



**LEADERSHIP AND MANAGEMENT/FINANCIAL
MANAGEMENT, SYSTEMS AND TECHNIQUES**

AAT Fast-Track examination

12 December 2007

MARKING SCHEME



Question 1**(a) Driver for Change**

In the public services, there are key pressures from the external environment which have a major impact. These include:

- The *efficiency* imperative, which requires that public services organisations spend taxpayers' money as efficiently as possible.
- The *economy* imperative, which requires that costs are kept to a minimum.
- The *environmental* imperative, which requires that public policy, increasingly, take account of the impact on the environment, on the quality of life and so on.
- The *effectiveness* imperative, which requires that the impact of public policies must be positive.
- The *evaluation* imperative, which requires that those charged with the delivery of public services should be held accountable for performance.
- The *ethics* imperative, which reflects a concern with standards of conduct in public life.
- The *market* imperative, which characterises citizens as customers and requires that public services organisations respond to them.

All of these imperatives result from changes in political, social and economic ideas that are expressed through legislation.

Up 1 ½ per driver identified and explained, up to an overall maximum of (10)

(b) Reactive not proactive

Local government has in the past been reactive to change and has rarely been proactive and voluntarily innovative. The reasons given include:

- Uncertainty.
- Legislation which has caused unforeseen difficulties and unintended consequences.
- Local government review and white collar compulsory competitive tendering (CCT) have invariably been distractions.
- Inherent organisational inertia.
- Social change among the communities themselves.
- A weakening of the capacity of local government to cope with change as a result of the transfer of services away from local authorities; examples of services which have been transferred include further education and the removal of LA representatives from health authorities etc.
- Tensions caused by having to balance the requirements of key stakeholders.

Up 1 ½ per driver identified and explained, up to an overall maximum of (10)

(c) Implementing change

In implementing change, a change agent may be necessary to act as a catalyst. Apart from identifying supporters and opponents as described above, the change agent will need to 'sell' the change to key stakeholders, particularly politicians. The change agent will need to be open and responsive to the needs and concerns of others, be comfortable with ambiguity, be able to clarify complex problems, possess good communication skills, have the freedom to act quickly and possess the ability to be detached from the detail.

Even where there is a change agent, implementation may still not be straightforward. Drawing on the works of Alexander (1985), Hogwood and Gunn (1984) and Baier, March and Saetren (1986), we can identify a number of factors which will have an impact on the successful implementation of change:

- 1 *Time and sufficient resources* – implementation invariably takes more time than was originally allocated.
- 2 *Unidentified problems* – which surface during implementation and which had not been identified in advance.
- 3 *Co-ordination* – the implementation process may not be sufficiently creative or imaginative.
- 4 *Distractions* – competing activities and crises may distract attention from implementing the change.
- 5 *Lack of skills* – those charged with implementation may not have the necessary skills.
- 6 *Training* – the training and instruction given to handle the change may be insufficient.
- 7 *Turbulent environment* – uncontrollable factors in the environment will have an adverse impact.
- 8 *Lack of leadership* – there may be a lack of direction from senior managers.
- 9 *Lack of detail* – key implementation tasks may not have been clarified.
- 10 *Evaluation* – the information systems used to monitor progress may be inadequate.
- 11 *Lack of clear objectives.*
- 12 *Lack of communication.*
- 13 *Tasks not specified in correct sequence.*

Baier *et al.* (1986) identify two implementation problems. The first, which might be a technical problem, results from bureaucratic incompetence. The second set of problems are associated with conflicts of interests between policy makers and implementers; such problems arise from deficiencies in organisational control.

(Extract from Rose & Lawton (1999) Public Services Management (OLM Page 476)

Up 1 ½ per driver identified and explained, up to an overall maximum of (20)

(40)

Question 2**(a) Consequences of a poorly designed structure**

Urwick (in Mullins, see page 245) suggests that lack of design is:

- Illogical. No one would start engineering production without a design; how can an organisation function effectively unless it has been designed carefully?
- Cruel. It is unfair to ask people to work in the organisation unless you have told them what they have to do.
- Wasteful. If jobs are not defined carefully, it will be difficult to identify what skills are needed when appointing new staff.
- Inefficient. If the organisation is not based on a structure, managers base the allocation of work on personalities.

Child (in Mullins, see page 246) suggests a number of possible consequences of poor structures:

- Low motivation and morale.
- Late and inappropriate decisions.
- Conflict and lack of co-ordination.
- Poor response to new opportunities and external change.
- Rising costs.

You will find a fuller description of both Urwick and Child's comments in Mullins (page 245 and page 246). Some examples of poor structure include:

- Unclear definitions of what work is to be carried out by each role (What do I do?)
- Unclear reporting (Who is my line manager?)
- Unclear authority (Who can tell me what to do?).

