

BUSINESS STRATEGY IN HOUSING ASSOCIATIONS

Professional 2
June 1999

MARKING SCHEME

The logo for CIPFA, featuring the letters 'CIPFA' in a serif font. The letter 'I' is stylized with a decorative flourish that loops over the top of the 'P'.

Question 1

(a)

Students could select four services from:

- development services
- internal audit
- financial services
- information technology
- architectural services
- legal services
- security

(1/2 mark each) 2

Advantages and disadvantages will be specific to services chosen but could include:

Advantages	Disadvantages
<ul style="list-style-type: none"> • improved efficiency • better value for money • potential reductions in overheads • stimulus to internal improvement • access to best practice • access to more highly qualified staff 	<ul style="list-style-type: none"> • loss of management control • less responsive to tenants' needs • lines of communication are more complex

1/2 mark to identify, 1/2 mark to expand up to a maximum of 6

(b) Contractual arrangements

If provision remains in-house specification is likely to become basis of service level agreement.

1

If service externalised then formal contract will exist between association and provider.

1

(c) Key players - roles and responsibilities

The student should make a distinction between the period leading up to award of the contract/SLA and the operation of the service thereafter.

Client – period to contract/SLA

Main role - to act as sponsor or buyer.

Main responsibilities:

- Identify/select tenderers
- Prepare ITT
- Set evaluation criteria
- Issue ITT
- Receive bids
- Evaluate bids
- Award contract/SLA

3

Client – period post contract/SLA

Main role - to manage the contract/SLA.

Main responsibilities:

- Managing the budget for the activity
- Monitoring performance and standards
- Agree changes to service specification
- Link between customer and contractor

2
(5)

Contractor – period to contract/SLA

Main role - to prepare the bid.

Main responsibilities:

- Respond to ITT (fundamentally the same for an in-house team and external contractor)

1 or 2

Contractor – period post contract/SLA

Main role - to provide service delivery.

Main responsibilities:

- Maintain levels of service
- Manage service delivery
- Quality assurance
- Liaising with the client

1 or 2
(Up to a maximum of 3)

8

(18)

Question 2

SU2 & TU pg. 43

(a) Strategic Analysis:

Strategic Choice:

Strategic Implementation:

Linkages - examples include:

analysis generates strategic issues that feed into choice
choice will be a function of capability which will impact on
implementation
capabilities linked to evaluation linked to implementation
environment linked to generation linked to monitoring
review linked to capabilities and environment

1

(1 mark for each linkage identified and explained, up to a maximum of 3)

(b) Deliberate:

planned strategy
formal plans
centrally driven
workable in stable environment
continuous response to the environment

Emergent:

strategies which are realised differently from or in the absence of
intention.
internalise imposition into internal plans

(2 marks for each definition)

(c) Clearly answers may differ depending on the organisation concerned. Discussion should centre around extent to which strategies are realised as intended and would normally conclude that an emergent strategy is followed to at least some degree.

(Marks should be awarded for clear argument and conclusion.

Answer will discuss internal dynamics of strategy formulation and/or extent to which sectoral environment likely to impose strategy on an organisation).

1 mark per relevant point made.

(10)

Question 3

SU11

- (a) A full description of the model should include:
the picture of the model shown in SU 11,
a short note on the activities

(2 marks for the diagram/explanation of model, 2 marks explaining support activities, 2 marks explaining primary activities)

6

- (b) Uses include assessing:
resource utilisation
potential for cost leadership
effectiveness in establishing capabilities for differentiation
potential for integration
linkages *(1 mark for each point made) 4*

- (c) A good answer will attempt to match their organisation's activities to the value chain. eg

Housing Associations Sector:

Inbound Logistics: Process of acquiring inputs

Operations: Manufacture of replacement windows

Outbound Logistics: Transfer of windows to installation site

Marketing: Advertising of services to tenants

Service: Housing Management cyclical housing maintenance

Supported by secondary activities

Discussion of linkages would then be useful - e.g. problems in Inbound Logistics affecting the efficiency of Operations, and poor Operations having an effect on the cost of Service.

Credit is available for conceptual discussion of applicability or otherwise as well as illustrative matching.

