Some of the answers that follow in Sections A and B 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

In making their recommendations TS Consultants could refer to Hertzberg’s theory on motivation. Essentially, the two factor theory proposed by Herzberg suggests that there are hygiene factors which need to be in place in order to reduce staff dissatisfaction. If they are absent this can lead to dissatisfaction and consequently impact on performance. For example, factors surrounding the job context such as pay, working environment, company policy and interpersonal relationships. These factors tend to be extrinsic to the job itself and whilst they are unlikely to motivate staff, if they are not right can cause dissatisfaction and demotivation. The other set of factors are those, which if present, can motivate individuals to superior effort and performance. They tend to be related to the job itself, in other words are intrinsic factors and are referred to as motivators or growth factors.

Applying this theory to the Finance Department based on the Consultants findings, it is apparent that the hygiene factors such as competitive salaries and good physical working conditions are in place. However, there are some hygiene factors that need attention, specifically the nature of supervision. The consultants should recommend that action is needed to address the nature of supervision by management and the poor relationships suggested by the 'them and us' culture, which would involve a shift in the approach to leadership in the department.

Another set of recommendations should be made which relate to the potential motivating factors, such as those relating to recognition, challenging work, responsibility and advancement. This could include reviewing job design to determine possibilities for job enlargement and job enrichment. This would involve exploring the design of job roles in the Finance Department to widen the scope of jobs, providing more interesting and challenging work for staff. The benefit to employees would be the development of new skills and being given greater responsibility through empowerment. This would, however, require the managers to adopt a more participative leadership style, with junior staff given greater responsibility for their own areas of work and encouraged to participate in decision making, but with managers providing constructive feedback.

Another recommendation would be to look at how improved prospects for career development could be achieved. This might mean providing opportunities for lateral moves to enable staff to gain new experiences and competencies.

A recommendation could be made to introduce some kind of recognition scheme since recognition is an important motivator. This could be achieved, at one level, by simply
encouraging managers to thank members of staff for their contribution, acknowledging extra effort and performance. More formal recognition systems could also be considered.

TS Consultants should make a recommendation which highlights the training and development needs of managers in the Finance Department. To resolve some of the difficulties, it is likely that the managers will need to adapt their leadership style to a more democratic approach. Reference to the Blake and Mouton managerial grid would help identify the focus on the training needs for the managers. It would seem from the scenario that currently they have the characteristics of authority-compliance management with a high concern for the task, but low concern for people. Leadership training and development should be designed to help the managers to understand the need to balance concern for the task with the concern for people. Development interventions should focus on helping them to develop better working relationships with their teams, perhaps using team building techniques.

(Answers could develop with reference to alternative theories on motivation and management/leadership styles).

Answer to Question Two

The characteristics of M that are appropriate to it adopting a matrix organisational structure are as follows:

- The business of M consists of a series of projects which are custom made, which are complex and require staff from a number of different functional areas;
- The projects undertaken by M have different start and end dates, so the organisation is continually reassigning resources from project to project as one ends and another begins;
- The projects undertaken by M are complex so the staff benefit from also being assigned to a technical function (such as finance or procurement) where they can share knowledge and experience with colleagues in their functional teams;
- The projects undertaken by M are often expensive, so having resources controlled by functional heads should lead to improved utilisation and reduced duplication across the different projects;
- The projects undertaken by M are customer facing and customers expect a high level of customer focus. Therefore, the customer will require a single point of contact (the project manager) to deal with customer requests and problems.
Answer to Question Three

LC could start by explaining to JB that the purpose of a mentoring system is to provide new employees with a forum to discuss development issues in a relaxed and supportive environment. A mentoring system would be useful to JB, as a new member of staff, in helping her socialise into the culture of the organisation and facilitate quicker learning about the way the organisation works. LC could go on to say that the mentoring relationship is not based on authority but, rather, a genuine wish by a mentor to share knowledge, advice and experience with junior members of staff.

