

Long Range Planning

**Strategy mapping in the public
sector**

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Long Range Planning: CEO Perspective

Strategy mapping in the public sector

The Balanced Scorecard links strategic objectives and performance measures across a number of perspectives. A development of the Balanced Scorecard – strategy mapping – provides a powerful way demonstrating the links between each of the perspectives. This paper explores the use of strategy mapping as a tool to develop strategy in a public sector agency and suggests a simplified version which can communicate that strategy effectively, both inside and outside the organisation.

1 Introduction

The UK Small Business Service (SBS) came into being at the beginning of April 2000 with three tasks set by Ministers – to be a strong voice for small business at the heart of government, to develop and maintain a world class business support service and to mitigate the effects of regulation. But the SBS was a brand new organisation – not only inheriting some functions from elsewhere within the Department of Trade & Industry but also taking on some new responsibilities. It had overall objectives – and some process targets agreed with Parliament – but nothing that could be called a strategy. It fell to me, as the first Chief Executive, to weave a set of disparate functions into a coherent strategy both for our own staff and for our external stakeholders.

The process that we used to develop our strategy was based on the concept of strategy mapping, as conceived by Robert Kaplan and David Norton. While there have been published case studies reflecting on strategy mapping in the private sector¹, nothing has been identified which considers the use of this technique in the public sector, and yet the challenge is the same. In the public sector, the clarity of a financial bottom line does not exist but it is equally essential that everyone in the organisation has a clear understanding of strategy, and their role in achieving it. With a little effort, we found that we could use a simplified version of the strategy map (see figure 1) as an effective means of communicating both with our staff and with our external stakeholders.

Our Vision is...	<ul style="list-style-type: none">▪ That by 2005, the UK should be the best place in the world to start and grow a business.
Which means the SBS must...	<ul style="list-style-type: none">▪ Be a strong voice for small business at the heart of government – ensuring that government is aware of the needs of all small firms▪ Strive for a regulatory framework which minimises the burdens on business▪ Develop and maintain a world class business support service to enhance businesses' competitiveness and profitability▪ Champion the importance of entrepreneurship across society, particularly in under-represented and disadvantaged groups
To provide such support effectively the SBS must...	<ul style="list-style-type: none">▪ Understand how Government regulation impacts on small firms▪ Understand the aspirations and support needs of entrepreneurs and how they can most effectively be supported▪ Be able to measure society's attitudes to enterprise▪ Update constantly our core knowledge base, based on our interactions with customers and relevant research▪ Inspire and motivate others, including government departments and RDAs, to work in partnership with us

The SBS will only achieve that if...	<ul style="list-style-type: none"> ▪ We are clear about our priorities and what we are seeking to achieve ▪ Our staff are highly motivated and committed to our values and goals ▪ Our staff all understand small firms and their needs and seek to increase that understanding ▪ We stress the importance of being a learning organisation and commit to continuing staff development
In return for which the SBS must manage its resources...	<ul style="list-style-type: none"> ▪ Efficiently ▪ Effectively, through matching resources and priorities; and ▪ Economically, through maximising leverage

Figure 1: The SBS's final strategy map

2 Exploring strategy

Henry Mintzberg argues that strategic planning is a contradiction in terms² in that it is not possible to plan and to be strategic simultaneously. Every organisation has a strategy of some sort, even if it is never articulated. An emergent strategy, though, is unlikely to be as successful as a strategy which is planned in advance, where the organisation is being proactive rather than being reactive and where the organisation is creating opportunities rather than responding to them.

Driving an organisation forward and satisfying the stakeholders requires:

- Some idea of where the rest of the world is going - that is, foresight;
- A clear purpose that defines what the business does and the values it holds dear; and,
- A vision - an idea of a desired future state – which excites and unites the staff (and, in the case of the SBS, external stakeholders as well).

Hamal and Prahalad call this desire to understand and to shape the future an organisation's strategic intent".³

When the SBS was created it was given the three objectives described above. These were turned into a purpose statement: to build an enterprise society in which small businesses thrive and achieve their potential. I also set an ambitious vision, namely that by 2005, the UK should be the best place in the world to start and grow a business. Some staff thought this unachievable and unmeasurable – but it has now been adopted by the Government as a whole. And, like all visions, it provided clarity about where the SBS wanted to go and where it hoped to lead others.

