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.

These Examiner's answers should be reviewed alongside the question paper for this examination which is now available on the CIMA website at www.cimaglobal.com/e2papers

The Post Exam Guide for this examination, which includes the marking guide for each question, will be published on the CIMA website by early August at www.cimaglobal.com/e2PEGs

SECTION A

Answer to Question One

Rationale

This question tests candidates' understanding of different types of organisational culture. It examines learning outcome C1(b) 'demonstrate the importance of organisational culture'.

Suggested approach

The answer could start by providing a brief explanation of the concept of culture. It should then compare and contrast the types of organisational culture likely to be evident in each of the three companies, drawing on the work of Handy (or other research on cultural types).

Good answers will provide a comprehensive assessment of the different cultural types with reference to the scenario. Weaker answers will be primarily descriptive of the types of culture.

Culture is an important concept since it can exert a strong influence on the performance of an organisation. This is because it shapes the behaviours and actions of individuals in the workplace. A common analogy used about culture is that it is 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. Charles Handy, popularising Harrison's research, identified four different types of culture. These typologies can be used to compare and contrast the cultures likely to be evident in the scenario organisations.
E Company is an entrepreneurial organisation and as such is likely to have a power culture. This type of culture is based on the central figure, the owner-manager, who will keep control of the company's activities and make all the decisions. The power culture is often depicted as a web where power resides at the centre, and all power and authority will come from one person, the owner-manager. As an entrepreneurial organisation, E Company will not be rigidly structured and will have very few rules and procedures. In this sense the company will react well and quickly to change because it is adaptable, informal and decision making will be swift.

F Company is probably best typified as having a role culture. In contrast to E Company's power culture, the key characteristics of a role culture are associated with a formal structure, comprising well established rules and procedures. Job descriptions are clearly defined and are often narrow, 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. Staff working in a role culture tend to be preoccupied with fulfilling their narrow job duties, with an emphasis on day-to-day administrative duties rather than longer term issues. In this respect the role culture would make it difficult for F Company to be flexible and adaptable.

Typical of a role culture are the various functions existing within the organisation, each of which has its own areas of strengths and influence. This leads to an emphasis on internal processes rather than external focus. Relations between staff are dominated by hierarchy and authority with formal and rigid control. Decision making occurs in a standardised and bureaucratic way and tends to be made at senior level with little involvement of other members of staff. Innovation is often supressed since the culture is one in which people have to go through layers in the hierarchy to gain approval.

G Company could be characterised by the task culture. This type of culture is typified by teamwork, flexibility and a commitment to achieving objectives with less importance placed on the formal hierarchy of authority that is associated with the role culture.

The task culture is often reflected in a matrix structure with project teams. It encourages greater flexibility with people working across functional boundaries to achieve organisational objectives. This is fundamental to project working, where specialists from different areas come together to work on a particular project, bringing their own specialism and where they need to work effectively across boundaries. People are not hindered in terms of their contribution to the project by tight job descriptions as they would be in a role culture type organisation.

In G Company it is probable that staff will be loyal towards the particular project they are working on rather than towards any formal rules. In this sense the principal concern will be on getting a project completed. The individuals who are important are those with the skills and ability to accomplish the task within a project. Hence, the skill and expertise of individuals will be more important than length of service and position in the organisation.

Team work is a principal feature of a task culture, rather than the achievements of individuals. By nature a task culture within an organisation fosters creativity and it will be adaptable, responsive and able to change very quickly which is why it is well suited to a company, the business of which is primarily project-focused.
Answer to Question Two

**Rationale**
This question tests candidates' appreciation of the benefits and drawbacks of the formal/rational approach to the process of strategy development. It examines learning outcome A2(b) ‘compare and contrast approaches to strategy formulation’.

**Suggested approach**
The answer could start by providing a brief explanation of what is meant by the formal/rational approach to the process of strategy development. The answer should move on to give attention to discussing the benefits and drawbacks for large organisations of adopting this approach.

