



9

Implementation

Learning Objectives

By the time you have completed this chapter, you should be able to do the following:

- Recognize good operational plans and distinguish them from weak ones.
- Appreciate the value of tracking progress on all operational plans.
- Appreciate the value of face-to-face meetings with middle managers to discuss negative variances.
- Know why emergent strategies occur and how they might affect a company's current strategy.
- Manage, improve, and evaluate an existing strategic-planning process.
- Understand the "strategy paradox," showing how a company's strength in execution can be simultaneously its Achilles' heel.

Chapter Outline

- 9.1 Plans by Organizational Unit
- 9.2 Tracking Performance Using Metrics
- 9.3 Emergent Strategies
- 9.4 Managing the Strategic-Planning Process
- 9.5 Improving the Strategic-Planning Process
- 9.6 Assessing the Strategic-Planning Process
- 9.7 Raynor's Strategy Paradox

Implementing a strategy in the real world isn't a leisurely swim across a calm pond on a sunny day, but rather like crossing from one bank of a raging river to the other, encountering hidden eddies, fog, driving rain, lightning, and riptides along the way. While not impossible to reach the other bank (the goal), the task often becomes difficult and one of overcoming obstacles and making constant adjustments without losing focus or sight of the goal. Implementation is like that. Even the most brilliant strategy is worthless if it cannot be implemented.

This chapter focuses on strategy execution and its difficulties, and part of it is devoted to assessing, improving, and managing the strategic planning process itself.

9.1 Plans by Organizational Unit

When an organizational unit gets its plans and budget approved by the level it reports to and on upward, exactly what is it that gets approved? An operational plan is a document that specifies the projects or tasks that must be accomplished to achieve particular operational objectives. Details specified in operational plans include the names of those who will be involved and the individual responsible for each one, what equipment will be needed, when each will start and end, and the estimated costs for each one. Given the level of detail required it should come as no surprise that an operational plan can run too many pages if a large number of projects must be detailed, such as manufacturing hundreds of product lines.

It takes contributions from everyone who will be involved in that unit's operations to create such plans. They will make sure that continuing current operations are included in the plans, which is easily done. What adds a level of complexity and difficulty is incorporating additional tasks demanded by a change in strategy.

Consider the following scenarios, which illustrate the difficulty in creating operational plans when asked to do more than simply repeating what was done the previous year:

- *Production.* A specific higher level of throughput is required to satisfy increased demand, which will soon require capacity expansion. Can the increased capacity requirement be

met by adding additional shifts, physically expanding the size of the plant, or building a new plant? Can some of the additional production be outsourced? How many new machines must be added and of what kind? How many new people must be hired and trained, and how long might all of this take? Also, consider the scenario where a whole new product line has been designed and now has to be produced in addition to producing all the other product lines. How can this best be accomplished? In both scenarios, production capacity has to be increased.

- **Research & Development.** Technology advances are affecting the company's ability to compete. This requires new initiatives to keep up with technology as well as continue with applied research associated with developing new products. This could mean expanding staff and facilities or forging strategic alliances with particular universities that have the requisite capabilities to help the company. Another option might be finding a company with the needed technology and licensing it. Yet another possibility might be to start a conversation with top management about possibly acquiring a small high-tech company with these capabilities and patents. What is the best way to do this?



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- **Marketing.** The decision to expand from being a regional consumer-products company (B2C) to a national business presents a host of operational challenges. Should the company continue to handle its own distribution or find a national distributor? How many new retail outlets would it need to find to reach potential customers? Would it need to lease additional distribution centers or warehouses? Which specific parts of the "rest of the country" should be targeted first, second, and so on until the company covers all of its targeted areas? What advertising media would be most appropriate, and does going national require television advertising? Should more emphasis be placed on online rather than brick-and-mortar sales? How can this sales objective be realized most expediently?
- **Finance.** Consider two scenarios: In the first, the company has decided to invest in either a new integrated information system or a significant development of the existing one. How many more software engineers and programmers will be required? Could part of the new system be licensed and then customized? Without intimate knowledge of the completed system, how can building it be planned for? Should a consulting firm be engaged with the requisite experience? Will IT staff need to be hired and trained for the other functions? In the second scenario, the company's cash needs for the coming year exceed what it can normally access. How can it raise more cash? Should receivables be factored? Should a larger line of credit be negotiated? Should payables be delayed? If appropriate, should some customers be asked to prepay? Is there a way to maintain negative working capital to free up the most cash?

Research and development is essential to a company's ability to compete. It requires new initiatives to keep up with technology and develop new products.

Ideally, operating units will have been working on these kinds of changes over a much longer period, using the formal operational-planning period at the end of the fiscal year to finalize its plans and match available resources before the new fiscal year begins. And its plans must be done in some sort of networked way or using Gantt charts to show which projects or tasks can be done independently of others and which are integral to a particular sequence.

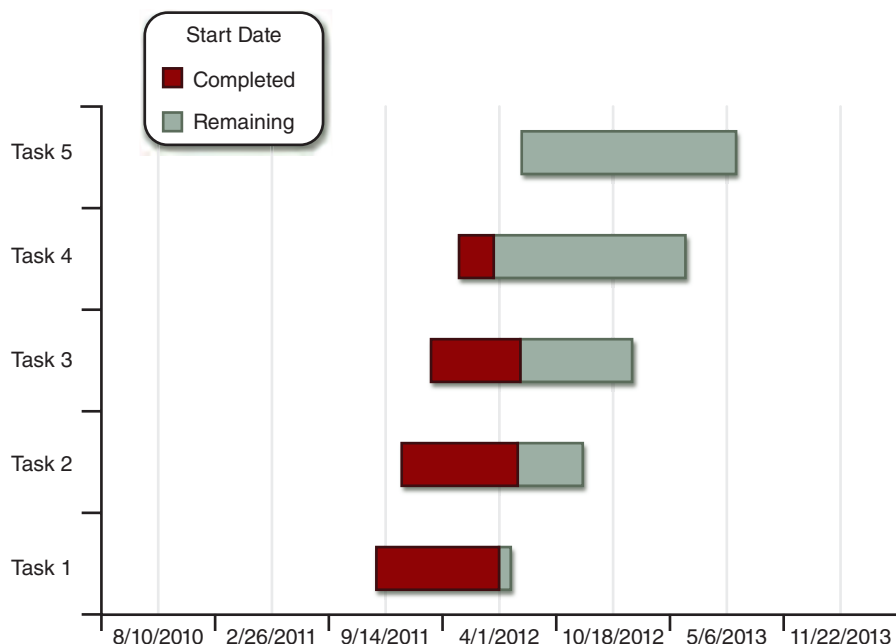
A **Gantt chart** is a type of bar chart that graphically depicts a project schedule. Gantt charts indicate the start and finish dates of each component of the project. Some Gantt charts also reveal the dependency relationships between component activities; that is, the dependency of one activity upon the completion of another is indicated. Gantt charts can be used to show current schedule status using percent-complete shadings (Figure 9.1). Gantt charts can also be combined with PERT software to produce a critical path of projects (United Nations Institute for Training and Research (UNITAR), 2004).

When that is done, the total plans for a particular unit should be summarized according to the review period set by the company. Typically this is each month. The review cannot begin until all the requisite data have been collected and organized, which usually takes a week after the end of the month. Actual results are then compared to plan (expected performance and budget) along the following dimensions:

- For each project completed during the period, data show whether the objective was achieved, current and total costs, and whether the deadline was met.
- For each ongoing project, data show progress toward achieving the objective, current and cumulative costs, and a probability that the deadline will be met.

The project leader initially does such a review, with copies given to middle managers on up to functional heads. If the data are input into a computer system, then those managers will all have access to monthly summaries.

