

Strategic Planning

That Gets Realized.....

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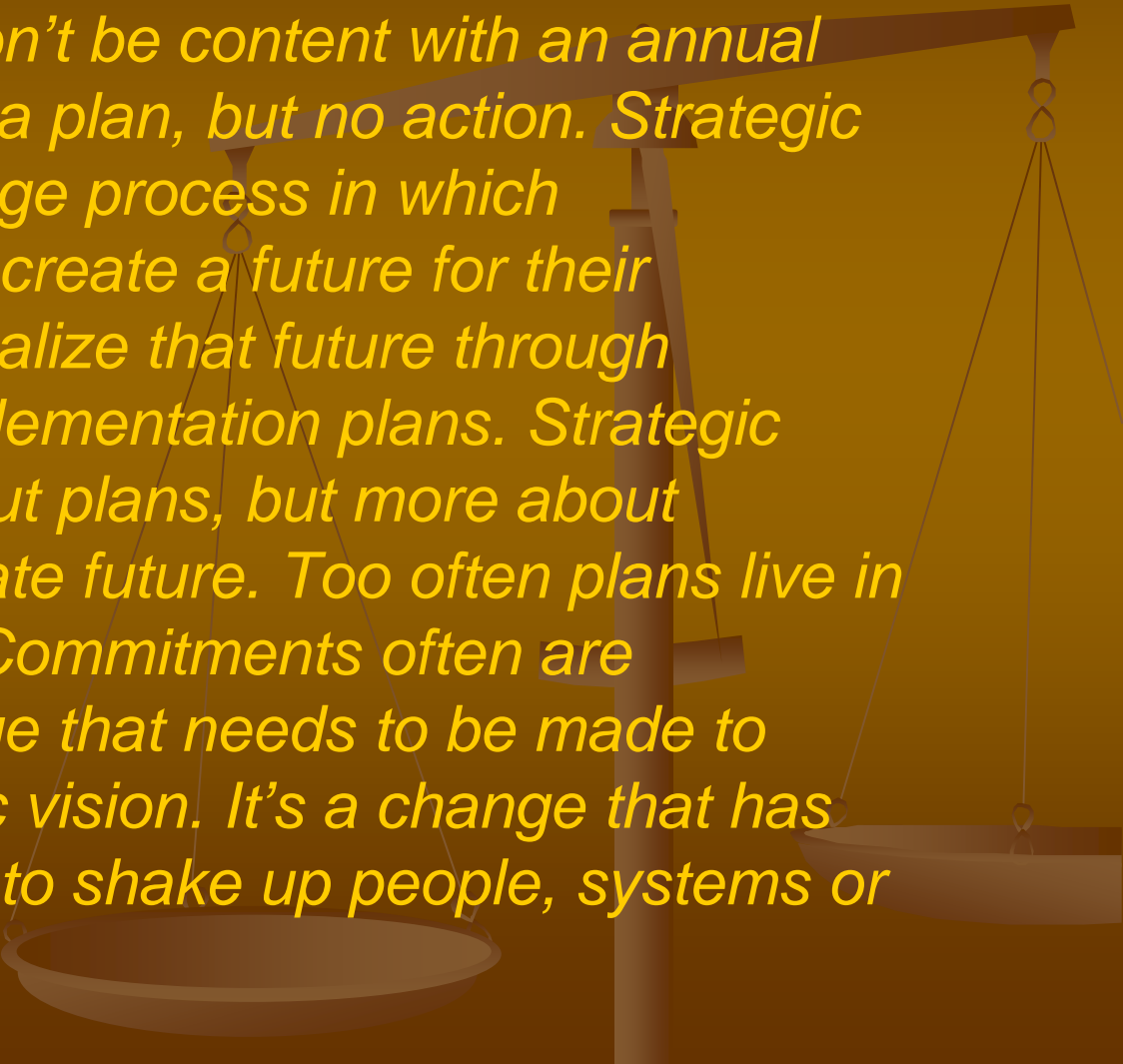
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The Theme...

“Credit Unions organized an annual retreat to prepare strategic plan. What percentage of that plan get materialized? Don’t be content with an annual “event” that delivers a plan, but no action. Strategic planning is a two stage process in which management teams create a future for their organizations and realize that future through carefully crafted implementation plans. Strategic Planning is less about plans, but more about commitments to create future. Too often plans live in day to day actions. Commitments often are challenged by change that needs to be made to realize your strategic vision. It’s a change that has enough significance to shake up people, systems or both.”



The Concept of Strategy, Strategic Planning , and Strategic Implementation

It is appropriate to have an overview of the concept of strategy and strategic planning prior to switch in the today's concentration of the seminar topic "*Strategic Implementation*" or "*Strategic Execution*".

The concept of strategy has been extensively discussed, researched, and so much of thinking has gone into. Therefore, it is no longer an intellectual challenge to get the concept clear.

Strategy- Definition: *The term strategy originally came from a Greek word "strategos" and the meaning of that word was the art of generalship, of devising and carrying out a military campaign or maneuvering an army and therefore, the English word "Strategy" has its military origin to business world.*

However, there are so many formal definitions of the strategy and few of those would be;

- " The plan of action that prescribe resources allocation and other activities for dealing with the environment and helping the organization attain its goal."*
- " The determination of the basic long -term goals of an organization and the adoption of courses of action and the allocation of resources necessary for carrying out these goals"*
- " Strategy is a declaration of intent; it defines what organization wants to become in the longer term and the overall aim of the strategy at corporate level will be to match or fit the organization to its environment in the most advantageous way possible."*
(Match internal capabilities to external dynamism- SWOT)

Strategy is a combination of **Analysis** and **Action**

Analysis Part: comprise three elements

What is the organization trying to achieve? In other word what are its Vision, Mission Goals or Objectives.

What stands in the way of it achieving what it wants? This might cover various aspects of external environment as well as what the organization is itself already doing.

What can it do to improve its chances of achieving what it wants?

The Action Part comprises two elements

1. The organization making its choices from various possibilities on offer.
2. Its attempt to implement that choices (The actual implementation, whether of individual policies or strategies, is nearly always a complex and problematic)

The two terms ***“Strategy and Planning”*** are not the same things: the former precedes latter .

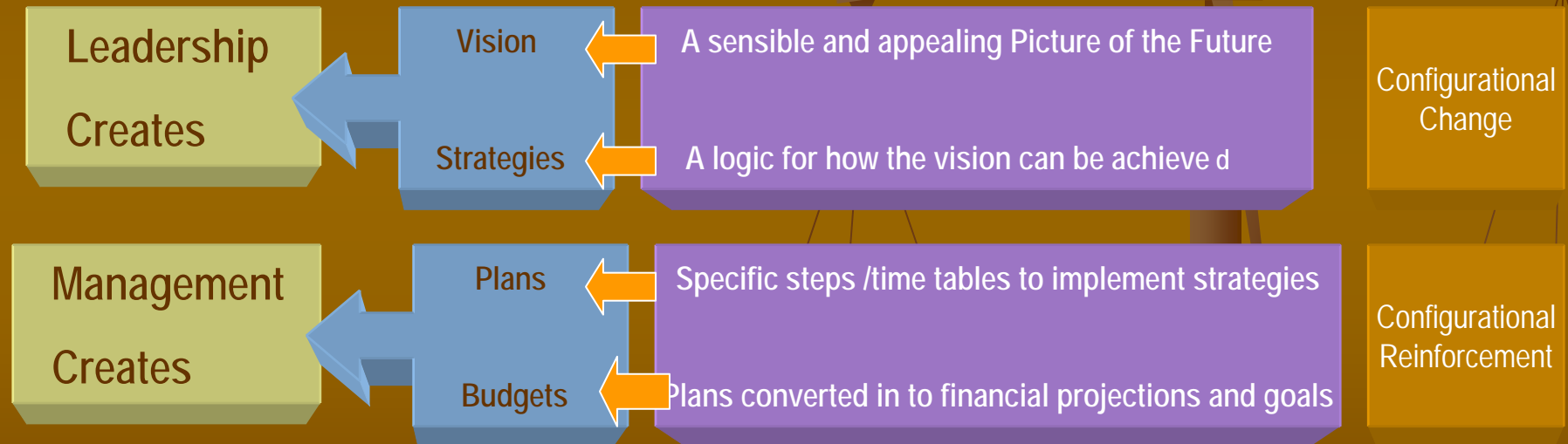
Strategy is therefore, in a nut shell, ***“What you do”*** and ***planning*** is ***“ How do you do it”***

The term ***“Tactics”*** which is also a military origin contrasted with strategies. While strategy represents the big picture about ***“ doing the right things”*** , tactics are more about the details of ***“ doing things right”***. Strategy sets the direction in which the organization will proceeds while tactics determine “how it will proceed” There is a similarity between Tactics and Planning and both the terms concern with the ***“how we do things”*** once we have decided what to do.

