

STRATEGIC BUSINESS MANAGEMENT

Final Test of Professional Competence

10 June 2008

From 10.00pm to 1.00pm
plus ten minutes reading time from 9.50am to 10.00am

Instructions to candidates

There are **five** questions on this question paper

Answer **four** questions in total

Both compulsory questions from Section A
Two of the three questions from Section B

The questions in Section A carry, in total, **60** marks
The questions in Section B each carry a total of **20** 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.

At the end of the examination, students should append their sheet of A4 notes to their exam script. Students failing to do this will automatically be deemed to have failed this assessment.

This paper is based upon the pre-seen material:

'If You Can't Measure It, How can you Manage It? Management and Governance in Higher Educational Institutions' by Jane Broadbent, Public Money and Management, June 2007, Page 193

'Slimming down the targets' by Colin Talbot, Public Finance, 17/08/2007



PRE-SEEN MATERIAL

Article 1

'If You Can't Measure It, How can you Manage It? Management and Governance in Higher Educational Institutions' by Jane Broadbent, Public Money and Management, June 2007, Page 193

The oft-promoted wisdom that says 'if you can't measure it, you can't manage it' has mutated into a nostrum of the airport management manuals that suggest 'you have to measure it to manage it'. This has manifested itself in numerous ways and has intertwined with a host of other concerns and neuroses that affect present-day life. This article brings together the author's interest in accounting and experience as an academic manager to consider management and governance in higher educational institutions.

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Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted (Albert Einstein).

The Nature of Accounting

Accounting is one of the technologies of measurement that is used in management. At a simple level it provides an account of a series of events. It has come to be seen as an account of a series of events recorded in financial terms. It is a technology in the sense that it provides a set of techniques—a toolbox—for approaching a particular set of problems or issues for stewardship, decision-making and control.

This takes us to the issue of what accounting is not. It is not a neutral reflector of 'reality'; instead, it is a social construction that reflects certain taken for granted assumptions (Broadbent, 1998). It could, therefore, reflect other things—Marilyn Waring (1988) noted that, for example, national accounts valued stocks of arms and missiles, but not the cost of malaria. More than this, because it provides a particular account, accounting becomes a creator of reality with a variety of uses. This article focuses on the use of accounting in the broad area of decision-making and control. Even in this limited area, information may be used in a variety of ways, for example either to confirm or legitimise decisions that have already been taken. Thus there is also a political-economic sphere in the use of accounting information

In my own work, I take it as my starting point that accounting is socially and discursively constructed. It is therefore 'interested' and because of that it is also interesting. Of course this is not a universally accepted view.

Performance Measurement and Performance Management

Accounting technologies have been extensively used in the context of performance measurement—for example in budgetary control systems—but the focus of this article is the nature of performance management systems (PMS). Performance management has often been associated with the achievement of particular outcomes that act as targets, but this is just performance measurement. We need to go beyond measurement because accounting research has clearly shown the resourcefulness of humankind in achieving set targets. Notably it has demonstrated the manipulation of budgets where their achievement is linked to reward. Evan Davis, the BBC's economics editor, described it well when he noted in a recent report that 'targets cease to be useful as soon as they are set'.

Despite this sentiment, the use of targets is well embedded in notions of management. As David Otley (1999) seminally and cogently argued, performance measurement is simply one aspect of performance management. Not all aspects of performance are amenable to simple measurement and hence a PMS must go beyond specification and measurement of outputs. Otley argued that the context and culture of an organization is also important in understanding how to address the development of performance management systems. It is this approach that I would like to advocate as it accepts that accounting systems and their outputs are more than neutral technical elements.

In the work I have undertaken with Carolyn Gallop and Richard Laughlin, as well as accepting this approach, we also suggest there is a need to be clear about the focus of the PMS (Broadbent et al., 2007). We argue that in the context of higher education institutions (HEIs) and, indeed, as is perhaps the case in the public services more generally, the financial focus of PMS is significant. The importance of resource issues and financial flows in HEIs is a significant element, given the sector is generally 'poor'.

