INSIGHT NOTE:

Reflections on Strategic Thinking and Strategic Planning

Renaissance Expedition
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Inspiring Transformational Leadership

Innovation Expedition
Rethinking and Leading the Future

CHIEF EXPLORER'S KNOWLEDGE BANK

Mentoring Resources for Helping to Develop Modern-Day Renaissance Leaders

(To participate in the Renaissance Expedition join the LinkedIn Site of Donald Simpson)

"Since Michael Porter's seminal work in the 1980s we have had a "clear and widely accepted of what strategy is—but we know a lot less about translating a strategy to results. And what little has been written on execution tends to focus on tactics or generalities from a single case. So what do we know about strategic execution?"

—From ***Why Strategy Execution Unravels And What To Do About It***, by Donald Sull, Rebecca Homkes and Charles Sull, Harvard Business Review, March 2015

Purpose of this Leadership Development Resource

This Insight Note explores the concept of "Strategy" and offers some context that has emerged through a variety of performance improvement initiatives of the Chief Explorer and his Innovation Expedition team over the past 25 years.

The intent is to help aspiring Renaissance Leaders strengthen their capacity to help their team members better understand how to:

- consider the many faces of "strategy" and choose your desired approach
- develop an appropriate generic strategy for their situation
- organize diverse information and ideas into a "Strategic Plan"
- strengthen the team's capacity to practice "Strategic Thinking" as they move to implement their Plan
- create and apply some "Simple Rules" to help improve the implementation of the Plan

The Editor's notes from the March 2015 edition of the ***Harvard Business Review*** answers the question as to why they publish so much on strategy by saying, "Because it's hard—just ask anyone who has tried to lead a strategic transformation. A lot can go wrong."

A. Strategic Planning as Distinct from Strategic Thinking

Increasingly one hears the criticism in organizations that many personnel are approaching a problem or a task purely from a tactical approach without any sense of strategy. Apart from reinforcing the idea that what may be one's group strategy can be another group's tactic (and vice versa), **there is a sense that there has been significant confusion in many organizations as to what one really means by strategy.** Most leaders, when pushed, have had difficulty articulating exactly what they mean by strategy, although they are confident that they can recognize it when it is being applied or, more likely, when it is not.

While all managers might be intellectually committed to operating from a strategic approach, confusion is generated by the fact that implicitly people use this term in a variety of ways even while traditionally it has been defined in only one basic manner.

The historical definition has been—**a strategy is a plan—it is a concrete description of the intended action aimed at ensuring that the basic vision and mission of the company is achieved.**

Expertise in the building of **strategic business plans** will be a critical step in driving high performance in any organization. At the same time, however, attention needs to be paid to **building strategic thinking skills** for preparing and executing these important strategic and operations plans.

These synergistic concepts need to be linked to reinforce the following ideas. The **strategic plan** is an important vehicle to communicate to others the results of one's strategic thinking, including the determination of priority estimates for implementing the plan, for scheduling, and for selecting the activities and the identification of individuals responsible for ensuring that these actions take place. The plan is the foundation and framework into which employees' strategic thinking goes

It is important also to recognize that **strategic thinking involves more than building a plan**. It involves an approach to work on a daily basis that tends to maximize one's effectiveness in initiating the actions which drive the high performance necessary to implement the plan.

A powerful article in the March 2015 edition of the *Harvard Business* Review makes the point that while there are many guides for developing a Strategic Plan, there a few about how to actually execute one. The article points to "the difficulty of achieving executional excellence as a major obstacle at more companies."

In their article the authors debunk five pernicious myths about executing strategy, including the one that "best results always require sticking to the plan." Their intent is to replace them with a more accurate perspective to help managers effectively execute strategy. Their main recommendation suggests that "to execute their strategies companies must foster coordination across units and help these managers build the agility to adapt quickly to changing market conditions." **This will involve an ability to instinctively practice strategic thinking.**

For the Innovation Expedition, the results of extensive new research further underscores strategy in a broader context and points to some powerful fundamentals regarding the related challenges of creating a plan backed by a strengthened capacity to apply strategic thinking on a regular basis.

A Historical Overview on the Term "Strategy"

