

BUSINESS STRATEGY IN CENTRAL GOVERNMENT AND AGENCIES

Professional 2
December 2000

MARKING SCHEME



Question 1

- (a) This part of the question draws upon Study Unit 11 of the open learning material and offprint 2 of Block 3.

Marks are potentially available for a range of points.

Definitions

2 marks maximum for definition of 3 E's.

1 mark maximum for distinguishing between performance measure and indicator in terms of latter being proxy measure of unmeasurable variable.

Advantages and Disadvantages

<p>Advantages</p> <ul style="list-style-type: none">• Facilitate comparisons between similar services• Allow clients (purchasers) to identify and act on key concerns/problems/ issues in the service as a whole• Enable targets to be set, both nationally and locally, and to monitor progress against these targets• Allow departments and agencies with poor results to act on their findings• Help to determine long-term trends in government services and plan effectively for them	<p>Disadvantages</p> <ul style="list-style-type: none">• They may focus on inputs and processes (economy and efficiency), not outcomes (effectiveness)• Often make inappropriate comparisons of different types of government activity with very different needs and service configuration• Data can be inaccurate and, because collation is a lengthy process, it can be late in availability• Chance variations can lead to time and effort being wasted on small or random differences• Information can be misused by other interested parties such as politicians and local pressure groups
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*½ mark for basic relevant point: 1 mark per point well made up to a maximum of 6
Other relevant points can attract credit*

- (b) This section draws upon the 1998 Technical Update.

Definition e.g. 'continuous process of measuring products, services and practices against those companies recognised as industry competitors'.

2

Approaches to benchmarking

Use similar organisations to share standardised data on a variety of specific performances.

Use different organisations with a 'softer' (less statistical) approach and looking for 'best practice' or 'best performance'.

Involves measurement, comparisons, judgement, action plans, setting targets and measuring achievement.

*Other points available up to a maximum of 3 marks
(5)*

- (c) This section draws upon Offprint 3 of the Financial Reporting in Central Government and Agencies 1998 Technical Update, but because of its centrality to Business Strategy it is felt appropriate to examine this area.

Main stages:

- (i) Consider prior options
- (ii) Define area to be examined and carry out business review
- (iii) Decide on and measure against benchmarks which are cost based
- (iv) Prepare internal proposal which is compared against benchmarking data gathered

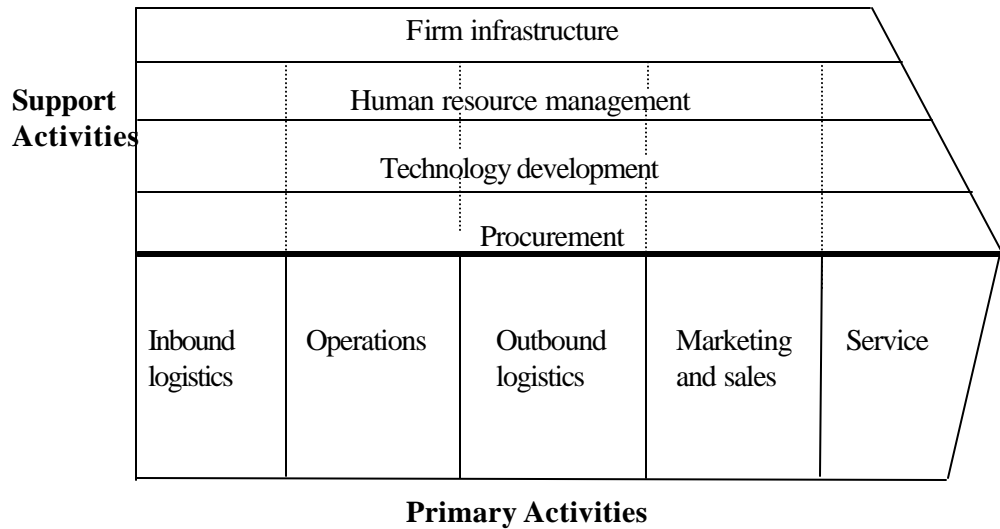
*1 point for each stage appropriately explained
(4)*

(18)

Question 2

(a) This part of the question draws upon SU 12.4 of the open learning material

Value Chain:



3

Primary activities:

Government example – e.g. Inland Revenue:

- Inbound logistics – customers, in person, and other forms of communication, literature, legislative changes
- Operations – processing claims, tax returns, modelling changes to the tax regulations, allowances, etc.
- Outbound logistics – issue of revised tax codes, tax demands
- Marketing – advertising tax code changes
- Service – maintaining tax records, answering customer queries.