LC should explain that the mentor would be in a senior position within P Company, and the purpose would be to guide and support JB, as a less experienced employee. LC should also explain that whilst JB’s mentor will hopefully be from the finance function that she has joined, the person acting as mentor would not be her direct line manager. The reason for this is to ensure that the mentor can act as an independent arbiter, and avoid the danger of conflict given the developmental nature of mentoring versus line management. The mentor would normally be a role model, having already achieved a status to which JB might aspire.

LC could then explain the different functions of mentoring, for example differentiating between career-enhancing and psychological functions.

In terms of career enhancing, a mentor could help JB in her career with P Company through exposure, visibility and sponsorship. Having a mentor could also help JB in expanding her network of contacts and in gaining greater exposure in the organisation.

The psychological function of mentoring could help JB enhance her competence and effectiveness in her role. LC could point out that the role of the mentor would be to encourage and assist JB in analysing her performance and identifying her strengths and weaknesses. The mentor would provide JB with honest but supportive feedback and guidance on how she could work on her weaknesses. The mentor would also provide feedback and encourage JB to reflect on her behaviour and experiences as she develops into her new role. LC could explain that JB could ask her mentor questions and learn from her mentor’s experience, using the mentor as a safe sounding board. So having a mentor should help JB in her new job through encouragement and nurturing her learning and development.

LC should also explain that mentoring would work alongside some of the more formal control mechanisms such as appraisal. The mentor would be able discuss with JB her training needs, advise on qualifications and provide a forum for her to discuss any interpersonal problems and career goals.

Answer to Question Four

Corporate appraisal, sometimes referred to as SWOT, involves the quantitative and qualitative review of a company’s internal strengths and weaknesses and its relationship with external opportunities and threats. In essence, it could be used to summarise the key issues from PRC’s business environment and its strategic capability, that are most likely to impact on its future strategic development.

Conducting a corporate appraisal brings together information derived from an analysis of the trends in the external and competitive environments and internal developments that may be of significance to PRC Company. The outcomes from the corporate appraisal could then be used to determine the company’s current position and inform whether it should continue with its existing strategy or formulate a new strategy that will enable it to operate more effectively.

The process of conducting a corporate appraisal will require PRC to draw on two sets of data:

- Information on the current performance and resource position of the company to establish internal capability. Data will need to be captured from performing an
analysis of the internal position of PRC Company, its resources and competences, and conclusions from value chain analysis.

- Information on the business environment and how this is likely to change, identifying key trends. This information will need to be collected through the process of external environment analysis (for example using the PESTEL framework and competitor analysis using Porter’s five forces framework).

The internal appraisal for PRC Company should highlight:

- **Strengths**, which are the particular skills or distinctive/core competences which the company possesses and which will give it an advantage over its competitors. These are the things the company should seek to exploit. In identifying strengths, it is important that it highlights not just what PRC Company is good at, but how it is better, relative to the competition.

- **Weaknesses**, which are the shortcomings in the company and which can hinder it in achieving its strategic aims. For example, lack of resources, expertise or skill.

Strengths and weaknesses should relate to industry key factors for success and help PRC Company to assess how capable it is in dealing with changes in its business environment.

- **Opportunities** relate to the events or changes outside the company, i.e. trends in its external business environment which are favourable to the company. For example, what opportunities exist in the business environment, what is the capability profile of the competitors, are they better placed to exploit these opportunities? The events or changes identified will provide some strategic focus to the decision-making for managers in the company.

- **Threats** relate to events or changes outside the company, i.e. trends in its business environment which are unfavourable and that must be defended against. The company will need to introduce strategies to overcome these threats in some way or it may start to lose market share to its competitors.

The external appraisal will assist PRC Company in identifying opportunities which can be exploited by the company’s strengths and also to anticipate environmental threats against which the company must protect itself. In other words, strategies should be developed to minimise weaknesses, or develop strengths, taking advantage of opportunities or counteracting problems from environmental changes.

Using the SWOT analysis should help PRC Company to focus on future choices and gain a better understanding of the extent to which it has the internal capability to support the changes. It will also facilitate the identification and generation of possible future strategic options for PRC.
Answer to Question Five

Conflict is essentially a disagreement and is when one party is perceived as preventing or interfering with the goals and actions of another. It can occur in a variety of forms and at different levels in an organisation. Whist conflict can be considered as an inevitable feature of organisation life, in the case of LS Company it is having negative outcomes.

