



STRATEGIC BUSINESS MANAGEMENT

Final stage examination

7 June 2007

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

One challenge for the modernisation agenda is the question of balancing the aspiration of building public views and opinions into strategic decision making with notions of strategic leadership. With reference to examples where appropriate, explore the conflict between the participative and strategic leadership approaches to strategic decision making, discuss the dangers with each, and outline any ways in which the two can be reconciled.

Participative approach:

- Popularist
- Involves stakeholder views
- Compromise between interested parties

Strategic Leadership:

- Consult but decide
- Representative democracy
- Elected members make decisions / accountable to electorate
- Decision makers have deeper understanding / specialism
- Access to facts

Conflict:

- Fundamentally different approaches
- Confusion between the two

Dangers:

- Participative approach:
 - Avoids difficult decisions
 - Tends to favour the fashionable input
 - Focus on the consumerist at expense of citizen
 - Tendency to follow the mob
- Strategic Leadership:
 - External perception of ivory tower
 - Costs of communication
 - Alienation of electorate

Reconciliation of approaches:

- Adapt strategic leadership with focus on public as customers for elements
- Build consensus on purpose / vision / values – then utilise strategic leadership
- Build multi level relationships with stakeholders
- Increase macro participation in elections
- Create clear links between elections and decisions

Examples could include:

- Housing decisions – ALMOs etc
- Policing decisions – drug policies
- Cinderella services in Social Care
- Delivery of fire services – regeneration
- PCT Reorganisations
- Public voting on budget issues
- Speed watch volunteers – Avon and Somerset (PF 1/9/06)
- Closure of rural post offices – (PF 20/10/06)
- Empowering Neighbourhoods (CBI 2006)
- Rocky Flats (PF 23/1/07)
- We the undersigned (PF 9/3/07)
- When to consult – tough decisions (PF 9/3/07)
- Voting levels – First past the post (PF 25/5/07)
- Disenchantment with political process (PF 5/5/06)
- Publishing realistic options – ‘Listen Up’ (Audit Commission 1999)
- Drive for better mix of councillors ((PF 9.2.07)

Marking Guide

25-30	Clear and structured throughout. Detailed explanations In depth knowledge Linked and explained examples
20-25	Explanation of the conflict between strategic leadership and participative strategic decision making. Discussion of dangers, and outlined solutions drawn from pre-seen material, textbooks, and other sources. Clear examples of all issues drawn from public services.
15-20	Description of the conflict between strategic leadership and participative strategic decision making, Description of dangers, and outlined solutions drawn from pre-seen material, textbooks Some use of examples from across public services Examples linked to descriptions.
10-15	Lift of descriptions of approaches, and dangers from pre-seen material, and textbooks. Restricted examples used to support knowledge – little evidence of wider research.
0-10	Lift of content from pre-seen material, and textbooks. Little coverage of dangers. Unstructured and disorganised

Question 2

McAteer and Orr state that 'the key purpose of public participation was commonly understood to be one of improving the quality, standard, or appropriateness of service delivery'. Discuss how participation delivers this purpose at a service delivery level, the drawbacks of participation, and how these can be overcome. Use examples to support your submission.

Participation delivers purpose by:

- Watching brief
- Raising priorities
- Increasing understanding
- Watching brief / raising concerns
- Removing complacency
- Ideas / innovations
- Challenging behaviour / status quo
- Informing decisions

Drawbacks of participation:

- Bias by unrepresentative groups
- Cost is large
- Duplication of effort in completing exercise
- Expertise required in understanding participation
- Danger of following the crowd / responding to the press
- Focus on now
- People too busy to participate
- Often self selecting participants
- Overburden participants
- Too much data results in inaction or missed opportunity
- Consultation falls into disrepute if not seen as influencing

Overcoming drawbacks:

- Select on representation grounds
- Set highest ethical standing
- Encourage democratic representation
- Utilise technology to increase / ease participation
- Participants should be externally focussed
- Improve focus on citizens
- Improve transparency
- Honest communication

Examples:

- School governorship vacancies
- Skills gap in representatives
- Selection to citizens juries
- Disused nuclear facility in USA (PF 23/2/07)
- Empowering neighbourhoods (CBI 2006)
- Patients information forums in the NHS
- Rising expectations (PF 5/5/06)
- 'You talking to me?' (PF 23.3.07)
- Refuse collection (PF 1.6.07)
- Admission Impossible (PF 23.3.07)
- Let's talk (PF 19.5.06)
- Dartford Borough Council referendum (PF 11.5.07)
- Passing down likely (PF 12.05.06)
- BMA slams patient survey (PF 1.12.06)

Marking Guide

25-30	Clear and structured throughout. Exploration of participation, drawbacks, and solutions drawn from pre-seen material, textbooks, and other sources. Clear conclusions Good use of a range of participation examples from across public services.
20-25	Explanation of participation, drawbacks, and solutions drawn from pre-seen material, textbooks, and other sources. Good use of a range of participation examples
15-20	Description of participation, drawbacks, and solutions drawn from pre-seen material, and textbooks Examples of a range of participation included
10-15	Lift of drawbacks and solutions from pre-seen material, and textbooks with little reference to value of participation Few narrow or unexplained examples
0-10	Lift of drawbacks and solutions from pre-seen material and textbook. Little mention of value Unstructured and disorganised essay.

