

# LEADERSHIP AND MANAGEMENT

## Diploma stage examination

**11 December 2007**

From 10.00am to 1.00pm  
plus ten minutes reading time from 9.50am to 10.00am

### ***Instructions to candidates***

*There are **four** questions on this question paper*

*Answer **three** questions in total*

***One compulsory question from Section A***

***Two of the three questions from Section B***

*The question in Section A carries, in total, **40** marks*

*The questions in Section B each carry a total of **30** marks*

*Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication.*

## SECTION A (Compulsory)

1

Kim Halliday, was appointed to the post of Assistant Finance Director at Heatherfield City Council on the 1 September 2007. Previously, Kim had been a Principal Accountant at Westland County Council.

During the interview process for the current post, Kim was informed the main challenges that had to be addressed were:

- the apparent low morale of the finance department
- weaknesses in financial controls, particularly within the payroll system, identified by a recent internal audit report
- poor communication, and at times conflict, between the finance section and other departments.

In the role of Principal Accountant at Westland County Council, Kim had been responsible for staffing issues and had addressed similar problems in the past. However, the difference seemed to be the scale of the problem. At Westland County Council, morale had been low in one section but not the whole department, there had been weaknesses in financial controls but again not throughout an entire system, and finally poor communication had created conflict but this was with two individuals, not seemingly inter-departmental.

To understand the extent of the problem at Heatherfield City Council, Kim had spoken individually to all the section heads, including the Chief Internal Auditor. Secondly, Kim had spoken to the remaining members of the department, mostly on a one-to-one basis but sometimes on a team basis.

The Chief Internal Auditor had commented: 'it's not the fact that the controls do not exist, but that staff seem to short-cut or override the controls – which has led to a number of errors being made. This is probably caused by lack of understanding, lack of training or poor management'. Observations made by members (staff) of the department concerning their section heads were: 'not trusting the staff – evidenced by lack of delegation'; 'automatically rejecting any new ideas (creativity and innovation) from staff – evidenced by discouraging debate and consultation'; and, 'failing to resolve ongoing conflict – evidenced by avoiding/ignoring the communication difficulties being experienced with other departments'. In their defence the section heads complained about the organisation 'not facilitating their learning or development', 'having a poor recruitment process, with a number of new staff not appropriately skilled or having relevant knowledge' and, 'we ourselves are not always clear what our role is, for example, tasks are delegated, such as the implementation of an integrated budgetary control system, by the Senior Management Team, that are vague and have no time frame'.

Having discussed the issues with the Director of Finance it was determined that some of the points raised had implications wider than just within the Finance Department and that Kim should prepare a discussion document for consideration by the Senior Management Team (SMT) of the Council.

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• **Requirement for question 1**

Assume the role of Kim Halliday and prepare a discussion document, with examples where appropriate to support the document, for the Council SMT. The document should address the following issues:

- (a) The importance, process and benefits of delegation throughout the organisation. 9
- (b) Why the Council should be a 'learning organisation' and build an environment that facilitates creativity. 8
- (c) How inter-departmental conflict could be managed. 8
- (d) The processes and procedures the Council could apply to ensure suitable staff are selected at the recruitment stage. 10
- (e) How addressing the above issues could improve the morale of the staff. 5

**(40)**

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**SECTION B (Answer two from three questions)**

2

*Every managerial act rests on assumptions, generalisations, and hypotheses – that is to say, on theory. Our assumptions are frequently implicit, sometimes quite unconscious, often conflicting; nevertheless, they determine our predictions that if we do a, b will occur. Theory and practice are inseparable.* (McGregor (1987) OLM p11)

Historically, public service organisations have mainly adopted a bureaucratic approach, and the principles of the approach can be seen in many public service organisations today.

However, Mullins (2002) (OLM p5) suggests that there may be a 'Scientific Value Approach', which builds on the classical approaches. This is also supported by Kanter (1990) (OLM p5) who suggests, '*organisations should change from a bureaucratic to a post-entrepreneurial approach*'.

