Strategy Development and Implementation

Literature Review - ways of thinking about strategy for Primary Care Trust top teams to deliver world class commissioning
Foreword

The Department of Health’s vision for world class commissioning sets out a challenging aspiration for Primary Care Trusts (PCTs) to deliver significant improvement in the health of their local populations, in line with the clinical ambition described in the NHS Next Stage Review.

Strategy is a central factor in achieving this vision. The Department of Health therefore recently published materials to support PCTs in the preparation of their strategic plans – Strategic Planning ‘How To’ Guide and Strategic Plan Contents Checklist.

Recognising the importance of this topic, PCTs have asked the NHS Institute for Innovation and Improvement to provide additional insight to the strategy process. The NHS Institute supports the NHS to transform healthcare for patients and the public by rapidly developing and spreading new ways of working, new technology and world class leadership. Helping PCTs to accelerate the pace at which they move towards world class is one of its key priorities.

The NHS Institute is working to complement the Department of Health’s materials, in order to enhance PCTs’ ability to develop clear strategies and convert them into practical improvements in health. As a first step, the NHS Institute commissioned the Institute for Employment Studies (IES) to undertake a rapid review of the literature on strategy.

IES is an independent, apolitical, international centre of research and consultancy in public employment policy and organisational human resource issues. It works closely with employers in the manufacturing, service and public sectors, government departments, agencies, and professional and employee bodies.

Practical tools and solutions in the field of strategy development will be generated by the NHS Institute over the coming months. Strategy Development and Implementation is being offered now to inform PCTs’ approaches to the development of their strategic plans. It is intended simply to broaden the thinking of PCT top teams about their strategic potential and to outline the options open to them when moving forward.
The review provides a summary of the literature on:

- strategy definitions
- ‘schools of thinking’ about strategy and
- methodologies of strategy formulation, development and implementation.

It also provides brief case studies of organisations that have transformed themselves through advanced strategic thinking, which may stimulate PCTs as they strive to provide local leadership of the NHS for those living in the area they serve.

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Executive Summary

Although all of the world class competencies have a strategic dimension, two are perhaps most directly focused on strategy:

- Competency 1: ‘Are recognised as the local leader of the NHS’
- Competency 6: ‘Prioritise investment according to local needs, service requirements and the values of the NHS’.

This review of the published literature on strategy is intended to provide an overview of the main approaches to developing strategy, how these can be applied in practice, and how the resulting strategy can be best implemented. Eight illustrative case studies, taken from a range of different sectors outside of the NHS, demonstrate a variety of different approaches to formulating and developing strategy, and describe the outcomes.

The review is intended to support and inform top teams in PCTs, who will soon participate in the assurance process for world class commissioning. The governance element of that assessment specifically asks: ‘Is there a coherent strategy in place that will deliver quality and health outcomes?’ The review also has particular relevance for the first two phases of the process set out in the Department of Health’s Strategic Planning ‘How To’ Guide and Strategic Plan Contents Checklist: Phase 1 - understanding the context, and Phase 2 - developing the vision.

With regard to Phase 1 (Understand context) of the Department of Health’s ‘How To’ Guide - there are many definitions of strategy, ranging from the very simple to the complicated and multi-layered. Gray (2005) emphasises that making strategy is a process: ‘the process of trying to understand what a business is about in its close environment […] a continual reviewing and revisiting of the assumptions that are made within the organisation about its purposes and functions’. Mintzberg (1987) believes that the definition of strategy should not be simple, as it is important to acknowledge that there are a number of facets to strategy. Collis and Rukstad (2008) point out that very few executives can summarise their company’s strategy in 35 words or less, which is a matter of concern, as a key role of strategy in organisations should be that it ‘resolves the big issue so that people can get on with the […] details’ (Mintzberg et al., 1998).

Most authors are united in their advice that organisations should not confuse processes – especially the strategic planning process – with the act of formulating strategy. Planning plays an important part but cannot, on its own, devise strategy and decide on strategic direction. It is, however, relevant when strategy is being implemented, as it enables action plans to be produced with associated timescales, responsibilities and targets that should enable strategic intent to be turned into reality. The Department of Health’s guidance, while addressing an essential element of strategic planning, should therefore not be seen as providing the whole picture – nor does it seek to do so.
Many authors have sought to classify strategy into groupings representing different approaches. Perhaps the best known of these classifications is Mintzberg et al.'s (1998) categorisation into ten ‘strategy schools’, as follows:

- Design school
- Planning school
- Positioning school
- Entrepreneurial school
- Cognitive school
- Learning school
- Power school
- Cultural school
- Environmental school
- Configuration school

These schools are summarised in chapter 3 and their strengths and weaknesses discussed in more detail in Appendix 1.

Some perspectives on strategy appear to be especially relevant to the public sector. The socioecological approach (e.g. Selsky et al., 2007) emphasises the need for interaction and collaboration based on shared values, between different organisations. The pluralistic approach (e.g. Whittington, 1993) takes account of the fact that organisations may seek to achieve several different outcomes at the same time, rather than having profit-making as the single ‘bottom line’.

With regard to Phase 2 (Develop vision) of the Department of Health’s ‘How To’ Guide – two things are very apparent from a review of the literature. Firstly, the majority of sources focus on the formulation and development of strategy rather than the practicalities of its implementation, yet strategy without implementation achieves little. Secondly, almost all the focus is on the private sector rather than the public sector. Notwithstanding these deficiencies, much that is of value for PCTs can still be gained.

Several common themes emerge:

- there is a need for clarity when developing and disseminating strategy
- mission and values have a role in strategy making
- strategy can be seen as a ‘wicked’ problem, namely one which is so complex and messy that it cannot be resolved by traditional processes
- there are many different ways of formulating and developing strategy
- organisational context impacts strategy making
• opinions are divided about the extent to which other parts of the organisation (rather than solely the CEO, all the CEO together with the top team) should be involved in strategy formulation and development
• the role of the board, especially non-executive members, requires consideration
• techniques such as the balanced scorecard can be used to translate strategy statements into operational reality
• strategic planning, while not in itself strategy making, can play a useful part in action planning and implementation.

These themes suggest that many decisions will need to be made when tackling strategy development and implementation. These are summarised in Figure 0.1.

Figure 0.1: Aspects of strategy

Source: IES, 2008

The different perspectives on strategy contained in the literature suggest that there is no one ‘best approach’ to organisational strategy, rather that the ‘best’ way of approaching strategy is dependent on the context of the organisation. The type of leadership required in a turnaround situation, for example, is very different from that required for changing organisational culture, or for maintaining strategic direction in a time of stability.
This review has established that much of the available material about strategy concerns the private sector, where the purpose of strategy is often to establish the basis on which the company will compete with others in the marketplace. The issues for the public sector are different, and in particular are likely to be more complicated and multi-faceted. Challenges typically include:

- identifying a single bottom line measure of success
- being subject to national standards
- the need to achieve efficiency savings
- the political environment in which organisations operate.

These issues should not preclude public sector organisations from formulating and developing a clear strategic statement of intent, together with an associated implementation plan. The examples in the literature, together with the case studies included here, show that it is possible to unite an organisation around its core purpose and key priorities. They also demonstrate the need for committed leadership from top teams, even when the whole organisation is involved in shaping strategy.

Organisations are likely to find that a good strategic planning process helps to translate strategic intent into implementation action plans, but they should not confuse the strategic planning process with strategy formulation and development – the former is merely one (vital) component of the latter.

The aim of this review is to inform, rather than to prescribe, the methods of strategy formulation, development and implementation that organisations could use. Top teams in PCTs will need to reflect on the ideas presented here in order to decide what is the best approach for their own organisation, within the context of the Department of Health’s guidance.
1. Introduction

1.1 Approach

**Review focus**

The literature on strategy is vast and wide-ranging. While much of it relates to the basis on which companies compete in the market place, and is therefore not directly relevant to the NHS, there is much that is applicable, such as that relating strategy to core competencies, values and mission, organisational learning, and leadership. There has also been an increasing focus on innovation as the basis for success and on stakeholder involvement in strategy formulation.

The main focus of this review is on effective strategy formulation, development and implementation. It starts from the basis that the nature of the strategy is less important than the ways in which it has been devised, discussed, agreed and put into practice. The review covers:

- key themes (chapter 1)
- strategy definitions (chapter 2)
- strategy schools (chapter 3 and Appendix 1)
- strategy formulation, development and implementation (chapter 4)
- conclusions (chapter 5)

The discussion is supported by eight case studies (Appendix 2) from outside of the NHS.

‘Strategy’ has been taken here to refer to overall organisational priorities and direction, rather than plans that are specific to particular functions, such as human resources or marketing. In most of the literature, the assumption is that strategy is not a short-term plan for the next year, but a statement of strategic direction over the longer-term (typically three to five years).

This review is intended to complement the specific Department of Health guidance by providing a summary and synthesis of applied theory and evidence on how top teams/boards from a range of organisations have learnt to develop and apply different strategic methods. Chapter 1 has most bearing on Phase 1 of the Department of Health process, while Chapter 4 is most relevant for Phase 2. Chapters 2 and 3 address ways of thinking about the strategic planning process as a whole.
1.2 Public sector issues

A different type of leadership?
Collins (2006) points out that most non-business leaders do not have the concentrated decision power of a business CEO. In the public sector, leaders may need to have greater reliance on persuasion, political currency and shared interests to create the conditions for the right decisions to happen. Collins advises that three things should drive the organisation, namely: what the leader is deeply passionate about; what the organisation can be best in the world at; and what best drives the organisation's resource engine. He likens the required persistence to ‘the flywheel’. There is no single defining action or miracle moment, but rather a process resembling relentlessly pushing a giant flywheel in one direction, building momentum until a point of breakthrough.

Is health different?
In the UK, the NHS is often described in terms of the constraints imposed upon it due to the demands of having to provide a 24-hour service to all who need it, within a cash-limited public sector environment. As with the rest of the public sector, it is difficult to establish a single, accepted, ‘bottom line’. However, the complexities of healthcare are also experienced in countries in which health is largely a private sector activity. Morrison (1999), for example, is very critical of strategy making in the US healthcare sector:

- ‘Health care moves at glacial speed compared to most other industries.’
- ‘Strategy innovation has stalled in health care.’

Adams (2005) criticises healthcare organisations in the UK and abroad for being slower to adopt strategic planning processes than other public and private sector industries.
2. What is Strategy?

2.1 Definitions of ‘strategy’

Considering the amount of strategy literature that exists, definitions of strategy and strategic activity are relatively few. This section gives a variety of available definitions.

Gray (2005) defines strategy as ‘the process of trying to understand what a business is about in its close environment’, and goes on to state that it is ‘a continual reviewing and revisiting of the assumptions that are made within the organisation about its purposes and functions’.

Nadler (2004) offers a breakdown of four different types of strategic activity:

1. strategic thinking, which involves ‘the collection, analysis, and discussion about the environment of the firm, the nature of competition, and business design alternatives’

2. strategic decision-making, which ‘requires a set of core directional decisions’. There ‘are fundamental choices concerning the business portfolio and the business design, which serve as the platform for the future allocation of limited resources and activities’

3. strategic planning, which ‘typically results in a plan and a set of budgets’

4. strategic execution, focusing on ‘implementation, monitoring results, and appropriate corrective action’ and often involving funds allocation.

According to De Wit and Meyer (2004), the content and context of any strategy will usually be unique, but the strategy process can be defined as being based on three phases: analysis, formulation and implementation (see Figure 2.1)

Figure 2.1: Strategy context, process and content, linked to organisational purpose

Source: De Wit B, Meyer R, 2004
Camillus (2008) describes the creation of strategy as ‘the most important responsibility of senior executives’. It is therefore worrying, as Collis and Rukstad (2008) point out, that very few executives can summarise their company’s strategy in 35 words or fewer. They believe that competitive advantage is the essence of strategy, and state that ‘what your business will do differently from or better than others defines the all-important means by which you will achieve your stated objective’. This objective needs to be precise, as it ‘will drive the business over the next five years or so’. The goal of any company should therefore be to have a simple strategy statement that is unique, in that it could not belong to any other firm. Collins and Rukstad position strategy within a hierarchy of company statements (see Figure 2.2), each of which fulfils an important purpose.

A simple definition of strategy is provided by Wright et al. (1992): Strategy is ‘top management’s plans to attain outcomes consistent with the organisation’s missions and goals’. Another straightforward definition is provided by Adams (2005): ‘Strategy can be defined as the things an organisation will do to close the gap between its current reality (markets served, services, processes, people, technologies, or finances) and its desired future state’.

Mintzberg (1987), however, believes that the definition of strategy cannot be simple, as there are a number of facets to strategy:
- a plan, direction or course of action for the future
- a pattern of consistent behaviour over time
- a positioning of particular products or services in particular markets
- a perspective, or an organisation’s ‘fundamental way of doing things’
- a ploy or manoeuvre to outsmart a competitor.

