Question One

**Required**

With reference to theory, **discuss** the recommendations TS Consultants could make to help improve performance and staff morale in the Finance Department of YR Hospital.

*(Total for Question One = 10 marks)*

Two problems identified within the Finance Department in YR Hospital. is that there exists a bureaucratic culture and ineffective reward systems. I will discuss each in turn including appropriate theories to support my analysis.

**Bureaucratic culture**

The culture of the Finance Department in YR Hospital. would be according to Roger Harrison a ‘Role’ culture (or according to Charles Handy an ‘Apollo’ culture). Job descriptions specifying purpose responsibilities and boundaries. Communication is formalised by job title, supervision and reporting lines. This culture thrives on routine and stability but does not develop staff with independence or initiative. Very much a culture of ‘a place for everything and everything in its place’.

This type of culture could also be likened to Burns and Stalker’s mechanistic organisation where rules (or bureaucracy) control rather than culture. The organisation being automatic and impersonal (mechanical).

**Characteristics of bureaucracy within the Finance Department in YR Hospital**

- Centralisation of decisions, autocratic leadership and departmentalisation
- Authority and accountability through vertical scalar chain
- Communication downwards only
- Specialisation of workers and activities
- Rules and procedures for work processes

The Finance department is not integrated effectively, with staff ideas being stifled by a vertical and autocratic chain of command. This inevitably means inefficiency and lack of focus on the needs of other departments, complaints have been received from other departments. There exists a ‘them and us’ culture between managers and
staff, due to the autocratic leadership style that exists e.g. managers unwilling to allow staff participation in decision making, closely supervise staff and defend their territory to retain power and status.

**Ineffective reward systems**

Frederick Herzberg developed a theory about ‘hygiene factors’ and ‘motivators’ as a two factor theory. Hygiene factors are an example of extrinsic motivation e.g. the desire to perform based upon the potential external reward that will be received, these factors are outside the on-going activity of the work itself.

**Examples of hygiene factors within the Finance Department in YR Hospital**

- Competitive salaries
- Excellent working conditions
- Benefits in kind e.g. free car parking, subsidised canteen and access to sports facilities.

The above factors do not provide ever lasting satisfaction if the staff have no sense of intrinsic reward from the work that they perform e.g. no feedback on their performance, limited opportunities and no recognition of achievement.

**What TS Consultants could do to help improve performance and staff morale**

- Encouragement of greater socialisation and teamwork between different managers and staff e.g. team building, corporate events, job rotation and greater opportunities for staff secondment in other departments
- More democratic or participative styles of leadership encouraged by management, perhaps through management training
- Reward bonus introduced based on achievement of performance measures
- Training and development.

According to Herzberg ‘motivators’ actually do satisfy employees and were more likely to increase performance if present. Such factors above can all lead to greater job enrichment for managers and staff within the Finance Department, improving performance and helping to cut down on absenteeism and staff turnover. Such factors are based upon intrinsic motivation e.g. a desire to do something based upon the enjoyment or pleasure from the action itself rather than any reliance on extrinsic factors.

**Examples of Motivators that can be introduced within the Finance Department**

- Personal growth and advancement e.g. create more career structure progression and other opportunities for staff.
- Recognition for staff achievement e.g. employee of the month.
- Regular constructive feedback given to staff.
- Greater responsibility for decision making given to staff e.g. empowerment.

The conclusion is that greater motivation and therefore performance can be achieved through effective job design and enrichment not pay and conditions of work. This will also long-term, help reduce absenteeism and staff turnover which is currently high within the Finance Department.
Question Two

Identify the characteristics of the organisation that make it appropriate for M to have a matrix structure.

(Total for Question Two = 10 marks)

Question Two

The matrix organisational design was first developed in the 1950s within the USA aerospace industry, by a company called Lockheed aircraft makers, California. Each aircraft built specifically for a customer, assigned specialists from functional departments to work on one or more projects led by a project manager. Teams of staff were established from various departments within the organisation, coordinated by a project manager who had accountability to deliver the aircraft and meet project deliverables e.g. time, cost and quality. M is similar to Lockheed and many other organisations working within a project environment.

The characteristics of M that make it appropriate to have a matrix structure.

