Strategy Survival Guide

July 2004
The Strategy Survival Guide is an on-line resource that will continue to be updated and improved. For the most up to date version please refer to the Strategy Unit’s website:

www.strategy.gov.uk

The Strategic Capability Team are dedicated to fulfilling the Strategy Unit’s remit to work with departments to promote strategic thinking and improve policymaking. They are responsible for the Strategy Survival Guide.

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The Strategy Survival Guide aims to support strategy development and promote strategic thinking in government. It encourages a project-based approach to developing strategy and describes four typical project phases. It also discusses a range of skills and useful tools and approaches that will help to foster strategic thinking across government. It is offered as a resource and reference guide, and not intended as a prescription or off-the-shelf solution to successful strategy work.

The Strategic Capability Team at the Prime Minister’s Strategy Unit exists to support government departments in understanding and applying the content of the guide. Please contact us for further information.

> Site Index - a full index of the guide
> Introducing Strategy - an introduction to strategy and strategic thinking
> How to Use the Guide - tips to help you find what you need
> About Us - background to the Strategy Unit
> Register - we’ll inform you when the guide is updated

The Strategy Survival Guide is work in progress. The Strategy Unit would welcome your comments and suggestions.

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An Introduction to Strategy in Government

Strategies help organisations think through what they want to achieve and how they will achieve it. Putting strategies into practice and acting strategically ensures that they are focused on the things that really matter – not buffeted by events or short-term distractions – and are able to allocate their resources accordingly.

There is a huge literature on strategy in business and in warfare; strategy in government is similar, but tends to be more complex. It generally involves multiple goals rather than one single bottom line and it is implemented through a wide range of policy instruments, including laws, taxes and services. Far from being a neat linear process, it is shaped by unexpected events and political pressures. It also often needs to be more visible and accountable than strategy in other fields.

As a rule, the best strategies in governments and public services are:

- clear about objectives, relative priorities and trade-offs
- underpinned by a rich understanding of causes, trends, opportunities, threats and possible futures
- based on a realistic understanding of the effectiveness of different policy instruments and the capacities of institutions (strategies that work well on paper but not in practice are of little use)
- creative - designing and discovering new possibilities
- designed with effective mechanisms for adaptability in the light of experience
- developed with, and communicated effectively to, all those with a stake in the strategy or involved in its funding or implementation.

Strategies vary greatly. Some are very precisely defined and imposed top-down through organisational hierarchies. Others emerge in a more evolutionary and co-operative way from discussions, experiments and learning.

In either case, taking a strategic approach should ensure that decisions on strategic direction, policy design and delivery are seen as an end-to-end process of change management, with constant testing, feedback, learning and improvement. In a democracy, the end purpose will be to create public value – services and outcomes that are valued by the public. Policies need to be developed within the framework of a longer-term strategy, taking into account the practicalities of implementation. All strategies need to be adaptable, with quick feedback and effective information flows to respond to new information, and take account of changing circumstances or unexpected events.
A Framework for Strategic Direction

A strategy needs to provide a clear sense of direction – based on analysis of different strategic choices and their implications. Defining the strategic direction or desired way forward will often involve a vision, together with aims and short, medium and long term objectives that provide a coherent and consistent framework for co-ordinating government activity:

- **a vision** is a statement of aspirations describing a desired future
- **aims** are the outcomes needed to bring about that desired future
- **objectives** are those things that need to be achieved in order to realise these outcomes.

An example from a Strategy Unit project is set out below:

### Strategic Framework - SU Ethnic Minorities and the Labour Market Project

<table>
<thead>
<tr>
<th>Vision</th>
<th>Aims</th>
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| In ten years’ time, ethnic groups living in Britain should no longer face disproportionate barriers to accessing and realising opportunities for achievement in the labour market | Building Employability | - Raising educational attainment  
- Ensuring that key groups are benefiting from educational reforms |
| | Connecting People with Work | - Streamlining outreach initiatives  
- Tailoring labour market programmes to client needs  
- Extending programme flexibility  
- Increasing housing mobility  
- Increasing vocational skills  
- Addressing access to childcare and transport needs |
| | Equal Opportunities in the Workplace | - Advising and supporting employers’ awareness and action  
- Increasing efficacy of existing equal opportunity levers  
- Increasing transparency and awareness |

In addition to a framework setting out strategic direction, strategies need to provide evidence-based policy recommendations to act as a clear route map of how the objectives will be delivered. Examples of strategies developed across a broad range of government policy areas can be found on the Strategy Unit’s website.

The Relationship Between Strategy and Policy

The terms strategy and policy are used in many different ways, and sometimes interchangeably. For the purposes of this guide, the following definitions are used:

- **Strategy** is the overall process of deciding where we want to get to and how we are going to get there.
- **Strategic direction** describes the desired future and sets out what needs to be achieved in order to bring it about. It provides the guiding principles that give context and coherence to action.
- **Policy** provides the means of moving in that direction – and often a number of policies need to work together to deliver particular strategic outcomes. Policy design work is concerned with identifying how to achieve strategic objectives, selecting the most suitable policy instruments for doing this, and detailing how these instruments will work in practice.

The relationship between strategy and policy is very close, and should be highly interactive. Strategies should be developed together with a realistic idea of how they might be realised, and policies should exist within a strategic framework that explains how they contribute to desired outcomes.

Divorcing strategy and policy creates the risk of setting unachievable strategic objectives and allowing policy programmes to develop legitimacy from their longevity rather than their contribution to meeting public needs. Close integration will help to ensure that strategies are implemented using the most suitable policies, and that different policies are not contradictory, but work together towards strategic outcomes.
The Relationship Between Strategy and Delivery

Strategies and policies that are not deliverable are of little use. Strategy work needs to involve frontline practitioner knowledge from the outset, and proceed grounded in a realistic understanding of delivery capability. Feedback mechanisms are needed from delivery back into strategy and policy design in order to create adaptable learning systems that can evolve in the light of experience and unexpected results.

Questions for Strategy Development

As the underlying framework that guides government thinking and action, strategy is concerned with asking and answering a number of questions. The diagram below demonstrates that while strategic issues may be highly complex and ambiguous, the questions at the heart of strategy development are searching yet fundamentally simple. This in no way detracts from how difficult it can be to answer these key questions, but provides a valuable anchor at times when the complexity is overwhelming.

The first four questions (across the top of the diagram) cut to the heart of strategy development by establishing an understanding of the world as it is today and determining the desired state of the future. The further two questions (underpinning the process) recognise that effective strategy development can not occur in either an ivory tower or black box, but must occur collaboratively using open and transparent methods and approaches. These questions are closely mirrored by the typical phases of a strategy development project and highlight the importance of the full range of strategy skills.

Components of a Strategic Approach

In practice, strategic thinking may not be as linear as the above questions suggest, but may involve a more iterative consideration of a number of key components.

- **Vision & Values**: a vision of the desired state of the future founded on government’s wider values and principles, that sets priorities, recognises trade-offs and describes the relationship to and fit with strategy in other policy areas.
- **Evidence & Analysis**: an understanding of the current situation, trends and likely states of the future, together with their drivers and causes, and a realistic evaluation of the effectiveness of different policy instruments. This should be based on a broad evidence base including economics, science, social research, statistics etc. and placed within a context of benchmarks and international comparisons.
- **Stakeholders**: a deep appreciation of their views, concerns and perspectives and a plan for how they should be involved in strategy and policy development, and the role they may play in delivery.
- **Delivery Capability**: an evaluation of the delivery system, and the culture and available resources of organisations within it, that highlights potential barriers to change and successful delivery.
These four components need to be considered objectively from **first principles** to identify the real issues, challenge implicit assumptions and question existing approaches.

A development in any one of the components may provide the initial impetus for fresh strategic thinking and drive a need to develop thinking in the other components. In the same way, strategy development is often an iterative process with the components developing and evolving in response to each other.

**Strategic Solution Generation**

Implicit in adopting a strategic approach is a rational and reasoned process for developing solutions. In contrast to an ad-hoc approach that is likely to result in a more ‘random’ set of solutions, a strategic approach is underpinned by **guiding principles** and a set of **appraisal criteria** that frame the generation and appraisal of alternative options.

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The appraisal criteria that should be used for this process are applicable to all decisions about government action, and address the suitability, feasibility and acceptability of each option:

- **Suitability** – do the proposed actions address the key issues and will they be able to deliver desired outcomes?
- **Feasibility** – can the proposed actions be delivered with the potential system capabilities and resources?
- **Acceptability** – is there sufficient political and public support to legitimise the proposed actions?

**Maintaining a Strategic Perspective**

The need for strategic thinking extends far beyond the realms of a formal strategy development project. At all stages of policy design and delivery, a strategic perspective is needed to ensure that government action is focused on and capable of meeting the true needs of the public. The questions posed by the three criteria of suitability, feasibility, and acceptability form the basis of such a strategic perspective.
In a dynamic world, public managers and policymakers need a strategic perspective to keep these three key questions in mind, and act to redress any gaps:

**Suitability Gap**

A suitability gap is created when public service actions and approaches are no longer a suitable response to public needs. This may occur for reasons including:

- the original problem or need has changed or resolved
- tensions arise with other strategic objectives or priorities
- new evidence informs a change in overall desired outcomes
- escalating or unacceptably high adverse impacts become apparent.

When public policy is no longer adding value, a strategic perspective is needed to challenge the suitability of actions and reallocate resources to address prevalent needs.

**Feasibility Gap**

A feasibility gap is created by an inability to deliver desired outcomes. This situation may arise for many reasons, including:

- underestimation or unavailability of the resources and capabilities needed to address the key issues
- inconclusive evidence for how to address the key issues
- insufficient incentives for innovation, transfer of best practice and continuous improvement in the system
- diminishing returns requiring disproportional effort to extract benefit beyond the initial quick wins.

In this instance, a strategic perspective is needed to align spending with strategic priorities, and develop a more capable delivery organisation or system. Alternatively, if the feasibility gap is too large, there may be a case for challenging the strategic objectives in favour of more realistic goals.

**Acceptability Gap**

An acceptability gap is created by the absence of sufficient political or public support to legitimise action. This can occur for reasons including:

- a lack of public engagement in strategy development, including a lack of understanding of the need for change
- changes in the environment leading to shifting views about the strategy
- innovative front-line organisations responding to public needs and evolving beyond their original remit.

A strategic perspective encourages effective stakeholder engagement and a strong evidence base that demonstrates the problem and the suitability of the proposed action for addressing it. Strategies also need to be adaptable enough to encourage innovation and entrepreneurialism in meeting public needs.

**Building Strategic Capability**

Building strategic capability, both in terms of the ability to develop strategies and the ability to maintain a strategic perspective in day to day operations, requires a focus on creating:

- demand for better strategy work from Ministers, CEOs, Directors, and senior officials
- a culture of bottom-up challenge and ‘rocking the boat’ that encourages strategic thinking
- organisational structures and processes which reinforce demand for a strategic approach
- a strong evidence base that provides an accurate understanding of issues and how to respond them
- skilled and confident people with diverse experience and access to best practice resources.

The **Strategic Capability Team** at the Strategy Unit provide support to government departments seeking to assess and develop their strategic capability, please contact us for further details.

**References**

The Strategy Unit discussion paper **Creating Public Value** describes the concept of public value, and how it can be used to think about the goals and performance of public policy.
How to Use the Guide

The guide is structured around two sections. The Strategy Development section discusses the process of conducting a strategy project and the Strategy Skills section addresses the skills that are required for successful strategy work.

An Overview
For the new user, the best way to get an overview of the content of the guide is to read the Introducing Strategy section and the summary pages for each of the project phases and strategy skills as set out below:

### Strategy Development
- Justification & Set Up
- Research & Analysis
- Strategic Direction Setting
- Policy & Delivery Design

### Strategy Skills
- Managing People and the Project
- Managing Stakeholders & Communications
- Structuring the Thinking
- Building an Evidence Base
- Appraising Options
- Planning Delivery

The Strategy Development Section
Having read the summary pages for the four project phases, a more in-depth understanding of any particular phase can be developed by reading through a number of more detailed pages. Each summary page provides links to the following detail:

- typical tasks
- example outputs
- management issues that should be considered
- typical questions that should be asked
- relevant skills.

The Strategy Skills Section
The summary page for each strategy skill contains links to a number of helpful tools and approaches. Together these make up a ‘toolkit’ for the strategy practitioner – using the right tool for the job will help to improve the efficiency and effectiveness of strategy work.

‘In practice’ examples are provided to illustrate how each tool or approach has been applied in recent strategy work, and references are provided for those wishing to find further information. Where appropriate, blank templates are also provided.

Other Sources of Government Guidance
The Strategy Survival Guide aims to support strategy development and strategic thinking. Further sources of guidance for those responsible for taking strategies forward into policy design and delivery include:

- The Green Book from HMT – supporting the appraisal of proposals and evaluation of activities
- Policy Hub and the Magenta Book from GCSRO – encouraging the use of research and evidence in policy making
- Successful Delivery Toolkit and Gateway Process from OGC – supporting the management of procurement and delivery programmes and projects.
History of the Strategy Unit
The Prime Minister's Strategy Unit is part of the Cabinet Office. It was formed to provide a clear focus for strategic thinking and policy analysis at the heart of government. It formally began operating in July 2002 through a merger of the Performance and Innovation Unit, the Prime Minister's Forward Strategy Unit, and part of the Policy Studies Directorate of the Centre for Management and Policy Studies. The Unit reports to the Prime Minister through the Cabinet Secretary.

The Strategy Unit has four main roles:

- undertaking long-term strategic reviews of major areas of policy
- undertaking studies of cross-cutting policy issues
- working with departments to promote strategic thinking and improve policy making across Whitehall
- providing strategic leadership to social research across government.

The Unit's Approach to Strategy Development
The Unit has a project based approach to developing strategy. Most projects are announced to Parliament and short papers outlining the scope of each project and project reports (including those produced by the Performance and Innovation Unit) are published on the Strategy Unit website. Teams are tailored to the needs of each project. Most are small multi-disciplinary teams that bring together civil servants and a wide range of people from outside government, including those responsible for implementation and delivery.

Based on the belief that rigorous analysis is an essential foundation for strategy development, the unit fosters an evidence-based approach. It also promotes an open approach believing that involving people early on greatly increases the prospects of sustainable change.

The Strategic Capability Team
Established in 2003, the Strategic Capability Team are dedicated to fulfilling the Strategy Unit’s remit to work with departments to promote strategic thinking and improve policy making. In addition to publishing this guide and promoting strategy best practice through coaching, training and networks, the team are focused on working with departments to help them assess and improve their ability to create implementable strategy and meet their most important strategic challenges. Please contact us for further information.

Government Chief Social Researcher's Office
The Government Chief Social Researcher's Office (GCSRO) was set up in October 2002 to provide strategic leadership to social research across government. It aims to co-ordinate research planning and access to research knowledge across government, and ensure high skill levels and quality standards.
The Strategic Capability Team
The Strategic Capability Team are dedicated to fulfilling the Strategy Unit's remit to work with departments to promote strategic thinking and improve policymaking. They are responsible for the Strategy Survival Guide.

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Register To Receive Updates
The Strategy Survival Guide is work in progress and is updated at regular intervals. If you would like to be notified when a new version of the guide is published please register your details.

The Strategy Unit
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Effective strategy development requires the mandate to challenge, the space to think and the commitment of stakeholders. For these, and many other reasons, strategy work is best undertaken within the context of a clearly defined project that can act as a focal point for generating momentum behind a change in conventional thinking.

Although the process of developing strategy is complex and often iterative in nature, strategy projects tend to naturally move through a number of phases. The framework below describes these phases together with typical tasks and example outputs. The management issues and questions that often arise at each phase are also highlighted.

The framework provides a helpful reference point but should not be interpreted as a template. In practice the phases are unlikely to be entirely discrete and sequential, tasks may actually span across phases, and phases may need to be revisited as the true complexity of the project unfolds.

## Phases

- **Justification & Set Up**
- **Research & Analysis**
- **Strategic Direction Setting**
- **Policy & Delivery Design**

## Tasks

- **Justifying the project**
- **Clarifying the issues**
- **Planning the project**
- **Setting up the team**

- **Gathering knowledge**
- **Analysing knowledge**
- **Reviewing delivery capability**

- **Developing guiding principles**
- **Articulating a vision**
- **Defining strategic aims and objectives**

- **Developing policy options**
- **Detailing policy options**
- **Appraising policy options**
- **Planning the roll out**

## Outputs

- **Project proposal & plan**
  - > management issues
  - > questions

- **Interim analytical report**
  - > management issues
  - > questions

- **Preferred strategic direction**
  - > management issues
  - > questions

- **Final report & delivery plan**
  - > management issues
  - > questions
As the need for fresh strategic thinking starts to emerge, it is important to bring clarity to the scope, rationale and approach for the proposed work.

At this early stage it is important to:
- demonstrate the need for the project
- identify and structure the issues that need to be addressed
- plan how the project will be structured
- pull together an appropriate team.

Justifying the need for the project is key to securing buy-in from stakeholders and generating momentum behind the need to challenge conventional thinking. This will require a close examination of the issues in order to define and agree the scope of the project. It is also helpful at this stage to identify a Minister or senior official that can act as the project's sponsor.

Clarifying the issues to be addressed will also help to highlight logical workstreams for the project and hence necessary roles and responsibilities within the team. This should be documented in a project plan along with a commitment to particular outputs and milestones, an assessment of risks to the project's successful completion, and a description of the proposed project governance structure. Even at this early stage the project plan should be accompanied by a plan for stakeholder engagement and a communications strategy.

Throughout this phase it will become increasingly clear what kind of project team will be needed. By the end of the phase a team should be in place that is large enough to handle the expected workload, has all the necessary skills and experience and is acceptable to all the key stakeholders.

It can take a significant amount of time to clarify and agree the issues to be addressed with stakeholders, to agree the project budget and to recruit the right team. As a result this phase can often take longer than initially expected. It is however a crucial foundation for the rest of the project and plenty of time should be allowed for it.

Skills relevant to this phase include:
- structuring the thinking
- managing people and the project
- managing stakeholders and communications
Justifying the project

Before embarking on a project, it is important to define and justify the need for the project. This helps to assess whether the right questions are being asked, whether a review can really add value, whether someone else should lead it, and whether the timing is right. Rigor at this stage pays substantial dividends later on.

The justification exercise should:
- define the problem to be addressed
- articulate the vision and values driving the need for the project
- identify work that has been done to date on this issue
- consider whether there is a clear rationale for government intervention
- assess the feasibility of having an impact on the problem
- anticipate the expected resource requirements
- seek to establish a mandate for the project
- identify a suitable sponsor for the project (for example: Secretary of State, Minister or Permanent Secretary).

In some cases this exercise will make it clear that the timing isn’t right, or that someone else is better placed to do the work. If the exercise confirms the need for a strategic review it will help the project to hit the ground running.

The desired outcome of this exercise is that the and all key stakeholders have common expectations and high level of commitment to the project. Establishing a mandate in this way before the project starts is important if the team is going to effectively challenge the status quo and develop strategy from first principles.

Producing a project proposal or terms of reference document that answers the above questions will help secure such early buy-in.

Useful links:
- rationale for government intervention
- first principles thinking
Clarifying the issues

The complex and cross-cutting nature of strategy projects mean that at the outset it is important to develop a clear articulation of the issue to be addressed, and agree this with all key stakeholders. This will help to define the scope of the project, identify any fixed boundaries that are not open to review and set expectations for its outputs.

This exercise should go further than defining the overall issue to be addressed by breaking it down in a logical way to highlight all the sub-issues. A powerful tool for structuring the issue in this way is an issue tree which generates a logical family-tree style hierarchy of issues and sub-issues.

Mapping out the entire ‘issue space’ in this way is useful for a number of reasons:
- it generates a detailed understanding of the relevant issues
- it helps to identify the true root causes of an issue
- it provides a focus for initial discussions with stakeholders to understand their viewpoints
- it highlights potential modules of work, or workstreams, for the project
- it provides a structure and framework for subsequent data gathering and analysis.

Clarifying the issues at this early stage will also help the team to stay focused, help each member to know how their work fits into the whole, and act as a reference later in the project to check that the team has achieved what it set out to achieve.

Useful links:

> issue trees
Planing the project

Having gained commitment to the project and its scope from stakeholders, it is important that the project is planned in detail. An accurate, well-maintained and frequently referenced project plan is essential to managing the project successfully.

Although taking time to plan is crucial to the success of the project, planning is often neglected or rushed in the haste to get onto the more interesting analysis phase of the project, especially when stakeholders or ministers are keen for project results. However, planning is the whole basis of project management philosophy and it is vital to do it well. Team leaders should expect to spend as much as 30% of their time project planning.

Taking a step back to develop a project plan before diving into the detail has a number of benefits:

- it helps forge a common vision across the team
- it provides coherency between different strands of the project
- it helps to think through tasks and anticipate potential roadblocks
- it highlights trade-offs on issues of time, budget, breadth and depth of analysis
- it helps anticipate long lead-time activities
- it helps manage key stakeholder expectations of what is in and out of the scope for the project, what the team is doing, and whether the project is on track
- it provides an ‘anchor’ when difficulties develop.

The plan should go into significant depth on the project's rationale and approach, including how the work will be structured, what the key milestones will be, and how the main risks will be mitigated or minimised. In addition the plan should set out the intended approach for managing stakeholders and communications, and define the project governance structure.

Finally, the extent to which the project will be in the public domain should be agreed. The sensitive nature of some projects may mean that it is not appropriate to announce them publicly.

Useful links:

- developing the plan
- structuring the work
- setting milestones
- managing risks
- defining accountability
- managing stakeholders and communications
Setting up the team

Up to this point, many of the initial tasks of justifying, planning and defining the scope of the project may have been conducted by one or two individuals, one of whom may be earmarked as the future team leader. However, as momentum builds behind the project, a full team will need to be established to take on the growing work load.

Recruiting the Team
The task of recruiting a team may not be as simple as it sounds. Careful attention should be given to the necessary size, composition and skills of the team across the lifecycle of the project, as well as to selecting an appropriate team leader. Consideration should also be given to the benefits of including in the team representatives of key stakeholders and any delivery agencies who will also be involved in implementation of the strategy following the end of the project. This can be crucial to creating buy-in to the project as well as to knowledge transfer and continuity.

Building the Team
It is important that the team leader takes an active approach to building a team. Different team members will have different styles of working, strengths and weaknesses. The aim of team building is to create an environment that brings out the best in individuals and a cohesive team that works well together. There are various tools and exercises which can assist in building a successful team.

Working as a Team
A well-defined and understood approach to working as a team is essential, particularly if working in multi-disciplinary teams is a new experience for team members. Holding both a project kick-off meeting and an away-day at the start of the project is a useful way of developing the team’s working approach. This should be supplemented by regular, well structured team meetings throughout the course of the project. Weekly team meetings should be supplemented by additional ad hoc meetings on key issues as they arise. Team communication, document management and other procedures should also be agreed during this phase. It may be beneficial to assign responsibility for specific project management activities and areas such as knowledge management or encouraging creativity to particular individuals within the team.

Useful links:
- recruiting a team
- building a team
- working as a team
Strategy Survival Guide
Prime Minister’s Strategy Unit

Strategy Development > Justification & Set Up > Output

Project proposal & plan

The first output, towards the beginning of this phase, is likely to be a project proposal, scoping or terms of reference document that sets out a clear definition of the problem in hand. The document may be extensive or simply a few pages, its exact form should be whatever is deemed necessary to ensure buy-in to the project from sponsors and stakeholders.

In addition, this phase should result in documentation that sets out the proposed approach to managing people, the project, stakeholders and communications.

As a minimum, a project plan should include:

- a full definition of the problem or issue to be addressed, and the key questions that need to be answered
- a structure for breaking down the problem, framing subsequent analysis and organising the team
- a commitment to key milestones and outputs
- an assessment of risks to the projects successful completion and how they may be mitigated
- a description of the project governance structure.

Plans should also be drawn up to describe the intended approach for engaging with and involving stakeholders throughout the project, and to set out the intended communications strategy.

It should be noted that these documents can only fulfil their function as the foundation for embarking on the project if they are effectively communicated, and fully understood and agreed within the team and by all key stakeholders.

Useful links:

> developing the plan
> structuring the work
> setting milestones
> managing risks
> defining accountability
> managing stakeholders and communications
A large part of this phase is taken up with management tasks that lay the foundation for the project. The management task, however, is by no means over. The project plan should be continually evaluated and revised in the light of changing circumstances, and stakeholders will need to be involved and managed throughout the project.

**Project Management**
The first issue to be addressed is that of gaining buy-in and commitment to the project. This is essential if the project is going to have any impact, and if the necessary resources are going to be made available. The main project management task in this phase is the development of the project plan. This will involve defining and structuring the problem, committing to key milestones and outputs, identifying risks, and agree the project governance structure.

**People Management**
A team should be recruited that has the right mix of skills and experience and is large enough to handle the expected work load. Consideration should be given to the benefits of including representatives of key stakeholders or delivery agencies within the team. Roles and responsibilities within the team should be defined and agreed, and an active approach should be taken to team building and ensuring the team work well together.

**Stakeholder Management**
The process of developing a stakeholder engagement plan will involve identifying and establishing contact with key stakeholders. It is important to start to understand their issue and concerns, and use this to both inform the vision driving the project, and the criteria by which the final strategic direction will be selected.

**Communications Management**
Even at this early stage a communications strategy should be developed that sets out what and how the team intend to communicate about the project, particularly in relation to the media.

Useful links:

> managing people and the project
> managing stakeholders & communications
Strategy Development > Justification & Set Up > Questions

This phase will help to address questions such as:

Is there a genuine need for a project?
- What is the problem that needs to be addressed?
- What are the vision and values driving the need for the project?
- What work has been done to date on this issue?
- Is there a clear case for government intervention on this issue?
- How feasible is it that the project will be able to have an impact on the problem?
- What level of resources will be required for the project?

What are the issues that the project will address?
- What are the sub-issues?
- How will we research and analyse these issues?
- What are the main concerns of each of the key stakeholders?

How will the project deliver its objectives?
- How should the team be structured?
- What is a logical way to break down the work into workstreams?
- What should be the roles and responsibilities of each team member?
- What will be the outputs of the project?
- What are the key milestones and deadlines?
- What are the main risks to the success of the project, and how will they be managed?

What kind of project governance structure is most appropriate?
- Who is the most appropriate Minister or senior official to act as the project’s sponsor?
- Should there be an expert advisory panel?
- Should there be a steering group?
- Who should be involved in each?

Who are the key stakeholders?
- What are the interests & views of each stakeholder?
- How supportive and influential is each stakeholder?
- What should be the role of each stakeholder and how should we engage and involve them?
- How will we communicate with stakeholders and others?
- To what extent should the project be in the public domain?

What kind of project team is most suitable?
- What skills and experience will be needed in the team?
- Should any of the key stakeholders be represented on the team?
- How can we involve representatives from the relevant delivery agencies in the team?
- How can we encourage the team to work together most effectively?
- What modes of communication will be set up within the team?
- How will the team deal with knowledge management?
Once the project has been agreed and a project plan is in place, the team can start to lay the foundations for developing evidence-based strategy and policy by:

- identifying and gathering all relevant available qualitative & quantitative knowledge
- analysing it to generate understanding and insights.

This phase is concerned with developing an accurate understanding of the issues in hand and accessing the best available knowledge for how to respond to them. In practice, this will lead to an iterative process with new data requirements arising as the team’s thinking evolves. Within the time scales of the project it is also likely that judgements will need to be made to bridge gaps in the available knowledge, which should themselves be used to inform the priorities for ongoing research.

There are a wide range of tools and techniques for gathering and analysing data. Links should be established with government specialists early in the process so that their expertise can be brought to bear with maximum effect.

Understanding the dynamics of the delivery system, and the culture and available resources of organisations within it, will provide valuable context. It will help to highlight the degree of change required by the new strategy and identify any potential constraints to its successful delivery.

The desired outcome is that the team develops a comprehensive and accurate understanding of the key facts that may have a bearing on the emerging strategy. The broader the reach of the analysis within the time available, the richer the picture that will emerge.

It can be valuable to conclude this phase with the publication of an interim analytical report. This will focus the team’s efforts, invite challenge and feedback, and provide a common platform of understanding for developing strategic options in the next phase.

Skills relevant to this phase include:

- structuring the thinking
- building an evidence base
- managing people and the project
Gathering knowledge

The starting point for this phase of the project is to gather relevant data, information, and knowledge to build an accurate understanding of the issues in hand, and the effectiveness of past and present policy responses.

There are many different data types & sources available, and also many methods for gathering new knowledge, including surveys and interviews and focus groups. The data, sources and methods used will depend very much on the nature of the project. Each type of knowledge has distinct sources, grammars, and appropriate methods of use and interpretation. The key challenge is to strike the right balance between quantitative and qualitative types of knowledge.

Before initiating any new research effort it is important to identify existing data and critically appraise it to ensure it is of sufficient quality, perhaps using methods such as systematic reviews or meta-analysis as outlined in The Magenta Book. Early links should be established with the full range of government specialists (economists, scientists, social researchers, statisticians etc) as well as those in the wider academic and research community in order to seek advice and avoid duplication of effort.

The design of this phase should be informed by the structure developed when clarifying the issues using techniques such as issue trees in the last phase. This will enable the data gathering and analysis process to be hypothesis led and avoid the need to ‘boil the ocean’ of all available sources. Although options should not be blocked off and the information gathering process unduly narrowed, the process will be more efficient if the team’s efforts are focused around its emerging notions of the way forward. It is important to regularly revisit the hypotheses in the light of the emerging evidence from the data.

Gathering Sponsor & Stakeholder Perspectives

Understanding the different perspectives of the sponsor and key stakeholders is a crucial part of the knowledge gathering process. Taking time to understand the sponsor’s perspectives will make it easier to ensure that the project answers their key concerns. It will also provide understanding of the political context behind the issue or problem. Similarly, it is important to be fully informed about the perspectives of different stakeholders. Interviews with key stakeholders, including experts, practitioners and frontline staff – who often have a richer understanding of the position than managers or experts – will assist the stakeholder mapping process and should feed into the stakeholder engagement plan. Listening to different perspectives can provide new lenses for looking at the issues and suggest alternative solutions.

Managing the Knowledge Gathering Process

It is crucial to factor in sufficient time for the knowledge gathering process. New sources will undoubtedly emerge as the process proceeds, which will require additional time to investigate – for example, interviewees may suggest other people to interview. However, it is also important that the team is not distracted by areas that are not the core focus of the project.

Where significant data and knowledge do not currently exist, new research may need to be commissioned. The conclusions of this research may not be available within the time scales of the project, however strategies need to be designed to be flexible enough to respond to new knowledge as it emerges.

Useful links:

> data types & sources
> surveys
> interviews and focus groups
> The Magenta Book
Analysing knowledge

The knowledge that has been gathered needs to be analysed to build an evidence base to support the forthcoming strategy and policy design work. Providing an objective, factual foundation is very important, and will help to ensure that all stakeholders have the same understanding of the issues at hand. Some flexibility may be needed to modify the original problem definition in the light of the analysed knowledge.

Current Position
It is important to generate an accurate and comprehensive picture of the current state of affairs. Using historical time-series data to show trends over time, it is also helpful to explain the drivers of change that have resulted in the need for the strategy project. Techniques such as **modelling** and **market analysis** can be used at this stage to understand the dynamics and economics of the system.

Relative Position
Making value judgements about the current position is made easier if it is placed in context. Using **international comparisons** and **benchmarking** can be a powerful way to learn lessons from other countries or policy areas and set expectations for what can be achieved.

Possible Futures
Finally, techniques such as **forecasting**, **scenario development** and **counterfactual analysis** should be used to build on an objective view of current reality and trends to generate insights into possible futures. Potential risks, shocks or uncertainties that may cause deviation from expected trends should also be identified. This will ensure that the team has the best possible chance of developing a strategy that will not only address current issues, but also remain effective into the future.

Useful links:

> **modelling**
> **market analysis**
> **international comparisons**
> **benchmarking**
> **forecasting**
> **scenario development**
> **counterfactual analysis**
Reviewing delivery capability

The knowledge gathering and analysis process should also generate an understanding of the structure and dynamics of the delivery system, and the culture and resources of organisations within it. This will provide valuable context for the development of the new strategy by identifying the strengths that can be built upon, highlighting inefficient structures and processes that need to be re-visited, and gauging the overall capacity of the system to change. Considering delivery capability at this stage, rather than as a post-strategy implementation exercise, is essential if the new strategy is to be truly deliverable.

System Structure & Dynamics
The starting point for reviewing delivery capability is to understand the structure and dynamics of the system. This will involve understanding the role of each organisation in the delivery system and the nature of the relationships between them. It will be of particular interest to examine each organisation's focus and priorities and explore the degree to which these are shared across the system. In addition, the sources and formulae for funding, the flows of information, and the arrangements for accountability and decision making all play a key role in determining the dynamics and performance of the system.

Organisational Culture
An understanding of organisational culture will highlight the context in which any change will have to take place. The underlying values and beliefs of a culture shape the more visible aspects of an organisation such as behaviours and systems, and will have an important influence on the capacity of an organisation to adopt the implications of the new strategy. Identifying key decision-makers and those who hold power is also important for gaining buy-in and ensuring successful delivery.

Available Resources
Consideration should also be given to the available resources and competencies of organisations in the delivery system. Identifying relevant areas of expertise will enable the new strategy to be shaped to capitalise on existing strengths. It is also helpful to identify any gaps in an organisation's activities or competencies, and any existing resource or budget commitments, that may limit their ability to deliver the new strategy.

This understanding of delivery capability provides a guide to the starting point and the context for future change. As the new strategy is developed it will help to identify the extent of change required for successful implementation, and provide an indication of how feasible this will be.

Useful links:
> organisational analysis
Interim analytical report

The output from this phase should be a document that sets out the findings of the team’s research and analysis. By publishing an evidence base or data set in this way, a common platform is created among stakeholders for moving forward.

An interim analytical report is a useful way of setting out the results of the analysis and the emerging conclusions within an initial story line. For example:

- what is the situation?
- what are the problems?
- what is the relative significance or impact of the different problems?
- what is causing the problems?
- how do we currently tackle the problems?
- is this working?
- how is the situation likely to change in the future?

It is important to start drafting the report as soon as possible. Starting the drafting process early will allow time for thinking about the story line, and help to shape the data gathering and analysis work. An interim analytical report will also help to consolidate thinking on the overall structure of the final report.

The interim paper will take some time to produce so sufficient time must be factored into the project plan. Consideration should also be given to the audience for the report, and how it will be communicated. For example, if there is to be a public consultation, it will be beneficial to publish the report on the Web.

Useful links:

> managing stakeholder & communications
At this stage in the project, project management is often neglected. Team members are concentrating on the detailed data gathering and analysis and it can be easy to let project management slip. The project plan and stakeholder engagement plan should be continually referred to and updated. During this phase the communications plan should also be evaluated to identify any weaknesses.

**Project Management**

The vision and key hypothesis driving the work should be reviewed in the light of the emerging evidence from the data gathering and analysis. Where the desired granularity of data is not available within the time scales of the project, a pragmatic approach will be needed to make judgements based on the data that is available. Milestones should also be reviewed to check the project's progress and ensure it is still on track.

**People Management**

It is important that workstreams are reviewed and confirmed. Team roles and responsibilities can then be reviewed and agreed. Regular feedback should be sought from the team on how they feel the team is working.

A meeting of the project **Steering Group** to advise on emerging analysis may be helpful towards the end of the phase. This could involve a presentation of the interim analytical report. **Preparing presentations** using techniques such as storyboarding will help to check the logic before presenting it and ensure that all the supporting information is available before writing the slides.

**Stakeholder Management**

Stakeholders should continue to be actively engaged and consulted through activities such as the publication of consultation papers (online and/or in paper format), holding seminars and using focus groups.

It is important to be very clear with stakeholders and sponsors about the project process and their role in order to maximise the value of their contribution and secure their continued buy-in.

**Communications Management**

A public consultation exercise is a helpful way of structuring consultation with stakeholders. The Internet is a useful tool, and should be used in conjunction with a small number of meetings or seminars. Planning for any public consultation should commence early in the project, as it will take time to develop an effective process, prepare consultation documents and plan communications.

**Knowledge Management**

The information gathered in this phase should be organised in a logical way. At this stage of the project, the role of a knowledge management ‘champion’ is crucial. For example, notes should be made of each meeting and interview and kept centrally to allow all team members to access them. Electronic data, including a database of all contacts, should also be organised on a project shared drive in a logical way. Hard copies of documents, books, and publications should be catalogued and a system for accessing documents from the project “library” should be established.

Useful links:

- managing people and the project
- managing stakeholders & communications
Strategy Survival Guide – Strategy Development

Strategy Development > Research & Analysis > Questions

This phase will help to address questions such as:

What data do we need to support the strategy development?
- How should we structure the data gathering process?
- How much data is readily available?
- Will we need to commission any primary research to collect data?
- What methods are most appropriate for collecting the data we need?
- What is the right balance between qualitative and quantitative data?

What analyses do we need to support the strategy development?
- How should we structure the data analysis?
- Which other policy areas or countries provide helpful comparisons?
- What are the key trends influencing the current position?
- What are the dynamics and economics of the system?
- What is the likely state of the future?
- What other analyses will be needed to answer the key questions?
- How does the original problem definition need to change in the light of the analysis?

What is the system and organisational context for the new strategy?
- What is the role, focus and priorities of each of the organisations in the delivery system?
- What are the funding, information sharing, decision making and accountability arrangements?
- What are the underlying beliefs and core values of the culture of each organisation?
- What impact will this culture have on the ability to deliver the new strategy?
- What are the existing organisational resources and areas of expertise?
- Are there any obvious gaps in capability that may act as delivery constraints?
- Are there any existing commitments that may limit the resources available or the extent of change?

What are the views of the sponsor and each of the key stakeholders?
- What is the political context for the project?
- What are their key concerns?
- Do the buy-in to the emerging evidence base?

How will we communicate the findings of this analytical phase?
- Do we need to have a public consultation process?
- Should the interim analytical report be published on the web?
Having established a comprehensive body of knowledge, attention can be focused on setting a strategic direction to guide policy and delivery design.

This will typically involve:

- developing a set of guiding principles that will provide the foundation for strategy and policy development
- articulating a vision that describes the desired state of the future
- defining a set of aims and objectives that will need to be achieved in order to bring it about.

Work in this phase lays the foundation for developing a suitable, feasible and acceptable response to the problem at hand. It highlights the choices and trade-offs that will need to be made, and aims to ensure that government action is focused on a vision for meeting public needs; through organisations with ability to deliver; with the support of the political and wider stakeholder community.

It is vital that the transition from setting strategic direction to planning for implementation should not be a discrete step but occur in an iterative fashion. Considering the likely resources required to meet each strategic objective in the light of the delivery constraints identified in the previous phase will help to ensure that only achievable strategic objectives are set.

This phase should result in a consistent and coherent articulation of strategic direction that defines the objectives for policy development.

Skills relevant to this phase include:

- structuring the thinking
- appraising options
- managing people and the project
- managing stakeholders and communications
Developing guiding principles

Strategy work aims to shape government's long term direction and approach. Rather than just being a collection of good proposals, strategies should establish underlying principles that provide a coherent reference point for future decision making. These guiding principles should form the foundation for government action, and provide a consistent basis for the ongoing development of policies capable of delivering strategic objectives in a changing world.

Establishing a set of guiding principles is the pivotal point in the strategy development process between reviewing the world as it exists today, and starting to define the desired state of the future. There are a number of key considerations:

- **Rationale for Government Intervention**
  An evaluation of the rationale for government intervention is central to clarifying the nature of the problem in hand, and the role that government can play in addressing it. Exploring the root causes of the problem will help to highlight why government action may be needed, allowing the benefits of intervention to be weighed against its potential costs and the distortions it may cause.

- **Existing Government Values and Principles**
  It is important to identify and understand the values and principles already established and held by government. For example, the Principles of Public Service Reform are a set of guiding principles that any additional strategic thinking must either adhere to or explicitly challenge. Other existing principles may be explicitly or implicitly recorded in manifestos, Spending Reviews, Budgets and White Papers. In addition to centrally defined principles, relevant department-specific values and principles should also be sought out and evaluated to assess their bearing on future strategic direction.

- **Public and Political Will**
  The guiding principles should establish common ground with the wider public and political arena. Effective stakeholder engagement and participation throughout the strategy development process is central to gauging opinion accurately.

Useful links:

- rationale for government intervention
- Principles of Public Service Reform
- effectively engaging with stakeholders
Articulating a vision

A key part of developing strategy and setting strategic direction is articulating a vision for the desired state of the future. A vision is a concise summary statement describing the world as it would ideally exist if current issues could be fully addressed.

By this stage in the project the aspirations driving the vision may already be widely acknowledged. Whether or not any further work is necessary, the articulation of a vision and the subsequent definition of aims and objectives will draw on a number of key inputs:

- **An Understanding of the Problem**
  
  A fundamental prerequisite is an accurate and informed understanding of the problems or issues at hand. The research and analysis phase will have helped to differentiate between root causes and symptoms of problems and enabled some prioritisation of the issues. In this way it will also have highlighted the factors within the wider system that can be most effectively influenced for maximum impact on the problem.

- **Consideration of the Evidence**
  
  Strategic thinking should be informed by the widest possible evidence base. This should include an understanding of drivers and trends, an exploration of potential alternative futures, an appreciation of the relevant cultural and political context, and a recognition of any constraints or barriers to potential alternative delivery options.

- **Stakeholder Perspectives**
  
  Although the views, concerns, and perspectives of key stakeholders inform the development of strategy at every stage, there is no greater focal point for their lobbying than the process of setting strategic direction.

It is at this stage that officials are encouraged to be radical in their proposals. The process of articulating a vision and setting objectives provides the opportunity to explore ministers’ appetite for ambitious change. Potentially risky or extreme solutions should not be screened out too early in the process but instead used to challenge and test their thinking.

Useful links:

> systems thinking
> change management
Defining strategic aims and objectives

As the desired state of the future is described in the vision, strategic aims and objectives are needed to define those things that need to be achieved in order to bring it about. A small number of broad aims need to be supported by a range of more specific objectives defined over the short, medium and long term.