Figure 9.1: Example of a Gantt chart



Discussion Questions

1. Clearly, it's much tougher to translate a change in strategy into operational plans than it is to continue with an established strategy. In your opinion, is it acceptable to submit a plan that's full of uncertainties? Explain your point of view.
2. Can you think of anything else that should be part of a good operational plan?
3. Now that you know more about what is involved in coming up with a good operational plan, do you believe that strategic planning should be done solely by top management?
4. To what extent, if any, does strategic-planning experience help an operational manager develop operational plans to support the company's strategies?
5. To what extent should managers be aware of what's going on in other parts (e.g., functions) of the company while preparing operational plans?
6. If quality or effectiveness of a project is important, how can these be incorporated into an operational plan? Or should a separate project be developed to assess those attributes, requiring additional expenditures?

9.2 Tracking Performance Using Metrics

Two old adages that underscore why the use of metrics is so vital in organizations:

- “What gets measured gets managed.”
- “You can't improve what you can't measure.”

By way of illustration, consider the true example of a nonprofit organization that provided educational workshops for high-school students in an effort to reduce the teen crime rate in the area around the city in which it operated. The directors were asked how they knew how the organization was performing and what information was reported to its sponsors periodically. They said they kept records of student attendance at every workshop they gave, the number of workshops each week and at which school, who gave the workshops, and the content of each workshop. In other words, what they said they were going to do and what they did was what was measured and reported. But how effective were the workshops? What was the purpose for developing and giving them? Did the teen crime rate decline over the couple of years that this organization was giving its workshops? And even if they did—which no one knew—was it because of the workshops?

In this example, the donor was as much at fault as the people in the organization for not insisting on better measures and better data. Clearly, like many other organizations, this one measured what is easy to measure, not what needed to be measured. Unfortunately, those running the programs didn't know, or had never considered, the difference. There are many ways to measure performance, but the more systematic and reliable the method is, the more credible the data will be in supporting strategic plans and their implementation.

Organizations mistakenly measure the results of their activities or effort, not progress toward achieving objectives. Although impact measurement is important, process evaluation is critical to strategic management. Evaluating progress at numerous stages throughout implementation allows the manager and his or her team to make adjustments and modifications to the strategy.

Operational objectives, discussed in Chapter 8, must be set carefully. Making good progress toward objectives that were set too low is of little value and won't implement the strategy properly. Setting them too high de-motivates the workforce and is just as bad. So let us assume that "stretch" objectives—set at just the right level but that demand a little more from everyone to achieve—have been set all the way down the line, plans were devised for every unit that matched its budget allocations, and that it was these plans that are now being carried out by everyone in the organization.



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The manager's job is to collect and organize current project data by project.

How does top management monitor whether everything is "on track" or "on plan?"

The manager's job is to collect and organize current project data for the review period, by project, in their respective areas of responsibility. The example shown in Figure 9.1 is a step in the right direction, but has to be summarized for the month. For example, the figure shows an almost instantaneous picture for daily monitoring, a time frame and level of detail required only by the people actually doing the work. From such daily reports and the status of projects at the end of the month, a manager would need to

extract and summarize information on each major project, being careful to note which projects were on schedule and under budget and which weren't and by how much. The latter could constitute a separate "exception" report of negative variances (discussed in more detail later), which are projects that have slipped their schedule or are over budget, together with additional information on how much extra it might cost to get all of them back to meeting their deadline.

The Budget as a Control System

Recall the vignette about Pacifica Corporation recounted in a box in Section 2.9. As part of the rapid change in its culture, five original managers including the CFO were replaced. The CFO was let go because he did not understand the concept of budgeting but for months had fooled management into thinking he did. When asked if everything was "on budget," he would reply, "Yes," which was accepted at face value given his position as CFO. After about six months, when it became evident that costs were really out of control, he was asked if everything was still on track with the original budget that had been approved. Of course they weren't. Each month, when expenses had exceeded the budget, he had simply raised the budget amount accordingly and reported that things were "on budget," rather than take steps to reduce expenses.

The budget is a **control system** in that it allows management to compare actual performance to a standard, measure the variance, take action to reduce the variance, reset or update, and test again. Another example of a control system is a packaging machine that automatically fills boxes with a precise weight of cereal and signals the operator the moment the filled weight exceeds or

falls short by a preset small amount, enabling immediate adjustment of the machine. In the case of a budget as control system, action is taken only if expenses exceed the budget. Further, cumulative expenses are compared to cumulative budgets so that an operational unit that has overspent one month can “make up” and spend less than its budget in the following month (Figure 9.2).

One of the hallmarks of a good control system is that corrective action is taken as soon as it is found to be needed. Why wait until the end of the year to discover that you have gone over budget? At the other end of the scale, should you check every week? That makes no sense, either. Monthly checking is about right, and most information systems can provide such information monthly, either as needed onscreen or in a customized monthly report sent to all operational managers.

In large organizations that have federal contracts, for example, government auditors closely examine expense reports, time sheets, and invoices related to programs. So, for example, when a contractor requests increased funding, budget controls are in place to quickly advise regulators as to the legitimacy of the request. In this way, the government can determine when increased expenses are justified, or when to tell its contractors to cut costs.

Addressing Negative Variances

Managers in well-run corporations make a point of meeting with their direct reports regularly to go over progress and discuss any problems. One focus of the meeting should be variances and any exception reports that detail differences between plans or standards and actual performance. A

Figure 9.2: The budget as control system



negative variance is an instance where a project's progress is delayed and could miss a deadline, or where its budget has been exceeded, or where performance comes up short of a quantitative standard or expectation.

What can be accomplished in such a meeting between a manager and a direct report? First, the manager should learn about the particular circumstances surrounding negative variances of some projects, what might have caused the delays or budget overruns, and which other projects might be in jeopardy as a result. They should ask questions and listen carefully to the responses. Both the manager and direct report should note questions to which an answer could not be provided because the direct report didn't have the necessary information.



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Well-run corporations have their manager's report in every month to track progress and discuss any problems that have arisen.

Second, the manager and direct report should discuss potential solutions to the negative variances. Some projects can be pulled back on track through either the direct report getting project personnel to acknowledge problems and solve them, helping them to find solutions, and trying to remove obstacles that might be delaying progress. Also, if budgets are overrun, a new lower budget that compensates for the overrun must be communicated to project personnel. The manager should focus on projects where there is a direct relationship between schedule and budget. That is, where speeding them up will cost more, and conversely, where reducing the budget results in unacceptable delays. It is in precisely such situations that any critical-path software becomes invaluable, because it lets a project leader or supervisor try out different alternatives until both parameters (project time and budget) meet expectations.

Third, the manager should insist that the direct report file—within the next couple of days—a revised plan containing the points that were discussed that will bring projects and budgets back in line.

Finally, meetings represent an opportunity for the manager to strengthen a relationship with the direct report. In most cases, the meeting is just between the two of them (although inviting other project managers who are in a better position to provide explanations is also common). What is the direct report most worried about? Is the communication between them as "open" as it needs to be? What's really going on? Taking the time to delve a little deeper and offer guidance and counseling is often well worth the time.

Be mindful of a couple of potential red flags: Some managers don't like hearing or dealing with bad news and might even tell their reports they don't want to hear it. So if a supervisor is repeatedly

told that “everything is okay,” he or she might well suspect that it’s not. The manager will have to dig deeper and even go to chat informally with the direct report’s colleagues and team members. A manager also needs to be sensitive to whether a direct report is losing control of the team or his or her responsibilities. If the employee feels overwhelmed and relatively powerless to stem the tide, a real problem exists.

This kind of face-to-face meeting with a direct report goes on up and down the hierarchy. Typically, a manager might have a half dozen to a dozen direct reports, some fewer, some more. A manager should schedule all meetings with direct reports over the course of a day or two before meeting with his or her own supervisor, taking on the role of “direct report.”

If this description of the organization conveys the idea that this is one massive control system, that is exactly the intent. During execution or implementation of a strategy, doing the work and controlling the work—its quality, timeliness, and adherence to a budget—is vital. And in the spirit of a good control system, actual performance is compared to a standard, the variance noted (especially negative variance), solutions developed, and a correction applied as soon as possible. Data collected about performance, especially as part of an information system, are essential, but a control system needs more; that’s why the face-to-face meetings are imperative and why everyone in the hierarchy must follow through and put the corrections into effect to improve performance the following month.

