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Effective Business Models: What Do They Mean for Whitehall?

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Executive Summary

One of the common themes to emerge from the first round of capability reviews was a lack of clarity in government departments about their business models. In response, the Sunningdale Institute created an Effective Business Models Network and members of the network met on six occasions during 2007 to explore the use of business models in the public sector. This paper presents a summary of these discussions:

“One of the common themes to emerge from the first departmental capability reviews... we were too inclined to settle for the legacy structures and systems we inherit from the past, and not good enough at going through a design process that selects and tailors delivery systems that are capable of delivering the required outcome, drawing on a repertoire of approaches to structure, incentives, delivery, relationships, governance and so on...”

Sir Gus O’Donnell, 2006.

1. The value of business models in terms of their ability to help people in departments articulate clearly what their department will do and what it will not do.
2. In addition, business models:
 - a. Explain how internal processes and external requirements are integrated.
 - b. Highlight the coherence between processes, requirements and wider strategic objectives.
 - c. Illustrate the financial implications of the design of the delivery chain.
 - d. Support the diagnosis of the need for change and ways change might be achieved.
 - e. Facilitate communication – both within and without the department.
3. Articulating business models in the public sector is difficult for two sets of reasons. First – as with every abstraction of reality – there are some shortcomings in the concept of business models. Specifically business models rarely take account of context, often ignore the dynamic nature of organisations and rarely pay sufficient attention to operational detail.
4. Second, further complexity is added in the public sector when one considers the heterogeneous nature of many government departments, the rate of structural change that occurs in government – note the recent machinery of government changes – and the political context within which government departments operate.
5. The most important conclusion from the network’s deliberations was the need for the public sector to broaden its conception of what a business model constitutes. Too often government departments think about business models primarily in terms of resources (financial flows), governance (organisational structure and accountabilities) and targets (public service agreements and associated metrics).
6. Essential elements that are often under-developed include (i) an understanding of departmental context, (ii) the behavioural aspects of a department, (iii) the diverse nature of the customer base, (iv) operational detail concerning the mechanisms for delivery, (v) the dynamic nature of organisations and organisational change and (vi) the need for coherence and clarity across the entire delivery chain.
7. The practical challenges of articulating business models in the public sector are considerable, yet these are increasingly recognised, through reports such as *Take-Off or Tail-Off* and practical help is at hand through processes such as the PMDU’s mapping delivery chains methodology. Additionally, as demonstrated in the report, some government departments have given considerable attention to design of their business models, with promising results. We include illustrations from Defra, DfCSF, DWP and the Home Office.
8. Business models are the means to an end. Departments – and increasingly collections of departments given the new cross-cutting Public Service Agreements – face a key challenge in broadening and deepening their conceptions of business models. They have to explore how their own departmental business models link with those of other departments if business models are to be an effective first step toward the overall goal of achieving better delivery of public services.

Introducing Business Models

Business models are clearly a concern in the public sector. The first three tranches of capability reviews have all highlighted issues about the clarity of departmental business models. The summary report, for the second tranche of capability reviews, for example, comments:

“Business and delivery models are the mechanisms through which departments organise themselves, their agencies and other bodies in delivery chains, to deliver services. The tranche 1 capability reviews cast doubt on whether some existing business models remained appropriate for the current delivery challenge or whether they were simply inherited and remained as accidents of history.

The tranche 2 reviews have raised similar issues. They show the importance of a coherent approach to delivery through arm’s length bodies, and the synergies that can be achieved from a more joined-up approach. They also show that there is scope for improving the understanding of appropriate business models, how they link together and, ultimately, the effectiveness of different levers to improve delivery to the public.”

(Cabinet Office, 2006).

While questions are being asked of departments’ business models, it is far from clear what a business model constitutes. This comment applies equally to the public and private sectors, for the phrase ‘business model’ is proving to be as loosely defined as it is popular. One could argue that the language used to describe business models in the capability reviews is rather narrow.

Key elements specified in the capability review guidance include:

- “How an organisation is set up internally as well as connected with delivery arms, partners or agents – internal as well as external – in order to deliver its services;
- The shape of the department – both delivery arms and the role and purpose of the corporate centre;
- The configuration of the department’s delivery chain and its relationships with external organisations;
- Whether, together, the internal and external configuration adds up to a coherent approach to running the business and delivering service;
- The types of contracts, service agreements, memoranda of understanding, etc that are in place to support clear accountability for delivery;
- The arrangements or levers – rewards, incentives, penalties, management information flowing within the business and between its respective business units; and,
- Crucially, whether the department understands its business model and how it fits together”.

