Instructions to candidates

You are allowed three hours to answer this question paper.

You are allowed 20 minutes reading time before the examination begins during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you are not allowed, under any circumstances, to open the answer book and start writing or use your calculator during this reading time.

You are strongly advised to carefully read all the question requirements before attempting the question concerned (that is all parts and/or sub-questions).

ALL answers must be written in the answer book. Answers or notes written on the question paper will not be submitted for marking.

ALL QUESTIONS ARE COMPULSORY.

Section A comprises 5 questions and is on pages 2 to 5.

Section B comprises 2 questions and is on pages 6 and 7.

The list of verbs as published in the syllabus is given for reference on page 11.

Write your candidate number, the paper number and the examination subject title in the spaces provided on the front of the examination answer book. Also write your contact ID and name in the space provided in the right hand margin and seal to close.

Tick the appropriate boxes on the front of the answer book to indicate which questions you have answered.
Question One

C is planning to set up a dry cleaning and laundry business which will be a new venture for her. She has identified suitable premises which are located in the commercial centre of S City. This could be viewed as a high risk strategy since it would be the only business of its type in the commercial centre. However, C’s view is that there is significant potential to provide dry cleaning and laundry services to customers who commute to the city from where they live and where dry cleaning and laundry businesses already exist.

C now needs to determine on what basis her new dry cleaning and laundry business could gain sustainable competitive advantage.

Required:

(a) Describe the different ways in which C's dry cleaning and laundry business could seek to gain competitive advantage. (4 marks)

(b) Explain the factors C should consider when deciding on the basis for her business's competitive strategy. (6 marks)

(Total for Question One = 10 marks)

Question Two

Team (and group) work is often viewed as desirable, resulting in benefits both for the organisation and individual employees. However, there can be some negative effects associated with team working.

Required:

Discuss both the positive and negative effects of team working. (Total for Question Two = 10 marks)
Question Three

BL Company is a long established family business which started out making made-to-measure boots and shoes by hand, but now also produces other leather goods. The company's production workers include skilled craftsmen who have served long apprenticeships to acquire their particular skills. The company also has a dedicated marketing and sales team which sells its goods through established retail outlets around the world.

With sales and profits on the increase, N, the owner manager, has every reason to be optimistic about the future of his company. However, it seems that the company is in danger of becoming a victim of its own success as the production department is struggling to keep up with the increased demand. The marketing and sales team is frustrated with the workers in the production department, suggesting that they are inflexible and unwilling to look at methods to improve productivity to meet the new orders it has won.

For their part, the skilled craftsmen have complained to N that the pressure being put on them to step up production is unreasonable and will compromise quality. They are also unhappy that the marketing and sales team is paid a commission yet the production workers have no opportunity to increase their pay. N has been warned by their trade union representative that the production workers are threatening industrial action to stop work.

Required:

Compare and contrast the different forms and causes of conflict occurring in BL Company.

(Total for Question Three = 10 marks)

Section A continues on page 4
Question Four

T Company is operating in a country which has a principles-based approach to corporate governance. The Remuneration Committee of the company is considering the remuneration package of the newly appointed Finance Director. The committee has received a letter from the Finance Director in which he details his strong track record and asks for the main component of his remuneration package to be a substantial salary above the current market rate.

One of the non-executive directors (NEDs) serving on the Remuneration Committee is a former colleague of the Finance Director. He is trying hard to persuade the other members of the Remuneration Committee to take his advice and support the request, including the above market rate salary to ensure the Finance Director stays with T Company.

Required:

(a) **Explain** the difference between a principles-based approach and a rules-based approach to corporate governance.

(4 marks)

(b) **Explain** the possible corporate governance issues that will arise for T Company's Remuneration Committee if the Finance Director's remuneration package request is agreed.

(6 marks)

(Total for Question Four = 10 marks)

Section A continues on the opposite page
Question Five

V Company, a large public limited company, owns and operates the largest airport in its home country. The Board of V Company has agreed to go ahead with the Airport Expansion Project, (referred to as AEP). The expansion will include the construction of a fourth runway and an additional terminal building. Planning permission from the Government will be required for the expansion and the views of three stakeholder groups affected by the project have been gathered and are summarised below:

- The current Government of the country is in favour of the project believing that it will enhance the economic growth of the country by increasing the connectivity between countries.