Having set this vision, we then went on to look in some detail at two areas. The first was to identify and prioritise the external challenges facing small businesses, such as growth of the knowledge based economy, increasing use of technology and IT, globalisation, how to satisfy ever more demanding customers, the difficulties of attracting, retaining and developing staff and increasing pressures to be good corporate citizens. The second was to look at the needs of business, such as management skills and finance, and their desire to work in an environment supportive of business.

3 The balanced scorecard

To take this forward, however, we needed to find some way of pulling this work into a coherent strategy for the SBS – one which would provide a route map for the staff in helping them to see how their individual activities fitted into the bigger picture; and one which would provide an external communication tool. This is where the balanced scorecard – and in particular strategy mapping – came into its own.

For years, consultants have tried to encourage businesses to devise and implement strategies that enable them to out-perform their competitors. However, many strategies fail – and one reason for this, at least according to Kaplan and Norton, is that they are top-down and financially driven.⁴ They were concerned that too many senior managers were simply focusing on financial measures like return on investment and earnings per share.⁵ Some people responded to this by looking for more sophisticated financial measures; others decided to ignore financial measures and concentrated on, say, quality measures. Kaplan and Norton asserted that you cannot afford to rely just on a single set of measures, but need an appropriate balance – and developed the concept of the balanced scorecard – which they originally suggested was about performance measurement rather than about strategy.

Balanced scorecard

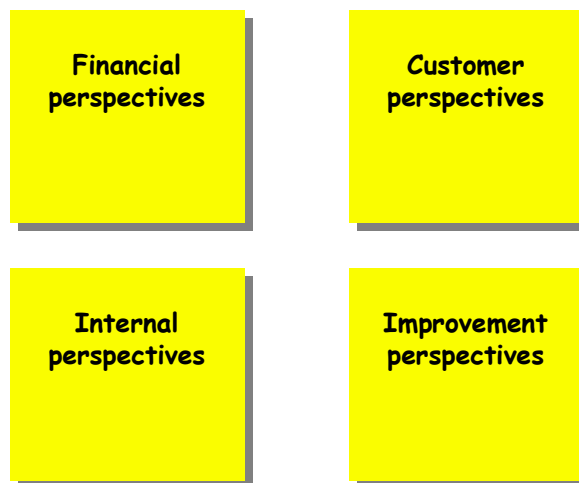


Figure 2: Balanced Scorecard

They suggest that businesses adopt goals and performance measures in four areas as illustrated in figure 2 above:

- finance (with particular thoughts about shareholders' views)
- marketing (how is the business seen by customers)
- continuous improvement (how can the business continue to improve and innovate) and,
- an internal view looking at excellence (including staff development).

They argue that the scorecard puts vision and strategy, rather than control, at the centre. It can be used to help businesses focus and agree on the strategic objectives necessary across all four areas in order to achieve their 'big hairy audacious goals'.⁶ Ideally, people will take appropriate action to move the business towards achieving those objectives.

4 Strategy mapping

Effectively, Kaplan and Norton have taken the four elements of the balanced scorecard and simply set them out in a hierarchy, as shown in figure 3 below. A typical for profit business would first define its vision and then consider the financial objectives required to achieve that vision and ensure happy investors. It would then determine what it must do for customers to achieve its financial objectives. It would consider what processes it needs internally to deliver that service to its customers. And lastly, it would need to think about its own continuous improvement and development requirements.

Improve shareholder value

Financial perspective

(eg revenue growth; cost reduction, increased dividends)

Customer perspective

(eg customer intimacy leading to trusted brand; product leadership)

Internal process perspective

(eg understanding customer needs, innovation; customer management processes; logistics; good corporate citizenship)

Learning & growth perspective

(eg staff competence and development; corporate culture; leadership skills; adoption of new technology)

Figure 3: Simple strategy map

As soon as I read about this technique, I realised that I could apply it to the Small Business Service, though I felt that the order of priority was inappropriate for us and started to doodle ideas.

5 The thinking process

A start had already been made on considering the likely challenges facing businesses over the next five years – and how they could then be assisted to address those challenges successfully. Staff, the business support network and other stakeholders were encouraged to contribute to that thinking.