Question 3 - OLM Study Session 10

It should be noted that the answers to this question (given below) are generic and a guide only. The candidate will be given credit for answers that are specific to their organisation – for example, a co-production example could be specific to the candidates' organisation, and therefore, so are the problems and solutions. Likewise, double-devolution may create specific problems for some organisations and therefore may result in differing relationship issues.

(a) (i)

Co-production - sharing or involving clients or customers in the design and delivery of the service

Examples from the public services include:

- Self assessment (income tax)
- Waste management (recycling)
- Britain-in-Bloom
- Management of open spaces
- LSP's
- Neighbourhood watch

How it can help in the design and delivery of the service.

1. If the client/customer is involved in the planning of the service the service is more likely to meet their needs (it often provides innovation and creativity) the public service manager does not always know best.
2. A certain amount of the responsibility for that service is passed to the client customer.
3. The client customer may have a sense of ownership – this can lead to a greater likelihood of the service aims and objectives being achieved.
4. Promotes civic pride.
5. Can reduce costs.
6. Takes the service closer to the community – allowing subtle differences in services to make the service relevant to the local community.
7. Can provide a self-regulatory, or at least self-monitoring of the service.

(ii)

Problems and possible solutions

1. Identifying who the clients/customers are who would want to be involved – could be mail-shot requests or approaches to specific interest groups.
2. Encouraging clients customers to become involved – making involvement easy, for example meetings in evenings.
3. Ensuring the appropriate ethnic, age, gender etc mix is involved – groups to be representative of the community.
4. Do clients and customers understand the environmental issues that have to be considered?– explanatory leaflets/meeting.
5. Do the clients/customers have the skills/confidence? – Training.

Other problems for the organisation could stem from the client/customer groups wishing to do something that does not fit with the organisational strategy or go towards meeting its objectives – for example, types of recycling. Alternatively, the organisation may have plans that do not fit the client/customer needs – for example self-assessment but client does not have access to a PC or organisation wishes to sell an open space when community wishes to use it for something else

The main solution to these issues is communication – issues must be fully explained with sound reasoning and justified plans to support the organisations points.

(adapted from Johnson and Scholes, OLM Study Session 7)

- (b)** An example of double-devolution is where the centre delegates decision-making to business units who in-turn delegate the decision-making down to users of the service. (Central Government, Local Authority, Local Strategic Partnership)

The relationship issues will largely be determined by the division of responsibilities, or more importantly how the decision-making responsibilities are divided between the centre, business units and the service user

The organisational processes for dividing these responsibilities will differ between organisations and the type of service in question.

There are three approaches:

1 Strategic Planning

This is where the relationship between the centre and business units and service users is one of a parent (the centre) who is the master planner. The business unit role is the operational delivery of the service – which in-turn is passed to the service users. This tends to foster a relationship that focuses on a 'special pleadings' mentality (bargaining item by item).

This can stifle innovation and creativity and so hold back strategic development. This in-turn can lead to frustration – the service users know what they need but cannot undertake the task unless or until approved or it fits with the master planner.

2 Financial Control

This is where the centre set financial targets (or provide a budget for a specific policy objective) and concentrate on appraising or monitoring outputs. In the instance of double-devolution this could be government providing funding, the business unit undertaking the monitoring and the service user spending the money e.g. grants.

The relationship is still based on that of strategic planner, but with more freedom to determine the approach to be taken – the relationship based on reporting outputs.

3 Strategic Control

This is concerned with the centre shaping the behaviour of the business units, and so service users. The centre shapes the overall strategy, policies and rules – but the implementation is undertaken further down the hierarchy.

It should be noted that the difference between this approach and strategic planning is the strategy (and so the overall plan) is formed/built through processes of agreement with all parties in the process.

This fosters a relationship that involves consultation (of problems and solutions) and ownership (of the strategy and implementation)

Other issues that may affect the relationship are:

- Boundaries – these have to be clear to all parties
- Timescale – period of activity
- Competences – of the service users (operational delivery)
- Corporate logic – can users see the point
- Size of the task – how many different groups are involved

(Based on the contents of Johnson and Scholes 2002 (Chap 9) and OLM Study Session 9)

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)

The reason for understanding the strategic position of an organisation is to form a view of the key influences on the present and future well-being of the organisation, and what opportunities and threats are created by the environment, the competences of the organisation and the expectations of stakeholders.

The environment

All organisations exist in the context of a complex world. The environment changes and is added to the complexity – particularly for public service organisations that are diverse and have multiple, and often competing, objectives.

