STRATEGIC BUSINESS MANAGEMENT

FTPC
June 2005

ASSESSMENT GUIDE

CIPFA

"The examiner recognises that SBM is not an exact science and that there are many valid theoretical and practical approaches to the subject. The assessment guide outlines the types of area each candidate would normally be expected to consider, given the pre-seen material, and open learning material.

Alternative views and approaches may be offered and provided they are logical, rational, valid, and relevant to the context of the question and serve to meet the requirements of the question, appropriate credit will be given.

Throughout this paper students are expected to demonstrate knowledge of strategic management as a subject, the public service environment, and a current working knowledge of relevant key issues.

Question 1 – drawing on OLM SS 1-5, plus the pre-seen material.

Complexity of declaring a Public Service Organisation as failing:

- Problem defining 'existence-threatening' decline
- Declared failing organisations rarely close
  - Schools maybe renamed and re-launched but demand for the service does not disappear.
  - LEA's have management replaced but remain open.
  - NHS bodies may be merged but the functions remain
- Loss of strategic reputation of organisation, sector or service
  - Suppliers
  - Customers/consumers/stakeholders
  - Market
- Cost of failure low to some stakeholders
  - Below management, most staff survive
- Subjective definition of failing
  - What decides on failure? A school may be seen as fine by parents and pupils, but the league tables declare it a failure. Similarly, parents maybe unhappy, but the value added score for a school may declare it a success.
  - Many public individuals have questioned the relative merit in ranking universities, police forces, and HNS trusts based upon bureaucratic measurements to targets rather than real delivery of service – which is often un-measurable.
  - Failure of one service may not mean failure of organisation – problem with diverse organisations (cardiac care seen as poor, but A & E seen as good)
- No established and universal metrics
  - With no profit measure – what indicates failure?
- Often little real competitive pressures
  - Exceptions can include schools, universities, and organisations where supply out-strips demand. However, this is often rare in public services.
- Complex sets of stakeholders with differing and conflicting objectives and priorities
  - Giving a different measure and decision on what is failure (eg financial failure in some organisations is matched by good service provision – is this failure?).
  - Failure to one group can be seen as success to another.
  - Constrained failure doesn't mean organisational failure (if one service in an organisation is classified as poor – should the entire organisation be labelled?)

- Failure seen as political rather than objective
  - o Due to a lack of universal metric
- Causes of failure sometimes outside of organisational control
  - o Inability to meet demand rather than failure to generate it.
  - o Inability to satisfy stakeholders
  - o Uncontrolled workloads
  - o Demand against cost constraints
  - o Legislation
  - o Perception (service not seen as of benefit to wider stakeholders)
- Externally decided and driven
  - o Govt inspectors rather than a marketplace
  - o Can be seen as political

Examples of failure in public services which can be used to substantiate and support the above points include:

- Prison service missing key targets (PF 2.9.04)
- Newham slammed for high cost, poor quality housing support (PF14.10.04)
- Cornish housing trust severely criticised (PF 18.3.04)
- NHS deficits threaten its stability warns NAO (PF 6.5.04)
- Post Office faces widespread local outrage (PF 27.5.04)
- Millennium Dome sold off at a loss (PF 2.6.05)
- Inverclyde Council failure, suffered from lack of consistent & effective leadership according to Audit Commission (PF 2.6.05) Performance unacceptable (PF 9.6.05)
- Middlesbrough Academy placed in special measures (PF 9.6.05)
- Scotland's 24-hour telephone advice service head resigns before critical report published (2.6.05)
- South London Family Housing Association given a zero star and put on alert for intervention (PF 2.6.05)
- Argyll and Clyde Health Board to be scrapped (PF 2.6.05)
- London has 55 failing schools (2.3%) and Yorkshire and Humber have 46 (2%), (PF 2.6.05)
- North East Lincolnshire Council accounts qualified by district auditor for second year running (PF 19.5.05)
- Benefits go un[aid as DWP fails to deal with IT problems (PF 12.5.05)
- Time to scrap the Home Office (PF 12.5.05)
- Northwick Park Hospital maternity services significant failings (PF 5.5.05)
- Government failure in education (PF 5.5.05)
- Employers' Organisation to be scrapped by LGA (PF 9.6.05)
- Significant failings at Haslar immigration removal centre (PF 9.6.05)