Developing the strategy map was an iterative process that built on inputs from the senior management team as well as the rest of the organisation, and broadly followed the steps outlined in figure 4. The starting point for the process was a presentation made to the senior management team which described the concept and offered a first stab at a strategy. The team started work to refine the strategy but also wanted to ensure that the entire staff was not only involved in the process but also owned the outcome. So presentations were made to all staff at SBS's sites in London and Sheffield. The most effective feedback came during the discussions following those presentations. The draft strategy was made available through the intranet so that everyone could see the big picture. All staff contributed through the development of their own directorate's plans. All staff were encouraged to comment on the overall approach.



Figure 4: Steps in SBS's strategic planning process

Given that SBS's ultimate customers are small businesses, but that it delivers almost nothing directly to small businesses, much of the debate focused on what SBS needed to do to ensure that it really did understand the needs of those customers and what it needed to do to ensure that the Business Link network was effectively meeting those needs.

As staff worked on the strategy map, the senior management team also developed and refined a statement of values, building on work already underway by the SBS's 'continuous improvement team' and seeking input from all of the staff. This was of considerable importance since the values of an organisation underpin its strategy.

The SBS, like most not for profit organisations, has a large number of external stakeholders, with whom it needed to consult.

Having gained stakeholder feedback, we refined and agreed our strategy – and then sought Ministerial approval. After one final iteration with staff – again through personal presentations – the strategy was published.

6 The strategy map

The aim of the strategy map is simple – to show how a range of potentially disparate activities link together to enable an organisation to achieve its vision. Most businesses will want to put the financial perspective at the top, since their ultimate objective is to satisfy shareholders by generating a decent return. In the SBS's case, the primary objective was to support entrepreneurs and owner managers. Provided that we got that right then the government would no doubt continue to provide financial support. Whilst the Government was clearly looking for the SBS to be efficient and effective, SBS was not expected to generate a return in the way that a for-profit business would be expected. We therefore decided to put the customer perspective at the top of our strategy map.

Feedback from staff wide meetings suggested that the use of the word “perspective” to describe each of the levels was not sufficiently descriptive. We therefore looked for other titles, as shown in figure 5 below.

All businesses have three important groups of stakeholders - all with their own expectations – the customers, the staff and the owners, though there may be other stakeholders such as suppliers or the wider community. For the public sector, you can probably substitute ministers for owners.

Because much of SBS’s support to business is delivered by intermediaries, it effectively had to focus on its customers’ customers. So, under **fulfilling customer needs**, we focused on what the small business owner would regard as the critical elements of the vision. These were the provision of a wide range of top class business support, ranging from simple information to specialist consultancy; a business friendly tax and regulatory environment; and pro-enterprise attitudes in society at large.

The major challenge in fulfilling these needs was that they were not all wholly within our control. Several of the needs were grouped together under the provision of business support services. This was largely within SBS’s control, since it provided a considerable degree of funding to the Business Link network to deliver advice and training, and since it supported a range of finance mechanisms such as Small Firms Loan Guarantee, SMART and Regional Venture Capital Funds.

The “strong voice for small business at the heart of government” in contrast was an influencing role and, even when we were being effective, it was not always easy to gain recognition for our success.

The Global Entrepreneurship Monitor research⁷ suggested that societal attitudes towards enterprise and entrepreneurship have a major effect on the number of new starts. We were determined, therefore, to start making an effort to change societal attitudes towards business, in particular so that society does not resent success and does not stigmatise failure. This was, however, a long term objective and not one that SBS could achieve by itself.

When we were making the presentations, we found that it was helpful to describe the expected outcome from each of the levels. If we got “fulfilling customer needs” right, the outcome would be delighted customers.

This way of looking at customer need and what we needed to do to fulfil those needs also helped us to articulate in a clear and simple manner our four key strategic objectives, shown in figure 1.

Under **understanding our customers**, we focused on the critical importance of basing our activities on a deep understanding of customer needs, based on knowledge and sharing information. If we got this right, the outcome would be not only effective processes but also a clear understanding of what needed to be provided to fulfil customer needs effectively.

Staff expect realistic rewards for their efforts, career and development opportunities and an environment in which they are happy to work. In the Civil Service, it is very easy to move around. Indeed, that is essential for people who are ambitious as the only way to get promoted is to find a new job at a higher level. So we set out to make the SBS an excellent place to work. Under **improving our performance**, we identified how the SBS and its staff could acquire the competences that were needed to support this; and the internal values we needed. If we got this right, then as well as achieving the immediate aim of improving what we did, it would also help to motivate the staff as nothing motivates more than success.

