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/e3papers](http://www.cimaglobal.com/e3papers)

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/e3PEGs](http://www.cimaglobal.com/e3PEGs)

**SECTION A**

**Answer to Question One**

**Rationale**

This question examines learning outcomes from across the syllabus. Requirement (a)(i) examines learning outcome C2(b) ‘recommend appropriate changes to the product portfolio of an organisation to support the organisation’s strategic goals’ and is designed to test candidates’ knowledge and understanding of the application of product portfolio analysis tools. Requirement (a)(ii) examines learning outcome C1(b) ‘evaluate strategic options’ and tests candidates’ ability to evaluate the proposal to undertake eco holidays using an Expected Value calculation. Requirement (a)(iii) examines learning outcome C2(b) ‘recommend appropriate changes to the product portfolio of an organisation to support the organisation’s strategic goals’ and tests candidates’ knowledge and understanding of the application of product portfolio analysis tools. Requirement (b) examines learning outcome D1(b) ‘evaluate alternative models of performance measurement’ and is designed to test candidates’ understanding of critical success factors. Requirement (c) examine learning outcome B2(a) ‘evaluate approaches to managing change’ and is designed to test candidates’ understanding of the reasons for resistance to change.
**Suggested approach**

In requirement (a)(i) candidates are expected to undertake a portfolio analysis of V’s current three products, using the BCG matrix. This should be a straightforward question, using the information provided in the scenario to evaluate the market growth and the market share of the three product types.

Requirement (a)(ii) is a straightforward Expected Value calculation, identifying the different levels of profit which could be achieved by the proposed V-eco holidays, taking into account the probabilities of the market share achievable. Candidates should produce a final profit based upon the three different levels of market share achievable and calculate a final Expected Value profit. Candidates should only produce calculations in this answer. No discussion of the calculations is required.

Requirement (a)(iii) requires candidates to evaluate the results of their calculations and to use this, together with their evaluation of V’s current product portfolio, to assess whether V should offer V-eco holidays. This requirement carries 12 marks and therefore a full discussion of both quantitative and qualitative factors is required. Candidates must present a final recommendation.

Requirement (b) requires candidates to present and justify a critical success factor for each of the holiday product types, including the proposed V-eco holidays. It is designed to examine the candidates’ ability to analyse the information presented in the unseen material in order to identify those areas of V’s business that it must get right. It is important that candidates clearly discuss the critical success factors chosen and their relevance to each of V’s holiday products.

Requirement (c) should be a straightforward question requiring candidates to apply their knowledge of Lewin’s 3 stage model to overcoming the possible resistance that may occur as a result of the proposed changes to improve customer services.

**Requirement (a)(i)**

**Relative market share**

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<td><strong>Adventure</strong></td>
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<td></td>
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Enterprise Strategy 2 March 2013
Package
The Package products are likely to be classified within the BCG matrix as a cash cow, as they appear to have a high relative market share in a low growth market. The Package products also generated SK$90 million of V's revenue in the year ended 30 June 2012 which is nearly 36% of the total. The Package products have been a mainstay of V's business since it began and now have an advantage in economies of scale for V. Although not specified in the unseen material it is also likely that the slowing growth in the package holiday market implies that capital investment in these products is low and hence a cash surplus is occurring. It is important for V to maintain the Package product as it is likely to support the other products in the portfolio. Although growth may be low it does not mean that there is no growth and therefore there is still an opportunity for V to exploit further sales in this market. This may require additional promotion, advertising activities and offers which would appeal to the Package holiday customers overall preference for value for money.

Adventure
These are likely to be classified as Question Marks within the BCG matrix, as the growth in the adventure holiday market is high but V's relative market share is likely to be low as there are two other competitors in SK holding a 65% share of the market, with V holding a 20% share. The Adventure product only generated SK$60 million in revenue in the year ended 30 June 2012 (24% of V's revenue). However, clearly there is a growing opportunity for the development of V's Adventure products as demand is growing and more destinations are becoming available. However, it is likely that to turn these question marks into star products V will have to undertake significant investment. This is likely to be required in both the destinations offered and in the online booking facilities that V offers to its Adventure holiday customers. V must weigh up the costs of this investment with the anticipated benefits of increased market share in a highly competitive market place. Competition is currently intense and with high demand expected, this competition is likely to increase. Therefore, V needs to decide if it can continue to operate successfully by developing its available destinations.

