

BUSINESS STRATEGY IN HOUSING ASSOCIATIONS

Professional 2
December 1999

MARKING SCHEME



Question 1

- (a) Correct presentation of grid 1
 Identification of at least one relevant factor in each quadrant 2
1/2 mark per quadrant (3)
- (b) Identify the key environmental influences or a wide strategic scan. 1/2
 Example 1/2
 Identify driving environmental forces, ie forces to which organisations are sensitive. 1/2
 Example 1/2
 Differentiate between the impact of the
 various environmental factors, in terms of future impact including time horizons and
 resources etc. 1
(3)
- (c) Definition
 The process by which institutions examine the political, economic, technological,
 educational, demographic and other trends which will affect them in the foreseeable
 future (or equivalent) 1
- What is the role of scenario analysis in developing strategy 1
 Relating the scenario to the case 1
(3)
- (d) Possible scenarios include
Balanced portfolio
 Attempt to balance general needs, and special needs provision with specialist
 activities such as starter homes and shared ownership
Elitist activity
 Attempt to upgrade quality of general needs housing stock
Niche market
 Develop inner city portfolio in partnership with other agencies
Wider access
 Develop a more open access policy, links with local authorities, health authorities,
 target under represented groups of tenants
Etc.
- 3 marks for each of three scenarios-*
1 mark for statement
1 mark for merits
1 mark for problems
(9)
(18)

Question 2

- (a) Strategic planning (or corporate planning). Concerned with planning for organisations as a whole, setting mission, broad strategic objectives, plus issues such as overall organisational structure.

2

Business planning. Planning at level of strategic business unit; reinterprets strategic vision in manner relevant to SBU yielding prioritised objectives, resource forecasts, targets and action plans.

3

Operational or budget plan. Sets detailed budget, allocating resources to activities identified by business plan.

1

- (b) Identification of good practice in planning.

Criteria could for example be:

- appropriate consultation with stakeholders
- commitment of appropriate resources, including time, key personnel, top management support
- match between approach to planning and organisational environment
- appropriate linkages between plans eg strategic and business plans
- appropriate timing of eg planning cycle and budgetary cycle

1 mark for each aspect up to a maximum of 5

Remainder of marks for showing awareness of planning mechanisms and critiquing them in the light of 5 criteria chosen

7

(18)

Question 3

- (a) The Balanced Scorecard refers to the process of measuring an organisation's performance in terms of not just financial measures but also of non-financial measures and indicators. 2
- Clarify and translating vision and strategy
Communicating and linking strategic objectives and measures
Planning and Setting targets
Feedback and learning
Or other relevant points 4
- (b) Financial: How do strategy and financial performance relate to each other?
Consider:
Income or revenue growth
Cost reduction/productivity
Use of assets and capital investment strategy 2
- Example: How well does the budget process align with the business plan?
Or capital investment appraisal schemes (etc) 1
- Customer: How is strategy translated into issues which are real to the public and community (or clients, students, patients, etc)? Refer to:

Customer satisfaction
Use of facilities
Complaints 2
- Example: Time taken to process, say, Repairs requests, housing applications etc. 1
- Internal Business Process:
Identify processes most important for achieving objectives. Refer to:

Innovation (new processes)
Operations (improvement of existing)
“postsale” (i.e. maintaining & reviewing systems) 2
- Example: I.T. developments 1

Learning

& Growth: Measurement of organisational learning. Growth is not so relevant in the public sector. Also employee learning. Three categories to be mentioned:

Employee capabilities

Information system capabilities

Motivation, empowerment and alignment

2

Example: Employee training arrangements, or
Communications, or
I.T. Development, or
Etc.