Strategic Planning and implementation involves both :

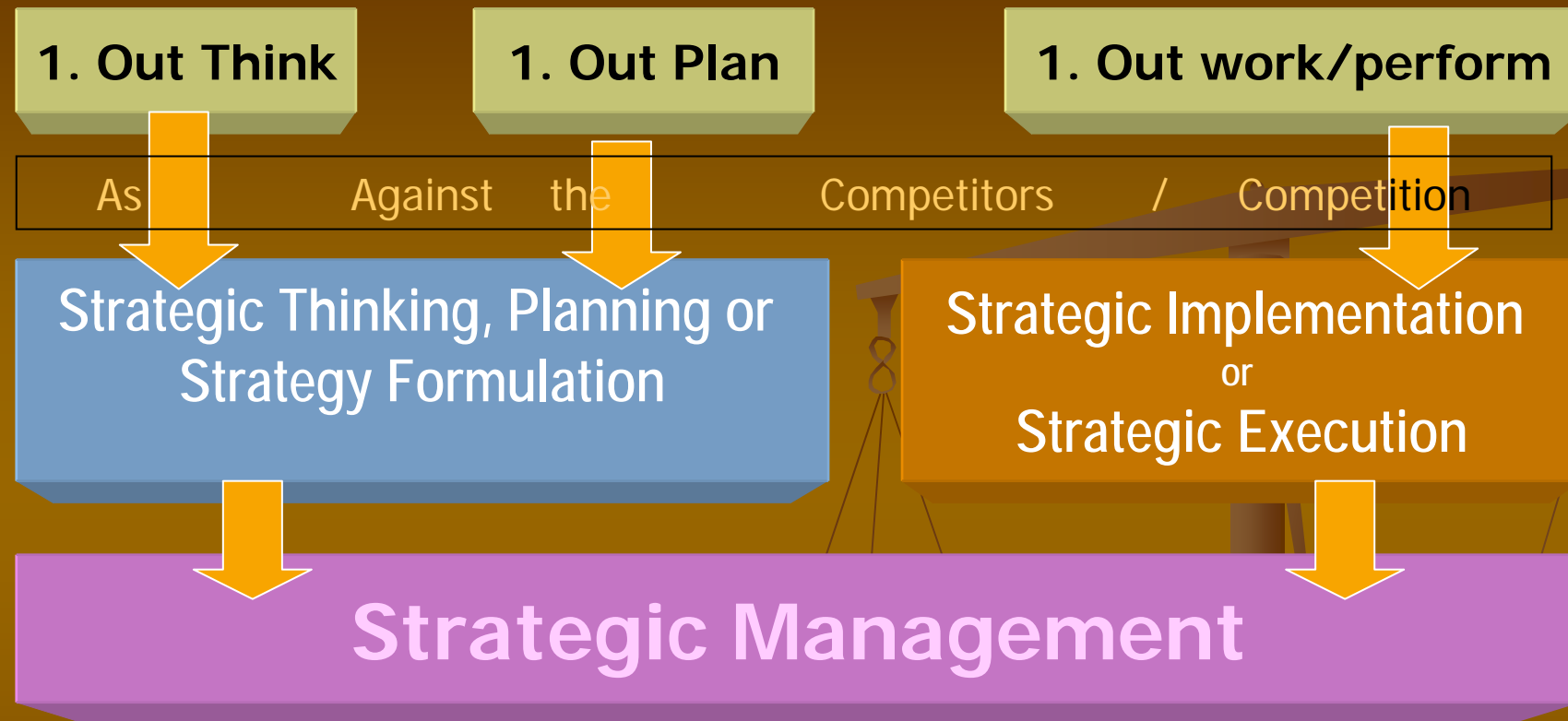
1. Doing the right thing- "**Effectiveness**" which is a *Leadership* involvement
2. Doing the thing right- "**Efficiency**" which is a *Management / Administration* involvement

Both Leadership and Management Required for Successful strategy



	Leaders	Managers
Creating an Agenda	Establishing Direction	Planning and Budgeting
Developing People	Aligning People	Organizing and Staffing
Execution	Motivating & Inspiring	Controlling & Problem solving
Outcomes	Produce change	Produce order and predictability

Strategy, Strategic Planning and Strategic Management.