This description also gives the impression that managers take part in many meetings, and that too is by design. With so many meetings to prepare for and attend, when do managers get time to do their real work? Perhaps this is the fallacy. Recall the definition of a manager as “someone who gets work done through other people.” The time spent in meetings is the work. Whether that time is wasted or not is another issue and goes directly to whether the person conducting the meeting is an effective manager. Managing well is difficult, challenging, time-consuming, but ultimately very satisfying. The job gets done on time and within budget, and your direct reports grow and develop into productive, congenial team members.

Discussion Questions

1. It’s easy to measure what training was given, to whom, by whom, how often, and whether it was within budget. What measures would you suggest to determine the effectiveness of such training? Is it important?
2. Midway through the year, all managers are told that budgets need to be slashed. What is their likely response? Do all operational managers line up to “make their case” for not cutting budgets on their projects? Do vice presidents and other senior-level managers make the decisions as to where and what to cut?
3. With each manager receiving a monthly report about project progress and budget compliance, what additional benefit is gained from a face-to-face meeting?
4. If you were a manager who had to oversee people and projects, would you look forward to your monthly face-to-face meetings? Under what circumstances might you dread them? If you can think of any, how could you improve the situation?

9.3 Emergent Strategies

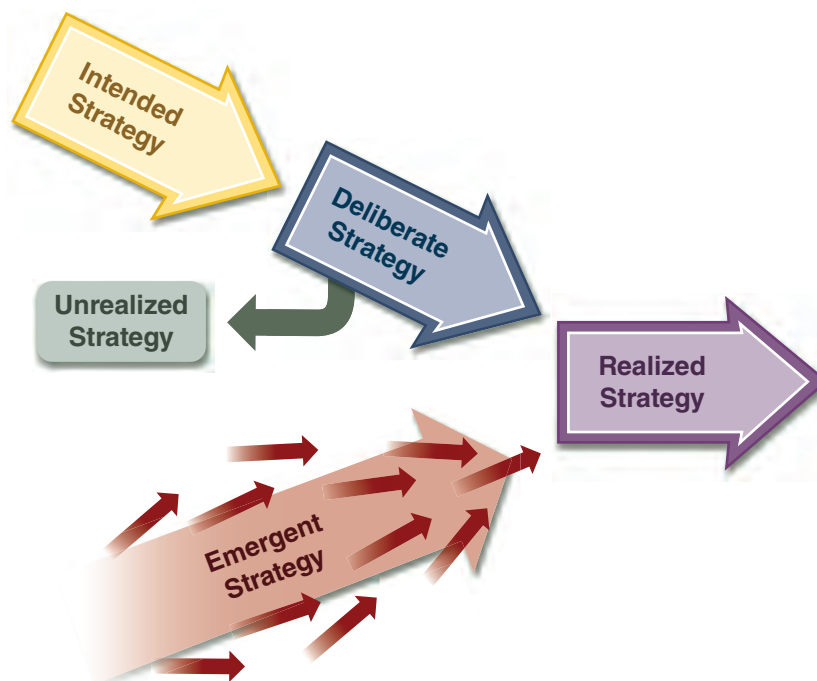
There is one type of strategy that occurs only during operational execution. **Emergent strategies**, first proposed by Henry Mintzberg of McGill University, arise as a result of an organization's response to unexpected events as a strategy is being implemented. In Mintzberg's terms, an intended strategy is akin to the "best" strategy that was developed in Section 6.4 and chosen in Section 7.2. Such a strategy, when implemented, is then called a **deliberate strategy**. If it fails for whatever reason, it is considered an **unrealized strategy** (Figure 9.3).

As the deliberate strategy is executed, a pattern may emerge that was not intended when the strategy was first proposed. Actions that were taken one at a time take on a cumulative effect and become a strategy. For example, a supplier serving restaurants has an opportunity to serve a hotel, and later another hotel, and so on until it becomes clear over time that the company has diversified into the related market of hotels. That is an emergent strategy that was never a part of the strategy the company set out to implement. Combined with the deliberate strategy of serving restaurants, it evolves into the **realized strategy** of serving the hospitality industry. This is also sometimes referred to as an **umbrella strategy**.

There is much validity to viewing strategy in this way, from how it's formulated to what actually happens in practice. Real life is messy and rarely do plans actually happen the way they are intended. Few strategies are purely deliberate, just as few are purely emergent; the former allows for no learning while the latter means no control (Mintzberg, Ahlstrand, & Lampel, 1998). Reality is some combination of the two.

Accepting the notion of emergent strategies allows the organization to learn from customers and to increase its capacity to experiment with new ideas. That is not to say that learning doesn't

Figure 9.3: Deliberate and emergent strategies



Source: From Stanley C. Abraham, *Strategic Planning: A Practical Guide for Competitive Success*, p. 157. Copyright © Emerald Publishing Group Limited. Reprinted by permission.

occur without an emergent strategy; one of the important byproducts of the strategic thinking and planning process is to increase strategic learning and to update everyone's mental models in a similar way. The very act of implementing a strategy involves all kinds of learning, which benefits the next round of strategic planning.

Keeping one's eyes open for a pattern that signals an emergent strategy is another way for a company to stay agile and flexible. In times of constant and rapid change, taking advantage of opportunities "on the run" as well as formally through strategic thinking is a sign of a healthy company. Should the emergent strategy become so powerful as to swamp the deliberate strategy, the company can always have an impromptu strategic-planning meeting and, with the board's approval, acknowledge what is happening and capitalize on it with full budgetary support.

Discussion Questions

1. Is it possible for a company to experience emergent strategies all the time? Is that the same as saying that it has no strategy? Explain.
2. Mintzberg and his associates characterize deliberate strategies as exhibiting control but no learning, whereas emergent strategies exhibit the opposite. Do you agree? Why or why not?
3. Do you believe that companies in general find it difficult to realize an intended strategy? If so, is it because of emergent strategies cropping up all the time or simply poor execution?

9.4 Managing the Strategic-Planning Process

Strategic planning is usually carried out by a group of people in a company, and a formal process needs to be established to get such a group to coordinate their efforts and work as one. What follows is a set of guidelines for setting up and managing the strategic-planning process in a company, building on the discussion in previous chapters, which describe a process for doing strategic thinking and strategic planning. Insofar as the abilities of different companies to perform strategic planning and implement a formal process vary greatly, such guidelines are difficult to write. A few basic assumptions were made in formulating them:

- Most small- to medium-sized organizations do not have a good understanding of strategic planning and therefore either do not perform it at all or do something they "think" is strategic planning.
- Companies that do strategic planning and use a formal process could benefit by benchmarking their process with these guidelines.
- Many companies do strategic planning without reflecting on whether it is done well or provides the organization with value. That is, they do so without the benefit of any strategic thinking.

Before the process of strategic planning is begun, it would be a useful exercise for members of top management to assess the company's inventory of needs. One device that could accomplish this is a brief questionnaire such as the following strategy quiz.

Table 9.1: Strategy Quiz: How strategic is your organization?

Answer each question either with a Yes or No by checking the appropriate column next to it. Your answers will be scored based on the number of “No” responses.

Questions	Yes	No
1. Are you realizing the full potential of your company and people?		
2. Do you have a five-year vision for your company?		
3. If so, do you believe your company can achieve it?		
4. Are you pleased with your company’s profitability over the past three years?		
5. Do you believe the value of your company is increasing over time?		
6. Are your company’s sales or revenues growing fast enough?		
7. Do you have enough money (including ability to borrow) to get the job done?		
8. Do you have a significant advantage over your competitors?		
9. Are your products or services competitive?		
10. Do you know what your costs are?		
11. Are you getting new products to market quickly enough?		
12. Does your company do strategic planning every year?		
13. Can you state what your company’s strategy is and why it will work?		
14. Do you have at least three opportunities you are deciding whether to pursue?		
15. Do you know what your company’s principal problems are?		
16. If so, do you know what to do about them?		
17. Do you have a set of measureable objectives you are trying to achieve?		
18. Are you getting the most out of your people?		
19. Do your employees know where the company is going and how it will get there?		
20. Is your company culture collaborative, innovative, and trusting?		
TOTAL		

Source: Stan Abraham, www.futurebydesign.biz

Whose Responsibility Is It?

