Some of the answers that follow are fuller and more comprehensive than would be expected from a well-prepared candidate. They have been written in this way to aid teaching, study and revision for tutors and candidates alike.

Answer to Question One

The mission essentially provides a broad statement of the overriding purpose of PV Company in terms of the products and services it provides. It is also concerned with the scope and boundaries of the company's operations in product/market terms. The mission should, therefore, be used to guide the company's current strategic decision making, articulating what PV Company does and who the organisation is for; in other words its raison d'être. It should reflect the company's core values in line with the values and expectations of the various stakeholders.

The development of a mission is an important element in the strategic planning process, in that PV Company's objectives should be set to support the mission. The benefits of this would help to provide a basis for consistent strategic and operational planning. It could assist in translating PV Company's purpose and direction into objectives suitable for assessment and control.

The mission is an essential element in the definition of what constitutes the strengths and weaknesses of PV Company and could act as a benchmark by which plans are judged against and it should help to ensure consistency in both future decisions and evaluation of possible strategies across the organisation.

Since a mission is concerned with why an organisation exists, a key benefit is that it will convey the scope and boundaries of PV Company's activities. This should help in providing clarity on purpose which currently appears to be problematic with different parts of the company having different priorities and objectives.

The mission can be powerful in communicating the intentions of PV Company and inspiring a common vision of the future. It provides everyone with unanimity of company purpose and a sense of shared values. The ideal is that everyone in the company will buy into the mission which should then provide a common source of direction for all employees, focusing on the company's strengths and competitive advantage.

It would also help in establishing clarity on PV Company's values. The values incorporated in the mission should relate to the culture and should capture the basic, perhaps often unstated, beliefs of the people who work for PV Company.

The mission could be embodied in a mission statement which could be reproduced and used on different media to reinforce the key elements of the mission as a communication vehicle not only for employees but also other stakeholder groups.
Answer to Question Two

In explaining how the functional strategies support the overall corporate strategy of an organisation it is helpful to think about the different levels as a hierarchy, whereby activities at the lowest level (functional) are guided by decisions at the higher level. In making the distinctions between the different levels, Hofer and Schendel distinguish between the corporate strategy (what business to be in), business strategy (what market segments to serve and how) and functional strategy (the detailed strategies of departments such as HRM, Finance, Marketing, Sales, Production etc).

Functional strategies, which are sometimes referred to as operational, are the longer term management policies that are intended to ensure that the functional areas of the company play their part in helping the organisation to achieve its overall goals. They are important since this is the level at which corporate and business level strategies are implemented in detail. This means translating the objectives of the organisation and SBUs into digestible elements.

Functional strategies within operating companies do accumulate upwards, like building blocks into business unit development and hence into overall organisation’s strategy. Steps taken by the functional departments need to be tied into the business unit strategies because otherwise departmental actions can thwart or counter the thrust of the overall business, or add too little to the value within the overall value of the business.

It is essential that the various functions of the organisation contribute to the achievement of higher level strategies, working in a supportive sense rather than conflicting with the corporate and SBU strategies since it is the accumulated effect of the strategic steps taken in each function of a business (HRM, Finance, Marketing, Sales and Production etc) that determines the strategic development of the business. For example, the recruitment strategies developed by HRM need to be designed to ensure that new staff are recruited with the skills needed for the future development of the organisation.

In developing functional strategies there is both a top down and bottom up communications exchange. This helps to ensure that the right strategic decisions are taken, that the detail will work and that everyone is aware of the plan and personally engaged in it to ensure its achievement.
Answer to Question Three

Requirement (a)

The concept of organisational culture is an important one for S Company because it can exert a strong influence on business performance. It can shape the behaviours and actions of individuals in the workplace and is often referred to as the 'glue' that holds the organisation together.

