

# BUSINESS STRATEGY IN THE HEALTH SERVICE

**Professional 2**  
**December 2000**

## MARKING SCHEME



### Question 1

- (a) This part of the question draws upon the 1998 and 1999 Technical Updates and students' own knowledge of their sector

A variety of answers are possible but points with indicative marks include:

PIs:

- Large numbers of PIs against which performance is measured across the sector
- Contradiction of many of the measures
- Problem of prioritising
- Political interference and priorities

*1 mark for each relevant point up to 4  
Other relevant points would receive credit*

Benchmarking:

- Definition of process, service etc
- Consistency of data collection
- Comparability of Trusts, GP practices etc
- Use of different types e.g. process, functional, strategic
- Uniqueness of Health Service and lack of comparators

*1 mark for each relevant point up to 5  
Other relevant points would receive credit  
(9)*

- (b) As the question suggests, a number of such frameworks exist. The more significant include:

- (i) National Schedule of Reference Costs. Relevant points could include:

- Trusts required to publish costs retrospectively, rather than in advance as under old internal market.
- Costs to be based on Healthcare Resource Groups, which cover majority of acute provision but no Community Services.
- Need to develop complementary quality indicators.

3

- (ii) Performance Assessment Framework. Again, relevant points might include:

- Divided into 6 areas for high level performance indicators:
  - health improvement
  - fair access
  - effective delivery and appropriate care
  - efficiency

- patient / carer experience
- health outcomes of NHS care
- Designed to facilitate benchmarking, dissemination of good practice and information supply to public.

3  
1

(iii) National Service Frameworks:

- Set national standards and define models for particular services.
- Put in place programmes to support implementation and monitor progress.

2

*Credit available for other or more detailed points as appropriate.*

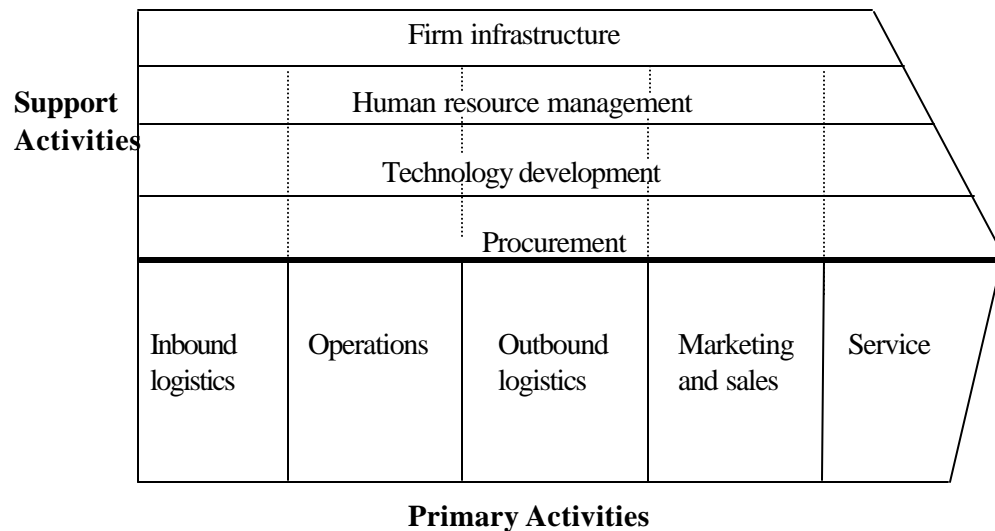
(9)

(18)

**Question 2**

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

Value Chain:



3

Primary activities:

Health Sector example:

- Inbound logistics – transport of patients & materials to the Trust. Admissions process
- Operations – patient treatment
- Outbound logistics – transport of patients from the Trust
- Marketing – service agreement/commissioning process

- Service – out-patients episodes. On-going review of case. 5
- (8)
- (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) eg creation of better linkages, systematic identification of cost reductions throughout value chain, etc. 6

(10)

(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 valid points should 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 possible 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**

*Personal*

Sir Goahead  
Acute Trust CIA  
Lady Largebrain\*

*Inter-personal*

Lady Lancelot and CC CEO  
Lady Largebrain and Sir Truck

*Work group*

Acute Trust audit staff

*Inter-group*

*Departmental*

*Organisational*

*Political*

CC Council Leader\*  
Sir Truck\*

*Environmental*

(\* represents key force)

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

**Resisting forces**

CC Treasurer\*  
CC Chief Internal Auditor  
Sir Houseall\*

CC CIA and Trust CIA  
Sir Houseall and Lady Largebrain

CC staff against change

CC Audit and Acute Trust Audit  
Acute and Community Trusts

CC Finance Dept. influence

CC diversity needs specialisation  
Acute Trust Directors\*  
Housing Association budget

Land dispute

Public Opinion

*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 could 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.*

(13)

**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 may 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 95% of all x-rays are undertaken to a standard acceptable to the client at the first time of asking; 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)