Level 6  Professional Diploma in Procurement and Supply

PD2 - Corporate and business strategy

EXAM EXEMPLAR QUESTIONS

QUESTIONS AND INDICATIVE ANSWER CONTENT
QUESTIONS AND MARKING SCHEME

Q1 Learning outcome: 1.0

Using academic principles and examples to illustrate your answer, assess the concepts of:

(a) Strategy (9 marks)

(b) Strategic planning (8 marks)

(c) Strategy development. (8 marks)

Marking scheme

(a) Strategy

Candidates could attempt a broad definition here along the lines of strategy being the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.

There are a number of different definitions of “strategy” and candidates may wish to assess those of Grant, Ohmae, Johnson & Scholes and Mintzberg among others. (9 marks)

(b) Strategic planning

Every organisation or unit (candidates could use a purchasing example) occasionally has to make some momentous decisions; the sort of decisions that affect the entire destiny of the organisation for years into the future. These decisions are designed to address the really biggest and most important issues facing an organisation. Strategic planning, therefore, must have something about big decisions indicating some form of deliberate action, therefore a discussion of Johnson & Scholes rational planning model of analysis, choice and implementation may be in order. (8 marks)

(c) Strategy development

Recognises that strategy is not always what is planned, therefore the emergent and incrementalist approaches of Mintzberg and Quinn may be covered.

Realised strategy often results from a combination of planned, deliberate action and unplanned emergent themes. (8 marks)

All three parts are fairly open and theoretical-based questions, but there must be a logical, coherent discussion of the issues under the three areas. There is a wide choice of theories in addition to those mentioned above and all valid content will be rewarded. Examples for each area are required.
Candidates must demonstrate a robust understanding of the academic principles and their practical application in relation to strategy (9 marks), strategic planning (8 marks) and strategy development (8 marks).

Stronger responses could go further in all three elements assessing areas such as strategy, strategic planning or strategy development being key at different levels of a business with all three existing at several levels in any organisation; ranging from the overall business (or group of businesses) through to individuals working in it.

In any three elements of responses marks could be awarded therefore for mention of:

**Corporate Strategy** - is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a “mission statement”.

**Business Unit Strategy** - is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors and exploiting or creating new opportunities etc.

**Operational Strategy** - is concerned with how each part of the business is organised to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes and people etc.

The command word is assess so evidence of valid further reading will be rewarded.

(25 marks)

CIPS study guide reference: Chapter 1, section 1 - page 2 onwards, Chapter 3 section 3 and 4
Q2 Learning outcome: 2.0

(a) Using the five forces framework, evaluate a competitive environment of your choice. (15 marks)

(b) Review the limitations of using the five forces framework. (10 marks)

Marking scheme

(a) Candidates are required to evaluate, therefore an opinion based on judgement is required, not merely a précis of the model.

Porter’s Five Forces framework is a means of analysing an organisation’s competitive environment. The five forces are: competitors jockeying for position; the power of buyers; the power of suppliers; the threat of new entrants; and the threat of substitute products. The intensity of each force is determined by the nature and development stage of the market, the relative numbers of buyers, suppliers and competitors, and the barriers to entry and imitation that exist.

Rather than just describing the model, the answer should be related to applying it to the chosen organisation and evaluating its competitive environment. Concepts such as backward integration (buyer power), high capital investment (barriers to entry), forward integration (supplier power) and aggressive pricing (potential new entrants) could all be relevant and rewarded.

The model can be relevant to both the public and private sectors and an evaluation for any is applicable. (15 marks)

(b) Porter’s model also has been criticised for its lack of consideration, regarding the unique resources and capabilities that a firm brings to the industry. Thus, it has generally been argued that the model is a framework which should be used with the Resources and Capabilities model or another, similar analysis. Additionally, Porter admitted in his book that the presence of governmental regulation in the market affects the models’ reliability; and the presence of increased globalisation and technology may have significantly altered the dynamics of economic growth and competition since the model’s inception in 1979.

In spite of critics and limitations, however, Porter’s Five Forces model continues to be taught in most business schools (and CIPS courses) throughout the world as a reliable basis and framework for business analysis and strategy, effectively preparing the next generation of executive management for market strategy decisions.

Other limitations to review (meaning; examine and assess a subject critically) could be based around:

• “Snapshot” issues and questions about its flexibility
• Could be oversimplifying the situation
• It typifies a positioning approach.

A rounded review of these points will score well. (10 marks)
In either of the two elements of the question stronger answers could review or evaluate the model further and marks will be awarded for wider comment such as the power of Porter’s five forces varies from industry to industry. Whatever be the industry, these five forces influence the profitability as they affect the prices, the costs, and the capital investment essential for survival and competition in industry. This is particularly important to the supply chain and elements within it. The five forces model also help in making strategic decisions as it is used by the managers to determine industry’s competitive structure.