Processes to guard against failure:

- Concept of punctuated equilibrium – applied through a need to avoid flux through matching service to environmental wants and needs.
- Need to match competences and delivery to changing environmental factors
  - o Succession planning
  - o Needs analysis (resource auditing)
- Clear and flexible strategic management process
  - o Contingency planning
  - o Disaster planning
- Including internal and environmental analysis
- Becoming a learning organisation
  - o Creativity
  - o Innovation
- Internal:
  - o Organisational analysis – understanding competences
    - Systems based analysis
  - o Ethics, competences, stakeholders
    - Staff appraisal process
    - Cultural analysis
    - Staff surveys
- External:
  - o Scenario analysis
  - o PESTLE analysis
  - o Market analysis (information gathering, consultation)
- Synthesised using SWOT

Marking Guide

25-30	Clear and structured throughout. Explanation of complexity drawn from pre-seen material, textbooks, and other sources. Discussion of value of theoretical models of strategic management to avert failure. At least five examples of failure in public services, showing clear understanding and appreciation of complexity.
20-25	Explanation of complexity drawn from pre-seen material, textbooks, and other sources. Coverage of theoretical models to avert failure. At least three examples of failure in public services, showing clear understanding of complexity.
15-20	Description of complexity drawn from pre-seen material, and textbooks. Some coverage of theoretical models to avert failure. Some examples of failure in public services, showing understanding of complexity.
10-15	Lift of complexity from pre-seen material, and textbooks. Some coverage of theoretical models. Some examples of failure in public services but again lifted purely from pre-seen material. Examples of failure through own or similar organisation
0-10	Lift of complexity from pre-seen material. Little on theoretical models. Some examples of failure in public services listed but little evidence of research. Unstructured and disorganised

Question 2 (OLM Study Sessions 5,6,7,8,9,10 and pre-seen material)

Problems in choosing and implementing turnaround strategies:

- Requirement to meet need continues.
- Strategic freedom curtailed through legislation
- Several options politically or professionally unacceptable
- Externally driven reason for failure will remain
- Stopping a service is rarely an option
- Lack of sources of finance (the inability(restriction) to borrow)
- The time-lag in resolving issues through an option – including the time it takes to design and implement an IT solution
- What is meant by turnaround?
- The requirement for consensus in the wide stakeholder groups
- Need to consult professions widely
- A disbelief in the initial failure
- Lack of trust in management
- Cultural resistance to change
- Strength of some stakeholder groups to resist or drive choice and change
- Lack of leadership skills
- Lack of commercial skills (PF 12.11.04)
- Lack of core competences

Overcoming difficulties
- Replacement - New and decisive leaders and management teams
  - CSA - Johnson as DWP secretary PF2.12.04)
  - Knowsley Education Team (PF 14.5.04)
  - Tony Allen (from ODPM) working with Hull City Council (PF 22.4.04)
  - Klonowski brought in to rescue another Council (PF 30.1.04)
  - Adonis bought in as schools minister to resolve failing schools (PF 19.5.05)
  - Reid sends in team to overhaul maternity unit (PF 5.5.05)
- Restructuring the accountability of the service
  - Moving services out of public control
    - Post Office
    - Railways
    - Academy Schools (away from LEAs)
  - Use of other sectors to provide service
    - New LGA arms length organisation set to replace Employers' organisation (PF 9.6.05)
    - School cleaning – Belbclean (PF 28.4.05)
    - BUPA (to reduce waiting lists)
    - Housing associations
    - Old people's homes
  - Merge or re-structure failing services away
    - Merge schools / universities
    - Merge CSA and IRR
    - Argll and Clyde Health Board responsibilities assumed by the Greater Glasgow and Highland boards (PF 2.6.06)