Understanding how the environment affects the organisation, and this includes historical analysis, is key for organisational success, or survival.

Many of the environmental variables (potential changes) will give rise to opportunities and threats – probably both – and it is how the organisation reacts to these that will determine the success or otherwise of the organisation in the future.

The main problem faced by organisations is the range of variables, and it may not be possible or realistic to identify and understand each one.

Resources and competences

The resources and competences of the organisation make up its strategic capability. This is often seen as the strengths and weaknesses of an organisation, or where it has competitive advantage or disadvantage. The aim is to form a view of the internal influences (and constraints) on strategic choices for the future.

Core competences (those competences that provide real competitive advantage) are often difficult to identify, as they tend to be a combination of know-how, skills and activities that when brought together provide the advantage.

A problem faced by organisations is anticipating what competences and resources are required in the future, and then taking steps to acquire or develop them. However, until the organisation knows what it has already it cannot start to prepare for the future.

Expectations and Purposes

The key question here is: who should the organisation primarily serve and how should managers be held responsible for this? The expectations of different stakeholders affect purpose and what will be seen as acceptable in terms of strategies advocated by management. Which views prevail will depend on which group has the greatest power, and understanding this can be of great importance in recognising why an organisation follows the strategy it does.

Cultural influences from within the organisation and from the world around it also influence the strategy of the organisation.

All this raises ethical issues about what managers and organisations do and why.

Overview

The above provide a framework for understanding the strategic position of the organisation. This understanding needs to take the future into account – for example, is the current strategy capable of dealing with changes taking place in the organisation's environment? Is it likely to deliver the results expected by influential stakeholders? If so, in what respects, and if not, why?

(Adapted from Johnson and Scholes 2002 Chap 1, and OLM Study Session 1)

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) **Innovation** is critical to an organisation's strategic development. It is often described as 'strategy by ideas' (one of the three strategy lenses).

New ideas, and therefore innovation can come from any part of the organisation – or very often from outside the organisation. The evidence (J&S 2002) is that innovation comes, not from the top, but quite likely from low in an organisation.

Innovation is important to enable the organisation cope with an ever-changing environment – it is not enough to do what has always done. Seeking different ways of providing services or products, managing the existing portfolio or looking to develop new services or products is vital for an organisation to gain and maintain competitive advantage. Additionally, stakeholders' expectations are also ever-changing, partly because the world is changing around them, meeting these expectations requires doing things differently.

However, innovation, or innovative thinking, does not just provide the organisation with different ways of doing things – it gives the organisation choice. It is unlikely that, for example, examining the process for waste collection will give one solution. This allows the organisation to develop strategies that fit, or achieve multiple objectives – for example, an organisation may arrive at several different ways to manage their waste – the balance can then be struck between meeting the needs of stakeholders (service users), cost efficiency and waste management targets set by government.

Innovative ideas are generated from the changing and unpredictable environment as this demands responses from organisations. Nevertheless, it is the intuitive capacity of people that have the ability to sense changes in the environment. It may be that the organisation does not always have these people within the organisation, and so may seek outside assistance – use of universities for example.

A note of caution needs to be added – strategy development by experience (use of consultants to implement best practice) is not the same as strategy development by ideas – although the two are often confused.

- (b) **Barriers** that restrict or limit the ability of public service organisations to embrace and implement technological advances are not always obvious. Public service organisations are often subject to high degrees of control, financial and strategic, and have to conform to regulation, and very often, national guidelines. Thus many of these organisations are bureaucratic in nature. Additionally, even within organisations individual departments or functions have their own set of objectives and priorities (operating in silos) which are often not compatible.

Organisations (and managers within those organisations) often have problems identifying core competences – it is these core competences that promote innovation.

Other barriers may be:

- Cultural inertia (we have always done this)
- Political resistance – internal and external (to change and new ideas)
- Lack of communication (channels) with users
- Strategic planning and development process that are top-down
- Lack of resources (focus on today not the future)

- Management inertia (fear of the unknown or lack of vision)
- No selection or 'idea' management structure/evaluation mechanism
- Failure to embrace a 'learning organisation' culture

To overcome these barriers it is important to identify which of the barriers is restricting innovation. Having undertaken this analysis, options for removing those barriers could be:

- Have in place a clear mechanism for managing ideas – this may involve having clear selection mechanisms, both at user, operational and strategic level – such as communities of interest groups
- Management must be willing to accept new ideas – this could be fostered by removing penalties for failure and risk
- Embracing a learning culture (a top-down commitment to education and training, including development)

These processes are best suited to a strategic development process that is based on logical incrementalism (which involves processes such as constant environmental scanning, ongoing adjustment to strategy etc.). However, even when operating in an environment where the strategy (and technology used) is imposed (giving little freedom) there are still opportunities to support innovation through implementation of imposed strategies. An example could be the way back-office staff manage, or are organised to manage, routine tasks such as debt collection or operate customer liaison.

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
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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