Despite this argument, the prevalent technologies of accounting used in performance management are currently based on a simple cybernetic model of control in which inputs are linked in a linear fashion to processes and then to outputs. The impact of this approach on models of management more generally has been considerable and it can be seen specifically in the development of PMS which rely heavily on performance measurement. Thus the model that underpins many popular management theories is one that knows what inputs are available; sees it as important to be aware of what the desired output and outcome are; seeks to model how they might be achieved; and then measures the ultimate achievement through a set of key performance indicators.

I do not wish to reject this model absolutely, but there are times when it is not easy to implement or when it can be an incomplete or even misleading approach.

New Public Management and the Public Services

Over the past 25 years there has been a raft of changes in the public sector that might be seen to introduce 'managerialism' at the expense of previous 'administrative' approaches. More recently some see the emphasis moving to governance. This set of practices, which has included a good number of accounting technologies, has been labelled loosely as 'New Public Management'—a poor label in that it is now no longer new, nor is it a coherent set of practices. One significant element of NPM (but not the only element) is the use of performance measurement. This has been adopted in the context of reducing the autonomy of professionals and making them accountable for their actions. In the context of seeking to make themselves accountable for their own performance to the electorate, government has introduced a range of targets—for example waiting lists in the National Health Service; in HE, participation—that they then hold managers of those services accountable for achieving. The target regime is led from Treasury who have introduced a 'something-for-something' approach to resource allocation, providing spending departments with resources to achieve particular outcomes expressed as public service agreements. The use of these regimes at the aggregate national level (performance management of HE) has implications for the organisational PMS (performance management within HE).

This approach follows the input/process/output model and there are a number of implications of using this model, which are backed by decades of accounting research:

- First, it assumes that outputs can be measured and counted.
- Second, it gives particular visibility to those aspects that can be measured and counted and it gives less visibility to those aspects that cannot be dealt with in this fashion.
- Third, it leads to the use of proxies that may or may not be helpful in measuring performance.
- Fourth, it can give rise to opportunistic or dysfunctional behaviour to ensure that targets are achieved.

I want to add to this list a rather more recent claim in that it also provides the basis of 'transactional PMS' (Broadbent *et al.*, 2007). In this way the requirements that are placed on organisations and their members are specified directly and specifically (in the input-process-output fashion). Transactional PMS are associated with the underlying assumption of 'something for something' and with the use of performance measurement.

It need not be so. Instead, it is possible to use the alternative of relational PMS. Relational PMS recognize the need to achieve particular outputs, but enable more autonomy of action in the context of active engagement with key stakeholders in the definition of both outputs and the means to achieve them. They are longer term in their remit and consider broader contextual and cultural aspects, as well as recognizing the need for building infrastructure, capacity and capability in the context of delivering a particular set of outputs and outcomes. They may expect a particular form of output or behaviour, but will specify rather less specifically what must be achieved or how it must be achieved. Relational PMS, with their broader focus, are associated with performance management (Broadbent *et al.*, 2007). I return to this model in the conclusion.

Higher Education—Why Measurement Cannot Always Provide Control

A number of aspects of context and culture need to be considered in order to understand the nature of PMS in HE.

First, I see HE as a public service although it is provided by a range of HEIs that are relatively autonomous. The reason that HEIs are only relatively autonomous is because their funding (despite the extension of the fee regime) comes substantively from government sources. Given that government resources are not infinite (although demands on them often seem to be), there is a contemporary concern with the effective and efficient use of these resources. Hence, my insistence on the need to understand the focus of accountability which I see as often associated with financial accountability. What is important to understand is that the funding flows through the delivery chain of higher education come with expectations. Funders' expectations are diverse and different funders have different desired outcomes as well as a variety of approaches in the PMS they adopt. Thus funding is used as a means of achieving certain outputs, some of which are new (for example participation). These activities have to be delivered by a community that has a strong sense of its purpose and hence change is not necessarily easy to implement.