*(1/2 mark per activity identified to a maximum of 3, 1/2 mark per explanation
of activity to maximum of 3, 2 marks for linkages explained)*

8

(18)

Question 4

(a) Barriers to change:

Routines
Culture
Power bases
Systems
Symbols

(½ mark for identifying each barrier plus ½ mark for explaining why it is a barrier to change - total 5 marks)

Management Styles:

Education
Participation
Intervention
Negotiation
Manipulation
Power

(½ marks for identifying each style to a maximum of 2 marks, plus ½ mark for outlining the style - total 4 marks)

(9)

(b) Budget monitoring:

pros. system in operation
use of resources against objectives
cons. inputs not outputs
lateness of preparation

Contract monitoring:

pros. monitored by client
external performance management
cons. may not cover all of strategy
external focus

Monitoring quality: (questionnaires etc.)

pros. all embracive
output orientated

cons. cost of collection
Selznick's management theory

(1 mark for description, 1 mark for pros and 1 mark for cons) (9)

(1/2 mark for identification without description) (18)

Question 5

(a) DCF Calculations

Option A

Year	Cashflow (£000)	DF	DCF (£000)	
0	(4,000)	1	(4,000)	
1-30	975	13.765	13,420.875	
			9,420.875	NPV

Option B

Year	Cashflow (£000)	DF	DCF (£000)	
0	(1,000)	1	(1,000)	
1-15	800	9.712	7,769.6	
			6,769.6	NPV

Option C

Year	Cashflow (£000)	DF	DCF (£000)	
0	(3,000)	1	(3,000)	
1-15	1,1500	9.712	11,168.8	
			8,168.8	NPV

Annual Equivalent Calculations

Option A	$\frac{\pounds 9,420,875}{13.765}$	= £684,407.91
Option B	$\frac{\pounds 6,769,600}{9.712}$	= £697,034.59
Option C	$\frac{\pounds 8,168,800}{9.712}$	= £841,103.78

1 mark - identification of cashflows
1 mark - identification of annuity factor
1 mark - discounting

1 mark - NPV

(Max 1 mark deducted for errors in calculations)

2 marks - AE Calculations

Weighted Benefit Analysis

Criteria	Weight	Options					
		A		B		C	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
V	6	5	30	6	36	9	54
W	3	10	30	10	30	5	15
X	2	10	20	5	10	6	12
Y	1	8	8	4	4	8	8
Z	2	5	10	10	20	7	14
			98		100		103

Weightings 1 mark Analysis/weighted score 2 marks comment/conclusion 1 mark

4

(b) **Principle Risks**

- outcome is a function of selected weights and scores
- ability of projects to meet timescale assumed.
- ability to raise levels of finance assumed within timescales assumed
- robustness of cost assumptions.

Further work:

- redo wba with different weights, based upon discussion with senior managers
- preliminary pre-tender discussions with interested contractors concerning feasibility of timescale assumptions, reinforced by communicating intention to include penalty clauses in specification
- discussions with commercial property agents; investigation of possible incentive arrangements to encourage target meeting
- discuss cost projections with budget managers and commercial lenders
(1 mark per relevant point) 8

(c) Advantages:

- transfer of risk
- greater efficiency of management may impact favourably on running cost performance
- may make timing of land disposals less material

Disadvantages:

- identification of a contractor is a complex process with a number of uncertainties
- likely to require higher cost of capital
- loss of control
- possible increase in quality
(1 mark per relevant point) 5

(23)

Question 6

(Underlining denotes key points)

- (a) SU2- The Corporate Plan is clearly intended to be a strategic, not a business, plan although it has strayed into the operational area with targets being set for standards of delivery of some services. The glaring omission is that the stakeholders have not been involved or even consulted in the preparation of the plan. Nor has any serious effort been made to sell the ideas to staff. The plan itself is too big at 30 pages and the objectives are not fully SMART, e.g. there is no clear target for answering telephone calls. There is no mention of the existence of departmental business plans and no arrangements for feedback and monitoring. There can therefore be no effective review of strategy.

Other relevant points can also be made by the student.

One mark for each point up to 8

- (b) As with most plans, the intentions, if not the contents, are probably sound. The plan has been launched so it cannot be “unwritten” and started again, and the student should recognise this: the answer to part (b) should not simply be a reversal of the points made in part (a).

1

- The first step would be the relaunching of the Plan, which would serve to address the missing element of communication. This should be done in such a way as to ensure that all stakeholders, especially staff, are aware of its existence and its contents.

2

- Finance, in common with other business units, needs to prepare its own departmental business or operational plan to translate the strategic into the deliverable. Points which appear in the scenario indicate that the Finance Department has a problem in communicating with the tenants and also financial reporting does not seem too good. There are perceived problems with staff numbers, attitude (“the enemy”) and morale, all of which need to be addressed by the operational plan.

Thus the operational plan might need to include enhanced staffing though resources for this would need to be sanctioned, and training in eg telephone response. *(1 mark per point) 5*

(8)

- (c) This section seeks an understanding of the planning process. The candidate should set out the basic steps.

SU 4 sets out the basics of business planning:

- Involve others, e.g. Board Members Employees
Unions Pressure Groups
Creditors Tenants
Suppliers Government

Local Community

- “Top - down” or “bottom - up” approach?
- Determine the context in which the organisation or unit exists
- Its current position.
- Action to be taken.
- Other information which is helpful in putting the plan into perspective for users of the plan.
- Presentation of the plan.
- Monitoring & Review

(1 mark per relevant point) 7
(23)