One thing is clear to Mintzberg; a major role of strategy in organisations is that it ‘resolves the big issue so that people can get on with the little details’ (Mintzberg et al., 1998).
2.2 What strategy is not

There is a significant body of literature on the theme of what strategy is not. The key points are summarised below:

- it is not a single event, but a process that takes time (Nadler, 2004)
- it is not ‘strategic planning’, as it requires continual review (Gray, 2005)
- it is not technology, as ‘strategic understanding cannot be keyed to a specific technology application’ (Singer, 2008). Singer goes on to state that strategy is also not the Internet, which is available for all to use, and is not easy ‘spin’ or ‘messaging’. All of these things are tools to use, but are not unique or embedded within the organisation in the systemic, holistic way that is required of strategy
- it is not a simple statement or process (Mintzberg, 1987).
3. Schools of Strategy

3.1 Introduction

A number of classifications of strategy exist, all of which attempt to classify strategy into groupings representing different approaches, philosophies or even language-usage. This chapter outlines the key features of the better-known classifications.

3.2 Four generic approaches

Whittington (1993) organises strategy into four broad groupings along two dimensions – whether companies aim for profit maximising or pluralistic outcomes, and whether strategy is deliberate or emergent. Figure 3.1 illustrates Whittington’s groupings, which he uses to place strategy writers that typify each approach - although Jones (1998) points out that it is unlikely that all the outputs from any particular writer will always be consistently within a single approach. The four resulting strategy approaches are described as:

1. **Classical**: a rational, analytical, ‘textbook’ approach

2. **Evolutionary**: an approach that acknowledges the unpredictability of the environment and therefore the irrelevance of a lot of strategic analysis, and allows strategy to emerge and grow

3. **Processual**: a pragmatic approach which advises acceptance of the fact that much of our knowledge and understanding is imperfect, and suggests that strategy is also likely to be imperfect and emergent

4. **Systemic**: an approach that points out that the organisation in which strategy is made is a social system, so strategy will, to some extent, reflect the social system in which it occurs.
A fundamental difference between the Classical and Processual approaches to strategy is their view of the importance of the individual human being’s experience in making strategy. The former stresses rational, deliberate processes and relies on the outcomes of detailed analytical research, while the latter emphasises learning from experience rather than from research.

3.3 Neoclassical versus socioecological perspectives

**Neoclassical**

Selsky et al. (2007) divide strategy models into two broad groupings, neoclassical and socioecological. The neoclassical approaches emphasise competitive activity among firms (for example Porter 1980; Barney 1986; Ferrier et al. 1999; Foss and Knudsen 2003). What distinguishes different schools within the overall neoclassical grouping is the way in which they seek competitive advantage. However, in all of the schools, the most likely measure of success is comparative economic returns. The neoclassical perspective is therefore firmly grounded in the private sector.
Recently, there have been two developments extending the neoclassical perspective. One is more intense competition, or ‘hypercompetition’ (D’Aveni 1994). This development both speeds up the process by which strategy is formed, and encourages disruptive competition to such an extent that constant disruption is seen as a normal state of affairs (Christensen 1997). The second development is more extensive partnering, even to the extent of collusion. The neoclassical perspective sees partnering as a way for firms to gain advantage (Hamel et al. 1989), and sees it as opportunistic rather than collaborative.

**Socioecological**

By contrast, the socioecological perspective originated in Tavistock approaches to open systems theory (for example Emery and Trist 1973). The unit of analysis is a shared field of inter-organisational action, such as a policy sector or social issue. A field is ‘a complex web of interactions, multiple effects and consequences of strategic actions taken by various social actors associated with the sector or issue’ (Selsky et al. 2007). Collaboration, based on shared values forged deliberately through dialogue and interaction, is considered to be the best way of coping with turbulence. This perspective is clearly far more applicable and relevant to the public sector, in which partnerships and collaboration are considered essential.

**Key differences**

Within the neoclassical perspective:

- the firm is the unit of strategy-making
- strategic decisions are made by a small number of people, considering a small number of things (for example direct competitors and key stakeholders)
- actions are believed to have a limited impact outside the key players, and the time horizon tends to be fairly short
- each decision–maker makes sense of the competitive field in his or her own way.

Within the socioecological perspective:

- the unit of strategy-making is the extended social field, populated by a diverse set of players
- organisations are embedded within complex social systems and cultures
- decisions and actions will have an emergent effect on others within the field and outside it
- sense-making can occur collectively, via collaboration, and decision makers have a ‘whole view’ mental model (Dansereau et al. 1999).
3.4 The ‘ten schools’

Perhaps the most well known and comprehensive classification is Mintzberg’s categorisation of strategy formation into ten ‘schools’ (1990). More recently, Mintzberg et al. have refined this classification and described, and critiqued, the ten schools in more detail (1998). The figure below (Figure 3.4.1) names these schools and matches them with the type of process most closely associated with each, and with the overall tone – is it: prescriptive (instructing us how strategy should look); descriptive (outlining how it actually looks and works in practice); or integrative (trying to join all the different approaches together and find a role for each)?

Figure 3.4.1: Ten ‘schools of thought’

<table>
<thead>
<tr>
<th>School</th>
<th>Type of process</th>
<th>Tone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td>Conception</td>
<td>Prescriptive</td>
</tr>
<tr>
<td>Planning</td>
<td>Formal</td>
<td>Prescriptive</td>
</tr>
<tr>
<td>Positioning</td>
<td>Analytical</td>
<td>Prescriptive</td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td>Visionary</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Cognitive</td>
<td>Mental</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Learning</td>
<td>Emergent</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Power</td>
<td>Negotiation</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Cultural</td>
<td>Collective</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Environmental</td>
<td>Reactive</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Configuration</td>
<td>Transformation</td>
<td>Integrative</td>
</tr>
</tbody>
</table>

Source: Mintzberg et al., 1998

Each of the schools is described briefly in Table 3.4.1. A fuller analysis of each school is provided in Appendix 1.
<table>
<thead>
<tr>
<th></th>
<th><strong>Strategy Schools</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Design school</strong>: highly influential and heavily used throughout the Western business world. It stresses the importance of analysis and logic.</td>
</tr>
<tr>
<td>2.</td>
<td><strong>Planning school</strong>: has similarities with the design school, in that it sees strategy formation as a central activity and uses information and analysis as its basis. However, the creation of a specialist function effectively removes control from the CEO and the top team.</td>
</tr>
<tr>
<td>3.</td>
<td><strong>Positioning school</strong>: believes there are only a few key generic strategies, namely those that position the company in such a way as to defend it from existing and future competitors. This means that strategy is no longer unique. Particularly relevant to the private sector.</td>
</tr>
<tr>
<td>4.</td>
<td><strong>Entrepreneurial school</strong>: focuses strategy formation exclusively on a single person, the leader. Its central concept is vision, which is a mixture of deliberate (in its broad lines) and emergent (in its detail).</td>
</tr>
<tr>
<td>5.</td>
<td><strong>Cognitive school</strong>: aims to understand strategy by getting into the mind of the strategist. All managers are believed, by the cognitive school, to have frameworks in their head to help them interpret the world; these are sometimes called ‘causal maps’ or ‘mental models’.</td>
</tr>
<tr>
<td>6.</td>
<td><strong>Learning school</strong>: believes that strategists learn over time, and that strategy making is a messy process existing in a complicated world. Devotees of this school believe that the traditional view of strategy making as rational and planned is a fantasy.</td>
</tr>
<tr>
<td>7.</td>
<td><strong>Power school</strong>: emphasises the role of power and politics in strategy making, claiming that people manoeuvre to arrive at a strategy that is favourable to their particular interests. Any intended strategy will be distorted at every step, which means that there is no one single architect of strategy, as various people influence it by pursuing their own agendas.</td>
</tr>
<tr>
<td>8.</td>
<td><strong>Cultural school</strong>: holds that strategy formation is a process of social interaction based on shared beliefs, often tacit, within the organisation. Strategy therefore takes the form of perspective rather than positions. Culture is linked to strategy by influencing the ways in which organisations think and analyse, and by encouraging people to act consistently.</td>
</tr>
<tr>
<td>9.</td>
<td><strong>Environmental school</strong>: positions the environment as the main one of the three central forces in the process of strategy making, alongside leadership and organisation. The organisation must respond to environmental forces, and leadership’s role is to read the environment and ensure the organisation adapts.</td>
</tr>
<tr>
<td>10.</td>
<td><strong>Configuration school</strong>: gives the message that all the other schools have a place and a time, so that their messages can be integrated. Strategy is more about continuity than change, in that while strategy making can bring about a dramatic change of direction, it then works to stabilise the change. Different types of strategy making are appropriate to organisations in different circumstances, and at different stages in their life-cycle.</td>
</tr>
</tbody>
</table>

*Source: Adapted from Mintzberg et al., 1998*
4. Strategy Development and Implementation

4.1 Introduction

This chapter deals with the literature on the topic of how to formulate, develop and implement strategy.

The majority of sources focus on formulation and development rather than the practicalities of implementation, and the literature focusing specifically on implementation is sparse. Implementation is usually mentioned, if at all, as merely the stage that needs to follow formulation and development. Much of the literature is concerned with the role of leadership – specifically the CEO, sometimes the top team as a whole - or the extent to which the rest of the organisation should be involved. As is typical in strategy writings, almost all the focus is on the private sector rather than the public sector.

Several themes emerge from the literature, each of which is explored in more detail below. The themes are:

- the need for clarity when developing and disseminating strategy
- the role of mission and values in strategy making
- different ways of formulating and developing strategy
- the impact of context on strategy making
- the extent to which the organisation should be involved in strategy formulation and development
- the role of the board
- the use of the balanced scorecard to translate strategy statements into operational reality.

Although strategy formulation is not the same as strategic planning, Strategic Health Authorities, when carrying out their assessment of PCTs, will expect that strategic planning processes are in place, in line with the guidance published by the Department of Health. At the end of this chapter there is therefore a summary of the key components of strategic planning, and the most common difficulties that arise within the planning process.
4.2 The need for clarity

Collis and Rukstad (2008) state that it is important to have a simple, clear, succinct strategy statement that everyone can internalise and use as a guiding light for making difficult choices. Although their advice is aimed at private sector companies, the general principles apply to any organisation. A well-understood statement of strategy aligns behaviour within the business, so that it becomes much easier to implement the strategy. They believe that there are three critical components of a good strategy statement – objective, scope and advantage. Any strategy statement must begin with a definition of the ends that the strategy is designed to achieve. It is also crucial to define the scope, or domain, of the business: the part of the landscape in which the firm will operate. Competitive advantage is the essence of strategy for the private sector: what the business will do differently from or better than others defines the all-important means by which they will achieve their stated objective.

Companies tend to confuse their statement of values or mission with their strategic objective. A strategic objective is the single precise objective that will drive the business over the next five years or so. The mission statement spells out the underlying motivation for being in business in the first place. However, firms in the same business often have the same mission, and may also have the same values and perhaps even the same vision. However, they should not have the same strategic objective. The choice of objective has a profound impact on the firm. For example, when Boeing shifted its primary goal from being the largest player in the aircraft industry to being the most profitable, it had to restructure its entire organisation.

Advantage is the most critical aspect of a strategy statement for private sector companies. The definition of a firm’s competitive advantage consists of two parts. The first is a statement of the customer value proposition (e.g. Wal-Mart’s is ‘everyday low prices for a broad range of goods that are always in stock in convenient geographic locations’). The second captures the unique activities or the complex combination of activities allowing that firm alone to deliver the customer value proposition. The goal is to arrive at a relatively simple description in a strategy statement that provides an incisive characterisation that could not belong to any other firm, and that can be internalised by all employees.

To develop a strategy statement, Collis and Rukstad’s advice is to:

- ‘Carefully evaluate the industry landscape (in particular, understand customers).’
- ‘Analyse competitors’ strategies.’
- ‘Rigorously assess capabilities and resources.’
The process should involve employees in all parts of the company and at all levels. The wording of the strategy statement is very important, as ‘it is usually in heated discussions over the choice of a single word that a strategy is crystallised and executives truly understand what it will involve’. The end should be a brief statement that reflects the three elements of an effective strategy, which should then be cascaded down the organisation.

The need for clarity is particularly relevant for PCTs, which are in the process of changing their role from primary healthcare delivery to commissioning on behalf of their local populations. A clear articulation of strategic direction will help to focus (or refocus) the organisation.