In LS Company, the poor communications and cooperation between the staff in the Marketing and Sales Department and the Finance Department is an example of horizontal conflict. This type of conflict occurs between groups of staff or between departments at the same level in the organisation hierarchy.

The sources of the conflict may be due to the fact that the priorities and goals of the departments are different. The staff in each of the two departments will want to focus on their own goals, which they may view as being mutually exclusive. This is illustrated by the fact that both departments are blaming each other for the poor sales performance. The Finance Department is seen by the marketing and sales staff as controlling and only taking a short term and cost based view. At the same time, the Finance Department staff think that the poor sales performance is because the marketing and sales strategy is ineffective, and that the marketing and sales staff have been complacent.

It is likely that another possible source of conflict is due to the difference in the perceptual differences (cognitive and emotional) of staff working in the different functional departments. The staff in the two departments will probably have different skills and attitudes, and perhaps the consequence of this is a lack of understanding of the nature and challenges of each others work, and suspicion and lack of trust between staff.

In contrast, the threat of industrial action from the trade union is an example of vertical conflict. This type of conflict occurs between individuals or groups who are at different levels in the organisation hierarchy, and can often arise because of status and power. The grounds for handling vertical conflict is normally formalised by rules and regulations.

The source of conflict is because senior management will be looking to reduce costs in the Production Department, as a result of diminishing sales orders, whilst the employees and the union want to protect workers' jobs. The workers in the Production Department, may, individually feel powerless, with little say in the decisions about their future and job security. Standing together in a union will provide them with strength that equalises their power with senior management in this conflict. The union will exert pressure through the threat of industrial action to try to make senior management reconsider the proposal to cut jobs in the Production Department.

Both types of conflict in LS Company are dysfunctional and destructive since both management and staff time and effort will be wasted in addressing the conflicts. The lack of communication and cooperation between the Finance Department and Marketing and Sales Department, and the threat of industrial action will both impact negatively on the performance of staff, and hence on the company.
Section B

Answer to Question Six

Requirement (a)

The theory of competitive advantage of nations, proposed by Michael Porter, examines why organisations may achieve competitive advantage over their rivals by virtue of being based in a particular country. It tries to isolate the national attributes that further the competitive advantage of an industry. Often referred to as Porter’s Diamond, the theory helps to explain why some nations tend to produce firms with sustained competitive advantage in particular industries using specific sources of advantage that can be substantial and hard to imitate. In essence it seeks to explain:

- Why do certain nations house so many successful international firms
- How do these firms sustain superior performance in a global market

Porter concluded that it is specific industries within nations that seem to be able to use their national backgrounds and conditions to lever world-class competitive advantage, rather than the entire nation having a particular competitive advantage. In the case of the new entrants in D Country it would appear that PP Country has achieved national competitive advantage in the consumer electronics industry.

To explain how this can be achieved, Porter suggests a diamond of four interacting determinants within a nation that assist the country to be more competitive in international markets. These are factor conditions, home demand conditions, related and supporting industries, firm strategy structure and rivalry.

Taking each determinant in turn:

- Factor conditions refer to the factors of production that go into making a product or services. Different nations have different stocks of factors which can be categorised as human resources; physical resources; knowledge; capital; infrastructure. It is not sufficient to have an abundance of the factors, rather it is the efficiency with which they are deployed that is important.

Porter also distinguishes between basic factors, which he claims are unsustainable as a source of competitive advantage, and advanced factors. The latter are likely to be those creating advantage in the electronics industry in PP country, based on well developed knowledge and expertise in R&D and technology design.