Second, let us be clear that universities are reliant on a range of different talents, but that one key set of actors is the academic community. Managing academics has been described as 'herding cats'. More formally, it should be recognized that academics see themselves as autonomous professionals. The definition of 'professionalism' is, of course, contested, with some seeing it as a means of control of an area of activity rather than a demonstration of particular expert knowledge. If we turn instead to a definition of 'professional control', then we can avoid that problem. Professional control is seen by some as an appropriate approach where there is little understanding of process and where outputs are difficult to define and this is argued to describe academic activity. If we accept this argument, we might be reasonably comfortable in accepting that academic activity will need to be regulated through professional controls and that academics can be seen as professionals. If process and outcomes are ill-defined, then professional cultures, ethics and trust become important elements of control. Thus professional autonomy is located in a web of relationships and expectations. This has huge implications for the culture of universities which have a key set of constituents who see their activity as autonomous and academic freedom as fundamental.

Third, we have the issue of complexity. The activity of universities is incredibly complex. It is not easy to specify academic process, for example how to teach well and inspire students (although it may be easier to define what is poor teaching). Neither is it necessarily easy to measure outcomes—although we try to do so in the UK with the Research Assessment Exercise (RAE). Not only are process and outcomes ill-defined, the nature of academic activity more broadly is also complex. For example (and this is a crude example) the student, who is key to the nature of both the process and the outcome, is not—as is the case in some businesses—an inert input but becomes part of the process. Equally, the input of many professional groups is essential to ensuring student success. Also universities provide people with a range of different important outcomes and not just a qualification. Examples include the ability to live independently, the ability to meet a new range of people and the ability to engage in new activities, for example student sports, radio, and theatre. It follows, then, that we have a set of activities that are not amenable to easy measurement and are not unitary and that the delivery of the services of the university requires a range of inputs. This does not mean that there are no elements that we should measure and strive towards, but it means we have to be sophisticated in defining and interpreting them.

This leads to my fourth point. HEIs, like many other institutions, are being expected to provide information to help students and their parents make informed choices about the nature of their services. This has led to the industry of the creation of league tables—I read somewhere that 80% of institutions are in the top 10 of something—and these, in turn, create their own reality and like other measurement/reward systems lead us to manipulations as well. These measures are developed by a whole range of different people in different parts of the media, as well as by regulators and sometimes indeed HEIs.

The fifth point is that the financial sustainability of the sector as a whole is not robust and the sector generally works on low margins, with many institutions working with a deficit.

The final contextual/cultural point that I will make is that there has been a growth in the regulatory framework affecting universities and this is often seen by academic colleagues as impacting on elements of academic freedom, albeit in different ways. Two examples are foremost in the mind of colleagues:

- We have the Quality Assurance Agency (QAA) frameworks and precepts that frame the expectations that are the subject of quality audit of learning and teaching.
- We have the RAE which does not directly regulate, but which has expectations of what research activity should comprise. As funding is allocated in line with the results of the RAE, this also brings incentives, both individual and organisational, to achieve the expected outputs.

It follows, then, that there are huge problems in conceiving of PMS within universities through the use of an input/process/output model. What we have is a sector that is relatively autonomous, but driven by a series of funding mechanisms that demand particular outcomes. These sometimes produce contradictory demands and, at this point in time, are changing and growing—introducing widening participation and enterprise activity for example. The sector is populated by a set of actors who see themselves as autonomous professionals governed by a culture of academic freedom, but who are increasingly being asked to account for themselves through academic audit and the RAE. Its processes are complex, poorly specified and poorly understood, hence intervening in the process will have poorly understood effects, if any effect at all. Some of the measures that are used are controlled by a range of people with different interests and there are a series of regulatory frames that cannot be ignored, but that lead to diverse rewards. This description is not comprehensive but it does, hopefully, give a view of the complexity of the environment of HE.

The prerequisites for implementing performance measurement systems within universities might exist in small pockets of activity, but not in all elements of activity. Because they are implemented in a complex environment sophisticated interpretation of performance measures is required. Performance management can take on board this complexity and can provide interpretation of the meaning of the measures, taking into account the complexity in which they are embedded. Performance measurement alone cannot achieve this.

