

STRATEGIC BUSINESS MANAGEMENT

**Final Test of Professional Competence
December 2005**

ASSESSMENT GUIDE



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“The examiners recognise that SBM is not an exact science and that there are many valid theoretical and practical approaches to the subject. The assessment guide outlines the types of area each candidate would normally be expected to consider, given the pre-seen material and open learning material.

Alternative views and approaches may be offered and provided they are logical, rational, valid, relevant to the context of the question and serve to meet the requirements of the question, appropriate credit will be given.

Throughout this paper students are expected to demonstrate knowledge of strategic management as a subject, the public service environment, and a current working knowledge of relevant key issues.

Question 1 – drawing on OLM SS 1-5, plus the pre-seen material.
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Global Environment

- Deregulation
- Privatisation
- Liberalisation of world trade
- Economic cost of labour
- Highly differentiated income levels / potential underclass
- Mega corporations
- Increased migration
- Ageing population
- Change in family life
- Individualisation of society
- Medical discoveries
- Telecommunications

National/Local Environment

(Dependant on geographic area and context)

- Competition
- Demand for choice
- Demographic changes
- Demand for value from customers
- Focus on efficiency
- Media focus
- Partnership drive
- 24/7 Society

Importance of Innovation

- Theoretically supported with ‘Strategy by Ideas’
- Increases public value
- Responds to changing environment whilst controlling costs
- May change relationships with customers
- Not just new ideas but new practices
- Innovation can:
 - Respond to environment
 - Balance demands
 - Capsulate new technologies

- Rejuvenate or replace services
- Dramatically transform performance

Types of Innovation

- Services
 - On-line tax
 - New treatment for diabetes
 - Community security patrols
 - NHS Direct
- Processes
 - Shared back offices
 - Electronic support
 - NHS Choose and Book
- Position
 - Housing sales
- Strategic
 - Community policing
 - Foundation hospitals and schools
- Governance
 - Devolved government in Scotland / Wales
 - Regional / neighbourhood governance
 - Consultation exercises
 - Local Area Agreements
- Rhetorical
 - Congestion charging
 - Carbon tax
 - Patient choice
 - ASBOs

Useful articles related to this question include:

- Innovation in Governance and Public Services: Past and Present, Jean Hartley, PMM V25No1
- Enabling Continuous and Discontinuous Innovation: Learning from the Private Sector, John Bessant, PMM V25No1
- Fostering Innovation in Public Services, David Albury, PMM V25No1
- CIPFA Spectrum Nov. 2005 – articles relating to the challenge to innovate
- Foundation Hospitals (PF 15/7/05)
- City Academies (PF 24/6/05)
- Local Area Agreements (PF 15/7/05)
- Payment by Results (PF 14/10/05)

Marking Guide

25-30	Clear and structured throughout. Exploration of global and local environmental context. Explanation of the importance of innovation and types of innovation drawn from pre-seen material and wider sources. In depth knowledge of environment and innovation in public services, supported through substantive use of examples.
20-25	Explanation of importance and types of innovation drawn from pre-seen material, textbooks, and other sources. Some discussion of global and local environmental aspects. Some knowledge of environment and innovation in public services, supported through good use of examples.

15-20	Description of importance and types of innovation drawn from pre-seen material, and textbooks. Some coverage of global and local environmental aspects. Some knowledge of environment and innovation in public services, supported through examples.
10-15	Lift of importance and types of innovation from pre-seen material, and textbooks. Some coverage of the environment. Restricted examples used to support knowledge – little evidence of wider research.
0-10	Lift of importance and types of innovation from pre-seen material, and textbooks. Some coverage of the environment but little evidence of research. Unstructured and disorganised.

Question 2 (OLM Study Sessions 5-10 and pre-seen material)

Current approaches to public management and possible impact on innovation

<i>Approach</i>	<i>Impact</i>
Best Value	Encourages competition which can stop sharing Forces challenge which is good for raising questions leading to innovation Increases diversity of ideas through consultation Involves customers Continuous improvement Focus on process, can be overly bureaucratic
CPA, League tables	Encourages competition Stops sharing Pushes to Box 2 Focuses on specifics Focus on short term
Beacons	Diffusion Encourages innovation & improvement Clashes with competition
Collaborative arrangements	Encourages diversity Creates new ideas Challenges status quo
Devolved government	Increases stakeholder input Should generate localised innovation
Privatisation / outsourcing	Increases competition Discourages diffusion Encourages alternative viewpoints / diversity and so generates ideas.
Local governance – Schools, Foundations	Encourages involvement Inclusive, diversity
Customerisation	Encourages responsiveness Encourages challenge Diversity of views Drives innovation
Risk management and information	Encourages litigious society Discourages risk Blame culture Discourages innovation
Choice	Does choice lead to improvement?

