



**MANAGERIAL LEVEL**  
**BUSINESS MANAGEMENT PILLAR**  
**PAPER P5 – INTEGRATED MANAGEMENT**

**This is a Pilot Paper and is intended to be an indicative guide for tutors and students of the style and type of questions that are likely to appear in future examinations. It does not seek to cover the full range of the syllabus learning outcomes for this subject.**

**Integrated Management will be a three hour paper with two compulsory sections (20 marks and 30 marks respectively) and one section with a choice of questions for 50 marks.**

**CONTENTS**

**Pilot Question Paper**

Section A: Eight objective test questions	Pages 2-7
Section B: Three short answer questions	Pages 8-10
Section C: Three scenario questions	Pages 11-12

Pilot Solutions	Pages 13-30
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**P5 – Integrated Management**

SECTION A – 20 MARKS

ANSWER ALL EIGHT SUB-QUESTIONS

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Each of the sub-questions numbered from **1.1** to **1.8** inclusive, given below, has only **ONE** correct answer. Each sub-question is worth 2 marks.

**REQUIRED:**

On the indicative ANSWER SHEET, enter either your answer in the space provided where the sub-question requires a written response, or place a circle “O” around the letter that gives the correct answer to the sub-question where a list of distractors has been provided.

If you wish to change your mind about an answer to such a sub-question, block out your first answer completely and then circle another letter. You will not receive marks if more than one letter is circled.

Space has been provided on the two-page answer sheet for workings. If you require further space, please use the last page of your answer book and clearly indicate which question(s) these workings refer to.

You must detach the answer sheet from the question paper and attach it to the front cover of your answer book before you hand it to the invigilators at the end of the examination.

**Question One**

**1.1** In a multi-divisional organisation producing a range of products for different markets, the business level strategy of each unit or division is mainly concerned with

- A** setting the direction for the organisation.
- B** the competitiveness of a particular division.
- C** the efficiency of production, marketing and other functions.
- D** alignment of strategy with other organisations.

*(2 marks)*

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**1.2** In the typical hierarchical organisation, the requirement of a lower-level manager to answer to a higher-level manager in the chain of command is referred to as

- A** authority.
- B** empowerment.
- C** accountability.
- D** super ordination.

*(2 marks)*

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**Integrated Management**

## INDICATIVE ANSWER SHEET FOR SECTION A

Write here your full examination number:			
Centre Code			
Hall Code			
Desk Number			

1.1	A	B	C	D
1.2	A	B	C	D
1.3	A	B	C	D
1.4	A	B	C	D
1.5	A	B	C	D
1.6	A	B	C	D
1.7	A	B	C	D
1.8	<b>Three stakeholders</b>			
	1.			
	2.			
	3.			

You must detach the answer sheet from the question paper and attach it to the front cover of your answer book before you hand it in to the invigilators at the end of the examination.

**Space for workings for Section A**

**1.3** Recent developments towards greater employee involvement, flexible working and flatter organisational structures have placed greater emphasis on which ONE of the following styles of management?

- A** Exploitative authoritative.
- B** Autocratic.
- C** Participative.
- D** Benevolent authoritative.

**(2 marks)**

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**1.4** Research on group effectiveness has concluded that the most consistently successful groups

- A** are those in which all members are innovative.
- B** comprise a range of roles undertaken by various members.
- C** are those in which all members are very intelligent.
- D** comprise a range of roles all undertaken by a few members of the group.

**(2 marks)**

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**1.5** When designing an organisational structure, or reviewing the effectiveness of an existing structure, the first thing that must be clarified is

- A** informal organisational relationships.
- B** objectives of the organisation.
- C** size of organisation.
- D** division of labour.

**(2 marks)**

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***The following data is to be used to answer questions 1.6, 1.7 and 1.8 below***

Blake plc is a large multi-national designer and manufacturer of specialist road vehicles. Blake plc's products include fire engines, breakdown trucks, rescue vehicles and ambulances. Customer organisations, that are often government-owned, order Blake plc's products in small quantities. Each "batch" of products is designed and built by Blake plc to meet a unique customer specification.

Blake plc has been approached by The Armana Airports Authority (AAA) to provide four rescue trucks to carry emergency equipment and personnel at a large provincial airport. This contract must be completed (that is the trucks delivered to AAA) within 16 weeks of today's date. This is essential, as the trucks currently used by AAA have been deemed unsuitable by the Armana Government Airport Inspectorate (AGAI).

Blake plc has just submitted a proposal to AAA, following an invitation to tender received two weeks ago. The project manager at Blake plc, for the AAA project, is Annie Li. Annie has a meeting scheduled for later today with the Director of Procurement at AAA, Charles Crowe. This is Annie's first meeting with Charles. Annie is aware that Charles is likely to ask for several modifications to the design of the trucks proposed by Blake plc, and that this will have a "knock-on" effect on other aspects of Blake plc's proposal. Annie is concerned about the impact of any changes on Blake plc's ability to deliver the trucks in 16 weeks.

The normal programme for a project of this scale at Blake plc is as follows:

<i>Activity</i>	<i>Duration (weeks)</i>	<i>Depends on</i>
A. Prepare proposal	2	-
B. Negotiate with customer	6	A
C. Modify and finalise design	4	B
D. Build chassis	3	C
E. Build bodyshell	4	C
F. Paint bodyshell	1	E
G. Assemble, fit out and finish	2	D, F
H. Write manuals	3	C
I. Print manuals	1	H
J. Test	1	G, I
K. Inspect and deliver	1	J

**1.6** Based on the normal programme for a project such as this, what is the project elapsed time, from beginning to end?

- A** 18 weeks
- B** 19 weeks
- C** 21 weeks
- D** 28 weeks

***(4 marks)***

**1.7** Assuming that the durations and dependencies of activities (C) to (K) in the programme cannot be changed, how long can Annie spend negotiating with Charles (Activity B), yet still deliver the vehicles in 16 weeks?

- A** 1 week
- B** 3 weeks
- C** 6 weeks
- D** The vehicles cannot be delivered in 16 weeks.

**(3 marks)**

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**1.8** Identify three stakeholders in the project, each of whom is specifically mentioned in the scenario, ***other than Annie and Charles***.