In small companies that perform strategic planning, the CEO or owner typically drives the process. Occasionally this role is acknowledged as the CEO’s most valuable contribution. For example, Livescribe, a market leader in digital pens, hired a new CEO for the specific task of strategic planning (Takahashi, 2012). Sometimes, he or she might use a consultant or an executive within the organization to conduct the process and help the group decide on the strategies. Most small companies and new ventures, however, do no strategic planning for the simple reason that there is only one strategy possible, and the company’s energies are focused on executing it. Examples are restaurants, retail outlets, or small service businesses. Such companies address strategic planning only when faced with several choices or intense competition and, for the first time, are put in a position of not knowing what to do.



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In smaller companies, the CEO usually does the strategic planning, but in larger companies the responsibility is delegated to a VP or group of individuals.

In midsize to large companies, the job of controlling the process is typically delegated. Ideally, there would be a director of strategic planning to manage the process. Without such a position, responsibility would go to whoever the CEO believes can do a good job or has some experience with strategic planning, such as the CFO or a functional vice president. If no one wants the assignment or feels able to do it, someone from outside may be brought in to do it. If manufacturing, R&D, and distribution can be outsourced, so can facilitating the strategic-planning process. However, only planning and conducting the process and achieving its purposes should be subcontracted to a consultant. The actual decisions cannot be; the CEO and managers, who alone are accountable for acting on those decisions and achieving the company's objectives, must make them. Some organizations, such as Air France (Air France, n.d.), form ad hoc or standing committees to focus on strategic planning. Others, like Mitsubishi (Mitsubishi Electric, n.d.), employ a vice president or C-level executive to direct strategic planning and related initiatives.

The person in charge should make sure all those involved understand what they have to do and give them time to do it. Part of the process is creating standard reporting formats that everyone understands and that facilitate comparisons with later years. At the

outset they should establish a schedule for the process and then enforce it unless a company crisis intervenes. The individual managing the process must remember that these planning tasks are superimposed on people's regular jobs and are likely to produce negative attitudes and reactions. Only if those involved see the activity as crucial for the company and worthy of being taken seriously by everyone will they be motivated to do a good job.

Choosing the Process

Whatever process the company uses for strategic planning must meet certain criteria. Key company managers, particularly the person in charge of the process, must understand it—what it is, what is involved, who should be involved, why it is needed, and how to realize the benefits from using it. The process must be perceived as appropriate and feasible for the company in terms of sophistication, complexity, and culture. The company must be prepared to commit to the process and its outcomes. All involved must agree to take it seriously and implement those strategies and decisions that result from the process.

The person in charge should explore several different approaches, or invite several consultants who specialize in this area to discuss their approaches.

Hiring a consultant to help with doing strategic planning the first time is prudent. Ceding this control (and worry) frees managers and executives to participate in the process. Furthermore, a consultant can control the quality of the discussion and strategic ideas that are proposed, as well

as ensure that real data and analyses are used as much as possible rather than opinions and conjecture. Finally, a consultant can act as facilitator to make sure that all voices are heard, not just one or two people who might dominate discussions. A neutral facilitator is more likely to ensure that people are not just saying what they think the CEO wants to hear, which is a major problem in many companies. Ideally, a consultant should be trusted and one with whom the CEO is comfortable—someone who can do a good job of guiding participants in the strategic-planning process that is the best fit for the company. An effective consultant should deliver benefits to the process that outweigh the fees charged.

A Suggested Strategic-Planning Process

The following process would work with firms of almost any size. It is generic and can be tailored to fit a particular company. The process has 10 basic steps; some of them could be broken down into sub steps (Figure 9.4). Perhaps the most crucial element in strategic planning is to involve the right people, particularly those who will be called upon to implement the plan. People—depending upon their experience, background, and role in the company—going through the same process of strategic planning will make completely different decisions and achieve completely different results. It is crucial, therefore, to consider carefully who is involved in the process. As has been discussed, it would limit the effectiveness of the process and of implementation to limit the planning group to just the top management; managers two or three levels down should also be included. If this yields a number that becomes unwieldy for simple meetings, it may be necessary to limit the number that participate or cascade the meetings from one level to the next to accommodate everyone. What is crucial is to obtain as many different perspectives

in the planning process as possible as well as the involvement of people who implement the strategies. The value of a professional facilitator becomes more pronounced the larger the group of people involved in the process.



AP Images/Douglas C. Pizac

The biggest waste of a company's time and money is to pay for a top managers' meeting at a rural retreat center and then have no one follow up on implementing any of the business discussed.

Strategic planning is only meaningful if the company fully intends to implement the decisions taken. A common waste of time and money is for a company to bear the cost of top managers meeting at a retreat, sometimes with an expensive facilitator, making important decisions, on which no one then follows up. The result is business as usual. One can only conjecture some possible reasons for why this happens. Perhaps "going through the motions" of strategic planning soothes some executives' consciences. Perhaps they believe that "doing the

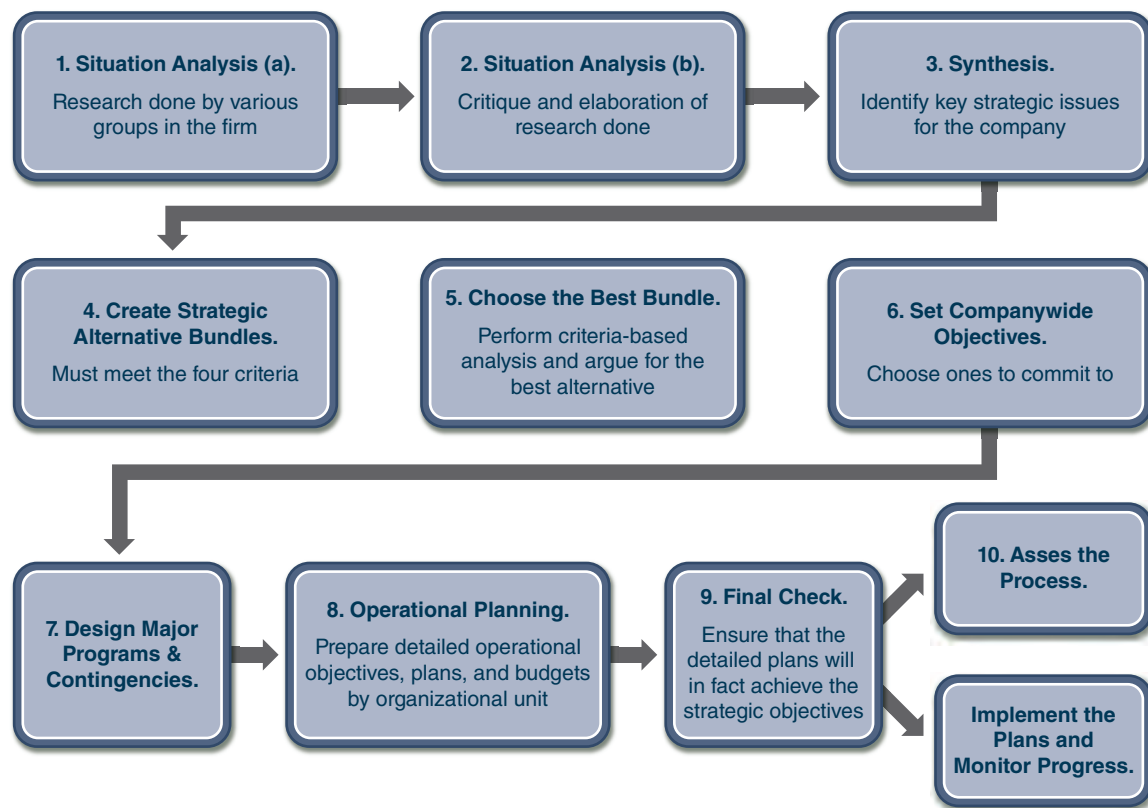
planning” is all there is to it, a belief that no one has bothered to correct for them. Perhaps it is the golf game at the resort where the retreat is held that has their real interest. However, it is a waste of time just to go through the motions so a commitment to the process and implementation are requisite elements.

