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Overview

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Issues covered during this stage

What are business strategies?
Why manage strategically?
What is strategic thinking?
Elements of strategies
The stages of strategy development

Synopsis

This section deals with what strategy management is and why it is done. It goes on to develop an outline of strategic thinking, the components of a strategy and how it is developed.

Version 1.00

Principles	Guidance	People involved:
What are business strategies? Business strategies express how the organisation will meet the challenges that face it. They set out how organisations will meet the challenge of providing better services, often in innovative ways, to meet the rising expectations of the citizen. Business strategies form the framework that enables the organisation to cope with the turbulence of the modern world, where priorities change suddenly, uncertainty about the future is the norm, and the pace of change is ever-accelerating.	Business strategies are typically made up of a number of key components: • the business objectives • strategies for finance, HR, IT, estates • a governance framework	Senior manager Strategic planners **Documents required:** --
Why manage strategically? Without strategy, the organisation faces the risk of: • failing to deliver • unclear aims and objectives, making it hard, or impossible, to tell whether the organisation has been successful • fragmented decision-making: different areas of the organisation work in different ways; decisions are conflicting; it is hard to prioritise and review projects and programmes • fragmented IT and communications (ICT) provision • people issues: staff question the value of their work, in the absence of an understanding of how it contributes to the 'big picture' • lack of organisational learning: failures are repeated, lessons are not learnt.		**Useful techniques:** -- **Guidance/Briefings:** Strategic management Setting Direction-An overview
What is strategic thinking? Developing and managing a business strategy cannot be regarded as a mechanistic task that can be undertaken according to a rigid formula. Developing a strategy, and maintaining it through strategic management, is a creative activity, requiring skills often described as 'strategic thinking'.	The attributes of successful, effective strategic thinking are: • an ability to see the 'whole picture' • creativity • scenario generation and evaluation - the consideration of many possible 'futures' for the organisation • the ability to deal with ambiguity and uncertainty • the ability to identify strategic issues.	
Elements of strategies	• These elements are listed in the order in which they will be created during the strategy development process.	

Creating a strategy means clarifying, creating and refining the following elements:

- strategic vision: a blueprint for change, expressing:
    - the desired future for the organisation
    - its desired position in relation to its business environment
    - the outcomes it wishes to bring about - both within the organisation and in its dealing with customers.

- strategic issues: the challenges facing the organisation

- strategic themes: the areas of business activity in which the organisation needs to engage to meet the challenges posed by strategic issues

- candidates for action: possible ways forward to realise each theme, to be prioritised and progressed

- Some issues facing the organisation may involve complex issues such as:
    - the need to provide e-business services
    - the need for joined-up service delivery
    - an uncertain future and/or rapid change.

The stages of strategy development

The three stages are:

- stage one: business analysis
    - looking in detail at the issues facing the organisation, how things are currently done

- stage two: identifying the direction for the future
    - deciding the state that the organisation should move towards
    - identifying strategic themes

- stage three: high-level planning
    - translating strategic themes into candidates for action
    - deciding which candidates should be progressed
    - building an implementation profile to help management decide how to proceed

- strategic management
    - implementing programmes to progress strategic themes
    - reviewing the strategy to keep it relevant

- These stages are covered in more detail in the following sections of this workbook.

- The first three stages will normally be undertaken by a nominated 'study team', who will require particular skills to analyse the business as it stands and consider new directions for the future. Strategic management is a task for senior management, and requires their commitment.

- Strategic thinking is not the same as planning. As it progresses, strategy development gradually moves from synthesis, creativity and divergent thinking to analysis, quantification and convergent thinking (planning).

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Stage One: Business analysis

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Issues covered during this stage

Overview of the business environment
Identifying strategic issues

Synopsis

This section deals with the first stage of the process, an analysis of an organisation's business and its priorities. Through determining what makes the business tick it is possible to identify strategic issues and opportunities for change and development.

