Can Strategic Planning Make Strategy More Relevant and Build Commitment over Times? The Case of RACC

Article in Long Range Planning · June 2008
DOI: 10.1016/j.lrp.2008.02.009

2 authors:


Joaquim Vilà
IESE Business School - University of Navarra


J. Ignacio Canales
University of Aberdeen

ELSEVIER

Long Range Planning 41 (2008) 273–290

LRP long range planning

http://www.elsevier.com/locate/lrp

Can Strategic Planning Make Strategy More Relevant and Build Commitment Over Time? The Case of RACC

Joaquim Vilà and J. Ignacio Canales

This paper illustrates that the way a company approaches strategic planning has major implications on the development of strategy. Lessons are inductively derived from the evolution of strategic planning at RACC automobile club. This case shows that the planning process is a powerful tool in the hands of management. Active participation in the process can contribute to middle managers' awareness of key principles, issues and goals. It also assists them to make strategy relevant, and to prepare their minds for necessary adaptations during the implementation stage. Strategy, conceived as a shared framework in the mind of all strategists, is a strong glue that can align the organization around a chief purpose. The case study shows that an upfront, clear definition of the purpose for the planning process has a major say in the ultimate outcomes that the firm reaches.

Introduction

Is it preferable that a manager meets a given plan as it was initially approved, or that the same manager is capable of changing the plans according to a given strategy? The answer depends on what the organization sees as the purpose of strategic planning and its reason for articulating a strategy in the first place. The existence of a strategic plan *per se* does not necessarily lead to a relevant strategy.[1] In their criticisms of planning, Mintzberg and Simon claim that the link between strategy and strategic planning may be vague or even non-existent.[2] Still, many companies find that how they conceive of

0024-6301/$ - see front matter © 2008 Elsevier Ltd. All rights reserved.
doi:10.1016/j.lrp.2008.02.009

strategy and their approach to strategic planning has a major impact on the usefulness of what results from the process. In our view, strategic planning that guides discussion among managers at different levels, can play an important role in stimulating the collective process for shaping the development of common goals and priorities. Adopting that perspective, the purpose of this paper is to describe how the planning process of a single firm, Reial Automòbil Club de Catalunya (Royal Automobile Club of Catalonia), serves to establish a common understanding and commitment to strategy among the firm's managers over time. Our contribution is to draw key lessons from this revelatory case.

Approaching strategic planning as a system for building shared understanding and commitment sounds appealing. At a minimum, when accomplished, such shared understanding and commitment leads to co-ordinated implementation and operational integration. Strategic planning would then connect desired outcomes of the strategy process, such as setting direction, creating flexibility and providing meaning. In doing so, it would fulfil a need of integration. Yet, the dominant notions of strategy,[3] (positioning choices, a vision, a pattern of decisions, or maps of value propositions) provide only partial responses to practitioners' requests to make strategy a useful tool for managers at different layers within the firm. We believe that the core of the problem may lie in the failure to capture the multi-faceted character of strategy and the need to connect different aspects of the strategy development process.

Fundamental to this problem, translating strategy into managerial action requires common understanding of strategy and its underlying logic.[4] That is, the process of building collective understanding must co-ordinate direction-setting, establish clear priorities and convey meaning, hence, helping guide subsequent actions. Traditionally, however, planners have focused mainly outside the firm, underrating organizational, behavioral and cognitive factors within the firm. Even when emphasis has been given to internal factors, it has come at the expense of a focus on the external aspects of the firm, and rarely has a feasible way been proposed to integrate these key ingredients.[5] The demands on firms and management teams require balancing these different purposes and requests, while adapting the process to continually changing circumstances. Ocasio and Joseph, in this issue, state that "planning practice cannot remain static, but must evolve to facilitate changes in corporate agenda."[6]

This paper reports findings from a longitudinal case study focused on how strategic planning at RACC has changed both in methodology and purpose over time. It evolved from a basic mechanistic approach into a radically different approach that emphasises goal setting, collective deliberation and balancing aspects of the planned and emergent approaches to strategizing.[7] The analysis of the case sheds light on the relationship among distinct components of a planning system and how their interdependencies change as strategic planning is transformed to meet different purposes. Over time, the company has changed the nature of top management intervention and placed an increasing emphasis on the role of middle managers.[8] More importantly, changes in the process seem to be driven by more mature responses to the central issues of why the company wants a strategy in the first place. Especially, the study shows that a firm's approach to strategic planning influences prospects for successful implementation. In short, the case is a useful illustration of an effective approach to various issues in contemporary planning practice.

The remainder of the paper is organized as follows. First, we provide a brief overview of the literature on strategic planning. We then describe the case study's initial conditions and its evolution over time. This is followed by an explanation of how we have interpreted the planning evolution within RACC. Finally, we close with a discussion of implications for practice and theory.

Making strategic planning more relevant to managers

Beginning in late 1980s and continuing through the 1990s, strategic planning received substantial criticism for not serving the purposes for which it was originally intended.[9] During this time, it became increasingly recognised that the demands of today's competitive environment are at odds with the way formal strategic planning was initially designed and with the culture it induced.[10] In response, critics of strategic planning have explored alternative approaches to overcome its traditional limitations.[11] Developments over the last decade have turned the emphasis towards providing guidance and flexibility rather than precision and predictability. Sudden external changes are no longer seen as threats to the validity of the process, but as essential ingredients to be addressed. Mid-course corrections no longer reflect poor initial planning but are treated as adaptive responses needed to fine-tune action plans to the changing circumstances. In sum, if in the past planning was used as a means to shape commitment towards a budget, now it is mainly a means to set guidelines for action. Yet, there seems to be a clear need to shed light on both how strategy-making enhances the awareness of strategy for members of the organization and the extent to which strategy contributes to or inhibits coherent action in light of changing circumstances.

One way to understand how the role of strategic planning has evolved is to consider the debate initiated by Igor Ansoff and Henry Mintzberg, regarding the contributions of synoptic, deliberate approaches to strategy versus more incremental or emergent methods.[12] Championing the synoptic perspective, Ansoff argues that strategic planning is central to setting direction, aligning goals and adapting the firm to changing circumstances. In contrast, from the emergent school, Mintzberg asserts that formal planning reinforces well-established rigidities and hinders the autonomy of lower levels of management. The bitterness of the controversy and the extreme views of their starting positions suggest that reconciling both and benefiting from each is hard to accomplish. That said, the reality is that strategy-making is neither completely deliberate nor completely emergent.[13] Through the case study presented here, our goal is to shed light on how both emergent and deliberate aspects of strategy can be combined within the strategy-making process and how both add unique value to the overall effort.