Prestige Travel
These holidays are likely to be classified as Stars within the BCG matrix as V has a high relative market share in a growing market. V believes there are still significant opportunities to develop this product but this will require large amounts of investment to build and sustain this growth. Another competitor in SK could challenge the market leadership of V and therefore V must invest to ensure that it maintains its current strong position in the market and it maintains its high levels of customer service. V should ensure that its focus upon customer service and quality of product offered is maintained and improved upon. V should focus upon ensuring repeat business and exploiting its high customer service levels and reputation. This could be used as a key marketing and promotional tool. The main competitor is a real threat to V and therefore it must be aware of this challenge and be able to respond; possibly with in-store promotional activities and commitment to continued high levels of training for staff in customer service.
Requirement (a)(ii)

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Requirement (a)(iii)

Taking into account the market research information and the estimates provided, the V-eco holiday products would have an expected value of operating profit of just over SK$2 million. The criterion set by the Finance Director was that unless the proposal offers at least SK$2 million profit for the year ended 30 June 2014 it is unlikely to be accepted by the Board of Directors. Therefore, this proposal meets the criterion using an Expected Value calculation. However, V must also consider a number of other factors before making such a decision.

If V were to offer V-eco holidays, then this would provide V with an opportunity to expand its product range. As is forecast that there is a growing demand for this type of holiday, then V could grab an early dominant market share if it chose to expand into this product now, rather than at some time in the future. However, the probabilities indicate that there is a 50% chance that V will only obtain 10% of the eco-holiday market, which would only amount to 3,300 holidays. The breakeven point is 3,759 holidays ($5 million/ $1,330), suggesting that there is a 50% chance that V will fail short of the breakeven sales, which clearly is a high risk.

This would also be a significant investment incurred for the sale of such a small number of holiday products. This is a high probability and, at this level, V would make a loss of over SK$600,000. This is therefore a very high level of risk for V. The best case is an operating profit of SK$5,972 million which is very high. However, there is only a 20% chance of the best case occurring.

However, there is a 20% probability that it could make nearly SK$6 million operating profit in the first year. Therefore the accuracy of the estimations and forecasts are critical to this decision. The predicted market share is also only an estimate based upon the current market data and predicted growth rates in the eco travel market. Therefore this also has to be taken into consideration before making any decision.

Considering V’s current product portfolio, V is currently in a strong position in all of its three product areas. It currently has no dogs which are draining resources and has a cash cow and a star which has the potential for becoming a future cash cow. Should V undertake the V-eco holidays these are likely to become another problem child within V’s product portfolio and are
likely to require investment to ensure continued growth and future profitability for V. However, as stated in the unseen material they do not currently require significant levels of investment in the near future but this may change if V wishes them to become future stars and cash cows. V’s current cash cow, the Package products are currently in a slowing market but this could be a temporary position due to the economic recession. It is very unlikely that V will allow these to become dogs and they are far more likely to invest in these holiday products to ensure their existence and to extend their life.

The Board is concerned whether the company has sufficient resources to expand into V-eco holidays as well as to maintain, or strengthen, its existing products. Its existing products face increased competition and if V expanded into V-eco holidays, then it may not have the resources to defend and invest in its existing products from the forecast increase in competitive forces. V needs to consider whether the introduction of the V-eco holidays could potentially cause a reduction in sales in any other areas of its business. For example, some of its current Adventure holiday customers may wish to try eco-holidays. Market research would need to be undertaken to assess the reaction of its current customers to the introduction of V-eco holidays.

**Recommendation**

It is recommended that V does not accept this proposal at the moment until more evidence is gathered on the eco travel market potential for V.

The V-eco holidays clearly have potential and there is evidence to suggest that they could be highly profitable. However, the current estimates also suggest that if V is not successful in gaining market share in the first year, then these products are likely to make a loss. Although the EV indicates a profitability of over SK$ 2million, before making any final decision the estimates and probabilities must be reviewed more rigorously. Further justification is that the risk of only achieving a 10% market share for V-eco holidays is 50%, which is considerable, and this is forecast to result in a loss of SK$(0.611) million. This could divert management attention away from the 3 existing products which are facing increased competition and need close management. The current portfolio is strong and balanced and it would be more appropriate for V to invest in its current product portfolio where it is already strong than invest in a product in which it has no experience.

**Requirement (b)**

Critical success factors are those areas that must go well to ensure the success of V, and represent those areas that must be given special attention to ensure high levels of performance. If results are satisfactory in these areas then this should ensure successful competitive performance for V. Basically, these are the areas that V ‘must do right’ and where it must outperform its competitors. Therefore it is important for V to identify the critical success factors for each of its holiday products, with reference to what it knows it must be good at within each specific holiday product.

