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 April at www.cimaglobal.com/e2PEGS.

SECTION A

Answer to Question One

Rationale

This question tests candidates' understanding of the disciplinary procedure as part of organisational control and the reasons for employee dismissal. It examines learning outcome C2(d) 'identify tools for managing and controlling individuals, teams and networks, and for managing group conflict'.

Suggested approach

The first part of the answer should explain the range of reasons for having a disciplinary procedure. The second part of the answer should provide examples of when employee dismissal is reasonably considered to be fair.

Good answers will provide comprehensive reasons for having disciplinary procedures, along with example of when dismissal is fair. Weak answers will provide only a couple of reasons for both parts.

Requirement (a)

TF could start by explaining that a disciplinary procedure can be considered to be part of an organisation's human resources control system, and as such will contribute to the overall effectiveness and performance of the organisation.

She could then go on to explain that maintaining the discipline of employees is an integral part of the effective management of people. TF should mention that the main reason for taking disciplinary action is to achieve a change in behaviour when an employee's conduct is
below acceptable standards, specifically to encourage improvement in an employee's performance. In this sense, having a disciplinary procedure acts as a control mechanism where work norms have not been adhered to by employees and which would cause problems for the organisation if no remedial actions are available. She could provide some examples of this; for instance if staff are either constantly late for work or refuse to carry out a legitimate work assignment. If these are not addressed they will have a negative impact on organisational performance as well as having a potential negative impact on other colleagues.

TF could make reference to the fact that in the UK there is a statutory procedure which FS Company must follow as a minimum if it is considering dismissal of an employee or imposing penalties short of dismissal such as suspension without pay or demotion. She could point out that the employer has a legal obligation in terms of compliance, to ensure its disciplinary procedure meets with statutory requirements.

TF could explain the implications if FS Company does not follow the statutory procedure. Should the case go to an employment tribunal, the judge will automatically find the dismissal unfair. This could result in expensive legal fees, as well as the costs associated with management time spent preparing for the tribunal. So TF could point out that having a formal disciplinary process can save money in terms of both any legal costs and possible compensation costs.

Other reasons TF could mention for having a disciplinary procedure in place is to protect the company image; FS Company does not want to be associated with a poor disciplinary record, which could impact negatively on recruitment of new staff with people not wanting to work for such a company.

She could also refer to the disciplinary process serving to preserve the well being of employees and others, particularly in terms of equity of treatment, employee morale, trust and motivation.

Requirement (b)

TF could first explain that dismissal is the termination of employment with or without notice by the employer. She should then provide examples of the instances when it is normally fair for an employer to dismiss employees. In this regard she could make reference to the following:

- The employee is made redundant because of cessation of the business, or the business in the place where the employee was employed; or the cessation of the type of work for which he or she was employed;

- The conduct of the employee, which usually means an employee has broken one or more of the terms of employment. For example, continually missing work, poor discipline, drug or alcohol abuse, theft or dishonesty.

- The employee’s capability to perform the job, which means the employee is not performing to the required standard and cannot do the job properly. For example, the employee is not able to keep up with technological changes to the job (e.g. introduction of computerised systems).

- Some other substantial reason applies to a situation where the employer has an overwhelming reason to dismiss. For example, imprisonment; irresolvable personality clash between the employee and a co-worker; unreasonably refusing to accept a company re-organisation that changes the employment terms.

[Other reasons that TF could include - a statutory duty or restriction; illness]
Answer to Question Two

Rationale

This question tests candidates’ ability to explain the importance of effective communication skills in the negotiation process. It examines learning outcome C2(b) ‘discuss the roles of negotiation and communication in the management process, both within an organisation and with external bodies’.

Suggested approach

Answers could use the communication process model to explain the potential barriers to communication, linking to the different stages in negotiation. Reference should be made to how the barriers can be overcome.

Good answers will explain the different elements of the communication process in terms of potential barriers with specific reference to the different stages in the negotiation process along with reference to how to overcome the barriers. Weak answers will give a superficial explanation of barriers to communication but not in the context of negotiation.

In explaining the potential barriers to communication in negotiation and how to overcome these, it would be helpful to refer J to the communication process model.

Process of Communication

With reference to the model, there are a number of possible barriers to effective communication in the Finance Director’s negotiation with the Marketing and Sales Director.

