



## Strategy management in government agencies Focusing efforts for sustained effect

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### Summary

This paper discusses the adoption of strategic management programs in government agencies as a way of integrating tangible and intangible assets for achieving specific objectives. It describes as an example the implementation of the “balanced scorecard” method of strategy management in the Ministry of Agriculture, Fisheries and Supply (MAPA) of Brazil, through a reform launched in 2005.

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**MAPA fact sheet**

- Founded under the Empire in 1860.
- Has 9,787 employees, of whom 1,700 work at headquarters in Brasilia, 7,254 in federal agriculture offices, and 313 in national agricultural laboratories

## Efficiency and value added

Government agencies face a serious dilemma in their role, which requires them to address people's needs while maintaining balance in their activity vis-à-vis other sectors of social management.

The move to globalization and the pressure to access markets are posing an unprecedented challenge to developing countries in terms of efficiency and quality. Efforts to improve business management include a vision of reality and the analysis of bottlenecks, and this inevitably gives rise to criticism of the government function, which is generally quick to collect taxes but slow to provide the services that constitute its institutional mandate.

With the passage of time, this gap between the management capacity of businesses and of government has widened, because of the elephantine bureaucratic pyramid,

while organizations under private law and private organizations under public law are networking and striving to overcome the physical and mental barriers that separate them from their clients.

Many responsibilities that formerly fell to government are now being transferred to the private sector. Indeed, a third sector (private but nonprofit) is growing and appears to be capable of bringing more agility to efforts to resolve society's needs, either jointly with government agencies or directly.

Moreover, the history of corruption and the maturity of society are generating pressures for control, which often intimidate public servants, who prefer not to confront administrative processes, and this tends to slow the fulfillment of their duties.

There are other reasons as well behind the sluggish responsiveness of the public sector. These include partisan politics, which create a mismatch between the interests of the State and of the government: every time the executive changes, decision-making is paralyzed and projects of interest to the country come to a halt. All we have to do is compare this sluggishness with the cost of government operations to arrive at a thoroughly reprehensible picture of inefficiency.

Many officials of the public administration are now wondering how to operate in such a complicated context. The central concern is to define those functions that the State must fulfill in order to target actions and



project that would take it from a position of simply reacting to the market and would allow it to position itself as an organization with a vision of the future.

This decision was part of an administrative reform launched in February of that year, which among other things created a Strategic Management Advisory Office (AGE). The idea was to project future scenarios, to deal with the concerns sparked by the challenges posed, and to incorporate them within the Ministry, which would need to find ways to enhance its capacity to meet the anticipated demands.

optimize allocated resources. To this end, an objective vision of the situation is needed, and a descriptive map of the value-added chain, which should be able to justify the existence or maintenance of the institution.

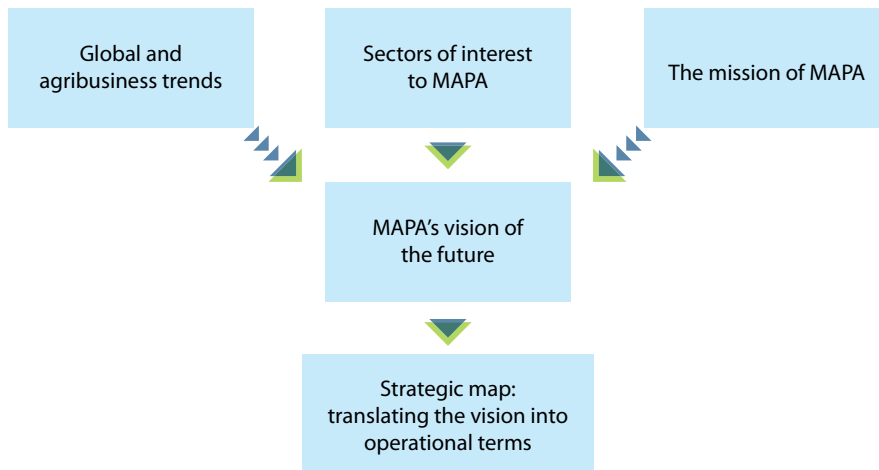
Generally speaking, the most frequently adopted solutions have given prime importance to addressing strategies and management processes, and to seeking an effective communication between people and projects. The most widely accepted method has been the balanced scorecard (BSC) of Robert Kaplan and David Norton, which is described in this document.