- The term, strategy, has been around for centuries but only within the last 30 years (1965) has it been applied to business and emerged as a management discipline.
- Much of the original management thinking on strategy treated business as something of a war (the CEO was the general and chief architect of strategy, backed by obedient, well-drilled soldiers).
- The entry of strategy into business was related to the increasing complexity of the corporation and of the environment in which it was functioning.
- Most businesses before World War II were one product / single market companies—they did not have to think much about strategy. Choices were simple—decisions tended to be obvious.
- After World War II competition increased, companied expanded product lines and entered a wider variety of markets. They added more layers of management and acquired more stakeholders.
- With more choices, the questions of what to do, where to do it and how to do it became more complex.
- First writers on strategy (Chandler, Androws, Christensen and Ansoff) believed that strategy was the unifying theme that linked together the separate functional areas in a company and related its activities to the external environment.
- These writers began the S.W.O.T. analysis concept (Strengths, Weaknesses, Opportunities, Threats) and their work brought strategy to the forefront of management thinking.
- As the concept of strategy evolved, some began to be fascinated with the best process of articulating "the right strategy". Analytical techniques using the "right tools" and following "the right sequence of steps" were devised to find it. The discipline (and the industry) of strategic planning was born.
- Having the right strategy did not necessarily lead to success in the marketplace. Good execution for high performance was critical. The planners were often well removed from those executing the strategy. Strategic planning concepts, elegant in their simplicity, often proved simplistic when translated from theory to practice.
- Strategies conceived by staff planners or outside consultants often lacked credibility with line management whose support was crucial to successful implementation.
- Strategic planning has faced a barrage of criticism. Yet one needs to recognize that strategy is a young discipline that has gone through rapid growth. The original tools and analytical techniques have established a frame of reference and a common vocabulary and many of the concepts are still useful and can be built upon.

- The changing realities of the marketplace should be met not by ignoring strategy formation but by taking it to a new level and finding ways to imbed thinking about strategy throughout the whole organization.
- Excessive reliance on planning built primarily around numbers can discourage risk taking and innovative responses. Arguments are being made for more strategic thinking which pulls together both qualitative and quantitative data and uses this data to build possible future scenarios and to determine what the organization might best look like in the future to respond successfully to those scenarios.
- Increasingly the need for developing clear strategies understood and utilized by all leaders in an organization has come to be applied to nonprofits, research centres and government agencies as well as business firms. Shaping, sharing and implementing clear strategies has now become a critical part of driving performance in any type of organization.
- The emergence over the past few decades of a highly competitive, fast-changing, global, knowledge-based economy has presented organizational leaders with challenges that are increasingly complex and which often take the top leaders beyond their own training and experiences.

An Overarching Implication of the Above Insights on Strategy for Leadership Development

To respond successfully to the distinctive complex challenges emerging from the global knowledge-based economy now requires thoughtful leaders who aspire to develop high performing organizations, to acknowledge that:

- systems thinking has become the language of the global knowledge economy
- collaboration is no longer just a nice idea – it has become the DNA (critical element for success) of the knowledge economy
- the ability to unleash innovation in order to drive dramatic improvements in performance is a significant and ongoing challenge for most organizations
- while some leaders are instinctively more creative than others, innovation should be seen as a discipline that can be taught and can be learned
- the way in which one structures an organization (physically and through operating processes) will either enable and encourage innovation or constrain it
- entrepreneurial, collaborative, innovative leadership has become the key leverage point for individuals, organizations and nations
- leadership is now, first and foremost, about managing change—it should be viewed more as a mind-set than an assigned role—and so leadership is now expected from individuals at all levels in an organization whether or not their title implies a specific leadership responsibility

B. A Growing Emphasis on Strategic Thinking

All of the above realities suggest that individuals at various levels or an organization have a responsibility to become more skilled in strategic thinking so they can provide input, information and ideas into a strategic plan and so that they can help develop and implement the specific plan for their unit. **This suggests a need to help leaders at all levels in an organization to strengthen their understanding of and their ability to engage in strategic thinking to support the implementation of strategic plans.**

Seven Basic Steps to Strategic Thinking

The practice of using strategic thinking throughout an organization is increasingly seen as a fundamental asset for building any modern organization. Preferably this thinking becomes embedded in the shaping of the actions of any organization's leadership team as they move into actions aimed at achieving the stated goals of the overall strategy which has been determined for their organization.

It is a difficult, but important, transition for many employees to develop an ability to integrate this concept into their regular tasks so it becomes their basic approach for prioritizing problems to be solved; for identifying opportunities to be exploited; and for determining their best points of leverage for helping to build the organization.

Consequently, the Innovation Expedition has been collecting and creating leadership resources to support a growing commitment in many organizations to:

- clarify the steps involved in strategic thinking
- clarify the new skills required to apply these steps in the collaborative, global, knowledge-based economy
- develop materials to support the self-learning of strategic thinking
- develop interventions or clinics to improve people's ability to carry out the steps

- develop vehicles to share this learning with others in the company

One approach to achieving the above tasks has been to help leaders reconsider some long-time conventional steps for strategic thinking in the context of a highly competitive, fast-changing, global, knowledge based economy.

Seven Basic Steps of Strategic Thinking

(Making Informed Common Sense, Common Practice)

1. **Define the problem or the opportunity.**
2. **Gather the data.**
3. **Analyze data, develop future scenarios, and determine options.**
4. **Make a decision on the priority option (with back-up options).**
5. **Sell the idea to colleagues.**
6. **Implement the idea and manage the action process.**
7. **Follow up, reflect on what has been learned, and revise the actions.**

At first glance, some will say these steps are not new ones, and at one level that is true. The key thing to note is that the skills and competencies required to implement these steps in the new realities of fundamental and discontinuous changes in society are considerably different from an earlier age.