Version 1.00

Principles	Guidance	People involved:

Overview of the business environment
 	
Business analysis is the first stage of strategy formulation. The objectives of this stage are:
 	
• to determine the objectives and priorities of the business
 	
• to understand the current and future business and the policies of the organisation
 	
• to establish the scope for change as a result of strategic thought
 	
• to determine the strategic issues that must be addressed
 	
• to think in a divergent and radical way about how things could be done.
	• From preliminary information gathering comes an initial view of the business environment, describing the following aspects of the organisation:
	
	  ○ products and services provided
	
	  ○ structure and management
	
	  ○ business elements
	
	  ○ business functions and processes, and how they relate to each other
	
	  ○ relationships - with partners, customers and suppliers
	
	  ○ the issues facing the organisation, and other external areas of constraint or pressure
	
	  ○ basic assumptions regarding future direction
	
	  ○ an initial view of the options and potential for change
	
	• Diagrams may help to clarify these descriptions and the links between them.
	
	• Business analysis is not an exact or structured science. The underlying thinking is concerned with gaining an understanding of the way in which the business of the organisation has been, and will be, conducted, and of the imperatives and constraints acting upon it. Many different perspectives may be called for - each providing an understanding of a different facet of the total picture.
	
	• It may be that the views of customers, focus groups, stakeholders or consultants are useful in forming a balanced view, particularly if the study team (or whoever carries out the work) feels 'too close' to the organisation and unable to be impartial about its strengths and weaknesses.
	
	• In some cases, up to 50% of the resources and timescale assigned to the process could be spent on this stage.
		Senior manager
		
		Strategic planners
		
		Partners / suppliers as appropriate
		
		Consultants providing independent advice
		
		Documents required:
		
		--
		
		Useful techniques:
		
		--
		
		Guidance/Briefings:
		
		Managing change
		
		Business requirements

Identifying strategic issues Having assessed the business of the organisation and what 'makes it tick', the next step is to look in more detail at the issues facing it.	• You now need to make a provisional list of the issues that must be addressed in the strategy. These issues will form the basis of the strategic themes developed in the next stage. • The questions here include: ○ what are the problems - and opportunities - facing us?	

- how are we going to deliver on our commitments (PSAs etc)?

- what cross-cutting initiatives must we play a part in?

- how could we improve our services to our customers, businesses we deal with, or other end users?

- what new directions do IT and e-business open up for us?

- do we manage our information as well as we could? Does information help management make informed decisions?

- could communication - within and beyond the organisation - be improved?

- what needs to change in our culture and attitudes?

- are we going to need new skills?

- if we stay on our current course, where will we end up?

- Answering these questions and those in the previous section should give a clearer picture of where the organisation is and what needs to change. See the briefing on **managing change** for more details.

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Stage Two: Identifying direction for the future

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Issues covered during this stage

Finding new directions
Identifying strategic themes
Defining the vision for the future

Synopsis

This section deals with setting the new direction for the business. These changes can then be grouped into thematic, or related, changes. These themes can be drawn together to express where we want to be in the future.

Version 1.00

Principles	Guidance	People involved:
Finding new directions The purpose of this second stage is to identify the direction for the organisation's future plans for business change. This stage is characterised by a transition from divergent to convergent thinking: from considering the issues that face the organisation to defining the themes for the activity that will deal with those issues.	• The tasks carried out in this stage are: ○ exploring possible new ways of doing things and changes to business processes ○ identifying strategic themes to address the strategic issues already identified at the previous stage ○ considering the implications for IS architecture and IT provision of the new direction ○ defining a vision expressing the future state of the organisation ○ making a business case to justify the new strategy to management.	-- **Documents required:** -- **Useful techniques:** -- **Guidance/Briefings:** Identifying the direction for the future
Identifying strategic themes Identifying strategic themes is about determining what will shape the future direction of the organisation .Themes can be regarded as the 'strategy success factors' - the things which the organisation must get right if it is to achieve its objectives.	• For the strategy, themes may be expressed in terms of significant changes or developments required in various areas: ○ high level results (policy outcomes, fulfillment of PSA) ○ working with others ○ new ways of working ○ better services. • It should be possible to express the essence of the strategy in no more than four to six broad themes. The description of each theme will include: ○ the reason why it is strategically important ○ the strategic issues it helps to address ○ the main changes or developments which the organisation will expect to achieve within the theme, and the direction in which this theme will take the organisation. • You should confirm with business management that the identified themes are appropriate to take forward as the basis for high level planning.	

Defining the vision for the future

The vision summarise the desired future for the organisation; it expresses 'where we want to be' in relation to the business success of the organisation. It indicates the areas of significant change and the desired outcome of such changes and developments.