There is general agreement that the purpose of strategic planning can no longer be merely to generate plans.[14] Preparing executives' minds for real-time strategy-making in "the year ahead" is the goal strategic planning should have.[15] Given this, a number of contributions recognise the need to develop strategic thinking skills among key managers involved at any stage along the strategy process.[16] However, the way a company conceives (and generates) strategy has major implications for its ability both to implement it and also to develop strategic thinkers within the firm. While the contributions of strategic planning to setting direction for the future are well established, how the process can contribute to facilitate implementation and provide meaning to managers at different levels is less well formulated.[17] The notions of strategic thinking and strategy as mental schemes or frameworks have been developed to some degree, yet we need to understand how this approach translates to specific activities in the strategy process and how these become useful to managers.[18]

The purpose of strategic planning can no longer be merely to generate plans

Developing commitment to an organizational purpose is an essential feature for achieving coordination and integration, both key ingredients of effective strategic implementation. Managers must therefore develop a common intention at the top, and then shape a dialogue with organizational members about that purpose with the aspiration to instil their commitment around it. The link that translates purpose into action is delicate though and the planning process can break down at different points.[19] One common problem is that top management fails to communicate downward a coherent story about how the adopted strategy responds to the changing environment.[20] Moreover, insufficient vertical communication makes it difficult for employees to understand how the firm's organizational strategy relates to the daily decisions they have to make and the priorities they are expected to address. Only when middle managers are able to confront their expectations over strategic issues with higher-level managers will they be able to change their mental schemes. This interchange of expectations may then build up a strategy that is a common ground of priorities and goals.

This notion of achieving a common ground suggests that successful business strategies result, not from rigorous analysis, but from a shared understanding and a particular state of mind.[21] It is of particular interest to untangle the elements that can explain how strategic planning can develop such a common understanding. Top management can play different roles during the process. The role that best suits the view of middle managers – internalizing strategy – is one in which senior managers guide the evolution of the strategy-making, once the chief purpose has been set, as stated by Lovas and Ghoshal.[22] Along this line, "indirect interventions" define the role of top management in shaping the strategy of firms. However, congruent implementation will not occur unless managers are involved in the strategy-formation process and feel ownership of the resulting strategy. The role of middle managers becomes critical as the group primarily involved in implementing strategy is subsequently expected to act according to agreements.[23] An illustration of the middle manager role comes from a study on an imposed shift from a hierarchical to a more decentralised organizational form, investigated around the notions of sense-making and involvement. This study suggests that middle managers actively shape change in the absence of senior management's direct intervention.[24]

Successful business strategies result, not from rigorous analysis, but from a shared understanding and a particular state of mind

While the notion of a mental scheme as a guide for subsequent action is not novel in the organizational literature, the means through which individual interpretations build into collective understanding is less developed. Merely communicating strategy has serious limitations in aligning people with expected behavior. Bringing key people on board seems to be crucial to help solve strategic problems. The line of research on involvement suggests that both the inclusion of more people into a more active process and high levels of internalization jointly result in mature, more robust involvement, which contributes to an extended sense of ownership of agreements.[25] A clear focus upfront on involving a broad base of managers seems to be central to the purpose of the planning process. The roles that these managers will play during strategy crafting are tied directly to the outcomes the firm reaches in the aftermath of the process.

Addressing some of the former concerns about strategic planning would enhance its value to top managers. The process, therefore, helps middle managers to gain a clear appreciation of priorities and goals, and it would also contribute to subsequent co-ordinated action in the implementation phase. The present paper focuses on how to approach and change the planning process in order to make strategy relevant to managers throughout the organization.

Drawing a planning course from RACC

To study these issues, we examined how the planning process in one firm, RACC, changed over time. Our focus was to uncover underlying considerations that guided changes to the planning system; and our findings show how the firm changed its planning approach to build a shared strategic understanding, which became the basis for supporting co-ordination and integration of subsequent activities within the firm. RACC was founded in 1906 as a sports association in Catalonia, one of the most prosperous regions in Spain. Until the mid-1980s, RACC had offered a number of services to facilitate the daily use of motor vehicles, such as emergency on-road assistance. RACC's original core business is similar to that of other automobile clubs, such as AAA (US), ANWB (The Netherlands), RAC or AA (UK) and ADAC (Germany). The following section will tell the story of the evolution of the approach RACC has used to strategy-making. A further methodological discussion appears in Exhibit 1.

Exhibit 1
Methodological Discussion

We collected data on RACC's strategy-making process from 2001 to 2006. The key events recorded were the strategic planning exercises developed in 2000, 2003 and the groundwork for the 2006 plan (the latter was in progress as the present piece was completed). Retrospectively we accounted for the 1997 exercise. Various sources of data were used to record the key facts, including 20 interviews, internal presentations used to fulfil each stage of the planning exercise, strategic planning files, accounts of the results of each exercise and a list of persons involved. Interviews took place from May 2001 until April 2006, with most between 2001 and 2004. On average, interviews lasted 90 minutes. All were recorded and transcribed. Interview themes were: changes in planning practices, participation, freedom to make changes, importance of strategy in day-to-day operations and generation of strategic initiatives. We aimed at describing the formal phase of strategy-making, how strategic issues were shared across interviewees as well as researching managers' subsequent use of strategy. We validated interviewees' opinions by contrasting different interpretations among them and, in turn, with the different company documents.

We used narrative as the basic tool for analysis. As we progressed in our interviews, we built and refined the story of the company's approaches to strategy-making. The main source for interviews and for refinement of the narrative was the head of strategic planning and development. As we periodically met with this manager, we updated the story with respect to recent events and any possible misinterpretations we could have made. The two authors had periodical critical meetings where the events described in the narrative were discussed and analysed. Through successive iterations between the data and analysis we developed Tables 1—4 as a time-ordered matrix of the key issues emerging from RACC's planning story across the longitudinal study.[28] In order to validate the conclusions of our study, we asked the strategic development department at RACC to provide a chart of the roles played along the planning stages by each layer of the organization, throughout the period studied. The report provided by the company is presented in Exhibit 3. The higher degree of consistence between Tables 1—4 and Exhibit 3 offers additional support to the validity of the research in this paper.

List of Interviews

Level	Job Title	Number of Interviews	Chronology
Senior	Chief Executive Officer	2	2001,03
Middle	Planning and Supervision Head	3	2002,03,04
Middle	Head of Operations and Post-Sales Area	1	2003
Middle	Marketing and Corporate Communications Director	1	2003
Middle	Head of the Commercial Area	1	2002
Middle	Head of the Products and Services Area	1	2002
Support Staff	Head of Strategic Planning & Development	7	2001,02,03,04,05,06
Support Staff	Planning manager	2	2001, 03
Support Staff	Planning staff	1	2006
Middle	Former executive (level 2)	1	2006
Total		20	

RACC automobile club: from formalized to internalized strategy

Today RACC focuses on several key business areas including automobile insurance, vehicle inspection, driving schools and international drivers licences. From 1986 to 1995, RACC's membership grew from 86,000 to 320,000. Much of this growth was fuelled by outstanding sporting events, including the Formula One Grand Prix, that the company has organized and sponsored since the early 1990s. Though these events helped the firm to develop brand visibility, competition increased during this period because of the expansion of another automobile club and from the emergence of specialized companies. The company faced a stringent cash position and a significant gap between its strategic intentions and the results it was achieving.

