

# Why does government find it so hard to be strategic?

**An analysis of what stands in the way of strategic work in the public sector, and of ways to overcome the obstacles.**

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## Abstract

This paper examines the case for strategy in government and the wider public sector and identifies six obstacles to the achievement of strategic goals, considering in each case how government can surmount them. It concludes by arguing that strategy is demanded, and that developing and embedding a culture of ‘strategic commissioning’ at the level of political *and* permanent leadership is the fastest way to more strategic government.

## Why be strategic?

*The term strategy is now very much a part of the political vocabulary of UK politics. But it is used quite indiscriminately. It is attached to a wide variety of statements without much apparent thought and often used only to confer importance and seriousness. There is little analysis of the impact of strategic working on policy outcomes in the United Kingdom.*<sup>1</sup>

Strategic organisations develop an understanding of their likely future operating environments. This brings obvious advantages for companies in the private sector, helping them to develop new markets, goods and services in advance of competitors and to increase profitability. For government, whether at national, departmental, regional, agency, local or sectoral level, a stronger understanding of potential futures gives it the capability to track which future is emerging, enabling organisations and policies to be more robust and resilient. Many parts of government do use strategic analysis to improve their planning and performance. But it is not a sufficient ambition for government simply to understand how to survive in a particular future. The job of government is to *change the future*, that is, to set-out a vision of a desired future and, through policies and achievement of those policies, to bring that future about. This is the key difference between strategy work in the private sector - which is about

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<sup>1</sup> Boaz A, Solesbury W, 2007, *Strategy and Politics: The Example of the United Kingdom* in *The Strategy of Politics* Eds. T Fischer, G P Schmitz and M Seberich. Gütersloh Verlag Bertelsmann Stiftung p.130

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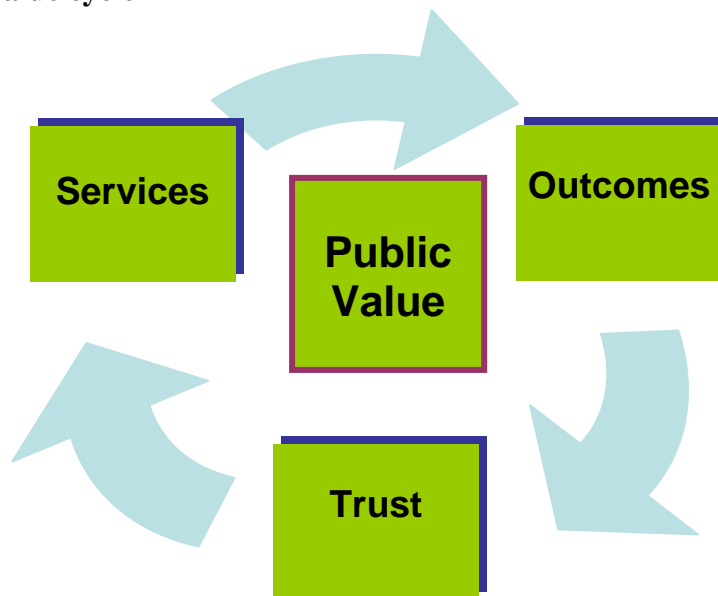
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optimal performance and profitability for their own organisations in whichever future comes about, and in the public sector - which is about achieving better outcomes for citizens. To make strategic thinking and delivery a reality, the political (elected) leadership of organisations and the permanent (unelected) leadership have to share an understanding of how to work strategically, not simply with each other but with their organisations and the world beyond.

Outcomes-based policy is more likely to motivate those who will achieve the results government seeks: front-line workers and citizens themselves, and the theory of public value<sup>2</sup> is a helpful way of testing whether outcomes will enjoy the confidence of ministers and other accountable leaders. Public value comprises three main components: *services, trust and outcomes*.<sup>3</sup> One of the difficulties working in a government department or in many other parts of the public sector is that employees tend to be measured and rewarded for success in refining processes (for instance, better consultation, less regulation, the monetisation of benefits), or for helping to produce outputs (more nurses, more GCSEs passed) or for managing inputs (a bigger budget for recycling, a five per cent saving in administrative costs) but are very rarely recognised for the contribution they make to achieving outcomes.

### The 'public value cycle'



What is it that government organisations exist to achieve? The Highways Agency exists to manage, maintain and improve trunk roads and motorways; the Army exists to win wars and keep the peace; the National Health Service exists to treat illness and promote health; schools exist to educate young

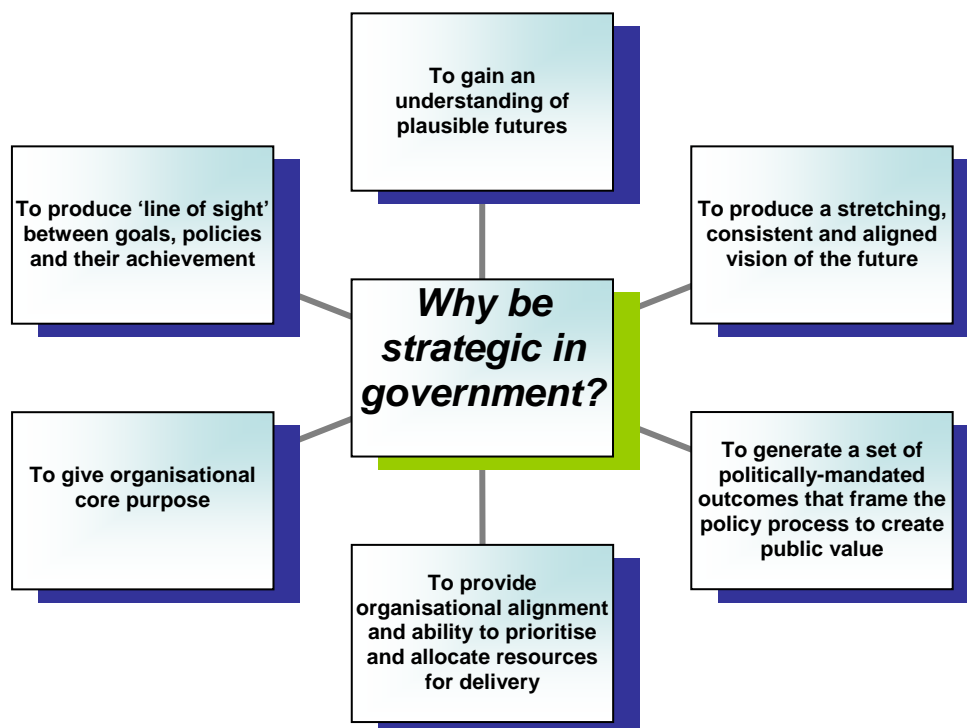
<sup>2</sup> The best-known exponent of the theory of public value is probably Professor Mark Moore of Kennedy School of Government, Harvard. See: Moore, M *Creating Public Value: Strategic Management in Government*. Harvard University Press, Cambridge, Mass, 1995.