At this stage the primary concern is ‘what’ needs to be achieved rather than ‘how’ – which will be more fully addressed through policy design – however some broad appreciation of the policy packages that might deliver each objective will help to ensure that realistic objectives are set. In addition, some sense of the likely level of support for each idea will provide an indication of its chances of success. In summary, it is important to set objectives that are:

- **Suitable** – addressing key issues and able to deliver desired outcomes
- **Feasible** – achievable with potential organisational and system resources
- **Acceptable** – with the support of those with the authority and influence to legitimise action.

The process of defining alternative aims and objectives will highlight the choices and trade-offs that will need to be made. These will need to be considered together with the emerging vision, to select those that best describe and are able to deliver the desired future.

Generating Alternatives

In addition to a structured consideration of the problem, the evidence and stakeholder perspectives as discussed in *Articulating a vision*, a creative approach to generating possible alternative objectives may be helpful. For example, brainstorming potential objectives in terms of radical, medium and cautious change may help to generate fresh insights. *Scenarios* can also be a useful tool to help identify potential opportunities and envisage preferred futures. A range of alternative objectives should be sought over the short, medium and long term as milestones towards the desired future expressed in the vision.

Selecting Objectives

The crystallisation of strategic direction occurs with the selection of the preferred set of aims and objectives. The alternatives should be subject to scrutiny with regards to their suitability, feasibility and acceptability. It may be beneficial to have a two-stage selection process, allowing alternatives short-listed to be worked up in more detail before the final selection is made.

Involving stakeholders in the generation and selection of alternative objectives will help to ensure buy-in to the resulting strategic direction, reducing the risk of dissent in the longer-term.

Useful links:

- creativity techniques
- developing scenarios
Preferred strategic direction

The primary output from this phase will be the definition of the new strategic direction, which as far as possible will have the support of the project’s sponsor and all key stakeholders. However, a degree of judgement and discernment will be needed to know when is it right to set a new course despite opposition. Even the most successful reform programmes may start life as controversial proposals, and take leadership and commitment from government to set the strategic direction and see it through to fruition.

The strategic direction will be expressed through:

- A vision describing the desired state of the future
- A number of aims and short, medium and long term objectives that need to be achieved in order to bring it about.

Although it is unlikely that a formal written document will be appropriate at this stage, a working document describing the preferred strategic direction will help to ensure common understanding.
Project Management
The project management plan should be reviewed and revised in response to any changes in priorities, milestones, or meeting dates. Initial thought should also be given to the project end game. For example, how the final report will be produced and communicated.

People Management
Team roles, responsibilities and workstreams should continue to be monitored and progress assessed. It may be an appropriate time for informal mid-project appraisals and to seek feedback from the team.

This is also the time to start thinking about whether any changes are required to the composition of the team. For example, to bring in more policy-oriented team members who can start working up policy options in order to achieve the strategic direction being identified. Involving representatives of delivery agencies will also help to ensure strategy is grounded in front line reality and help to secure buy-in. At this stage in the project it may be useful to have another team-building event, particularly if there are new team members coming on board.

Stakeholder Management
Continued active management of stakeholders will be required. In particular, it is important to unpack the meaning of ‘we’ when asking “where do we want to be?”. Many initiatives fail because ‘we’ is assumed to be clear. However, different elements in government, the public sector and private sector will have different ideas. It is therefore fundamental to confirm that there is a clear and united ‘we’ at this stage.

In particular, at this stage in the project it will be important to meet with stakeholders to discuss emerging strategic options. This will enable agreement to the proposed option to be secured, and also to test how radical the subsequent policy recommendations can be. It is important that the analysis is presented clearly and logically, with a compelling story. The storyboarding technique can be of assistance when preparing presentations. The stakeholder management plan should be revisited and revised according to any changes in stakeholder support or influence.

Communications Management
The communications plan should also be reviewed and revised in the light of any changes. Communications during the phase should be evaluated to identify any problems and lessons learned. Thought should also start to be given to how to communicate the project outputs at the end of the project.

Useful links:

- managing people and the project
- managing stakeholders & communications
This phase will help to address questions such as:

**What should be the guiding principles underpinning strategy in this area?**
- What is the rationale for government intervention?
- Which existing government principles are relevant to this area?
- What relevant principles or values exist at the department level?
- Is there a clear will amongst the public or politicians for how to approach the issues?

**What is the vision for the future?**
- What are the real problems and issues that need to be addressed?
- What are the drivers and trends?
- What are the potential alternative futures?
- What is the cultural and political context?
- What are the constraints or barriers to potential delivery options?
- What are the views, concerns and perspectives of key sponsors and stakeholders?
- How radical are ministers prepared to be?
- How does the vision fit with strategy and vision in other areas?

**What aims and objectives could be set to realise the vision?**
- What needs to be achieved in the short, medium and long term to realise the desired future?
- Where are the biggest opportunities to create public value?
- What choices and trade-offs will need to be made?
- What is the organisational and system capacity available?
- What kind of support can be expected from those with authority and influence?

**What is the preferred strategic direction?**
- How suitable is each objective for addressing the key issues and creating public value?
- How feasible is each objective given the available delivery resources and competencies?
- How acceptable is each objective to key stakeholders?
- How robust is each objective under possible future outcomes?

**Is the team working to maximum effectiveness?**
- Does the current division of work and responsibilities still make sense?
- Is now the time for an informal mid-project appraisal for team members?
- Should any changes be made to the composition of the team as policy work draws closer?
- Is there a clear paper trail, and well organised documentation for future reference?
The final phase of the project is concerned with designing policies that will deliver the chosen strategic direction, and planning for their implementation.

It will involve:
- developing alternative policy options and identifying appropriate policy instruments
- narrowing down the number of options under consideration by appraising them against a broad set of criteria
- progressively detailing the remaining options
- using the appraisal criteria to select the preferred option(s)
- planning the roll out of the policies.

It can be helpful to adopt a creative as well as a structured approach to generating policy options, which should consider the full range of ways in which government might intervene. As each option is developed, increasing consideration should be given to designing not only the policy itself, but also the system for delivering it.

As in the last phase, involving stakeholders – particularly those responsible for implementation – in developing policy options and planning their roll out, is central to the success of this phase and indeed to the success of the entire project.

The detail of the final policy proposal and the plan for its roll out should be documented in a final report and implementation plan. Agreement and commitment to this plan will mark the conclusion of the strategy development process.

If due attention has been given to all key stakeholders, the outcome of this phase and of the entire project should be a shared recognition for the need for change, a common vision for the nature of change and clear ownership of the delivery of change.

Skills relevant to this phase include:
- appraising options
- planning delivery
- managing people and the project
- managing stakeholders and communications
Developing policy options

Having set a strategic direction, policy design work is needed to determine how it can be achieved. The starting point is to identify alternative policy options and appropriate policy instruments for realising the vision and objectives. The full breadth of knowledge and evidence gathered in the Research & Analysis phase, including the organisational analysis, will be relevant and important inputs.

Generating Options
The generation of policy options is framed by the need to work both backward from the stated strategic objectives and forwards from the guiding principles. This will help to ensure that the options generated reflect the underlying values and principles driving the strategic direction as well as directly address the most pressing issues as prioritised by the strategic objectives.

This provides the opportunity for maximum creative thinking. Using techniques such as Brainstorming, 4 R's and six thinking hats can help to stimulate lateral thinking and spark the generation of hypotheses about potential solutions. In addition to this creative approach it is helpful to establish a systematic process for generating policy options. A structured process for generating options helps overcome ‘blind spots’ and prevents the team converging too early by focusing on what they think they know at the expense of that which they are unaware they don’t know.

Stakeholder Participation
The participation of the public and key stakeholders in policy development should not be confined to a formal consultation exercise. There are many innovative ways of engaging them throughout the process that can lead to more informed, realistic and owned policies.

Selecting Policy Instruments
A fundamental part of developing policy options is the selection of policy instruments. In accordance with Better Regulation Taskforce Guidance, this involves recognising that regulation is only one of a wide range of options for government action, others include:

- Providing information, education and advice
- Encouraging voluntary agreements and self-regulation
- Using economic instruments
- Intervening directly by providing or commissioning a service.

There are many alternative policy instruments within each category, each with their own characteristics, benefits and limitations. It is essential for strategists and policymakers alike to recognise the implications of instrument choice, not least for the level of inter-dependency created between government and third parties and the additional complexity this creates.

Useful links:
- encouraging creativity
- creativity techniques
- Code of Practice on Consultation
- BRTF Guidance: Alternatives to Regulation
- alternative policy instruments
Detailing policy options

Following the initial identification of policy options and appropriate policy instruments, an iterative process of appraisal and detailing is required to work towards a final policy proposal. As the appraisal criteria are applied to narrow down the range of options under consideration, so the importance and practicality of detailing the remaining options increases. Fully worked-up policy options will address:

What will be Delivered?
The proposed policy and choice of policy instruments defines what will be delivered and the vehicle for delivering it. For example this could be an incentive delivered through the tax system, a cash payment delivered using a loan, or a prohibition delivered through legislation. The new good or service to be delivered should be clearly defined and differentiated from policy programmes or projects already in place.

Who will Deliver it?
Identifying the organisations that will make up the delivery system is a key part of detailing a policy. This will involve identifying:

- the extent to which delivery will require the involvement of government departments and agencies, voluntary sector organisations or private sector players
- the extent to which the policy can be delivered through existing institutions versus the need to create new structures.

Drawing on the organisational analysis, this will begin to highlight the degree of institutional change required by the new policy.

What will the Rules be?
Having established who the players in the delivery system will be, it is necessary to define rules to shape how the system will operate. This will involve articulating the roles and responsibilities of each individual player, as well as the arrangements that will govern their interaction. Specifically, this should cover:

- Accountability – the balance of power and allocation and ownership of ultimate responsibility
- Funding – the mechanisms and formulae by which the policy will be funded
- Success – how players will be held to account for success and how it will be defined and measured
- Incentives – what additional incentives are required to drive outcomes.

As the paper Better Policy Delivery and Design discusses, designing a high performing delivery system is a highly complex task.

How much will it Cost?
Finally, alongside an increasingly quantified understanding of the benefits that the new policy will deliver, it will be necessary to detail the capital and operational costs associated with the policy and the expected spending schedule.

Useful links:
- organisational analysis
- institutional change
- Better Policy Delivery and Design
Appraising policy options

The policy development process should be underpinned by a progressively more formalised appraisal of alternative options according to a constant set of criteria. From the initial sense-check following the brainstorm to the final cost-benefit analysis or regulatory impact assessment, the same set of criteria should inform and frame the development and appraisal of policy options. These include:

**Suitability** – Will the option address the key issues and will it be able to deliver desired outcomes?
- **Rationale** – is there a clear case for government action?
- **Proportionality** – is the (cost of the) policy option proportionate to the (cost of the) problem?
- **Effectiveness** – how well will the option address the issue or problem?
- **Impact** – are there any unintended consequences? Are costs and benefits equitably distributed?

**Feasibility** – Is the option a realistic and practical possibility?
- **Capability** – will it be possible to implement and manage the option?
- **Accountability** – can clear accountabilities be established and aligned with incentives?
- **Affordability** – is there the money, and is it value for money against alternatives?
- **Risk** – can risks be identified and either mitigated or allocated and managed?
- **Control** – are there clear success measures and mechanisms for prompt feedback and learning?

**Acceptability** – Is the option supported by those with the authority and influence to legitimise action?
- **Participation** – has there been sufficient public participation and consultation in policy design?
- **Buy-in** – is there sufficient support from both internal and external stakeholders?

Accompanying the increasingly more formal application of these criteria should be a corresponding increase in the burden of proof required. An initial intuitive application of the criteria should be progressively replaced by an evidence-based approach such that the final appraisal of options, (using techniques such as cost-benefit and cost-effectiveness analysis or multi-criteria analysis), is fully grounded in a comprehensive body of evidence drawing on the full range of data types available.

In addition, and to help appraise each of the options against the above criteria, it can be helpful to:
- use **scenarios** to assess the robustness of the proposed policies against different possible futures
- use sensitivity analysis to explore the risks and uncertainties surrounding each policy option
- imagine the future created by each option and analyse for the unexpected or unacceptable
- seek the reaction of the expert advisory group or **focus groups** of practitioners or clients
- use **counterfactual analysis** to compare the potential impact and costs of each option against the likely impact and costs of doing nothing.

Useful links:
- [cost-benefit and cost-effectiveness analysis](#)
- [multi-criteria analysis](#)
- [Regulatory Impact Assessment](#)
- [Code of Practice on Consultation](#)
- [data types](#)
- [scenario development](#)
- [focus groups](#)
- [counterfactual analysis](#)
Planning the roll out

Applying the appraisal criteria to a final short list of options should result in the selection of a preferred policy or set of policies. Once these have been fully detailed and agreed by key stakeholders, attention can be turned to planning for implementation. This will be focused around three key tasks:

Defining Success Measures
The foundation for planning the roll out is the definition of the indicators that will be used to measure success in moving towards the desired state of the future described in the vision. This provides the mechanisms for establishing clear accountability and responsibility for delivery.

Developing an Implementation Plan
The detail of how the new policy will be implemented should be documented and agreed by developing an implementation plan. This should be done in conjunction with all key stakeholders and especially those directly involved with delivery. By detailing all the actions that need to be taken and who will be responsible for each, the plan is a means of securing commitment and buy-in to deadlines, budgets and the overall conclusions of the project.

The plan should also help to identify those who will be responsible for monitoring and evaluating the progress of the implementation. Implementation is more likely to be successful if formal structures are created for this purpose.

The implementation plan should be checked by working backwards from final delivery dates to provide a sense check that it is really deliverable.

Developing a Change Management Plan
Implementing the new policies will inevitably require some degree of change to organisations, systems and processes. A pro-active approach to change management is essential if the benefits of the new policies are to be realised. Developing a change management plan is a way of defining and agreeing what change is required and how it will be brought about. Building on the organisational analysis conducted in the Research & Analysis phase, the plan should be grounded in a thorough understanding of the obstacles and constraints to change and lay out a realistic road map for achieving it.

In situations where high levels of uncertainty surround the effectiveness, impact or implications of a new policy there is a strong argument for running pilot programmes ahead of a full-scale roll out. Simulations can also play a valuable role in helping to predict the likely response to a new policy. Where a number of options have been identified for how to implement a policy, controlled experiments offer the possibility of observing rather than pre-judging which is the best option.

Useful links:
> designing an implementation plan
> change management
> organisational analysis
> The Role of Pilots in Policy Making
Final report & delivery plan

The final output from the project should be a report setting out the new strategic direction and detailed policy recommendations together with change management and implementation plans that clearly assign ownership and accountability for delivery.

Drafting the Final Report
Waiting until the very end of the project to start drafting the final report is generally not recommended. Writing it can take considerably longer than anticipated, and drafting as the project proceeds will ensure that key information is not missed, particularly if team members leave during the latter part of the project. Drafting an interim report at the end of the Research & Analysis phase will assist in this process.

Production of the Final Report
Planning for production of the final report should be done in good time and should feed into the project management plan. In particular, proof reading should be allocated sufficient time and resources. If the final report is to be produced professionally, the team should work closely with the printer to ensure their requirements are met. Consideration should be given to the number of reports are to be printed. The lead-time on the publication of an electronic report is naturally much shorter.

Securing Collective Agreement
The final report should be discussed with the client and key stakeholders to get formal sign-off. It may also be necessary to go through the formal process of securing collective agreement among departments. This can either be done through the relevant Cabinet Committee or through Ministerial correspondence and discussion. The relevant Cabinet Office secretariat can confirm whether the strategy requires collective agreement and identify which Cabinet Committee should be consulted. Sufficient time to secure collective agreement should be factored into the project plan. It may take longer than anticipated, at worst a number of months, particularly if ministers have other pressing priorities or don't like the outcome!

Useful links:

> preparing presentations
> Collective Agreement
People Management
In the latter stages of the policy design process, the team size is likely to reduce to a core team who will produce the final report and manage the transition to implementation. Activities such as final appraisals, wrap-up sessions and knowledge capture should be carried out before the team disbands. It may also be appropriate to celebrate the success of the project, bringing back any team members who have already left.

Stakeholder Management
Stakeholders, especially those with responsibility for delivery and implementation, should be closely involved in the identification and appraisal of policy options. The initial mapping of stakeholder interests and expectations should be revisited to assess their likely reaction to key proposals. Consulting and updating stakeholders throughout the project should reduce the risk of any surprises that could serve to de-rail the project during this final stage.

Policy recommendations should be presented to the Minister and Steering Group for approval. As in previous phases, storyboarding is a useful technique to make sure that messages are presented clearly and logically.

Once the project is complete, it is good practice to write and thank stakeholders and advisers for their time and input. It may also be appropriate to invite them to an event to celebrate the end of the project.

Communications Management
A plan should be developed for distributing the final report and communicating the key messages, both externally, where it may be beneficial to hold a press briefing, and internally where it might be necessary to present the project findings to Ministers and senior officials in other relevant departments. These presentations should be organised to coincide with the distribution of the final report, both to ensure the momentum behind the project isn’t lost and that the relevant team members are also available to attend the meeting. Diary constraints will mean that dates have to be organised in good time.

If a public report is to be produced that will be of interest internationally, the team should liaise with the Foreign Office to develop an international communications strategy. The FCO can advise as to how best to use the network of Overseas Posts and, if required, how to prepare a telegram to be sent to posts.

Two-way communication is also extremely important in the longer-term as the project is implemented. Ensuring continued dialogue between policy makers and those responsible for implementation will mean that future strategy and policy development projects are informed by operational learning.

Knowledge Management
The data, information and books etc collected during the project should be collated and catalogued. It should not be a big job if it has been done efficiently during the project. This will enable others to make use of the information after the project team disbands.

Another useful exercise is to conduct a "lessons learned" session. This is a good way to identify what went well during the project, what went less well and lessons for future projects or pieces of work. The output of this session can be presented back to other staff in the Department so that they can learn from the experiences of the project team.

Useful links:
> managing people and the project
> managing stakeholders & communications
Strategy Development > Policy & Delivery Design > Questions

This phase will help to address questions such as:

**What are the policy options for realising each of the strategic objectives?**
- What are the key pieces of knowledge and evidence gathered in the Research & Analysis phase?
- What organisational and system competencies could be utilised?
- How should the public and key stakeholders be involved in generating policy options?
- Which policy instruments could be used?
- What are the implications of the choice of policy instruments?

**How could each policy option be developed into a workable solution?**
- What will the new policy deliver?
- What kinds of organisations are needed in the delivery system?
- What will be the rules, roles and responsibilities within the delivery system?
- What are the expected capital and operational costs associated with the policy?

**Which policies provide the most suitable option for implementing the strategy?**
- How suitable is each policy option for addressing the issue in hand?
- How feasible is each policy option given the available delivery resources and competencies?
- How acceptable is each policy option to key stakeholders?
- How robust is each policy option under possible future scenarios?

**What kind of change will the new policy require?**
- What system or structural level changes are required by the new policy?
- What are the obstacles and constraints to change and how can they be overcome?
- Who will be responsible for delivering this change?
- How quickly does the change need to happen?
- Is there a need for pilots or controlled experiments?

**How should the conclusions of the project be communicated?**
- What should the final report look like?
- How many copies of the report need to be printed?
- To whom do we want to communicate the findings of the project?

**What has the team learned through the project?**
- What went well and what went badly, and why?
- What would be done differently next time?
Successful strategies are rarely achieved by spontaneous flashes of genius, but rather result from the systematic collection, analysis and evaluation of facts, circumstances, trends and opinions.

In the same way, teams do not work to maximum effectiveness and strategies do not deliver full benefit unless explicit attention is given to understanding the motivations and developing relationships with the people involved.

Successful strategy work therefore requires a wide range of skills, including those below. Although each skill may prove to be of most use at a particular phase of a project, the relevance of each is by no means confined to any one phase.

Within each skill area there are a number of tools and approaches that can help to support strategic thinking. These are discussed together with ‘in practice’ examples from recent strategy work.
Managing People

Difficult strategic issues require creative and fresh thinking. To maximise the contribution of all participants, including stakeholders, to this process, effective people management skills are required throughout the project.

Particularly in the early phases of the project, attention needs to be given to recruiting a team of the right size, with the right skills and with the right team leader.

Once recruited, it can take time to transition from a group of individuals into an effective team. An active approach to building a team may be necessary given the short time scales of many strategy projects.

Working as a team also requires a clear articulation and common expectations of roles, responsibilities, modes of communication and decision-making, and an appreciation of different working styles within the team. Actively encouraging creativity is also an important way of maximising people’s contributions.

Giving & receiving feedback is the iterative process by which the team optimise their performance. It should occur informally to enhance the day-to-day functioning of the team, as well as formally to provide appraisal points and aid long-term professional development.

Managing the Project

The overall co-ordination of the project to ensure the timely delivery of an acceptable and effective strategy requires excellent project management skills.

At the outset of a project, it is helpful to document the proposed management approach in a project plan. Developing the plan aids explicit communication, and helps to ensure common expectations. The plan should be continually revised and updated as the project progresses.

The team leader should determine the best way of structuring the work to get the most out of the team and address the issues in hand. Setting milestones for each work-stream as well as the overall project will help to keep it on track. Identifying and managing risks to the successful completion of the project is also key.

The governance structure for the project should be agreed by defining accountability. It may be appropriate to establish a steering committee or advisory board to whom the project team can report.

Evaluating the project before the team disbands it an important means of capturing what has been learned.
A team with the right mix of skills and experience will bring insights and fresh thinking to difficult strategic issues. A roughly equal mix of experts and non-experts, insiders and outsiders works well in ensuring the right balance of focused analysis and imagination.

Key issues to consider when recruiting a team include:
- team size
- team skills
- the team leader
- the recruitment process
- stakeholder engagement.

**Team Size**
The size of the team is important – it should be large enough to encourage a mix of backgrounds and skills but small enough for each person to be a crucial part of the team. Relatively small teams established especially for the project tend to arrive at better solutions than single individuals or large legacy teams. In a large group, people may tend to go along with popular opinion rather than thinking for themselves. In general, the larger the group of people, the harder it is for the group to work well together. Smaller numbers also make team administrative tasks easier and make it easier to develop a common purpose with mutual goals and mutual accountability.

The size and composition of the team is likely to vary over the length of the project, as different phases of work will require different levels of resources and different skills.

**Team Skills**
A multi-disciplinary team with the right mix of skills and experience will bring insights and fresh thinking to difficult strategic issues and will provide a secure foundation for successful policy analysis, design and implementation. Considering the appropriate split between civil servants and non-civil servants and between experts and non-experts will help to secure the right combination of knowledge and freshness. End dates of any secondments should be made as flexible as possible to allow for delays in publication or securing collective agreement to the project’s recommendations. Team leaders also need to be aware of and manage demands on team members who are not full-time on the project.

Before beginning the recruitment process, a team leader may draw up job profiles to help identify the breadth of skills and experience needed in the new team which is likely to include:
- specific domain knowledge or expertise in certain subject areas
- general analytical and conceptual ability
- specialist statistical and economics skills
- decision-making skills and project management experience
- interpersonal skills
- creativity skills
- delivery experience.
The Team Leader
The role of the team leader is to lead the people and manage the resources of the team to meet the project’s goals. It is the team leader’s responsibility to:

- keep the purpose, goals and process meaningful through effective project management
- monitor the performance of the team
- build commitment and confidence in the team members
- manage, with support, the public face of the project e.g. media
- establish constructive links with other units, departments and with external stakeholders
- create opportunities for team members and make effective use of their skills and experience
- inspire, lead, coach and develop
- take on responsibility for producing specific pieces of work as appropriate.

The Recruitment Process
To enable the project to commence quickly, it is helpful to have identified potential candidates well before the project gets the green light. Without this, the momentum behind the project can dissipate before it has even got off the ground. One way to facilitate this is to have a database of candidates who have already passed the interview process. The team leader can then trawl through the database to identify suitable candidates to contact.

If team members are to be recruited from scratch, there is the critical question of who chooses the team. It is important that the team leader is given the final decision over this and is able to interview and reject candidates. This will avoid the awkward situation whereby the team leader is allocated team members that others are trying to get rid off - an unfortunate, but surprisingly common, scenario.

It is important to manage the workload of any internal candidates for the team, by ensuring that real time is made available and that the project will not simply add to existing workload. This can be aided by identifying the part of their current workload that will be removed.

Stakeholder Engagement
When putting together a team, it is important to consider whether stakeholder interests should be represented. It is desirable to bring into the team people from organisations and other government Departments with a major interest in the subject area (for example practitioners, academics and other civil servants) in order for the work to benefit from their perspective and to encourage a more inclusive process. This will also be of benefit during the subsequent implementation of recommendations arising from the project, particularly if team members are likely to be involved in implementation themselves.

Issues for consideration should include:

- Does the individual in question have specific skills or knowledge that will allow them to make a genuine contribution to the team, or could the same knowledge be gained without having them on the team?
- Will the presence of a representative from one stakeholder distort the project in any way (i.e. by making other stakeholders feel ignored, or by appearing to prejudice the outcome)?
- Is the individual available on a full or part time basis?

In many cases an individual with expert knowledge of the issues and the key institutions can be a very valuable team member, adding credibility to the overall project. But this should be carefully assessed when putting together the team structure.

Strengths

- Taking time to recruit the right time, with the optimum mix of skills, expertise and freshness is crucial to the success of the project.

Weaknesses

- The team leader is often constrained in choice of team members by budget considerations and availability of staff.
Recruiting a team

In Practice: SU GM Crops & Disability Projects

The clear lesson from both the GM Crops and Disability projects is that team recruitment needs to be an integral part of project planning. The skills, backgrounds and experiences of all the team members – especially the team leader – will play a major part in determining the success of the project and the tone / content of any outputs.

In the GM Crops project, the SU identified early on that the project team would need to be seen as objective, with no pre-conceived positions on the many controversies arising from the GM debate. For this reason, the SU deliberately recruited a team containing no experts on GM issues, recognising that there was no such thing as an expert perceived as “neutral” by all sides. However, the SU ensured that the team members contained the right set of skills and experience – economic, scientific and policy development – which would need to be brought to bear in the project.

The SU adopted a somewhat different approach in recruiting the team for the work on Disability. Drawing on an early draft of the project’s terms of reference and workstream structures, a list of essential and desirable team skills was identified. This was then matched against a list of known candidates, drawn from inside and outside the SU. Where candidates possessed the right skills for the project, interviews were held, led by the team leader. Where gaps were identified in the necessary skills mix, new candidates were identified through contacts across Government and elsewhere. At all times, the overall balance of the team was of paramount importance – as was the need to include experts from inside and outside Government. Although this thorough process proved to be time-consuming (as much as 12-14 weeks from initial identification of skills to arrival of the final team member), it was essential in creating the right team for the project.
Building a team

> in practice

The aim of team building is to create an environment that brings out the best in individuals and enables the team to work effectively together.

Common phases of team development
Teams often go through a number of phases during their development. There are many ways to describe these phases, but perhaps the best known are:

- **forming**
- **storming**
- **norming**
- **performing**.

These terms were developed by Bruce Tuckman in 1965 to describe how the members of small groups tend to act as the team develops. Each phase is described below.

**Forming**
This phase occurs when a team first comes together, or when membership changes. Sometimes this phase is called the "honeymoon" period because everyone is extremely nice to each other. Team members are usually cautious and polite with each other, while exploring their new circumstances. A good way to expedite this phase is to have "icebreaker" activities that allow team members to understand each member's capabilities and motivations. (This could be done as part of an Away-day early in the project)

**Storming**
During this phase, team members begin challenging and disagreeing with one another. They often jockey for position and use their expertise as weapons. Teams can get stuck in this phase and then fail. They key to moving quickly through this phase is explicitly defining the roles and responsibilities of each team member.

**Norming**
In this phase, team members start offering ideas and suggestions, sometimes using humour to get their points across. They reveal their preferences for performing tasks. Standards of behaviour and team processes are defined. By defining team processes, one can move on to performing.

**Performing**
This phase is the ideal phase for a team. They work hard and play hard together, using humour to help ease tensions. Team members anticipate problems, changes in direction and each other's moves. The focus of the team is on accomplishing their goals and not on blaming each other.

While 'storming' is a common part of team development, it is not a desirable or productive time. Your team can help shorten the storming phase by clarifying the team’s purpose, defining clear performance goals and milestones, establishing roles and responsibilities and creating processes for getting the work done. Too much 'storming' is an indicator that the team’s purpose is unclear or ambiguous.

**Characteristics of successful teams**
The following characteristics will help build a successful, cohesive team:

- **Mutual Accountability.** The members of the team should share a sense of mutual accountability. Team members should hold themselves and each other answerable for meeting the team's goals. All members must know what they are responsible for both individually and as a team.
- Commitment to a common purpose and goals. A common, meaningful purpose sets the tone and aspirations of the team
- Agreement on working methods and expected contributions from individual team members
- A non-hierarchical way of working
- Emphasis on job satisfaction and a friendly atmosphere
- Critical friends outside the team to give objective insights
- Sufficient flexibility in working methods and approach to accommodate different working styles
- Good communication and openness, where questions, ideas and opposing views on issues are encouraged.

Team-building events
A team building event gives everyone the opportunity to engage with the vision for the project, to think about how they will work together and to understand that everyone has different abilities that they bring to the project. There are many different tools in organisational development used to help people understand their differences. These include Belbin’s team roles, Honey and Mumford’s learning styles and Myers Briggs. All instruments give an insight into how it takes all kinds of people to make up a team. Your choice of instrument will depend on personal preference and training (e.g. formal accreditation is required for using Myers Briggs).

It may be helpful to use specific team-building exercises at team away-days and other team building sessions. These can assist learning about team working and project management. They can include, for example, survival, building and manufacturing exercises. Such exercises can be purchased from firms such as Management Learning Resources and Verax.

Strengths
- Very important to the success of the team, particularly when team members have not worked together before or have not worked on project teams before.
- Useful to bring together team members working on differing work-streams, to help them see the big picture.
- Can be formal or informal, ranging from professional techniques such as Myers-Briggs to team social events.

Weaknesses
- Often conducted early on in the project life-cycle but can be neglected as the project progresses and team members are engrossed in detailed analytical work.
- Use of techniques such as Myers-Briggs and professionally developed team games can be expensive.

References
Management Learning Resources Ltd, PO Box 28, Carmarthen, Wales, SA31 IDT, phone 01267 281 661, email: sales@mlr.co.uk
www.verax.co.uk, phone: 01252 849300 email: info@verax.co.uk

Building a team
In Practice: SU Energy Review

The Myers-Briggs technique was used by the team at its initial away-day. The session was run by the SU’s HR Adviser who is trained in conducting the test.

All team members were requested to fill out the text prior to the away-day, and the results were collected and collated for presentation on the day. The results were quite surprising, and gave significant insight into the different personality traits within the team. The facilitator was able to give suggestions as to how team members might interact, how to deal with potential problems and when particular traits would work well together.
Strategy Skills > Managing People

Working as a team

> in practice

Teams work best with strong focus and purpose; clearly defined roles; and a working approach that encourages honesty and mutual support.

Working in multi-disciplinary project teams may be a new experience for many staff and it is important to ensure that all team members are familiar with the team working approach. It is important that the team leader:

- Clearly articulates the different roles and contributions of team members
- Clearly articulates the purpose and format of consultation within the team
- Acknowledges the practical demands of the project, especially for members of the team who are not full-time on the project
- Accommodates different styles
- Ensures attention is paid to individual development during the project.

Kick-off meetings

Holding a project kick-off meeting at the start of the project is a useful way of developing the team's working approach. Depending on the size and length of the project, it may also be appropriate to have kick-off meetings for each new phase of work.

Sample Kick-Off Meeting Agenda

1. Objectives of the kick-off meeting
2. What will be covered today and what will be covered at the Away-day
3. Working philosophy
   - Focus on outputs/results
   - Non-competitive, collaborative atmosphere
   - Commitment to good process
4. Team members and roles (to be further updated at the Away-day),
5. Team contact details
6. Working approach ground rules
   - Meeting norms
   - Communication norms
   - Filing and document coding
7. Review of work plan, timelines and deliverables
8. Presentation on background to project issues
9. Identifying stakeholder
Away-days
A project away-day is another useful way to get the project started, plan work-streams and encourage team building.

If possible, it is best to hold the away-day away from the office environment. This will help people switch off from day-to-day tasks and avoid the inevitable trips back to desks to check emails or phone messages. Where practical, it can be beneficial to hold the away-day in a location relevant to the project – for instance the Strategy Unit Childcare team held their away-day at a nursery.

The away-day agenda could include an ice-breaking session, a session on team member's working and learning styles and a tour of the location (if relevant). If there are team members with little specific knowledge of the subject, it may also be helpful to invite an external expert to provide an “idiot's guide” to the subject. This will ensure that all team members have at least a basic knowledge of the subject.

It is very important to organise the away-day with sufficient notice to ensure everybody attends, including project sponsor and support staff. The major objective of the away-day should be to make sure that key milestones and rules are clear to all team members by the end of the day, including:

- timelines
- key deliverables
- roles and responsibilities
- how to work together.

Following the away-day and kick-off meeting, a summary of what was covered and agreed should be circulated and followed up with one-to-one meetings if necessary. Depending on the length of the project, a further away-day at a key point later in the project may also be worthwhile.

**Sample Away-day agenda**

1. Tour of relevant location
2. Icebreaker activity
3. Team building exercise
4. What each member brings to the team
5. Introduction to project issues
6. Expert presentation on relevant issues
7. Structure of the project: team, timelines and deliverables
8. Review of team process issues
9. Lessons learnt from previous projects
10. Assumptions and expectations for what can be achieved through the project

Team Meetings
As well as ad-hoc discussions and workstream meetings, weekly team meetings should be held throughout the course of the project. It is important to communicate the purpose and process of every meeting and structure the meetings to ensure they are effective and worthwhile.

Regular team meetings involving relevant members of the core team as well as the Project Director and/or Sponsor, if appropriate, should be held. These meetings provide an opportunity to update on substantive issues, make and communicate decisions and map progress against the project plan. Meetings will also be needed to debate difficult issues and create space for creative thinking.
If the project has an Advisory Group, Advisory Group meetings needs to be managed by the team leader to ensure the Group is used effectively. Responsibility for supporting the Group needs to be assigned and meetings planned carefully and in good time.

Below are some suggested guidelines:

Set the content
- Why call the meeting? (e.g. share information, brainstorm, scheduling)
- What tangible results do you want?
- What preparation do you want? (limit this to a minimum)
- Set the agenda – people will perform better with a map

Set the process
- What kind of participation do you want? (e.g. listening, problem solving, presenting)?
- What climate do you want (e.g. time-limited, open-ended, team building)?
- What role will the team leader play?

For the team to be creative...
- Everyone must be willing to share ideas, even (especially) in raw form
- Everyone must be willing to receive ideas, and synthesise/improve them

An open communication style is an important part of this
- Such a style does not necessarily come naturally!
- Always be explicit
- Solicit feedback along the way

Team Communications
For a team to work efficiently, it needs a standard way of operating. The processes that a team needs to agree upon include:

- Standards of behaviour: Set clear rules to promote focus, openness, trust and commitment.
- Making decisions: As well as clear project governance arrangements, the team needs to be clear on what decisions individuals can make, what decisions the team should make and how the team will decide actions.
- Team communication: How will the team keep each other informed of progress? When does the team need to meet and when are other communication methods, like email, appropriate?

Team communications are as important as external communications and principles and processes should be clearly agreed early in the project. Team members should agree:

- What to share: Transparency alleviates anxiety. Feedback from Ministers and stakeholders and updates on meetings should be communicated to the team
- How to share it: keep all communications focused and efficient. Team members should be considerate in their use of group emailing (including only replying to sender rather than whole group where appropriate) and use email subject lines to indicate whether content requires action or is for information only
Team-working appraisal

A method of monitoring and appraising team-working may be found to be useful. For instance a ‘team barometer’ could be used to measure satisfaction with the project and approach. This involves anonymously answering a number of questions, every 3 weeks, on a scale of one to five, such as:

1. Overall, how satisfied are you with experience on the project since the last pulse check?
2. How satisfied have you been with:
   - Clarification of roles and general project progress
   - Our individual workloads
   - The work itself (interesting/challenging enough?)
   - Personal development (are you learning?)

Team leaders may feel that they work sufficiently closely with individual team members to be able to gauge satisfaction without this relatively formal approach. The option of using such a method should be discussed with the team and a decision made based on this feedback. An appraisal method can be introduced at any stage in the project, based on perceived need.

If this rather formal method is used, the team leader is obliged to act on the result. Using these sorts of formal methods can sometimes inhibit rather than create conversation as they use the medium of forms rather than dialogue. It is usually better to encourage people to take responsibility for speaking up rather than communicating through an anonymous process.

Strengths

- Agreeing norms within the team will help the team work to maximum effectiveness
- Away-days are a very good way of both promoting team bonding and ensuing buy-in from team members on the project structure and approach.

Weaknesses

- Away-days and formal team meetings can sometimes be neglected as the detailed work gets underway.
Working as a team

In Practice: SU Drugs Project

At the beginning of the project we held a kick-off meeting for all team members. This included introducing ourselves to each other and sharing our academic backgrounds, whether we had been on any previous projects and what our relevant skills were. It also included setting out our issue tree and hypothesis tree, identifying potential stakeholders and their level of interest in the project.

We held a number of additional away days during the project: either when new team members started, or at other critical points in the project – e.g. when moving from one phase of the project to another.

Regular team meetings were a vital form of communication within the team. Throughout the project a set time was allocated for a team meeting each week. We would firstly discuss the action points from last week’s meeting and then move onto discussing relevant meetings from the past week and the outcomes that arose from them. These would be discussed within the team and the follow up work allocated to particular team members. Forthcoming meetings in the week ahead were also discussed and preparation for them set. After each meeting, action points were always typed up and sent around the team.

Detailed project planning also helped to facilitate effective team working by raising people’s awareness of each other’s roles and responsibilities.

Another useful arrangement was a regular email update from the team leader that set out the team’s priorities, what had happened in any meetings and what we needed to follow up on.
Encouraging creativity

> in practice

Creative behaviour needs to be encouraged and nurtured. The team leader, or perhaps a creativity champion with the team, should actively promote a creative environment and watch out for attitudes or influences that might limit creativity. ?What If!, a creativity and innovation consultancy, have developed ‘Sticky Wisdom’ that defines six creative behaviours needed to stimulate the right environment for creative problem solving. These behaviours are:

Freshness

“Problems cannot be solved by thinking within the framework in which they were created” Einstein

New ideas come from new experiences.

The Thames Barrier was invented when it was realised that the valve system used in plumbing could work for a river too; the iconic design of the London Underground map was stimulated by the way wiring diagrams are displayed; and Velcro was created when its inventor noticed the way burrs stuck to his clothing.

Creativity does not necessarily have to be something completely new, but creative people have the ability to see how something could work in an alternative situation. With this end in mind, they seek wider experiences and new ways of thinking. ?What If! call this ‘Freshness’. Freshness can be found in simple ways, taking a different route into work, by employing people with a range of backgrounds and skills, and by corporately-arranged visits to other organisations.

Greenhousing

“Analysis kills spontaneity. The grain once ground into flour springs and germinates no more.” Henri Frederic Amiel

New ideas are delicate. Of course they have not been thought through, they’re new! However, if you pounce on an idea too quickly and subject it to rigorous testing (for financial soundness, for general feasibility etc) it will soon fall down.

Once destroyed, it is unlikely to be revisited again, and even worse, the person who had the idea is unlikely to be keen to have another one. Synectics says:

Idea + build = 2 ideas

Idea + crush = 0 ideas

However, being analytical is the natural way to think in the Western world (see the section on Six Thinking Hats). Making swift and critical judgements is what drives our success. However, such behaviours are an anathema to creativity. Synectics has a list called ‘17 ways to murder an idea’, they are:
17 Ways to Murder an Idea

1. **See it coming and quickly change the subject.**
2. **Ignore it.** Dead silence intimidates all but the most enthusiastic.
3. **Feign interest but do nothing about it.** This at least prevents the originator from taking it elsewhere.
4. **Scorn it.** "You're joking, of course." Make sure to get your comment in before the idea is fully explained.
5. **Laugh it off.** "Ho, ho ho, that's a good one Joe. You must have been awake all night thinking that up."
6. **Praise it to death.** By the time you have expounded its merits for five minutes everyone will hate it.
7. **Mention that it has never been tried before.** If the idea is genuinely original, this is certain to be true. Alternatively, say, "If the idea's so wonderful, why hasn't someone else already tried it?"
8. **Say, "Oh, we've tried that before" - even if it is not true.** Particularly effective with newcomers. It makes them realise what complete outsiders they are.
9. **Come up with a competitive idea.** This can be dangerous tactic, however, as you might still be left with an idea to follow up.
10. **Stall it** with any of the following:
    "We're not ready for it yet, but in the fullness of time."
    "I've been waiting to do that for a long time, but right now..."
    "Let's wait until the new organisation has settled down."
11. **Modify it out of existence.** This is elegant. You seem to be helping the idea along, just changing it a bit here and there. By the time the originator realises what's happening, the idea is dead.
12. **Try to chip bits off it.** If you fiddle with an idea long enough, it may fall to pieces.
13. **Make a strong personal attack on the originator.** By the time he or she has recovered, the idea won't seem so important.
14. **Appoint a committee to sit on the idea.**
    As Sir Barnett Cox observed: "A committee is a cul-de-sac down which ideas are lured, then quietly strangled."
15. **Drown it in cold water.** As in: "We haven't got the staff to do it ...the intangible risks would be too great... that's all very well in theory, but in real life..."
16. **Return it to sender** with:
    "You need to be much more specific about your proposal."
17. **If all fails, encourage the originator to look for a better idea.** Usually a discouraging quest. If he or she actually returns with one, start them looking for a better job.

© Synectics

**What If!** describe the situation needed to nurture a new idea as ‘Greenhousing’. To greenhouse (protect) a new idea, we have to:
- suspend judgement and bite back criticism
- understand the world through another's eyes
- nurture ideas until they are strong enough to cope with criticism on their own
Try to put into practice the principle that every idea should be followed by two 'builds' (developing the idea further with phrases that start with "That makes me think of . . . ; To build on that idea, if we . . .; X’s idea could also work if we . . ."). Language is an important part of being creative.

**Realness**

> “What I hear I forget, what I see I remember, what I do I know.” — Chinese proverb

Realness is another ‘What If!’ word for a creative behaviour. The technique is very simply and extremely effective. It demands that we stop talking about innovation and ask “how can we make it real right now?”