**Package: CSF Competitive pricing**

The Package holiday customer is likely to be looking for the best value package holiday at an affordable price but of an appropriate standard. Therefore, V must ensure that it focuses upon its pricing policy and this ensures that it effectively matches the expectations of its customers for the product they are buying. Customers in the package market are likely to shop around and therefore an effective and competitive pricing strategy will be critical to V’s business.

**Adventure: CSF Variety of destinations offered or the variety of activities offered**

The Adventure holiday customers clearly value variety of destinations offered. Therefore, V must ensure that it offers an extensive range of destinations to match the requirements of its customers. There is a high level of expected growth in this market and V has some strong competitors and therefore it must exploit the fact that its customers value the variety of its own products. These must be built upon as more destinations are expected to become available. Alternatively, if V focused upon the range of activities, this could attract young people to unusual activities and ‘extreme’ sports. The location may be less important than what activities are on offer. The wider and the more unusual activities will play a key role in attracting customers to V’s Adventure holidays over its competitors.
It is recommended that V should ensure that it offers a wide choice of unusual extreme sports and other activities to catch the attention and gain market share for its adventure holiday product.

**Prestige Travel:** **CSF Customer satisfaction and high levels of customer service**

V has built a very strong reputation in the market for its Prestige Travel products and therefore, to maintain and strengthen its position in the market, it must maintain its high levels of customer service. This is likely to be the most critical factor for the prestige holiday market as customers are less likely to be interested in value for money, rather quality of products and quality of service offered.

**V-eco holidays:** **CSF Environmental impact**

V-eco holiday customers are most likely to value the eco-sustainability of V’s products offered and therefore V must ensure that the V-eco holidays have a sustainable impact upon the natural environment. As this is a new area for V, this is something that is likely to require investment in terms of finance and knowledge to ensure that V-eco holidays are appropriate to the market’s needs.

However, it is difficult to set just one CSF as this proposed new range of holidays will have a different perception from different holiday users. Some may want improvements to the local community, some may want a reduction in carbon emissions whereas others may want protecting the planet as their top issue.

It is recommended that a survey is undertaken to establish what customers perceive they want to achieve on eco-holidays.

**Requirement (c)**

Using Lewin's three stage model:

**Unfreeze**

At this stage the Board of V needs to make the need for change obvious to the branch staff so that they can understand it and accept it. The Board must clearly demonstrate to the branch staff that the current levels of customer satisfaction are reducing as shown from the customer satisfaction forms. Also, within the competitive environment in which V operates, it is a situation that cannot continue. V could instigate a programme of education and consultation with branch managers to ensure that they are brought on board first so that they can create and promote a positive force for change within each branch. The appointment of a change agent could help V bring about the change and to make these communications to staff. A change champion should be identified within each branch to facilitate the change programme.

**Change**

The change process itself will involve:

- *Establishing new patterns of behaviour.* This would involve getting staff more involved in customer feedback evaluation.
- *Creating new rewards/incentives* – focus upon the benefit of using customer service reviews as a bonus system.
- *Introducing a new style of management* – involve staff in the changes and communicate with them. Allow the branch staff time to feedback to branch managers.

It is critical that V communicates directly with the branch staff on a regular basis and allows them the opportunity to participate in the change process. Involvement of staff is also critical at this stage. V could ask branch staff to put forward their own ideas for bonuses and staff training areas.

The change process does not need to be disruptive if handled sensitively. Costly placements to Head Office could be avoided or minimised by getting Head Office staff to undertake in-branch training or to have a road show and newsletters. Staff could be rewarded for ideas and input and weekly awards could be made to branches for highest levels of customer satisfaction achieved.
Refreeze
Refreezing or stabilising the change involves ensuring that the branch staff do not revert back to old ways of operating and thinking. This could be through offering ‘employee of the month’ awards based upon customer satisfaction ratings or through a positive attitude towards the new working arrangements. Best practice should be established and communicated throughout V. Regular training updates should be carried out in-branch by Head Office Staff and branch managers to ensure continued commitment and to gain feedback from staff and to get their continued input into improvements to the system. Staff bonuses should be set using a range of measures such as the use of the Balanced Scorecard that uses financial and non-financial data to measure performance. All targets should be fair and achievable in order to motivate staff.
### Answer to Question Two

#### Rationale

This question examines learning outcome A1(d) of the syllabus 'recommend how to manage relationships with stakeholders' and is designed to test candidates' understanding of the importance of stakeholder management and stakeholder management strategies.