The appointment of Josep Mateu as CEO in October 1995, marked a turning point for RACC. The use of strategy-making, and especially the pre-eminence of a strategic planning department, would become a central focus for developing management competences in relating strategy to decision-making. This change led to a sense of ownership, commitment and professional business culture among the firm's managers. From the beginning, Mateu stressed a desire to build a talented professional management team, proactive and well trained in strategic management. The intent was to make RACC a stronger and more respected player both in the business community and in society.

Though the company had undergone at least two rounds of formal strategic planning prior to the appointment of Mateu as CEO, the planning effort had been skewed mainly towards meeting the ambitions of the board of trustees. Upon his arrival, Mateu noted, "…this kind of planning only offered wishful thinking and added little value as a management tool". In contrast, the objective of changes he instilled was to set order in the organization by devising challenging yet achievable goals to which people could commit.

Generating involvement: 1997

The 1997 Strategic Plan was a first attempt to broaden involvement and engage the organization in accomplishing strategy. While sustained growth was a must, it would have to come from both attempting to improve membership within Catalonia, as well as starting to expand outside the region. Strategic planning was conceived for the first time in a way that would invite managers from the first five hierarchical levels to participate actively. A set of 25 managers, and a total of 50 people within an organization of 700 employees, carried out this first attempt, with the basic approach of rationalizing products and services.

The methodology was simple: through group work, middle managers designed proposals that were presented to the CEO. New projects were accepted or rejected on the basis of the evidence provided. Managers advocating new projects took ownership for the project from then on. A planning horizon of three years with annual reviews was chosen to allow executives to introduce corrective actions without the constraints of locked annual targets and deadlines.

This collective process helped develop an initial level of common strategic thinking among key managers. Managers had concrete and achievable goals as opposed to disconnected wishful thinking. The resulting plan was not considered a straitjacket, and was flexibly designed to allow correction when and where needed. While the broad level of managerial participation increased deliberation and commitment, some managers could not adapt to the approach and left the organization. While management turnover was initially high at the beginning of Mateu's tenure, since 1999 relatively few managers have left the firm. By late 1999, a number of key management systems, such as decision-making, resource allocation, planning and problem resolution, had been introduced and top management had grown more united under a clear corporate strategy.

By 2000, RACC employed 1,050, had a membership of 600,000, revenues of €240m and a cohesive strategy. Each strategic business unit (SBU) focused on a business area around the umbrella concept of "mobility". A strategic planning department, reporting to the head of planning and control, was created in 1999. Its key function was to ensure successful development and deployment of strategy as well as to keep track of corrections when needed. Importantly, the planning department also served as a recipient of new initiatives from middle and lower-level managers.

With this new structure in place, the club's new purpose was to expand aggressively beyond Catalonia towards the whole of Spain. From the inception of the collective process in 1997, ideas and proposals from lower levels had progressively challenged top management to embrace a strategy of geographical expansion. In 2000 a new strategic exercise aimed to spread this organizational purpose across the club. Participation from the different layers of the organization was encouraged with the purpose to transform intentions into action. Broad goals were refined and made concrete through specific projects, which were proposed by the same people who later on would be responsible for their implementation (see Table 1).

Consolidating involvement: 2000

Although it expanded participation, the 2000 Strategy Process exercise was mainly a centrally-guided effort. External consultants, in conjunction with the strategic planning department, designed the process. The focus was on what was shared, not on aspects specific to each unit. The core of the plan consisted of a shared corporate strategy, as the reference from which guidelines for action would be drawn (see Table 2 for participants). The consultants emphasised extensive use of procedures and forms, which were considered disproportionate by many middle managers. The excessive paperwork made managers wary and left some with a deep feeling of confusion. The outcomes generated were complex and cumbersome, even if it had taken a long time to produce them. As a partial response, the emphasis of the process was shifted to focus on core themes shared in the company as a whole. This inhibited business units from giving preference to their individual strategy or unit interests.

The next stage was to take a look at the organization as a whole. As each manager had a say in the process from the beginning, the organization's purpose was crafted collectively and jointly owned. It was not that the CEO had unilaterally determined what the grand strategy should be and used the strategic planning process as a mechanism for generating "buy-in"; rather through this process, the CEO received as much insight, through group deliberation and input, than he provided.

Deriving an ideal future for the organization as a whole: The process began with an external analysis emphasising the achievement of an ideal (see Exhibit 2). Based on this analysis, an open

Table 1. Key ingredients of the 1997 Strategy Process

Stage	
Corporate Strategy	
External Analysis	Participative (12—15 persons), yet shallow
Internal Analysis	Limited participation (12—15 persons)
Generation of Strategic Objectives	Shaped by aspirations of top management. Challenging, yet achievable goals (CEO and team of five)
Deployment of Strategy[a]	
External Analysis	Participative (12—15 persons), yet shallow
Internal Analysis	Limited participation
Develop Analysis of Strategic Objectives	50 people, in groups of five, developed ideas on product creations and rationalisation
Project Generation	Each idea was presented to the rest of the group. The person who had thought of the idea was the owner and champion of the project (50 persons)
Selection of Projects	Projects were approved or rejected by top management
Resource Allocation	If approved resources were allocated to the project
Tracking and Implementation	Each project had to be measurable

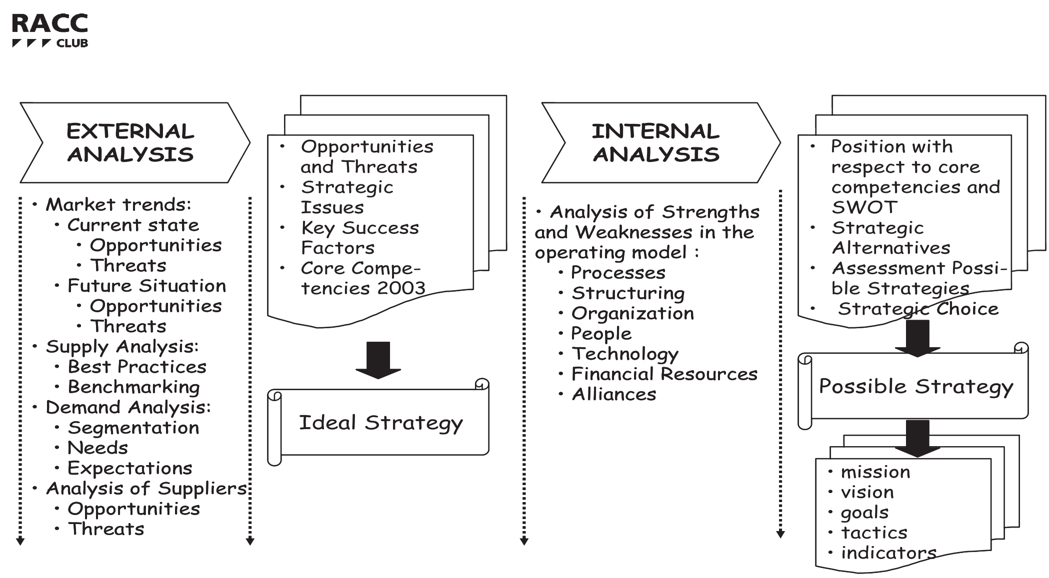
[a] Not formally a SBU strategy, since business units were not explicitly recognised