A recent Harvard Business Review article (Levitt T. Harvard Business Review August 2002) likened the situation to someone who talks about painting a beautiful picture, and someone who actually paints one – which person is the creative artist? Levitt felt that lots of organisations confuse brilliant talk with constructive action. The solution is to build a prototype as soon as you can (yes, this can work with policies as well as products - think of pilots). Play with it, think about it, carry it around with you improve it, tweak it, build another model and start again. ‘What If!’ advice is - *Don't Think, Just Leap*. This links into the next creative behaviour – **Momentum**.

**Momentum**

> “Half the failures in life arise from pulling in one’s horse as it is leaping.” — Julius Hare

All really creative people have an air of urgency. An innovative leader can learn to create this state, especially with the help of a skilled facilitator who can help enthuse the people around. Working on a project that has momentum is fantastic.

There is an energy and an optimism that is infectious. There is a sense of determination to get the job done, no matter what obstacles get thrown in the way. Good managers will understand how to manage and harness this energy.

Meetings are dreadful momentum-killers; ‘What If!’ suggest trying one of these 5 types of meeting instead:

- information only: no discussion, no debate, just the sharing of information
- decision only: no discussions, only yes or no
- stand up: stops the chatting and long winded debates
- decide at the beginning: make all the decisions first, then discuss them (cuts out unnecessary talk and focuses on real issues)
- rattle and roll: rattle through the first 8 easy and quick points. everyone feels hopeful despite the long agenda

You can also keep meetings energetic and creative by the way you plan the meeting: for example use flipcharts instead of slides; take turns to be chair; have an ‘energiser’ or break if energy is low.

**Signalling**

> “The ‘silly’ question is the first intimation of some totally new development.” — Alfred North Whitehead

Signalling lets people know what you are doing and how you are thinking. It helps people align their effort (see *Six Thinking Hats*). Signalling makes the creative process explicit and legitimate and (hopefully) stops others from crushing your emerging idea (see *Greenhousing*).

The things you can say as signals include:

- How would a child look at this?
- Let's assume XYZ already does this.
• How can we try this out?
• To build on that idea . . .
• What I like about this idea is . . .
• How would we make that real right now?
• Could you draw that for me?
• Let’s stop talking and just try it out
• I’m really excited about this.
• I’m just signalling that . . .
• I don’t like doing this, so that’s a good reason why I should.
• I’m thinking as I go along here . . .
• I have not thought this through fully yet, but . . .

Bravery

Creative ideas are strange at first. That’s what makes them creative. If they were not unusual and off-the-wall, they would already have been thought of and you would not be trying to solve this particular problem.

As a result, many creative ideas are lost because the person who had them does not say them aloud. A creative idea requires you to stand up and dare to be different.

Bravery is vital to the creative process because it enables creative people to offer the full power of their minds, and use their spontaneous connection-making skills without self-censoring ideas into mediocre acceptability. To be brave, you need to be confident that all the other creative behaviours are in place; but without bravery, none of the other behaviours are any use. Bravery is difficult, and the best advice is to just do it!

Strengths

• These behaviours will help the team work efficiently and effectively, and ensure that the contribution from each member is valued and that all ideas are developed to their full potential.

Weaknesses

• Creating a team culture that supports these behaviours will take commitment and buy-in from all team members.

References


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Synectics
Encouraging creativity

In Practice: SU Alcohol Misuse Project

Creativity techniques can be helpful not only in generating new ideas, but also in approaching existing material in fresh and innovative ways. On the Alcohol project, for example, techniques were used by the team to ensure that the narrative of the Interim Analytical Report was clear, coherent, and accessible to a non-specialist audience.

In order to crystallise the key points emerging from the report, the team set itself two exercises:

- ‘Texting Tony’ - where team members were required to summarise the report in writing, in the form of ten short sentences, as if they were sending a series of text messages to the Prime Minister; and
- the Lift test - where team members were required to summarise the report orally, in two minutes, as if they were giving the Prime Minister an overview of its findings in a lift journey.

The discipline of these exercises encouraged the team to isolate the headline findings emerging from their work. These headlines were subsequently used to structure the analytical report and its communications strategy.
Giving & receiving feedback

The project leader should give regular feedback on performance to each team member. Feedback over the course of the project will be mainly informal but where appropriate a formal appraisal or review as part of the Department’s performance appraisal process should be conducted (see the guidelines for the relevant Department. For instance, Cabinet Office guidelines can be found within the Personnel section of the CabWeb Intranet).

Feedback exists for more than contributing to formal performance and pay processes:

- The only way to increase effectiveness and productivity is by getting people involved and excited about their roles.
- A culture based on trust and relying on ideas and shared values helps win the commitment of team members oriented around a common vision.
- Leaders are more effective when they inspire performance from their team rather than when they force it.
- Two way feedback is essential, to grow both the team member and the team leader.

It is important to establish good communications patterns from the start:
There are clear differences between good and bad feedback:

<table>
<thead>
<tr>
<th>Good feedback</th>
<th>Bad feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content</strong></td>
<td></td>
</tr>
<tr>
<td>Discusses content, process, values</td>
<td>Is incomplete</td>
</tr>
<tr>
<td>Highlights positives</td>
<td>Ignores positives (a classic violation of psychology)</td>
</tr>
<tr>
<td>Highlights deficiencies with specific and tested guidelines for improvements</td>
<td>Is a witch-hunt or a blame-placing session (With no training or improvement offered; no opportunity for growth)</td>
</tr>
<tr>
<td><strong>Direction</strong></td>
<td></td>
</tr>
<tr>
<td>Is a two-way street (hence 360 degrees)</td>
<td>Is one-sided</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td></td>
</tr>
<tr>
<td>Is conducted in an environment befitting the goal: mutual understanding and improvement</td>
<td>Is hostile</td>
</tr>
<tr>
<td>Is not a surprise</td>
<td>Is personal</td>
</tr>
<tr>
<td>If there is a big problem, it must be discussed beforehand</td>
<td>Is defensive</td>
</tr>
<tr>
<td></td>
<td>Contains content which is completely unexpected</td>
</tr>
</tbody>
</table>

Certain behaviours can help ensure feedback is valuable:

<table>
<thead>
<tr>
<th>Giving Feedback</th>
<th>Receiving Feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provide information intended to benefit the receiver</td>
<td>1. Make it safe for others to be honest with you by:</td>
</tr>
<tr>
<td>2. Use “I” statements - own your observations and perceptions</td>
<td>• Welcoming the information, even if critical</td>
</tr>
<tr>
<td>3. Be concise and specific</td>
<td>• Listening - not defending or justifying</td>
</tr>
<tr>
<td>4. Describe the behaviour - avoid using labels</td>
<td>• Asking questions, defining the information that will be useful to you</td>
</tr>
<tr>
<td>5. Describe the impact of the behaviour (so what?)</td>
<td>2. Offer a summary of what you hear</td>
</tr>
<tr>
<td>6. Suggest improvements</td>
<td>3. Acknowledge agreement where appropriate; make note of questions</td>
</tr>
<tr>
<td>7. Ask for feedback as well as giving it</td>
<td>4. Take some time to think about what you hear - then decide how to respond</td>
</tr>
<tr>
<td></td>
<td>5. Offer a different view if it is constructive</td>
</tr>
</tbody>
</table>

It is useful to formalise the feedback process so that it can more easily feed into annual performance reviews. Capturing feedback at the time of the project will mean that it won’t be forgotten or lost when the formal review process commences.

A feedback form should ask questions such as:

- Who is the provider of the feedback?
- Who is the subject of the feedback?
- In what context has the provider been working with the subject?
- What are key strengths that have been observed?
- What are key areas for development?
- Any other relevant comments?

**Strengths**

- Effective team management is crucial to the overall success of the project.

**Weaknesses**

- Can be time-consuming and is often neglected for this reason, particularly mid-project when the detailed analysis is being undertaken, often to tight deadlines.
Giving & receiving feedback

In Practice: SU Local Government Project

Informal feedback
The team leader frequently gave informal feedback to individual team members. The feedback was one-to-one, perhaps over a cup of coffee, and provided a chance to chat about recent performance. Particular importance was attached to praising good performance whenever this had been demonstrated, but the sessions also provided the opportunity of talking through areas where improvement could be made.

Team members could request informal feedback, or the team leader could initiate the brief meeting. Informal feedback was often prompted by a team member finishing a particular piece of work or stage of analysis. Informal feedback usually lasted between 5 and 20 minutes, though the final length reflected the particular circumstances of the discussion.

Formal appraisal
The team followed the required process for formal appraisal. This involved mid-year and end-of-year appraisals based on the objectives set at the beginning of the project.

The appraisals involved the team leader talking the team member through their strengths and development needs as measured against their objectives. Team members had the opportunity of discussing the feedback and asking questions. The appraisal took into account feedback from other members of the unit with knowledge of the team member’s work – to get a greater understanding of their all-round performance.
Developing the plan

Involving team members in the development of the work plan and discussions of roles and responsibilities will help to build a good team working environment and to gain commitment. Team members can also offer new experience and insights. Holding an initial team away-day provides a good opportunity for this discussion. However, delays in recruitment may mean that this is not possible.

In order to ensure buy-in and commitment to the project, the project plan should be cleared with the sponsor, key stakeholders and, if the project has one, the Steering Group.

The project plan may take the following structure:

- Define the background to and drivers of the project
- Define the problem that the project is to address and key questions to be answered
- Set out initial analysis of available evidence. This should:
  - Identify key trends and issues
  - Identify key drivers of change
  - Identify work underway in related areas, both domestically and internationally
  - Set out thinking on possible ways ahead and methodology.
- Identify the project time scales and key milestones
- Define the individual work phases that will be required for delivery, the key milestones and outputs from each work phase. This plan should set out the activities required to achieve these outputs, and identify who will be responsible for delivery and by when
- Identify the skills needed to take the work forward and the team working arrangements
- Identify the potential risks to the successful delivery of the project
- Determine the political sensitivity and feasibility of the issue
- Identify the key stakeholders
- Determine whether and how the project is to be communicated within relevant departments and externally, and set out the reasoning for this
- Identify initial thoughts on potential implementation
- Identify the assumptions you will be making regarding the project budget
- Identify the project governance arrangements: sponsor minister and whether you will be having a project steering board and/or advisory group
- Identify project evaluation arrangements and success indicators.

The project plan should not be a static document to be placed on a shelf and ignored once the project is up and running. It should be a live document that is regularly revisited and revised.
References
For more detailed information of all aspects of programme and project management, see the Office of Government Commerce website, which provides information on the principles and concepts of programme and project management and provides a helpful summary of the key stages and management activities required for delivering successful outcomes. The site also covers programme and project management techniques in detail, including:

- OGC’s successful delivery toolkit, which describes proven good practice for procurement, programmes, projects, risk and service management.
- An introduction to the PRINCE2 Project Management Methodology.
- OGC’s 22 Questions - From "what is our vision?" through to "what’s the plan?" 22 Questions to help you consider your project.
- Programme and Project Documentation - description of the contents of some of the commonly used documentation for planning, managing, monitoring and controlling progress on programmes and projects.

Developing the plan
In Practice: Joint SU & HO Police Reform Project

The project management plan was developed jointly by the Strategy Unit and Home Office teams over the first few weeks of the project. The plan provided the means by which the work was integrated and co-ordinated.

Several early pieces of work have informed the project plan:
- a project proposal note and agreed terms of reference for the project;
- development of issue trees to help identify key issues and logical structures for the workstreams;
- initial data gathering to draw together the dominant evidence on different crime areas and the effectiveness of the police response.

Based on the above and the Strategy Unit’s project plan template, the SU team undertook a first cut for discussion with the Home Office. Several iterations were then discussed at team meetings, covering in particular the ground rules on project governance as well as the analytical approach. The basic structure developed for the plan covers:

Contents
Purpose, project aims and scope
Issues overview and proposed methodology
Issues, workstreams and related work
Governance arrangements
Stakeholder analysis, risk analysis and success
Implementation

Annexes
Issues trees
Detailed analysis of workstreams
Team member biographies

The Strategy Unit maintained responsibility for pulling drafts together, but sought specific input from the Home Office in several areas given their policy expertise and the need to draw on the ongoing programme of work in the Home Office on options for police reform. (So, for example, the Home Office led on the detail of key stakeholders, and how and when to engage with them.)

Separate brainstorms (including senior management from both sides) were held to flesh out the work programme and activity approach – linking this to the issue trees, work phasing, overall timelines, and agreeing the detail of workstream splits, activity and outputs. A high-level work programme was then drafted for inclusion in the project plan.

The draft project plan was then put to the project steering group and relevant Ministers for comment.
Structuring the work

> in practice

As part of the overall planning process, the work should be broken down into manageable work-streams. This will enable responsibility for discrete modules of work to be delegated to individual team members. Defining work-streams and responsibilities clearly is a crucial part of project management and will ensure that all team members are aware of what is expected of them.

Workstreams and team roles should be defined early in the Justification & Set-up phase and defined in more detail as the initial analysis progresses. Developing an issue tree will help to identify logical workstreams.

The initial analysis needs to be mapped onto the team structure and skills base to determine who will do what and by when. Using the map of issues to be addressed, the team should identify any critical dependencies and the key phases and strands of work. A tool such as a gantt chart for each of the key phases and each of the key strands of work to be completed in these phases should be prepared. These should set out in detail the tasks to be completed (i.e. interview stakeholders A and B) rather than just using high level statements. Team members should be involved in this stage in terms of identifying the tasks to be completed for their strands of work. These workstream-specific plans should feed into the over-arching project plan.

Team members need to think more widely than their workstream ‘silos’. As well as being workstream focussed, individual team members may well be working on specific ‘cross-cutting’ issues or processes, generating a matrix structure of responsibilities as shown below.

The team leader may find it helpful to use a spreadsheet to keep track of which team members are assigned to which workstreams, what their key milestones are and when they are away from the office on leave or training.
The Strategy Unit Childcare project was broken down into 3 workstreams:

1. Modelling and review of evidence
   - Supply and demand modelling
     - current and projected situation
     - scenarios
   - Review of evidence
     - “best for children”
     - “best for parents”
     - related externalities
   - Review of international experience

2. Rationale for intervention
   - Rationale for government intervention
     - including identification of market failures
   - Government distributional objectives

3. Delivering the vision
   - Mapping and audit
     - current policies
     - current operational issues
   - Operational delivery
     - workforce
     - funding streams
     - infrastructure
   - Informal childcare
   - Employers’ perspective
Setting milestones

Timelines are a necessary part of plans and milestones add transparency to a project. They represent the results of work plan action and are an excellent means of communicating expectations and helping to drive efficiency. As well as capturing milestones – milestone planning, includes:

- Presentation and team meeting dates - schedule around key stakeholders
- Parliamentary recess dates and team and stakeholder leave dates.

Timelines help the team leader identify and manage the 'critical path'. Some tips on how to do this are to:

1. Identify the longest lead items - the 'critical path'
   - Start working on key data and inputs as soon as possible
   - 'Front load' effort on critical items
   - Make data requests explicit and clear - verifying understanding
   - Set and agree clear deadlines for external sources of information and escalate if the source is unresponsive

2. Work backwards from the key milestones
   - Remember your output may be on someone else’s critical path
   - Think about what the next steps will be following this project

3. Attempt to fill ‘white space’ with productive activities
   - Produce the ‘quick wins’ as quickly as possible

The level of detail required in a plan will depend on the type of plan used (e.g. issue-based or calendar-based) and on the project – it's complexity, length and intensity, the experience levels within the team and the level of clarity on the issue to be addressed.

An example of a milestone plan can be seen in the diagram below:
In addition to the overall project milestone plan, it is helpful to develop workstream-specific milestone plans. This will ensure that all team members are clear as to expectations and deadlines.

**Setting milestones**

**In Practice: SU Alcohol Misuse Project**

On the Alcohol project we found it very important to make sure that everyone on the team was clear about key milestones and understood how their work fed into meeting the objectives and deadlines. We used our weekly team meeting to review the project plan and the key tasks for the coming week. This enabled us to discuss issues and circumstances that might impact on the milestones and think about how we might manage them.

In the early phase of the alcohol project we had some part-time team members. To ensure that they could contribute effectively and were kept up to date with progress towards our milestones we used a “buddying” system where a full-time team member kept in touch and updated a part-time one.

The project’s milestones didn’t just affect the team. It was important to involve and work with external people who could help us achieve our goals. For example, we developed a good working relationship with our Sponsor Minister’s Private Office, which helped us get papers cleared by the Minister at short notice and get papers to them when the Minister was actually in the office.

We always celebrated achieving our milestones. For example, when we published our interim analysis, completed the draft report and at other important times we celebrated with a cake, a celebratory drink, a meal or simply leaving the office early for a well earned rest.
Managing risks

> in practice

The project plan should contain an analysis of risks to the project itself. There are a number of potential risks which can hamper a project including necessary changes to the project time scale, budget cuts, staff problems or shortages or, more fundamentally, that the sponsor changes his/her mind as to the objective or scope of the project.

The aim of the risk assessment is to identify and assess these threats to successful project delivery. This will enable the team to identify actions to help avoid or reduce the potential damage.

The risk assessment should identify and describe possible risks to each task identified in the project management plan. This can be done by brainstorming (perhaps at the initial project away-day) and by speaking with others who have worked on similar projects or issues.

The analysis should identify the probability of the risk occurring (High/Low) and the potential impact of the risk on project objectives (High/Low), as shown on the diagram below.

A risk log can be maintained to capture and actively manage risks to the project, and could contain:

- A unique reference for each risk identified
- A description of the risk to the project
- A description of the impact on the project should the risk materialise
- The proximity of the risk, which is an estimation of time-scale for when the risk might materialise
- The likelihood of the risk occurring. This could be a mathematical calculation, or a simpler High, Medium, Low classification
• The severity of the risk - categories for severity might be Critical (that is, adverse effect such that continuation of the project is unacceptable), Major, Significant, and Minor
• The risk owner - each risk should be assigned to an individual who is best placed to monitor it and manage any necessary actions
• The response to the risk which either reduces the probability of the risk happening or reduces the damaging effects of the risk should it happen
• The current status of the risk itself and progress of any actions relating to the management of the risk.

A risk log should be reviewed and updated regularly.

References
The Risk Support Team at HM Treasury are responsible for implementing the Strategy Unit report on handling risk in government and provides guidance on all aspects of risk management, including the Principles of Managing Risks to the Public.

Managing risks
In Practice: SU GM Crops Project

The SU GM Crops project formed one strand of a highly-charged and controversial dialogue around the role of GM technology in the UK. This had the two-fold impact of (1) increasing the number of risks faced by the project, and (2) raising the stakes in the event of things going wrong. In this context, active management of risks was essential.

The team worked together to identify risks and to assign to them both impacts and probabilities. The possible consequences of each risk were identified, and responsibility for preventative actions assigned to specific team members. Risks varied from the relatively prosaic – e.g. team members leaving part-way through the project (which happened twice in this instance) – to the much more dramatic – e.g. the US bringing a case against the EU under the WTO, in respect of policy on GM (which happened towards the end of the project).

Many of the risks identified in the risk register came to pass during the project. The fact that the team had already thought about these risks undoubtedly made them easier to deal with, although the use of a risk register in itself was not a panacea. For example:

• In several cases the team’s assessment of impact or probability proved inaccurate. For example, the early departure of team members was classed as medium / high impact but only medium probability – in the event, two team members left early, but the impact if anything was positive, because it enabled different skills to be brought into the project at different stages.
• Even where risks were identified, it was not always possible to mitigate against them or to deal effectively with the consequences. For example, the availability of good data from the parallel Science Review was identified early on as a key risk. But despite best efforts from the SU and the Science Review team, the timing of the two strands restricted the opportunities for data-sharing.
• Some risks were missed completely – partly because the team did not keep the risk register fully up to date. For example, the team failed to identify and prepare for the impact of a reshuffle of Ministers on the governance of the project.

Overall, however, the use of active risk management techniques enabled the team to steer a successful course through a potential minefield, relatively unscathed.
Defining accountability

> in practice

As the project is planned it is important to determine the appropriate governance structures. This should include identifying a sponsor Minister and whether it is appropriate to establish a Steering Group.

Where possible, it is a great advantage to identify a Minister who will be the project's sponsor. This will help to gain senior buy-in to the project from the outset, and also provide someone to consult about the political feasibility of emerging conclusions and recommendations.

It can also be very useful to have a project Steering Group. The traditional role of the Steering Group is to provide a steer and take decisions at key stages in the project. Members should include key project stakeholders and may include external stakeholders, if appropriate. The key to a successful Steering Group is getting the balance right between breadth and depth of experience.

There are also other roles for a Steering Group:
- Advice on content
- Stakeholder buy-in
- External discipline for the team.

These roles may not be fulfilled by a single group. Content work in some cases is best done separately, for example through expert panels, bilateral sessions with stakeholders etc.

It is generally advisable to have 3-4 meetings of the Steering Group during the life of the project. The objective of each meeting is to provide an update on project progress and to seek advice and consensus at key decision points. In practice, this means that there is likely to be a meeting at the end of each phase of the project, to discuss project outputs. For example, during the Justification & Set-up phase of the project, the Steering Group should agree the project plan. Steering Group Meetings should be factored into the project plan, as key milestones. It takes a lot of work to prepare for these meetings, so holding more than 3 or 4 could mean that servicing the Steering Group could become overly burdensome.

In addition or as an alternative to the Steering Group, it may be useful to have an Expert Advisory Group. This is a small group of industry, sector or issue experts who are used to providing technical input and advice, and can act as a sounding board and reality check on emerging conclusions. It is advisable to establish the Group early in the project as it can take stakeholders some time to identify the most appropriate representatives. The Advisory Group can also feed into the development of the project approach if they are involved early in the process.
Defining accountability

In Practice: An SU Project

Our project was accountable to at least three types of oversight groups.

A ministerial steering group was essential for the high-profile and sensitive issues such as the one with which we were engaged. With a senior cabinet minister as sponsor minister, we were able to open doors, challenge sacred cows and had a natural champion for a bold new agenda.

We took this steering group through our thinking step-by-step so that they could reach the same conclusions as the project team. They provided some valuable political guidance on what would and what would not fly. Inevitably, pressure on their time meant we could only meet once every two or three months so we made sure we got the maximum value and clearest possible steer from those meetings.

In between those meetings, a senior officials group provided more hands-on guidance in overseeing the direction of work. They met every 2-6 weeks at different stages in the project. As they had a wider portfolio of responsibilities, their main function will be to help the team distinguish between ‘wood’ and ‘trees’. We found it is very easy for full-time team members to get overly absorbed in detailed issues and lose sight of wider issues.

Finally, we convened a number of ad hoc expert advisory groups. They were useful in providing an external reality check on our emerging conclusions. The non-governmental participants ensured that our thinking was not too Whitehall-centric and helped us to identify best-practice elsewhere and leading-edge thinking in the academic research community. This had the added benefit of ensuring that we had credibility with a wider group of stakeholders when we were ready to announce new initiatives.
Evaluating the project

This exercise, involving all team members, should be conducted at the end of the project to evaluate whether the project met its objectives and identify key lessons learned. It is important to:

- have a meeting to do this explicitly. Make this a formal post-case review and audit session.
- use the session to assess content and process learning
- make sure everybody is present.

Possible Agenda:

<table>
<thead>
<tr>
<th>Agenda Items</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project evaluation</td>
<td>To debate satisfaction with outcome and process of the project</td>
</tr>
<tr>
<td>Lessons learned</td>
<td>Top insights</td>
</tr>
<tr>
<td></td>
<td>Key process learnings</td>
</tr>
<tr>
<td>Stakeholder and relationship development</td>
<td>Identify/prioritise opportunities for further developing relationship</td>
</tr>
<tr>
<td></td>
<td>- Who and how</td>
</tr>
<tr>
<td></td>
<td>- Timeline definition</td>
</tr>
<tr>
<td>Plan knowledge capture</td>
<td>Satisfaction of material for Knowledge Management</td>
</tr>
<tr>
<td>Team discussion on support staff performance</td>
<td>Provide team feedback and evaluation</td>
</tr>
</tbody>
</table>

Key aspects to cover are

1. what went well
2. what went less well, and
3. lessons for future projects or pieces of work.

Some of the issues the discussion should cover are:

- How well was the study specified?
- How convincing was the analysis?
- How effective were the working methods?
- What impact has the work had?
- What was media coverage of the work like?
- How should the results of the evaluation be disseminated?
• Is there a mechanism in place to ensure follow up and implementation of the report's recommendations?
• What was the value of the work for the key stakeholders?
• How was the project managed?
• Did you get the work/life balance right?

In order to make sure that the lessons are taken on board for future projects, it can be useful to present the outcomes to senior management or other projects teams.

Why Projects Fail?
• Failure to agree the key question or issue
• Planning is carried out superficially
• Eye off the ball
• People aspects are not well managed
• Risks are not properly addressed and insufficient contingencies are allow
• It is difficult to make tough decisions
• Lack of authority
• Lack of commitment

Evaluating the project
In Practice: SU Workforce Development Project
At the end of the project the team arranged an extended lunch to discuss lessons learned. Prior to the lunch, the facilitator drew a timeline of the project on a white board in the team's room. The team (anonymously) marked their high and low points in different colours on a timeline of the project. This encouraged the team to think about the lessons to be learned from the project as a whole and not just the end game. This was used to produce slides to stimulate discussion at the lunch. That discussion considered a wide range of issues. Following the lunch, a team member prepared a presentation summarising the discussion. This was presented first to the senior managers and then to an all-staff meeting.
Managing Stakeholders

Strategy work conducted in isolation from those that it will impact is unlikely to deliver any benefit. It is therefore essential that strategy is developed with implementation in mind at all times. The team should pay great attention to managing relationships and communicating with those outside the team who have an interest in the project’s outcome.

Stakeholders are the individuals and groups affected by and capable of influencing the development and implementation of strategy and policy proposals. Identifying key stakeholders and their issues is therefore a very valuable exercise that should be conducted as early on in the project as possible.

Stakeholders, including the public and frontline staff, can make an extremely valuable contribution to the success of a project. Effectively engaging with stakeholders is key to motivating them and obtaining their commitment, and should be done through contact and involvement throughout the project - engagement from early on in the project lifecycle should help to reduce the risk of any surprises later on. Developing a stakeholder engagement plan is a useful way of planning how to effectively engage with each stakeholder.

Managing Communications

The importance of communicating effectively with those outside the team is clear. Successful communication is about sharing the right information, at the right time, with the right audience. Drawing up a communications plan helps to structure how to go about this in the most effective and efficient way.

Communication with the media, who have significant influence over public opinion, is key to ensuring favourable coverage of the project.

Once the message has been agreed and communicated to the audience, it is important to go through a process of evaluating communications for their effectiveness. Communications planning must begin on day one of a project and continue until the project has been completed. Evaluation will help the plan to keep evolving through each stage of the project.

Direct communication with stakeholders often takes the form of a presentation. Preparing presentations to a high standard and tailoring them to the audience is crucial to getting the message across.
Identifying key stakeholders and their issues

> in practice

Identifying stakeholders – those affected by and capable of influencing strategy - and their issues is necessary in order to understand the range of interests that need to be considered in developing and implementing strategy and policy proposals.

Different stakeholders can perceive the same project and proposals in quite different ways depending on their vested interests, their particular priorities at the time and their experiences of the organisation or people leading the work. Indeed, the concerns and objectives of different stakeholders and stakeholder groups are frequently in conflict.

The list of stakeholders for any government strategy work is likely to be long and include:

- Users and customers
- The departmental or lead Minister (if there is one) and their specialist adviser
- Ministers in relevant other government departments (OGDs) and their specialist advisers
- Groups of officials and individuals in the relevant OGDs
- The Number 10 Policy Unit
- Devolved administrations
- Representative organisations from the relevant sectors
- Local authorities and the wider public sector
- Private sector organisations and individuals who have a current or potential future vested interest in an area (for example, if they might be involved in future delivery)
- Parliamentary Committees
- Academics, research organisations and think tanks
- Employers and trade unions
- International organisations such as the EC, World Bank, IMF or UN

A brainstorming session during a team meeting devoted to stakeholder identification is an effective means of capturing the list of all the likely stakeholders. It is useful to keep a record of identified stakeholders and their contact details.

In addition, in order to manage stakeholders effectively it is important to understand the needs and interests of each, including:

- their goals
- past reactions
- expected behaviour
- the likely impact the project will have on them (positive or negative)
- their likely reaction
- the extent of buy-in and level of support.

It may be useful to meet with some of the stakeholders to establish the nature of their interest and any concerns they may have about the project.
Identifying key stakeholders and their issues

In Practice: SU Fisheries Project

Before the Fisheries project was launched the team thought about how to identify and engage stakeholders with the project.

Member of the team seconded from fisheries departments were able to identify key stakeholders and groups of stakeholders and developed a contacts database as a central record of their details.

The process of engaging with stakeholders and understanding their issues was designed to include a number of elements:

- a tour of UK fishing ports
- a written consultation process
- a stakeholder event
- the formation of a number of working groups to support the work of the team.

It was planned as an open, transparent process employing formal and informal contacts and a mixture of standard and original tools for structuring the interaction with stakeholders. Where possible, material was published on the Strategy Unit website to allow interested parties to follow the work of the team.

Once the project was launched, team members embarked on a tour of UK fishing ports to talk to people involved in the industry. These meetings were opportunities to gather data and get an understanding of the issues as identified by people closest to them. The personal connections made in these meetings meant that the project was viewed positively by key stakeholders and allowed for follow-up contact to request information and test ideas.
Effectively engaging with stakeholders

**In practice**

Having identified all the stakeholders and their issues, the team will need to decide how they will prioritise their efforts between them and how they will most effectively engage with them.

**Prioritising effort**

In order to prioritise the team’s efforts it is necessary to identify the most important, or key stakeholders – i.e. those who are most affected by or most capable of influencing the strategy and its implementation. Combining this with an understanding of how supportive each stakeholder is likely to be will then enable the team to differentiate their approach to engaging with them. A simple matrix can help in this process:

```
<table>
<thead>
<tr>
<th>Importance</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Manage</td>
</tr>
<tr>
<td>Low</td>
<td>Monitor</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Importance</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Involve</td>
</tr>
<tr>
<td>Low</td>
<td>Acknowledge</td>
</tr>
</tbody>
</table>
```

- Stakeholders who are highly supportive and highly important should be closely involved with the work of the team.
- Stakeholders who are highly important but not supportive need to be closely managed with the aim of increasing their level of support. To do this, it is helpful to determine the benefits that the project can offer to them, and identify how those benefits can be sold to the stakeholder.
- Stakeholders who are supportive but of little importance could provide a distraction and should be acknowledged but then managed accordingly.
- Stakeholders who are neither supportive nor important should be monitored to ensure that their level of importance does not change, but otherwise should not distract the team.

It may be helpful to plot the matrix twice – once considering the degree of influence of each stakeholder, and once considering the degree to which each stakeholders is affected by the strategy. The first matrix will inform the process of achieving political buy-in, and the second will help focus the team on serving the true customers of the strategy.
Engaging with stakeholders
Having identified those stakeholders that will be most closely involved with the project, it is necessary to identify how best to engage with them throughout the various stages of the project.

The key elements of a positive stakeholder relationship include:

- Early agreement of the need to work together to deliver results
- Meetings to establish project parameters, success criteria and potential constraints or barriers
- Review and agreement of key issues
- Early flagging of problems
- Constant updates on progress.

The table below identifies some of the steps to stakeholder engagement throughout 4 phases of the strategy process.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Key Stakeholder Management Tasks</th>
</tr>
</thead>
</table>
| Justification & Set Up     | • Agree objectives and questions to be answered  
• Determine process for consultation  
• Discussion of broad issues |
| Research & Analysis        | • Identify key concerns/issues and collect knowledge  
• Communicate emerging conclusions |
| Strategic Direction Setting| • Seek views as to emerging strategic options  
• Communicate chosen option |
| Policy and Delivery Design | • Consult on policy design, especially those responsible for implementation  
• Secure collective agreement if required |

There are a number of approaches to engaging with stakeholders, including:

- One to one meetings (usually required on regular basis with influential stakeholders)
- Inviting stakeholders to sit on Steering, Advisory or Working Groups
- Presentations to staff/senior management teams/boards
- Recruiting team members from stakeholder organisations
- Joint working with stakeholder organisations on key issues
- Conducting a public consultation exercise and preparing an interim report for publication
- Seminars for broader debate of particular issues or topics
- Written communications, for example in the form of newsletters, updates or drafts of papers
- E-mails
- Web sites posting up key papers
- **Focus groups** and seminars - for example, these might be a useful way of involving members of a sector, representative organisations and users.

Different approaches are likely to be appropriate for different stakeholders. A combination of approaches is likely to be most effective, especially for key stakeholders.
Effectively engaging with stakeholders

In Practice 1: SU GM Crops Project

The GM crops project learned some tough lessons in stakeholder engagement. Despite the team having drawn up a stakeholder management plan, the initial scoping document - heavily reliant on internal work and comments from other government departments - was widely and severely criticised by many external stakeholder groups.

In response to the criticism, the GM crops team opted for a much more extensive level of stakeholder engagement. All interim papers (including the criticisms of the scoping note) were published, and the team arranged stakeholder seminars to design the scenarios for the project and to draw up some illustrative "shocks and surprises". Repeat meetings with key stakeholders were organised, and many key stakeholders were involved in “Expert Groups” which had the opportunity to provide input to work in progress. A long list of contacts was kept informed of key developments in the project, and at the end of the project, a post-publication event provided stakeholders with an opportunity to comment on the report and the methodology.

Whilst most stakeholders were interested mainly in the content of the report, the degree of engagement in the process was widely welcomed. NGOs in particular appreciated the feeling of being used as a source of valuable information, rather than just another group to tick off a list. The ability of the team to respond and re-plan in the light of criticisms was also seen as positive. Overall, the project achieved a surprising degree of consensus, with most groups feeling that their viewpoint had been listened to and reflected in the report.

Effectively engaging with stakeholders

In Practice 2: SU Fisheries Project

The Fisheries Project set up two bodies to mediate formal contact with external stakeholders. The team invited a ‘Red Team’ of fishing industry experts to act as critical friends of the project. They provided constructive criticism of the team's thinking at key stages of the project. In addition, the Stakeholder Advisory Group brought together representatives from all sectors of the fishing industry along with environmentalists and other stakeholders. Two meetings were held during the course of the project. These were structured to allow the team to communicate key findings and for the Stakeholder Advisory Group to input to the team’s work.

The consultation paper, launched after the first couple of months of analysis, had several purposes. It provided an opportunity for gathering data that could not be found by other means. It gave individual stakeholders and organisations the opportunity to feed into the team’s work through a formal process. It also provided the team with the opportunity to present some of the initial analysis in a form that challenged preconceived notions and asked some searching questions. This was useful in preparing the ground for consideration of reform of the fisheries sector.

The team also held a Stakeholder Event after the bulk of the analysis had been done. The team invited over sixty stakeholders; people met during the course of the project and a number of respondents to the consultation exercise. The Stakeholder Event allowed the team to ‘truth test’ its findings with a cross-section of stakeholders, continue the process of challenging received wisdom and provide stakeholders with ‘early warning’ of the likely terrain of the final report. The Stakeholder Event used outside facilitation and innovative technology to allow structured participation from attendees. This meant that all participants were able to comment on the team’s work.

The use of a mixture of conventional and innovative tools for stakeholder engagement, combined with a commitment to transparency, encouraged constructive engagement and allowed the team to access resources and knowledge that were invaluable to gaining an understanding of a highly complex field.
Developing a stakeholder engagement plan

The process of identifying stakeholders, their issues and how the team will engage with each should occur early on in the project, and the results should be documented in a stakeholder engagement plan. The plan should specify the intended approach to engaging with stakeholders throughout the four stages of the project. It should be integrated with the overall project plan, and include details of:

- the proposed actions
- the proposed timing of those actions
- the team members responsible for each engagement.

For example, the plan might include the timing and proposed aim of meetings with individuals or working groups and the proposed dates and nature of particular communications. This stakeholder engagement plan template may provide a useful start.

The stakeholder management plan should be a living document that is referred to on a regular basis, and updated according to developments during the project. At key points during the project it is also advisable to update the stakeholder assessment as positions do change and this will require the stakeholder management plan to be revised accordingly.

Developing and regularly revisiting the plan is a time consuming process, and as such often neglected. However, it will be extremely beneficial to the final outcome of the project if key stakeholders are bought into the process and are willing to implement the strategy.

Strengths

- Drawing together a clear plan for stakeholder engagement is crucial to the success of the project. It will help ensure buy-in to the strategy, and will also help secure commitment to implementation.

Weaknesses

- It can be a very time-consuming exercise, however, which can be neglected given the pressures to undertake analytical work etc.
Drawing up a communications plan

A communication plan should set out the team’s approach to handling both stakeholders and the media at all stages of the strategy development process. This includes the formal launch, the consultation process, the presentation of analysis to stakeholders, the publication of the interim report, the communication of the conclusions and the publication of the final report.

The plan should clearly identify activities, responsibilities and time scales.

If there is to be a formal launch of the project to the public, the plan should be developed with assistance from the relevant departmental Press Office team. In most cases, it is best if any media queries are directed to the Press Office for follow-up.

After each phase of the project, communications should be evaluated to monitor success and identify any learning points.

Questions to Answer
Some of the key questions to cover in drawing up the communications plan are:

1. Objectives: What is the main business objective this communications strategy needs to support (the main change(s) you are trying to achieve)?

2. Audience: What are the main audience groups that:
   - Can make a difference to the change happening (or not)?
   - Are affected by the change?

If there are more than five in this list, which are the really key ones (that can really make a difference to whether the objective happens)?

3. State of opinions and knowledge. What are their:
   - Attitudes (how do they feel?)
   - Opinions (what do they believe?)
   - Information gaps (what do they know?)

   Are they correct?
   - Do they have enough information to make the right decision? (Is it just that they don’t believe the information they get?)
   - How do they influence others?

4. Messages: If you could change any of these opinions (or fill the information gap) which ones would you prioritise? (Is this achievable?) Therefore what messages or information needs to be continually highlighted to the main groups?

5. Methods:
   - What is the best method of getting to the audience group?
   - Who influences them?
   - What do they read?
   - Who do they speak to? Who do they believe?
• What channels do we know don’t work?

6. Timing:
   • How long will it take to change these opinions?
   • Are there logical opportunities on the calendar we can exploit?
   • When should we start?
   • When must we have achieved this attitude shift by?

7. Plan: Using this information, what are you going to do, for whom and how?

8. Evaluation: How will we know if we have changed their opinion?

The answer to many of these questions may be clear. For others, it may be necessary to conduct research.

In drawing up your communication plan the team should consult their departmental press office for any guidance they have produced on communication. Specialist advice for public sector organisations is also available from COI Communications.

<table>
<thead>
<tr>
<th>Drawing up a communications plan</th>
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<tr>
<td><strong>In Practice: SU Voluntary Sector Review</strong></td>
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</table>

The Strategy Unit’s report "Private action, public benefit", had a very diverse range of stakeholders across wider Government, the voluntary sector, education, savings bodies, sport and social clubs, and even housing associations.

The wide media interest ranged from national media to specialist magazines covering the various sectors.

The overall communications strategy for this project needed to address stakeholders’ needs from its launch to publication of the final report.

Communications techniques allowed us to identify key stakeholders who were kept regularly updated on progress and consulted on key areas during the lifetime of the project. This included the press officer being able to update media on progress and explain reasons why the project was taking longer than originally expected – thus keeping criticism to a minimum.

Some key points to note:

1. Detailed briefing notes are vital for any launch. The Q and A must be exhaustive and must address sensitive issues.

2. The launch strategy included a large number of briefing sessions to cover stakeholders and the media. This was extremely time-consuming but effective.

3. Briefing small groups of the media helped to improve their understanding of the report – especially for non-specialist media - and resulted in measured and accurate reporting of the key recommendations. It also allowed specialist media more opportunity to delve into their areas of interest.

4. The concentrated briefing of stakeholders also resulted in much more informed initial comment from them than might otherwise have been the case.

5. This model has been followed with other SU reports and tend to show that the investment of time in preparing briefing notes and with stakeholders and the media is returned in better understanding and much more informed comment.

6. However, this model is not always possible when Ministers are involved in the launch process. The time needed tends to make it impractical.

7. Do not forget to plan for the dissemination stage post-launch. Activity should not stop the day after launch.

**An overall communications strategy** was produced for the final report’s launch. We have left the actual text in place in the template wherever it is appropriate.
Communication with the media

> in practice

The media is the means by which many stakeholders will be influenced and informed about the project. Hostile media coverage can seriously damage the project and lead to options being closed by important stakeholders without any informed discussion or consideration.

Except in exceptional cases, it is always better to engage with the media as perceived secrecy will only increase their interest. News is what is different – the project’s view of issues are informed and detailed in a way that the media will not usually have access to.

The team should always work with and through the Communications Group and Press Office rather than dealing with the media directly. When communicating with the media it is important to remember:

- Keep it simple and ensure that the story is clear. News has no grey areas: It’s a ‘success’ or a ‘failure’, it’s ‘big’ or little’, ‘yes’ or ‘no’, ‘right’ or ‘wrong’; journalists rarely have the time to deal with detail.
- Be as open as possible, secrecy adds interest and value to a story.
- Be fully briefed and know the facts.
- Avoid the void: If you don’t provide some information, someone else will.
- Create a Q&A brief to cover areas that the media will be interested in.
- Don’t be tempted just to answer the easy questions or cover the areas they ‘should’ to be interested in. Test the answers to ensure that they robust.
- Consider whether a press briefing or conference is required and whether there are any key stakeholders that the media will automatically contact. If so consider briefing them in advance.

Communication with the media

In Practice: An SU Project

When our project became news many team members were surprised by the ability of even “serious” newspapers to get the issues wrong. This presented a delicate trade-off: should we seek to correct misrepresentation and risk inflaming the debate; or should we sit tight and let the story blow over?

We received some helpful advice from the media professionals in the press office and others who were able to advise on the political dimension. The golden rules are 1) don’t panic; 2) have a media strategy and 3) stick to it.

That said, being in the eye of media storm was certainly unnerving. Journalists have a pack mentality and will pursue and develop stories first picked up by their rivals. This is particularly true on ‘hot button’ issues that translate into strong headlines.

Damage limitation is crucial. In the first instance, we had to ensure that we knew the facts ourselves with as much certainty as possible. Second, we checked that key stakeholders inside and outside government also knew the true position. Many had already been contacted by the media and had been rushed into commenting on what was at best a partial picture of the situation.