- It can be difficult to produce a meaningful and useful vision statement. The statement should avoid the extremes of:

  - a bland high level 'vision' that could apply to almost any organisation

  - a detailed catalogue of specific planned developments, which increasingly becomes invalidated as circumstances and implementation plans change.

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Stage Three: High level planning

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Issues covered during this stage

Introduction
Identifying candidates for action
Selecting candidates for action
Prioritisation
Implementation profiles
The strategy statement

Synopsis

This section deals with mapping out future as a high-level plan, taking into account the total requirement for change, any resource implications and prioritisation of the candidate programmes or projects designed to move the business forward. All these elements are then summarised as the strategy statement.

Version: 1.00

Principles	Guidance	People involved:

Introduction
 	
This third and final stage of strategy formulation deals with mapping out the future, in the form of high level plans. Choices are made about the total requirement for change, resource implications, and prioritisation of the candidate programmes and projects.
	• The tasks carried out in this stage are:
	
	  ○ identifying candidate projects (or programmes) to realise each strategic theme
	
	  ○ selecting and rejecting candidates for action
	
	  ○ prioritising the selected candidates, perhaps holding some over for later attention
	
	  ○ constructing an implementation profile (or choice of profiles) for the chosen set of candidates, detailing implementation issues such as timescales, resources, and risk
	
	  ○ finalising the strategy statement, the key deliverable of the strategy cycle
	
	  ○ constructing businesses cases for high-level plans.
	
	• As decisions are now to be taken about the allocation of resources within the organisation, staff from outside the study team will be involved more closely than they have been up to this point.
	
	• Business management leads the planning activity, with support from the study team.
		--
		
		Documents required:
		
		--
		
		Useful techniques:
		
		--
		
		Guidance/Briefings:
		
		Programme management
		
		Business and supporting strategies
		
		Planning and estimating

Identifying candidates for action
 	
For each strategic theme, it is necessary to identify ways in which to make the changes or improvements required, or to move the organisation in the desired direction. This involves the search for candidate projects to realise the themes . Dividing strategic themes into possible projects, each with some sort of definition of potential benefits and resource implications, is an important step in moving from divergent to convergent thinking.
	• As a first step in breaking down each broad theme into candidates for action, you should address the following questions for each theme:
	
	  ○ what are the practical options for addressing this theme?
	
	  ○ what are the barriers to realising the options, and how might we overcome them?
	
	  ○ what major proposals might help achieve them?
	
	  ○ what major actions with existing staff and resources (as the starting point) must be taken within the next year or so to make essential progress on this theme?	

- The answers to these questions will lead to the identification of a number of projects that could contribute to each theme.

Selecting candidates for action Once a list of candidates for action has been created, those that will actually be progressed must be selected.	- As a first step, it should be possible to eliminate some of the candidates for action at this stage as being inappropriate or infeasible. They should be left for future reference. - Each of the remaining candidates should then be scoped in terms of: - estimated resources and costs - the outcomes or benefits that each would realise - risk - the implications for IT infrastructure and support - the implications for IS strategy and supporting strategies - dependencies (on other organisations, other candidates, other parts of the business) - constraints on timing - other calls on resources from existing commitments. - It may be that some candidates are 'tactical', short-term, or non-strategic. Such candidates should, as part of their plans, include statements about the way in which they are expected, eventually, to fit into the organisation's strategy. There may be interim solutions until a more strategic solution is practicable.
Prioritisation An essential part of organising candidates for action into high-level plans is prioritisation. Prioritisation may also be useful at earlier stages of the strategy creation process, for instance when considering which strategic themes have greater importance to the organisation.	- To prioritise candidates for action, it is necessary to gather information and evaluate each candidate according to carefully considered criteria. Examples of these include: - degree of necessity (mandatory, desirable or optional) - contribution to strategic objectives - affordability, both now and in the future - risks involved - technical implications or uncertainty - feasibility - estimated timescale required - dependence on, or relevance to, other possible candidates (or other developments within or beyond the organisation) - the consequences of not proceeding with the candidate.
Implementation profiles An implementation profile combines selected activities and developments into a proposed or possible programme of work that will realise strategic aims. Subsequently programmes should be defined and managed using a formal **programme management** approach.	- Two approaches are possible for the construction of implementation profiles: - define one profile and present that to management for endorsement - develop a small number of implementation profiles and present them to management for consideration and selection. - Note that defining more than one profile is not about choosing between alternative ends (or prioritising them); it is about alternative means. - Each profile must be complete in itself, in that it is capable of realising the required outcomes, outputs and benefits.
The strategy statement	This is the most important deliverable from the strategy study. It is a declaratory statement of the strategic direction for top and senior management agreement.