- M works in a project environment delivering products which are custom made the matrix structure works on delivering products unique to customer needs by using project managers and team working practices. A matrix structure supports organisations that make a specific product which is unique to customer needs.

- The projects undertaken by M are customer focused M places emphasis on key goals determined by the client, not internal department objectives which are focused on internal activities. This task culture characteristic of M, according to Harrison, supports a matrix structure.

- The projects M undertakes will involve experts from many functional areas. Communication or reporting cross all functional boundaries, not just vertical chains of command. A matrix structure will support such working practices and facilitate better communication.

- Projects are complex and involve many different types of department or staff roles to achieve project goals. Dispersion of power and influence within a team/matrix environment will allow more innovation and emergent strategies to develop to support M projects and achieve high levels of customer satisfaction.

- Projects within M are continually being completed and started. Flexible culture and working practices are therefore required e.g. empowerment and project teams that work well in temporary environments. A matrix structure would support this characteristic of M.
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Question Three

Required:

Explain the points that LC should make concerning the process and the benefits of mentoring for new members of staff.

(Total for Question Three = 10 marks)

Question Three

The process of mentoring for new members of staff

LC needs to explain to JB that mentoring means guidance, help, assistance, advice or support in order for a new member of staff to improve knowledge, skills or develop themselves, it has a strong link with induction and the career development process. This process is best communicated by holding a meeting to discuss openly with JB, it should include.

- The key reasons for mentoring and benefits that exist
- Explaining existing policies and procedures in place to provide mentoring e.g. appointment of experienced colleagues, systems for contacting etc.
- The organisational support available to JB and how this will benefit her. Staff may need to be convinced of the benefits of a mentoring program, especially when there is a lack of hard evidence to justifying its effectiveness. Perhaps staff which have been mentored or those that do mentor, can attend the meeting or contact JB later to talk openly about the benefits they feel they have received from programmes administered.

The points LC should make concerning the benefits of mentoring

- Improves skills of JB as part of induction to ‘mould’ her into the corporate culture but also part of training and development to improve skills JB has or will need in the future. Can provide advice or assistance to JB whilst on the job.
- Provides her with a more satisfactory career e.g. career development and job enrichment.
- Part of succession planning e.g. for when key members of staff leave.
- Faster progression of staff when development and training is required.
- Ensures the organisation makes the best use of the human resources it has e.g. to improve its products, services and gain competitive advantage.
Question Four

The purpose of corporate appraisal (SWOT)

A corporate appraisal is a critical assessment of the strengths and weaknesses, opportunities and threats (SWOT analysis) in relation to the internal and environmental factors affecting an entity in order to establish its condition prior to the preparation of the long-term plan. (CIMA).

The purpose of the corporate appraisal is to help PRC as an organisation, understand its distinct competences and environmental challenges it faces for the industry of baby clothes and toys. It can help encourage strategic thinking by management and help formulate strategies to achieve key performance indicators. SWOT also acts as a tool for early warning signals when regularly conducted e.g. external threats protected against if possible, or internal weaknesses converted to strengths. SWOT also helps breakdown the complexity of information that needs to be gathered by PRC when making strategic decisions.

What would be involved in PRC Company undertaking a corporate appraisal

Strengths e.g. core competences, and weaknesses are internal/within the organisation need to be identified and understood, perhaps by using position audit tools such as value chain analysis or BCG Box. The current and internal position of PRC needs to be understood strategically in terms of resources, products, brands and markets, the internal organisations processes, financial results and returns to equity shareholders.

Opportunities and threats also need to be documented, these are external/outside the organisation and can be identified by using environmental analysis tools like Porters five forces or PEST analysis (and other derivatives of this). Porters five forces will help determine the competitive forces within the industry and the impact this may have on the profitability within it. PEST analysis would be a good indicator of the potential external threats or opportunities that may have an impact on the industry for baby clothes and toys e.g. political, economic, social or technological factors.

Information derived from a SWOT can be used to match strengths e.g. product innovation, to new opportunities identified by PRC within its market place (or otherwise) e.g. the introduction of further clothing or toys within its product range.