We set out to provide a clear long-term vision and a more immediate agenda. This is where good strategy comes in. A compelling narrative backed up by clear evidence, helped to show that government was on top of the problem and had a coherent view on how our issue will be addressed in the future. This might be less interesting to some journalists, but makes for better public policy.
Evaluating communications

Communications should be evaluated after each phase. A number of formal tools and 'off the shelf' solutions are available as well as specialist companies offering media analysis and evaluation. Although independent analysis is best, these options are expensive and usually beyond the budget of projects.

There are informal techniques that can be used to test the effectiveness of communications. Most depend on having identified key messages and target media in advance. (The intended message must be explicitly articulated before it is possible to evaluate whether anyone else understood it, or whether the message got through).

A crude but effective form of media evaluation involves checking how many of the key messages were covered correctly in the stories that were published (for example, a story could score four out of five, or 80%).

However, this can be skewed because it takes no account of where the story was published (e.g. national tabloid, broadsheet or trade journal) and its prominence (front page, page 2 etc, column inches). So there needs to be a balancing factor. This could be through ranking the publication by its appropriateness to target audiences. The scale needs to be large enough to show up a difference. It is usually sufficient to grade publications on a scale of 1-10. As an example, this could be:

- 10 = prominent story in national broadsheet or tabloid
- 6 = prominent story in an important specialist publication
- 4 = prominent story in a major regional
- 2 = story in non-target publication

A further factor is tone – whether the story is positive or negative. For example a story may contain all the key messages, be in a prominent position in the target media but be fiercely opposed to the policies. The message has got through but not the argument.

Again this needs a wide enough scale to reflect nuances of tone in the coverage. It is best to use a +/- scale that is centred at 0 for neutral coverage. For example:

- + 5 = a highly positive story
- 0 = a balanced story
- - 5 = a highly negative story.

An overall score can be assigned using the formula:

\[ \text{Score} = (\text{Message} + \text{Prominence}) \times \text{Tone} \]

Users of this self-assessment tool usually tend to over-rate the negative and under-rate the positive. But while this system is crude it does give a useful pointer to how well the messages are getting through.

**Strengths**

- Ensures messages are understood clearly by users.

**Weaknesses**

- Can be time-consuming but should not be neglected.
Preparing presentations

> in practice

Most projects will at some point require a presentation to be given to key stakeholders and other interested parties. These presentations are often a crucial part of the project, and their outcome can significantly impact the success of the work. The team stands a much greater chance of making a successful presentation - generating enthusiasm and commitment from stakeholders, if they present their analysis clearly and logically, with a compelling narrative. *Storyboarding* is a tool to help achieve this.

What is Storyboarding?
The storyboard is a tool originally developed in the film industry, and consists of a series of visual images that simply and briefly illustrate the film's key scenes and events. As with many 'buzzword' terms, storyboarding has been used and misused in a variety of contexts other than filmmaking. Applied to projects and presentations, the most important parallels are as a means to sketch the flow of the narrative at the very early stages, seeking the most coherent way to link its component parts. By having a clear idea of the best way to construct the narrative, significant savings are made in work at the later stages, avoiding the need to change the structure once the slides have a lot of detail on them and are integrated more tightly. Secondly, having a clear narrative through the presentation will help avoid the tendency to present 'facts, facts, facts', which is likely to make the presentation tedious for the audience.

Initial Questions to Ask
Before preparing a storyboard, there are a number of basic questions that need to be answered:

- **What do you want to achieve from the presentation?** Are you planning to update the audience on general progress, or do you want to engage them in a discussion of particular issues? Are there specific decisions that you need them to make?
- **Who is your audience?** The way you prepare your narrative will differ depending on whether you are presenting to an expert group, or a group who has never engaged with the issues before. Do you know if they want to hear a detailed analysis, or high-level conclusions?
- **How long do you have to make the presentation?** It usually takes longer than you expect to present, particularly if the audience ask questions (which they should, if they are engaged with your work). Establish how long you will have to present (leaving time for questions) and from there, work out how many slides you can use. As a rule of thumb, it takes three minutes to present a basic slide with three or four points to explain. More complex slides will of course take longer to explain. The longer the presentation, the greater the need for clarity.
- **In what format are you going to present?** With a small group it is easy to print out paper copies of your slides, with multiple slides on each page. This has the advantage of avoiding the need to organise a projector and laptop (as well as inopportune technical glitches!) and allows your audience to make notes more effectively. However, with printouts people can try and race ahead in the presentation, not being able to focus on your commentary at the same time. How much do you trust your audience, do they want to listen? With larger groups, providing individual printouts may not be possible, but nevertheless a projector has the advantage of being a single focal point for the room where you can more precisely control the flow of the narrative. Furthermore, it can act as a covert *aide memoire* in longer presentations for the narrator.
Preparing the Story

Once you have a good idea of the right length, tone and format for your presentation, you can start to design your ‘story’. As with the standard dictum that governs speeches, tell them what you are going to say, say it, and then tell them what you have said. Secondly, don’t simply read out the contents of your slides! Use them as the bulwark with which to fortify your commentary. The surest recipe for confusion is to be talking about a different point to the one on the projector or the hand-out. Where one slide covers four points, consider revealing them one by one as you talk though them. Remember that you want your audience to:

- Absorb what you are saying quickly and easily – so have the body of the slide fit tightly with the title or ‘strap-line’. Try to keep your slides uncluttered, with no more than four points on each with a common convention for font sizes and styles and element positions.
- Have confidence in the validity of the material – cite your analytical sources
- Be clear on the recommended path of action – provide a conclusion that encapsulates your central message.

You can be more confident of meeting your audience’s needs if you can answer the following questions:

- What is the subject I am considering?
- What is the central question in my audience’s mind about that subject?
- What is my answer to that central question?

Frequently, the agenda of the presenter and his audience may be slightly different. For example, a presentation to the Treasury that tries to convey the innovative nature of your policy recommendation might be lost amidst their concerns regarding its cost-effectiveness. Communications with stakeholders before the presentation often give an indication of their concerns. If they are not explicit, and if you don’t know them beforehand, try and pick them up as you go through rather than ignoring them.

Knowing the central question in your audience’s mind is central to generating an engaging narrative. A common approach is to use a ‘pyramid’ structure for your presentation. The pyramid should start with a single overall summary slide, on which you sum up the key elements of your story, and the answer to the central question that you believe will be in your audience’s mind. Behind the summary slide are more detailed sections, each of which also starts with a slide summarising the section. Inside each section is the detailed analysis and arguments to support the main conclusions.

Using this pyramid approach creates a strong presentation with clear conclusions extracted out of the body of detail, and grounded in a sound logical basis. Where presentation time is short, and you are not sure which of the slides the audience will want clarification on, a useful trick is to include ‘hidden’ slides in the presentation which can be shown later in support of a particular slide if it is questioned (in PowerPoint, go to Slide-show ® Hide Slide).

Before writing any slides, sketch out the flow of the presentation with a separate post-it note for each slide. Write down the exact title you are going to use on each slide. The titles alone should tell the complete story that the audience is going to hear. Secondly, sketch out the content you are going to put on each slide – word arguments, analytical tables, graphs or pictures. That way you can check that you have all the data that you need before starting to prepare the slides, and more easily see the balance of the presentation between text, tables, graphs and graphics. Once you have prepared your presentation, share it with colleagues to check that they agree with your logic, and that your story is clear.

Every presentation should include a number of standard elements:

- Agenda – so you can explain to your audience what your are going to be presenting, and the timing of your presentation
- Summary slides – both an overall one page summary of your presentation, and individual summaries at the start of each new section
- Conclusions/recommendations – sum up your findings on a single page
- Next steps – tell your audience what you plan to do next, and how you will keep them involved in the process

In the process of constructing the narrative, several teams have found it advantageous to involve individuals with executive input into the presentation, such as external advisors, as it lessens the risk of trying to rewrite the structure of the presentation at the 11th hour. Quite apart from their opinion of the content, the very process of constructing the story is very likely to increase their sense of ‘ownership’ with the project.
Strengths

- It allows you to see the logic and flow of the presentation at a very early stage, making experimentation and revision of the narrative far less costly (in time) compared with jumping straight in with slide design and revisions are required later.
- It also allows you to ensure that you have all the supporting information that you need before starting to write your slides.
- It allows you to see early on the viability of different elements of the presentation together, rather than as discrete units that are then stuck together in an ungainly fashion at a late stage of the project cycle.

Weaknesses

- It is an extra layer of planning which will be time-consuming. For very short presentations it might not be necessary to include all the elements listed above (e.g. agenda, summary slides etc.) However, even with very short presentations, it is valuable to think through your story, as you have very little time to engage your audience.

Pitfalls

- Including graphs, tables or analysis in your presentation just because you’ve done the work. If it doesn’t directly support your conclusions, don’t include it!
- Failing to identify the key issues that your audience wants to discuss, or failing to put together a compelling story that is fully supported by the data.
- Failing to match the claims of your commentary with the evidence in your slides.
- The clarity of the presentation achieved via storyboarding is designed to increase its impact, not substitute for the strength of the evidence and analysis.

Resources

Consulting firms tend to prepare a lot of presentations, so any colleagues who have worked for a consultancy will be able to help you prepare a compelling story for your presentation.

"The Pyramid Principle" by Barbara Minto describes in more detail how to structure a presentation using pyramid logic.

Preparing presentations

In Practice: SU Education Project

The Strategy Unit conducted a review of education strategy, which exemplifies many of the elements discussed above. It was a large piece of work, and several versions of the presentation were constructed for different audiences. For the presentation to the PM, we had 90 minutes, and presented about 30 slides of substance. For general circulation the complete version was around 170 slides, with a couple of annexes containing supporting material. There was vigorous discussion regarding the structure of each presentation, but the storyboarding process helped to speed-up decisions.

The common elements to each presentation were:

- The contents page laid out the structure of the pack
- Each section had a one-slide summary immediately after being introduced
- Each slide had a descriptive strap-line, with the contents backing it up, and the source of the data clearly indicated. The slides were full, but the strap line provided a clear message that can be grasped quickly
- The slide-sorter view of PowerPoint showed a balanced variety of slide formats to convey the data – text, schematics and graphs, with a common colour scheme throughout
- The conclusion was a single page, summarising the thrust of the whole report.
Strategy Skills > Structuring the Thinking

Tools & Approaches

• Issue trees
• First principles thinking
• Systems thinking
• SWOT
• PESTLE
• Creativity techniques

The ability to bring structure to complex issues and establish new conventional wisdom is a core skill in strategy development. To influence the way government thinks about an issue, strategy work needs to demonstrate superior thought leadership.

Having a clear understanding of the real problem and issues to be addressed is a prerequisite to designing effective solutions. Using issue trees can be a powerful way of identifying the fundamental questions that the project needs to answer.

Underpinning strategic thinking is the ability and willingness to go back to first principles and challenge implicit assumptions. A fresh, objective evaluation of the situation may yield surprisingly different conclusions from the current status quo.

Keeping the big picture in mind, rather than being tempted by its complexity to focus attention on specific issues, is key to developing effective solutions. Systems thinking techniques can help to understand dynamically complex systems by mapping out how factors influence each other. This can be powerful for helping to establish a common view of the way the world works and when trying to anticipate the likely response to possible interventions.

Analysing a situation or system along a defined set of dimensions can help to brake down the complexity and bring structure to the thinking. Two tools that work in this way are SWOT analysis, which involves identifying the potential Strengths, Weaknesses, Opportunities and Threats of an organisation or strategy, and PESTLE analysis which involves identifying the Political, Economic, Socio-cultural, Technological, Legal and Environmental influences on an organisation or strategy.

At various stages of the strategy process the team will seek solutions that are not constrained by current thinking and assumptions. Using a range of creativity techniques can help to break through these constraints and free the team to find imaginative solutions.
Issue trees

Issue trees help to identify the key issue or question that the project should address, and break it down into its smaller component parts. They can be used:

- at the beginning of a piece of strategy work to identify key workstreams
- to plan individual workstreams
- to analyse specific key questions
- to communicate the shape and direction of the work.

The trees are a useful reference point throughout a project providing context and showing how each piece of work fits into the whole. A well thought out tree should also inform how to structure communications about the project, including the final report.

Issue trees

Before embarking on the detailed thinking, some time should be spent thinking through the overarching question that the project is attempting to answer. One way of creating this statement of the problem is to note down some of the areas of enquiry and, crucially, those areas that lie outside the scope of the project. The opening question must be wide enough to encompass the full overview of the strategy if it is to be used to plan the project. Defining the starting point can be the most difficult part of building an issue tree.

The next layer should set out a series of questions that together answer the question above them in the tree. For example, if the starting question is “How can we most effectively increase employment rates through improving access to childcare?” the next layer in the tree might comprise two further questions:

- What are the most effective forms of childcare to help parents into work?
- How can government best support parents in accessing these forms of childcare?

The answers to these two questions should provide the answer to the original, higher level question. These two questions will then be further broken down, and so on, until a level of questions is reached that address the fundamental root causes of the original issue. Specific analysis can then be designed to address each one.

Each time a question is broken out into lower level questions, these lower-level questions should together give the answer to the higher level question. Moreover, these lower level questions should together cover all the issues needing to be resolved, but should not overlap each other. Questions to be resolved should fall into one of the buckets, not both. In more technical parlance, this is known as Mutually Exclusive, Collectively Exhaustive.

Although it may seem cumbersome, writing out the questions in full is very helpful as it forces clarity of thinking.

This issue tree template may be helpful.

For any problem, there will be a number of ways of drawing out the issue tree, frequently resting on the way in which the first set of branches is constructed. It is worth having a number of attempts at the tree (perhaps done by different members of the team), using different structures. The trees can then be evaluated on the basis of how well they seem to be working best in terms of breaking down the issues into smaller, answerable questions; in terms of breaking the project out into workstreams; and in terms of structuring future communications (reports or other documents). Techniques that can be helpful during the question-
development process include brainstorming and other creativity tools. They will help you approach the issue from a fresh perspective.

**Hypothesis Tree**

A variant of an issue tree is a hypothesis tree. While issue trees are likely to be most useful early on in the project when developing the project plan, hypothesis trees tend to be more useful later on in the project in structuring the conclusions and subsequent communications.

If an issue tree starts with one question; a hypothesis tree starts with one statement. Each level of the hypothesis tree is linked with the questions "why?" or "how?". This ensures that the lower level hypotheses together answer the higher level hypothesis. An example of this might be: higher level hypothesis: "Government can best support parents moving into work by ensuring availability of out-of-school childcare in the local area through pump-priming of provision of this type". The next layer of the tree will answer "Why?":

- Out-of-school care will have the greatest effects in getting parents into work.
- The price of out-of-school care is reasonable, it is the availability that is the problem, caused by difficulties amongst out-of-school clubs in meeting start-up costs.

Note that to some extent, using a hypothesis tree relies on having some knowledge of the content of the likely solutions.

**Work planning**

Issue or hypothesis trees can feed directly into detailed work planning. A work plan could have sub-issues on the left hand side, with activities to answer the question, sources and outputs on the right. For example:

<table>
<thead>
<tr>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the most effective forms of childcare to help parents into work?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>What forms of childcare are most working parents currently using?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review the evidence on use of childcare by working parents</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parents Demand for Childcare Survey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper on the most effective childcare to get parents into work, including estimated impact</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsible</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Due date</th>
</tr>
</thead>
</table>

**Strengths**

- A powerful tool providing the opening question is right – wide enough but not so wide that issues outside the scope of the study are included – to find the most effective initial breakdown.
- Can be used to structure the development of the project and define the workstreams.

**Weaknesses**

- Interdependent issues may be divided across branches of the tree. It is worth keeping this in mind.
- Does not give any sense of priorities. The team should focus on those areas of the tree that are likely to have the most impact on the eventual conclusions and impact of the project.

**Resources**

"The Pyramid Principle" by Barbara Minto gives an explanation of the type of logic involved in thinking in tree structures.
In Practice: SU Childcare Project

The SU Childcare project used an issue tree to identify all the issues in the childcare arena. By breaking out all the questions in this way, the team:

- designed the overall project plan
- constructed workstreams
- gave a kick-start to the process of work planning within these workstreams
- began to think about the structure of the report and other communications.

The team decided to develop the tree in some detail as it was proving helpful in work planning.

Example: A fully worked-out example from the Childcare project

The team continued to revisit the issue tree as the project unfolded as a means of monitoring progress and to kick start thinking as new workstreams were started up.

The first couple of levels of the tree and, crucially, the opening problem statement, were discussed as a team – though a number of team members had attempted first cuts from which we worked. A smaller team then further developed the tree and translated it into the project plan.
First principles thinking

Although strategy needs to be developed with a pragmatic and realistic understanding of delivery constraints and real world complexity, it is important that strategic thinking is not constrained or limited by existing legacy norms and assumptions.

What Is It?

Going back to first principles is simply a way of thinking that challenges implicit assumptions and current approaches, and uses an objective assessment of available evidence and knowledge to come to fresh logical conclusions.

Why Is It Useful?

Situations often arise where the current state of affairs would never have been explicitly designed or intentionally constructed. Rapidly changing environments or a history of uncoordinated incremental interventions can result in unintended consequences and behaviours driven by distorted incentives.

In the same way, the rationale for a policy programme or intervention can become lost or muddied over time. It is possible for policies to acquire legitimacy simply by virtue of being in place for long periods, with the original underlying assumptions becoming so taken for granted that they become received wisdom. Standard behaviours and ways of working are then in danger of continuing unchanged despite these assumptions having long lost their validity.

By going back to first principles it is possible to take stock of a policy – how it fits with and drives towards strategic outcomes, and whether it is still an effective means of addressing the underlying problem. First principles thinking encourages an explicit recognition of the drivers, incentives and rationales driving behaviours and interactions in a system and ultimately challenges resource allocation decisions.

The Necessary Conditions

Obtaining a mandate for the kind of fundamental re-evaluation encouraged by first principles thinking is one of the biggest challenges in strategy development. Those working within clearly defined strategy projects commissioned by high-level sponsors such as ministers may be given such a remit, but those developing new strategies within their policy areas too often come up against fixed boundaries.

Going back to first principles can mean re-opening issues that have lain dormant for years, and allows no room for sacred cows or ‘undiscussables’. For strategy work to be truly effective, the importance of gaining the commitment of stakeholders to a fundamental re-think can not be understated.

It is also important to nurture a conducive culture and working style – one in which norms can be challenged and creative ideas are encouraged. ‘Greenhousing’, or protecting creative ideas that are generated in brainstorming, is an important way of encouraging innovative and fresh approaches to an issue rather than immediately finding faults or flaws in an idea.

Stepping outside of the current situation, and identifying and setting aside current assumptions requires space and time to think. This is naturally easier in the context of clearly defined strategy projects than in business-as-usual situations. However, it is equally important in both situations if strategy is to be not only developed effectively but also fine-tuned to remain effective in response to a changing environment.

Physically leaving the location embodying the current situation through an away day can be a more than symbolic way of creating space to think. It can help to provide some useful distance from both the
environment in which prevailing assumptions are taken for granted, and also from the more practical pressures of day to day issues.

**Keeping A First Principles Perspective**

Whether developing a new strategy, or managing the ongoing implementation of a policy, it is valuable to develop and retain an objective first principles perspective. Regularly asking the question ‘why?’ can be a powerful way of uncovering the motivating forces shaping the behaviour of different players in a system, and checking that the underlying rationale, incentives and structures are still appropriate and valid.

**Designing a System From First Principles**

Given the space to rethink an approach to a policy issue, first principles thinking encourages an explicit approach to identifying and understanding the drivers and incentives that are together expected to determine behaviours and hence outcomes of a system. Techniques such as *Systems Thinking* and Theories of Change (described in further detail in *The Magenta Book* on Policy Hub) use similar logic and again stress the importance of understanding the causal sequence through which an intervention is anticipated to have its effect.

A first principles approach also encourages the generation of ‘ideal’ solutions. Temporarily putting aside issues of feasibility and acceptability allows the ideally suitable solution to be designed. This ideal world solution can be used to challenge resources allocation decisions and explore the political appetite for radical change.

**Strengths**

- Helps to challenge implicit assumptions.
- Uncovers perverse incentives, undesired behaviours and unintended consequences.
- Encourages a fresh approach to issues, and helps to develop creative and innovative solutions.

**Weaknesses**

- Challenging the status quo can be uncomfortable, especially for those with vested interests.
- It can be very hard to challenge fixed boundaries that are not initially open to debate and to obtain the necessary mandate and commitment for a fundamentally re-think.

**First principles thinking**

**In Practice: SU Alcohol Misuse Project**

In the Alcohol project, going back to first principles meant asking questions such as:

- Why should Government intervene/have a role at all?
- What should the overall goals of government policy in relation to alcohol be? Maximising well-being? Or reducing harm?
- Where is the line between the responsibilities of the state and the responsibilities of the individual?
- What are the rights and responsibilities of other actors in tackling alcohol-related harm - e.g. should the alcohol industry be required to internalise the externalities of its products?
- Should we be taking whole population measures to tackle alcohol-related harm (e.g. by increasing price), or should we target particular harm-causing groups (e.g. young binge-drinkers?)
- Is alcohol a drug like any other? Would it be legal if it were invented today?
- What is alcohol-related harm? Harm to the drinker? Harm to drinker's friends/family? Harm to wider society? Are some types of harm more serious than others?
A key component of thinking strategically is recognising that issues do not exist in isolation. Holding a mechanistic view of policies as levers that have a focused and direct impact on a situation, without considering the wider implications of an intervention, can be short sighted and potentially disastrous. Strategic thinking requires the inter-related nature of circumstances to be recognised up front rather than relying on a post hoc screening to identify unintended consequences and impacts.

What Is Systems Thinking?
Systems thinking is both a mindset and particular set of tools for identifying and mapping the inter-related nature and complexity of real world situations. It encourages explicit recognition of causes and effects, drivers and impacts, and in so doing helps anticipate the effect a policy intervention is likely to have on variables or issues of interest. Furthermore, the processes of applying systems thinking to a situation is a way of bringing to light the different assumptions held by stakeholders or team members about the way the world works.

When Is It Useful?
Systems thinking is particularly powerful for understanding dynamic complexity, which stems from the relationships between factors in a system. A dynamically complex system cannot simply be broken down into pieces in the same way as a structurally complex system, which derives its complexity simply from the sheer number of factors involved. Where structural complexity can be modelled and managed using databases and spreadsheets, dynamic complexity needs a more organic approach to understand the complex web of influences that often results in various forms of feedback loops. Such loops add a time dimension to system complexity and often magnify or dampen the intended effect of an action in a non-obvious manner.

Influence Diagrams
The core tool in systems thinking is the influence diagram, which captures graphically how each factor or variable in a system influences the others. Arrows are used to indicate the direction of the influence together with a ‘+’ or ‘−’ sign to show whether an increase in the one variable leads to an increase or decrease in the other. A double line across an arrow indicates a delay before the influence is felt.

In the diagram above, an increase in training leads to an immediate increase in costs, but – via a delayed increase in morale which in turn reduces staff turnover and hence recruitment – a delayed reduction in costs. An additional complication is provided by the feedback loop driven by the relationship between recruitment levels and the need to train new staff.
The diagrams help to improve understanding of the drivers of behaviour in the system, and can uncover counter-intuitive effects of interventions. They can show how a change in one factor may have an impact elsewhere or feed back to affect itself, and also how two seemingly independent factors are actually linked.

Influence diagrams are best constructed in a working session with a small number of key people. The sessions are likely to stimulate in depth discussion as each participant’s assumptions and views are explored and incorporated into the emerging picture.

**Driver Trees**
An influence diagram aims to map the relationship between all the variables in a system. However, it is likely that there are one or two key variables of particular strategic interest that need to be either maximised or minimised. Unravelling the influence diagram into a driver tree can be a powerful way of highlighting and communicating the drivers of these key variables, and hence provide insight into the kind of interventions that are needed to impact them.

Unravelling the influence diagram above can help to highlight the drivers of cost. The feedback loops in the system mean that certain variables appear in more than one branch of the tree. Where variables are repeated in this way they are conventionally placed in brackets.

![Driver Tree Diagram]

Driver trees raise a number of questions, not least the relative significance of the different branches of the tree in driving the key variable.

**Impact Trees**
There will be only a limited number of variables within a system that can be directly influenced to act as levers for change. An alternative way to unravel the influence diagram is to highlight the impact that managing these variables will have on the rest of the system. Again using the example influence diagram above, an impact tree can be constructed to more explicitly highlight the consequences of increasing the level of training as described above.

![Impact Tree Diagram]

Impact trees provide a causal sequence for understanding how managing one variable is expected to have an impact on another variable of interest. Social Researchers encourage a similarly explicit articulation of how an intervention is expected to have its impact using Theories of Change methodology, outlined in the Magenta Book.

**Interpreting Feedback Loops**
Constructing an influence diagram will highlight the great number of feedback loops that exist within any complex system. Interpreting these loops is central to understanding the likely behaviour of the system.
Reinforcing Loops

A dominant reinforcing loop is a self-sustaining process that will lead to either exponential growth or decay. The critical factor is whether the process is proceeding in the desired direction, as once started the process will continue unchecked unless an intervention is made to break the cycle.

The rise and decline of neighbourhoods demonstrates the potentially beneficial or destructive power of reinforcing feedback loops.

Balancing Loops

A balancing loop perpetuates the status quo. As one factor changes, other factors exert a balancing influence to return it to original level.

This behaviour can either act as barrier to change or a beneficial stabilising mechanism. To drive change any intervention must be influential enough to over-ride the balancing effects.

Balancing Loop with a Delay

A delay in the influence of a balancing effect can produce oscillatory behaviour through repeated over compensation. As the balancing forces act to maintain the status quo, the lack of responsiveness in the system means that corrective action is excessive and the mark is over shot.

Aggressive or heavy-handed management of such a system will produce instability. If the system can not be made more responsive the only option is to take change more slowly.

Reinforcing Loop with Delayed Balance

A reinforcing loop with a delayed balancing influence will demonstrate ‘s-curve’ style growth. The reinforcing loop produces a period of accelerating growth or expansion, which then slows and eventually comes to a halt under the delayed influence of the balancing effect. A classic learning curve follows this pattern.

Sustained growth can not achieved by simply encouraging the reinforcing process, but must be unlocked by removing or weakening the balancing influence that is creating the limitation to sustained growth.

Using Systems Thinking

- Work in groups: developing an influence diagram as a group exercise forces everyone to explicitly list the factors that matter in the system and then decide on the relationships between them.
- Use the influence diagram and tree to identify areas of study at the very beginning of the work and intermittently thereafter for further direction.
- An influence diagram can include both quantitative and qualitative factors and relationships.
- The tree and influence diagram can be used to inform the construction of quantitative models using software such as [Vensim](https://www.ven性疾病s.com) (free for personal use), [ithink](https://www.ithink.com) or [Powersim](https://www.powersim.com), which can be used to...
simulate system behaviour. (Note that the model’s usefulness will be limited by the difficulty of meaningfully defining a mathematical algorithm for each influence or relationship).

- This approach is best used for designing and testing interventions, rather than designing systems.

**Strengths**

- Systems thinking can generate new insights into the drivers of a dynamically complex issue.
- The systems approach provides a powerful way for project teams to establish a shared agenda for addressing a problem. It allows development of consensus and ownership, leading to shared commitment to decision making.
- It ensures feedback loops are recognised and incorporated into policy design.
- The systems approach provides a powerful way for project teams to reach a shared understanding of how a system operates.

**Weaknesses**

- It is very easy to overcomplicate the system map and lose the key insights. It is important to focus on the key feedback loops and cut out the less important links.
- The process can be significantly undermined by team members who:
  - dislike the approach and are out to prove it does not work
  - are committed to a prior solution or who are fixated on finding "a solution"
  - have hidden agendas that they are unwilling to disclose.

**References**

“Systems Failure” by Jake Chapman (Demos)


Checkland, P and Scholes, J, "Soft Systems Methodology in Action", Wiley 1990 which provides a thorough update of the methodology together with several extended examples.

"Practical Soft Systems Analysis" by D. Patching, FT Prentice Hall 1990 provides a simple step by step introduction


The [Mind Tools](http://www.mindtools.com) website provides an introduction to system thinking and the behaviour of feedback loops.

**Rich Pictures** are another creative way of representing systems.

“Systems Thinking: a practice guide” by Business Dynamics, IBM Business Consulting Services (trevor.cooper@uk.ibm.com)

**Business Dynamics: Systems Thinking and Modelling for a Complex World** . By John Sterman

Structuring the thinking - Systems thinking

In Practice: SU Deprived Areas Project

The Deprived Areas team wanted to examine the dynamics of deprived areas, mapping out the factors that, when combined, can 'lock' an area into deprivation. The existence of a 'vicious circle' in deprived areas had been indicated by academic studies and regeneration practitioners and the team wished to amalgamate the studies and combine them with further research to understand all of the factors contributing to this vicious circle. The team used evidence from visits to deprived areas, interviews with regeneration practitioners and academic studies to start building up a picture of the links in the cycle. It soon became clear that a multiplicity of factors were contributing to the 'cycle of decline', including factors relating to the operation of the housing market, incentives to work, and social capital. A very complex influence diagram containing around 40 linked factors was developed.

The cycle of decline proved a useful tool in the following ways:

- It illustrated the importance of linking physical regeneration (housing, environment) with economic, 'work-focused' factors and social factors, with implications for government policy towards deprived areas.
- It showed where the performance of public services can perpetuate the problems in deprived areas, and therefore where government can take action immediately.
- It showed how some factors, e.g. poor health, appeared to be mainly an outcome of deprivation, rather than a driver, with implications for priorities for public expenditure in deprived areas.
- It allowed the team to identify where interventions might be effective in 'breaking' the cycle and helping areas to regenerate.

Further development of the cycle included analysis of where different drivers might apply to different types of deprived area, and work to show how successful interventions in the main drivers might create a 'cycle of success'.
A SWOT analysis can be a useful way of summarising the relationship between environmental influences and core competencies and hence framing the agenda for developing new strategies. It can be simply understood as the examination of an organisation’s or a strategy’s internal Strengths and Weaknesses, and its external Opportunities and Threats.

How to use SWOT
Identify the external factors acting upon the organisation or policy area using tools and methods such as PESTLE and market analysis (including five forces). Undertake the same process in terms of internal resources and competencies, using tools such as organisational analysis.

Use the SWOT framework, as shown below, to summaries the findings of these exercises.

<table>
<thead>
<tr>
<th></th>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td><strong>Internal</strong></td>
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<tr>
<td><strong>External</strong></td>
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<tr>
<td><strong>Opportunities</strong></td>
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<tr>
<td><strong>Threats</strong></td>
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</table>

List specific items related to the issue at hand under the appropriate heading in the table. It is best to limit the list to 10 or fewer points per heading and to avoid over-generalisations. Use evidence to answer the following, or similar, questions:

**Strengths**
- What are the/our advantages?
- What does the strategy/policy/service/sector do well?
- What do other people see as its/our strengths?

**Weaknesses**
- What could be improved?
- What does the strategy/policy/service/sector do badly?
- What do other people see as its weaknesses?
- What should be avoided?
- Are there other similar services, strategies, policies etc that are doing better?
Opportunities

- Where are the good opportunities?
- What are the interesting trends that you are aware of?

Useful opportunities can come from such things as changes in technology and markets on both a broad and narrow scale, changes in social patterns, population profiles, lifestyle changes and local events.

Threats

- What are the obstacles to improving performance/delivery etc?
- Are the required specifications for the service/strategy/policy changing?
- Is the strategy/policy/service sector under pressure as a result of changes in circumstances, demand/expectations? Is changing technology threatening your position?

This analysis should provide some useful insights that will help to ensure that the strategy capitalises on identified strengths and minimises or eliminates weaknesses, takes advantage of opportunities and avoids or lessens threats.

Strengths

- A useful way of summarising and combining previous analyses.
- Can be used as framework for a "quick and dirty" brainstorming of a situation.

Weaknesses

- Definition of factors as opportunities or threats is not always clear: choice of strategic direction may influence whether external factors are threats or opportunities. Separation of strategic analysis from strategic choice is therefore somewhat artificial.
- SWOT analysis is sometimes used to brainstorm ideas at the beginning of analysis rather than as a tool for summarising findings of analysis. Using the tool in this way can be very subjective and should therefore not be relied on heavily, as two people or groups rarely come-up with the same final version of SWOT. If SWOT analysis is used in this way it should be revisited following further analysis.
- Bear in mind that while the SWOT model helps summarise external opportunities and threats, opportunities and threats can also be internal.

References


Exploring Corporate Strategy, Gerry Johnson and Kevan Scholes
Structuring the thinking - SWOT

In Practice: SU Alcohol Misuse Project

The team constructed a SWOT analysis following some preliminary research and discussions with key stakeholders in order to:

- Summarise the assessment of the strengths, weaknesses, opportunities and threats within the UK drinks industry
- Provide an easily accessible framework for identifying the relevant commercial issues affecting the UK drinks industry
- Build a picture of the general business drivers within the UK drinks industry
- Crystallise key trends, issues and considerations.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Internal</td>
<td></td>
</tr>
<tr>
<td>1. Strong brand awareness, powerful international brands</td>
<td>1. Near monopolies or duopolies exist in many segments, making barriers to entry high</td>
</tr>
<tr>
<td>2. Multi-nationals have developed profitable scale economies</td>
<td>2. Large multiple retailers have increasing buying power</td>
</tr>
<tr>
<td>3. Drinks brands are flexible and can be adjusted to reflect changing tastes</td>
<td>3. Production costs are relatively low leading to low cost imitations</td>
</tr>
<tr>
<td>4. Greater diversity of catering outlets and venues with bars have opened up to new markets for drinks</td>
<td>4. Exports for traditional British products are weak</td>
</tr>
<tr>
<td>5. Multiple grocers can give drinks large areas of display in the superstores</td>
<td>5. Pressure from Alcohol Concern etc</td>
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</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
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<tbody>
<tr>
<td>External</td>
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<tr>
<td>1. Consumption of some drinks is still lower in the UK than in other countries, leaving room for increases in per capita consumption</td>
<td>1. Since production costs are low and marketing costs are high, drinks brands are always under threat from own label products and other brands</td>
</tr>
<tr>
<td>2. Young consumers' thirst for novelty presents an opportunity for continuous innovation</td>
<td>2. Alcopop’s cannibalising beer and cider</td>
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<tr>
<td>3. Further de-regulation of the licensing laws will extend the opportunities for distributing drink in the on-trade</td>
<td>3. Flavoured water cannibalising carbonates</td>
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<td>4. Contraband and legitimate products bought across borders and present a threat to profitability</td>
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<td></td>
<td>5. Smaller companies are constantly faced with the threat that their launches might be overshadowed by large multi-national marketing budgets</td>
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<tr>
<td></td>
<td>6. Mergers will be heavily supervised by government as the industry continues to consolidate</td>
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</table>
PESTLE

> in practice

PESTLE analysis aims to identify and summarise environmental influences on an organisation or policy.

PEST analysis involves identifying the political, economic, socio-cultural and technological influences on an organisation - providing a way of auditing the environmental influences that have impacted on an organisation or policy in the past and how they might do so in future.

Increasingly when carrying out analysis of environmental or external influences, legal factors have been separated out from political factors (due to increasing legal influences outside national political systems, such as European and regional legislation). The increasing acknowledgement of the significance of environmental factors has also led to Environment becoming a further general category, hence 'PESTLE analysis' becoming an increasingly used and recognised term, replacing the traditional 'PEST analysis':

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<td>political</td>
<td>economic</td>
<td>socio-cultural</td>
<td>technological</td>
<td>legal</td>
<td>environmental</td>
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</tbody>
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The following can be used as a checklist to consider and prompt analysis of the different influences. The model can then be used to inform and guide further analysis.

1. Which of the environmental factors are affecting the organisation?
2. Which of these are the most important at the present time? In the next few years?

Political
- Taxation policy
- Local government / devolved administrations

Economic
- Business cycles
- GNP trends
- Interest rates
- Inflation
- Unemployment
- Disposable income

Socio-cultural
- Population demographics
• Income distribution
• Social mobility
• Lifestyle changes
• Attitudes to work and leisure
• Consumerism
• Levels of education

Technological
• New discoveries
• ICT developments
• Speed of technology transfer
• Rates of obsolescence

Legal
• International/European Agreement/Law
• Employment Law
• Competition Law
• Health & Safety Law
• Regional legislation

Environmental
• Environmental impact
• Environmental legislation
• Energy consumption
• Waste disposal

The items in the list above are of limited value if they are merely seen as a listing of influences. It is therefore important that the implications of the factors are understood. It may be possible to identify a number of structural drivers of change, which are forces likely to affect the structure of an industry, sector or market. It will be the combined effect of some of these separate factors that will be important, rather than the factors separately. A good example can be found in the forces which are leading to increased globalisation of industries and markets.

It is particularly important that PEST(LE) is used to look at the future impact of external factors, which may be different from their past impact. Using scenarios may help with this.

PEST(LE) analysis may also help to examine the differential impact of external influences on organisations either historically or in terms of likely future impact. This approach builds on the identification of key trends and asks to what extent they will affect different organisations.

Strengths
• Straightforward, easy to grasp tool
• Broad categories, covering major environmental factors – can prioritise specifics for own policy area
• Can generate a lot of material about influences
• Can help to identify the long term drivers of change which can be built into scenarios

Weaknesses
• Will be of limited use unless the results are used to inform and guide analysis.
• Of limited use unless there is some analysis of the differential impact of the trends – need also to indicate which can combine to greater effect and which might cancel each other out.

References
Exploring Corporate Strategy-Gerry Johnson, Kevan Scholes)
Structuring the thinking - PESTLE

In Practice: SU Alcohol Misuse Project

The team constructed a PEST analysis from the viewpoint of industry following some preliminary research and discussions with key stakeholders in order to:

- Provide a framework for understanding the macro environment in which the drinks industry operates
- Provide a means of identifying key external trends to feed into decision making
- Identify key areas of relevance to policy making
- Provide a distillation of key themes and considerations

POLITICAL

- Concern about binge drinking and anti-social behaviour
- Government use increased demand for alcohol as a way of boosting indirect tax revenues. No harmonisation across the EU which means cross border shopping is common
- Duty Free trading abolished in the EU in 1999 with little affect on the drinks industry
- International consolidation had led the EU to pay attention to cross-border mergers as they influence domestic markets

ECONOMIC

- Rising consumption has been linked to an increase in the relative affordability of alcohol, and in particular increases in consumer's disposable incomes
- Price fluctuation can be dictated by global commodity markets which gives multi-nationals an advantage
- Increasing price differential between on and off trade

SOCIO-CULTURAL

- Drinking is built into the social fabric
- Recent upsurge in café culture
- Increase in eating out and in holidaying overseas - impact on consumption of wine and bottled water
- Increases in under age drinking
- Health of consumers

TECHNOLOGICAL

- packaging
- bottling
- influence of the Internet and eCommerce

LEGAL

- Licensing Act 2003
- Private Security Industries Act 2003
- Beer Orders and other changes to Competition Law in the 1990s

ENVIRONMENTAL

- Increasingly focus on the sustainability agenda - and corporate social responsibility
Creativity techniques

Creativity tools are used to help policy makers develop innovative solutions to problems and spot opportunities that might not be identified through more conventional analysis and policymaking approaches.

There are a number of different creative techniques that can be useful when approaching a strategy project. These include Brainstorming, ?WhatIf!’s 4Rs, Synectics’ idea development model, and Edward de Bono’s Thinking Hats.

Brainstorming

The brain is a very powerful instrument. It learns responses based upon previous experiences. This can be very useful - we do not have to learn how to get dressed every day, we know that pants go on before trousers (usually). ?WhatIf! describe these regular responses as ‘rivers of thought’. When faced with a problem, we automatically start exploring the things we know for a solution. But radical solutions are never going to be found within the problem area. We have to force our brains to jump out of the well-worn river channel into another one. There are a number of brainstorming techniques to encourage this out-of-the-box thinking. ?WhatIf!’s technique is called the ‘4 Rs’.

?What If!’s 4 Rs

This is the technique that feels most creative - and it is also the easiest to do and is very effective. There are 2 rules: the random item must be truly random; and you must find a connection. The random item can be physical (a tennis ball, some feathers, a glove . . .) or a word picked at random from a book or a list of words. The technique then involves thinking about the characteristics of the random stimulus, and applying them back to your problem.

Example: You are looking at the problem of young adults’ education; your random object is a pack of sweets. The sort of connections you may start to make might include:

- Sweets are small treats – divide courses into very short sessions, about a day, with a reward for each day completed.
- Sweets are full of sugar, which gives you energy – emphasise how learning makes you more interested in learning more.
- A packet of sweets is easy to carry around – make course notes into pocket books, or put them onto CD so people can study on the move.

There are thousands of other connections that can be made. Each of these ideas would collapse easily if faced with criticism at this stage; so they need to be built upon, greenhoused, and support built up around them. An idea should never be discarded until it has been given a chance.
**Revolution**
This is creativity at its most provocative. It is the deliberate challenging of rules and assumptions. Very often, our ability to come up with innovative ideas is limited by the rules of our own particular river. Revolution breaks those rules. Here are 5 questions that may get you started:

- What if we did nothing?
- What if we had to do it at half the cost? - reduce adult learning courses to bare essentials and have ‘key points’ packs
- What if demand was twice as high? - energy may lead to home study groups
- What if we reversed the process? - young adults have to teach a skill to others
- What if we exaggerated the issue? - information everywhere: billboards with dates of major battles, bus tickets with useful foreign words

**Re-expression**
The way tasks and issues are expressed tends to be limited. We rely on jargon, which send us off down the same old rivers of thought. Describing the problem in a different way can make the brain jump to a new river. Re-expression is a way to do this:

- Re-express with alternative words
- Re-express using different senses
- Re-express from someone else’s perspective (e.g. a child, an alien)
- How would it appear to Napoleon? Or Abraham Lincoln? Or Florence Nightingale?

**Related worlds**
Never assume you are the only person to have faced an issue like the one you are facing, or that you cannot learn from the world around you. Related worlds is a technique that allows you to harness the experience of others in a creative way. For example, the roll-on deodorant was invented by stealing the principles from ball-point pens.

- importance of ‘freshness’
- visit other businesses
- talk to people not in the field
- look in other disciplines (e.g. nature)

See the in practice example from the Strategy Unit Workforce Development project.