#### Suggested approach

- **Requirement (a)(i)** should be a straightforward question, requiring candidates to advise on the benefits of stakeholder analysis. However it is important that candidates focus their answers directly upon the benefits to PAS and not a generic list of the benefits of stakeholder analysis.

- **Requirement (a)(ii)** should be a straightforward application of Mendelow’s power/interest matrix, using the information presented in the scenario relating to the various stakeholder groups. Therefore it is important that candidates clearly identify and discuss the different levels of power and interest of each stakeholder group and place them appropriately within the Mendelow matrix.

- **Requirement (b)** requires candidates to recommend a range of actions to manage its stakeholder groups. This question clearly links to the analysis of the stakeholder groups identified in part (a)(ii) of the answer above. Candidates are specifically required to recommend actions to manage stakeholder groups which are directly appropriate to the decision being undertaken. A generic description of stakeholder management strategies is not required.

#### Requirement (a)(i)

**Benefits:**

- PAS has a number of interested stakeholder groups. Therefore it would benefit the Board of Directors to understand the power and interest of each stakeholder group, particularly when strategic decisions such as the chemical processing one, are being undertaken.

- Any strategy that PAS wishes to undertake should have the agreement and support of those stakeholders with the most power and interest. Therefore, a stakeholder analysis will benefit PAS as it will assist in understanding which stakeholder group would be against its plans for the processing of chemicals for the cosmetics market and those stakeholders who would be prepared to support the decision.

- It would be of benefit to PAS to determine the power and interests of the various stakeholder groups so that it can decide on the appropriate actions, such as to accommodate, negotiate, manipulate or resist the interests of the various stakeholders.

- A further benefit is that PAS could use the support of those stakeholders who are in favour of the new chemical process to convince those stakeholders who are against it. In this decision, there is likely to be conflict between different groups over the new process. Some stakeholders, including the employees and institutional investors, will probably be in favour of the cosmetics chemical processing as it is likely to improve profitability and improve job prospects. Others, such as residents who do not work for PAS, will oppose it. Therefore PAS could look to those in favour to assist in persuading those against the process. The decision may allow PAS to be seen as a good corporate citizen which cares for its local community. This will maintain good relationships with its local community and the local Government which is important for
an organisation employing so many local people. If PAS consults with its stakeholders it is more likely to gain consent from the stakeholders rather than face hostility.

**Requirement (a)(ii)**

Using the Mendelow power/interest matrix, the main stakeholders of PAS can be classified by their power and interest in the decision to process the chemicals as follows.

**High Power and High interest (key players)**

- *The founding family* is a powerful stakeholder as it owns 35% of the shares. It will have a high level of interest as it will have strong loyalties to the family business and is dependent on PAS for a living. It also makes up the majority of the Board of Directors and is therefore the key decision maker. Therefore it will have high power in making any decisions.

- *The employees of PAS* own 25% of the shares, and therefore are quite powerful. They will also have a high level of interest as they depend on PAS for their employment which is likely to be more secure if the new chemical manufacturing process for the cosmetics industry is undertaken.

- *The local Government* will be powerful as it could make the situation difficult for PAS if it decides to challenge the decision on behalf of the residents. Although the proposed process meets with health and safety legislation, it is likely to upset some of the residents, who may complain to the local Government. The local Government will have a high level of interest in PAS as the company contributes to the local economy in terms of jobs and to community events.

**High Power and Low interest (keep satisfied)**

- *The institutional shareholders* will have a high level of power as they hold 30% of the shares of PAS. Their interest in this decision is likely to be low, as they are unlikely to be interested in local issues to do with the community. However, this decision needs to make a satisfactory return for PAS otherwise the institutional investors may become more interested in the decision if it reduces their shareholder returns.

**Low power and high interest (keep informed)**

- *The local community and the local residents* who do not work for PAS are unlikely to have a significant degree of power unless they can convince the other residents who do work for PAS that the process is harmful. However, this is unlikely. Therefore, their power to influence the situation is likely to be low. They will have a high level of interest in the new process due to the emissions and their potential smell. They could, however, make things difficult for PAS in the future and, as such, they should be treated sympathetically and considerately by PAS.

- *Cosmetic industry customers*. Although they will have no power to influence PAS’s decision to undertake this chemical processing, they would be very interested in its production and would welcome the chemicals being produced more effectively as they could procure the chemicals from PAS at a lower price, therefore enabling them to price their end products more competitively or to reduce prices to gain market share and boost their profit margins.

