STRATEGIC PLANNING DURING THE MOST RECENT ANTHROPOCENE

William F. Roth

wroth@kutztown.edu

FOUR PHASES OF TRADITIONAL STRATEGIC PLANNING

Strategic planning efforts traditionally have four phases -- "environmental scanning," "definition of long term objectives and shorter term goals," "definition of an implementation strategy," and "evaluation and control of the resultant changes." (Wheelen, Hunger, Hoffman, Bamford, 2014, pp. 13-22) During environmental scanning participants examine both the internal and external environments to discover what is happening there and how it might be affecting the organization. A SWOT Analysis can be used to identify internal strengths and weaknesses as well as external opportunities and threats. The much more comprehensive Internal Audit can also be used to study the flow of the organization – inputs, throughputs, outputs – strengths and weaknesses again being identified. Trend analysis is another popular tool, especially when addressing the external environment. Surveys and group brainstorming sessions can be used to facilitate the identification of internal strengths and weaknesses. In larger companies a department is usually given responsibility for organizing this phase and gathering the desired information.

Another tool frequently introduced during an environmental scan is the reference projection. Its purpose is to identify past and present trends and to project them into the future. For example, car sales have increased an average of 13% during the last ten years. The project indicates that they will continue to do so for the next five. Reference scenarios are an elaboration of the reference projection. While projections are framed solely in terms of numbers, scenarios add non-quantifiable factors to draw a picture of what will be happening in the future concerning the environment, concerning the target population, the competition, and the community if the defined trend continues.

The second phase of strategic planning -- definition of long term objectives and shorter term goals related to each objective – makes use of the information gathered during environmental scanning to decide how the organization is going to improve productivity during the next year, the next two years, or the next five years, to decide what its long term objectives and shorter term goals will be. This definition has traditionally been pursued in one of two ways -- top-down or bottom-up. In companies that use the top-down approach a planning department makes recommendations to the board of directors or to top level management which, in turn, defines objectives and goals then passes its decisions down through the hierarchy. Once units receive their "marching orders" they are supposed to begin implementing the required changes.

The major weakness of this approach is the lack of input from lower levels in defining objective and goals. While top management has a good idea of the company as a whole and how it fits into the marketplace, top management knows relatively little about what is going on below, about what is going on in each individual unit. A SWOT Analysis or Internal Audit might

provide some of this information, but not in an on-going manner and not in the required depth so that some of the modifications required by top management might not be possible or might have a negative rather than positive effect on the involved unit or on other units that it interacts with.

When the bottom-up approach is used the lowest level units are told to develop a list of the improvements they wish to make in terms of products, manufacturing or service delivery processes, management systems, and the work environment. These lists are then passed up and consolidated at the next level, and so on all the way up the hierarchy. When they reach the top, decisions are made as to which projects should be funded and word is passed back down. The major problem with this approach is that units are forced to compete blindly for resources because they have little or no idea of how their requests, of how their part of the operation fits into the organization's overall priorities.

The primary building block for a strategic planning exercise is obviously the budget. Because companies never have enough money to accomplish everything desired in terms of organization improvement and growth, priorities have to be set. The company has to decide which of its objectives are most important then to allocate funds accordingly. A tool used by corporations during this process is the Boston Consulting Group (BCG) Growth Share Matrix. It helps identify which product units or businesses should receive funding for projects and which product units or businesses should provide those funds by dividing them into four categories. The first category includes "stars," those units that are growing steadily in terms of productivity and the amount of revenues generated so that they need no assistance. The second category includes "question marks," units that show potential for growth and increased profitability and, therefore, merit additional financial support. "Cash cows" are the third category. These are units bringing in more revenue than needed for operational expenses, units that have peaked in terms of potential growth, thus losing their "star" status, so that they now function as contributors. The final category is "dogs." Units in this category are losing market share and have little chance of turning things around. They should be sold off as quickly as possible or liquidated.

The BCG Matrix is a simple but effective starting point for defining priorities, a flexible tool that can be elaborated on, made more sophisticated in terms of how units in the four categories are described, though, as we shall see, sophistication is too frequently becoming the enemy of effective strategic planning.

SHIFTING OUR FOCUS

The third phase of all planning paradigms is the generation of an implementation strategy, the spelling out in detail of action steps necessary for the achievement of goals and objectives then the development of a time line for accomplishment of these action steps taking into account the need for integration not only of the steps themselves but also integration of the decided upon steps with on-going, every day activities of the organization.

