



# **STRATEGIC BUSINESS MANAGEMENT**

**Final Test of Professional Competence**

**11 December 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 if 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 a knowledge of strategic management as a subject, the public service environment, and a current working knowledge of relevant key issues.

### **Question 1**

#### **Improved co-ordination through:**

- Single set of organisational objectives
- No organisational boundaries
- Single recognisable brand
- Standardised procedures
- Unrestricted movement of data
- Transparent multi service delivery
- Single culture

#### **Improved efficiency through:**

- Economies of scale
- Shared back office functions
- Ability to specialise
- Increased purchasing power
- Up-scaling of profile and influence

#### **Arguments against:**

##### **Reduced co-ordination through:**

- Organisational size loses the individual case
- Standardisation does not suit majority
- Loss of diversity
- Organisational complexity not understandable by staff
- Confusion of purpose from customers
- Lack of individual ownership
- Loss of focus

##### **Reduced efficiency through:**

- Loss of performance comparitors
- Effective creation of monopolies
- Loss of local responsiveness
- Bureaucratic costs grow
- Cost of merging / technostructure

**Examples could include:**

- Cost of Police Merger refunds PF 24.02.06
- Equality & Human Rights Commission merger (PF 12.10.07)
- Offender Management service (PF 09.01.04)
- HMRC and Customs merger ([www.hmrc.gov.uk](http://www.hmrc.gov.uk))
- Merging teaching hospital trust and Imperial College (FT 01.10.07)
- Efficiency savings from PCTs (PF 19.05.06)
- Changing the machinery of Government (PF 06.12.07)
- Reducing admin costs (PF 27.10.07)
- Procurement from big suppliers (PF 19.05.07)
- Reorganising the English Ambulance Trusts (PF 22.9.07)
- Different services not sharing information (various social care cases)
- NPM case for disaggregation
- Gershon efficiency targets through mergers
- Joint procurement savings
- Adur and Worthing voluntary merging
- PCT / SHA merging

**Marking Guide**

25-30	Clear and structured throughout. Detailed explorations of efficiency and coordination, taking both views, and supported by a range of public service examples. In depth knowledge and ability to present the argument apparent.
20-25	Explanation of the arguments for and against reaggregation justified by efficiency and coordination, drawn from pre-seen material, textbooks, and other sources. Clear examples drawn from public services.
15-20	Description of the arguments for and against reaggregation justified by efficiency and coordination drawn from pre-seen material, and textbooks. Some use of examples from across public services.
10-15	List of arguments for and against reaggregation justified by efficiency and coordination drawn from pre-seen material and textbooks. Restricted examples used to support knowledge – little evidence of wider research.
0-10	List of arguments from pre-seen material and textbooks. Little coverage of either view. None, or few linked examples. Unstructured and disorganised.

## Question 2

### **Barriers and challenges to re-aggregation:**

- Stakeholder reaction
- Different cultures need homogenising
- System differences
- Procedural incompatibilities
- Join, or select and drop, brand
- Confusion amongst customers
- Communication – internal and external
- Staff motivation during merger
- Staff integration post merger
- Challenge of physical distance (service delivery)
- Conceptual distance from customers
- Loss of identity
- Planning costs
- Redundancy costs
- Implementation costs

### **Tactics to overcome barriers:**

- Communication
- Quick wins
- Replacement / de-layering
- Utilise timing (crisis)
- Over-riding purpose / mission

### **Examples could include:**

- OfCom merger funded through loan (PF 07.07.06)
- Public outcry at hospital closures (BMJ 15.09.07)
- Beating a retreat (PF 14.07.07)
- Egos in Cabinet (PF 13.07.07)
- Cross Dept accountability in FE (PF 23.12.07)
- HMRC and stakeholder reaction (PF 17.11.06)
- History of NHS mergers is not a happy one (HSJ 03.08.06)
- Weak support for Council reforms (PF 05.05.06)
- Organisational culture is the barrier (FT 09.07.07)
- Frictional cost outweighs benefit (PF 13.08.07)
- Symbolism (PF 21.05.04)
- Audit Commission / District Audit
- Culture in the system (PF 23.02.07)
- PCT / SHA re-organisation
- Policing merger review
- IR and CE
- Local Govt reorganisation
- CIPFA / ICAEW merger attempt

