



STRATEGY, STRATEGIC THINKING AND STRATEGIC CAPABILITY

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The purpose of this presentation is to ...



- **define** what is meant by strategy and why it is important
- set out the **key elements** of good strategy
- **define** what is meant by strategic capability and by a strategically well managed organisation
- **review** what the Government has done to promote strategic capability in Whitehall
- set out some **examples** of good strategy in UK public policy.

What is strategy?



Strategy involves being clear about:

- what one wants to **achieve**; and
- what **measures** need to be taken to get there (in the short, medium and long term).

3

Why is strategy important?



Good strategy should lead to:

- **better use of scarce resources** because it leads to greater clarity about relative priorities and, thus, better decisions about resource allocation
- **improved capacity to deal with short term crises as well as future challenges.** Because clarity about goals means responses to short term crises can be taken with longer term objectives in mind
- **better outcomes**, not only because clarity about goals allows a focus on the best means of achieving them, but because good strategy is analytically rigorous and evidence based.

Being clear about these benefits is central to making the case for a strategic approach.

4

Good strategy has four key elements: first, problem definition...



- **problem definition** involves developing a thorough understanding of the problems that may thwart the achievement of strategic goals
- this requires not only an analysis of current problems but how problems may evolve if no action is taken (trends and possible futures)
- it also requires an assessment of the **causal drivers** of the problems because, ultimately, measures taken to overcome the problems need to deal with those drivers.

5

Second, clarification of goals...



- **clarification of goals is probably the single most important aspect of strategy development**
- in public policy, goals will be shaped by:
 - Political values
 - Public concerns, needs and demands
 - Technical assessments of the economic, social and other challenges facing the country
- soundly based goals will focus on **outcomes** rather than inputs or outputs
- reflection, deliberation and analysis will be important in clarifying relative priorities and, where necessary, **resolving trade-offs** between goals.

6

Third, identification and selection of measures for achieving goals...



- **measures for achieving goals should follow from the analysis of the problem and, especially, its causal drivers**
- in public policy, there should be a clear rationale for government intervention (why the solution cannot be left to the private/voluntary sectors)
- **individual measures** should be assessed against a number of criteria including:
 - Cost-benefits or cost effectiveness
 - Risks
 - Feasibility/practicality – whether there is the organisational/systemic capacity to deliver
- **the overall strategy** (the collection of individual measures):
 - Should be robust against different future scenarios (known unknowns)
 - Make sense to key stakeholders on whose buy-in successful delivery of the measures may depend.

7

Fourth, implementation and delivery...



- a good strategy is clear about the **delivery model or system** which will be used to achieve strategic goals
- the organisation responsible for the strategy will be **performance managed** in order to ensure the measures needed to achieve its goals are successfully implemented; and
- there will be a **robust delivery plan** characterised by:
 - Clear milestones
 - Clear accountabilities
 - Clear understanding of the risks that need to be managed or mitigated
 - Actions to develop capacity to deliver where necessary
 - Flexibility and adaptability in the light of changing circumstances (unknown unknowns).

8

But, strategy is about much more than producing a strategic plan or setting up a strategy unit



- having a clear statement of what an organisation is seeking to achieve and the measures needed to get there is an important first step
- but, ultimately, strategy will only deliver better outcomes if an organisation has the capability to act strategically and is **strategically well managed**.

In public policy, it will also often involve shaping environments and designing systems as well as responding to them.

9

What is strategic capability?



Strategic capability refers to:

- the ability to develop **soundly based strategies** (at a range of different levels); and
- the ability to apply strategic thinking and **manage an organisation strategically**.

10

What does a strategically well managed organisation look like?



