BUSINESS STRATEGY AND MANGEMENT

Professional 2
December 2002

MARKING SCEHEME

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General

The purpose of the marking scheme is not to demonstrate model answers. The aim of this marking scheme is to provide a framework for markers, and guidance for candidates and tutors on how marks for questions are allocated.

Business Strategy and Management is a complex subject and there are many theories and consequently interpretations of those theories. It is not possible to cover all the eventualities in a marking scheme. Markers have to use their experience and skill in interpreting a candidate's answer. Nevertheless, it is important that answers are in the context of the scenarios and provide an answer to the question asked.

Where examples of answers are given they are taken from the Open Learning Material and/or the core text, Exploring Corporate Strategy 5th Ed. (Johnson and Scholes 1999). Theories and interpretations from other authors are valid, as are the candidate's own analyses of a situation. However, these need to be in the context of the question and where appropriate well argued.

Question 1

(a)

(i) **Marking guidance**

3 marks should be awarded for outlining what a SWOT analysis is and what is involved in undertaking that analysis. 4 marks should be awarded for identifying (examples) in the analysis, eg ½ mark to a maximum of 1 for each of the four elements.

A SWOT analysis summarises the key issues from an analysis of the business environment and the strategic capability of an organisation (J&S p190).

A SWOT analysis identifies the strengths, weaknesses, opportunities and threats.

It brings together the key factors in the environment.

It is one of the most common and easily understood methods of environmental analysis.

1 mark for each valid point up to a maximum of 3

Examples:

Strengths – increasing visitors, regular funding.
Weaknesses – erosion of footpaths, traffic congestion.
Opportunities – new development, support from businesses.
Threats – opposition from farmers, loss of control if councils get veto.

(½ mark for each example to a maximum of 1 for each element, total 4 marks)
Total marks for part (a) (i), 7

(ii) **Marking guidance**

1 mark for explanation of brainstorming, 1mark for each of the 3 elements to enable the session to be successful, to a maximum of 4. ½ mark for each interest group that should take part, to a maximum of 4.

Brainstorming involves the bringing together of disparate minds to consider an issue. *1*

The three elements to ensure success:

- Appropriate individuals.
- The correct environment.
- Good facilitation. *3*

Main interest groups:
- The trust Board.
- Farmers.
- Business representatives.
- Tourist Board representative.
- Development representative.
- MP's.
- MEP.
- District council representative.
- Residents.
- Newspaper representative.
- Others could be police, environmental groups, and anyone who has contacted the Board eg pressure groups.

(½ mark for each interest group, to a maximum of 4)
Total marks for part (a)(ii) 8

(b)

(i) **Marking guidance**

½ mark for each advantage of SWOT analysis to a maximum of 1, ½ mark for each disadvantage of SWOT analysis to a maximum of 1. ½ mark for each advantage of brainstorming to a maximum of 1, ½ mark for each disadvantage of brainstorming to a maximum of 1. 1 mark for relating the advantages and disadvantages to the case, eg applicability to strategic option generation for the Trust

Approach	Advantages	Disadvantages
SWOT	structured	constrained
	formalised	lacks creativity
	analytical	lacks involvement
Brainstorming	creative	may miss obvious
	involvement	many options
	lateral thinking	divorced from environ

With so many interested parties the brainstorming approach may disintegrate into a shouting match. The SWOT analysis may be more appropriate to generate options – then consult with the interested parties.

(½ mark for each advantage and disadvantage, 1 mark for applicability)
Total marks for part (b)(i) 5

(20)

Question 2

(a) **Marking guidance**

Suitability: 1 mark for identifying each tool/technique and 1 mark for applicability to a maximum of 5
Acceptability; 1 mark for each tool/technique and 1 mark for applicability to a maximum of 3
Feasibility: 1 mark for each tool technique and 1 mark for applicability to a maximum of 3

I have indicated in the question that the candidate must ensure the tools/techniques must consider interested parties so I would expect a comment on the applicability of each tool/technique to the scenario. Therefore it is appropriate to give 1 mark for identifying the tool/technique and 1 mark for its applicability to the maximum indicated above for each element. Total marks 11.