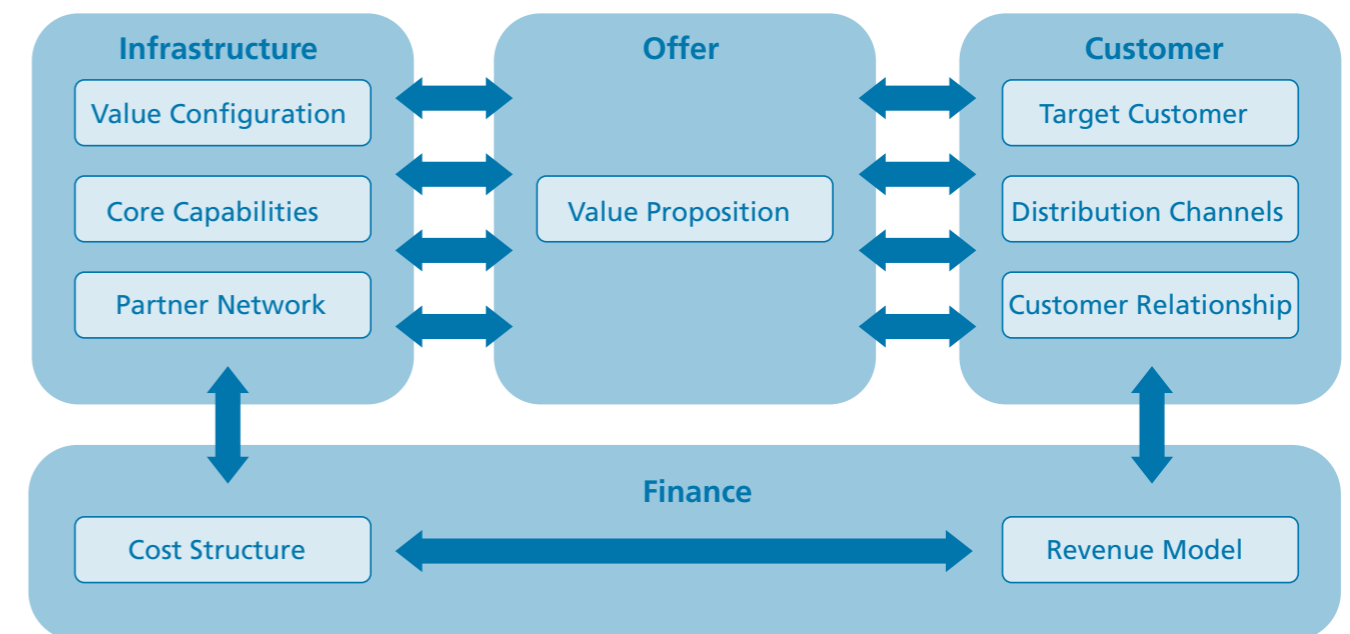
These elements are essentially structural in nature. Yet in the private sector, where the concept of business models was originally developed, organisations tend to adopt a broader definition such as:

“A business model is a conceptualisation that describes the business logic of a specific firm. It includes a description of the firm’s: (1) value propositions; (2) target customers; (3) distribution channels; (4) customer relationships; (5) value configurations; (6) core capabilities; (7) partner network; (8) cost structure and (9) revenue model” (Osterwalder, 2004).

Box 1: The Nine Sub-Dimensions of Business Models

1. A value proposition explains how the company creates utility for the customer.
2. Target customers – the customer segments that the company wants to offer its products and services to. Often customer segments are defined in terms of people with common characteristics.
3. Distribution channels – the various means that the company will use to deliver its products and services to its customers.
4. Customer relationships – the links a company establishes with its different customer segments.
5. Value configurations – how the activities that deliver customer utility and the resources that enable these activities are configured.
6. Core capabilities – the capabilities and competencies needed to execute the company’s business model.
7. Partner network – the network of other organisations that the company engages with to deliver customer utility as efficiently and effectively as it can.
8. Cost structure – the financial consequences of the adopted business model.
9. Revenue model – the revenue flows that are associated with the products and services the company offers.

Figure 1: Defining Business Models



Theme 1

Is the public sector's conceptualisation of business models too narrow, with an overriding emphasis on structural factors, rather than a balance between the structural and behavioural?

A Multitude of Business Models

A recurring theme in the network was the question of whether there was one form of business model. In the first network meeting, departmental representatives were invited to produce posters summarising their department's business model. The variety of business

models presented was fascinating and highlighted very clearly the diversity of business models that exists in the public sector. This is no surprise for, as experience in the private sector reveals, there is no single business model. As Box 2 illustrates, even in the for-profit sector, a multitude of business models exists.

Box 2: Multiple Business Models

- Subscription – the business sells access and/or repeat use rather than a one off service (e.g. magazine and information service subscriptions).
- Bait & hook – the business offers free 'bait', so that money can be made on the hook (e.g. Gillette's sale of disposable razors).
- Multi-level marketing – agents make money on their product sales and the sales of agents they bring into the business (Avon, Betterware).
- Network effects – value is delivered through the network (British Telecom, Friends Reunited).
- Disintermediation – cutting out the middleman (ebookers).
- Auction – Dutch or English (Christies, eBay).
- Bricks and clicks – combining offline and online (Tesco.com).
- Collective – pooled resources (Co-op, Singapore Hawker stalls).
- Industrialisation of services – standardisation and control (McDonalds).
- Servitisation of products – the growing tendency for manufacturers to add services, often enabled by technology, to their products (Boeing, Rolls Royce).
- Low-cost carrier – competing on cost (EasyJet, RyanAir).
- Online content – enabling access (Amazon, www.Lucky-Play.com)
- Open source – publishing the source code (Linux).
- Traffic and advertising – selling advertising (Google).
- Freemium – give away content, but premium price for extra (Skype).

What are the implications of this multitude of business models? A clear and extremely important implication is the question of level of analysis. Reflecting on the variety of business models produced by network members, one individual mused "can you have a business model for a conglomeration of independent groups?" The question of whether it is possible to have a business model for a "conglomeration of independent groups" is one of level of analysis. The capability reviews are aimed at government departments. Yet if some government departments are "conglomerations of independent groups" then one has to question whether capability reviews are targeting the right level of analysis. Is it possible to describe a meaningful business model for the whole of the Ministry of Defence, the Home Office or the Department for Work and Pensions? Or would more appropriate levels of analysis of, for example, the Department for Children, Schools and Families be (i) the pre-school education system, (ii) primary education system, (iii) the secondary education system and (iv) the home environment? Indeed one could even question whether the new cross-cutting Public Service Agreements mean that we have to think in terms of horizontal business models rather than vertical business models, thereby focusing much more explicitly on the issue of service delivery. Clearly all organisational or system boundaries are arbitrary, but the question one should ask is which level is most appropriate if description, analysis and intervention is to be effective? As one network member succinctly put it, "I was starting to wonder if some departments were like shopping baskets with lots of things rattling around them".