Good answers will provide a robust discussion on both the benefits and drawbacks of the formal rational approach. Weaker answers will be descriptive in nature, and unbalanced in terms of attention given to the benefits and drawbacks.

The formal/rational approach to strategy development is based on the assumption that strategies develop as a result of structured and systematic planning which follow a logical process. This leads to the development of strategies which will be intended as a result of making deliberate choices based on underpinning analysis.

There are a number of benefits associated with large organisations adopting the formal/rational approach, which include:

- The process should encourage managers to take a longer term view of the development of the business rather than being short-term and reactive, focusing on operational decisions.

- The formal approach requires the continual scanning of the external business environment which should assist in identifying critical future strategic issues facing the company. The outputs from conducting a corporate analysis of the strengths, weaknesses, opportunities and threats facing the company will inform planning and decision making. This will promote a more proactive approach.

- Formal planning requires the setting of objectives which, in turn, provide standards against which the performance of the organisation can be measured. The establishment of objectives also provides a basis for strategic control so that there are clear targets enabling review of the success or otherwise of the strategy.

- The concept of goal congruence is often associated with the formal approach to strategy formulation and viewed as a benefit. Fundamental to this is the statement of the company's goals and objectives with the view that this will help in the coordination of activities of the different business units/departments. In this sense the operational plans in the various parts of the company will be directed towards the achievement of overarching corporate objectives, hence promoting congruence of operational plans with strategic direction. Also, any investment decisions would be taken with the longer term needs of the business in mind.

- Another stated benefit is that the formal approach will aid communications within the organisation, specifically in terms of responsibilities so that everyone should be aware of what is required from them.

- Taking a stakeholder perspective, having a formal approach could be viewed as demonstrating that the organisation has a clear sense of where it is going. It can also avoid succession problems. For instance if senior managers decided to leave the company the strategy of the business will still be understood and outlast the loss of a key member of the senior management team.
Linked to the above point, it is suggested that the formal approach develops future management potential on the basis that it is a collective process. This is because the providers of information to the strategy formulation process will become involved in strategic decision making, developing their experiences. In addition, different functional managers will have input to the process and, in doing so, gain a better appreciation of the contribution of other business disciplines necessary to the achievement of business strategy.

Whilst the above points make the case for large organisations adopting the formal/rational approach, there are criticisms and drawbacks associated with the approach, for instance:

- The formal/rational approach takes up significant organisational resources, can be very expensive, time consuming and complicated.

- It will take time for any changes to strategy to be implemented/put into action. Hence, it could be argued that formal planning could also be considered to be static and a process that tends to be undertaken too infrequently.

- Associated with the above point is that the formal process is management led but implementation requires the participation, or, some may say acquiescence of other staff who may not support the strategy. Staff may resist any changes, in which case the strategy will not be realised.

- It could be contended that, given the nature of the uncertain business environments, it is impossible for strategy makers to build reliable assumptions about the future, which can no longer be forecast with any certainty.

- If the company is operating in a rapidly changing and dynamic environment, then the outcomes on which formally planned strategies are based often become quickly outdated, with the result that the intended strategy fails. This is referred to as the concept of strategic drift in that a company's strategy may become out of touch and no longer fit the trends in its external environment. The outcome of this is that the company's performance will deteriorate.

- The process could end up as a bureaucratic process focusing on plans, systems and targets. This could lead to a loss of entrepreneurial spirit in the company and may lead to conservatism in approach as radical ideas may be rejected. This occurs because the process can lead to senior management teams wanting to retain consensus so more radical ideas are not tolerated, despite the fact they may well be taking advantage of opportunities.