## Change of timeframe

This is the case with MAPA in Brazil, which in 2005 decided to launch a comprehensive

In November 2005, studies produced by the AGE indicated, for example, that by 2015 Brazil will have increased its soybean exports by more than 56%, representing more than half of the country's cereal production. What would be the implications of this scenario in economic and environmental terms? What demands with this growth place on the country in terms of infrastructure? How would it affect the labor market? And even more important, what would be the role of the MAPA in this likely scenario, and how should it prepare itself for that time?

This agency would not only have to project static solutions but would also need to create a mechanism for constantly adapting to external changes. It would also have to make efficient communication part of its intrinsic nature, in order to permit and foster participation by all levels of the Ministry, and to shield the interests of the State against the shifting winds of politics.



**Figure 1. The strategic logic.**

Source: Ministry of Agriculture, Fisheries and Supply (MAPA).

## Strategy-focused organization

The response emerged as a strategy management system that is widely used by organizations in all three sectors, the Balanced Scorecard, which was previously applied to two public enterprises linked to the MAPA, the Brazilian Agricultural Research Enterprise (EMBRAPA) and the National Supply Company (CONAB).

The great contribution of Kaplan and Norton, who began to apply the BSC method around 1992, has to do with internalizing the idea of the strategy-focused organization. The words strategy, focus and organization are considered keys to the success of firms that use the method.

Norton insists that the importance of the BSC method lies not in quantification, but rather in creating value in organizations

through the execution of strategies. The capacity to execute strategies is more important than merely having strategies.

The studies that led to preparation of the BSC method showed that few organizations have a strategy. Moreover, it was found that an organization's likelihood of executing a strategy successfully ranged between only 10% and 30%. This reflected the fact that there were many tools available for supervising financial aspects, but not for the strategic aspects.

Consequently, it was decided to seek ways of mapping and defining the strategy, to make it available to everyone, to make it attractive and to allow everyone to put forward his own contribution in operational terms.

The logic of the method stresses five principles that the IICA Office in Brazil began to apply some time ago.

1. **Translate the strategy into operational terms so that it will be understood throughout the organization.**

People must be able to describe what they are doing. The strategy has to be well described and conceptualized.

2. **Align the different areas and individuals of the organization to create synergy.**

The BSC method must be able to create linkages among the different parts of the organization, through the description of the strategy.

3. **Motivate the organization, to ensure that the strategy is seen as everyone's job. Those who have specific know how must be able to understand the strategy and make their contribution to it.**

In contrast to the industrial age, knowledge economies presuppose processes of alignment from the bottom up, as well. Comprehending this contribution is relevant for the organization and essential for the success of the method. "The strategy has to become everyone's everyday job", says Norton. It has been shown that the following three elements are important in the experience of the Balanced Scorecard Collaborative:

- a) The work force must be trained.
- b) Targets must be defined that consider the organization as a whole, so that the overall strategy is understood by everyone, and everyone can determine his own contribution to it.

c) There must be a program of incentives and rewards ("compensation makes people pay attention").

4. **Learn and adapt so the strategy becomes a continual process.**

The idea is that course corrections must go beyond the financial control loop. The strategy also needs to be supervised.

5. **Mobilize leadership in favor of change.**

Experience with the method over more than a decade shows that the first step is not to implement a quantification program, but to convince the leaders to build a culture of change in the organization.

## The method

The function of the BSC is to help an organization to formulate, measure and reorient its strategy with a broad vision, so that it can build a bridge between the current context and a future vision. The elements used to this end are the strategy map, initiatives, goals and indicators.

- The **strategy map** is the graphic expression of the entire strategic structure of the organization. It comprises perspectives, themes and objectives, which are organized in a cause-and-effect relationship to show how value is created in the pursuit of its activities.

- **Initiatives** are strategic projects selected by the organization for making the transition from the current situation to the future vision.
- The process is monitored by the use of **targets** and **indicators**, which make up the scorecard itself.

The conventional perspectives are the learning and growth perspective, the internal process perspective, the customer perspective, and the financial sustainability perspective. In profit-seeking organizations, the value chain is linked to the purpose of maximizing outcomes from a financial perspective, the objective of which is to satisfy the shareholders.