In the context of the above students could also discuss the relevance and implications of the 3 lenses.

Overall

- Current approaches offset each other to some degree
- Innovation often has a slow start which is not encouraged
- The impact of the blame culture stops much risk taking and innovation
- Failing situations often generate innovation, yet rarely is this allowed

Useful articles related to this question include:

- Outsourcing (PF 18/11/05)
- Partnerships (PF 28/10/05)
- PPPs (PF 3/12/04)
- Targets (PF 20/5/05)
- NAO website
- Audit Commission website

Marking Guide

25-30	Clear and structured throughout. Exploration of approaches and impact drawn from pre-seen material, textbooks, and other sources. Clear conclusions. Good use of examples from across public services.
20-25	Explanation of approaches and impact drawn from pre-seen material, textbooks, and other sources. Overall impact on innovation discussed. Good use of examples.
15-20	Description of approaches and impact drawn from pre-seen material, and textbooks. Examples of approaches included.
10-15	Lift of innovation from pre-seen material, and textbooks with little reference to public management approaches. Few reasonable examples.
0-10	Lift of innovation from pre-seen material. Little mention of approaches beyond Best Value. Unstructured and disorganised essay.

Question 3 (OLM Study Session 9)

(a) Impact of targets as primary tool

Impact

- Acts as part master planner and part strategic controller
- Reduces strategic freedom
- Drives short termism
- Reduces local responsiveness
- Excessive control increases bureaucratic costs
- Judgements too broad or specific – ignores qualitative aspects
- Can create confusion with contradictory indicators

Examples

- BV performance indicators reduced to 94 to improve comparison (PF 4.3.05) – very narrow assessment given the breadth of service.
- Name and shame poor tax collector – eg Hackney at 20% (PF 4.3.05) – differences in authorities ignored.
- Scottish patients have shortest waiting times on heart disease, but record number on waiting list. (PF 4.3.05) Confusing message on performance.
- Police on track to recruit 14,000 specials (PF 4.3.05) but is this the most appropriate use?
- Audit commission to halve inspection costs (PF 17.2.05) – cost of bureaucracy.
- E-govt targets will be met (PF 17.2.05) – is this best usage?
- Council House repairs speed up (PF 21/4/05)

(b) Alternative Control Mechanisms

Master Planner

- Outline:
 - Allocates detailed budgets
 - Allocates establishment
 - Sets procedures
 - Imposes service and infrastructure
- Advantages and disadvantages
 - Standardisation
 - No local strategic freedom
 - Local administration rather than localism

Strategic Planning

- Outline
 - Single line targets (bottom line)
 - General performance appraisal
- Adv and disadv.
 - Local freedom
 - Loss of standardisation
 - Loss of control and accountability of ministers

Strategic Control

- Outline
 - Sets overall direction
 - Sets general policies
 - Sets some short term constraints
- Adv and disadv.
 - In between mechanism
 - Encourages and reviews business plans
 - Some local variability within overall standard

Currently it could be argued that the extent of targets removes strategic freedom and local decision-making resulting in standardised services and excessive control costs, which are both unable to respond to local situation whilst driving national targets.

Candidates could also answer this question with reference to:

- Market mechanisms
- Bureaucratic mechanisms
- Social Norms
- Self control

It could also be argued that the public holds the national government responsible and wants standard services, and targets both inform and encourage that outcome.

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Good use of examples. Balanced answer, most points in suggested solution covered. Overall demonstrated good understanding of the issues.
10-15	Explanation of the key issues drawn from textbooks, and other sources. Use of examples. Balanced answer. Good understanding of issues.
5-10	Limited explanation of the key issues. Limited use of examples. Balanced answer but limited points raised. Limited understanding of issues.
0-5	List of issues – no explanation. Weak/poor/incorrect examples. Unbalanced answer, weak/poor/incorrect points raised. Little or no understanding of issues.

Question 4 (OLM Study Sessions 6,7,8)

(a) Efficiency Objective:

- Requires maximum use of resources
- No slack in processes
- Removal of unnecessary capacity
- Utilise mechanisation to reduce administrative overhead
- Downsizing staffing
- Minimise resources in single value chain
- Economies of scale
- Specialisation
- Centralisation
- Standardisation

Examples:

- Remove traditional communication options – manual completion and postage of taxation forms.
- Standardised throughput to allow for automated administration – one standard delivery process for cancer treatment.
- Economies of scale in education with large, generalised schools.
- Removing the huge amount of superfluous or duplicated information....streamline to make savings – across different exam boards (PF 18.2.05).
- Doubts cast on Scots claim to boost front line spending by 5% (PF 3/6/05)
- Civil Service is still growing (PF 3/6/05)
- Give us freedom and we'll give you Gershon (PF 16/9/05)
- McCabe wants cull of top managers (PF 22/4/05)
- The Kings Fund (PF 22/4/05)

