

# BUSINESS STRATEGY IN FURTHER AND HIGHER EDUCATION

**Professional 2**  
**December 1999**

## MARKING SCHEME

The logo for CIPFA, featuring the letters 'CIPFA' in a serif font. The letter 'I' is stylized with a decorative flourish that loops over the top of the 'P'.

**Question 1**

SU 6/SU 12

- (a) Correct presentation of grid 1  
 Indication of at least one relevant factor in each quadrant-  
*½ mark per quadrant* 2  
(3)
- (b) Identify the key environmental influences or a wide strategic scan. ½  
 Example ½  
 Identify driving environmental forces, ie forces to which organisations are sensitive. ½  
 (Those factors which drive change in the longer term)  
 Example ½  
 Differentiate between the impact of the various environmental factors, in terms of  
 future impact including time horizons and resources etc. 1  
(3)
- (c) Definition  
 The process by which institutions examine the political, economic, technological,  
 educational, demographic and other trends which will affect them in the foreseeable  
 future (or something similar). 1
- What is the role of scenario analysis in developing strategy 1  
 Relating the scenario to the case 1
- of the various strategic options open to them  
 -identifying areas of uncertainty  
 -providing information on possible future trends 1  
(3)
- (d) Possible scenarios include  
**Balanced portfolio**  
 Attempt to balance sub-degree, undergraduate and postgraduate provision with  
 research to support the teaching portfolio  
 Merits-spread of risk, ranking of University, teaching assessments  
 Problems -competition, financial support for students, static participation rate

### **Elitist Teaching**

Attempt to upgrade the teaching image via teaching assessments and portfolio into masters and research degrees

Merits -high Times rating, developing market for higher degrees

Problems -HEFC funding of masters, implementation, competition

### **Research**

Develop the research portfolio, attempt to be seen along with the old universities

Merits -RAE funding, less dependent on student admissions

Problems -strong competition for static pot of funds, government attitudes to funding research

### **Life Long Learning**

Develop a more open access policy, links with FE, target under- represented groups of students

Merits-Government funding, guaranteed application, spread, participation rates

Problems-students financial support, attrition rates

### **Virtual University**

Develop a more student-centred, distance learning, IT based provision

Merits-breadth of market, overseas potential, lower operating costs

Problems-investment costs, expertise

*3 marks for each scenario –  
1 mark for statement  
1 mark for merits  
1 mark for problems  
(9)*

*(18)*

**Question 2**

Study units 1,2,4

- (a) Strategic planning (or corporate planning). Concerned with planning for organisations as a whole, setting mission, broad, strategic objectives, plus issues such as overall organisational structure. 2
- Business planning. Planning at level of strategic business unit; reinterprets strategic vision in manner relevant to SBU yielding prioritised objectives, resource forecasts, targets and action plans. 3
- Operational or budget plan. Sets detailed budget, allocating resources to activities identified by business plan. 1
- (b) Identification of good practice in planning.  
 Criteria could be, for example,  
 Appropriate consultation with stakeholders  
 Commitment of appropriate resources, including time, key personnel, top management support.  
 Match between approach to planning and organisational environment/requirements of planning.  
 Appropriate linkages between plans e.g. between strategic and business plans.  
 Appropriate timing of e.g. planning cycle and budgetary cycle.
- 1 mark for each aspect up to a maximum of 5*
- Remainder of marks for showing awareness of planning mechanisms and critiquing them in the light of the five criteria chosen. 7
- (18)

**Question 3**

- (a) The Balanced Scorecard refers to the process of measuring an organisation's performance in terms of not just financial measures but also of non-financial measures and indicators. 2

Clarify and translating vision and strategy

Communicating and linking strategic objectives and measures

Planning and setting targets

Feedback and learning

Or other relevant points 4

- (b) Financial How do strategy and financial performance relate to each other?  
Consider:  
Income or revenue growth  
Cost reduction/productivity  
Use of assets and capital investment strategy 2

*Example:* How well does the budget process align with the business plan?  
Or capital investment appraisal schemes (etc.) 1

Customer How is strategy translated into issues which are real to the public and community (or students, employers, etc.) Refer to:  
  
Customer satisfaction  
Use of facilities  
Complaints 2

*Example:* Time taken to process applications, coursework, etc 1

Internal Business Process:

Identify processes most important for achieving objectives.

