



STRATEGIC BUSINESS MANAGEMENT

Final Test of Professional Competence

12 December 2006

ASSESSMENT GUIDE



“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, 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 a knowledge of strategic management as a subject, the public service environment, and a current working knowledge of relevant key issues.

Question 1

Discuss Kyarimpa and Garcia-Zamor (PMM V26N1) conclusion that ‘ultimately, the responsibility to be “ethical” resides in the individual’, and explore the approaches used by organisations to standardise ethical behaviour. Use examples from across the public services to support your submission.

Individual because:

- Codes of conduct general
- Professional training fuzzy
- Ethics training theoretical
- Removal of some bureaucratic controls
- Personal and organisational may not match – personal usually over-rides
- Reality is about the practical application of moral standards
- Requirement for responsiveness has removed standardised controls
 - Conflicts of interest
 - Discretionary authority
- Ethics is in relation to personal culture

Approaches to standardising

- Bureaucratic controls
- Procedural mechanisms
- Professional standards
- Codes of Conduct:
 - Either set high standards or/
 - Apply minimum acceptable standard
 - Discourage personal responsibility
 - Reduces ethics to legalism
 - Ensuring adherence results in red-tape
- Whistle blowing

Examples could include:

- Councillors pay
- Ministerial codes
- Right to life
- Equality of treatment
- Treatment of whistleblowers
- Standards committees

Specific examples include:

- CIPFA expels former head of finance (PF 19.05.06)
- Labour Hull City Councillor reprimanded (PF 06.01.06)
- The National Wealth Service (PF 06.01.06)

- Police officer suspended over corruption (PF 18.08.06)
- Tougher ethical code imposed on doctors (Guardian 24.10.06)
- Successful foundations are hiding surpluses (PF 01.09.06)
- Jailed whistleblower wins £477k case (BBC 07.05.05)
- Whistleblowers claim rejected (BBC 28.11.02)
- Suspension of head of refugee HA (Guardian 17.02.06)
- Prescott ranch visit breaks ministerial code (Times 21.07.06, PF 14.07.06)
- Moral Maze (PF 30.06.06)
- Ethical red tape is stifling (Guardian 04.08.06)
- 160 councillors sanctioned in 2003/04 (PF 10.08.04)

Marking Guide

25-30	Clear and structured throughout. Detailed explanations. In depth knowledge.
20-25	Explanation of the predominance of the personal, and arguments around the success and methods of organisational control from pre-seen material, textbooks, and other sources. Clear examples of both areas drawn from public services.
15-20	Description of predominance, and description of the success and methods of organisational control drawn from pre-seen material, and textbooks. Some use of examples from across public services.
10-15	Lift of predominance, and arguments descriptions from pre-seen material, and textbooks. Restricted examples used to support knowledge – little evidence of wider research.
0-10	Lift of arguments from pre-seen material, and textbooks. Little coverage of reason for predominance. Unstructured and disorganised.

Question 2

Consider the potential impact on organisational culture driven by the implementation of new public management concepts, and debate the probable resultant ethical dilemmas. Use real examples to support your submission

NPM Concepts:

- Decentralisation
- Increased administrative discretion
- Increased risk and innovation
- Removal or decrease in bureaucracy
- Fragmentation
- Flatter structures, empowered individuals
- Increased partnerships
- More private sector standards
- Drive for economy and efficiency
- Profit and satisfaction over ethics

Cultural impact:

- Less ethical consideration
- Drive for speed
- Push for measurable outcomes
- Priority of targets over everything
- Clash between professional and managerial priorities
- Performance over profession
- Private sector values over public ethos
- Adapted, new managerial heroes
- Drive for finance over public care

Probable resultant ethical dilemma

- Self interest v ethical behaviour
- Increasing conflict between personal ethics and realities of government
- Duty of care replaced by rule based care
- Creation of bureaucratic systems to standardise ethics
- Dichotomy between guidance and reality

Examples could include:

- Spinning statistics, stories, and communication
- Adapting practise to meet targets at expense of clients
- Reducing standards to make targets achievable
- Applying creative approaches to counting against targets
- Misrepresenting clients views
- Ticking QA boxes rather than delivering quality
- Soldiers defective kit (PF 18.08.06)
- Older patients starved in hospitals (PF 01.09.06)
- Out of Africa – staffing (PF 31.03.06)
- Fiddling waiting lists (PF 20.09.02)
- MoD admits unethical tests (PF 20.07.06)
- Public service staff work £9b unpaid overtime (PF 24.02.06)
- Hospitals told to delay treatment (BBC 23.11.06)
- NICE limits Alzheimer's drug (PF 03.02.06)

Marking Guide

25-30	Clear and structured throughout. Exploration of NPM concepts, impact on culture and resultant ethical dilemmas drawn from pre-seen material, textbooks, and other sources. Clear conclusions. Good use of a range of ethical and cultural examples from across public services.
20-25	Explanation of NPM concepts, impact on culture and resultant ethical dilemmas drawn from pre-seen material, textbooks, and other sources. Good use of a range of examples.
15-20	Description of NPM concepts, impact on culture and resultant ethical dilemmas drawn from pre-seen material, and textbooks. Examples of a range of issues included.
10-15	Lift of NPM concepts, and impact on culture from pre-seen material, and textbooks with little reference to ethics. Few narrow or unexplained examples.
0-10	Lift of NPM and culture from pre-seen material and textbook. Little mention of ethics or examples. Unstructured and disorganised essay.