- Out-sourcing
  - o   Unfreeze current culture
- Utilising technology (London's bus service transformed – PF 28.4.05)
- Education and training
- Creativity and innovation (learning organisation)
- Shift the paradigm
- Alliances and joint developments
- Partnerships and consultation (with stakeholders)
- Clear objectives (milestones and short term targets)
- Ownership of process by staff (involvement and consultation)
- Restructure finance (debt)

Learning from the experience of recovery, ODPM, 2004
A Force for Change, Central Govt intervention in failing Local Govt, Audit Commission 2002

Marking Guide

25-30	Clear and structured throughout. Explanation of problems drawn from pre-seen material, textbooks, and other sources. Options for overcoming difficulties discussed Good use of examples of both problems and turnaround strategies, clearly referenced to PF
20-25	Explanation of problems drawn from pre-seen material, textbooks, and other sources. Options for overcoming difficulties discussed Examples of both problems and turnaround strategies
15-20	Description of problems drawn from pre-seen material, and textbooks Some options for overcoming problems identified Examples of problems and turnaround strategies
10-15	Lift of problems from pre-seen material, and textbooks. Some options for overcoming problems identified. No reasonable and referenced examples
0-10	Lift of problems from pre-seen material. Little mention of overcoming problems Unstructured and disorganised essay.

Question 3 (OLM Study Session 2)

(a)   Why Government Restricts Strategic Freedom

Justification
- Legislation must be provided for most services (otherwise they may not happen)
- Tight financial control (limited resources)
- Standardisation (limit postcode lottery)
- Policy (number of students into HE) – (giving schools strategic freedom from LEAs will lose strategic placement planning – PF 26.5.05), (Scots councils must pass anti-bully cash to schools –PF 5.5.05)
- Protection (of the public – free care at the point of delivery)
- Performance management (to ensure VFM)

Impact
- Feeling of no freedom (to innovate) – (Almos' need more financial freedom – PF 5.5.05)
- Focus on process (not service)
- Focus on results (not value added)
- Sudden changes in political priorities (targets) – (Government has promised that Whitehall will be less interfering – PF 26.5.05)
- Fragmented service (conflicting objectives) – Foundation status undermines productive cooperation between schools and Las (PF 26.5.05)
- Strategy development seen as little importance (imposed strategy)

Marks split evenly between justification and impact
(12 marks part (b))

(b)   The answers given below are generic, not organisation specific, and therefore are only an indication of the issues that could be raised. However, candidates would be expected to consider both the positive and negative impact of complete strategic freedom on their chosen organisation.

Impact

Negative
- Lack of overall focus for public services (some services not provided)
- Postcode lottery (depending where you live, service given low priority) – discussed in leader (PF 2.6.05)
- Increase in spending (lack of financial controls)
- Lack of coordination (between service providers, LSP's)
- Difficult to measure performance (no basis for comparison)

Positive
- Focus on local needs (crime, health) – Welsh Assembly to get increased legislative clout in Queen's speech (PF 26.5.05)
- Increased creativity and innovation (new ideas, strategic choice) – Town Halls need more financial freedom (PF 28.4.05)
- Local accountability (for actions)
- Improve democracy (greater electorate involvement) – Councils need public support for more powers warns LGA (PF 28.4.05)

- Less emphasis on targets (focus on the service)

(8 marks part (b))

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Good use of examples where required. Balanced answer, all points in suggested solution covered Overall demonstrated good understanding of the issues
10-15	Explanation of the key issues drawn from textbooks, and other sources. Use of examples where required. Balanced answer most points in suggested solution covered. Good understanding of issues
5-10	Limited explanation of the key issues Limited use of examples Balanced answer but limited points raised. Limited understanding of issues
0-5	List of issues – no explanation Weak/poor/incorrect examples Unbalanced answer weak/poor/incorrect points raised. Little or no understanding of issues

Question 4 (OLM Study Session 8)