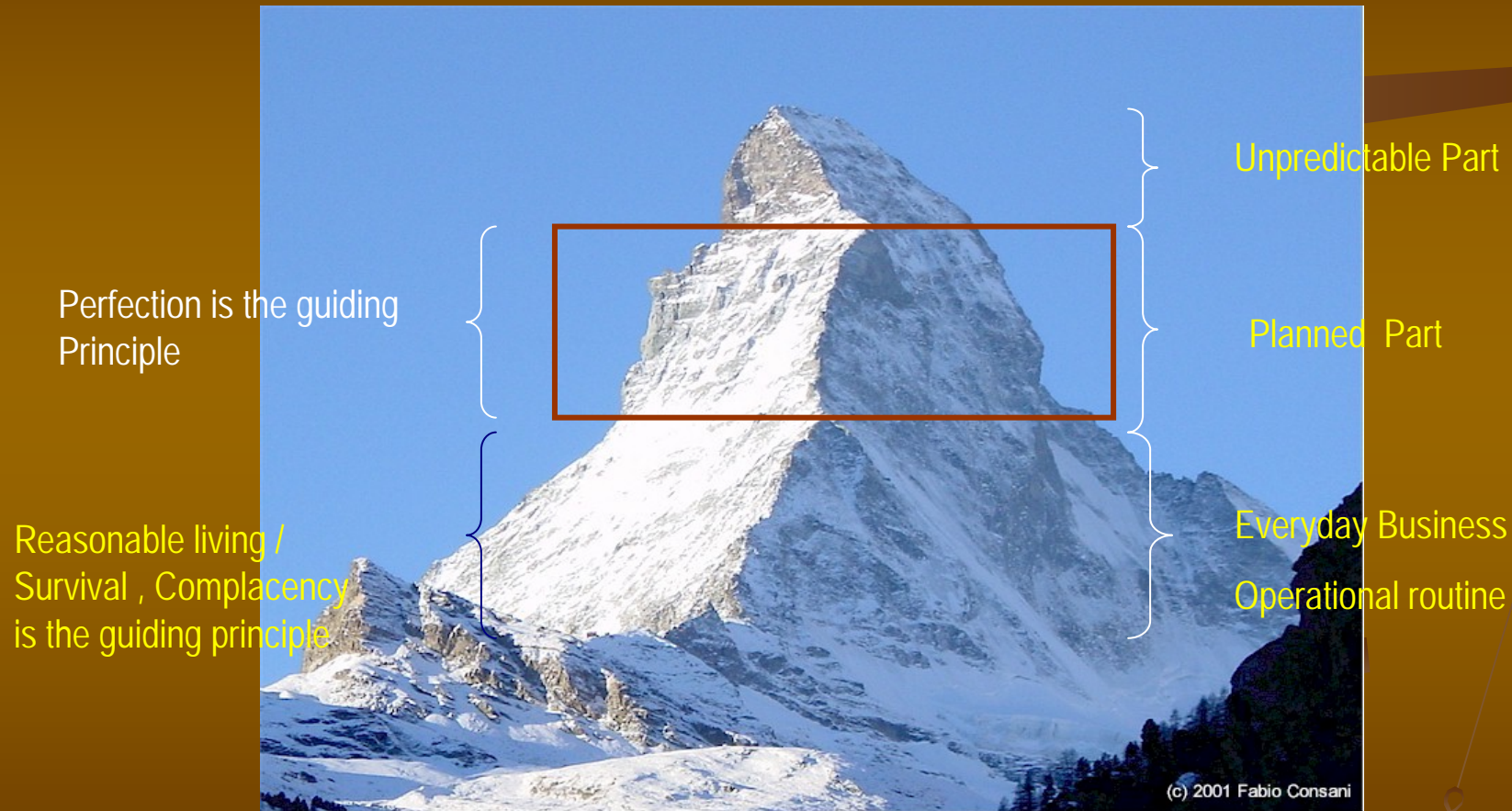


Strategic Management Process starts with Strategic Learning which requires understanding of firm's internal operational capabilities and also continual scanning environment. Therefore, Strategic management is a composite process of strategic learning, thinking, planning and action.



Strategic Planning	Strategic Management
Preparing for optimal Strategy decisions	Focused on strategic results
Management by Plans (MBP)	Management by Results (MBR)
Analytical process	Organizational action process
Focuses on business, economic and technological variables	Broadens the focus to include psychological , sociological and political variables.
Focuses on things to do	Focuses on things to do and also the people who will do.

Understanding the Strategic Planning



Different Approaches to Strategic Planning

Strategy (What to do) and Planning (How to do it) became amalgamated into the concept Strategic Planning in the 1960's and 1970s. As businesses searched for more and different ways of achieving the lead over competition, there were emergence of different models and perspectives in the sphere of strategic planning. There are basically two approaches/views on Strategic planning;

Planning Mode

(Clock wise approach)



Evolutionally Mode **(Organic approach)**



Planning Mode **(Clock wise approach)**

- Describe strategy as a precisely defined plan or explicit, deliberate set of guidelines developed in advance.
- Systematic and structured plan to get the desired destination.
- Perfection is the guiding principle.
- SP is Usually a top-down approach and is a business of top management with the assistance of specialist staff.
- More analytical (paralysis by Analysis)
- Realistic and rational. More oriented towards those already exists, or usually born of the prevailing, even imminent, environmental conditions.
- Driven by quantitative measurement oriented rational approach.
- Kaplan & Norton, Michael Porter, Igor Ansoff are some of the proponents of this approach.

Evolutionally Mode **(Organic approach)**

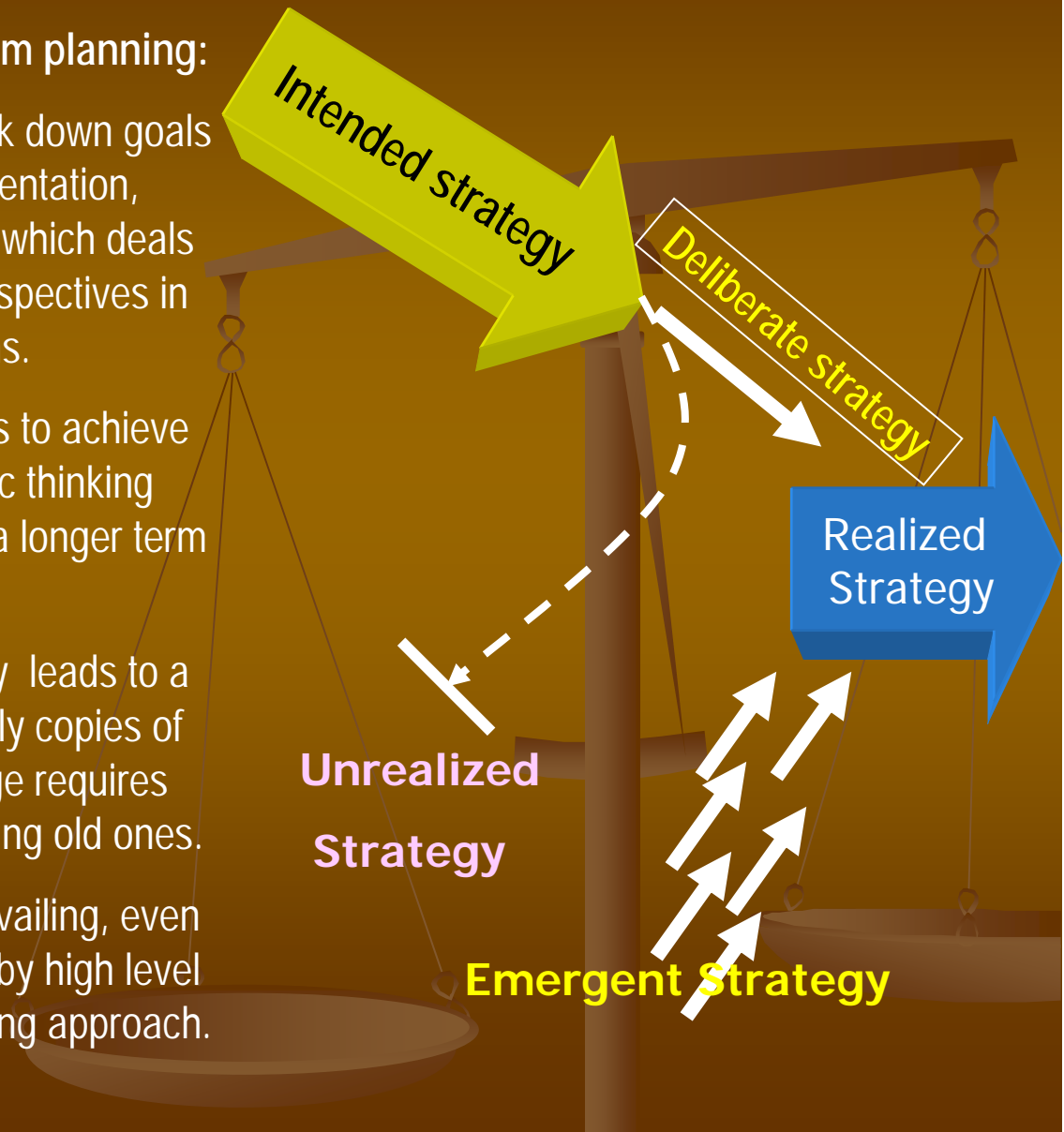
- Strategy is not a well –thought- out and systematic plan and rather it evolves overtime as a pattern in a stream of significant decisions.
- Realistically the strategy need not always be deliberate but it can emerge or develop in all kinds of strange ways, after exposing to heavy external dynamics and built strengths within the process itself.
 - Many people at lower levels in organization, or indeed outside of the org. may have inputs of a valuable nature to the strategic process. (Bottom-up)
- Strategies are visions not plans. Those are Aspirational, Visionary and to be articulated in the mindset of the organizational incumbents.
- Driven by intangibles through intuitions.
- Process theorists such as Henry Mintzberg, J B Quinn , Gary Hamel & S K Prahalad et al advocate this approach.