Step One: Defining the Problem or Opportunity

For example, the ability to ask broad high-level questions across a broad spectrum of societal issues becomes critical in terms of **defining the problem**. Too often the problem one is trying to solve is actually a subset of a broader problem. Pushing our thinking to clarify the key challenge is an important part of the skill set in strategic thinking.

Step Two: Gather the Data

The art and skill of **gathering data** has become increasingly complex in an era drowning in data. How can new data be quickly and efficiently obtained? What contacts and technology are most appropriate to help do this? Can I accept that I will never get all the pertinent data? Can I accept that there is a need to take action before I have all the information I would like? How does one sense when one has enough knowledge to proceed and how does one build up one's competence and confidence to move creatively using approximate knowledge?

Step Three Analyze Data, Develop Future Scenarios, Determine Options
The step of analyzing data now demands an increased ability **to recognize patterns and develop future scenarios**. Included in this is the ability to draw profiles of how the future company should look in order to deliver on the strategic intentions that have been determined.

Step Four: Making a decision and choosing a Priority
This demands an ability to pull together all explicit knowledge, weave in the implicit understanding available through intuition, and **have the courage to make a decision.** At the same time that this decision is being courageously staked out, you have to distrust the decision and maintain other options that can be quickly turned to in the event that the first option is not the most appropriate one.

Step Five: Sell the Idea to Colleagues
Selling the idea to colleagues has become an indispensable part of high performance today. With the complex demands and a wide variety of options, plus a need for most projects to be endorsed, designed, and delivered by cross-functional teams, you need improved abilities to sell your ideas to others and to develop skills for developing high performing, collaborative teams which form, often for just brief periods, teams to address a specific challenge.

Step Six: Implementing the idea and managing the action process.
Because much of the action involves cross-functional teams, there is an increased need to understand how best to lead these teams and practice project management. This is a new concept for many young managers. Also, since many projects require formal partnerships or informal alliances with outside groups, some new knowledge and skills in **relationship building and collaboration is needed.**

Step Seven: Follow up, reflect on learning, and revise the actions.
Because there is time pressure to begin projects before all the data has been collected, there is a complementary need to be sensitive to feedback, to be clear about what is being learned from the action, to identify the key success factors and blockages, plus be ready to revise actions quickly in response to the learnings. All this increases the pressure on individuals to find ways to reflect, to learn and to act on the learning. The concept of **Reflection for Action** becomes an important part of strategic thinking.

From the above brief examples it should be clear that while the steps of strategic thinking may be old concepts, the knowledge and skills needed to follow these steps successfully in today's world are quite different.

C. Insights on Strategy from Seminal Thinkers

For those who want to read more about the wide variety of approaches to strategy, I would suggest that the writings of Michael Porter of Harvard, particularly on ***Generic Strategies,*** and Henry Mintzberg of McGill on ***The Many Faces of Strategy,*** would be the most helpful. Their guidance might then be reinforced by some succinct, powerful ideas by Kathleen Eisenhardt and Donald Sull in their work on ***Strategy as Simple Rules.***

C.1 Mintzberg on Strategy

I have been most influenced by the prolific writings of Mintzberg whose commitment to offering practical knowledge is attractive to me. Mintzberg describes a number of different faces of strategy which he presented as his "5Ps of Strategy" which are:

- Plan
- Ploy
- Pattern
- Position
- Perspective

A Google Search will provide an extensive introduction to his work and features the following brief overview of Mintzberg's research over time, carried in a 2007 Oxford University Press publication, ***Tracking Strategies: Toward a General Theory.***

> *"An introductory chapter considers the term strategy, and the various ways it has been and can be used, then introduces the studies. These are reported in the next ten chapters, with descriptions of what the strategies were, how they formed over time, and how they combined to establish periods in the history of the organization. This is followed by conclusions that the study revealed about the process.*
>
> *These studies range across business (six studies), government (two studies), an architectural firm, and a university, as well as one professor in that university. They include U.S. strategy in Vietnam (1950-1973), Volkswagenwrk (1937-1972), and the National Film Board of Canada (1939-1975).*
>
> *The final chapter, entitled 'Toward a General Theory of Strategy Formation', weaves these findings together in two themes. First is strategy formation in different forms of organization: Strategic Planning in the Machine Organization, Strategic Visioning in the Entrepreneurial Organization, Strategic Learning in the Adhocracy organization, and Strategic Venturing in the Professional Organization. The second theme considers stages in the formation of strategies, from Initiation through Development to Renewal."*

As one reads the following brief descriptions of Mintzberg's ***5Ps of Strategy***, it may be helpful to identify examples where each of these different approaches to strategy has been used in your organization.