- The AEP is also being supported by Business First which represents local businesses and major employers who also recognise the economic benefit for the country.

- A group of environmental campaigners is concerned about the increased carbon dioxide (CO₂) emissions caused by the additional flights. It is proposing to disrupt the project by setting up a blockade at the project expansion site.

Required:

Recommend the strategies that V Company could use for managing the three stakeholder groups that could affect the Airport Expansion Project.

(Total for Question Five = 10 marks)

(Total for Section A = 50 marks)

End of Section A

Section B starts on page 6
Question Six

Z Company is a small software design company set up two years ago. In Z Company’s short period of trading it has built up a strong local reputation working with small businesses to develop software applications. Two months ago, Z Company accepted a large software development project from a local manufacturing company, although to date the company had no previous experience of managing a project of this scale. In addition, Z Company already had a full order book from existing clients.

M was appointed as project manager; he is technically competent but is not happy about being responsible for team management and co-ordination. The project team has been given a broad outline of the timescales for the project activities but it believes they are unrealistic. When members of the team expressed their concerns to M he stated that ‘as project manager he had ultimate control over the project and they should just get on with the job’. M added that ‘he was focused on the task and this was his most important role as project manager.’ M’s approach has led to the project team becoming demotivated and less productive.

Z Company has a limited number of software engineers available for its projects, so M has planned to assign them to the project as and when they are required. Once phase one of the project was underway, M allocated three software engineers to work full time on the project. One of the engineers became ill and one of the other engineers has been sent for by his line manager to carry out work on another project. This has reduced the number of software engineer-hours available and the project is already behind schedule. M is aware that without the additional engineers the project will not be delivered within the required timescales.

M knows the importance of a project sponsor for authorising changes on the project. He is also aware that he needs to keep the project sponsor informed of any issues that might delay the progress of the project, but the project has started without the identification of a project sponsor. Although M understands the problems that are caused when the project is not updated for changes, he has decided that he will not adjust the plan for the delay until a sponsor is allocated to the project.

The client has now contacted the Finance Director of Z Company and wants to arrange a meeting because it is not satisfied with the amount of contact it has with M as project manager. It is concerned that, as the customer for the project, its expectations are not being met.

Required:

(a) Produce a SWOT for Z Company at the project proposal stage of the software project. 

(10 marks)

(b) Explain the various challenges M is facing in the software project due to his lack of people and project management skills, and how he could overcome them.

(15 marks)

(Total for Question Six = 25 marks)
Question Seven

3DC Company has developed what it believes will be a commercially viable 3D copier that could create three-dimensional replicas of actual objects. 3D printing, whilst not an entirely new concept, is still very much at the introductory phase of its lifecycle. So far it has mainly had applications in engineering and other manufacturing industries to design objects from digital models. The copier designed by 3DC Company has great future potential as a consumer product.

To date, the two inventors, P and J, who own 3DC Company, have provided the funding for their business, but to move to the next stage and commercialise the prototype 3D copier significant further investment will be required. P and J have put all their energy into creating the new invention and have not been interested in planning for the future of the business. However, they have been advised that in order to attract investment they must formalise their strategy for 3DC Company. Taking this forward P and J have decided that the 'text-book' rational / formal approach will provide a helpful framework to do this.

Although P and J think their 3D copier could be a successful product on a global scale, they have not so far undertaken any analysis of the likely competition. They know that they now need to give some consideration to their possible competitors.

Required:
(a) Explain to P and J the key stages involved in formulating future strategy using the rational / formal approach. (13 marks)

(b) Discuss the types and sources of competitor information that 3DC Company should collect to help it analyse possible competition. (12 marks)

(Total for Question Seven = 25 marks)

(Total for Section B = 50 marks)

End of Question Paper
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### LIST OF VERBS USED IN THE QUESTION REQUIREMENTS

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

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

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

Management Level Paper

E2 – Enterprise Management

March 2014

Thursday Session