

BUSINESS STRATEGY IN FURTHER AND HIGHER EDUCATION

**Professional 2 examination
June 1999**

MARKING SCHEME

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

Question 1

(a) Study Unit 12

Resource Audit - to identify the quality and quantity of resources available to support strategy.

It will list what resources are available including any which give the institution distinctive capability. Basic starting point for review.

Value chain analysis - a method of relating resources to the strategic purpose for which they will be used, in terms of how they are used, controlled and linked together. Yields more detailed, analytical review.

Comparative analysis - a relative comparison of capability historically, or against industry norms, or against best practice.

It will answer such questions as what are examples of best practice elsewhere? How should the service be reshaped in the light of these comparisons?

Balance analysis - to assess whether the balance of resources is correct.

Flexibility analysis will list the main areas of uncertainty and the extent to which the services in question are geared to cope with these.

Balance of people - does the college possess the right mix of skills to provide the services?

Gap analysis - do existing resources fall short of objectives planned for the future?

Is future demand likely to change to such an extent that current provision is totally inadequate?

*2 marks for each of the five types of analysis.
1 mark for description, 1 for indicating its relevance in some way
2 x 5 marks (10)*

(b) Technical Update 1998

Benchmarking - the continuous process of measuring products, services and practices against the toughest competitors or those organisations recognised as industry leaders.

Crucial questions - How are we doing and how can we improve?
Who is best at this?
How are they doing it?
How can we become more like them?

Alternative approaches - Use similar organisations to share standardised data on specific performances
- Use different organisations with a 'soft' approach, looking for best practice/best performance.

Involves measurement, comparisons, judgements, action plans, setting targets, measuring achievement.

2 marks for description (4 x 1/2 marks for four points)

2 marks for indicating relevance (2 x 1 mark)

(4)

Study Unit 7

Competitive tendering aims at bringing

- improved efficiency
- concentration on core activities
- better value for money
- potential reduction in overhead/infrastructure costs
- a more disciplined approach to contracting
- the effective management of change

Areas covered may include catering, grounds maintenance, IT services, internal audit, payroll, portering, security, cleaning, building repairs.

Three key elements

- specifications based on outcomes
- client/suppliers work in partnership

- close monitoring of results

2 marks for description (4 x ½ marks for four points)

2 marks for indicating relevance (2 x 1 mark) (4)

(18)

Question 2

SU2 & TU pg. 43

(a) Strategic Analysis:

Strategic Choice:

Strategic Implementation:

1

Linkages - examples include:

analysis generates strategic issues that feed into choice
choice will be a function of capability which will impact on
implementation.
capabilities linked to evaluation linked to implementation
environment linked to generation linked to monitoring
review linked to capabilities and environment

(1 mark for each linkage identified and explained, up to a maximum of 3)

(b) Deliberate:

planned strategy
formal plans
centrally driven
workable in stable environment

Emergent:

strategies which are realised differently from or in absence of
intention
internalise imposition into internal plans
continuous response to the environment

(2 marks for each definition)

(c) Clearly answers may differ depending on the organisation concerned. Discussion should centre around extent to which strategies are realised as intended and would normally conclude that an emergent strategy is followed to at least some degree.

(Marks should be awarded for clear argument and conclusion.

Answer will discuss internal dynamics of strategic formulation and/or extent to which sectoral environment likely to impose strategy upon an organisation.) (1 mark per point made)

(10)

(18)

Question 3

SU12

- (a) A full description of the model should include:
the picture of the model shown in SU 12,
a short note on the activities

6

(2 marks for the diagram/explanation of model, 2 marks explaining support activities, 2 marks explaining primary activities)

- (b) Uses include assessing:
resource utilisation
potential for cost leadership
effectiveness in establishing capabilities for differentiation
potential for integration
linkages

(1 mark for each point) 4

- (c) A good answer will attempt to match their organisation's activities to the value chain. eg

FE/HE Sector:

Inbound Logistics: transport of students and materials
to the institution, registration process, allocation to courses

Operations: student learning experience, lectures,
tutorials, assignments/course work, practical work, work
experience

Outbound Logistics: transfer of students to other
institutions, courses, employment, providing of transcripts, references etc.

Marketing: recruitment campaigns, open
days/evenings, careers conferences, presentations to organisations, obtaining
sponsorships, contracts for training and course provision
etc.

Service: Quality assurance and quality control,
quality reviews, academic/qualification standards, wastage and failure
rates, student feedback, external examiners reports etc.

Supported by secondary activities

Discussion of linkages would then be useful - e.g. problems in Inbound Logistics affecting the efficiency of Operations, and poor Operations having an effect on the cost of Service.

