The Evolution of Strategic Planning

Strategic Planning and Business Planning are processes in constant change. In this article the author reviews the evolution of the business planning process and provides several observations related to successful implementation.

by

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The concept of Strategic Planning or business planning has been with us since man needed to get from “point A” to “point B”. Most planning organizations are very familiar with the teachings of Sun Tzu who wrote of warfare and the strategic underpinnings of success in 500BC. In fact the word strategy stems from the Greek strategos which means the art of the General or Commander-in-Chief. It was even alluded to by Lewis Carol in Through The Looking Glass.

The practice of long range planning has undergone considerable changes over time – in fact, in the 1980’s strategic planning fell out of favour in many business sectors. Now, planning is de rigeur and experiencing a resurgence in popularity.

The processes of strategic planning and business planning have been adopted and adapted by many business sectors and organizations, including not-for-profits and government Departments and Agencies.

In order to better understand the changes in planning and implementation processes and to better be able to evaluate planning methodologies, we have provided a very brief overview of the emergence of strategic planning (or business planning) and have reviewed some of the more common planning approaches (traditional and new methods).

Theoretical Foundations of Planning

There are almost as many planning models as there are authors and academics. Each has contributed in their own way, but a few pioneers stand out.

Ansoff

One of the early “modern” conceptual frameworks for business planning was developed by Igor Ansoff. In a 1957 Harvard Business Review article he outlined the Ansoff Matrix, an approach based on the concept that there were only four ways an organization could expand it’s markets or overall business performance. These were: i) selling more of the same products to existing customers; ii) selling new products to existing customers; iii) selling existing products to new customers; and iv) selling new products to new customers. The inherent risk of each approach increased as the organization moved away from familiar products and clients to unfamiliar clients and new products. The Ansoff matrix provided planners with a decision-making guide for set-
ting corporate or business unit direction. It is still in widespread use today, particularly in marketing or market-oriented planning settings.

**Drucker**

Peter Drucker set a “classic” definition of strategic planning in his seminal 1973 book *Management*. In *Management*, Drucker indicated that planning was nothing new – it was simply the organized performance of an old task. Drucker’s definition was simple – planning was the continuous process of making entrepreneurial (risk-taking) decisions systematically and with the best possible sense of “futurity”, systematically organizing the efforts required to carry out the decisions and then measuring the results of those decisions against expectations (systematic feedback).

Drucker’s basic thesis was that organizations needed to treat management (and therefore planning) as a disciplined science. With discipline came the opportunity to learn from previous experience and to share those experiences throughout an organization.

**Porter**

In the 1980’s, Porter put forth the proposition that strategy should better reflect the nature of competition and resources within a given business market or environment.

Porter spearheaded the push to planning based on the nature of external, competitive forces in an industry or business sector. In *Competitive Strategy* and *Competitive Advantage*, Porter defined a planning model and process that was based on gaining an understanding of the competitive forces that define an industry and it’s attractiveness from a business perspective.

Porter’s Five Forces model (planning framework based on the relationship between industry competitors, potential entrants, suppliers, buyers and substitutes) was ultimately created to help companies achieve profitability objectives. Nevertheless, the underlying theory suggested that the concept or practice of better understanding of external environments could be transferred to other sectors, including not-for-profit and government organizations.

**Emerging Issues – Planning Under Attack**

Theory is one thing – implementation and reality another.

In concert with the theoretical concepts of planning developed by academics and corporations came the more practical issue of implementing strategic planning exercises and turning plans into “action”. Even more important was the concept of linking plans to reality and results. Companies began reporting “problems” with strategic planning – or at least problems with the way their companies were doing it.

Throughout the Eighties, the recession, increasing globalization of economies and increased competitive pressures, combined to challenge traditional business notions and processes. Many corporate “strategic plans” were failing. As a result, much blame was placed on the concept of strategic planning. Headquarters staff almost always preferred to “plan” while “customer” facing personnel were always left to implement.

In viewing the evolution of planning from a historical perspective, there appear to be several explanations for the failure of planning to deliver on expectations. As most early (or traditional) planning methodologies used similar approaches to strategy development and plan implementation the issues were common to all:

a) *A “Top Down” View of Organizations*

These were for the most part centralized, “top-down” exercises, characterized by teams of corporate planners sequestered at headquarters, occasionally calling for information or data, finally presenting their plan (very often a financial forecast or budget spreadsheet) to Senior Management. The plan (once blessed) was then presented to “operations” managers charged with execution. The “plan” descended from above. Implementation was a tactical consideration. As a result, the plans were far removed from the actual corporate “reality” existing beyond headquarters staff. One of the most frequent complaints by academics and practitioners was that strategic planning as practiced by many organizations was too inwardly focussed and did not involve those who knew the most about markets, external environment and the actual strengths and
capabilities of an organization related to its objectives.

b) Planning Definitions and Expectations

As researchers began looking at “planning failures” other observations were made. In many organizations there were significant stereotypes, and misperceptions regarding the planning process. Many of these were affecting the planning process and most importantly the quality of the plans themselves. Some of these rubrics included:

• **Planning is the CEO’s responsibility.** While an organization’s leadership certainly bears ultimate responsibility for final strategic direction, it’s almost impossible for any CEO to set detailed strategy and certainly not possible for them to implement effectively.