At the preparation stage of the negotiation J first needs to consider himself in terms of the sender of the messages. He should define the purpose of his message with P, the receiver, in mind and select the most appropriate language and medium for the message. For the negotiation this is likely to be face-to-face. J needs to have a clear objective of what he wants to achieve from the communication which, in this case, will be a successful negotiation outcome.

During the opening stage and the bargaining stage of the negotiation process J must ensure that his messages are not too complex or poorly expressed, otherwise they may not be fully understood by P. J also needs to take care not to cause confusion in the communication process through the over use of jargon or lack of fluency of his message. He needs to code his messages in a way that is understood by his audience. He needs to be able to communicate his case clearly in a planned and logical way or else P may not pick up the principal elements of the message, especially important in the bargaining process.

During the negotiation it is important that J’s non-verbal communications reinforce his verbal messages and do not undermine them. The medium channel for the negotiation will be through face-to-face discussion so he needs to ensure that all elements of communication, for instance words used, tone and non-verbal signals (gestures, facial expressions, and posture) all fit with, rather than contradict each other, so as not to confuse P.

J needs to anticipate possible reactions during the negotiation process by the Marketing and Sales Director to the message regarding changes to the way sales targets are set. He should also be aware of individual bias and selectivity by P. This occurs because often people hear
and see what they want to, particularly in negotiation. P, as the receiver, may have a different set of expectations from J regarding the setting of sales targets. Throughout the negotiation it will be important to minimise this problem by ensuring that communication is two ways. J should encourage feedback from P to check out that the message has been correctly understood and interpreted. This will be particularly important at the closing stage of the negotiation when it is vital that the communication is correctly received so as to ensure each party is clear and in agreement with the outcome reached.

J should also be aware of 'noise' that can occur in the communication process. This refers to any distractions or interference in the environment in which the communication is taking place and which can impede the transmission of the message. It happens when the message becomes distorted by extraneous factors between J and P, such as distractions in the negotiation environment and information overload during the negotiation.

The overriding aim in terms of having effective communication skills is to achieve a win-win outcome from the negotiation.
Answer to Question Three

**Rationale**
This question tests candidates' appreciation of the use of a matrix structure for projects. It examines learning outcome B1(g) 'identify structural and leadership issues that will be faced in managing a project team'.

**Suggested approach**
Answers should develop to explain the advantages and disadvantages of having a matrix structure for managing a project.

A weak answer will describe a matrix structure with limited explanation of advantages and disadvantages.

A good answer will provide a comprehensive explanation of the advantages and disadvantages of a matrix structure in the context of a project.

For projects that require a range of skills and involvement of staff from different functions a matrix structure is likely to be used. Whilst there are advantages associated with using a matrix structure for projects there are also some criticisms and disadvantages.

The advantages of using a matrix structure for managing a project include:

For a project which cuts across boundaries of functional areas, a matrix structure brings together a wide range of expertise on the project team. From an employee perspective it can facilitate the development of new skills by exposing employees to organisation-wide problems and decisions.

Lateral communication and co-ordination is improved between specialists working on the project. Direct contact between staff encourages problem solving and allows employees to be involved in the decisions for the project customer.

Exposing employees to greater participation, planning and control issues tends to make the project team more customer and quality focused. Adopting a matrix structure creates flexibility across the project with the aim of speedy implementation. This will increase the project's customer satisfaction.

There are a number of disadvantages of using a matrix structure. For example:

One of the main problems with a matrix structure is associated with a lack of clear responsibility and potential clashes and tensions between the different priorities of the project tasks and the specialist functions. Functional managers may feel that their authority has been diluted.

The individual employee will have two bosses and hence may end up being confused and stressed by conflicting objectives or ambiguous roles. It may be difficult for the employee to decide whose work should take precedence. They might choose the priority based on self interest (for instance, the boss who authorises their salary and benefits) rather than one where the interest of the project is best served. The project manager may be reluctant to impose authority as he or she may possibly be subordinates in later projects.

Due to the prioritisation of tasks and dual responsibility, employees will spend a lot of time in meetings with both the project team and the functional department. These meetings will have both a time and a cost implication to the company.

The complexity of the matrix structure can often make it difficult to implement. Inevitably conflicts will arise due to differences in the backgrounds and interests of staff from different functional areas.

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**Answer to Question Four**

### Rationale

This question tests candidates' understanding of the nature of competitive environments. It examines learning outcome A1(b) 'distinguish between different types of competitive environments'.

