

BUSINESS STRATEGY IN FURTHER AND HIGHER EDUCATION

Professional 2 examination 6 June 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: **Question 1** from Section A, **two** questions from Section B and **both** questions from Section C. The marks available for each question are shown in italics in the right-hand margin.

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)**1**

The Nolan Committee on Standards in Public Life made specific recommendations with regard to the governance and behaviour of organisations within Further and Higher Education.

• Requirement for question 1

- (a) Identify the general findings of the Nolan Committee in the report examining local public spending bodies. 6
- (b) List the recommendations specific to Further and Higher Education and briefly explain how they meet the findings of the Nolan Committee. 12

(18)

SECTION B (Answer two questions)**2**

Some barriers to change faced by an organisation are rooted within the cultural web of the organisation.

- **Requirement for question 2**

- (a) Outline a version of the cultural web with which you are familiar, identifying issues encompassed by each of the elements of the web. 9
- (b) With reference to an organisation within the sector in which you are studying, discuss how the cultural web and elements within it can help explain sources of resistance to change. 9

(18)

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Strategic Planning has been defined as ‘a disciplined effort to produce fundamental decisions and action shaping the nature and direction of an organisation’s activities within legal bounds’. Bryson (1988)

- **Requirement for question 3**

- (a) Identify and outline the steps in the process of developing a strategic plan. 10
- (b) Illustrate the process by describing how an organisation with which you are familiar undertakes strategic planning and evaluate this process against the steps outlined in (a). 8

(18)

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A market strategy is 'a plan which will make the best use of the organisation's products, skills and services, matching these to the needs of the customers who have shown a willingness to buy'. (CIPFA Open Learning material).

- **Requirement for question 4**

- (a) Identify the elements of a market strategy, and for each element describe the attributes for success. 10
- (b) Discuss the extent to which the attributes for success in devising a market strategy are relevant to Further or Higher Education. 8

(18)

SECTION C (Answer both questions)

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The Cumberdale Training Unit (CTU) provides a wide range of training services to all departments of Cumberdale University and also, where it has surplus capacity, to private sector businesses. The CTU was formed as a strategic business unit operating on commercial lines following a restructuring of the University’s Personnel Department. The CTU is headed up by a Director of Training. As part of the restructuring, the CTU was given a guaranteed contract of all work from all Departments of the University for a five year period. Over the last three years the CTU has enlarged its scale of operations by encouraging take up of courses and by targeting the private sector. It now has an annual turnover of £3 million.

The CTU offers training in four programme areas: management training; health and safety; IT training; and financial training. The CTU strategic plan contains the following mission statement:

“To deliver best in class training to our customers. We will employ the best people and use leading edge technology and learning techniques to provide training that is of unbeatable quality and value for money.”

The management of the Unit also declared an objective of reducing its dependence on University work and expanding provision to the private sector. The Unit recognises the importance of being innovative in training provision and maintaining a course portfolio that is up to date. As a result, the Unit has a course development section to design new training courses. Extracts of the results of this section are given below:

For the Year 2000

Total development expenditure	£100,000
Revenue from courses designed within the last five years	70% of turnover p.a.
New training courses developed and launched this year	course on ‘Handling a QAA Visit’ to the University Safety at Work course to the private sector the impact of the Euro on business
New course successes	QAA Visit course to the University – income this year of £300,000

New course failures

e-commerce course costing
£40,000 to develop in 1999
but failing to recruit

The Unit is unsure about the longevity of these recent developments, particularly the QAA and the Euro courses if there is a change in government. The Safety at Work courses will have a very short shelf life. The Euro and Safety at Work course had been marketed but were not scheduled to be offered during 2000.

Extracts from the accounts of the CTU are provided below:

	2000(£000)	1999(£000)
Turnover	3,000	2,500
Labour costs	1,800	1,600
Overhead (40% of which is central service recharges)	<u>690</u>	<u>540</u>
Surplus	<u>510</u>	<u>360</u>
Fixed assets	7,000	6,000
Net current assets	3,000	2,000
Turnover by programme area:		
Management training	1,200	700
Health and safety	700	500
IT training	500	700
Financial training	600	600
Turnover by client		
Cumberland University	2,100	1,500
Other universities	400	400
Private sector	500	600

The Unit works on a cost of capital of 6%.