Specific additional comment for part (b) could include the fact that Porter ignored a sixth significant factor- complementaries. This term refers to the reliance that develops between the companies whose products work is in combination with each other. Strong complementors might have a strong positive effect on the industry. Also, the five forces model overlooks the role of innovation as well as the significance of individual firm differences. It presents a stagnant view of competition as alluded to in the main answer scheme.

**CIPS Study guide reference: Chapter 4, section 3, page 59 onwards**
Q3 Learning outcome: 3.0

(a) Analyse what is meant by the term ‘strategic drift.’  
(9 marks)

(b) Appraise how effective change management can address strategic drift.  
(16 marks)

Marking scheme

(a) Candidates could start this question with an overview.

Strategic drift is the situation where successive strategies fail to address the strategic issues of the organisation and performance gradually deteriorates.

There are a number of reasons for strategic drift: changes in the environment are greater than the incremental changes in the organisation’s strategy; reacting to changes in the environment rather than innovating in a proactive way; the cultural paradigm of the organisation restricts the ability of the organisation to change at the rate or to the extent which is necessary. Planned strategic change, often of a transformational nature, is the means of overcoming this strategic drift.

Candidates should provide a broad definition and give a fairly in-depth analysis of this key strategic term.

(9 marks)

(b) In terms of change management and strategic drift, there are a number of different issues that could be appraised (meaning: a minimum of strengths and weaknesses) These could include:
- types of change (transformational or incremental, managed or imposed);
- implementation issues (strategy, structure, systems, staff, skills and shared values);
- restraining and facilitating forces;
- change management techniques (communication, education, collaboration, early involvement, direction or coercion);
- change roles; change agents; cultural issues; timing and top management support; reinforcement, monitoring and review.

Candidates should demonstrate a robust understanding of the ‘hard’ and ‘soft’ aspects of effective change management but other equally valid methods to appraise change management will be rewarded providing it is directly linked to strategic drift.

(16 marks)

In any of the sections stronger responses could include operational examples along the lines of strategic drift is a gradual change that occurs so subtly that it is not noticed until it is too late. By contrast, transformational change is sudden and radical.

In purchasing organisations, strategic drift often occurs because professionals have their own perspectives, independent of what the firm’s leaders may think. Sometimes purchasing professionals view themselves as running their own businesses. So strategic drift is inherent in the professional purchasing model. Whether it becomes problematic and costly depends on how its managed and certainly more and more purchasing objectives are now reflecting corporate goals. The direct purchasing element is not referred to in the question, but examples relating to purchasing will be rewarded.

CIPS study guide reference: Chapter 10, sections 4 and 5, page 216 and 220 onwards
Q4 Learning outcome: 4.0

(a) Conduct an in-depth STEEPLE analysis for an organisation with which you are familiar. \(12\) marks

(b) Using the STEEPLE analysis in part (a), suggest corporate and business strategies to address the identified challenges and opportunities. \(13\) marks

Marking scheme

(a) A STEEPLE analysis considers the broad environmental factors that impact on an organisation. Candidates should choose an organisation for which they are familiar and set out their analysis.

The STEEPLE acronym refers to the way of categorising the factors into the headings of social, technological, economic, and environmental (ecological), Political, legal, and ethical and it is important that candidates analyse the implications to the chosen organisation, rather than just identify a list of factors within each heading.

The factors identified should be external challenges or opportunities outside the control of the organisation rather than internal issues, although a link could be made to internal as part of the analysis. However, reference to the organisation’s strengths and weaknesses in relation to the external issues may form part of the analysis.

A mere listing of the elements is not sufficient for a pass and the higher scoring answers will emphasise that the growing importance of environmental or ecological factors in the first decade of the 21st century have given rise to green business and encouraged widespread use of an updated version of the Socio-cultural, Technological, Economic, Ecological, and Regulatory factors.

It is more important to assess the level of analysis, rather than be concerned about which category the identified issues are placed within. \(12\) marks

(b) Using the STEEPLE as a basis, candidates must now suggest corporate and business strategies to address the identified challenges and opportunities. The corporate and business strategies that are suggested could be in the form of generic strategies, strategic directions, or strategic methods.

Every organisation will establish business strategies that are designed to support their mission, vision and values, and achieve goals specific to their market, business and industry. Business leaders who take the time to analyse (for instance using STEEPLE) and understand their market, industry and the external environment can develop strategies that are most likely to promote business success.

There are a variety of types of strategies that businesses may apply. Stronger answers will link them directly to the issues identified and they must be fully justified.
Higher scoring answers will also demonstrate a robust analysis of the chosen organisation's broad environment and suggest appropriate strategies that address the identified challenges and opportunities.

(13 marks)

**CIPS study guide reference:** Chapter 4, section 2, page 54 onwards and Chapter 11