Information derived from a SWOT indicates internal weaknesses that need to be converted to strengths, to improve competitive position e.g. cost reduction programmes or tighter controls over the cost of operating retail stores. The SWOT will also indicate any external threats need to be considered and protected against if possible, and by doing so will mitigate or reduce risks that could be harmful to profitability.
Question Five

Required:

**Compare and contrast** the different types and sources of conflict occurring in LS Company.

*(Total for Question Five = 10 marks)*

Conflict is the divergence of interest between individuals, groups or departments when they share resources or perceive their goals to be incompatible. Conflict needs to be managed to ensure working relationships within the LS Company are productive and efficient. Charles Handy gave the symptoms of conflict as poor communication in all directions, interpersonal friction and low morale and frustration. He also mentioned that conflict can be constructive e.g. generating new ideas and facilitating change, as well as being destructive e.g. destroying morale and motivation. In this case conflict could be one of the major reasons why performance is suffering within LG.

The main type of conflict that exists within the LS Company is *horizontal conflict*, the conflict that exists between the departments that are at the same level of hierarchy within LS. The trade union issue regarding laying off production workers is a type of conflict known as *vertical* as opposed to *horizontal* conflict, due to problems exiting between management and staff e.g. within the hierarchy or vertical chain of command.

Sources of conflict that exist within LS could include the following.

**Goal incompatibility**

A goal of the finance department is to ensure all products the LS company sells provide an adequate return, often through the imposition of budgets or in this case *price increases* on products. The marketing department’s goals are the effective promotion and sales of the LS Company’s products, this often leading to far greater expenditure or disagreements over pricing. Lack of compatibility of goals can be a major source of conflict within an organisation.

The trade union which represents the production workers is now threatening to take industrial action; their goals include preserving jobs of production workers who are members, where as for the LG Company the principle goal is cost reduction in order to survive, once again goal incompatibility will be a major cause of conflict.

**Differences in culture, values or perceptions**

Specialised departments often become *islands* within the organisation, cut off from one another and different sub-cultures develop. This creates a lack of communication within the organisation, creating conflict that exists between departments and the lack of ability to work together. In order to be more effective there must exist strong interdependence between departments, otherwise any lack of cooperation means the LS company will not be a successful as it could be.
Misunderstanding

The Marketing and Sales Department staff feel that the Finance Department staff are short sighted, too focused on costs in pricing decisions and do not appreciate that there are other factors that should be considered in product price setting. This lack of understanding by marketing, and also from Finance towards Marketing, is a source of conflict that may exist within the LC company.

Clashes of personality

Differences in personality of managers from each department can often create interpersonal conflict between managers or departments. Internal politics, misunderstanding, insensitivity and lack of support for one another, can create the kind of conflict that may exist within the LC company.
SECTION B – 50 MARKS

Question Six

Required:

(a) With reference to Porter's Diamond model, explain the different sources of national competitive advantage that the companies from PP Country may enjoy and which could give them a competitive edge over S Company.

(15 marks)

(b) Using an appropriate strategic management framework / model, describe the information that GR, the Sales and Marketing Director, would require to help him assess the external environment in NN Country.

(10 marks)

(Total for Question Six = 25 marks)
Question Six – Part (a)

Michael Porter isolated four national elements or components which will allow competitive advantage to exist within an industry or company for certain goods or services produced. When all of the four components of his diamond model exist within a country, this allows domestic firms within certain industries to thrive and compete more successfully on an international platform.

These different sources of national competitive advantage that companies like PP Country may enjoy are explained below.

Favourable factor conditions

The existence of either basic or advanced factors generally determine the success of industries e.g. you need steel to make cars, you need fertile land to grow crops, or you need skilled engineers to make software. Without such factors present it would make it difficult for certain industries to flourish domestically in the first place.

- **Basic factors** e.g. a country's possession of natural resources such as commodities, land, raw materials and labour supply which may enable certain industries to thrive. A country either has the climate, coal, gas, oil, a large population, precious metals, abundance of fertile land, or it does not.

- **Advanced factors** e.g. the country's possession of infrastructure, IT, telecommunications, roads, railway, airports, universities and education, training and skills available to the industries of the country. Advanced factors are normally present only within developed economies e.g. those countries which can afford them. Technology and product innovation could be important reasons why PP Country has competitive advantage, allowing them to outcompete companies like S Company in other countries.