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The Defence Support Agency (DSA) is an agency of the Defence Department responsible for all logistics support for the armed forces of Phare, a mid European democratic state. Within the agency a Training and Consultancy Unit (TCU) has been set up with a remit to provide short courses for DSA business units in the areas of general and financial management. Currently, DSA has a policy that all formal training should be provided internally. From the financial year 2001/2, however, the agency will allow internal budget holders to purchase support services from outside suppliers. In order to gain permission to purchase from outside, a full business case will be required to be presented for approval by the DSA Board.

Within DSA some training needs can be met via the mentoring process that was piloted in a number of business units two years ago and is being adopted in other areas within DSA. Further needs can be met by self study, using literature which is contained within many of the informal libraries that have been built up by business units within DSA or by the computer based learning centres within each business unit; others are perceived to require formal face to face training from the TCU.

Although business unit training budgets are perceived to be substantial by the DSA Board, these are generally fully spent significantly before year end. DSA unit heads believe this to be a function both of the high volume of training that is undertaken and the high cost of TCU training compared to similar training provided by external organisations. Most unit heads have been dismayed by the recent announcement by the DSA Board that they anticipate that training budgets during the remainder of the current public expenditure planning period will be expected to absorb a higher than average share of the 2% annual efficiency saving required of the agency by the government.

Recently the TCU has sought to formalise its relationship with business units, which make significant use of its training courses, by entering into service level agreements (SLAs) with them. These specify the volume of training that will be delivered for the unit during an entire financial year and set some broad quality standards in terms of mean student feedback scores that the training will be required to meet. In a move consistent with addressing problems of short-termism and annuality, TCU is beginning to move towards SLAs of three years' duration. A number of the business units that have entered into SLAs have had courses tailored to their specific needs. This mirrors a trend within TCU's training generally, whereby training is increasingly reflecting DSA specific practices and priorities.

The majority of TCU's training is delivered from its suite of training rooms at the DSA's headquarters in St Paul's, the capital of Phare. The training accommodation is high quality and is equipped with extensive computer based training aids. These are seen to be central to much of the training required by the modern DSA and were purchased three years ago in what was seen as a very significant investment, but one which was expected to have a reasonably long useful life.

With the exception of four members of staff recruited two years ago, the training staff are relatively long standing, having been with TCU for an average of eight years. In that time they have developed a good knowledge of the organisation. The four staff recruited more recently – one senior trainer and three trainers – came to TCU from a small defence related training organisation that was owned by the now senior trainer, who employed the three others.

There are six major universities within St Paul's. The past ten years have seen the universities develop close links with industry, commerce and government in order to generate income streams from tailored and short courses and consultancy. However, three years ago, the government announced significant increases in target student numbers for the university sector, giving significant financial incentives for the achievement of these targets. This has led to a major change in university priorities and a significant reorientation of activities towards undergraduate education.

A further player within the university sector is the Civil Service University. This is based in the north of Phare, some 550 kilometres from St Paul's. It employs over 100 academic staff and offers a wide range of short courses for central government staff. Unusually for Phare, the Civil Service University offers its courses on a distance learning basis. Take up on such courses has, however, been low because of the strong cultural antipathy to such learning approaches within Phare.

There are two main groups of private sector training organisations in Phare:

1. Accountancy training colleges

These have been set up to provide training courses preparing students for examinations for the Phare Institute of Cost and Management Accountants and the Phare Institute of Finance. Colleges have also sought to diversify into providing short courses in financial management for industry, commerce and government. These short courses have been designed to a much greater extent for private sector organisations rather than for central government. The accountancy press has recently been running articles to the effect that over-capacity in the colleges and a projected long term decline in the demand for qualified accountants is likely to force colleges into a series of mergers or collaborative activity.

2. Large consultancy firms

A number of large consultancy firms, many of them multi-national, have offices in St Paul's. Their principal activities are audit and consultancy but a number of them offer training, usually as part of consultancy projects. One such firm, KPA, has been working with the DSA on a major restructuring exercise. Despite the existing policy concerning internal training, KPA were awarded a contract by the DSA Board to train DSA personnel in techniques of business process re-engineering. KPA's training has been generally well received, despite being expensive.

• **Requirement for question 6**

Use Porter's 5 forces model to establish the TCU's position in its immediate environment from the year 2001/02 onwards.

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