

BUSINESS STRATEGY IN LOCAL GOVERNMENT

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
½ mark per quadrant (3)
- (b) Identify the key environmental influences or a wide strategic scan. ½
Example ½
Identifying driving environmental forces, ie forces to which organisations are sensitive. ½
Example ½
Differentiate between the impact of the various environmental factors, in terms of future impact including time horizons and resources etc. 1
(3)
- (c) **Definition**
- Scenario Analysis is the process by which institutions examine the political, economic, technological, educational, demographic and other trends which will affect them in the foreseeable future and develop a range of alternative “visions” ie “what if’s?” 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 nursery, primary, secondary and adult education.
Merits – spread of risk, overall ranking in league tables
Problems - levelling down of standards, cherry picking by private sector providers.
- Elitist Education**
Attempt to upgrade perceived quality by concentrating on results which are measurable ie exam pass rates.
Merits – high league table ratings, public perception of quality
Problems – narrow focus, not catering for under achieving pupils, “life long learning” suffers.
- Three “R”’s**
Concentrate on core service of educating children up to secondary standard only.
Merits – aligned with central government thinking, allows specialisation
Problems – narrow focus, loss of more able pupils, possible under-use of resources, eg language labs, which could be used for adult education etc

Life Long Learning

Develop a more open access policy, links with FE and universities, target under represented groups of pupils/students

Merits - Government funding, use of resources, revenue generation, participation rates.

Problems – drop out rates, non statutory at expense of statutory provision?

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

(TU 1999 p41)

- (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, patient, etc)?
Refer to:
Customer satisfaction
Use of facilities
Complaints 2

Example: Time taken to process, say, planning applications, housing applications etc 1

Internal Business Process: Identify processes most important for achieving objectives. Refer to:

Innovation (new processes)
Operations (improvement of existing)
“postsale” (ie 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)

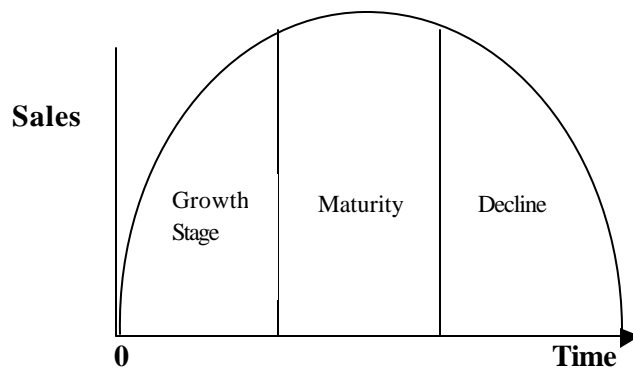
Question 4

(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 it ie 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 3 marks

Alternatively, students may use variant of product life cycle eg



Additional descriptive points 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 points above or similar.

(b)

		Market Share	
		Low	High

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

Correctly labelled matrix 2

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 in 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

Example for each for local government:

Prospect: road

Star: Benefit fraud detection;

Cash cow: most traditional activities;

Dog; public housing.

½ mark for each up to a maximum of 2

Practical application

- ensuring resource allocation between activities sensible; products for future demand being developed
- applicability limited if cross-subsidiated of activities prohibited, if not then Boston recommends cross subsidation 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

Example of application eg school classes segmented by age (also ability in some cases) to yield groups requiring similar levels of teaching

2

(18)

Question 5

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

1

Areas include:

- The income and expenditure position is not balanced, with a substantial deficit.
- Income from other outside customers is falling not going up. There are significant variations in all three areas of activity, especially photography.
- Income from contract A is generally acceptable.
- The cost improvement program has not been achieved and direct materials are overspent

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

Action the Unit needs to take would include the following:

Marketing the plan

- Communication with key stakeholders in the other public bodies;
- Review of quality issues;
- Review prices and compare with private sector 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 customers

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

Review cost improvement target

- 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

(b) **Usefulness of budgeting as a strategic management tool**

Issues concerned with:

- Planning
- Co-ordination
- 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 the scenario and propose possible solutions that are practical.

(a) Presentation in report format 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 emphasis 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 2 3

Brainstorming

Possible approach to the study, but student should recognise this is 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 efficiency and effectiveness eg rationalisation of resources with introduction new IT, speed up processes and reduce inputs, improve quality of service.

Differentiation. In the context of innovation ideas of service delivery there may be some relevance eg remote access.

Focus – similar comments to differentiation.

Cost leadership is of limited value, other than in the context of an external VFM investigation, but differentiation would be relevant.

3

(ii) **Criteria for evaluation**

Answers should cover the following:

Defining relevant objectives:

Organisational – statutory requirements
- political imperations

Unit objectives – cost reduction
- improvement in quality of service
- may facilitate future restructuring

Ranking objectives

Objectives should be ranked of priority

Identifying benefit criteria

eg 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 considered in terms of its:

Consistency with Omnia's mission and values

Suitability

Feasibility

Acceptability in terms of

Direction

Do nothing – given the complaints and external auditors 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, reorganisations, 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 area 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 is joint development.

3

NB Reference should be made to the constraints likely to be involved in the local government fund eg statutory, financial, political.

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

Evaluation

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

DFC

Cost benefit analysis

Risk analysis

Sensitivity analysis

Scenario planning

2
(23)