

BUSINESS STRATEGY IN LOCAL GOVERNMENT

Professional 2 examination 7 June 2000

From 10.00 am to 1.00 pm
plus ten minutes reading time from 9.50 am to 10.00 am.

Instructions to candidates

*Answer five questions in total. **Question 1** from Section A, **two** questions from Section B and **both** questions from Section C. The marks available for each question are shown in italics in the right-hand margin.*

All workings should be shown. Where calculations are required using formulae, calculators may be used but steps in the workings must be shown. Calculations with no evidence of this (for example, using the scientific functions of calculators) will receive no credit. Programmable calculators are not permitted in the examinations room.

Formula sheets, statistical tables, graph paper and cash analysis paper are available from the invigilator, where applicable.

Section A (Compulsory)

1

The Policy Committee of Dannocks County Council has within its remit the examination, evaluation, approval and monitoring of policy developments aimed at enhancing the life of the local populace. It is therefore keen to form a view on the implications of the composite White Paper “Modern local government: in touch with the people”, issued in July 1998.

At its last meeting the Chairman expressed concern that the number of Government-inspired initiatives involving change was such that she doubted if the Council had the ability to keep up with the pace of change. She thought that this latest White Paper was “typical of the sort of thing being forced on us...”.

Nevertheless, the Committee asked that officials prepare a series of briefing notes on the White Paper to highlight the issues involved, the implications for the Council and to facilitate future discussion of these issues. As senior accountant, you have been asked by the Director of Finance to prepare a short briefing note on three of the eight main headings:

- Improving Local Financial Accountability
- Best Value
- Business Rates

Your briefing note must also illustrate some alternative approaches to strategy making, the purpose of this part of the briefing note being to provide guidance on how to cope with change within existing resources.

- **Requirement for question 1**

Draft a briefing note which:

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|-----|---|----|
| (a) | Describes the three policy initiatives, giving due weight to each, and illustrates the potential impact of each on the strategy of the Council. | 12 |
| (b) | Defines the concepts of deliberate and emergent strategies, and outlines three possible approaches to strategy making. | 6 |

(18)

SECTION B (Answer two questions)**2**

- (a) Define organisational culture and indicate the importance of its impact on strategy. 2
- (b) Identify and explain the types of culture suggested by Handy, and outline the organisational structure that is appropriate for each. 4
- (c) Explain the ingredients of the cultural web. 4
- (d) Relate cultural theory to a local government organisation of your choice, applying the cultural web and clearly justifying which of Handy's types is dominant. 8

*(18)***3**

It has been said that implementation is the key stage in strategy as without it, the resources employed in analysis, diagnosis and evaluation would be wasted, and the strategic cycle would be incomplete. An important aspect of implementation is communication.

- **Requirement for question 3**

- (a) Outline the importance of good communication, and describe the features which ensure that it is effective. 6
- (b) Describe the role of marketing in strategy implementation and explain the principal components of the marketing mix. 6
- (c) Analyse how a local government organisation of your choice communicates strategic decisions, explaining the methods used, and evaluating whether the communication was effective. 6

(18)

4

Strategic option selection can be carried out through the evaluation of each option for its consistency, suitability, feasibility, and acceptability.

- **Requirement for question 4**

- (a) Outline three methods used in appraising the financial viability of an option, stating briefly the advantages and disadvantages of each method. 6
- (b) Discuss two techniques which can be used to incorporate the non-financial elements of an option when making strategic selection, and outline methods of dealing with risks arising from option selection. 12

(18)

SECTION C (Answer both questions)**5**

The Cumberland Training Unit (CTU) provides a wide range of training services to all departments of Cumberland County Council and also, where it has surplus capacity, to private sector businesses. The CTU was formed as a strategic business unit operating on commercial lines following a restructuring of the Council's Personnel Department. The CTU is headed up by a Director of Training. As part of the restructuring the CTU was given a guaranteed contract of all work from all Departments of the Council for a five year period. Over the last three years the CTU has enlarged its scale of operations by encouraging take up of courses and by targeting the private sector. It now has an annual turnover of £2 million.

