtime on TV and radio to promote these titles, time which is obviously denied its rivals.

An alternative view might be that the BBC is simply doing what should be done more proactively throughout the public services – marketing.

- **Requirement for question 5**

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|-----|--|---|
| (a) | Define marketing and explain the four elements of the marketing mix. | 5 |
| (b) | Discuss the evidence in the scenario above of the application of the marketing mix by the BBC. | 8 |
| (c) | Discuss the difficulties faced by the BBC and Public Service bodies generally when marketing their services. | 7 |

(20)

6

You are employed in the Finance Department of a medium sized public sector organisation which appointed a new Finance Director six months ago. She has made it known that she sees the department as being “stuffy, out of date and lacking in purpose” and she is determined to do something about it. Although she obviously has strong views she has also said that she is willing to listen, and the evidence so far is that this is true.

The Director has recently written a memo to all staff in the department, extracts from which appear below:

“I believe strongly in the need to determine clear strategies which should be shared with everyone working in the department. I intend to develop a new approach to strategic planning and to formalise some of the procedures already being carried out in the department. My timetable is to produce a strategic plan for the beginning of April 2002...

The existing business planning process will need to be reviewed, as there seems to be a general agreement amongst the senior management of the department that it is not serving its original purpose. We need to reconsider the aims of business planning and how we can ensure that our business plans reflect the department’s strategies.

...I welcome your views and I promise you that I will value them. Please send me your responses in note form and I will get back to you before we move into the next stage of this process.”

You have decided that you should respond. You feel strongly that a formal strategic planning approach could represent a step backwards for the department although you do recognise potential advantages that might accrue. You accept that the department’s current approach to business planning is ineffective, that it has become a routine exercise and that the business plan is not valued in the department as a working document. Your feeling, though, is that the department should not abandon business planning but should seek to develop a new and more effective approach.

- **Requirement for question 6**

Prepare a note for the Finance Director which:

- (a) argues the case for and against formal strategic planning systems and suggests alternative ways in which strategy and strategic thinking could be developed within the department; and
- (b) indicates the potential benefits to be gained from business planning and suggests an approach which could be adopted which will ensure that strategic issues are fully taken into account.

13

7

(20)