1. **Strategy as a Plan**
   Strategy can be related to **building a plan** which sets an organization or a division or a project team on a course of action. As a Plan, strategy needs to be developed in advance and with a clear purpose.

   Planning is something that most leaders are happy with and for most high performing managers it becomes a natural, instinctive part of the leadership. As such, it becomes the default or automatic approach that we adopt as we brainstorm options and plan how to deliver them.

   Planning, then, is an essential part of a strategy formulation process. The difficulty with strategic planning is that it is not enough on its own. This is where the other 4 Ps come into play.

2. **Strategy as a Ploy**
   Mintzberg says that getting the better of competition by plotting to disrupt, dissuade, discourage, or otherwise influence them can be part of a strategy. Example: a company may threaten to expand plan capacity to discourage a competitor from building a new plant. Here the real strategy is the threat, not the plan for expansion. As such, it is a ploy and here strategy is a means of outsmarting the competition.

3. **Strategy as a Pattern**
   Strategic plans and ploys are both deliberate exercises. Sometimes, however, strategy emerges from past organizational behaviour. Rather than being an intentional choice, a consistent and successful way of doing business can evolve into a strategy even when no specific plan may exist.

4. **Strategy as a Position**
   Strategy can also be seen as a position by which strategy is the means of locating an organization in its environment or determining the niche for its products and services in the marketplace.

   With "Position," strategy is about how the organization relates to its competitive environment and what it can do to make its products highly distinctive or even unique in the marketplace.

5. **Strategy as a Perspective**
   Lastly, Mintzberg suggests that strategy can be seen as a **perspective**; i.e., not determined solely by a plan nor a niche position but rather by an ingrained way of perceiving the world.

Example: will we build our strategy around a marketing perception or an engineering culture or by reflecting a culture of quality and service, etc.?

The choices an organization makes about its strategy rely heavily on its culture. Just as patterns of behaviour can emerge as a strategy, patterns of thinking will shape an organization's perspective and the things it is able to do well.

Perspective emphasizes the substantial influences that organizational culture and collective thinking have on strategic decision making within an organization.

C.2 The Porter Model for Determining Generic Strategies to Position your Company

The **strategic intentions** and the **generic strategy** of most organizations will be determined by a relatively small group of senior people. Most employees will not have to take responsibility for choosing the generic strategy which will reflect the strategic intentions. However, many would like some clearer understanding of the options available and the criteria for making choices

What is Meant by the Term Generic Strategy?

A generic strategy is an overall systematic approach which an organization has decided to use in approaching its markets, its operations, and its management style. The organization's intent is to sustain this approach over time because it sees the strategy as leading to sustainable above-average performance and competitive advantage. Generic strategy is an approach not simply to markets, but to the fundamental means by which the organization manages its commitment and resources.

Generic strategies differ from strategic plans in a variety of ways: **Generic strategies reflect strategic intent - the intended direction of the organization. Strategic plans reflect the operational plans of the organization or the mechanisms by which intent is translated into action**. A generic strategy provides the basis on which an organization will manage all of its operations in terms of the external factors in order to sustain a superior return on investment. A generic strategy directs and shapes the methodologies for human resource management and investment.

A generic strategy provides the basis for dealing with new events and contingencies which arise "out of a plan". It is, in essence, the "philosophy" of strategy within the organization.

The Porter Model for Determining Generic Strategies

Porter's basic response to the question, "What is strategy?" is to answer, "Strategy is the creation of a unique and valuable position involving a different set of activities … Comparable strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value."

Porter suggests that organizations in choosing a generic strategy basically has five different options. These are:

i) **Least-cost provider** - This approach involves making sure that all of the costs of operating the business are kept to least cost by maximizing the value added by all expenditures incurred. This is not the same as lowest price. A least-cost provider can price goods in a range from low to high. However, operating costs and overheads are low enough to ensure that margins do not have to be high for a good return on investment. Let's make this crystal clear. The cost to Starbucks of producing a cup of coffee is between 16 and 20 cents, depending on the location of the coffee outlet you buy the coffee from. Just because production costs are low, it does not follow that prices have to be low. When you pay $2.25 for a latte you are paying $0.20 for the product and service and $2.05 to Starbucks.

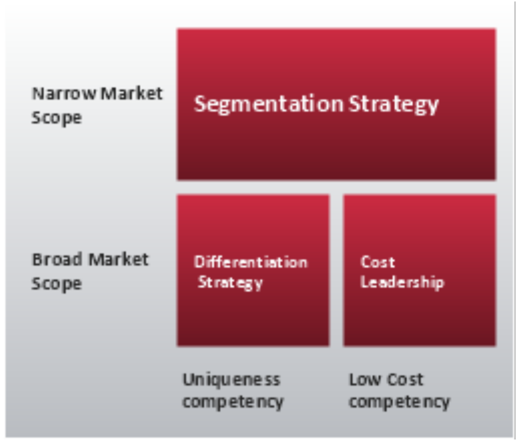
ii) **Differentiation** - Here, rather than seeking cost leadership, the organization competes on some unique feature that is highly valued by customers. It selects one or more attributes of its products or services to mark them off from others and then uses this distinction to aggressively position itself as the unique player in the market. Differentiation may not focus on the product but on the delivery, marketing, service support, and so on. One key to company thinking here is that differentiation as a strategy requires the company to charge a price that outweighs the costs of differentiation. For example, Federal Express can charge relatively more for its service since its customers experience high rates of reliability when the service is compared to that of some competitors.

