Conflict can be defined as disagreement arising when one party is seen as preventing another party from achieving its interests or goals. There are a number of potential causes of conflict that could emerge due to the proposed changes and the restructuring of QT Company's Call Centres.

Change in itself can create conflict. In this case, new relationships and teams will be formed at Call Centre West (CCW). Hence, it is likely that the new teams will go through the storming phase of team development (as proposed by Tuckman). Conflict is likely to be prevalent in this stage as team members challenge each other on the way work is done, and test their
roles and responsibilities. Associated with this, another cause of conflict might emerge due to the different histories of employees from the two call centres as existing and established relationships are threatened or disbanded altogether. Staff who are required to undertake new responsibilities and roles may do so reluctantly and with little enthusiasm.

While employees from Call Centre East (CCE) have been offered jobs at CCW conflict may arise because they may think that they are in a losing situation since CCE has been the one identified for closure. They may feel that they will be viewed negatively by their colleagues already working at CCW. This may be exacerbated by staff in CCW holding the belief that they are in some way better than employees from CCE, even though we are told it was a marginal decision to invest in CCW. Conversely, the decision to close CCE may be perceived by staff there as being unfair. Depending on the severity of disgruntlement amongst employees, the conflict could lead to industrial action.

A further cause of conflict could be stress and failure which might arise if an individual or work group feels unable to cope with the pressures and problems of the move to CCW, where they will be working in a different environment and with different people.

Uncertainty is often a cause of conflict and this could occur amongst staff from both call centres, since the reorganisation will impact on all their roles. There may be resentment from the employees in CCW of having the staff from CCE to work with, which they may view as underperforming, since it has been chosen for closure. This could result in hostility and jealousy as people apply for roles. Whilst jobs have been guaranteed for all employees there will inevitably be a level of competition for particular roles, with winners and losers in terms of individuals securing their preferred jobs.

Another cause of conflict could arise because of poor communication up and down the hierarchy about the changes proposed. This could lead to rumours and misunderstandings between management and staff, resulting in vertical conflict.

In conclusion, an understanding of the likely causes of conflict should help the senior management of QT Company in eliminating or minimising disruption when implementing the restructuring plan, including the integration of employees from CCE to CCW. The management of conflict is likely to be more effective if the causes can be recognised and dealt with at an early stage.
Answer to Question Two

<table>
<thead>
<tr>
<th>Rationale</th>
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<tbody>
<tr>
<td>This question tests candidates' ability to discuss the trade-offs between project objectives of time, cost and quality. It examines learning outcome B2(a) 'produce a strategy for a project'.</td>
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<table>
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<tr>
<th>Suggested approach</th>
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<tbody>
<tr>
<td>The answer could start with an explanation of the concept of trade-off in the context of project management. It should then discuss the strategies that could be considered by N Company.</td>
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A good answer will apply the various strategies to the project outlined in the scenario. A weak answer will describe the three constraints with limited explanation of the trade-off between the constraints in the context of the scenario.

The successful completion of any project usually requires trade-offs between time, cost and quality. These three elements of a project are known to be correlated with each other. Where one of these elements is restricted or extended, then the other two elements will also need to be either extended/increased in some way or restricted/reduced in some way.

Time and cost will be positively correlated on the housing development project. For instance, if it takes longer to complete the build then penalty payments will be incurred. In order to cover the penalty costs lower quality resources could be considered, but the overall expectations of the customer still have to be considered.

The time constraint refers to the amount of time available to complete the housing development project. On this particular project there is a degree of urgency, due to the penalty payments in place. The timescale can be reduced by adding additional resources or scheduling overtime working. Both of these strategies will have to be considered against the cost of the penalties. As such, there will be an optimal time for the development project, at which overall costs are minimised.

Resources (specifically labour) could be asked to work smarter to try and increase the amount of productive time. It may be possible to identify activities that are not adding value to the customer and could, therefore, be eliminated.

Increased costs could include wages, travel costs and materials. If N Company wants to speed up the completion of the housing development project, it could consider increasing the number of builders working on the project each day. This would mean that the variable costs of the project are increased. The project manager will need to consider the cost associated with a number of project durations to determine the overall cost/benefit. Increasing the amount of resource will impact on profitability and will also impact on the overall return on investment.