Choice Objective:

- Requires build in capacity
- Needs to increase information flows to inform choice
- Administering choice will increase administration costs
- Manipulation of the value chain to create multiple linked chains

Examples

- Choice of how to communicate – manual or electronic tax returns.
- Allowing customers to choose treatment, giving time and information to inform the decision – offering a multitude of choice in cancer treatments.
- Offering choice through a range of different, specialised schools.
- Allowing choice of pedagogue and specifics through different exam boards across FE/schools (PF 24.2.05).
- Choice and capacity (PF 23/9/05)
- TUC attacks job cull plans (PF 21/4/05)
- Advice not choice top of patients' wish list (PF 25/2/05)

Paradox

- The two policies are contradictory
- How can both sets of objectives be met simultaneously?

(b) Overcoming the paradox

- Working in collaboration
- Mergers
- Back Office function savings
- Technology
- Procurement savings

Practical examples from individual organisations are acceptable

Referenced examples include

- Taking the longer view (PF 25/2/05)
- Data Matching (PF 21/10/05)
- MoD Procurement (PF 21/4/05)
- Welsh Assembly Govt plan to achieve collaborative public service (PF 11/11/05)
- Authorities doing it for themselves (PF 29/4/05)
- Fragile handle with care (PF 29/4/05)

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Answers based on the article. Balanced answer, all points in suggested solution covered. Overall demonstrated good understanding of the issues.
10-15	Explanation of the key issues drawn from textbooks, and other sources. Answers based on the article. Balanced answer, most points in suggested solution covered. Good understanding of issues.
5-10	Limited explanation of the key issues. Limited use of article. Balanced answer but limited points raised. Limited understanding of issues.
0-5	List of issues – no explanation. No reference to article. Unbalanced answer, weak/poor/incorrect points raised. Little or no understanding of issues.

Question 5 (OLM Study Session 5,9,10)

(a) Ethical Stance of Corporations referred to in article

Short Term Shareholder Interest

- Focus on short-term profits for shareholders
- Government sets minimums – deliver on these
- Corporations do minimum within the law

Alternatives

Longer Term Shareholder (Taxpayer) Interest

- Focus on longer term financial returns for shareholders
- Awareness of relationship with stakeholders

Multiple Stakeholder Obligations

- Wide stakeholder interest explicit in organisational purpose
- Focus on balance of stakeholders' objectives – not purely financial

Shaper of Society

- Financial issues are secondary
- Mission driven

Appropriateness for Public Services:

- MSO or LTSI
- There are a wide range of stakeholders' needs to be met and a diversity of objectives encouraging MSO type
- Government drive for consultation and governance encourages stakeholder involvement
- Government targets, threatened capping, financial constraints and minimum service standards could allow for an LTSI approach
- Public and wider stakeholder interest in executive pay, organisation performance and organisational objectives restricts opportunity for STSI or Shaper approach

Examples:

- Public Interest in pay – Housing Chiefs pay soars (PF 17.02.05)
- Public Interest in expenses – Scots Councillors 257% pay rise (PF 17.2.05)
- Wide interest in governance – BBC should be fully accountable (PF 17.2.05)
- Election of strategy makers – Tories proposal to elect top police (PF 24.2.05)
- Access to information through Fol – Fol refusals reach watchdogs (PF 24.2.05)
- Public Services aiding wider community – Coming to the aid of others (PF 24.2.05)
- Behaviour of councillors considered – David Nuttall banned (PF 10.3.05)

(b) Arguments for reward packages:

- Shortage of strategic leaders
- Loss of expertise to private sector
- Challenge of globalised workforce market
- Complexities of public management
- Accountability of public managers
- Regional difficulties

Examples

- Public Services shun regional pay (PF 10.3.05)
- NHS faces 2,760 shortfall in surgeons (PF 24.2.05)
- Personal market negotiations (PF 24.2.05)

15-20	Clear and structured throughout. Explanation of the key issues drawn from textbooks, and other sources. Application of relevant theory. Balanced answer, all points in suggested solution covered. Overall demonstrated good understanding of the issues.
10-15	Explanation of the key issues drawn from textbooks, and other sources. Application of relevant theory. Balanced answer, most points in suggested solution covered. Good understanding of issues.
5-10	Limited explanation of the key issues. Limited application of relevant theory. Balanced answer but limited points raised. Limited understanding of issues.
0-5	List of issues – no explanation. Weak/poor/incorrect application of relevant theory. Unbalanced answer, weak/poor/incorrect points discussed. Little or no understanding of issues.