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• **Requirement for question 2**

- (a) Outline, with examples from a public service organisation with which you are familiar, the principles and criticisms of a bureaucratic approach. 12
- (b) Compare the general features of the scientific value approach with the post-entrepreneurial approach, providing examples from a public service organisation with which you are familiar, how these principles could be applied. 12
- (c) Briefly outline how having a clear understanding of management theory is beneficial to managers in the public services. 6

**(30)**

# 3

*Barry is struggling with his conscience. He is a senior accountant responsible for providing management information to several major budget holders in his organisation. He has developed a very good working relationship with this group of senior managers over the years and has a good understanding of their departments and the issues they face.*

*One of these budget holders, Colin, has raised a problem about a capital project that is overrunning its approved budget. He has asked Barry to turn a blind eye to future costs, which he is going to charge to other codes, concealing the adverse variance. How should Barry handle this situation?*

*Considering this case from the outside, it is easy to take the moral high ground. Barry must obviously 'do the right thing' and refuse to condone Colin's proposal. But on the ground it is not as easy as that for Barry. He has spent many years building up an effective partnership with Colin, and respects his abilities and judgement. If he reports him, and Colin is reprimanded, it will sour the relationship.*

*So Barry is under pressure, both because of Colin's seniority, and because the two managers like and respect each other. Under pressure, it is human nature to be tempted to take the easy option.*

*The situation described above is simplistic, but is not unlike the dilemmas that many of us have faced or will have to face in our careers as accountants. Questions of ethics have become more prominent in the past few years — they are closely entwined with the need for better governance structures — and it is not difficult to call to mind a number of headline cases where ethics and governance have failed, including WorldCom, Enron and Parmalat.*

*The International Federation of Accountants has risen to the challenge and developed a Code of Ethics that applies to all professional accountants, wherever they are in the world, and whichever kind of business they are in. CIPFA has formally adopted the code, in common with the other members of the Consultative Committee of Accountancy Bodies and accountancy bodies around the world. It is now the CIPFA Standard of Professional Practice on Ethics (the 'Sopp'), replacing the December 2000 Sopp.*

*30-06-2006 Public Finance Comment (Tom Lewis)*

The above article highlights dilemmas for managers within the public services. Many of these dilemmas concern possible conflicts when the professional's code of conduct conflicts with the requirement of the organisation.

To help managers make decisions a number of ethical theories or ethical approaches have been suggested, along with the seven principles of public life (identified by Lord Nolan (1995) OLM p211 – 212).

*'Ethical management in the public services is firmly on the agenda', (Rose and Lawton (1999) OLM p217)*

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- **Requirement for question 3**

- (a) Outline why 'ethical management' is 'firmly on the agenda', and provide an example of an ethical issue that would be a cause for concern within the public services. 6
- (b) Provide a brief outline of the ethical theories (deontological and teleological) and ethical approaches (virtues, justice and rights-based), and for each theory or approach give an example of its application in the public services. 15
- (c) One of the principles of public life is 'accountability'. Outline ways in which a CIPFA member is accountable, and give three examples of the difficulties faced by CIPFA members when demonstrating accountability. 9

**(30)**

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# 4

*The pressure is on for local authorities to improve – but they don't need prodding from the top. They know their own strengths and weaknesses and what they need to do, a survey shows. Paul Jackson explains*

*If there's one thing that councils can agree on these days, it's that there are too many central initiatives and targets. But left to their own devices, is there a consistent view on the issues involved in local authority improvement? According to research by CIPFA Networks, the answer is 'yes'.*

*Asked to rank up to 'five key drivers' for improvement, the 126 respondents to CIPFA Networks' Performance Improvement Survey demonstrated a clear focus on their 'local' agenda over and above external strategies and programmes.*

*Four topics dominated here:*

- *Managing organisational and cultural change (mentioned by 89% of respondents)*
- *Creating a clear vision and strategy for improvement (75%)*
- *Creating customer focus (70%)*
- *Creating a performance culture (65%)*

*The issues here cut across various dimensions of performance improvement – from leadership issues at the top of the organisation (to set the vision for change and mind-sets required) to skills and experience at the project/operational level.*

*Extract from Public Finance 05-01-2007 (Paul Jackson)*

Central to any performance improvement, as indicated in the above survey, is leadership, skills and experience.

However, there is no consensus on a suitable leadership approach or style, and even in some cases confusion over the difference between effective management and leadership. Added to this is how does an organisation distinguish between effective managers and potential leaders?

Until an organisation can determine a suitable approach or style of leadership, be clear about the difference between effective managers and leaders and understand the issues they should consider when appointing leaders, performance improvement is likely to be limited.

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- **Requirement for question 4**

(a) Outline the common approaches and styles of leadership. 15

(b) Outline the key factors that identify effective managers, and contrast these factors with the key factors **you** would expect people who emerge as leaders to have. 8

(c) *'Remember that you can be appointed a manager but you are not a leader until your appointment is ratified in the hearts and minds of those who work for you.'* (Adair 1986) (Reproduced in OLM p166).

Outline what this means, and suggest the factors that would have to be considered by the organisation to ensure an 'appointment is ratified in the hearts and minds of' the staff. 7

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