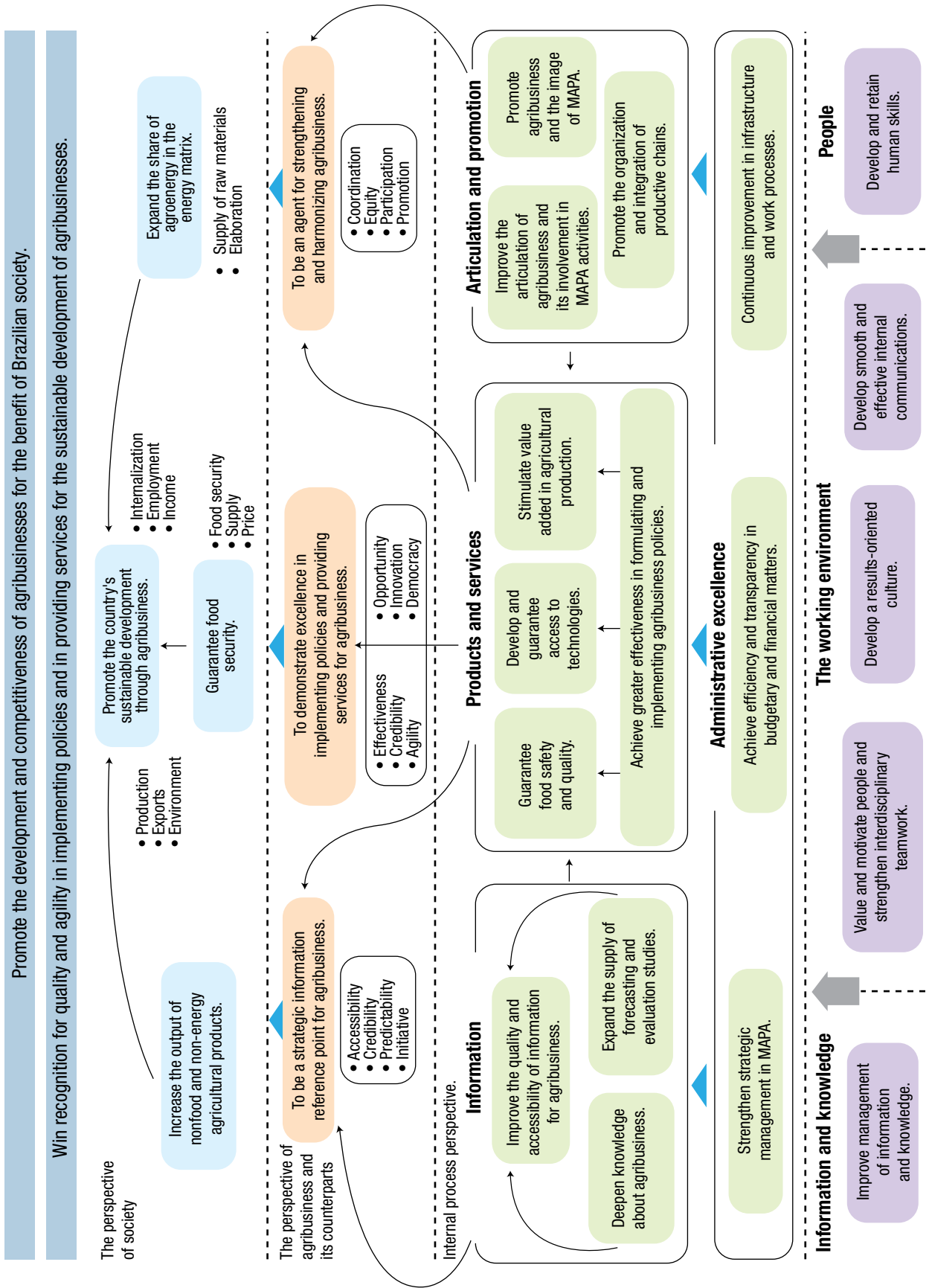
On the other hand, for nonprofit organizations, the financial perspective is considered to support the others. The cause and effect relationship exists in a so-called fiduciary perspective, which must meet the interests of those stakeholders who have nonfinancial expectations (figure 2).



**Figure 2. The conventional perspectives and those are used by nonprofit organizations.**

The strategy map prepared by MAPA (figure 3) also considers other perspectives based on intangible assets. At its base are issues relating to people, learning and growth. Initiatives in this field are designed to achieve administrative excellence, more and better information and marketing, topics that comprise the internal process perspective.