The strategy is formally defined in the strategy statement.

and senior management agreement.

- It should be communicated to all staff, as it stresses the value of the strategy, in business terms, to the organisation as a whole.

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Strategic management

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Issues covered during this stage

Critical success factors
Making a communications plan
Change and review

Synopsis

Once the strategy statement (see previous section) has been compiled it is the role of management to keep the organisation on course. This requires them to define factors critical for a successful outcome. Production of a strategy is not sufficient in itself; it must be effectively communicated to achieve effective buy-in across the organisation. This is a dynamic process in which flexible business focused decision-making will produce strategic review and change in relation to changes in the business environment.

Version 1.00

Principles	Guidance	People involved:
Strategic management is the continuous activity in which senior managers engage, as an essential part of their management role. It involves the often-competing requirements of setting and maintaining the strategic direction of the organisation and its business, and making decisions on a day-to-day basis to deal with changing circumstances and the challenges of the business environment.	• Once strategy has been developed and set out in the strategy statement, it is the responsibility of management to keep the organisation on course and implement the high level plans that have been decided. This is what is meant by strategic management. It is not a stage of strategy development but an ongoing process.	-- **Documents required:** --
Critical success factors	For strategic management to be successful, the following need to be in place: • a coherent, well-founded strategy that flows from a careful analysis of the business and consideration of new directions • a strategic view - looking at the wider implications of decisions across the organisation and its partners • a framework for governance at all levels • ownership of IT and IS concerns by the business • ownership of other key components such as HR and finance • effective knowledge management • partnerships that work • ongoing alignment with strategy and readiness for change.	**Useful techniques:** -- **Guidance/Briefings:** Strategic management Business and supporting strategies
Making a communications plan An important part of implementing plans is to develop a **communication plan** that will help to: • promulgate and reinforce the strategy statement • achieve 'buy-in', ownership and understanding across the organisation • ensure that everyone involved is aware of what is planned and can prepare for it • provide a means for problems to be raised and dealt with • establish 'communication flows' - defined channels or procedures through which communication takes place.	The plan should address who to inform, how to inform them and create an opportunity for the involvement of all staff (including service providers where relevant). Communications should be based on a policy of 'no surprises' so that all staff know what is expected of them and when.	
Change and review	• Changes could occur in organisation and structure, business	

All organisations must be able to cope with change, both internal and in the business environment. Any business-focused strategy cannot be regarded as immutable; instead, it must be flexible enough to accommodate the demands of continuous change. If the organisation has to take a strategic decision unexpectedly, the decision will be taken and the strategy updated in parallel. A strategy is a guide to action, not a straitjacket; strategic managers must remain open to the need for changes in strategy when the business requires them.It is the role of senior business management to keep the strategy under constant review, as part of the continuous task of monitoring organisational performance.

functions and activities, product and service delivery, management and staffing issues, technology, or external relationships.

- As time goes by, it is unlikely that priorities will stay the same. Candidates for action, and their relative priorities, will need to be revisited as part of strategic management.

- Part of revisiting priorities could involve bringing rejected or shelved candidates for action back into play and considering them again in a new light. Changes within the organisation or its business environment might have made them more realistic today than at the time they were first considered.

- Review of the business strategy requires business management to consider:

  - is our 'vision' for the organisation still valid?

  - does our view of the desired future for the organisation match up with the way our business (and its environment) is developing?

  - are the themes of our strategy still appropriate?

  - do we need to consider additional themes which should be added to the agenda for change, because of changed business circumstances, new technologies, pressures from the environment or changes in corporate capabilities?

  - are any of our strategic themes no longer relevant to the organisational agenda for change?

  - are the priorities that we decided still the right ones?

  - are there things 'on the back burner' that have become more important now?