- One of the main criticisms of the formal/rational approach is that it can stifle creativity, innovation and entrepreneurialism. The spirit of entrepreneurialism is allowing people to break rules and make change to the conventional way of doing things. The formal approach could encourage conformity and conservatism in decision making and this could result in the company not proactively taking risks and opportunities.
Answer to Question Three

<table>
<thead>
<tr>
<th>Rationale</th>
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<tbody>
<tr>
<td>This question tests candidates' understanding of the project completion</td>
<td>phase of the project lifecycle. The question examines learning</td>
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<tr>
<td>completion phase of the project lifecycle. The question examines learning</td>
<td>outcome B1(d) 'identify the characteristics of each phase in the</td>
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<td>outcome B1(d) 'identify the characteristics of each phase in the project</td>
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<td>process'.</td>
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<table>
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<tr>
<th>Suggested approach</th>
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<tbody>
<tr>
<td>Answers should provide an explanation of the different activities involved</td>
<td>in project completion, commenting on their importance.</td>
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<td>in project completion, commenting on their importance.</td>
<td>Good answers will provide a comprehensive explanation of the</td>
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<td>Good answers will provide a comprehensive explanation of the range of</td>
<td>range of activities involved during project completion, with</td>
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<td>activities involved during project completion, with reference to their</td>
<td>reference to their importance. Weak answers will provide</td>
</tr>
<tr>
<td>importance. Weak answers will provide description of just a few activities</td>
<td>description of just a few activities involved in project</td>
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<td>involved in project completion.</td>
<td>completion.</td>
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Project completion, as the final stage of the project lifecycle, should be viewed as an essential part of project management, occurring when the execution phase of the project is complete.

This phase is critical in ensuring that the benefits of the project are gained and the commitment of the project team is maintained until all the work of the project has been completed. Quite often, as a project comes towards completion, members of the project team tend to be motivated to move on to new projects, rather than tying up all the loose ends.

A number of important activities should happen at the end-phase of the project. There will be practical tasks, such as organising and filing all project documentation, receiving and making any final payments associated with the project, and ensuring that members of the project team have jobs to return to.

The main purpose of the activities at project completion is to evaluate the overall project, learning from the experiences gained before the project team is disbanded. This should involve de-briefing meetings which enable all parties involved in the project to reflect and assess their own performance. It provides a forum to discuss with individual team members their role in the project and how they could improve their own performance.

The project customer should also be asked to provide feedback on whether or not the project has satisfied their requirements, with the aim of identifying any concerns they might have on how the project has been carried out.

The review will provide an opportunity to discuss the successes and failures of the project process. The feedback should provide reinforcement of good skills and behaviours and the identification of areas for improvement or changes in practice for the smooth running of future projects. This is an important part of project management since it will help to identify lessons that can be learnt to inform the management for future projects.

As part of project completion, a final report should be produced and signed off by the various stakeholders, for instance the project manager, project sponsor or project owner and project customer. In producing the report, reference will need to be made back to earlier project documents including the feasibility study, the project initiation document and project plans.

The principal purpose of the final report will be to assess the performance of the project with regard to determining if the project has met its original objectives as determined in the business case and project plan, in particular with reference to cost, schedule and scope. In other words examining project performance, comparing achievement with the original project plan to show the project has delivered the expected outputs.
The final report should include, for instance:

- **Assessment of the achievement of project deliverables** - was the project completed to quality, on time and within budget? This would include agreement with the project customer that all deliverables have been achieved successfully.

- **The final budget showing the expected versus the actual expenditure.**

- **The time taken against the original schedule, i.e. was the project completed on time and if not the reasons for any variances?**

- **Future considerations**, for example, are there any follow up actions needed on the project? This might include establishing who is responsible for any problems if they occur post project.

The project report should therefore summarise project performance, highlighting how different aspects of the project could be improved upon, especially for future projects of a similar scale and scope.

A post completion audit can be considered as the final stage of project closure and should also be undertaken, normally a few months after the project has been delivered. The formal audit of the entire project should be conducted using the checklist as defined in the original business case. This would involve input from other members of the project team, users and project customers.