This method also has the value of guiding the organization toward the strategy, when it acts as a mediator between different forces or tendencies in the conduct of the organization's activities.



**Figure 3. Strategy map for MAPA.**

## The critical path for implementation in MAPA

Because we are dealing with the strategic management of MAPA, we speak of a project and of a process. In this respect, the implementation project developed with IICA technical cooperation began in December 2005, and ended in September of the following year. Since the implementation project was completed, the process has continued with a pilot project for strategic double-tracking in the Agricultural Protection Department (DAS).

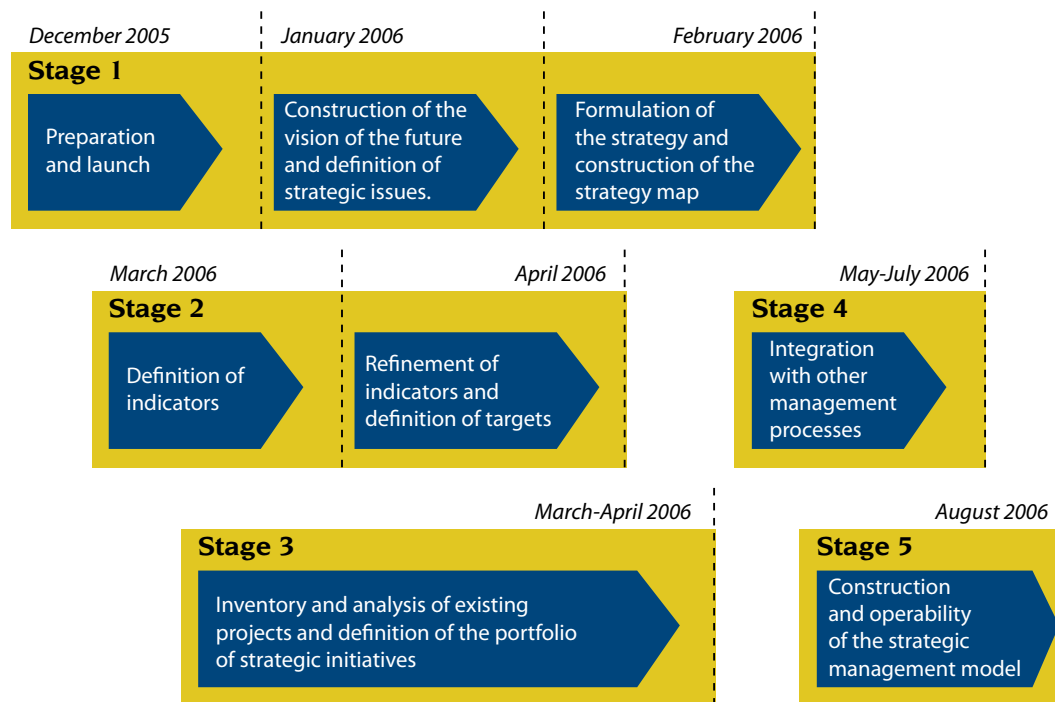


Figure 4. Retrospective view of the stages of the implementation project, according to the AGE.



### ■ Stage 1. *Strategic business plan and strategy map*

- Detailed project plan, with proposed timetable and suggested teams to support the evolution of the project.
- Awareness-raising meeting with senior administration.
- 25 MAPA employees trained in the BSC method.
- Renewal of the Ministry's mission and identification of the principal strategic guidelines for achieving the vision.
- Strategic business plan prepared.
- Proposed strategy map prepared.
- Report including the strategy map with cause-and-effect relationships, and description of the organization's strategic objectives.

### ■ Stage 2. *Indicators and targets*

- Inventory of indicators currently existing in the MAPA.
- Proposed indicators for the BSC.
- Preliminary details on indicators validated by the MAPA.
- Identification of needs for action plans to create data sources for indicators that now lack data.
- Proposed indicators validated.
- Strategy map updated.
- Clear definition of action plans for working with the new indicators.
- Proposed targets communicated and validated.

### ■ Stage 3. *Strategic initiatives*

- Inventory of current strategic initiatives and their analysis for inclusion in the strategy map.
- Preliminary suggestion for prioritizing initiatives.
- Strategic initiatives identified as priorities.
- Strategy map, indicators and targets updated. Implementation plan defined and validated.