iii) **Focused on Least Cost** - This is a very different strategy from cost leadership or differentiation. It relies on the organization to make a choice of who it will serve and focuses its energies, resource, and skills on becoming outstanding at serving the market segment it has chosen. It can focus on a market segment by stressing their ability to be the least cost provider for that segment or it can pick a particular segment and attract it through a differentiated product.

iv) **Focused Differentiation** - Rather than targeting everyone with a product that is differentiated (better features than a competitor's product) as in ex. (ii) above this strategy targets a focused client groups - e.g., business class air travellers - and then seeks to appeal to them with a clear and specific image.

v) **Stuck in the Middle** - This occurs when an organization tries to pursue more than one of the above 4 generic strategies at the same time, trying to be all things to all people. While this can be successful under specific conditions, it is generally a strategy which is associated with under performance and high operating costs.

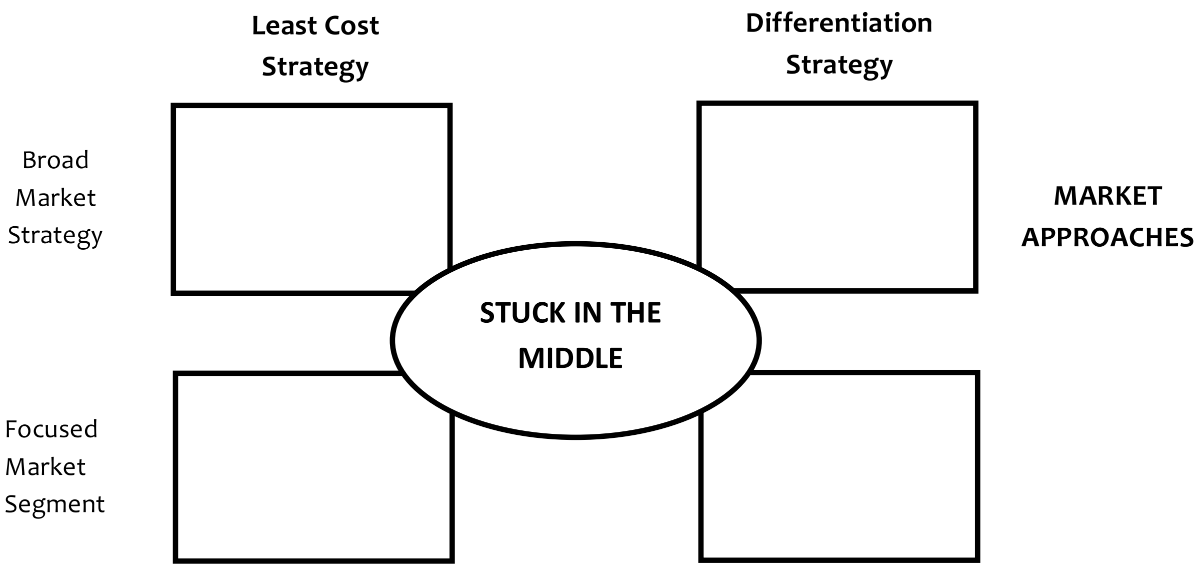
Porter's key point is that high performing organizations either choose one of these strategies to the exclusion of others or pursue more than one of these strategies but manage each of the strategies differently through separate strategic Business Units which have a high degree of



autonomy and independence.

One example of such a market is Toyota. It produces a range of cars intended for a broad market. It also produces the Lexus, which is intended for a niche market. The Lexus is built and sold through a strategic business unit (SBU) which operates as an independent organization. The SBU has distinctive production systems, marketing systems, and financial and operational systems. Yet it is still a member of the Toyota family of companies.

Primary Generic Strategy



Porter's Argument that Operational Effectiveness is not Strategy

Porter has continued over the years to stress the importance of positioning your company to compete successfully by selecting your generic strategy. He has been concerned with those leaders who say that positioning is too static for today's dynamic markets and changing technologies.

For him, this is dangerous thinking which is leading many firms into destructive competition. He suggests that the rest of the problem is the failure to distinguish between "operational effectiveness and strategy."

