Level 6 Professional Diploma in Procurement and Supply

PD1 - Leadership in procurement and supply

EXAM EXEMPLAR QUESTIONS

CASE STUDY, QUESTIONS AND INDICATIVE ANSWER CONTENT
CASE STUDY - VODAFONE

Vodafone has one of the world’s largest mobile communications networks, with 83,900 employees serving over 370 million customers across more than 30 countries. With 2,200 retail stores and a further 10,300 branded franchises throughout the world. Vodafone products include messaging services for businesses and consumers, smartphones, mobile handsets and tablets. Its current strategy is aimed at increasing the ‘average revenue per user’ through offering more and more added value mobile services.

Detlef Schultz, winner of the 2011 Procurement Leader Award, was brought in to be the Global Supply Chain Management Director and chief executive officer of the Vodafone Procurement Company. His role was to not only manage the complexity of the procurement and supply chains for both goods and services but also fundamentally transform several fragmented supply chains into a single global function.

The Vodafone Procurement Company was set up in 2008 with its headquarters based in Luxembourg. Through ‘lean’ procurement techniques it was expected to achieve efficiencies and substantial savings on products such as handsets, network equipment, marketing and IT services. It also runs a China Sourcing Centre in Beijing, with a stated objective of 8% year-on-year cost reduction.

Detlef Schultz, who joined Vodafone in March 2003, has 26 years experience in supply chain management, with previous roles in supply chain, planning and operations management in Germany, the UK, Singapore, Korea and the US. He has also appreciated diversity in his teams and knows how important communication, information sharing and empowerment are to success. When Schultz joined staff were uncertain of the impact he would have, the changes that would be made and whether their jobs would be secure.

To bring about the transformational change required, Schultz used an inclusive process, which involved holding workshops with procurement and supply chain staff as well as consulting with key internal stakeholders across the organisation. He used his natural influence, persuasion and well-developed communication skills to gain consensus and buy-in for his plans across the whole procurement and supply chain.

Schultz and his team’s efforts resulted in Vodafone taking full advantage of its global scale and achieving ‘world-class’ savings and efficiencies across its business operations. Other benefits include a significant improvement in Vodafone’s working capital position, technology standardisation and policy development for global travel and labour.

One of the key drivers behind these successes has been Schultz’s interpersonal skills. The 2011 Procurement Leader award submission referred to Schultz’s ‘inclusive and inspirational leadership style’ and how it had been one of the critical success factors of the projects he led.
However, in accepting the award, Schultz said ‘I’m very proud, this is a great recognition for the achievements of the entire Vodafone SCM team. At Vodafone we aim to be ambitious and competitive and getting this kind of recognition is a great motivator’. This was deserved praise for a hard-working, committed and enthusiastic team he had built up from a small group of 30 to a team of 170 (from 24 countries), based at head office and localised procurement sites.

Source: Procurement Leaders Magazine, Issue 33 July/August 2011

The information included within the case study is based on real life organisations and people. However the details are for assessment purposes only and do not necessarily reflect the respective positions of the organisations or individuals concerned.
QUESTIONS AND MARKING SCHEME

Q1 Learning outcome: 1.0

(a) Propose an appropriate leadership style that Schultz would have needed to adopt when transforming Vodafone’s global supply chain function.

(b) Outline an appropriate range of leadership skills that would have been required by Schultz to make the supply chain transformational project at Vodafone a success.

Marking scheme

(a) Candidates may opt to propose one of a number of different leadership styles. An academic response is not necessarily required, although reference to appropriate supporting theory on leadership will help.

Theories that a candidate may refer to in response to this question include:

- Blake and Mouton leadership grid
- Lewin, Lippett & white – authoritarian, democratic and laissez-faire styles
- Ashridge Management College (Tells, sells, consults and joins)
- Tannebaum & Schmidt’s continuum of leadership behaviour
- Hersey & Blanchard Situational Leadership model
- Other suitable theory (with a clear rationale).

A pass grade should be awarded to responses that propose an appropriate leadership style that suits the context that Schultz found himself to be in at Vodafone. This response should describe the proposed leadership style and give an explanation of why it is appropriate. Supporting academic theory will provide incremental marks over and above this base requirement.

In addressing the needs of the question, candidates should make reference to the global reach of Vodafone and the organisational complexities of an international multi-product / multi-service technology company that is rapidly developing. This involves the willing cooperation and collaboration of senior business stakeholders in order to make change happen, while also ensuring the full buy-in of staff across the various supply chain functions at Vodafone.

Candidates are more likely to opt for either a democratic ‘sells’ or a ‘consults’ style, although it should be recognised that a situational approach may also be required from time-to-time.