• **The Document is The Strategy.** This has become a common concept in many organizations. When asked about strategy many employees point to a document or a binder – “there it is”. When asked, those same employees may be hard pressed to actually verbalize the organization’s direction and key efforts in a succinct and clear fashion (in many cases that narrative actually doesn’t exist!). Another problem of the “document” philosophy is the implication that strategy and planning are a mechanized process with a start and finish. This mindset results in planning becoming just another project to be completed in order to move on to other (more interesting?) things. Beyond the planning exercise, critical or analytical thinking may stop – or be channeled to day-to-day operations.

• **Strategy is Based on Inspiration and Individual Brilliance.** In many organizations, strategies were historically believed to be the “brainchild” of individuals, inspired to great leaps of insight and creativity. The common planning structure placed a limited number of individuals in planning roles and expected performance to follow. With the emergence of complex markets and organizations, it became increasingly obvious that many more minds (reflecting increasing prevalence of “team” structures) needed to be involved in the planning process. Not only would this approach enhance sharing of knowledge and information but also increased the level of creative input and idea generation to the planning process. In addition, multiple individuals would balance individual operating styles and analytical strengths and weaknesses across the organization.

c) Complexity of Organizations

Another factor influencing the planning and implementation process was the continual evolution of the organization into a highly complex structures, frequently with geographic and/or business function groups. These complex structures place a tremendous burden on the planning and implementation process. In some cases, organizational planning has devolved to the point that business units engage in strategic planning and have strategic plans while the organization as a whole no longer has a cohesive vision or plan for the future.

In other situations, complexity leads to a lack of integrated ‘corporate” knowledge and memory, making analysis and prediction of “futures” increasingly difficult.

As complex organizations begin to develop internal differences and silos (based on values, social structures, geographic cultural foundations), successful planning, as a shared, ongoing exercise involving a broad cross-section of an organization, becomes an even greater burden.

d) Technology and Pace of change

The pace of change in almost all aspects of civilization has never been faster. The Internet economy, technological innovation, changing political and economic landscapes places another burden on the strategic planning process. Planning on “Internet Time” has become a common phrase and means planning for 6-month timeframes rather than traditional 1 to 5 year planning horizons.

Predicting the future (a critical component of strategic planning) is an increasingly difficult task, despite the fact more and more “data” can be exchanged, analysed and shared. Today’s technologies allow organizations to gather vol-
umes of data previously unavailable at any cost. As Knowledge Management (KM) and KM systems evolve, the planning process will need to adapt and integrate this flood of information. Planners have historically had difficulty leveraging or making sense of information – even in an ‘analog’ world. Now in the digital domain the opportunities – and challenges are profound and are leading to further evolution in planning philosophies and methodologies.

**Planning Evolution**

As a result of the influences discussed above, planning models and methodologies have been evolving.

Although these planning methodologies or frameworks have certainly evolved from original approaches, the basic tenets of Ansoff, Drucker, et al still hold. Regardless of methodology, the building blocks of effective planning still consist of assessing current position / status, setting direction (i.e., strategy), implementing and assessing results. In many cases it’s the framework, tools and methodologies that have changed.

The following section outlines some useful planning methodologies, beginning with the Balanced Scorecard approach to planning.

**Balanced Scorecard**

The Balanced Scorecard approach ties or translates the strategic objectives of an organization to clearly defined performance measures. The approach, developed by Kaplan and Norton, was born of the belief that in order to improve strategic planning and ultimately the effectiveness of those plans, there needed to be a tighter link between objectives and day-to-day operational realities.

The Balanced Scorecard identifies four key perspectives related to ultimate organizational success. The basic premise of the framework is that all four measures are ultimately critical for long term success. These perspectives of performance include:

- Financial
- Customer or Stakeholder
- Internal Organizational Processes
- Innovation and Learning

The Balanced scorecard identifies the knowledge, skills and systems that your employees and staff will need (their learning and growth) to help them to innovate, solve problems and build the right strategic capabilities. These capabilities will lead to the delivery of specific value to stakeholders or the marketplace which in the end provides the highest possible value to shareholders – or in the case of public sector or government organizations – the taxpayer or ultimate shareholder.

The key discipline introduced by the authors was the concept of clearly identifying the measurements by which progress in all four perspectives is measured. This process in turn creates important planning feedback loops that help to bridge the challenges of implementation.