Table 2. Key ingredients of the 2000 Strategy Process

Stage	
Corporate Strategy	
External Analysis	21 managers covering levels 0, 1, 2, 3 and 4, in groups of four participated (21 persons)
Internal Analysis	21 managers covering levels 0, 1, 2, 3 and 4, in groups of four participated (21 persons)
Generation of Strategic Objectives	Five key strategic lines, across businesses and decided by the newly-created executive committee. Objectives have to be measurable (CEO and team of five plus six board members)
Business Strategy	
External Analysis	Multidisciplinary groups of 10, facilitated by strategic planning and external consultants (50 persons)
Internal Analysis	Multidisciplinary groups of 10, facilitated by strategic planning and external consultants (50 persons)
Develop Analysis of Strategic Objectives	Several upcoming dilemmas were addressed, competencies set to be developed and five corporate strategic lines be to achieved
Project Generation	Each SBU generates projects prioritised by strategic lines and driven by necessary capabilities. First time that they speak about the letter to Santa Claus, they name the requested resources and proposed projects by each SBU
Selection of Projects	Newly-created executive committee selected according to agreement with strategic lines
Resource Allocation	The executive committee allocates available resources to the higher priority projects
Tracking and Implementation	The monitoring system considered two interrelated entities: measuring progress on the initiatives (according to a Balanced Scorecard approach) and periodic review meetings

Exhibit 2

Basic approach to the Analysis in 2000 Strategic Plan, directly drawn from documents provided by the company. (Reproduced with permission of the company.)



dialogue was initiated that revolved around four team-generated strategic themes. Group deliberation was intense. The process was developed in a participative and planned manner to reconcile different interests and views, conscious that it would become a conceptual cornerstone. While individual interests and political games were played, open discussion and shared understanding minimised their impact. Diverse discussion led to a framework made up of five strategic lines. These lines, constituted as the ideal to aim at needed competencies, were identified and served to downscale the ideal into reality (see Exhibit 2) These necessary competencies related to processes, people, technology financial resources and alliances. In the end the process produced what most considered to be the best response to the firm's external environment.

Developing a shared sense of an ideal strategy was a key feature of RACC's approach and it was hoped that the agreement reached would serve as "glue" that would keep aspirations firmly in place in light of changing circumstances. However, for the planning department, it felt as if internal barriers were harder to overcome than external ones. Persuading managers of the usefulness of the process and preventing individual interests from escalating were seen as an ongoing challenge for the planning department. In the words of the planning director: "If you stick to discussing facts you can put off a big part of individual interests." In this regard, the ideal acted as a guiding reference to filter proposals and to adapt plans according to strategy rather than individual interests. Top management's role was more as a coach, facilitating sense-making and providing meaning rather than that of directing the outcome.

Narrowing down the ideal strategy: The next stage was to narrow down the ideal strategy to make it feasible and actionable, i.e. the way in which each unit would contribute to corporate strategy. Working in smaller groups, inspired by the five main strategic lines, each business unit conducted a finer-grained analysis at the business and area levels. Conclusions, including broad initiatives were sanctioned by the newly-created executive committee and eventually by the board of trustees. This represented a major effort of synthesis, and it is referred to as "possible strategy" in Exhibit 2. Almost 100 participants were invited to the last part of this initiative-generation process. Here, the goal was to center the discussion on the response of RACC to external impacts while also taking into account RACC's internal position.

The method used to come up with projects was to reach an agreement on what the team thought would be their best contribution to corporate goals, or the ideal. Leaving aside the restrictions in this first stage helped to build on collective aspirations and any overlooked individual interest. Moreover, most personal preferences were ruled out by fact-based discussion in what some interviewees called "aseptic analysis". A four-month period of pondering and mulling over-emphasised the importance of building agreement in the link between strategic priorities and subsequent projects. Finally, top management acted as judge, prioritising initiatives according to resource availability.

The flow of project ideas was intense, yet most ideas struggled to fit the strategic lines set by top management. In addition, limited resources meant neither taking on board nor channelling of many ideas generated from the bottom. Levels of frustration, however, were contained by detailed and justified explanations provided by members of the executive committee. Regardless of the specific project selected for implementation, a large number of managers had been exposed to broad and deep deliberation, and they listened to the arguments of top management in the final choice. The planning department would not only play a role in the monitoring progress of projects but also in the ongoing assessment of the validity of the strategy, working as coach for each business unit. A key feature reached after these steps were complete was a precise definition of growth in national expansion as the strategic objective.

It is worthwhile to underline the fact that the RACC 2000 Strategic Plan was specifically conceived not to be a straitjacket. Thus, the organization was very open in revising aspects of the plan, either due to environmental changes or unexpected events, and to propose actions aligned with the agreed objectives and goals. An illustration of this comes from the reaction of RACC to the events of September 11, 2001. The Travel Services unit at RACC decided in late 2001 to deviate from its narrow focus on individual travellers to reach out to institutional customers (growing more than 20 per cent in 2002), thus compensating for the disastrous effects on the travel industry worldwide. Its claim was that broad participation in the formulation process prepared the mind of people to ease the acceptance of changes along the implementation stage.

Expanding involvement: 2003

By early 2003, RACC employed 1,560 people, had 970,000 members and revenues of €480m. The main strategic objective of expanding to the rest of Spain, set in 2000, had been accomplished. Hence, the 2003 strategic exercise provided an opportunity to renew the organizational purpose and further develop management competences and commitment. The 2003 Strategic Plan was built around three aspirations. First, make further progress in developing the decision-making skills of managers. This would be achieved by both expanding the involvement of middle managers in the analysis and initiatives definition steps in the formulation process, and encouraging people to assess the need to deviate from initial plans and take initiative. A second aspiration was to increase the effectiveness of managers by refining the strategy process and focusing on more clear outputs after each stage. Third, an aspiration was set to make RACC a more flexible organization, more prone to learn from its business experiences.

The structure of participation was maintained for 2003, with some changes made to the process. First, the process incorporated broader participation in the analysis that led to the corporate strategy. Second, co-ordination was fully developed by the planning unit. Third, top management played the role of facilitators within the formulation stage and that of coach in the implementation of strategic initiatives. In all, however, an overarching goal was revitalising the "ideal" strategy. The executive committee received, as input, the strategic analysis carried out by organizational members involved in the process. By synthesising this input, they produced five new strategic lines coupled with measurable strategic objectives, in the form of a "possible" strategy. These objectives were used, in turn, as input for the different SBUs, to develop their own strategic analysis. Each SBU carried out a more focused analysis of its business. This generated specific projects, which, in similar fashion to those of 2000, were accepted or rejected using their alignment with the five strategic lines as selection criteria.

Ranking projects was initially problematic. Some project champions played politics to advance their projects, even with limited fit with strategic lines. This was aggravated on a few occasions when a champion forced acceptance of a project, relying mainly on hierarchical position rather than competence. Consequently, when politics were perceived to be more important than reasoning, some middle managers showed less commitment to the process.