The report should include:

- **A summary of how the organisation of the project and project tools have helped or hindered the project.**

- **A review of the end results of the project compared with the expected results, highlighting any significant discrepancies, with suggestions on how any problems could be prevented in future projects.**

- **Cost benefit review**, comparing forecasted costs and benefits with actual costs and benefits, identifying the reasons for over or under expenditure.

- **Recommendations on steps which could be taken to improve the project management procedures used.**

- **The required quality of the project has been achieved; the efficiency of the solution compared with agreed performance standards.**

- **The actual cost of the project compared with budgets and reasons for over/under expenditure.**

- **The time taken to develop the solution compared with target dates and reasons for any variances.**

- **The effectiveness of project management methodologies.**

The post completion audit report will provide a useful case history of the project, providing a repository for the knowledge captured and act as a useful document for project managers to refer to before starting future projects, hence providing a transference of learning.

Despite the importance of the activities outlined above, the reason that post project completion activities are not always undertaken is that is can be difficult to quantify the benefits derived in a tangible way given the associated costs of review and audit.
Answer to Question Four

Rationale
This question tests candidates' understanding of how the resource-based view can be used to achieve competitive advantage. It examines learning outcome A2(a) 'discuss the concepts in established and emergent thinking in strategic management'.

Suggested approach
Answers should explain the fundamental features of the RBV with reference to the scenario organisation, linking to competitive advantage.

Competitive advantage refers to the significant advantages that an organisation has over its competitors. It can be gained on the basis of price (i.e. being the cheapest in the market place) or alternatively through some form of differentiation, as is the case for SIM Company. Examples of how differentiation could be achieved may be on the basis of quality of service, product design or branding. The critical issue here is that SIM Company's customers are prepared to pay for the added value quality, hence allowing the company to charge higher prices for its products.

The Chief Executive of SIM Company has stated that its sustainable competitive advantage is achieved through the resource-based view (RBV). This is a more recent paradigm of strategic management than, for instance, the positioning view. The fundamental principle of the RBV is that competitive advantage is derived from some unique assets or competences possessed by an organisation. In this sense the RBV is often referred to as an 'inside-out' approach to strategy since it is based on harnessing the internal capabilities of the company to achieve sustainable competitive advantage.

The RBV approach emphasises the development of strategy based on internal capability, and in this regard SIM will be using strategic management frameworks to help it in understanding the internal aspects of the company. In other words, to determine what it is good at, what its strengths are and what its weaknesses are.

The internal approach of the RBV contrasts with the traditional positioning approach which views the external environment as the critical factor in determining the company's strategy and focus for gaining a competitive advantage. The strategic choices available when adopting the RBV are not therefore dictated by the constraints of the external environment but influenced more by examining how the company can best stretch its core competences relative to the opportunities or threats in the external environment.

The RBV developed from the work of Prahalad and Hamel's research on core competences which focused on the strategic intent of an organisation to leverage its internal capabilities and core competences to confront competition. In other words, it is the resources and capabilities that exist within SIM Company which help it to develop to achieve competitive advantage. Competences become core competences if they are difficult for SIM Company's competition to acquire.

Adopting the RBV means that superior performance and profitability of SIM Company is dependent on the possession of a set of unique resources or abilities that cannot be easily imitated by its rivals.

The resources of SIM Company are essentially the inputs that enable it to carry out its activities and can be categorised into two types: tangible and intangible resources. Tangible resources are the physical inputs into an organisation that can be seen and touched, for example, raw materials needed to produce the surgical instruments, finance, and employees. Intangible resources range from intellectual property rights such as patents, trademarks and
copyrights, which SIM may have for its surgical instruments as well as its technological resources, brand and reputation.

It is suggested that intangible resources are the most likely source to achieve competitive advantage. This, it could be argued, is because intangible resources are more difficult to imitate than tangible resources and, therefore, more likely to be a source of sustainable competitive advantage for SIM Company. For resources to be unique Barney (1991) suggests that they must:

- add value,
- be rare,
- be difficult to imitate, and
- cannot be easily substituted.