Conceptualising the Challenge of Management in HEIs

The cultural and contextual elements in HE create challenges at two levels:

- Management of the individual university.
- The funding and governance of the sector as a whole.

To help to address these issues we can reconceptualise the university in a way that makes the complexity of the required outputs and goals visible (this model is applicable to any complex organization). The best approach sees the organisation as a coalition of different groups and all have their own particular interests. This means that it is difficult to define organisational goals—the required outputs—unambiguously. As different parties have different goals, then the organisational goals must be contained somewhere in the overlapping interests of the groups.

One way of sharpening this conceptualisation is to see the management task as concerned with inducing different parties to provide the required contributions needed to enable the organisation to survive. The inducement–contribution model of organisations built by Chester Barnard (1938) helps us to do this.

The general point is that, using this model, management is concerned with ensuring that the organisation is working within the feasible set of overlapping goals of the constituencies and that inducements are sufficient to enable the contributions necessary to produce organisational sustainability.

The implication of this for management and measurement is that the rational linear model of defining the output or goal of the organisation and ensuring movement towards it is far too simple. Instead, where there is disagreement among the different parties as to what the goal should be, managers may have to move towards a satisfactory goal that can be accommodated within the feasible set of alternatives, rather than work to maximise a particular goal. A suitable metaphor for management is to see it as the task of the conductor of an orchestra who offers leadership, but also melds the talents of all the members—all these contributions are needed to produce a good performance. How to measure this in absolute terms is, of course, problematic.

In these circumstances performance measurement using a simple cybernetic model with transactional controls is not always appropriate. Instead, what should be adopted is a more complex model of the system using performance management and taking a more relational approach. This does not mean that there is no control, but that the control has a rather different nuance.

Funding, PMS and Performance Measurement: The Role of the Higher Education Funding Council for England (HEFCE)

There is one significant element that impinges on the model that I have put forward that needs to be considered and that is of the power differentials between the various parties involved in universities. This, of course, means that the task of balancing interests is not necessarily that of mediating a series of *equal* claims in an even-handed way. The ultimate goal of survival will rest particularly with satisfying more powerful parties and this brings the argument back to the issue of the resource and funding flows. Those who provide the funding for institutions have a greater capacity to demand particular goals and where there is a concentration of funding from one particular source, then there is a particularly powerful actor. In the case of universities, this is invariably the state.

In many ways this means that the demands of the state are either non-negotiable or difficult to ignore, especially when an institution is under some financial strain and, as noted earlier, the sector as a whole runs close to break-even. Hence the requirement to undertake QAA audits as a prerequisite for receiving state funding. Equally, the return for a good RAE score are funding flows that even autonomous institutions cannot ignore. Specialised funding flows for introducing new and different activities also become attractive when they may contribute to moving an institution away from deficit or a narrow margin. As noted at the outset, universities are autonomous bodies, but their need for financial stability means they are reliant on funders and hence that autonomy is restricted. University managers have little room for manoeuvre in these types of circumstances and the limiting factor of financial resources for institutional survival is a crucial driver of behaviour.

The internal organisational tensions that this context inevitably produces are mediated to some extent by the nature of the funding flow and the PMS that is adopted. In this respect I would like to give some positive recognition to the work of HEFCE which acts as what Richard Laughlin and I have called a 'buffer'—an absorbing mechanism between the HEIs and the state. In essence, HEFCE acts to mediate the simple demands of the state—or, indeed, the minister concerned—and place them in a more practical framework that is workable and acceptable for the HEIs that have to deliver the policies. Of course, sometimes the state's demands themselves are not negotiable and mediation is impossible, but the mode of achieving the demands may well be more malleable. In achieving the state's required outcomes, HEFCE's control of funding flows is crucial. HEFCE clearly asks for particular outcomes, for example in the context of the contract for funding student numbers, but it achieves this by adopting a relational approach. Thus it recognises the complexity of the university system, it understands the competing demands on the system, it respects that the HEIs should have some autonomy, and it recognises that there needs to be some resourcing to build broader capacity. HEFCE arguably has a very sophisticated understanding of the sector and the HEIs within it, which allows it to exercise some control and broad governance of the sector within a relational frame. This does not mean that there is no control; indeed, vice-chancellors would sometimes argue that HEFCE has too much influence. I would however argue that this control is nuanced and provides vice-chancellors and their senior teams with the possibility to start to negotiate some of the competing demands on them.