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Governance

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Issues covered during this stage

Reporting arrangements
Policies
Management of risk at the strategic level

Synopsis

Senior management should be kept informed of changes being instigated through clear reporting structures. Some areas of change will require an accompanying policy to enable or restrain the change for the greater good of the organisation. Risk management at the strategic level seeks to limit risk to an acceptable level by lessening the probability of the risk occurring and ameliorating its severity, or both. However, some risk tasking is inevitable (and acceptable if properly managed) if the organisation is to achieve it strategic objectives.

Version 1.00

Principles	Guidance	People involved:

Reporting arrangements
 	
Clear reporting arrangements ensure that management are aware of what is going well (or not so well) with implementation and understand the consequences of their actions in strategic management.
	• It is vital to consider the needs and priorities of those who receive reports as well as those who produce them. Information must be digested and acted upon to be of benefit to the organisation.
	
	• Reporting should be:
	
	   o targeted and effective
	
	   o focused
	
	   o clear
	
	   o accurate and balanced
	
	   o in an appropriate format
	
	   o relevant (linked to strategic objectives, PSAs etc where appropriate).
	
	   o wherever possible, link measures of success to strategic objectives, elements of PSAs, key outcomes, or other high-level aims.
		--
		
		Documents required:
		
		--
		
		Useful techniques:
		
		--
		
		Guidance/Briefings:
		
		Governance
		
		Policies and standards
		
		Risk management

Policies
 	
A policy is a specified and documented rule or set of rules that governs the provision of systems and services through identification, planning, development, implementation, operation and review. Policies may relate to IS and IT , for example, or to wider organisational and management issues. Policies are different from standards and best practice. The distinction can be expressed as follows:· policies define which standards and best practice are to be used· standards and best practice are used to implement policies.
	• The issues for which policies may be required can be classified broadly into management and technical categories. General issues of standardisation are the concern of management policies (manifested in best practice), whereas the specifics of particular standards and their use are more the concern of technical policies.
	
	• Policies can also be regarded as either 'enabling' or 'restraining'.
	
	• Enabling policies are those that aim to support, promote and encourage the deployment of effective services and information systems.
	
	• Restraining policies are those that aim to control or constrain activities in the various parts of the organisation, either for their own good or for the greater good of the organisation as a whole.
	
	• Some possible areas where policies might be required are:
	
	   o people
	
	   o financial requirements and obligations
	
	   o organisational structure	

- information

- information systems

- technology.

- As part of the role of strategic management, the operation of each policy should be regularly:

    - monitored, to assess its effectiveness and achievements

    - tuned, to update it as necessary and take into account relevant new developments

    - reviewed to ensure that the policy is still meeting the requirements of the strategy, and that its objectives are still valid.

Management of risk at the strategic level

Management of risk at the strategic (or corporate) level is concerned with setting strategic direction and balancing potential opportunity against the costs and risks. A certain amount of risk taking is inevitable if the organisation is to achieve its strategic objectives. The task of risk management is to limit the organisation's exposure to an acceptable level of risk by taking action on the probability of the risk occurring, its impact, or both. Risks must be managed in an integrated way at four key levels in order to manage interdependencies: strategic, programme, project and operational. Risks at lower levels should be escalated to the strategic level against set criteria where they exceed agreed tolerances - such as if there is an unacceptable exposure to risk, if risks fall outside agreed limits or if they could affect strategic objectives . Radical change can bring increased risk. The options for new ways of working need to be assessed against the risks associated with relatively unproven technologies or new collaborative methods.

- The minimum requirements for a **risk management framework** are:

    - existence of the organisation's risk policy

    - clear identification of main stakeholders

    - clarification of the main approaches to be used to identify; assess and report on risks; as well as look at actions to deal with risks

    - clear assignment of responsibilities for managing risk and reporting to senior management, especially risks which cut across core business activities and organisational boundaries

    - clear audit trail of decisions to ensure that risk management reflects current good practice, with quality assurance of key decisions as input to audit.

- Risks should be identified against strategic objectives, and these high-level risks should then be considered and managed by senior management.

- Risks should be owned by nominated individuals if they are to be managed effectively. At the strategic level, the owners of risks are likely to be senior managers.

- Each should be addressed in the appropriate manner; this will vary from risk to risk. Some options are:

    - transfer it to the party best placed to manage it

    - tolerate it

    - terminate it

    - treat it by addressing the probability or impact and so contain it to an acceptable level.

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