**Low power and low interest (minimal effort)**

- *The general public who hold shares in PAS* are not powerful as they are unlikely to act as a group. They are also unlikely to have any particular interest in this decision.
Requirement (b)

Recommendations:
PAS must attempt to balance the interests of all of its stakeholders. As it has been operating in the area for 80 years, the Board of Directors must take a long term view of the situation. It will want to undertake the new cosmetic processing because of the positive impact that this would have on its profits and upon its continued existence. Therefore, it must attempt to manage the expectations of all of its stakeholders but it must concentrate on managing its key players and those stakeholders which it must keep satisfied and keep informed.

Employees have already been defined as key players in part (a)(ii) above. Although they depend upon PAS for their employment, they would also prefer the smell from this new process not to be there as they will also be living close to the factory. They are unlikely to directly oppose the process as this would jeopardise their livelihood, but they may feel unhappy about it, which could have a negative impact upon morale. Therefore, the Board of Directors of PAS must ensure that the staff are kept regularly informed and have a clear understanding of the impact of this new process upon the longevity of the business and therefore their own continued employment.

Also PAS should consult with the local government about the potential smell and other aspects of health and safety for the staff and local community. These consultations should provide information relating to forecasts of jobs created or retained and any future increase in jobs or community activities proposed which could benefit the local community.

The Board of Directors of PAS must actively engage with the local Government and wherever possible, with the local residents in order to reduce their concerns. Members of the local Government should be invited into the factory to see the process and should be kept fully informed and engaged as to how PAS will monitor the impact of the emissions upon the local area. The Board of Directors of PAS must actively engage with the local residents in order to reduce their concerns. PAS should hold consultation talks and open forums with the local Government and the local residents about the potential smell and all other aspects of health and safety.

Some residents may protest to the local Government and this may cause the local Government to look more closely at any future developments proposed by PAS and may be more inclined to refuse permission in the future. Whilst it may be an option to ignore the local residents and continue with the introduction of the new process, this would likely lead to future problems and local community resentment of PAS, which clearly it is not used to and would not want to deal with. Therefore, PAS could hold a number of events to engage with the local residents, such as open days to show how the business works and the value its products create for society, particularly as PAS supplies the food and pharmaceuticals industries. Increased sponsorship of local sports team, investment in local events, and possible financial assistance to local schools could be considered by PAS.

Regular communication with local residents should be undertaken in order to be open and honest and to clearly show residents that the benefit of the activities that it carries out are for the benefit of the community as well as the shareholders.

PAS should also monitor levels of the smell and other emissions to ensure statutory emission levels are not exceeded and these should be reported to the local Government regularly to ensure that compliance is fully transparent. PAS must also continually work towards the development of new techniques which could reduce or eliminate the smells produced by its chemical processing.
Answer to Question Three

Rationale
This question examines Section D of the syllabus. Requirement (a) examines learning outcome D1(d) 'advise managers on the development of strategies for knowledge management and information systems that support the organisation’s strategic requirements'. It is designed to test candidates’ understanding of the opportunities that can be gained by organisations from developing and using information systems. Requirement (b) examines learning outcome D1(b) 'evaluate alternative models of performance measurement' and is designed to test candidates’ understanding of project management problems. Requirement (c) examines learning outcome D1(a) 'recommend appropriate control measures' and is designed to test candidates’ ability to recommend a range of relevant performance measures.

Suggested approach
Requirement (a) requires candidates to evaluate how the features of the new information system, as presented in the scenario, would help to improve the services of the medical centres and hospitals. Therefore candidates are required to review each of the features listed and consider how it would improve the current services.

Requirement (b) requires candidates to assess the project management problems that might occur during the project, specifically relating to allowing each individual medical centre and hospital to discuss its own needs with the project team. Candidates are expected to apply their knowledge and understanding of project management to this particular aspect of the project. A general discussion of project management problems is not required.

Requirement (c) requires candidates to recommend four performance measures which could be used to measure the achievement of the project team objectives. This should be a straightforward question to identify and justify a number of suitable performance measures appropriate to the objectives. Candidates are only required to recommend and justify four measures.

