

LEADERSHIP AND MANAGEMENT

Diploma stage examination

4 June 2008

From 2.00pm to 5.00pm
plus ten minutes reading time from 1.50pm to 2.00pm

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

**Extract from Public Finance Comment – Getting fit for finance, by Alan Edwards
05-10-2007**

The classic model of the health service finance function is out of date. Departments need to evolve beyond the short-term breakeven culture and become more involved in long-term business strategy.

When the media spotlight falls on NHS finance, it is usually associated with a crisis. The headline might be about the latest turnaround or the need to cut costs. At these times, the NHS finance function will be near the eye of the storm. But to weather the storm — or even prevent it — finance must be match-fit for the challenges of the modern NHS.

The classic model of the finance function is one that deals with transactional processing, budgetary control and reporting the numbers. But this model has been passé for more than a decade. The modern finance function, in both the private and public sectors, is one that spends more time focused on decision-making and adding value.

Research carried out for KPMG by the Economist Intelligence Unit across the globe shows that top-performing organisations have top-performing finance functions.

This begins with a clear strategy and objectives and is supported by robust financial processes, the delivery of high-quality and timely information, and the employment of staff who are up for the challenge.

We were interested in understanding how far NHS finance had gone towards 'being the best', and decided to talk to finance directors in a variety of NHS organisations across the country.

We asked them about strategy and goals, processes, information and people. We also looked at how closely they co-operate with the rest of the organisation and what the major barriers to change were.

The good news is that NHS finance departments are ready to change. Finance directors now regard advising other service lines on operational decisions as a priority. And many more are becoming involved in long-term business strategy. This is particularly true in the new foundation trusts.

However, finance directors know there is still a long way to go. Lack of access to good management information, inefficient business processes and poor IT systems are major barriers to change. Others cite the lack of investment in the finance function and difficulties in recruiting and retaining skilled professionals.

More than half say that there should be more co-operation between the finance function and clinical coding, as well as better collaboration with medical staff. Many complain that other departments do not understand the finance function's role.

From our experience, most finance departments still lack a performance culture. NHS finance directors are getting the basics right, but lack a clear strategy and vision for the future.

So what needs to be done? NHS finance functions should evolve beyond the short-term, breakeven culture. The finance directors we surveyed all say that key improvement areas are planning, budgeting and forecasting and greater alignment between finance and activity.

The content of financial reports must also improve, for example by embedding service line reporting into routine performance information, undertaking more peer group comparisons and performing greater sensitivity analysis. Forecasting is a key discipline. This all requires much greater collaboration and communication with the rest of the organisation.

Almost half the finance directors we asked take 11 or more days to close the books and report monthly financial information. We believe this time should be cut in half, if the NHS is to reach the standards of top-performing private sector organisations.

Overall, there is a trend towards a more zero-based approach to budgeting, which is to be welcomed. According to our survey, the proportion of budgets that are mainly or fully zero-based is set to double to over 40% next year.

To be successful, such a change will require improved collaboration with the rest of the organisation.

Part of the challenge is to free time otherwise spent on number-crunching to analyse results, identify trends and provide insights to business colleagues.

One of my personal frustrations is the lack of a thorough narrative that backs up monthly performance reports. As Mark Ogden, the finance director of NHS North West, put it: 'We need to act as trusted companions to all professional disciplines, seeing the strategic context and using finance as an enabler to deliver the best health care and health for patients.'

The challenges facing NHS finance are no more onerous than those facing private sector finance leaders. Perhaps the most striking difference is the confidence that private sector finance leaders exhibit and the willingness of their organisations to invest in the finance function.

I believe finance leaders in the NHS need to set themselves the same challenge — being the best. What other target should a finance professional aspire to?

Alan Edwards is a partner, government advisory, KPMG, and chair of CIPFA's IT panel.

05-10-2007

• **Requirement for question 1**

- (a) In the article it is stated, *'When the media spotlight falls on NHS finance, it is usually associated with a crisis. The headline might be about the latest turnaround or the need to cut costs. At these times, the NHS finance function will be near the eye of the storm. But to weather the storm — or even prevent it — finance must be match-fit for the challenges of the modern NHS'*.

Being 'match-fit for the challenges of the modern NHS' is clearly one of the key drivers (forces) for change. Describe other likely drivers (forces) for change, both internal and external, in a public service organisation finance function. 10

- (b) In the article it is stated, *'Lack of access to good management information, inefficient business processes and poor IT systems are major barriers to change. Others cite the lack of investment in the finance function and difficulties in recruiting and retaining skilled professionals'*.