Types of Joint Developments and Strategic Alliances

Loose
- Networks
- Opportunistic

Contractual
- Licensing
- Franchising
- Subcontracting

Ownership
- Consortia
- Joint ventures

Motives for Joint Developments and Strategic Alliances

- To exploit current resources and competences
- To explore new possibilities
- Need for critical mass (to reduce costs and improve customer offering)
- Co-specialisation (concentrate on activities that best match resources and competences)
- Learning (from partners that could be exploited elsewhere)

Examples include:
- NHS Trusts across South London are to work together to keep costs down (PF 2.6.05)

How the Government and the Voluntary Sector could work together

As the article states, 'there was no 'magic bullet' for getting the two sectors to work together'. Therefore, there is no 'right' answer. Nevertheless, good answers will consider the options and seek a solution appropriate to the situation.

- 'Loose' types of working (networks) are based on collaboration without formal relationships. They are based on trust and mutual advantage. The problem with this loose arrangement there is no mechanism for inspection and evaluation, which are critical where funding is provided by one sector and delivery is provided by another.
- Contractual arrangements are probably too rigid. They are often used when one organisation uses another to meet its objectives. For example, local authorities subcontract waste collection. It does provide a mechanism for inspection and evaluation, but it does not involve ownership.
- Consortia involve two or more organisations focused on a particular venture. Relationships are based on sharing costs, assets and benefits. Whilst this has mutual benefits for both parties it may not be appropriate for all of the voluntary sector (too many organisations involved) See – Authorities doing it for themselves – 'councils are teeming up to make major economies of scale – PF 5.5.05)

- Joint ventures are arrangements where organisations remain independent but set up newly created bodies jointly owned (managed) by the parents. This type of arrangement is often used for collaborative ventures. In this instance it could be argued that the local strategic partnership is the created body, government and the voluntary sector organisations remain independent.

Working together is not always straightforward and often requires organisations to combine one or more of the relationships above. Successful alliances are based on:

- Trust
- Senior management support
- Clear objectives
- Freedom to evolve
- Meeting expectations

The above points have to be understood and agreed by all parties for a successful joint development or strategic alliance.

Marking guide

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Answers based on the article Balanced answer, all points in suggested solution covered. Overall demonstrated good understanding of the issues
10-15	Explanation of the key issues drawn from textbooks, and other sources. Answers based on the article Balanced answer most points in suggested solution covered. Good understanding of issues
5-10	Limited explanation of the key issues Limited use of article Balanced answer but limited points raised Limited understanding of issues
0-5	List of issues – no explanation No reference to article Unbalanced answer weak/poor/incorrect points raised. Little or no understanding of issues

Question 5 (OLM Study Session 5)

(a)   Defining an Organisation's Culture

The culture of an organisation consists:

- Values
- Beliefs
- Taken-for-granted assumptions

These are often described in terms of:

- The way people in the organisation behave
- How the organisation is run
- What really matters to the organisation

Maximum of 2 marks for definition)

Types and Characteristics of Organisational Culture

There are three ways of characterising culture.

1.   The graphic descriptor
     The cultural web – which is used to identify the dominant culture of strategic
     groups. It describes the essence of organisational culture and is based on:
     - Paradigm
     - Stories
     - Symbols
     - Routines and rituals
     - Power
     - Organisational structures
     - Controls

     (See Study Session 5 p290-296 for full explanation)

2.   Miles and Snow
     This is based on identifying the type of culture, dominant objectives,
     preferred strategies and the planning and control systems.

     - Defender
     - Prospector
     - Analyser

     (See Study Session 5 p296-297 for full explanation)

3. Handy
    This is based on the relationship between the organisation and the individual, and identifies the type of culture, how the strategy is driven, modus operandi and what it is suited to deliver.

    - Role
    - Task
    - Power
    - Personal

    (See Study Session 5 p297-298 for full explanation)

Note: The question asks for Types and Characteristics of organisational culture not merely a description of the essence of organisational culture. Candidates only considering the cultural web are not fully answering the question and therefore wilt be awarded a maximum of 3 marks. Candidates who use only Miles and Snow, or only use Handy will be awarded maximum marks only if a full explanation of all elements is given.