His seminal article, *What is Strategy,* in the Harvard Business Review (November 1996) sums up his concerns by saying:

> *"The quest for productivity, quality and speed has spawned a remarkable number of management tools and techniques: total quality management, benchmarking, time-based competition, outsourcing, partnering, reengineering, change management. Although the resulting operational improvements have often been dramatic, many companies have been frustrated by their inability to translate those gains into sustainable profitability. And bit by bit, almost imperceptibly, management tools have taken the place of strategy. As managers push to improve on all fronts, they move farther away from viable competitive positions."*

With many powerful examples he supports his stance that while constant improvement in operational effectiveness is a necessary element for achieving superior profitability, however, it is not usually sufficient.

For Porter, competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of values – the essence of strategy is in the activities – choosing to perform different activities than rivals.

> *"Operational effectiveness means performing similar activities better than rivals perform them. In contrast strategic positioning means performing different activities from rivals or performing similar activities in different ways."*

C.3 *Strategy as Simple Rules*, by Kathleen Eisenhardt and Donald Sull

"When the business landscape was simple, companies could afford to have complex strategies. But now that business is so complex, they need to simplify. Smart companies have done just that with a new approach; a few straight forward, hard and fast rules that define direction without confusing it."

Like all effective strategies this approach of supporting strategy through the application of simple rules is also about being different. But the argument made by the authors is that difference does not necessarily arise from tightly linked activity systems or leveraged core competencies, as in traditional strategies. It arises from focusing on key strategic processes and developing simple rules that shape those processes.

The authors look at the success of a number of a few leaders in the new economy, such as Yahoo and Gobal Crossing, eBay, Cemex and Ispot. Their conclusion is that the unprecedented success of a company such as Yahoo cannot be easily explained using traditional thinking about competitive strategy. They raise the interesting question: "What does strategy mean in the new economy?"

Their essential answer is the following:

"The secret of companies like Yahoo! is strategy as simple rules. Managers of such companies know that the greatest opportunities for competitive advantage lie in market confusion, so they jump into chaotic markets, probe for opportunities, build on successful forays, and shift flexibly among opportunities as circumstances dictate. But they recognize the need for a few key strategic processes and a few simple rules to guide them through the chaos."

A good starting summary of what they mean by applying simple rules to strategy can be found in the following chart in which they describe three basic ways a business can choose in order to be competitive.

Three Approaches to Strategy

Managers competing in business can choose among three distinct ways to fight. They can build a fortress and defend it; they can nurture and leverage unique resources; or they can flexibly pursue fleeting opportunities within simple rules. Each approach requires different skill sets and works best under different circumstances.

	Position	Resources	Simple rules
Strategic logic	Establish position	Leverage resources	Pursue opportunities
Strategic steps	Identify an attractive market Locate a defensible position Fortify and defend	Establish a vision Build resources Leverage across markets	Jump into the confusion Keep moving Seize opportunities Finish strong
Strategic questions	Where should we be?	What should we be?	How should we proceed?
Source of advantage	Unique, valuable position with tightly integrated activity system	Unique, valuable, inimitable resources	Key processes and unique simple rules
Works best in	Slowly changing, well-structured markets	Moderately changing, well-structured markets	Rapidly changing, ambiguous markets
Risk	It will be too difficult to alter position as conditions change	Company will be too slow to build new resources as conditions change	Managers will be too tentative in executing on promising opportunities
Performance goal	Profitability	Long-term dominance	Growth

They then go on to outline five types of simple rules.

Simple Rules, Summarized

In turbulent markets, managers should flexibly seize opportunities – but flexibility must be disciplined. Smart companies focus on key processes and simple rules. Different types of rules help executives manage different aspects of seizing opportunities.

Type	Purpose
How-to rules	They spell out key features of how a process is executed – "What makes our process unique?
Boundary rules	They focus managers on which opportunities can be pursued and which are outside the pale. For example, Cisco's early acquisition rule: companies to be acquired must have no more than 75 employees, 75% of whom are engineers.
Priority rules	They help managers rank the accepted opportunities. For example, Intel's rule for allocating manufacturing capacity: allocation is based on a product's gross margin.
Timing rules	They synchronize managers with the pace of emerging opportunities and other parts of the company.
Exit rules	They help managers decide when to pull out of yesterday's opportunities.

What Simple Rules are Not

Understandably, the authors do not attempt to lay out specific generic rules for strategy. For those readers who want to explore how they might develop and test some simple rules, the authors, in their article, offer useful descriptions under four headings:

Simple Rules for Strategy Should Not Be:

Broad – The most effective simple rules, in contrast, are tailored to a single process.

Vague – A simple screen can help managers test whether a rule is too vague. Ask: "could any reasonable person easily argue the exact opposite of this rule?"

Mindless – Again, here use a simple test. Reverse engineer your process to determine your implicit simple rules. Throw out the ones that are embarrassing.

Stale – How do you figure out if your rules are stale? Slowing growth is a good indicator. Stock price is even better. Investors choose about the future, while your own financials report the past. So if your percentage of the industry's market value is declining or if growth is slipping your rules may need a reboot.