<sup>3</sup> Kelly, G, Mulgan, G and Muers, S. *Creating Public Value: an analytical framework for public service reform*. Cabinet Office Strategy Unit, 2002.

[http://www.cabinetoffice.gov.uk/strategy/seminars/public\\_value.aspx](http://www.cabinetoffice.gov.uk/strategy/seminars/public_value.aspx) accessed 4 June 2008  
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people and help them to realise their full potential. When we express each of these aims in outcome terms, we release greater potential for the achievement of public value. For instance: 'People are able to travel by road safely and without delay'; 'People live in a safe and secure world, with strong international institutions that keep the peace and uphold human dignity'; 'People know how to stay healthy and receive effective treatment when they fall ill'; 'Young people are motivated to learn and are supported in their learning by able teachers who help them to develop the skills and knowledge they need to fulfil their potential'. Schools cannot alone improve education. Children and parents and peer groups are crucial to learning, so the outcome must be co-produced, not simply 'delivered' by schools. Similarly, highways alone cannot ensure that people travel speedily and safely; the amount of drivers and their behaviour, the nature of the vehicles that we use; the necessity to travel or the ability and inclination to work from home all contribute to the outcome.

### Why be strategic in government?



Once an organisation has a strategic vision and a set of policies working to achieve that vision, it then needs to look at itself. The implementation of a strategic vision almost always requires change: change in the activities and behaviours of staff and of the organisation as a whole, including of budget allocations. If a strategy is constructed properly then it will be possible to construct objectives, indicators and feedback mechanisms that will enable

government to measure and report on whether the outcomes are being achieved, not only by the organisation itself but by the wider delivery system. This is important so that the organisation can use public money efficiently and effectively. Accountability to the public, when handled honestly and accurately, can in turn build public value by increasing trust.

Any organisation should be able to express its reason for existence in a single sentence. For Tesco this is: *To create value for our customers to earn their lifetime loyalty*, for DEFRA it is: *Living within our environmental means*, for the Borough of Wigan it is: *A Place where People Matter and You Can Afford to Live the Life You Want*. In each case the statement of core purpose is the product of a strategic process that has meaning for the organisation's customers, staff and stakeholders. (Note: statements like 'We will be the best at x' or 'We will be the leading provider of Y' are ineffective statements of core purpose, because they offer no definition of what the organisation stands for).

In summary, to create strategy in government we need an understanding of plausible potential futures, a desired vision of the future, a set of outcomes that create public value, organisational alignment and allocation of resources throughout the delivery system to support achievement of those outcomes, together with accountability and feedback mechanisms to measure attainment, plus clear core purpose. These together can give us 'line of sight': a way for leaders – both political and permanent - to see the links between strategic aims and intent, policy processes and delivery and achievement at the front line - and a way for the front line and citizens to see exactly the same things.

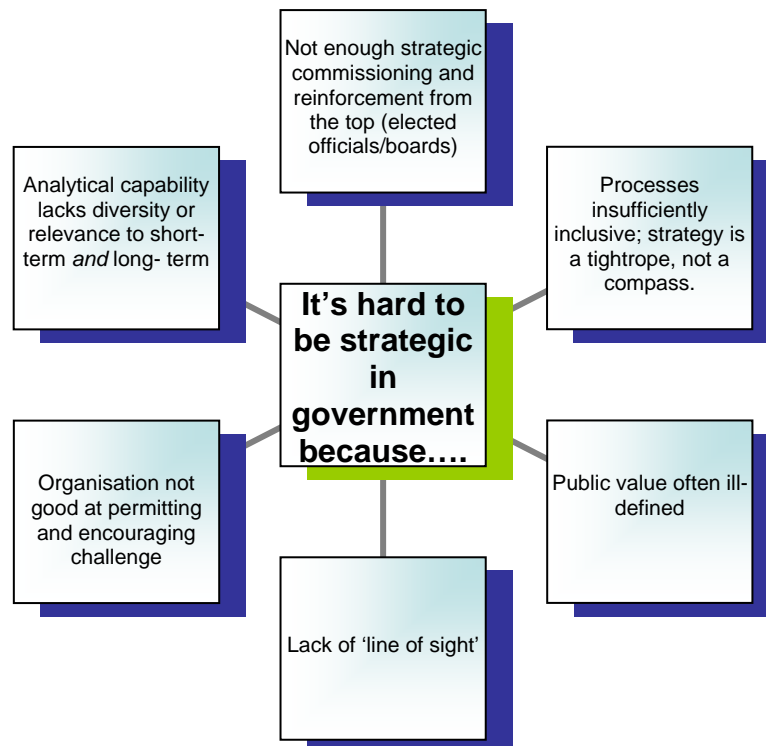
## **What makes it so hard to be strategic in government?**

There are six main areas where difficulties arise in strategic thinking and the implementation of strategy in government.

