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Validate, test and refine

The objective of this step is to validate the draft strategy map by scanning the agency's internal and external environments to ensure the agency's strategic choices are captured in its strategy.

Scan internal and external environments ⌄

A key step in the strategy development process is validating and testing strategy, and this step is often missed by senior leaders. The PESTLE, SWOT and TOWS tools will support senior leaders to scan the agency's internal/external environments and current/future forces to stress test strategy. Senior leaders should also engage with employees and stakeholders to understand the organisation's operations and surface any factors with the potential to derail strategy.

Consider strategic choices ⌄

Strategic choices are the choices an agency must make to achieve its desired outcomes and objectives. To validate the decisions made around prioritising and assessing the agency's strategic plans and priorities and organisational capabilities, senior leaders can use the TOWS analysis to evaluate their choices against the strategic choices that are available to the agency.

Scenario testing and addressing gaps ⌄

Scenario testing provides opportunity for senior leaders to test how the strategy fares against a range of future external scenarios. Where scenario testing exposes gaps, uncertainties or risks, the agency's strategy map should be refined to address these gaps. This will ensure the agency develops a robust strategy that addresses its purpose, customer needs and internal and external operating environments.

Scan environment

Good strategy needs to be informed with data and insights about the external and potential future environment the agency may face. Validating and testing strategy is an essential and often overlooked process. Taking time to validate strategy and address any gaps that emerge ensures the strategy is robust and likely to deliver intended outcomes. The first step to identifying strategic gaps is to consider the agency's operating environment (external and internal, current and future) including megatrends that may impact your business.

Megatrends are sustained, global, macroeconomic forces that shape the public sector, society, business and the economy. They includes some of society's biggest challenges and opportunities, and have the potential to impact on the public sector's ability to achieve outcomes for the people of NSW. By undertaking a holistic assessment of the environment and megatrends, an agency will be able to identity the strategic choices available to them, and offer unique ways to rethink their business and be better prepared for the future in the long term.

The PESTLE analysis (Political, Economic, Social, Technological, Legal and Environmental) focuses on the external and future environments. The SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) uses data from the PESTLE to consider current and future issues and is focused on the internal environment or the impacts of external factors on the agency.

To scan the agency's internal and external environments, first review the purpose statement, customer and efficiency outcomes, and enabling strategies to provide context for the exercises.

- Using a broad group (key leaders, SMEs, customers/stakeholders, employees etc.) complete the PESTLE analysis first.
    - Refer to the template and prompts
    - Further analyse threats and analysis from different vantage points such as time, geographic (metro, regional, rural, national, global), customer/stakeholder type and product/service type.
    - Once the template is complete, discuss WHAT this means for the agency.
- Similarly, use a broad group to complete the SWOT analysis.
    - Refer to the template and prompts
    - Use the outputs of the PESTLE analysis to inform evaluation of Opportunities and Threats.
    - To ensure the SWOT analysis is rigorous, analysis should be conducted at the whole of agency level using precise, veritable statements.

Engaging with employees and stakeholders helps to ensure the agency's operating environment is considered and provides opportunity for everyone to contribute to the organisation's key priorities. This will bring employees along for the journey, which is crucial given they will be implementing the strategy. Engaging with employees also helps to foster understanding of where their work fits into the bigger picture. When this information has been assembled, consider whether any of the environmental factors will affect the outcomes or strategies included in the strategy map. If so, refine the Strategy Map to take into account the agency's operating environment.

Validate plans and priorities

The TOWS analysis is used to validate choices and priorities around processes and organisational capabilities. At this stage, you need to validate the decisions you have made around prioritising and assessing your strategic plans and priorities and organisational capabilities. You can do this by distilling the SWOT analysis into strategic choices that capitalise on the agency's strengths and opportunities and circumvent weaknesses and threats. This is another method of stress testing your agency's approach towards its strategic plans and priorities and organisational capability strategies.