The Number of Rules Matter

Deciding on an optimal number of rules is important. Thick manuals of rules can be paralyzing as they can keep managers from seeing opportunities and moving quickly enough to capture them.

On the other hand, too few rules can also paralyze. Managers then might choose too many opportunities or become confused about which to pursue and which to ignore.

> *"The appropriate number is somewhere between two and seven. On the one hand, young companies usually have too few rules, which prevents them from executing innovative ideas effectively. They need more structure, and they often have to build their simple rules from the ground up. On the other hand, older companies usually have too many rules, which keep them from competing effectively in turbulent markets. They need to throw out massively complex procedures and start over with a few easy-to-follow directives.*
>
> *The optimal number of rules for a particular company can also shift over time, depending on the nature of the business opportunities. In a period of predictability and focused opportunities, a company should have more rules in order to increase efficiency. When the landscape becomes less predictable and the opportunities more diffuse, it makes sense to have fewer rules in order to increase flexibility."*

Closing Comments on Simple Rules for Strategy

> *"In stable markets, managers can rely on complicated strategies built on detailed predictions of the future. But in complicated, fast-moving markets where significant growth and wealth creation can occur, unpredictability reigns. It makes sense to follow the lead of entrepreneurs and underdogs—seize opportunities in the here and now with a handful of rules and a few key processes. In other words, when business becomes too complicated, strategy should be simple."*

D. A Framework for Building a Strategic Plan

Strategic business plans in their early form had an aura of certainty and rigidity to them. They tended to be created mainly at the corporate level, often by a separate planning department, and were used mainly by senior corporate leaders to set action targets. The emergence of a global knowledge economy in which time based competition and the need for flexible responses has become critical leads us to the concept of planning being undertaken at all levels of the organization.

The strategic planning process can be applied at the organizational level, the division or department level, or the project level. The detail may vary depending on the level for which one is preparing a plan, but more and more plans are being built from the bottom up and managers at all levels are being expected to play a leadership role either in gathering and synthesizing information for their department and project plans or in developing the plans themselves. They also have to ensure that these department or project plans are in synergy with the overall corporate plans.

This toolkit demystifies the concept of building a business plan. If you have no framework, the frameworks included in this toolkit will be useful. If you have an existing framework, the categories, definitions, case studies and action steps associated with each model will help you check the completeness and clarity of your own model. Using frameworks such as the Drucker and Porter models, teams can put together rough plans quickly. Subsequent tools offer specific guidance in developing elements of a strategic plan for high performance. These elements will assist the reader to be clear about intentions, set specific measurable objectives, select action steps with a high capacity for leverage, identify key performance indicators, and develop a system for monitoring one's performance.

E. The Drucker Model for Building a Plan

"Long-range planning does not deal with the future decisions, but with the future of present decisions."

—Peter Drucker

What Levels of the Organization Need to Understand Business Planning?

The strategic planning process can be applied at the organizational level, the division or department level or the project level. The detail may vary depending on the level for which one is preparing a plan but more and more the plans are being built from the bottom up and managers at all levels are being expected to play a leadership role either in gathering and synthesizing information for their department and project plans or in developing the plans themselves. They also have to ensure that these department or project plans are in synergy with the overall corporate plans.

Managers can be helped by having a clear framework to assist them when they take on this planning role.

S.W.O.T. Analysis as a Foundation for Building a Plan

An underlying foundation for much planning is the S.W.O.T. analysis of strength, weaknesses, opportunities and threats. This type of internal appraisal should allow you to identify some key strengths and some clear weaknesses or potential weakness. Out of this comparison and analysis one would hope to identify 2 or 3 competitive advantages which you think could be sustained. This data is an important backdrop in the planning process. For example, when you get to the point of choosing strategic objectives for the year, one would hope that you will choose objectives that avoid the major threats, are aimed at the key opportunities, and maximize the organization's opportunity to utilize its strengths.

The point at which the S.W.O.T. is done varies with individuals. Some feel it should be done before one moves to identify the vision or mission and goals, others do it at some point during the work on these three items, or after they have been established.

The Language of Your Plan

The headings and categories used in your planning process can vary from organization to organization. The important thing is to pick one with which you feel comfortable - stick with it - and help your team to all start using a common language. Some framework is critical.

Peter Drucker has laid out a useful framework description about the different categories he uses. As you read it please note that he defines GOALS somewhat differently than some people do. Drucker uses the term "**Strategic Objectives**" for what some people call **Goals**.

If you have no framework the Drucker framework may be useful. If you have an existing framework, Drucker's categories and definitions may help you check the completeness and clarity of the categories in your own model.

- **Vision - “A Guiding Star”**
  A short statement of the underlying purpose.
- **Mission - “Unique Purpose”**
  What are we trying to achieve?
  A more detailed statement of the underlying purpose.
- **Goals**
  What is the desired future of the organization?
  How do we want to viewed by others in the future?
- **Strategic Objectives**
  What are the specific and measurable achievements we expect to reach in the next year?
- **Action Steps**
  What specific activities will we undertake in order to reach our objectives?
- **Budget - Resource Allocation**
  How will we allocate human and financial resources to support the Action Plan we have developed?
- **Appraisal**
  What performance indicators will we use to see if we are on target?
  How do we plan to monitor these indicators?