**(3 marks)**

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**(Section A = 20 marks)**

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## SECTION B – 30 MARKS

ANSWER ALL THREE QUESTIONS -10 MARKS EACH

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**Note to candidates:**

The scenario for the three questions in this section is divided into two parts. Read Part 1 to answer questions two and three and then read Part 2 before answering question 4.

### *House Project – Part 1*

E, a management accountant, and three of her colleagues have decided to venture into the buy-to-rent market. Recently, they set up a company, Enterprise Associates, and purchased a house in which they would each hold a share. E inherited some money and holds a 50% share. The other 50% is divided equally between the three other partners. E, however, will take on much of the responsibility for the company's first venture and she has been given a free hand to develop the property as she thinks fit.

The house purchased by the colleagues is 150 years old and has been poorly maintained. The interior fixtures, fittings and decor are also old fashioned. A survey of the house also reveals that the electric wiring and water piping do not conform to modern standards and that the walls are subject to rising damp. Without extensive repairs and renovation the house would be almost impossible to rent.

With interest rates at an all time low and the demand for rented accommodation at a very high level, E has decided, in consultation with her partners, to renovate the house before offering it for rent.

The easiest option for E would be to employ a builder to carry out all the renovations at an agreed price. After obtaining a number of estimates, however, she decides that she and her husband can carry out some of the basic repairs and manage the decorating themselves at a considerable saving.

E realises that this will make considerable demands on her time and that careful planning will be necessary to fit the work on the house with her demanding job as a management accountant, as well as fulfil her family obligations. Conscious of the need to maintain the quality of her work, E has decided, with the agreement of her employer, to work part-time for the duration of the house project, but she recognises that even with this change she will have to manage her time very carefully.

On this basis, E has agreed with her partners in Enterprise Associates a profit sharing ratio of 70 : 10: 10 : 10 with all expenses for materials and specialist labour shared equally between the four.

As well as being methodical and hard working, E has developed a number of practical skills over the years while improving the family home. Hence many of the decorating tasks are familiar to her. If E has a weakness, it is that she enjoys conversation and meeting people and often takes more time than is necessary to conduct business and social transactions.



The damp proofing, wiring and plumbing will need to be carried out by skilled specialists but E already has contacts with an electrician and a plumber (fitter of water pipes), and they, in turn have contacts with other specialists in the building trade such as carpenters (wood workers) and plasterers (who specialise in covering walls with a skimming of plaster.)

Although she has no experience of house renovation on this scale, E has a rough idea of the sequence in which the various jobs – damp proofing, plumbing and so on will need to be carried out and has received advice from a builder on the estimated time that each job will take to complete. She has also contacted the various skilled specialists for estimates of the cost for each job.

This information is most timely for E because she has just had a firm offer from a prospective tenant J, to rent the house, provided he and his family could move into the house in three months' time. E, knowing the family, and confident that they would be good tenants, has agreed that she will have the property ready for them in three months and available for rent at an agreed price.

While E naturally wishes to keep costs to a minimum, she also requires that the renovation meets quality standards acceptable to customers who wish to rent property.

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### **Question Two**

*Required:*

Explain to E the benefits of using a Work Breakdown Structure in the planning of the project.

**(10 marks)**

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### **Question Three**

The management of time is going to be a major issue for E.

*Required:*

Identify the key factors that will have a bearing on E's use of time and explain what action she can take to make the best use of time.

**(10 marks)**

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### *House Project – Part 2: four years later*

The renovation of Enterprise Associates' first house went well and the house is still rented by the original family. Four years have now gone by and since then much has changed. Not only has E retired from her position as a management accountant; as Enterprise Associates' Chief Executive Officer she has helped the company to grow very rapidly.

Encouraged by the initial success, by a buoyant housing market, and by low interest rates, E has negotiated a series of bank loans to buy up other old houses in the locality and Enterprise Associates has renovated these and rented them at market rates.

Unfortunately for Enterprise Associates and others in the buy-to-rent business, however, conditions in the housing market have changed since the company rented its first property. Many more people have entered the buy-to-rent property sector, interest rates have increased and are forecast to rise sharply in the next year. This will probably reduce the demand for new houses to some extent, and will also deter some would-be entrepreneurs, who might have borrowed funds to enter the buy-to-rent market.

The central government has acted to increase the amount of building land available and this, in turn, has resulted in a shortage of supply of builders, plumbers, plasterers, electricians and others in the building trades. There is also some evidence from market research that householders have an increasing preference for new houses. Also, in the town in which Enterprise Associates conducts its business, the local government has plans for compulsory purchase and demolition of some of the older properties as part of a new road building programme.

Faced with these changing circumstances, E is not sure what Enterprise Associates' future strategy should be. She feels the need for a better understanding of the changes that are affecting the buy-to-rent market and has asked you, a management consultant, to provide Enterprise Associates with an analysis of the buy-to-rent industry.

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### **Question Four**

*Required:*

Prepare a report for Enterprise Associates which:

- (a) briefly explains Porter's Five Forces model;
- (b) discusses the main opportunities and threats in the buy-to-rent industry.

**(10 marks)**

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## SECTION C – 50 MARKS

READ THE FOLLOWING SCENARIO AND ANSWER TWO QUESTIONS  
ONLY – 25 MARKS EACH

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The WAM Organisation is one of the most successful supermarket chains in its own country. Its reputation for innovation is unparalleled in its own country with the successful launch of its personal finance, telecom, and internet shopping services.

The WAM Organisation's customer focus and its ability to provide value for money through efficient operations and the use of the latest technology has enabled it to gain the largest share of the market.

Following a careful process of internal and external analysis, the senior management of WAM Organisation has concluded that the domestic market for its goods and services has reached saturation point and that the only opportunity for significant growth lies in venturing abroad.

Acting partly on the advice of the central government's Overseas Advisory Board, and using its own research team, WAM Organisation's management has decided to locate its first overseas supermarket in country Y. The location selected is in the suburbs of a growing city, where groceries, clothing and the other non-food products that WAM Organisation intends to supply are currently provided by a large number of small shops.

The new overseas outlet will be staffed initially by managers from WAM Organisation's home country, but other staff will be recruited and trained in country Y. The company has also made it clear that its human resource policy is to provide management opportunities to local people once the business in country Y is established.

The manager for the overall project is Ms D from WAM Organisation's Business Development division, while the project manager for the construction of the buildings, roads and car park that will make up the supermarket outlet is Mr G from the WAM Organisation's Property and Estates division.