While most people focus on the definition of objectives and goals phase of a planning effort as the most difficult and challenging, implementation rapidly becomes the most demanding. The culprit, quite simply, is the increasing rate of change in both the internal and external environments that organizations must effectively deal with if they hope to succeed. For example, while we are implementing action steps in our department something changes in another department that is triggered by a change in its external environment. That department

might have lost a key supplier; or a new technology might have been introduced. The involved change affects us only indirectly but requires us to rethink one of our action steps. The rethinking of that action step, in turn, requires the rethinking of the related goal. Then, during our period of rethinking, something else happens that requires more re-thinking; then something else happens -- a non-stop parade of "something elses" happening so that we are constantly reevaluating and making changes to our decisions.

When do the on-going changes that make planning so difficult end or even slow down? The real world answer is, of course, "never." In fact, the rate of change is constantly speeding up.

Technology is increasingly important to success in both the primary industry sector and the service industry sector. Technological innovation in these sectors plays a major role in triggering the "somethings" and the "something elses" that implementation efforts stumble over. As Donald Schon says half in jest, "The time required for the diffusion of major technological innovations would appear to be approaching zero as a limit." (Schon, 1971, pg. 24) Later on he adds, "we are no longer able to afford the relatively leisure process of adaptation which has until now allowed us to keep the illusion of a stable state. (Schon, 1971, pg. 27)

This realization leaves us with three alternatives. The first is simply to quit trying to generate a formal strategy. Companies adopting this approach end up basing definition of their objectives and goals on somebody's gut feeling, usually on the CEO's. This approach, at least in the short term, saves a lot of money. But in the long term it frequently runs into serious problems. The second alternative is to go through the motions in order to keep up appearances then to ignore the results and to satisfy the desire for improvement by making piecemeal, fragmented changes. The third alternative, the one this article focuses on is to 'think out of the box," to look for a non-traditional way to insure that the company is headed in the right direction and stays headed in the right direction no matter how many unexpected twists and turns pop up in the road.

The fourth phase of successful planning efforts is the evaluation and control phase. We already know of the problems encountered during implementation of the improvements supporting new organization goals and objective. Most of these problems result from changes occurring in the customer market, the financial market, the market for needed resources. By evaluation we mean keeping track of the obstacles that arise during each step of the implementation process. We must also be cognizant of the fact that an obstacle arising in one part of the company almost invariably creates ripples that affect other parts. Employees need to be capable of adapting when something unexpected occurs. This is the "control" part of the phase, making adjustments when things don't go the way we want them to go.

THE APPROACH TO PLANNING WE ARE TALKING ABOUT IS VERY DIFFERENT

Russell Ackoff in his book, *Recreating the Corporation*, talks about four types of management and planning efforts – reactive, inactive, preactive, and interactive. (Ackoff, 1999, pgs 45-60) "Reactive" planners are constantly trying to return to a previous state, to a time when "things were good," or, at least, when the problems currently faced did not exist. Their challenge is "What do we need to do in order to get back to where we were?" Success in such efforts, of course, is fleeting at best. The obvious reason that the previous, "desirable" state lost traction

was because it could no longer deal with the changes occurring in its environment. These changes are still occurring and will not stop so that regaining a previous state is impossible.

"Inactive" planners want to stop change. They like the way things are currently and want them to stay that way. But, again, change cannot be stopped and forces companies to adapt if they want to remain competitive. The inactive approach to planning doesn't work either although it is enticing, especially to companies that are doing well.

"Preactive" planners spend their time trying to predict the future so they can prepare for it, so they can take advantage of what's going to happen. Obviously most corporations, most planning departments still use this approach and base their recommendations to top level management on trend analysis, reference projections, reference scenarios and a multitude of other predictive tools. The period during which these predictions remain accurate, however, is getting shorter and shorter as a result of the increasing rate of environmental change, and, as Russell Ackoff says, "Preparing for an inaccurately forecasted future is often worse than doing nothing." (Ackoff, 1986, p. 181)

Finally, "interactive" planners are the ones "thinking out of the box." They are the ones taking the most realistic approach. Instead of trying to reverse change, instead of trying to stop it, instead of trying to predict it they focus on designing organizations capable of monitoring continuously the changes occurring in the environment and adapting rapidly to or redirecting them. As a result, at least the initial part of a strategic planning effort in such organizations becomes an exercise in organization redesign.

Interactive planning/organization redesign efforts must have three critical characteristics. If any of the three are lacking, the effort will not produce the desired results. First, they must be participative, truly participative. I have been a corporate consultant for some twenty years now. Whenever I go into an organization one of the first questions I ask is, "How participative is your company; how much involvement does your workforce have in decision making?" The answer is always the same. "We are very participative. We know the value of involving our workers."