4.3 What about mission and values?

Kanter (2008) believes that there has been a decisive shift in the guidance system of global giants. They now draw heavily on their shared understanding of mission, and their values are turning out to be the key ingredient in the most vibrant and successful of today’s multinationals. Once people agree on what they respect and aspire to, Kanter observes, they can make decisions independently and not work at cross-purposes. Proctor & Gamble’s mission, for example, is ‘to improve the lives of the world’s consumers’. Common values and standards allow people at the front line to make consistent decisions, even under pressure and in the company’s most culturally and geographically disparate locations. It is critical that standards are open-ended and aspirational, not constraining or restrictive. Values and standards offer people a basis for engagement with their work, a sense of membership, and an anchor of stability in the midst of constant change. Yet this goes hand in hand with a loosening of organisational structures in favour of fluid boundaries and flexible deployment of people.

The new model – one of achieving shared objectives via shared mission, standards and values – helps large companies avoid the traps of bureaucracy, and yields a way of doing business that is more localised and humane. It engages energies and passions.

The world class commissioning vision will provide the basis for PCTs to define and communicate their mission and values. Similarly, the national assurance framework sets standards for PCTs. However, they should also consider their own organisational context – culture, employees, population characteristics etc. – to ensure that the mission, values and standards they adopt contain elements that are unique to their particular circumstances.
4.4 Ways of formulating strategy

McFarland (2008) observes that while many companies still use the decades-old annual strategic planning process, others have jettisoned formal strategic planning altogether. Some believe that strategy making is too uncertain and complex to be handled by a defined process. However, the fact that the process is failing does not mean that strategy making is resistant to a process approach. Traditional approaches, however, are predictive in nature, and these seldom work. Adaptive approaches, on the other hand, focus on adjusting quickly to changing realities.

Strategy is a mechanism through which an organisation makes sense of the world around it. Sound strategy development processes should, therefore, enable an organisation to create and adapt strategy quickly and iteratively. Three major themes have emerged from McFarland’s work with companies: the importance of having an iterative approach as opposed to a linear approach; the importance of organising the strategy-making process around people rather than processes; and the recognition that in strategy there is no such thing as a magic ‘silver bullet’.

Strategy can be created most effectively, McFarland believes, when formulation and implementation go hand in hand. The most valuable learning takes place when people on the front lines attempt to execute the strategy. An effective strategy needs to magnify the efforts of people throughout the organisation, and the best way to get people in the middle and on the front lines of an organisation to understand and embrace the strategy is to involve them in creating it. McFarland advises organisations to ‘get senior executives off centre stage’.

Rees and Porter (2006) compare two general approaches to the development of corporate strategy. One is the comprehensive approach: an overall strategy is developed and implemented as a means of achieving key organisational objectives. The other is incremental: strategy is gradually developed. Neither is right or wrong, and both can work or be badly thought out; however, the comprehensive approach needs more effort. Potential problems include under-estimating the complexities of organisational behaviour, adopting a unitary perspective which ignores conflicts of interest within the organisation, implementing too rigid a structure, and having too narrow a range of functional specialists. Rees and Porter recommend considering the virtues of the incremental as opposed to the comprehensive approach.
The comprehensive approach works well when there has been significant organisational failure, or dramatic external change has happened or is anticipated. However, it can be introduced on false premises. The major pitfalls to be avoided are:

- unrealistic mission statements that are too aspirational
- obstacles to ‘rational’ debate: people cannot always cope with debate, in that they may have insecurities or hidden agendas
- conflicts of interest: even if overall the organisation will gain, some will lose and may resist
- ignoring the complexity of the organisation and its external environment
- imposing rigid new structures in times of complexity and change
- ignoring the concept of systems theory – i.e. ignoring the fact that change in one area can impact unexpectedly on another
- false assumptions about organisational capacity
- importing strategies and structures from other organisations that do not fit
- over-reliance on quantitative data
- the mechanistic application of strategic analysis
- an over-centralised approach to strategy
- strategic decision taken by too narrow a range of people
- the process of establishing comprehensive strategy proves to be so daunting that nothing is done
- ignoring implementation, which does not happen by itself.

By contrast, the incremental approach builds on the strong points of existing practices, enables concentration on what change is realistic, and allows the problem-solving approach to be used.

Cohen and Cyert (1973) state that there are nine steps in a strategic planning process:

1. formulation of goals
2. analysis of the environment
3. assigning quantitative values to the goal
4. the micro-process of strategy formulation
5. the gap analysis
6. strategic search
7. selecting the portfolio of strategic alternatives
8. implementation of the strategic programme
9. measurement, feedback and control.
When it comes to implementation and monitoring, Cohen and Cyert recommend decomposing the broadly stated strategy into a time-phased sequence of plans – but they advise against translating the resource requirements into monetary terms, believing that this will also replace inspiration and entrepreneurial spirit with monetary constraints and bureaucracy. They also state it is important to obtain enthusiastic cooperation from executives at various levels (but do not say how this is to be achieved), and examine the formal organisational structure for fit with the requirements for decision-making and coordination. Finally, they advise the development of evaluative measures, which should conform as closely as possible to the important corporate goals. They consider that there should be many measures, not just one or two types of summary figure, such as return on investment (ROI). This is because by having many dimensions of performance, it is less easy for executives to find ways of ‘winning the game’ by focusing on only one or two things at the expense of others – hitting the target but missing the point.

Cohen and Cyert believe that their approach to strategic planning is serious and logical, but state that very few firms actually carry out strategic planning in this way.

Nadler (2004) provides six key steps in the framework for strategic thinking:
1. agree on the company vision
2. view the opportunity space (in which the company might operate successfully)
3. assess the company’s business design and internal capabilities
4. determine the company’s future strategic intent
5. develop a set of business design prototypes
6. choose the business design that is deemed best.

Bourgeois and Brodwin (1984) identify five models of strategy implementation, see Table 4.4.1.
Table 4.4.1: Five models in brief

<table>
<thead>
<tr>
<th>Model</th>
<th>The CEO’s strategic question</th>
<th>CEO’s role</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Commander</td>
<td>How do I formulate the optimum strategy?</td>
<td>Rational actor</td>
</tr>
<tr>
<td>II Change</td>
<td>I have a strategy in mind; now how do I implement it?</td>
<td>Architect</td>
</tr>
<tr>
<td>III Collaborative</td>
<td>How do I involve top management to get commitment to strategies from the start?</td>
<td>Coordinator</td>
</tr>
<tr>
<td>IV Cultural</td>
<td>How do I involve the whole organization in implementation?</td>
<td>Coach</td>
</tr>
<tr>
<td>V Crescive</td>
<td>How do I encourage managers to come forward as champions of sound strategies?</td>
<td>Premise-setter &amp; judge</td>
</tr>
</tbody>
</table>

Source: Bourgeois L J, Brodwin D R, 1984

**Commander:** the CEO uses economic and competitive analyses to plan resource allocations in the achievement of explicit objectives. There is a strong bias towards centralised direction.

**Change:** deals explicitly with strategy implementation, and emphasises how such things as organisational structure, incentive compensation, and control systems can be used to facilitate the execution of strategy. It usually concerns the adoption of new strategy.

**Collaborative:** concentrates on group decision-making at senior levels, and involves top management to secure commitment in the formulation stages. It involves the consideration of multiple inputs to a group decision in which strategy emerges as a negotiated outcome.

**Cultural:** seeks to implement strategy through the infusion of a corporate culture throughout the organisation.

**Crescive:** involves ‘growing’ strategy from within the firm, drawing on managers’ natural inclination to want to develop new opportunities as they see them in the course of their day-to-day management.

Gray (2005) criticises strategists for not always focusing on the most important things. He points to one significant challenge, namely population growth through longevity, and says that this is the sort of thing that strategic leadership should be concerned with. The absence of strategic thinking about demographic change and its influence on industry and commerce is lacking at employer level – almost all thinking about work and careers is based on an assumption that the duration of the normal working life is 30 to 40 years with retirement as its goal. This is one criticism that cannot be directed
at the healthcare sector, as demographic change issues are known to have such a big impact on healthcare demand.

This section has presented a selection of the large body of advice that exists about using a process to achieve strategy formulation, development and implementation. Relatively formal processes are often used in the public sector, perhaps for two main reasons. The first is the complexity and size of the issues and organisations involved, which cannot usually be tackled by a small number of people working informally. The second is the emphasis on accountability, which means that having a structured, documented process becomes a requirement.

4.5 Is strategy ‘wicked’?

A recent article in the Harvard Business Review takes a new perspective on strategy, describing it as a ‘wicked’ problem (Camillus, 2008). A ‘wicked’ problem is defined as one with some or all of the following characteristics:

- it involves many stakeholders with different priorities and interests
- the issue’s roots are complex and tangled
- the problem is difficult to come to terms with and changes with every attempt to address it
- the challenge has no precedent
- there is nothing to indicate the right answer to the problem.

Camillus believes that traditional processes cannot resolve wicked issues, examples of which are environmental degradation, terrorism and poverty; they are too complex and multi-faceted. Instead, they have to be managed and coped with. His advice is to use the techniques described below:

- involve stakeholders, document opinions and communicate, with the aim of creating a shared understanding of the problem and fostering a joint commitment to possible ways of resolving it. Rather than being systematic, companies are advised to use social planning processes such as brainstorming, retreats and focus groups. The most important group to involve are employees, whose tacit knowledge and commitment will often help enterprises to develop innovative strategies. Merrill Lynch Credit Corporation places a great deal of emphasis on semi-structured social processes and interactions, while Shell has a global electronic network which allows hundreds of managers and planners to discuss planning issues
• define the corporate identity, by staying true to a sense of purpose. The organisation’s identity is likely to include its values, competencies and aspirations, underpinned by the mission

• focus on action, rather than clinging to the belief that there is a clear relationship between cause and effect. Instead of thinking through all options before choosing a single one, organisations should experiment with a number of strategies that are feasible. Companies like GE and Fujitsu use experiments, pilots and prototype testing, even if risky, and celebrate thoughtfully-implemented initiatives even if they turn out to be business failures

• adopt a ‘feed-forward’ orientation, to complement existing feedback systems. This is because feedback has limited relevance in a wicked context. Feedback allows enterprises to refine strategies that are basically sound, while wicked problems require novel strategies. Feeding forward is all about creating visions of the future, using scenario planning techniques, and thinking through the strategic implications that would be required to increase the likelihood of the favourable circumstances becoming reality.

The complexity of the issues faced by PCTs suggests that for them, strategy may indeed have ‘wicked’ elements, which are unlikely to be resolved by detailed, process-driven strategic planning systems alone, though the need for such processes has been highlighted above.

4.6 The importance of context

Organisational context
Sarrazin (1981) found that strategy formulation is related to the type of enterprise:

• in a mono-activity enterprise, it is highly centralised, non-formalised, and in the hands of the top manager

• in an enterprise with homogeneous diversification of activities and a simple-stable environment, top management can have a clear understanding of each activity and the environment. Top managers are likely to exhibit classical behaviour – to be leaders, coordinators and integrators. Besides the CEO, very few people will be in charge of strategic planning at the corporate level

• in an enterprise with a heterogeneous diversification of its activities and a simple-stable environment, top management’s time and effort will be devoted to revealing potential and actual synergistic efforts among activities rather than challenging each strategic divisional plan in depth. Coherence is going to be achieved by participation of the heads of divisions in the top management group rather than by formalised planning procedures
- In a company with homogeneous diversification of activities and a complex-unstable environment, the emphasis shifts from a planning oriented perspective to a control oriented perspective. The top manager is a pilot who determines both uncertain long term goals and constraints, and the short term dynamic windows for the various activities of the corporation.

- In a company with heterogeneously diversified activities and a complex-unstable environment, top management will have the best understanding of the network of relationships among various actors. The role is therefore one of analysing the network and maintaining viable links.

Figure 4.6.1 provides a summary of the above organisational classification and the associated roles of the top team.

**Figure 4.6.1: Strategy formulation modes and roles of top management in business firms**

<table>
<thead>
<tr>
<th>Extent of Diversification of Activities</th>
<th>Original Strategy at the Corporate Level</th>
<th>Relational Strategic Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heterogeneous diversification</td>
<td>3 Top management is an entrepreneur who builds a strategy based on synergistic effects</td>
<td>5 Top management negotiates viable relationships with other groups of actors</td>
</tr>
<tr>
<td>Homogeneous diversification</td>
<td>2 Top management is a leader &amp; an integrator of decentralized strategic thinking</td>
<td></td>
</tr>
<tr>
<td>Mono-activity</td>
<td>1 Centralized Strategy Formulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>There is no explicit strategy, except in the top manager’s mind</td>
<td></td>
</tr>
</tbody>
</table>

Source: Sarrazin J, 1981
Bailey and Johnson (1995) carried out research exploring senior executives’ perceptions of the strategy development process. The results show that strategy processes are context dependent. They found there were six broad approaches, associated with different types of organisation. These are described below:

**Type 1**: Planning: this is the archetypical approach to strategy development. It involves precise strategic objectives, systematic analysis, and precise plans. Typically, its adherents come from large organisations that are relatively stable, for example in the service sector.