Requirement (a)

Administrative uses:
- Patient notes, organisation and management
- Messages and emails instantly sent and received and copies kept
- Ease of transmission of records and files

Improvements to administrative services
- There will be significantly less time spent administering a computer-based system. Therefore more time can be spent on patient management and value adding activities such as patient care.
- There will be a reduction in the time spent on the telephone with no record kept of phone conversations and therefore less room for error in communication.
- There should be more timely and likely critical receipt of results and patient records. This will cut down on the time of worry for patients waiting for test results.
- Quicker and more accurate access to patients’ medical records and medical history. This will enable doctors, especially in a medical emergency, to be aware of all factors and any special circumstances or allergies.
- Convenient and more reliable method to leave messages rather than phone or fax. Again this will give patients and staff more confidence in the communication process.
- Permanent record by email will allow for all recipients to receive the same message and therefore avoids the need for duplication and possible incorrect or inaccurate information. This is particularly critical in diagnosis and communication of results.
Opportunity to send information to multiple recipients at once. Multiple recipients to receive the same message and therefore avoid the need for duplication and possible mis-communication. More efficient, less prone to human error and everyone concerned gets access to the transfer of the data.

Medical uses:
- Test results can be sent directly and immediately to doctors and patients, allowing for speedier medical response.
- Medical knowledge can be shared throughout Country Q through the use of databases and diagnostic systems, resulting in improved national healthcare. This can be extended to share medical knowledge, diagnosis and discoveries throughout many countries and Country Q could benefit significantly from input from medical experts throughout the world.
- Best practice can be shared across the country.

Improvements to medical staff services
- The MC system will enable access to up to date medical research and the latest information for diagnosis and treatment, leading to improved decision support and improved diagnostics and treatment.
- It should result in quicker delivery of test results to patients, meaning patients are more satisfied and receive treatment more responsively. This in turn will provide a better health care service for patients, especially if the patient attends more than one medical centre or is repeatedly in hospital. The system would enable all health care professionals to access up to date information.
- There will be a greater ability to share medical knowledge via peer communication helping to increase and share medical knowledge. This should improve the confidence in diagnosis.
- The system will enable 'best practice' to be shared between medical centres and hospital doctors and administrative staff.
- It should lead to increased reliability of medical data held within the system.
- This system may assist in remote consultation, which may be necessary in Country Q if patients have to travel long distances to see doctors.

Requirement (b)

Project management problems
Allowing individual medical centres and hospitals to determine their own individual method of connection and operation will inevitably lead to problems of control for the project manager.

Allowing each medical centre to discuss usage or its specific needs for the MC information system with the project team could lead to the project team losing focus on the key objectives and diverting away from the original objectives. Although this allows individual fears and concerns to be addressed and overcome, it could result in the project team digressing from the project timetable to address minor needs of only a few users. This could confuse the project team and ultimately lead to cost over runs and loss of control of the project. There could be a duplication of effort if different members of the project team are dealing with similar queries from different groups of end users.

Individual contact between 100 medical centres and 30 hospitals will increase project costs and cause delays to the planned implementation timescales.

However, it could allow for greater input from the end users which could help the project team to better understand their needs.
Hardware and software requirements
It is likely to add significantly to project costs to purchase individually, rather than in bulk, the hardware, software and installation equipment. This is all also likely to increase project time and will require significant additional team effort.

Choice of which aspect of the MC information system to connect to
The project team will lose the synergy of one approach across many sites. Obviously, each site will have different connection needs, because of differences in size, location, needs of patients and medical staff. However, a consistent, core approach for connection is critical if control is to be maintained and if costs are to be kept to a minimum (economy of the VFM concept). It will be very difficult to ensure consistency of connection if each individual site has its own discretion. It may also lead to a loss of goal congruence in the overall achievement of the project objectives.

Timing of connection
Most hospitals and medical centres are not likely to want to be the first to adopt connection to the network - most are likely to prefer to transfer later. This too is likely to cause project management problems, as the project team needs to plan for a gradual changeover.

Technically, it would be preferable to make connections gradually and phased over the period. If left to the hospitals and medical centres, the project team will lose control over resource smoothing and this may place excessive demand upon the project team in the later stages of the project life.

Requirement (c)
Possible performance measures:
(Note candidates only have to present 4 performance measures)

1. Access and usage times of the system compared to original project plan for access and usage rates.

Regular measures of access and usage will be important measures. The Government will also be interested in the achievement of successful access and usage compared to the plan to ensure that the project is seen to be a success and not a waste of valuable resources.

2. User satisfaction rates. This could be provided by regular questionnaires and feedback to the project team by the users and potentially the patients themselves.

Ultimately, the success of the system will be determined by the users themselves and whether they find the system beneficial and usable. Therefore it is vital to ensure that user satisfaction is monitored and reviewed regularly to ensure that the system continually meets the users' needs.

