

Article 34 – Do you plan strategically?

The December article was about the need to drain swamps rather than fight the alligators and in many cases the ability to think and plan strategically is a prerequisite to successful swamp draining.

Is there a difference between strategic planning and other forms of planning? I think so. What's more, your ability to plan strategically is becoming more, not less important.

So here are four key differences between strategic and other forms of planning and some practical examples of how to apply a strategic approach to some of the swamps that exist or have the potential to form in your organisation.

Strategic planning Usually	Other planning Usually
Emphasises the environment	Emphasises the company
Company's environment & context are primary determinants of strategies & directions	Company's strengths & weaknesses are primary determinants of strategies & directions
Oriented towards change	Emphasises stability
Opinions, intuition & qualitative are emphasised	Facts & quantitative are emphasised

The above lists four ways in which strategic planning differs from other forms of planning. As with most concepts and theories to do with management, they are not quite as black and white as we would like so I've listed a counterpoint or "yes, but..." for each of the above.

Strategic planning emphasises the environment not the company

All companies operate in three environments – the macro and micro external environments and the internal environment. The Company has no control or influence over the macro external environment; some influence over the micro external environment and total control over the internal environment. The temptation, of course, is to focus unduly on the internal environment because that's the one that management can – or should – be able to control.

Here's an example of the danger of too much focus on the company and not enough on the environment.

Frederick Taylor, the father of Scientific Management, who gave his name to Taylorism, increased the output of ball bearings at the Simonds Roller Bearing Company from 5 million to 17 million per month in one year in 1896. At the same time, wages rose by 80% but those directly employed in bearing manufacture declined from 120 to 35. Yet two years later, despite this extraordinary rise in productivity, Simonds shut down in the summer of 1898. The problem at Simonds – and for Frederick Taylor – was that the market fell apart. There was vast over supply and the price of bearings fell from \$3.00 to \$.75 per thousand in less than a year.

Simonds were a victim of planning that failed to take into account a changing external environment.

Counterpoint

Strategic planning has to be applied to the company simply because it is the only environment that management has the capacity to control. Management's role is akin to a landscape painter who expresses on his canvas his perspective and interpretation of the landscape that is the subject of the painting.

In my experience companies often recognise trends or events in the external environment but then either ignore them and hope they will go away or are unable to determine their impact on the company's future. There is little value in identifying the greying of the population as a threat if one is not capable of formulating a response to it in terms of business strategy.

Strategic planning sees environment and context as the primary determinants of strategies and directions

Who hasn't been involved in a SWOT analysis? I have nothing against the concept but it's a pity that the originator saw the need to develop an anagram as a memory hook because the order is the wrong way round. Opportunities and Threats should be considered first as they represent the "environment and context" against which the company's strengths and weaknesses need to be considered.

My preferred order is Threats, Opportunities, Weaknesses and Strengths – which equals TOWS. Understanding Threats can sometimes give rise to Opportunities and looking at the organisation's Weaknesses – defined as barriers to taking advantage of Opportunities means that they are given due attention before the discussion turns to consideration of the Company's Strengths.

Counterpoint

Over emphasis on Threats and Opportunities and insufficient consideration of the company's Strengths and Weaknesses can result in ill-founded growth strategies – the chasing of opportunities for which the company has neither the expertise or the resources to exploit. In the final analysis, strategic planning in regard to the company's Weaknesses and Strengths is essential but it's the context in which that planning takes place that distinguishes strategic planning from other forms of planning.

Strategic planning is oriented towards change

"If it ain't broke, don't fix it" is the mantra of the planner who places undue emphasis on stability. But if the external environment is constantly changing – and changing at a greater pace, planning, the outcome of which is to maintain the status quo, is a recipe for ultimate disaster. As someone put it, there are three types of companies. Those that never see the wall and crash straight into it, those that see it at the last moment and by a violent change of direction manage to avoid it and those that build walls for others to crash into.

Nothing is guaranteed to cause greater consternation among management than fundamental changes to organisational structures, more particularly the change from structures based on function to those based on process or product group. The problem is compounded by the fact that those whose power and influence are most

likely to be adversely affected by the change are the same people who should be planning the change in the first place. Determined to give the appearance of change whilst protecting their status quo, the final result is an organisation chart of bewildering complexity and confusion. Strip away the rhetoric and the dotted lines and the organisation continues in much the same inefficient way as before.

Counterpoint

It has been estimated that 3% of people love change and get bored without it. I used to work with a colleague who I referred to as the arsonist since he was forever lighting fires and leaving it to others to put out whilst he went off and lit another one. Change for the sake of change is neither good planning or good strategic thinking – like the example that Jim Collins refers to in Good to Great of the new CEO who moved the headquarters of the company from Ohio to Florida because his house and 47' powerboat, the Lazy Rascal, were there.

In strategic planning, opinions, intuition and the qualitative are emphasised

Unless the future is a straight extrapolation of the past, planning strategically will always rely heavily on the planner's experience and gut feel. With strategic planning's emphasis on the external environment, knowing the company's detailed performance over the last 10 years is of little assistance in determining the likelihood of new technologies, the growth of indirect competitors or movements in various exchange rates. On the plus side, strategic planning – the word is derived from the Greek meaning generalship of an army – is "big picture" stuff and the need, initially at least, is to identify trends and directions without quantification.

Counterpoint

When intuition and opinions are the basis of debate at a strategic level with very little quantitative evidence to support the various views, the discussion can easily degenerate into an argument as to who is right and who's wrong. If the planners cannot agree amongst themselves on the situation analysis and the consequent direction for the company, there is little hope that any strategic plan will be effectively implemented. So being able to support one's opinions with quantitative data can be vital in bringing others around to your point-of-view.

Unfortunately the repository of the greatest amount of quantitative data is within the company and relates to the company's past performance in dollars and units of production etc. Whereas what is much more valuable from a strategic planning perspective is what customers and employees think of the company and its performance. Our feedback surveys provide qualitative feedback in quantitative form. This is why clients use the feedback to support their strategic planning. Let me give you an example.

I'm a great believer in the need for each company to identify its Competitive Advantage – what makes it different and better from the customers' perspective.

However, if I ask a client to name its Competitive Advantage, it's odds on that it will name something that it believes it is especially good at. Perhaps, it's product quality or customer service. In other words, from the customer's perspective, it's a "must have", not a "nice to have". But more so these days than before, I am finding that it is not a Competitive Advantage because my client's competitors are pretty good at the same thing. Competitive Advantage more frequently comes from *becoming* good

at something that you are not good at now or, less commonly, being better at something that neither you nor your competitors are much good at!

Graham Haines – February 2007