There are different types of culture which are determined by an organisation's structures, processes and management methods. Currently, S Company is typified as having a role culture which can be very efficient and successful in a stable environment when work is predictable and the organisation can control its own environment. However, this type of culture appears to be having an adverse effect on S Company's performance as the company now faces very different operating conditions and needs to become more flexible to respond to the quickly changing environment. The reasons for this can be explained by examining the characteristics of a role culture.

Role culture is usually associated with a formal structure, comprising well established rules and procedures. Job descriptions are clearly defined, tightly describing the tasks of an individual's job. This leads to a strict division of labour with people often reluctant to take on wider responsibilities, as in the case of S Company. Staff tend to be obsessed by fulfilling their narrow job duties, with a preoccupation on day to day administrative activities rather than longer term issues. These characteristics would make it difficult for the organisation to be flexible and adapt to the more competitive operating environment, acting as a barrier to new product development needed by S Company to compete.

Within a role culture, the organisation will be dependent upon various functions, each of which has its own areas of strength and influence, with an emphasis on internal processes rather than external focus. This type of culture is also impersonal, relying on formalised rules and procedures for work routines and communication and for guiding decision making in a standardised and bureaucratic way.

Relations between staff are dominated by hierarchy and authority with formal and rigid control systems. Individuals are selected for particular roles on the basis of their ability to complete a particular task to the required level and over achievement is not actively pursued. These characteristics of a role culture can mean that it is more resistant or very slow to adapt to change and getting people to work together across boundaries can be difficult.

Innovation is often stifled, since the culture is one which insists people go through layers in the hierarchy to gain approval. Decisions are made at senior level with little involvement from other members of the organisation. In fact, new ideas from below may be regarded with suspicion from above. Individuals are required to perform their job and not to overstep the boundaries of authority. This is occurring in the case of S Company, and would seem to be partly responsible for the lack of flexibility, responsiveness and ability to be effective in new product development.

Requirement (b)

It is apparent that the culture of S Company needs to change and it is recommended that a task culture would be more appropriate given the changes in business conditions. This type of culture is typified by teamwork, flexibility and commitment to achieving objectives rather than emphasising a formal hierarchy of authority.

The task culture is often reflected in a matrix structure or project teams, where the focus is on completing a job or project. A task culture tends to encourage greater flexibility, with people working together across functional boundaries to achieve organisational objectives, and people are not hindered in terms of their contribution by tight job descriptions. This would better suit new product development activities where people need to work effectively across boundaries.
Staff become loyal towards the work rather than towards formal rules. The principal concern is to get the job done, breaking down rigid hierarchies and functions. Therefore, the individuals who are important are those with the skills and ability to accomplish a particular task. Skill and expertise are more important than length of service and position in the organisation.

Team work is fundamental to a task culture, rather than the achievement of individuals. By nature a task culture fosters creativity and is adaptable, responsive and able to change very quickly and well suited to new product development activities.
Answer to Question Four

Requirement (a)

- Critical Path = B,F,G,H
- Duration = 40 Weeks
Requirement (b)
The recruitment campaign can start in week 24.

Requirement (c)
Activities A and E have 3 weeks float time.
Activities C and D have 2 weeks float time.

Answer to Question Five
There are a number of strategic management frameworks that could be used to assess the external environment in F Country to decide whether to move into F Country. These include PEST, Porter’s five forces, and Porter’s Diamond. This answer will explain PEST.

The PEST framework is a useful way of organising information on the macro-environmental influences that can be used to assess the external factors that might impact on DPW’s development in F Country. This would involve an analysis of the political/legal, economic, socio-cultural and technological factors. The headings can be used as a checklist to assess the relative importance of the different influences on DPW Company’s proposed strategy.

With regard to the information that should be gathered on the general environment in F Country it will be important to assess the nature of the political and economic environment. This would include exploring the legislative and government policies and attitudes to competition that could impact on DPW Company’s development. For example, is the government of F Country encouraging inward investment by offering grants to companies or does it have policies in place to protect its own industries? DPW Company would also want to consider the political stability in F Country. If there is political instability and unrest, it may not be a positive step to enter the market. It would also be interested in any current or future legislation relating to the home furnishings retail industry.