The land on which the supermarket outlet will be built has been purchased and following a series of tough negotiations with state and local government officials, planning permission has been granted. Vigorous protest, however, has come from the City's Civic Society, local residents and shopkeepers who are located near to the proposed development.

The Civic Society is concerned about the detrimental impact on the local environment. Residents are concerned about the potential increase in traffic and the danger it poses to the children in the local school. The shopkeepers are fearful about the impact of the new supermarket on their future business prospects.

The media, including television, radio and newspapers have publicised the fears of the local residents and shopkeepers and these two groups, together with the City's Civic Society, have formed a coalition to attempt to prevent the development.

### Question Five

*Required:*

- (a) Explain the approach to strategy formulation and the content of the WAM Organisation's strategy.  
(10 marks)
  - (b) Identify the secondary stakeholders in the WAM Organisation's supermarket project and explain how the project team should manage these stakeholders.  
(15 marks)
- (Total = 25 marks)**
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### Question Six

*Required:*

- (a) Prepare a report for the directors of a major Investment Bank which explains the resource-based approach to strategic management and analyses the resources/core competences that appear to give the WAM Organisation competitive advantage.  
(15 marks)
  - (b) Using your knowledge of research findings on international cultural differences, explain why WAM Organisation's management might encounter some problems with managing local staff in country Y.  
(10 marks)
- (Total = 25 marks)**
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### Question Seven

*Required:*

- (a) Identify the major risks associated with the WAM Organisation's development project.  
(15 marks)
  - (b) Discuss the general negotiating strategy and principles that would be required by WAM Organisation's managers in order to gain planning permission to site their new supermarket outlet in country Y.  
(10 marks)
- (Total = 25 marks)**
- 

*End of Question Paper*

## SOLUTIONS TO PILOT PAPER

**Note:**

In some cases, these solutions are more substantial and wide ranging than would be expected of candidates under exam conditions. They provide background on theorists, frameworks and approaches to guide students and lecturers in their studies, preparation and revision.

### SECTION A

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#### Question One

1.1	A	<input checked="" type="radio"/> B	C	D
1.2	A	B	<input checked="" type="radio"/> C	D
1.3	A	B	<input checked="" type="radio"/> C	D
1.4	A	<input checked="" type="radio"/> B	C	D
1.5	A	<input checked="" type="radio"/> B	C	D
1.6	A	B	<input checked="" type="radio"/> C	D
1.7	A	<input checked="" type="radio"/> B	C	D
1.8	Three stakeholders Blake plc AAA AGAI			

## SECTION B

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### Answer to Question Two

A work breakdown structure (WBS) is a means of breaking down a project into individual elements that can be scheduled, costed and controlled.

In the case of Enterprise Associates' house renovation project, the breakdown could consist of the various jobs that E has already identified, such as re-wiring, plumbing, damp-proofing, re-decorating and so on.

The benefits of using a WBS are numerous and include the following:

*Summarising all the activities comprising the project, including support and other tasks*

In the case of the house renovation project, the activities would include all the tasks such as pre-planning, making contacts with specialists such as plumbers and electricians, negotiating prices, acquiring materials, re-wiring, plumbing, re-decorating and so on. Such a WBS would enable E to think of the totality of all the activities comprising the project.

*Displaying the interrelationships of the various jobs (work packages) to each other and to the total project*

In the case of E's project the advantage would be to provide her with a picture of how the various activities are related to each other. For example the activities of re-wiring and re-plumbing the house have a knock-on effect for plastering as electricians and plumbers invariably damage existing plaster work in carrying out their work. Unless these specialist activities are co-ordinated with each other the outcome of the whole project of renovation would be jeopardised.

*Establishing the authority and responsibility for each part of the project*

In the renovation project this would involve establishing who was responsible for each set of activities, be they subcontracted activities such as plumbing and rewiring. Also the authority to make decisions on items such as the design of the kitchen and the quality of the fittings must be established. For instance would it be left to E as project manager, or would she share such decisions with her husband, or in certain circumstances refer to her partners?

*Estimating project cost*

The breaking down of the overall project into activities or work packages such as rewiring and redecorating enables project managers like E to more easily estimate the cost of each activity and also the overall cost of the project. For example, in obtaining cost estimates from specialists (plasterers and electricians), the WBS enables E to build up a more detailed picture of the overall cost and also a picture of where the major costs of renovation will fall.

*Performing risk analysis*

The use of the WBS can also help identify which part, or which activities in the project carry the highest risks. In the case of the house renovation project this will probably be in those areas where E has least control, that is, in the areas of work E has to subcontract to specialists. The risk of poor plumbing work for a house renovation project, for instance, can be disastrous.

#### *Scheduling jobs (work packages)*

The WBS will enable E to arrange for work to be carried out in a sequence that ensures that jobs that must be completed first, such as plumbing and rewiring, are in fact done prior to finishing activities like plastering and redecorating.

#### *Providing a basis for controlling the application of resources to the project*

The WBS assists in the overall monitoring and control of the project because it provides information on all the tasks to be carried out and the materials needed for each. In its simplest form it provides E with a check list of tasks that must be completed in order for the project to be successful. These can be ticked off as they are completed. The activities outstanding are more easily identified and arrangements made for their completion.

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### **Answer to Question Three**

The key issues in the use of time are:

- those related to the nature of the job;
- those related to the personality and attributes of the job holder;
- those related to the people who make up the job holder's role set.

In E's case, good time management is going to be critical, not only for successful completion of the housing project but also for keeping up with the demands of her job as a part-time management accountant, as well as fulfilling her family obligations.

The problems of time management are compounded in E's case because with the addition of her house renovation project she will now have two jobs, possibly three if looking after her family is counted as a job. This means that to describe the key issues affecting E's use of time we need to consider the nature of all these jobs, the demands of other role players in these jobs and the personality and attributes of E.

Taking first the nature of the jobs that E is involved with. E will be in regular contact with other people in her family role. This means that she will be under greater pressure for interruption than if she lived alone. As Project Manager on the house renovation, contacts will be of a less regular nature and the demands on her time will vary depending on the stage in the life cycle of the project. However, she will need to communicate regularly with her partners in Enterprise Associates.

E's job as a Management Accountant, although it will entail regular contact with a range of colleagues, superiors, customers and so on, will have a fixed number of hours per week and she has already taken action to reduce these by opting to work part-time. The only scope for making additional time available (other than evenings and weekends) for the project will be to use some of her annual leave. This means that the main conflict in her use of time will be that between her family role and the demands of the housing project.