The Value of Business Models

So why do we care about business models? What are their advantages and what are their shortcomings? From a theoretical perspective business models – like many abstractions of reality – simplify a complex situation and make it easy to explain to others. A clearly articulated business model describes what is in scope for a specific department and what is out of scope. The model draws boundaries around what the department does and should also outline how it does it. Ideally the model also explains how the internal processes and external requirements are integrated. In doing so it enables those viewing the model to assess whether the department's processes are coherent with its customers' requirements and its wider strategic objectives.

In the public sector questions of who is the customer and what are the department's wider strategic objectives are complex. Government departments have a responsibility to deliver to the public, but they also have to respond to political imperatives and philosophies. It is interesting to note that the political context was underplayed in the early versions of business models produced by the departmental representatives. In essence the business models developed implicitly assumed a relatively stable environment, not subject to significant external influence. However, in the final network meeting the departmental representatives were asked to revisit their business models explaining how they had changed. In doing so and in reconsidering their business models, network members made far more explicit the interaction between the political context and the department.

Theme 2

At which level of analysis should we operate when defining business models in public services if we are to enable meaningful description, analysis and intervention?

Theme 3

Good descriptions of business models in the public sector make explicit the political context within which the department is operating. They highlight political priorities and philosophy, interpreting the consequences of these for departmental priorities and strategies.

In the generic description of business models, presented in Figure 1, a distinction is drawn between revenue sources and cost structure. Well articulated business models describe the cost implications of a chosen organisational structure and, in the case of the public sector, the cost implications of the chosen delivery chain. Rarely were these issues brought to the fore in the business models as articulated by members of the network. For while they considered revenue flows – in the sense of the level of resource departments allocated to members of their delivery chain – they made no further effort to make explicit the cost implications of their chosen delivery chain. Clearly this is a complex task and yet it is an essential one for organisation design. Without a clear understanding of the cost implications of a chosen organisational structure it is impossible to assess whether or not the chosen structure is appropriate and hence whether change is needed.

This relates to an earlier point – namely that the way the public sector appears to conceive business models is relatively narrow. The language and framework used in the capability reviews encourage government departments to think about business models primarily in terms of resources (financial flows), governance (organisational structure and accountabilities) and targets (public service agreements and associated metrics). It is as if government departments do not see themselves as architects of the delivery chain.

As an architect of the delivery chain one has to consider the most efficient and economical way of delivering service. If the primary questions addressed in business models, however, are resources (financial flows), governance (organisational structure and accountabilities) and targets (public service agreements

and associated metrics) the issues of efficiency and economy will be missed in the worst case, or at best left to delivery agencies to deal with.

Theme 4

When describing business models in the public sector we need to make more explicit the economic consequences of the proposed delivery chain and evaluate alternative structures that might deliver the same outcomes more efficiently and economically.

The Shortcomings of Business Models

As with all abstractions, business models have shortcomings as well as some benefits. In particular business models (1) often take little account of context, (2) ignore the dynamic nature of organisations (both in terms of where they have come from – history – and where they are going to – future), and (3) pay insufficient attention to operational detail. Each of these shortcomings can be addressed to a greater or lesser extent and indeed members of the network have sought to address them in their contributions.

As already discussed the question of context is important in the public sector. Government departments have to satisfy the needs of multiple diverse stakeholders. At one level they exist to serve government and to prosecute the Government's agenda. Yet this agenda is affected by both the electorate – in terms of their perceived and actual priorities – as well as by influential groups, not least the media.

The consequence for departments is that priorities can shift remarkably rapidly and hence there is a need for departments to develop delivery chains that are flexible and responsive. Of course this is easy to say, but extremely difficult to deliver, not least because large and complex delivery chains have a life and a flow. Henry Mintzberg highlighted the importance of understanding organisational flow when he made a distinction between an organisation's intended strategy and its realised strategy. Mintzberg (1978) argued that

while an organisation could have an intended strategy – i.e. a strategy that it intended to deliver – its realised strategy was a function of the decisions and actions actually taken over an extended period of time.

Another well-known commentator, Robert Burgelman (2002) extended this notion, highlighting that decisions and actions taken at middle and even junior management levels in organisations can constrain the organisation's freedom to operate in the future.

The point is that organisations have a history that gives them a trajectory. They have invested in specific technologies. They have developed certain skills and capabilities. They are moving in a particular direction at any point of time and the hand of history influences this. To draw a business model that ignores the dynamics of the organisation's momentum and then expect that with intervention the new business model can be delivered is naive.

This intersection between context and history appears particularly problematic in the public sector. Politicians want to deliver and they need to be seen to deliver. The electorate expects them to deliver. But delivery takes time. It requires the creation and operation of complex delivery chains that take time to tune. Significant problems arise when the short-term nature of the political cycle clashes with the long term needs of delivery chains. Politicians feel the need for publicity and to be seen to be responsive. They need high profile and immediate activities. It is easy to make announcements about funding and new government agencies. These announcements grab headlines, but new initiatives take time to bed in.