TOWS is a variant of the SWOT analysis. It links the complementary (e.g. how to turn strengths into opportunities, how can a weakness become a threat) and the contrasting (e.g. how a strength can be a weakness or vice versa, a weakness an opportunity). This can help drive actions or decisions as you develop strategy or can be used to validate some of the strategic choices your team has made for your agency's future.

To commence the validation process:

- Undertake the TOWS analysis by looking at the SWOT and aligning the content across the items: first look for any contrasting factors: strengths that could be weaknesses (and vice versa), strengths that could be impacted by threats (and vice versa), opportunities that could be prevented by weakness or destroyed by threats (and vice versa). Do this matching S to W, O to T, S to T and O to W.
- Assess what this means: what insights, 'so what's', and the critical choices that are revealed. Summarise or prioritise.
- Return to your strategy map and assess the strategies you have defined as the critical processes and capabilities to enable execution of the agency's outcomes and purpose. Align these with the key strategic choices that emerge from the TOWS.
- Compare the TOWS with your prioritised processes and capabilities. Are there gaps? Is there a good fit? Are there processes listed that do not address potential areas of weakness? Assess how existing strengths could be impacted by weaknesses and threats. Are the right processes listed and prioritised? Does the analysis of drivers need to be altered? Do you have the right capabilities to maximise the opportunities or to manage threats and overturn weaknesses?
- Also use the analysis to test whether the outcomes and purpose elements need any revisions.

Test strategy map

Scenario testing helps senior leaders think about the future and identify strategy alternatives and action plans. Following the environment scan and analysis of strategic choices, the strategy should undergo stress testing by assessing its functionality against a range of credible and complex scenarios. Scenario testing provides opportunity for senior leaders to test how the strategy will fare if there is a change in the external environment, such as the emergence and impact of megatrends. Where scenario testing exposes gaps, uncertainties or risks, consider updating the strategy map or formulating strategies to revisit in case of significant change.

Scenario testing is a tool to support senior leaders to consider strategy from different perspectives. The aim of the technique is not to accurately predict the future but to develop better strategies that are informed by comprehensive analysis.

Brainstorm scenarios

Engage with the senior leader team, key stakeholders, subject matter experts, customers etc. to identify a series of future scenarios that have the potential to impact the agency. While hypothetical, the scenarios should be credible.

To start the process, consider the outputs of the PESTLE, SWOT and TOWS analyses. What can be leveraged from these outputs to inform potential scenarios? Scenarios from political, economic, technological and social perspectives are particularly compelling and relevant. Next, contemplate pertinent scenarios that might not have been captured in the environment scan. Think about media reports, technological advancements (e.g. AI), increasing costs, declining budgets etc. but ensure the scenarios are realistic. Scenarios should include positive, negative and neutral situations. Refer to the table of megatrends (i.e. global, sustained and macro economic forces of development) on the next slide for inspiration.

Prioritise the final list to develop a manageable number of scenarios to test the strategy map against.

Test and refine

Test every level of the strategy map against each of the scenarios. How will the agency's processes, systems and people cope in the event of significant external change? Where gaps and uncertainties exist, formulate strategies that can be applied in one or several scenarios.

Megatrends are global forces of development with the potential to impact business, the economy, society and culture.

Megatrends	Technology everywhere	Changing consumption	Ageing population	Globalisation	Government debt levels
Investment themes	Sharing economy	The rise of services	Health and wellness	Abundance of capital	Monetary policy exhaustion
Investment themes	Robotics and 3D printing	Rising EM incomes	Biotechnology	Overcapacity	Erosion of fiat currencies
Investment themes	Big data	Feeding the world	Genome sequencing	Price deflation	Cryptocurrencies
Investment themes	Social media	Education	Healthcare spending	Urbanisation	Alternative assets
Investment themes	Mobile payments	Online retail	Aged care services	Immigration	Rising income inequality
Investment themes	Digitisation	Obesity	Wealth management and retirement planning	Climate change	Increased regulation and taxes
Investment themes	Artificial intelligence	Electric vehicles	Welfare systems	New breed of EM competitors	Demand for safety

The NZ Government's State Services Commission released the **Workforce Environment Scan** to support some of this thinking.