(i) **Suitability**

Tools
Life cycle analysis – assesses whether a strategy is likely to be appropriate given the stage of the product life. Applicability; low.
Positioning – assists in justifying the rationale of a strategy through consideration of competences. Applicability: low.
Value chain analysis – would justify the rationale of an option through consideration of linkages, especially synergy. Applicability; high.
Portfolio analysis – would help in ensuring that there is an appropriate mix of services offered, and so reducing longer-term risk. Applicability; high.
Business profile analysis – unlikely to assist unless PIMS (profit impact of market strategy) database includes similar type of organisation. Applicability; low.

(ii) **Acceptability**

Tools
Analysis return – considers if options are affordable, generate sufficient return and their impact on softer issues. Applicability; high.
Analysis risk – tests assumptions on changing funding formula. Applicability; high.
Stakeholders reaction – assesses how stakeholders react to strategy. Applicability; high.

(iii) **Feasibility**

Tools
Funds flow analysis – tests the affordability, eg is it possible. Applicability; high.

Break-even analysis – indicates impact on competitive position. Applicability; medium.

Resource deployment analysis – assists in ensuring that no strategy is followed that cannot be supported through competences. Applicability; high.

Note for part (a)
The applicability of each tool to the scenario is a guide, candidates may select those indicated as low in the marking scheme as high (or vice versa). This is fine provided there is reasonable justification.

Total marks for part (a) 11

(b) **Marking guidance**

Marking should be 3 marks for each of the three elements of the question. The answers must be in the context of the question not just a theoretical answer. Total 9 marks

Visionary
The strategy of the Trust should be clear and outline what it intends to achieve in the short, medium and long term. It should provide guidance for all the stakeholders and should have considered all their views. It should have considered the impact of the strategy on the stakeholders in the short, medium and long term. It should have balanced the conflicting views/objectives of the stakeholders.

Key values
These are the values of the Trust and its staff and include references to highly trained staff and the customer's interests are considered. Values are important in guiding the behaviour of staff and explaining the organisation to the stakeholders. The key values are what underpins the strategy.

Stakeholders
These are those individuals and groups who depend on the organisation to fulfil their own goals, and on whom the organisation depends. In the scenario these are diverse and have conflicting views and objectives. It's important for the Trust to ensure the strategy considers the impact on these individuals and groups, and provides a balanced solution to the difficulties they face.

Total marks for part (b) 9
(20)

Question 3

(a) **Marking guidance**

Marking should be, 1 mark for defining market research, 4 marks for outlining how it could be undertaken, split 2 marks for primary and 2 marks for secondary. 3 marks for identifying limitations, eg 1½ for primary limitations and 1½ marks for secondary limitations.

Market research – is the gathering of intelligence about the requirements and priorities of customers (stakeholders).

Market research can be undertaken as follows;

Primary research – is new research undertaken by the organisation (Trust). The standard methods are observation and surveys. Observation involves manual observation, counting and recording and is often referred to as data gathering. Surveys can be quantitative or qualitative, that is structured questionnaires or detailed interviews.
The limitation of this research is the complexity of the approach and the cost. It is also time consuming and requires a high level of skill to collate and analyse the results.

Secondary research – is often referred to as desk research. It involves collating data from internal sources, such as complaints, requests and customer contact reports. Also external sources form a part of this type of research, this may include published statistics from government agencies, partner organisations and other market research companies.
Although this is a relatively quick and inexpensive method, it has a wide scope. Limitations include validating the data and the timeliness of its use and finding data specifically relevant to the purpose.

Total marks for part (a) 8

(b)

(i) **Marking guidance**

2 marks for an explanation of the price element of the marketing mix, and 4 marks for setting a price too low or too high, say 2 marks for each element. Total 6 marks.

Pricing

Setting the right price is important to encourage visitors to use the car parking facility. The price set should consider short and long-term objectives. Setting a price to low in the first instance may require a large increase if it is found revenue is not covering costs; this could lead to resistance in the future. Setting the price too high may put visitors off using the facility. It should be noted that the Trust has multiple objectives when setting the charge. It must cover the cost of establishing the facility and the running costs and it would like to make a surplus. However, the Trust cannot afford to set a charge that will lead to accusations of profiteering, particularly as there is little competition for this service. On the other hand, there is pressure from the Councils and businesses to keep the price low so as not to deter visitors from using the facility. However, the charge cannot be so low as to make losses. A further factor to consider is the seasonality of the facility. Heavy usage in the summer has to compensate for the likely light usage in winter. It might require differing charge structures for peak and off peak months. *6*

(ii) **Marking guidance**

Marking should be, 2 marks for explaining the promotion element of the marketing mix, 4 marks for suggesting ways of promoting the charge – but the methods must be in the context of the case, as the question requires. Total 6 marks.