**Synectics: Developing an idea from a brainstorming session**
Brainstorming sessions are great for generating hundreds of ideas and building up energy and motivation within a team. The danger is that all this will be lost if the ideas are not developed and are either abandoned or shared too soon.

Synectics is a creativity consultancy that has pioneered a way to develop ideas beyond the initial phase to really implementable new solutions. They have a model that can be represented by the diamond shape below:
Beyond the 4th stage, Selection, is the main part of the diamond, where most of the work takes place and where the hundreds of ideas that were created in the top half are turned from the intriguing or appealing into a few that are really workable. For each idea, one needs to list all the benefits that will come from it and all the major concerns that you associate with it. Then use the rest of the team to brainstorm possible solutions to these mini-problems phrased in a positive way. Between the problem and the ideal solution are many small hurdles, but each can be fenced off and dealt with individually. This stops you from feeling that the ideal solution is so far away from where you are now that it is unattainable.

...by dealing with each of these on its own – so you can move along the line from problem to solution.
For example, Sub-problem: My colleagues will think it's a stupid idea

This is a problem because without their support I’ll never get the resources I need to develop and implement the idea. I wish I could show them how this would work. If I built a model, or tried it out on our office team, or found a case study, then I could demonstrate the benefits to them. But I do not have time to do this.

You’ve hit another hurdle, so it's through the process again. I wish I could find the time to run a demonstration of my idea. If I could delegate some more of my work, change my working hours to devote half a day a week to this, agree with my manager that the report on ABC can wait for a month . . .And so on.

**Edward de Bono's Six Thinking Hats®**

Edward de Bono's Six Thinking Hats ® technique can help to organise thinking and make it more effective and more powerful. The approach is widely used by multi-national organisations, such as Siemens, IBM and Shell.

The hats represent alternative perspectives from which to view an issue. By wearing one hat at a time, the energy of the team can be focused in a particular direction allowing opinions and ideas to be expressed more freely, and unnecessary conflict to be avoided.

The benefits of using the Six Hats include:

- accessing the intelligence and knowledge of all the group
- limiting opportunities for argument and counter argument
- saving time through parallel thinking
- cutting down on ego and power displays
- giving each aspect of the issue time and space to be discussed.

The six hats are each given a different colour:

- The white hat is neutral and focuses exclusively and directly on the facts
- The red hat allows for emotions and intuition
- The black hat advises caution, pointing out the risks, threats and obstacles
- The yellow hat sets out to find the benefits and how an idea might be put into practice
- The green hat is used to put forward new ideas, building upon existing proposals
- The blue hat defines the problem and organises the thinking.

**Lessons from trying to be creative**

1. It can take time. After the excitement of a creativity session, the plunge back into day-to-day working can be depressing. The wonderful ideas seem to have been shelved, the camaraderie and motivation seems to have disappeared. We found this was all normal. Synectics describes the Path of Innovation like this:
2. Some changes are only small. The ideas may include ways to change the world, and if the changes you manage to implement are small – new organisational changes for instance – there may be a tendency to feel downhearted. Don’t be, small changes can have more effect than you think. Which leads to:

3. Change the atmosphere and culture first. Making a place feel creative is something that is fun and easy to do – by legitimising the creative process in this way (brainstorming rooms; office art; a new language; and so on) so you encourage bravery which is key to people being creative.

Strengths
- Creativity tools can generate radical and innovative solutions
- Lots of fun and can help with team building

Weaknesses
- Radical ideas are often not developed after the session and policy makers fall back on “safe options”

References
There are hundreds of books on creative thinking, and you’ll find the ideas touched upon here repeated in very similar ways. The information above is drawn mainly from:


Synectics
These other web links to free creativity resources may also be useful:
globalideasbank - A suggestion box for socially innovative non-technological ideas and projects
brainstorming
creativityatwork
creativitypool
Structuring the thinking - Creativity techniques

In Practice: SU Workforce Development Project

Towards the end of the analysis phase of the Workforce Development project the team organised an away day to begin the transition towards policy formation. Through the related worlds exercise the team alighted on the comparison of Workforce Development with that of health and fitness. Despite being considered ‘good for you’, participation in exercise and trends in healthy eating seem to have boomed in recent years. How had this been achieved and what lessons might be learnt for WfD policies around motivation, incentives and strategies to stimulate demand for training and skills development?

Initially a brainstorm on the characteristics of the health and fitness market and attitudes towards it threw up some useful insights into drivers of demand, for example:

Health and fitness:
- seems to have become fashionable/a status symbol
- wide variations in participation and cultures: young professionals vs. the couch potato
- growing market in healthy eating - many consumers are prepared to pay more for ‘organic’ foods perceived as higher quality and not mass produced or necessarily homogenous
- expression of interest - fitness can often be overridden by other commitments and time pressures (or these are blamed when real motivation is lacking)
- scare tactics have been important in changing mindsets (heart disease, smoking etc) but they only work with some people
- it’s the outcome that sells the product as the process itself is not intrinsically attractive: "if it makes you thin, rich and sexy it will sell".

Next, ideas around how health and fitness might be further encouraged in the future were explored. These ranged from scientific advances enabling us to produce healthy ice cream and pizza to incentivising employees to cycle to work by providing those who do with a 'free (organic) lunch'.

Thinking about a related world was refreshing for the team as it emerged from the intense analysis phase. The exercise provided the space and stimulation to throw new light on what drives peoples' behaviour. The ideas that came out of the session had a direct bearing on some of the principles that informed the project's final recommendations, for example:

- The need for training provision to be responsive to consumer need and not 'mass produced' or 'homogenous' in the way it is designed and delivered

Training isn’t very ‘sexy’: need to focus on and sell the outcomes rather than the process. The message can be positive but can also come down to scare tactics - "train or else" - especially in terms of business innovation and competitiveness.
Evidence plays a central role in strategy development by helping to establish a factual understanding of the issues in hand, and by informing the selection of possible solutions with the reality check of what is likely to work.

Evidence can take many forms, but for most projects it will be based on activities including:

- analysing key patterns in sectoral data
- analysing public attitudes, behaviours and expectations
- identifying international best practice examples which can provide some guide to potential futures for the UK
- developing hypotheses about trends and causal links, and testing these hypotheses against available data.

Early links should be established with government specialists to identify the full range of data types and sources available and the extent of work already done on related issues. Data that is not already available may need to be collected using methods such as surveys or interviews and focus groups.

Analysing the data that has been collected in order to generate understanding and insights will form the core of the project’s analytical effort. Various forms of modelling can be used to understand the relationships between variables, while market analysis and organisational analysis can be used to provide context for the emerging strategy.

Further context, in the form of international comparisons and benchmarking, that provides a comparison with similar policy areas or other countries, is often another useful way to identify new approaches.

Finally, the evidence base on which strategy is developed needs to not only cover the present day, but also likely future developments. Forecasting can be used to extrapolate current trends, scenario development can help identify a number of possible alternative futures, and counterfactual analysis can help predict what is likely to happen without change to government policy and with a continuation of expected drivers of change.
Collecting data - Data types & sources

> in practice

Strategy work needs to be informed by the highest quality and most up-to-date data and knowledge possible. Those involved in strategy work need to be aware of the breadth of data types and sources available, and be ‘intelligent consumers’ to know how to bring it to bear in a timely fashion to inform their thinking.

However, strategic thinking should not be paralysed by the absence of perfect information. Instead a pragmatic approach is needed to make judgements and take decisions based on the data available at the time. Strategies need to be adaptable enough to respond to new data as it emerges.

Data Types

The broadest and perhaps most common distinction is between quantitative and qualitative data types:

- **Quantitative**: numerical data that can be measured in units – time, money, volume, percentage etc.
- **Qualitative**: descriptive data that uses words to record observations, thoughts or opinions.

Quantitative data can be generated by measurement or by asking closed questions, while qualitative data is typically generated by observation or by asking open-ended questions. While insights can be gained from isolated pieces of either quantitative or qualitative data, strategic decisions need to be based on reliably representative or statistically significant data. Specialist advice should be sought if the validity of data is in question.

Another broad distinction can be drawn between data that are:

- **Cross-sectional**: observations collected at a single point in time
- **Longitudinal**: observations collected over a period of time.

Cross-sectional data provide a snap shot, while longitudinal data allow trends to be observed over time. Longitudinal data, by its nature, takes longer to produce and is hence more costly, however it overcomes the bias inherent in cross sectional data when, for example, examining the variation in a variable with age.

Data can also be distinguished by the use to which they will be put. Typical uses of data in strategy work include measuring or describing:

- Trends – the changing state of the world over time
- Preferences – what the public and stakeholders value, and what they think about certain issues
- Finance – how much is spent, lost, earned, saved, invested etc
- Performance – the outputs or outcomes of an intervention or service
- Evaluation – how well an intervention addresses the underlying issues
- Impacts – the level and nature of unintended consequences of an intervention
- Benchmarks – how the current situation compares to other similar situations
- Forecasts – what the future may hold.

**Government Specialists**

To ensure that strategy work is based on the best data and knowledge available it often needs to draw on experts or specialists – either for their superior content knowledge or their skill in collecting and handling particular forms of data. There are number of specialisms within government that can provide expertise in different forms of data collection, interpretation and analysis. These include:
Economists

Economics is concerned with macro issues of the economy as a whole – inflation, interest rates, employment, taxation, government spending etc, as well as micro issues such as resources allocation, labour supply, pricing, and consumer behaviour. Much of the work of economists is concerned with bringing an analysis of these issues to bear in determining the nature of economic and social problems and their causes, establishing the rationale for government intervention and the role of markets, and designing and appraising policy options. A chief economist in each department heads the economics specialism. See the Government Economic Service website for details of the kind of roles that economists play in each department.

Operational Researchers

Operational Research is the application of scientific methods to management problems. It aims to provide a rational basis for decision-making, by understanding and structuring complex situations. Often this involves building mathematical models to predict system behaviour and thereby assist the planning of changes to the system. Contact the Government Operational Research Service.

Scientists

The Office of Science and Technology leads for government in supporting excellent science, engineering and technology and their uses to benefit society and the economy. The OST also hosts ForeSight which aims to increase UK exploitation of science by either identifying potential opportunities for the economy or society from new science and technology, or considering how future science and technology could address key future challenges for society.

Social Researchers

Social research is about measuring, describing, explaining and predicting social and economic phenomena. In government, this relates to policy development, implementation and delivery and to the estimation of policy impacts and outcomes. Social research explores social and economic structures, attitudes, values and behaviours and the factors which motivate and constrain individuals and groups in society. Contact Government Social Research.

Statisticians

National Statistics provides up-to-date, comprehensive and meaningful data on the UK's economy, population and society that can be used to create evidence-based policies and monitor performance against them.

Data Sources

The data and knowledge that inform strategy development and strategic thinking can and should come from a wide range of sources. Specific arrangements may be required in each situation to benefit from more informal sources such as the first-hand experience of front life professionals, but for more systemised data, there are a large number of readily accessible sources.

Learning from experience

There are many ways of ensuring that up-to-date data and learning from the front-line is fed back into strategic thinking, including:

- Publishing early drafts of proposals to elicit challenge and feedback
- Using pilots and controlled experiments to test out options
- Engaging stakeholder communities in ongoing dialogue
- Identifying best practice and looking for lessons that can be learned
- Encouraging horizontal networks of professionals, operating units and front-line staff to enable experience to be quickly shared
- Responding to informal information and gossip (the NASA lesson from the Shuttle disaster)
- Granting flexibility to innovate and break the rules (e.g. Health Action Zones) with "venture capital" equivalents to finance promising new ideas
- Establishing contestability in public services to encourage new entrants and innovation (as in prisons and welfare)
- Commissioning real time evaluations as well as formal ex-post evaluations

Learning from systematised data

Strategy work should make full use of the enormous volume of data that is routinely captured and systemised for publication by a wide range of institutions. Much of this data is readily accessible, often without charge via the internet. Techniques such as systematic reviews and meta-analysis (explained further...
in *The Magenta Book*) are rigorous methods of consolidating what is already known about a topic, and should be explored before initiating any new systematic data capture. Useful data sources include:

**Bank of England Monetary and Financial Statistics**: The Bank of England publishes a large range of banking, monetary and financial statistics. Most of the series can be download as Excel files. Perhaps the most useful publication is the annual Statistics Abstract.

**CIA World Factbook**: CIA site providing a host of economic and other data, on a country basis. Simply click on the country.

**EconData**: (University of Maryland): US and international economic time series data.

**EcoWin**: this is a Swedish site, much of which requires registration, but it does have a free graphing facility from its databases, which cover all the major countries. The graphs are excellent and can easily be copied and pasted into PowerPoint or Word documents.

**Eurostat**: provides selected European Community statistics.

**IMF**: country reports for all countries of the world can be found on the IMF website. Three particularly useful publications are the World Economic Outlook, Annual Report and International Capital Markets. Each of these has a large statistical annex.

**Financial Times**: provides archive articles and statistics on a wide range of economic and business related issues.

**Guide to Official Statistics**: this is a directory of all statistical censuses, surveys, administrative system, publications and other services produced by government and a range of other organisations in the UK. It was produced by the former Office of National Statistics (ONS) in 2000, so may now be a little out of date.

**HM Treasury**: a useful source of UK data. The *Economic Data and Tools*, and the *Budget* sections are particularly useful. The *Economic Data and Tools* section contains *Latest Economic Indicators* which in addition to providing recent data releases, also contains the *Pocket Data Book*. This is a very useful monthly publication that downloads as an Excel Spreadsheet, with 28 tables containing time series data for a range of national and international indicators, going back to 1980.

**Institute of Fiscal Studies**: an independent research body, looking particularly at the UK tax system, considering the likely effects of fiscal policy on different sections of the population.

**MIMAS** (Manchester University): stores data from the 1981 and 1991 Censuses, UK government surveys, international macro-economic time series and geographical and satellite sources. Users need to register with the service.

**National Statistics**: National Statistics (formerly ONS) data sets are now freely available. The *Time Series Data* section of the website contains PDF versions of many documents, and downloadable Excel files of the data. Documents include: the *Blue Book*, the *Pink Book*, *Labour Market Trends*, *Scottish Economic Statistics*, *New Earnings Survey*, *Family Spending*, *Social Trends*, *Regional Trends*, *Agriculture in the UK*, the *Annual Abstract* and the *Monthly Digest of Statistics*. Tables from other publications including *Economic Trends* (Monthly and Annual Supplement) and *Financial Statistics* are also available.

**OECD**: provides a host of statistics on OECD countries. There is also the OECD Economic Outlook, a six-monthly publication which contains macroeconomic data for each of the 30 OECD countries, the EU15, the Euro area and the OECD as a whole. The data typically covers 20 years with forecasts ahead for the next 2 years.

**Policy Library**: a social, economic and foreign policy resource that covers a wide range of topics and sectors, and provides links to additional sources of information on each topic.

**The Economist**: the website provides archives of previous articles and special reports and surveys. The *Economic Intelligence Unit Country Briefings* also provide a good source of country information. Simply click on the country to get a selection of statistics (under Country Profile), and briefing articles.

**UK Data Archive** (University of Essex): contains several thousand UK, European and International data sets for the social sciences and humanities from government, academic and commercial sources. Data sets can be downloaded from the internet or ordered, although this requires registration.
World Bank Data Sets: the World Bank site contains a vast database of economic, social and other development statistics for all countries of the world. Data can be accessed by country, by topic or by using a data query (from 54 indicators, 5 years and over 200 countries.) The World Bank also publishes its annual World Development Report.

There are also a number of specialist social science databases including: Policyfile, Psycit, Sociofile, and Social Science Abstracts. Online social science data sources include Econlit, PAIS, EPPI-Centre Library, the Campbell Library, the Cochrane Library, the National Electronic Library of Health, and the ESRC Evidence Network. Further detail on these sources can be found in The Magenta Book.

Other sources include departmental websites and libraries, which can provide departmental specific data and links to other useful sites. It can also be beneficial to search relevant academic and trade journals or magazines and visit specialist libraries.

References
Research Design, Catherine Hakim
Approaches to Social Science Research, Royce Singleton, Bruce C Straits & Margaret Miller Straits

For details of both major longitudinal and cross-sectional surveys in the UK see the UK Data Archive list of Major Studies.

Collecting data - Data types & sources

In Practice: SU Benchmarking Exercise

The SU undertook an exercise to benchmark UK performance against other developed countries across a broad spectrum of economic and social indicators. A key task in this was data collection and analysis. Our approach was to break down the exercise into several thematic, though related, strands, which each began with a somewhat informal wish list of data and evidence. One of the lessons we learnt early on, however, was that some of the desired data simply did not exist, and much of what was available needed a good deal of reconfiguring and interpretation.

For the broad range of the issues we were considering, an obvious source of national and international data was the Office of National Statistics. Alongside the ONS, we found data and information from several other Government Departments available on their web sites - some better than others, but all providing clues and leads to other potential sources.

The team also made use of a number of other sources. In particular, we found the OECD an excellent source for a broad range of international data, and similarly the European Commission. Both offered fast access to data over the internet, though a slight drawback is that much of the more detailed data and analysis produced by these organisations remains limited to subscribers only. Other sources such as the UK based National Institute of Economic and Social Research (NIESR), the World Bank, and the International Monetary Fund also proved to be good sources for comparative international data.

Alongside these sources, we found web-based searches threw up a wide variety of useful data and evidence, particularly recent academic studies, which in some cases prompted us to contact authors directly for more. Wading through internet search returns, however, proved a frustrating and time-consuming exercise at times, highlighting the importance of thinking carefully about the key words and phrases used.
Collecting data - Surveys

Surveys are a means of developing a broad, representative understanding of a situation, social attitudes or prevalent behaviour.

It is helpful to first identify whether survey data is actually required or whether it is more appropriate to use data collected through other means such as focus groups, interviews with experts or practitioners or email discussion groups.

If a survey data is considered necessary, a search should be conducted for previous surveys that have been undertaken that could provide raw data required. The ONS’s Guide to Official Statistics is a good starting point. If the data does already exist this would save considerable time and expense.

If a survey is to be conducted, it may be necessary to commission a market research company to undertake the work. This can be particularly helpful if a large amount of data needs to be collected in a short period of time. The company will also have experience of what makes a good survey, and can feed best practice into its design. However, it will be expensive and will also take some time to tender for the job, design the survey and train the market researchers to conduct it successfully. This timing should be incorporated into the project plan.

Types of Survey Data

Most surveys contain cross-sectional data. This provides a snapshot at a point in time. A typical cross-sectional survey asks a random sample of the population the same questionnaire. As long as the sample is statistically representative, then it will give a clear guide to what answers the whole population would have given to the same questions. The larger the sample, the more confident you can be that the survey accurately represents the population's viewpoint.

Alternatively a longitudinal survey may be appropriate. These trace the same individuals over time. They may range from short-term panel studies, such as when the same people are asked the same questions before and after a big event, to comprehensive studies that track individuals – and even whole families or households – over a life-time, enabling causal links to be more confidently established than when based on one-off surveys. Longitudinal data can therefore be used to analyse the impacts of policy over time (for instance over an individual's lifetime or between generations) and also permit the analysis of how policy interventions may affect the future.

Things to consider when designing a survey

Designing a survey is a complex task and should usually be done in collaboration with a government social researcher or specialist market research firm. Before starting to design a survey, there are a number of questions that need to be considered:

- **The purpose of the survey**: a survey can either be descriptive or explanatory. A descriptive survey describes the distribution within a population of certain characteristics, attitudes or experience. An explanatory survey investigates the relationship between two or more variables. Explanatory surveys require that all variables that might be important are identified and measured during the data collection process.

- **A structured or an unstructured approach**: structured approaches are useful for hypothesis testing. Unstructured approaches are more useful for acquiring population data in an area where little research has been done.

- **Quantitative or qualitative data**: which type of data is more appropriate?
• **The "population" and “sub-groups” to be studied:** the sample to be surveyed needs to be carefully selected to ensure that the findings are similar to those found amongst your target population. There are three basic types of sampling:

1. **Probability sampling.** This includes random sampling, systematic sampling (similar to random sampling but some element of selection e.g. every 100th person in directory), and cluster sampling (e.g. pupils in a particular school). Consideration needs to be given to the ‘sampling frame’ – such as the voting register, telephone book etc. If the sampling frame is biased, such as richer people being ex-directory or poorer people avoiding the voting register, then this problem will be reflected in the sample.

2. **Non-probability sampling.** This can be useful when there is insufficient information about the population (i.e. there is uncertainty about how many people or events make up the population) or the population is intrinsically difficult to survey e.g. the homeless. Non probability sampling techniques include purposive sampling (e.g. the sample is handpicked) or snowballing (those identified for inclusion in the sample nominate others). Caution must be taken in generalising from such samples.

3. **Stratified sampling.** This involves dividing the sampling frame into segments and ‘over-sampling’ sections of the population. For example, a survey might deliberately over-sample young people or ethnic minorities in order to ensure that there are sufficient in the sample to make reliable statistical comparisons. Such samples can be ‘re-weighted’ to give averages that are representative of the whole population. Stratified sampling is usually necessary for sub group analysis.

• **Optimum sample size:** the sample size needs to be an adequate size, in order to generalise from the survey's findings. Provided that the sample size is representative of the target population, the larger the sample size, the more confident you can be that the results are an accurate reflection of the population as a whole. The key factor is the absolute size of the sample, rather than the proportion of the population that gets included in the sample. Adequate samples can be estimated from the expected variation in the major variables of interest, and will therefore depend on the specific question or hypothesis to be tested. As a general rule of thumb, adequate samples will generally involve more than 30 events or people. Most market research companies use samples of around 1000-2000. However, other factors to consider when deciding on the sample size include the likely response rate, the desired level of accuracy, sub-divisions in the data etc. For example, if the survey seeks to discover not only the general attitude towards an issue, but also that of married men under 40, single parents etc, then a larger sample will be needed. Advice from a statistician or social researcher will help to ensure that the chosen sample size will yield reliable and relevant data.

• **Data collection method:** there are a variety of different methods for actually collecting survey data. Each has pros and cons:

   1. self-completion postal questionnaires: this can be expensive and the typically low response rates, can result is a selection bias and hence doubt in the validity of the findings.

   2. face to face interviews: market researchers may approach people in the street, or call at people’s homes. On other occasions contact will be made in advance by phone or letter. Response rate is usually higher than for postal surveys but face to face interviews tend to be more expensive. Decisions will need to be made about whether the interviews are to be structured, unstructured or partially structured.

   3. telephone interviews: these are quicker and cheaper than face to face interviews, but have the highest non-response rate because people are less inhibited about saying no over the phone.

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**Checklist for Designing a Survey or Questionnaire**

1. Wording of the questions:
   - Style of question should be suited to target group e.g. children or professionals. The table below provides some alternative styles.
   - Respondents should only be required to answer about themselves, not others
   - Avoid the use of leading questions

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*Page 120*
- Avoid asking the same question twice in different ways
- Avoid double barrelled questions
- Avoid double negatives
- Beware of ambiguous terms (e.g. lunch versus dinner)
- Make sure the wording is unambiguous and avoid jargon
- Keep questions short and straightforward

<table>
<thead>
<tr>
<th>Type</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Statement</td>
<td>What do you think about the UK’s membership of the European Union?</td>
</tr>
<tr>
<td>A list</td>
<td>Please list the issues you feel are most important in relation to the UK’s membership of the EU</td>
</tr>
<tr>
<td>Yes/No answer</td>
<td>Have you travelled from the UK to another European country in the past 12 months? Yes / No</td>
</tr>
<tr>
<td>Agree/disagree with a statement</td>
<td>Would you agree or disagree with the following statement? “European economic unity carries economic advantages which outweigh the political disadvantages”. Agree / Disagree / Don’t Know</td>
</tr>
</tbody>
</table>
| Choose from a list of options | Which ONE of the following list of European countries do you feel has the strongest economy?  
  - France  
  - Germany  
  - Italy  
  - Spain |
| Rank Order                  | From the following list of European countries choose THREE which you feel have the strongest economies and put them in rank order. 1= strongest, 2=strongest, 3 third strongest  
  - France  
  - Germany  
  - Italy  
  - Spain  
  - Portugal |
| Membership of the EU is a bad thing for the UK | Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
| How significant would you rate the following factors in affecting further European integration? | Very Significant | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Not Significant

2. Are the questions in the right order?
- Getting the question order right will help the interview to flow.
- Remember that the nature of the previous question can affect answers.

3. Is the layout of the survey form/questionnaire clear?

4. Is the instruction to respondents clear?

5. Has a cover sheet been produced explaining purpose, return date, confidentiality, thanks etc?
6. Has access been granted from:
   - appropriate authorities
   - respondents.

7. Has time been scheduled for:
   - designing and production of an initial draft
   - application for ethical committee approval and subsequent response
   - piloting of an initial draft? Design of a subsequent draft
   - the production of the subsequent draft
   - numbering of questions
   - respondents to complete the questionnaire
   - pursuit of non-respondents
   - collection and checking of questionnaires
   - data preparation for analysis
   - analysis of the results.

Presentation of Survey Data
There are a number of tools that can help present survey data in a form that is easily understandable. They can be used to isolate important basic relationships, for example to understand any absolute differences in experiences of different population groups or sub-groups.

- Data can be presented in the form of a graph or table, for example a frequency table, block diagram, pie chart, frequency distribution or a histogram.
- Distribution and dispersion diagrams can be used to illustrate such concepts as the arithmetic mean and standard deviation.
- Descriptive statistics can be helpful in analysing data including the mean, maximum observation, minimum observation and other measures that describe how data looks.

Particular Types of Surveys
There are a number of survey types that are useful for public sector strategy work. These include:

- Customer Satisfaction Surveys
- Customer Priorities Surveys.

Customer Satisfaction Surveys
The level of satisfaction or dissatisfaction that results from an encounter between a service user and provider depends both on the user’s expectations of the service they will receive and their perceptions of the service they have received. The leading model for thinking about satisfaction and perceptions of service quality focuses on whether the customer’s expectations are "confirmed" or "disconfirmed" by their perceptions of the service they have received (see figure below). If a user’s expectations are exceeded by their perceptions of the service they have received then the user is satisfied or even delighted. If their perceptions of the service fall short of their expectations then the result is dissatisfaction.

“Disconfirmation” model of Satisfaction

\[
\text{Expectations} \quad - \quad \text{Perceptions of service received} \quad = \quad \text{Customer satisfaction with discrete transaction}
\]
Expectations can be shaped by a number of factors:

- **Personal needs.** Each user of a public service will have individual needs that they expect to be met. This will vary from service to service and from customer to customer.

- **Previous experience** shapes expectations. For example, if someone has received excellent care from one GP they may have high expectations of another GP.

- **Word of mouth and media communication.** The experience of friends and family and the opinions of those in the media can be important in shaping expectations about the service.

- **Explicit service communications.** Printed material and statements from staff can have a direct impact on expectations. It is sometimes important to give a realistic assessment of the service the user might receive rather than raise expectations too high.

- **Implicit service communications.** For example, the physical appearance of buildings can be taken as a guide to the quality of services inside.

- **Service reputation.** The reputation of the wider service can raise or lower expectations about a single service encounter. Service reputation is determined by individual's perceptions of the their experience, the media and the reputation of the government.

- **Personal beliefs and values.** Expectations may also be shaped by people’s personal values. For example, strong supporters of public services may be more forgiving of poor service.

- **Nature of client group.** It is thought that the social class, age and ethnicity of the client group tend to strongly influence people’s expectations. For example, older people are consistently more satisfied with the health service, while richer people are less satisfied. It is thought that part of the explanation lies in the differing expectations of the better off and the elderly.

Similarly the perceptions of the service received by the user may depend upon a variety of factors including: access, aesthetics, attentiveness, availability, care, cleanliness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality, integrity, reliability, responsiveness and security.

The 'in practice' example shows how the Communidad de Madrid conducted a gap analysis using this technique to drive service improvements.

**Customer Priorities Survey**

This approach enables satisfaction with different aspects of a service to be directly compared to the importance the customer attaches to each of them. By mapping satisfaction against importance areas of the service most in need of improvement can be identified. As can be seen in the figure below, the service provider can identify and focus action upon elements falling into the bottom right quadrant.
Strengths

- A breadth of issues can be covered in a survey.
- Providing the sampling is sound, it should be possible to generalise the findings.
- Lends itself to quantitative data.
- Can assess how far the methods used are replicable (precise), accurate (approximate the true value of the quantity sought), and valid (represent the variable to be quantified).
- Gap analysis allows both individual aspects of a service encounter to be analysed separately and perceptions of the service overall to be measured. Thus individual aspects of the service (say, staff friendliness) can be isolated and singled out for improvement.

Weaknesses

- Data produced can lack the depth, detail and colour of, for instance, the case study approach.
- Difficult to check accuracy of responses or follow-up ideas, although cross-validation can be conducted (such as objective measures on a sub-sample).
- Causal inferences from survey (explanatory) research are generally less reliable than from experiments.
- Individuals are very different and may come to a service with very different expectations – for example more deferential people may arrive with lower expectations than those with more assertive personalities.
- In judging the overall service encounter different aspects of the service may differ in their importance for the consumer – for example in one service reliability might be more important than responsiveness, while in another reliability might be expected and therefore discounted by the service user. This can be handled through weighting different factors.

References

- The Magenta Book on Policy Hub
  
  Approaches to Social Research, Royce Singleton et al.

- The Good Research Guide, Martyn Denscombe

- Research Design, Catherine Hakim


- The Strategy Unit paper, Satisfaction with Public Services
Collecting data - Surveys

In Practice 1: SU Alcohol Misuse Project

Studies of a small number of hospital Accident and Emergency Departments have suggested that alcohol is associated with a large number of visits, particularly at weekends, but there has been no well-validated nationally representative study of the burden imposed by alcohol on A&E services. To address this gap, the alcohol project commissioned two surveys.

Study 1: The first was a questionnaire-based survey contracted through the Health Development Agency to MORI. This cross-sectional survey covered all 224 A&E departments in England. This was designed broadly to replicate the first such survey in 1997. As coverage was intended to be 100%, sampling issues were not raised. The aim was to quantify use of different procedures for recording and handling alcohol-related cases (coding schemes, diagnostic categories, types of intervention), the perceived prevalence of such cases, the major difficulties posed by such cases, and to identify possible future improvements to provision. The questionnaire was sent to one clinical director and one nursing director in each department. Initial response rates both in 1997 and 2002 were around 20%, as expected. Non-respondents were subsequently contacted directly by telephone, raising the response rate to 61%.

Study 2: The second survey was a single 24-hour "census" of a nationally representative sample of A&E departments on a fixed date. This was designed to test three hypotheses:

- Alcohol related A&E attendances will be associated with violence and assault incidents
- Regional variations in alcohol-related A&E attendances will be related to regional general population prevalence of excessive drinking and alcohol misuse
- Higher levels of alcohol-related A&E attendances will be associated with higher levels of violent incidents towards A&E staff

This survey was commissioned from a leading authority in a major medical school. Sampling was based on the need to test for a statistically significant difference in the prevalence of alcohol-related A&E attendances by men between the regions of England. The desired sample size of cases in each region was estimated on the assumption that in each region the proportion of A&E cases which were alcohol-related would be similar to the prevalence of excessive drinking by men reported in the year 2000 General Household Survey. The maximum regional prevalence was 25%, the minimum 17%.

To detect a significant difference between two independent proportions, the required number of cases in each population was estimated using a sampling formula. This was done by the survey specialist advising the team.

A&E departments were selected by random sampling from the national list stratified by the 9 Government Office Regions and by urban/rural catchment area. The survey was planned to be undertaken through direct interview by research nursing staff trained specifically for this purpose. The questions were designed to establish:

- whether alcohol has been consumed in the past 24 hours
- where and when the last drink was consumed
- whether the attendance was related to a violent incident
- whether the patient had been a victim of violence or not
- where and when the violent incident had occurred
- any category of criminal offence related to the attendance
- whether an injury has been sustained and if so the nature of the injury
- reported hazardous drinking in the past year using an established questionnaire anonymised to protect confidentiality

A breath sample indicating alcohol level was included to provide an objective assessment of alcohol intoxication. Each A&E department was asked to report any verbally or physically violent incidents in A&E during the 24hr census period.

Studies 1 and 2 were linked in that the second survey's breath test measurements were intended to validate staff perceptions of the prevalence of alcohol-related cases as determined by the first survey. However, study 2 was not solely a validation exercise.

Hospitals are in many respects autonomous. Research surveys of patients generally required the permission of hospital ethics committees. Ethics committees often raised issues about the proposed studies including concerns about whether individual respondents can be identified from data records, and the preservation of respondents' confidentiality. This process took considerable time and needed to be factored into the research commissioning process. Where several hospitals were involved, as in the case of the second survey, multiple centre research ethics committee (MREC) permission was sought to avoid the need to approach each hospital separately, which could have taken considerable time.
Collecting data - Surveys

In Practice 2: Gap Analysis - Comunidad de Madrid

The “Comunidad de Madrid” is one of the 17 regional governments in Spain. In 1995 it decided to implement a quality plan based upon the disconfirmation model of satisfaction. The Comunidad de Madrid measured both the satisfaction of its citizens as well as the satisfaction of the clients of its public services.

The Comunidad de Madrid has developed and registered its own satisfaction measurement model called CAL-MA (Calidad-Madrid: Quality-Madrid). CAL-MA is based upon the concept of a service quality "gap": between expectations and perceptions of service. The gap (usually negative) is taken to be the scope for improvement. Surveys are carried out every year on different representative samples of clients. Measurement of expectations takes place separately from that of perceptions of the service.

For further details see: La Calidad del Servicio Publico’ 1999 Comunidad de Madrid.
Collecting data - Interviews & focus groups

> in practice

The aim of these tools is to get a better understanding of the preferences, needs, expectations and experience of citizens, customers or business people, and how different policy options might impact upon these groups. Both interviews and focus groups are an excellent way of getting a "real world" view on a particular issue.

**Interviews**

During the "Set up" phase of the project, interviews with key policy makers in government and selected stakeholders can provide important insights; for example, into the nature of the problem, work underway and the further work required.

During the analytical phase of the project, more comprehensive in-depth interviews with a broader group of stakeholders including academics and researchers will be required. These interviews will focus not only on the nature of the problem but causes, prospects for change and the feasibility of possible solutions. The aim of the interview is to guide the discussion enough to focus on a topic of interest whilst giving the respondents sufficient scope to steer the conversation to bring in all sorts of tangential matters.

It will be helpful to develop a list of the key questions to cover at such interviews, particularly if they are being conducted by different members of the project team. It will also be important to write detailed interview notes to be kept on the shared drive, to enable all team members to benefit from the discussion.

The project team may decide to commission papers or research from selected interviewees following these interviews.

**Focus Groups**

Focus groups entail structured interviews with a small number of consumers to explore a particular issue or policy, or to seek views on areas of concern. Focus groups are generally considered to be a 'qualitative' method – exploring a small number of people's views and feelings in-depth, as opposed to large scale surveys that ask large numbers of people identical questions and that are more suitable to quantitative analysis.

Generally, projects will want to use a number of groups, with different consumer segments, to test how different groups feel or will react.

The process typically involves:

- Specifying what is required and selecting a specialist facilitator
- Deciding on the target groups and how these should be segmented (e.g. by gender, socio-economic group, work – e.g. single mothers, young people, small businesses)
- Producing supporting material for focus groups that can help clarify policy options and developments and help people easily visualise the proposals
- Following the focus groups, a follow-up discussion with the researchers is useful, and the final report then needs to bring out the most salient issues.

Alternatives to focus groups include:

- market research surveys e.g. British Social Attitudes Surveys
- modelling at the individual consumer level e.g. representative journeys for FSU transport review
• ‘ghost shoppers’ e.g. researchers or actors directly experiencing services - used by the Consumer Association
• role playing
• event diaries e.g. National Travel Survey based upon travel diaries.

It is important to be very clear about the purposes of the exercise – what evidence the focus groups are looking to collect, how the event can be tailored to the participants while maintaining analytical rigour and how to prime the groups. Consideration should also be given to which social groups need to be consulted, how broad the consultation should be and how the groups will be managed and facilitated.

A useful first step is to design some scenarios for the groups to consider – this is a useful exercise to organise the team’s own thoughts, and will help to design the consultation, and provide a clear view of what the groups should focus on. Scenarios also offer the opportunity to be creative – they can set out existing practices or problems, but they can also be used to pose some hypothetical questions.

It is also useful to consider using external expertise to organise, host and facilitate the groups – MORI and others have good expertise in this area. If an external consultant is involved, consideration should be given to how the results should be presented back – either as a factual report, a presentation, a report with suggested solutions to problems posed etc. It can be better to simply get a factual read-out as this leaves more scope for the team to interpret the findings for themselves and design creative solutions.

Strengths
• Interviews give an insight into problem from a range of perspectives.
• Stakeholders can act as sounding boards and provide a reality check.
• Can generate new ideas and hypotheses, and can challenge prior assumptions of policy-makers about public attitudes.
• Provides insights for policy making by indicating some of the drawbacks of existing arrangements or potential new policies.
• Gives a more considered view than conventional surveys, in a more natural ‘conversation’ with other members of the public.
• Understanding motivation.
• Relatively cheap.

Weaknesses
• Time-consuming.
• Stakeholders may try to apply pressure through lobbying.
• Views from selected frontline organisations will be based on individuals' experiences and may not always be representative. Therefore conclusions need to be assessed in the light of other evidence.
• Be aware of limitations: focus group participants won’t have a policy background (obviously) and won’t be able to discuss detailed policy issues. Focus groups may not throw up many new ideas or produce very rational discussion (though useful to be aware of the apparent contradictions in consumers’ views) and results may not be of too much help to the project.
• As the focus groups tend to involve small numbers they may not be representative of the wider population, or even of the narrower population from which they are drawn. A single focus group per consumer segment/policy issue means that any differences between groups may not be robust and caution should be taken over wider inferences.

References
The Good Research Guide, Martyn Denscombe
Collecting data - Interviews & focus groups

In Practice 1: SU Modernising the Post Office Project

In order to develop an understanding of the Post Office network’s business - including the size and shape of the network, the outlets and the people who run them, the network’s products, services and customers - the team:

- Had extensive discussions with people within the Post Office, drawing on their existing research and knowledge and commissioning new analyses from them where necessary. These discussions took place with field staff as well as headquarters’ staff.
- Visited post offices and talked to the people who ran them. The team visited post offices in south and north London, Leicester, Lincolnshire, Gloucestershire, Scotland, Wales and Northern Ireland.
- Spoke to clients of the Post Office about their use of the Post Office network and their future strategy.
- Consulted business experts about potential business opportunities.

Collecting data - Interviews & focus groups

In Practice 2: SU Workforce Development Project

The project used a variety of models:

- Commissioning two focus groups, one of individuals and one of small businesses, from MORI. These were run at two stages of the project, in May to garner attitudes and in July to try out policy ideas. MORI were selected by open tender. They set up and ran the groups, producing a summary and a full written report; oral briefings were also on offer (at a price). The Groups provided good output both in terms of quotes and more general analysis.
- A regional focus group run by an independent consultant in Doncaster. Deliberately commissioned to bring together a mix of employers and providers. Good across the piece input giving a snapshot of attitudes and, importantly, how policies were working out at ground level.
- Various groups ad hoc, particularly small businesses.
- 'Mystery shopping' by team members tested information and advice services. This was highly effective, although the team needed to be clear on the 'cover story'. The findings had a significant impact on subsequent policy.
Modelling is a very useful analytical tool that aims to establish formal mathematical relationships between variables. Models can take a variety of forms, and it is important to select the right model for the circumstances:

- In some situations, the variables and issues of interest can be narrowly and tightly defined, in which case the model should in turn be narrow in its coverage, but detailed within its boundaries.
- In other circumstances, variables and issues of interest may go much wider (e.g. impact on the whole economy), in which case the model will inevitably be less detailed, but with much wider coverage.

Another choice to be made will be with regard to the degree of quantification. Is it necessary to determine the amount of an impact, and can the data tell us this information? Or is a qualitative indication of impact (i.e. direction of effect) sufficient?

Once the right type and level of model has been selected, the key is then to understand the model’s structure:

- If the modelling work is going to be carried out in-house, an appropriate functional form will need to be decided and the necessary data collected.
- Models will often be "bought in" from outside, rather than developed in-house. But this should never be an excuse for simply treating them as a "black box", without understanding what makes them tick. It is vital to understand why/how models produce the results they do, always ask: Which variables in the model are driving the results obtained?

In either case, it will be important to get a good feel for the key determinants of the model’s results, so that they can be used appropriately and intelligently. For example, is the model based on relationships estimated on historic data? Or does it use survey data? To what extent does it incorporate behavioural change?

**Modelling Tips**

- Modelling is not just data mining, it needs to be based on theoretical foundations.
- Sensitivity analysis (i.e. assessing the impact of varying assumptions or variables) is useful in understanding what drives a model's results.
- Need clarity about what is endogenous and what is exogenous to the model.
- A rich data set is needed to construct a robust model.
- Modelling can be very time and resource intensive - hence the likelihood of choosing to buy-in existing models.

**Excel Modelling**

Modelling in Excel is like any other piece of analysis - you require a clear understanding of the questions at hand, a vision of the output, a good plan to get there, time to work through the plan to completion and the ability to package the analysis for review. Failure to do so will almost certainly result in the need for rework, lost time and frustration.

There are a number of steps, which if followed, will assist in creating a successful Excel model.
Step One: Define the problem explicitly
Ask yourself:
- What are the questions I need to answer?
- Conceptually, how do I answer each of the questions?
- What will the final output look like?

Step Two: Understand the audience
Determine who the target audience will be and keep in mind their background when preparing data to share. Pre-empting your audience and their needs, and designing Excel and other output to suit those needs will save ‘low-value’ added time repackaging output.