This can be contrasted with the approach that has been taken by other funding agencies. A stark example is the Department of Health (DoH) which funds universities to provide education on a totally transactional basis. The DoH buys places for education using a contract with an incremental payment for a specified number of places. This is manageable when there is a steady state or gentle incremental change in demand, but when there is steep or aggressive change (as is the current situation) leading to corresponding changes in resourcing, then it will be difficult to achieve a satisfactory HEI response. Where there has been a steep reduction, then HEIs are put in a situation of great difficulty and thus DoH contracts are a significant risk because of their volatility. The impact on this is that internally this reduces the potential for mediation between different stakeholder interests.

Conclusion

The nature of universities is complex and the management of such institutions is correspondingly complicated. To reconceptualise the nature of universities and use the metaphor of the conductor of an orchestra provides a richer basis for thinking about management practice in the sector.

The management of HEIs takes place in a context that is defined for them by the relationships that exist between them and their regulatory and financial framework. To enable management in HEIs the sector needs to be controlled through the use of a relational PMS. This does not duck the issue of control or the need to achieve a particular outcome, but sees it as more than adding together a set of defined or discrete outcomes. The use of performance measurement alone is too blunt a tool for satisfactory

management of HEIs. In the context of managing institutions with the need for the contributions of many different stakeholders, who may well have demands that are to some extent incommensurate, transactional controls such as that of performance measurement are simply not appropriate. The approach does not provide sufficient flexibility to allow vice-chancellors to incorporate the diverse and incommensurate demands that exist in HEIs.

The worry is that the model of 'if you can't measure it you can't manage it'; the 'something-for-something' thinking is potentially driving us towards a more transactional approach to funding and control. This can be illustrated. Following various financial scandals, the most well known being Enron, there is a current concern with issue of governance. Thus the Committee of University Chairmen has been very involved in the development of codes of governance in the university sector and their latest report (CUC, 2006) strongly steers towards the use of a system of performance measurement via the use of a chosen set of KPIs as a means by which external council members might track the progress of the institutions for which they have responsibility. Equally, there is a concern that the new RAE methodology following the 2007/08 exercise will, in relying more on metrics, become more mechanical. Both of these are examples of more performance measurement and transactional approaches.

Finally, I offer a note of caution against trying to tie everything down too closely in a complex environment. Relational PMS allow loose coupling that allows room for manoeuvre in a complex environment. Tight coupling means if one carriage leaves the track, then so will the others. Use performance management, not just measurement, and use the latter with care and be sure you can still manage.

Acknowledgements

This article draws on an ESRC-funded research project on Performance Management of and in Higher Education undertaken with Professor Richard Laughlin and Carolyn Gallop. I must acknowledge that this and most of my work is a joint project with Richard Laughlin, in which neither of us can see the seams and know where our own work starts and the other finishes.

This article is based on the author's public lecture at Roehampton University delivered in March 2007.

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Article 2

'Slimming down the targets' by Colin Talbot, Public Finance 17/08/2007

The scaling down of Public Service Agreements has been heralded as emblematic of a less centralist approach to performance management. But details of the new delivery agreements suggest otherwise

One of the constant criticisms of New Labour has been its supposed obsession with targets. This has often been likened to Soviet-style command and control planning, with Gordon Brown accused of having Stalinist tendencies by a former senior official.

To be fair to New Labour, it didn't invent targets. By the time it came to power in 1997 most of the UK public sector had some form of mandated performance reporting: there were already national targets in health, for example.

True, these were not always explicit, but many were and almost no part of the system escaped some form of measurement.

There was one glaring exception — Whitehall itself. Government, or rather ministries, gave themselves no targets. Public Service Agreements — introduced with the Comprehensive Spending Review of 1998 — were the pinnacle of this measurement mountain.