1

(18)

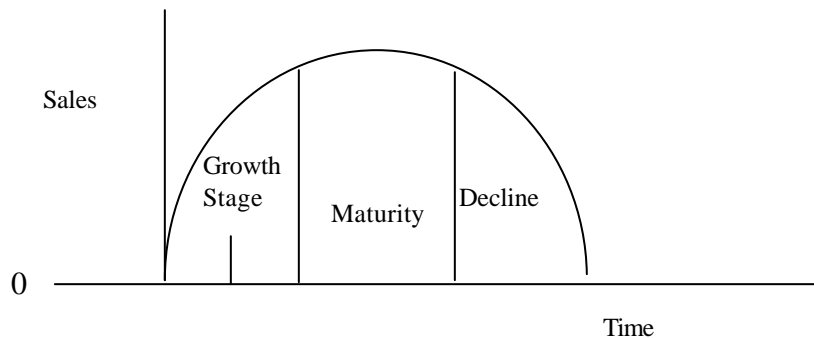
Question 4

(a) The open learning material (SU 7.1) expresses the 3 stages as follows

Stage	Characteristics
Emerging	Absence of rules, poor market information, high growth, many new entrants, shortage of key supplies i.e. staff.
Maturing	Accepted rules of competition, slow-down in the rate of growth.
Declining	Falling sales, withdrawals from the market.

1 mark for identifying each stage plus brief description, up to three marks.

Alternatively, students may use variant of product life cycle, eg



Additional descriptive points possible eg flexible customer preferences at growth/emerging stage; more fixed preferences at maturity stage.

For this approach 1 mark for correct diagram (NB different variants possible), 2 marks for substantive definitional comment reflecting definitional points above or similar.

(b)

		Market Share	
		Low	High
Market Growth	High	Prospect/ Problem Child	Star
	Low	Dog	Cash Cow

2 marks for correctly labelled matrix

Discussion of each quadrant's product

Prospect – product not yet established in young, fast growing market; need to spend to increase market share.

Star - again product is immature, fast growing market but with large market share; however need to spend significantly to maintain that position.

Cash Cow - large market share in mature market, high margin from eg economies of scale, low promotional spend.

Dogs - declining products; candidates for divestment if possible.

1 mark for each quadrant to maximum of 4

Examples for each

Prospect

Star

Cash Cow

Dog

½ mark for each up to maximum of 2

Practical application

- ensuring resource allocation between activities sensible; products for future demand being developed
- applicability limited if cross-subsidisation of activities prohibited; if not then Boston recommends cross subsidisation of stars/prospects by cash cows.

2

- (c) Market segmentation - dividing market into groups of customers each sharing similar needs for service design; segmentation commonly done on basis of customer characteristics eg age 2
- Main role is to identify and meet more closely customer needs. 1
- Housing association example of application eg general needs and special needs, starter homes etc. 2
- (18)

Question 5

- (a) The report to the Board of Management should include use of the data provided in the case to illustrate the areas in which the strategic plan is not being achieved.
Format, including presentation of data and report suitable for presentation.

1

Areas include:

- The income and expenditure position is not balanced, with a substantial deficit
- Income from other housing associations is falling not going up
- Income from other activities is generally acceptable
- The cost improvement program has not been achieved and direct materials are overspent

*1 mark for identification of points
plus 1 mark for related analysis of data up to a maximum of 8*

Action the Association needs to take would include the following;

Marketing the plan

- Communication with key stakeholders in the associations, local authorities, health authorities
- Review of quality issues
- Review prices (possibly comparison with local authority rates)
- Promotion
- Review of competitors
- Place (are services being delivered in the right place and at the right time)

Monitoring

- Monitoring delivery of the plan
- Budget monitoring

Identifying the needs of other associations

- Consultation
- Appropriate channels of communication (written, face to face)

Review cost improvement targets

- Budgeting
- Review main activity areas and heads of divisions

- Regular monitoring of actual performance

1 mark for each relevant point made up to a maximum of 6

(b) Monitoring quality could be done as follows:

- Market research
- Questionnaires
- Satisfaction surveys
- Performance targets
- League tables
- Benchmarking

The student should give a small explanation of each method described

4

(c) Usefulness of budgeting as a strategic management tool

Issues concerned with:

- Planning
- Coordination
- Control
- Re-planning
- Shortcomings

4

(23)

Question 6

OLM Reference: SU 14 & 16

To gain full marks the student should be able to demonstrate, within the context of the case scenario, their knowledge of the processes for generating, evaluating and selecting strategic choices. Answers should therefore recognise the problems of Omnia and propose possible solutions that are practical.

