

How strategy can help blunt public sector cuts

The impact of the recession on public finances is all too clear, with countries around Europe battling huge deficits. In the UK, as speculation mounts about where the axe will fall, a strategy review can help maintain an organisation's direction. By **Sam Bodley-Scott**

While the immense political pressure to reduce budgets is understandable, the desperate claims and counter-claims about their impact raises the question of whether sufficient time is being allowed for providers to conduct budgetary reviews in a structured and considered manner. For example, is the review process starting by making clear and careful revisions to the organisation's mission and goals in the light of changed circumstances? Are proposed cuts then being aligned to and prioritised against these amended strategies? Perhaps the vigour of the cost-cutting agenda is such that a mindset has been created that might best be described as "where we are travelling is much less important than the price of the ticket."

Strategic direction

But having a clear strategy is the only way to provide a framework in which to make difficult budgetary and resourcing decisions. When budget reduction decisions are made within the context of a clear, relevant strategic framework,

the organisation's direction will remain visible, intact and clearly under the control of the top managers who developed that framework. If these choices are made in the absence of a strategic framework, there is considerable risk that the nature and direction of the organisation become fragmented as it is at the mercy of the external forces that are driving budgetary decisions.

Given the urgency of the situation, it would be unrealistic to advocate a delay in the process of budgetary appraisal while a major review of strategy is completed. What might be required however, is for public service leaders to conduct a reasonably straightforward strategic review process, designed to ensure that their vision and mission are still valid in the light of changed circumstances or, if they are not, how strategies should be adapted. Such reviews must be predicated on two simple principals: asking the right questions and asking them of the right people.

For balanced choices to be made, it is essential that decisions are based on a realistic assessment of the environment and

ABOUT THE AUTHOR

Sam Bodley-Scott is partner and global director, strategy, at Kepner-Tregoe.

He co-authored a book on strategy implementation and change management: *Implementation – How to Transform Strategic Initiatives into Blockbuster Results*, published by McGraw-Hill.

+44 (0)1753 856716
sbodleyscott@kepner-tregoe.com
www.kepner-tregoe.co.uk

how it is likely to evolve, that the decision-making process helps you explore different ideas and models in a world with no constraints, and that the logic behind each choice can be made clear and visible.

Once built, your framework of choices must allow you to explain your strategy in simple, logical and powerful terms. It is essential that others can understand your choice of direction, how risks and opportunities have been considered, and the value that the strategy will deliver.

We have found the following seven questions can provide an effective structure for a strategic review.

1 What is the essential purpose of your organisation?

The first step is to remind yourselves why your organisation exists. It is quite possible that over time stakeholder requirements have broadened the original purpose of the organisation, which may have led to the essential intent becoming somewhat opaque. Refreshing the values, principals and beliefs that define your purpose will provide a strong foundation on which to base the review of other strategic choices.

2 Given what you are here to do, how will you be impacted by the environment?

Good strategic choices are based on a set of assumptions about the external environment and how it will change in the future. Given the many variables that may affect your organisation, those that are likely to have the most significant impact must be selected, defined and understood, and again used to provide context for the review of subsequent strategic choices.

3 Given the rate of environmental change, how far into the future is it reasonable to look?

When deciding how far into the future to set your strategic goals, you should think about how much time you need to allow for

effective strategy implementation, as well as assessing degrees of predictability about the external environment.

4 What should be the range of services you offer and the scope of customers and end-users that you serve?

It might be said without over-simplification that any organisation is the sum total of the products and services that it offers and customer groups that it serves. Consequently, reviewing and resolving these product and market choices will lie at the heart of any strategic review.

Driving forces

We believe that all organisations base their thinking around one of seven different paradigms, or driving forces. By identifying which paradigm has most influence on your decision making today and then considering which other forces it might be possible to pursue, insights can be gained into the optimal product and market space for your organisation. The seven forces are: products/services offered; markets served; operations capability; technology; method of sale/distribution; low cost production; and return/profit driving force.

When you have chosen what future driving force your organisation will pursue, you have the basis for defining and reviewing all other choices in the strategic profile. An understanding of your driving force will allow top managers to have a central idea in terms of where they can see

"Having a clear strategy is the only way to provide a framework in which to make difficult budgetary and resourcing decisions."

“You have the opportunity to create consensus around strategic priorities and investment decisions.”

”

the future of their organisation and review the decisions that will or will not get them there. Finally, and for the sake of strategic clarity, it is as important to be specific about the products and services that you will not consider as it is to define those that you will pursue. So there are three final questions to consider.

5 Which products, services and customer groups are most critical to your organisation in achieving its purpose?

Different product/market combinations will offer different potential benefits. You must determine how much effort, resources and commitment your organisation will put behind specific product/service areas in order to achieve the strategy. Making these choices will set priorities for your implementation efforts and will be strongly influenced by your organisation's choice of driving force, as well as financial and political considerations.

6 Given this product/market emphasis, what capabilities do you need to ensure success?

The answer to this question starts the journey from strategy review to implementation planning and budgeting. You now have to think through what processes, systems, people and culture you will need to deliver your strategy. Being clear about the relative importance to your strategy of each capability will allow more informed, logical choices about where to invest and where to cut.