- *Commissioning*. Daily operational pressures on both the political and permanent leadership can tend to 'squeeze' strategic working out of the system.
- *Analysis*. Strategic analysis can either be too short term and trend-based to help steer the organisation or too far-fetched and improbable to hold the attention of policy-makers.
- *Line of sight*. Strategy work can seem to be exclusively about high-level goals, or it can seem to be purely about a particular set of policies, or it can appear to be a preoccupation with functional strategies or with delivery planning. Line of sight is achieved when there is a clear line between delivery in the community and the high-level goals the organisation has set itself.
- *The process is the product*. Strategies that create change within organisations and in the world beyond are the result of a process driven by those who work in the organisation and its stakeholders. Yet too often they are simply documents produced by a small group or by

consultants which do not create new understanding, still less change. These strategies act like tightropes, from which the organisation must eventually fall, rather than as a compass enabling it to set and re-set its direction.

- *Encourage challenge.* A common complaint in government and the wider public sector is that public servants are poor innovators. Strategy requires new understanding and a preparedness to do things in new ways, challenging received wisdom. Yet government tends to incentivise compliance and conformity in its employees and restrict challenge.
- *Sense of public value.* Outcomes can be identified using sound analysis, but they also need both the mandate of political leaders and their sustained interest. This means that the organisation as a whole must be capable of focusing on a set of goals and returning to them again and again.



## Commissioning

There are two main types of 'commissioner' in government: ministers or other publicly accountable political leaders, and unelected and – usually – less directly accountable senior officials. The pressures upon them are quite similar and their responses to these pressures can also be similar, though for slightly different reasons. The focus here is on the work of government at

national level (i.e. Whitehall and Westminster and the devolved administrations), but many of these points apply in slightly modified form at local government level.

On the whole people get involved in politics because they care about the world and have strong views about how it can be improved. Politicians want to make a difference. But it is often hard to get selected by a constituency party, often hard to win election, often hard once elected to be noticed by the party whips or the Prime Minister and therefore hard to get appointed a minister in the first place. Becoming a minister represents one of the best ways for someone who has entered politics to exert a personal influence over government and make the differences to society that they seek to make. Yet on assuming office a minister is typically faced with a blizzard of paper, a full diary of meetings, visits, parliamentary and media duties, and a set of departmental priorities that it is his or her responsibility to pursue. It can feel like a job with frustratingly little room for manoeuvre – not (on the whole) because civil servants wish merely to ‘lead ministers to their duty’, but because the level of activity in most government departments, even at quite a junior ministerial level, is very high. Reinforcing this ‘bias towards the immediate’ is the tendency for ministers to be judged less on their ability to influence the strategic direction of their departments and the areas of policy over which they have responsibility (which might not show in any case in the twenty five months or so they are likely to remain in office – let alone the shorter time they will spend in a particular department<sup>4</sup>) and more on their ability to manage day to day events with apparent confidence and without exposing themselves, their department or the Government to reputational risk. In addition to these ephemeral pressures, much of the broad outlook of government has already been set by the Prime Minister and by the Treasury in the three year spending cycle and in Public Service Agreements and associated Departmental Strategic Objectives. In these circumstances it is hardly surprising that many ministers seek policy advice from officials that ‘gets them through the day’, giving them the immediate support that they need, rather than seeking advice that will support lasting change.

Yet there is a paradox here. All governments seek to achieve long term improvements for citizens. Ministers have both a personal and professional interest in ensuring that these improvements are achieved, but their working lives are designed in such a way that they will tend to demand – and will tend to receive – advice from officials that helps them perform at a sprint rather than over a marathon.

The most senior officials in departments (who often make up the management board) tend to behave in a similar way, for several reasons:

- they are mindful of the need to maintain the political mandate for their work – i.e. to meet the demands of ministers - and therefore

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<sup>4</sup> Berlinski, Dewan and Dowding. *Length of Ministerial Tenure in the United Kingdom 1945-1997*. © London School of Economics and Political Science December 2005. p.10

are highly responsive to short-term imperatives when those are given priority

- boards tend to focus on the functioning of the department's work: on budgets, staffing, risk management and so on, and rather less on the broad outcomes the department is pursuing
- senior officials are under many of the same pressures as ministers: they are feeding a hungry machine, with stakeholders demanding answers

The danger is that if these two groups of leaders are not demanding more strategic work – that is, work that focuses on how to achieve the long term goals of the department and government, rather than work that merely helps it 'get through another week' - then strategic thinking will quickly dry-up, leaving ministers *and* departmental boards feeling as if they are trying to sprint a marathon, knowing in their tiring hearts that it cannot be done.

To ensure that the strategic goals of government are reflected in the advice they receive, our findings suggest that ministers and boards should:

- Demand work that shows explicit alignment to the strategic goals of the organisation and of government as a whole
- Demand work that shows what particular policy options, activities, expenditures and so on will *achieve* in outcome terms (or what they aim to achieve), not merely how they further a particular project output
- Demand work that always shows an awareness of longer term trends and, where possible, counter-trends as well as historical perspective. Advice should be focused on tomorrow as well as today.

Why are some ministers, permanent secretaries and other senior people capable of setting the right framework for strategic thinking, while others are not? Firstly, some politicians and senior officials adhere to what Professor Charles Lindblom<sup>5</sup> would call the 'branch' method (or consensual method) of policy making (as opposed to the 'root' or strategic method). In other words, if each decision that presents itself is taken consensually then by a succession of such decisions the right direction will be found. This has a long and respectable pedigree in government and at times of relative stability can work successfully (it is typically the way that coalition governments work). This is, however, a *problem-oriented*, not a *goal-oriented* way of working, and is inevitably responsive rather than anticipatory in its effect.