Answers that propose ‘laissez faire’ or ‘joins’ styles will need substantial justification to be seen as appropriate. Similarly an autocratic ‘tells’ style has a number of disadvantages that could make it inappropriate in the Vodafone context too.

Marks should be awarded for appropriate proposals and supporting explanation.

While it is unlikely that Schultz would have adopted a laissez fair approach, it is quite possible that he adopted several styles in the course of leading the change at Vodafone. Therefore, for higher marks (credit and distinction), candidates may refer to more than one leadership style, so as to make their proposed style(s) clearly explained and justified.
Answers that only provide theory and fail to apply this to the Vodafone case study are not satisfying the requirements of the question and should therefore fail to receive a pass mark.

Higher scoring answers may adopt the situational leadership approach, or simply propose a number of leadership styles on a ‘horses for courses’ contingency basis. Appropriate explanation and reasoned application to the case study should be awarded with these higher grade marks.

(15 marks)

(b) Candidates may outline a wide range of technical and/or behavioural skills required to make the change successful at Vodafone. The response would be expected to have strong links with the Trait approach to Leadership.

Some candidates may prefer to use Stuart Crainer’s list of skills for managing change. This is OK, but the response should be grounded in the case study rather than as an isolated list of theoretical skills.

**Crainer’s seven skills for managing change are:**

- Managing conflict – the skill of being able to manage conflict in a constructive way so that positive outcomes can emerge.
- Interpersonal skills – an effective change leader will have a range of soft interpersonal skills. These skills included emotional intelligence, communication, influencing, inspiration, empathy, rapport building, listening and the ability to motivate both themselves and others.
- Project management skills – a blend of organisational skills of being able to deliver to the required level of quality, cost or time in a complex environment, with the team-building skills to get the best out of the people involved in the project.
- Leadership and flexibility – the skills of developing a compelling future vision and setting clear objectives such that people are motivated to achieve them. Flexibility is also a key skill for managers working within an ever changing business environment which is capable of rapid change.
- Managing processes – the skill of managing processes requires leaders to ensure that systems, procedures and processes are properly designed, planned and controlled, and improved as required.
- Managing strategy – the skill of ensuring that the contribution of proposed changes supports the overall strategic aims and objectives of the organisation so that the changes smoothly align and make a positive contribution.
- Managing personal development – the skills of taking responsibility for one’s on-going learning in the context of the organisation and how it is evolving. All leaders need to understand that this is a life-long process for themselves and all others who work for the organisation.

As a general rule, at least three skills is required to make a suitable ‘range’ and, given the confines of the question, more than ten is unnecessary. Typically candidates might be expected to provide five skills with a brief description of each – and in this case 2 marks per skill should be awarded – albeit that other approaches to awarding marks are equally valid (provided the question has been sufficiently and justifiably answered).

Stronger answers will not only identify the range of skills required by Schultz but also provide enough depth of detail.

(10 marks)

**CIPS study guide reference:**

(a) Pages 17 – 39
(b) Pages 18 and 160
Q2  Learning outcome: 2.0

With reference to appropriate models and theories, propose FIVE influencing styles that Schultz could have adopted to engage effectively with key business stakeholders at Vodafone.

(25 marks)

Marking scheme

Candidates are required to make reference to the theory – but not link their whole response to the theory, as the question requires specific application to the case study. Therefore a simple list or basic description of theoretical influencing styles is insufficient. Each influencing style needs to be contextualised in the supply chain to demonstrate how it is used to influence others.

Candidates may use Mendelow’s Power/Interest Matrix to prioritise the external stakeholders that Vodafone deal with. Stakeholders in the case study include retail stores, franchises, suppliers, customers/consumers, shareholders and consultants (the Hackett Group).

Once candidates have mapped them on the matrix they need to then consider the most appropriate influencing styles to use.

Candidates might draw on any of Yukl’s 11 influencing styles (Rational persuasion; Apprising; Inspirational appeal; Consultation; Collaboration; Ingratiation; Exchange; Personal appeal; Coalition; Legitimating; and Pressure) or alternatively Cialdini’s six principles of influence (social proof, consistency, reciprocity, liking, authority and scarcity). When candidates apply these different styles consideration should be made of the importance of the stakeholder, expectations, the desired outcome and risks involved.

Marks should be awarded for a full explanation of the style and its contextualisation and a relevant example where it has been used effectively in practice (5 marks for each style). Five styles are required to gain the full marks for this question.

It should be noted that some styles are less appropriate than others, and this subtlety should be reflected in the candidates’ explanation as to why each style is being proposed.

Should candidates identify appropriate influencing styles that Schultz could have adopted without reference to or limited reference to theory, then a marginal pass mark can be awarded.

The ways that Vodafone may engage with stakeholders include meetings, briefings, newsletters, via email or website.