Given that the house renovation project will be of limited duration and that her husband is already committed to sharing the workload, it should be possible to make use of what has primarily been "family time" to concentrate on the project.

In seeking to balance the various demands on her time, E can make use of some of the established principles of time management as follows.

It will first be useful to conduct an analysis of her existing use of time and when this has been completed to try to estimate the time that will be required on the project. In doing this she needs to identify the tasks that she alone will be responsible for and also the tasks that require the greatest effort or produce the greatest return.

Once these have been identified she can discuss them with her husband and other members of the family. Her non-core tasks can then be divided up so that she can give greater attention to the project. In doing this it will be useful for her to emphasise the limited time duration of the project and its ultimate benefits to the family. In making the decisions about who will do what it is essential to consider the qualities and skills of herself, her husband, other members of the family that will form part of the project team and, where appropriate, her partners.

Some hard decisions will need to be made about the sacrifice of leisure time. The personal inclinations of E and her husband will be particularly relevant here - for example, how assertive are they? To what extent are they task-oriented or people-oriented? Are they tidy and methodical or untidy and disorganised? We do not know the answer to all these questions without further information. What we do know of E is that she is methodical and hardworking and these qualities will doubtless assist in E's use of time. However, she will have to exercise considerable self discipline if she is to maximise the time she can give to the project, particularly given her disposition towards socialising and meeting people.

There are several other ways in which E can improve the use of time. These include delegating tasks to other team members, developing appropriate skills (for example, faster reading, writing, handling meetings, and being assertive) and developing an appropriate strategy for self-development.

Of these skills, that of developing the skill to be assertive without offending others will probably be most relevant in the time constrained situation she is facing. Assertiveness can contribute to the better use of a person's time by enabling them to deal more effectively with interruptions.

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## **Answer to Question Four**

**To:** E, on behalf of Enterprise Associates

**From:** Buy-to-Rent Management Consultancy

**Subject:** Analysis of opportunities and threats in the Buy-to-Rent industry

### *Requirement (a)*

#### *Introduction*

The competitive situation in the buy-to-rent industry can be analysed using M Porter's Five Forces model of industry attractiveness. This provides the tools for assessing the forces in the industry's external environment that will affect competitive positioning.

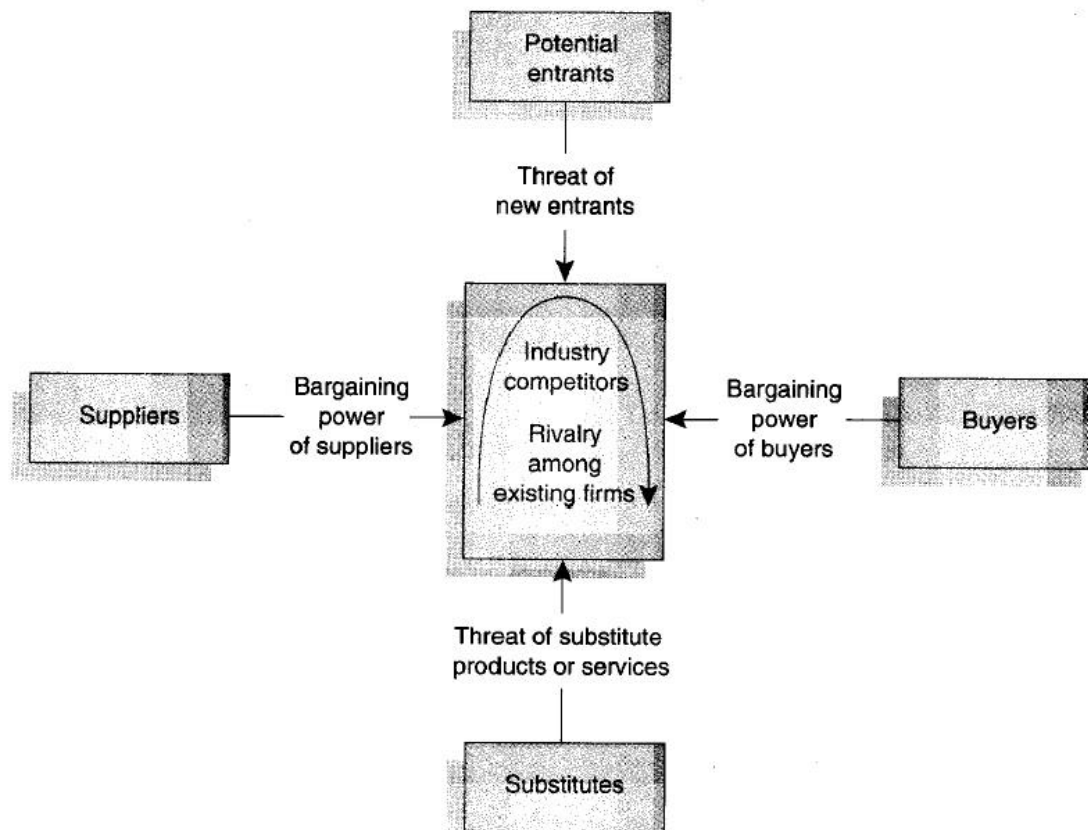
#### *Porter's Five Forces model*

Porter's Five Forces model is complex and detailed; its essential features are contained in Figure 1 below.

Analysis of the competitive environment for any given organisation is concerned with assessing the attractiveness of competing in that industry. Industry attractiveness refers to the potential for profitability that derives from competing in that industry. Each industry's attractiveness, or profitability potential, therefore, is a direct result of the interaction of different environmental and industry forces that affect the nature of competition.

The competitive state of an industry, such as the buy-to-rent industry, exerts a strong influence on how organisations develop their strategies to earn profits over time. In some industries, rivals will compete on price, while others compete through differentiation, for example.

Although all industries are competitive, the nature of this competition can differ significantly between industries over time. The competition in the airline industry at the present time, for example is intensely competitive as compared with the situation before deregulation. Thus, each industry has its own particular structure that determines attractiveness (profitability). Industry structure refers to the interrelationships amongst different forces that drive or characterise the behaviour of organisations competing in that industry. Thus, how organisations compete with one another in any given industry is directly related to the interaction of five key forces, initially developed by Michael Porter.