**Type 2**: Logical incremental: there are standardised procedures producing potential strategic options, which are then assessed against objectives. Strategy is adjusted to match change in the market place, with small adjustments and iterative refinements. This approach is found in growing, stable, mature organisations in the manufacturing and service sectors.

**Type 3**: Rational command: this features a senior figure, a vision, clear objectives, shared purpose and mission. It is typical of large manufacturing or service companies, with a lot of managerial autonomy, operating in a benign environment.

**Type 4**: Muddling through: this involves bargaining, negotiation, compromise, and the exercise of power, leading to incremental strategy development but with managers not necessarily in control. This type of approach (or lack of approach) is often found in professional service firms.

**Type 5**: Externally dependent: this involves enforced choice and a political dimension. Strategy is shaped by external forces. It is typical of public sector organisations, larger manufacturing companies and financial subsidiaries.

**Type 6**: Embattled command: this features an unstable environment, a declining market, and enforced choice. Some public sector organisations may be like this, especially if under threat of competition. Otherwise it is a feature of smaller organisations, often specialist manufacturers and financial services.

Although all PCTs share a similar purpose, each is unique in terms of its organisational culture, environmental setting and population profile. This suggests that it is acceptable for their modes of formulating strategy, and the processes they adopt, to vary.

**Personal characteristics context**

Strategy formulation is, according to some evidence, linked to the top executive’s personal philosophy and personality (Hambrick and Fredrickson, 2001; Kotev and Meredith, 1997). Parnell and Lester (2003) carried out a research study of 177 managers in the South Eastern United States, the results of which showed that managers fitted into four types:
Planners: characterised by acceptance of comprehensive, analytical, formal planning models.

Artistic: seeing strategy as an evolving art form, qualitative, and unable to be manipulated by systematic planning.

Participatory: holding that strategy making is a group dynamic, a process subject to change.

Controlling: a belief that only the top management team possesses the knowledge and understanding to be in a position to make strategy.

Interestingly, those managers in the sample from companies whose strategies were controlled from the top were on average the most satisfied with the performance level of their organisations.

Karami et al. (2006) identified the characteristics that predispose managers towards strategy making. They found that younger senior managers did not have a more complete strategic orientation in the development of their strategies than older ones. However, they tend to pursue more risky strategies, and more novel and innovative strategies. There was no significant correlation between the age of CEOs and the firm’s performance, but the correlation between senior managers’ work experience and firm performance was significant. Senior managers with a background in management education were more inclined to develop and use formal strategic plans than those without such a formal education.

Kakabadse (1999) found that older managers make the best of people and foster continuous effective performance. Today’s organisations demand resilience and wisdom, and older managers take a more balanced view when reaching a decision. Leadership can be learnt through the successes and failures of organisational life.

Noy and Ellis (2003) in their research in Israel, found that managers consider risk an important part of strategy formulation. However, this does not necessarily translate into defined, formalised risk-taking strategies. They found that the use of conventional tools to assess risk in strategic decision-making is very limited, and that many managers are not familiar with risk assessment models.

Kettley and Strebler (1997), in an analysis of senior managers’ changing roles, observed that strategic thinking was a skill that some managers felt they lacked. There was also a tension between the need to think longer term, and be ‘visionary’, and the daily requirements of the job.

The above observations suggest it is inevitable that the personalities and skills of the top teams in PCTs will influence the nature and style of strategy making, especially during a period of change, during which strong leadership is important.
4.7 Who to involve?

There is a considerable debate within the strategy literature about the extent to which strategy making is the responsibility of the top team only, or the whole organisation.

McEwen et al. (1988) state that in British boardrooms people are often ignored, except when they become a problem. They point out that ‘thinking out the right strategy and putting it into practice are entirely different issues’. The important dimension is people; if people are not mobilised to produce the product or service at the right quality, on time and every time, then the enterprise will fail.

They worked with ten companies to find out the key factors that lead to good practice in the utilisation of people. They found that five key factors stand out as being essential to the strategic management of human resources and the creation and maintenance of competitive advantage. These are: leadership, involvement and communications, reward and recognition, training and development, and performance management.

All ten companies found that the process of implementation was not easy, and encountered the usual problems associated with organisational change. They emphasised the need for top management to exhibit drive, energy and belief to push through changes. All ten demonstrated positive outcomes in performance – improvements in turnover, net profit margin and return on assets. Industrial relations also improved.

Rees and Porter (2006) advise that a key danger is that too few people may be involved in deciding strategic change, and this can be replicated and reinforced by the way corporate strategy is taught academically. Important issues may be ignored, the most likely of which is the people element. Elements of team working can be a very necessary process for the development of staff. A particular danger is that academic coverage is based more on the interests and knowledge base of staff than the real needs of programme participants.

In much of the literature, the two concepts of corporate strategy and top management’s role appear to be very closely interrelated. Steiner (1969): ‘There can and will be no effective comprehensive corporate planning in any organisation where the chief executive does not give it firm support and make sure that others in the organisation understand his depth of commitment’. Lorange (1979): ‘In our experience, problems with effective planning systems can quite commonly be traced back to a lack of top management involvement at the outset’.
Flowers and Hinxman (2001) looked at a specific initiative, the controls assurance initiative, launched by the NHS Executive in 1999. They investigated whether links could be found between the progress NHS trusts were making in implementing controls assurance and the management methodologies employed. The better performing trusts were found to have better people management techniques – they were inclusive, encouraged training, gave clear communication, and provided genuine support and commitment.

Horovitz (1981) points out that many firms distinguish between functional strategy (such as marketing and human resources), business strategy (particular products and markets), corporate strategy (business choice) and societal or enterprise strategy (the firm in the environment). In firms with a single or dominant business, all are decided mostly by top management. But in large, diversified corporations, the role of top management has to change. Some paradoxes are apparent:

- more responsibilities and obligations for top management, but a greater need for delegation
- greater complexity of issues faced by top management and relative oversimplification of methodologies
- the strategic planning process is a time consuming and people consuming process, but it is also very fragile (people often give up).

Horovitz goes on to state that these paradoxes suggest how the role of top management must change in strategy formulation. The key is more intense top management involvement in the decision-making process. Success or failure of strategy formulation is primarily to do with the commitment, personal involvement, attitude, and style of the CEO toward strategy. If they are not committed, managers will not take strategic decision-making seriously.

To deal with turbulence, good direct control over achievement of, or variance from, proposed strategy is often necessary – yet top management continue to use mostly short-term financial measures. Strategic planning on a project basis – cutting across structures – may help here. It aids in focusing on relatively few priority items on which the whole company needs to make progress. It also helps with clarity about responsibilities and roles. Top management style is very important.

The most common causes of failure in strategy formulation, Horovitz advises, are:

- lack of clear commitment from the top
- loosely defined goals and objectives by top management as a basis for business plans
- lack of involvement of central staff in the process of helping line managers with issues and information
- lack of formal evaluation
- top management taking strategic decisions outside the planning process.
There are some contingencies requiring different degrees of involvement on the part of top management:

- size of firm (big firms have to decentralise without losing control)
- strategic posture of company (companies that rely heavily on their unique competencies and comparative advantage may require greater top management involvement)
- is the current situation stable, developing or in crisis - if the latter, the CEO cannot facilitate but must take control
- control of ownership
- culture and countries.

Three specific areas require top management’s attention: a careful fit between the CEO’s role in strategy formulation and their leadership style; the use of appropriate tools; and careful design of the planning system by top management to prevent it from becoming a sterile exercise.

Hensher and Brewer (2000) employed two theoretical perspectives – stakeholder theory and action learning theory – during an exercise to involve stakeholders in strategy formulation. Critical reflection is an important element of action learning whereby stakeholders reflect on assumptions and beliefs that shape the development of strategy and its implementation.

Over 60 participants were invited to a workshop, held over a five-hour period. The key steps were:

1. focus on defining the issue
2. identify the foundation of the issues that each group needs to address, i.e. driving forces – economic, demographic, technological, and competitive
3. formulation of strategy statements.

The approach used a framework for collaborative learning among strategic stakeholders. It assisted stakeholders to conceive and implement a coherent strategy and reach agreement about it.

Bechtold (1997) links chaos theory with strategy development. Chaos theory is a system theory that attempts to understand the behaviour of nonlinear, unpredictable systems. It seems a fitting model to use to inform strategy development in today’s unpredictable business environment. With chaos theory as the model, strategy would emerge from the natural growth of the organisation working to achieve its potential. The model suggests that an organisation’s formal strategic planning process needs to be a continuous process that involves all organisational members. Scenario planning is one approach that assumes successful strategy can only be developed in full view of the uncertainty that exists in any situation. A continuous process contains, by definition, an acceptance of uncertainty and the ability to address emergent issues, needs, and strategies. It must also involve all
members of the organisation, must be democratic and must involve a cross-section of people. Managers must encourage divergent views and experimentation. They can enhance this by providing forums to address new and unusual ideas. Involvement encourages everyone’s knowledge of the business, their feeling of connection, and their sense of commitment and ownership. This is in contrast with much of current strategising which tells most people to ‘hang their brains at the door’ – in that strategy is perceived as only for the elite.

On balance, the strategy literature is in favour of strong leadership, a high-level steer with regard to strategic direction, and commitment from the top as far as implementation of strategy is concerned. However, much of the literature is also heavily in favour of involving the organisation, although the extent of recommended involvement varies.

PCTs, with their multiplicity of stakeholders (including a complex mix of staff with very varied perspectives and skill sets), need to consider very carefully who to involve in strategy development and implementation and how to do this. Excellent communication and consultation processes are also likely to be essential.

4.8 Involving the board

A small amount of literature covers the board’s involvement in strategy making. The focus is on non-executive members of private sector boards, usually in the United States.

Nadler (2004) advises the CEO to involve the board in the development of corporate strategy. The benefits are: enhanced board-management co-operation, which can carry over to other board-management interaction; and a board that, through its engagement in strategy development, becomes better educated about the company and more committed to its chosen direction. However, board involvement has costs, in that it takes time and commitment to give board members a comprehensive understanding of the company. Also, the CEO should be prepared for the fact that real participation means influence.

Nadler recommends a five-step process:

1. view strategy as a process, not an event, taking place over months
2. design parallel but lagged processes. The executive team can be a little ahead of the board, meaning that the board is on a guided journey
3. inform and educate the board
4. collect and analyse director input
5. generate strategic alternatives.
The prerequisites for board success are: a balanced but diverse board composition; an engaged executive team; the CEO as a process leader; an open and constructive board culture; and board accountability.

The role of PCT boards, particularly non-executive directors, in strategy making and strategic planning processes will be key to the PCT's success under the new assurance framework.

### 4.9 The balanced scorecard in strategy making

The balanced scorecard (see Figure 4.9.1) is widely used within the private sector and parts of the public sector to monitor progress toward key goals. Chan (2007), however, notes that applications of the balanced scorecard in the healthcare sector in the US have changed considerably over the last five years, shifting from measurement for cost-effectiveness to strategic healthcare management. Strategy maps and balanced scorecards bridge the gap from an organisation's vague mission and strategy statements to day-to-day operational measures; they facilitate a process by which not-for-profit organisations can achieve strategic focus; and they shift a not-for-profit organisation's attention from programmes and initiatives to the outcomes that these are supposed to attain. Chan quotes strategy maps in Ontario's health system as an exemplary demonstration of how strategic goals at different levels within a system can be aligned.
Kaplan and Norton (2005) describe a recent development within organisations: a new corporate-led unit, an Office of Strategy Management – with prime responsibility for managing strategy (although they stress that responsibility for executing strategy lies ultimately with line managers).

The Office of Strategy Management:

- becomes the organisational owner of the balanced scorecard and facilitates the development and cascading of the balanced scorecard at different hierarchical levels of the organisation
- ensures that internal communication to employees includes messages about strategy, the strategy map, and measures, targets and initiatives on the balanced scorecard
- briefs the CEO about longer term strategic issues for management team agendas
- monitors all strategic initiatives to ensure they are being managed to improve balanced scorecard measures
- performs external and internal competitive analysis and conducts scenario planning, before the annual strategy meeting
- plays a coordination role to ensure that budgets, HR planning, IT investments and marketing programmes are aligned with the strategy
• links employee-focused processes (communication, personal development etc.) to strategy
• facilitates the identification and transfer of best practices throughout the organisation.

The Office of Strategy Management therefore helps organisations to benefit fully from making the balanced scorecard the cornerstone of their strategy management system.

The assurance framework for world class commissioning encourages PCTs to use balanced scorecards or similar ‘dashboards’ of key indicators. The literature within this section suggests that the balanced scorecard is more than a monitoring tool – it is also capable of helping organisations make strategic decisions. PCTs may benefit from checking through the above list of responsibilities to ensure that responsibilities for all the relevant activities have been assigned.

4.10 Strategic planning advice

The national assurance framework for PCTs, when assessing the strategy component, examines the strengths and weaknesses of organisations’ strategic planning processes. The Department of Health has recently issued guidance on strategic planning – Strategic Planning ‘How To’ Guide and Strategic Plan Contents Checklist.

