

CIMA INTERIM ASSESSMENT

Enterprise Management

November 2011

Time allowed

Reading and planning: 20 minutes

Writing: 3 hours

All SEVEN questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

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Paper E2

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SECTION A

ALL five questions to be answered

QUESTION 1

The Jupiter Football Club (JFC), a profit-making company with directors and shareholders, has received a take-over bid from one of the satellite-broadcasting corporations. The club is currently assessing whether to accept the bid.

JFC is a multi-million pound business. Its income consists of gate receipts, fees for TV rights, merchandising, sponsorship, conferencing and catering. The club is very successful; the team's performance on the pitch has made it a very popular club and this success has been reflected in growth in turnover and profits in recent years. The advent of satellite TV has made football a worldwide spectator sport and the club has fans throughout the world.

The success of the club has not, however, prevented it from receiving some criticism. One of the issues causing continuing concern has been the constantly-changing replica shirts as worn by the club's football team. Parents of young fans have felt pressurised into spending large sums of money every year or so because the club has changed its shirt styles six times in as many years.

Another issue has been the increase in ticket prices over the past few years. These have risen far faster than inflation, and the fan club has made several representations to the board of JFC in protest at these increases.

The income from TV rights is much welcomed by the club, but matches have been rescheduled at short notice to suit satellite stations and their exclusive audiences. It is perhaps not surprising therefore that the bid to take over the club by the satellite-broadcasting corporation has been met with hostility by the fans and others who see the club they have supported and the game they love as being treated like any other profit-making organisation.

Required:

Identify the stakeholders groups of the JFC and describe the particular interest of each stakeholder group in the club. (10 marks)

QUESTION 2

PG Travel ("PG") is a small independent travel agent based in the North of England and has built up a strong reputation over the last twenty years. Rather than competing directly with the "big 4" travel agents, PG prides itself on being able to put together bespoke holidays for discerning professionals in exotic locations. PG's expert consultants will discuss the holiday requirements with customers and then arrange all aspects of the trip from flights to hotels, car hire and excursions.

Despite such expertise, the last few years have been difficult for PG with profits and margins down for the third year in a row. Peter Green, the Managing Director, blames the economic downturn and increasing competition quoting that PG are still performing as many consultations but that fewer customers then go on to book a holiday. Wendy Green, his wife, feels that the internet is to blame with customers able to construct their own holidays rather than needing PG's services.

Required:

Identify, using Porter's five forces model, the possible reasons for the decline in PG's profitability. (10 marks)

QUESTION 3

Elite Foods is a leading producer for the food industry, supplying many of Europe's leading restaurants. Started just five years ago by brothers Lee and Alan Jones, the organisation has grown from a small company employing five people to a multi-divisional organisation employing 120 people.

The organisation's production facility is divided into three separate departments. Each department has a single manager with supervisors assisting on the production lines. The managers and supervisors, all of whom are aware of their roles, work well together. However, although the organisation has grown, the owners continue to involve themselves in day to day activities and this has led to friction between the owners, managers and supervisors.

As a result a problem arose last week. Alan Jones instructed a supervisor to repair a machine on the shop floor, which he refused to do without confirmation and instruction from his departmental manager. The supervisor's manager, Dean Watkins, became involved and was annoyed at what he saw as interference in his department's activities. Dean told Alan Jones that he "should have come to me first" because although the responsibility for the overall organisation was a matter for the brothers, action taken in the factory was his through powers that had been delegated to him and through his authority, as manager. In the argument that followed, Alan Jones was accused of failing to understand the way that the hierarchy in such a large organisation operates and that interference with operational decisions by senior management was not helpful.

As a consequence of this, Alan Jones has asked you to explain to him and his brother the issues behind the dispute to clarify the roles of managers and supervisors and to indicate how and why successful delegation might be achieved.