**Figure 1 - Porter's Five Forces Model of Industry Attractiveness**

### *Requirement (b)*

#### *Analysis of the main opportunities and threats in the buy-to-rent industry*

Using Porter's Five Forces model of rivals, buyers, suppliers, new entrants and substitutes we can derive the following conclusions about the potential threats and opportunities facing the sector.

The biggest threat seems likely to arise from the many new entrants that have entered the buy-to-rent market in the last few years. If this produces a significantly large increase in the supply of rented property then the rentals that businesses such as Enterprise Associates can charge will be forced downwards. In terms of other aspects of Porter's model it can be seen that the barriers to entry are not high enough to deter relatively large numbers from entering the industry.

The shortage of building workers (plumbers, brick layers, plasterers and so on) that has arisen as a result of the increased supply of building land will make the renovation of older properties more expensive because of the shortage in supply of these specialists.

Buyers in the form of tenants are not powerful as individuals, but large buyers such as local governments who may wish to rent a number of houses could be in a position to negotiate discounts.

The reported change in preference amongst consumers for new houses also suggests that demand for the properties that Enterprise Associates rent may be less buoyant than previously. That said, it is feasible that the types of customers who purchase new

houses are unlikely to rent renovated older houses. So this is an area where E would need more information.

As regards the supply of property for rent, the local government's plans for compulsory purchase and demolition of some of the older houses in Enterprise Associates' area of operations may be a threat or an opportunity, depending on whether any of the houses in question belong to the company. If one or more of Enterprise Associates' houses currently being rented are demolished, then this is a threat to its business. However, if none of Enterprise Associates' houses fall within the local government's plan, then Enterprise Associates will possess some of the shrinking supply of this kind of accommodation.

The decision by the central government to release a significant amount of building land will mean that more houses will be available for purchase or for rent. This may mean that, for businesses like that of Enterprise Associates, there will be less demand for the older types of houses.

The only real substitute to renting a property is to buy a house, and since interest rates have risen and are forecast to increase even further, this kind of substitution is less and less possible for individuals and families. This may present Enterprise Associates and others in the buy-to-rent business with an opportunity.

In summary, then, our analysis suggests a mixed picture of threats and opportunities. Overall, however, it seems clear that the threats are greater in the buy-to-rent business than they were some four years ago when E and her partners entered the buy-to-rent market.

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## SECTION C

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### **Answer to Question Five**

#### *Requirement (a)*

The strategy process adopted appears to be similar to that described in the rational planning model originated by Igor Ansoff and developed by strategists such as M Porter.

This approach to strategy generally involves a deliberate step by step approach. It commences with a set of tentative objectives which the CEO or senior management team considers necessary for the organisation to achieve its goals

The external environment is then analysed to determine potential opportunities and threats. An internal audit is conducted to determine the organisation's strengths and weaknesses. Strategic alternatives are evaluated to determine which strategy will best "position" the organisation so as to capitalise on opportunities and strengths while minimising threats and weaknesses. Then a plan is prepared to assist in the implementation of the chosen strategy.

The approach adopted by the senior management of the WAM Organisation supermarket chain in the scenario appears to be similar to the process described above. The management appears to have decided to pursue further growth outside the domestic market and the proposed development of a supermarket outlet in country Y is the first step in this direction. The scenario makes clear that the decision to locate abroad has been taken only after careful internal and external analysis of the organisation and its environment and that subsequent research has been conducted to find the best location for this tentative first step outside its domestic market.

The product of the strategy process is the content of the strategy and is concerned with the 'what' of strategy. In this case, the corporate strategy of the WAM Organisation is a combination of growth by diversification and growth through market development. It involves WAM Organisation in seeking to diversify by providing different services; personal finance and telecoms in different markets and expanding its operations by selling the same products and services in a new market abroad. This growth strategy is based on the assumption that its proven method of selling a wide variety of products under one roof, using self service, is so much more efficient than the methods of selling used by the small traditional shops. It can provide its products and services at a much lower cost than that of existing competitors. In building a new superstore in Y country, therefore, it expects to have a competitive advantage and to capture a substantial share of the market very quickly.

#### *Requirement (b)*

Secondary stakeholders are those who have no formal contractual relationship to the project but can have a strong interest in the development of the project. These stakeholders belong to an informal project stakeholder organisation. They include social organisations, competitors, local communities, the general public, consumer groups, private citizens, professional organisations, the media, families, and various institutions such as schools, universities, hospitals, churches, civic groups, and so forth.

In the WAM Organisation supermarket project, the secondary groups that pose problems for the management of the project include local residents, local shop owners, the Civic Society, the media, potential customers of the new WAM Organisation outlet, the local school staff, potential supermarket competitors and the public at large.

The management of secondary stakeholders poses significant challenges for the project manager and other WAM Organisation managers as well, because these managers have no legal authority or contractual relationship with those stakeholders.

The secondary stakeholders can exert extraordinary influence over the project, supporting, or (as in this case) working against the project and its outcome. "Management" of these secondary stakeholders can be particularly arduous, because no formal relationship exists with them. Consequently, the authority that the managers can use is limited to their de facto authority, which is based on interpersonal capabilities, knowledge, persuasive powers, political skills, expertise in general, and their ability to work with, and influence, the secondary stakeholders.

Some of the more important characteristics of secondary stakeholders include:

- there are no limits to where they can go and with whom they can talk to influence the project;
- their interests may be real or are perceived to be real – because the project and its results may impinge on their "territory";
- their "membership" of the project team is ad-hoc - they stay as long as it makes sense to them, in gaining some advantage or in realising their objectives involving the project;
- they may team with other stakeholders on a permanent or ad-hoc basis in pursuing common interests for or against the project's purposes;
- the power they exercise over the project can take many forms, such as political influence, legal actions (such as court injunctions), emotional appeal, media support, social pressure, local community resistance, use of expert witnesses, or even scare tactics;
- they have a choice of whether or not to accept responsibility for their strategies and actions.

A useful check list for the management of stakeholders is as follows:

- Identify the key stakeholders.
- Determine vested interests.
- Identify the specific stake.
- Evaluate stakeholder influence.
- Modify project strategy.

The case scenario provides information on the first three items in the checklist above. We know the key secondary stakeholders are those objecting to the supermarket development proposal, namely local residents, shop owners and the Civic Society and we know the specific stake of each. The shop owners are seeking to defend their business future, the residents are protecting the safety of local school children and the Civic Society is defending the amenity and aesthetic surroundings of the local area.