- Home demand conditions refer to the nature of the domestic customer becoming a source of competitive advantage. Dealing with sophisticated and demanding customers with high expectations in an organisation’s home market will help drive innovation and quality, which in turn will help train an organisation to be effective in other countries. Although economies of scale are relevant, it is not necessarily about the quantity of home demand but the information that the home market gives organisations and the pressure to innovate. If the customer needs are expressed in the home market earlier than in the world market, the firms benefit from the experience. This may be the case for the consumer electronics companies from PP Country

- Related and supporting industries mean that local clusters of related and mutually supportive industries can be a source of competitive advantage. In other words, competitive success in one industry is linked to success in related industries. Having a domestic supplier industry can be preferable to a good foreign supplier as proximity to managerial and technical people along with cultural similarity can facilitate free and open information flows. Clusters of industries offering expertise and world class service can be vital. In the case of new entrants, it is likely that they enjoy the support
of producers of component and related products and accumulated expertise in consumer electronics. Porter proposes that a nation’s competitive industries are clustered, where a cluster is a linking of industries through relationships which are either vertical (buyer-supplier) or horizontal (common customers, technology, skills). Internationally, competitive suppliers and related industries represent a critical resource for international success.

- Firm strategy, industry structure and rivalry are related to the fact that nations are likely to secure competitive advantage in industries that are more culturally suited to their normal management practices and industrial structures. For example, industries in different countries have different time horizons, funding needs, infrastructures. Fierce domestic rivalry and competition will drive innovation, force down costs and develop new methods for competing. This can enhance global competitive advantage. If there is little domestic rivalry, organisations may be happy to just rely on home markets, as is probably the case for S Company, whereas tough domestic rivalry teaches an organisation about competitive success.

The value of Porter’s Diamond is that it can be used to identify the extent to which the organisation can build on home based advantages to create competitive advantage in relation to others on a global front.

**Requirement (b)**

In order to assist in the decision on whether to pursue a market development strategy in NN Country, the team could use the PEST framework to assess the external factors in NN country. This would involve undertaking an analysis of the political/legal, economic, social-cultural and technological factors which could be used to help determine potential opportunities but also threats for selling consumer electronic products in NN country.

Taking each element of the PEST framework in turn:

- It will be important to assess the nature of the political environment in NN country to establish, for example, the government’s policies and attitudes towards competition. In addition, information should be collected on the political stability of NN country. If there is political instability and unrest then this could pose a threat rather than an opportunity for a market entry strategy.

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

- The assessment should investigate whether the social factors are encouraging for S Company, for instance in terms of the customer attitudes, values and beliefs of people in NN country and the extent to which they would be likely to buy electronic products from a foreign company. This links to issues related to the branding and whether the design and functionality of the products would need to be adapted in any way to meet local market and customer needs. Information on social factors would also help in determining the cultural context of NN country, for example, to gain an understanding of any potential cultural differences in the buyer behaviour of customers.

- Technological factors would need to be explored relating to the communications infrastructure and any technological issues that might impact on the way the consumer electronic products are sold and associated distribution issues. This also links to a point made under the previous heading, but related to technology advancement in NN country, which could have consequences for the design and functionality of electronic products.
Answer to Question Seven

Requirement (a)

Many of the tools and techniques needed to manage large and complex projects can be effectively carried out using project management software. Most PC based packages contain facilities which assist in planning activities, work scheduling facilities, the ability to view relationships between tasks, resource management and progress monitoring and control.

Project management software could assist the project manager of the new sporting facility in a number of ways:

- **Budgeting and cost control.** This is critically important for V as a regional authority as public funds are being spent on this project and therefore costs must be managed to ensure that spending is kept within budget. PM software will allow the project manager to continually compare actual costs against budget for individual resources and activities and for the whole project.
- **Multiple project handling.** It is likely that this project will need to be broken down into smaller projects to make them more manageable. This project is complex, with a number of sports facilities being constructed by specialist contractors. Therefore, it would be useful to break the project down into separate sub-projects that can be planned and monitored separately.
- **Planning.** PM software will allow the PM to define the activities that need to be performed. It will maintain detailed task lists and create critical path analyses. It will allow the project manager to plan several thousand activities, allocating resources, setting start and completion dates and calculating expected times to complete.
- **Scheduling.** PM software will build Gantt charts and network diagrams based on the task and resource lists and associated information. Any changes to the lists will automatically recreate a new schedule for the project.
- **Resource planning.** A critical issue in project planning is resource planning, that is, ensuring the project has the correct level of manpower, equipment and material at the right place at the right time. Again, in a complex project such as the sporting facility this will be critical as a vast amount of material and manpower will be required on the different individual projects going on at the same time.
- **Resource histograms.** These give the project manager a visual display of the usage and availability of the resources needed during the life of the project. This demonstrates clearly to the project manager where there may be resource shortages and will allow reallocation to take place or will indicate to the project manager where additional resources may need to be obtained to ensure critical activities are achieved.
- **Reporting.** The project manager will have to regularly report to the various stakeholders on the progress of the project. PM software allows the project manager to generate progress reports, budget reports, resource reports, work breakdown structure reports and financial reports. These can be presented in a variety of formats to suit the needs of the different stakeholder groups.