When competences are rare, difficult to imitate, non-substitutable, and allow opportunities to be exploited or threats neutralised, then they can be considered core competences and serve as the basis of SIM Company's sustained competitive advantage.

Resources alone, however, are not a basis for competitive advantage. Differential performance is based on how SIM Company utilises its resources. For example, one of the most important resources for an organisation is the skill and knowledge possessed by its employees, which SIM enjoys. It is this skill and knowledge acquired over time and embedded in SIM Company's culture that influences how it operates and determines its success.
Answer to Question Five

Rationale
This question tests candidates' appreciation of the concepts of market size and market growth and also the difference between qualitative and quantitative data. It examines learning outcome A1(a) 'discuss the nature of competitive environments'.

Suggested approach
The answer should explain what is meant by the concept of market size and the concept of market growth, making comment on why they are important to the scenario organisation. The second part of the question should develop to distinguish between qualitative and quantitative data, using examples of the specific research techniques that can be used to collect competitor information.

Good answers will link to the scenario company in explaining the concepts and research techniques. Weaker answers will be descriptive and not contextualised to the scenario company.

(i)
Market size is an important concept for ProH Company since it provides information of the total annual sales within the sports helmet industry. The challenge here is in defining what constitutes the market, in other words is the market for bike helmets different from that for ski helmets and skateboard helmets or are they segments within the same market?

Market growth will give ProH Company an estimate of how much the market for sports helmets has grown over a particular period of time. The rate of market growth can be high or low and will depend on the conditions of the market. If the market for sports helmets is a new market it may grow very quickly, whilst if a mature market it may hardly grow at all. A high market growth rate would suggest a potentially good opportunity for ProH Company.

(ii)
The overriding purpose of ProH Company conducting research is to gain competitor intelligence in order to help it in its decision on whether or not to enter the new market in sports helmets.

Qualitative research data is essentially non-numerical data which can be collected using techniques such as in-depth interviews or focus groups. In contrast, quantitative data research generates numerical data and is often undertaken by conducting surveys with customers and the customers of competitors. Surveys can be undertaken in a number of ways, for example sending out questionnaires electronically, via email, face-to-face, or by telephone. Statistical methods will be used to analyse the data collected.

Qualitative research could be used by ProH Company to help it gain insights into customers' attitudes towards its sports helmets. For instance, information could be collected to help in understanding the decision making process in purchasing sports helmets. It could generate information on factors such as the importance of brand. It could also be used to test out the attractiveness of the design features of its helmets.

Quantitative information could be used to help understand the customer profiles for sports helmets, which in turn could help in developing segmentation strategies. Quantitative research could also be used to quantify levels of consumer satisfaction with established sports helmets brands of competitors.

Quantitative research would also assist ProH Company to understand the dynamics of the market by providing trend data on its competitors' share of the market. This will help the company better appreciate the level of competition it would face and the nature of the market.
Fundamentally, the results could inform the company's decision on whether or not to enter the sports helmet market.
Answer to Question Six

Rationale

Requirement (a) tests candidates' understanding of the Shared Service Centre model and factors impacting on staff motivation. It examines learning outcomes C2(c) 'discuss the effectiveness of relationships between the finance function and other parts of the organisation and with external stakeholders' and C2(d) identify tools for managing and controlling individuals, teams and networks, and for managing group conflict. Requirement (b) tests candidates' appreciation of the different sources of power. It examines learning outcome C1(a) 'discuss the concepts of power, bureaucracy, authority, responsibility, leadership and delegation'.

Suggested approach

(a) In the first part of the answer an explanation of what is meant by the term Shared Service Centre should be provided, along with the associated benefits. The answer should then develop to address the second part of the question, applying motivation theory to the scenario. Herzberg's dual factor theory would provide a useful framework to structure the answer.