### Suggested approach

Answers to the first part of the question should develop to explain the different purposes of undertaking competitor analysis. Answers to the second part of the question could start with a brief description of what is meant by the term benchmarking and then develop to describe how benchmarking could help FLF Company.

A good answer will provide a comprehensive explanation of the different purposes of competitor analysis. The description of how benchmarking could help FLF Company will draw on the scenario to provide relevant examples. A weak answer will provide a narrow explanation of the purpose of undertaking competitor analysis, and will describe benchmarking, but not in the context of the scenario.

### Requirement (a)

Referring to CIMA’s definition, competitor analysis is concerned with the identification and quantification of the relative strengths and weaknesses of a company, when compared with its competitors or potential competitors, which will be of significance in the development of a successful competitive strategy.

Developing on the themes contained within this definition, collecting information on competitors will enable FLF Company to appreciate its own competitor advantages and disadvantages relative to its competitors. Undertaking competitor analysis will also assist FLF Company in predicting the potential future strategies of its competitors and help it in determining what it should do to counteract competitor strategies. In addition, it would also help FLF Company to better understand the possible reactions of competitors to its own strategic decisions made to sustain its competitor advantage.

As well as identifying competitors' current strategies, competitor analysis will involve the identification of competitors' resources and capabilities. This would aid FLF Company in determining what its competitors are capable of doing in the future. A knowledge of its competitors' objectives will also be an important part of the analysis for FLF Company, since this will provide it with an appreciation of the likely future behaviour of its competitors.

Undertaking competitor analysis will provide information on the number of competing firms in FLF’s industry. This is important since it will impact on the level of choice for customers and the nature of competition, for example, in terms of the differing pricing structures. Finally, competitor analysis will reveal how easy or difficult it is for new firms to enter the courier industry (i.e. are there high or low barriers to entry to the courier industry). This will help FLF Company assess the likelihood of new competitors entering the market and the intensity of competitive rivalry.

### Requirement (b)

Essentially benchmarking involves a company evaluating its own performance against competitor groups and the best practice in the industry on selected key performance criteria. In the case of FLF Company, this will help it in the development of its future plans, and if necessary to identify where it needs to improve on specific aspects of performance if it is to achieve its vision of being number one and the best in the sector.

FLF Company could benchmark itself on a range of criteria including, for instance, strategic benchmarks such as market share (i.e. what proportion of the courier market does FLF Company have) since this would help it to know how close it is to being number one in the
courier industry in terms of number of customers. It could use financial benchmarks such as return on assets or gross profit margin on sales.

It could also benchmark itself on functional benchmarks which it believes are critical to customer choice, such as the percentage of collections and deliveries of parcels on time (particularly since it positions itself as being best for reliability in the marketplace).
## Answer to Question Five

### Rationale

This question is designed to test candidates’ appreciation of the different strategies available to resolve a conflict. It examines learning outcome C1(d) ‘discuss alternative approaches to the management of conflict’.

### Suggested approach

The answer could start by explaining that the conflict occurring is vertical. It should then explain each of the different strategies that could be used to manage the conflict.

Good answers will be contextualised with reference to the scenario information when explaining the different strategies that could be taken to manage the particular form of conflict occurring. Weak answers will provide a general discussion on conflict with only a couple of specific conflict handling strategies referenced.

There are a number of different ways LG could handle the vertical conflict in NWP Company which is occurring as a result of the announcement to introduce new working practices. For example, he could make use of the five conflict handling strategies identified by Thomas which are based on two conflict management dimensions:

- the degree of assertiveness in pursuit of one’s interests, and
- the level of cooperation in attempting to satisfy others’ interests.

The strengths of each of these in a particular situation can be regarded as lying along two continuums respectively.

LG could use the **avoidance** strategy. This is where one or more parties in conflict may seek to avoid, suppress or ignore the conflict. This would not be recommended in the case of NWP Company since it does not resolve the conflict. It could therefore impact negatively on the future survival of the company if the support to the new working practices is not resolved since industrial action would remain a possibility.

An alternative strategy LG could use is **accommodation**. This would involve one party putting the other’s interests first and suppressing their own interest in order to preserve some form of stability or to suppress the instability. Again, in the case of NWP Company, this is not recommended since this strategy is unlikely to resolve the differences of the management and employees relating to the new working practices to the satisfaction of both parties.