3. Number of staff trained per hospital/ medical centre
and
4. Number of training days per member of staff.

The direct users of the MC information system will be most interested in training measures and usage and access measures, as their main concern will be with their ability to use the system effectively and how the usage of the system will affect their day-to-day workload. The Government will be interested in training courses (it will want to ensure that users will be accessing the system correctly, so as to avoid future maintenance and support costs)

5. Comparison of administrative staff usage versus medical staff usage times.
and
6. Number of times doctor/ medical practitioners access the diagnostic system

Measures of the actual usage of the system will provide valuable information to the Government of the Value For Money of the final system in operation. In particular, the medical diagnostic system is likely to be a highly expensive system to operate and maintain and
therefore the Government will need to assess and monitor its usage to ensure that the resources are not being wasted or under used.

7. **Number of connections per month and in total - this could be in the form of staged targets set per month leading to 80% of medical centres and 90% of hospitals connected by July 2014.**

As this is likely to be a highly political project and one which is very high profile, it is important for the government that the project is seen to be a success and, therefore, successful connections will demonstrate that public funds are not being wasted.

8. **Monthly Cost per connection versus budget.**

The Government will also be monitoring the overall cost of the project to ensure that it is economical and that the technology fund is not being wasted. Regular measures of connection progress and the cost of connections will be important measures.
Answer to Question Four

Rationale

This question examines Section B of the syllabus. Requirements (a) and (b) examine learning outcome B1(a) ‘discuss the concept of organisational change’. (a) is designed to test candidates’ understanding of the cultural process of change. (b) is designed to test candidates’ understanding of the cultural process of change, including application of the cultural web. Requirement (c) examines learning outcome B2(d) ‘evaluate the role of leadership in managing the change process’ and is designed to test candidates’ understanding of the role of change agents in leading the change process.

Suggested approach

Requirement (a) should be a straightforward question, requiring candidates to compare and contrast a top down culture with a collaborative form of culture. Candidates are required to apply their understanding of these two types of culture directly to RSS.

Requirement (b) requires candidates to apply their knowledge of the cultural web to the information presented in the scenario. The scenario contains a great deal of information directly related to aspects of RSS’s cultural web, which candidates are expected to identify and apply correctly to the different aspects of the cultural web.

Requirement (c) requires candidates to demonstrate their knowledge and understanding of change agents. Candidates are expected to examine the benefits to RSS of employing a change agent. Again, application of the benefits directly to RSS is required.

Requirement (a)

A top down culture in RSS is one based upon hierarchy and power structures. It is a rigid culture where the management hierarchy is not questioned and the senior team sets and imposes decisions. This is typical of an old-fashioned hierarchical organisation which is slow to change and which does not have a consultative management style. In a top down culture, the senior partners discourage challenges to the way things are currently done as is the case with RSS. In RSS, the lawyers are dependent on senior partners to make the final case decisions, and this is likely to lead to blame and lack of risk taking. Similarly, in RSS, appraisals are unilateral i.e. the senior partners set the targets for staff with no input from the staff themselves. This is likely to be demotivating.

In contrast, a collaborative culture encourages working together and the sharing of knowledge and experience of the senior partners and associate lawyers in order to develop synergy and encourage commitment and the creation of ideas. Lawyers and other staff would support each other to improve knowledge. A collaborative culture is one in which there is a free exchange of information and all employee input and suggestions are considered and valued. Ideas are shared and, as one person builds on another’s ideas, a new synergy develops. This results in better job satisfaction, a good open exchange of ideas (to achieve best practice) and more experienced employees who contribute to their organisation. This results in a management structure that listens and is open to new ideas and suggestions for improvement. Typically, this type of organisation has a low staff turnover and ‘grows’ its own future managers. Appraisals would be done with the input of the staff members themselves. They will be involved in setting realistic and motivational targets.

Requirement (b)

The concept of the cultural web was first devised by Gerry Johnson to explain why organisations failed to adjust to environmental change. He identified that many organisations developed a ‘paradigm’ which is a way of understanding how their organisations worked and that some found it difficult to react to change if the paradigm was particularly strong.

The concept of the cultural web helps organisations to map out 7 main aspects which drive its culture to determine the elements of culture which need to change and to determine those
factors which are likely to block cultural change. If we consider all aspects of RSS’s cultural web we can identify a range of issues which are likely to block cultural change.