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<sup>5</sup> Charles E Lindblom, *The Science of 'Muddling Through'*. Public Administration Review, 1959, Vol 19 pp.79-88

Secondly, experience of how government tends to work is very helpful – not simply in terms of how the ‘machine’ operates (note: *machine* is a generally unhelpful metaphor, as Chapman<sup>6</sup> suggests, because there is almost no part of government that works with the predictability of a machine), but in terms of how officials, other departments, No.10, political advisers, the press, parliament and so on are likely to respond culturally to different proposals and actions.

Thirdly, experience is of little value unless it is combined with a basic conceptual armoury<sup>7</sup> of how strategy works – i.e. of how historical trends influence the future, of the importance of high level goals and of the way in which these goals translate into policy and delivery.

Finally, experience and knowledge must be accompanied by a degree of confidence and courage in seeing ideas through. Even those at the top must be prepared to challenge their own assumptions and those of their peers, and this can be hard to sustain.

## Analysis

Strategic analysis is organised in different ways across government. Some government departments have strategy units which offer horizon scanning<sup>8</sup> as well as other forms of analytical advice comprising a mix of economists, statisticians, social and operational researchers and scientists. Other strategy units will not perform analytical functions themselves, but will commission it from analysts elsewhere in the department or beyond. Strategy units range in size from two staff to more than thirty, and there is little correlation between the size of unit and the size of organisation, beyond some evidence of an ‘inverse correlation’, with smaller strategy units seemingly more respected and more influential in their organisations than bigger ones, in part because small units tend to be closely aligned to the board, and tend to perform a role of encouraging others to act strategically, rather than attempting to be the people in the organisation who ‘do strategy’.<sup>9</sup>

Analysts voice a common problem: if ministers and senior officials do not demand strategic analysis then even when the analysis being offered is of a high quality it is unlikely to be heard, let alone understood or acted upon. One of the reasons that analysis is so often overlooked or discounted (and why,

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<sup>6</sup> Chapman, J. 2003. ‘Thinking out of the Machine’ in *The Adaptive State: Strategies for personalising the public realm*. Bentley T and Wilsdon J eds., London. Demos

<sup>7</sup> I am indebted to Professor Gerry Johnson of Lancaster and Glasgow Universities for the term ‘shared conceptual armoury’.

<sup>8</sup> Horizon Scanning is defined as ‘*the systematic examination of potential threats, opportunities and likely future developments, including (but not restricted to) those at the margins of current thinking and planning*’ [http://www.foresight.gov.uk/HORIZON\\_SCANNING\\_CENTRE/index.html](http://www.foresight.gov.uk/HORIZON_SCANNING_CENTRE/index.html)

<sup>9</sup> The position of the Cabinet Office Strategy Unit (45 people) is somewhat distinct, because its role is to provide strategic analysis and advice for the Prime Minister and for the Government as a whole, primarily on major cross-cutting issues, rather than for one department or organisation. .

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therefore, demand is not fuelled in the first place) is because analysis too often fails to connect an understanding of the longer-term environment with the immediate pressures facing the organisation. This phenomenon typically presents itself in analysis which is a collection of extrapolated trends on the one hand (likely to provoke the response: ‘we knew all that anyway’) and a collection of apparently far-fetched scenarios on the other, populated with interesting wild cards<sup>10</sup>, weak signals and strategic shocks<sup>11</sup> but seeming rather implausible to the average, busy, pressurised official or politician. Sometimes analysts, conscious of this danger, produce strategic analysis that ‘sits between’ the stretching, long-term but unlikely and the trend-based and seemingly predictable. The danger with this is that it diminishes the value of strategic analysis, which should always be evidence-based<sup>12</sup>. Presenting analysis that is a pottage of different types of analysis carries the danger that the evidence-base is lost and no-one will have any reason to pay it any attention. We have seen this happen with some scenario work in government. Challenging, contrasting scenarios of the future have been produced by several government departments but then – because of fears that they will be seen as too controversial or too challenging, much more cautious, ‘tempered’ scenarios have been presented to boards and ministers. This loses almost all the value of robust scenario work because the indicators of emerging futures are lost and the potential to build a compelling, evidence-based strategic vision is constrained.

Strategic analysis plays a significant role in developing the top-level support necessary for successful strategy. Strategic analysis must connect the short-term and immediate world in which commissioners of strategy operate with the long term articulation of what it is the department or organisation is trying to achieve. Analysis must be ‘bought into’ by these commissioners, and must therefore resonate accordingly with the short-term pressures and political reality of daily life, rather than simply appear disconnected. Our research suggests that analysis should be presented in three ‘waves’ or ‘dimensions’<sup>13</sup>, whether in a one page document or a two hundred page report, whether in a ten minute presentation or a two day retreat. *Wave one* Trend-based, extrapolative; *Wave two*: Systems-based, modelled; *Wave three*: Scenarios-based. .

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<sup>10</sup> *Wild Card* is a high impact but apparently unlikely event, for instance an asteroid strike or multiple hijacking of airliners by terrorists who then fly them into centres of government and commerce. A *weak signal* is a sign of an emerging trend, particular attitudinal shift, detectable through multiple forms of monitoring (e.g. Delphi forecasting).

<sup>11</sup> *Strategic shock* is an alternative expression for a ‘wild card’. It is the term favoured by the Ministry of Defence. See [www.dcdc-strategictrends.org.uk](http://www.dcdc-strategictrends.org.uk)

<sup>12</sup> *Evidence-based* is a much-used (and misused) term. Here we mean that findings should be sourced in the most reliable and relevant data and should be attributed.