In a recent Harvard Business Review article (September – October 2000), the authors have added the concept of “Mapping” the organization’s strategy. This tool allows for an intuitive building block approach to identifying key objectives, strategies and measures related to the Balanced Scorecard approach.

**Other Planning Methodologies**

In a changing environment of eCommerce, Internet and globalization it is not enough to revisit strategy frequently and adjust to fit current conditions. It is crucial to imagine multiple scenarios and plan how to respond to them. Today’s strategic planning environments are not a series of deliberately paced discrete steps. The process is continuous probing and anticipation that constantly redefines the organizations landscapes and builds new connections for future growth.
Some of the other planning methodologies include:

**Scenario writing** provides management with a tool to develop strategic vision that is used to identify critical future paths. Scenarios are based on facts and assumptions that have proven effective in the past. Strategic planners then extrapolate the facts and assumptions to come up with alternative futures.

**Forecasting** allows a business to develop appropriate strategies for turbulent and complex environments. Forecasting places a scenario at a future period of time and using judgement, data oriented information and statistical analysis the organization attempts to predict the likelihood of its accomplishment.

**Capability based strategies** or resource-based views of the firm are determined by internal resources and capabilities that provide firm strategy and resources and capabilities that form the primary source of profit. The essence of capability based strategy is to design a strategy that makes cost effective use of organizational resources and core competencies and then, to concentrate on developing firm mechanisms that deliver those capabilities to the customer.

**Value chain analysis** is derived from systems theory where stakeholders are a part of a complex system that receives inputs, performs transformation processes on them and sends them out as outputs to other stakeholders. Key to performing a value chain analysis is to identify key primary and support activities and then keeping the process of transformation constant along the value chain.

**Digital strategy** is a fluid, fast-paced, experimental process that merges planning and implementation to continually probe for, anticipate and identify environmental barriers, new opportunities and competitive advantage.

The features of rapid change, unpredictability and volume of information means that businesses must focus on problem solving, opportunity identification, anticipation and leadership that can achieve responsive change.

**Lessons Learned – A practitioner’s Perspective**

Like almost any business or organizational process, planning is always changing and evolving. There are several lessons we have observed while working with a broad cross-section of clients in the public and private sectors.

- **Adapting models to the organization.** While there are many planning models to choose from they do essentially pare down to the core elements of making decisions about organizational direction and the deployment of resources to achieve those objectives. In looking at methodologies, it is important not to rigidly apply a process without tailoring it to organizations existing systems and knowledge culture. However, once a process has been designed or modified, it is important to apply it in a disciplined manner. Any planning model benefits from sound project management methods, regardless of whether it’s traditional or a new “high speed” planning methodology.

- **Internal Communication and Buy-In.** Many planning initiatives fail as a result of poor execution, very often tied to poor internal communications (both during and after the planning process). In complex or fast moving situations, the breakdown of understanding and knowledge leads to gaps in analysis and more importantly, less timely information on which to base decisions. The challenge of creating and maintaining internal communications in the planning process can be addressed in part by technology and systems, and more directly through team-based planning methodologies as well as a culture of information sharing.

The actual language and complexity of planning terminology is also frequently a barrier to success. We have observed that simpler, clear language is better for communicating strategic intent. In fact, one emerging planning methodology is based on strategic “story-telling”, where the overall business strategy is boiled down to a simple story format.
• *A balance of skills makes a difference.* We have observed that the greater the breadth and depth of planning experience and planning skills, the greater the probability of success within an organization. More organizations are using multi-functional teams throughout the planning process in order to take advantage of their particular skills and experiences “in the real world”. However, strategic planning is not necessarily a skill learned by technical professionals or all members of an organization. There is a need to ensure a core group of the planning team is very familiar with strategic planning methods, and more importantly the potential strengths and weaknesses of any given planning tools or methods.

• *Technology.* There are many technology-based tools that can effectively support the strategic planning and decision making. These range from group decision-based planning tools that enable rapid evaluation and assessment of strategic options to enterprise wide Knowledge Management, Business Intelligence or Enterprise Resource Planning systems. While there are significant benefits to be gained by the right type of technology support, there is also a tendency to assume the “system” is doing the planning. Not so – it’s still a human endeavour.

**Conclusions**

In summary, while there are many strategic planning methodologies and approaches and a dazzling selection of literature on the topic, the fundamentals of sound planning practices are relatively simple.

An organization should: a) set clear and unambiguous goals for their planning processes; b) utilize methodologies that fit both the enterprise, the environmental conditions and resources available; c) clearly communicate expectations regarding roles and responsibilities related to the planning process; d) establish clear, metrics that can be used in evaluating progress towards goals; and e) never stop communicating the objectives, strategies and progress throughout the organization.

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Bibliography


**WISDOM**

Alice: Which way should I go?
Cat: That depends on where you are going.
Alice: I don’t know where I’m going!
Cat: Then it doesn’t matter which way you go!

*Lewis Carroll 1872*  
*Through the Looking-Glass*