#### ■ Stage 4. *Implementation support and first strategic analysis meeting with MAPA executives*

- Initiatives: definition of mechanisms for continual management of priority initiatives and status update on the strategic initiatives for the meeting with MAPA executives.
- Indicators and targets: support for monitoring disputes, definition of action plans, assignment and communication of responsibilities and deadlines.
- Cockpit: support for improving the format of graphics and the cockpit, and defining the related standards.
- Communication: follow-up on support for implementing the communication plan.
- 25 employees trained in the concepts and methodology for holding the strategy analysis meeting.
- First analysis of the BSC: support for analyzing the elements of the BSC and production of a preliminary version of the strategy update report.

#### ■ Stage 5. *Coordination of the BSC with existing management processes*

- Employees trained in the concepts, methods and techniques relating to coordination of the plan, the strategy maps, and operational and financial management.
- Current situation: understanding and mapping of the current model for the strategic, operational and budgetary management of the ministry.
- Analysis of this map and definition of guidelines for the future model.
- Design of the future situation: details of the future model integrating the strategic, budget and operational plans in light of expectations of the Ministry's leadership and the BSC instruments.
- Details and validation of a plan for implementing the model.

## IICA's role in the planning process

Since early 2005, IICA has been helping the MAPA to prepare a Technical Cooperation Project to improve the Ministry's strategic management. MAPA technical staff had a clear grasp of the main features of the problem, but wished to design a logical framework that would validate them, and to obtain support for making the project administratively viable.

The IICA Office in Brazil offered its technical staff to help in the undertaking and sponsored a series of planning workshops from which four broad guidelines emerged: strategy management, operational management, business education, and communication.

From the outset it was recognized that four elements were necessary to success of the program, and this was demonstrated in

the course of execution: only one of the three components (strategy management) has made substantial progress. While the results have been quite worthwhile, they have had little impact because of the lack of communication between the various sectors of the ministry.

This situation is being addressed through the request to extend the Technical Cooperation Project, and a manager training program targeted at businesses. More than a hundred employees of the Ministry and of related businesses are being trained in process management, situational leadership, innovation and strategic planning, and this will create a critical mass within the MAPA capable of understanding the importance of its role as counterparty in the project.

### **Possibilities of replication**

Implementation of strategic management in the MAPA was based on the BSC method, the contents of which have already been widely disseminated both through publications and through consulting activities. The [www.amazon.com](http://www.amazon.com) site, for example, lists nearly 3,400 books on the topic. This means that it should be quite feasible to replicate the process in other agriculture ministries of the hemisphere.

Moreover, any country interested in the experiment could count on IICA as a platform for a horizontal cooperation process. As well, we know that the method is also being applied in Costa Rica, which could be consulted.

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# Résumé / Resumo / Resumen

## ► Gestion de la stratégie dans les organismes gouvernementaux: concentration des efforts pour produire un effet durable

Le présent article porte sur l'adoption de programmes de gestion stratégique dans les organismes gouvernementaux comme moyen de combiner des actifs tangibles et intangibles afin d'atteindre des objectifs déterminés. Il décrit, à titre d'exemple, la mise en œuvre de la méthode de gestion de la stratégie fondée sur la carte de pointage équilibrée (*balanced scorecard*) au ministère de l'Agriculture, de l'Élevage et de l'Approvisionnement (MAPA) du Brésil, dans le cadre d'une réforme lancée en 2005.

## ► Gestão da estratégia em órgãos governamentais: Concentração dos esforços para gerar um efeito duradouro

Este texto refere-se à adoção de programas de gestão estratégica em órgãos governamentais, como forma de integrar ativos tangíveis e intangíveis para o alcance de determinados objetivos. Cita-se como exemplo a implementação do método *Balanced Scorecard* de gestão da estratégia, utilizado no Ministério da Agricultura, Pecuária e Abastecimento (MAPA) do Brasil, a partir de uma reforma iniciada em 2005.

## ► Gestión de la estrategia en organismos gubernamentales: Concentración de los esfuerzos para generar un efecto duradero

El presente texto se refiere a la adopción de programas de gestión estratégica en organismos gubernamentales como una forma de integrar activos tangibles e intangibles para la consecución de determinados objetivos. Se aborda como ejemplo la implementación del método *balanced scorecard* (cuadro de mando integral) de gestión de la estrategia, en el Ministerio de Agricultura, Pecuaria y Abastecimiento (MAPA) del Brasil, a partir de una reforma iniciada en el 2005.