Requirement (b)

The main stakeholders of the project are:

- The Board of V (as the project sponsors)
- The local residents
- The three local businesses investing in the project
- The staff
- The contractors and equipment suppliers
- The end customers and users of the sporting facility (such as residents of the town and local school children)

All of the stakeholders identified will have different expectations from the project and the project manager must understand these differences and attempt to manage them. The project manager needs to understand the different levels of power and interest of the different groups as this will determine the most appropriate strategy for managing each stakeholder group.
Strategies for managing stakeholder expectations

The Board of V
These are likely to be ‘key players’ according to the Mendelow matrix, as they will have a high level of interest in the outcome and success of the project and they will also have a high degree of power, particularly in allocation of financial resources. The project manager must ensure that the Board of V is kept regularly updated on project progress, particularly in the area of project budgeting. Weekly progress reports should be presented to the Board of V, detailing progress on a number of key project activities and resources.

Local residents
The residents who have expressed a concern about the location of the new sporting facility clearly have a high level of interest in the project as they have already clearly expressed their concern to the local newspaper. Their level of power is likely to be limited unless they are able to create wider publicity and hostility to the facility in the town. Therefore, the project manager must communicate effectively with this group of residents in order to allay their fears. The project manager needs to present the positive sides of the project to the residents and offer positive support and reassurance to their concerns. Regular communication through local meetings should be carried out or a local resident representative could be assigned to the project committee.

Local businesses investing in the project
These investors are likely to have a high level of interest in the project as they will want to know that their money is being invested wisely and it will also be a positive boost to their local standing. Their level of power is likely to be limited to the amount of funds they are committing to the project. Again, the project manager must ensure that the local businesses are informed regularly of project progress and budget progress to ensure that a continual and good working relationship is maintained with these funding organisations. The project manager must make sure that these funding organisations maintain their commitment to the project throughout its life.

Staff
The staff who will have to relocate to the new facility are likely to have a high level of interest in the project as it is going to affect the nature and location of their working lives. However, their level of power will be limited as they are likely to be few in number and will have little influence in the decision. The project manager must communicate with the staff members and identify the benefits to them of the relocation of the facility. The project manager must consider how to make staff positive towards the new facility as their negative attitude may affect the attitude of users in the future, so it is important to ensure that staff have a positive attitude towards the facility.

Contractors and equipment suppliers
These stakeholders are likely to have a high level of power in the project as it is largely down to their level of work and commitment to the project as to whether it will be a success or not. They are likely to have a limited interest in the project itself, other than the assurance that they will be paid regularly for the work that they complete. Therefore, the project manager must keep the contractors satisfied by ensuring that they are provided with regular and accurate work schedules and plans to ensure that work is carried out efficiently and on time and to the project plan. The contractors and suppliers must be involved at the early stages of the project life cycle in determining the project schedule and resource planning and must be involved in the continual and on-going revisions to schedule where necessary.

End customers and users of the facility
The end customer who will eventually use the facility once it is in operation is likely to have a low level of power and interest in the project itself. The project manager must always bear in mind that the end facility should be designed with the users in mind and must correspond to their needs, but during the project itself the project manager will need to present little information to this group, other than limited local bulletins and progress reports through local newspapers or the regional authority web site.