Good answers will provide a clear explanation of the SSC model and the various benefits. Theory will be used to underpin the discussion on the factors that the FD will need to consider. Weaker answers will simply describe the SSC and some aspects of motivation, without reference to theory.

(b) The answer should develop to explain the different sources of power CS might possess and that could be used to help manage the change. The French and Raven sources of power could be used as a framework to structure the answer.

Good answers will make reference to the range of sources of power with effective application to the scenario situation. Weak answers will provide just a few examples of sources of power and will not be contextualised.

Requirement (a)

(i)

The establishment of a shared service centre (SSC) will essentially involve the bringing together of the various finance departments from across the PRC Company into one central unit. It is sometimes referred to as internal outsourcing since it will allow the company to take advantage of the benefits of consolidation whilst maintaining full internal control and thus minimising the control risks associated with outsourcing.

PRC could expect to enjoy substantial payback in terms of reduction of overhead costs and hence unit transaction costs. Moving to the SSC model should also result in more consistent management of business data in that standard approaches can be developed across the company, rather than each individual finance department developing its own methods. It should also lead to an enhanced quality of service for PRC Company. This is because, it is argued, learning and sharing of knowledge between colleagues is better facilitated through the finance teams being located together.
To help CS in thinking about the factors she will need to consider to ensure staff morale and motivation are not damaged as a result of the move to a SSC, it may be helpful for her to refer to Hertzberg’s theory on motivation. His dual factor theory on motivation refers to two different types of need: hygiene factors and motivators. Herzberg suggests that hygiene factors 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 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 SSC it seems likely that the hygiene factors such as competitive salaries and good working conditions will be in place. However, there are some hygiene factors that need attention, specifically the concern about the nature of supervision. It will be important that the work design in the SSC does not come across as close supervision which would be problematic to professional finance staff used to making their own decisions.

Another set of recommendations that should be made relates to the potential motivating factors, such as those relating to recognition, challenging work, responsibility and advancement. This could include looking at the design of jobs within the SSC, and the possibilities for job enlargement and job enrichment. This would involve exploring the design of job roles in the SSC to ensure interesting and challenging work for staff is afforded.

It will be important that the style of leadership in the SSC is participative, rather than autocratic and that the finance staff are given responsibility for their own area of work and encouraged to participate in decision making, but with managers providing constructive feedback.

Another recommendation would be to look at how prospects for career development could be achieved in the SCC. 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 in the SSC 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 as the SSC is established. More formal recognition systems could also be considered.

(Answers could develop with reference to alternative theories on motivation)

Requirement (b)

Leaders have a number of sources of power that they can use to influence the behaviours and actions of others, particularly in a change management scenario. The framework proposed by French and Raven can be used to describe the different sources of power that CS could use in managing the changes required to move to the SSC model. The sources of power they identified are referent, reward, coercive, expert and legitimate power.

The information in the scenario would suggest that CS has referent power, which is sometimes referred to as charismatic power. This source of power is gained by the personal qualities of a person, and found in an individual who is respected, likable and worthy of emulation. CS is very well respected by her colleagues, known for her fairness and is seen as a charismatic leader. It is, therefore, likely that she will have referent power which will help her in the change process to the SSC, since her staff will be motivated to comply with requests made by a charismatic leader since they will want to please her and gain her approval.
CS may also be able to use reward power, for example control over the organisation’s resources such as salary, bonuses or promotion. In the change situation CS should be able to directly influence the intrinsic or extrinsic rewards available to followers, i.e. the finance staff. This would include the ability to provide incentives for individuals who behave in a particular manner, for instance committing positively to the move to the SSC. As a senior manager CS could have reward power that she could use to encourage people to adopt the changes in roles and responsibilities in the SSC. As well as financial rewards CS could use intrinsic rewards such as verbal praise for those supporting the changes.

Reward power is usually used in a positive manner. It is worth noting though that it can be used in a negative way through the threat or removal of rewards.

