

# BUSINESS STRATEGY IN LOCAL GOVERNMENT

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

## MARKING SCHEME



### Question 1

- (a) This part of the question draws upon material covered in the 1998 and 1999 Technical Updates.

Five stages:

- Establish corporate wide objectives reflecting consultation with, and engagement of, local community
- Develop programme of fundamental performance review such that all activities reviewed over 4-5 year period
- Undertake the fundamental performance reviews
- Report back on performance in local performance plan with appropriate comparisons and targets
- Subject organisation to independent audit and inspection and certification.

5

Four 'Cs':

- Challenge why a service is being provided; are others better placed to provide it?
- Compare performance with others across a range of relevant indicators
- Consult with local stakeholders about services to be provided
- Compete – 'embrace fair competition' as a means of securing efficient and effective services.

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- (b) This part of the question draws upon elements of the material relevant to (a), and the small section on benchmarking in the 1998 Technical Update and students' own knowledge.

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

PIs:

- Large number of PIs against which performance assessed both at corporate level and service specific level; good answers would identify different categories of indicator e.g. Best Value corporate health indicators, Best Value service delivery indicators, etc. 2
- Use of comparative performance indicators in identifying benchmarking partners in and outside local authority sector; points can be made about difficulties in comparison e.g. need for consistent cost and service definition, cost collection methodologies, etc. 2
- Other points re PIs that could receive credit include definition of PIs, local PIs emerging from local consultation, etc.

Benchmarking:

- Definition e.g. continuous process of measuring outputs, services and practices against leaders, allowing identification of best practices which will lead to sustained, superior performance. 2
- Identification of different types of benchmarking e.g. process, functional, strategic. 1
- Obvious role for benchmarking within 'comparison' but could benchmark consultation techniques; some government statements suggest benchmarking could help meet competitiveness test. 2

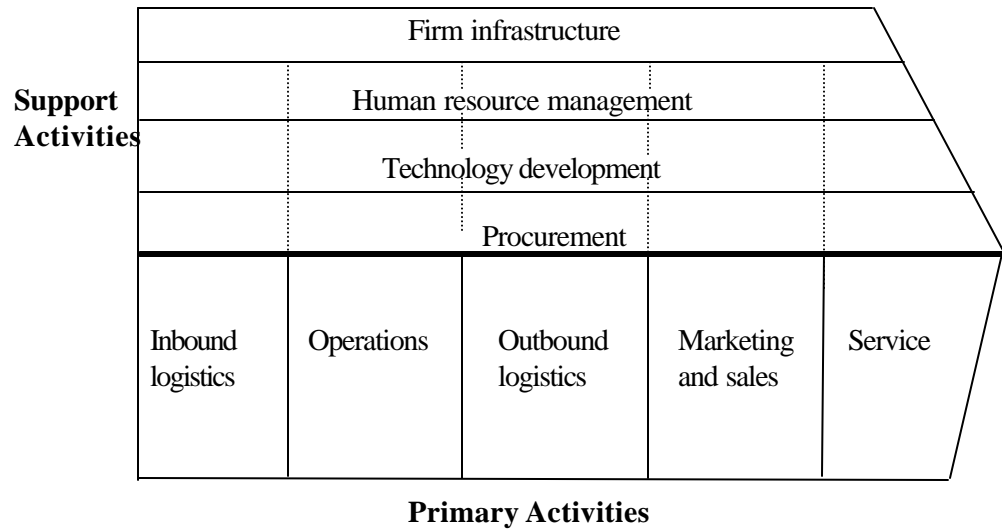
Wide range of discretion needed over acceptable points and marks allocated to maximum of nine.

(18)

**Question 2**

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

Value Chain:



3

Primary activities:

Local government example – school:

- Inbound logistics – getting pupils to school, teacher/eg equipment/rooms.
- Operations – education process
- Outbound logistics – transport out and into employment/university/other education
- Marketing – advertising to parents/feeder schools
- Service – alumni, extra curriculum support/clubs.

5

(b)

- Categorisation of value adding activities in complex processes. 1
- Ability to seek to ensure processes are 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

(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 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 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 up 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

*1 mark for each force appropriately positioned to 5 marks, 1 mark for using appropriate headings, 1 for identifying outstanding questions, 3 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*

(18)

**Question 6**

(a) SU4 and 1998 Technical Update

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:

**S**pecific  
**M**easurable  
**A**chievable  
**R**elevant  
**T**imebound

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 99% of all household waste collections scheduled are carried out; 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)*