



CIMA

Enterprise Pillar

Operational Level

E1 – Enterprise Operations

24 May 2011 – Tuesday Morning Session

Instructions to candidates

You are allowed three hours to answer this question paper.
You are allowed 20 minutes reading time before the examination begins during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will not be allowed, under any circumstances , to open the answer book and start writing or use your calculator during the reading time.
You are strongly advised to carefully read ALL the question requirements before attempting the question concerned (that is all parts and/or sub-questions). The requirements for questions 3 and 4 are highlighted in a dotted box.
ALL answers must be written in the answer book. Answers or notes written on the question paper will not be submitted for marking.
ALL QUESTIONS ARE COMPULSORY.
Section A comprises 10 sub-questions and is on pages 2 to 4.
Section B comprises 6 sub-questions and is on page 5.
Section C comprises 2 questions and is on pages 7 to 9.
The list of verbs as published in the syllabus is given for reference on page 11.
Write your candidate number, the paper number and examination subject title in the spaces provided on the front of the answer book. Also write your contact ID and name in the space provided in the right hand margin and seal to close.
Tick the appropriate boxes on the front of the answer book to indicate the questions you have answered.

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TURN OVER

SECTION A – 20 MARKS

[You are advised to spend no longer than 36 minutes on this question]

ANSWER ALL TEN SUB-QUESTIONS

Instructions for answering Section A

The answers to the ten sub-questions in Section A should ALL be written in your answer book.

Your answers should be clearly numbered with the sub-question number and ruled off so the markers know which sub-question you are answering. **For multiple choice questions you need only write the sub-question number and the answer option you have chosen.** You do not need to start a new page for each sub-question.

Each of the sub-questions numbered from **1.1** to **1.10** inclusive, given below, has only ONE correct answer. Each is worth two marks.

Question One

1.1 Transferring some part of an organisation's activities to a subsidiary in another country is an example of

- A free trade.
- B outsourcing.
- C offshoring.
- D delegation.

(2 marks)

1.2 'Servqual' relies on feedback from

- A customers.
- B managers.
- C careful business process re-engineering.
- D a 360 degree appraisal.

(2 marks)

1.3 Attempts by a country to help local producers by restricting international trade is known as

- A factor conditions.
- B enterprise management.
- C governance.
- D protectionism.

(2 marks)

- 1.4 Total productive maintenance involves
- A maintaining worker satisfaction and high productivity.
 - B a cycle of PDCA.
 - C a prevention of quality failures through equipment faults.
 - D eliminating non-value adding activities from a process.

(2 marks)

- 1.5 The ABC system is a method of
- A managing inventory.
 - B selection criteria.
 - C production improvement.
 - D quality compliance.

(2 marks)

- 1.6 A computerised payroll package is an example of a
- A data processing system.
 - B management information system.
 - C decision support system.
 - D web dependent application.

(2 marks)

- 1.7 The acronym SDLC normally relates to
- A skills, deliverables, limitations and capability.
 - B collaborative quality orientated activities.
 - C standard data listed code.
 - D a system (or software) development lifecycle.

(2 marks)

- 1.8 Electronic data interchange relies on
- A structured data and standard business documents.
 - B networking and creativity.
 - C social networking and intelligence sharing.
 - D software development skills.

(2 marks)

Section A continues on the next page

TURN OVER

- 1.9 Corrective, adaptive and perfective are forms of
- A rewards and punishments used in people management.
 - B performance management variables.
 - C systems maintenance.
 - D stock control methods.

(2 marks)

- 1.10 Data integrity and elimination of duplication are key features of
- A effective databases.
 - B end user flexibility and autonomy.
 - C autonomous (independent) working by different functions.
 - D all Web 2.0 tools.

(2 marks)

(Total for Section A = 20 marks)

Reminder

All answers to Section A must be written in your answer book.
Answers or notes to Section A written on the question paper will **not** be submitted for marking.

End of Section A

Section B starts on the opposite page

SECTION B – 30 MARKS

[You are advised to spend no longer than 9 minutes on each sub-question in this section]

ANSWER ALL SIX SUB-QUESTIONS IN THIS SECTION - 5 MARKS EACH.

Question Two

(a) **Explain** the relationship between organisational competences and decisions relating to the contracting out of activities. *(5 marks)*

(b) An organisation is reviewing its decision-making information systems and has asked you to **identify** suitable assessment criteria for this review. *(5 marks)*

(c) Briefly **describe** Hofstede's dimensions of national culture. *(5 marks)*

(d) **Describe**, with examples, the TWO forms of IT/IS controls that exist to ensure complete, accurate processing of data and safeguarding of privacy and security. *(5 marks)*

(e) **Describe** briefly FIVE major developments over the past twenty years or so that have led to globalisation. *(5 marks)*

(f) **Describe** Reck and Long's purchasing development model. *(5 marks)*

(Total for Section B = 30 marks)

End of Section B

Section C starts on the page 7

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SECTION C – 50 MARKS

[You are advised to spend no longer than 45 minutes on each question in this section]

ANSWER *BOTH* QUESTIONS IN THIS SECTION – 25 MARKS EACH

Question Three

The company 2TW manufactures and sells products throughout Europe and is organised into dozens of strategic business units (SBUs). SBU managers, who report to regional directors, have for many years been paid bonuses on total SBU sales generated. This has led to a rapid growth in overall turnover but 2TW has experienced declining profitability over the past few years, and the Chief Executive fears a loss of control over SBU operations. As a result, six months ago 2TW's Chief Executive used management consultants to conduct a complete organisational review. The management consultants have now reported that:

- inadequate quality control systems exist within the company, which has led to differing operating efficiencies between SBUs;
- there are significant numbers of returned goods which require replacement or reworking;
- current incentives for SBU managers are inappropriate given 2TW's declining profitability.