There are a few key strategic decisions to be made, or at least revisited. The first is to confirm a commitment to a vision to which the company aspires. The outcome of the process is deciding on the best strategic bundle in the circumstances. That may even happen to be what the company is currently doing. After that, overall companywide objectives are set. Finally, major programs that are to be implemented and resource allocations are developed in detail.

Follow through will be much more likely if the participants see these decisions as being the best that could be made, that they are feasible yet challenging to achieve, that there is some urgency in getting them implemented, and that they would result in a stronger and more competitive company. Focusing on a small set of objectives increases the chances of them being attained and lessens the likelihood of conflict between objectives that might occur with a larger number. A limited set of objectives would also help focus the company.

The following description of each step in the process shown in Figure 9.4 includes some pointers for making the whole process successful.

Figure 9.4: A suggested strategic-planning process



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Situation Analysis (a)

Certain key categories of data need to be collected in this initial research step. Any time that data are collected it is best to obtain a copy of the source document or at least a complete citation of the source. It should be self-evident that it is best to get the most recent data possible. If forecasts can be obtained, the source should be recorded, because it has a huge bearing on the credibility of the forecast itself. Finally, key people in the company should be appointed to act as gatekeepers for particular categories of data, and everyone in the organization should know who they are. Everyone can then send items of information or leads about a particular category to these gatekeepers. If done throughout the year, this first step is not needed; otherwise, one must allow sufficient time to collect and analyze the data and prepare useful summaries. Every month, these gatekeepers should summarize and make sense of the data collected to-date, which is then sent to everyone on the planning team.

Substantial preparation should be done for each step. Research and data collection must be based on fact or analysis, not on opinion. Where data cannot be obtained, for example, on competitors that are privately held, make assumptions and move on. Paying for critical data such as economic forecasts or competitive intelligence may be worth considering as it could be an investment. Also consider adding an economist or competitive-intelligence professional to the company's permanent staff if it turns out to be cost-effective.

Situation Analysis (b)

Each gatekeeper should make a summary presentation of what is going on in his or her particular category. Such presentations should be based on the data collected and analyzed during the previous 12 months and should include numbers, trends, graphs, and sources wherever possible. The gatekeeper should interpret all the data and conclude with the most significant and relevant facts and trends that will affect the company. This is one way of educating the planning team about changes and implications arising in that particular category. The presenters should encourage questions in order for complex issues or trends to be understood or challenged. This process should appeal to companies that like structure; an alternative is a series of strategic conversations, discussed in Chapter 2.

Synthesis

This step allows the participants to list all critical uncertainties, that is, the key strategic issues that could have a positive or negative impact on the company. "Critical" means those issues that must be addressed in the ensuing strategic plan. Everyone's suggestions should be solicited first before combining or eliminating any issue.

Create the Strategic-Alternative Bundles

This is a creative activity well suited to an extremely diverse group of people. Ideally it would include representatives from different functional areas and levels of the company, with very different business and industrial backgrounds, newer members of the organization, and seasoned veterans. Starting with the list of strategic alternatives and working in small groups, each group should come up with its version of alternative bundles and check to see that they meet all four criteria.

When the small groups have designed the proposed bundles, these can be assessed and debated by the entire planning assemblage. The idea is to synthesize the efforts of the various subgroups into a final grouping of three or four really good bundles that meet the criteria. Experience has shown that this step always takes longer than expected to do well. One idea to force an intelligent critique of the alternatives is to “murder-board” them. Assign a subgroup to tackle each alternative bundle, and instruct them to come up with all the reasons they possibly can as to why that alternative would *not* work. It is amazing how this extra step adds a humiliating dose of reality to the process, can result in important modifications to the bundle in question, and can even cause one bundle that was going to be considered by the group to be discarded.

*Digital Vision/Thinkstock*

After completing a situation analysis, each manager or gatekeeper should make a brief 30-minute presentation on his or her particular category.

Choose the Best Bundle

Select a subset of five to six relevant criteria. Evaluate the bundles on each criterion. The entire group of participants should reach consensus that whichever bundle is finally selected really is the best one in the circumstances, and why. Ultimately, everyone should understand that this is how the company will compete over the next three to five years.

Set Companywide Objectives

As discussed earlier, this is a three-step process. Depending on the preferred key indicator, such as revenues, NIAT, market share, and D/E ratio, the company needs simply to answer the question, “How far do we want to go this next year and in each of the next two years toward implementing the chosen strategic bundle?” It will depend on the firm’s current resources and those it could additionally access, as well as the nature of the chosen strategies. In addition, it will depend on whether the competitive environment is becoming more difficult or any other threats are looming. Based on how the company has been doing in the recent past, the objectives should be set at a challengingly high level while still being achievable. Most importantly, those who must be accountable for achieving these objectives should agree to the level at which they are set, and that level should be challenging.

Of course, the model assumes a participative way of setting objectives; some CEOs still reserve the right to do this on their own. However, a wise CEO knows that when managers charged with implementing a strategy set their own objectives, they are more likely to achieve them.

Design Major Programs and Contingencies

Some of these major programs are included in the chosen bundle, while others may need to be added. It is this list of programs that will guide the creation of the operational plans. “Contingencies” here refer to the trigger/contingency pairs that were discussed in Section 7.4.



One of the more complex steps in the analysis is preparing a detailed account of your operational objectives and plans.

Prepare Detailed Operational Objectives and Plans

This is one of the more complex steps in the process, but there are many ways to create operational plans. Given the companywide objectives and major programs already identified, the directors of functional units (e.g., marketing, production, finance) and other support units (e.g., materials lab, purchasing) take these as mandates to their respective staff and get them to generate detailed operational plans that would contribute to achieving the objectives and chosen bundle (business model). At a minimum, these plans should include the following:

- A timeline of specific tasks the unit will undertake during the year
- A proposed budget to accomplish them by task and month
- Specific details as to who will be participating in these activities and, in particular, the person who will be responsible for each activity
- A list of additional resources, human and material, that will be required to complete the proposed tasks

Perform a Final Check

Once these plans have been drafted, they should be reviewed by top management and/or the director of strategic planning to check their feasibility, verify that the requested budgets do not exceed available funds, and confirm that completing all the planned activities will, in fact, achieve the overall objectives for the company. This mixture of top-down and bottom-up planning may have to endure one or more iterations before the operational plans and budgets are finally approved. For this reason, be sure to allow enough time to complete this process properly and break it down into components as shown in that figure.

Assess the Process

Those who participated in the strategic-planning process should be asked to complete a detailed questionnaire about how well the process went and the quality of the decisions made. The following section discusses measures for improving the process.

Discussion Questions

1. You work for a company that has never done strategic planning. Describe the steps you would take to persuade the CEO that going to the trouble of putting a process in place would really benefit the company.
2. In your opinion, what might be the most difficult part of the strategic-planning process for a company to develop competence in? Explain your answer.
3. If you had to choose from these two alternatives, which would you choose: good data but poor decision making, or untrustworthy data but good decision making? Why?
4. If a company did operational planning well but had no strategic direction, could it be successful? If it could, why bother doing strategic planning?

9.5 Improving the Strategic-Planning Process

Strategic planning is, at its heart, a *process* for arriving at strategic decisions and achieving some purpose. However, unlike other processes, the output is not widgets; it is nothing less than the future of the company. Assuming that improving the process will improve the quality of strategic decision making in the future, it should be reviewed every year to see where improvements might be made. Such a review should include every aspect of the process—the quality and adequacy of the data and analyses, whether enough expertise was at hand or applied, the quality and extent of the discussions, the degree to which mental models were changed and unified, whether the key strategic issues were properly identified and well understood, and so on.