The cost constraint refers to the budgeted amount of money or resources needed to complete the housing development project. In order to manage the issues of costs, the original scope of each of the houses could be reviewed. This means considering fewer or lower quality resources. The customer will be expecting the work to be carried out in line with the customer charter, so there may be no compromise available in terms of changing the project scope.

The quality constraint refers to what needs to be done to produce the project's end result (i.e. what constitutes fit for purpose in the design build requirements of the customer). For N Company the expectations of quality are outlined in the customer charter, including customer service. Fit for purpose is an important concept and N Company must be clear about what the customer has specified for their choices of interior design. N Company needs to ensure that the functions and facilities of the new home are operating as expected. There can be no compromise in this area if N Company wants to deliver customer satisfaction. So the ability to reduce the specification may be limited.
The final decision needs to be based on the prioritisation of the triple constraints of time, cost and quality. Any reduced scope or time delay might impact on the reputation of N Company so it may have to consider increased project costs and accept an overall reduction in the profit margin on the house development project.
Rationale
This question tests candidates' understanding of the different forms of organisational control. The question examines learning outcome C2(d) 'identify tools for managing and controlling individuals, teams and networks, and for managing group conflict'.

Suggested approach
The answer could start with a brief explanation of organisational control. It should then make reference to the type of control currently in place and then explain the alternative types of control appropriate as an organisation is in its growth phase.

A good answer will provide a comprehensive explanation of the types of control with reference to the scenario context. A weak answer will identify types of control but will provide limited explanation, or may only explain one alternative approach to control rather than the range.

Control within an organisation is essentially concerned with the process of ensuring that the operations proceed to plan so as to ensure that the objectives of the organisation are met.

The control that has operated in B4L Company to date is characterised by personal centralised control where the owner manager, C, has been the key decision maker. In this sense control of operations has been carried out through personal supervision by C. It is likely that the authority to control is based on C's rights as owner-manager of the company, although it could also derive from his charisma and technical expertise.

The problems that C is facing are typical of those that many other organisations experience in their lifecycle, in that as they grow, the external demands on the owners make it difficult for them to undertake the supervision of day-to-day operations.

Alternative control mechanisms that could replace personal centralised control include bureaucratic control, output control and possibly clan or cultural control.

Bureaucratic control would involve the introduction of formalised rules and procedures in B4L Company. C may have to appoint managers to act on his behalf to ensure the rules and procedures are adhered to. This type of control would be achieved through specification of how B4L Company employees should behave and carry out their work. It is probable that formal job descriptions and specifications of the standard methods for the performance of tasks will need to be established. This is likely to involve the greatest divergence from the current control system for a workforce used to a more personal relationship with the owner.

Output control is one that is principally based on the measurement of outputs and results achieved. It would require C to specify output standards and targets relating to the manufacture of B4L Company's products. The underlying requirement of this form of control is that there needs to be quantifiable and simple measures of organisational performance such as the number of specific products produced each week in the factory. Rather than establishing bureaucratic control this approach facilitates delegation with employees working in a semi-autonomous way to carry out tasks. As such, it may prove to be a more popular alternative amongst the workforce.

An alternative to both output control and bureaucratic control is clan or cultural control. This would be appropriate if C considers that his employees have a strong identification with the company's goals, with the acceptance of B4L Company values and beliefs. If this is the case, then employees can be given freedom in the way they undertake their tasks and there will be very few formal controls in place. C will need to assess the extent to which he feels that there are shared cultural values and common agreement of objectives. However, as a long-established family business there is every possibility that this would be the case, making clan/cultural control a realistic alternative for B4L Company to consider.
Answer to Question Four

**Rationale**

This question tests candidates' awareness of the different levels and types of competitors. It examines learning outcome A1(a) 'discuss the nature of competitive environments'.

**Suggested approach**

The answer could start with reference to understanding the nature of competitors. It could then make use of Kotler's four levels of competitor to structure the answer.

A good answer will describe the different levels of competitors, with examples relevant to the scenario organisation. A weak answer will show little understanding of the different levels of competitors, and provide a very general account of the nature of competition.