From 1998 onwards, government departments had to set targets and report publicly on them. These were then supposed to form the basis of setting targets lower down the system, so 'joining-up' performance drivers from top to bottom.

For the past couple of years the government has been saying that it wants to move towards a more decentralised system. A top-down approach was necessary, so the argument goes, in the early days because public services were failing so badly.

You don't have the luxury of debate and consultation when the house is on fire, you need someone in charge. Failing schools and long waiting lists for health treatments were crises that had to be dealt with through the smack of firm government.

Now, apparently, the crisis is over: targets worked and the public services are on a more even keel. Now it is time for a more gentle, caring, involving and decentralised approach. Targets are to be mercilessly scythed down and the responsibility for delivering devolved nearer the front line. There is talk of creating 'self-improving systems' that do not require central intervention once established.

Most emblematically, the government is due to announce in October that PSAs — the pinnacle of targetry — are to be vastly scaled down. Andy Burnham, the new chief secretary to the Treasury, announced as much a few weeks ago, in an interview with the Guardian. The subtext here was obvious. The message that targets are dead was itself carefully targeted by announcing it on the front page.

There are two problems with this narrative: money and reality. When the former chief secretary Stephen Timms gave evidence to the Treasury Select Committee in January he specifically attributed the improvements in health and education to PSAs.

But is this really true?

Any sober evaluation of PSAs' impact would have to see them in the context of increased public spending. Are improvements in services a result of PSAs or more money? The answer is probably mixed: in some areas PSAs helped concentrate the extra resources on priorities in a positive way and in others they were less successful.

The second problem is the reality (as opposed to the spin) about how the new system is supposed to work. PSAs are expected to number about 30 (down from about 160) and will not be tied to individual departments. There will be cross-government priorities, with one department designated as the lead, but with others in the frame in most cases.

The clear implication is that this reduction in top-level targets will be cascaded down into every aspect of public services.

But the detail says otherwise. Underneath each PSA will be a 'delivery agreement'. This will involve all the key players in the 'delivery chain' for this specific target in signing up to their own targets and priorities and monitoring systems to ensure delivery.

If we take an area such as child poverty, this would potentially involve hundreds of central and local public service bodies across multiple Whitehall turfs.

We don't know exactly what will be in these delivery agreements and the Treasury is being as secretive as ever about them.

A cynic might conclude that PSAs were being reduced through the device of pushing the actual target-setting down one level into the delivery agreements and hoping that no-one notices.

So when the Comprehensive Spending Review is published in October, don't just look at the top-level PSAs; look at what's behind them. Then we'll be able to tell if the government really is on a targets diet, or just hiding the chocolate biscuits somewhere else.

SECTION A (Compulsory – answer both questions)

1

• **Requirement for question 1**

Broadbent describes existing performance management systems (PMS) in Higher Education as following the input/process/output model. Assess whether this is the prevalent PMS model in use across the public services, and discuss why successive governments have seen this as a key element in the implementation of New Public Management (NPM).

(30)

2

• **Requirement for question 2**

Broadbent concludes with a note of caution against trying to tie everything down, and suggests a possible rational approach. Discuss arguments against target driven performance management, and explore improvements and alternatives to it. Use examples from across the public services to support your submission.

(30)

SECTION B (Answer two from three questions)

3

Extract from Public Finance 13/07/2007

It might be unfashionable, but there's a lot to be said for the public sector directly providing public services. Paul O'Brien and Mark Bramah explain.

Public sector employment is at a crossroads. The shift away from direct provision of services has led to more and more jobs being contracted out. The prevailing orthodoxy dictates that outsourcing is the way ahead. Yet, in the process, some of the strategic benefits of direct provision are in danger of being lost.

For example, there is growing evidence that the holistic approach demanded by many of the government's policy objectives is easier to meet with directly run services. The place-shaping agenda of the Lyons Report, the focus on community empowerment in the Local Government and Public Involvement in Health Bill and the emphasis on joint outcomes and pooled resources in Local Area Agreements all point to the need for integrated and joined-up service delivery. Perhaps the time is ripe, with so much change and rethinking going on at the centre of government, to look at the issue anew?