Too often new bodies and groups are announced without adequate consideration of how they complement or supplement the existing delivery chain. Describing and communicating coherent business models in such an environment is fraught with difficulty.

Whitehall has also seen major structural changes over the last year. At the start of the Sunningdale Network we had a Department for Trade and Industry, a Department for Education and Skills, a Home Office, but no Ministry of Justice. The Department for Business, Environment and Regulatory Reform did not exist, nor did the

Department of Innovation, Universities and Skills, or the Department for Children, Schools and Families. In the space of ten months all of these departments changed significantly. This is not to say that these machinery of government changes were unnecessary, but it is to highlight that the pace of structural change in the public sector makes it extremely challenging to articulate and communicate complex business models.

Theme 5

The pace of structural change in the public sector, both in terms of machinery of government and rate of new announcements, means that the system is rarely stable for long enough to allow people to articulate and communicate complex business models either internally or to their external stakeholders.

The pace of change, of course, is not simply a function of the political process, although the electoral cycle plays a significant role, especially by limiting windows of opportunity to pursue unpopular policies. The media and pressure groups also have to be considered. As recent developments with Northern Rock have illustrated, any issue – in this case financial control – can become an overnight policy sensation. Couple this with the prevalent view that policy not delivery is the way to get ahead in Whitehall and it is little wonder that many commentators believe Whitehall does not do delivery! While there have been steps taken to address this imbalance it remains the case that delivery is often seen as a backwater, best delegated to others who can take the hit if things don't work out.

Theme 6

The balance between delivery and policy – observers of Whitehall would be forgiven for believing that delivery is seen as a backwater and that policy is the real remit for ambitious civil servants who want to get ahead. There is a danger that furnishing ministers with new initiatives and announcements is the way to secure your future.

The Enduring Challenges of Business Models in the Public Sector

Implicit in the previous comments are three generic categories of challenge for producing business models in the public sector – (1) systemic, (2) endemic, and (3) dynamic.

The systemic challenges relate to the context of the public sector – the nature of the system. These factors are not controllable. We are not going to change the nature of the political cycle or the media interest in politics. Hence we have to design a process for understanding business models in the public sector that takes account of these factors.

The endemic factors, on the other hand, are controllable but currently are deeply embedded in the political system. One of the most prevalent of these is the fact that policy dominates delivery. Given the focus on policy, the Civil Service generally has not had to develop deep skills for managing delivery. These skills include both those of organisational design, and those of operation. Yet without these skills it is difficult, if not impossible, to see how appropriate delivery chains can be constructed and developed.

The third set of factors – dynamic – relate to the issue of organisational momentum and flow discussed earlier. All organisations are in a state of flux. Options for the future are constrained by choices made in the past. Recognising this state of flux and hence what scope there is for action and intervention is essential when designing business models and delivery chains.

Moving from the Theoretical to the Practical

So what do these observations mean in practice and how can they be addressed in the public sector? First we need to broaden the conception of what a business model constitutes. Instead of focusing primarily on resources (financial flows), governance (organisational structure and accountabilities) and targets (public service agreements and associated metrics) we need to consider:

- What are the value propositions of the department for its customers? And what are the key values, or organising principles, that underpin what the

department does and how it does it?

- Clarity of vision and strategy – how clearly has the department articulated its vision and strategy? How widely understood is the vision and strategy?
- How clearly has the department mapped needs to its diverse customer base? To what extent has this mapping taken account of the political context within which the department operates? Who are the key stakeholders and with whom will the department collaborate to deliver?
- Organisational structure – has the department designed a delivery chain that will be efficient, economic and effective? Have alternatives been evaluated? To what extent has the department engaged in conversations about the delivery chain rather than delegating these to third parties, e.g. Executive Agencies, Non-Departmental Public Bodies, etc.
- Delivery networks – has the department made explicit choices about the extent to which it wishes to control the delivery chain? Has the department decided to exercise direct control over delivery resources or indirect control over delivery resources? What about the need to deliver internationally? Has the department developed the necessary infrastructure to enable international delivery when required?
- Organisational levers – has the department considered the entire range of governance levers available to it – legislative, governance and accountability, funding flows, performance and targets, influencing – and adopted an appropriate suite to manage relationships across the delivery chain?
- Systems and procedures – beyond organisational levers, has the department specified and helped to deliver appropriate systems and procedures that will ensure delivery is consistent and sustainable? Have these been designed with the *customer* in mind?
- Culture and behaviour – on the softer side, has the department considered and made appropriate interventions in terms of cultures and behaviours to ensure that people across the delivery network understand their roles and contribution to the delivery chain?

- What is the departmental trajectory – where has it come from and where is it going? Have any change initiatives that are required been developed with the appropriate recognition of this history and context?

Clearly some departments have already started to consider these issues and one of the advantages of the network was that we were able to uncover some examples of good practice. We will explore four of these in particular – Defra's effort to understand organisational context in mapping its business model, DWP's effort to articulate the dynamic nature of the change it was seeking, the Home Office's description of its business model in deep operational detail through the Home Office framework document and DfCSF's use of the 'bridge' to monitor performance in schools.

Revising Defra's Business Model

At the outset of the Sunningdale Institute network, Defra presented a complex business model to describe the Department's functioning (see Figure 2, below). The aim of this model was to comprehensively explain the structure and organisation of Defra and its delivery network. As can be seen from Figure 2, the model clearly achieved a comprehensive explanation, but for those not familiar with Defra it was not an easy framework to navigate. By the end of the series of network meetings Defra had as part of its response to the capability review and Renew change programme considerably revised its business model and now uses a model of the form shown in Figure 3, page 10.