The influence of the stakeholders on the development of the project is difficult to ascertain because it depends on the campaigning and lobbying skills of the secondary group protestors and on the skills of persuasion of the supermarket project team.

Although planning permission has been granted, there is the possibility that, with heavy media coverage of the issue, some local and national politicians may be persuaded to change their minds and campaign for the planning permission to be reviewed, more stringent restrictions to be applied or even for the permission to be rescinded.

Some damage to the project will already have been done by the adverse publicity given to it and this means that the WAM Organisation, and the project team in particular, will have to work hard to overcome the objections of the protestors.

The project team supported by the resources of the WAM Organisation will need to meet with each of the secondary stakeholders individually and/or collectively and seek to persuade each of these groups that their fears are unfounded or that the project plans can be amended in some way to meet their concerns. It will be vital during this process to seek to maintain the support of the key decision makers such as local planning officials and the local politicians who originally supported the decision for planning permission.

In making their arguments, the project team and WAM Organisation more generally, will need to emphasise the benefits that the supermarket development will bring to the local community in the form of a wide variety of goods and services at affordable prices, as well as employment for a considerable number of local people.

Careful management of the media will also be required to enable WAM Organisation to get its case across in the best possible light. In order to do this the company may send out its own public relations specialists to assist in the persuasion process.

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## **Answer to Question Six**

### *Requirement (a)*

**To:** The Directors of A Investment Bank

**Subject:** The resource-based approach to strategic management and an assessment of the WAM Organisation's core competences and resources

#### *The resource-based approach to strategic management*

In contrast to the more traditional positioning approach which takes the environment as the critical factor in determining an organisation's strategy, the resource-based approach assumes that the key factors for success lie within the organisation itself in terms of its resources, capabilities and competences. The choice of the organisation's strategy is not dictated by the constraints of the environment but is influenced more by calculations of how the organisation can best exploit its core competences relative to the opportunities in the external environment.

The resource-based approach assumes that an organisation is a collection of resources, capabilities and competences that are relatively unique and that these provide a basis for its strategy and its ability to compete. It is also assumed that organisations can acquire different resources, skills and capabilities in the process of

their development. But because it takes time to acquire and develop such resources and capabilities it follows that organisations that already possess a relevant set of these can gain competitive advantage over rivals.

For example, the skills and capabilities required for miniaturisation were considered to be the basis of a core competence for *Sony* because it takes many years to hone these skills to perfection. This gave *Sony* a competitive advantage for some time because these skills were not readily available to competitors.

The resources of the organisation in the resource-based approach are typically classified into two types: tangible and intangible resources. Tangible resources are inputs into an organisation that can be seen, touched, and/or quantified. They include assets like plant and equipment, access to raw materials and finance, a trained and skilled workforce and organisational structure. Intangible resources range from intellectual property rights like patents, trademarks and copyrights to the know-how of personnel, informal networks, organisational culture and a organisation's reputation for its products.

The dividing line between the tangible and intangible is often unclear and how they are classified varies a little from one writer to another. Despite the problems with classification, proponents of the resource-based approach are agreed on the relative importance of the two types of resource. Although it is clear that both types of resources are required for any business to operate, resource-based theorists argue that intangible resources are the most likely source of competitive advantage. The reason for this, it is argued, is that because intangible resources are less visible they are more difficult to understand and to imitate than tangible resources. As such they are, therefore, more likely to be a source of sustained competitive advantage.

Resources alone, however, are not a basis for competitive advantage. It is the way in which resources are integrated with each other to perform a task or an activity that provides the capability for an organisation to compete successfully in the market place.

This being the case then, the most important resource for any organisation is the skill and knowledge possessed by the organisation's employees. It is this skill and knowledge acquired over time and embedded in the organisation's culture that influences how it operates and determines its success. Whether or not resources and capabilities have the potential to become core competences depends on how difficult they are for competitors to acquire and how valuable they are to the organisation as a basis for competitive advantage. When they are rare, difficult to imitate, non-substitutable and they allow opportunities to be exploited or threats to be neutralised, then they can be considered core competences and serve as the basis of an organisation's sustained competitive advantage.

#### *Assessment of WAM Organisation's core competences and resources*

In the case of WAM Organisation we are limited in our assessment of its ability to exploit key resources and competences to secure a competitive advantage because of the generality of the information provided.

We do know that its performance to date has been exceptional because it has secured the largest share of its home market. We are also told, with some supporting evidence, that it has an outstanding reputation for innovation and that it is able to provide value for money because of its use of the latest technology and its efficient operations.

Just which of these resources/competences contributes most to the successful competitive ability we cannot determine from the information available, but we can make some reasonable assumptions from what we are given.

Its outstanding reputation as an innovator is likely to provide the WAM Organisation with a competitive advantage because the capacity for innovation is not something that is easily acquired and it takes time to build up a reputation. In this respect, it will be difficult for rivals to imitate WAM Organisation; this provides it with a sustainable competitive advantage.

The claim that it is efficient suggests that it is able to co-ordinate its resources effectively. Whether it is able to do so more effectively than rivals we cannot know without more information, but as it is able to provide “value for money” and has gained the largest market share we assume, other things being equal, that its ability to coordinate resources is contributing to its competitive success.

Finally, the fact that it feels confident enough to venture abroad suggests that it has the confidence and the resources to seek new markets in which to exploit its resources and competences.

### *Requirement (b)*

Social and cultural norms of a particular region affect the behaviour and pattern of interaction between individuals and groups in a variety of ways. In face to face meetings and interaction, the language and behaviour of different peoples vary and their mutual understanding of each other's culture will influence the effectiveness and efficiency of communication between them. This influences how well multi-cultural workplaces operate at all levels, from strategy-setting at the senior level to plant-floor operations.

Organisations also tend to have different organisational and decision-making practices depending on where they have evolved and which groups of people (by religion, gender, age and so on, as well as ethnicity) they encompass. It is to be expected, therefore, that WAM Organisation's managers might encounter problems in managing the local staff in country Y, unless they are well prepared.