Two Examples- Planning Mode and Evolutionary Mode

Henry Mintzberg notion of Strategic Planning- Evolutionally Mode

Mintzberg distinguishes strategy from planning:

- Planning concern analysis which break down goals or set of intension into steps for implementation, where as Strategy deals with synthesis which deals with broader issues through holistic perspectives in order to come to realize those intensions.
- Planning is about formalizing the steps to achieve a goal or an objective where as strategic thinking involves creativity and intuition to form a longer term perspective for the organization.
- Analyzing the environment too closely leads to a danger that the strategies that are simply copies of those competitors. Real strategic change requires inventing new categories, not re arranging old ones.
- Strategies are usually born of the prevailing, even imminent environmental conditions not by high level of analysis , rational calculating –planning approach.



The Balance Score Card (BSC): One Approach (Tool) to Strategic Planning

Kaplan and Norton's BSC looks at strategy from 4 perspectives

1. Financial

What is our strategy for satisfying shareholders?

2. Customer

What does the customer wants?
How must we look to them?

3. Internal / Business Processes

How do we innovate our processes to meet changing needs ?

4. Learning and growth (People / Human Capital)

How must our organization learn to improve?



A Sample illustration of Value Creation through BSC

Financial

Return on Capital Employed

Customer

Value for Money

Customer Loyalty

Differentiated product

Competitive Price

On time Delivery

Internal / Business

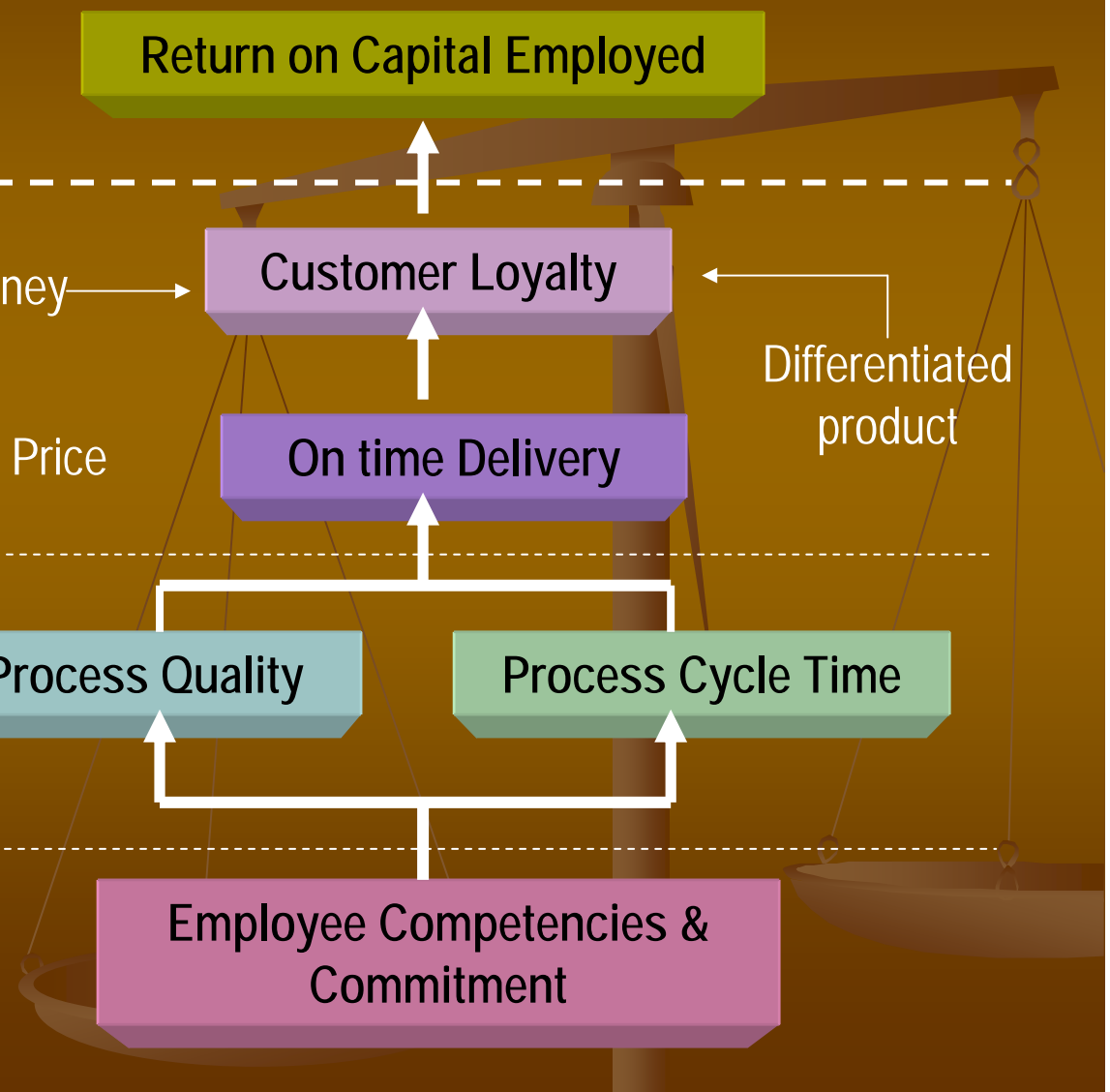
Process Quality

Process Cycle Time

Process

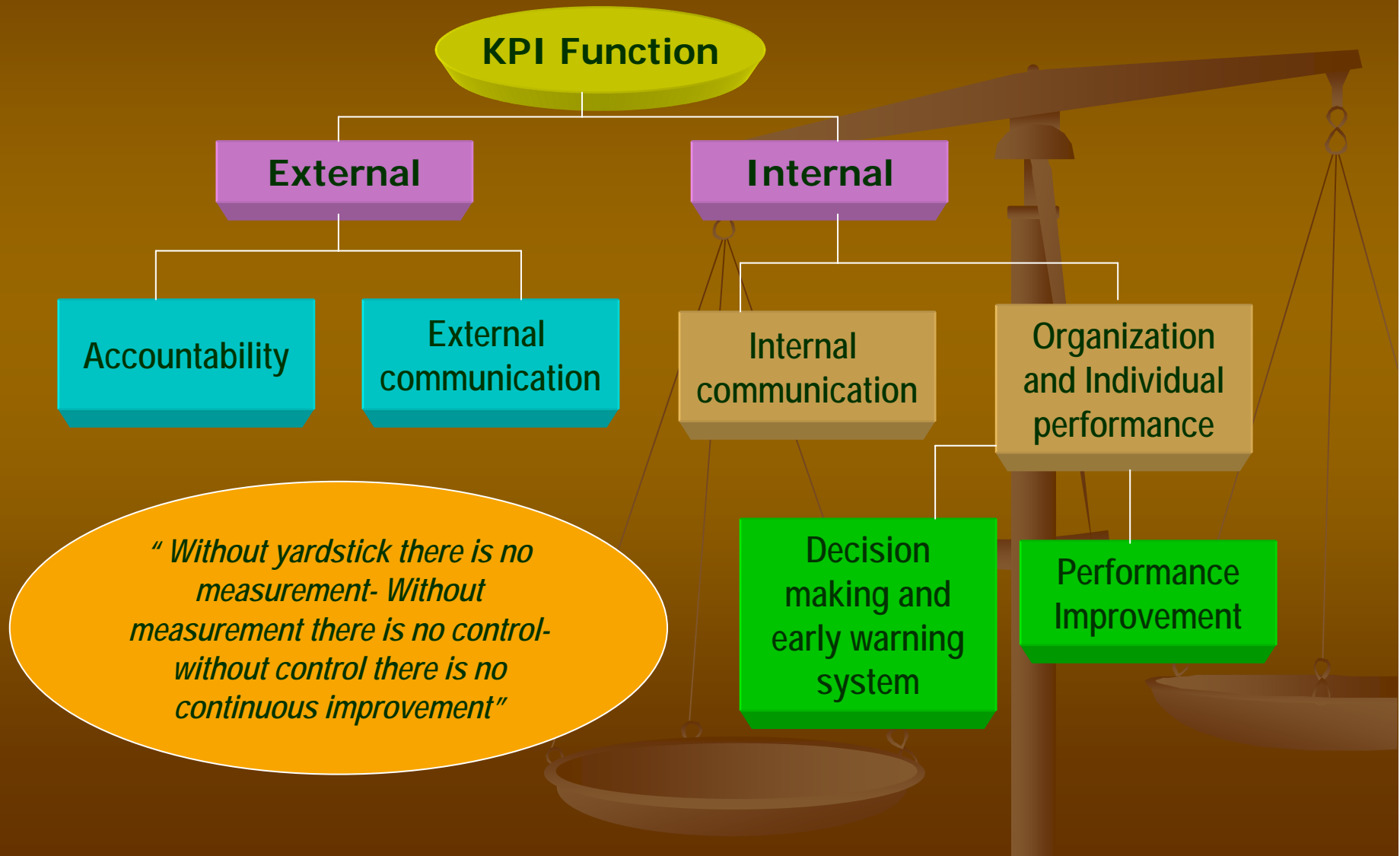
Learning & Growth
(People / Human Capital)