The role of the delivery network in delivery to customers is still key. But, as well as being far easier

Figure 2: Defra's First Draft Business Models

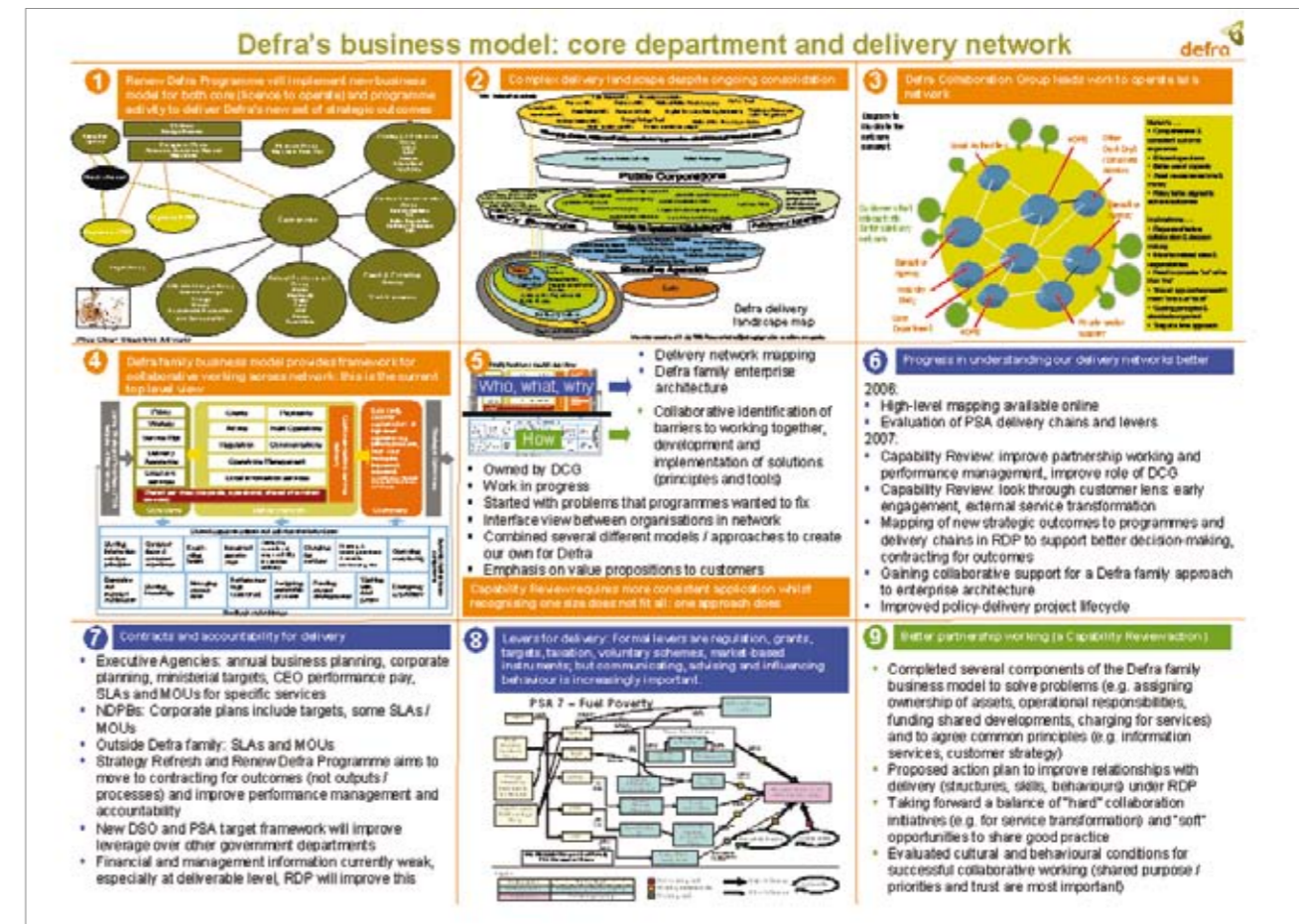
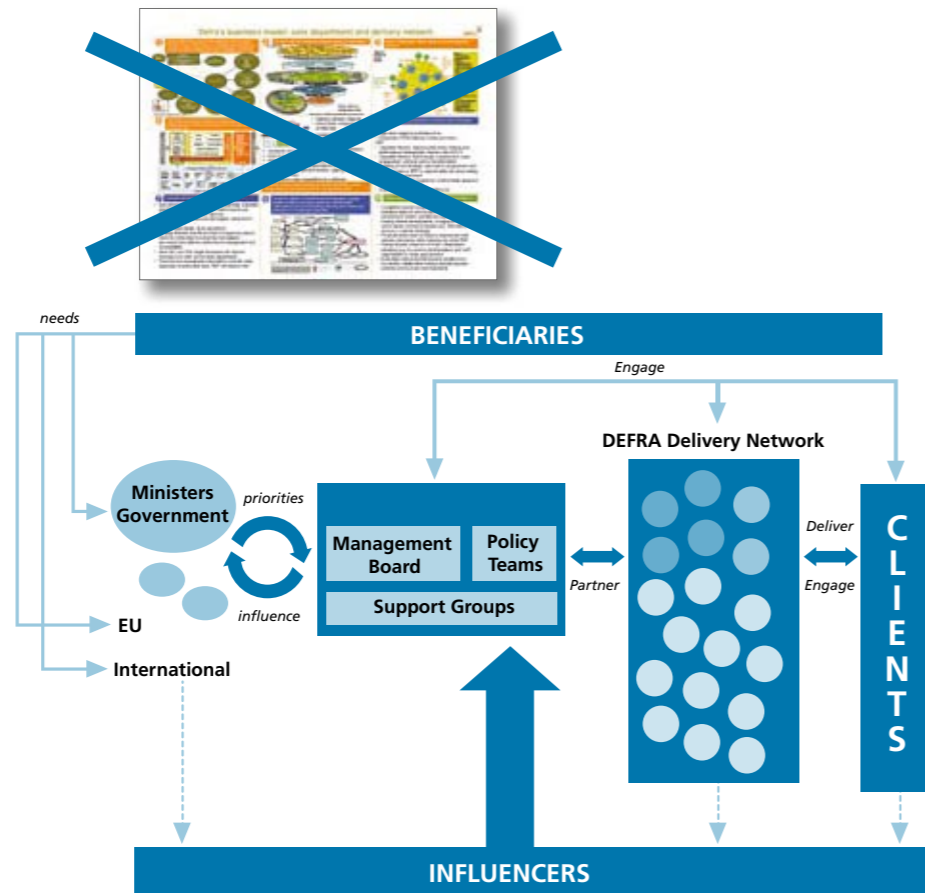