Complementing this guidance, as part of its Investing in Health programme, NHS West Midlands recently commissioned the Health Services Management Centre at the University of Birmingham to undertake a review of strategic planning to support commissioning by PCTs. The resulting report – Strategic Planning: Approaches to Achievement – lists key components of successful strategic planning (see Box 4.10.1) and common problems that occur with the planning process (see Box 4.10.2).

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**Box 4.10.1: Successful strategic planning components**

- A systematic process for developing the plan
- Involving many different levels of staff in planning
- A broad vision of the future (three to five years ahead)
- Clear objectives as steps to achieve the vision for the future
- Inbuilt measurement tools to demonstrate success
- Analysis of threats and resources in the current context
Accountability and realistic timelines for achievement
Contingency planning
Communication and buy in among wide ranging stakeholders
Training and workforce development

Source: Health Services Management Centre, University of Birmingham, 2008

Box 4.10.2: Planning process problems

- Failure to focus on a major overarching vision
- Failure to focus on a small number of goals
- Unrealistic goals or predictions
- Goals set arbitrarily
- No shared vision of the organisation
- Lack of review of planned activities
- A punitive review system
- Lack of training or tools to help teams plan
- Planning methods which are not systematically followed
- Planning regarded as an event rather than an ongoing process
- Using ad hoc methods rather than a systematic approach
- Inadequate use of factual data
- Over-analysis of past data
- Over-reliance on a small number of individuals to develop plans
- Failure to agree by consensus on critical measures of success
- Lack of analysis of organisational weaknesses
- Lack of understanding of core competencies
- Focusing on planning and management for financial outcomes rather than recognising that outcomes can only be as effective as the processes that deliver them.

Source: Health Services Management Centre, University of Birmingham, 2008

These lists provide a powerful means to assess a strategic planning process. PCTs may gain significant benefit from using the lists as a simple, high level ‘health check’ of their approach in developing their local strategic plan.
5. Conclusion

This review has covered the topics of strategy definition, strategy categorisation, and strategy development and implementation.

Much of the available material concerns the private sector, where the purpose of strategy is often to establish the basis on which the company will compete with others in the marketplace. The issues for the public sector are different, and in particular are likely to be more complicated and multi-faceted. Difficulties typically include: identifying a single bottom line measure of success; being subject to national standards and requirements (such as, for PCTs, the world class commissioning competencies and assurance framework); the need to achieve efficiency savings; and the political environment in which organisations operate. However, this should not preclude PCTs and other public sector organisations from formulating and developing a clear strategic statement of intent, together with an associated implementation plan. The examples in the literature, together with the case studies in the appendix to this review, show that it is possible to unite an organisation around its core purpose and key priorities. They also demonstrate the need for committed leadership from top teams, even when the whole organisation is involved in shaping strategy.

Organisations are likely to find that a good strategic planning process helps to translate strategic intent into implementation action plans, but should not confuse the strategic planning process with strategy formulation and development.

The many different perspectives on strategy contained in the literature suggest that there is no single ‘best’ approach to formulating, developing and implementing organisational strategy. There is evidence that the ‘best’ way of approaching strategy is dependent on the context of the organisation. Factors such as size of organisation, the environment in which it operates, whether it is growing, stable or downsizing, and its culture, will all have an impact. The extent to which strategy needs to be directed from the top, and the amount of involvement that the rest of the organisation should have, are also dependent on circumstances. The type of leadership required in a turnaround situation, for example, is very different from that required for changing organisational culture, or for maintaining strategic direction in a time of stability.

The aim of this review has been to raise ambitions for the role of strategy by informing, via a description of the literature and the provision of case study examples, rather than to prescribe the methods of strategy formulation, development and implementation that organisations should use. Top teams in PCTs will need to decide on the approach for them that will enable them to acquire world class commissioning competencies while simultaneously achieving their specific organisational priorities. This will help deliver the overall world class commissioning vision of adding life to years and years to life.
Appendix 1: The Ten Schools of Strategy

Mintzberg et al. (1998) have refined and critiqued Mintzberg’s 1990 classification of ten ‘schools’ of strategy, which is perhaps the most well-known and comprehensive approach in the literature.

Each school is described briefly below.

A: The design school

The design school is highly influential and its techniques are heavily used throughout the business world, especially in Western economies. It stresses the importance of analysis and logic, and often uses the SWOT (strengths, weaknesses, opportunities and threats) technique to carry out the analysis. Rumelt (1997) believes that the strategy must:

- be consistent in its goals
- have consonance with, and adapt to, the external environment
- provide for the creation of competitive advantage
- be feasible and not overtaxing of resources.

Andrews (in Christensen et al., 1982) describes seven premises of the design school:
1. strategy formation should be a deliberate process of conscious thought
2. responsibility must rest with the chief executive officer (CEO), who is the strategist
3. the way in which strategy is formed should be kept simple and informal
4. strategies should be unique and tailored to the individual case; the design school gives little advice about the content of strategy
5. the design process is complete when the strategy appears fully formed (which gives little room for incremental or emergent strategies)
6. the strategy should be explicit and therefore needs to be kept simple
7. only after the strategy is fully formulated can it be implemented.

In their critique of the design school, Mintzberg et al. assert that it sees strategy formation as ‘a process of conception rather than as one of learning.’ They also have concerns about the design school’s acceptance of Chandler’s (1962) rule that structure should follow strategy, pointing out that organisations cannot cope with frequent restructuring and often suffer as a result. Another criticism is that a strategy resulting from following the design school process can be very fixed and inflexible, impeding change. Their final criticism is that the design school oversimplifies strategy, and also devalues the contribution of learning and action by the top team in favour of a process of centralised thinking.
However, Mintzberg et al. also recognise that there are some circumstances in which the design school approach may suit an organisation. Broadly, they feel it is best suited to an organisation that is entering a period of operating stability, as long as the following conditions prevail:

- one person can cope with handling all the information required for strategy formation, and that person also has detailed and comprehensive knowledge of the situation
- the situation of the organisation and environment is relatively stable, meaning that the evidence and information on which the strategy is based still hold good after the strategy has been formed, i.e. when it has to be implemented
- the organisation is prepared to defer to a central strategist and accept and implement that individual's strategy.

B: The planning school

Strategic planning dominated much of the business press during the 1970s. It advocated formal processes, detailed analysis and a specialised planning function staffed by people trained in its techniques. Usually, it took as its basis a very detailed SWOT analysis, on which objectives and operating plans (with associated budgets) were based. The main stages of strategy formation, according to the planning school, are:

- set objectives
- assess the external environment, perhaps using scenario planning and competitor analyses
- assess the internal environment, in terms of organisational strengths, weaknesses and competencies
- evaluate the strategy, by such means as risk analyses and shareholder value calculations
- operationalise the strategy, via breaking down the strategic plan into medium term plans and short term operating plans, which are usually accompanied by a hierarchy of budgets
- timetable the whole process.

The planning school has some similarities with the design school, in that it sees strategy formation as a central activity and uses information and analysis as its basis. However, the creation of a specialist function effectively removes control from the CEO and the top team, and the analysis aspect of strategy formation becomes a huge, labour-intensive activity with prolific and detailed outputs.
Mintzberg et al., in their critique of the planning school, point out strategic planning fell from favour during the early 1980s. Jack Welch, for example, soon after becoming CEO of General Electric, dismantled the strategic planning system and took back control. They highlight some fallacies of strategic planning (although being careful to point out that planning itself does have its uses and is needed by organisations):

- the fallacy of predetermination: in practice, an organisation cannot predict the environment or control it, or even assume it will remain stable
- the fallacy of detachment: Jelinek (1979) draws parallels between strategic planning and Taylorism, in that both attempted to subdue human idiosyncrasies in favour of systematised behaviour and rules. It encourages managers to detach themselves from reality and implement plans with little thought about their appropriateness
- the fallacy of formalisation: the reliance on systems and processes to deliver strategy fails to take account of individual intuition and creativity, and the ways in which people can learn from experiences. It tends to impose control rather than facilitate ideas-creation. It also breaks everything down into component parts, thereby discouraging an exploration of the whole entity
- the grand fallacy: Mintzberg et al. sum this up by stating, ‘Because analysis is not synthesis, strategic planning has never been strategy making’. Strategic planning is therefore an oxymoron, and should in fact have as its purpose the formalisation of a strategy that has been developed by other means.

However, Mintzberg et al. accept that planning does have its uses and is particularly well suited to organisations that have a reasonable degree of control over their environment, are relatively stable and predictable, and not subject to dramatic change.

C: The positioning school

The positioning school came into prominence in the early 1980s. It argued in favour of choosing from only a few key generic strategies, namely those that positioned the company in such a way as to defend it from existing and future competitors. This departs from the premise of the design school, that each strategy must be unique. The positioning school is clearly relevant to the private sector, much less so to public sector organisations.

The positioning school owes much to a few key business thinkers, in particular the following two:
1. The Boston Consulting Group (BCG), under Bruce Henderson, introduced the idea of portfolio planning in 1979. A company needs to have a variety of products at different stages, and balance this portfolio. Products are labelled ‘stars’, ‘problem children’, ‘cash cows’ and ‘dogs’, depending on their growth position and market share.

2. Michael Porter's model of competitive analysis (1980) identifies five forces in an organisation's environment that influence competition. These are the threat of new entrants, the bargaining power of the firm's suppliers, the bargaining power of a firm's customers, the threat of substitute products, and the intensity of rivalry among competing firms. Porter also contributed the idea (1985) that there are basically only two types of generic strategy, low cost or differentiation (the latter being capable of subdivision e.g. into quality and uniqueness). Finally, Porter introduced the concept of the value chain (1985), which breaks down the firm into primary and support activities, and claims that the profit margin achieved by firms is dependent on how well they manage the value chain.

In their critique of the positioning school, Mintzberg et al. identify a series of concerns:

- it shares the grand fallacy of the planning school, namely that analysis can produce synthesis. In fact, a set of analytic techniques cannot develop strategy; techniques can inform strategy and analyse those of competitors, but not create it
- it is biased towards big, private sector companies, and towards the external environment in which they operate rather than their internal capabilities
- like the planning school, it relies on analysis rather than action, learning or creativity
- it likens strategy to a generic positioning and takes away its uniqueness. This focus on established industries and market conditions can discourage the creation of new conditions and ideas, and tends to emphasise the need to stay in a particular position rather than getting to a new one
- finally, it confuses its role, in that the processes of the positioning school – valuable and powerful though they are – should support strategy making rather than claim to be strategy making.

Despite these criticisms, the positioning school continues to be very influential in the private sector. Here, it helps companies to make effective decisions about which products and markets to pursue for maximum return, both now and in the future.

**D: The entrepreneurial school**

The entrepreneurial school focuses strategy formation exclusively on a single person, the leader. Its central concept is vision, which is a mixture of deliberate and emergent: ‘deliberate in its broad lines and sense of direction, emergent in its details so that these can be adapted en route’ (Mintzberg et al., 1998).
The idea of the entrepreneur grew out of economics, but has been extended to describe a type of personal, visionary leadership of an organisation. It has therefore become relevant to all sectors – private, public and voluntary. There is now a considerable amount of popular literature about ‘great leaders’ of businesses, their personalities and qualities, and their heroic, single-handed rescue of ailing organisations. A really important aspect of the entrepreneurial school is that the leader must genuinely believe in the vision and be seen to act in accordance with it. One problem, of course, is that it can be hard to sustain the momentum and the vision when the leader departs, because so much is invested in the individual.

The premises of the entrepreneurial school are summed up by Mintzberg et al. as follows:

- strategy exists in the mind of the leader as a vision
- the process of strategy formation is not conscious or rational, but owes much to the experience and intuition of the leader
- the leader is single-minded in his or her promotion of the vision
- the vision is, however, malleable and can be reformulated by the leader
- the organisation must therefore also be malleable in response to the leader’s requirements
- entrepreneurial strategy often relies on a niche market position, or one that is protected from outright competition or emulation.

Their critique highlights some deficiencies of the entrepreneurial school:

- it presents strategy formation as being inextricably linked with a single individual, so it becomes much too tempting for an organisation in trouble to think that it can solve its problems by finding a new visionary leader
- there is a dissonance in the writings about leaders, in that behaviours that appear as energising and heroic to some can be demotivating or even pathological to others. Some of these visionary leaders, in fact, become somewhat deranged and ‘go over the edge’
- key decisions about strategy are very centralised and reliant on the vision, which is risky and relies too much on personal charisma. Collins and Porras (1991) point out that the substitution of charisma for substance can be very destructive.

