

CIMA INTERIM ASSESSMENT

Enterprise Operations

November 2011

Time allowed

Reading and planning: 20 minutes

Writing: 3 hours

All FOUR 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 E1

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SECTION A

ANSWER ALL PARTS OF THE QUESTION

QUESTION 1

1.1 An expert system describes:

- A a database built upon past knowledge and experience
- B a powerful off-the-shelf solution
- C an online library of operating advice and handy hints
- D an application that carries out essential, routine processing of day-to-day transactional data **(2 marks)**

1.2 Offshoring is:

- A a form of outsourcing
- B a method used to reduce country and political risk
- C the contracting out of work previously done in house to specialist providers
- D the relocation of corporate activities overseas **(2 marks)**

1.3 The main advantage of a database management system is:

- A the provision of quick, effective and improved communication to staff
- B data integrity and elimination of duplication
- C it is an online library of operating advice and handy hints
- D the provision of unlimited access and communication **(2 marks)**

1.4 Which of the following types of capacity planning is most likely to require a flexible approach to production?

- A Demand management planning
- B Fixed demand planning
- C Level capacity planning
- D Chase demand planning **(2 marks)**

1.5 A country in which society dislikes ambiguity and risk is said to have:

- A high uncertainty avoidance
- B high power distance
- C a feminine culture
- D high long term orientation **(2 marks)**

1.6 If interest rates are high:

- A there will be an increase in investment
- B output will increase, to satisfy increased demand
- C the country's currency will strengthen
- D exports will increase (2 marks)

Required:

Each of the sub-questions numbered 1.7 to 1.8 below requires a brief written response. The response should be in note form and should not exceed 50 words.

- 1.7 Many organisations are now actively seeking flatter hierarchies, better quality and ways of contracting out non-core activities. What are the implications of these developments for the five basic parts of the organisation identified by Mintzberg?** (4 marks)
- 1.8 Explain what general principles of corporate governance apply to the Board of Directors.** (4 marks)

(Total: 20 marks)

SECTION B

ANSWER ALL PARTS OF THIS QUESTION

QUESTION 2

Revor Cars is an ailing motor vehicle manufacturer which has just been acquired by a large foreign investor, HK Holdings.

Revor was once a source of national pride, producing high-quality, innovative designs popular in its local market. One product, the Mighty Atom, was originally conceived and constructed fifty years ago, and is still considered one of the best small cars around. However, the rest of the product lines, including sports and saloon cars, are rapidly losing their appeal, being overtaken by overseas manufacturers who can offer quality, functionality and reliability at extremely competitive prices.

HK Holdings understands that it needs to invest in Research and Development, in order to develop new and improved products, whilst at the same time supporting the handful of models which are likely to remain profitable for the next three years. To do this, it is embarking on an organisational-wide quality-improvement programme, similar in substance to improvement approaches it had already delivered successfully in its home country. The thrust of the programme will include:

- The need to instil a culture of excellence driven by committed, quality-focused teams
- The need to provide every employee with a simple set of ideas as to how to implement quality improvements in their workspace
- The need to monitor performance closely through the use of appropriate performance indicators.

One aspect of the change strategy will be to make further use of technology in Revor's production facility. HK has already identified the need for a multi-million-dollar investment in CAD/CAM technologies in order to successfully develop an ERP system at the heart of a JIT manufacturing methodology. It understands that an OPT philosophy will assist in targeting key improvement areas, and that existing MRP technologies will need to be replaced.

In order to deliver these major changes, particularly in the new systems development projects, HK is evaluating the use of outsourcing. This would involve the use of local technology suppliers in the analysis, design and implementation of a number of systems. As an alternative, HK could bring in its own in-house technologists from its home country, although finding a suitable team willing to live for long periods in a foreign land may prove difficult.

You are a management consultant working alongside HK Holdings management team as they evaluate strategic and tactical options during the first few weeks following the acquisition of Revor Cars.