### Marking Guide

25-30	Clear and structured throughout. Exploration of barriers and challenges, and possible implementation tactics drawn from pre-seen material, textbooks, and other sources. Good use of a range of re-aggregation examples from across public services.
20-25	Explanation of barriers and challenges, and possible implementation tactics drawn from pre-seen material, textbooks, and other sources. Good use of a range of examples.
15-20	Description of barriers and challenges, and possible implementation tactics drawn from pre-seen material, and textbooks. Examples of a range of issues included.
10-15	List of barriers and challenges drawn from pre-seen material and textbooks with little reference to tactics. Few, narrow or unexplained examples.
0-10	List of barriers from pre-seen material and textbooks. Little mention of challenges or tactics. Unstructured and disorganised essay.

### Question 3 - OLM Study Session 3

#### Part A

The following are generic influences that may or may not affect a specific public service organisation

##### **Political**

Deregulation – of public services worldwide. EG access to increased market for universities.

Privatisation – of public services. Overseas public utilities providing public services to UK, such as waste management.

Extension of EU – population movements. Impact on local authorities of influx of overseas workers and dependants

Liberalisation – of markets gradual shift in markets and impact on government policy. EG manufacturing and call centres being transferred out of the UK.

Role of government – in applying climate change policies, impact on local government with waste management

##### **Economic**

Competitors from developing countries – need to invest – EG support from government

Income differences – making it easier (or more difficult) to recruit specialist staff eg NHS

Multi-national mega corporations – impact on an area or region that is dominated by one company, eg in Derby, Rolls Royce and Toyota. A change in company strategy and impact on local government

##### **Social**

Demographics – shift in populations. Impact on education services

Lifestyles – increasing expectations and demands of the public. EG greater demand on child-care services where both parents work

##### **Technological**

Medical breakthroughs – impact on NHS procedures

Telecommunications – Education on-line from overseas universities, increased competition.

Internet – greater access to information, increasingly sophisticated crime – impact on policing activities

#### Part B

##### **Purpose**

The purpose of scenario planning is to take a long-term view of strategy (usually a minimum of five years). It is particularly useful where there are a limited number of key factors influencing the success of a strategy. It is used when there are high levels of uncertainty about the future.

### **Benefits**

It ensures consistent logic is applied, allowing strategic managers to focus on high uncertainty and high impact factors that may have an affect on current or proposed strategy.

It brings together the influences identified in a PEST analysis (which factors are identified in isolation). Very often the influences identified in a PEST analysis have no real impact when treated as individual influences, however, when a combination of those influences are considered the impact can be high. Also some of the influences cancel each other out – Scenario planning allows all these elements to be brought together.

Finally, scenario planning allows organisations to test a strategy – with ‘what if’ questions to be asked. It is a relatively risk-free and cost-effective way to assess the outcomes or impact of a strategy.

### **Limitations**

Clearly, it is based on possible future events – which may or may not happen. Therefore, any determined outcomes or impacts have to be treated with caution. Also, it is often difficult to assess how different influences relate or impact on each other.

Finally, other events or influences not considered important to-day may change in importance in the future, for example, it is difficult to assess the outcome of terrorist activities on tourism in five years time.

### **Example**

Global warming – could affect the policy of the international community, which inturn could lead to changes in legislation at a national level, which may lead to changes in the way organisations operate (eg waste management).

