



# STRATEGIC PERFORMANCE MANAGEMENT

PROFESSIONAL 2 EXAMINATIONS – JULY 2019

**NOTES:**

**Answer All Questions**

**TIME ALLOWED:**

3 hours plus **20 minutes** to read the paper

**INSTRUCTIONS:**

During the reading time you may write on the examination paper, but you may not commence writing in your answer book. **Please read each Question carefully.**

Marks for each question are shown. The pass mark required is 50% in total over the whole paper.

**Start your answer to each question on a new page.**

You are reminded to pay particular attention to your communication skills, and care must be taken regarding the format and literacy of your solutions. The marking system will take into account the content of your answers and the extent to which answers are supported with relevant legislation, case law or examples, where appropriate.

List of the cover of each answer booklet, in the space provided, the number of each question attempted.

## **YOU ARE REQUIRED TO ANSWER ALL QUESTIONS.**

**READ THE FOLLOWING CASE STUDY AND ANSWER THE QUESTIONS WHICH FOLLOW.**

### **Case study: 'Graham J. Group PLC'**

Graham J. Group PLC is a leading, diversified group of companies based in Kayland. The group owns three listed companies, Tristar Technologies PLC, Palm Manufacturers PLC, and Pristine Hotels PLC. The group was established fifty years ago by Graham Jordon in Kayland and has expanded globally over the past several decades.

#### **DIVISION 1 - TRISTAR CO**

Tristar Co is a technology-based company based in Kayland, and develops, and sells consumer electronics, computer software, and online services. The company is currently developing a Smartphone, equipped with cutting edge devices including multi-camera arrays and 48-megapixel sensors which it plans to launch within the next year. Tristar's mission statement is 'to create value for shareholders through control products which improve productivity, save energy and increase safety'.

Due to the high cost of sensor development, Tristar has agreed to form a strategic alliance with a leading Technology Company named Fujami Technology to manufacture and provide this key component for the new Smartphone. Fujami has been trying to break into the Smartphone market for several years and this will be their first time supplying sensor systems to the Smartphone industry. The alliance agreement has stipulated three critical areas of performance for Fujami's supply to Tristar:

- Quality of manufacturing, measured by fault rates of sensor devices supplied being within agreed specifications (fulfills the requirements of Tristar's smart phone);
- Time of delivery, measured by the number of times a shipment is more than one day overdue.
- The ability to provide technical upgrades to the sensor devices as the market demands. The service level agreement (SLA) will be based on these three points while financial penalties will have to be paid if Fujami fails to meet them.

## QUESTION 1

- a) Evaluate, from Tristar's viewpoint, the usefulness of the three critical areas in the alliance agreement for measuring the performance of Fujami Technology. (10 marks)
- b) Evaluate how strategic alliances might be an appropriate approach to strategy development at Tristar and explain, from Tristar's viewpoint, the benefits and drawbacks of Fujami Technology supplying sensor devices to Tristar. (15 marks)

(25 marks)

In September last year, a new chief executive officer (CEO) was appointed to address the continuous decline in Tristar's share price in the last three years. The CEO believes that the poor performance of the company can be addressed by ensuring that the mission statement flows down into the performance management of the business.

The CEO has declared that the business must focus on optimizing its value generation and to that end, the following critical success factors (CSFs) have been identified.

### CSF

Greater staff productivity  
Reduction of wastage in production  
Greater innovation of products

### Associated current KPI

Units produced per labour hour  
Power consumed per unit produced  
Number of new products launched

The CEO has also proposed to the board of Tristar that a new information system be implemented. This new system will introduce networking technology in order to bring together all of the departmental systems into a new, single, corporate database.

## QUESTION 2

- c) The CEO wants you, a performance management expert within Tristar, to briefly explain any weakness of the KPI's that have already been identified (stated above) and then provide a justified alternative KPI. (15 marks)
- d) Explain how the proposed new information system can help to improve business performance at Tristar. (10 marks)

(25 marks)

## **DIVISION 2 – PALM MANUFACTURERS CO**

Graham J.Group's other division, Palm Manufacturers PLC, is based in Maryland and is a well-established manufacturer of wooden furniture. Palm Co has been in the business for the past three decades and is currently considering whether to enter the wooden floor market.

There has been an increase in demand for wooden floors in Maryland in recent years, mainly due to the expanding trend of eco-friendly homes.

The directors of Palm Co have gathered the following information:

- A timber processing machine must be purchased for flooring purposes. The lowest cost machine is priced at \$30,000 and requires only one operative for its operation. A one-day training course is required so that an unskilled person can then operate such a machine in an efficient and effective manner.
- The government of Maryland has several penalties in place, to restrict the cutting of timber.
- At present, four major manufacturers of wooden floors have an aggregate market share of 80%. The current market leader has a 26% market share. The market shares of the other three major manufacturers, one of which is Rabina Co, are equal in size. The product ranges offered by the four major manufacturers are similar in terms of size and quality. The market has grown by 2% per annum during recent years.
- A recent report on the activities of a foreign-based multinational company revealed that consideration was being given to expanding operations in their wooden flooring division overseas. The division possesses large-scale automated machinery to manufacture wooden floors of any size.

### **QUESTION 3**

**Required:**

- a) Using Porter's five forces model, assess the attractiveness of the option to enter the market for wooden flooring as a performance improvement strategy for Palm Co.**  
(15 marks)

Rabina Co was the market leader with a share of 30% three years ago. The managing director of Rabina Co, during a recent event had stated that: 'our loss of market share during the last three years might lead to the end of Rabina Co as an organisation and therefore we must address this issue immediately'.

**Required:**

- b) Discuss the statement of the managing director of Rabina Co and discuss six performance indicators, other than decreasing market share, which might indicate that Rabina Co might fail as a corporate entity. (10 marks)**

**(25 marks)**

### **DIVISION 3 - PRISTINE HOTELS PLC**

Pristine Hotels PLC currently operates hotels in most of the developed countries throughout the world. The directors of Pristine are committed to a policy of achieving 'growth' in terms of geographical coverage and are now considering building and operating another hotel in Bayland.

The managing director of Pristine has convened a board meeting next week, and you, a consultant to Pristine Hotels PLC, have been invited to make a presentation regarding the strategic and economic factors which should be considered before a decision is made to build the hotel in Bayland.

#### **QUESTION 4**

**Required:**

- a) Discuss the strategic and economic factors which should be considered before a decision is made to build the hotel. (15 marks)**

Pristine Hotels PLC has always used local labour to build and subsequently operate hotels. The directors of Pristine Hotels PLC are again considering employing a local workforce not only to build the hotel but also to operate it daily.

**Required:**

- b) Explain TWO ways in which the possibility of cultural differences might impact on the performance of a local workforce in building and operating a hotel in Bayland. (10 marks)**

**(25 marks)**

**End of Question Paper**