However, there are circumstances in which the entrepreneurial school is particularly appropriate. Organisations in start-up mode often need a powerful vision and determined leadership. Those in trouble can often benefit from deferring to a competent, driven leader during a turnaround phase. Finally, it can be a suitable model for smaller, often owner-managed, organisations.
E: The cognitive school

The cognitive school aims to understand strategy by getting into the mind of the strategist. Proponents of the cognitive school believe that strategists are mainly self-taught; their direct experience shapes what they do. They process knowledge in one of two ways – objectively or subjectively – depending on the individual. All managers are believed, by the cognitive school, to have frameworks in their head to help them interpret the world; these are sometimes called ‘causal maps’ or ‘mental models’. These help to explain and demystify concepts such as judgement, intuition and creativity. Simon (1987), for example, argued that the essence of intuition lies in the organisation of knowledge by an individual for quick identification.

One problem with the cognitive school is that we still understand very little about the mental processes of strategy making. This has led to another strand of development of the cognitive school, namely strategy as interpretation. According to the interpretive school, the mind imposes interpretation on the environment. This can operate at the level of the individual or the group, the latter causing problems sometimes if ‘groupthink’ (Janis, 1972) prevents people from seeing potential problems and dangers.

The premises of the cognitive school are, according to Mintzberg et al.:

- strategy formation is a cognitive process, taking place in the mind of the strategist
- strategy emerges as concepts, maps, schemas and frames that shape how people deal with inputs from their environment
- inputs are processed through interpretive filters, so the world becomes something that is modelled, framed or constructed
- strategies as concepts are difficult to arrive at, to pin down, and above all to change when no longer viable.

In their critique, Mintzberg et al. praise the cognitive school for giving a boost to the creative side of strategy making, but point out that the school has more potential than actual contribution, as it has yet to explain how concepts form in the minds of strategists.

However, the cognitive school does go some way to explaining variations in the ways in which strategists interpret the environment. It also draws attention to particular stages in the strategy formation process – original conception of strategy, reconception of existing strategy (perhaps by a new CEO), and organisations clinging to certain strategies due to cognitive fixation or groupthink.
F: The learning school

The learning school believes that strategists learn over time. Strategies emerge as people learn about a situation and their organisation's capacity for dealing with it. Lindblom (1959) suggested that policymaking is not neat, orderly or rational, but a messy process existing in a complicated world. Quinn (1980) applied this idea to the world of strategy making, which led to the development of the learning school. Devotees of the learning school believe that the traditional view of strategy making as rational and planned is a fantasy.

Quinn is the originator of the concept of 'logical incrementalism', suggesting that members of the top team typically arrive at a consensus for the way forward based on an understanding of the operation of various sub-systems within the organisation. Consensus tends to mean that strategy develops in small steps, incrementally, rather than as a major change in direction. Although the top team is in charge, the organisation contributes via the activities of its sub-systems and particularly the activities of its front-line and middle managers.

Two other concepts are important in the learning school:
1. emergent strategy, which emphasises learning and acknowledges the organisation's capacity to experiment
2. retrospective sense making (Weick, 1979), which argues that managers constantly seek to impose sense on past experience – an idea that directly contradicts the belief of rationalists that thinking must end before action can begin.

Some new directions for the learning school have appeared in recent years:
- Knowledge creation emphasises the concept of tacit knowledge (Nonaka and Takeuchi, 1995), or what we know implicitly (rather than formally). Middle managers play a key role in translating tacit knowledge into explicit knowledge. The organisation must facilitate individual learning, amplify it, crystallise it then ensure it is shared at group level by discussion, experience sharing and observation.
- Organisational capabilities (Prahalad and Hamel, 1990) have been highly influential in the business community. The belief is that a firm's core competences are the roots of its competitive advantage – and that a key core competence is the ability to learn.
- Chaos theory is also relevant to the learning school, in that authors such as Nonaka (1988) and Stacey (1992) argue that disorder and chaos are natural to organisations, on which it is, in reality, impossible to impose order and control. Managers who learn from this and act accordingly – by taking advantage of new situations – can unleash new, creative ideas and grab opportunities to take forward the organisation.
Mintzberg et al. describe the premises of the learning school as follows:

- the environment is too complicated to control by deliberate action. Strategy making takes the form of a process of learning over time, in which formulation and implementation become indistinguishable
- although the leader learns, the learning of the collective system is more important – and there are many potential strategists in organisations
- learning is emergent, in that behaviour stimulates retrospective thinking to make sense of what has happened
- the role of the leader is therefore not to fashion whole, deliberate strategies, but to manage the process of strategic learning which will allow new strategies to emerge
- strategies therefore appear as patterns out of the past, which ultimately become perspectives to guide the future.

Mintzberg et al. admit that it is difficult for them to critique the learning school, as they are ‘enthusiastic adherents’. However, they point out that over-reliance on learning can cause serious problems. It can lead to a complete lack of articulated strategy, meaning that people within the organisation will have no clear, coherent idea about their direction. It is therefore particularly dangerous when the organisation is in crisis and in need of a strong steer. Learning can also undermine what works, allowing the organisation to drift away from established strategies and patterns of behaviour. It can even lead the organisation into the wrong strategy, in such an incremental way that nobody notices until it is too late.

The above critique suggests that the learning approach is most applicable to situations of relative stability, when the organisation already has an established, clear focus and is therefore aiming for continuous self-improvement.

**G: The power school**

The power school emphasises the role of power and politics in strategy making, claiming that people manoeuvre to arrive at a strategy that is favourable to their particular interests. There are two types of power – micro power, which is concerned with politics inside an organisation, and macro power, which relates to the use of power by an organisation. Strategy making seen as a political process suggests that any intended strategy will be distorted at every step, both at the formulation and implementation stages. This means that there is no one single architect of strategy, as various people influence it by pursuing their own agendas. The strategy that emerges from this process may not be the optimal one, but will reflect the interests of the dominant players.
Mintzberg et al. believe that the strategies that emerge out of political processes will be emergent rather than deliberate, and are likely to be in the form of positions rather than a single shared perspective. However, politics can be beneficial, by:

- ensuring that the strongest members of the organisation are brought into positions of leadership
- ensuring that all sides of an issue are debated
- stimulating necessary changes
- easing the path for executing changes.

Macro power can often be seen operating under the guise of networks, strategic alliances, joint ventures, and mergers and acquisitions. Although the presenting justification for these is often economic, in practice political forces are often at work, with rivalry often lurking beneath the surface of apparent co-operation.

The premises of the power school, according to Mintzberg et al., are:

- strategy formation is shaped by power and politics
- the resulting strategies tend to be emergent
- micro power sees strategy emerging from political games played by key people within organisations
- macro power sees the organisation promoting itself by control over, or co-operation with, other organisations.

In their critique of the power school, Mintzberg et al. point out that strategy formation is not only about power. They are also concerned that the political dimension can be wasteful of time and energy, and can cause serious problems such as collusion.

However, it is important to accept that politics play a role in strategy formation. This is particularly apparent in large organisations, in complex organisations such as universities consisting of collections of experts, and during certain times - periods of major change, periods of blockage, and periods of flux.

**H: The cultural school**

Culture came to prominence in the world of management in the 1980s, when Japanese companies were seen to be highly successful despite not following the rules of Western business schools. Organisational culture is a hard thing to define, as it is by its nature something that is felt and experienced but not usually verbalised. Wilson and Rosenfeld (1990) define culture as follows: ‘The basic values, ideologies and assumptions which guide and fashion individual business behaviour. These values are evident in more tangible factors such as stories, ritual, language, and jargon, office
decoration and layout and prevailing modes of dress among the staff.’ Another definition that is often quoted, and that is intuitively easy to understand, is that culture is ‘the way we do things around here’ (Deal and Kennedy, 1982).

The premises of the cultural school are:

- strategy formation is a process of social interaction based on shared beliefs within the organisation
- these beliefs are acquired through a process of socialisation, usually tacit but sometimes reinforced by formal and deliberate indoctrination
- the members of an organisation cannot necessarily describe the underpinning beliefs of the organisation, due to their tacit nature
- strategy therefore takes the form of perspective rather than positions. It makes use of the ways in which the organisation’s resources or capabilities are protected and used for competitive advantage. It is therefore deliberate, even if not fully conscious
- culture does not encourage strategic change, but rather tends to perpetuate existing strategy.

Culture is linked to strategy in a variety of ways. It influences the ways in which organisations think and analyse, thereby impacting on the strategy-formation process. Two organisations with different cultures, operating in the same environment, will interpret that environment differently. Culture also encourages people to act consistently, which discourages changes in strategy. Managers will, therefore tend to stick with what has worked in the past (Lorsch, 1986). This has led to a body of literature about overcoming resistance to change (for example Bjorkman, 1989), often based on Lewin’s (1951) model of unfreezing the old situation, changing it, then refreezing it into a new situation.

Another link between culture and strategy is seen when thinking about the concept of key values (such as service, quality, and innovation); these are believed to lead to competitive advantage, which, if nurtured and embedded, should be sustainable. Finally, studies of mergers and acquisitions have highlighted ‘culture clash’ as a reason why many mergers have failed to fulfil expectations.

Culture is sometimes seen as a resource that brings competitive advantage. Barney (1991) stipulated that a strategic resource must be valuable, rare, inimitable and not substitutable – all of which suggest that a unique culture could be very beneficial to an organisation. Grant (1991) pointed out that the environment is volatile, so internal capabilities and culture should be relied upon for a sense of strategic direction.

Mintzberg et al. begin their critique of the culture school by pointing out that it is conceptually vague and subject to a lot of fads. They also point out that culture can
discourage necessary change, because it favours the management of consistency. Another problem is that culture – or at least its underlying psychological contracts - can be destroyed fairly easily. They feel that culture can be dangerous if strategic advantage is equated with organisational uniqueness, in that being different is not necessarily being good. The resource-based theory of advantage can exacerbate this danger, as it provides managers with ‘a ready-made vocabulary by which to justify the status quo’. Broadly, the problem with the culture school is that it explains what exists rather than offering a means to bring strategy into being.

Despite these criticisms, the culture school can be applicable to organisations at certain points – perhaps during periods of reinforcement (when a strong culture can help stabilise an organisation), reframing (when a new culture can develop collectively) or revolution (such as strategic turnaround, when strategic change may be forced upon an organisation, ultimately to its benefit).

I: The environmental school

Most strategy schools see the environment as a factor in strategy making, but the environmental school sees it as the main actor. This school positions the environment as one (in fact, the main one) of the three central forces in the process of strategy making, alongside leadership and organisation. However, it does not define the environment precisely. The premises of the environmental school are:

• the environment – a set of general forces – is the central actor in strategy making
• the organisation must respond to these forces
• leadership’s role is to read the environment and ensure the organisation adapts
• organisations cluster together in niches, where they remain until resources become scarce or conditions too hostile.

The roots of the environmental school can be found in contingency theory, which opposes the classical view that there is one best way to run an organisation; instead, it depends on the organisation and its context. An environment can range from:

• stable to dynamic
• simple to complex
• integrated to diversified in terms of its markets
• munificent to hostile.

Population ecologists such as Hannan and Freeman (1977) believe that most organisational changes are superficial. Organisations struggle to survive but, rather than truly adapting to the environment, they either fit their environment or they do
not; those that do not will be ‘selected out’. They have just a small amount of choice in making the most of their environment, for example by holding resources in reserve for emergencies.

Another environmental perspective is that of the institutional theorists, who see the environment as a repository of two types of resources – economic, such as land and machinery, and symbolic, such as reputation. Strategy is the means by which organisations acquire economic resources and convert them into symbolic ones. The environment consists of the interactions among key players – suppliers, consumers, regulatory agencies and competitors.

Mintzberg et al.’s critique of the environmental school mainly focuses on its restricted view of strategic choice. In reality, two organisations in the same field of operation, within the same environment, can behave very differently yet still both be successful. And while the environment is sometimes ‘hostile’ or dynamic’ or ‘complex’ it is not always like this. Even when the environment does present challenges, it is often organisational choice that makes a difference, rather than any sort of economic response. For example, Taylor (1982) studied four organisations in a hostile environment (they were all Anglophone institutions in a Francophone region in Quebec), and found that the extent to which they adapted and survived was not due to an economic adaptation to the environment, but mainly down to their internal culture, specifically their will to adapt.

Mintzberg et al. do, however, feel that there are times when organisations are most constrained and have limited strategic choices – for example, during the mature stage of their life cycle – and that, in these times, the environment assumes greater than usual importance. Interactions between different ‘actors’ in the environment, notably customers, the wider community, employees and suppliers, are also very relevant to public sector organisations.

J: The configuration school

The message of the configuration school is that all the other schools have a place and a time, so that their messages can be integrated. The configuration school sees strategy as being about continuity rather than change, in that strategy making can bring about a dramatic change of direction, but it then works to stabilise the change. There are two main aspects of configuration. The first is the way in which the different dimensions of an organisation combine to create models or ideal types. For example, the success of a start-up organisation in an emerging industry tends to depend on
entrepreneurial leaders and visionary strategists. The second is the relationship between strategy and the organisation’s life cycle; as the start-up organisation becomes more mature, it will develop more formalised processes of strategy making.