### **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 4)

##### Part A

Marketing is defined as:

*'the means by which an organisation achieves a match between what the customer expects, wants and needs and what the organisation is able and/or willing to provide'*  
(Rose and Lawton 1999)

Marketing as a concept is often distorted. These distortions are often represented as misinterpreted; misunderstood; manipulative; misused and miscast (full explanations of these terms are given on page 225 OLM). This then leads to marketing as a concept being applied in an incorrect way.

Marketing is growing in importance for public service organisations – mainly as a result of government action and changes in customer/consumer demands. For example, many public service organisations are in competition with each other (for funds) and with the private sector (education).

This makes it extremely important when designing and implementing strategic processes. Public service organisations cannot afford launch strategies (and services) that are not the right product, in the right place, at the right price and aimed at the wrong people. Test marketing of new strategies (very often pilot studies) is one way to examine likely outcomes.

Additionally, promoting a service is vital if anticipated take-up goes as planned. For example, a local authority opening a call centre or one-stop enquiry centre; the NHS promoting preventive measures, eg diet.

Further examples are given in the OLM page 231 – museums (exhibit 10.3), and page 235 – police (exhibit 10.4)

##### Part B

##### Product

Marketing practitioners take a wide view of products and include in this element not only services but also the perceptions that customers may have of the product or service. This wider definition is of particular importance for the public services where the product is often the service, such as the listening skills of a social worker. People are often the product (service). This makes it extremely important to have the right person in the right job at the right time. A further and often quoted example is taken from the police service, where the product is visibility.

##### Price

Again, it is important for the public services to take the wider view of price(ing). The traditional view of pricing considers such elements as profit required, cost of providing the product (service), demand and image. Whilst these factors are all important for the public services (although profit is often termed surplus – eg universities making a surplus on taught programmes that allow a contribution to be made to research and development) there are wider issues to consider.

A perception of the public services is that the service is 'free'. A phrase often used in relation to the NHS is 'free at the point of delivery'. However, this is clearly not the case. A majority of the public pay via tax (in one form or another) for the service directly or indirectly to government who require the NHS via proposed spending plans to bid for resources along with other public services. Additionally, many public service organisations charge directly for the service, eg dentists, H.E., planning, passports, prescriptions – not all at full cost, but nevertheless a charge is made.

Finally, there are elements of the public service that are in direct competition with the private sector, and therefore price is important. Examples are leisure centres (and related sports facilities), universities (provision of non-statutory activities) and business waste collection and disposal.

### **Promotion**

Promotion involves the advertising and promotion of products and services, public relations and communications and 'relationship' marketing. The first task of promotion is to create awareness of the product or service, secondly to create interest, thirdly to promote desire and finally to persuade customers and consumers to take action to acquire the product or service.

These principles apply equally to the public services as the private sector. Public services must create awareness of the service, create interest and promote desire. This not only applies to non-statutory services – for example planning permission is required for building works, therefore it is important that the public are aware of this. Other examples could relate to promotion of government initiatives, such as no-smoking in public places and health awareness campaigns.

### **Place**

Place is concerned with managing the ways in which products or services are organised – particularly the delivery of the product or service. This process is familiar to many public service organisations, for example many local authorities have neighbourhood housing offices and central government use regional or local offices, such as jobcentres.

The main consideration for the public services is access. In other words having the service delivered from the most appropriate place. This could be in the home (social services), in a town or city centre (payment offices) or university campus (undergraduate programmes). The main focus when determining the place is, what is most suitable for the service users.

Changes in technology have allowed the place to be more flexible – many services can now be delivered via the internet or telephone (NHS Direct) – however, it is important to consider whether everyone has access to these facilities before implementing a strategy.

(Answer is taken from Study Session 4 and Rose and Lawton (1999) OLM pages 199 – 219)

### 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 9)

#### Part A

Many public service organisations prepare numerous plans which should interlink. This is best explained by example; although by no means standard, it gives an indication as to the possible application of different plans.