The CTU is structured into four main functions: management training; health and safety; IT training; and financial training. At the start of each year the senior management team agree annual budgets, using the principles of incremental budgeting, for each of the functions as well as performance targets/indicators for the coming year. This process then provides the basis for the annual business plan which is produced by the Head of Management Training. The senior management team comprises the Director of Training and the heads of the four functions. Performance against budgets is reviewed quarterly by the senior management team. The CTU has a five year strategic plan and this will be reviewed again as part of the planning process for year six of operation. The strategic plan contains the following mission statement for the CTU:

"To deliver best in class training to our customers. We will employ the best people and use leading edge technology and learning techniques to provide training that is of unbeatable quality and value for money."

Details of the performance indicators and outturns for the first three years of operation are given on the next page:

Performance Indicator	Year 1		Year 2		Year 3	
	Target	Outturn	Target	Outturn	Target	Outturn
Return on Capital	6%	9%	6%	8%	6%	6%
Turnover	£1m	£1.4m	£1.5m	£1.8m	£1.8m	£2m
Surplus as % of turnover	3%	5%	5%	9%	6%	4%
Liquidity:						
current ratio	2:1	1.5:1	2:1	1.8:1	2:1	1.7:1
quick ratio	1:1	0.7:1	1:1	0.5:1	1:1	0.9:1
Average debtor collection period - days	30	45	30	40	30	38
Cost saving	2%	2%	2%	1%	1%	1%
% new contracts	10%	11%	10%	15%	10%	20%
% courses delivered as scheduled	99%	80%	95%	78%	95%	75%
% courses reported as "unsatisfactory" by participants	2%	12%	2%	20%	2%	23%
Staff turnover	5%	10%	5%	15%	5%	20%

The Director of Training has just returned from a seminar on "Introducing the Balanced Scorecard", and has asked that the application of this approach to performance management be considered at the next meeting of the senior management team. In preparation for this meeting he has asked the Head of Management Training to compare current performance management practice against the Balanced Scorecard model.

- **Requirement for question 5**

The Head of Management Training has asked you, as the Unit's Finance Officer, to prepare a report for the next meeting of the senior management team which compares current arrangements for performance management with the Balanced Scorecard model. In particular the report should:

- Provide a brief introduction to the Balanced Scorecard; 2
- Critically evaluate the current system of performance management, identify any gaps or shortfalls in the current range of performance indicators, and list any concerns that the trends in performance indicator results raise; and 13
- Identify two practical examples of objectives, associated measures and indicative targets for each of the Balanced Scorecard's four perspectives. Examples must be relevant to the case study and linked to the delivery of the CTU's mission statement. 8

(23)

6

The Southlands District Council is a small Authority set in a rural county in Southern England. Tourism and farming are the main industries of the area. Tourism is very seasonal, the workforce being high, but mostly casual, for only four months of each year. Farming is undergoing deep recession, particularly the beef and dairy industry which dominates farming in the area.

Southlands is an area of outstanding natural beauty, has a number of Sites of Special Scientific Interest (SSSI) and has extensive woodlands, wetlands, rare flora and fauna. It is also, however, a deprived area economically with per capita GDP at 85% of the national average. It has high levels of unemployment which is currently three times the national average. It also has large numbers of second ownership homes making housing scarce, though not expensive, for local people. It suffers poor local amenities in terms of sport and leisure facilities, health and education.

Recently the International Global Mining Company has discovered economically significant deposits of limestone in the area. These are not large and will only be significant for 10 to 12 years at most. The company has applied for permission to develop an open-cast quarry and processing plant in a location of outstanding beauty which, although not protected as a SSSI, is considered to be of importance due to its woodlands and nesting sites for migrating birds.

The company has promised that the site will create 120 jobs, that it will landscape the area to protect the local scenery and that it will invest in leisure facilities and a health centre in the local town.

The District Council do not have discretion over the planning decision, but the company have made a statement that they will only go ahead with the investment if there is local support, including that of the District Council.

The Leader of the Council is concerned about the stakeholder conflict, particularly the issue of the economic well being of the district, as opposed to the negative environmental impact of the quarry. He has asked you to draft a paper to outline the economic and ethical dimensions to the decision.

- **Requirement for question 6**

Using the information provided in the case prepare a paper for the Leader of Southlands District Council which:

- | | |
|---|----|
| (a) Outlines the importance of ethical considerations in the strategic decision-making process; | 4 |
| (b) Sets out the economic and ethical factors which need to be considered in order to evaluate the decision whether to support the development of the quarry; and | 9 |
| (c) Identifies the different stakeholders, their likely values and the steps involved in integrating these values into the strategic management process of the Council. | 10 |

(23)