Step Three: Design, don’t type
Having now envisaged the output and understood your audience, think about how to design your Excel analysis to best meet those aspirations:
- Spend the time up front to design the spreadsheet
- If necessary, write a brief work plan
- Ask yourself: how accurate does the analysis have to be? How long do I have to generate the model?
- Design the spreadsheet workbook
- **Always** have an assumptions sheet, this will help with sensitivity analysis
- Make other sheets flow logically from the assumptions sheet
- Sketch out a classification of variables:
  - Static variable: variable that is unlikely to change.
  - Dynamic variable: variable that you do not know accurately and you are likely to want to test the sensitivity to a range of the variable
  - Calculated fields: variables that are derived as a direct result of static and dynamic variables

First, it will be useful to classify variables according to type which will then help in writing the model, for example:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household density</td>
<td>Dynamic</td>
</tr>
<tr>
<td>Store reach</td>
<td>Static</td>
</tr>
<tr>
<td>Number of households per store</td>
<td>Calculated</td>
</tr>
<tr>
<td>Household penetration</td>
<td>Dynamic</td>
</tr>
<tr>
<td>Annual spend per customer</td>
<td>Static</td>
</tr>
<tr>
<td>Annual revenue per store</td>
<td>Calculated</td>
</tr>
<tr>
<td>Gross margin</td>
<td>Static</td>
</tr>
<tr>
<td>Annual fixed costs</td>
<td>Static</td>
</tr>
<tr>
<td>Annual profits</td>
<td>Calculated</td>
</tr>
<tr>
<td>Initial investment</td>
<td>Static</td>
</tr>
<tr>
<td>NPV period</td>
<td>Static</td>
</tr>
<tr>
<td>Discount rate</td>
<td>Calculated</td>
</tr>
<tr>
<td>NPV</td>
<td>Calculated</td>
</tr>
</tbody>
</table>

Secondly, laying-out a workbook design will save you time in writing the model in Excel. In general, Excel workbooks should follow this generic design:
Step Four: Document your spreadsheets

It is very important to document the model as it is built. Such documentation will include information about sources of data or estimates, comments on non-obvious calculations and anything else pertinent. Any one looking at the model tomorrow or in six months time will find good documentation on the spreadsheets extremely useful.

The basic rule here is that your spreadsheets should be self-documenting as much as possible. One way to test whether you have sufficient documentation as you go along is to ask the question "If my team leader had to take over my analysis tomorrow, could they understand what I’ve done?".

There are two major alternatives for documenting spreadsheets, using either:

- An additional Excel column
- Comments attached to the cells

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excel column</td>
<td>Easy to see, so when an assumption changes more likely to change the note as well</td>
<td>Can feel intrusive - gets in the way</td>
</tr>
<tr>
<td></td>
<td>Documents the spreadsheet when printed - can hide the column/set out of print area not required</td>
<td>Easy to forget to update columns when hidden</td>
</tr>
<tr>
<td>Comment</td>
<td>Discreet - less intrusive when using the spreadsheet</td>
<td>Easy to forget to update</td>
</tr>
</tbody>
</table>

In some cases, it may also be necessary to write additional documentation in MS Word or MS PowerPoint.

Step Five: Use variables, never hardcode

- By defining the variables up front and create the assumptions sheet you will have fewer problems when changing variable values
- As you type a number into any formula, ask yourself:
  - "Is this number likely to change...ever?"
  - "Will I know what the number refers to in a year's time?"
- Rarely is it beneficial to hardcode variables into formulae.
- Do not paste values as this significantly diminishes your audit trail.

Step Six: Check answers – do they make sense?

Having built your model and produced some answers, don’t show them yet to anyone. Instead, stop and sanity check them yourself. Ask yourself these questions:

- Is the answer what you would expect?
- Is this what your audience would expect?
- If not, what drives the different answer – can you explain the differences to yourself and your audience?
• Are the units correct?

**Step Seven: Let Excel make your life easier**

Microsoft Excel has a number of features that make analysis easier to navigate and complete:

- Sorting
- Functions
  - Aggregation (SUM, AVERAGE, MIN, MAX)
  - Conditional (IF, AND, OR, Nested IF)
  - Lookup Values (VLOOKUP, HLOOKUP)
  - SUMPRODUCT
  - Table command
  - Financial functions
- Manipulating data strings
  - Using formulas (LEN, LEFT, RIGHT, MID, SEARCH, TRIM, CONCATENATE)
  - Converting text to columns
- Formatting cells
- Pivot tables
- Conditional formatting.

**Step Eight: Understand the sensitivities**

Having built the model and development output, understand the sensitivities of the output to key input variables. To do this, undertake three key steps:

- Determine the range of valid values for each variable
- Test impact by changing each variable on its own
- Test impact by changing combinations of variables.

A good first pass of the two tests is to change the values of the variables in the assumptions sheet to their maximums and minimums.

**Step Nine: Presenting the Results**

Much of the impact of analysis can be lost if it is presented badly. In particular, complex modelling with many variables and sub-analyses can easily become confusing and lose credibility unless presented logically and sequentially. Think very carefully about the story the analysis tells. Transparency is crucial, as much discussion will be held over assumptions in the model.

A typical presentation to explain an Excel model would cover:

- Overall objective of the model
- What the model can and can’t do
- A schematic overview of how the model works
- The key data sources
- How logic of how the variables are combined to produce the outputs
- The key inputs, the value of each and the rationale for this value
- The key assumptions, the value of each and the rationale for this value.

**Econometric Modelling**

This is the application of mathematical and statistical techniques to economic and social problems. Econometric studies proceed by formulating a mathematical model, then, using the best data available, statistical methods are used to obtain estimates of the parameters in the model. Methods of statistical interference are then used to decide whether the hypothesis underlying the model can be rejected or not. Econometrics is thus concerned with testing the validity of economic and social theories and providing the means of making quantitative predictions.

Regression analysis is a major tool of econometrics. It permits different hypotheses to be tested about the forms of the relationship and the variables that should be included in it.
Regression analysis is used to determine relationships between variables that analysts believe intuitively to be related. Once a relationship is established, it can be used to forecast the outcome. In business, regression analysis is often used to examine the relationship between:

- Sales, price, promotion and market factors
- Production costs to production volumes

It is equally useful to policy makers as illustrated in the ‘in practice’ example. See BMJ.com for more detailed guidance on how to use these techniques.

**Strengths**

- There are a variety of different tools with which to conduct data analysis. The key is to keep focused on the specific question/task, and not allow the focus of the analysis to stray.
- Modelling can provide a clear structure for the analysis, which can help create buy-in to the process from other government departments.
- Modelling allows examination of a range of factors, all operating at once. It investigates the strength of these factors and their interaction, and generates robust quantitative evidence.

**Weaknesses**

- A strong end-user focus is needed to avoid becoming too bogged down in technical issues.
- Analysis may suffer from a lack of available data.
- Modelling work often has to deal with numerous uncertainties surrounding data and assumptions. A pitfall to be avoided is to try and hide these weaknesses within coding in the model to try and make the results appear more robust. It is important to be transparent about all the data and assumptions, and to be aware of the degree of accuracy required by the results in order to reach a robust conclusion.

**References**

The Green Book, HMT. Appraisal and Evaluation in Central Government

Derek Rowntree, Statistics Without Tears

Sprent P, Statistics in Action

Statistics for Economists, R.E.Beals

Statistics for Economics, R E Davies and J N Foad

Cambridge Econometrics - Modelling for Government

Multi-Criteria Analysis: A Manual (DTLR)
Analysing data - Modelling

In Practice: SU Ethnic Minorities and the Labour Market Project

Understanding the drivers of performance and progression in the workplace was crucial to the SU’s ‘Ethnic Minorities and the Labour Market’ project. Equally important, however, was gaining an understanding of the various factors impeding success in the workplace, from educational under-attainment and socio-economic disadvantage to residence in inner urban areas and limited experience in the labour market.

The team used regression analysis to compare the relative strength of each of these, and other, factors in accounting for the disadvantage experienced by Britain’s ethnic minority groups. A number of regression models were used, each of which took account of a different combination of these conditioning factors. An examination of several of the models led the team to conclude that:

- ethnic minorities remain disadvantaged in terms of employment and occupational attainment even after key variables are taken into account. Some groups are clearly even more disadvantaged than gross differences suggest, given their educational qualifications or other characteristics;
- ethnic minority men have been persistently disadvantaged in terms of earnings. British-born ethnic minority women appear to be no longer disadvantaged in terms of earnings, though their foreign-born peers continue to be disadvantaged;
- Indian men are consistently the least disadvantaged among ethnic minority groups; and
- Pakistani, Bangladeshi and Black men and women are consistently among the most disadvantaged.

The most important conclusion that emerges from these analyses is that, even after accounting for key variables, all ethnic minority groups are disadvantaged relative to Whites in comparable circumstances. The figures below illustrate this fact, showing the earnings and unemployment risk of ethnic minority men relative to their White peers, before (‘Actual’) and after (‘Like-for-like’) taking into account factors such as age, education, recency of migration, economic environment and family structure. Together, these variables can explain just £10 of the £116 wage gap between Blacks and Whites.

Figure 1: Weekly Male Earnings Relative to White Counterpart


Note: Figure combines the effects of unemployment and of pay
It follows from such analysis that a range of other explanatory factors must be at work. These may include: degree of assimilation; cultural/religious factors; business opportunities in the areas where ethnic minorities live; Government infrastructure in local regions; quality and location of housing; access to childcare; quality of, and willingness to use, transportation to access employment opportunities; levels of, or access to, social capital; and employer discrimination. However, due to the absence of quantitative measures for such factors, in statistical terms we are left with an incomplete picture of their relative weight.

Analysing data - Market analysis

Market analysis aims to provide:
- Insights into and understanding of industry and departmental positions
- Knowledge of the likely impact of various policy actions on departments and industry structure
- Understanding of likely international reactions and reactions of private and voluntary sector to changes.

There are a number of different frameworks that can be used for market or industry analysis:
- Structure, Conduct, Performance
- Forces at Work
- Cost Structure Analysis

**Structure, Conduct, Performance**
This can be used to analyse different components (e.g. demand or supply chain economics) of industry structure and their impact on the conduct of private and public sector players in the sector.

It is mainly used for strategy studies where it is important to understand the industry dynamics and how government and the private sector interact. The analysis needs to consider a number of different elements when analysing structure, conduct and performance.

<table>
<thead>
<tr>
<th>Shock</th>
<th>Structure</th>
<th>Conduct</th>
<th>Performance</th>
</tr>
</thead>
</table>
| Technology breakthroughs | Economics of demand
  - Market failures
  - Availability of substitutes
  - Differentiation of services
  - Rate of growth
  Economics of supply
  - Private v public supply
  - Market failures
  - Diversity of producers
  - Fixed/variable cost structure
  - Technological opportunities
Chain economics
  - Bargaining power of input suppliers
  - Bargaining power of customers
  - Information market failure
  - Vertical market failure | Marketing
  - Pricing
  - Promotion
  - Distribution
Capacity change
  - Expansion/contraction
Vertical integration
  - Contract out
  - Joint ventures
  - PPP
Internal efficiency
  - Cost control
  - Logistics
  - Organisational effectiveness | PSA attainment
Social welfare
Technological progress |

The key steps to conducting an industry analysis set out below:
### Key Features

<table>
<thead>
<tr>
<th>Steps</th>
<th>Determine what to look for</th>
<th>Desk and field data collection</th>
<th>Interpret data in industry analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on major issues</td>
<td>Gather overview data first:</td>
<td>Examine which of the elements are unusual or particularly influential</td>
<td></td>
</tr>
<tr>
<td>Avoid looking for ‘anything about the industry’</td>
<td>Identify key industry players</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start with overview information</td>
<td>Look for industry studies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Only get raw data once issues identified</td>
<td>Consult private sector company reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most use if done early in study</td>
<td>Consult public sector reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consult with department and external experts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other published information:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Smart use of search engines</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Trade associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Trade magazines</td>
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<tr>
<td></td>
<td>• Business press</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• International government sources</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Forces at Work

This model presents an alternative for structuring industry assessments based on the suppliers, new entrants, buyers, substitutes and industry competitors:

**Rivalry determinants**
- Mutual dependence
- Concentration of competitors
- Number of competitors
- Industry growth rate
- Cost structure

**Entry barriers**
- Economics of scale
- Product differentiation
- Capital requirements
- Switching costs
- Access to distribution channels
- Government policies
- Expected Retaliation

**Supplier power determinants**
- Concentration
- Relative importance of sale to supplier and buyer
- Supplier’s knowledge of product’s value to buyer
- Standardisation and differentiation
- Customisation
- Switching costs
- Suppliers have low margins
- Threat of forward integration
- Importance of quality to buyer

**Customer determinants**
- Intrinsic Strength
- Concentration
- Buyer Volume
- Switching costs
- Buyer information
- Ability to backward integrate
- Substitute products
- Pull through
- Relative importance of sale to buyer and supplier

**Substitution determinants**
- Relative price performance of substitutes
- Switching costs
- Buyer propensity to substitute

**Supplier**

**Rivalry**

**Substitutes**

**Customers**

The forces at work model provides a comprehensive checklist for analysing the structure of industries and sectors. The framework should not be used just to give a snapshot in time. It is important not just to describe the forces, but also to understand their future impact.

The five forces are not independent of each other. Pressures from one direction can trigger changes in another. For example, potential new entrants finding themselves blocked may find new routes to market by bypassing traditional distribution channels and selling directly to consumers.
The Five Forces Framework can be used to gain insights into the forces at work in the industry or environment, which need particular attention in the development of strategy. It is important to use the framework for more than simply listing the forces. The following questions help focus on the implications of these forces:

- What are the key forces at work in the environment? These will differ by type of industry.
- What are the underlying forces in the macro-environment that are driving these forces? For example, lower labour costs for software and service operators in India are both an opportunity and a threat to European and US companies.
- Is it likely that the forces will change, and if so, how?
- How do particular industries/departments stand in relation to these competitive forces? What are their strengths and weaknesses in relation to the key forces at work?
- What can we do to influence forces?

Cost Structure Analysis

Cost structure analysis can help provide answers to questions such as:

- Is the good/service inherently expensive to supply, or might market conditions (excess demand and/or lack of competition) be pushing cost higher?
- How do costs behave as a supplier scales upwards? For example, are (dis)economies of scale experienced, are there stepped costs (e.g. in the case of telecoms networks as significant additional investment is needed to push capacity past certain thresholds)?
- Is the supply of the good/service dominated by fixed or variable costs?
- What sunk costs are incurred in setting up supply? Will these sunk costs limit new entrants and/or form the basis for games by incumbents?

Crucially, an understanding of such issues will provide insight as to how suppliers behave in the market, and how they might react to changes in government involvement – e.g. via subsidies and regulation. As such, cost analysis can suggest policy responses and help to predict the outcome of different policies.

Cost structure analysis forms one half of business modelling and profitability analysis. Such an approach enables a full break-out of cost and revenue drivers and allows an analysis of profitability by customer, type of good/service or division. In policy making terms, for example, this might mean the ability to estimate profitability by different types of Post Office customer, or the likely sustainability of childcare provision in different areas.

Steps to take:

<table>
<thead>
<tr>
<th>Define cost buckets</th>
<th>Gather evidence</th>
<th>Construct spreadsheet model</th>
<th>Investigate sensitivities</th>
<th>Sense check</th>
</tr>
</thead>
<tbody>
<tr>
<td>Break costs into mutually exclusive buckets</td>
<td>Gather management account, business plans, annual reports</td>
<td>Create a spreadsheet model that will allow the user to vary all inputs</td>
<td>Vary inputs by +/- 10% and see results</td>
<td>Check results and insights versus other evidence e.g. business plans, research results, interviews with experts</td>
</tr>
<tr>
<td>Define a useful split</td>
<td>Interview managers of supply or other experts</td>
<td>Refer to the modelling section for more guidance</td>
<td>Vary inputs to model discrete scenarios</td>
<td>This IS crucial: you have constructed a bottom up model: does it reflect reality?</td>
</tr>
<tr>
<td>Refer to the issue tree for guidance</td>
<td>Use survey data if appropriate</td>
<td></td>
<td>Construct output tables, charts or other communication tools as appropriate</td>
<td></td>
</tr>
</tbody>
</table>

Potential insights:

- Mix of sunk, fixed, variable costs
- Dominant cost categories
- Key cost drivers
- Cost / profitability reaction to changes in conditions
- Is the model reflecting reality?
**Defining cost buckets**

Costs can be broken out according to a number of different splits. For example, a childcare provider’s costs might be broken out according to age of child, or function, such as staff, child costs (food and consumables), property costs, administrative overheads etc. It is important to find a mutually exclusive split – where each cost can be placed in only one of the categories. A logic tree may help in this process.

**Gathering evidence**

In some cases, detailed management accounts from existing suppliers might be available. In other cases, estimates might need to be pulled together from a range of different sources. Be aware that you are attempting to analyse costs for one example supplier – it cannot and will not reflect everyone in the market. Thus the need to run sensitivities and sense checks later in the process.

**Constructing a spreadsheet model**

Theoretically, you could stop after the previous step and still gain insights into the likely operation of the market. However, by pulling the estimates of costs in different categories together into a spreadsheet, further analysis can be conducted on the sensitivity of costs and supply on particular elements. This, in turn, allows one to predict likely reactions to policy options or new regulations. The spreadsheet itself should be as adjustable as possible to allow sensitivities and scenarios to be run easily. Refer to the modelling section for advice on the construction of spreadsheet models.

**Investigating sensitivities**

The spreadsheet model will allow adjustment of the cost variables to investigate the overall effect on the cost of supply or the profitability of a supplier (if the revenue side has been added). In many cases, there will be numerous variables that can be changed. It is important to alter one at a time, in a methodological fashion, in order to derive the results from changes in one variable at a time. A second approach is to run specific scenarios on the model – changing all the variables at once according to one view of the world.

**Sense checking**

The cost structure analysis conducted will have been based on a series of assumptions. However well these assumptions have been grounded in hard evidence, it is crucial to check that the results of the assumptions acting altogether make sense. Results can be checked with experts in the field, existing suppliers and other business plans that are available. This triangulation of results in important to ensure confidence in the messages being drawn from the analysis. This also brings up a limitation to the analysis conducted: however sophisticated the modelling, it can only be based on a series of assumptions. It does not reflect an actual outcome. It can therefore give insights into key drivers and likely reactions, but is not "the answer".

**Strengths**

- The structure, conduct, performance model provides an overarching framework for assessing the industries being studied. It provides a useful insight into the context within which a department or industry has been operating.
- The forces at work model provides a comprehensive checklist for analysing the structure of industries and sectors. It can be used to identify what further analysis is required.
- Cost structure analysis is potential very powerful since it can feed into a better understanding of market functioning and likely reactions to changes in policy.
- In areas where evidence has tended to be based on anecdote, cost structure analysis and modelling can bring significant new insight to the debate.

**Weaknesses**

- A model of costs or profitability can only give a simplified indication of the way the world works. It must not be viewed by the team (or stakeholders) as "the answer". Key messages can be drawn from running sensitivities or scenarios on the model, but should be carefully sense checked.
- Attempts to allocate overhead (shared) costs – such as administration – between different products, people or plants are fraught with difficulty and should be approached with caution. Each stakeholder will have an opinion on how such costs ought to be allocated.
- Cost structure analysis and profitability analysis will involve many variables and the team may wish to run sensitivities on most if not all inputs. This makes it crucial that key messages are drawn out for communication to stakeholders, without getting bogged down in technical details. The right insights need to be communicated in an effective way. This may mean significant lengths of time spent interpreting results within the team prior to communication to stakeholders.
References

*Structure, Conduct, Performance*
Industrial Market Structure and Economic Performance, Ross 1990

*Forces at Work*
Techniques for analysing industries and competitors, Porter 1980

*Cost Structure Analysis*

Analysing data - Market analysis

In Practice: SU Fisheries Project

As part of the fisheries project, an Industry Analysis Workstream sought to understand the drivers in the industry and the extent and location of the current crisis in the industry. On the basis of understanding the current drivers and issues we identified a number of long-term trends shaping the long-term picture for the industry.

Analysis of the Current State of the Industry

We tried to answer a number of core questions:

- **What is the appropriate definition of the industry in which the UK fishing fleet is?** Here we looked at the UK, EU and global fish markets in order to assess the drivers of profitability for the UK fishing fleet.

- **What are the different product markets?** The UK fishing fleet can be split into separate fleets catching different types of fish. The three main categories are Pelagic, Whitefish and Shellfish. Since the fleet structures and economics of the different fleets are different it was important to look at them individually. It was also important because EU quota rules are specified at the species level.

- **What are the key drivers of profit in the industry?** Once we had defined the individual segments, we then set about understanding the drivers of profit within each segment. In order to do this we used a Porter's five forces analysis to tease out possible drivers across different segments. Example drivers were things like stock levels by different species, demand for different species, competition from foreign imports etc.

- **Where is value being added across the supply chain?** Using the analysis carried out within the 5 forces framework we also sought to explain the variations in profitability across the supply chain. By looking at the different customer needs across the supply chain, we were able to identify possible future trends in the industry as well as explain where value has been migrating to in the industry.

Analysis of trends impacting future shape of the industry

- **What are the major forces shaping demand in the fishing industry?** What are the income elasticities associated with fish? How will consumer demand change over time for exotic species? How global will demand be for fish? How different will the demand function for farmed products be compared with those of wild catch?

- **What is the outlook of supply in the industry going forward?** How endangered are global stocks compared with those around the UK? If there is a global market for fish products, how competitive will the UK fleet be in this market? What has been the experience of our international competitors?

- **What will be the market structure in the long run?** How will the fish market be structured and how will the transaction occur? Will there be vertical or horizontal integration? Will fish be sold using forward contracts or through auctions? How will developments in aquaculture cannibalise the wild fish product markets?

- **What are the technological, social and regulatory trends affecting industry structure in the long run?** How will technological developments impact the cost of fishing and the competitive industry structure? How will the EU regulation relating to tariff barriers etc. impact the scale and scope of the market. How is regulation in terms of quota setting and monitoring likely to be conducted in the future?

Input into other Workstreams

Having investigated these trends we were able to make both qualitative and quantitative assumptions about what the industry could look like over our time horizon. At this stage we were able to feed this analysis and understanding into the other workstreams. For instance we were able to inform the "communities" workstream regarding how fishing communities may be impacted by industry developments. Additionally we were also able to feed into policy work being undertaken by explaining how the industry might react to specific policy measures.
Analysing data - Organisational analysis

Organisational analysis aims to generate an understanding of the organisational structure and culture of the system the project is looking at. This can help in understanding the ease or difficulty with which new strategies can be adopted.

Resource Analysis

A resource audit should be carried out to identify the quantity and quality of resources available to the organisations that will be involved with the implementation of the new strategy. The key areas to assess include:

- Availability of and sources of finance
- Skills: organisational, leadership, technical expertise
- Availability of physical resources e.g. buildings offices etc
- IT capacity
- HR capacity.

There are also some intangible organisational assets which should be assessed such as:

- goodwill
- branding
- contacts
- image etc.

The audit should be comprehensive, but should concentrate on identifying resources that are critical to the organisation's capabilities.

It can also be helpful to conduct historical analysis, looking at the deployment of resources of the organisation by comparison with previous years. This can help identify any significant changes and reveal trends which might not otherwise be apparent. Benchmarking to other similar organisations both in the UK and other countries can also help put the organisation into perspective.

Finally, it may be beneficial to undertake analysis as to the extent to which the organisation's resources are balanced as a whole. The three key aspects of resource balance analysis are:

- the extent to which various activities and resources of the organisation complement each other
- the degree of balance of the people within the organisation in terms of individual skills and personality types
- whether the degree of flexibility in the organisation's resources is appropriate for the level of uncertainty in the environment and the degree of risk the organisation is likely to take.

Cultural Mapping

The aim of cultural mapping is to understand how an organisation's culture will affect its ability to change and adapt to new policies or environments.

Faced with similar environments organisations respond differently. The collective behaviour of managers and employees is determined by frames of reference (the paradigm) which are created by the culture of the organisation (deeper level of basic assumptions and beliefs). The purpose of a cultural audit is to:
• understand that culture;
• understand how the culture contributes to the problem; and
• work out how it needs to change in order for the organisation to deliver the strategy effectively.

The cultural audit analyses different aspects of the organisation's cultural web:

See this culture web template

A cultural audit can be conducted through:
• Listening to people talk about their organisation
• Observing the organisation day to day operation
• Asking managers to undertake the audit themselves using a checklist

In addition, to identify the dominant culture of the organisation as a whole it is helpful to analyse the way its strategies have developed historically.

Checklist
Stories
• What core beliefs do stories reflect?
• How pervasive are these beliefs?
• Do stories relate to strengths or weaknesses, success or failures, conformity or mavericks
• Who are the heroes and villains?
• What norms do the mavericks deviate from?

Routines and rituals
• Which routines are emphasised?
• Which would look odd if changed?
• What behaviour do routines encourage?
• What are the key rituals?
• What core beliefs do they reflect?
• What do training programmes emphasise?
• How easy are rituals/routines to change?
Symbols
• What language and jargon is used?
• How internal or accessible is it?
• What aspects of strategy are highlighted in publicity?
• What status symbols are there?
• Are there particular symbols which denote the organisation?

Organisational structure
• How mechanistic/organic are the structures?
• How flat/hierarchical are the structures?
• How formal/informal are the structures?
• Do structures encourage collaboration or competition?
• What type of power structures do they support?

Control Systems
• What is most closely monitored/controlled?
• Is emphasis on reward or punishment?
• Are controls related to history or current strategies?
• Are there many/few controls?

Power Structures
• What are the core beliefs of the leadership?
• How strongly held are these beliefs?
• How is power distributed in the organisation?
• Where are the main blockages to change?

Overall
• What is the dominant culture?
• How easy is this to change?
• Are there any linking threads through the separate elements of the web?

(Source: Exploring Corporate Strategy-Gerry Johnson, Kevan Scholes)

Strengths
• Organisational analysis allows you to understand the ease or difficulty with which new strategies can be adopted.
• Will help identify whether the organisation has the resources/competencies to deliver the new strategic direction, once identified.
• Will identify key areas of relevant expertise/knowledge within the organisation. Policies can then be developed to capitalise on this expertise.
• Feeds into change management and implementation planning
• Comprehensive assessment of organisational culture.

Weaknesses
• Time consuming and often neglected during the knowledge gathering phase.
• Assessment may not be objective if conducted by the managers of the organisation

References
Related Sections: comparison with other organisations - see Benchmarking

**Analysing data - Organisational analysis**

**In Practice: A Local Authority**

A workshop was held for three departments of a local authority to explore the cultural barriers to introducing a new strategy that was focused on the needs of local users. Each department was represented by 4-5 managers. The managers were divided into groups and given a blank cultural web diagram and asked to fill it in. The cultural web produced by those from the Technical Services Departments, showed that:

- There was a strong commitment to producing a high quality service but that this was due to a focus on professional standards rather than satisfy users of the service.
- Departments tended to be silos headed by chief officers who worked closely with the elected members of the local government.
- There was a hierarchical and mechanistic approach to management with a strong emphasis on structuring and budgeting
- The service was reactive rather than proactive
- There was a blame culture. If something went wrong blame someone else.

The workshop concluded that the "culture was managing the strategy". It was therefore very difficult to develop a strategy that focused on local issues that crossed departments. The Group then identified barriers to change, these included: firefighting, departmental barons, the formality of management, stories of the good old days and the blame culture. The group then re-mapped the cultural web with behaviours that would be needed to support a new strategy. The team then compared the two cultural webs, identified the changes that would be required, assessed how difficult it would be to manage those changes and identified those changes that would have a high impact.
Learning from others - International comparisons

> in practice

International comparisons bring together information, data and analysis on approaches to tackling similar policy areas in other countries and draw out relevant experience that may be applied in the UK. They can be one of the only real ways of comparing effectiveness of different strategies aimed at the same or similar problems (if in different institutional and cultural contexts). Benchmarking of different countries can also provide pointers to how to improve UK performance across a wide range of issues – by pointing to countries which are leading the field (identifying positive deviance from the norm).

Often conducted as a stand-alone piece of work, the output is usually a written report but could also be a presentation or seminar. It can also feed into the overall project report.

The Process

1. Identify problem or challenge
   In the early stages of analysis, it is often helpful to define the problem being considered fairly flexibly or broadly and without couching it in institution-specific terms that might inhibit cross-national comparison. Once potential comparator countries have been identified, it will be possible to focus on the particular issues where international comparisons might be most instructive. The key questions to be addressed and the information to be acquired from an international mapping exercise should be carefully defined. A pro forma can be a helpful tool, particularly to guide web-based searches.

2. Identify comparator country/region
   It is often useful to survey a wide variety of countries to see which might be the best ‘fit’. The ideal comparator is one where there is a similar policy environment i.e. where the issues faced are closely comparable, and also where the two countries are similar in cultural and socio-economic respects. Of course, two policy environments will never be identical, and it is a matter of judgement as to the extent to which differences in ideological, resource and institutional factors at either the macro or micro level impact on the ability to make worthwhile comparisons.

3. Gather relevant evidence
   In gathering evidence to inform cross-border learning, it is advisable to consult as wide a range of relevant sources as possible. From a distance, it can be difficult to map out the inter-relationships between different stakeholders, and determine the significance of different elements of the institutional landscape. Gaining a wide variety of perspectives on an issue helps to fill in essential contextual information and provide a more rounded understanding.

   In gathering relevant evidence, a key decision is whether to visit the country in question or to collect information at a distance. If you are planning to conduct country visits, sufficient time and budget should be allocated in the project management plan. For distance data gathering, the internet is of course the most useful resource, in addition to telephone calls, correspondence and video conferencing.

   Consider meeting, or corresponding with, the following: policy-makers/decision-makers; programme sponsors, managers, staff and other stakeholders (where a specific government programme or policy is being considered); target participants; evaluation and research/academic community, and representatives from the media.

   Other sources of information include international bodies (e.g. European Commission, OECD, UN, World Bank, IMF) and Universities which have comparative research expertise in the area in question.
Most Departments will have good international contacts and should be able to point you to the relevant institution or person. The Foreign Office (FCO) will also be able to provide contacts in the relevant countries. However, the FCO receives a large number of requests for assistance from different departments. It is therefore important to use the FCO only when essential and to be very specific as to the information required. For example it may be possible to obtain the information required from other projects or ongoing work. If it is necessary to go through the FCO, see below for guidance on working with embassies.

The following points should be noted when considering international trips

- The value of a trip can be greatly reduced if insufficient research is carried out in preparation beforehand.
- Difficulty in identifying people to meet/key players – this can be far harder than it might appear - ask as widely as possible, both here and in the country you are planning to visit. It is far preferable to have too many contacts than too few! Also important to identify what information and data you would like to obtain from each of the individuals you meet based on their specific areas of expertise.
- Actual practicalities of undertaking a trip – in preparation and for the trip itself can both be very time consuming and tiring. Plan well in advance and be realistic about the number of meetings able to be accommodated on a trip.
- Follow-up after a trip – making sure lessons are learnt are integrated into mainstream work, including disseminating them effectively to colleagues. This can be difficult because some information/lessons will not be needed until much further down the line. Recording all information (writing notes of all meetings during the visit), keeping good contact lists and filing all papers is essential – it is surprisingly easy to forget the detail once you are no longer immersed in it!

4. Interpret relevant evidence

When interpreting international evidence it is important to bear in mind that whilst international experience can serve to inspire new lines of enquiry or, in some cases, constitute strong evidence that a particular policy idea is likely to be succeed or fail, it cannot itself give us the answers – potential solutions also need testing in the domestic context.

Tips for Undertaking International Comparisons

- Building in international comparisons at the most useful stage in the project – you need to have developed your own thinking sufficiently in order to ask detailed and focussed questions (especially if you are visiting in person) but it also needs to be early enough in the project to allow comparative international experience to shape your subsequent thinking
- Need to specify carefully a limited number of countries (around 6) and what is required in the comparison; context is very important.
- The team should be prepared to take the comparison work forward – academics (if you ask one to do the study) are often not best placed to draw out the issues, gaps and implications for the UK.
- Difficulties in getting anything other than anecdotal evidence even from 'experts’. The quality of evidence available internationally may be fairly patchy, especially when there is a lack of comparability in data sets etc between countries. Lack of familiarity with a different policy setting, and lack of time available to devote to international comparisons, makes unpicking research carried out overseas more difficult than analysing the findings of UK research.

Working through UK embassies abroad

Staff at UK embassies abroad can be incredibly helpful in providing background information, finding appropriate contacts, setting up meetings and providing cultural commentary on emerging conclusions. However, each embassy individual has to cover a wide portfolio and is having to juggle a wide range of requests.

The FCO has produced best practice advice for working with posts in EU capitals, which is also appropriate for working with posts world-wide:

- Explain the background to the requests/instructions.
- Write clearly, and if your note is to be handed over, write for a non-English speaker.
- Identify which posts you need to approach.
- Allow time.
- Set out our position/thinking, and highlight key points
- Include a speaking note where possible.
• Put a contact name, telephone number and e-mail address at the bottom of your request, and do not send your email to a random name in the post.
• When in doubt, check with the FCO and seek our advice. Always keep us aware of what you are doing.
• Please provide feedback to posts on how helpful the information has been and copy them the results. It enables them to respond more effectively next time.

Other best practice tips include:
• The structure of embassies varies, as do titles/portfolios for individual posts, so a little research is required to ensure you are contacting the correct person. It is probably best to start by contacting the relevant FCO country desk officer in London, who can then direct you to the appropriate contact in Post.
• The staffing levels of embassies vary greatly and needs to be taken into account when commissioning work. Select which countries you really need examples from, consult FCO on likely embassy capacity and ask posts to highlight any particular local issues.
• When commissioning work, it is best to provide details of background sources, with web addresses where possible. Embassy contacts are usually not specialists and this helps them get up to speed on the issue.
• Always provide details of the situation in the UK. This provides information for the embassy contact to trade with local officials. Also, if you have asked for a return from the embassy, the UK details will provide a template indicating desired coverage and level of detail.
• Initial requests should be copied to the relevant geographical department in the FCO, as well as any subject-based FCO contact(s). This allows FCO to keep track of the non-FCO requests being put to Embassies.
• The FCO are developing a ‘Science and Technology’ network, with a UK-based hub which provides advice and can act as a conduit for requests. Other networks being established include the Environment network and the Energy network.
• Departments will have on-going contacts with embassies and sometimes have specialists in policy interactions with particular markets. Ensure that you talk to all UK-based contacts in parallel with posts.
• Ask Departmental and Embassy contacts about any informal bilaterals or conferences in your subject area. It may be possible to attend or ask that specific questions be raised on your behalf.
• If it is likely that other international comparisons are to be requested in the future, it is worth sending a warning to the relevant embassies. This will disappear in the maelstrom of paperwork in some posts, but others will start thinking and collecting relevant information on what may not be a specialist topic.
• Be aware that holiday seasons vary between countries. For example, Sweden takes its eight week summer holiday from mid-June to mid-August, and so arranging meetings in July can be difficult. UKREP contacts in Brussels recommend avoiding the first month of presidencies where possible.

Strengths
• Provides a real insight into strategy development and context in other countries.
• Provides a framework for assessing UK performance and strategy/policy gaps.
• Provides ideas to pursue in the policy development stage of a project.
• International comparisons are best used when the issue being addressed is very clear-cut (the regulation of simple monopolies for example). They are least useful where important underlying circumstances are radically different.

Weaknesses
• It’s easy to get bogged down in irrelevant details whilst trying to get to grips with a new policy setting – the trick is to isolate and focus on the most relevant facts.
• Having too many objectives and too wide a range of evidence you’re looking for – important to clearly define and focus your enquiry.
Useful Sources of International Comparative Data

**Reform Monitor.** This site tries to keep up to date with different government reforms instituted in the areas of social policy (health care, pensions provision, family policy, state welfare), labour market policy and industrial relations. It is international in scope (15 OECD-countries: Australia, Austria, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom and United States of America). It doesn't seem to keep completely up to date (certainly not in relation to UK policy) but provides some useful descriptive comparisons of policies in OECD countries.

**Campbell Collaboration.** Newly constituted international collaboration which aims to assess the actual effect of social and educational reforms more rigorously than has been done in the past. It is closely linked with its sister organisation, the **Cochrane Collaboration,** which aims to do the same assessment of "what works" for medical interventions.

**Economist Country Briefings.** The Economist has made many of its country-specific articles and surveys available on its website. These can provide useful context and background material.

**Public Management OECD Country Information.** The OECD maintains a country-by-country resource on developments in governance and public management.

International Comparisons toolkit on the **Policy Hub**

**References**

Almost every Strategy Unit project has undertaken international comparisons and these are worth a look, often to be found as annexes in reports. For example, see the **Adoption Review** (July 2000) and the **Ethnic Minorities in the Labour Market** report (Feb 2002).

There is a wealth of academic literature on comparative political science (focussing on the viability of making cross-national comparisons) and specifically on policy transfer ('exporting' policies from one setting to another).


**Policy Hub** International Resources section provides a range of guidance and resources including the CMPS International Comparisons Toolkit that includes several case studies and a directory of information sources.

**Learning from others - International comparisons**

**In Practice 1: SU Workforce Development Project**

International comparisons for Workforce Development were undertaken a well-respected academic in the field. He had already done much comparative work and could therefore put together a report in a relatively short space of time.

What we did:
- specify a time frame for the work (in this case, about 6 weeks);
- specify the countries we were interested in;
- supplied articles, contacts, and data that the team had already collected;
- organise a day in Paris, with the help of the British Embassy, to visit industry, union and Government representatives;

What he did:
- gave us an outline of themes to address;
- advised on which countries would make interesting and relevant comparisons;
- wrote a draft report and a subsequent final report to put on the internet;
- presented findings at a seminar;
- continued to be on hand to answer follow up questions from the team.

Further information can be found in Annex 9 of the **Workforce Development Report.**
Learning from others - International comparisons

In Practice 2: SU Voluntary Sector Regulation Project

*International mapping: At an early stage in the project we mapped out the key characteristics of law and regulation relating to not-for-profit organisations in a wide number of countries (e.g. most European and Commonwealth countries, and the USA). This information was collected via requests to the Embassy in each country, and through other contacts.*

Visit to Australia and New Zealand: Australia and New Zealand had both recently completed reviews with a scope which was extremely similar to that of the Strategy Unit project and both had an equivalent common law legal system. The ‘problem’ to be addressed was almost identical to that being addressed in the UK by the Strategy Unit team – although the reasons for addressing it, and the drivers behind the respective reviews were different – and some of the solutions being proposed looked to have promising potential for the UK context. Two members of the team visited both countries, conducting a round trip taking 10 days (including travel) and conducting face to face interviews with academics, policy makers from range of government departments in both administrations, voluntary organisations (especially umbrella organisations) and MPs/politicians. We identified the individuals we wished to meet partly by asking our UK contacts for leads, partly via searching the web and partly with the help of the High Commissions in both countries, who also offered some limited help with the organisation.

The visit to Australia and New Zealand was valuable in filling in essential contextual information (such as the political context, the drivers behind the review, and the reasoning behind the selection of particular policy options – the type of thing which would have been extremely difficult to ascertain at a distance). Without this, assessing the merits of the proposals and their applicability to the UK context, would have been difficult. The visit also brought a new perspective and new intellectual stimulus to our own challenge and challenged several of our key assumptions about our own situation. The exercise also clearly demonstrated that evidence of unsuccessful initiatives (i.e. what not to do) is equally valuable (although less visible in terms of final outputs).

Learning from others - International comparisons

In Practice 3: SU Global Health Project

The SU project on global health looked at ways to improve the international community's contribution to tackling HIV/AIDS, TB and malaria in developing countries. The team used a pro forma to guide their collection of material on existing programmes.
Learning from others - Benchmarking

Comparing performance, or benchmarking, is a valuable means of improving understanding of capability and identifying areas for development in the delivery of a strategy or policy.

There are numerous definitions of benchmarking but essentially it involves learning, sharing information and adopting promising practices.

What is Benchmarking?
According to the Public Sector Benchmarking Service, benchmarking means "improving ourselves by learning from others". Most organisations tailor definitions of benchmarking to suit their own strategies and objectives. For example:

"Benchmarking is simply about making comparisons with other organisations and then learning the lessons that those comparisons throw up". Source: The European Benchmarking Code of Conduct.

"Benchmarking is the continuous process of measuring products, services and practices against the toughest competitors or those companies recognised as industry leaders (best in class)". Source: The Xerox Corporation.

Why Benchmark?
When used appropriately, benchmarking has proved to be a very effective tool for bringing about improvements in performance. Benchmarking provides:

- An effective "wake up call" and helps to make a strong case for change
- Practical ways in which step changes in performance can be achieved by learning from others who have already undertaken comparable changes
- Impetus for seeking new ways of doing things and promotes a culture that is receptive to fresh approaches and ideas
- Opportunities for staff to learn new skills and be involved in the strategy development and formation process.

Types of Benchmarking
1. Strategic Benchmarking is used where organisations seek to improve their overall performance by examining the long-term strategies and general approaches that have enabled high-performers to succeed. It involves considering high level aspects such as core competencies, developing new products and services; changing the balance of activities; and improving capabilities for dealing with changes in the background environment. The changes resulting from this type of benchmarking may be difficult to implement and the benefits are likely to take a long time to materialise.

2. Performance Benchmarking or Competitive Benchmarking is used where organisations consider their positions in relation to performance characteristics of key products and services. Benchmarking partners are drawn from the same sector. However, in the commercial world, it is common for companies to undertake this type of benchmarking through trade associations or third parties to protect confidentiality.

3. Process Benchmarking is used when the focus is on improving specific critical processes and operations. Benchmarking partners are sought from best practice organisations that perform similar work or deliver similar services. Process benchmarking invariably involves producing process maps to facilitate comparison and analysis. This type of benchmarking can result in benefits in the short term.
4. *Functional Benchmarking* or *Generic Benchmarking* is used when organisations look to benchmark with partners drawn from different business sectors or areas of activity to find ways of improving similar functions or work processes. This sort of benchmarking can lead to innovation and dramatic improvements.

5. *Internal Benchmarking* involves seeking partners from within the same organisation, for example, from business units located in different areas. The main advantages of internal benchmarking are that access to sensitive data and information are easier; standardised data is often readily available; and, usually less time and resources are needed. There may be fewer barriers to implementation as practises may be relatively easy to transfer across the same organisation. However, real innovation may be lacking and best in class performance is more likely to be found through external benchmarking.

6. *External Benchmarking* involves seeking outside organisations that are known to be best in class. External benchmarking provides opportunities of learning from those who are at the leading edge, although it must be remembered that not every best practice solution can be transferred to others. In addition, this type of benchmarking may take up more time and resource to ensure the comparability of data and information, the credibility of the findings and the development of sound recommendations. External learning is also often slower because of the ‘not invented here’ syndrome.

7. *International Benchmarking* involves comparison with similar public-service providers in other countries to put an organisation's performance into perspective. It helps decide when a policy problem is tractable or actable and identify how much change to expect. Comparison of similar value activities, rather than a straight comparison of resources, is important for the strategic context to be maintained.

