



# **STRATEGIC BUSINESS MANAGEMENT**

**Final Test of Professional Competence**

**12 June 2006**

## **ASSESSMENT GUIDE**



“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 a 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)**

#### **Why the struggle exists:**

- National government held accountable for all public services
- Blurring between national / local responsibilities
- Perceived lack of interest in local politics
- Media obsession with national politics

#### **Arguments for include:**

- Encourage innovation
- Empower local decisions
- Different local needs
- Reinvigorate local democratic involvement
- Create responsive government
- Generate local leadership

#### **Arguments against include:**

- Ensuring national imperatives
- Public focus on national leaders
- Media disinterest in local issues
- Confusion as to extent of desired localism (eg - to LEA, or school)

#### **New Localism**

- Increased local strategic freedom
- More direct user and stakeholder involvement
- Mixed messages from govt

#### **Advancement towards New Localism**

- Rhetoric of:
  - Constrained discretion
  - Earned autonomy
  - Steering centralism
- 3 year local authority budgets
- New structures including Foundation status
  
- Offset by
  - Continued inspection and monitoring
  - Continued national edicts
  - Ring fenced funding
  - Capping council tax regardless of CPA rating
  - Increased performance targeting
  - Increased quasi-national services (education and social services)

**Explained examples could include:**

- Foundation trusts (PMM Aug 05)
- Foundation Trusts and Prudential Code (PF 17/06)
- Neighbourhood policing as New Localism
- LIFT new GP surgeries (PF 27.01/06)
- Parents & Governors inputs (PF 7/1/05)
- Greater accountability and capping (PF 8/4/05)
- Treatment Centres (PF 17/12/04)
- Replacement of Milliband by Kelly (PF 12/5)
- Impact of clear political leadership (PF 18/3/05)
- Centralised power and targets (PF 7/1/06)
- Brown points at regionalist approach (PF 24/3/06)
- Double devolution (PF 12/5/06)
- Re-centralisation of pay controls (PF 6/1/06)
- Freedoms & Flexibilities (PF 20/5/05)
- Postcode choice rather than lottery (PF 5/6/06)
- Confidence and Trust, Lyons (PF 5/5/06)
- CSA waste with centralisation (PF 5/5/06)
- Lyons calls for greater devolution (PF 12/5/06)
- City Regions (PF 24/2/06)
- Empowered devolution (PF 24/2/06)
- City regions NLGN ([www.politicsguardian.co.uk](http://www.politicsguardian.co.uk))
- [www.lyonsenquiry.org](http://www.lyonsenquiry.org)

**Marking Guide**

25-30	Clear and structured throughout. Exploration of the reasons for the struggle and the arguments for and against. Explanation of the term New localism, and discussion of progress towards, and away from it. In depth knowledge of developments in governance of public services, supported through clear and explained examples.
20-25	Explanation of the struggle, and arguments for and against drawn from pre-seen material, textbooks, and other sources. Some discussion of the meaning of Localism and its progress. Some knowledge of developments in governance of public services, supported through good use of examples.
15-20	Description of struggle, and arguments for and against drawn from pre-seen material, and textbooks. Some coverage of meaning of the Localism and its progress. Some knowledge of developments in governance public services, supported through examples.
10-15	Lift of struggle, and arguments for and against from pre-seen material, and textbooks. Some coverage of Localism. Restricted examples used to support knowledge – little evidence of wider research.
0-10	Lift of arguments for and against, and New Localism from pre-seen material, and textbooks. Some coverage of developments but little evidence of research. Unstructured and disorganised.

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

**Drivers / Benefits of Partnerships**

- Allowing organisational contours to be tailored to particular local needs
- Sharing information and knowledge
- Access to expertise
- Sharing assets
- Economies of scale
- Imposition of joint working
- Joined up provision

**Dangers of entering a Partnership**

- Separate funding streams with disparate priorities
- Partnerships foundering
- Reduced choice once contract signed
- Length of contract
- Little choice in prospective partners
- Cultural differences
- Differences in focus and/or priorities

**Mitigating the risks**

- Exit strategy in place
- Careful procurement process
  - Length of agreement
  - Size of package
  - Criteria for acceptance
- Consideration of boundaries of partnership
- Governance and reporting requirements
- Trust

**Possible examples include**

- National programmes including:
  - Sure Start
  - New Deal for Communities (NDC)
  - Neighbourhood renewal
- Out-sourcing – contractual arrangements
- Stock transfer
- Arms-length companies – joint or singularly owned
  - Leeds education
  - Suffolk customer services
- Multi – disciplinary service hubs
- Local commissioning children’s trusts
- Joint social services and primary care trust director
- Jointly managed services
  - Shared services – back office
- Intra organisational partnerships (restructuring departments)