Information should be collected on the nature of the economic climate such as the rate of economic growth, level of tax rates, interest rates, exchange rates, and levels of consumer disposable income and the percentage of household income spent on home furniture. All of these factors could impact on the demand for DPW Company’s home furniture products.

Research should be undertaken to determine whether the social factors are encouraging for DPW Company, for instance in terms of the customer attitudes, values and beliefs of people in F Country and the extent to which there is a market for home furniture and whether people would be willing to buy home furniture from a foreign retailer. Information on factors such as home ownership, current trends and buyer behaviour for home furniture would be useful. Information on social factors would also help in determining the cultural context of F Country, in order to gain an understanding of any potential cultural differences, not only of customers, but also future employees.

Technological factors that would need to be explored relate to the communications infrastructure and any technological issues that might impact on the way the retailers operate. This could relate to computer tracking of stock, as well as ordering and payment systems. Also, the state of the transport systems needed to move stock around the country would need to be assessed.

The PEST framework can be expanded to consider environmental/ethical factors. Interest here will centre on the sustainability in the use of materials/resources and the cost of packaging and disposal of waste associated with home furniture products. It also is about ethical conduct in the management of employees.

Examiner’s comment: Candidates could legitimately develop their answers using Porter’s Diamond.
SECTION B

Answer to Question Six

Requirement (a)

There are a number of different ways of handling conflict. A useful way of explaining the alternative approaches has been developed by Thomas who identified five conflict handling strategies based on two conflict management dimensions. These consist of the degree of assertiveness in pursuit of one’s interests and the level of cooperation in attempting to satisfy others’ interests. The strengths of each of these in a particular situation can be regarded as lying along two continuums respectively:

The five identified strategies are:

Avoidance:  This is where one or more parties in conflict may seek to avoid, suppress or ignore the conflict. This would not be recommended in the case of ZEZ Company since it does not end up resolving the conflict and could therefore impact negatively on the future survival of the company if the industrial unrest is not resolved.

Accommodation:  This involves one party putting the other’s interests first and suppressing its own interest in order to preserve some form of stability. Again, in the case of ZEZ Company this is not recommended given that the nature of the conflict is endemic and the accommodation strategy will not resolve the differences of the management and employees satisfactorily. ZEZ is fighting for survival and unless costs are reduced there may be nothing left to negotiate on.

Compromise:  This is often viewed as an optimum strategy. Each party gives something up and a deal somewhere between the two is accepted. For ZEZ Company this approach might be used between management and the trade unions to determine the number of redundancies, the criteria for redundancy, the redundancy package and changes to terms and conditions.

Competition:  This is a state where both or all parties do not cooperate. Instead they seek to maximise their own interests and goals. It ends up creating winners and losers. This approach is not recommended for ZEZ Company since it can prove damaging both to the organisation and to individuals, rather than working to resolve the conflict.

Collaboration:  This is where differences are confronted and jointly resolved, with a win-win outcome achieved. Whilst this is also viewed as a favourable approach to managing conflict, it is not always possible. In the case of ZEZ Company, where some harsh decisions and actions will need to be taken, collaborating with the unions to work out solutions will only work if they accept that there will be a need to make some redundancies and changes to contracts, but can benefit from collaborating on ‘the how’.

Requirement (b)

Negotiation involves argument and persuasion in order to strengthen one’s own case by undermining the opposition. It occurs when there is no established set of rules for resolving the conflict and parties are committed to search for an agreement rather than fighting openly. Negotiation is often necessary within organisations to resolve conflicts of interest between two or more parties which have arisen because the parties have different objectives and is a useful and civilised way of settling disputes.