Characteristics of a strategically well managed organisation include:

- **leaders who have a clear vision** of success so every individual in that organisation understands how their work contributes to its goals
- the existence of **a strategic plan** setting out the organisation's goals and preferred means of achieving them grounded in a rigorous analysis of the challenges it faces and the range of options for dealing with them
- **structuring the whole organisation around the strategy** so resources are allocated in line with the strategy, and performance management is focussed on delivering strategic objectives
- the existence of **a coherent plan for delivering the strategy** – with clear milestones and accountabilities – built on a sound understanding of the delivery system and risks to successful delivery; and
- **clear and responsive feedback loops** so the strategy and delivery plan is refined in the light of new information.

11

What has the Government done to promote strategic capability in Whitehall departments?



- launched the **capability reviews** to assess leadership, strategic capability and delivery capacity across all Whitehall departments and identify areas for improvement
- created **the Strategy Unit** in the Cabinet Office and analogous units and teams in other departments to help build capability
- introduced **a three year Spending Review process** to facilitate a more strategic and longer term perspective in the allocation of resources between and within departments
- encouraged departments to bring **a more strategic approach to policy making** – reflected in departmental plans and strategies, e.g. NHS reform and tackling child poverty
- made strategic thinking a core competence in **Professional Skills for Government**, which sets out the skills and competences expected of civil servants.

12

What examples are there of successful strategy in the UK?



This inevitably involves a judgment but possible examples include:

- the macroeconomics/monetary policy framework/independence of the Bank of England
- privatisation and utility regulation
- trade union reform
- welfare to work policies

13

Work on public service reform is a potentially interesting case study with...



- a clear analysis of the challenges facing public services
- clear goals
- a clear approach for achieving them; and
- evidence of improved outcomes.

14

Public service reform is a response to a number of fundamental challenges



Demographic and social change	Population ageing and changes in patterns of cohabitation, marriage and divorce have led to huge shifts in the size and composition of households. Such changes mean public services have to meet the needs of an increasingly diverse population.
Technological innovation	The internet and other innovations have opened up wholly new ways of delivering services.
Changes in public attitudes and expectations	As real incomes grow, so people's expectations of public services rise. People now expect no less choice in public services than they do in other spheres of their lives.
Delivering high levels of productivity in public services	Investment in public services has increased significantly since 1997. Reform is needed to deliver maximum public value from this investment particularly as the future rate of increase in spending on public services slows.

15

The Government has a clear vision for public services



- citizen-centred and responsive
- universal and free at the point of use
- high quality
- equitable – helping to reduce social exclusion and improving the life chances of the most disadvantaged/hardest to reach
- empowering – opening up opportunities for all
- efficient and effective.

16

The Government's approach to realising this vision has five well defined elements



- **performance management** through stretching outcome-based targets, regulation and inspection
- **an open and diverse supply side**, where appropriate, characterised by greater competition and contestability in the provision of public services
- **personalisation**, user choice and voice
- promoting and balancing **rights and responsibilities**
- **workforce innovation and reform**, and other measures to build capability and capacity of the public services to deliver.

17

Sustained investment underpinned by this strategic approach to reform has helped to drive improvements across public services



Education	Over 56% of 16 year olds now achieve 5 or more good GCSEs* – up from 45% in 1999.
Health	England is on track to meet the target of a 40% reduction in mortality from heart disease and stroke and related diseases in people under 75 by 2010, and to achieve the target to reduce mortality from cancer by 20% in the under 75s.
Crime	Between 1997 and 2004/05, overall crime rates fell by 35%.
Local authorities	Over 70% are improving "strongly" or "well".

* General Certificates of Secondary Education

18

Conclusion



- this presentation has sought to define strategy and why it is important. It has argued that good strategy should lead to improved outcomes and allow more effective management of short term crises as well as future challenges
- the key elements of good strategy are sound problem definition; setting clear goals; rigorous identification of preferred measures for achieving goals; and successful delivery
- a good strategic plan or a strategy unit is not, however, enough on its own. Organisations need both the capability to act strategically and to be strategically well managed if strategy is to lead to better outcomes
- the Government has taken various steps to promote strategic capability in Whitehall departments and there are good examples of successful strategy in public policy in the UK.

19

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20