LG could use the conflict handling strategy of **compromise**. This is often viewed as an optimum strategy since it involves each party giving something up and a deal somewhere between the two is accepted. For NWP Company this approach might be used between management and the workers, for example, to determine the number of hours needed to be worked at the weekend, and an enhanced reward for working over the weekend.

Another conflict handling strategy is **competition**. This is a state where both or all parties do not cooperate. Instead they seek to maximise their own interests and goals and so end up creating winners and losers. This approach is not recommended for NWP Company since it can prove damaging both to the organisation and to workers now and in the future.

The fifth approach LG could use to handle the conflict is called **collaboration**. This is where the differences between the management and the workers are confronted and jointly resolved, with a win-win outcome achieved. Whilst this is also viewed as a favourable approach to managing conflict, it is not always possible. For instance, the new working practices proposed are needed to improve productivity and actions will need to be taken collaborating with the workers to work out how these new working practices can be implemented. This will only be successful if the workers accept the need for the new working practices and are prepared to collaborate on ‘the how’ they are introduced.
Answer to Question Six

**Rationale**

Requirement (a) tests candidates' appreciation of the initiation stage of the project lifecycle. It examines learning outcome B1(c) *construct an outline of the process of project management*. Requirement (b) tests candidates' appreciation of the PERT, scenario planning and buffering as part of the planning process of project management. It examines learning outcome B1(e) *apply key tools and techniques, including the evaluation of proposals*.

**Suggested approach**

(a) A good answer will explain what happens at the initiation stage and relate this to the project. A weak answer will discuss the content at a general level and will not develop the answer in the context of the scenario.

(b) A good answer will show clearly how the tools can be used in the new training centre project. A weak answer will show little understanding of the contribution these tools can make to the planning process.

**Requirement (a)**

It is important for T Company to understand what should happen in the initiation stage of the new training centre project. Projects are initiated when a need or objective is defined. For T Company it has identified the need for a new training centre in a major city in E Country. There are a number of consideration which should be made at this stage of the project including:

- Project Requirement
- Project Feasibility
- Risk Management

The development of an outline proposal should include a statement of the project requirement, in other words what is expected of the project and in particular the reason for what is being developed. This aspect of initiation is important because if the project requirement for the new training centre is clearly set out at the outset, then the project should have a greater chance of success.

Another important part of the project initiation stage is establishing project feasibility. The project, once initiated, will consume large volumes of resources, both financial and non-financial, and so the feasibility study should explore a number of potential premises and options for T Company's new training centre.

The feasibility report for T Company might contain:

- The objectives of the feasibility report which would lead to a recommendation whether the project should proceed or not.
- The scope of the study which will be the terms of reference for the feasibility which will be to look at whether the new training centre project can be delivered successfully.
- Any constraint that applies to the study. This might include a time constraint for the completion of the feasibility report.
• The client of the study. This will be the person in T Company that will sign off the final product.

• The resources available for the feasibility study. This defines the people, equipment and budget available for the study costs.

The types of feasibility that T Company will need to consider includes:

• Technical feasibility, for instance this might involve detailing the available technology required to deliver the training courses and the equipment required for the admissions and administration staff based at the centre.

• Operational feasibility, for example, the number of people required both during the project and after completion.

• Economic feasibility - a cost benefit analysis of the costs to be considered in the project such as:
  • Capital costs - any costs that T Company incurs in the acquisition of assets like the computer equipment and the costs of installation.
  • Revenue costs - any costs for the operation of the training centre such as rent and rates and costs of consumerables.
  • Finance costs - any interest charges on any money that might have been borrowed for the project.

It will also be important for T Company to identify any risks associated with the new training centre project in terms of quantitative and qualitative risk and socially constructed risk. Once the risks have been identified, approaches to how the various risks can be managed should be considered (i.e transfer, avoid, reduce, accept).

At the end of the project initiation stage a Project Initiation Document (PID) should be produced. (This is sometimes referred to as the Project Charter). The PID should define the overall mission, scope and deliverables required, and the role and responsibilities of the new training centre's project stakeholders. This will provide the overriding terms of reference for the life of the project, hence acting as a base document against which progress and changes can be assessed.

The PID for T Company might contain:

• The purpose statement which will explain why the new training centre is necessary.