It seems likely that all three of those examples would lead to Child's first consequence – low motivation and morale. (It's difficult to be motivated if you don't know what to do, or who to tell, and no one else will tell you what to do.)

(OLM Page 216)

Up to 1 mark for each valid point, up to an overall maximum of (10)

(b) The key stages in planning a new structure

1. Identify the tasks that have to be carried out in the organisation.
2. Group them in such a way that they can be assigned to teams or individuals.
3. Clarify and show the relationships between these teams and individuals.

A summary (based on Knight: in Mullins, see page 223) of the **objectives of a structure** states that they should provide for:

- Economic and effective performance.
- Monitoring activities.
- Accountability for the activities of groups and individuals.
- Co-ordination of different parts of the organisation and different areas of work.
- Flexibility to respond and adapt to future demands and developments.
- The social satisfaction of individuals in the organisation.

Child (in Mullins, page 224) identifies three **key elements in a good structure**:

- Allocation of responsibilities.
- Grouping of functions.
- Provision for decision making, co-ordination, control and reward.

(OLM Page 218)

Up to 1 mark for each valid point, up to an overall maximum of (12)

(c) Flat Structures

The need for improved efficiency and competitiveness, the demand for more participative styles of management and greater involvement of staff, and developments in information technology have all contributed to a general movement towards 'downsizing' or flatter organisation structures. This has drawn attention to the consideration of span of control and scalar chain. Claims for flatter structures include savings on managerial costs, improved communications and a reduction in the length of the scalar chain with fewer levels between the top and the base of the hierarchical pyramid. The movement towards flatter structures also raises the question of the extent to which downsizing should go at the centre and the importance of aligning head office structure to corporate strategy. Downsizing can result in increased decentralisation with more functions performed closer to the action.

Flatter structures are likely to be achieved by reducing the number of layers of middle managers and supervisors. Remaining managers are forced to assume responsibility for a much greater span of control. There are signs of recent movements away from downsizing and despite the advantages claimed for a flatter structure; it may also give rise to a number of particular difficulties. For example, it might:

- Inhibit the flow of effective communications between top management and the workforce.
- Reduce the opportunities for promotion, achievement or enhanced status.
- Limit opportunities for the training and development of future managers.

The process of delayering can also have contrary outcomes. According to *Gretton*, for example, it can lead to a climate of low morale, distrust of management and sometimes deterioration in productivity. Managers face an increased workload and responsibilities, and many managers may also move among organisations on a short-term contract with little loyalty to their employers.

From an examination of changing management structures in local government and the NHS, The Audit Commission claims that managerial delayering has in some instances led to reduced commitment and motivational levels at the same time as managers are facing increased workloads. Taken together the net result can create an environment where fraud can occur more easily.

Line and Staff Organisations

Line organisation relates to those functions concerned with specific responsibility for achieving the objectives of the organisation and to those people in the direct chain of command. **Staff organisation** relates to the provision of specialist and support functions for the line organisation and creates an advisory relationship. This is in keeping with the idea of task and element functions.

Again, confusion can arise from conflicting definitions of terminology. In the line and staff form of organisation, the individual authority relationship defined previously as 'functional' now becomes part of the actual structure under the heading of staff relationships.

Difficulties

The concept of line and staff relations presents a number of difficulties. With the increasing complexity of organisations and the rise of specialist services it becomes harder to distinguish clearly between what is directly essential to the operation of the organisation, and what might be regarded only as an auxiliary function. The distinction between a line manager and a staff manager is not absolute. There may be a fine division between offering professional advice and the giving of instructions. Friction inevitably seems to occur between line and staff. Neither understand nor appreciate the purpose and role of the other. Staff managers are often criticised for unnecessary interference in the work of the line manager and for being out of touch with practical realities. Line managers may feel that the staff managers have an easier and less demanding job because they have no direct responsibility for producing a product or providing a service for the customer, and are free from day-to-day operational problems. Staff managers may feel that their own difficulties and work problems are not appreciated fully by the line manager. Staff managers often complain about resistance to their attempts to provide assistance and co-ordination, and the unnecessary demands for departmental independence by line managers. A major source of difficulty is to persuade line managers to accept, and act upon, the advice and recommendations which are offered. The line and staff relationship can also give rise to problems of 'role incongruence'.

The matrix organisation

The matrix organisation is a combination of:

- 1 Functional departments which provide a stable base for specialised activities and a permanent location for members of staff.
- 2 Units that integrate various activities of different functional departments on a project team, product, programme, geographical or systems basis. As an example, ICI is organised on matrix lines, by territory, function and business.

A **matrix structure** might be adopted in a university or college, for example, with grouping both by common subject specialism, and by association with particular courses or programmes of study. The matrix organisation therefore establishes a grid, or matrix, with a two-way flow of authority and responsibility. Within the functional departments authority and responsibility flow vertically down the line, but the authority and responsibility of the project manager flow horizontally across the organisation structure.