In order to achieve a dramatic leap in the standard of support delivered to businesses, SBS set as one of its objectives the creation of a corporate university, the Business Link 'U'. This will become the primary deliverer of learning opportunities both to the staff of the small business service itself and to all those working in the Business Link network. A key link between this level and the 'understanding customers' level has been the decision that every member of staff should spend time every year with small businesses, in an effort to ensure that everyone really does understand the needs and aspirations of entrepreneurs.

Owners have expectations, usually through looking for a return on the capital they have invested. For us, this meant reassuring Ministers in both the DTI and the Treasury that we really understood our ultimate customers' needs and were delivering services that would make a difference to their performance and, ultimately, to the UK's productivity. Under **finance and organisation**, we focused on the importance of managing our resources to maximum effect. This would ensure that our paymasters were satisfied that they were getting value for money in the way SBS delivered on its strategy.

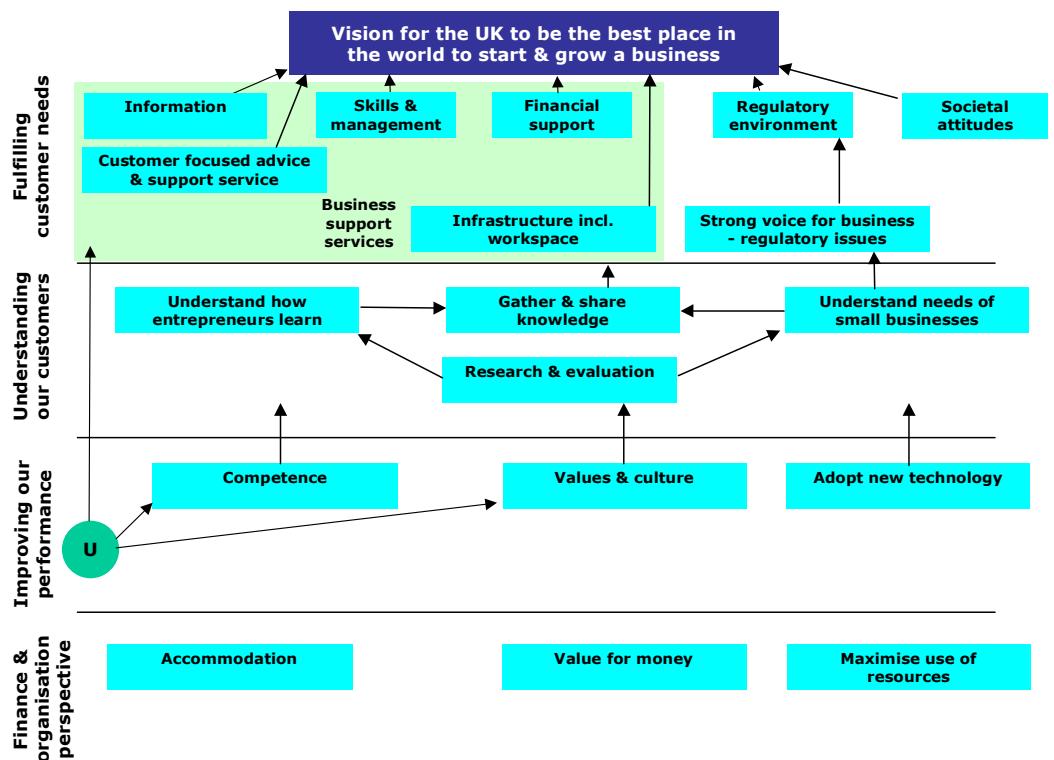


Figure 5: SBS's detailed strategy map

7 Performance indicators

Once we were clear about the key elements within each perspective, we were able to agree one or more targets and performance measures for each one. These were set out in detail in the SBS business plan.⁸

8 A communications tool

Kaplan and Norton note that well formulated strategies will not achieve much without staff 'buy-in'. And they claim that only five per cent of the workforce understands the strategy of the organisation for which they work.

We wanted to ensure that not only our staff, but also other parts of government, particularly senior civil servants and Ministers within DTI, as well as the business support network understood our strategy very clearly. We found that the detailed strategy map was exceptionally helpful in explaining our strategy, particularly when we were able to show how the building blocks fell into place.