Questions for Improving the Process

The following questions should help in assessing the strategic-planning process and making improvements for the following year.

Situation Analysis

1. Were sufficient data collected for various parts of the situation analysis? If not, which particular parts were shortchanged?
2. Was enough time allowed for data collection? Where would more time allowed have been beneficial?
3. Was enough analysis performed on the data? If not, where would more analysis have been beneficial?
4. Were credible sources used for data and forecasts? If not, for which kinds of data were they not credible?
5. For those analyses that used subjective estimates, was there consensus as to how those analyses turned out? Where particularly did the subjectivity affect the credibility of the analytic findings? Were the opinions of some people given undue weight over those of others?
6. Would the use of outside experts have improved any part of the situation analysis (e.g., having an economist talk to the managers about economic trends for the coming year)?
7. Did the participants in general understand the terms and terminology used in the situation analysis (e.g., core competence)? Were there any terms or concepts that caused confusion?

Strategic Analysis

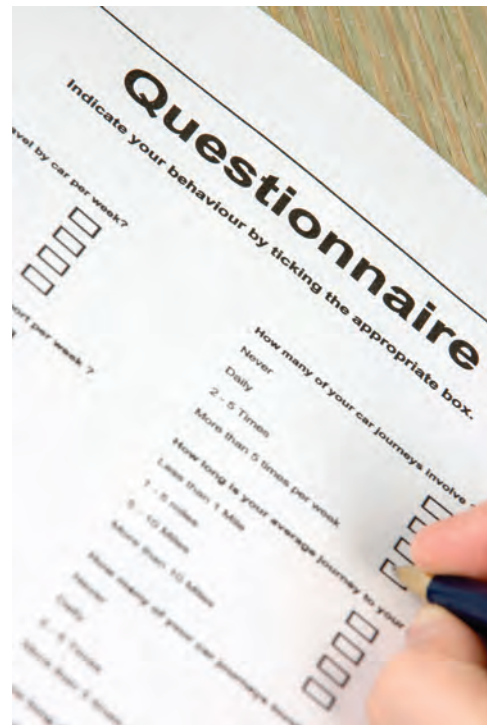
8. Were enough key strategic issues identified? If not, what might have been added?
9. In hindsight, did the key issues identified really represent the most critical issues facing the company? If not, why not? Which ones were left out? Was the omission an oversight, or were some people afraid to articulate it?
10. Did the strategic issues reflect the kind of long-term strategic thinking that participants imagined should have occurred? If not, why not?
11. Were the strategic-alternative bundles sufficiently creative and realistic?
12. When creating them, were participants unduly influenced by what the company is currently doing, by its current strategies, or by what participants believed the CEO really wanted? If so, how could this be corrected in the future?
13. Did everyone who could have contributed usefully to the process of creating these alternative bundles actually do so? If not, how could this be corrected?
14. Were the criteria used to evaluate the alternative bundles reasonable for this company? If not, which others should have been used?
15. Did the analysis that was used comparing the alternatives against the criteria produce a believable result? Why or why not?
16. Which of the alternative bundles might the company have been advised to pursue other than the one chosen? Why? Was every point of view given fair consideration? If not, why not?
17. During the sessions choosing a preferred strategic bundle, were participants allowed ample opportunity to express their feelings, agreements, or misgivings? If not, why not?

Recommendations

18. Were the objectives that the company decided on for the next year appropriate and achievable? If not, why not?
19. Are the objectives for three years from now appropriate and reasonable? Are they unattainable as stated, “stretch” objectives (challenging yet attainable), set without much careful thought (e.g., an extrapolation of last year’s), or set too low? Why or why not? What should they have been?
20. Are those who participated pleased and excited about the direction the company is taking now as a result of the strategic-planning exercise? If not, why not?

Some General Questions

21. Did the whole process take too long? Why? Where could it have been shortened?
22. Did the process stick to the original schedule? If not, where did it deviate? Might the schedule have been unrealistic?
23. If the process did not keep to the original schedule, were there any adverse effects?



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After putting together your situation analysis, you should distribute a questionnaire to your employees to help you better assess the strategic-planning process.

24. What lessons were learned about the process this year that might be put to good use next year?
25. Has the company's knowledge of strategic planning increased? How do you know? If not, why not?
26. Was everyone who participated in the process substantially "on the same page," or did the process conclude with a number of people in significant disagreement? If the latter, how might such disagreements be addressed more fully and resolved?
27. Overall, is the company better off for having been through this strategic-planning exercise? Why or why not?

The person responsible for the process should distribute a questionnaire with the preceding questions (or a similar set) to all participants in the process. The responses should be analyzed and the results presented with constructive commentary and suggestions for what should be changed the following year. The analysis and suggestions for change should be discussed at the meeting and consensus sought as to which changes should be implemented. Unless such a debriefing takes place, changes made to the process might be resented; in addition, it serves an educational purpose.

Discussion Questions

1. Participating fully in a strategic-planning process is unquestionably a learning experience. Do you think that special training beforehand would make a difference? Why or why not?
2. If strategic-planning participants are sent materials ahead of the process, what should they contain?
3. After a couple of annual iterations of improving the process, an observer might be forgiven for thinking that the process was good enough not to change any more. Give some reasons why that would be wrong.
4. Why is achieving consensus at the post-planning debriefing meeting advisable?

9.6 Assessing the Strategic-Planning Process

Benefits do not accrue automatically every time a company engages in strategic planning; they are more likely to be realized if they are consciously sought. Both strategic planners and the consultant facilitators advising them should strive to ensure that these benefits are realized. The extent to which they are realized, therefore, constitutes an excellent assessment.

The 10 Benefits

The 10 benefits of effective strategic planning may also be viewed as criteria for assessing whether a company is doing strategic planning effectively. The 10 benefits are organized to follow the Association for Strategic Planning's rubric of "Think—Plan—Act."

The 10 Benefits of Effective Strategic Planning

“Think”

1. A shared understanding of external changes
2. The ability to anticipate future external changes
3. The ability to search for a better strategy or business model

“Plan”

4. Having a strategic vision
5. Choosing the best strategy from among viable alternatives
6. A constantly improving strategic-planning process
7. Having the board of directors on the same page

“Act”

8. Becoming a stronger competitor
9. Having an adaptive, innovative culture
10. Having all programs aligned with the vision, strategy, and company objectives

Source: Abraham, S. (2010, February 23). Ten Benefits of Effective Strategic Planning—and Why You Should Want Them All. Presentation at the 2010 ASP National Conference, Pasadena, CA.

1. A Shared Understanding of External Changes

To use a military analogy, just as conflicting accounts about an enemy’s strength, position, and deployment make it difficult to devise a winning strategy, so too does the absence of a shared understanding of external changes and their impacts on the company make the crafting of a winning strategy extremely difficult. Because changes occur continuously, the only way to keep up with them and even anticipate some is to monitor them year round, and to keep the strategic-planning group and board of directors informed as to key changes and developments in all areas. One person should be responsible for each area and be trained to collect and summarize data in useful form. A summary for the year with emphasis on recent trends should be prepared in advance of the annual strategic-planning meetings and be distributed to participants. To the extent this is done well, the company’s decision making will improve.

2. The Ability to Anticipate Future External Changes

A number of well-known techniques enable an organization to explore “soft” assumptions about the future and provide additional options for planning. These include scenario planning, forecasts, and simulations (Section 3.4). It may be that the firm would be advised to engage a consultant that specializes in one of these areas, or pay attention to forecasts that have earned a good reputation over time. Expressed another way, the benefit here is that the resulting information can guide the firm toward actions that enable a preferred scenario to occur, or develop a contingency in case a hoped-for scenario does not occur.