When, however, I ask for an explanation of what they mean by "participative," the answers break down into four categories. The first category includes Frederick Taylor's version of participation. "We tell the workers what to do and they do it; that's participation." The second version is a little less rigid and is built around, "We ask workers for their opinions then tell them what to do." The third, most rapidly growing category of responses offers the sentiment that "We allow our employees to make decisions and to help implement the results of these decisions once management approves them." And finally, the smallest category, very small, indeed, includes, "We hire good people and train them well. Then we empower our employees to make decisions and implement improvements in their area of expertise. Our role as managers is, upon request, to facilitate their efforts in any way we can, also to address any questions they might have and to help integrate their efforts with those of other units."

It is this fourth level of participation that is necessary when an organization's goal is to truly become an adaptive learning system. There is no way top level management can gather all the information from the environment requisite to success. There is no way a planning department can do so. There is no way middle level managers can keep track of all the

information that is pouring in on top of their other responsibilities. In order for an organization to learn everything necessary to effective adaptation every employee has to be continually listening.

The second critical characteristic of interactive planning/organization redesign efforts is that they are integrated organization-wide. In order for the information brought in through true participation to reach the function or functions where it can be most effectively utilized channels must be open and passage guaranteed. In-house competition between units and between individuals in those units is no longer acceptable. (Roth, 2015, pp. 27-42) Emphasis must be on cooperation and mutual support. Thus, the evaluation and reward process, that more than any other shapes the corporate culture making it either cooperative or competitive, must be designed to encourage cooperation. Without this happening, the necessary degree of organization-wide integration requisite to the necessary level of communication will not occur. (Roth, 2014, pp. 24-25)

The third critical characteristic is that the design must encourage continual learning without which effective participation and integration cannot occur. Employees need to know what resources their organization is seeking, how to look for them, where to look for them. Employees need to understand how parts of the organization interact, how they support each other, what channels of communication are available, whom information concerning change in the external environment should be sent to. Employees need to understand and be committed to achieving the long range objectives of the organization.

The best way to gain such commitment is to encourage employees to help define the involved objectives. This approach, of course, ties the need for continual learning to the need for participation and the need for organization-wide integration. The three characteristics are interdependent, just like the four phases of strategic planning are interdependent. None of them can exist without the others.

HOW TO TURN AN ORGANIZATION INTO AN ADAPTIVE LEARNING SYSTEM

As has been said, the Interactive approach to strategic planning begins as an organization redesign process that possesses three critical characteristics. Instead of beginning the planning effort by scanning the environment, however, companies skip directly to the "definition of long term objectives and shorter term goals" phase. The long term objective defined at the beginning of all interactive planning exercises is to shape the organizations in that way which allows it to deal most effectively with and to take greatest advantage of continuous change. The goals defined have to do with reshaping of the company's purpose, its structure and its processes so that it can do so.

The company's purpose has to do with the role it currently plays and the role it ought to play in the larger whole of which it is a part. This "whole" includes the market, the competition, suppliers, the government, and the community. Its structure includes the different departments that contribute – finance, accounting, production, marketing, human resources, research and development. But just as important or even more important it includes the interactions between these departments and their sub-departments.

The key processes include communication, access to information, decision making, problems solving, work design training, evaluation and reward. In terms of communication, who

gets to talk to whom and through what channel? With the old hierarchical management structure bosses wanted to know what was going out of their unit and where it was going; what was coming into their department and where it was coming from? Thus, a message or request had to pass through at least several levels. With modern technology and with the network structure becoming increasingly popular more rapid communication has been facilitated. But at the same time the channels have become more complex and the involved risk greater.

In terms of access to information, how transparent should an organization be both internally and externally? Who should have access to what information and how should that access be gained? In terms of problem solving and decision making, who should be allowed input? Concerning work design, how much of a say should the people actually doing the work be allowed? When we talk about training, who should be responsible for identifying training needs and who is best suited to deliver the desired training? And, finally, with evaluation and reward, how do we design an approach that encourages cooperation between employees and between units rather than competition or conflict, cooperation being the most important ingredient to success in the modern day economic struggle?

Once the redesign exercise is completed and the key characteristics embedded, the company will be more effective in its environmental scanning efforts, leading to further improvements.

The tool most often used to accomplish this reshaping is "idealized redesign," the essence of interactive planning. Traditional planning paradigms start where an organization *is*, using information gained from the environmental scanning effort to identify desired improvements. It then prioritizes these improvements, basing decisions mainly on level of need and on budgetary constraints, and begins making them. Idealized redesign starts by defining what the organization's purpose, its structure, its key processes *ought* to be, how they *ought* to be shaped ideally. Participants focus on modeling the reality they would desire *right now* for their organization if given the power to make relevant decisions.