A matrix design might be adopted in the following circumstances:

- 1 **More than one critical orientation to the operations of the organisation.** For example, an insurance company has to respond simultaneously to both functional differentiation (such as life, fire, marine, motor) and to different geographical areas.
- 2 **A need to process simultaneously large amounts of information.** For example, a local authority social services department seeking help for an individual will need to know where to go for help from outside agencies (such as police, priest, community relations officer) and at the same time whom to contact from internal resources within the organisation (such as the appropriate social worker, health visitor or housing officer).
- 3 **The need for sharing of resources.** This could only be justified on a total organisational basis such as the occasional or part-time use by individual departments of specialist staff or services.
Developing an effective matrix organisation, however, takes time, and a willingness to learn new roles and behaviour; this means that matrix structures are often difficult for management to implement effectively.

Difficulties

Matrix organisation offers the advantages of flexibility; greater security and control of project information; and opportunities for staff development. There are, however, a number of potential difficulties and problem areas.

- There may be a limited number of staff reporting directly to the project manager with extra staff assigned as required by departmental managers. This may result in a feeling of ambiguity. Staff may be reluctant to accept constant change and prefer the organisational stability from membership of their own functional grouping.
- Matrix organisation can result in a more complex structure. By using two methods of grouping it sacrifices the unity of command and can cause problems of co-ordination.
- There may be a problem of defining the extent of the project manager's authority over staff from other departments and of gaining the support of other functional managers.
- Functional groups may tend to neglect their normal duties and responsibilities.

According to *Bartlett and Ghoshal*, matrix structures have proved all but unmanageable. Dual reporting leads to conflict and confusion; the proliferation of channels of communication creates informational log-jams; and overlapping responsibilities result in a loss of accountability.

(Extracts from Mullins (2002) Management and Organisational Behaviour, 6th Edition (OLM Pages 239-245))

Up to 6 marks per structure explained, broadly split between description, application and difficulties, up to an overall maximum of (18)

(40)

Question 3

This question relates to learning objective E2 and is covered in Study Session 12 of the learning materials.

The response should be in the form of a draft report to your manager for use at the Trustee Board meeting.

1 mark for relevant format and style to be taken from allocation for section (a)

(a) Define the terms procurement and procurement strategy

Procurement is the process of acquiring goods, works and services from third parties. 1

A procurement strategy is a document that sets out an organisation's approach to procurement activities. It aims to ensure that procurement takes place in line with organisational strategy and should reinforce an organisation's policy of achieving best value. 2

(4)

(b) Outline and explain the contents of a procurement strategy

A procurement strategy would consist of:

- The organisation's strategic aims and objectives. This is to ensure that the procurement strategy fits in and is consistent with the overall aims and objectives and that procurement decisions complement them.
- A description of how procurement within the organisation is organised. The aim of this would be to identify existing areas of good practice and areas where improvements can be made. This analysis would also consider how much is being spent, how it is spent and who spends it.
- Procurement policies and procedures. It is important to set out policies and all relevant procedures. This should link to existing financial standing orders where they exist.
- Arrangements for ensuring continuous improvement. This sets out how strategy is to be reviewed and how policies and procedures will be updated and improved.
- Action plan for improvements. This will identify what needs to be done, who should be responsible and should establish priorities and a timescale. This will be the plan for implementing the organisation's procurement policies and procedures.

Up to 2 marks may be awarded for each point where a good explanation is provided, subject to an overall maximum of (6)

(c) Identify and explain the main benefits to an organisation of having a procurement strategy

The main benefits are:

- The potential for cost savings through the identification and use of common procurement activities and procedures with the possibility of economies of scale.
- The strategy allows for standardisation of procedures and systems throughout the organisation.
- It combines all relevant guidance and policies into one source document which improves accessibility.
- It encourages and allows the organisation to make the best use of its resources in relation to procurement.
- It helps in the identification of potential risks in the procurement process.
- Improves the systems of internal control within the organisation and reduces the possibility of loss through fraud and error.

1 mark per relevant point up to a maximum of (6)

(d) Discuss the appropriateness of Rottings developing a procurement strategy

This section requires some thought on whether it would be appropriate for Rottings to have a procurement strategy. Factors that would be relevant to this are:

- The size of the organisation. Would it be cost effective to produce a procurement strategy, given that the organisation is still possibly relatively small and also that it is focused on quite a narrow range of activities.
- The volume of procurement work which is carried out throughout the organisation.
- Who is responsible for procurement at the moment and whether the work is centralised or distributed through the organisation.
- The need for all organisations, large or small, to have efficient and effective systems for procurement.
- The importance of instilling a culture of continuous development and improvement into an organisation.

1 mark per relevant point up to a maximum of (4)

Points must relate to the circumstances of the question

Other points may be valid and should be awarded marks accordingly

(This also applies to sections b and c above)

(20)