3. The Ability to Search for a Better Strategy or Business Model

A company not actively seeking a better strategy is not doing a good job of strategic planning, and its strategic decisions will not be good ones. How else is a company to find a “blue ocean” or situational monopoly with no competition? How else could it guard against being disrupted by a

company outside the industry or even plan a disruption itself in a proactive move? How else could it gain a competitive advantage it lacks or strengthen one it already has?

For every different strategy and business model contemplated, someone in the organization should assess its costs, feasibility, benefits, and risks on an ongoing basis. The results of such assessments play directly into the strategic-decision-making process. Except when the firm needs to act immediately because the decision just won't wait, the information can wait until the annual strategic-planning process comes around.

4. Having a Strategic Vision

Every organization that wants to endure should have a strategic direction and strive to become something. Succeeding is more likely if there is a clear vision and if everyone knows what it is and is motivated to help the organization get there. Visions should be realistic (achievable within a set time frame,



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Your strategic vision should be realistic, achievable within a specified time frame, inspirational, concise, and memorable.

5 or 10 years is typical), concise, inspirational, and memorable. They sometimes include a value statement, although listing values separately is more common (Section 2.1).

The real benefit of a clear vision statement is to get everyone in the organization on board and wanting to achieve it; and though cumbersome, everyone in the organization should also have had a hand in creating it or at least providing feedback before it is adopted. As soon as the organization is close to achieving its vision, it should be changed, being careful to go through the same process of getting buy-in from everyone before adoption.

5. Choosing the Best Strategy from Among Viable Alternatives

Choosing from the best options available is a benefit, as it allows people to trust the decision that was made and have faith in the direction the company is headed. This is beneficial only if the strategic planning process generates good viable alternatives and a decision process for selecting the best one.

Having said that, such a “best strategy” doesn’t guarantee success. It must be well executed for the firm to succeed. It is much easier to “sell” the strategy down the line in a company and motivate a high level of execution if people know why it is the best from among the options considered.

6. A Constantly Improving Strategic-Planning Process

The benefit of improving the process should be clear: better strategic decision making. This might entail involving different people, getting better information, stimulating more spirited discussions

and encouraging diverse views, or even using computer software to include inputs from everyone quickly (Warden & Russell, 2001). Without thoughtful annual improvements, an organization is likely to allow its strategic planning to become a rote exercise that is taken less seriously and one that participants, for those very reasons, resist wanting to participate in.

7. Having the Board of Directors on the Same Page

For public corporations and nonprofits—and quite a few but not all privately held companies—it is imperative to ensure that the board of directors approves of all strategic decisions before any move to implement them is made. In fact, there are instances where the strategic decision comes from the board, as in resisting a takeover bid or deciding to acquire another company. In the typical case where strategic planning is done by a top-management or strategic-planning team, there has to be some mechanism for the board to be kept apprised of the process. In 2005, management consulting firm McKinsey & Co. surveyed over 1,000 directors and found that alignment on strategy between the CEO and the board was the number-one reason for success and the number-one reason for failure in CEO appointments (Felton & Keenan Fritz, 2005). In some companies, the CEO is also chairman of the board, and so automatically serves as the desired link.

Boards of directors may have a strategic-planning committee whose chair would attend the meetings of the management group and keep the board informed. The benefit, of course, is knowing that the strategic decisions made are in the best interests of the stockholders in the case of a public corporation or the sponsors and clients in the case of a nonprofit organization. Ultimately it is the board that has responsibility for the strategic direction of the organization.

8. Becoming a Stronger Competitor

If strategic planning is done well and the strategy properly executed, then the company will become a stronger competitor. This, of course, is the principal benefit for doing strategic planning in the first place. Many things have to contribute for this benefit to be realized. For example:

- Knowing how your industry and markets are changing
- Anticipating and meeting customers' needs
- Getting more customers to buy your product or service
- Developing or strengthening a core competence
- Knowing what your competitors are up to and outdoing them
- Defending one's position against attack from competitors
- Looking for "blue oceans" or monopolies *with no competitors*
- Looking for opportunities to disrupt the industry before someone else does
- Maintaining a strong brand and being true to it

Management knows that the company is a stronger competitor if it achieves gains in revenues and market share, and maintains high brand equity, or achieves other established measures of success the company holds dear.

9. Having an Adaptive and Innovative Culture

When a company has been following the same strategy for some time, the culture adapts to that strategy and gets it to work. However, if some major change is deemed necessary, such as

pursuing a new strategy or adopting a new technology or manufacturing process, and the culture remains what it always was, then the change will not succeed. A mismatched culture is one of the principal reasons why changes and new strategies fail, and it is widely acknowledged that it is difficult to change a culture. The reason that it is difficult is that change imposed from above results in a lot of resistance. Many companies in this predicament resort to wholesale changes in personnel to change the culture.

With an adaptive culture, that draconian measure is not necessary. An adaptive culture is one that is willing to change if the reason for doing so makes sense. It is a culture that values open communication, education, teamwork, and individual initiative. Companies that have adaptive cultures make the necessary changes over time and succeed.

An innovative culture does not simply encourage innovation and new ideas and look for the next “big thing.” It also puts a high value on learning from mistakes and giving people permission to make mistakes. Innovative cultures encourage the sharing of experiences and developing ideas no matter their source. Two of the best examples of innovative cultures are Apple Inc. and Google.



Miguel Medina/AFP/Getty Images

Apple Computer’s culture encourages innovation and new ideas to look for the “next big thing.” Apple values learning from mistakes, sharing experiences, and developing ideas, no matter what the source.

It would be difficult to make strategic decisions and implement them if the culture were not adaptive and innovative. The converse, of course, is also true. Making good strategic decisions that call for change and smooth execution will force the culture to be adaptive and innovative. Hiring people with similar traits will ensure that this desirable culture endures.

10. Having All Programs Aligned with the Vision, Strategy, and Company Objectives

The importance of aligning everything the company does with its vision, strategy, and company-wide objectives was discussed in the context of operational and budget planning (Chapter 8). The benefit is the assurance of knowing that completing all programs, projects, and activities as planned will result in the strategy being implemented and the vision and company-wide objectives being fully realized (barring unforeseen circumstances).

In too many companies, what employees in the different functional areas and operational units actually do has little to do with the strategy that’s in place, because little or no effort was expended to make sure that the two were aligned. As a result, the strategy fails or “business as usual” triumphs. When operational planning is done, critical elements include performance measures (to track progress), appropriate training, and reward and incentive systems.

Discussion Questions

1. Of the 10 benefits discussed in this section, which of them, in your opinion, are most often unrealized and why?
2. Which of these benefits, again in your opinion, are most difficult to realize and why?
3. Do you believe that there are any benefits that companies are less interested in realizing and therefore, probably won't?
4. In what ways are these 10 benefits different from the annual improvement cycle recommended in Section 9.5?

9.7 Raynor's Strategy Paradox

According to Michael E. Raynor, some traditional strategic-analysis tools that have been taught for years and are in widespread use (including some discussed in earlier chapters) are passé and could even be counterproductive. He specifically identifies Michael Porter's finding that a commitment to competitive strategy is the single most important ingredient of any plan (Porter, 1980), and Gary Hamel and C. K. Prahalad's (1994) revelation of the power of a core competence.

These management tools are, in fact, powerful only if one can predict a future discontinuity with some certainty, which no one can, especially in an unstable economic climate or in an environment of constant change and technological innovation. For example, consider a company such as Mozilla, which relies on open-source development for its flagship product, the Firefox browser. Older models of forecasting the future and strategically planning with those forecasts in mind simply won't work for an organizational model such as this.

The argument is that the commitment it takes in financial resources and organizational adaptation to implement a strategy or develop a core competence is so significant and time consuming that, when the world inevitably changes, the typical organization cannot adapt quickly. The very strategies that at one time were responsible for a company's success will then seed its destruction. That is **Raynor's strategy paradox** (Raynor, 2007).