7 What financial and non-financial results will strategic success deliver?

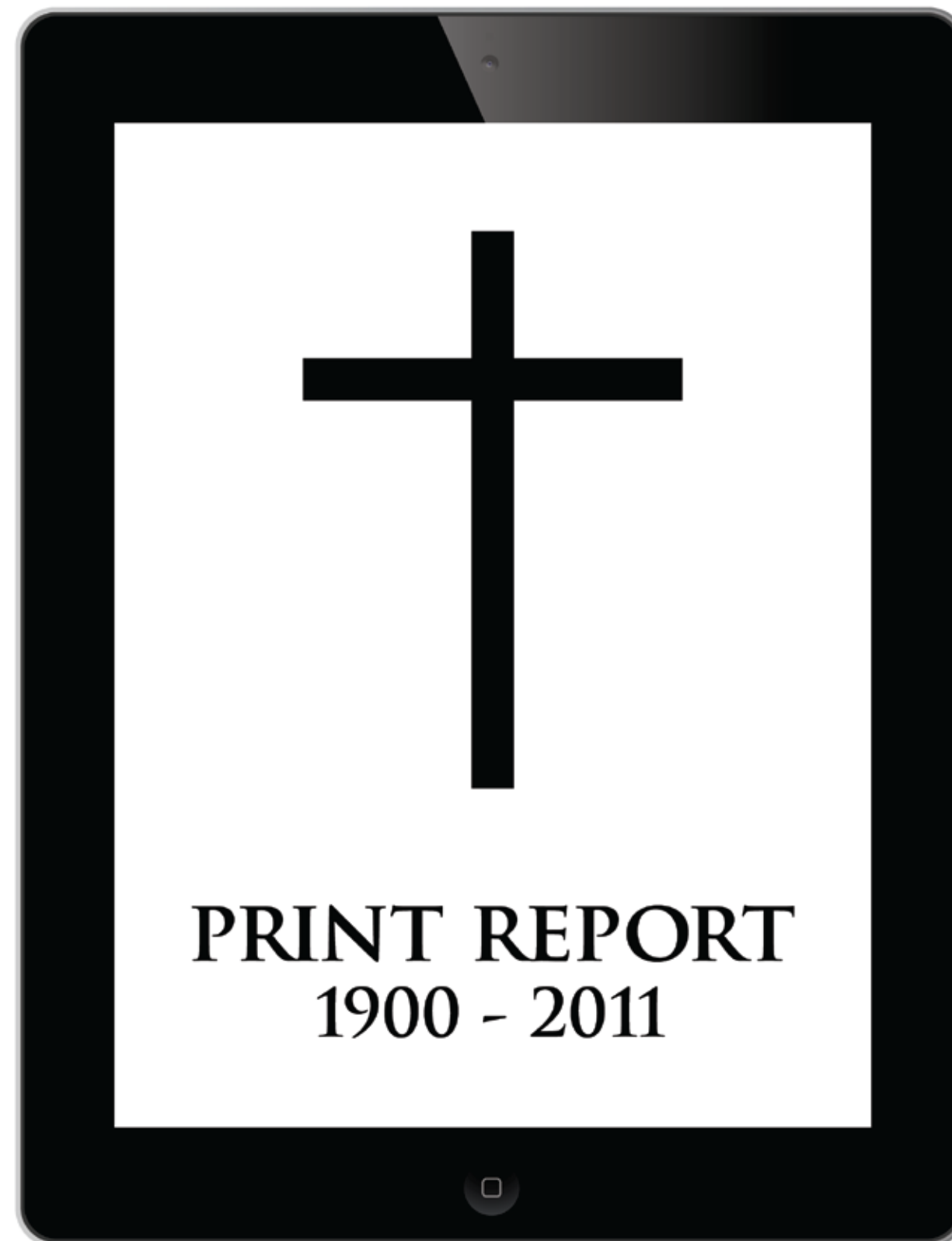
The key indicators of strategic success that you define should allow you to answer two questions: are we implementing our strategy? And is our strategy succeeding? To answer the first question will require a structured, disciplined approach to implementation. A portfolio of programmes and projects should be set out to build the capabilities needed to drive your strategy forward. Metrics on programme and project progress will provide the

necessary insights on implementation. As to whether your strategy is succeeding in the market, financial measures should be augmented by metrics that will allow strategic performance to be made visible. Customer satisfaction and service delivery performance might be considered. In areas of scarce, mission-critical talent, the percentage of job offers accepted may qualify as a strategic measure, for example.

By answering these seven questions in your strategic review, you will build a clear context in which to make your resourcing choices. Perhaps more importantly in the current climate, you will be able to argue more cogently for funding to be maintained or even increased for those activities that are central to your strategic success.

In answering these questions, you have the opportunity to create consensus around strategic priorities and investment decisions. If members of the top team, who individually are responsible for deploying your organisation's resources, can together hammer out each difficult decision, the shared ownership and understanding created will help ensure you maintain a unified front and that implementation can be approached in a synergistic and complementary way.

You might even consider involving influencers and decision makers from outside your organisation in the review. Experience suggests that going on the 'thinking' journey associated with our seven questions is often as important as agreeing the ultimate destination. They might even realise that the journey is so logical and the destination so attractive, it's worth the price of the ticket! ■



flip. rotate. search. zoom.
nexxar.com/iPad

nexxar
online reporting evolved