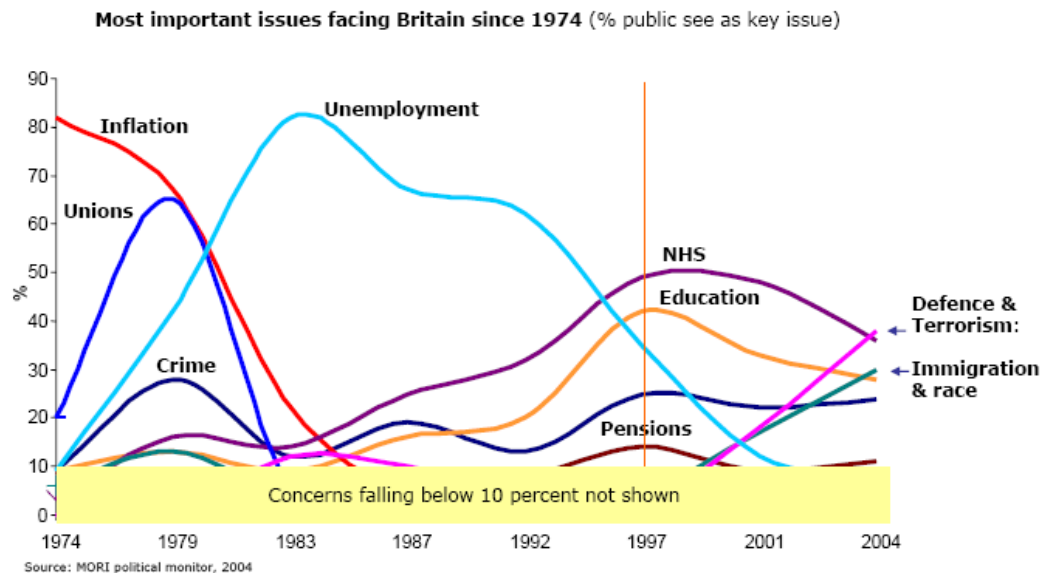
<sup>13</sup> Shell describes these three waves in their well-known scenario work as ‘jet stream’ (long term), ‘weather systems’ (medium term) and market level trends and turbulences (short-term). See

[http://www.shell.com/static/aboutshell-en/downloads/our\\_strategy/shell\\_global\\_scenarios/exsum\\_23052005.pdf](http://www.shell.com/static/aboutshell-en/downloads/our_strategy/shell_global_scenarios/exsum_23052005.pdf)  
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## Wave one

Shorter-term strategic analysis, largely trend-based and offering evidence to support and question current strategic direction and policy sets. The Cabinet Office Strategy Unit *Strategic Challenges for Britain* paper<sup>14</sup> is a good example of such work. Ideally this work should also offer counter trends and should be based across disciplines (i.e. it should deal with the social, cultural, technological, scientific, environmental and political as well as the economic perspectives). Thorough trend-based work deserves attention: it is the most accurate statistical information about potential futures available to us, and should shape strategic aims and policy options. But we know that it will almost certainly be wrong – in the sense that forecasts are notoriously unreliable. The concerns of the year 2000 are not the concerns of 2008, and the concerns of 2008 will not be the concerns of 2016.

**Figure 1: ‘The lens of now’<sup>15</sup>**



## Wave two

Medium-term strategic analysis, which uses mainly modelling and systems techniques to surface the likely trade-offs between different drivers for change and to surface some of the assumptions underlying our understanding of future developments. Much of this work will relate to future developments in the four to seven year perspective. Governments tend to be more comfortable discussing the shorter term and longer term time horizons than the medium term, where trends are less certain but where the effects of policies are more certain; a failure to understand the changing policy environment while pursuing policies that are likely to be seen and judged

<sup>14</sup> *Realising Britain's Potential: Future Strategic Challenges for Britain* Cabinet Office Strategy Unit February 2008

<sup>15</sup> *Strategic Audit: Progress and Challenges for the UK* Cabinet Office Strategy Unit February 2005  
[http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/strategy/strategic\\_audit2.pdf](http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/strategy/strategic_audit2.pdf)  
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within the lifetime of a government or of its immediate successor is especially risk-laden, but not uncommon.

### *Wave three*

Longer-term analysis based on horizon scanning as well as trends and models and often presented as contrasting scenarios. These scenarios will carry indicators of different futures developing, typically, over a ten to thirty year time horizon. This enables ministers and senior officials to:

- a) Think about the effects of those futures on their own organisations and how they can make them more resilient and responsive to such futures
- b) To construct indicators to track which future appears to be emerging
- c) To create a strategic vision of the *desired* future from the components of the scenarios.

By always trying to present analysis in the three waves, each wave should mutually reinforce and connect with the other. The relevance of each type of analysis becomes much clearer, and there need be no compromise in terms of the rigour of respective forms of analysis.

### **'Line of sight'**

The point of developing a strategy for a government organisation is that it should frame the policy goals for that area of government and for the achievement of outcomes for which that organisation (almost invariably working with other departments and others beyond government) has responsibility. It should also give the organisation itself a strategy, enabling the organisation to allocate resources, performance manage and build feedback mechanisms that tell it whether it is achieving its goals. This makes strategy in government fundamentally distinct from strategy in the private sector, where the development of a strong strategic vision can help frame the way the business runs and the behaviours of the people who work for it, as well as helping the company to develop its markets and the products and services it sells; the private sector is usually less concerned with changing the society in which it operates, although companies do share with government a strong interest in understanding the behaviour of their customers and stakeholders. In government, strategy should always be in large part about the outcomes – the change 'out there' - that the organisation exists to achieve, as well as improving our understanding of the changing environment in which it operates.

Four main problems tend to block 'line of sight' in the development of government strategies.