Promotion

Once the price has been set it is crucial that prospective users are notified of the facility and the charges.

This could be achieved by promoting the facility. Promotional activities can be grouped under four headings, known as the promotional mix; advertising, sales promotion, publicity and personal selling.

An appropriate method is advertising. This involves communicating with the potential users, informing them of the facility and charge. This could be by print, radio and outdoor signs (referred to as the media mix).

Publicity is also an appropriate method. This consists of news stories in the media, press conferences and press releases. The advantage of this approach is that the cost is minimal compared to paid-for advertising.

It is crucial that the Trust considers who the potential users are likely to be and so target any promotional activities for that market. *6*

Total marks for part (b), 12
(20)

Question 4

(a)

(i) **Marking guidance**

Marking should be, 2 marks for explaining intended strategy and 2 marks for explaining realised strategy. 2 marks for discussing the impact on staff, say ½ mark per point raised.

Intended strategy
An intended strategy is what is planned. This highlights the commonly held beliefs and is an expression of desired strategic direction deliberately formulated and planned by managers. In finance this is commonly expressed as a series of objectives and targets shown in budgets and supporting statements. It outlines spending and income priorities.

Realised strategy
A realised strategy is the strategy actually being followed in practice. This may show amendments to the original strategy, both as changes of priority, cost and income. In finance these changes are commonly expressed as revised budgets and supporting statements. Changes may be caused by increasing costs, income not be realised and/or changes in legislation or policy.

Impact on staff
Training and staff development may or may not be viewed by staff as a motivator, but once it is in place and then taken away it may result in demotivation. This is encompassed within equity theory. It may be that staff are aware of training and staff development in other organisations and feel they are 'losing out', particularly if the training could lead to job promotion or career development. An example would be a CIPFA trainee given day release for P1, then having to resort to open learning for P2.

(ii) **Marking guidance**

Marking should be 2 marks for explaining an imposed strategy.

Imposed strategy
An imposed strategy is when the organisation is severely restricted on the choice of direction or implementation. It commonly occurs if there has been a change of legislation, a new interpretation of legislation (court case) or an unplanned event that needs urgent attention.

Total marks for part (a) 8 marks

(b)

(i) **Marking guidance**

Marking should be, 2 marks for explaining why the council may seek competitive advantage and 2 marks for explaining the consequences of not achieving competitive advantage.

Competitive advantage

The Council has to compete for funds from the public purse (Government). These funds are limited and so they often allocated on the basis of the best value that could be obtained for the resource. Thus public services have to demonstrate they can provide the service at a 'competitive price'. An example would be funding for e-government projects.

If competitive advantage is lost

The intended strategy of the Council could be severely restricted if funds are not awarded, thus the priorities of the Council (and so the service to the public) would have to be amended. The Council (and so councillors) would be left open to criticism from government and the public for not meeting their intended plans.

(ii) **Marking guidance**

Marking should be 4 marks for outlining how the council could seek competitive advantage and 2 marks for each example. Total 8 marks.

Seeking competitive advantage

This has to be a part of the strategy of the council and so underpin many of its activities.

Competitive advantage could be sought by having a low price strategy for delivery of services. Underlying competences would be easily developed and delivered services, and low cost distribution of those services. This could be achieved by tight cost control, detailed reporting, service focused structures and clear targets and monitoring.

The Council may also wish to differentiate itself from other councils by providing specialist services, for example, having a strong research capability in IT, achieved by strong coordination and employing specialists in that field.

Note

Candidates may discuss Porter's five forces as a means seeking competitive advantage, and also segmentation. These predominantly involve competitor analysis and identifying the organisations competitive position. The question asked for 'how' the council could seek competitive advantage. It is a fine line between the relevance of these to the question. Marks could be awarded for these elements providing it is clear the 'how' element of the question is covered.