To summarise, the 2003 Strategic Planning exercise placed emphasis on a process that was:

1) Formalized, with a systematic approach, yet one that would not inhibit flexibility and adaptation;
2) Guided, with clear flow along the process, with activities and resource allocation serving the purpose of a well-articulated vision;
3) Horizontal, cutting across business units, areas and functions;
4) Participative, according to the aim of bridging people across departments;
5) Simultaneous in time, as different stages would progress in parallel;
6) Coherent, from corporate strategy to business unit to area strategies; and
7) Integrative, taking into account most stakeholders.

The key organizational purpose was to balance the major objectives: the consolidation of the successful geographic expansion, the increase of customer loyalty and to intensify the purchase of related products by members. Table 3 highlights the key ingredients for 2003.

Rethinking involvement: 2006

The 2006 planning exercise was in progress when this article was completed. By mid-2006, RACC employed 1,750 people, had 1.2m members and revenues of €650m. However, the central strategic

Table 3. Key ingredients of the 2003 Strategy Process

Stage	
Internal Audit of the Previous Process	Participative internal audit to asses the previous process and learn (25 persons)
Corporate Strategy	
External Analysis	37 groups of three, multidisciplinary from all areas of the organization, facilitated by strategic planning staff (100 persons)
Internal Analysis	37 groups of three, multidisciplinary from all areas of the organization, facilitated by strategic planning staff (100 persons)
Generation of Strategic Objectives	Ext. and Int. analyses feed the question of what to do to develop competencies and markets (100 persons overall). The CEO and team of five select five new lines.
Business Strategy	
External Analysis	Was not done at this stage, but later internally in each business and area
Internal Analysis	Was not done at this stage, but later internally in each business and area
Develop Analysis of Strategic Objectives	Define what is each SBU offering and to whom. Each SBU proposes objectives to be agreed with the executive committee in its accord with corporate strategic objectives
Project Generation	A qualitative and quantitative assessment of all SBU projects is carried out and a ranking consequently built. The ranking gives higher value to the projects that fit better with the corporate strategy
Selection of Projects	Higher ranked projects selected. Schedule, responsibilities and measurable goals are assigned to each project
Resource Allocation	The projects are consolidated and presented to the board to allocate resources
Tracking and Implementation	Change management is introduced as a tool to keep track of existing projects and to incorporate new projects if required.

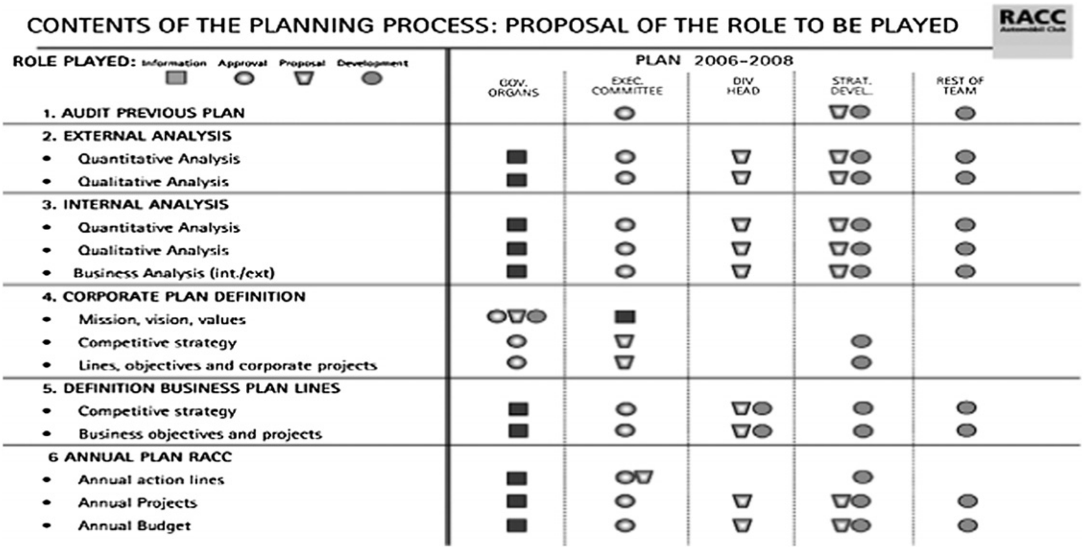
Table 4. Key ingredients of the 2006 Strategy Process

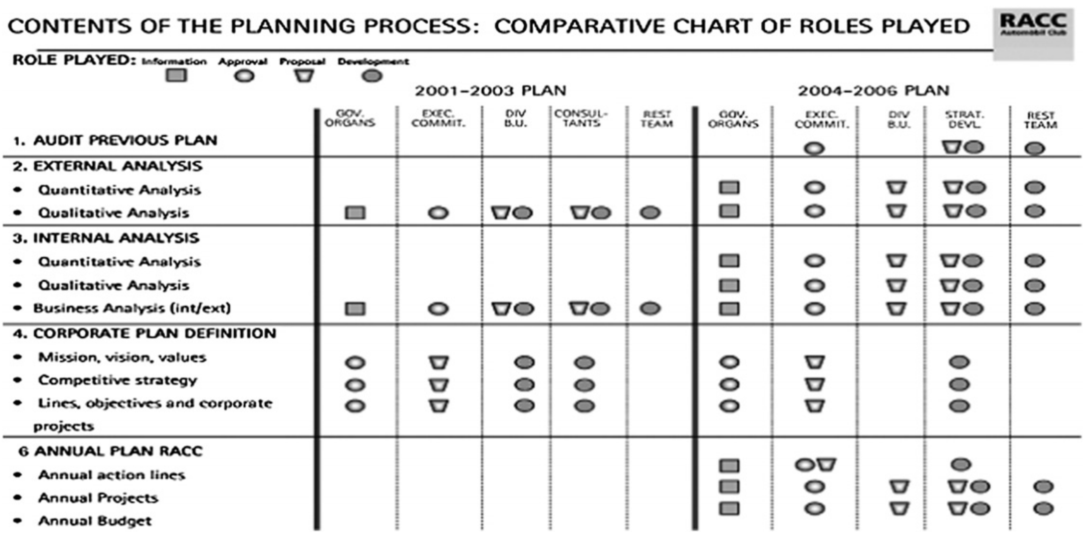
Stage	
Internal Audit of the Previous Process	Done only by strategy development (three persons)
Corporate Strategy	(Carried out by six persons: the CEO plus team of five)
External Analysis	More presence of the executive committee. Done after generation of SBU Projects (reduced to six persons)
Internal Analysis	Was done after generation of SBU Projects (reduced to six)
Generation of Strategic Objectives	Significantly stronger presence of the executive committee relative to former exercises (reduced to six persons)
Business Strategy	
External Analysis	Developed as kick-off, with teams focused on product and distribution (30 persons)
Internal Analysis	Minimally conducted in the first round
Develop Analysis of Strategic Objectives	Developed as second step. Teams came out with projects and initiatives related to product and distribution
Project Generation	Each SBU developed its own analysis and could be more creative due to relaxed corporate strategy restrictions. The output was highly aspirational
Selection of Projects	Projects proposed constitute an input to corporate strategy, alongside regular strategic analysis

objective set in 2003 of increasing sales per customer and retaining more customers was deemed to have fallen short. This led the organization to rethink its approach to strategic planning.