The most well known research on international differences in national culture is that conducted by Geert Hofstede, closely followed by that of his countryman, Fons Trompenaars. In this answer Hofstede's research will be used but answers using other sources of research are equally acceptable. Hofstede conducted one of the earliest and best-known cultural studies in management, on IBM's operations in 70 countries around the world. Obtaining answers to 32 statements from over 116,000 questionnaires he mapped key cultural characteristics of these countries according to four value dimensions.

Hofstede's four dimensions are:

- *Power Distance* or the extent to which a culture accepts that power in organisations is distributed unequally.

In countries with high power distance, managers make autocratic decisions and the subordinates do as they are told. Often these societies have business structures that are typified by close control of operations and a fairly weak work ethic. Organisation structures tend to be tall and managers have relatively few subordinates reporting directly to them. In countries with moderate to low power



distance, people put a high value on independence, managers consult with subordinates before making decisions, and there is a fairly strong work ethic. Organisation structures tend to be flat and managers directly supervise more subordinates than do their counterparts in high power distance enterprises.

It follows that if WAM Organisation's managers are from a country in which high power distance is the cultural norm and that country Y is one in which a low power distance is the accepted norm, then there is going to be a degree of conflict. In this context WAM Organisation's managers would tend to be seen by local staff in country Y as acting in an autocratic manner.

- *Uncertainty Avoidance* or the degree to which members of a society feel uncomfortable with risk and uncertainty.

Countries with high uncertainty avoidance tend to formalise organisational activities and depend heavily on rules and regulations to ensure that people know what they are to do. There is often high anxiety and stress among these people; they are very concerned with security, and decisions are frequently a result of group consensus. Low uncertainty avoidance societies have less structuring of activities and encourage managers to take more risks. People here are less stressed, have more acceptance of dissent and disagreement, and rely heavily on their own initiative and ingenuity in getting things done.

If local staff in country Y tended towards low uncertainty avoidance and the WAM Organisation's managers came from a society that emphasises high uncertainty avoidance, it follows that problems may well arise in the relationships between management and staff in the new supermarket outlet. WAM Organisation's managers would tend to prescribe, and try to enforce rules and procedures while local staff would prefer to rely on their own initiative to get jobs done, even if this sometimes meant breaking the rules.

- *Individualism* or the extent to which people are supposed to take care of themselves and be emotionally independent from others.

Countries with high individualism expect people to be self-sufficient. There is a strong emphasis on individual initiative and achievement. Autonomy and personal financial security are given high value, and people are encouraged to make individual decisions without reliance on group support. In contrast, countries with low individualism place a great deal of importance on group decision making and affiliation. No one wants to be singled out for special attention, even for a job well done. Success is collective and individual praise is embarrassing because it implies that one group member is better than the others. Countries with low individualism emphasise belongingness and draw strength from group affiliation.

If, in the case under consideration, WAM Organisation's managers are from a country where low individualism is the norm and yet local staff they are supervising are used to a situation where high individualism is the norm, then there are likely to be clashes between management and staff from time to time. For instance, local staff employees who make a significant contribution to the running of the organisation might well expect some kind of individual reward that WAM Organisation's managers may not see as necessary given their culture of low individualism. This in turn may result in low motivation on the part of the staff that has made a contribution through its additional efforts.

- *Masculinity* or the value attributed to achievement, assertiveness and material success as opposed to the stereotypical feminine values of relationships, modesty, caring and the quality of life.

Countries with high masculinity scores place a great deal of importance on earnings, recognition, advancement, and challenge. Achievement is defined in terms of wealth and recognition. These cultures often tend to favour large-scale enterprises and economic growth is viewed as very important. In school, children are encouraged to be high performers and to think about work careers where they can succeed. Countries with low masculinity scores place great emphasis on a friendly work environment, cooperation, and employment security. Achievement is defined in terms of human contacts and the living environment. There is low stress in the workplace and workers are given a great deal of job freedom.

If WAM Organisation's managers are from a country with high masculinity and the local staff in country Y are from a culture that emphasises low masculinity, there may be misunderstandings. This is because, while WAM Organisation's managers will be pushing for high performance and achievement from everyone in the company, the local staff will be more concerned with matters of security and a pleasant work environment.

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## **Answer to Question Seven**

### *Requirement (a)*

The uncertainties and associated risks involved in the development of the WAM Organisation's development depend to some extent on how the scope of the project is defined.

If we consider the strategic objectives of the WAM Organisation, there is good reason to think that the project will only be deemed to have been successful when the new outlet has been completed and is operating successfully. Given that the strategic objective of the WAM Organisation is that of growth through market development, it follows that the new outlet would need to be profitable, or at least well on the way to being profitable, before the organisation would feel the project was complete.

In this sense the risks are not limited simply to those associated with the construction of the supermarket buildings, access roads and car park; they also involve the risks associated with developing the business in a new country.

Having ascertained the scope of the project, the next step is to identify the uncertainties and the risks associated with it. Before doing so, however, it is useful to note that there are various ways of categorising risks. One way is to consider (a) the impact of the risks and (b) where the control of the risk lies. The impact of risk can again be divided into two types: these are business risks and insurable risks.

Business risks are the risks inherent in doing business in general and derive from the nature of all market operations. Insurable risks include such things as those arising from the threat of fire, flood, storm-damage and may or may not, be insurable depending on the probability of their occurrence. Some risks such as those of possible injury to employees are covered by statutory requirements and organisations are legally required to take out insurance to cover these.

There are internal risks to the WAM Organisation project that are both technical and non-technical. The technical risks arise from the technology of the work, such as in the construction work of the store outlet building or the poor implementation of a marketing plan. The internal non-technical risks usually arise from the project organisation or from the mismanagement of human, financial or material resources. These are risks within the control of the project manager, Mr G. Any failures may result in schedule delays, cost over-runs or interruptions to cash flow.

The external risks are largely beyond the control of managers or their organisation. Some of these external risks are predictable in a general sense but the timing is not predictable. Examples would include changes in market prices or other economic factors, such as exchange rates and interest rates. Problems may also arise from social factors as in the case of the opposition from some of the secondary stakeholders in the scenario case. All of these might have some effect on the success or failure of the project.

Then there are external risks of an unpredictable nature, such as some actions of government, acts of sabotage by terrorist groups or natural hazards like earthquakes.

The sources of some of the major risks of the supermarket project lie in operating in a foreign country. Organisations operating overseas face a range of different challenges. Indeed these risks are so widely recognised that a number of research organisations and consultancy firms specialise in providing data on the risks associated with foreign direct investment in different countries.