Figure 3: Defining Business Models

We have developed a new model as part of our Renew Programme and capability review response. Like the old model, it is a cross sectional view of the organisation but it:

- is a higher level view;
- places far greater emphasis on external interests including feedback from customers and;
- shows that the 'arrows' are what we need to work on to improve.



to explain, this model highlights four particularly important features. First, it explicitly emphasises the role of the strategic centre, suggesting that it focuses on management, policy and support. Second, the revised model highlights the contextual factors that have significant influence in Defra, including the priorities and influence that cycle between the Department and ministers and government. Third, the revised model makes reference to both the beneficiaries of Defra and the Department's influencers. Both beneficiaries and influencers clearly provide important additional context for Defra. Fourthly, it shows, in the form of 'partner' and 'deliver engage' arrows, where the Department is focusing its efforts in enhancing the effectiveness of its relationship with delivery partners and customer service.

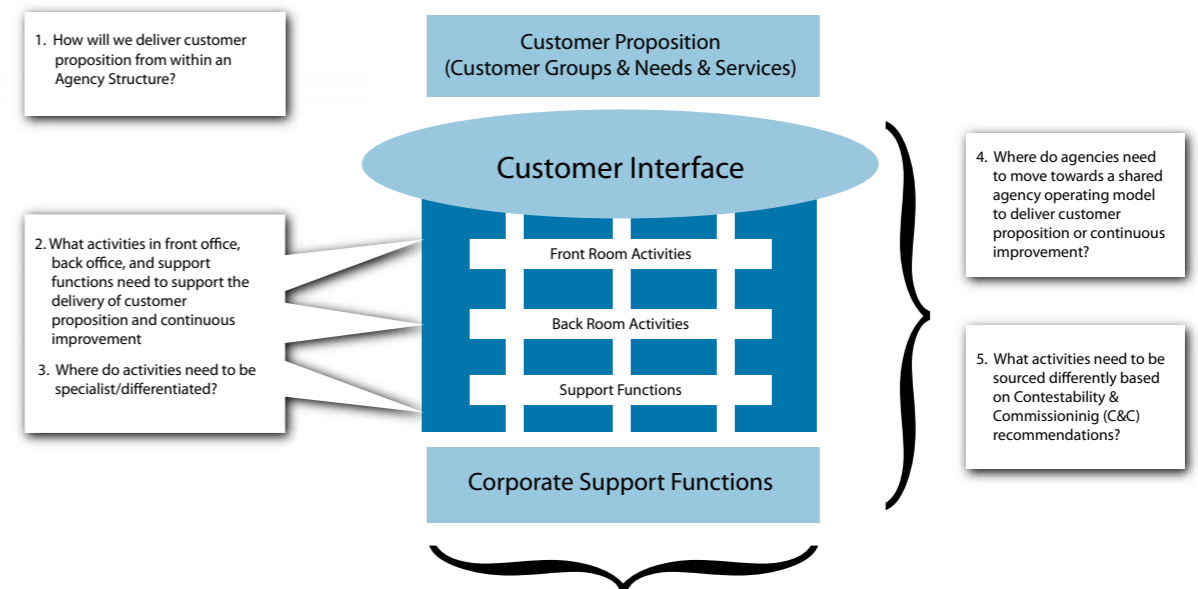
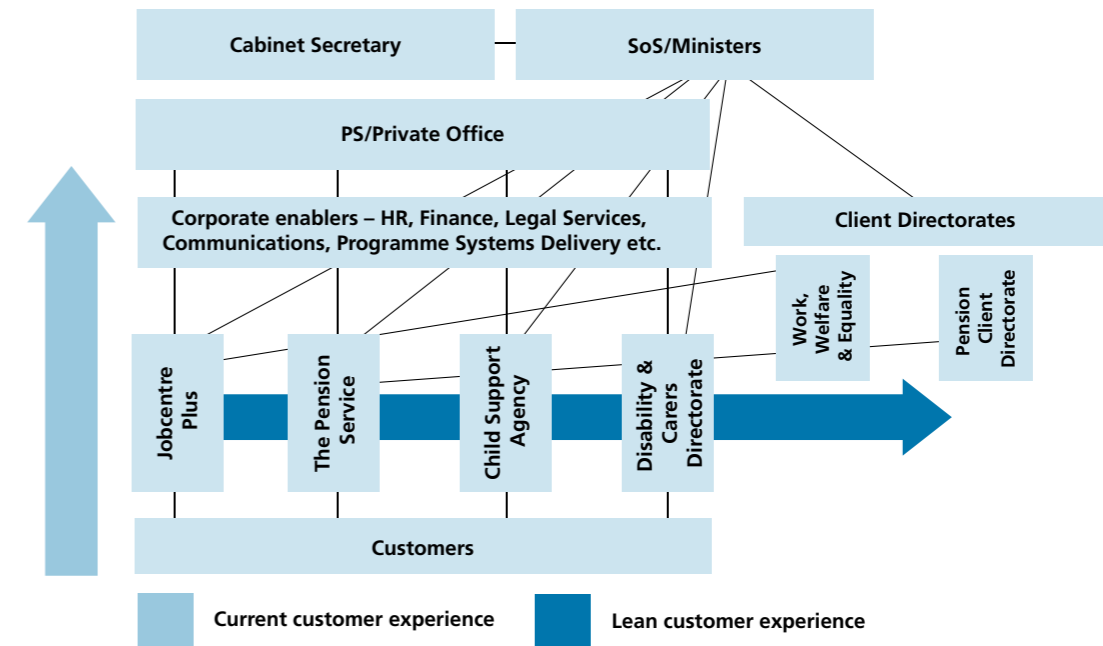
Key here is the development of the concept of a 'Deal' with each of its delivery network members that focuses on key areas of behaviour and mutual