The premises of the configuration school are listed below:

- most of the time, an organisation can be described in terms of a stable configuration of its characteristics. At any particular time, it adopts a form of structure matched to its context
- periods of stability are interrupted sometimes by a process of transformation, which is a big leap to another configuration
- these successive states develop patterns over time, for example linked to the life cycle concept of organisational change
- strategic management must, therefore, aim to sustain stability most of the time, while recognising that there may sometimes be a need for transformation
- the process of strategy making can therefore be represented by the techniques and characteristics of any of the strategy schools described previously, depending on context and time
- strategies can therefore be plans, patterns, positions or perspectives, depending on the match with the situation and the time.

The above can be illustrated by the ‘ecocycle’ model of organisational change described by Hurst (1995), and reproduced in Figure A.1.1. The model shows how an organisation can go through different stages of action, requiring different types of leadership, depending on its particular place in the cycle.
Mintzberg et al.’s critique of the configuration school starts with Donaldson’s (1996) criticism that it is unhelpful to managers and leaders who have to shape their organisations’ strategic direction. Most organisations, he points out, are not an obvious, caricatured configuration of an ‘entrepreneurial’ organisation, a ‘machine’ organisation and so on. Instead they are somewhere in between, encompassing a variety of types. He also says that the majority of organisations are changing incrementally most of the time, rather than being characterised by periods of stability followed by abrupt change. Mintzberg et al. agree to some extent, stating that to describe by configuration is ‘to distort in order to explain’.

However, Mintzberg et al. also feel that categories and configurations do help us to understand our complex world. Their final advice is to appreciate the simplicity and order afforded by the explanations and categorisations of the configuration school, but to also embrace the messiness and complexity of the real world. This advice is perhaps particularly relevant to the public sector, which has to cope with enormous complexity (for example, a variety of stakeholders, resource constraints, politics and competing priorities) when considering strategy.
Appendix 2: Case Studies

A: A whole system OD approach to strategy: Cancer Research UK

This was a whole organisation approach to changing the culture of the organisation, led by the top team.

Organisational details

Name: Cancer Research UK
Type: Charity
Country: UK

Main contact: Christine Lloyd, Executive Director of People and Organisational Development

Context/short description
Cancer Research UK has been formed from a merger of several smaller charities. Employees and volunteers have experienced a shift in their psychological contract, and are now working for a much bigger organisation with a more commercial focus and an emphasis on efficiency.

Key people involved
The board (comprising six people) took initial responsibility for the vision, the values and the ten key organisational goals for 2020. At first the board struggled with the vision, until board members abandoned trying to come up with a statement and instead focused on the purpose of the organisation. The vision – ‘Together we will beat cancer’ – then emerged naturally. The initial set of values was subjected to a consultation with 2,000 people within the organisation, after which substantial changes were made to arrive at the current set of six.

Period covered
2005 to date.
Programme details

Drivers and aims of programme
The aim of the programme was to unite the organisation – which had previously been a collection of smaller charities – behind the purpose of Cancer Research UK.

Brief description of approach
This was an integrated organisational design (OD) journey using a whole organisation, systems approach.

Main activities
- ‘Common focus’ involved arriving at a vision, an organisational purpose, and goals for 2020, and underpinning these with business planning and performance management.
- ‘Aligning behaviour’ centred on organisational values, leadership development, coaching, and giving feedback.
- ‘Adjusting the contract’ included shifting the psychological contract, and introducing more rigorous systems for recruitment, performance review, recognition and reward.
- ‘Enabling connections’ was essentially about setting up the mechanisms for connections to happen, such as cross-organisational networks, message boards, forums and conferences.

Barriers/difficulties/concerns
The smaller charities that merged to form Cancer Research UK typically had simple structures and a straightforward mode of operation, often local, and operated independently. Staff demonstrated strong loyalty to these charities. They had to shift to working for a complex organisation with multiple stakeholders and increased professionalism, operating in a competitive environment. Not everyone made the shift, and there were some departures from the organisation.

Cancer Research UK employs around 4,000 people, half of whom are scientists. A further 3,000 scientists are funded by the charity. In addition, there are some 40,000 volunteers. Scientists tend to have intense professional passion, while other staff and volunteers also have a strong belief in, and commitment to, what they are doing. However, it was important for everyone working for the charity, whether directly employed, funded or volunteers, to see the bigger picture and identify with Cancer Research UK rather than their small corner of it.
Specific tools and techniques
The methodology used throughout was that of whole systems OD, led from the top but with plenty of consultation and two-way communication.

Outcomes
The mission, values and aims of Cancer Research UK are now embedded within the organisation and are being used in external communications to assist with marketing and fund-raising.

Internal systems such as performance management, staff development, reward and recognition etc., are being used consistently throughout the organisation.

Lessons learnt and shared
Tackling a big culture shift in a post-merger situation requires a whole systems approach; it cannot be managed piecemeal. It also requires a degree of leadership from the top, although communicating with, and listening to, staff is essential. People often work for a charity with their hearts as well as their minds, so it is important to respect and understand their views and anxieties at a time of change. However, not everyone will come on board, so those who are not able to accept the new direction should be allowed to leave with dignity.
B: Using strategy to develop a sustainable health system: Ministry of Health and Long-Term Care, Canada

The Ministry of Health and Long Term Care’s strategy is ‘a patient-focused, results-driven, integrated and sustainable health system’ and, to achieve this, three strategic directions have been identified, one of which is providing results information to demonstrate accountability.

Organisation details
Name: Ministry of Health and Long-Term Care (MOHLTC)
Type: Health service
Country: Ontario, Canada
Source: Reported in CMA Management Oct 2007

Context/short description
MOHLTC has been strengthening its health information capacity with the mandate to improve the quality and accessibility of data for planning, funding and performance measurement. It went on to develop the first model health system scorecard as well as providing Local Health Integrated Networks (LHINs) with a suite of scorecards that contain results relevant to their region.

Key people involved
The Health Research Team for Information Management (HRT-IM) was established to drive the data identification and collection forward.

Period covered
Early adopters of scorecards appeared in the 1990s focussing on connecting clinical and organisational practices, outcomes, quality, value and cost. However the cause and effect relationship between performance indicators and the organisation’s strategic objectives was often missing. As a result the value of the scorecards was undermined.
Programme details

Drivers and aims of programme
The key driver has been to develop a performance management system linked to the strategic goals of the health system and the priorities of government.

Main activities
HRT-IM conducted a detailed review of the government's and the Ministry's plans, to identify the strategic goals of Ontario's health system. Nine strategic themes were identified. HRT-IM then hypothesised relationships between the strategic themes and described how the health system would create value for Ontarians (the strategy map). The nine strategic themes formed the four quadrants of a health service scorecard: evidence, availability and use; provision of care; health status and outcomes; and health system sustainability and equity. They also guided the selection of performance indicators for the scorecard.

The scorecard has been concentrated into 27 performance indicators based on importance, relevance, understandability, availability, feasibility, objectivity, reliability and validity. These performance indicators are acted on by policy makers, management and clinicians. The first system scorecard was published in 2005 and included a five-year data analysis of Ontario's health system compared to other jurisdictions, enabling identification of areas for improvement.

This strategy map and scorecard have formed the foundation for other maps/scorecards at different levels in the system to ensure that strategic goals are aligned. This includes the local health system strategy map, which stresses how knowledge will be used and disseminated and how health services will be integrated among providers, and the hospital sector strategy map from which individual hospitals can develop their own organisational strategy maps.

Barriers/difficulties/concerns
The cause and effect relationships between different strategic goals can be hard to establish and have to be hypothesised. Ontario's hypothesised relationships have not been tested.

Outcomes
The strategy maps and scorecards have bridged the gap between strategy and day-to-day operational measures. They have facilitated a process by which not-for-profit organisations can achieve strategic focus and shifted attention from programmes and initiatives to outcomes. They have also aligned organisations, units and individuals and cascaded strategy.

Lessons learnt and shared
The map and scorecard must not be static and must be reviewed regularly.
C: A ‘spiral’ approach to strategy development: Shamrock Foods Co

The company adopted a ‘spiral’ approach to strategy development based on the spiral model of software development, which suggests strategy can be created most effectively when formulation and implementation go hand in hand. Focusing once a year on strategy suggests strategic ideas may evolve too slowly and fail to keep up with the real environment. In a spiral approach strategy formulators and implementers get together in person and thrash out the issues so strategy can keep pace. The most valuable learning is said to occur when the people on the front line attempt to execute the strategy.

Organisation details
Name: Shamrock Foods Co
Type: Food distribution
Country: US

Context/short description
Shamrock Foods Co. has used a spiral planning model to accelerate strategic change since 2004. It began in 1922 as a small dairy and has grown to one of the ten largest food service distributors in the US. In 2004 the CEO, Kent McClelland, had misgivings about the traditional yearly strategic planning process feeling that it was difficult to adapt quickly to the changing needs of customers, that cross-divisional boundaries were being ignored and that managers focused on too many priorities and not on the fewer strategic leverage points essential for growth.

Key people involved
The CEO and 45 Shamrock managers and employees from all divisions, functional areas and the front lines.

Period covered
A 48 hour initial planning session over three days in 2004. This has been followed up by a one day ‘strategy scrum’ every quarter.
Programme details

Brief description of approach
During the initial planning session, the group zeroed in on five strategic themes: the need to revamp the way Shamrock serviced its large customers; the need to improve accuracy in ordering and service reliability; the need to increase revenue on own-house brands; the need to reduce logistics costs; and the need to improve the company’s ability to recruit and retain talent. Following this identification of themes, the company needed to improve its strategic thinking in each area and shape and reshape to reflect the realities of the marketplace. At the end of each planning session, participants prioritised a handful of specific and measurable strategic initiatives to advance each theme. They built action plans and targets to be measured over the next 90 days.

Every quarter, team members evaluated performance against action plans and created new action plans going forward. In addition to these quarterly meetings the team met every year for three days, during which time they stepped back to consider the company’s strategic assumptions more fully.

Outcomes
Shamrock is considered to have flourished. It has consolidated the part of the business that serves large national chains which has led to new insights into how to service those customers. The company’s strategic initiative to drive world class customer service has led to it segmenting its customer base and to rationalising its logistics systems to increase customer satisfaction and eliminate unnecessary costs.

Lessons learnt and shared
That effective strategy needs to magnify the efforts of people in the organisation and that this is easier to do if lots of people understand the strategy and can apply it to their daily decisions. The best way to get people to understand the strategy is to involve them in it, get people working face to face, get senior executives off centre stage (facilitating this process with an independent person) and forget the ‘silver bullet’ instead focussing on modest, incremental advances.
D: Arriving at a clear articulation of strategy: Edward Jones

The aim was to clearly articulate strategy through defining its objective, scope and advantage.

**Organisation details**

*Name:* Edward Jones  
*Type:* Brokerage firm  
*Country:* US  

**Context/short description**

Edward Jones’ strategy is ‘to grow to 17,000 financial advisers by 2012 by offering trusted and convenient face-to-face financial advice to conservative individual investors who delegate their financial decisions, through a national network of one-financial-adviser offices’.

**Key people involved**

The firm’s partners defined the strategy.

**Period covered**

Edward Jones has quadrupled its market share during the past two decades, has outperformed its rivals in terms of ROI and has been a fixture on Fortune’s list of the top companies to work for.

**Programme details**

**Drivers and aims of programme**

To get strategic objective, scope and advantage clearly and succinctly defined so that every one of their 37,000 staff could express it, internalise it and use it as a guide when making decisions and choices.

**Brief description of approach**

Competitive advantage is seen as the real differentiator and Edward Jones’ focus on one-financial-adviser offices, based in town centres and rural areas rather than financial districts has enabled a personalised service to the conservative investor that the company is aiming to attract. The clarity of the strategy statement enables employees to act independently and with autonomy while remaining crystal clear about the company’s aims.
Main activities
Began with discussion amongst the partners about the firm’s objectives. This debate drove alignment with the ultimate objective and ensured every implication was fully explored. Focus on what made the company distinctive to help employees of the company understand how they could contribute to the execution of the strategy.

Success criteria and measurement
Outlined in the strategy – the focus on financial adviser numbers to increase scale and market presence.

Outcomes
The company only focuses on activities that are in line with its strategy. For example, clarity about who the customer is (defined as the ‘delegator’ not the ‘validator’ or ‘do-it-yourselfer’) has helped Edward Jones to make quick, effective business decisions. For example, not introducing on-line trading.

The one-adviser offices in convenient locations have enabled Edward Jones to differ from other firms in set up and configuration in a way that suits the customer.

The advisers have to be of a certain type – self-starting entrepreneurs – because there are no office managers to manage the operations.