The solution, according to Raynor, is not to focus on the strategy, but to manage uncertainty so that, whichever way the world changes, one can adapt, survive, and prosper. Raynor illustrates, with the ill-fated story of the failure of Sony's Betamax, what happens when a company focuses on its well-constructed strategy and fails to heed external changes and manage uncertainty (Abraham, 2007). In 1977, Sony had a choice of competing or collaborating with Matsushita, which produced the VHS recorder. Sony had a 60% share of the market, and its Betamax was the best product for recording a TV show and replaying it at a later time ("TV shift"). Then Fox Studios put 50 of its films on both Beta and VHS for people to watch at home. Watching a movie at home required a simple cheap playback device, not the complexity of a TV-shift device that could also record. To its detriment, Sony didn't adapt. By 1985, VHS had become the new standard and Betamax had less than a 10% market share, which continued to decline. In 1988, Sony pulled the plug on Betamax, a good product with an initially sound marketing plan, but which did not rapidly adapt to market shifts.

Microsoft, on the other hand, has the budget to pursue myriad strategic options, which it can then exercise (develop and quickly try to become the leader) or abandon as appropriate. For instance,

although it may not have happened soon enough for early adopters of Microsoft's much-criticized Vista operating system, the company had the resources to put in place Windows 7 as a means of responding to the widespread problems with Vista. Call it hedging one's bets if you will, but Raynor calls it managing uncertainty.

How, then, is this uncertainty managed, and who should do it? Here, Raynor drew on the pioneering work done by Elliott Jacques, developer of the "requisite organization" concept. Jacques investigated why people's pay at different organizational levels differed, and what was considered "fair pay." His research showed that people who had to make decisions based on a longer time horizon were appropriately perceived as deserving higher pay. Thus, for this reason alone, people at higher levels in an organization were paid more than people at lower levels. Raynor piggybacked on this concept and developed a **model of requisite uncertainty**. Figure 9.5 summarizes the key levels in an organization and the time horizon over which they tend to make decisions. Raynor is not concerned, here, with compensation. Instead, the exhibit shows that the decisions made with long time horizons (about 20 years) in mind address the greatest strategic uncertainty and, he says, the board of directors should be responsible for making them. The next level down, corporate management (5- to 10-year horizon), explores new markets, technologies, and business models; their job is not to decide how to succeed, but rather that the company be positioned to succeed regardless of what the future holds. Division management (two-to five-year horizon) chooses the strategy and how they should be implemented. Finally, line and functional managers (with a time horizon restricted in range to less than one year) focus on implementation of strategies already decided on. Notice that from top to bottom of the exhibit, the management imperative shifts from "uncertainty" to "commitment." A company must not only implement strategies already in play but also, by managing uncertainty, always keep itself in position to change to another strategy should changing circumstances warrant.

Figure 9.5: Raynor's model of requisite uncertainty

Organizational Level	Time Horizon (years)		Strategic Balance
	<i>Absolute</i>	<i>Relative</i>	
Board of Directors	10 – ∞	20	
Corporate	5 – 10	10	
SBU/ Divisional	2 – 5	5	
Line/ Functional	0.25 – 1	1	

Source: From Stanley Abraham, "At ASP, Raynor on managing uncertainty, plus some highlights of lessons from practice," *Strategy and Leadership*, Vol. 35 No. 4, 2007, Exhibit 2, 46. Copyright © Emerald Group Publishing Limited. Reprinted by permission.

Discussion Questions

1. Does Raynor's strategy paradox negate this book's premise of good strategic planning at the heart of strategic management? Why or why not?
2. Raynor says that the solution is to manage uncertainty. Isn't that the purpose of strategic thinking? Doesn't strategic thinking try to get a handle on the future and soft assumptions (uncertainties) about the future?
3. Raynor's model of requisite uncertainty, whereby the company continues to execute its strategy while upper levels of management worry about the future, advocates that the board of directors worry about the long-term future. Does this sound realistic to you? Why or why not?
4. Following on from question 3, if the board doesn't see this as within its purview, who do you think should worry about the company's long-term future?

Summary

Some organizations don't create operational plans as they would consist of just doing whatever the company is already doing. For most companies, however, change is constant and the push to become a stronger competitor and reduce costs is never ending. Creating operational plans also involves difficult choices; the plan must get the job done, be within the company's technical and capacity means to do so, and be done for the lowest cost within the allocated budget. Operational plans include projects and programs the company is currently doing, as well as new ones, changing the way current projects are being done. The plan for each project should include start and end dates, equipment needed or used, people involved, who is accountable, and estimated costs for all elements by month.

It's conventional wisdom that nothing gets managed or improved that isn't measured. Tracking progress of all projects is therefore critical to keep them "on track and on budget." Care needs to be exercised to make sure that the right things are being measured. If a better trained workforce is a goal, knowing how many lectures or workshops are given and how many people attended won't help; a way has to be found of measuring increased effectiveness or capability. For many standard measures, especially in manufacturing and project management, useful software includes Gantt charts and PERT networks with a continually updated critical path.

Managers meet face-to-face with their direct reports regularly to discuss negative variances that have resulted from the previous month's operations. Negative variances include projects that have either missed their deadlines or have a higher probability of missing them or have exceeded their budgets. The meetings are vital for managers to understand the causes for such variances and discuss possible solutions. In addition, it's an opportunity to strengthen relationships and understand their direct reports better. Just like classical control systems that are corrected as soon as possible if untoward variances occur, so also in operational management must variances be identified and then corrected as soon as possible. After having met with all direct reports, the manager later takes on the role of direct report when a similar meeting is held with his or her supervisor. Managing is getting things done (right) through people, and such meetings are a critical part of a manager's job.

While executing a strategy, changes may result in activities being done or opportunities pursued that, in retrospect, bear little resemblance to the original "intended" strategy. Such new activities

could form an “emergent strategy,” first described by Henry Mintzberg, and, together with the strategy being implemented (“deliberate” strategy), turn into the final “realized strategy.” When intended or deliberate strategies fail, they are considered “unrealized.” Agile or adaptive cultures are best able to handle such real ongoing changes in stride.

Although not an operational plan per se, the strategic-planning process must nevertheless be managed, especially as it is done in addition to managers’ regular responsibilities. It is the responsibility of the CEO or possibly the designated vice president, but never a consultant, even though a consultant might facilitate the process. The person responsible for the process should survey all participants, analyze the responses, and report to a debriefing meeting to discuss proposed improvements. A consensus on the proposed improvements should be obtained before implementing the changes for the following year.

Finally, implementing a strategy that is working and in which considerable investment has been made might, if conditions abruptly change, also be a company’s Achilles’ heel. Such a company would find it very difficult to change as quickly, like a large oil tanker trying to make a quick turn. This is Raynor’s strategy paradox. His solution is to manage uncertainty better, meaning to not only keep executing its successful strategy but also spend more time looking further ahead (10–20 years) in an effort to get as much lead time as possible to allow the organization to change accordingly. Planning at the CEO and board levels, according to Raynor’s “model of requisite uncertainty,” should exclusively be concerned with figuring out what the company should be doing 5–20 years into the future.

Key Terms

control system Comparing actual performance to a standard, measuring the variance, taking action to reduce the variance, resetting or updating, and testing again. Corrective action should be taken as soon as it is found necessary.

deliberate strategy The intended strategy, operationalized and executed.

emergent strategy A strategy the company pursues during implementation that was never a part of the intended strategy.

Gantt chart A type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project.

negative variance An instance where a project’s progress is delayed and could miss a deadline, or where its budget has been exceeded, or where performance comes up short of a quantitative standard or expectation.

Raynor’s model of requisite uncertainty The decisions made with long time horizons (about 20 years) in mind address the greatest strategic uncertainty. A company must not only implement strategies already in play but also, by managing uncertainty, always keep itself in position to change to another strategy should changing circumstances warrant (with the board and top management worrying about how to cope with changes that might occur over the longer term).

Raynor's strategy paradox When the world inevitably changes, the typical organization cannot adapt quickly; the very strategies that at one time were responsible for a company's success then seed its destruction. That is the strategy paradox.

realized strategy A combination of deliberate and emergent strategies.

unrealized strategy A failed strategy.