In the case of ZEZ Company conflicts have arisen as a result of the need to make changes to terms and conditions of contracts and also the redundancies. These conflicts may be resolved through negotiation between management and the unions who are representing employees. The process of negotiation between employers and trade unions is often referred to as ‘collective bargaining’. Without any negotiation the result could be that the union calls for
industrial or strike action which could have a detrimental impact on the ZEZ Company’s future survival.

Approaches to the negotiation process can be through focussing initially on each side’s primary objectives, rather than becoming distracted by minor negotiating points at an early stage. It is necessary to maintain some flexibility within the negotiation process and for both parties to be prepared to settle for what is ‘fair’. It is important to listen to what the other side wants and to make an effort to compromise so that both sides can attain their goals. However, this is often where negotiation can fail because of the tensions between the different objectives that can never coincide. This could occur for ZEZ Company since the union’s main objective will be to keep jobs, whilst the organisation may see no alternative to its long term survival without the job cuts and changes to terms and conditions.

It is likely that in the first stages of negotiation that the union will reject the proposals as unacceptable and will prepare their negotiation strategy. Whilst the union will not want to agree to job losses it might recognise that they are inevitable and concentrate instead on persuading management to provide generous severance pay above the legal minimum and compensation for staff who are being asked to relocate. ZEZ Company management will have anticipated such a reaction and should have their negotiation strategy worked out.

The ideal will be to achieve a win-win outcome where both sides achieve enough of their objectives to be satisfied with the end result, trading-off wins and losses so that each side get something in return for everything they concede on. Win-lose or lose-lose outcomes are in no one’s best long term interest.

Important tactics for negotiation are to use questions effectively so as to control the situation, also the use of persuasion, and not to weaken your case inadvertently.

It is suggested that effective negotiation between ZEZ Company and the trade union should go through the following four stages:

- **Preparation** which involves both parties gathering information and insight to the problems in order to understand the constraints acting on the negotiating parties. At this stage, who is involved in the negotiation, what the concerns of each party are and what the goal of the negotiation is will need to be determined. Another key feature at this stage is the establishment of the time for negotiation.

- The **opening** phase of negotiation involves both sides presenting their starting positions to one another. It is at this stage that the greatest opportunity is present to influence the other side.

- The **bargaining** phase is where both parties will aim to narrow the gap between the two initial positions to persuade the other party that its case is so strong that the other must accept less than it had planned. This might, in the case of ZEZ Company, be on the total number of job losses, the financial arrangements for redundancy or in relation to specific aspects of terms and conditions. The union will want the best for its members, whereas the management may be constrained by the financial position of the company.

- The **closing** phase of negotiation represents the opportunity to capitalise on the work that has been done at the earlier steps. It is at this stage that agreement is reached. The outcomes from the agreement should be publicised and implemented.

During the negotiation process, particularly in the case of negotiations surrounding the changes in ZEZ Company which are formal in nature, it is important from time to time to test that both sides understand clearly what is being proposed and at what stage the negotiations are.
Answer to Question Seven

Requirement (a)

A key part of the planning stage of the project management process involves defining clear objectives and setting realistic estimates in terms of budget and time and resources needed. Without this, it is unlikely that an estimation of the baseline budget and project schedule can be constructed to present a realistic assessment of the time and funding required, and the resources needed for the successful execution of the hotel project. The outcome could be that the project ends up with unrealistic timescales and the different activities may not be sequenced logically, to make the most effective and efficient use of resources. This could also result in budget overspend and delays in various stages of the project. Ultimately the hotel project may fail to be completed on time.

As part of the planning stage, feasibility studies should be undertaken, along with an assessment of the risks associated with the hotel project. If these critical dimensions are not understood, the project manager will not have the opportunity to identify potential problems and determine the actions needed to deal with them nor develop contingency plans.

Given the nature of the project, not undertaking social and environment feasibility studies could lead to future problems and disruptions once construction starts for the hotel. For example, the impact on the local environment where the proposed hotel is to be built may not have been considered, and potential social issues in terms of whether the local community might object to the plans due to the disturbances during the building work.