- i. The production of a strategy document can tend to take precedence over the development of strategy itself.
- ii. Where strategic analysis is done – perhaps to the point of producing plausible and lucid scenarios of the future - there is often no process to link this work with the policy development process of the organisation (often put as the ‘so what?’ question). In these circumstances the analysis becomes little more than an organisational adornment. People might be aware of the analysis and scenarios, but they cannot relate it to their daily lives or to their working priorities. We saw this happen to some extent with the Wanless Review<sup>16</sup> which had – and continues to have – a high level of recognition of the Department of Health and NHS, but which has not influenced the strategic direction of the Department or the NHS as it should have done, in part because it conflated strategic vision with budget-setting.
- iii. Organisations leap from analysis and go directly to delivery planning. This can mean that strong programmes and projects are developed, for instance for road construction or police organisation or school ICT infrastructure; clear budgets are agreed and functional strategies might be agreed and implemented, too (e.g. for workforce development or estate management), but there is little sense of what the desired outcomes should be from all of this strategic work, or of coherence between different work streams.
- iv. Failure to engage with the world beyond the organisation: in this case, the organisation itself might be working effectively and have a sense of its own strategic direction, but its stakeholders and citizens remain unclear about what it is trying to achieve. This is likely to be fatal to the work of government, in a way that it is unlikely to be fatal (and in some cases could be advantageous) to a private sector organisation, both because such lack of understanding will ultimately threaten the organisation’s mandate and legitimacy and because the outcomes it seeks to achieve are likely to be hampered if they are not understood by those who must act with government to achieve them (citizens).

Strategies that make the links in a highly explicit way can mitigate these dangers. ‘Every Child Matters’<sup>17</sup> is a good example of such an approach, where specific indicators like the prevalence of breast-feeding in the first 6-8 weeks after birth are linked to five high-level outcomes: *Stay Healthy, Be Safe, Enjoy and Achieve, Make a Contribution, Achieve Economic Well-Being* in a coherent framework. The Scottish Government (also known as the Scottish Executive) has a strong framework linking five high level goals

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<sup>16</sup> Derek Wanless *Securing our Future Health: Taking a Long Term View* HM Treasury 2002

<sup>17</sup> See

<http://www.children.gov.uk/publications/childrensplan/downloads/ECM%20outcomes%20framework.pdf>

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through intermediate objectives to specific indicators which are monitored and reported on<sup>18</sup>

To ensure 'line of sight' from analysis to high level goals to policies to delivery to achievement of outcomes all government organisations should have a strategic vision which is clear in its provenance (resulting from the 'three waves' of analysis), coherent and consistent (because trade-offs have been identified and dealt with as a part of developing the strategy) and rich in outcomes. The vision should be capable of providing an organisational core purpose that everyone in the organisation and beyond understands and can support (and, ideally helped to create) and it should be written in compelling, motivating language that describes the desired future the organisation seeks to help create. Each of the outcomes it describes should, in turn, act as the end-goal for a policy process that the organisation will develop and foster. These policy processes will, in their turn, frame a series of programmes, projects, campaigns and other activities which will be delivered in some part by the organisation but also by a range of stakeholders and, in most cases, also by citizens as co-producers. Although good leadership, sensible structures and a strong delivery system can all help to provide line of sight, in the absence of a clear strategic vision there is nothing to have line of sight to.

Strategy is achieved by people, not by structures or processes. Therefore, we need people to want to understand the strategy, to want to keep it relevant and effective, and who see how their work supports the strategy. There is much evidence that people at the front line tend to have their own ideas about what they are supposed to achieve<sup>19</sup>. Part of being a strategic organisation rests in finding ways of creating an appetite for strategic working and in aligning the ways that people work at the front line – and of those in the wider community who co-produce outcomes – with the strategic goals. One of the difficulties with targets is that if they are not linked explicitly to outcomes through line of sight they can create a culture that works exclusively to meet targets without regard for the broader goals and the system in which government operates, resulting in the phenomenon of hard working organisations which achieve targets in the short term but which achieve less and less over the long term.<sup>20</sup>

## Process is the product

People working under pressure want to know 'the answer', or to have a set of processes or a check list which if followed guarantees a good strategy.

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<sup>18</sup> See <http://www.scotland.gov.uk/About/scotPerforms> (published 2 June 2008, accessed 18 August 2008)

<sup>19</sup> See Lipsky, M 1980 *Street-Level Bureaucracy: Dilemmas of the Individual in Public Services*. New York. Russell Sage Foundation.

<sup>20</sup> See Jake Chapman's work on the use of targets, notably in: Chapman, J. *System Failure: why governments must learn to think differently*. London. Demos. 2002 and Bentley T and Wilsdon J (Eds). *The Adaptive State*. London, Demos, 2003  
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Certain consultancy firms will hold up one model above all others, but there is no single model that ‘makes strategy’ for a leader or for an organisation; consultancy firms or business schools that try to ‘sell’ one model without reference to any others should be treated with considerable caution. Sometimes departments, think-tanks and academics are convinced that the provision of a better model or diagnostic tool will in some way enable government to work more strategically. The key to strategic working is an understanding of and – crucially – an *appetite for* strategic thinking and practice. Models and tools, while helpful in context, run the danger of creating a degree of thoughtless adherence on the part of officials eager for a ‘fail-safe’ way of making strategy. Worse still, because no model or method can work unless the organisation is of a strategic disposition (or can be made to adopt such a disposition), the application of tools or models without a process that helps to embed culture change in an organisation risks ‘inoculating’ the organisation and its stakeholders against strategy. A strategic approach that is set-up in the absence of understanding (the ‘shared conceptual armoury’ mentioned earlier) will inevitably fail.