CS could use coercive power, which, as the term implies, is the ability to threaten, punish or deprive people of things that they value. This includes the use of penalties or sometimes punishments to enforce compliance. It is based on fears and the use of the ‘stick’ or sanction, making life unpleasant for people. Given CS's leadership approach it is doubtful that she would want to resort to using this coercive power and indeed staff are unlikely to respond to this type of power. Whilst the immediate response might be compliance, it is unlikely to result in long-term commitment by staff but rather resentment, anger and possibly retaliation.

It is probable that having worked in PRC Company for over twenty five years that CS will possess expert power. This source of power is based on the followers' belief that the leader has certain expertise and knowledge relevant to a particular problem or issue. It will only work if staff acknowledge the expertise. CS's expert knowledge will assist her with the implementation of the SCC, introducing the new roles and responsibilities and should encourage respect from staff that this is a positive move.

As Finance Director, CS will certainly have legitimate power, sometimes referred to as position power. This source of power is associated with a particular job and formal position in the organisational hierarchy which will give CS authority to make decisions and command the action of others. It is when followers accept that the leader has the right to influence them in certain areas or aspects of behaviour. As CS is both a senior manager and leader of the SSC change, she will be deemed to have legitimate power and hence the right to issue instructions to staff regarding the change.

It is worth noting that the sources discussed in the above sections are not exhaustive and there are other sources of power. Other examples include resource power, personal power and connection power. The latter results from personal and professional access to key people and information which CS is likely to have.
### Answer to Question Seven

<table>
<thead>
<tr>
<th>Rationale</th>
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<tbody>
<tr>
<td>Requirement (a) tests candidates’ understanding of how project management methodology can support projects. It examines learning outcomes B2(h) ‘compare and contrast project control systems’. Requirement (b) tests candidates’ ability to explain the different kinds of negotiation within the context of a project. It examines learning outcome B2(c) ‘explain the roles of key players in a project organisation’.</td>
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<th>Suggested approach</th>
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<tbody>
<tr>
<td>(a) The answer could start by explaining what is meant by the term PRINCE2. It should then develop to explain the benefits of the methodology by making specific reference to key features that could help in the management of the conference centre project.</td>
</tr>
</tbody>
</table>

Good answers will make reference to specific benefits of PRINCE2 in the context of the conference centre project. Weaker answers will simply describe some features of PRINCE2 in a very general sense with limited contextualisation.

(b) The answer should develop to clearly explain the different kinds of negotiation that R might be involved in as the project manager for the conference centre. The project management triangle of time, cost and quality could be used as a framework to structure the answer. This could then be expanded upon to make reference to other negotiations during the lifecycle of the project, for example, resources and project teams. |

Good answers would frame the kinds of negotiation in the context of the conference centre project set out in the scenario. Weak answers would describe the process of negotiation, with limited reference to the specific negotiations likely within the project context.

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**Requirement (a)**

R has recommended that the conference centre project should use PRINCE2. This is an acronym for Projects IN Controlled Environments and is a structured approach to project management. Essentially it provides a project framework with a set of project tools, guidelines and standards.

Whilst it could be argued that aspects of PRINCE2 could be considered to be just good project management, the difference is in the level of structure and documentation required. Project organisation and structures are highly defined, for example, the requirement of having a project board to oversee the project activities. It provides a clear management structure of roles and responsibilities, which can be adapted to the nature of a particular project. For the conference centre project, it would involve setting up a Project Board or Project Committee including, for instance, the sponsor, a member of the committee organising the climate and sustainability conference, as the first user of the new facility, the architect or designer. Other experts could be co-opted on to the Board as and when necessary, for instance security experts.

PRINCE2 would be particularly beneficial in terms of project control for the conference centre build. It includes bureaucratic controls on the planning and execution of projects, which aim to help identify potential problems that may arise and early resolution. As part of this, the control responsibilities of the various members of the project team would be determined.