The challenge presented by an idealized design exercise is quite simple and reads thus, "When you came in this morning you found that your organization was destroyed last night. It is now your job to redesign your part of it as it *ought to be*, to come up with an ideal model for right now." This approach, once the model is finished, gives the company a comprehensive target to aim for when it begins defining priorities. The approach also generates commitment by getting every employee involved so that a degree of ownership is established. Finally, it unleashes creativity in that anything goes, so long as the suggested improvement does not require technology not yet available, can survive in the current economic climate, and can adapt continually in order to meet "new circumstances." (Midgley, 2000, p. 299)

The idealized redesign process is obviously participative. A ground rule requiring that everyone affected by a designed change must be made cognizant of that change, must be asked for input and must agree to it before implementation, insures integration. And, finally, all participants are learning continually about how their piece of the puzzle fits into the whole and about how the whole operates.

An Idealized redesign effort has three phases. A majority of corporate design efforts begin by creating both a mission statement and a vision statement. The mission statement

identifies how the corporation plans to progress from where it is, what changes it is going to make, what priorities it wants to define. The vision statement identifies what the company wants to look like in the future if it can afford the necessary changes.

Interactive planning differs in that during this phase corporations create an idealized redesign. There is no up-front mission statement because there is no organization to develop a mission statement for. Remember, "The company was destroyed last night," so participants are forced to start from scratch and redesign it -- function, structure and key processes – in that way which best allows it to generate the most desirable results. One could say that idealized redesign combines the mission and vision statement of traditional planning into something we will call a "target statement" into something that includes not only a brief explanation of the role the company wants to play in the larger environment of which it is a part but also what the company should provide ideally for its different stakeholder groups. These groups include employees, customers, suppliers, investors, and the community.

Once the target statement is completed, idealized redesign goes on to identify the characteristics that the involved product or systems need to possess in order to reach the target or targets defined. For example, if the target is to produce and distribute to customers the highest quality widget on the market at a reasonable price; if, at the same time, the target in terms of the customer stakeholder group is that they should be satisfied with their purchase and feel no need to return it, an idealized characteristic might be that no defective widgets should be allowed to leave the assembly plant. In the service sector, in the banking industry, for example, if the target is for customers to consider the service delivered by our bank branches superior to those of other banks, we will try to make sure customers have to wait no more than three minutes for a teller.

After characteristics have been identified, design elements, the nuts and bolts of how to actualize these characteristics, are spelled out. For the widget operation, in order to insure that no defective pieces leave the assembly plant, a design element might be that any employee who finds a defect has the right to stop the assembly process until the defect's cause is identified and corrected. Concerning the three minute wait for customer service at a bank branch, tellers might be given a buzzer to ring if the line grows too long so that employees doing other things can move away from their normal tasks and start waiting on them.

This is how idealized redesign works – target statements, systems characteristics and design elements. This is how interactive planning works and why it differs greatly from traditional approaches. The only absolute in the economic sector is change, and change is continually accelerating. Companies that want to survive in this increasingly unstable environment have three choices. The first is to find some way to slow the rate of change. The second is to try to predict where the change is leading so they can prepare for it. The third is to design organizations capable of monitoring change continually and adapting rapidly or even shaping it.

A growing number of organizations are opting for the last choice because it makes the most sense during an anthropocene.

REFERENCES

Ackoff, Russell L. *Management in Small Doses*, New York: John Wiley and Sons, 1986.

Ackoff, Russell L. *Recreating the Corporation*, Oxford: Oxford University Press, 1999.

Gharajedaghi, Jamshid, *Systems Thinking: Third Edition: Managing Chaos and Complexity: A Platform for Designing Business Architecture*, Burlington, Maine: Elsevier Press, 2011.

Midgley, Gerald, *Systemic Intervention: Philosophy, Methodology, and Practice*, New York: Kluwer Academic/Plenum Publishers, 2000.

Quick MBA: Knowledge to Power Your Business, *Strategic management: SWOT Analysis,* International Center for Management and Business Administration, Inc. 1999.

Roth, William, Evaluation and Reward Systems: The Key Shapers of Organization Culture, *Performance Improvement*, 53(8) 24-29.

Roth, William, *Out of the Box Thinking for Successful Managers*, New York: Productivity Press, 2015.

Schon, *Donald, Beyond the Stable State*, New York: The Norton Library, 1971.

Stern, Carl (editor) and Stalk, George, (editor), *Perspectives on Strategy from the Boston Consulting Group,* New York: John Wiley and Sons, 1998.

Wheelen, Thomas; Hunger, David; Hoffman, Alan; Bamford, Charles; *Strategic Management and Business Policy: Globalization, Innovation and Sustainability*, Fourteenth Edition, Boston: Pearson Press, 2014.