This is the focus of a research programme set up by the Association for Public Service Excellence, the Centre for Local Economic Strategies and the Institute for Local Government Studies. Their report, Towards a future for public employment, published this week, aims to challenge current thinking and open up debate on the value of public employment.

...Currently, as a result of the adoption of a market philosophy and private sector management techniques, billions of pounds have been spent contracting out public services. The focus is on the price of services and who pays for them, rather than who provides them. As a result, the link between the public funding of services and their delivery has been weakened. Provision has become fragmented and the inherent value of public employment has been overlooked, while its supposed faults have been well documented. For example, it is often viewed as existing in the interests of the providers rather than service users, of being more costly, of failing to take risks and innovate, of not offering sufficient choice and of being centrally controlled and inflexible.

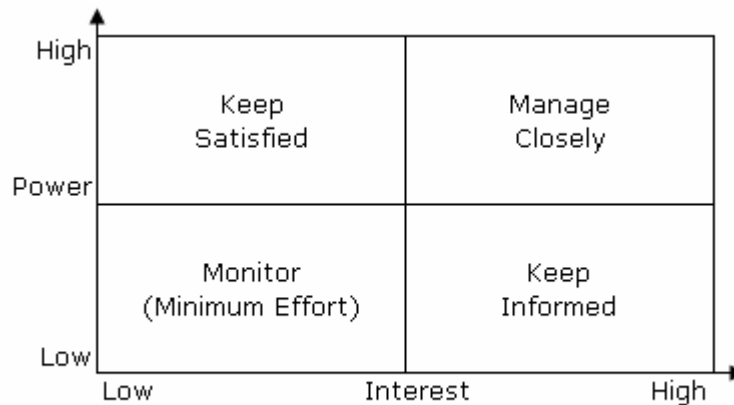
...Towards a future for public employment discusses the five main ways in which public employment contributes to wider public value. These are: providing effective leverage in local economies; shaping places; managing costs and transactions; sustaining democratic networks and accountability; and realising the potential of the local workforce.

• **Requirements for question 3**

- (a) Identify the strategic benefits of direct provision, and explain the principles of outsourcing. 10
- (b) Discuss the possible long term effect on a public service organisation's strategic capability if it 'shifts away from direct provision', and compare this with the possible long term effect on a public service organisation's strategic capability if it retains direct provision. 10

(20)

4



A power/interest matrix can be seen above (taken from the learning material). It seeks to describe the political context within which an individual strategy would be pursued by classifying stakeholders in relation to the power they hold and the extent to which they are likely to show interest in supporting or opposing a particular strategy. The matrix indicates the type of relationship which organisations typically might establish with stakeholder groups in the different quadrants.

- **Requirement for question 4**

(a) For a public service organisation with which you are familiar assume the organisation is developing a strategy to increase the level of consultation with the local community on key strategic decisions, by providing monthly open evening meetings. Undertake a stakeholder mapping exercise (using the power/interest matrix), and briefly explain why each stakeholder (or stakeholder group) identified is in a particular category.

8

(b) Discuss the importance of meeting stakeholder expectations and identify (with supporting examples) why conflicts of expectations often occur between stakeholders (or stakeholder groups).

12

(20)

5

.....structures define the 'levels' and roles in an organisation.structures facilitate or constrain how the processes and relationships work.

(Johnson and Scholes 2002)

Having an appropriate structure enables an organisation to deliver strategy effectively, and so meet its overall objectives. But what makes a structure work is the informal and formal processes of the organisation, and central to these are planning and control systems.

There are many types of structure, but the most common in public services are functional structures, multidivisional structures and matrix structures.

- **Requirements for question 5**

- (a) Briefly explain what is a functional structure, a multidivisional structure and a matrix structure, including the advantages and disadvantages of each structure in the delivery of an organisation's strategy. 12
- (b) Explain, with appropriate supporting examples, why planning and control systems are central to the successful implementation of an organisation's strategy. 8

(20)