A local authority may produce a strategic plan every three years which covers the entire organisation and is corporate and general in nature. Each year a business plan is produced which remains corporate but is far more detailed in nature, stating what will be done over the period. This is supported by an annual resource plan, or budget, showing how resources are to be allocated to allow the business plan to be met. Each department within the authority (such as education) then produces a service plan, which details the contribution each will make to meet the corporate business plan.

A business plan is a statement of the objectives of a business and the actions it intends to take to achieve those objectives. Hence it can also be described as an implementation plan in that it shows how an organisation's strategic choice is to be implemented.

The use of business plans has grown considerably within the public services in recent years, with some bodies, notably NHS trusts, required to produce these as a condition of receiving funding.

A business plan can be used to fulfil many roles, some of which include:

- co-ordinating the implementation of strategy through planning
- communicating with clients and trading partners that there is a clear management vision
- providing information to stakeholders
- focusing the minds of staff and management on the organisation's priorities
- clarifying how the organisation will continue to be competitive
- planning for continuous improvements
- supporting tender documents.

As many of the roles attributed to the business plan are associated with communication, presentation is extremely important. Some organisations produce separate documents for internal and external use to ensure that the specific requirements of the different groups are met and that commercial confidentiality is maintained.

Business plans are used internally to guide managers and staff, communicating objectives, targets and priorities, and allowing staff to see how they fit into the wider organisational picture. A good internal business plan should be easy to use so that a user can easily find the parts relevant to their responsibilities understand the language and possibly develop it as a working document. The best internal business plans will be on managers' desks, possibly covered in ink, and often consulted.

When compiling business plans for external consumption, you need to consider the image of the organisation which the document will convey to the reader. The document should be short, clear and understandable and reinforce the corporate image through appropriate use of graphics, colour and high quality materials. Reviewing the range of business plans available in the local library will illustrate the full range of presentations, from glossy picture books to stapled close text. Communication experts are often used to ensure that the reader gets the full message that the organisation intends to deliver.

Public service organisations must be particularly careful when producing business plans for external stakeholders, as the need to continually prove good stewardship of public funds creates a difficult dichotomy. The stakeholder would wish to see a professional document, indicating that their services are in capable hands, but at the same time value for money is important and a highly glossy, professionally written and produced document can lead to doubts about probity, especially when a public service includes plans for major reductions in services due to resource shortage.

Finally, it is important to remember that there are no hard and fast rules about what a business plan should be used for, what should be in it and how it should be presented, developed or reviewed. It is a tool which can be used by managers either in the form of the final document or the process of creating it, or a combination of both, for communicating with stakeholders and planning for the future of the organisation.

## **Part B**

The creation of the business plan will vary greatly across organisations and will depend on the organisation's culture. Some organisations take an autocratic approach to planning, with a few senior officers completing the task in isolation. Others will use a participatory approach, getting the staff to create plans from the strategic objectives stated by management.

The autocratic (or top-down) approach has the advantage of including only those who are aware of the overall situation, so the need for protracted discussion is avoided and the plan can be devised quickly and efficiently. It has also been argued that it is the senior managers who are paid to be responsible for the organisation and so it is appropriate for them to have a firm hand on planning the future. However, a danger with this approach is that staff can feel ignored by management, which could affect motivation and commitment. Additionally, it is often argued that management may have many ideas, but be unaware of their potential impact, and by ignoring staff they are ignoring the source of greatest knowledge.

The participatory (or bottom-up) approach takes full advantage of the knowledge of the staff by involving them throughout, often through workshops and seminars. With full participation, staff have ownership of the plan, motivation is high and chances of success considerably improved. However, involving all staff takes time and resources. It has also been argued that in workshops staff often put forward ideas which do not survive through to the final document, which can leave some members of staff feeling demotivated and ignored.

Examples of when the autocratic approach could be used is when the organisation has limited time to prepare a business plan, such as a tender or when an adjustment to an existing strategy is required following a critical inspection report.

Examples of when the participatory approach could be used is when the impact will affect all members of the organisation, such as the change in delivery or consideration of a new service.

### 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.