But we quickly discovered that simply providing a copy of the strategy map, even with a detailed explanation, to people who were unfamiliar with the techniques did not give the clear picture for which we were striving. It also worked better in some media – notably PowerPoint – than on paper. So we worked on ways of simplifying the way in which the strategy was communicated. This was used this in the external consultation and, ultimately, in SBS's published strategy – and is shown in figure 1.

Whilst this did not describe the complete picture, it did provide enough to enable our stakeholders to understand precisely what we were trying to do and to secure their support. Given that we needed their support to stand any chance of achieving our vision, this was crucially important.

9 Effective implementation

A real strength of the strategy mapping approach was that it enabled people to see how their particular functions within the SBS fitted into the whole. When the SBS was first created, its various functions were scattered around the DTI or not carried out at all. Those responsible for them were largely driven by the wish to maximise take up of the particular services for which they were responsible. So a proposal for more spending on regulatory work would be opposed by those responsible for business advice services. And those responsible for providing support services to the SBS staff – notably finance and resource management - found little identification with the end customer. The strategy map helped overcome these internal divisions. It demonstrated that all members of the SBS were working to a common agreed objective. It allowed us to take decisions on the allocation of resources which staff could see as a response to a logical process of assessing customer needs rather than because we "valued" one activity more than another. And it provided a common language by which we could explain our strategy to external stakeholders. It would seem that this approach has been effective in ensuring that everyone understands where we are going and what we are trying to do. When, for example, we had our first assessment for recognition as an Investor in People, the assessors feedback suggested that everyone understood and shared the vision, that everyone knew the role they had to play if we were to achieve that vision and that they were indispensable.

We were understandably keen that everyone within the SBS should know how their work and their development needs fit into the overall strategy and see a hierarchy of organisation strategy leading to directorate strategy, which in turn leads to personal achievement plans, which then lead on to personal development plans.

10 Conclusion

With their new ideas of strategy mapping, Kaplan and Norton have developed a powerful technique that can be applied to any business and non-profit organisation.⁹

Whilst the model may have its faults, what is important is that it provides a framework which encourages users to think logically about the different elements of their strategy and to consider how those elements interact.

Having a clear vision, and a strategy to achieve that vision, is just as important in a statutory or not for profit organisation as it is in a for-profit company. In both cases, organisations often lack a customer focus. Strategy mapping is just a tool. But it is a very effective tool in ensuring an understanding of the role of strategy and how an effective strategy encompasses all of an organisation's activities.

Strategy mapping reminds organisations about the different strategic perspectives, and ensures that they are all taken into account. I would, however, echo the views of Prof Heinz Ahn¹⁰ that the four perspectives need to be adapted to the individual needs of the organisation – in the case of the SBS, simply changing the name of each perspective made a huge difference.

Strategy mapping can be applied at directorate level as well as at organisational level. Whilst a final strategy may well be quite complex, strategy mapping allows (indeed, encourages) organisations to start with a simple view which aids understanding of each of the perspectives and how they relate to each other. Use of the process within the SBS stimulated considerable debate about the way in which objectives impinged on one another and assisted in leading to a consensus about what was important.

The technique could be used by any other public sector organisation. The starting point is to be absolutely clear about your customers and what it is that they need from you.

How close is the UK to achieving the vision. A 2002 study by the Economist Intelligence Unit and Apax Partners¹¹ ranked the UK second out of 60 countries surveyed – so it seems that real progress is being made.

¹ See, for example, H Ahn, "Applying the Balanced Scorecard Concept: An Experience Report" Long Range Planning, Vol 34, Issue 4, Aug 2001

² Henry Mintzberg, "The Rise & Fall of Strategic Planning", Prentice Hall, 1994

³ Gary Hamal & C.K. Prahalad, "Competing for the Future", Harvard University Press, 1994

⁴ Robert Kaplan & David Norton, "The Strategy Focused Organisation", Harvard Business School Press, 2000

⁵ Robert Kaplan and David Norton, "The Balanced Scorecard - measures that drive performance", Harvard Business Review, Jan-Feb. 1992.

⁶ John Collins & Gerry Porras, "Built to Last".....

⁷ Ref required

⁸ Available at www.sbs.gov.uk

⁹ Robert Kaplan and David Norton, "Having trouble with your strategy? Then map it", Harvard Business Review, Sep-Oct 2000

¹⁰ H Ahn, op.cit.

¹¹ Reported in the Sunday Times, 9 June 2002