When benchmarking, it is essential to have sufficient data to allow meaningful comparisons. This could be either historical data over time, or cross sectional data. It is often useful to use the data to test a hypothesis.

**Strengths**

- Successful benchmarking, in which gaps in performance are bridged by improvements, results in significant tangible benefits including step changes in performance and innovation, improving quality and productivity and improving performance measurement.
- Benchmarking can raise awareness about performance and promote greater openness on strengths and weaknesses
- Learning from others can result in greater confidence in developing and applying new approaches
- Increased willingness to share solutions to common problems and build consensus about what is needed to accommodate change
- Better understanding of the big picture and gaining a broader perspective on the interplay of the factors (or enablers) that facilitate the implementation of good practice.

**Weaknesses**

- Comparing performance of two different institutions/organisations/ countries can be misleading. For example different histories or cultures could explain differences in performance. Benchmarking should therefore be used to increase understanding, rather than prompt specific actions.

**References**

The *Public Sector Benchmarking Service*, a partnership between the Cabinet Office and HM Customs & Excise, aims to promote effective benchmarking and share good practices across the public sector. The website contains further information on what benchmarking is, the benefits and different types of benchmarking, and the benchmarking process itself.

In addition to the sources listed in data types & sources, the following provide useful benchmarking data:

**World Values Survey**

**International Social Survey Programme**

**Health and Behaviour in school-age children** (WHO website)

**International Crime Victimisation Survey** (Home Office website)

**Eurobarometer**
Benchmarking

In Practice: SU & DCMS Sport Project

Development of policy for the Joint SU/DCMS report on sport "Game Plan: a strategy for delivering Government's sport and physical activity objectives".

The review team on the sports project used benchmarking in drawing up its recommendations on the two main areas of sport: grassroots sport and high performance sport.

The review team could not find a recent example of a country which has been able to obtain and maintain a successful balance between grassroots and high performance sport - many Governments fund one at the expense of the other (note that there is no firm evidence that strong grassroots sport and high participation levels leads to success in high performance sport, or vice versa).

The team did not want to make recommendations that focussed on just one area and so developed policy recommendations that would enable the Government to take a 'twin track' approach and thereby provide funding for both.

1. Grassroots sport

The team was keen to make recommendations aimed at developing a sport and physical exercise culture in the UK and so looked closely at the policies and interventions used by Governments in other countries in order to increase participation in sport.

Analysis of other countries’ participation rates showed that, similar to the UK, almost all had a sharp fall-off in participation rates at school leaving age, with the decline continuing with age. However, Scandinavian countries, and Finland in particular, had managed to reverse that decline. Whilst they too experienced a sharp fall at school leaving age, the decline reached a plateau in peoples mid-twenties. Participation rates then remained steady until to their early forties when participation rates actually started to increase.

This was instrumental in giving Finland participation rates of:

- Sport: 80%, compared with 46% in the UK
- Physical activity: 70%, compared with 32% in the UK

Members of the team visited Finland to find out more about this and examine the steps taken by the Finnish Government to help obtain these high participation rates. Their findings were used to help shape the final report, with one of the main recommendations being that the UK achieves Scandinavian levels of participation by 2020.

2. High Performance sport

Given a range of factors including population and GDP, Australia has achieved disproportionate levels of international success in sport in the last 25 years. Consequently, in developing recommendations in this area, the review team focussed on Australia as a good benchmark.

Analysis showed that Australian funding of sport breaks down to around 80% for high performance sport and 20% for grassroots sport. It is exactly the reverse in the UK. Also, the Australians have chosen to focus on achieving success in a smaller number of popular sports, whereas the UK spreads the funding thinner over a much wider range of sports.

The review team felt that it would not be desirable to replicate the Australian model of a 80%/20% funding split in favour of high performance sport, but that we ought to focus our attention and finance on those sports which offer the best return for the Government investment provided in terms of their:

- need for funding (to avoid funding 'rich' sports)
- potential to win medals/championships
- ability to deliver (does the sport have adequate management controls in place? etc)
- popularity (and consequently their ability to generate 'feel good factor' and national pride).

The resulting recommendations in 'Game Plan' are aimed at making the UK (or Home Countries where appropriate) teams and individuals sustain places in the top 5 world rankings by 2020.
Forecasting identifies and tracks past trends and extrapolates them into the future. Typically, it is used to track over time (time-series forecasting), and to make predictions about differences among people, firms or other objects (cross-sectional forecasting). As well as quantitative (statistical methods), it also includes the use of more qualitative (judgmental) methods.

As looking into the future naturally involves a varying degree of uncertainty, sometimes a distinction is drawn between forecasting and projections. In certain contexts, particularly economic ones, forecasting is used to refer to short-term extrapolations associated with a reasonable degree of certainty. Projections are considered to be longer-term, more sophisticated, but also less reliable. This distinction does not always hold true, for example demographic projections can be very reliable over the time span of a generation. For this reason this section distinguishes instead between quantitative and qualitative trend analysis.

Quantitative Analysis
Quantitative trend analysis is probably the most common forecasting method. It relies on the statistical analysis of historical data – in other words it is relatively objective. Quantitative techniques include extrapolation (such as moving averages, linear projections against time or exponential smoothing) and econometric methods (typically using regression techniques to estimate the effects of causal variables). This type of analysis is commonly used to forecast demographic and economic changes where extrapolating over time is believed to have some validity.

The Strategy Unit, A Futurist's Toolbox, identifies some of the main quantitative techniques used by forecasters. Other techniques for short to medium term analysis and forecasting include:

Modelling
Modelling is an extremely useful tool for quantitative analysis. Excel and econometric modelling techniques are outlined in the modelling section of the guide.

Simple Moving Averages
The best-known forecasting method is moving averages. It simply takes a certain number of past periods and adds them together, then divide by the number of periods. Simple Moving Averages (MA) is an effective and efficient provided the time series is stationary in both mean and variance. The following formula is used in finding the moving average of order n, MA(n) for a period t+1,

\[ \text{MA}_{t+1} = \frac{D_t + D_{t-1} + \ldots + D_{t-n+1}}{n} \]

where \( n \) is the number of observations used in the calculation.

The forecast for time period \( t+1 \) is the forecast for all future time periods. However, this forecast is revised only when new data becomes available.

Weighted Moving Averages
Very powerful and economical. They are widely used where repeated forecasts required-uses methods like sum-of-the-digits and trend adjustment methods. As an example, a Weighted Moving Averages is:

\[ \text{Weighted MA}(3) = w_1.D_t + w_2.D_{t-1} + w_3.D_{t-2} \]

where the weights are any positive numbers such that: \( w_1 + w_2 + w_3 = 1 \). A typical weights for this example is, \( w_1 = 3/(1 + 2 + 3) = 3/6, w_2 = 2/6, \) and \( w_3 = 1/6 \).
Linear Projection
Used to estimate values in future periods. By taking historical data, an actual growth rate can be determined. This rate is then applied to the last known year and run forward. The validity of the growth rate found in historical data depends largely on the number of reference points and the period over which they are found. Obviously, the more reference points and the longer the period, the better. Linear projection will only serve as a predictor of future values if future trend determinants are the same as historical determinants. Therefore, factors such as technological innovation, changes in behaviour and radical economic shifts can all mean that historical determinants are no guide to future trends.

Often it is difficult to find sufficient data to allow detailed quantitative analysis. Techniques to address this problem include estimation and triangulation:

**Estimation**
One of the key difficulties in conducting forecasting is a lack of available data. If this is the case, estimation may be suitable. The most common forms of estimation are:

- Ask an expert or group of experts to use their experience to formulate an opinion.
- Develop a case study. For example, how many gardens are there in the UK? You might discover from the Office of National Statistics site that there are x places of abode in the UK, of which b are units, c are detached and d are terraces. You might assume that all the detached and terrace properties have gardens and one third of the flats have gardens. The most important thing is to ensure that your assumptions are clearly noted, so that the model users are able to adjust the assumptions if more accurate data comes to light.
- Mirroring. This method can be used when you identify a corresponding event. For a particular prescription drug may always be bought in conjunction with another drug. You may be able to ascertain the sales of the second drug by adding up quantities from annual reports, and then 'mirror' that number to find an estimation of the number of sales of the first drug.

**Triangulation**
When developing a model, data is often incomplete or approximate. In other instances you may have several sources of data that conflict. One way of developing a base to work from is to triangulate the available information to develop a defensible average.

Three sources of comparable data are needed. These may be obtained by various methods – extrapolation, expert estimation, case studies, literature reviews, etc. Once the information from all sources is standardised (that is using the same base, units, denomination, etc), an average is taken. Usually it is a straight average, though sometimes you may weight some of the information sources – to reflect a higher quality data source.

**Qualitative Analysis**
**Qualitative** trend analysis is more subjective and is concerned mainly with social, institutional, commercial and political themes (i.e. things which may not be linearly related to the past). For example, qualitative trend analyses deal with issues such as:

- What is the future of trade unions?
- What is the future of political parties or NGOs?
- What is the future of the entertainment business?

One of the most common forms of qualitative trend analysis is the identification of 'megatrends’ – driving forces which can change society in all spheres e.g. politics, economics, technology, values and social relations. Other tools include scenarios and analogies.

Qualitative analyses can be applied to most areas, but work best when focusing on real change. Megatrends apply to all areas, within the defined time and setting. It is important, though, to be aware that mega-trends may themselves produce powerful counter-trends - and that they may interact with each other.

**Scenario Design**
Quantitative and qualitative trend analyses together form the basis for scenario design. Different combinations of key trends are used to describe possible pictures of the future, which can then be used to design or test policy.
Strengths

- **Quantitative** forecasts are usually more objective, relatively inexpensive and easy to use (contingent upon some knowledge of statistics).
- **Qualitative** forecasts can be valuable predictors of new trends, by using the creativity and good judgement of experts.

Weaknesses

- **Quantitative** forecasts can be misleading. The past is not always predictive of the future. Such forecasts do not take into account unpredictable changes or discoveries (e.g. discovery of new natural resources) or ‘wild cards’ (e.g. unexpected acts of terrorism).
- When using **qualitative** techniques to identify possible new trends it will always be the case that some, or maybe even all of the results are eventually disproved. It is particularly difficult to distinguish between short term 'fads' and long term trends.

References

The Strategy Unit report *A Futurist’s toolbox* sets out the basic steps for carrying out forecasting analysis. The report summarises the six key methodologies for futures work, covering most of the commonly used tools by professional futurists. Some of the elements of the report are outlined below.

**Short Survey of Published Material on Key UK Trends 2001-2011** This report was undertaken by the Strategy Unit with the Defence Science and Technology Laboratory (DSTL) to synthesise existing predictions on trends in several sectors including: the economy; demographics; the environment; housing; and, health. The data is broken down by time into a period of relative certainty (2001-2006) and a period of lower certainty (2006-2011).

**Strategic Futures Thinking: meta analysis of published material on Drivers and Trends.** This was another report produced in conjunction with the Defence Science and Technology Laboratory (DSTL). The report examines published literature on key futures issues. It identifies six key drivers of change; demographics, economics, science and technology, environment, governance and attitudes and beliefs. It is also a useful source document for other materials.

The *OECD International Futures Programme*. This is designed to help decision makers to understand the key factors affecting the long-term future. It provides monitoring of the long-term economic and social horizon. It also provides early warning on emerging issues, pinpointing of major developments and possible trend breaks.

For comprehensive information on all aspects of forecasting from methods to purposes to evaluation there is a useful website – the *Forecasting Principles site* run by Wharton Business School. The work outlines a number of different ways to approach forecasting and provides a forecasting methodology tree for determining which forecasting method is most appropriate. While Strategy Unit cannot vouch for the day to day currency of this site, at the time of writing it summarises much useful knowledge about forecasting. It is designed to be accessible to researchers, practitioners, and educators. This knowledge is provided as principles (guidelines, prescription, rules, conditions, action statements, or advice about what to do in given situations). There are many materials that can be downloaded.

### Forecasting

**In Practice 1: SU Ethnic Minorities and the Labour Market Project**

This project was set up to examine and improve the position of ethnic minorities in the UK labour market. As a first stage, an Interim report was produced in early 2002. Amongst other things, the interim report looked at the future size of the ethnic minority population within the UK, as well as the effects that this would have on the labour market as a whole. The project did not do it’s own forecasting, but rather used existing forecasts produced in this area. This data is discussed on page 24 of the *Ethnic Minorities and the Labour Market report*.

The forecasts used were important in stressing the fact that the problems faced by ethnic minorities in the labour market are growing to a point at which they become a problem for the wider UK population. In other words, forecasting helped to show how a niche concern is likely to become a general one over time.
Forecasting

In practice 2: SU Waste Project

The Waste Project utilised a linear projection model that projected, on an annual basis to 2020, volumes of municipal waste and waste management methods, volumes of recyclate, expenditure and facilities.

Prediction of the volume of arisings for the entire period was therefore a crucial part of the model. However, the extent to which linear projection was used in the Waste Project, to estimate growth rates of municipal waste, was limited due to lack of historical growth data. Detailed data was not collected until about 5 years before the study, and even that data was incomplete. Furthermore the data that did exist was controversial – industry sources questioned whether the numbers reported related solely to the stream in question, given the unrecorded transfers between, for example, municipal and commercial waste. To add further complication, there was no consensus over the growth drivers or trends, making linear projection difficult to do and defend as the sole method.

This problem was partly resolved by using linear projection, in conjunction with estimation, to run two different growth rates on top of each other. Firstly, a generic 3% growth rate, based on growth in the previous period, was used, with the default growth rate becoming 2.5% from 2010 onwards. Secondly, a set of waste minimisation programs in the scenario necessitated a separate growth rate for specific targeted materials in the waste stream, hence, a more complex series of estimations, which were not based on historical data, were overlaid the generic growth rate. These estimates were forward looking and based on how waste minimisation programs, e.g. reducing household waste through producer responsibility, home composting, disposable nappy reduction etc, would further reduce selected material streams. The growth rates resulting from the waste minimisation program were determined using a variety of sources.

In a modelling situation where there is uncertain data, or where more information is likely to emerge over time, which will alter the growth rate and/or increase the confidence of the estimation, it is useful to allow the model user to be able to change the questionable variable. The model must then be correctly linked to the variable data to be able to reflect such changes.
Looking forward - Scenario development

Scenarios are used to identify a number of possible alternative futures and, optionally, how we might get there.

Scenarios are not predictions of the future. They show how different interpretations of the driving forces of change can lead to different possible futures. By setting up several scenarios a possibility space is created and it is within this space that the future is likely to unfold.

Scenarios are an important and useful tool in providing a neutral space (the future) for discussion, helping to build consensus on the key issues facing all stakeholders. They:

- Offer an inclusive and consultative process
- Can reflect the views and challenges facing all stakeholders
- Are a useful tool for organisational learning
- Use stories to describe strategic issues
- Allow detailed analysis to be woven in.

As well as being useful in strategy formulation, they can be used in policy development, conflict resolution, group learning and to aid rehearsal of management decisions. They can be used at many levels:

- Nations
- Government
- Regions
- Sectors
- Multi-national companies
- Small / Medium enterprises
- Single institutions
- Multi-organisation partnerships.

Scenarios can be used over any time scale, dependent on the primary objective for using them. Scenarios developed in order to aid team development, for example, are likely to be developed more quickly and have a shorter shelf life than those used for policy development.

Scenario Development – background

Societal, technological, economical, environmental and political drivers (as well as organisational and transactional environments) should be identified and used in constructing scenarios. Good scenarios:

- Are based on analysis of change drivers
- Allow critical uncertainties and predetermined elements to be distinguished
- Are compelling and credible
- Are internally logic and consistent.

Scenarios will not:

- Make the decisions
- Begin an unstoppable course of action
- Ever be entirely right (although elements of each scenario could be)
- Persuade everybody.
When building scenarios, the focus of interest needs to be agreed, the change drivers identified and the key uncertainties mapped to determine the critical planning area for scenario development – the area of uncertain, important change drivers. The dynamics between these change drivers and how they play off each other are the starting point for developing different possible futures. For scenarios to be effective they need to plausible and compelling (as opposed to being implausible or obvious), as well as being stretching – taking their intended audience into what can be 'uncomfortable' territory. There is a risk or even likelihood that audiences may ‘pull back’ from such scenarios, for a number of reasons:

- People are not skilled at thinking about the future and therefore may find it difficult to understand where the scenarios have come from
- Scenarios invite people to lay bare their assumptions
- Scenario thinking removes the rules and structures of today, which makes some people defensive.
- Scenarios invite people to explore what might happen, and people want to control what will happen
- Understanding scenarios (the output) relies on understanding drivers and uncertainties (the input) and many people do not have a detailed understanding of the current situation.

For effective scenario generation therefore it is important to know well the intended use and audience for the scenarios. As far as possible, the audience should be used for developing the scenarios and testing and verifying the plausibility and areas of comfort or discomfort in each scenario.

**Scenario Development - process**

There are a number of factors which will affect the design of the scenario process. For example: is there one preferred or multiple explorative futures?

- The Normative method involves defining a preferred vision of the future and outlining different pathways from the goal to the present.
- The Explorative method meanwhile involves defining drivers, assessing their importance and outlining the scenarios.

Another important factor in the design process is whether new or contextualised scenarios are the goal. It is time consuming to generate scenarios from scratch. It can be more effective therefore to make use of existing generic scenarios, already developed and tested. Examples include the DTI scenarios produced for their 'futures lab' ([futurefocus@dti](mailto:futurefocus@dti)) and the scenarios developed by Shell (see references). There are also many other ‘off-the-shelf’ scenarios.

A further factor for consideration is the extent of consultation that is desired and indeed possible. It may be decided to present stakeholders with the finished scenario. This is swift but it can be hard for stakeholders to engage with scenarios if they were not involved in their development. It is better if stakeholders can participate in building the scenarios. This can be time-consuming but if well managed it is possible to move from the first stage identification of raw drivers to final scenario generation within a couple of weeks (one of the hardest tasks being identification of key individuals for the process).

**Typical steps in scenario generation**

1. **Assemble the scenario team**
   - The core team will be responsible for project and workshop management, providing sponsoring departments’ points of view and internal communications.
   - Experienced scenario-planners should also form part of the team - to lead the process and ensure clarity about the focus of interest.

2. **Identify drivers of change**
   - It is often best to use workshops to do this. You should determine the ‘mix’ of stakeholder groups and size and number of workshops required (suggested bare minimum: 10 people, one half day workshop).
   - Ensure participants understand purpose, format and outputs from the workshop (and have good pre-briefing materials).
   - Brainstorm on drivers of change: compiling an unfiltered list; disposing of obviously invalid drivers and sorting and categorising the list.
3. Bring drivers together into a viable framework
   - The next step is to link these drivers together to provide a meaningful framework. This should involve grouping the drivers into combinations that are meaningful.
   - This is probably the most difficult conceptual step and intuition will be important.

4. Produce initial mini-scenarios
   - The outcome of the previous step is usually between seven and nine logical groupings of drivers.
   - Having placed factors in these groups work out, very approximately at this stage, what is the connection between them. What does each group of drivers represent?

5. Reduce scenarios
   - The main action at this stage is to reduce the seven to nine mini-scenarios into two or three larger scenarios. The challenge is to come down to finding just 2 or 3 "containers" into which all the topics can sensibly be fitted. This usually requires considerable amount of debate but usually producers fundamental insights into what are the really important issues.
   - The main reason for reducing to 2, 3 or 4 scenarios is a practical one. Managers who will be asked to use the final scenarios can only cope effectively with a small number of versions.

6. Testing the scenarios
   - Having grouped the drivers into scenarios, the next step is to test them for viability. Do they make sense? If they don't intuitively "hang together" then why not?
   - The usual problem is that one of more of the assumptions turns out to be unrealistic. If so, then you need to return to the second step.
   - The key point to remember is that developing scenarios is likely to be an iterative process.

7. Write the scenarios
   - Once tested for viability, the scenarios should be written up in the format most useful for the client.
   - Most scenarios will be in written form, especially where they will almost inevitably be qualitative. Other formats include adding "fictional" characters to the material, using numeric data or diagrams, or using more detailed fictional forms. An extreme example of the latter could be assuming the character of a leader writer in the Financial Times in the year 2010, for instance.

8. Validation of Scenarios
   - Once written up, the scenarios should go through a consultation phrase to allow them to be approved and revised. Original workshop delegates should always be consulted but the audience for scenario testing may be much wider - putting up on an electronic forum can be useful (but the scenarios should have a caveat stressing they are in development). The key message here is to cast your net wide.
   - Built into the whole scenario process must be the capacity to revise scenarios when there is some fundamental change to underpinning drivers. Thus a team member should be assigned to continually review the validity of scenarios – this is an iterative process not a 'one-off'.

Incorporation of scenarios into project, policy or organisational culture
Scenarios must be completely embedded in the project or policy of which they form a part. If they are to become part of the organisational mindset then they will need careful dissemination to get good engagement. It is also important that they form part of the underpinning assumptions of future work not just the work they were originally commissioned for.

For good engagement with scenarios, they must be widely circulated. When distributing the scenarios, however, you should make clear whether they are being distributed for comment or for information.

The report - A Futurist toolbox outlines an explorative scenario process.

Strengths
- Can help to identify opportunities.
- Can act as a checklist during planning to ensure that nothing has been forgotten.
- Can be used to give early warning to possible changes.
• Can be used to envisage preferred futures.
• Remove some of today’s constraints.
• Allow strategists to say "what if...?" "I like that..." "That would be a good outcome".
• Assist in separating tangled issues.
• Help to break ‘group think’ and conventional wisdom.
• Allow ‘undiscussables’ to be aired.
• Create a rich and shared picture of outcomes.

Weaknesses
• Can be difficult to translate the outcomes into concrete decisions.
• The method is partly based on qualitative information that is imprecise.
• Beware of focussing too much on the scenarios at the expense of the actual objective for using them.

References
The Generic Scenarios paper by the Strategy Unit Strategic Futures team (December 2002) presents summaries and provides links to generic scenario sets, in order to provide background materials to help those interested in using scenarios for their own projects.

Exploring Corporate Strategy, Johnson, G., and Scholes, K.

S.P Schnaars 'How to develop and use scenarios' in R.G. Dyson Strategic Planning: Models and analytical techniques, Wiley 1990

Scenarios shooting the rapids, Wack, P. Havard Business Review Vol. 63 no 6


The Sixth Sense: Accelerating Organisational Learning with Scenarios, Kees van der Heijden et al 2002
**Scenario development**

**In Practice 1: SU Energy Review**

The DTI Foresight scenarios describe four futures based on two extremes of governance (global or local) and two extremes of social values (individual or communal). The scenarios are realistic in the sense that they represent value systems held by minority groups, but appear extreme when compared to the current culture.

**Foresight Environmental Futures and Conventional Development**

The Foresight scenarios were used in the Energy review on two time scales. The first was to 2050 with a view to seeing the degree to which the scenarios were consistent with a low-carbon future. The second use was to 2020 where the main use was to explore the ways in which the electricity generating stations being decommissioned could be replaced. In both cases the scenarios were developed quantitatively with detailed projections of energy demands (by sector and type of demand; heat, power or transport). Each demand was forecast using a driver (such as number of households), level of energy services required (driven by GDP growth and curtailed by saturation effects) and improvements in energy efficiency (by both deliberate policy and technical progress).

The choice of supply options was harder to quantify in detail, but the different drivers in each scenario could be interpreted in terms of preferences. For example in both the "global" scenarios (World Markets and Global Sustainability) energy supply companies were assumed to be operating in a liberalised commercial market. This precludes the use of nuclear energy since the financial risks associated with investment in nuclear stations is regarded as too high for commercial companies. In the "regional" scenarios (Provincial Enterprise and Local Stewardship) the operating values encouraged national self-sufficiency which encouraged the use of local resources.

Striking conclusions from the scenarios included identifying the significance of old solid wall housing (although only 20% of the projected housing stock they accounted for 50% of domestic space heating demand) and the significance of air transport (the fastest growing sector with no sign of saturation). The scenarios also demonstrated the potential for improved energy efficiency in all cases.
Scenario development

In Practice 2: SU GM Crops Project

Why we used scenarios in our analysis

The GM Crops team used a scenario-based approach to consider the range of costs and benefits that could be associated with the growing, or not growing, of GM crops in the UK. The central purpose was to consider the relative costs and benefits of alternative futures for the UK (over a 10-15 year time scale), both with and without the commercialisation of GM crops on UK farms. The scenarios did not predict the future, nor did they have probabilities attached to them. However, all of the scenarios were scrutinised to ensure that they were plausible and internally consistent.

There were a number of reasons why a scenario approach was deemed appropriate for this study:

- The use of scenarios meant that a range of possible future outcomes could be considered, without having to pre-judge the most likely outcome for what was a controversial subject area.
- Many different factors needed to be taken into account in this study. Assessing each of these in the abstract could have presented a confusing and misleading picture. Tying the assessment to specific scenarios helped to avoid this.
- A scenario-based approach was helpful in capturing the dynamics of the costs and benefits associated with GM crops. There is a dynamic to each of the individual scenarios (see below), but in addition, it is possible to envisage that over time, the UK situation could evolve from one scenario into another.
- The scenario-based approach helped to inform the policy-making process, without having to make judgements about the "best" policy approach – which was outside the scope of the study.

How we developed our scenarios

The GM Crops team ran a one-day "scenario workshop" involving about 25 stakeholders and experts. The workshop was facilitated by independent scenario experts. Its purpose was to identify the key issues that would need to be taken into account in scenario definition and, in particular, to identify the two axes that would be used to define our scenarios. The scenarios were subsequently developed by the GM Crops team, in the light of discussions with Expert Advisory Groups and other stakeholders. Draft outputs – and a note of the scenario workshop – were published for comment by the wider public.

Description of the scenarios

The scenarios represent possible future outcomes that could occur in about 10-15 years time. Four of the five scenarios were based around two axes:

- The vertical axis on regulations represents a range of possible regulatory regimes. At one extreme are "Non-GM-specific regulations", under which GM crops and foods are treated much like any other novel crop or food. At the other extreme are "GM-specific regulations", under which GM crops are subject to a comprehensive approvals process, conditions of use and monitoring requirements.
- The horizontal axis represents a range of public attitudes. Public attitudes are complex and heterogeneous. The axis covers a range from public attitudes which are broadly positive to GM, through to public attitudes which are broadly negative. A distinct fifth scenario looked at the possibility that the UK may reject GM crops outright. The scenarios are illustrated below.
The role played by the scenarios in the final report

The five different scenarios played a crucial role in the final report. After we had defined the characteristics and conditions of each scenario, we considered the costs and benefits that would arise in each case. This enabled the study to highlight the importance of trade-offs and weighting of different costs and benefits. An example is attached at Annex A, for just one of the scenarios. As a final step, we also considered possible disrupters in each of the scenarios – how these might arise, how they would be dealt with and what the implications might be.

Lessons learned

Developing new scenarios is time-consuming - but definitely achievable. In some cases it will be possible to use "off the shelf" scenarios developed by other people. But in other cases, no existing scenarios will fit the bill. If so, it may well be worthwhile developing new scenarios, providing that sufficient time and resources are devoted to this exercise.

Scenarios are a tool, not an end in themselves. Scenarios should be defined and used in the way that is most helpful to the study - there are no right or wrong answers.

The importance of involving stakeholders and experts in scenario development. If scenarios are to be used, it is essential that they have widespread buy-in. The best way to achieve this is by giving the relevant people a "sense of ownership" of the scenarios.

This scenarios were crucially important in the GM study, where opinion was so polarised and we faced criticism that it was there to provide evidence for a predetermined Government decision to allow the commercialisation of GM. The scenarios illustrated that we were studying all possibilities, including a "no-GM" future.

The scenarios analysis enabled the SU to investigate whether government policy objectives could be supported across a range of possible outcomes.

Scenarios can be powerful tools - but they cannot do everything! Scenarios should be seen as a complement to other techniques, such as risk assessment or cost-benefit analysis - not as a substitute.

Scenarios need to have names! This may be one of the most difficult tasks in scenario development - but well-chosen scenario names are much more informative than 1, 2, 3 ... or A, B, C etc.
Looking forward - Counterfactual analysis

> in practice

Counterfactual analysis has thee broad aims:

- To establish evidence of a causal relationship between a new policy, or change in policy, and outcomes the policy seeks to influence
- To account for confounding factors, additional to the influence of policy, that might lead to measured change in outcomes
- To provide estimates of the impact of policy

What is it?
The counterfactual is an estimate of the circumstances that would have prevailed had a new policy or policy change not been introduced. By comparing counterfactual outcomes (often referred to as either control or comparison group outcomes) with outcomes measured for those units subject to the new policy or policy change, causality or attribution can be established.

A counterfactual analysis tool used by government to identify causality or attribution is the use of pilots. These enable the government to test new policies, or changes in existing policy, in a limited number of geographical areas prior to introducing them more widely. The objective is to determine whether the new policy gives rise to changes in the outcomes that policy seeks to alter. For example, counterfactual analysis might answer the question – is there a direct relationship between a new initiative to cut car crime and subsequent change in the number of reported car thefts, independent of other factor influencing car theft? Counterfactual analysis explicitly acknowledges the fact that the outcomes government attempts to influence are subject to a range of factors beyond the immediate scope of the policy being studied. For example, it can’t necessarily be assumed that measures to cut worklessness are entirely responsible for an observed fall in aggregate unemployment.

Units exposed to the new policy or policy change are alternatively referred to as the programme, treatment or action group. In theory, causality can be attributed to the new policy because there are no systematic differences between the programme group and a ‘true’ counterfactual group, except for the fact that the programme group has been exposed to the new policy. Differences in average outcomes between the programme group and the ‘true’ counterfactual group therefore represents an unbiased measure of the programme’s impact.

In reality, measuring the counterfactual is a difficult task. Evaluators use a variety of methods, depending on circumstances and opportunities open to them, to estimate the ‘true’ counterfactual. The following approaches can be used:

- Single group pre and post-test designs
- Two group pre and post-test designs
- Model-based econometric methods (simple regression adjustment, instrumental variables (IV), the Heckman selection estimator)
- Statistical matching designs (e.g., propensity score or cell matching)
- Interrupted time series analysis
- Regression discontinuity designs
- Randomised control trial (RCT) designs (alternatively referred to as random assignment, random allocation, experimental or randomised field trial designs).

It is the latter of these that is considered to be the most powerful method of establishing a net effect over and above the counterfactual. This is because programme evaluators explicitly construct control and programme
groups at random. In other words, the two groups are statistically equivalent, the only systematic difference between them being that the programme group has been exposed to the policy being investigated. Evaluators can randomly assign individuals, or other units such as institutions (for example hospitals or schools), or geographical areas (for example Wards, or Local Authority Districts).

At present, this approach, while commonplace in clinical trials, is less often used to evaluate social programmes in the UK, although there are examples. It is, however, widely used in North America to investigate the impact of various interventions from changes in taxation, welfare reform programmes, initiatives in education and criminal rehabilitation.

**Strengths of random assignment**
- If implemented correctly, it guarantees that the experimental and control groups will be identical. Thus it eliminates the influence of extraneous factors by ensuring that the only differences between the two groups arise by chance.
- Easy to interpret.

**Weaknesses of random assignment**
- Two groups are unlikely to be identical apart from some policy intervention.
- Only provides a measure of average impact.
- Can be complicated to implement correctly- two administrative systems are required.
- Can create political problems by denying services to controls.
- Risk of contamination if those in the control group are not prevented from participating in the pilot programme.

Many of these practical problems can be avoided if whole areas are divided into intervention and control groups, but for practical reasons this is usually difficult to do.

**References**
Cost Benefit Analysis, Boardman, Greenberg, Vining and Weimer (2001)

Research Methods for Policy Evaluation, Department for Work and Pensions, Research Working paper No 2. (Chapter 4 gives an excellent description of counterfactual analysis and the different methods available.)
Counterfactual analysis

In Practice 1: SU Waste Project

In choosing between options the impact of a "do nothing" option (i.e. what happens if current policies continue, or the counterfactual) must be considered. The waste team undertook such a counterfactual analysis as part of their work.

To do this assumptions were made about future waste growth and waste composition (provided by a waste analysis expert working with the SU team). The team considered current waste funding and looked at the rate of progress over the last 5 years in recycling and incineration based on this funding. This showed that the recycling rate had been increasing at 1% per year and only one new incinerator had been built in the last 7 years. At this rate of progress, and without kerbside recycling or more bring sites, recycling was likely to remain below 25% of the waste stream even by 2015, notwithstanding the fact that this target was originally set for 2005. It was assumed that current levels of opposition to incinerators would continue and only those currently approved would get built.

This analysis established the amount of waste that would end up in landfill sites on unchanged policies and could be compared with EU Landfill Directive targets to which the UK was bound. It showed that, on unchanged policies, many more landfill sites would be needed, resulting in the UK falling further and further from meeting the Landfill Directive.

The chart below shows the results of the counterfactual analysis, and the increasing gap between the Landfill Directive targets and the volume of municipal waste likely to be sent to landfill sites in England in future.

![Estimated biodegradable waste for landfill in England versus the EU Landfill Directive targets (million tonnes)](image)

Counterfactual analysis

In Practice 2: Jobseekers Allowance (JSA) interview

Random assignment was used to evaluate the introduction of a Restart interview for Jobseekers in 1989/90. Those claiming benefit for six months were invited to an interview to encourage return to work. 8,000 people were randomly assigned to receive an interview (intervention group), while 500 people were randomly assigned to the control group that was not interviewed. The trial measured the average time it took both groups to get a job. Those receiving a Restart interview spent 5% less time claiming benefit.
It is unlikely that there will ever be one ‘correct’ response to a public policy issue or problem. Different stakeholders, and even different members of the team, may hold differing views on the most appropriate strategy and policies for addressing it.

Taking a strategic approach to solution generation means resisting the pressure to jump directly to a solution, and instead taking the time to consider the alternatives and use a rational and reasoned process for selecting the most suitable, feasible, and acceptable option.

Taking such an open-minded approach will not only serve to incorporate divergent viewpoints in the process, but also open the possibility of forging hybrid solutions.

The three criteria of suitability, feasibility and acceptability should underpin the iterative process of generating, detailing and appraising options. At the outset they may be applied informally to guide and shape the thinking, but as options are worked up and the final selection approaches more structured and rigorous appraisal methods are needed.

Multi-criteria analysis provides a structured process for determining the criteria by which the options will be assessed and the relative importance of each of the criteria. This then enables a single preferred option to be identified.

Alternatively, cost-benefit & cost-effectiveness analysis can be used to determine the net cost or benefit of each option using a single metric. All options with a net benefit are worth doing – the one with the greatest net benefit is the most worth doing.

Underlying the appraisal of options should be an evaluation of the rationale for government intervention.
Multi-criteria analysis

> in practice

Once the preferred strategic direction has been determined and policy options to achieve that direction have been designed, analysis is needed in order to select the preferred policy option. Multi-criteria analysis can be used for this purpose.

The term multi-criteria analysis (MCA) is applied to a nested family of techniques, all of which enable policy options to be assessed against a range of appraisal criteria. The different MCA techniques include some or all of the following stages:

1. Identify policy options for analysis
2. Identify criteria against which options will be assessed
3. Assess options against criteria using quantitative or qualitative data
4. Score options against criteria on a consistent basis
5. Weight criteria and compare options
6. Carry out sensitivity analysis & revisit conclusions.

Process

The Process is extremely important to enable successful multi-criteria analysis. However many of the above stages are employed, a key characteristic of MCA is the exercise of explicit judgements – for example in choosing options and criteria, determining scores, and weighting criteria against each other. This requires an answer to the question, "Whose judgements are being used?"

In some cases it may be reasonable for officials or for Ministers to exercise these judgements. But in a climate of public suspicion of government, and lack of trust in institutions more generally, this may not deliver sufficient credibility. Hence a more appropriate approach may be to use the general public (for example in a "Citizens’ Jury") or stakeholders (for example in "Stakeholder Workshops") to make the judgements that are necessary. A decision on the most appropriate process to employ at each stage should be made at the planning stage for the MCA.

1. Identify policy options for appraisal

MCA will typically be used to assess a number of options for achieving a policy objective, one of which should be a "do nothing" or "base case" scenario. Ideally, the starting list of options should be as comprehensive as possible. However, an iterative process may be necessary, in which new options are generated in response to the assessment of the initial options (e.g. if none of the initial options perform well).

2. Identify criteria against which options will be assessed

There are a number of different ways in which the range of possible criteria can be categorised, and each individual issue is likely to employ its own set of criteria. However, the criteria employed should certainly cover the:

- suitability
- feasibility
- acceptability
- risks of each of the options.

Risk can be defined as uncertainty of outcomes (whether positive or negative). There are two types of uncertainty: uncertainty that is a result of a lack of information, and uncertainty in terms of unpredictable conditions.
events. There are a number of different techniques for identifying risks, these include check lists, prompt lists, workshops, questionnaires and brainstorming.

Work from the organisational analysis should also feed into the development of the criteria, particularly those looking at suitability, feasibility and acceptability. Understanding the organisational structure and culture of the department can help in understanding the ease or difficulty with which new strategies can be adopted. Some consideration should also be given to whether the Department has the resources and competencies available to deliver a new strategy. The key areas to assess include:

- Availability of and sources of finance
- Skills: organisational, leadership, technical expertise
- Availability of physical resources e.g. buildings, offices etc
- IT capacity
- HR capacity.

The criteria should also encompass a range of different perspectives on the policy problem, including the following (where applicable):

- economic
- social
- environmental
- ethical
- legal
- scientific.

Sponsor, stakeholder and public attitudes should be reflected, together with relevant local, national (including the devolved administrations) and international perspectives. It should also include any specific values or principles that could underpin the success of future policy.

3. Assess options against criteria using quantitative or qualitative data

Once the options have been agreed and the criteria determined, assessing each option against each criterion brings them together. All available evidence should be employed, both quantitative and qualitative. The results are then typically presented in a matrix format. If a wide range of criteria is employed, then the quality and type of information available to make each assessment will vary considerably. This will mean that the results in turn will vary in nature, including:

- monetary values
- other quantified data
- rankings
- naïve descriptions (e.g. positive/neutral/negative).

In principle, the MCA could stop at this stage (though preferably including stage 6) and the matrix presented in its raw form to decision-makers. The exercise has added value by presenting and appraising options in a systematic and comprehensive way. But unless one option clearly dominates all the others, implicit judgement is still required. Subsequent stages help to make the judgements involved in decision-making much more explicit.

4. Score options against criteria on a consistent basis

Scoring takes place primarily as a pre-cursor to weighting, and is designed to present in a common format all of the results generated in stage 3. A typical approach is to decide a range of scores for each criterion, for example 0 (the lowest score) to 100 (the highest score). The end points are then fixed in relation to the raw results.

Example A: if the cost to the Treasury of an option varies from £1m to £10m, then a score of 100 may be assigned to £1m and a score of 0 assigned to £10m.

Example B: if options are ranked as "positive, neutral or negative", then a score of 100 may be assigned to "positive" and a score of 0 assigned to "negative", with "neutral" scored as 50.

Once end points are fixed for each criterion, intermediate scores are assigned, usually on a linear scale. The matrix can then be re-written using this common scoring basis.
5. Weight criteria and compare options
The next step is to determine relative weightings for each criterion. This is in many ways the most difficult stage, and may be where public and stakeholder input is most crucial – different groups will have very different weightings. There are a number of approaches. One often-used approach is to divide a number of points (typically 100) between the criteria, in line with their perceived weighting relative to each other. Alternatively, a more qualitative approach may be used (e.g. "essential" versus "desirable" versus "irrelevant").

Once weights have been assigned, they are used to adjust (quantitatively or qualitatively) the scores from stage 4, so that options can be compared. This should enable an explicit ranking of options to be carried out.

6. Carry out sensitivity analysis and revisit conclusion
The ranking emerging from stage 5 may well be sensitive to some relatively small variations in data, scoring or weighting. The presence of uncertainty makes it almost inevitable that the assumptions and judgements employed in the analysis are less than firm. Hence before any decisions are taken, it is essential that sensitivity analysis is carried out on each of these aspects of the analysis. The question to be addressed is: "Do the rankings stay the same when data, scoring and weighting is adjusted within reasonable bounds?".

Strengths
MCA can typically incorporate a wider range of criteria (e.g. social, environmental, ethical) than that employed in a typical financial analysis, and unlike a cost-benefit analysis, does not require monetisation of all costs and benefits. At the same time, it brings a systematic approach to appraising and comparing options with a wide range of quantifiable and non-quantifiable impacts, and is a more robust process than the implicit judgements that may otherwise be made.

Weaknesses
The main disadvantage is that – if carried out to its fullest extent – it can be a very time-consuming process.

References
HM Treasury’s Green Book

The Office of Government Commerce Policy to Successful Delivery site provides some useful guidance on appraising options
Multi-criteria analysis

In Practice 1: SU Global Health Project

The Global Health Project Matrix Framework used by Global Health project to evaluate proposals assessed a number of proposed policy instruments against eight top-level criteria, beneath which were a number of sub-criteria. A matrix of scores was constructed, and the scores were then scaled to enable comparison, before the different criteria were weighted and the policy instruments compared.

Multi-criteria analysis

In Practice 2: SU Waste Project

Background and Approach

A central aim of the SU Waste Project was to identify a preferred option for meeting the EU Landfill Directive which sets tough targets for the diversion of biodegradable municipal waste from landfill sites (historically, the main method of waste disposal in this country).

As the UK lags most other developed leading nations in waste management, the first step in identifying a preferred option was to benchmark and study the various waste management options used by other nations. The options in use included actions: to reduce waste streams; to re-use waste; to recycle and; to develop alternatives to landfill such as incineration and mechanical and biological treatment (MBT).

The benchmarking work showed that countries varied in the use made of these different actions. However, most countries generally intervene at all stages of the waste hierarchy whereas debate in the UK has tended to focus on the choice between recycling and incineration with little attention paid to actions that would result in reductions in waste streams.

Building on this benchmarking exercise, the SU Waste team consulted with UK waste experts and drew on modelling work to examine a range of options for tackling UK waste. The first option was the status quo. The other options covered a range of waste management options with varying degrees of emphasis on incineration or recycling as well as more balanced packages of action. Each option had to be able to meet the requirements of the Landfill Directive.