Whilst UMO Company will be well aware of the threats from other supermarkets, it is a newcomer to managing a chain of coffee shops with outlets in diverse locations, as suggested in the scenario. It follows, therefore, that it is important that UMO Company understands the different levels of competitors that it will face in the new coffee chain business it is considering acquiring. Only by doing so can it prepare itself to deal with the threats posed from competitors and determine its competitive strategy for the acquired chain of coffee shops, helping the Company understand how it might compete in this particular market place.

A useful typology around which to organise any discussion of the different levels and types of competition, is that provided by Kotler. He suggests four levels of competition: Brand; Industry; Form and Generic competitors. Taking each in turn:

- **Brand level competitors** refer to those companies offering a similar product/service. For UMO Company's new coffee chain business this would include other existing chains of coffee shops of a similar size. If coffee shops of these competitors are located in close proximity to UMO's then it is likely that competition will be fiercer. The company would need to understand the offerings of the brand level competitors in order to identify the extent to which its own offer can be differentiated.

  Decisions relating to this would centre on whether UMO Company should continue to operate the coffee shops under the brand of the chain acquired, or whether there would be merit in re-branding to benefit from the brand value of UMO Company's supermarkets reputation.

- **Industry level competitors** relate to organisations offering similar goods (or services) but which are not necessarily of similar size or they compete in a more limited area. UMO Company would need to assess the level of competition from small independently owned cafes and coffee shops, which perhaps operate at a more local level, for instance in suburban or rural areas. This would include coffee shops run by small business owners with one or two shops. It is unlikely that these will pose a threat at the strategic locations, such as major airports and railway stations where rents are likely to be prohibitive. However, these independent coffee shops may well have a loyal customer base in certain locations and hence will be a source of competition. There may also be a potential future threat for UMO to consider from the expansion of such competitors, such as if they are able to offer a uniquely different experience that captures the imagination and interest of a wider public.

- **Form level competitors** is where a company's products/service satisfies the same need, although are technically quite different. For coffee shops form competitors might relate to the competitive strength of, for example, pubs/bars, juice and milkshake bars, and fast food outlets.

- **Generic level competitors** are those competing for the same consumer disposable income. In this regard it would be important for UMO Company to determine the choices potential customers might make in terms of whether to have a cup of coffee
in a coffee shop or spend their money on alternatives, for instance, confectionery, on-the-go snacks, or other entertainment and other ways of socialising, such as going to the cinema. Competition of this type is likely to present more of a threat in city centre or out of town entertainment/leisure complexes rather than at airports or railway stations.
Answer to Question Five

Rationale

This question tests candidates' appreciation of the role of communication in the management 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

The answer could start with an explanation of the importance of effective communication skills for managers. It should then develop to provide examples of how communications could be improved, with reference to specific elements in the process of communication.

A good answer will provide a range of relevant examples to explain how communications could be improved. A weak answer will identify only a few examples, and will not be contextualised to the problems set out in the scenario.

It would appear that K has been selected for the position as Head of the Finance Department based on his technical skill, rather than other important management competences, in particular effective communication. However, a key attribute of an effective leader is to have good communication skills since communication is an important aspect in the relationship between managers and employees. Effective communication is essential in identifying problems, co-ordination of tasks and decision making.

To identify ways in which K might improve his communication skills it is useful to make use of a communication model such as that illustrated in Fig 5.1 below.

![Communication Model](image)

This model indicates the potential barriers to communication and helps summarise why K’s methods of communication present problems for the staff in his department.

As the sender of communications K needs to be clear on the objective of his communication, and then plan the communication, using an appropriate channel or medium through which the message is sent. For instance, rather than sending everything through long emails, it may sometimes be more effective for K to have face to face communication with individuals, since this would help K in re-building important personal relationships with staff.

K should be mindful about the receiver and the receiver’s situation when receiving messages. He should be more proactive in seeking feedback to ensure his communication has been received in the way intended and fully understood by the recipient. In this context K needs to think more about the medium he uses for communication. Face to face communication has the benefit of providing the opportunity for the receiver, who may not grasp the meaning of the message, to ask questions for clarification, checking out understanding. In other words it helps the receiver decode what K is seeking to convey. Communication is a two way process, so it is as important for K to understand what his staff are saying to him and in this respect K also must learn the significance of listening.
When using face to face communications, K needs to be aware that non-verbal communication skills are very important in conveying a message effectively. K could think more about his non-verbal communication cues. This includes maintaining eye contact, speaking at a moderate pace, and occasionally smiling and nodding, in order to reinforce the message as well as putting the receiver at ease. It is essential that verbal messages and non-verbal messages reinforce each other rather than contradict.