Demand conditions

Demanding and sophisticated domestic customers set standards and demand more from their national firms. Only those firms which successfully innovate to meet these challenges will survive on a global scale. Substantial demand enables national firms within a domestic market to benefit from economies of scale and compete on a global basis. Economies of scale could be an important advantage when it comes to PP Country achieving a reduction in cost per unit for the electronic products they sell and the ability for them to sell at low prices internationally, outperforming other countries.

Relating and supportive industries

World class suppliers domestically within a country can help improve another domestic industries products e.g. better know how, innovation or quality of the components or services they supply, will have a greater impact on the innovation or quality of the next product within the supply chain. Intense competition from domestic suppliers normally improves services and forces suppliers to innovate. Within the industry for mobile phones, laptops and MP3 players, innovation and quality of components through the supply chain is crucial, this could be again a major reason by PP Country competes so effectively in this industry internationally.
Firm structure, strategy and rivalry

This is the extent of rivalry and competition existing domestically within the country. Intense competition normally improves service and normally forces domestic firms to innovate, such fierce competition often produces very capable and stronger national firms because of this. Porter also discussed the importance of clustering e.g. many firms concentrated together in the same geographical area, such as IT companies within Silicon Valley, US. Such clustering creates strong innovation and an increased supply of skilled labour to such industries.

Chance also plays a significant part in the development of successful industries within countries. Governments can also play a huge part in developing the right characteristics to allow such industries to thrive.

Question Six – Part (b)

**Tutor Note:** For this question you could have used PEST (or other derivatives such as STEEPLE or SLEPT) or 5-Forces as a suitable strategic framework to answer this question. Best approach is to introduce a theoretical framework briefly and then describe the information that GR, the Sales and Marketing Director, would require to help him assess the external environment in NN Country.

Porter’s five forces helps an organisation understand its task, industry or competitive environment, in this case the market environment of consumer electronics within Country NN. Porters five forces will help determine the competitive forces within the industry and the impact this may have on the profitability within it. By carrying out such an analysis it helps a new entrant like the S Company to understand whether these five forces are either weak or strong. In the case of strong forces, lowering the profits within an industry, in the case of weak forces allowing superior profits to be earned.

- Threat of new entrants into the industry
- Bargaining power of suppliers within the industry
- Bargaining power of customers within the industry
- Competitive rivalry within the industry
- Threat of substitutes outside the industry

Once such an analysis has been undertaken it allows an organisation to decide how it will successfully compete and help mitigate any negative forces identified. The information that S Company could include in an industry analysis could be as follows.

**Threat of new entrants**

Information on any new entrants from neighbouring or other countries, who they are and on what basis they are competing with S Company. Also information concerning any effective barriers to entry for new competition within Country NN e.g. competition laws, high set up cost or knowledge expertise required. This could
have an impact for S Company because the information would indicate how difficult the industry will be to break into for the first time. Political information as well as legal information regarding competition policy and law should also be collected.

**Bargaining power of customers**

Customs, attitudes and beliefs of existing customers within the market. Company S needs to continually react to the changing needs, wants and values of its customer base; it therefore should seek information on why customers use alternative suppliers. Knowledge of customers will be vital for Company S if they are to continually satisfy and supply these customers, such information can also help reduce the bargaining power of these customers. Given perhaps constant change of technology, the patent of inventions or new designs by Company S can to some extent protect against competition or help improve services to exiting customers of Company S. Information should also be sought from customers concerning the effectiveness of the different advertising mediums Company S could use.

**Bargaining power of suppliers**

Customers may be seeking more effective technology within their products e.g. lighter weight or stronger materials used in the manufacturing of electronic components/products. It is important that information is obtained about different suppliers, prices charged, the services and technology they can offer to Company A. This will help Company A compete more effectively by the strategic use of what suppliers could offer.

**Competitive rivalry**

Information is needed to identify who the competition is, the basis of how they compete with Company A, the technology they use in manufacturing processes and the marketing mediums e.g. trade magazines or fairs, websites, they are using in order to attract new or existing customers.

**Substitutes**

These are alternative industries or product that satisfies similar needs or wants for customers with Country NN. The greater the number of substitutes that exist, the greater the choice and therefore bargaining power a customer has. A high level of substitutes or choice available to a customer creates lower prices within an industry, therefore S company needs to collect any information regarding close substitutes and the impact this could have on selling products in this country, the i-phone has many cheaper imitations on offer.