Required:

Explain in the context of Elite Foods, what is meant by:

- (a) responsibility; (4 marks)
- (b) authority; (3 marks)
- (c) delegation. (3 marks)

(Total: 10 marks)

QUESTION 4

The T Aerospace Company is in the early stages of planning the development of its latest commercial jet, the 007. The aircraft industry is a fiercely competitive one, dominated by a few large global players who operate at the forefront of technology. In this industry, competitors quickly copy any advance in technology or new management technique that might provide them with a competitive edge. Some of the T Aerospace Company's competitors have adopted team working as a means of speeding up their development and production processes.

The T Aerospace Company is considering the adoption of team working in its operations, but some of the traditionalists in the company are doubtful. They are concerned that the benefits of work specialisation will be lost. Some of the managers have had negative experiences with team working and so have strong reservations about the proposed changes.

Required:

- (a) Identify the benefits that the T Aerospace Company can expect to gain from the adoption of team working. (5 marks)
- (b) Discuss the difficulties that the company is likely to encounter in the management of its teams. (5 marks)

(Total: 10 marks)

QUESTION 5

All organisations develop a culture which influences the way an organisation's employees behave.

Required:

- (a) Define what is meant by the term 'culture' in the organisational context. (2 marks)
- (b) Describe Handy's four cultural types. (8 marks)

(Total: 10 marks)

SECTION B

Answer both questions

QUESTION 6

The choice of organisational goals is one of the more difficult parts of the strategic planning process. It is often blandly stated that a company's objective should be 'profit maximisation'. Although this is an important assumption of economic analysis, it is not usually appropriate in the management of business organisations.

Required:

- (a) Describe any 'strategic planning process' with which you are familiar. (*You are not required to draw any diagrams here, though you are free to do so if you wish.*)
(10 marks)
- (b) Suggest three alternative organisational objectives that could be used instead of 'profit maximisation'. For each of your objectives, briefly explain the importance of adopting your goal for strategic level managers, and suggest a key performance indicator that could be used to measure each.
(15 marks)

(Total: 25 marks)

QUESTION 7

At Gold Investment Fund Managers, there is a strong emphasis on democratic management. The employees are grouped into teams with a team leader. The team is given sales targets to meet but is allowed to decide how it will go about meeting those targets. The team decides how it will organise work in its own area (i.e. the physical layout of the area). Alongside each team area there are meeting areas with chairs grouped in a circle. In this area are charts showing the performance of each team. The teams meet to discuss what is going well and what is going badly and to suggest ideas for improvement. The team then has the responsibility for putting their ideas into practice.

Dean Thomas is responsible for the blue team. He is the most recently recruited team leader in the organisation. The blue team has an average age of 26 years. Dean Thomas enjoys bringing his team together every morning for a daily briefing. He gives out the tasks for the day and allows his team to pick and choose their tasks and to discuss any problems with each other before they actually settle down to begin work. Dean tends to be more concerned with maintaining good relations with his team than sometimes with achieving targets. The blue team like Dean's approach, where they can make their own decisions, work on their own and are one of the most cohesive teams in the organisation if not as successful as they should be.

Lee Allen is the green team leader. He is the most experienced team leader. His team of eight members have all been at Gold for many years. Lee Allen knows that the company policy strongly prefers a more relaxed style of leadership. However, Lee comes from a disciplined background and quite often needs to give orders and demand results when deadlines need to be met or the team appears likely to fail to meet its target. The green team has the best success rate but also the highest absentee rate of all six teams working for Gold.

Emma Jenkins, a green team member, has complained about Lee Allen's style of leadership and has asked to be moved to the blue team. She feels that she has less input into decision making than she would like.

Required:

- (a) Briefly explain leadership style(s). (5 marks)**
- (b) Using the Tannenbaum and Schmidt model and evidence from the scenario, identify the leadership style of Dean Thomas and Lee Allen. (5 marks)**
- (c) Explain action centred leadership and justify why Lee Allen's approach can be described as action centred. (8 marks)**
- (d) Explain the possible reasons for Emma Jenkins' dissatisfaction as a green team member and her desire to become a blue team member. Relate your answer to the leader's styles. (7 marks)**

(Total: 25 marks)

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