Identify and describe other likely barriers (resisting forces) to change in a public service organisation finance function. 10

- (c) Assume the role of the deputy finance manager within a NHS finance function. Having read the article, the Finance Director has risen to the challenge and determined the overall aim of the function is *'to be the best.'* It will involve significant change to meet this aim. You, as deputy finance manager, have been asked to identify in a briefing note to the finance director:

- the main factors that have to be considered in order that the magnitude of the change and its likely impact can be assessed;
- the stages of change that are likely to be followed;
- the common reasons change programmes fail.

Prepare a briefing note for the finance director describing the matters as required above. 20

(40)

SECTION B (Answer two from three questions)

2

Individuals seldom work in isolation from others. Groups are a characteristic of all social situations and almost everyone in an organisation will be a member of one or more groups. Work is a group-based activity and if the organisation is to function effectively it requires good teamwork. The working of groups and the influence they exert over their membership is an essential feature of human behaviour and of organisational performance. The manager must use groups in order to achieve a high standard of work and improve organisational effectiveness.

(Mullins (2002) Management and Organisational Behaviour 6th Edition)

• **Requirement for question 2**

(a) Define what constitutes a group, and explain the difference between an informal group and a formal group. 10

(b) *In order to develop the effectiveness of work groups the manager will be concerned with those factors that contribute to group cohesiveness, or that may cause frustration or disruption to the operation of the group. The manager needs to consider, therefore, both the needs of individual members of staff, and the promotion of a high level of group identity and cohesion. There are many factors which affect group cohesiveness and performance, which can be summarised under four broad headings: Membership, Work Environment, Organisational, Group Development and Maturity.*

(Mullins (2002) Management and Organisational Behaviour 6th Edition)

Explain the factors which affect group cohesiveness and performance, and where appropriate, use examples to support your answer. 20

(30)

3

Public Accounts Committee chair Edward Leigh has attacked 'a culture of absenteeism and low staff morale' in the Probation Service.

He was speaking as the National Audit Office published a report on April 26 which revealed that sick leave in the Probation Service was running at an average of 12.3 days a year for each member of staff, directly costing £31.6m.

The NAO says that in 2004/05 the equivalent of 66,420 working days more than the service's target figure were lost, equivalent to some £11m.

The cost of overtime payments to cover for absent colleagues could add a further £2m a year, the report says.

Leigh said: 'Probation officers do a difficult job in sometimes very exacting circumstances. But the enormous variations in sickness levels between different areas shows how much room there is for improvement. The link between sickness absence and job satisfaction is telling.'

05-05-2006

• **Requirement for question 3**

- (a) Identify and explain factors that may affect job satisfaction. 12
- (b) Stress is often cited as one of the causes of sickness absence, particularly in organisations where staff do a difficult job in exacting circumstances. Identify the likely causes of stress in the workplace, and describe the strategies the organisation and individual managers could implement to reduce stress. 18

(30)

4

Management is a generic term and subject to many interpretations. A number of different ideas are attributed to the meaning of management and to the work of a manager. In certain respects everyone could be regarded as a manager to some extent. We all manage our own time and everyone has some choice whether or not to do something, and some control, however slight, over the planning and organisation of their work.

However, we are concerned with management as involving people looking beyond themselves and exercising formal authority over the activities and performance of other people.

At its most basic, management may be viewed as 'making things happen'. Management is active, not theoretical. It is about changing behaviour and making things happen. It is about developing people, working with them, reaching objectives and achieving results. Indeed, all the research into how managers spend their time reveals that they are creatures of the moment, perpetually immersed in the nitty-gritty of making things happen. (Crainer, S. 1989)

The increasing scale of privatisation and the general movement of major organisations away from local authority jurisdiction and towards greater responsibility for managing their own affairs have led to blurring of the traditional distinction between private and public sector management. Divisions between the two sectors are increasingly being broken down. There is, for example, a growing recognition that the duties and responsibilities of local government staff may satisfy the definition of a manager. The changing structure of local government and the creation of larger, all-purpose bodies will further enhance the corporate importance of managers. It is understandable, therefore, why there is a popular debate about the extent of the 'generic' nature of management, and the manner in which organisations in the private and public sectors are structured and managed.

(Mullins (2002) Management and Organisational Behaviour 6th Edition)

• **Requirement for question 4**

- (a) Identify and describe the activities of management that are common to both the public and private sectors. 8
- (b) Although there are common activities of management in the public and private sector and it is generally recognised that there is a 'blurring of the traditional distinction' between public and private sector management, perceived differences still exist. These differences arise from particular features of public sector organisations. Identify and describe these perceived differences, and state whether you consider the differences are perceived or real. 12
- (c) Even though there are differences between public and private sector management, there are still common challenges. Describe the common management challenges that you consider will have the greatest impact on managers during the next 10 years. 10

(30)