(a)

Report style 1

(i) **Generation of options**

The OLM identifies 3 approaches for the generation of strategic options. To gain full marks students should identify these in the context of the case, though the marks for this section will recognise different approaches and emphases which could be taken.

Strategic issues approach

Builds on strategic analysis, focuses on a SWOT and uses any number of techniques to analyse resources and the market. Different types of analysis, including:

resource analysis:

Resource audit

Value chain analysis

market analysis:

Porter's 5 forces

Boston matrix

3

Brainstorming

Possible approach to the study, but student should recognise this as not traditionally used in bureaucratic cultures. Some of the characteristics should be mentioned:

Involvement of stakeholders

Small groups

Imaginative, innovative, challenging

Definition of brainstorming criteria constrains the process

2

Competitive strategy

Cost leadership - relevant in the context of making Omnia more efficient and effective, e.g. rationalisation of resources with introduction of new IT, speed up processes and reduce inputs, improve quality of service.

Differentiation. In the context of innovative ideas of service delivery there may be some relevance, e.g. remote access.

Focus - similar comments to differentiation.

Cost leadership is the most obvious generic strategy given the NAO investigation into the £5m, although the other 2 could be justified.

3

(ii) **Criteria for evaluation**

Answers should cover the following:

Defining relevant objectives:

Organisational

To reflect important stakeholder expectations, e.g. Ministers, Government social policy on housing, LAs, Health authorities

Unit objectives

Reflect the operational aspects of Omnia or aspects of it. Provides the means of aggregation and comparison across the regional offices.

Ranking objectives

Objectives should be ranked in order of priority.

Identifying benefit criteria

E.g.,
Quality of service
Timeliness
Consistency

Efficiency
Rationalisation

Benefits should be quantified. 3

(iii) **Shortlisting**

Determined by comparing options against the benefit criteria.

Establish which options are:

Impractical

Unfeasible

Unaffordable

Inferior

Include the do nothing option 3

(b) **Selecting the preferred option**

Each option short-listed should be consider in terms of its:

Consistency with Omnia's mission and values

Suitability

Feasibility

Acceptability in terms of

Direction

Do nothing – given the complaints and NAO interest this is not a realistic option, but should be used as a benchmark to measure other options.

Internal growth – the market and product is effectively determined, therefore main issue probably relates to internal cost improvements through more efficient IT, improved processes, reorganisation, etc

Disinvestment – some work could be contracted out to a third party(eg local authorities)

Combination – of some of the above

Looking at a combination of these directional options may be most appropriate, although a student may be able to justify using only one. 3

Means

Internal development – issue here is about the development of the IT and administrative systems, whether this should be tackled internally. There is also an issue about whether there should be a standard development across regional offices.

Joint development – the history of the internal development of the IT system would suggest that future change should be made in partnership with experts.

Acquisition – not a realistic option.

Most obvious option is joint development.

3

*Up to 1½ marks for each of the 4 major classifications
ie do nothing; develop improved IT systems; outsource; and joint development.*

Evaluation

There is virtually no financial information on Omnia, but students should refer to the need to apply some form of option appraisal to determine the relative quantified merits of each option. Any of the following analytical tools and sensitivity/risk analysis techniques could be described; these can be used in combination:

payback method

ROCE

DCF

Cost benefit analysis

Risk analysis

Sensitivity analysis

Scenario planning

2

(23)