All these decisions have flowed from the succinct strategy and in particular from a focus on competitive advantage.
E: Tackling strategy as a ‘wicked problem’: PPG Industries

PPG Industries tackles ‘wicked’ strategy problems by envisaging the different futures it might face, and identifying the different strategies that would be needed.

Organisation details
Name: PPG Industries
Type: A global plate glass, chemicals and coatings manufacturer
Country: US

Context/short description
PPG first became aware of the ‘wickedness’ of strategy in the late 1980s, after two strategic missteps – acquisitions of businesses that proved a mismatch with PPG’s core competencies and so were sold off, and a foray into China that was initially unprofitable.

Key people involved
All executives and senior managers are involved in scanning, brainstorming, scenario generation and analysis.

Period covered
Late 1980s to date.

Programme details
Drivers and aims of programme
The aim of PPG’s approach to strategy is to manage the complex and competitive environment in which it operates by accepting that it cannot be controlled by using traditional strategic planning processes. To remain profitable (which is the company’s main driver), a new dynamic approach to strategy was needed.

Brief description of approach
This involved letting go of old planning processes, restating the company’s purpose, and adopting a different attitude to the future.
**Main activities**

In the mid 1990s, PPG revisited its mission and articulated its identity in a special document, the ‘Blueprint’. This stated the company’s values, beliefs about its capabilities, and aspirations. This identity has endured and was reiterated in 2006.

Plans now change frequently as a result of frequent technology reviews, business portfolio examinations, brainstorming sessions and market scanning. The process is continuous, with the company constantly identifying problems and developing responses.

A frequent activity is the drawing up of possible future scenarios, but rather than merely planning to respond to what might happen, the company consciously works to create the future it most desires.

**Barriers/difficulties/concerns**

The initial barrier was to accept that the company had made some strategic mistakes, and that traditional approaches would not always work. Once the concept of ‘wickedness’ had been confronted, PPG was able to develop new techniques to accept and manage the complexities of the future.

**Specific tools and techniques**

In 2004, PPG drew up four possible scenarios by combining the biggest opportunity (entering emerging markets) and the biggest challenge (the cost of energy) it would face over the next ten years. Figure A.2.1 shows the result.
The scenario generation was followed by a Pareto analysis that identified the 20 per cent of strategy options that would have 80 per cent of the impact that could be derived from pursuing all of them. This enabled PPG to identify three strategies that would deliver results on any of the four circumstances:

- pursue operational excellence by emphasising cost efficiency and quality (using Lean thinking and Six Sigma)
- enhance differentiation through technology and service innovation
- generate cash to support strategic initiatives, to manage the businesses, and to pay dividends.

**Outcomes**

Even though PPG operates in highly competitive markets, it reported revenues of $11.2 billion in 2007 (a 13 per cent increase over 2006), and a net income of $834 million, compared to $711 million in 2006.

**Lessons learnt and shared**

Accepting the ‘wickedness’ of strategy has enabled PPG to move from a more traditional strategic planning approach to a continuous, dynamic one. The company involves a wide range of stakeholders, using various techniques, to generate future visions, then analyses these to arrive at the best options to pursue.
F: Using values to underpin strategy: a global composite case study

This composite case study describes the use of values to help companies find business opportunities and motivate employees and partners.

**Organisation details**

- **Name:** Transforming strategy in big business
- **Type:** Large organisations: a composite case study
- **Country:** Global
- **Source:** Reported in Harvard Business Review (HBR) January 2008

**Context/short description**

Large organisations are traditionally seen as reactive and bureaucratic but some are able to set strategy quickly and produce meaningful innovations. Examples quoted are IBM, Proctor and Gamble, Omron, CEMEX and Banco Real.

**Programme details**

**Drivers and aims of programme**

The setting of values and agreement amongst staff on what they respect and aspire to means they can make decisions independently, not work at cross-purposes and not need constant close management. Teams communicate and collaborate efficiently, even with diverse cultural backgrounds and traditions and in different countries because they have a strong sense of business purpose and company identity.

**Brief description of approach**

Organisations’ strategies capture their values and principles enabling managers in diverse locations to respond quickly and effectively to business opportunities and crises. For example, Proctor and Gamble’s strategy is to ‘improve the lives of the world’s consumers with high quality products that represent good value’. Company values are listed including leadership, ownership, integrity, passion for winning and trust and the company has eight principles describing how the company chooses to compete. Similarly at IBM, strategy included customers, world-improving innovation, respect and responsibility. The HBR reporters heard these repeated everywhere they visited in IBM and these values were credited with clarifying decisions and cutting through internal politics.
IBM’s strategic approach was crafted in 2003 during a three day chat session on the web called the Values Jam in which all employees could contribute thoughts.

**Outcomes**
Companies report ‘integration’ permitting collaboration among diverse people; ‘consistent decision making’ even under pressure and in culturally and geographically disparate locations; and ‘autonomy’ as an internalised guidance system that obviates the need for controls that stress obedience. The values stressed also impact on outward facing activities, improving lives in the countries in which the companies operate by impacting on their partners as well as their direct activities.

**Lessons learnt and shared**
The values must be in hearts and minds, not just be empty phrases for the organisation. This has been more easily achieved by getting all levels of staff involved in determining what the values are.
Involving stakeholders in developing strategy: freight industry in New South Wales

This case study addresses the issues of not only developing an appropriate strategy but one in which the stakeholders will want to invest and own. The process of strategy development was based on collaborative and action learning.

**Organisation details**

- **Name:** Developing a freight strategy in New South Wales
- **Type:** Freight industry including national and local government and private sector stakeholders
- **Country:** Australia
- **Source:** Reported in Transport Policy 8 (2001)

**Context/short description**

This approach to formulating strategy is based on two issues that often arise from strategy development. The first is to overcome the situation where the strategy is a reflection of the biases and potential lack of knowledge that are entrenched in the industry’s past practices. The other is to foster an approach so that once stakeholders have outlined a viable strategy, both government and industry are committed to allocating resources that reflect that strategy. The belief being that this rarely happens.

**Key people involved**

Sixty participants in a workshop setting. Participants were drawn from: the trucking sector; local government; the railways; consultants; interest groups; state government; transport and planning agencies; federal government; state regulatory authority; and other areas.

**Period covered**

The workshop was to develop the 2010 freight strategy. It lasted for five hours.
Programme details

Drivers and aims of programme
To assist stakeholders to conceive and implement a coherent and creative strategy and to reach agreement about it. The collaborative process used sought to increase interaction among stakeholders and improve efficiency of strategy development by getting rid of knowledge monopolies and knowledge gaps among stakeholders. It also sought to decrease centrality and a tendency of select stakeholders to control the overall process. The aim was to ensure a workable strategy linked to resources needed for implementation.

Brief description of approach and main activities
Each person was assigned to one of seven discussion groups with stakeholders from a range of different backgrounds. The collaborative learning process was facilitated by an academic: helping to move stakeholders beyond their immediate organisational representation, encouraging them to think about their existing relationships, and assisting them in building new relationships with other stakeholders. The steps were:

• the defining of the issue
• the identification of the driving forces (economic, demographic, technological or competitive) that create opportunities or threats for each stakeholder
• the formulation of strategy statements
• a presentation back to the whole group.
Groups then made recommendations for strategy.

Barriers/difficulties/concerns
The researchers feel a collaborative process is best suited to long-term issues.

Specific tools and techniques
The programme incorporated action and collaborative learning where participants and not just leaders formulate strategy.
H: Strategic culture change: Cambridgeshire County Council

Cambridgeshire County Council (CCC) carried out a fundamental refocusing of the organisation to improve services to the citizens of Cambridgeshire. This was done by changing the way in which services were delivered, via an almost complete restructuring, and embedding the required behaviours throughout the organisation through culture change.

Organisational details
Name: Cambridgeshire County Council (CCC)
Type: Local government
Country: UK
Main contact: Stephen Moir, Director of People and Policy

Context/short description
CCC delivers a full range of services to the people who live in Cambridgeshire. The Council is Conservative-controlled and emphasises the delivery of high quality public services for the lowest possible cost. CCC was already recognised as a successful Council before embarking on the change programme, but felt that more could be done to deliver efficiently and effectively to customers.

Key people involved
The change initiative was led by Ian Stewart, the then Chief Executive, who was its architect and main driver. The three deputy chief executives were also strategic drivers of the initiative. Ian chaired the programme board and the ‘Reshaping for Excellence’ group and maintained a very visible presence throughout – by meeting people, going on road shows, and actively seeking feedback. The Strategic Management Team committed to the programme and several team members had specific responsibilities, for example Stephen was the overall sponsor for the culture change and customer focus programme.

Period covered
The change programme started in 2004 and continued until 2007. Although technically now closed, work continues to ensure that the required behaviours are properly embedded.

In addition, two key strategies –The People Strategy and the Customer Service Strategy continue to drive, embed and monitor the programme.
Programme details

Drivers and aims of programme
CCC’s vision is to ‘create communities where people want to live and work, both now and in the future’. A key priority of the Conservative-led Council is to maximise efficiency and effectiveness while minimising Council Tax. CCC also wishes to be recognised as a high-performing Council that is focused on its fundamental ‘what are we here to do?’ aim of delivering excellent customer services.

Brief description of approach
This was an integrated change programme with two main strands – culture change and behavioural change.

Main activities
At the outset, there was a big restructuring to refocus the way in which services were delivered; HR, Finance and IT were centralised in order to provide better support to service deliverers.

There were two main initiatives: ‘Inspire’ focused on culture change, while ‘Cambridgeshire Behaviours’ concentrated on embedding appropriate behaviours consistently throughout the organisation. ‘Inspire’ had a specific element around empowerment of front line staff.

Early on in the programme, CCC carried out a culture audit, which asked a representative sample of employees to define and describe CCC’s existing culture, and outline how they would like it to change. The culture audit was repeated two years later, to assess how far the organisation had moved.

Two key strategies – for people and customer services – underpin the culture change. The people strategy includes a major flexible working drive, and a talent management scheme.

Barriers, difficulties and concerns
CCC operates under stringent resource constraints so had to account for the programme costs. The Council was fortunate in being able to use some Public Service reward grant to fund the programme, as it would not have been considered acceptable to use taxpayers’ money.

At the outset, there were some initial concerns among the Strategic Management Team. However, an early two-day workshop led to a general sense of buy-in, while newer team members came on board straight away.
Some managers felt threatened initially by the scale of the change and by specific aspects such as the flexible working.

Ian Stewart has now retired and a new Chief Executive has recently taken up post. There was a danger that a new presence at the top of the organisation could lead to some organisational upheaval. This was avoided by an interview process, controlled by Elected Members, that emphasised embedding and building on achievements to date rather than further major change.

**Specific tools and techniques**
A number of communication mechanisms were used: the in-house magazine, DVDs, road shows and discussion groups, a daily email briefing, cascade team briefing, an ‘Inspire’ home page on the intranet, an ‘Inspire’ e-newsletter, and posters.

The culture audit was used to assess the baseline and the extent of movement over time.

The employee attitude survey was also used to monitor employees’ views about the changes.

**Outcomes**
- The repeat culture audit demonstrated a culture shift, and also showed widespread acceptance of the ‘Cambridgeshire Behaviours’ and support for the customer charter.
- There has been a reduction in complaints from the public, and customer service has improved.
- Staff sickness has reduced to only five days a year, compared to nine to ten for the rest of the public sector.
- CCC has delivered on all its efficiency targets.
- The employee survey results were very positive when benchmarked – mostly scoring on the 70th to 80th percentile compared with similar organisations. In particular, staff feel more involved and empowered, and are working less in silos and more in cross-functional teams.
- CCC re-achieved Investors in People using the new profile standard; of the ten areas, eight exceeded level 1.

**Success criteria and measurement**
The majority of outcomes described above have been quantified and continue to be monitored on a regular basis.
**Lessons learnt and shared**

The programme is considered successful and CCC is felt, by employees and managers, to be going in the right direction. However, CCC recognises that work still needs to be done, for example to improve internal customer service and to support middle managers.

This was an ambitious programme that highlights the need for excellent, frequent and relevant communication. If doing this again, CCC would probably ensure that top team members were in place before starting on full implementation, as it was hard for the top team to concentrate on culture change when still in competition for jobs.
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The Institute for Employment Studies (IES) was commissioned by the NHS Institute to conduct a rapid literature review on the topic of effective strategy development and implementation. The aim was to obtain a more detailed understanding of the different approaches to developing strategy that are available, how these approaches can be applied, and how the resulting strategy can be best implemented.

IES is an independent, apolitical, international centre of research and consultancy in public employment policy and organisational human resource issues. It works closely with employers in the manufacturing, service and public sectors, government departments, agencies, and professional and employee bodies. For 40 years, IES has been a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and human resource planning and development.

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The review was written by Dilys Robinson and Mary Mercer.
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