K should also think about the language he uses in terms of coding his messages. For instance, whether the perceived over-use of jargon in his communications is appropriate and will be understood by the receiver of his communication. K should consider using simpler sentences and plain language to improve the clarity of his messages. He should also be aware of information overload which can sometimes prove intimidating to staff, especially if they do not possess the same technical accountancy skills as K.

The concept of noise in the communication model refers to anything in the environment surrounding the interaction between sender and receiver that may interfere with the message. In this context K needs to pay attention to the timing of when he sends his emails. Staff may feel too pressured and stressed to respond immediately to emails they receive during ‘out-of-office’ times. They may view these emails as an unwelcome intrusion on their time away from the office when they are at home with their families or socialising, and also unreasonable and inappropriate of K to expect them to respond. If K prefers to construct emails in the evening and weekends, he could save the emails as drafts and send them at a more appropriate time.

In managing the finance department meetings it is important that, as the chairperson, K is well prepared for his meetings. He should ensure that an agenda is circulated prior to the meeting and should use the agenda items as the focus for the meeting, so as to keep on track. He also needs to make clear the purpose of the meeting and why invitees need to attend.

At the beginning of each department meeting K should go through the minutes from the last meeting and ensure actions have been taken as agreed, or obtain reasons for actions not being complete. This means that in future meetings, it is important that for each action point from decisions made K ensures that a person is identified as responsible for completing it.

In summary, if K is to win back the support of staff in the Finance Department it is clear that he needs to recognise that effective and regular personal communication is just as important as his technical accountancy skills in ensuring the smooth running of the department.
SECTION B

Answer to Question Six

Rationale

Requirement (a) tests candidates’ appreciation of the need to use tools and techniques in project management. It examines learning outcome B1(b) ‘apply suitable structures and frameworks to projects and identify common project management issues’. Requirement (b) tests candidates’ appreciation of the contribution of Work Breakdown Structures, Gates and Milestones in project management. It examines learning outcome B1(e) ‘apply key tools and techniques of project management’.

Suggested approach

(a) The answer could start with an explanation of the McKinsey 7S model. It should then make reference to the 7 factors and their inter-relationship on the office refurbishment project.

A pass standard answer will define clearly the 7 factors and how they need to be addressed to achieve the successful completion of the office refurbishment project. A weak answer will discuss the factors and issues at a general level and not relate them to the scenario

(b) A pass standard answer will explain the contribution of these tools to the office refurbishment project. A weak answer will show little understanding of the contribution of these control tools and their use in project management.

Requirement (a)

The Mckinsey 7S model consists of seven elements, three of them are referred to as ‘hard’ or tangible and comprise, strategy, structure and systems, three others, namely style, staff and skills are considered to be ‘soft’ or intangible and the seventh; shared values or super-ordinate goals is assumed to hold the organisation or project team together via the organisation/group culture.

The elements in the model are assumed to be interdependent so that any change in one element will have knock on effects for the other elements. The model is normally applied at the level of the organisation to work out how if one element in the organisation changes or is changed, what the likely effects will be on other elements in the organisation. Analysis using the model enables management or consultants to determine what action management need to take to ensure that the new alignment is stable and beneficial. Though the model is most frequently used as a tool for analysis at the organisation level, it can be, and is applied at the level of the project.

In the case of the RF Company’s head office project we have a situation in which the original project now underway has been subject to a change in the project brief. In particular, it has been recognised that the refurbishment, as it was being pursued, was not in line with the brand identity the Company aspires to and that the interior design needs to be more innovative and to manifest a higher quality design than that originally envisaged. Additional funds have been allocated and the completion date has been extended to make the upgrading of the refurbishment possible.

Several changes will therefore need to be made to provide the upgraded refurbishment, including the need for a revised project plan to enable the best use to be made of the additional resources made available in the higher quality refurbishment now planned.

