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Introduction to Strategic Management
A practical guide for leaders in emerging market economies

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1

Introduction

This paper is intended to provide practical guidance for managers working with local institutions formed in a centrally planned, command economy and reorienting those institutions for successful performance in an emerging market environment.

This is very much a work in process. It is written so that others may build on experience with the municipal housing sector in Novosibirsk, the largest city in Siberia and a major center of industry and advanced research.

The paper has been prepared by the Russia and Newly Independent States Department of the Planning and Development Collaborative (PADCO) Inc. under contract with the US Agency for International Development.

A first attempt in Novosibirsk

In early 1994, the Novosibirsk municipal housing sector found itself in an extraordinarily difficult position, not unlike many other institutions in Russia and the newly independent states. Local government was being given ever increasing responsibility for housing the city's population, while, at the same time, financial resources available to the municipal housing sector were fast disappearing.

Municipal housing officials had to find new ways to halt deterioration of the existing housing stock and to adopt more efficient methods for providing housing services, utilities, and supportive infrastructure. Their success was important to the city's ability to retain a skilled workforce and attract new industry.

A group of municipal housing leaders appointed by the Novosibirsk Mayor's Office used strategic management methods described in this paper to:

- ▶ develop a strategy, for the next four year period, to speed establishment of financial, legal, and operating systems that can enable Novosibirsk residents to achieve quality housing; and
- ▶ a specific action plan to focus the City's housing efforts over the next twelve months.

PADCO and the US Agency for International Development provided technical assistance and facilitation support.

Novosibirsk's strategic management effort is not held up here as a model to be replicated elsewhere. Indeed, circumstances in emerging market economies differ too greatly by place and time for any formulaic approach to be useful. Moreover, a number of factors -- some related to Novosibirsk's history, some resulting from political and administrative changes occurring before the leadership team finished its action plan -- prevented Novosibirsk from completing a full cycle of its strategic management process.

The experience in Novosibirsk, however, does indicate that Russian managers will find strategic management techniques to be uniquely valuable in their extraordinarily difficult circumstances. The techniques are a powerful way for Russian managers to develop new skills in decentralized decision making and to enhance their own capacity for innovation and problem solving.

Operating assumptions

Several basic assumptions should be established explicitly at the beginning and reinforced throughout a strategic management process.

- ▶ Strategic management establishes a *local decision process*. The methods make it easier for local leaders to agree on lines of action that are tailored to and sustainable by local individuals and organizations. Strategic management consultants serve only as facilitators of that local process, not as advocates of specific outcomes.
- ▶ The strategic management process is *designed not to transplant some specific "non-Russian" market system* into the locality. The techniques have been used and refined in a variety of market-based systems. Markets -- and successful market-oriented institutions -- differ greatly from place to place, and they change significantly over time.
- ▶ Strategic management methods will *refer to experiences of non-Russian institutions only where those experiences may speed understanding* of the unique characteristics of local market conditions and may expand the menu of alternatives leading to useful local solutions. For example, the U.S. experience

may be instructive not because U.S. “solutions” can be transplanted into a Russian context, but because the U.S. and Russian housing markets are both large, diverse, struggling with their own unique problems, and undergoing unprecedented change.

- ▶ The strategic management process *affirms that local Russian institutions have the capacity* to assess their own situation, adapt themselves to changing conditions, design solutions to the most urgent problems, and achieve specific goals in the midst of uncertainty. Strategic management helps to mobilize that capacity.
- ▶ Strategic management is *designed to be an ongoing activity* of local leadership -- not a one-shot effort to design a fixed plan. Implementation of a strategic plan is designed to highlight weakness in the plan’s conception, stimulate insights, and open opportunities to be exploited in subsequent rounds of the strategic management process.

Purpose of this paper

This paper seeks to be a practical introduction to well-proven strategic management methods. It does not attempt to be a comprehensive “how-to” manual for implementing a local strategic management effort. The procedures mentioned here are described extensively in a number of excellent publications that are readily available. Several are listed at the end of the paper.

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Overview

The methods of strategic management were developed over several decades in market economies to help complex organizations adapt to a changing environment. The methods of strategic management have been proven in practice by numerous private industries and public agencies in various market economies.

Although strategic management is a structured process, it is not a mechanical one. Each element is included in the process for strictly practical, common sense reasons.

At each stage, strategic management concentrates the attention of top managers on their most important tasks. The driving concern of strategic management is not to produce a planning process -- it is to enable high quality strategic thinking and strategic action.

A framework for decentralized leadership

The techniques of strategic management grew out of the experience of top managers of organizations that had to deal with extraordinary change. Strategic management, therefore, addresses the needs of managers in emerging market economies who find themselves suddenly responsible for the performance of institutions that were created in a profoundly different environment.

Strategic management methods are inherently flexible. They provide a practical framework to improve decentralized decision making in the midst of uncertainty. They are designed to mobilize the skills and initiative of specific, local leaders in a unique organizational setting at a given time.

