



ESPO MANAGEMENT COMMITTEE – 24 JUNE 2011

AGENDA ITEM NO. 7

OUTLINE ESPO FOUR YEAR STRATEGY

REPORT OF THE INTERIM DIRECTOR

Purpose of Report

1. As highlighted in the Final Report of the 'Review of Business Strategy' key operational documents are required to support the principles underpinning the new ESPO governance and risk framework.
2. Two key documents are the Business Strategy and Business Plan.
3. The purpose of this report is to outline the nature of these two documents, and the process to achieve their final approval.

Background

4. ESPO's existing Business Plan was first issued in March 2006 and went to the Management Committee in September 2008. It was updated a year later and again went to the Management Committee in September 2009.
5. With the finalising of the Review it is now deemed appropriate to refresh the organisation's strategy and business plan.

Outline ESPO Four Year Strategy

6. The concept of business strategy and a business plan are some of the key outputs of management theory. A key purpose of such theory is to maximise the efficiency of a business, traditionally through increased productivity but more recently through understanding how an organisation can use its resources and capabilities to deliver outcomes for its stakeholders better than other organisations. There are many facets of management theory and their key contribution lies in what has been achieved by the differing schools of thought. These may serve as a guide, but one must also bear in mind that management is not just a science, but also an art.
7. Common themes run through these management schools in that strategy concerns the long term, and determines the goals and objectives of an organisation. In addition it deliberately, and selectively,

allocates resources in order to achieve these goals and objectives. It should analyse what options are available to the organisation, and chooses which to pursue. It takes place in a competitive environment (whether in competition with other organisations or in competing for scarce resources) and where some organisations succeed and others do not.

8. It can be simply stated as 'strategy is a pattern of activities followed by an organisation in pursuit of its long term objectives'.
9. In doing this it can be broken down into corporate strategy which is domain selection, or choosing where to compete, and competitive strategy which is deciding how to compete.
10. The Final Review Report outlined the above concepts as follows.

Business strategy as a document that defines:

- Strategic drivers and priorities for ESPO
 - Market trends/projections
 - Financial and performance objectives
 - Critical success factors
- (i.e. 'corporate strategy')

And Business Plan as a document defines:

- How ESPO will deliver Business Strategy for the coming financial year, including any investments to be made
 - Budget, financial plan and risk register
 - Financial and performance targets
- (i.e. 'competitive strategy')

11. Again referring to management theory and the schools of thought, differing outputs means terms can be interchangeable. For example management literature suggest a business plan, in its simplest form, will usually define where you want your business to be within a certain period of time (say five years) and how you plan on getting there. Action plans then are done annually. In the language of the Review the business plan referred to here will be our Business Strategy, and the action plan will be our Business Plan.
12. Drawing up a business plan is intended to help to identify the organisation's strengths and weaknesses, key areas where expertise needs developing, and understanding the risks involved in developing the business. It represents the dynamic process of planning and reviewing the business agenda over time, and it should be continually updated.
13. In summing up the above, the process of strategic planning is about determining the direction in which we want to take ESPO. Effective strategy development requires a shift in focus from the day-to-day concerns of operational business and to consider the broader and

longer-term options. The business strategy then becomes a formal, written statement about the overriding purpose of ESPO (its mission), the aspiration of the organisation (Vision or strategic intent), a general aim of the organisation (goal), a set of business objectives (quantifying as much as possible the goal), the financial background and nature of the business, and the strategies for reaching those goals.

By contrast, the purpose of the business plan is to provide the detailed route map that will take ESPO in the desired direction.

14. In addition the business plan should be developed in conjunction with a mechanism for measuring its outcomes operationally using non-financial measures as well as financial ones, for example a balanced scorecard and/or a list of critical success factors. This allows success of the plan to be measured on an ongoing basis.
15. Appendix 1 shows the evolving business strategy with associated action plans, the latter ultimately becoming the Business Plan. It is designed to be an iterative process building up agreement between stakeholders.
16. To date the 'shaping' of the document has been through ESPO's senior management and the Senior Officers Group (SOG) and has been shared with the Chief Officers Group (COG).
17. It will continue through the 'shaping' and 'buy-in' process in discussions with a wider group of ESPO staff. As the 'soft' elements (policy values, etc) are firmed up the 'hard' elements (measurable, timely, etc. actions, market trends, risk analysis, etc.) will be added. It will also be discussed further with SOG and COG. It is extremely important that full 'buy-in' is achieved with all key stakeholders if the documents are to become the guiding plan for the organisation and achieve the importance for which they are intended.
18. The draft documents will be reported to the September Management Committee.

Resources Implications

19. Although the formulation of the Business Strategy and Business Plan will involve considerable senior management time it is seen as a normal business requirement for running an organisation and therefore has no additional resource implications.

Conclusion

20. The outline above and in Appendix 1 is very much work in progress. It is intended that once in place they will become important documents for managing ESPO's business and to enable Member Authorities to monitor, scrutinise, and review ESPO's performance.

Recommendation

21. The Committee is asked to:
- a) Comment on the outline business strategy in Appendix 1
 - b) Agree to the draft business strategy and business plan being submitted to the next Management Committee.

Equal Opportunities Implications

22. None identified.

Risk Assessment

23. None at this time. As part of the business strategy process detailed risk analysis will be undertaken and included in the final documentation.

Background Papers

24. None

Officer to Contact

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Appendices

Appendix 1 – Strategy Formulation