The management of risk involves a number of stages, including the identification of risks (see above), assessment of the potential impact if things do go wrong, and a determination of how risks can be reduced.

In assessing the potential consequences that can arise from taking a particular risk, it is necessary to consider both the likelihood of its occurrence and the potential damage if things do go wrong. In projects such as the WAM Organisation's supermarket outlet, where a number of risks are involved at different stages, it is necessary to consider the combination of the risks and the potential damage if things turn out badly.

In the case of this project there are risks associated with the technical problems of construction, risks arising from the mismanagement of the project, risks arising from stakeholder protests and risks associated with developments in the market for WAM Organisation's goods and services. All these risks must be taken into account in estimating the overall risk and its potential consequences.

In assessing the likelihood of undesirable events occurring, the project managers and other senior managers in the WAM Organisation will draw upon past experience. In this particular case, it is not envisaged that the construction of the store outlet would involve any substantial risks. The WAM Organisation has commissioned, built and operated many supermarket store outlets in its home country and will have expert experienced staff to call upon that will minimise the potential risks in this area. Mr G, the site project manager, would be wise, however, to plan for possible delays and perhaps some extra costs of construction, given differences in the conditions between the WAM Organisation's home country and country Y. In the event that delays did occur, the damage would result in loss of revenue that would have been generated had the new store outlet been opened on time.

The likelihood of the supermarket not being built because of protests from small shopkeepers, residents and members of the Civic Society are difficult to estimate because of the nature of political protest movements and their outcomes. Nevertheless, the WAM Organisation's managers will have experienced similar forms of protests in their home country and should be able to estimate the probability of their success in developing the supermarket outlet. The consequences of failure, however, would be severe in that it would have to seek planning permission in a new location if the existing planning permission was rescinded. The risk could be used by making use of experienced negotiators and seeking to satisfy the concerns of the different protest groups.

The business risks again are not easy to estimate as this is a new venture for the WAM Organisation. Its managers can build on their experience of opening new outlets in their home country, but country Y may differ in a number of ways from that of the home country. These differences may be historical, cultural, governmental, legislative, economic, social, climatic and infrastructural, all of which can influence the relative success of a business. In the event that the new supermarket outlet fails to make an adequate return in a reasonable period of time, it follows that the overall project will have failed. The consequences of failure would be costly in terms of a loss of investment in resources, and in terms of damage to the organisation's reputation.

The way to avoid such risks are to manage the new supermarket outlet in as professional a way as possible using the most experienced managers and taking the best available advice.

### *Requirement (b)*

In negotiations with national and local government officials in country Y, WAM Organisation would be wise to make use of established principles of negotiation. A negotiation can be defined as "a discussion in which the parties involved have different objectives".

In the supermarket case scenario, the national and local government's interest would be that of gaining a supermarket shopping service in their country and locality that does not currently exist. They would also be hoping to provide some of their own retailers with the opportunity to learn something of the methods and techniques employed by WAM Organisation in running a modern supermarket chain.

The WAM Organisation would be interested in gaining a foothold in country Y as a first step in its strategy of growth via market development. WAM Organisation's overall negotiation strategy, therefore, would be to offer the benefits of a new type of shopping format to country Y in exchange for access to country Y's market.

Negotiations of this kind can end in one of three possible ways:

- Win-Lose: One side achieves its objectives, while the other side does not.
- Lose-Lose: Neither side achieves its objectives.
- Win-Win: Both sides achieve enough of their objectives to be satisfied with the result.

While winning in negotiations may seem like a good idea, experienced business managers are more cautious. For any kind of long-term relationship, it is evidently not good practice to make someone or some organisation a loser. This can breed resentment and the business relationship may suffer in the long run.

It is, therefore, very important that everyone involved is able to accept agreements which are reached at the beginning of a project. This usually means reaching a Win-Win outcome to negotiations, with which both sides can be reasonably satisfied.

In a negotiation, it is unusual for one side to get everything it wants.

Recommended best principles for negotiators, therefore, are as follows:

- Try to work out the ideal outcome – the best one can hope to achieve.
- The realistic outcome – what it is thought one could reasonably expect to achieve.
- The fall-back position – the outcome one could live with, if one really had to.

In the case of WAM Organisation, the fall back position might be that it walks away from the negotiations and tries for planning permission in another city in the same country, or even another country.

The art of bargaining involves showing as little of your own hand as possible, while trying to find out what cards your opponent holds. It is also a game of give and take.

Some of the established rules of bargaining include:

- Don't give anything without taking something in return.
- Give things you can afford to lose.
- Only take things you want to have.

These rules are useful to remember, especially if one is being pressured to make concessions that one does not wish to make. However, their disadvantage is that they reinforce an adversarial model of negotiation, in which the other side is seen as an opponent, not as a potential partner. There are times when this model needs to be abandoned and another way forward looked for.

Conflict makes negotiations more difficult to resolve. If tempers become raised, participants will find it hard to back down and accept a compromise solution. It is useful to begin a negotiation by both sides stating their position. The person who is leading the discussion can then make a quick assessment of where the areas of agreement and conflict are likely to be. It is usually a good idea to discuss the non-controversial areas first. In this way, commitment to the negotiation can be developed, before being tested on difficult issues.

It is never advisable to indulge in verbal attacks on the people one is negotiating with. If people are attacked, they will defend themselves by counter attacking, and a downwards spiral of attack and defence will begin. If one finds oneself under attack, the best advice is to try not to rise to the bait. In response, an effort should be made to separate facts from opinions.

In a situation in which both sides are insisting on apparently incompatible demands and the negotiations are in danger of breaking down completely, the best way forward is to look for areas of common ground and to build upon them. When one is trying to persuade another to accept a point of view, it is important to consider things from their perspective. Think about what they want from the situation. Some of these objectives will be clearly stated in the negotiations. Others will be unspoken, but no less real.

Once one side knows what the other side wants, efforts should be made to convince them that their requirements can be achieved. One way to do this is to provide a “vision” of what can be achieved. This may be done by powerful speaking, or by producing a demonstration or model of the project outcomes. It is also extremely useful to show that similar things have been achieved in the past.

In the case of WAM Organisation, an invitation to government officials in country Y to visit the company’s domestic supermarket outlets is probably the best means of demonstrating what is on offer.

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