Organisation is a key aspect of the PRINCE2 method. It specifies project roles, lines of authority, reporting and communications for all involved in the conference centre project. In addition, the key processes and documentation of PRINCE2 would provide for the project team a clear structure of authority and responsibility between members of the project team, so that each party has clear objectives, particularly important in a complex project.

The methodology would also help in the project planning that R will inevitably need to do, and should keep the project on track. The PRINCE2 hierarchy of plans involves:
- The overall project plan - which includes setting standards for everything that needs to be delivered (eg time, quality, budget).

- Stage plans – this involves preparing plans for each stage. A key feature of PRINCE2 is managing stage boundaries. This refers to breaking the project down into stages and ensuring that all deliverables planned for a particular stage of the conference centre project have been completed as defined before authorising the next stage.

- Exception plans - these are used when there are signs that the project is slipping behind schedule or deviating from the budget or quality targets. It the project is going to exceed its tolerance, for example, variances in time or cost, this would be highlighted and then reported to the Project Board. The implications on the whole project deliverables would then be discussed and plans amended to reflect any changes needed to ensure the project is delivering its objectives.

- Individual work plans for project team members.

PRINCE2 has a set of progressive documents for a project and control is achieved through the authorisation of work packages. These include controls on quality, time and costs and identify reports and handover requirements. The methodology includes a series of ‘management products’, for example, project initiation documents, project budget, quality plan and various checkpoint and progress reports, all of which would should reinforce the controls for the conference centre project. This directs attention to what is to be achieved rather than how to do it.

PRINCE2 would divide the project into:

- Technical products, which are the things the project has been set up to provide to the users;

- Quality products, which define the quality standards the technical product must achieve;

- Management products which include the project management structure, planning documentation and reports.

In summary PRINCE2 has a series of process areas which reflect the project lifecycle, including:

- Starting up a project
- Initiation
- Managing stage boundaries
- Controlling a stage
- Managing product delivery
- Project closure

*(Candidates could develop their answers using other appropriate project management methodologies / approaches.)*

**Requirement (b)**

Negotiation is the process of satisfying the project’s needs by reaching agreement or compromise with others involved in the project. R, as the project manager, will need to negotiate on a number of different issues during the life of the conference centre project. In delivering the project, R will have to rely on people over whom he may have no direct control, for instance, the designers/architects, sub-contractors who will be involved in the building work, the suppliers of ethically-sourced materials and those who will be involved in advising on the security measures in the design of the conference centre.
A useful framework for examining the different areas in which R may need to use his negotiation skills to enable the needs of the project to be met is the project management triangle of time, cost and quality. R will also need to negotiate on project priorities, resources, schedules and people issues.

Some specific examples of negotiation that R might be involved with during the conference centre project lifecycle include:

R may need to negotiate on issues around cost with the project sponsor, for example when setting the budgets in the planning phase and the actual expenditure as the project progresses.

As project manager, R may find that he needs to negotiate on time schedules and timing of the various activities, to ensure that the project deadlines are met. The project is time critical in terms of being ready for the start of the world climate and sustainability conference.

R might also have to negotiate on the availability of resources, for instance in terms of the funding of the project. This could also be in terms of human resources, i.e. members of the project team, and the building materials which should be ethically sourced. A primary concern for the sponsor is that the build meets their expectations with regard to ethical and environmental considerations and this could prove to be a key area for negotiation for R with the designers, the contractors and the suppliers.

Other examples might involve negotiating for increased labour which may be needed at critical stages of the build. R may need to negotiate with different project stakeholders regarding changing the order of certain activities and the time taken in order to meet key milestones.

There could also be the need for R to negotiate on quality issues as the build goes ahead, trading off between quality cost and times. It is likely the conference centre will need to achieve specified standards to meet health and safety regulations, and also security. This could result in R having to negotiate on the priorities of the project, for instance, completion on time or ensuring the quality standards are met.

Negotiation to resolve any disputes between project team members might also arise, regarding for instance their roles and responsibilities during the life of the project, particularly between the different groups working for the various contractors.