If the project objectives are not clearly defined and scoped, this can make it more vulnerable to changing client specification. Whilst it is not unusual for client requirements to change during the life of a project, if the project is to come in on time and within budget then E needs to be aware of what is feasible. When the objectives are changed during the life of a project there is usually a significant impact on project success and it is important that E is made aware of the consequences.

It is at the early stages within the project that roles and responsibilities are defined for the project team. If they are not clearly defined this could lead to duplication of activities or activities missed. The result might be that members of the project team do not work effectively together, along with poor communications between the various stakeholders in the project.

Finally, it is at the planning stage that various control mechanisms would normally be put in place. Without developing an appropriate control system there is the strong possibility of poor cost control and overspend.

Effective planning can minimise the potential problems outlined above. In summary, E is putting the smooth running of the project at risk by wanting to cut out this stage.

Requirement (b)

There is a range of different tools and techniques that P could use to assist him in planning the hotel project. For example:

- **Work Breakdown Structure.** This technique is a critical part of project planning involving an analysis of the work required to complete the hotel project. The activities in the project are broken down into manageable components, referred to as work packages. The process defines the activities that must be carried out for each work package. Each work package will have defined responsibilities and deliverables for the hotel project.

  The analysis of activities for the hotel project can be undertaken at a number of levels, for example starting with the major phases then breaking them down into more detailed sub activities. P would be able to develop a task list from the work breakdown structure to assist in planning, control and monitoring the various stages...
of the project. The work breakdown structure can, therefore, assist in identifying the people responsible for each activity or work package.

- Another widely used project planning tool is the Gantt Chart. This provides a visual way of illustrating the sequence of activities in a project. Complex project activities are converted into constituent tasks and a graphical and understandable picture is provided. Although it does not show dependencies and internal relationships, it is a helpful framework in the planning of construction projects, such as the hotel build. It will show the time taken for each activity and the resources required, hence can be used to monitor progress against the plan and assist project scheduling by planning the timescales for the project. It can also be used by P to communicate the responsibilities for tasks to the project team.

- A variation of the Gantt chart is the resource histogram which shows the resource requirement usage and availability against a timescale. This will help P in the scheduling and rescheduling of resources for the hotel project.

- Network analysis, sometimes referred to as critical path analysis, is an important technique in project planning, providing a diagram showing the sequence and dependencies between activities or deliverables on a project. Using a work breakdown structure, network analysis arranges each work package/task into a logical sequence, and estimates the time to complete each. The outputs from the work breakdown structure analysis will help the identification of which tasks are dependent on others. Dependencies are critical to project planning. Simplistically, this involves determining the sequence, i.e. if activity B can only begin when activity A is completed there is a dependency. For example, planning permission must be sought for the hotel before construction work can commence. This is a crucial activity in project planning and the allocation of resources.

Having identified dependencies it is then possible to calculate the critical path, which is the longest sequence of consecutive activities. It identifies those activities which, if delayed beyond the allotted time, would delay the completion of the hotel project and how much float time there is on other tasks. In other words, by how much certain activities could slip before there is an impact on the expected time completion for the hotel project. This then enables the minimum possible time to be determined, and can be helpful in identifying where there is some slack time available within the project plan for any unforeseen circumstances.

- Another project technique is PERT (project evaluation and review technique). This is a development on network analysis that P might find helpful in project planning. The technique is designed to account for uncertainty in the project lifecycle. For each activity in the project PERT uses three time estimates:
  - the optimistic time based on the duration the Hotel project would take if conditions were ideal
  - the most likely/probable duration if conditions were normal or as expected
  - the pessimistic estimates which is the duration it would take if a number of things went wrong.

These estimates are then converted into a mean time and standard deviation which means it is then possible to establish the duration of the Hotel project using the expected times, but also to calculate a contingency time allowance.