5

(b)

- Categorisation of value adding activities in complex processes. 1
- Ability to seek to ensure processes consistent with overall strategy by maximising potential for cost reduction/differentiation 1
- Seeking to enhance links and synergy between different elements of the value chain (both primary and support) and with elements within wider value chains. 2

Some information relevant to this part is contained in SU12 and is reproduced below for marker's information:

“An effective value chain analysis will not confine itself to internal resources alone. It will take the whole process into account, because all organisations rely on external factors to determine their strategic position. Therefore, for all key activities of the business it is also important to look at the value chains of suppliers, distributors and customers and how they all link together.

From this basis, you are then able to go on to assess:

- Resource utilisation
- Cost efficiency
- Effectiveness in the match between the organisation's capability and the customer's requirement
- Control of resources
- Financial capability and performance”

- (c) Answers will be SBU specific here, but credit is available for the ability to show how unit objectives can be achieved better by the application of some or all of the contributions identified in (b) e.g. creation of better linkages, systematic identification of cost reductions throughout value chain, etc.

6

(18)

Question 3

SU3, TU98 Offprint

- (a) The role of a mission statement is to:
- communicate the broadest purpose of the organisation
 - be at the tip of the strategic cascade
 - guide behaviour
 - inform decision making

½ mark each to 2 marks

- (b) Failings include:
- unclear
 - vague and valueless
 - motherhood statements
 - not in touch with reality
 - inconsistency between elements
 - inconsistent with management action
 - inwardly focused

*½ mark for identifying, ½ for explaining each failing up to a maximum of 6
Other points can attract credit*

- (c) *A well read student will answer the question with reference to Piercy and Morgan as detailed below. However, in the absence of this, up to 5 marks should be awarded for well explained general comments including identifying stakeholders, consultation, resolving conflicts, drafting style, piloting, and launching.*

Piercy and Morgan suggest organisations should focus content of mission statements and possibly use more than one statement. Different foci include:

Organisational philosophy
definition of central purpose
what we want organisation to be and stand for.

Product market domain
what markets we want to be in
where are we going to operate

Organisational key values
core values and principles
how we want people to behave

Critical success factors
strategic intent
what do we have to be good at.

2 marks are available for each element when well explained to maximum of 8

Different combinations of the above foci yield different forms of mission statement:

Global mission – all four foci

Market mission – product market domain and critical success factors

Organisational mission – organisational philosophy and key values

*2 marks are available for defining all 3 types:
½ mark only if simply listed up to a maximum of 10*

(18)

Question 4

SU15

- (a) Porter's competitive strategy approach builds on the work of Ansoff, and links strategic options to the competitive environment.

Outline of process

generic strategy	(what)
directional options	(where)
optional methods	(how)

Explanation of each element:

generic strategy
cost leadership
differentiation
focus

*1 mark each where each element of generic strategy is explained:
total of 1 mark for simple list up to a maximum of 3*

directional options
no change
internal growth
external growth
disinvestment
combination

*1 mark each where each option is explained:
total of 2 marks for simple list up to a maximum of 5*

optional methods
internal development
joint development
acquisition

*1 mark each where each method is explained:
total of 1 mark for simple list up to a maximum of 3*

- (b) Strategic Issues approach

generated from formal strategic review process, with each option related to an issue identified as key.

1

Advantages: linked to environment, identifies obvious options, logical
Disadvantages: can be narrow and skewed, not creative, restrictive

*1 mark for advantages explained and 1 for disadvantages explained
up to a maximum of 2*

(c) Brainstorming:

Factors in successful brainstorming include:

- open atmosphere
- no questioning or blame
- trusting and friendly environment
- removing barriers (i.e. tables)
- encouragement to be imaginative & creative
- challenge existing assumptions
- no limits
- ignore feasibility and viability
- participation across stakeholders
- professional facilitator

*½ mark for each to a total of 4
Other points can attract credit*

(18)

Question 5

SU19

(a) Forcefield analysis

Forcefields should be split into different groupings, but regardless, the following should be included