Teams will be created inside an organization to develop the corporate or departmental plans. This framework can assist them. People at all levels of the organization should be encouraged to use this simple framework in building a plan for individual projects.

The concept of building business plans needs to be demystified. Using frameworks such as the above, teams can put together rough plans quickly. These plans however rough can discipline one’s approach to dealing with a complex problem.

The ability to apply the concepts of Strategic Thinking at each stage of this planning process is an on-going need.

It is important to recognize that in today’s fast changing complex world, the plan may have to be frequently revised based on one’s ongoing monitoring of results. In that sense, the planning process is a continuous one. It is perhaps better represented as a circular process built around the strength of a clear vision. This idea leads us into a discussion on the concept of Strategic Intentions.

The Drucker Model for Building a Plan

MISSION
"UNIQUE PURPOSE"
What are we trying to achieve?

GOALS
What is the desired future of the organization?
How do we wish to be viewed in the future?

OBJECTIVES
What are the specific and measurable achievements to reach in the next year?

ACTION STEPS
What specific activities will we undertake in order to reach our objective?

BUDGET
RESOURCES ALLOCATION
How will we allocate human and financial resources to support the Action Plan we have developed?

APPRAISAL
What performance indicators will we use to see if we are on target?

VISION
"A GUIDING STAR"
A short statement of the underlying purpose

F. A Context for Establishing Strategic Intent

The Background on Strategic Intentions
In order for strategic thinking to be applied usefully throughout the organization it is important for everyone in the organization to be clear about what the strategic intentions are for the organization.

We have noted in our piece on the historical perspective of strategy the fact that strategic business plans in their early form had an aura of certainty and rigidity to them. They also tended to be created mainly at the corporate level often by a separate planning department and were utilized mainly by senior corporate leaders who used them to set action targets for all of their employees as they make decisions on yearly objectives on the shorter term action to achieve these objectives. An appropriate statement on Strategic Intentions should guide personnel at all levels of the organizations.

The emergence of a global knowledge economy in which time based competition and the need for flexible responses has become critical leads us to the concept of planning being undertaken at all levels of the organization.

This sort of planning should also be seen more as a guide for where the organization would like to go as opposed to a rigid plan.

This has led us to focus in our building of plans on the concept of strategic intentions.

Vision, Mission, and Goal Statements in Drucker's Model Reflect Strategic Intentions
It is very important early on in the planning process to have clarity on the strategic intentions of the organization and the concepts of Vision, Mission and Goals all deal with these intentions.

While there may be a desire to engage managers from various levels in the visioning process, often it is only one or two people at the top of an organization who can determine the strategic intent for the overall organization.

For example, in a privately owned for-profit company a single owner may determine the strategic intent of that organization. In publicly listed companies it will be the board although the CEO will usually entertain considerable influence in shaping what the board decides. In public institutions it will be the politicians and the senior civil servants who lay out the intentions.

Peter Drucker reminds us that the decision on strategic intentions (purpose) represents the main area for differences in the building of plans by not-for-profit, for profit and public sectors. He acknowledges that, when our society began to talk of management the term meant "business management" because large scale business was the first of the new organizations to become visible. But we have learned in this last half century that **management is the distinctive organ of all organizations**. However, once these different intentions are acknowledged, then he suggests that there is much to be learned from the organizational culture of the sector in which one operates by noting the different approaches to the fundamental management functions which are common to all.

He then goes on to argue that once each organization, whatever sector it is in, establishes its purpose or strategic intentions, then all managers have similar functional responsibilities.

1. All of them have to bring people—each possessing different knowledge—together for joint performance.

2. All of them have to make human strengths productive and human weakness irrelevant.

3. All of them have to think through what results are wanted in the organization -- and have then to define objectives.

4. All of them are responsible for thinking through what I call the theory of the business -- that is, the assumptions on which the organization bases its performance and actions, and the assumptions that the organization has made in deciding what not to do.

5. All of them must think through strategies -- that is, the means through which the goals of the organization become performance.

6. All of them have to define the values of the organization, its system of rewards and punishments, its spirit and its culture.

7. In all organizations managers need both the knowledge of management as work and discipline and the knowledge and understanding of the organization itself -- its purposes, its values, its environment and markets, its core competencies.

In summary, he suggests that “management is still taught in most business schools as a bundle of techniques, such as budgeting and personnel relations. To be sure, management, like any other work, has its own tools and its own techniques. But just as the essence of medicine is not urinalysis (important though that is), the essence of management is not techniques and procedures. The essence of management is to make knowledge productive. Management, in other words, is a social function. And in its practice, management is truly a liberal art.”