Inevitably the changes envisaged with have a knock-on effect on other aspects of the project and it is in this context that the McKinsey 7S model should prove useful.
Taking each element of the framework in turn enables us to consider the impact of the changes in a systematic manner and to determine what the project manager and the project team will need to do to manage these changes.

The strategy element in the framework involves the overall goal/objectives of the project and how the goal/objectives will be achieved. This will require the project manager to rethink how he can make the best use of the additional resources allocated and the extra time to improve the overall quality of the refurbishment. For example, this might include the hiring of top class designers, the use of higher quality materials and the use of higher grade craftsmen.

The organisation structure of the project team can possibly stay intact with the normal reporting and control procedures recommended for any efficiently managed project. In a large organisation the matrix structure is often recommended if the Company is involved in significant project work, for example in this case containing teams of people from the Company working together with external designers.

The systems elements of the framework might involve the methods for project work to be designed, monitored and controlled to fulfill the requirements of the project. Whilst additional time and funding have been allocated to the project it is important to monitor and control the additional resources, and the project committee informed of progress.

The style of leadership adopted will need to reflect the demands of the redesigned project. As in all projects, time is of the essence but in the redesigned project a more participatory form of leadership style may be necessary when dealing with top designers and highly skilled professionals to facilitate creativity and the generation of ideas.

The project team (i.e staff in McKinsey's model) may need to be reconfigured with some new members incorporated to reflect the more stringent demands of the refurbishment project. They will need to be briefed on the changes to the project and implications for their role and work on the project. It will be important to keep the project team motivated to deliver the changed project objectives.

Skills are the distinctive capabilities needed by staff working on the project. The reconfiguration of the refurbishment project may mean that there are additional skills and competences needed in the project team.

Shared values refer to the guiding beliefs and significant principles guiding the project. The redesigned project will involve an upward adjustment in the overall objective of the project to produce a refurbishment which will meet the higher level aspirations of RF Company.

Requirement (b)
(i)

Work Breakdown Structure (WBS) is an important starting point for the project planning process since it will enable RF Company to break the project down into manageable elements and organise them into a logical sequence of work. The WBS will enable RF Company to summarise all of the activities involved in the office refurbishment project, including, for example, design and development of the restaurant, offices for 240 staff and video conferencing facilities.

Using WBS will enable RF Company to display the interrelationships of the various jobs (work packages) to each other and to the total project, providing a picture of how the various activities are related to each other. A work package will be created for each activity on the office refurbishment project in order for RF Company's project team to understand:

- What work needs to be done on the office refurbishment project and the scheduling of work packages. The WBS will enable the project manager to arrange for work to be carried out in a sequence that ensures that jobs that must be completed first are scheduled as a priority. This is sometimes referred to as statement of work (SOW).
• The deliverables against which each work package can be measured.
• The need to establishing the authority and responsibility for each part of the project. This would involve establishing who in the project team has responsibility for a particular work package and who has the authority to make decisions.
• When the work package needs to be delivered.

The breaking down of the overall project into activities or work packages makes it easier to estimate the cost of each activity and also the overall cost of the project. For example, in obtaining cost estimates from specialists the WBS enables the project manager to build up a more detailed picture of the overall cost and also a picture of where the major costs of the project will fall. For the office refurbishment project this will include a breakdown of the materials and furniture required for the project. For each component RF Company can allocate a cost so that a detailed cost breakdown structure (CBS) can be established and a detailed financial and cash flow schedule can be planned.

The WBS assists in the overall monitoring and control of the project because it provides information on all the tasks to be carried out and the materials needed for each work package. In its simplest form it provides a check list of tasks that must be completed in order for the office refurbishment project to be successful. These can be ticked off as they are completed. The activities outstanding are more easily identified and arrangements made for their completion. WBS also provides a communication tool for project team members and a framework for continuous assessment of project progression.

(ii)

In order for RF Company to organise the time and work on the project it needs to set milestones and define a deliverable for each milestone, as part of project control. These milestones can then be used to help assess the status of the project and the quality of the work. Monitoring the milestones will enable RF Company’s project manager to keep control over the project progress and allow any delays to be identified immediately. Milestones are sometimes shown on project Gantt charts as a small triangle or other symbol.