Employee Competencies & Commitment

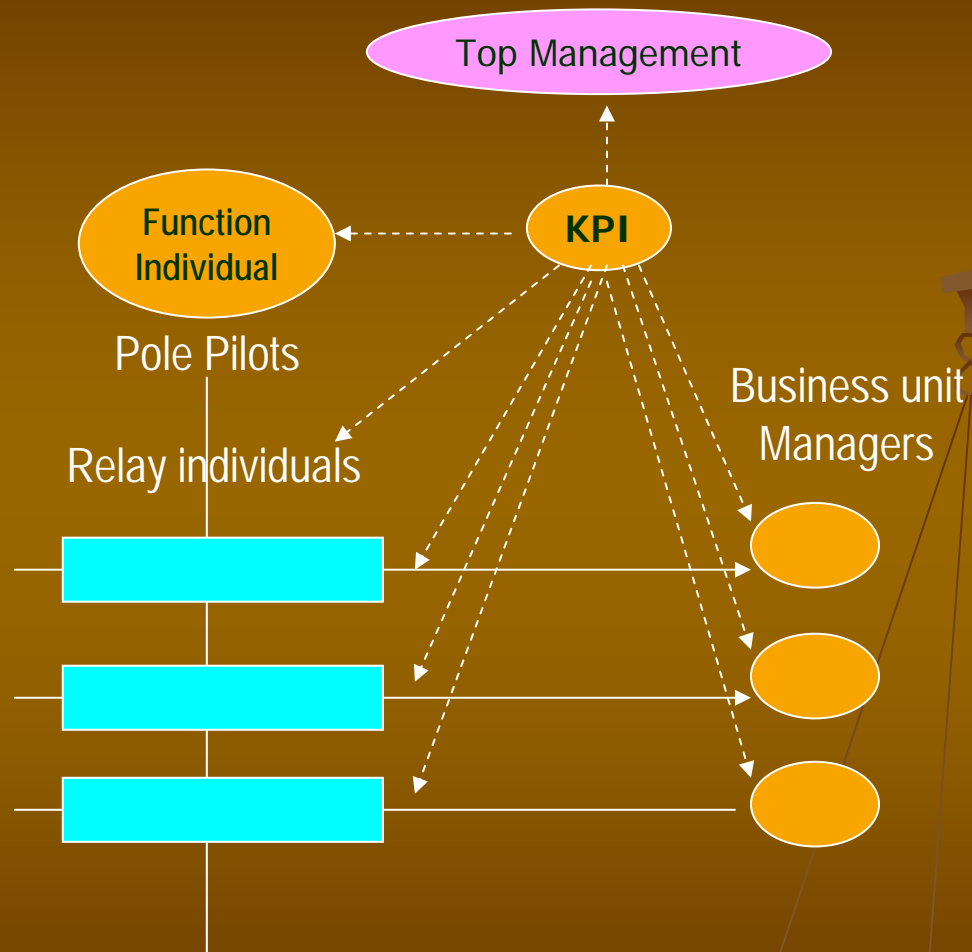


Performance Measurements- Key Performance Indicators (KPIs)

Awareness and understanding main functions of KPIs has become so important in strategic planning and implementation.



The KPI is a tool of tripartite Communication.....



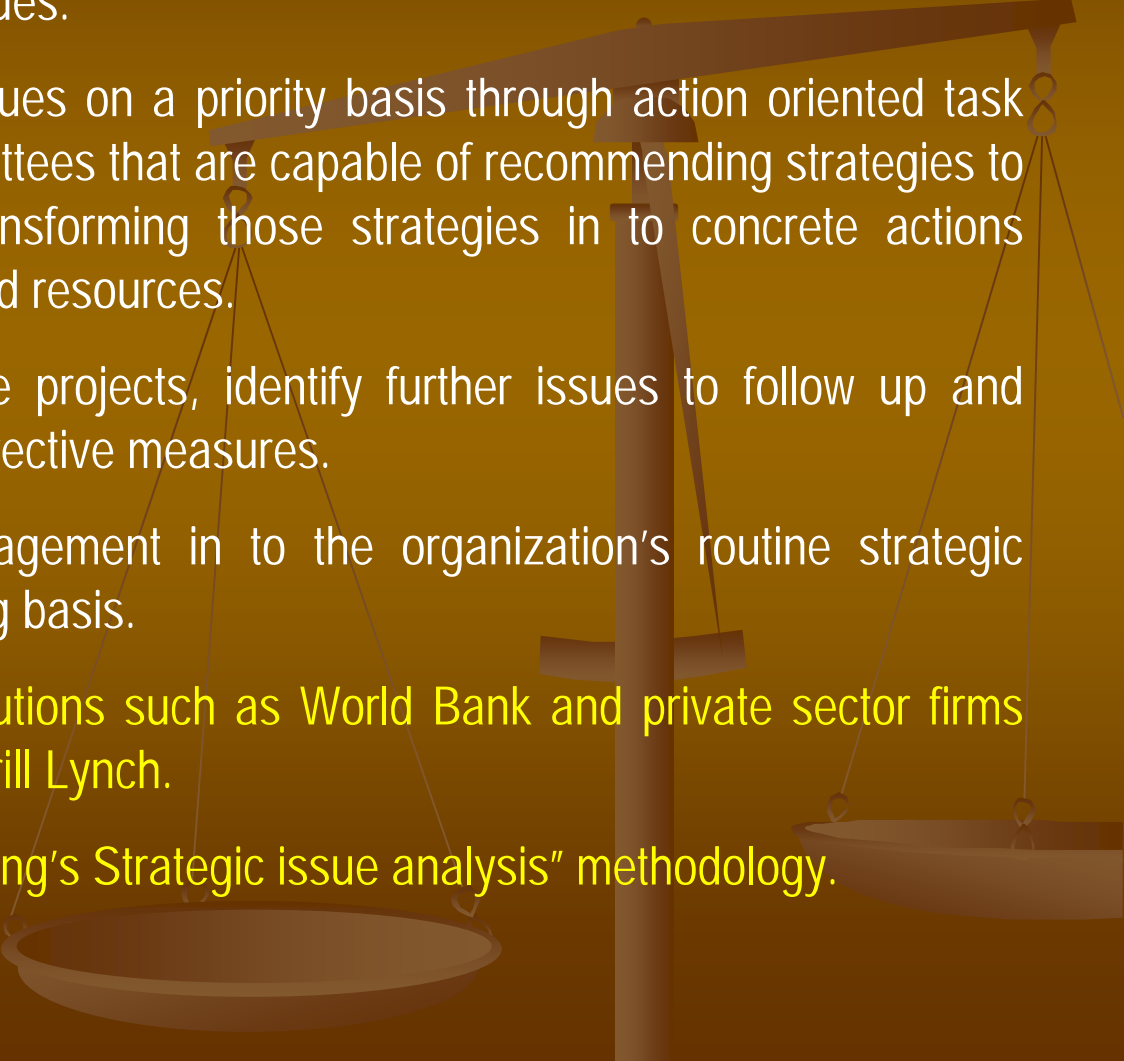
(1) Communication Between the top management, the managers of the functional network and the managers of the business unit concerning;