(Maximum of 7 marks for Part A)

(b)   'Blame culture'

A 'blame culture' is where individuals or groups do not take responsibility for their actions. There are often good reasons why an outcome is not achieved or a process fails, however, this tends to be communicated in a negative way. Examples could be 'you didn't do that very well', or 'that could have been done better', (accusation and threat). Additionally, blaming someone else for an outcome is often used to camouflage poor performance (and planning) by an individual, group or organisation.

(Maximum of 3 marks for explanation of 'what is a blame culture')

What underpins a 'blame culture' in an organisation?

Essentially it is the paradigm. The paradigm encapsulates and reinforces behaviour in an organisation. If people believe there is a 'blame culture' it may start to happen even it was not there in the first place. However, the paradigm is a reflection of the other elements that make-up an organisation's culture.

For example, if the way things are done (routines), which may be historically based philosophy and values) often drive the way individuals behave towards each other, both internally and externally. This can be created by frustration in not being able to do something or respond to changes in the environment if the existing routines (or policies and procedures) are inflexible.

Additionally, measurement (control systems) focus performance (individually, group and organisation) on activities. This can create a 'cover your back', approach, whereby reasons for failure or not achieving targets become part of daily life. Often circumstances beyond the control of the individual, group or organisation occur, but are not reflected in outcome measures.

Underpinning elements

- Bureaucratic Structure
    - Over-emphasis on rules and procedures
    - Impersonal relationships
    - Stifles creativity and innovation
    - Risk avoidance
- Change
    - Uncertainty avoidance
    - Resistance
    - Fear
- Learning
    - Does not learn from mistakes
    - Lack of core competences (managers)
    - Not understanding problems (focus on solutions)
- Behaviour
    - Personality
    - Fear
    - Uncertainty
- Targets, measures, objectives that are unrealistic or unclear (imposed)
- Perception
    - Unfairness
- Unclear reporting (accountability) lines
- Lack of ownership or control (of the task or activity)
- Poor of strategic management
    - Cannot see big picture
    - Lack of environmental awareness
    - Conflicting objectives
- Imposed strategies
- Poor (weak) management and leadership
- Ethical stance of individuals, groups and organisation
- Poor communication
- Low morale and motivation
- Lack of resources
    - outdated technology
    - under staffing

Reference could also be made to a 'defender' type of culture (Miles and Snow) or 'power' culture (Handy) – both focus on systems and structures, defending current business (activities).

Examples which could be applied to support specific points include:

Health measures must help staff deal with MRSA, not blame them through sanctions such as criminal charges (PF 2.6.05), Health managers could face sack for MRSA outbreaks (PF 26.5.05)
NHS staff could be sacked, face criminal charges, or fined if they access patients electronic records when unauthorised (PF 2.6.05)
The first manslaughter case against a council was thrown out because of need to identify a 'controlling mind'. (PF 2.6.05)
Public Service workers (65%) do not have there potential fulfilled (PF 26.5.05)
The average council worker took 11.7 days sickness absence in 2003/4 (PF 26.5.05)
Trust in public services is at an all time low.....Sir Beecham believes they have forfeited the public's trust by failing to take responsibility. PF 12.5.05)

A third of medical students bullied (PF 12.5.05)

(Maximum 10 marks for discussing 'what underpins a blame culture')

(*Maximum 13 marks for Part B)*

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Application of relevant theory Balanced answer, all points in suggested solution covered. Overall demonstrated good understanding of the issues
10-15	Explanation of the key issues drawn from textbooks, and other sources. Application of relevant theory Balanced answer most points in suggested solution covered. Good understanding of issues
5-10	Limited explanation of the key issues Limited application of relevant theory Balanced answer but limited points raised Limited understanding of issues
0-5	List of issues – no explanation Weak/poor/incorrect application of relevant theory Unbalanced answer weak/poor/incorrect points discussed Little or no understanding of issues