Refer to:

Innovation (new courses, modes of course delivery)

Operations (improvement of existing)

“postsale” (i.e. maintaining and reviewing systems, course

reviews) 2

*Example:* IT developments 1

Learning and Growth:

Measurement of organisational learning and employee learning.  
 Three categories to be mentioned:

Employee capabilities  
 Information system capabilities  
 Motivation, empowerment and alignment 2

*Example:*

Employee training arrangements  
 Communications  
 IT development etc 1

(18)

**Question 4**

SU 7.1

Stage	Characteristics
Emerging	Absence of rules, poor market information, high growth, many new entrants, shortage of key supplies ie staff
Maturing	Accepted rules of competition, slowdown in the rate of growth
Declining	Falling sales, withdrawals from the market

*1 mark for each stage plus brief description*

Alternatively, a variant of the product life cycle may be used

Additional descriptive points possible e.g. flexible customer preferences at growth/emerging stage; more fixed preferences at maturity stage.

For this approach, 1 mark for correct diagram NB different variants possible), 2 marks for substantive definitional comment reflecting definitional points above or similar.

3

(b)

		Market Share	
		Low	High
Market	High	Prospect/ Problem child	Star
Growth	Low	Dog	Cash Cow

*Correctly labelled matrix 2*

Discussion of each quadrant's product

**Prospect** - product not yet established in young, fast growing market; need to spend to increase market share

**Star** - again product is immature, fast growing market but with large market share; however need to spend significantly to maintain that position

**Cash Cow** - large market share in mature market, high margin from e.g.. economies of scale, low promotional spend

**Dogs** - declining products; candidates for divestment if possible.

*1 mark for each quadrant*

4

Examples for each sector e.g.. FE/HE

Prospect - courses research in relatively new field e.g.. genetic engineering

Star - open/distance learning courses with overseas market potential

Cash Cow - existing courses with well established reputations and extensive recruitment e.g.. MBAs

Dog - formerly prestigious courses no longer in great demand e.g.. classical languages

*½ mark for each up to maximum of 2*

2

Practical application

- ensuring resource allocation between activities sensible; products for future demand being developed

- applicability limited if cross- subsidisation of activities prohibited; if not then Boston recommends cross- subsidisation of stars/prospects by cash cows

2

(c) Market segmentation - dividing markets into groups of customers each sharing similar needs for service design; segmentation commonly done on basis of customer characteristics e.g.. age

2

Main role is to identify and meet more closely customer needs.

1

Sector specific example of application e.g. (FE/HE) need for students to acquire appropriate level of computer literacy yields groups requiring similar level of teaching.

2

(18)



**Question 5**

SU 20

- (a) The report to the University Court should include the use of the data provided in the case to illustrate the areas in which the strategic plan is not being achieved.

Format, presentation of data and the report must be suitable for the presentation.

*1*

The areas include:

- the income and expenditure position is not balanced, there is a large deficit
- the income from local business and industry is falling and not going up. There are significant variances in all three faculties.
- the category A income is within tolerance levels and so the income is static
- the cost improvement programme has not been achieved and the non-pay line is therefore overspent

*1 mark for identification each of point  
plus 1 mark for related analysis of data up to a maximum of 8*

Action the University needs to take would include the following:

**1 Marketing the plan**

- Communication with key leaders in local business and industry
- Review of issues based on product (reviewing quality)
- Price review (possible comparison with other universities)
- Promotion (advertising, word of mouth, communication, meetings with business leaders to find out problem areas)
- Review of competitors
- Place (are services being delivered in the right place at the right time?)

**2 Monitoring**

- How closely current provision reflects customers' needs
- Identifying market trends and how these will match with likely future customer needs
- How current provision compares with competitors' provision
- Market mix of product, price, place and promotion

**3 Identifying the needs of local business and industry**

- Consultation
- Choosing channels for communication (written, face to face)

4 **The University also needs to review its cost improvement target**

- Budgeting
- Review of main areas and heads of department
- Revise the plan in the light of findings
- Regular monitoring

*1 mark for each relevant point made up to a maximum of 6*

(b) Monitoring quality could be done as follows:

- Market research
- Questionnaires
- Surveys within the University
- Acquiring a quality certification
- Performance targets and performance indicators
- League tables
- Bench marking with other universities

The student should give a brief explanation of each method described.