- The resources allocation
- The relevance of the progress objectives (As a result of the bench marking)
- The priority actions (As a results of the strategic mapping)

(2) It enables the functional steering of the operational units by the function individuals and the pole pilots:

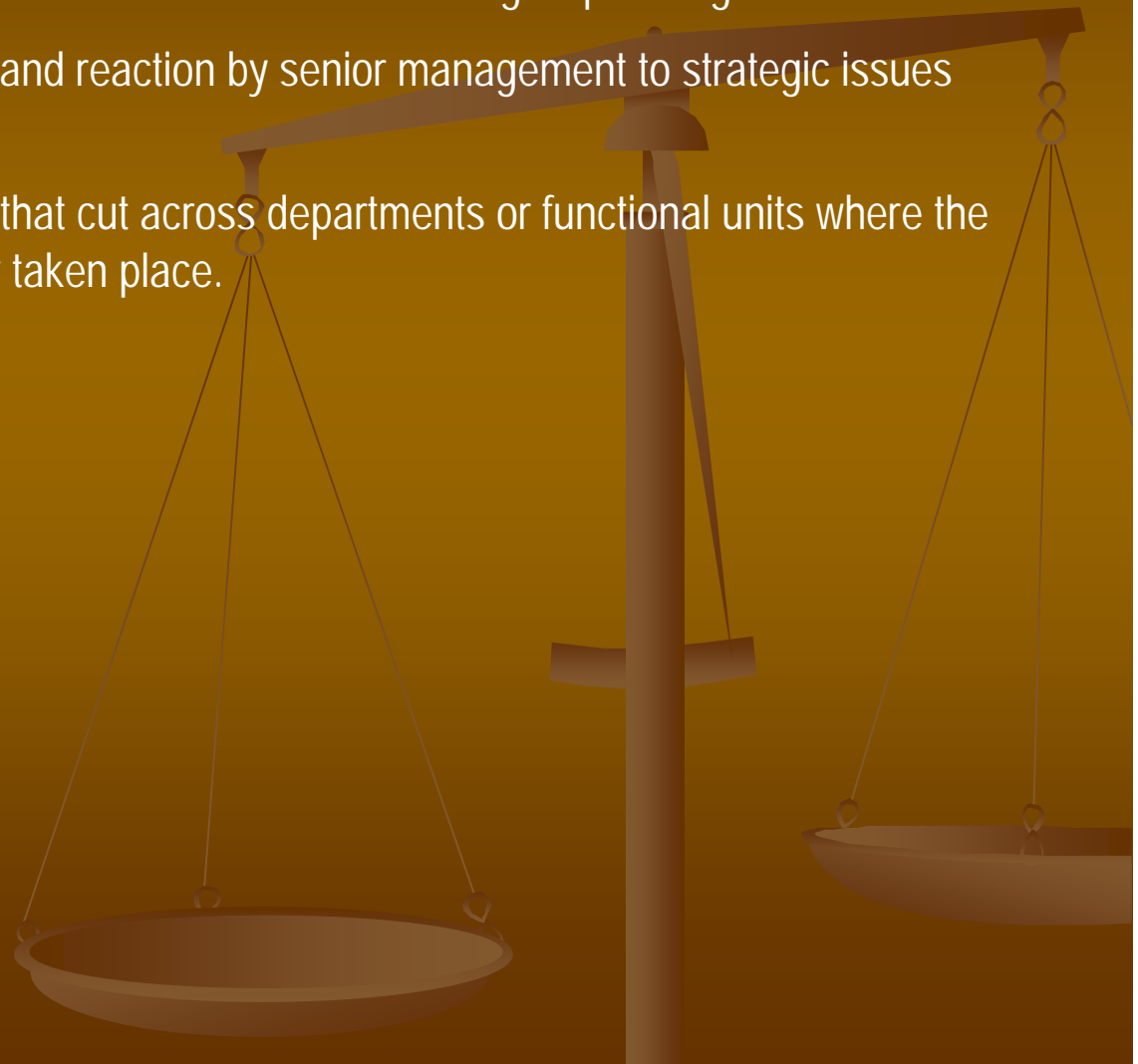
- The implementation of program solutions
- The improvement of competences

Strategic Issue Management Approach

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- a) Identification and prioritization of strategic issues on an ongoing basis. Issues are defined as having (a) impact on performance and strategy implementation (b) urgency (c) impact on other issues.
 - b) Responding to the strategic issues on a priority basis through action oriented task forces/ Focus groups or Committees that are capable of recommending strategies to the top management and transforming those strategies into concrete actions through marshalling the required resources.
 - c) Evaluate the progress of issue projects, identify further issues to follow up and necessary control and take corrective measures.
 - d) Integrate strategic issue management into the organization's routine strategic planning process on an ongoing basis.
- Extensively used by the institutions such as World Bank and private sector firms such as AMEX, Sears and Merrill Lynch.
 - This is based on the "William King's Strategic issue analysis" methodology.

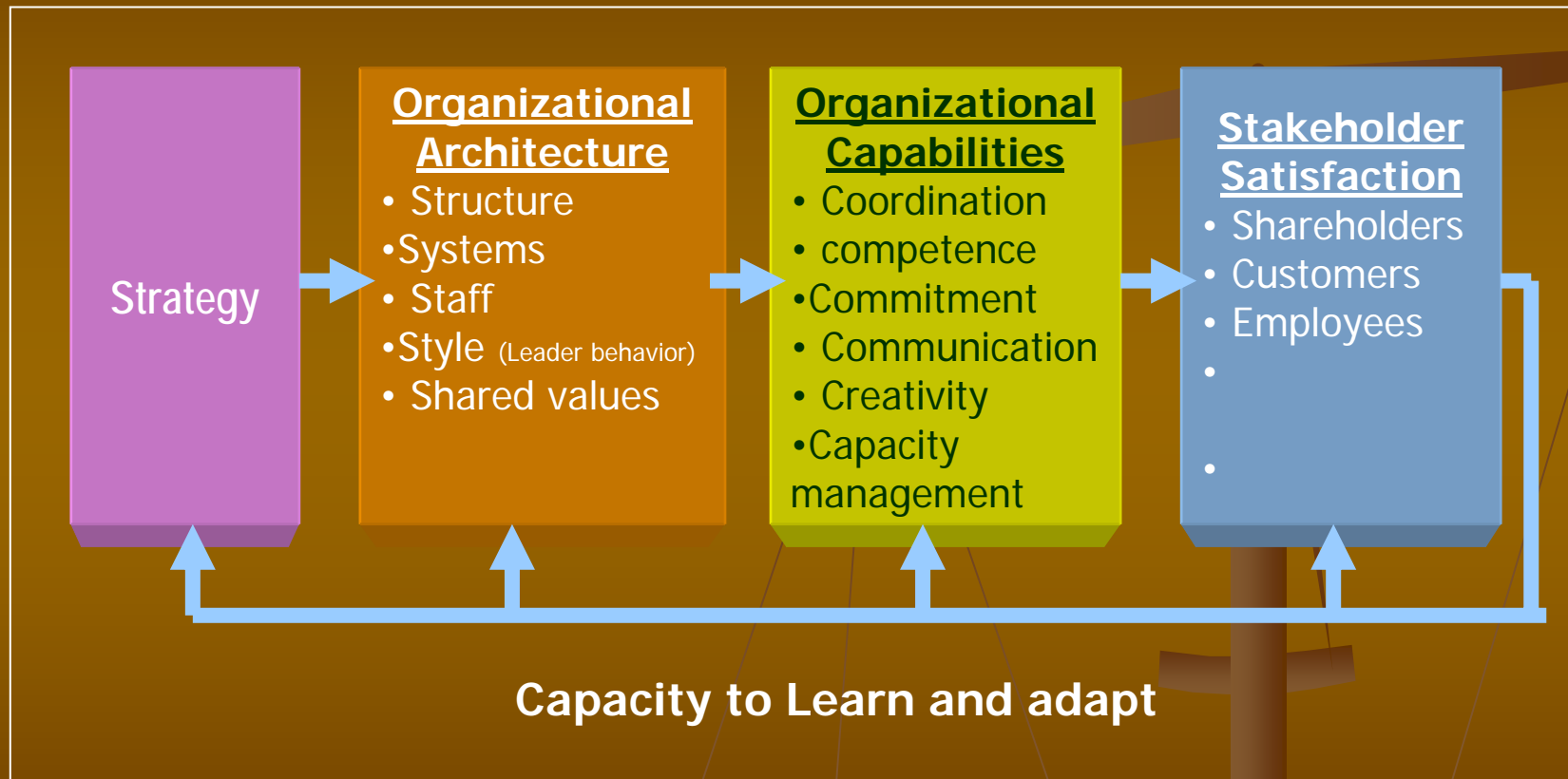
Strategic Issue Management - Applications