Required:

- (a) Explain how external triggers have impacted on the company. (Your answer should include reference to the company's products.) (5 marks)
- (b) Describe the essential elements of the quality-improvement programme, taking into account the information provided in the scenario. (5 marks)
- (c) Discuss the suitability of all operations/technology management concepts in the scenario (these are CAD/CAM, JIT, OPT, ERP, MRP). (5 marks)
- (d) Outline an approach to change management that may assist HK Holdings when implementing new technology. (5 marks)
- (e) Discuss the advantages and disadvantages of outsourcing systems development projects for HK Holdings. (5 marks)
- (f) Explain the stages that Revor should work through when developing its new products. (5 marks)

(Total: 30 marks)

SECTION C

ANSWER BOTH QUESTIONS

QUESTION 3

GGE manufactures office equipment including stationery, furniture and electrical equipment. At a recent board meeting at GGE, there was a lengthy discussion about the problems the company has been experiencing. In the past 12 months, competitors have introduced some new products into the market, which are technically superior to GGE's products, and competitors appear to be capturing a much bigger share of the market.

The quality of service to customers has been a problem. Sales orders seem to take a long time to process, and there have been problems with production scheduling. The despatch department and the production department do not liaise as closely as they should, in spite of long and frequent meetings between the departments to discuss production and despatching difficulties.

The finance director has suggested that the company should consider introducing a continuous improvement programme. The production director believes that the company's problems are serious, and a continuous improvement programme would be of little value. He is in favour of hiring a firm of management consultants with a view to designing a business process re-engineering project.

The managing director recognises the competitive threat from rival companies, and he is concerned that GGE has not responded to technological change as fast as it should. He is also concerned that the company still has a passive approach to supply chain management.

One division of GGE, the L division, produces letter folding machines and other small offices machines by assembling components. It manufactures some of the components itself. Over half of the components such as small motors, switches and display panels are bought from outside suppliers in economic batch sizes, and stored after receipt in the company's goods in store.

The components manufactured by L division are produced in batches and stored until required. The components are then drawn from the store assembly according to orders received.

L division's costs are felt to be too high and it is suggested that this may be due to the problems in stores.

Required:

- (a) Compare a continuous improvement or kaizen approach to process improvement with a BPR approach, and suggest the circumstances in which a BPR approach might be more appropriate for GGE. (10 marks)
- (b) Explain what is meant by a passive approach to supply chain management and discuss how GGE should develop its purchasing function in order to attain a strategic status. (5 marks)
- (c) Describe the primary activities in the value chain and their strategic importance to L division. (10 marks)

(Total: 25 marks)

QUESTION 4

E5E is a charity concerned with heart disease. It obtains funding from voluntary donations from both private individuals and companies, together with government grants. Much of the work it does, in all departments, could not be achieved without the large number of voluntary workers who give their time to the organisation and who make up approximately 80% of the workforce.

E5E does not employ any scientific researchers directly, but funds research by making grants to individual medical experts employed within universities and hospitals. In addition to providing policy advice to government departments, the charity's advisors give health educational talks to employers and other groups.

The Board recognises the need to become more professional in the management of the organisation. It feels that this can be best achieved by conducting a benchmarking exercise.

At a recent project development meeting, the IT director presented ideas for the design of a new system. Several points were raised at the meeting:

- The current information system is weak. The accuracy and completeness of the information needs to improve and there needs to be better co-ordination of activities. Several different systems are used and some are very inefficient.
- The IT director has recommended that a new organisation wide information system should be implemented. This should address the problems outlined above. However, there is some concern that the introduction of the new system may make some members of the organisation, particularly the volunteers, unhappy.

Required:

- (a) Identify the advantages and disadvantages of benchmarking for E5E. (10 marks)
- (b) Explain the stages in conducting a benchmarking exercise in the context of E5E. (10 marks)
- (c) Explain how those implementing the new information system should deal with the concerns of the staff, particularly the volunteers. (5 marks)

(Total: 25 marks)