• This should put boundaries on the new training centre project by outlining the major activities for the project. This might include;
  • Finding the new premises for the training centre
  • Refurbishment
  • Selection and implementation of technical equipment

• Cost and time estimates. This might include when the new training centre project needs to be completed and financial details relating to expectations of the project budget.

• Project constraints which will include that the training centre has to be open within a six month timescale.
• A list of the influential stakeholders in the project. This is important as T Company does not want any disruption to the project. Understanding the key stakeholder needs should minimise any disruption to the new training centre project.

• A project organisation structure. It is important that everyone on the new training centre project understands their role and responsibility. This should help to minimise conflicts and the start of ensuring appropriate control mechanism are in place for successful completion.

Requirement (b)

PERT
This can be used to overcome the uncertainties over times taken for individual activities in a network diagram. Unless a similar project has been undertaken before then timings set for each activity can be very uncertain. The technique is designed to account for uncertainty in the project lifecycle.

Each task is assigned a time:

• An optimistic (best) time on the duration of the new training centre project if the conditions were ideal.
• A probable time if conditions were normal or as expected.
• A pessimistic (worst) time which is the duration it would take if a number of things went wrong.

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

Scenario Planning
Wherever risk is identified as taking the form of alternative outcomes, a series of contingency or scenario plans may be constructed for each alternative.

Scenario planning involves considering one or more sets of circumstances that may occur other than the most likely or expected set of circumstances used to prepare the budget or plan for a project. For T Company, for example, the delivery of the equipment might be delayed, or there may be problems with the installation of the equipment taking longer than anticipated. Each set of assumptions is then tested to establish what the outcome would be if those circumstances were to actually occur.

To plan for possible uncertainties T Company could construct contingency or scenario plans. This would require T to look at the various activities involved in the new training centre project and have alternative contingency/scenario plans ready to minimise the possible risk associated with the project activities, which T Company could switch to if needed.

Buffering
A more simplistic way to incorporate risk is by adding artificial slack into risky activities. It adds padding to the original estimates and allows for the fact that it can be very difficult to ensure that all stages and activities are carried out exactly as planned. This is known as buffering but should not be encouraged by T Company because it leads to a build-up of slack in the programme and may lead to complacency.
Answer to Question Seven

Rationale

Requirement (a) tests candidates' understanding of the principles of the Resource Based View. It examines learning outcome A2(a) 'discuss concepts in established and emergent thinking in strategic management'. Requirement (b) tests candidates' appreciation of formal strategic planning and its relevance to small businesses. It examines learning outcome A2(b) 'compare and contrast approaches to strategy formulation'.

Suggested approach

(a) Answers should start by explaining the principles of the RBV to achieving sustainable competitive advantage. The principles should then be used to assess the extent to which the scenario organisation's competitive advantage is based on the RBV.

Good answers will make reference to theory of the RBV, and use the criteria to discuss the scenario organisation's approach. Weak answers will give a simplistic overview of the RBV but without application to the scenario organisation.

(b) Answers could start by providing a brief explanation of the formal approach to strategic planning. They should then develop to discuss why the formal process associated with formal strategic planning may or may not be relevant to the scenario organisation.

Good answers will provide a comprehensive set of reasons why the formal approach to strategic planning is or is not relevant to a small business, with reference to the scenario organisation. Weak answers will provide only a limited number of reasons without elaboration to the scenario organisation.

Requirement (a)

The underlying principles of the resource based view are that sustainable competitive advantage depends on an organisation’s possession of unique resources or distinctive capabilities that cannot be easily replicated by its competitors. This view contends that internal resources are more important for a firm than external factors in creating and sustaining competitive advantage.

The resource based view emphasises developing or stretching internal capability and unique resources, hence it is sometimes referred to as the 'inside out' approach to strategy.

A key principle of the resource based view is the possession of scarce resources and exploiting these in order to achieve competitive advantage. In the case of LD's business this means the identification of resources by LD Flowers is better than that of its competitors and that superior competitive performance results from her use of internal resources and capabilities.

Resources include all assets, capabilities, organisational processes, information and knowledge controlled by a firm that enable it to create and pursue effective strategies. They are often classified into physical resources, human resources and organisational resources.

Resources can relate to a particular raw material, for example in the case of LD the locally grown flowers, but could also take a less tangible form, such as the brand name. The critical factor is that they are the things which would enable LD Flowers to both outperform competitors and are difficult to imitate.