Question 3 - OLM Study Session 10

(a)

Evolution – is a change in strategy which requires paradigm change. Linked closely to learning organisations, continuously adjusting their strategies to environment changes, e.g. new legislation, reconfigured service provision

Education Reform Act 1988 radically changed the school education environment, making schools individually responsible for management and finance. However, Act went through consultation, green paper, and white papers before enactment, and then was introduced over a 5 year period.

Adaptation – is a change which can be accommodated within the current paradigm and occur incrementally – the most common form of change in organisations, e.g. improving financial reporting, staff development.

Continually changing financial reporting format (budget reports) to meet the user demands.

Revolution – is a change which requires rapid and major paradigm change, perhaps in circumstances where drift has resulted in pressures for change, e.g. failure to meet objectives, major overspend

Closure of a school following an poor Ofsted inspection report. School closes immediately, radically changed and re-opened months later. Senior management replaced, new staff and resources targeted, and culture changed fundamentally.

Reconstruction – is the type of change which may be rapid and could involve major upheaval, but does not fundamentally change the paradigm, e.g. structural change, cost-cutting programme

Finance service of a large council re-structured to link with committee structure. Fast change, but no change in role.

3 marks for each part up to a maximum of 12

(b)

Time – how quickly change is needed.

Scope – what degree of change is needed.

Preservation – what organisational resources and characteristics need to be maintained.

Diversity – how homogeneous are the staff groups and divisions within an organisations.

Capability – what is the managerial and personal capability to implement change.

Capacity – what is the degree of change resource available.

Readiness – how ready for change is the workforce.

Power – what power does the change leader have to impose change.

1-2 marks for each identified context up to a maximum of 8

(Adapted from Johnson and Scholes, OLM Study Session 10)

Marking Guide

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Good use of examples. Balanced answer, most 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. Balanced answer. 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)

Service identified – could be internal audit, training and development, finance etc.

Suitability – is concerned with whether the strategy addresses the circumstances in which the organisation is operating.

Considerations:

- Exploiting opportunities;
 - market penetration;
 - product/service development;
 - diversification.
- Avoiding threats;
 - learning/developing competences;
 - scale economies.
- Capitalising on an organisation's strengths;
 - exploit competences;
 - exploit current products/services.
- Addressing expectations;
 - meeting customer/consumer and organisational needs and objectives.

Tools and techniques:

- Ranking – options assessed against key factors/expectations.
- Decision trees – options eliminated by progressively introducing factors.
- Scenarios – options matched to future scenarios.

Acceptability – is concerned with the expected performance outcome of a strategy.

Considerations:

- Return;
 - return on capital;
 - payback period.
- Risk;
 - costs v benefits;
 - impact on core business.
- Stakeholder reaction;
 - political dimension;
 - meeting expectations.

Tools and techniques:

- ratio analysis – returns;
- cost benefit analysis – costs v benefits;
- financial projections – budgets;
- sensitivity analysis – what if? Analysis;
- stakeholder mapping – expectations;

Feasibility – is concerned with whether an organisation has the resources and competences to deliver a strategy.

Considerations

- Has the organisation the strategic capability to deliver the service?
 - resources;
 - core competences.
- What will be the impact on other services?
 - loss of core competences.
- What controls will be in place to monitor the service?
 - performance management;
 - monitoring.
- Time scale

Tools and techniques

- funds flow analysis – cost implications, funding;
- capability analysis – resource audit, references;
- mapping – objectives against time scale, expected outcomes.

NOTES

1. If the service is only partly outsourced, all of the above is still relevant, but there may be greater emphasis of evaluations such as, controls in place to monitor performance (exchange of information), impact on other services (interface between systems) and time scales (what is required by both parties, and when).
2. Some services could be outsourced to two or more organisations, eg road maintenance, housing repair, training and development etc. In this case the evaluations are the same as above but with greater emphasis on the strategic capability (resources and competences) of all parties to ensure consistency of delivery and reporting.

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 6)

(a)

Critical success factors – are those product/service features that are particularly valued by a group of customers/consumers and, therefore, where the organisation must excel to outperform competition.

Examples:

- robust financial and control systems;
- knowledge (legal and regulatory);
- Funding, to provide the service;
- Quality assurance, reporting and monitoring (accountability).

Failure to meet the critical success factors could result in the organisation being classed as 'failing', and so suffer financial or other penalties.

(b)

Strategic capability is underpinned by *available resources*, such as:

- physical resources;
- human resources;
- financial resources;
- intellectual capital.

A set of *threshold resources* are needed to exist as a provider of services:

- these can change overtime;
- organisation has to determine how to dispose of redundant resources to maintain a resource threshold.

Unique resources are those resources which critically underpin competitive advantage. They sustain the ability to provide value in the service:

- they are subject to being poached by competitors;
- specific staff skills (financial, legal, management, leadership) are examples of unique resources – they can be developed or purchased.

Competences are activities or processes that critically underpin an organisation's competitive advantage – particularly as seen through the eyes of the customer/consumer.

Core competences are difficult for competitors to imitate. Examples are:

- good service (valued by stakeholders);
- embedded operational routines (making things happen);
- explicit knowledge (unwritten knowledge held by individuals).

If an organisation's strategic capability limits its ability to deliver the required level of service it may be classed as 'failing' and suffer financial or other penalties – or eventually fail completely.

Marking Guide

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.