Promoting forces

Resisting forces

Personal

Sir Goahead
Acute Trust CIA
Lady Largebrain*

CC Treasurer*
CC Chief Internal Auditor
Sir Houseall*

Inter-personal

Lady Lancelot and CC CEO
Lady Largebrain and Sir Truck

CC CIA and Trust CIA
Sir Houseall and Lady Largebrain

Work group

Acute Trust audit staff

CC staff against change

Inter-group

CC Audit and Acute Trust Audit
Acute and Community Trusts

Departmental

CC Finance Dept. influence

Organisational

CC diversity needs specialisation
Acute Trust Directors*
Housing Association budget

Political

CC Council Leader*
Sir Truck*

Land dispute

Environmental

Public Opinion

(* represents key force)

? Community Trust
Staff / Board of University
Staff / Board of HA
Agencies
External audit

½ mark for each force appropriately positioned to 6 marks, 1 mark for using appropriate headings, 1 for identifying outstanding questions, 2 marks for considering key forces

(b) Management style

Outline 6 management styles

Education
Participation
Intervention
Negotiation
Manipulation
Power

½ mark for each outlined to a total of 3

Evaluation of most appropriate to include recommendation

Suggested style:

Education –	too slow, unlikely to get consensus
Participation –	the decision has been taken, too late to participate
Intervention –	a radical, structural and cultural change across a number of organisations is necessary so may not be appropriate. Case might be made though
Negotiation –	Possible – although lengthy
Manipulation –	Likely approach, as mixture of inducement, coercion, persuasion, and obligation could overcome complex resistors quickly.
Power –	Likely to alienate. Only feasible in crisis, which this is not.

*5 marks for evaluation and recommendation – must be tied back to the case.
Credit is also available for analysis of other management styles.*

(c) Other Issues

Timing – April 2001 – is this realistic?
Is it all or nothing? – pilot with champions.
Create full business case
Market plans
Detailed implementation plan
Communication

*1 mark for each reasonable issue up to a maximum of 5
Other points can attract credit*

(18)

Question 6

(a) SU4

Benefits:

- Greater ownership of plan and commitment to achieving its goals
- Better quality of information as involve those actually working in relevant areas
- Means of harnessing greater creativity and innovation

*1 mark for each up to a maximum of 3
Other points can attract credit*

Approach:

- Group discussions, brainstorming sessions, possibly held away from work
- Circulation of resultant draft business plan for comment

1 mark for each up to a maximum of 2

(b) SU3 (also draws on material in management)

Effective objectives should be:

Specific
Measurable
Achievable
Relevant
Timebound

N.B. As SMART criterion not explicitly mentioned other descriptors are acceptable.

2

Specimen objective could read:

To ensure that during the period January 1 to March 31 2001 98% of all enquiries from members of the public received electronically or by post are responded to within 5 working days; this represents a 2% increase on the same quarter in 2000.

N.B. Key aspects to capture are specificity, measurability and time-boundedness

3

(c) Points that could be made include:

- Inclusion of business unit mission statement derived from strategic plan
- Situation/SWOT analysis building upon current analysis
- Formal option generation and evaluation to address objectives set
- Action plan and resource forecast for implementation of chosen option(s)
- Sensitivity analysis/contingency planning
- Formal performance monitoring

1 mark for each point well made up to maximum of 5

(d) Draws on material from SU22.4. Process of performance review:

Monitoring performance
Analysing variances
Taking corrective action
Reviewing the plan

2

Concerning methods OL material mentions four:

Monitoring budgets
Monitoring quality standards
Monitoring contracts
Individual appraisal

For two marks per each area following points could be made:

Monitoring budgets:

Budgets represent financial objectives cascaded through the organisation
Monitoring occurs through conventional variance analysis, examination of reasons for material variances and corrective action where appropriate.

Monitoring quality standards

Variety of approaches available appropriate to different services e.g. telephone services can be monitored electronically
Other services can be analysed using customer questionnaires or focus groups

Monitoring contracts

Need for clear specification; understandable criteria for measuring performance; N.B. danger of lack of flexibility in face of changing circumstances.

Individual appraisal

Within formal appraisal processes and informal as well; scope for use of performance related pay

6

Credit is also available for other relevant points.

(23)