The 2006 Strategic Plan actually started earlier than its forerunners. In mid-2005, the business units and areas felt they had a strong understanding of the strategic analysis tools they had been

Exhibit 3
(Reproduced with permission of the company) Report from RACC of roles played in the strategy process throughout the study period.





using over the past six years. Also, through regular reviews and close contact with members of the executive team, they had a good appreciation of the main corporate guidelines, which were expected to remain unchanged.

Strategic Planning was renamed Strategy Development, to signal an interest in further emphasizing implementation issues. Working under an agreement with this new department, four businesses and divisions, including insurance, travel, member affiliation and complementary services, proposed their ideal strategy that followed a two-step process. First, a small team (four to six people) defined what their unit would like to accomplish, in terms of product positioning (with target customer groups, service assortment, use of brand, pricing, etc.). Then, another group of about three people from the sales and marketing area defined what they thought was the best way to accomplish that goal, based on aspects of distribution, franchising, agents and the like. In October 2005, both teams met to agree on an ideal strategy.

Based on the ideal strategy, each SBU worked out a tentative set of (ideal) projects and initiatives. These projects were developed independently for each SBU. There was no corporate level strategy developed upfront on this occasion. In the words of a member of the strategic development unit: "We wanted the initiatives to emerge purely from bottom-up and gain speed and agility this time."

The SBUs conducted regular competitive analyses of their own, mainly in quantitative terms, so the nature of the discussion at this stage was more on qualitative aspects of the different SBU ideal strategies. As people down the ranks had become familiar with deliberation on key factors in the environment (such as developing insights from competitors' moves), much of the need for detailed justifications became unnecessary. This allowed more attention to be given to issues surrounding major business initiatives and facilitated fast and co-ordinated decision-making.

Overall, this strategic exercise succeeded in securing commitments from SBU participants and also renovating a set of shared values and priorities at the corporate level. The emphasis of this 2006 plan was placed on the following issues:

1) Simplicity, by reducing the amount of analytical work;
2) Agility and fast decision-making;
3) Ease of communication from the top within the organization;
4) Novelty, as more innovative initiatives were encouraged; and
5) Concreteness, as objectives had to be fully qualified.

In spring 2006, managers from the strategy development department felt they would need to fine-tune the process further, given that both business teams had claimed that their expectations for resources were not met, and some corporate members had argued that the business environment still demanded more novel approaches from front-line managers. The broad ideal projects proposed by businesses and areas were a major input to the analysis started in April 2006, which by July was expected to lead to the revamping of RACC corporate strategy.

Lessons from RACC

The case of RACC illustrates the way one company has used strategic planning as a collective mechanism to make strategy relevant for managers. The main mechanism used by RACC to accomplish this was to call for the active participation of most middle managers in strategy-making. Through this collective process, high-level aspirations (a main strategic objective set by top management) were translated into ideal responses given external conditions (synthesized as a portfolio of initiatives that best responded to external impacts). Feasibility analysis came next and the process subsequently evolved into a shared commitment around projects to be implemented. In the following paragraphs we describe important managerial lessons that can be drawn from the RACC case.

First, we believe that the case demonstrates that a Strategic Planning process can integrate and reconcile the interests of both CEOs and middle managers. In doing so, it captures the multi-faceted character of strategy. The process progressed in a sequence of attention opening and focusing. Progressively, the interests of top executives converged with those of middle management to build a shared framework in the mind of all managers. Top executives at RACC developed a planning system that translated a vision and a chief strategic objective into concrete actions down the ranks. The system orchestrated at RACC departs from more traditional approaches. Senior management was sensitive to organizational aspirations in defining the main strategic objective. In each stage, the CEO articulated a core aspect of the vision for a better future of RACC and fine-tuned its organizational aspirations to spread internal acceptance. Middle managers worked jointly with upper-level management to convert strategic lines into commitments, first in the form of objectives (an ideal position) and later as specific action plans (possible strategy). The CEO, Josep Mateu, also understood that participants buying into the process were central to making strategy relevant to middle managers. Placing the focus on achieving this balance brought commitment and ownership of final initiatives by an ample base of associated managers.

Second, the case shows how a sound strategy formulation design facilitates strategy implementation. In this case, strategic planning achieved this by connecting three distinct desired outcomes; setting direction, creating flexibility and providing meaning to managers. From the beginning, senior executives placed a strong emphasis on using the strategy process to build awareness of critical issues and core agreements. This awareness and shared thinking was subsequently used to guide action well beyond the formulation stage. Specific points of active participation were consciously designed and this turned out to be critical in preparing people's minds for flexible implementation. A true appreciation of principles and goals underlying the final set of projects was essential to middle managers for changing gears in implementation when environmental changes demanded it. The design of the process emphasised directing energies towards agreement on shared goals (strategic guidelines and objectives) rather than on people's commitment to specific, rigid courses of action.

Third, planning at RACC shows that what is internalized in the heads of people is more important than what ends up on paper. Strategy conceived as a shared framework in the mind of all strategists is robust.[26] The RACC case illustrates a number of caveats when approaching strategy as a shared framework. First, both facets, the ideal (what we would like to do in response to external issues) and the possible (what we can do by bringing in the internal world), need to be present. Contrasting the ideal with the possible contributes to the development of shared meaning throughout the strategic planning process. Second, this common understanding has to be based on priorities and goals, rather than pure commitments to plans and budgets. Setting a shared framework at the level of goals not only gives a sense of direction but it also prevents individual interest from taking center stage. Third, top management sets direction and selects initiatives, providing thoughtful explanations when expectations are not met (to ensure acceptance).

What is internalized in the heads of people is more important than what ends up on paper

Fourth, the RACC case shows that an uncertain and changing environment requires strategic planning that places more emphasis on committing to a strategy and less emphasis on fixed plans. Strategic planning can provide flexibility and align managerial action, when it is focused on building shared understanding around strategic priorities and goals rather than on the development of rigid plans. Although more subtle and costly than producing plans, focusing the planning process on agreed purposes pays off. Commitments to strict plans, investments and operating budgets are fragile when a rapidly-changing environment makes them obsolete well before they are even deployed. A strategy based on priorities and goals provides stability when faced with external change. Concrete plans are contingent on issues that may not affect overall priorities and objectives. Such robustness of strategy is only possible, however, as a result of substantive reflection and wide deliberation. The time invested in mulling over and contrasting alternatives not only produces better objectives and projects but also makes participants internalise the agreements reached.