**Referenced examples could include:**

- PFI Credits incentives (PF 7/10/05)
- DoH and Xansa ([www.sbs.nhs.uk](http://www.sbs.nhs.uk))
- LB Croyden insourcing (PF 27/1/06)
- Hampshire CC and Hampshire & Isle of Wight SHA (Guardian 2/3/05)
- E-gov regional partnerships ([www.localgovmp.org](http://www.localgovmp.org))
- Joint Working ([www.neighbourhood.gov.uk](http://www.neighbourhood.gov.uk))
- LSP funding withheld (PF 23/2/06)
- LB Greenwich and Deloittes ([www.deloittes.com](http://www.deloittes.com))
- Wiltshire deficit PCTs withdraw (PF14/4/06)
- Montagu Primary School (PF 14/10/06)
- Anglia and Circle RSL (PF 10/3/06)

**Marking Guide**

25-30	Clear and structured throughout. Exploration of drivers, dangers and mitigating risks drawn from pre-seen material, textbooks, and other sources. Clear conclusions. Good use of a range of partnership examples from across public services.
20-25	Explanation of drivers, dangers and mitigating risks drawn from pre-seen material, textbooks, and other sources. Good use of a range of partnership examples.
15-20	Description of drivers, dangers and mitigating risks drawn from pre-seen material, and textbooks. Examples of a range of partnerships included.
10-15	Lift of drivers and dangers from pre-seen material, and textbooks with little reference to mitigating risk. Few narrow or unexplained examples
0-10	Lift of partnership theory from pre-seen material and textbook. Little mention of mitigating risk. Unstructured and disorganised essay.

### Question 3 (OLM Study Session 5 and 9)

#### Part A

Consultation/problems and overcoming problems:

1. Survey – writing to all local authorities requesting completion of a survey or asking for views on specific proposals.  
Problems are lack of response, who to write to, timing. These can be overcome by targeting the survey to named individuals and setting a return date, with a reminder prior to deadline.
2. Survey to specific local authorities (those with most interest/power)  
Problems are as above, plus there may be a feeling of isolation from those not targeted. This could be overcome by a general letter asking for those who would be willing to partake.
3. Open forums - the problem would where and what about those not able to attend? – also everyone may not have a chance to speak or would be unwilling to in a public forum. Additionally, there is a problem of collating responses.
4. Consult via Associations, E.G. LGA – generally same problems as above, plus the view of the LGA may be dominant as opposed to the views of local authorities. Could be overcome by asking for supporting evidence, E.G. details of how specific local authorities feel.
5. Other methods could be:
  - Internet survey – how and to whom?
  - Consultation document – have to make some conclusions prior to consultation
  - Use of journals/media to provoke debate – can be biased
  - Independent research (academic, primary and secondary research) – identifying an independent body that all parties trust

The overall problem is gaining a balanced view – it will be impossible to take account of all views and therefore pleasing everyone (conflicts of expectation). Additionally, there are likely to be winners and losers. Consultation can also lead to resistance if it is felt people are being led or pushed into decisions that will impact on their strategic plans. Finally, central government is unlikely to accept proposals that are contrary to central policy, E.G. decentralise as opposed to centralisation or vice versa, or require additional (unanticipated) revenue.

#### Part B

Parental power is dominant because they are key stakeholders.

Problems occur because organisations that have to create plans for all stakeholders not just one (powerful) group.

An organisation's strategic plan is developed by consideration of:

- who they should serve
- who they do serve
- which purposes should be prioritised
- which priorities are prioritised

If there is a dominant (powerful) group of stakeholders the strategic plan can be skewed or diverted from its original path. This can be deliberate (to satisfy dominant needs) or by default (in response to the loudest voice).

The impact of the above is a shift of organisational focus (strategy) that could isolate non-powerful stakeholders, reductions in other services, strategic drift and a failure to meet other demands/expectations and so targets. It could lead to change in the organisation's ethical stance.

Whilst it is important for organisations to recognise the needs of powerful stakeholders they must consider others. Use of power/interest matrix will aid organisations to identify sources and indicators of power, and so take action (formulate strategies) to meet their demands but also identify other needs.

The organisation also has to consider its ethical stance, E.G. focus on short-term or longer-term stakeholder interests, or aim to meet multiple stakeholder obligations.