Examples
Discretion has to used in marking this element. The examples, however, must be relevant to the scenario.

These may be, for example, the council providing specialist sports facilities such as an Olympic-sized swimming pool, or a tennis facility, that would enable them to access specific funding. Other examples may include e-government, waste recycling, and/or tourist attraction projects.

Total marks for part (b), 12
(20)

Question 5

(a) **Marking guidance**

It is difficult to provide a detailed marking scheme for this element without limiting the scope of the answers. Therefore marks should be allocated as follows:

- *Each element identified ½ mark, up to a maximum of 3*
- *½ mark for each example (provided reason for inclusion is given), up to a maximum of 9*
- *½ mark for each assumption (in paradigm), up to a maximum of 2*

The elements of the cultural web and examples within each element are:

Stories
Example, heroes and heroism. Reason, past experience and legitimise behaviour.

Symbols
Example, cars, mobile phones. Reason, highlights differences in privileges.

Power
Example, Professional bodies. Reason, power may be based on (perceived) knowledge.

Organisation
Example, traditional pecking order. Reason, (perceived?) old boys network.

Controls
Example, reward systems. Reason, individual bonus schemes restrict teamwork.

Rituals and routines
Example, Christmas festivities. Example, the way we do things around here.

Paradigm assumptions
The NHS is a good thing.
Quality service.
Best value.

Note
Some candidates may use a diagram to demonstrate the cultural web. No marks are awarded for this as it is merely one way to provide an answer.

(b) **Marking guidance**

Again it is difficult to be too detailed in what will attract marks, but clearly the answers must be in the context of the question asked. The marking framework should be:

- *½ mark for identifying each barrier, up to a maximum of 2*
- *1 mark for explaining how each barrier can be overcome, up to a maximum of 4*

Examples of barriers could be:
Old boys network.
Tribalism.
View of change agents.
Interpretation of legislation.

Examples of overcoming barriers:
Consultation.
Participation.
By example of other organisations.
Giving ownership.

Total marks for part (b), 6
(20)

Question 6

(a) **Marking guidance**

Marking should be: 2 marks for explaining each element. Total mark 6.

Static conditions
The environment is relatively straight-forward to understand and is not undergoing significant change. Technical processes may be fairly simple, and competition and markets the same over time.
In situations of relatively low complexity, it may also be possible to identify some predictors of environmental influences.

Dynamic conditions
This refers to a fast changing environment. The emphasis is on identifying and creating conditions necessary to encourage individuals and groups to be intuitive about the future.
In situations of this nature, an example may be fast moving technological change, scenario planning is often used to try to make sense of the environment.

Complex conditions
This occurs when the environment is difficult to comprehend. Often the organisation may also face dynamic conditions too. In complex situations there is a greater degree of uncertainty.
This situation often occurs in diverse organisations, such as the public services.

Total marks for part (a), 6

(b) **Marking guidance**

The answers are likely to differ depending upon the sector of the public services used, however it is important that the candidate identifies relevant influences.
Marking should be: 4 marks for present time influences (½ for influence and ½ for reason) and 4 marks for next 5 years, split as present time. Total 8 marks.

Examples may be:

Political
Current – local political stability. Reason – policy direction.
Future – employment law. Reason – relationship with staff.

Economic
Current – inflation. Reason – impact on pricing policies.
Future – interest rates. Reason – impact on loans and investments.

Sociological
Current – pressure groups. Reason – affect on policy decisions.
Future – lifestyle changes. Reason – affect on the demand for services.

Technological
Current – new research. Reason – affect on current policy.
Future – speed of new technology – changing ways of service delivery and cost.

Total Marks for part (b), 8

(c) **Marking guidance**

1 mark for definition, 2 marks for step one, 2 marks for step two and 1 mark for step three. Total marks 6.

Scenario planning
This is modelling of the key environmental drivers in an attempt to understand the implications for the organisation. *1*

Step 1
Identify the forces that have had the greatest impact historically.
Identify the high impact, high uncertainty factors currently in the environment.

Step 2
Identify different possible futures by factor. Examples of futures could be:
Rapid change.
Measured change.
Favourable forces.
Unfavourable forces.

Step 3
Build the scenarios of plausible configurations of factors.

Total marks for part (c), 6
(20)