Fifth, strategic planning is about preparing minds to translate shared agreements around goals into coherent action in the future. Active involvement is the means to the end of preparing those who are critical for strategy implementation; that is, middle and operational managers. Building collective agreement in strategy-making brings in direction-setting, clear priorities to participants and meaning to guide subsequent actions. This is done by making strategy relevant to managers, involving them in the process and gaining their commitment to execution. Inviting more people to the process will not bring the expected benefits unless they see their own role clearly and make sense of the new demands placed on them. This, indeed, implies credible and active participation, which requires a top management style with an open mentality, true respect for individuals and a willingness to invest in people. The process at RACC balances aspects of both a top-down approach (for instance, in intervention when the executive team provided overall direction and selected initiatives) as well as bottom-up (in middle managers' issue selling and proposals for action). The process even implies expanding the involvement of middle managers, beyond the formulation phase, by encouraging them to assess the need to deviate from initial plans during the implementation stage.

Finally, a sixth lesson that can be drawn from the case is that the basic approach to strategic planning needs to change over time to balance the trade-offs that its multi-faceted and dynamic nature imply. Middle management involvement grows initially in an attempt to build broad ownership of resulting strategy, with the different roles played along the process by top and middle managers. Yet, involvement comes at a cost. When ownership is already established and key options are clear, involvement may begin to be seen as unnecessary. Further, as the skills, competencies and expectations of those involved changes over time, so must strategic planning. As managers develop expertise in strategy-making, strategic planning should become more straightforward with responsibility of business units increased. The nature of strategy practices should also change depending on the target user group (with more sophisticated approaches and tools for senior managers than for middle and operational ones). It seems that strategy setting is better thought of as many different crafts that vary in their relative weight within strategic planning, according to its different contexts. Strategic planning can bring together these different contexts while pursuing a changing balance of multiple requests. RACC reshaped the process enacting different organizational objectives as its constituents learned and became engaged over time.

Discussion and conclusions

Over the last decade or more, the academic literature has downplayed the importance of formal planning. During this same period, however, practitioners have kept exploring new alternatives to make strategic planning a useful management tool. The case of RACC illustrates that significantly different approaches can be crafted with the potential to deliver desired results. While the process did not advance without problems, and we are not able to trace the direct links between planning and performance, RACC seems to have benefited from its strategic planning system in a number of ways, as a result of making middle managers more aligned with strategy. RACC has been able to reshape this management system to provide meaning to middle managers while retaining flexibility for subsequent implementation efforts. In so doing, it also served its ultimate goal of making strategy relevant to the daily activity of the firm. Put differently, it seemed to reach a balance between a broad search for options and stabilization, when a course of action was determined.[19] The outcomes at RACC are very much in line with what authors such as Mintzberg, Pascale and Ghoshal claim that a strategic planning system should do, i.e. create strategy, share knowledge, build consensus, establish commitment to action down the ranks and retain flexibility for change when circumstances demand it. This suggests that the debate should not be based on whether or not strategic planning adds value, but on how strategic planning is carried out in a way that serves corporate purposes, and why.

The case study shows that an upfront, clear definition of the purpose for the planning process has major implications on the outcomes that the firm reaches in the aftermath. Top managers tend to have high expectations about what the planning process can deliver. For a large number of companies, the purpose of planning is to elaborate plans and get commitment around budgets. This seems to be at odds with current times. A key question a company has to address when approaching the strategy-making process is, again, why it wants strategy in the first place. The response to this question will have major implications for the best way to approach planning. At RACC, the CEO and his team had high ambitions. They wanted strategy to be a useful tool to guide daily action, and they wanted it to be related to key goals. Yet, the executive team was very careful about its interventions throughout the process. Top management adopted a gradual approach to develop new competences (especially strategic thinking at all levels involved). It also made each move with a realistic assessment to commit to results that the executive team could deliver. Conceptual developments built on but deviated from conventional thinking on how to develop strategy.

The issue of making a sound use of strategy for managers raises a number of concerns for further debate. Conversations with practitioners suggest a broad list of salient issues, yet this research only attempts to identify them as extended issues on the topic, providing limited and only tentative insights for a few of them. Some of these questions are: is it more effective to build this shared understanding on the basis of purposes (goals and objectives) or commitments to specific courses of actions (such as plans and budgets)? How do unexpected events affect the robustness of this shared understanding? What criteria should be enforced for people to understand the best way to balance commitment, flexibility and execution? In all, these questions are extensions of describing how the planning processes can evolve to develop strategy and commitment.

An important issue that emerges from RACC's transformation of strategic planning is that the method for developing strategy evolved over time. This arises as a result of initiating a new thought exercise and the challenge at hand in competence development. In 2000, for the first time, RACC conceived strategy as a shared framework in the mind of strategists, because management saw the strength of using strategy as a nexus that can integrate efforts and co-ordinate action. The approach was to build a broad common understanding of critical issues and priorities, and making commitments on goals to ensure goal alignment, yet to provide flexibility to adapt to unexpected changes. In so far as managers carried strategy in their head, the task of linking it with policies for daily action at lower levels was significantly facilitated. Over time, the company has fine-tuned strategic planning to make further progress in enabling strategy implementation and organizational change. Although the company may call it strategic planning, the strategic exercise it develops is dramatically different from the conventional notion found a decade ago in business press articles such as BusinessWeek.[27]

While there is nothing unique about RACC's circumstances that would prevent other companies from following a similar route, there were a number of factors that made this route possible. First, RACC was willing to explore new ways for planning to add value. As Kaplan and Beinhocker claim, when repositioned as a learning process, formal strategic planning can help managers make solidly-grounded strategic decisions in a world of turbulence and uncertainty.[15] Second, top management has to be very perceptive in order to understand the aspirations of individuals within the organization and to synthesise these into a joint organizational purpose. Third, if strategy is conceived as a general guideline that must be shared, then an *ad hoc* process focusing on working with people, hands on, needs to be designed. Active and fair participation is a must to build commitment and shared views throughout. The combination of perceptive top managers and participating middle and lower levels is a trait that should be considered when designing any planning exercise, as the contributions on middle managers' involvement in the strategy process recognizes.

This study sheds some light on the debate of the emergent versus the planned approaches as it suggests that RACC used both a formal and an emergent strategy. Strategy was formalized since it came out of the regular strategy development process (in this case undertaken once every three years, with annual reviews). Yet, it also allowed and actually used an emergent approach. Managers at different levels in the organization could deviate from the previously-agreed plans and projects to propose and implement new initiatives with the attempt to capture better the core of shared goals. This was in light of changes in the market so that alternative plans could capture the shared goals better than those plans put forward initially. Changing circumstances tend to make specific commitments, such as concrete plans and budgets, more fragile than shared priorities and goals.[24] This is coupled with the fact that a common ground of purposes and objectives is a more effective mental glue for people than a strict set of action plans. At the core of managerial implications is the notion of ideal versus possible strategy. Also, the time horizon should be long enough to leave room for a fresh ideal to unfold a picture of the desired future that is not constrained by the company's current position. Organizations that pursue regular annual plans are likely to develop their budget rather than truly shape new strategies. Only a gap between aspirations and reality is expected to trigger novel approaches. While the concept of an ideal picture of the future has been put forward in the literature, this research sheds some light on how a company used and developed it.