Research on the resource based view has focused on the characteristics of the advantages of creating resources. Different researchers present different arguments in terms of what these characteristics should be. For example, Barney suggests that strategic resources must meet four criteria. These are that:

- they must be valuable;
• they must be rare;
• they must be difficult for other firms to imitate;
• there should not be freely available substitutes.

The more a resource meets these criteria the stronger a firm's competitive advantage. The criteria proposed by Barney can be used to assess LD's resources:

*Resources must be valuable,* in other words they must be able to be used to exploit opportunities or minimise threats in the external environment. This could be considered to be the case for LD who has identified the opportunity for contemporary flower arrangements, using locally grown flowers which meets the ethical stance being taken by a increasing number of people.

*Resources must also be rare,* in other words competitors must not be able to have them. It is plausible that the LD's access to flowers from local growers could be considered to be rare, although this will be dependent on how easy it is for other florist businesses to get sources of local flowers.

*Resources must also be difficult for competitors to obtain* and not be easily duplicated (i.e. *difficult to imitate*). One way to achieve this can be through patents and trademarks, but the best protection is often through intangible relationships created between skills and knowledge. This could be considered to be apparent in LD Flowers where each design is unique. LD’s experience, skills and knowledge could also be viewed as being difficult to imitate.

Intangible resources and capabilities are more difficult to imitate and hence can be viewed as a more meaningful basis for strategic development and for sustainable competitive advantage. Looking to the future, LD would benefit from building a strong brand name which would help her in this context.

Finally it must be difficult for customers to find a substitute, in other words resources are more likely to be competitive if they cannot be easily substituted. This would depend on how substitutes are defined, but it could be argued that there are readily available substitutes to flower arrangements, for instance chocolates and wine bought as presents.

In conclusion, it could be considered that, whilst LD Flowers is adopting a RBV to its strategic development, it does not meet all criteria in terms of its uniqueness of resources. Nevertheless, it is both the use of resources and the combination of linkages between value adding activities within the company that are hard to replicate in this case.

**Requirement (b)**

The formal approach to strategic planning usually results in a consciously thought out or deliberately intended strategy. It assumes that strategy making is a rational process with strategies based on careful analysis of the opportunities and threats posed by the external environment, and consideration of the organisation’s strengths and weaknesses, relative to other players in the industry.

Whilst there can be benefits to adopting such an approach, the formal process may not be suitable for a small business such as LD’s for the following reasons.

• A formal approach can be very expensive, time consuming and complicated for small businesses. LD is right to be concerned about the opportunity cost, not only in terms of attending the seminars, but also in terms of spending time on planning which could take her away from the main operations of her business.

• Formal planning may also be considered too static and a process that tends to be infrequent. In a changing environment it could be argued that the outcomes on which formally planned strategies are based often become quickly outdated, with the result that the intended strategy fails.
• LD may be worried that such a process will just end up as a bureaucratic process with systems and targets unhelpful to a small business. The formal approach could get in the way of LD's interest and creative talent, since it could be conceived as a rigid approach bound up in processes, undermining LD's core competencies.

• One of the aims of formal strategic planning is to achieve goal congruence between different business areas and stakeholders. However, in the case of a small business, the goals are likely to be inseparable from the goals of LD as the owner manager. In a small business, such as that run by LD, it could be argued that the formal approach is not appropriate because the success is more dependent on the ideas of LD. It is unlikely that LD will have the economic rationality in her approach to running the business which is more often associated with businesses governed by external shareholders.

• Even if new options are identified from formal planning, LD is likely to consider narrow product/market choices because her business is essentially based on her own specific knowledge and skills arising from her hobby. Despite winning the contract from the local hotel, as a small business it is doubtful that LD will have the resources to invest in new strategic ventures and may be unwilling to share or delegate control to others. Indeed LD may not have aspirations for growth.

• LD says that she prefers to let her strategy emerge. This approach arises from ad-hoc, unanticipated or uncontrollable circumstances. It is often referred to as developing from patterns of behaviour in response to unexpected events. In the case of the scenario, the unplanned growth was as a result of the order from the local hotel chain. This was not a consciously thought out nor a deliberately intended strategy.

Whilst there are many valid reasons why LD might not see the seminars of any benefit to her, some of the strategic planning frameworks/models might be helpful in making future decisions about the future of the business. For example, it would be sensible for LD to monitor the environment and conduct an informal analysis of her strengths, weaknesses, opportunities and threats to help her to stay ahead of the game.