- Increasing the flexibility and adaptability of the organization I response to changes in the environment and to urgent issues.
- Possibility of increasing the length of time between formal strategic –planning sessions.
- Allowing for continuous monitoring and reaction by senior management to strategic issues and problems.
- Responding effectively to changes that cut across departments or functional units where the strategic implementation is generally taken place.



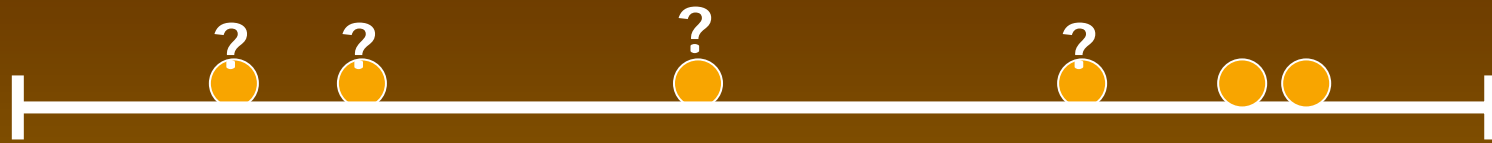


External Environment



External Environment

What kind of approach that we should pursue ?



Planning/ Clockwise
Approach

Organic / Evolutionary
Approach

Since Strategic Learning, Thinking, Planning and action is a composite process which is interrelated in achieving ultimate results. We cannot simply say strategic implementation or action is more important than all other parts of the process. They are equally important and reciprocally interdependent.

However, Implementation is the ultimate bottom line event that must be given sufficient attention since most of the strategic planning and implementation process getting held up at the implementation without producing a desired results or without reaching the desired destination, aspired by the vision.

This is the theme of this presentation that has to be discussed.

Strategic Execution..... "Walk the Talk"

Execution is not a single event and it should be viewed as the discipline of getting things done, which is a composite process or system of questioning, analysis and follow through, aligning people, processes and culture with strategic goals and objectives, in order to convert abstract plans in to concrete action and reality.

Strategy Gap: Strategy-execution

" In too many companies there is a grand and overly vague, long term goal on one hand.... And detailed short-term budgets and annual plan on the other hand.....with nothing in between to link the two together....

...the long-term doesn't start at year five of the current strategic plan. It start right now..."

"Competing for the future" - Garry Hamel & Prahalad, HBS

The Four Quadrant Model of Change Management (Accentor Model, 2000)

Macro: The leadership o the Change (Strategic)

Navigation

Creates and implements the environment to manage, integrate and synthesize multiple change initiatives

Leadership

Represent the sponsorship for the change and the visible, constant, and contagious business leadership to make the change happen

Enablement

Provide workers with the knowledge, skills processes, technologies, structures, tools and advise to perform new roles in a changing work place.

Ownership

Represents attitude, motivation and commitment of the workforce and their broad and deep involvement and buy-in to make the change happen

Push:

Creating the components allowing the organization to change (Capability)

Pull:

Creating the desire to change with in the entire organization ("Will")

Micro: Focus Points of Change (Tactical)

The Five Principles of Strategy Focused Organization (Norton and Kaplan, 2005)

2. Translate Strategy to Operational Teams

- 2.1 Strategy Map Developed
- 2.2 Balance Score Card (BSC) Created
- 2.3 Target Established
- 2.4 Initiatives rationalized
- 2.5 Accountability assigned

1. Mobilize Change Through Executive Leadership

- 1.1 Top Leadership Committed
- 1.2 Case for Change clearly articulated
- 1.3 Leadership Team engaged
- 1.4 Vision and Strategy Clarified
- 1.5 New ways of managing understood
- 1.6 Program Managers identified

3. Align the Organization to the Strategy

- 3.1 Corporate Role defined
- 3.2 Corporate SBU Aligned
- 3.3 SBU Support unit aligned
- 3.4 SBU- external partners aligned
- 3.5 Board of directors Aligned

Strategy Focused Organization (Best Practices)

4. Motivate to make Strategy Everyone's Job

- 4.1 Strategic Awareness created
- 4.2 Personal Goals aligned
- 4.3 Personal incentives aligned
- 4.4 Competency Development Aligned

5. Govern to Make strategy a Continual Process

- 5.1 BSC reporting system established
- 5.2 Strategic Review meeting conducted
- 5.3 Planning, budgeting integrated
- 5.4 HR and IT Planning linked to strategy
- 5.5 Process Management linked to strategy
- 5.6 Knowledge sharing linked to strategy
- 5.7 Strategic Management office established