As a closing remark, successful business strategies result, not from rigorous analysis, but from a particular state of mind. The essence of strategy-formation is not to create plans, but to build a shared framework in the minds of strategists. Given the persistence of change, it may be that in the near future, in strategically-managed firms, good managers will not be those people who meet the plans, but those who are capable of changing plans according to strategy. Middle managers at RACC were eager to jump into the next strategy exercise. Strategy is as central and relevant to them as much as it is to their CEO.

Acknowledgements

We thank the anonymous reviewers, Bill Wooldridge, Mike Rosenberg, Richard Whittington, Ludovic Cailluet, as well as Charles Baden-Fuller, for their constructive comments on previous versions of this paper. We are grateful to all participants of the Crafts of Strategy Conference, held at IAE in Toulouse, and appreciate the support provided from the Center for Globalization and Strategy at IESE and the grant SEC2003-08282 from the Spanish Ministerio de Ciencia y Tecnología. Both authors have contributed equally.

References

1. R. Pascale, Surfing the edge of chaos, *Sloan Management Review* 83—94 (Spring 1999).
2. H. Mintzberg, The fall and rise of strategic planning, *Harvard Business Review* **72**, 107—114 (Jan—Feb 1994); H. Simon, Strategy and organizational evolution, *Strategic Management Journal* **14** (Winter special issue), 131—142 (1993).
3. H. Mintzberg, B. Ahlstrand and J. Lampel, *Strategy Safari*, The Free Press, New York (1998).
4. S. Ghoshal and C. Bartlett, Linking organizational context and managerial action: the dimensions of quality of management, *Strategic Management Journal* **15**(Summer special issue), 91—112 (1994).
5. G. Gavetti and D. Levinthal, Looking forward and looking backward: cognitive and experiential search, *Administrative Science Quarterly* **45**(1), 113—137 (2000); P. J. Brews and M. Hunt, Learning to plan and planning to learn: resolving the planning school/learning debate, *Strategic Management Journal* **20**(10), 889—913 (1999); P. Goodwin and G. Wright, Enhancing strategy evaluation in scenario planning: a role for decision analysis, *Journal of Management Studies* **38**(1), 1—16 (2001).
6. W. Ocasio and J. Joseph, Rise and fall, or transformation? The evolution of strategic planning at the General Electric Company, 1940—2006, *Long Range Planning* **41**(3), 248—272 (2008).
7. H. Mintzberg and J. Waters, Of strategies, deliberate and emergent, *Strategic Management Journal* **6**(3), 257—272 (1985).
8. S. W. Floyd and B. Wooldridge, Middle management's strategic influence and organizational performance, *Journal of Management Studies* **34**(3), 465—485 (1997).
9. R. Pascale, Perspectives on strategy: the real story behind Honda's success, *California Management Review* **26**, 47—72 (Spring 1984).
10. M. C. Mankins and R. Steele, Stop making plans: start making decisions, *Harvard Business Review* 76—84 (Jan 2006).
11. R. Whittington, The work of strategizing and organizing: for a practice perspective, *Strategic Organization* **1**(1), 119—127 (2003); J. M. Liedtka, Strategic planning as a contributor to strategic change: a generative model, *European Management Journal* **18**(2), 195—207 (2000).
12. I. H. Ansoff, Critique to Henry Mintzberg's "the design school: reconsidering the basic premises on strategic management", *Strategic Management Journal* **12**(6), 449—461 (1991); H. Mintzberg, The design school: reconsidering the basic premises on strategic management, *Strategic Management Journal* **11**(3), 171—195 (1990).
13. K. W. Glaister and J. R. Falshaw, Strategic planning: still going strong?, *Long Range Planning* **32**(1), 107—117 (1999); J. I. Canales and J. Vilà, Sequence of thinking and acting in strategy-making, *Advances in Strategic Management* **22**, 93—116 (2005).
14. S. Kaplan and E. D. Beinhocker, The real value of strategic planning, *MIT Sloan Management Review* 71—76 (Winter 2003).
15. E. D. Beinhocker and S. Kaplan, Tired of strategic planning, *The McKinsey Quarterly* 49—57, (2002) Special Edition Risk and Resilience.
16. K. van der Heijden and C. Eden, The theory and praxis of reflective learning in strategy making, in C. Eden and J.-C. Spender (eds.), *Managerial and Organizational Cognition*, Sage Publications, London,

59—75 (1998); J. M. Liedtka, Strategic thinking: Can it be taught?, *Long Range Planning* **31**(1), 120—129 (1998); L Heracleous, Strategic thinking or strategic planning, *Long Range Planning* **31**(3), 481—487 (1998).
17. J. M. Liedtka, Linking strategic thinking with strategic planning, *Strategy & Leadership* 30—35 (Sept—Oct 1998).
18. P. M. Senge, Mental models, *Planning Review* **20**, 4—10 (March/April 1992).
19. J. W. Rivkin and N. Siggelkow, Organizing to strategize in the face of interactions; preventing premature lock-in, *Long Range Planning* **39**, 591—614 (2006).
20. I. D. Colville and A. J. Murphy, Leadership as the enabler of strategizing and organizing, *Long Range Planning* **39**, 663—677 (2006).
21. K. Ohmae, *The Mind of the Strategist: Business Planning for Competitive Advantage*, McGraw-Hill, New York (1982).
22. B. Lovas and S. Ghoshal, Strategy as guided evolution, *Strategic Management Journal* **21**(9), 875—896 (2000).
23. S. W. Floyd and B. Wooldridge, Managing strategic consensus: the foundation of effective implementation, *Academy of Management Executive* **6**(4), 27—40 (1992).
24. J. Balogun and G. Johnson, Organizational restructuring and middle manager sensemaking, *Academy of Management Journal* **47**(4), 523—549 (2004).
25. C. Bowman and A. Kakabadse, Top management ownership of the strategy problem, *Long Range Planning* **30**(2), 197—208 (1997).
26. E. Masifern and J. Vilà, Interconnected mindsets: strategic thinking and the strategy concept, in M. A. Hitt, J. E. Ricart i Costa and R. D. Nixon (eds.), *New Managerial Mindsets: Organizational Transformation and Strategy Implementation*, John Wiley & Sons, Chichester, 15—34 (1998).
27. Business Week, *Strategic Planning* 45—52 (26 August 1996).
28. M. B. Miles and A. M. Huberman, *Qualitative Data Analysis: an Expanded Sourcebook* (2nd ed.), Sage, Thousand Oaks, CA (1994).

Biographies

Joaquim Vilà is an associate professor of strategic management department at IESE Business School. His research focuses on strategy-making, strategic initiatives and business and management innovation. He has consulted for national and international companies on linking innovation with strategy. He is involved in executive education on strategy, strategic thinking and management of innovation, and acts as academic director of IESE's executive programme on Business and Management Innovation. jvila@iese.edu

J. Ignacio Canales has been a lecturer in management (equivalent to assistant professor in the UK) at the School of Management of the University of St Andrews since 2004, when he received his PhD from IESE Business School. His areas of expertise are the strategy-making process, the roles that managers play within such process and entrepreneurial ventures. jic1@st-andrews.ac.uk