commitment needed for effective relationships. The 'Deal' articulates the shared principles between Defra and each delivery partner in simple and explicit terms and also outlines the main activities required of each party to deliver in practice.

The DWP Journey

DWP is a good example of the complexity of organisation that is found particularly in large Whitehall departments. One of the major challenges it faces is in 'joining' up its delivery mechanisms to ensure clients receive a coherent and consistent response. In meeting this challenge, business models can help through providing a schematic representation of how the Department's activities come together but also in providing a way of making sense of what needs to change. Thinking in terms of 'before' and 'after' simplifies the continuity and longitudinal nature

Figure 4: DWP's Journey – Before and After



Scope of the Target Operating Model Work:
Five questions that will be answered to put in place a Target Operating Model

of organisational change but can help articulate and communicate what is needed and how it will be achieved (see Figure 4, page 11). DWP responded to their capability review by embarking on a programme of change that focused in particular on building an effective leadership team, managing improvement throughout the organisation and 'learning to learn' – i.e. developing and embedding a continuous improvement approach in order to sustain change over time. The priority on delivery is clear from the steps taken within the Department, for example in setting up a Department wide Customer Insight team. The change programme that has been developed draws on information from the Department's extensive staff survey and emphasises the development and support of front-line leaders through the organisation and improved communication of the new business model.

The Home Office Framework

The Home Office reviewed their business model as part of the wide ranging reform programme started in 2006. The business model is described in a 'departmental framework' which coherently lays out the key components of the Department's business model, identifies priorities and emphasises the key values that underpin the Department.

These 'organising principles' are central to understanding what actually happens inside organisations but are often overlooked in more formal and mechanistic attempts at describing business models. Making these principles explicit means that the Home Office framework can address challenges at the operational level of detail while retaining a 'bigger picture' view of how the Department functions across its activities.

One important example of that combination of depth with breadth is seen in the 'compact' that the Home Office framework describes with regard to relations between its board and ministers. The compact addresses the interface between the Department and ministers explicitly and outlines the roles and responsibilities of those involved. This is central to understanding how 'political context matters' for public sector organisations and helps ensure that the business model is developed in ways that are mindful of this key interaction while also providing guidance on the specific details of those relationships.

The introduction of the framework was aligned to changes in many support processes and the creation of a small and focused strategic centre in the Department tasked with coherence of strategy, performance and resource management. The framework has clarified the relationship between the centre and delivery arms, and this has been evidenced in a renewed energy within the agencies of the Department.

This is now being followed by work to communicate the Department's core purpose, clarify the relationship