In an open letter to all SBU managers, the Chief Executive announced two new initiatives:

- A company-wide introduction of international quality standard ISO 9000 certification which should deliver significant organisational benefits;
- 2TW's HR department will redesign the remuneration and reward package for SBU managers including the existing bonus scheme. Performance related pay for achievement of individual 'performance targets' will replace existing bonuses. Suitable performance-based measures of profitability and quality will be designed as part of this approach and SBU managers will need to agree targets as part of the normal appraisal processes.

Informal discussions amongst SBU managers confirm that the Chief Executive was right to take action over declining profitability but some are doubtful that ISO certification will deliver the benefits the Chief Executive hopes for. Others are eager to see details of the new reward scheme and whether it has taken account of all relevant factors.

Required:

- (a) **Describe** the potential benefits of quality standard ISO 9000 certification to 2TW.
(10 marks)
- (b) **Discuss** the factors that should be taken into account by the HR department when redesigning the remuneration and reward package for SBU managers.
(10 marks)
- (c) Suitable measures of performance for SBU managers will be designed as part of the redesigned remuneration and rewards package. **Describe** the desirable features of such measures.
(5 marks)

(Total for Question Three = 25 marks)

Section C continues on the page 8

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Question Four

Four years ago, E retired as Financial Director of an airport company to become an ethical entrepreneur. He now employs ten people producing natural spring water and selling it in both still and sparkling varieties in individually sized plastic bottles. There has been no staff turnover whatsoever. The company, called 99, uses 'green' electricity and all profits go to a charity that installs pumps to provide clean water to some of the poorest communities in the world. Thanks to E's business contacts, 99's water is sold in a few garages, on airplane flights and in airport shops. He has, however, found it impossible to get its water stocked by supermarkets because they want to charge a standard 'joining fee' for small suppliers, even though they know that 99 exists for charitable purposes. Despite this, and the fact that competition in the industry is intense, 99 has achieved rapid growth and significant profits (E receives no salary and the wages of employees are modest). Every time 99 sells enough bottles to build a new pump, it sends two employees abroad to help with the installation and pictures are published on the company website.

A recent national survey indicates that customers want products supplied and marketed responsibly and blame large retailers for not providing more environmentally and socially friendly products. Three quarters of respondents in the survey say that they 'completely agree' that they would choose a socially and environmentally responsible product over one that was not, and two thirds say that they would work for an ethical employer even if it meant being paid less.

Last year E turned down a financially lucrative offer to sell 99 to a leading drinks company, believing that it did not really share his vision and was merely attempting to buy credibility with the growing number of consumers with ethical concerns. Now Z, a large food and drinks company has made a similar offer. Z sees the acquisition of 99 as a way of complementing its product portfolio and furthering its marketing strategy of addressing consumers concerned about green and ethical issues. Z, which began as a workers' cooperative, makes charitable donations annually, has carbon labelling on all of its products and has plans to make all packaging biodegradable or recyclable. Z's distribution also involves the use of low-carbon vehicles. Should the takeover go through, Z promises to operate at a distance, allowing 99 to run in a similar way and promises to increase the current level of water pumps financed incrementally every year to double the numbers within the next five years. Z is also reviewing its HR activities and feels it could learn from aspects of 99's operation which it believes exhibits best practice and societal trends.

E believes that, by agreeing a deal with Z, there would be a number of benefits for 99 which would include:

- financing more clean water pumps;
- an improved distribution network and environmentally cleaner transport;
- the opportunity to ensure bottles and packaging become 100% biodegradable or recyclable;
- expertise to develop the 99 brand still further;
- an ability to get 99's water onto supermarket shelves.

The requirement for Question Four is on the opposite page

Required:

- (a) **Explain** the reasons why a strong brand is so important to companies such as 99. (10 marks)
- (b) **Describe** the key aspects of the product and place mix involved in a deal between Z and 99. (10 marks)
- (c) **Discuss the** positive features of 99's past success which could help inform Z's review of its own HR activities. (5 marks)
- (Total for Question Four = 25 marks)*

(Total marks for Section C = 50 marks)

End of Question Paper

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LIST OF VERBS USED IN THE QUESTION REQUIREMENTS

A list of the learning objectives and verbs that appear in the syllabus and in the question requirements for each question in this paper.

It is important that you answer the question according to the definition of the verb.

LEARNING OBJECTIVE	VERBS USED	DEFINITION
Level 1 - KNOWLEDGE What you are expected to know.	List State Define	Make a list of Express, fully or clearly, the details/facts of Give the exact meaning of
Level 2 - COMPREHENSION What you are expected to understand.	Describe Distinguish Explain Identify Illustrate	Communicate the key features Highlight the differences between Make clear or intelligible/State the meaning or purpose of Recognise, establish or select after consideration Use an example to describe or explain something
Level 3 - APPLICATION How you are expected to apply your knowledge.	Apply Calculate Demonstrate Prepare Reconcile Solve Tabulate	To put to practical use Ascertain or reckon mathematically To prove with certainty or to exhibit by practical means Make or get ready for use Make or prove consistent/compatible Find an answer to Arrange in a table
Level 4 - ANALYSIS How you are expected to analyse the detail of what you have learned.	Analyse Categorise Compare and contrast Construct Discuss Interpret Prioritise Produce	Examine in detail the structure of Place into a defined class or division Show the similarities and/or differences between Build up or compile Examine in detail by argument Translate into intelligible or familiar terms Place in order of priority or sequence for action Create or bring into existence
Level 5 - EVALUATION How you are expected to use your learning to evaluate, make decisions or recommendations.	Advise Evaluate Recommend	Counsel, inform or notify Appraise or assess the value of Propose a course of action

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May 2011

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