4

(c) Usefulness of budgeting as a strategic management tool.

Issues concerned with:

- Planning
- Co-ordination
- Control
- Re-planning
- Shortcomings

4

(23)

**Question 6**

OLM Reference SU 14 &amp;16

To gain full marks the student should be able to demonstrate, within the context of the case scenario, their knowledge of the processes for generating, evaluating and selecting strategic choices. Answers should therefore recognise the problems of ARSRVC and propose possible solutions that are practical.

(a)

*Report style 1*(i) **Generation of options**

The OLM identifies 3 approaches for the generation of strategic options. To gain full marks students should identify these in the context of the case, though the marks for this section will recognise different approaches and emphases which could be taken.

**Strategic issues approach**

Builds on strategic analysis, focuses on a SWOT and uses any number of techniques to analyse resources and the market. Different types of analysis, including:

resource analysis:

Resource audit

Value chain analysis

market analysis:

Porter's 5 forces

Boston matrix

3

**Brainstorming**

Possible approach to the study, but student should recognise this as not traditionally used in bureaucratic cultures. Some of the characteristics should be mentioned:

Involvement of stakeholders

Small groups

Imaginative, innovative, challenging

Definition of brainstorming criteria constrains the process

2

Competitive strategy

Cost leadership - relevant in the context of making ARSRVC more efficient and effective, e.g. rationalisation of resources with introduction of new IT, speed up processes and reduce inputs, improve quality of service.

Differentiation. In the context of innovative ideas of service delivery there may be some relevance, e.g. remote access.

Focus - similar comments to differentiation.

Cost leadership is the most obvious generic strategy given the NAO investigation into the £5m, although the other 2 could be justified.

3

(ii) **Criteria for evaluation**

Answers should cover the following:

Defining relevant objectives:

Organisational

To reflect important stakeholder expectations, e.g. Ministers, Government departments, FE/HE institutions, Funding Councils, other providers, TECs/LECs, etc.

Unit objectives

Reflect the operational aspects of ARSRVC or aspects of it. Provides the means of aggregation and comparison across the regional offices.

Ranking objectives

Objectives should be ranked in order of priority.

Identifying benefit criteria

E.g.,

Quality of service

Timeliness

Consistency

Efficiency

Rationalisation

Benefits should be quantified. 3

(iii) **Shortlisting**

Determined by comparing options against the benefit criteria.

Establish which options are:

Impractical

Unfeasible

Unaffordable

Inferior

Include the do nothing option 3

(b) **Selecting the preferred option**

Each option short-listed should be consider in terms of its:

Consistency with ARSRVC's mission and values

Suitability

Feasibility

Acceptability in terms of

Direction

Do nothing – given the complaints and NAO interest this is not a realistic option, but should be used as a benchmark to measure other options.

Internal growth – the market and product is effectively determined, therefore main issue probably relates to internal cost improvements through more efficient IT, improved processes, reorganisation, etc

Disinvestment – some work could be contracted out to a third party (eg local authorities)

Combination – of some of the above

Looking at a combination of these directional options may be most appropriate, although a student may be able to justify using only one. 3

Means

Internal development – issue here is about the development of the IT and administrative systems, whether this should be tackled internally. There is also an issue about whether there should be a standard development across regional offices.

Joint development – the history of the internal development of the IT system would suggest that future change should be made in partnership with experts.

Acquisition – not a realistic option.

Most obvious option is joint development.

3

*Up to 1½ marks for each of the 4 major classifications  
ie do nothing; develop improved IT systems; outsource; and joint development.*

### Evaluation

There is virtually no financial information on ARSRVC, but students should refer to the need to apply some form of option appraisal to determine the relative quantified merits of each option. Any of the following analytical tools and sensitivity/risk analysis techniques could be described; these can be used in combination:

payback method

ROCE

DCF

Cost benefit analysis

Risk analysis

Sensitivity analysis

Scenario planning

2

(23)