Figure 5: Home Office Architecture

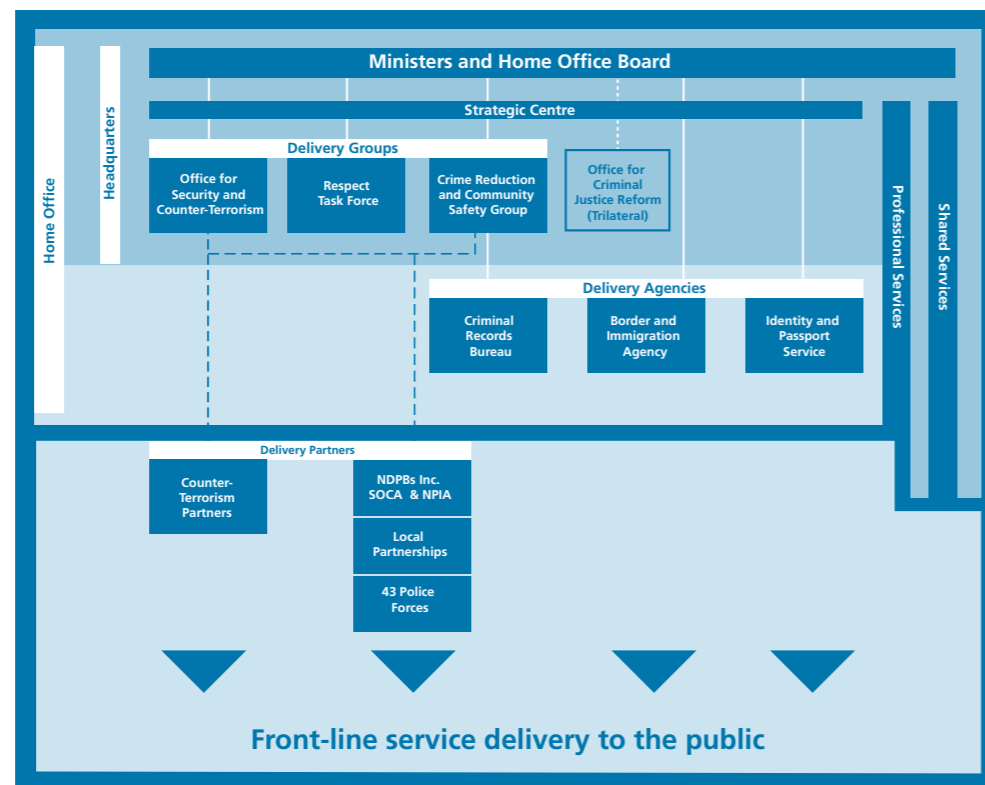
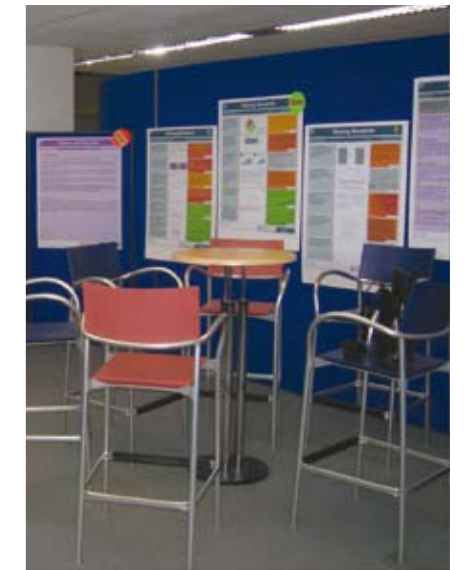


Figure 6: DfCSF's bridge



with the public and improved partnership working. As a result, the Home Office is well down the path of implementing a business model as described in Figure 5, opposite.

Delving into Detail: DfCSF's Bridge

As discussed earlier, one of the common critiques of business models is that they fail to provide sufficient operational detail. The Department for Children, Schools and Families has adopted a novel approach to dealing with this issue, developing the 'bridge', a physical space where performance data linking high level strategic objectives, encapsulated in Public Service Agreements, to front-line delivery are displayed (see Figure 6, above). The DfCSF bridge is used as a meeting and briefing space for ministers, officials and visitors.

It provides a highly visual and stimulating environment where those debating policy can test theories and hypotheses in real time using data gathered from the front-line. This clear line of sight, between central strategic objectives and front-line delivery enables a far stronger engagement from the centre in pragmatic questions about how to improve the educational experience of children. The value of the bridge has been recognised through the Civil Service Award for Strategic Analysis. It is these forms of demonstration that can both 'bring to life' the dry and schematic representations that are common in business models and also begin to move the use of the business model toward understanding delivery and operational issues in more depth.

Concluding Remarks

Clearly mapping business models is a challenging process, but there are some significant benefits, not least in terms of the discussions that the mapping process provokes. As the public sector's understanding of business models matures and grows, practical tools to support efforts to understand business models and delivery chains are being developed. For example, the PMDU has developed and piloted a methodology for mapping delivery chains through a series of interactive workshops.

There are outstanding questions, however, about whether the tendency that business models have to be static, lacking in context and operational detail undermines their longer-term value as a tool of change in Whitehall. There is a danger that the abstraction of business models contributes to an ongoing neglect of delivery issues rather than promoting improvement. The Sunningdale Institute's review of capability reviews, summarised in the *Take-Off or Tail-Off* report, highlights that while there has been a good start to the change that is needed, there is the need for further

engagement in organisational design and delivery if we are to avoid the syndrome of tail-off. For this to happen, departments must ensure that their mapping of business models is clearly seen as a means to a more important end: achieving better delivery of public services. Business models can result in a narrow department-centric, producer-led view. Departments must broaden and deepen their conceptions of their business model in order to engage with wider networks and focus on the clients' needs if business models are to be an effective first step in a change programme to deliver service excellence.

From this paper we hope that the reader takes away both a better appreciation of what a business model in the public sector constitutes, as well as some practical examples of departments that have made some significant progress in clarifying their own business models. Clearly mapping business models in itself is not enough, but it is a valuable first step in the process to designing better delivery chains for public services.

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Annex A: Key Themes

Theme 1

Is the public sector's conceptualisation of business models too narrow, with an overriding emphasis on structural factors, rather than a balance between the structural and behavioural?

Theme 2

At which level of analysis should we operate when defining business models in public services if we are to enable meaningful description, analysis and intervention?

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Good descriptions of business models in the public sector make explicit the political context within which the department is operating. They highlight political priorities and philosophy, interpreting the consequences of these for departmental priorities and strategies.

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The pace of structural change in the public sector, both in terms of machinery of government and rate of new announcements, means that the system is rarely stable for long enough to allow people to articulate and communicate complex business models either internally or to their external stakeholders.

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The balance between delivery and policy – observers of Whitehall would be forgiven for believing that delivery is seen as a backwater and that policy is the real remit for ambitious civil servants who want to get ahead. There is a danger that furnishing ministers with new initiatives and announcements is the way to secure your future.

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