The Culture Approach to Change Management

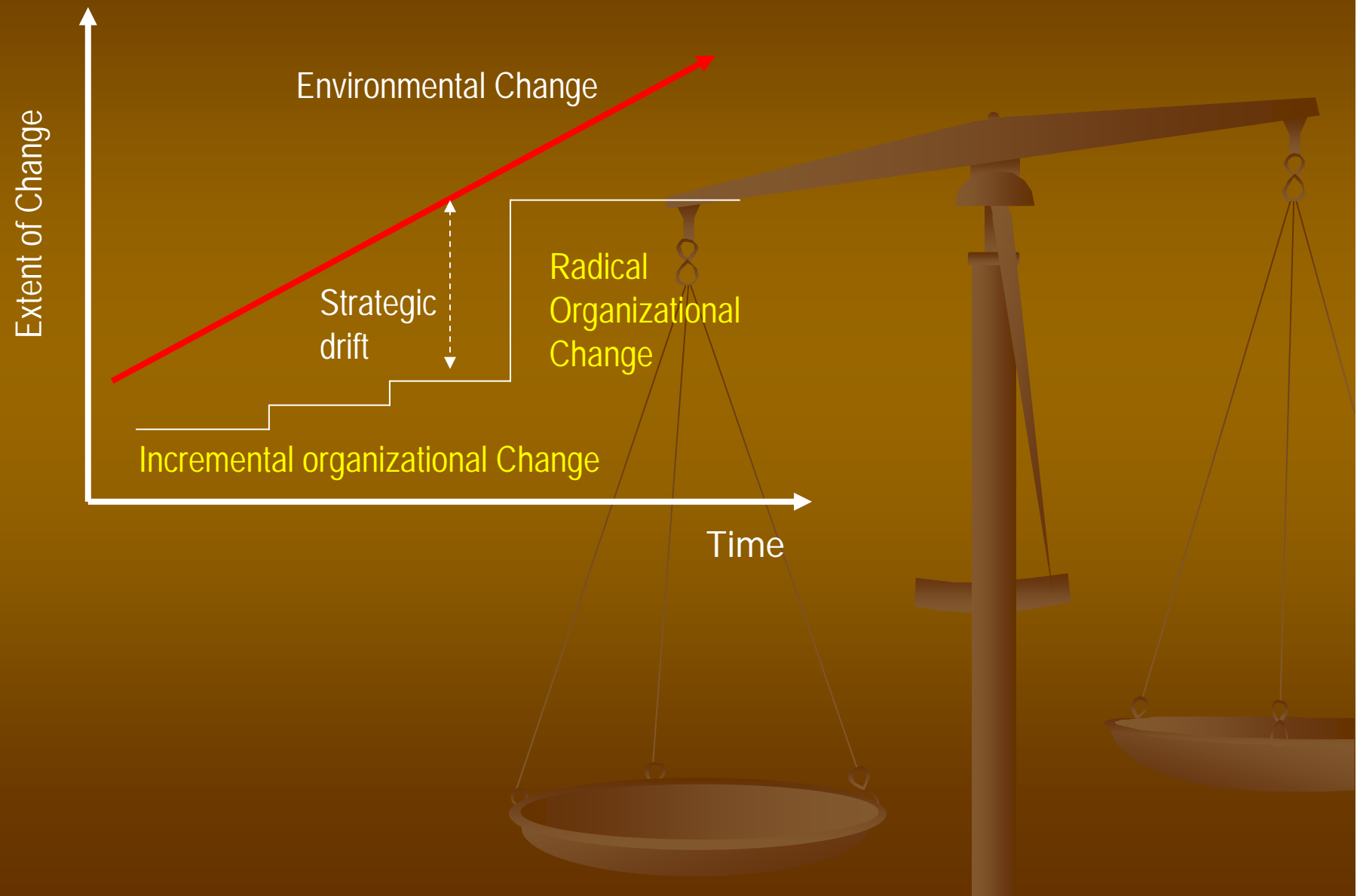
The basic assumption of this approach is that the earlier discussed normative rationalistic approaches to strategic management are not sufficient in explaining the actual process of strategic development and change in the organization. Instead, we have to take in to consideration the strategic management with in a context of taken for granted tacit values, beliefs, and assumptions about the organizations and its environment, the organizational paradigm.

The change process and its level of difficulty is dependent upon the type of organizational culture. In this context the organizational culture is a double – edged sword since it can be either cause inertia, apathy and decline or it can encourage change and innovation depending on the organizational paradigm.

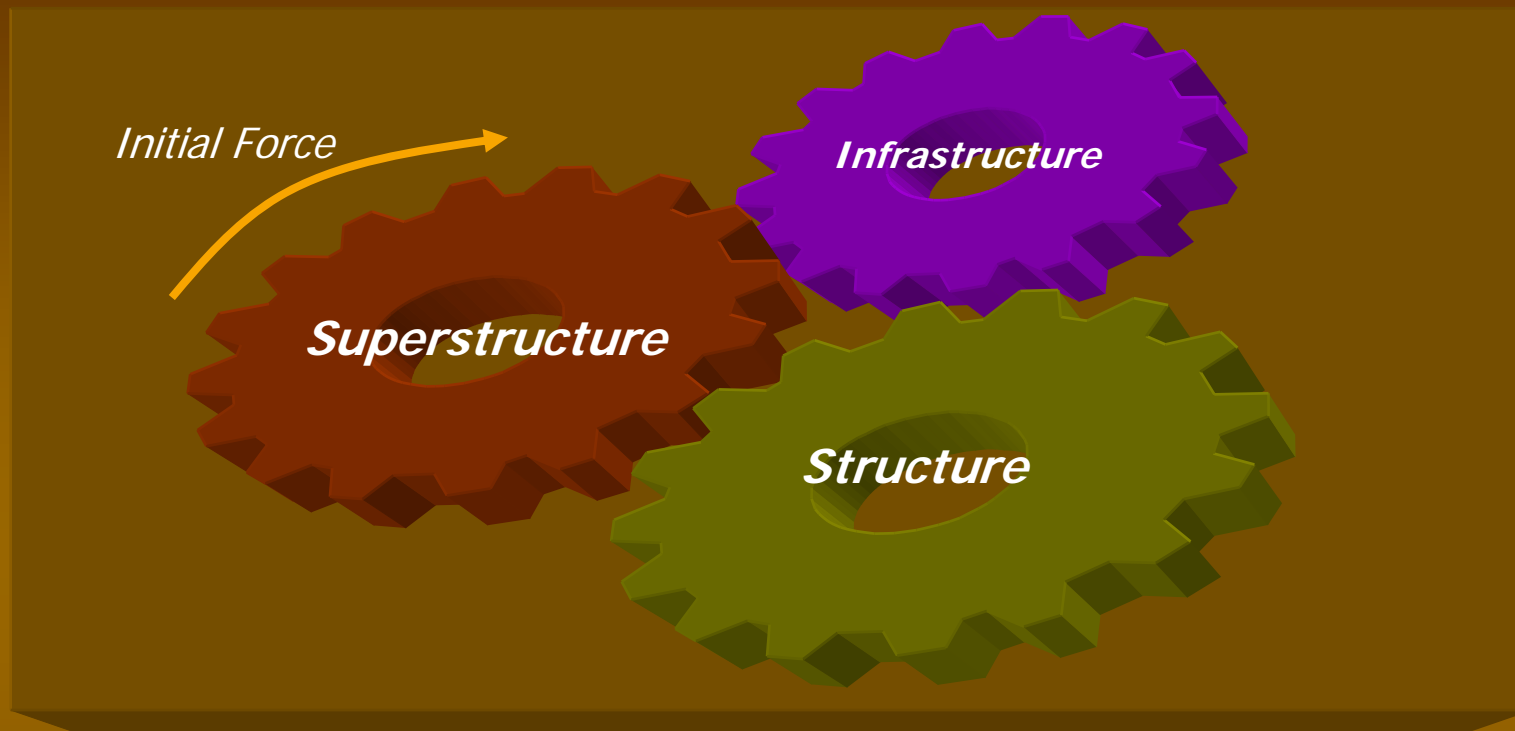
Therefore, it is accepted that the “Logical Incrementalism” (Incremental Change) change is more appropriate under the cultural approach to change management than the radical change approach.



Environmental change, Organizational change and Strategic drift



.....The Culture Approach to Change Management



Structure: Conventional notion of managerial or administrative arrangements, Formally designed network of authority , responsibilities, and reporting relationships together with the technical and administrative division of work. *Skeleton of the Organizational Body*

Infrastructure: Surrounding facilitating factors such as technology, information, networks inter-functional support networks, resources and funding sources. These are really the *Flesh, blood and the skin , provide the shape external image, beauty and the strength for the image but not the power of dynamism.*

Superstructure: Organizational head or mind set which includes Internal power dynamics such as organizational leadership, corporate culture, value system, organizational cognition and learning capabilities (or learning disabilities) etc. These are the elements that provide organizational capacity for powerful “organizational level strategic thinking” going much beyond powerless scattered individual thinking. *This superstructure provide vision and the motivational force for future shifts in organizational paradigms and integrate organizational thinking and create synergy.*

All these elements work as interrelated entities and the cogs in each wheel will be supportive to move entire systems towards directed direction. However, the superstructure wheel and it's cogs should play the dominant role in the process of change. The point here is that the change process should be initiated from the superstructure rather than structure or infrastructure since the latter cannot drive the change effectively. Unless the change in the organizational mindset is takes place, attempts to change administrative structures and infrastructures will be void and just presenting a mere injection of resources and altering the names of organizational positions.





End

Questions...??????