The key aspects of the cultural web for RSS are as follows:

**Stories and myths**
RSS relies heavily on its reputation. It uses its monthly newsletter to promote the stories and history of RSS and to ‘reinforce’ the organisation's beliefs and values. The stories and myths will play a strong part in re-enforcing the culture of conformity and commitment to RSS and its current way of operating, thus blocking a change of culture in RSS.

**Routines and rituals**
The formal staff appraisals and the need to make appointments to see the three founding senior partners are examples of routines and rituals. The formal appraisals do not appear to involve any input in terms of targets and performance measures from the administrative staff themselves and therefore these are likely to be very demotivating (as is evidenced by the high staff turnover). Also, the requirement to seek senior partners’ agreement on decisions by associate lawyers is a routine which stifles creativity and independence and again is likely to lead to dissatisfaction and associate lawyers feeling undervalued. This high staff turnover and dissatisfaction, although not necessarily blocking cultural change, will be a factor, as high staff turnover will lead to lack of staff continuity and therefore no momentum for change to happen amongst the staff.

**Organisational structure**
RSS’s organisational structure is very hierarchical and does not encourage collaboration. The structure is rigid and inflexible and compounded by the three senior partners being rather isolated from the rest of the staff and by the decision making routines. This rigid organisational structure is not conducive to flexibility or collaboration.

**Control systems**
The appraisal systems and reward systems are largely based upon punctuality and commitment to RSS, rather than on high levels of individual performance or team work. This seems to have a negative effect as administrative staff turnover is high. The rigid control systems reward conformity and commitment and not creativity and collaboration. Thus the current control systems are likely to stand in the way of change in RSS.

**Power structures**
There is a hierarchy based on power and influence and decision making is only undertaken by senior managers in RSS.

The three founding senior partners have very strong beliefs about what RSS should be and do and these beliefs are the main blockers for change as clearly no strategic decisions can be made without their final agreement.

**Symbols**
The best offices and privileges for senior partners are clear symbols of power and hierarchy in RSS. The wearing of uniforms by administrative staff creates conformity and creates a ‘them’ and ‘us’ barrier in RSS. This is a clear block on collaboration and a re-enforcement of a top down culture.

**The organisational paradigm**
There is the general view amongst the three founding senior partners of ‘the way we do things’ in RSS. They have a strong view about the areas of law which they practice and the way in which the firm operates. This view and the culture which has been developed over the last 40 years will be difficult to change. It is clear that these three senior partners are not at all willing to release their decision making power and work towards a more collaborative culture. However, the other senior partners seem more willing to change and they may be the main facilitators.
Requirement (c)
The first task of a change agent would be to persuade the three founding senior partners of the importance of change and how they can make change happen. The change agent will also reassure the founding partners about any fears they have.

The main benefits to RSS of appointing a change agent would be as follows:

Identifying the restraining forces within the cultural web
Clearly, a need for a more collaborative culture is likely to be necessary for RSS to survive in the future and therefore appointing a change agent would help RSS to identify from the cultural web, which aspects were the most restraining towards a collaborative culture. A change agent would identify the restraining forces to change in RSS and assist the senior partners in understanding these forces. Currently, the attitude is one of ‘this is the way we do things’. A change agent would help to bring new ways of thinking to the senior management team, most of whom are interested in changing the way RSS operates.

Selection of appropriate change actions
A change agent would propose ways in which the problems identified by RSS can be overcome and to help the 3 founding senior partners to decide the most appropriate solutions. It is clear that a more collaborative approach to working is necessary, not only for current work but also should RSS decide to move into the environmental law area.

Therefore the change agent would help RSS to identify methods which could be used by the senior partners and associate lawyers to encourage more collaborative working. For example, team building exercises could be encouraged and carried out on a regular basis. Also, the six other senior partners could mentor associate lawyers and work together on legal cases and work through decisions together. RSS has never been open to these ways of working and has no experience of it, therefore a change agent will bring in external knowledge and experience to RSS.

Encourage Participation
Once the senior partners have made their decision as to which course of action is most appropriate, the change agent would then have to implement this. The change agent would talk to staff, encourage participation and understanding and actively move towards a collaborative culture. Administrative staff would also need to be involved and the change agent would assist in organising this for RSS. Staff are more likely to want to participate if it is led by someone who is not part of the current senior management team of RSS, as clearly there are difficulties in communication between the different levels of staff in RSS.

Transmit the learning process to others and the whole of RSS
The change agent would document the learning process and all of the discussions and actions taken within the change process. This would be presented to all of the senior partners.