Our research suggests that the key to producing a successful strategy is to involve as many people as possible from within the organisation (and, in certain circumstances, beyond it) in the development of strategy, which means allowing sufficient time for a process that enables engagement. DEFRA<sup>21</sup> (the UK Department of Environment, Food and Rural Affairs) took about a year to produce a new strategy in 2006-2007, and is continuing to put it into operation. The FCO (Foreign and Commonwealth Office) produced a new strategy within three months in late 2007 and succeeded in engaging a wide range of staff in the process. In both cases the processes are bearing results in terms of improved vision, outcomes, line of sight and reallocation of resources to new strategic priorities. (For an assessment of each government department’s progress in leadership, strategy and delivery see the Capability Reviews at <http://www.civilservice.gov.uk/about/accountability/capability/>

Some of the very best examples of strategy can be encapsulated in a single statement, or on a postcard. But a document is often important and necessary, particularly in the context of government where accountability is a constant concern. The difficulty is that production of the strategy document can itself become a task that blocks the development of the strategic process, by encouraging people to focus on the production of the document instead of on the changes to the organisation’s goals, to the organisation itself and to their own behaviours and skills. Too often the process of producing a strategy can seem to belong to the board or to a strategy or planning unit rather than to the organisation as a whole. In these circumstances the process becomes focused not on creating a strategy that will help give the organisation core purpose and a clearer sense of the outcomes it is trying to achieve and of how to achieve them, but on producing pieces of paper (or web pages) that will

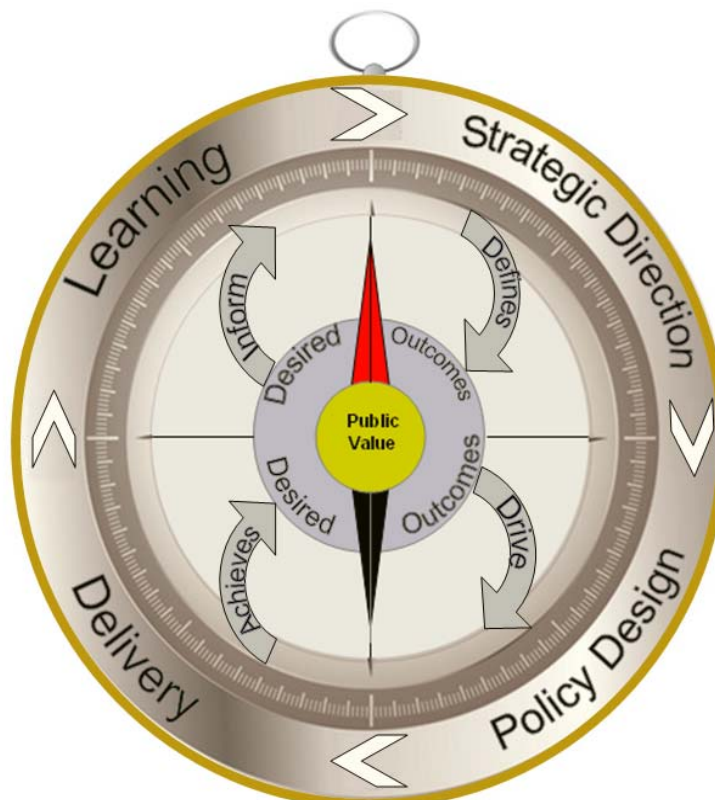
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<sup>21</sup> See DEFRA’s aims at <http://www.defra.gov.uk/corporate/deprep/2008/chapter1.pdf> and FCO’s at <http://www.fco.gov.uk/en/fco-in-action/strategy>.

have little traction within the organisation or beyond. Organisations can – absurdly - spend as long writing their strategy document as they do in arriving at the logic behind it. Whilst language is crucial when it comes to vision statements, priorities and objectives, agonising over the specific wording of a one hundred page document, and redrafting incessantly, diverts attention from the reasons why the strategy was being written in the first place.

Strategy processes need to focus on developing a shared understanding of the pressures facing the organisation and its partners across government, of the system beyond government in which it operates, of plausible futures and on its vision and outcomes. The permanent and political leadership need to be involved in the process, as well as middle ranking and front-line staff. Stakeholders and users of the services or benefits the organisation provides should also be involved, so that different perspectives can be understood, explored and challenge provided. The aim should be to develop understanding and commitment, not (necessarily) to produce glossy documents. Development of the strategy must be led and owned from within at all stages. Strategy is not a product - it is a process, and when developed in this way it is resilient, allowing the organisation to set its course and to reset its course in the future, because the capability to act strategically has been built and embedded. This is ‘strategy as a compass’, rather than ‘strategy as a tightrope’. Tightrope strategy is a static document, a five year plan, an object which the organisation must ultimately abandon. Compass strategy is a capability, acting like a compass to help leaders and crew to work out a position, to plot a route, to identify ultimate destinations and to change course and identify new destinations as circumstances change.

**Strategy as a compass:**



## Encourage challenge

One of the greatest weaknesses in government is that basic assumptions too often go unchallenged. The most innovative companies in the private sector encourage challenge to the received way of doing things. They often employ people not for their manifest desire to conform, but for their potential to offer new ideas, to develop new products, for their ability to 'shake things up'. More established corporations inevitably develop settled hierarchies and systems in much the same way that the civil and other public services do. But larger corporations often find ways of 'institutionalising' challenge, for instance by experimenting with new markets, goods or services through wholly-owned subsidiaries which are left to thrive or sink on their own. Success leads to the adoption of new approaches by the parent firm; failure to (usually) controlled financial losses, and possibly a search for new jobs by those responsible for those losses.

The public sector does not tend to work in this way. In part this is because experimenting with services that are mandated by elected political leaders and on which citizens might depend is unacceptable. (The same problem can present itself when piloting socially sensitive publicly-funded schemes; to experiment upon the public without their consent is morally contentious in a way that does not apply to a private firm trialling new products or services which customers can choose to buy or ignore).