Other information S company needs to collect to help assess the external environment in NN Country, include economic factors such as exchange rates, interest rates, taxation, the business cycle or even protectionism measures used by Country NN. Such information will help S company identify factors which influence their profitability, as well as helping to mitigate any economic risks identified e.g. fixed interest loan agreements or hedging exchange rates.
Question Seven

Required:

(a) **Explain** how project management software could help the project manager and the project team during the life of the project.

(12 marks)

(b) **Identify** the main stakeholders of the project and **recommend** appropriate strategies that the project manager could use to manage the different stakeholders' expectations.

(13 marks)

*(Total for Question Seven = 25 marks)*
Question Seven – Part (a)

The FD has the ultimate responsibility for ensuring the desired result is achieved, that is, the new sports facility project is on time, within cost and meets the specified quality required e.g. build quality, safety standards and functionality. To manage this, resources such as staff, equipment and money, must be used efficiently and effectively.

Project software provides different applications to assist with project planning, monitoring and controlling a project. Project management software on the market today includes Lotus Notes / Domino or Microsoft Outlook / Exchange. These fairly comprehensive and integrated packages provide project applications for timesheets, expense reports, resource management, job costing, help desk services, time reporting and much more.

Project scheduling

One of the most common tasks of a managing a project is to schedule a series of events for the different activities to be completed. The duration and dependency of each event directly determines the length of the whole project. Project software can help automatically produce critical path diagrams or Gantt charts to help the FD with more effective scheduling, resource planning, monitoring and controlling the project. The software can also instantly update time plans if new information is entered and produce automatic reports comparing actual against budgeted time.

Budgeting and controlling cost

Project software can provide an application for entering costs for the completion of the new sports facility project e.g. budgeted or forecast cost for different resources or activities required, and also maintain information regarding actual costs and estimated costs to complete the project. Any causes and value of any deviations between budgeted and actual cost can be monitored during a project and reported in a timelier manner than if manual systems were used. Project software will therefore help the FD control costs, but also improve communication and reporting to the project board (Board of V), project team or the three large local businesses investing within the project.

Communication and coordination

Project management software provides many tools to help plan and communicate, including network analysis, Gantt charts, work breakdown structure and budgeting applications. It can also provide report templates with good graphical features to provide information and communicate with the various stakeholders of the new sports facility project. Another application of project management software is the feature of calendars, diaries and reminders which will help coordinate meetings more effectively between the FD and his project team or the project board.
Work breakdown structure

Project management software can help assist with planning and coordination of project staff by breaking tasks or activities down into more manageable and smaller units of work or activities to be completed e.g. WBS. Automatic schedules of work can be printed off and delegated to staff within the project team and would be ideal for monitoring their progress. Cost breakdown structure (CBS) can be used from a WBS as a feature to list every item of expenditure classified for the new sports facility project and get a more detailed estimate of its cost. The Board of V have made it clear to the FD that overspending on this project is not allowed.

Risk management

Risk management is concerned with the identification of risks and any courses of action to deal with them. This project involves a large number of specialist building contractors and equipment suppliers, as well as a large number of different stakeholders to manage. Despite all of the best planning, things do go wrong, cost can exceed budget, things can be late in delivery and key suppliers can let you down. By the production of critical paths, resource diagrams, scheduling and the breakdown of workload, project management software can help the FD at the planning stage and as an on-going process throughout the project stages, to identify and manage risks. The information produced from software reports can be used for contingency planning and the generation of courses of action should problems occur.

In conclusion project management software will help manage the sheer complexity of managing funds, equipment, staff and other stakeholders to achieve project objectives. It assists the FD with more accurate planning, monitoring and controlling of a project and helps coordinate and communicate with the various project stakeholders.
Question Seven – Part (b)

(b) **Identify** the main stakeholders of the project and **recommend** appropriate strategies that the project manager could use to manage the different stakeholders' expectations.

(13 marks)

Stakeholders are those organisations or people that have an interest in the new sports facility project, these interests for varied reasons. The main stakeholders identified for the new sports facility project are as follows.