The options are outlined below:

- **Option 1** – do nothing
- **Option 2** – High incineration (50% + incineration and 25% recycling)
- **Option 3** – High incineration (50% incineration and 35% recycling)
- **Option 4** – Maximum recycling (60% recycling and incineration at current levels 10%)
- **Option 5** – Reduce/recycle – a more balanced package of waste reduction, recycling, greater variety of residual waste technologies etc

A lowest cost option was also considered initially (but abandoned early on as it was judged to meet none of the environmental criteria and to be a step back from current government waste policy).

Choosing between the options

The options were compared using two analytical tools. The first of these examined the number of different waste facilities required for each option and the costs of those facilities over time. This allowed the present value cost of each option to be estimated over a 20 year period.

The second was adapted from an Environment Agency tool called "STOAT" – a Strategic Option Appraisal Tool. Essentially, this model is a multi-criteria analysis tool that allows one to analyse the benefits and risks of different waste management options including environmental impacts (e.g. C02 emissions, leeching), potential land use planning difficulties, consistency with public preferences and whether an option has been operated successfully in other countries. These criteria could be weighted in different ways to establish how this affected the preferred option.
An expert panel was used to assess the feasibility of each option as alternative ways of meeting the Landfill Directive and to assess the flexibility of each option (i.e. the extent to which it risked locking-in to one option). An overall judgement could then be made about the cost-benefit ranking of the different waste management options, and their respective strengths and weaknesses.

The options and the results of the analysis are summarised in table 1 below, which is taken from the SU waste report. It shows that a balanced package of measures with a focus on waste minimisation was judged the preferred option in cost-benefit terms (under a range of weightings for the benefits and risks).

### Benefits and costs of alternative strategic approaches, 2002-2020

<table>
<thead>
<tr>
<th>Option</th>
<th>Costs (£bn) (a)</th>
<th>Feasibility as a way to meet the Landfill Directive</th>
<th>Environmental benefits</th>
<th>Flexibility (avoiding locking-in to one option)</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 5: Reduction/recycle</td>
<td>29.6</td>
<td>✭✭✭</td>
<td>✭✭✭</td>
<td>✭✭✭</td>
<td>1</td>
</tr>
<tr>
<td>Option 3: High incineration (ii)</td>
<td>29.6</td>
<td>✭✭✭</td>
<td>✭✭</td>
<td>✭✭✭</td>
<td>2</td>
</tr>
<tr>
<td>Option 4: Maximum recycling</td>
<td>31.0</td>
<td>✭</td>
<td>✭✭✭</td>
<td>✭✭✭</td>
<td>3</td>
</tr>
<tr>
<td>Option 2: High incineration (i)</td>
<td>28.9</td>
<td>✭✭</td>
<td>✭✭</td>
<td>✭</td>
<td>4</td>
</tr>
<tr>
<td>Option 1: Status quo</td>
<td>27.4</td>
<td>✱</td>
<td>✱</td>
<td>✱</td>
<td>5</td>
</tr>
</tbody>
</table>

- ✭✭✭ offers maximum benefits
- ✭✭ offers some benefits
- ✭ offers few benefits
- ✱ offers no benefits

Notes: (a) costs represent discounted waste management expenditure at local authority level from 2002 to 2020.

Source: SU Analysis
Cost-benefit and cost-effectiveness analysis sum up all of the costs and all of the benefits associated with an option using a common metric, typically monetary units. This enables the calculation of the net cost or benefit associated with an option. All options with a net benefit are worth doing - the one with the greatest net benefit is the most worth doing.

Cost-benefit analysis (CBA):
Cost-benefit analysis suggests that a monetary value can be placed on all the costs and benefits of a strategy, including tangible and intangible returns to other people and organisations in addition to those immediately impacted.

Decisions are made by comparing the present value of the costs with the present value of the benefits of the strategy. Decisions are based on whether there is a net benefit or cost to the strategy, i.e. total benefits less total costs.

Costs and benefits that occur in the future have less weight attached to them in a cost-benefit analysis. To account for this, it is necessary to discount, or reduce, the value of future costs or benefits to place them on a par with costs and benefits incurred today. The current recommendation is that public sector activity should generally use a discount rate of 6%. This means that £1 in one year's time will be worth $1/1.06$ now; £1 in two year's time will be worth $1/1.06^2$ and so on. The sum of the discounted benefits of an option minus the sum of the discounted costs, all discounted to the same base date, is the net present value of the option.

Cost-benefit analysis should normally be undertaken for any strategy project which involves policy development, capital expenditure, use of assets or setting of standards. Depending on the nature of the issue, it will sometimes be very quick and easy. At other times it will require full-blown economic analysis.

Although in practice monetary valuation is often difficult, it can be done and, despite difficulties, cost-benefit analysis is an approach which is valuable if its limitations are understood. Its major benefit is in forcing people to be explicit about the various factors which should influence strategic choice.

Cost-effectiveness analysis (CEA)
Cost-effectiveness analysis is an alternative to cost-benefit analysis. CEA is most useful when analysts face constraints which prevent them from conducting CBA. The most common constraint is the inability or unwillingness of analysts to monetise benefits.

CEA measures costs in a common monetary value (normally £) and effectiveness in physical units. Because the two are incommensurable, they cannot be added or subtracted to obtain a single criterion measure. One can only compute the ratio of costs to effectiveness in the following ways:

\[
\text{CE ratio} = \frac{C_1}{E_1}
\]

\[
\text{EC ratio} = \frac{E_1}{C_1}
\]

where: $C_1 = \text{the cost of option 1 (in £)}$; and $E_1 = \text{the effectiveness of option 1 (in physical units)}$. 
Equation 1. represents the cost per unit of effectiveness (e.g. £/life saved). Projects can be rank ordered by CE ratio from lowest to highest. The most cost-effective project has the lowest CE ratio.

Equation 2. is the effectiveness per unit of cost (e.g. lives saved/£). Projects should be ranked from highest to lowest EC ratios.

The outputs to be ranked by cost-effectiveness analysis will often be social or environmental in nature. For example, work in health economics looking at the cost-effectiveness of different treatments, or work to assess the net costs of different ways of reducing greenhouse gases. As with CBA, the level of detail for the analysis will typically depend on the specific issue being addressed, but should take a broad view of costs and benefits to reflect public and taxpayer interests.

Process for carrying out a CBA/CEA
There are 5 core elements to carrying out a successful CBA or CEA:

- define the objectives
- identify the options (including a base case)
- identify and, if possible, quantify and value the costs, benefits, risks and uncertainties
- analyse the information
- present the results.

Strengths & Weaknesses
CBA and related techniques are tools to be used in decision-making - they provide a means of systematically and rigorously balancing the costs and benefits of different options. They should be used intelligently, making use of relevant knowledge and expertise. CBA can be essential in setting out the costs and benefits associated with different options, and in making a rigorous choice between them. But it is rarely sufficient on its own, because other, typically more nebulous, factors will also need to be taken into account. The option identified as "best" from a CBA does not always need to be chosen - but any departure from the "best" option needs to be very carefully justified.

CBA is based on conventional welfare economics, which provides a utilitarian account whereby value relies upon individual self-interest. In practice, people express defined preferences for a much wider set of public goals. Even though in theory this should be compatible with traditional welfare economics, in practice analytical techniques such as CBA rarely give proper recognition to these wider public preferences.

In carrying out a CBA, there are probably two main pitfalls to avoid:

- The first and perhaps most serious is missing out some key options, or some key costs and benefits. If this occurs, the results of the analysis can be significantly skewed away from the actual "best" option. The way to avoid this is to spend some time making an exhaustive list of the options, and then all the different costs and benefits that could arise - even if some are later excluded.
- The second potential pitfall is relying too much on the data. Information on costs, benefits and risks is rarely known with certainty, especially when one looks to the future. This makes it essential that sensitivity analysis is carried out, testing the robustness of the CBA result to changes in some of the key numbers.

References
The Treasury Green Book is the main source for information on CBA and other appraisal techniques. This also contains a bibliography of other material.

The Civil Service College runs courses on cost-benefit analysis and related techniques. Details are available via the CMPS website.
In Practice: SU Childcare Project

The objective of the study was to provide a value for money analysis of Government investment in different types of childcare. The choice was between higher cost "integrated" childcare centres, providing a range of services to both children and parents, or lower cost "non-integrated" centres that provided basic childcare facilities.

In order to undertake a full cost-benefit analysis data must be available which allows the full costs and benefits of the policy to be converted into monetary units. This was not possible, owing to a lack of detailed evidence in all areas of the policy, and so in the case of the childcare review the team undertook a dual track approach:

- **A partial cost-benefit analysis**: to allow us to compare integrated and non-integrated childcare for areas where detailed evidence was available.
- **A variant of cost-effectiveness analysis**: to allow us to compare childcare to other policy areas such as employment, education and crime, where the evidence allowed us to quantify intermediate outputs from policy (e.g. improved educational attainment aged 18) but not the final outcomes of the policy (e.g. better overall life chances, higher skilled workforce and higher economy wide productivity growth).

For both analyses there was a ‘hard exercise’ and a ‘soft exercise’: The hard exercise identified, quantified and monetised direct costs and benefits. The soft exercise identified and described qualitatively non-monetisable impacts leading to option ranking.

There are always caveats involved in cost-benefit analysis and many assumptions were necessary:

For example an important assumption had to be made about the governments targeting of policies. A single childcare place will provide a ‘bundle’ of outcomes from increased parental employment levels to reduced future crime rates and improved educational attainment owing to better child development. These outcomes cannot be separated and so must be analysed together. However, in reality the provision of an additional childcare place may not achieve additional outcomes in all of these areas. A child may already be at very low risk from committing future crimes but their parents may use a childcare place so that they can return to work. In this case an additional employment benefit would be realised but no additional benefit from reduced future crime rates. An ex ante value for money analysis says nothing about whether the benefits of a future policy will actually accrue to targeted populations. In this analysis we calculated the full costs and benefits of the childcare place and then assumed that government would have to target programmes sufficiently to minimise loss from benefits that would have occurred anyway.

An Example Partial Cost-Benefit Analysis template is shown below:

<table>
<thead>
<tr>
<th>Cost of 100 non-integrated childcare places:</th>
<th>Benefit of 100 non-integrated childcare places:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Cost = £2.0m</td>
<td>Employment = £1.5m</td>
</tr>
<tr>
<td>Revenue Cost = £0.5m</td>
<td>Reduced poverty = £Xm</td>
</tr>
<tr>
<td><strong>Total = £2.5m</strong></td>
<td>Other child = Small outcomes Effect</td>
</tr>
<tr>
<td></td>
<td>Total = £1.5m + £Xm + small effect</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of 100 integrated childcare places:</th>
<th>Benefit of 100 integrated childcare places:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Cost = £3.0m</td>
<td>Employment = £1.5m</td>
</tr>
<tr>
<td>Revenue Cost = £1.0m</td>
<td>Reduced poverty = £Ym</td>
</tr>
<tr>
<td><strong>Total = £4.0m</strong></td>
<td>Other child = Larger outcomes Effect</td>
</tr>
<tr>
<td></td>
<td>Total = £1.5m + £Ym + larger effect</td>
</tr>
</tbody>
</table>

Gap non-integrated is £1.6m

Gap Integrated is £2.5m

Difference between the gaps in the two types of provision is £1.5m

If we assume 100 childcare places help 130 children (as a single child will not take up a place all the time) we have to believe that the present value of increased child outcomes and greater poverty reduction from integrated care is larger than £11,500 per child

This must be compared to what the evidence tells us on:

- Educational attainment
- Future income of child
- Better health
- Reduced demand on social services

Note: For sensitivity reasons the figures below are illustrative and do not represent numbers actually used in the Childcare Review.
In this illustrative example the quantifiable employment benefits are not sufficient to cover the total cost for either integrated or non-integrated childcare. The gap between costs and benefits for integrated childcare is £2.5m compared to £1m for non-integrated childcare. Thus for the government to choose to promote integrated childcare the 'soft exercise' would have to provide sufficiently strong evidence that the reduced poverty and other child outcomes (Y + larger effect) were greater than:

- The £2.5 million gap between the full costs and benefits of the integrated places
- The £11,500 difference per child from reduced poverty and other child outcomes given by non-integrated childcare (X + small effect)

> See a full explanation of the Childcare value for money analysis
Rationale for government intervention

Identifying the rationale for government intervention is crucial to deciding when – and in what ways – governments need to get involved.

The current draft of the HM Treasury Green Book identifies two basic justifications for government intervention:

- The enhancement of economic efficiency by addressing problems with the operation of markets and institutions
- The achievement of a social objective, such as promoting equity.

The existence of a problem does not in itself justify government intervention. Government itself does not function perfectly, and any form of government intervention may impose costs. This means that even when markets do not work effectively to deliver desirable goals, government must compare the costs of failing to deliver those goals against the potential costs of the intervention.

There are four key stages to justifying the rationale for government intervention:

1. Identify the set of policy goals to be achieved
2. Identify why these goals may not be delivered without government activity
3. Identify what actions are available to government in order to deliver the desired outcomes
4. Consider whether the costs of government intervention are justified.

1. Identify the set of policy goals to be achieved:
   This involves an assessment of the government’s strategic goals and objectives, and the way in which they are translated to individual policy areas.

2. Identify why these goals may not be delivered without government activity:
   Economists identify two broad types of reason why government activity may be required:

   (I) Market failure, of which there are several types:
   - Imperfect competition (market power). Economic theory demonstrates efficient outcomes will be delivered only where markets are actually or potentially competitive. As soon as there is an element of monopoly (on the side of the seller) or monopsony (on the side of the buyer) power that can be exercised, a less efficient outcome will occur. This may arise because of the natural characteristics of the market (e.g. very high costs of entry) or through strategic behaviour by incumbents (e.g. predatory pricing).
   - Externalities. Externalities result when a particular activity produces benefits or costs for other activities that are not directly priced into the market. When this happens, the amount of the particular activity that takes place will generally be inefficient. Externalities can be "positive" or "negative". An example of a positive externality is the spill over effect into other areas that can occur as a result of research and development activity. A company or research institution will generally decide its level of R&D on the basis of the benefits that it can capture – ignoring benefits that might occur elsewhere. An example of a negative externality is pollution of the environment. A company or individual may reduce its own costs by failing to implement pollution controls, but this will generally impose costs on those affected by the pollution..
• **Information failures.** The effective operation of markets relies on the fact that all the participants in the market have complete and perfect information relevant to that market. When this information is not available to all participants, this is described as asymmetry of information, and market failure can arise. Information asymmetries lead to sub-optimal outcomes. For example, a buyer may not have full information on the characteristics of a product or service he/she wishes to buy – this is known as adverse selection.

• **Public goods.** Markets work effectively to provide private goods and services, which are typically rival and excludable in nature – i.e. each specific item or service can only once be sold/bought, and once purchased, can be exclusively "enjoyed" by the purchaser. In contrast, public goods and services are non-rival and non-excludable – if one person purchases the good or service, that does not stop others from purchasing it; and there is generally no way to stop people from enjoying the good or service. True public goods and services are comparatively rare, but the provision of national defence and of law and order are typically used as illustrations.

(II) **Equity,** which is to do with the delivery of social or distributional objectives. Even where markets are working efficiently, they may result in a distribution of income (or other benefits/costs) that is unacceptable to society. This will often arise through a lack of incentives to improve equity, or because the necessary information is available only to government.

3. Identify what actions are available to government in order to deliver the desired outcomes:

As well as providing a useful checklist for justifying government activity, the issues outlined above can also be helpful in pointing towards the type of activity that government might want to undertake – Stage Three of the process. Government intervention should typically be directed at tackling the particular market failure that is occurring, or at delivering the specific social objective in question. A wide range of interventions is available to government, and it will often be appropriate to consider several options. Examples include tax incentives, grants, loans, and information campaigns.

4. Consider whether the costs of government intervention are justified:

There are two separate aspects to this stage of the process:

• The first stage is to identify the additional benefits that would arise as a result of government intervention. The concept of additionality is important – what should be measured is not the gross benefit, but the benefit net of what would have happened without intervention.

• The second stage is to identify the negative impacts of the government intervention. These negative impacts may include the direct costs of the intervention, but they may also include further negative impacts arising as a result of "government failure" – i.e. it is possible that government will get its intervention wrong, or that the intervention will have unintended consequences.

Only if the net benefit of intervention outweighs the costs of intervention is government action justified. In practice, this stage of the process may form part of the economic appraisal of the options for intervention, either through cost-benefit/cost-effectiveness analysis or through multi-criteria analysis.

**Strengths**

Using this four stage process – and in particular the list of market failures – is a good way of checking whether or not government should be involved in an issue.

**Weaknesses**

If applied incorrectly, the approach does contain pitfalls. For example, it is important to be sure that the net benefits of government intervention justify the costs. And even if an individual intervention is justified, it is also necessary to consider the overall burden imposed by government intervention – there may be a case for focusing intervention only on priority policy areas, so as to avoid "micro-management".

**References**

Micro-economics or public economics text-books include chapters on the basic market failures and how they should be dealt with.

**HM Treasury Green Book** and HMT micro-economics courses
Rationale for Government intervention

In Practice 1: PIU Resource Productivity Project

Throughout the resource productivity report, *Resource Productivity: Making More with Less (PIU, 2001)* there are examples of the above approach as a justification for Government activity. Examples include:

- Barriers to progress in improving resource productivity: section 1.4.1
- Externalities and other barriers associated with innovation: section 2.4
- Failure to properly take into account the full impacts of economic decision-making: section 3.4
- Long-term uncertainty: section 4.2.1

However, the report also highlights the fact that there is a lot that businesses and households could and should be doing to improve resource productivity – and where this is the case, Government’s role should be relatively "light touch".

Rationale for Government intervention

In Practice 2: PIU Lending Support Project

Section 3 of the report *Lending Support: Modernising the Government’s use of loans (PIU 2002)* proposed criteria for assessing the rationale for Government intervention.
The development of strategy and the planning of its delivery should never be discrete or sequential tasks. Rather, an understanding of the delivery environment, particularly any constraints, should inform strategy work, such that only implementable strategies are developed.

It is important that the strategy team have a realistic expectation of the degree of change that their strategy will require and confidence that this can be achieved. Realising the full benefit of these changes will require an active approach to change management.

New policies often require institutional change, through changes to the structures, processes and culture of an organisation. It may be appropriate in certain circumstances to create and entirely new organisation to deliver the new strategy.

Given the significance of the delivery process to the success of the strategy, no strategy project should conclude without an agreed implementation plan. Designing an implementation plan is a means of documenting what needs to change, assigning responsibilities, and imposing deadlines.
Change management

Because creating lasting change can be complex and difficult, successful implementation of the new strategic direction should be based on a clear strategy or plan, with senior level commitment to creating change. It is also important to ensure that the organisation has the capacity to deliver the desired outcome. Unless these issues are explicitly addressed as part of the implementation of a new strategy or policy, most change programmes will fail to deliver their full benefits.

Organisational change management can be thought of as a process with a number of steps, which have to be followed broadly in sequence to create successful and lasting change. One way of visualising this process is as a flow chart:

1. Analyse current position
2. Determine type of change required
3. Identify desired future state and change vision
4. Analyse the change context
5. Identify the critical change features
6. Determine the design choices
7. Design the change process – levers and mechanisms
8. Manage the change process
9. Evaluate change outcomes

The first three stages in this process rely on the analytical work which is needed to create a robust case for change, leading up to a clear vision of the desired strategic direction. This will have been determined through the first three phases of the strategy development process.

Before embarking on the subsequent stages it is worth assessing the extent of the change required to achieve the vision. This can be defined in terms of two dimensions – the desired end result of the change, and the nature of the change. The desired end result can either be transformation – that is, fundamental change within an organisation; or it can be realignment - a less fundamental but still potentially substantial change to the organisation. The process itself can either be incremental – spread out over time; or a "big bang" implementation.
The resulting types of change vary in scope. Adaptation and reconstruction do not fundamentally challenge an organisation’s beliefs, and so are often easier to achieve. Evolution can take a long period of time, but results in a fundamentally different organisation once completed. Revolution is likely to be a forced, reactive transformation using simultaneous initiatives on many fronts, and often in a relatively short space of time.

It is essential that those responsible for creating the change are aware of the implications of the type of change they are trying to achieve. This can only be done by carrying out a detailed analysis of the context within which change will sit. Useful features to assess when determining context include:

- **Time scale**: how quickly is change needed?
- **Scope**: what degree of change is needed?
- **Preservation**: what organisational resources and characteristics need to be maintained?
- **Diversity**: how homogeneous are the staff groups and divisions within the organisation?
- **Capability**: what is the managerial and personal capability to implement change?
- **Capacity**: what is the degree of change resource available?
- **Readiness**: how ready for change are the staff?
- **Power**: what power does the change leader have to impose change?

Some of these dimensions can be assessed relatively easily, e.g. time and scope. Others are likely to require more direct consultation with front-line staff and other stakeholders, for example assessing organisational readiness for change. The organisational analysis already undertaken in the Research and Analysis phase should have laid the groundwork for this task.

If the organisation has a low capacity or readiness for change, this could negatively impact the success of the new strategy. Depending on what is hampering change, the first approach should be to assess whether it is practical to change the organisation to deliver the new strategy e.g. through additional training and re-organisation or through recruitment of staff with suitable skills. Only if this is impractical or excessively costly, should the project team consider changing the policy objectives. This situation should not arise if the organisational analysis was adequately considered during the policy development phase.

**Key Success Factors**

At all stages of the organisational change flow chart there are some "Golden Rules" which should be followed in order to create successful change:

- Compelling vision for action
- Committed leadership
- Rigorous project management
- Securing stakeholder support
- Effective communications
- Infrastructure alignment.
Compelling vision for action – the most important starting point for any change programme is to have a clearly documented case for change based on rigorous analysis. This should set out why action is needed, and how the proposed action will add value. It should also set out a new and compelling vision, articulated in such a way as to engage stakeholders.

Committed leadership – at all levels of the organisation, in particular with strong and visible support from senior management. The change programme should be sponsored by high calibre and credible managers, and led by capable line managers.

Rigorous project management – the organisation needs to commit the right resources to making sure the change programme is delivered on time. Project team members should have clear accountabilities for delivery of project outcomes, using disciplined and well-managed project processes. They should use rigorous project plans, including milestones, timeframes and risk assessments, and should have monitoring mechanisms in place to track progress.

Stakeholder support – it is critical to identify key stakeholders and engage them with the change programme. This does not just apply to senior stakeholders, but also to staff members whose participation in the change programme will be essential. Clear, consistent and persuasive communication is needed to share the new vision with stakeholders, to keep them updated on progress, and to ensure that they are aware of their own role in the process. Depending on the magnitude of the change, it can often be a good idea to have a system in place to monitor morale and attitudes in the organisation during the change programme.

Effective communications - there are a different elements of the change programme which will need to be communicated to front-line staff and other key stakeholders including, potentially, the public. These will include reasons for the need for change, what the change is intended to achieve or what is involved in the changes. Communication will also help minimise the risk of rumours, gossip and storytelling. It may be important to clarify and simplify further the priorities of the strategy. A three-theme approach is often advocated, emphasising a limited number of key aspects of the strategy, rather than expecting to be able to communicate the overall complexity and ramifications. Communication also needs to be a two-way process. Feedback to communication is important, particularly if the changes to be introduced are difficult to understand, threatening or if it is critically important to get the changes right.

Infrastructure alignment – change has to be backed up with appropriate elements of infrastructure to support the new arrangements – particularly budgets, performance metrics, HR policies and processes and IT resources. It will also be important to ensure that there are sufficient staff with the relevant skills in place.

Strengths
The only way to deliver lasting change is through a rigorous and well-designed change management programme carried out during implementation of the new strategy or policy. This is a highly complex area, which gets proportionately more difficult depending on the extent of the change and the number of people involved. Ensuring that all the factors listed above have been explicitly addressed in the transition to implementation phase of strategy work will help to create lasting change.

Weaknesses
There are a number of pitfalls that could jeopardise successful change:

- Lack of clarity around the new vision.
- Lack of senior commitment to change.
- Overestimating the ability of the organisation to deliver the new vision.
- Underestimating the time required to create the change, particularly if change in culture is required.
- Failure to design processes, structures and incentives that reward change.
- Lack of attention to stakeholders to ensure they are fully committed to the new vision.
- “Change fatigue” – organisations have been subjected to so many change programmes that they disengage.
References

Many of the frameworks in this short piece have been drawn from "Exploring Strategic Change" by Julia Balogun and Veronica Hope Hailey (Prentice Hall, 1999), which is a good source of further advice on these topics.

"Exploring Corporate Strategy" by Gerry Johnson and Kevan Scholes. Chapter 11 on Managing Strategic Change provides pointers to successful change management.

Effecting Change in Higher Education from the University of Luton contains articles, theories, tools, case studies and other materials related to change which draw on experience from inside and outside the HE sector.

Change management

In Practice: SU Waste Project

This project was tasked by the Prime Minister with addressing what more could be done to reduce the growing quantities of municipal household waste going to landfill and to meet the EU Landfill Directive. In order to assess the scale of the challenge, and how the transition to a more sustainable waste management system could best be managed, the project was organised into a number of distinct phases.

At the outset of the project in November 2001, a Waste Summit of key stakeholders from across central and local Government, the waste industry and NGOs was held. This provided valuable material on the scale and nature of the waste problem and options for overcoming it.

A scoping note setting out the key issues to be addressed was published on the Strategy Unit web site in December 2001 and included a consultation page, inviting comment on the degree of change required. Following this, a series of workshops and bilaterals were held with stakeholders and experts to consult on the pros and cons of waste management options. Many stakeholders felt that the Government had made a start in tackling the waste problem (for example by introducing statutory recycling targets for local authorities) but that much more of a focus was required on delivery mechanisms if England was to meet the high diversion rates from landfill required by the EU Landfill Directive.

The team then reviewed the economic and regulatory frameworks for waste management used by other nations. They found that there were significant lead times involved - countries which had developed sustainable waste management systems had taken 10-15 years to do so. This helped the team press the case for prompt action to address England's waste problems, despite the Landfill Directive not coming into effect until 2010.

Some visits were made to local authorities to ask for their views on the main barriers to progress and the main options for taking forward more sustainable waste management. The most important elements of change that local authorities wanted to see included a new economic and regulatory framework (particularly a rise in the rate of landfill tax and reform of the Landfill Tax Credit Scheme to help incentivise and fund alternative waste treatment options).

Community sector representatives were asked their views on how ready the public was for change. MORI was also commissioned to carry out some focus group research into public perceptions of the waste problem and attitudes towards reducing household waste and recycling. The project team found that the case for action was accepted by the public, who when presented with choices between different waste management options, wanted more opportunities to recycle. However, the public also said that the provision of more convenient recycling facilities would be key to their take-up. As a result, widespread kerbside recycling together with a national communications strategy became important facets of the report's recommendations.

Throughout, the team also collated data from experts and developed models in order to analyse the costs and benefits of different options looking into the future.

Drawing on the outcome of all these phases, the project team was able to work up and present a vision for sustainable waste management and a strategy for achieving it, including the change required to funding requirements, the economic and regulatory framework, and delivery structures.
Institutional change

The implementation of new policies often calls for changes to existing institutions, or the creation of new organisations. Institutional change is therefore an important part of detailed policy design, involving structures, processes and cultures.

It can be harder to create institutional change within an existing organisation than to create a new body, whose culture and approach can be specifically designed around required activities. Conversely, structural change can be time-consuming and divert scarce resources and energy. Further guidance on planning for organisational change can be found under organisational analysis and change management.

The extent of the institutional change required will depend on the degree to which the new policy differs from current policies. At the simplest level, a new policy can be incorporated within the work of an existing department, while at the most complex level a whole new organisation may need to replace one or more existing departments.

In all instances, however, there are a number of common criteria that should be assessed, whether designing a new institution or changing an existing institution to deliver a new policy:

- What is the role and remit of the new institution? How should it meet the needs of its consumers and users?
- How is the new institution distinct from other institutions? Will it replace existing structures or is it entirely new? How should it work with related bodies?
- To whom is the new institution accountable? What performance measures need to be introduced? What are the Ministerial reporting arrangements?
- How should the new institution be organised? What internal governance structures are required?
- What capabilities are required within the new institution? How are suitable employees to be identified, recruited and trained?
- What capacity does the new institution need (in terms of caseload, number of users etc.)?
- How will employees of the new institution be incentivised to deliver its objectives?
- What infrastructure will the new institution need (IT systems, premises, vehicles etc.)? Can these be adapted from existing organisations or must they be built from scratch?
- What funding does the new institution need? What are the possible sources of funding? Will existing funds be redirected or are new funds needed?

There may well be options under each of these criteria, so it is important to make explicit trade-offs between different approaches. One way to do this is to generate a number of alternative structures for the new institution, which can then be discussed with key stakeholders to select the final organisational design.

It is also important to consider the degree of difficulty involved in creating the new organisation – this should be one of the criteria that is taken into account when deciding on the final organisational design. A key part of this is ensuring clear communication with all staff who are involved, particularly if an existing institution is being changed.

Strengths

- Ensures that the organisation which will be responsible for implementing a new policy has the right skills and resources to do so.
- Makes explicit the trade-offs between various approaches.
• Ensures that the accountability, governance and incentive structures of the new institution are focused on delivering its objectives.
• Demonstrates commitment to delivering the objectives of the new policy.

Weaknesses
• While it is relatively straightforward to design an organisation on paper, creating a new culture and working style is extremely challenging. It is important to allow the managers of the new institution the chance to take part in the design of the final structure, and to adapt it if necessary once it becomes operational.
• Institutional change can have serious implications for individual's careers. Correct HR procedures should always be followed to ensure that all employees are treated in an appropriate manner.
• New institutions will create new boundaries and new interfaces, which need to be mapped, understood and managed.

Pitfalls
• Not "sizing" the new institution correctly, so it ends up over or under resourced.
• Not taking into account the possible reaction of existing stakeholders to a new body.

Institutional change
In Practice: SU Childcare Project

The SU Childcare project envisaged a new role for local authorities in the provision of childcare:

A detailed audit of existing delivery structures was carried out by the Childcare team: the team mapped out existing policies, funding mechanisms, and delivery mechanisms from the perspective of the different organisations – including those who directly consumed or provided the services.

As part of that audit work, the team mapped out the accountability arrangements: it was important to establish who was accountable for what, and how responsibilities were reinforced or undermined by the governance structures and reporting requirements.

The analysis was bottom up: the team started with delivery structures on the ground, and then looked at how they related to structures within central government.

The team agreed their findings with key stakeholders: it was useful to discuss and agree the diagnosis of the problem(s) before developing policy options and recommendations. This also allowed key stakeholders to agree the relative priority of the problem areas.

The team considered and discussed a wide range of options: it was important to discuss a number of options, including more radical structures. Each was assessed against the key objectives, wider policy developments, and ease of implementation. We deliberately held back from defining options until other elements of the policy package had been agreed so that we were clear about the objectives of institutional change.

The team were all clear about implications: as it became clearer which options related to which elements of the diagnosis, it was important to be clear about what this would mean: opportunity costs and ease of implementation, resource implications, performance management and use of incentives to drive performance, monitoring and evaluation.

The team then sought a steer from Ministers: Ministers were then invited to agree the relative priority of problem areas and where this led in terms of policy responses.
Designing an implementation plan

> in practice

The change management planning process considers the overall changes required to achieve the desired strategic direction. As part of this, it will be necessary to prepare a detailed implementation plan. This will help to ensure that those responsible for implementation are aware of exactly which activities are required, by whom and by when. It will also assist monitoring and evaluation of progress in implementation.

The aim of the plan is to ensure agreement for each specific recommendation on:

- what needs to happen
- by when
- lead responsibility for delivery
- potential risks to delivery
- who else needs to be involved.

The process for agreeing an implementation plan can help to deliver ownership and buy-in, not only to specific tasks but also to the overall conclusions of the project.

There are a number of ways to approach implementation planning, depending on the overall objectives of the project and the nature of the project outputs. Some projects will contain an implementation plan as an annex to a final report. Others may separately agree an implementation plan with the relevant departments responsible for implementing the recommendations. The nature of the plan may also differ between projects. For example some may contain very specific timed actions while others may create a framework for further action and thinking.

Whatever the context, the following steps should be taken when defining an implementation plan:

- Define structure: an implementation plan can take a number of different forms. The product may depend to a significant extent on what other stakeholders need or want. The more specific a plan can be, the better. As a minimum an implementation plan should be clear about who is responsible for delivering what by when.

- Define the outputs/recommendations and the tasks required for implementation: clarifying what is required and breaking this down into specific actions. For example any single conclusion from a project may lead to a range of outcomes, a number of specified outputs, and many clear activities and deliverables. The aim should be to define specific, measurable, achievable, realistic and timed (SMART) tasks.

- Define the milestones: be clear about the critical outputs and outcomes and the key milestones to achieving them.

- Define the sequence: some tasks and outputs may be inter-dependent. It is important to map out the inter-dependencies and ensure that tasks and events are properly sequenced.

- Clarify and agree responsibilities: the process of designing and agreeing an implementation plan can form a key component of the overall objective of securing stakeholder buy-in to a project’s conclusions. Ultimately the responsibilities for delivering tasks should be clear and agreed by all key stakeholders.

- Identify potential risks to delivery: there are likely to be risks to delivery of the strategy. By conducting a risk mapping exercise, to identify the likelihood and impact of potential risks, plans can be put in place to mitigate any high probability, high impact risks.
• **Be clear about the monitoring and evaluation arrangements**: part of the implementation planning process should consider what success might look like. A plan might specify success criteria and key issues and mechanisms for monitoring and measuring progress; alternatively a plan could be clear about the need for the lead Department to design a monitoring and evaluation framework within a specified timetable.

• **Document agreements**: the process of putting together an implementation plan, and securing agreement from key stakeholders, will be critical in ensuring that conclusions are put in to practice. The outcome of this process should be written up and shared with stakeholders as a document through which further progress can be monitored and chased.

It is important to start thinking about implementation very early in the strategy development process. Working to achieve buy-in from those responsible for implementation during the strategy development process will make actual implementation much easier. Ideally, there would be someone on the project team who will be responsible for implementation and for designing the implementation plan.

Similarly, designing an implementation plan can take time. Sufficient resources should be allocated to do the task properly. Unless it is factored into the project plan, key team members may have left before implementation is considered.

**Strengths**
- Helps ensure that the project is implemented in an effective and timely manner.
- Connects general conclusions to specific actions.
- Process for agreeing a plan can help achieve stakeholder buy-in.
- Holds stakeholders to account to deliver specific tasks.
- Sets a framework for monitoring and evaluation.

**Weaknesses**
- Stakeholders can get immersed in the detail to the exclusion of getting to grips with the bigger picture.
- It can be easy and tempting to agree a plan that is too bland to have any real meaning...
- ...But a detailed implementation plan can lead to difficult negotiation. There is a risk that some aspects may be fudged.

**References**
The Policy to Successful Delivery website within the Office of Government Commerce Successful Delivery Toolkit site provides additional guidance on delivery planning.

The online Prime Minister's Delivery Unit (PMDU) Toolbox also provides information on how the Prime Minister's Delivery Unit works, tried and tested ways of working to help strengthen delivery and communication between PMDU and departments. It includes guidance on the production of delivery plans. This was produced for PSA target owners but it provides information that may prove helpful in the development of implementation plans.

The Risk Support Team at HM Treasury provides guidance on managing risks to the public.
Designing an implementation plan

In Practice: SU Childcare Project

- The Strategy Unit Childcare project team specified the need for an implementation plan at an early stage: stakeholders were clear that an implementation plan would be one of the final deliverables from the project, and felt that they could own the process.

- The team involved key players in thinking through implementation: they set up working groups on specific project strands and specified the key deliverables. They delegated as much of the detailed work as possible to the lead players to establish ownership and buy-in to the specific tasks as well as the overall conclusions.

- The team presented the plan in a tabular form: the plan specified key conclusions, outputs, activities, lead responsibility, key stakeholders, and timetable. For the Ministerial version the team inserted an additional column for further comments.

- The plan was published as an annex to the report: so that key stakeholders could be held to account for delivering against it.

External Links

Adoption Review
http://www.number10.gov.uk/output/Page3675.asp

Alternatives to Regulation
http://www.cabinet-office.gov.uk/regulation/ria-guidance/content/alt-regulation/index.asp

Bank of England Monetary and Financial Statistics
http://www.bankofengland.co.uk/mfsd/

Better Policy Delivery and Design

Brainstorming
http://www.brainstorming.co.uk


Campbell Collaboration
http://campbell.gse.upenn.edu/

CIA World Factbook
http://www.cia.gov/

Childcare project issue tree
http://www.strategy.gov.uk/su/survivalguide/eg/issuex.pdf

Childcare value for money analysis
http://www.strategy.gov.uk/su/survivalguide/eg/costchild.pdf

CMPS
http://www.cmps.gov.uk/

Cochrane Collaboration

COI Communications
http://www.coi.gov.uk/

Collective Agreement

Comunidad de Madrid
http://www.comadrid.es/

Consultation Code of Practice

Contact the Strategic Capability Team
strategic.capability@cabinet-office.x.gsi.gov.uk
Creating Public Value

Creativityatwork
http://www.creativityatwork.com/

Creativypool
http://www.creativypool.com/

Delivering for Children and Families Strategy Unit Report 2002
http://www.number-10.gov.uk/su/childcare/index.htm

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http://www.economist.com/countries/

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Foresight
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Futurist Toolbox
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Gocreate
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Green Book, HMT. Appraisal and Evaluation in Central Government
http://greenbook.treasury.gov.uk/

Global Comparisons in Policy-Making: the view from the Centre
http://www.opendemocracy.net/debates/article-8-85-1280.jsp

Global Health Project International Comparisons Pro Forma
http://www.strategy.gov.uk/su/survivalguide/eg/Intproforma.pdf

Global Health Project MCA Matrix Framework
http://www.strategy.gov.uk/su/survivalguide/eg/Matrix.pdf

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Government Operational Research Service
http://www.operational-research.gov.uk

Government Social Research
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Guide to Official Statistics

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http://www.homeoffice.gov.uk/

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Institute for Fiscal Studies
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IMF
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International Social Survey Programme
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Ithink
http://www.hps-inc.com/

Lending support: Modernising the Government's use of loans
http://www.number-10.gov.uk/su/loans/report/default.htm

Magenta Book
http://www.policyhub.gov.uk/evalpolicy/magenta/guidance-notes.asp

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http://www.mlruk.com/

MIMAS
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http://www.mindtools.com/

National Electronic Library of Health
www.nelh.nhs.uk
National Statistics  
http://www.statistics.gov.uk/

OECD  
http://www.oecd.org/home/

OECD Country Information  
http://www.campbellcollaboration.org/

OECD International Futures Programme  
http://www.oecd.org/department/0,2688,en_2649_33707_1_1_1_1_1,00.html

Office of Government Commerce  
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PAIS  
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Policy Hub  
http://www.policyhub.gov.uk/

Policy Library  
http://www.policylibrary.com/

Policy to Successful Delivery Website  
http://www.ogc.gov.uk/sdtoolkit/keyissues/getting/index.htm

Powersim  
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Prime Minister’s Delivery Unit (PMDU) Toolbox  
http://www.pmdutoolbox.gsi.gov.uk/output/Page1.asp

PRINCE2  
http://www.ogc.gov.uk/prince/

Principles of Public Service Reform  
http://www.civil-service.gov.uk/reform/about_delivery/principles.asp

Public Sector Benchmarking Service  
http://www.benchmarking.gov.uk/default1.asp

Rationale for Government Intervention in Delivering Public Services  
http://www.strategy.gov.uk/su/survivalguide/eg/rationale.pdf

Reform Monitor  
http://www.reformmonitor.org/

Regulatory Impact Assessment  

Resource Productivity: Making More with Less (PIU, 2001)  
http://www.number-10.gov.uk/su/resource/default.htm

Rich Pictures  

Risk Support Team  
http://www.risk-support.gov.uk
Satisfaction with Public Services

Short Survey of Published Material on Key UK Trends 2001-2011
http://www.number-10.gov.uk/su/key.pdf

Short Survey of Published Material on Key UK Trends 2001-2011
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Strategic Futures Thinking: meta analysis of published material on Drivers and Trends
http://www.number-10.gov.uk/su/meta.pdf

Synectics
http://www.synecticsworld.com

The Fifth Discipline Fieldbook
http://www.fieldbook.com/

The Role of Pilots in Policy Making
http://www.policyhub.gov.uk/docs/rop.pdf

UK Data Archive
http://www.data-archive.ac.uk/

Vensim
http://www.ventanasystems.co.uk/vensim.html

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Workforce Development Project Evaluation
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World Bank
http://www.worldbank.org/

World Health Organisation
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World Value Survey
http://wvs.isr.umich.edu/
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| **1. Foreword** | PM or Sponsor Minister  
Include status of report (agreed government policy, consultation document etc…) |
| **2. Executive Summary** | Key points (the story on one page)  
The problem/issue and why it matters  
Causes/barriers to change  
Solutions - main themes  
Most important conclusions |
| **3. Introduction** | Background to the report  
Scope of study/coverage  
How it was carried out  
Financial implications  
Structure of the report |
| **4. Analysis of the problems/issues** | What is happening and why it matters  
What are the causes/barriers to change  
What are the underlying market or government failures that are creating the problem |
| **5. Where do we want to get to/what is the vision?** | What is the long-term strategy?  
What are the key themes in getting there? |
| **6. How do we get there/solutions** | Analysis of the role of government, the private sector and/or other players  
Analysis of possible interventions/changes  
Recommendations |
| **7. Implementation plan/monitoring and evaluation** | Responsibilities and timetable  
Implications for devolved administrations  
Monitoring arrangements  
Evaluating impact/key success measures |
| **8. Annexes** | Project team, Sponsor Minister, Advisory Group  
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Organisations consulted  
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International comparisons/lessons from overseas |
Strategy Skills > Effectively managing stakeholders

Template: Stakeholder Map

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<th>High</th>
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<td>- How influential</td>
<td>- How affected</td>
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<td>High Support</td>
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### Strategy Skills > Developing a Stakeholder Engagement Plan

Template: Stakeholder Engagement Plan

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<td>When will we engage them?</td>
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<td></td>
<td>Who is responsible?</td>
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Strategy Skills > Structuring the Thinking – Issue trees

Template: Issue tree
Strategy Skills > Organisational Analysis

Template: Cultural Web

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- Power and Structures
- Paradigm
- Organisational Structures
- Rituals and Routines
- Control Systems

Stories
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