As the name implies a milestone is an event that is clearly identifiable as a measure, and used to determine how far the refurbishment project has progressed and how far it has to run. This will involve partitioning the project into identifiable and manageable phases that are well defined key events and unambiguous targets of what needs to be done and by when. This might involve the restaurant, individual offices and the video conferencing being three of the major milestones for the project.

Milestones are key points in the project lifecycle which will give RF Company’s project sponsor the opportunity to review project progress and make a decision whether to proceed further or to terminate the project at any time. These types of milestones are called ‘control gates’ and represent the completion of significant milestones. A gate can only be ‘passed’ if the process meets the pre-defined standards. This could take the form of inspection reviews of the interior design.

The control gate usually looks in two directions;

• Backwards in order to determine whether the previous phase of activity is satisfactorily completed

• Forwards to determine whether the project is ready to continue

Control gates should be identified in the project plan and a gate review will be required to formally pass each gate. If, at a gate review, the criteria have not been met, the project should not continue. This may mean changes are needed to the overall project plan for the office refurbishment project.
Answer to Question Seven

Rationale

Requirement (a) tests candidates' appreciation of the nature of strategy and the levels at which it occurs in an organisation. It examines learning outcomes A2(c) 'explain the relationship between different levels of strategy'. Requirement (b) tests candidates' understanding of what is involved in conducting a corporate appraisal as part of the strategic planning process. It examines learning outcome A2(b) 'compare and contrast approaches to strategy formulation'.

Suggested approach

(a) The answer should start with a description of what is meant by the term strategy to address the requirement of the first part of the question, perhaps drawing on CIMA's definitions and elaborating on the points. It should then go on to discuss the importance and nature of corporate level strategy.

A good answer will elaborate on the definition of strategy, and then provide examples pertinent to the scenario organisation in discussing the importance and nature of corporate level strategy. A weak answer will simply repeat CIMA's definition of strategy and then explain corporate level strategy in general terms.

(b) The answer should start by explaining the purpose and importance of undertaking a corporate appraisal as part of the strategic management process. It should then develop to explain what is involved in undertaking a corporate appraisal, with reference to various strategic management tools and techniques. It should explain the nature of strengths weaknesses, opportunities or threats.

A good answer will provide a robust explanation of the purpose of corporate appraisal as part of the rational strategy decision making process, and will make reference to the information needed to inform the corporate appraisal, making explicit reference to relevant strategic management frameworks/models. Weak answers will simply describe a SWOT but without making any connection between the different elements.

Requirement (a)(i)

There are many different definitions and approaches to strategy but all are essentially concerned with establishing the purpose of the organisation and guiding managers on how to implement strategies to achieve organisational goals. CIMA defines strategy as 'a course of action, including the specification of resources required to achieve a specific objective, and a strategic plan as a statement of long-term goals along with a definition of the strategies and policies which will ensure achievement of these goals'.

Developing on the themes included in CIMA's definition, strategy is concerned with the decisions P Company takes with regard to its purpose and long term direction, and also the scope of its activities. The company is currently involved in a range of activities but is considering diversifying further i.e. expanding its scope. Strategy also involves the company meeting the challenges presented by its external environment as well as using its internal resources and competencies effectively. The strategic actions of an organisation will therefore have widespread and long-term consequences for the position of the organisation in the marketplace, its relationship with different stakeholders and overall performance.

Mintzberg suggests the five P's as encompassing the different definitions of strategies, i.e., strategy as a Plan; a Pattern; a Ploy; a Position; a Perspective.
**Requirement (a)(ii)**

P Company's corporate strategy will be made by Head Office, in other words it will be determined at the apex of the organisation. The corporate strategy should provide the broad framework of the company's overall objectives which, in turn, should guide the development of both business strategy of the various strategic business units (SBUs) and functional/operational strategies. In this context, the different levels of strategy are interdependent of each other and should be consistent.

Having a corporate strategy is important since it is concerned with determining the overall purpose and scope of P Company's activities. In this sense it will articulate what type of business or businesses P Company should be in. Decisions will be complex and non-routine in nature. They will often involve a high degree of uncertainty because they are concerned with what might happen in the future.