The public sector also tends to shy away from challenge and innovation because its norms are of compliance not challenge, and its rewards are for the management of processes and of inputs and outputs, not for outcomes and achievements.

One way that government can encourage challenge is institutional. It can emulate the practice of the private sector by 'ring-fencing' challenge functions, for instance by setting-up shadow boards in organisations.<sup>22</sup>

Another way is to systematise reward for strategic thinking. Instead of systems of annual review that reinforce behaviour that is compliant, orthodox and which successfully manage processes at the input/output level of operation, government and the wider public sector needs to actively reward results, however they are achieved. A strategic, public value-based approach is helpful here, and is likely to be particularly helpful in supporting

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<sup>22</sup> The Welsh Assembly Government has a 'shadow board', although its role is primarily to air issues and offer alternative perspectives to the main management board (and to encourage staff development) rather than to explicitly challenge organisational assumptions.

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achievement of the Public Service Agreements for the period 2008-2011<sup>23</sup>, which place a strong emphasis on shared outcomes, to be achieved across government and through co-production across the system. This does raise a question mark over the competence-based approach currently favoured in the civil service. While helpful in creating a bedrock of skills and knowledge, such an approach also carries dangers in terms of constraining heterodoxy of thought and method and in terms of a tendency towards skills demonstrated through qualification rather than through results 'out there' in terms of outcomes achieved.

## Sense of public value

Arguments about public value tend to fall into three main categories:

*'Category one': Public value is that which the public values.* Therefore improved stakeholder engagement, improved consultation, improved social marketing, improved levels of democratic engagement including in novel forms will all help us to achieve public value. Important within this strand of thinking is, on the one hand, an understanding of members of the public as individuals, which is where an understanding of policy interventions as corrections to market failure, of New Public Management and of methods of service transformation all sit best and, on the other hand, of the public as citizens who seek goods for society as a whole, which is where the addition of public value thinking is particularly helpful.

*'Category two': Public value as a system of mandates.* The delivery of public goods through the unique authority of government (e.g. to levy taxes, to imprison, to police, to provide welfare payments etc.) depends on two forms of mandate: the endorsement of elected politicians, who are able to legitimate the actions of government through the authority of election and popular appointment; and the endorsement of the public through their expression of support, for instance by petition, complaint, satisfaction measurements, elections etc.

*'Category three': Public value as equivalent to shareholder value.* In the private sector companies must make a profit, and the level of dividend shareholders receive, and the value of the shares they own, will be closely related to the level of profit and to the prospects of future profit. However, shareholders are additionally interested in how a company is run, and in how it is seen by its customers, its competitors, by the media and society at large. Some shareholders will be concerned that the company behaves as a good corporate citizen, though others will not care. To some extent these concerns are a function of profitability, but they go wider than that – perhaps because shareholders are also citizens (of somewhere) and have 'category one' concerns as well as 'category three' concerns. In a similar way, public value

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<sup>23</sup> See the 2008-11 PSAs at HM Treasury website [http://www.hm-treasury.gov.uk/pbr\\_csr/psa/pbr\\_csr07\\_psaindex.cfm](http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm)  
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reflects the concern citizens have to see that their taxes are spent properly and efficiently, that they receive good services, that government is value for money. This 'delivery of goods' might be seen as the equivalent of the balance sheet in the private sector, but citizens aren't only concerned with government's *delivery* of goods; they also want to see that their government is *achieving* good; that it has a sense of how to develop public goods in the future – the greatest of these goods being society itself.

The chosen conceptual approach to public value is less important than that officials working in the public realm should have a strong idea of *why* they are working in the public domain. Mere service is not enough. A sense of how to serve most effectively, a sense of how to support political leaders in achievement of their goals, a sense of how those goals can themselves be shaped in a way that best creates public value, all these are not simply desirable qualities in our public officials: they are the fundamental duty of public officials.

## Conclusion

If we are to increase the capability of government and the wider public sector to work more strategically, we need to embed a culture of demand for strategic thinking at all levels. The role of leaders at the top of organisations in this is crucial. Leaders, both political and permanent, can demonstrate the importance of strategic working, particularly by shaping their demands for advice in strategic terms. But if leaders do not show an appetite for strategic thinking then the staff of an organisation will not offer such thinking. This means that work will typically offer little long-term analysis, will offer only one option (a 'quick' win) and, while the immediate budgetary or presentational problem might be dealt with, the outcomes the organisation exists to achieve slip ever further away.

There are a number of solutions to this problem. Firstly, individuals at senior positions can do a great deal to encourage strategic thinking even if their colleagues do not always work in the same way by rewarding staff who work in a way that helps to achieve outcomes, by praising people who contribute to understanding of the future context of the organisation, by highlighting new objectives and new options that were produced by strategic thinking processes. In this way they can help to change the organisational culture to a more strategic one. Secondly, people up and down the organisation can point to the success that strategic approaches achieve by calling upon evidence from other organisations and jurisdictions as well as their own. And thirdly, once an organisation has got 'into the habit' of working strategically, it is important that it makes sure that new people joining it understand that that is the way it does its business.

It is not enough, however, for less senior people to simply leave it to ministers and boards to behave more strategically. There is a responsibility on all those who understand the principles of strategic working to offer encouragement

and support to those around them. The advice they offer must, while recognising and responding to the immediate pressures on ministers and other senior people, also make the right connections with the longer term operating environment and longer term goals. The most strategic departments and organisations in government today have reached a level of working which can be expressed in the statement: *being strategic is the way we do things around here*. They have achieved a degree of resilience against a sudden loss of nerve or interest by a particular minister or senior official – and through this resilience they are able to protect the interests of those individuals, the organisation and –far more importantly – of government as a whole.

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