- The Board of V (project board or project sponsor)
- The three large local businesses (Project investors)
- Regional authority staff
- Specialist building contractors and equipment suppliers
- End users (consumers) the new sports facility e.g. residents and local school children, and local residents
- The media e.g. local newspaper

**Recommended strategies**

Mendelow's matrix prioritises by mapping which stakeholders should be more likely considered and satisfied by the FD. Stakeholders can influence heavily the success or otherwise of the new sports facility project. Overtime a certain stakeholder's position may change once mapped and even though they may not have any power or any strong influence over the project at present, they could be able to exert influence over other more powerful stakeholders e.g. local residents and the media, if collaborating, could effect the ultimate decision about what site the new sports facilities would be built upon. Stakeholders also when united collectively can often exert a stronger influence over the project and mission and goals it aims to achieve.

**The Board of V (project sponsor) and three large local businesses (investors)**

These stakeholders are the project owners or the financiers of the new sports facility project and very interested in the end result being achieved. These stakeholders are highly interested in the new sports facility project being built to high standard, within cost and within time. These stakeholders also are highly influential (high power) over the process and outcome of this project, according to Mendelow.

The FD should consider the interests of these stakeholders because he is directly accountable to them. The FD to manage expectations must communicate by regular progress reporting keeping these stakeholders up to date in terms of progress e.g. scope of facilities time of delivery, cost, risks etc, the FD may need to negotiate and sell change if more resources are required.
Regional authority staff in particular those being relocated

Two other smaller sporting facilities in the town would be closed down, there has been hostile reaction from those staff that will be required to relocate. Their interests seem to be preservation of the status quo, with regard to staying on the existing regional authority sites. It is not known what the interests of local residents relocating to the new sports facilities site will be; they perhaps would be interested in the recreational facilities that the new site may offer, their interests could also be affected by what they read in the local newspaper. Their level of interest seems high, but their power or influence over project decisions very limited, they would be a 'keep informed' stakeholder according to Mendelow.

The FD should consider the interests of these staff and fully consult with them to resolve the conflict, otherwise good staff may leave and morale and motivation throughout the project could suffer. In the first meeting held by the project manager he was met with a hostile reaction, the FD must sell change e.g. educate the reasons, but also the benefits to staff of relocation, new facilities can create new positions to improve status of staff and more modern and spacious offices.

Project team, specialist building contractors and equipment suppliers

This project is high profile but the level of business it generates to a third party supplier generally would determine the level of interest e.g. if value of sale materially is low, then interest would be low. However the quality of work, efficiency, skills and experience of project staff and suppliers, will contribute enormously to the success of this project. For this reason influence (power) of these stakeholders I would argue is high and therefore considered as a 'keep satisfied' stakeholder according to Mendelow e.g. involve from the start and pay them on time. The project manager (FD) needs to understand the interests of his team in order to motivate and get the best out of them to perform and achieve the project objectives. He must also negotiate, cost, schedule and manage many different sub-contractors therefore good systems to do this will be essential.

End users and local residents

Residents and local school children may have already formed their own expectations about the facilities the new site will bring, its important the FD strengthens the success of the new site by promoting and advertising the benefits it will bring and the type of facilities it will have to offer to these ultimate customers or consumers.

The level of interest shown by local residents is high, but their power or influence over project decisions maybe very limited, they would be a 'keep informed' stakeholder according to Mendelow, or perhaps if collaborating with other stakeholders, a 'key player'.

The FD could hold a meeting inviting these stakeholders, as well as media and other interested parties to discuss end user needs, and the benefits the new site will bring. This could involve changing the planning of the project to incorporate other facilities not currently considered, to 'win over' key stakeholders, or even the movement to a new site altogether, if enough collaboration from those stakeholders exist who strong oppose to the new site.
The media

Adverse publicity if it continues will only strengthen the case of the local coalition and ultimately could lead to no planning permission being granted. The local newspaper could be interested in good news stories, the FD could try and get some news coverage promoting the merits of the development, such as the jobs it will create in the local area, the spacious, modern and range of facilities the new site will offer, this could help simmer or change opinion.

It is impossible for the FD to be committed to treating all stakeholders with equal respect, all stakeholders can be listened to, but at the same time it would very difficult to consider their views equally, after all not everyone can be pleased, the interests of different stakeholders can enormously conflict. The FD will therefore need to analyse and understand the objectives and influence of these different stakeholders and any relationships that exists between them, he needs to priorities and manage relations with the most important of them e.g. by consultation, participation and communication.