The corporate strategy of P Company will determine the level of autonomy given to the SBUs in the development of business level strategies. In the case of P Company, an important consideration will be that the business level strategies support the overall brand values of P Company. This is especially significant for P Company because its competitive advantage is based on its status as one of the leading brands in the world of fashion.

At corporate level, development of corporate policies on issues such as the company's public image, and also employment practices and corporate information systems, will be made.

A key aspect of P Company's corporate strategy will be its relations with its various stakeholders. For example, ensuring its performance meets shareholder expectations, its relations with government and its compliance with any regulatory body requirements.

Another example of corporate level strategy for P Company is concerned with decisions on whether it should enter new markets and, if so, how this might be achieved, for instance whether this should be via merger or acquisition. Other corporate level decisions may include whether the company should close or sell-off any poor performing SBUs or reorganise the basis on how they are structured (for example, geographical rather than product based.). It also involves the control and allocation of resources to SBUs, so for instance, a decision could be made to allocate more resources to the Bags and Luggage SBU than the Mens Clothing SBU.

**Requirement (b)**

Operating as P Company does in the fast moving global fashion industry it is important for it to constantly monitor potential threats and opportunities in its environment. Conducting a corporate appraisal will help P Company in bringing together information derived from an analysis of the trends in its external and competitive environments and internal developments that may be of significance to its long term strategic planning.

The output from corporate appraisal will provide information to aid P Company's strategic decision making, for instance in generating and evaluating future strategic options. It will be useful for P Company in providing a critical appraisal of its strengths and weaknesses, and opportunities and threats that might affect the company's strategy both now and in the future. So for example, help in understanding the Company's current position and informing whether it should continue with its existing strategy or formulate a new strategy that will enable it to operate more effectively.

As well as helping P Company to view its internal and external situation, corporate appraisal can also assist it in identifying alternative sources of competitive advantage. In essence, it could be used to summarise the key issues from both the Company's business environment and its strategic capability that are most likely to impact on its future strategic development.

Undertaking a corporate appraisal for P Company will require outputs from both the external analysis of P Company's environment and also internal analysis. These are typically...
summarised in the form of a SWOT analysis. Various analytical tools can be used to provide input to SWOT, these can be summarised as follows:

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<tr>
<th>SWOT</th>
<th>Environment</th>
<th>Analytical Tools</th>
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<tbody>
<tr>
<td>Strengths/Weaknesses</td>
<td>Internal</td>
<td>Resource Audit</td>
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<td></td>
<td></td>
<td>Value Chain</td>
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<tr>
<td>Opportunities/Threats</td>
<td>External</td>
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<td></td>
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<td>Porter's Five Forces</td>
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<td></td>
<td>Competitor Analysis</td>
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Developing on this, the process of conducting a corporate appraisal will require P Company to draw on two sets of data:

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

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

The internal appraisal for P Company should highlight:

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

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

Strengths and weaknesses should relate to industry key factors for success and help P Company to assess how capable it is in dealing with changes in its business environment. The external appraisal will assist P Company in identifying opportunities which can be exploited by the company’s strengths and also to anticipate environmental threats against which the company must protect itself. In other words, strategies should be developed to minimise weaknesses, or develop strengths, taking advantage of opportunities or counteracting problems from environmental changes.

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

- **Threats** relate to events or changes outside the company, i.e. trends in the fashion business environment which are unfavourable and that must be defended against. The company will need to introduce strategies to overcome these threats in some way or it may start to lose market share to its competitors.
In some industries changes outside the company can be forecast or anticipated well in advance, but in the fashion industry in which P Company operates, time scale will invariably be much shorter necessitating frequent corporate appraisals of the current situation.

The illustration below identifies what would constitute a good SWOT for P Company, linking to the different approaches to competitive advantage (i.e. resource based view or positioning view).

### Resource View (Internal)

**Strengths**
- The things P Company does well
- The things P Company is doing that the competition are not
- P Company's major successes

**Weaknesses**
- The things P Company is doing badly
- The things P Company is not doing but should be
- P Company's major failures

**Opportunities**
- Events or changes in the external environment that can be exploited by P Company
- Things likely to go well in the future

**Threats**
- Events or changes in the external environment which P Company needs to protect or defend itself from
- Things likely to go badly in the future

### Position View (External)

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