Key frustrations could be:

- Shift in priorities, objectives and funding
- Loss of competitive advantage in specific areas
- Failure to meet targets
- Change of underlying core principles and values (ethical stance)

To overcome these, organisations must:

- Not allow powerful groups to dominate (without good reason)
- Keep focused on overall strategy (not allow drift)
- Maintain core competences
- Communicate with all stakeholders (not just the powerful)

#### Marking guide

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 1 and 2)**

Part A

#### **Organisational Strategy**

Organisational strategy is concerned with the long-term direction of the organisation. It is the planned approach the organisation will take to deliver/provide services/products and how this approach will be directed, controlled and reported. It encompasses all elements of the organisations activities.

Example: to establish a collaborative network for procurement

#### **Mission Statement**

The overriding purpose of the organisation (what it does). This should be in line with stakeholder values and expectations.

Example: to provides life long learning

#### **Organisational Objectives**

A statement of measurable intent. What the organisation intends to do to achieve the strategy (or part of the strategy).

Example: recycle 40% of all household waste

#### **Organisational values**

The attitudes and expectations of internal and external stakeholders of the organisation, particularly those who have the most influence on the organisation.

Example: NHS should be free at the point of delivery

#### **Organisational core competences**

The unique skills and experience of staff within the organisation. Often those skills and experiences that give the organisation an advantage to deliver services better than their competitors (best value)

Example: nationally recognised cardiac surgeon

Part B

Strategy can be developed by:

- Design – careful analysis and planning
- Experience – based on research and people’s experience and culture
- Ideas – by innovation

These (known as lenses) are not mutually exclusive explanations but help to understand causes and effects of strategy development processes.

These processes (known as observable strategy development processes) are detailed below.



### 1. Strategic Planning Systems

Involve:

- Standardised planning processes
- Structured analysis and design
- Long-term view
- Controlled and coordinated approach
- Involvement (and ownership) by stakeholders

### 2. Strategic Leadership

Involve:

- Individual(s) who are personally and central to strategy development
- Individual(s) experience
- By recognised techniques and logic

### 3. Organisational Politics

Involve:

- Bargaining and negotiation by powerful internal or external stakeholders
- Experience of internal and external stakeholders
- Values/beliefs of internal external stakeholders

### 4. Logical Incrementalism

Involve:

- learning through doing
- Building on experience to inform decisions
- Develops from other, previous successful strategies

### 5. The learning Organisation

Involve:

- Experimentation
- Use of networks
- Skills and experience of individuals

### 6. Imposed Strategy

Involve:

- Imposed by external forces
- Choice severely restricted

The public services are more likely to be held accountable for their actions than the private sector – through targets, reporting and scrutiny. This often restricts innovative ideas and actions. Additionally, many public service activities are bound by statute and legislation, and therefore strategy development is somewhat imposed, or at least limited by government. However, there are moves to shift (devolve) strategy development towards the organisations. This will require much more use being made of processes 1, 2, and 5 above.

Marking guide

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 7)**

Part A

8 routes of the strategy clock with broad examples;

1. 'No frills' strategy – low price, low perceived added value. E.G. leisure centre with low charges but with only basic facilities
2. Low Price strategy – lower price than competitors. E.G. University providing courses at a lower price than competitors
3. Hybrid strategy – low cost base or same cost base as competitors, but different services. E.G. making best use of core competences to achieve best value
4. Differentiation strategy – perceived added value with or without price premium. E.G. specialist medical facility or research based on core competences
5. Focused differentiation – high perceived value with price premium. E.G. Library service offering research facilities, or specialist loan facilities.
6. Increased price/standard value – high margins with risk of losing market. E.G. professional accounting course provider charging high price for course
7. Increased price/low value – only feasible in monopoly situation. E.G. local authority planning/building regulation charges
8. Low value/standard price – loss of market share. E.G. Parcel delivery by post office.

Note: strategies 6, 7 and 8 are destined for ultimate failure unless corrective action is taken

*(candidates should note that marks will only be awarded to examples which are fully explained and justified – the above are merely an indication of the types of examples which could be used.)*

Part B

Ways to sustain competitive advantage could include:

- Reinvest profits/surplus
- Continually seek best value (cost advantages)
- Continually review and maintain core competences (education and training)
- Regularly review competitors (price and product/service)
- Maintain technological advantage (regular updates)
- Become or maintain being a learning organisation
- Seek specialist advice
- Actively build relationships and networks
- Keep in sight stakeholder expectations
- Maintain image (public relations)
- Maintain clear communication channels/networks
- Use of recognised strategic review models (SWOT, PESTLE, Scenario Planning)
- Continually review strategy (to avoid strategic drift, and seek new opportunities)

Marking guide

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.