In stronger answers candidates will not only prioritise where their best efforts should be placed with stakeholders but apply appropriate theories well to the case study in terms of influencing styles that could have been deployed to engage effectively with key external parties involved with Vodafone.

Candidates that show an appreciation of the different situations and dynamics of relationships with stakeholders and the appropriate styles that should be used and those that should be avoided will be awarded higher marks.

(25 marks)

CIPS study guide reference: Pages 55 – 61
Q3 Learning outcome: 3.0

Evaluate the main tactics, based on appropriate models and theories, that could have been used by Vodaphone and the SCM team to influence Vodafone’s key external stakeholders to overcome challenges faced by Schultz.

(25 marks)

Marking scheme

Candidates may consider a number of external stakeholders in answering this question but the key groups mentioned in the case study are businesses, consumers and suppliers.

The ways that the Vodafone and the SCM team could have influenced these stakeholders include application of theories including Gillen, Yukl and Cialdini, Lewicki etc.

Examples of these influencing tactics that could be used by the SCM team or Vodaphone include:

**Suppliers**
- Forming good contracts and service level agreements
- Incentivising supplier’s performance
- Implementing penalty clauses (remedies) to ensure commitment and compliance to contracts
- Offering approved or preferred supplier status
- Offering further work/contracts
- Encouraging healthy competition in the marketplace (by requesting quotes or conducting tendering exercises)
- Interpersonal interaction with suppliers during negotiations
- Consultation.

**Business customers/Consumers**
- Advertising – including public relations and brand reinforcement (sponsoring events, supporting good causes etc)
- Promotions – economies of scale discounts for business customers and usage incentives for consumers
- Sales – B2B and B2C. Important for commercial sales staff and retail sales staff to listen to customer needs and match with the most appropriate products and services (e.g. focus groups, interviews, briefings, seminars and conferences). Persuasion and negotiation is needed to maximise the sale
- Pricing strategies
- Build a good reputation for quality of product through the quality of materials used in the final product/service and suppliers employed
- Ease of availability of products and quality of service experience e.g. e-commerce, speed of delivery, self-service, customer care etc.

Candidates may be innovative in their approach and identify other ways to influence key stakeholders. With a clear rationale and justification, marks may be awarded accordingly.

Stronger answers will evaluate the main tactics that can be deployed by Vodafone’s SCM team with the key stakeholders and suggest a number of practical initiatives that would have worked in the context of the case study.

(25 marks)

**CIPS study guide reference:** Pages 53 – 58
Pages 86 – 91
Q4  Learning outcome: 4.0

Propose effective change management methods and theories that Schultz could have used within Vodafone to ensure the supply chain transformational project overcame any barriers to be a success.

(25 marks)

Marking scheme

Candidates should consider both aspects of the question in terms of:

1. Overcoming barriers to change
2. How any issues can be effectively managed throughout the change process.

Overcoming barriers to change:
The staff at Vodafone across the different functions, territories and brand/product operations needed good strong leadership as barriers included:

• Fear of the unknown
• Uncertainty
• Changing priorities and roles
• Lack of skills that fit with the changing company
• Unwillingness to change – ‘this is the way we have always done it’ mentality.

Methods that Schultz could have used to overcome these barriers include:

• Good clear communication – regular updates of progress
• Encouraging employee feedback e.g. forums, questionnaires, suggestion schemes etc
• Incorporating good ideas from staff to gain bargaining power for other key aspects that need introducing
• Cross functional team working
• Project Management – defined and achievable objectives, realistic timeframes and regular monitoring and review.
• Celebrating successes.

Effective Change Management methods:

A number of tools and techniques can be used to ensure the change is assessed and delivered successfully.

These include but are not restricted to:

• Analysing the change situation – PESTLE and SWOT,
• Factors in the change situation – using Johnson, Scholes & Whittington’s’ (based on work with Balougan & Hope-Hailey) contextual features that may influence strategic change programmes model
• Force Field Analysis – to determine the level of support for the change and level of resistance against the change
• The change equation
• Building a compelling vision
• Kotter and Schlesinger, ‘Overcoming resistance to change approaches’
• Lewin’s un-freeze-change-refreeze (behavioural modification) model
• French, Kast and Rosenzweig – Eight components of a planned change programme
• Mayo or Trice & Beyer’s – cultural change models
• Stuart Crainer’s – seven skills areas for managing change
• Types of change – incremental, fundamental, emergent and planned change.
Factors that candidates should consider when suggesting a recommended methods is the scale of the change, level of resistance, urgency and impact on the business. As change is complex a combination of these methods can be used if a clear rationale is given.

Stronger answers will address both the barriers to change and the ways to overcome them with reference to appropriate models and behaviours. A minimum of two change management approaches would be expected.

(25 marks)

CIPS study guide reference: Pages 139 – 161