Credit is available for conceptual discussion of applicability or otherwise as well as illustrative matching. 8

(½ mark per activity identified to a maximum of 3, ½ mark for explanation of activity to a maximum of 3, 2 marks for linkages explained)
(18)

Question 4

(a) Barriers to change:

Routines
Culture
Power bases
Systems
Symbols

(½ mark for identifying each barrier plus ½ mark for explaining why it is a barrier to change - total 5 marks)

Management Styles:

Education
Participation
Intervention
Negotiation
Manipulation
Power

(½ marks for identifying each style to a maximum of 2 marks, plus ½ mark for outlining the style - total 4 marks)

(9)

(b) Budget monitoring:

pros. system in operation
use of resources against objectives
cons. inputs not outputs
lateness of preparation

Contract monitoring:

pros. monitored by client
external performance management
cons. may not cover all of strategy
external focus

Monitoring quality: (questionnaires etc.)

pros. all embracive
output orientated

cons. cost of collection
Selznick's management theory

(1 mark for description, 1 mark for pros and 1 marks for cons)
(½ mark for identification without description)

(9)

Question 5

(a) DCF Calculations

Option A

Year	Cashflow (£000)	DF	DCF (£000)	
0	(4,000)	1	(4,000)	
1-30	975	13.765	13,420.875	
			9,420.875	NPV

Option B

Year	Cashflow (£000)	DF	DCF (£000)	
0	(1,000)	1	(1,000)	
1-15	800	9.712	7,769.6	
			6,769.6	NPV

Option C

Year	Cashflow (£000)	DF	DCF (£000)	
0	(3,000)	1	(3,000)	
1-15	1,150	9.712	11,168.8	
			8,168.8	NPV

Annual Equivalent Calculations

Option A	$\frac{\pounds 9,420,875}{13.765}$	= £684,407.91
Option B	$\frac{\pounds 6,769,600}{9.712}$	= £697,034.59
Option C	$\frac{\pounds 8,168,800}{9.712}$	= £841,103.78

6

1 mark - identification of cashflows
1 mark - identification of annuity factor
1 mark - discounting

1 mark- NPV

(max 1 mark deducted for errors in calculations)

2 marks - AE calculations

Weighted Benefit Analysis

Options

Criteria	Weight	A		B		C	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
V	6	5	30	6	36	9	54
W	3	6	18	7	21	5	15
X	2	6	12	6	12	5	10
Y	1	6	6	6	6	5	5
Z	2	8	16	1	2	5	10
			82		77		94

weightings 1 mark, Analysis/weighted score 2 marks, comment/conclusion 1 mark

4

(b) **Principal Risks**

- outcome is a function of subjective weights and scores
- ability of projects to meet timescale assumed.
- ability to raise levels of finance assumed.
- robustness of income and cost assumptions; relatedly student numbers consistent with each option

Further work:

- redo wba with different weights, based upon discussion with senior managers
- preliminary pre-tender discussions with interested contractors concerning feasibility of timescale assumptions, reinforced by communicating intention to include penalty clauses in specification
- discussions with commercial property agents; investigation of possible incentive arrangements to encourage target meeting
- examination of student projections; discussion of these with national authorities; discuss cost projections with budget managers and commercial lenders

(1 mark per relevant point) 8

(c) Advantages:

- transfer of risk
- greater efficiency of management may impact favourably on revenue and running cost performance
- may make timing of land disposals less material

Disadvantages:

- identification of partner is a complex process with a number of uncertainties
- likely to require higher cost of capital
- loss of control
- possible increase in quality

(1 mark per relevant point) 5
(23)

Question 6

(Underlining denotes key points)

- (a) SU2- The Corporate Plan is clearly intended to be a strategic, not a business, plan although it has strayed into the operational area with targets being set for standards of delivery of some services. The glaring omission is that the stakeholders have not been involved or even consulted in the preparation of the plan. Nor has any serious effort been made to sell the ideas to staff. The plan itself is too big at 30 pages and the objectives are not fully SMART, e.g. there is no clear target for answering telephone calls. There is no mention of the existence of departmental business plans and no arrangements for feedback and monitoring. There can therefore be no effective review of strategy.

Other relevant points can also be made by the student.

One mark for each point up to 8

- (b) As with most plans, the intentions, if not the contents, are probably sound. The plan has been launched so it cannot be “unwritten” and started again, and the student should recognise this: the answer to part (b) should not simply be a reversal of the points made in part (a).

1

- The first step would be the relaunching of the Plan, which would serve to address the missing element of communication. This should be done in such a way as to ensure that all stakeholders, especially staff, are aware of its existence and its contents.

2

- Finance, in common with other business units, needs to prepare its own departmental business or operational plan to translate the strategic into the deliverable. Points which appear in the scenario indicate that the Finance Department has a problem in communicating with the customers and also financial reporting does not seem too good. There are perceived problems with staff numbers, attitude (“the enemy”) and morale, all of which need to be addressed by the operational plan.

Thus the operational plan might need to include enhanced staffing, though resources for this would need to be sanctioned and training in eg telephone response. *(1 mark per point) 5*

(8)

- (c) This section seeks an understanding of the planning process. The candidate should set out the basic steps.

SU 4 sets out the basics of business planning:

- Involve others, e.g.
 - Unions
 - Local Community
 - Governors
 - Pressure Groups
 - Creditors
 - Suppliers
 - Funding Bodies
- Employees
 - Council Taxpayer
 - Government

- “Top - down” or “bottom - up” approach?
- Determine the context in which the organisation or unit exists
- Its current position
- Action to be taken
- Other information which is helpful in putting the plan into perspective for users of the plan.
- Presentation of the plan
- Monitoring & Review

(1 mark per relevant point) (7)
(23)