Strategic management helps managers get back to the often overlooked basics of an endeavor. It has been used successfully by service companies, government agencies, and nonprofit organizations, as well as manufacturers.

Strategic management includes elements typical of planning processes: participants identify goals and the activities critical to their attainment, and they provide a way to measure success. But team-based strategic management demands intensive one- or two-day sessions at which *all* the key managers concerned agree on what must be done and accept specific responsibility.

There is no guarantee that a unit will achieve its mission, of course. That requires competent follow-through by an entire organization. But strategic management lays the groundwork necessary for such success. And at least all the key players start off facing in the same direction.

What is “Strategic”

The decision making process described here is “strategic” in that it deals with an organization’s core questions:

- ▶ Why are we here?
- ▶ Who do we serve?
- ▶ What kind of business are we in and should we be in?
- ▶ What is the most important thing we should be doing?

Strategic thinking focuses on the oncoming future, rather than on incremental extrapolations of the past. It recognizes that you cannot “plan the future looking back.” It anticipates how an organization’s performance could be affected by a variety of future environments.

Strategic thinking is outwardly focused. It directs the attention of top managers to the customers the organization has and those it should have. It leads managers to address what the products or services the organization provides and should be providing.

And strategic thinking has a long-term orientation. It maintains a practical focus on what must be done in the next year or so, but with a view to the next four years or more.

Why “management”

The terms “strategic management” and “strategic planning” are often used interchangeably in the West. However, when used with managers whose careers developed in a command economy, the term “strategic planning” tends to become confused with past experiences in central planning practices.

Consistent use of the term “strategic management” makes it easier to communicate the special characteristics of strategic decision making in a market setting.

- ▶ Central planning largely rests on an assumption that the planning entity can control the factors required for achievement of the specified goals. Under central planning, decisions regarding priorities, goals and resource allocation tended to be made by agencies of the central government. The central plan sought to reduce or remove uncertainty. Professional experts in planning produced extensive documentation that outlined how the economic system was to get from the present to a desired end state. Local practitioners were responsible only for implementation within a framework defined by others.
- ▶ Strategic management rests on the quite different assumption that an organization must carry out its mission in a context of many forces that the organization cannot control. Strategic management recognizes that the organization is only one among a number of power centers, all of which are competing for limited resources and some of which may be pursuing incompatible goals. A market-based plan of action therefore must be a dynamic strategy for achieving key objectives in the face of inescapable uncertainties. Moreover, an organization’s strategic plan of action must be created on a decentralized basis -- by the key people in the organization who are responsible for achieving the plan’s objectives.

What is “the organization”

Strategic management focuses on decisions that must be made about issues confronting organizations. In an emerging market economy, however, it is unlikely that an existing agency is in a position to carry out a strategic plan of action. Each of the existing agencies was probably designed to carry out activities defined along functional lines under the assumptions of a command economy.

Therefore, the “organization” engaging in strategic management should probably be a group of agencies that share responsibility for a sector or enterprise that in a market setting must be managed as a coherent system. In this case, one of the challenges for strategic management will be not only to help managers work together more effectively but to define the need for organizational merger or restructuring.

For example, a municipal housing sector was typically structured with housing considered a social good rather than as an economic asset. That is, local agencies were organized without regard to housing as an operating system that should be designed and managed throughout its economic life so as to provide residential services with sufficient customer value to attract revenues that cover the cost of required capital investment. One agency may have been building the structures so

as to maximize the annual volume of output. Another agency may have been responsible for maintaining the structure without regard to the need for capital replacement. Yet another agency may have been responsible for providing utilities. The performance of the housing stock under market conditions may be affected by several other powerful agencies without effective economic incentives to consider how their actions contribute to the long-term quality of the housing.

In such a case, strategic management would be concerned not just with how each existing agency could be more efficient, but with how the capabilities of the various agencies could be mobilized, restructured, and leveraged with other resources to achieve a well-defined housing mission.

Local initiative

Strategic management provides a structured process for deciding what an organization must do today to ensure success tomorrow. The methods help top managers to:

- ▶ work as a team that has collective responsibility for an enterprise,
- ▶ focus on matters of great long-term importance for the organization's mission, and
- ▶ carry out an effective course of action over time.

Strategic management enables top managers to launch effective responses to a changing environment. Strategic management decision making is done not by outside specialists but by top executives who are responsible for implementing actions and achieving results. It is a way of leading that builds organizational commitment to chosen courses of action.

Tangible outcomes of a strategic management process are a written plan of action and a system for monitoring progress toward specific goals.

Process preview

Over the course of a strategic management cycle, members of an organization's top management need to work through the following key issues:

- ▶ Develop alternative scenarios for how current trends might shape the future environment within which the organization will have to operate. This is done not to narrow the group's attention to a few forecasts, but to develop the group's ongoing ability to anticipate emerging obstacles and opportunities.
- ▶ Analyze the organization's present and projected situation, including the needs of its customers and other stakeholders, its past performance, trends in the

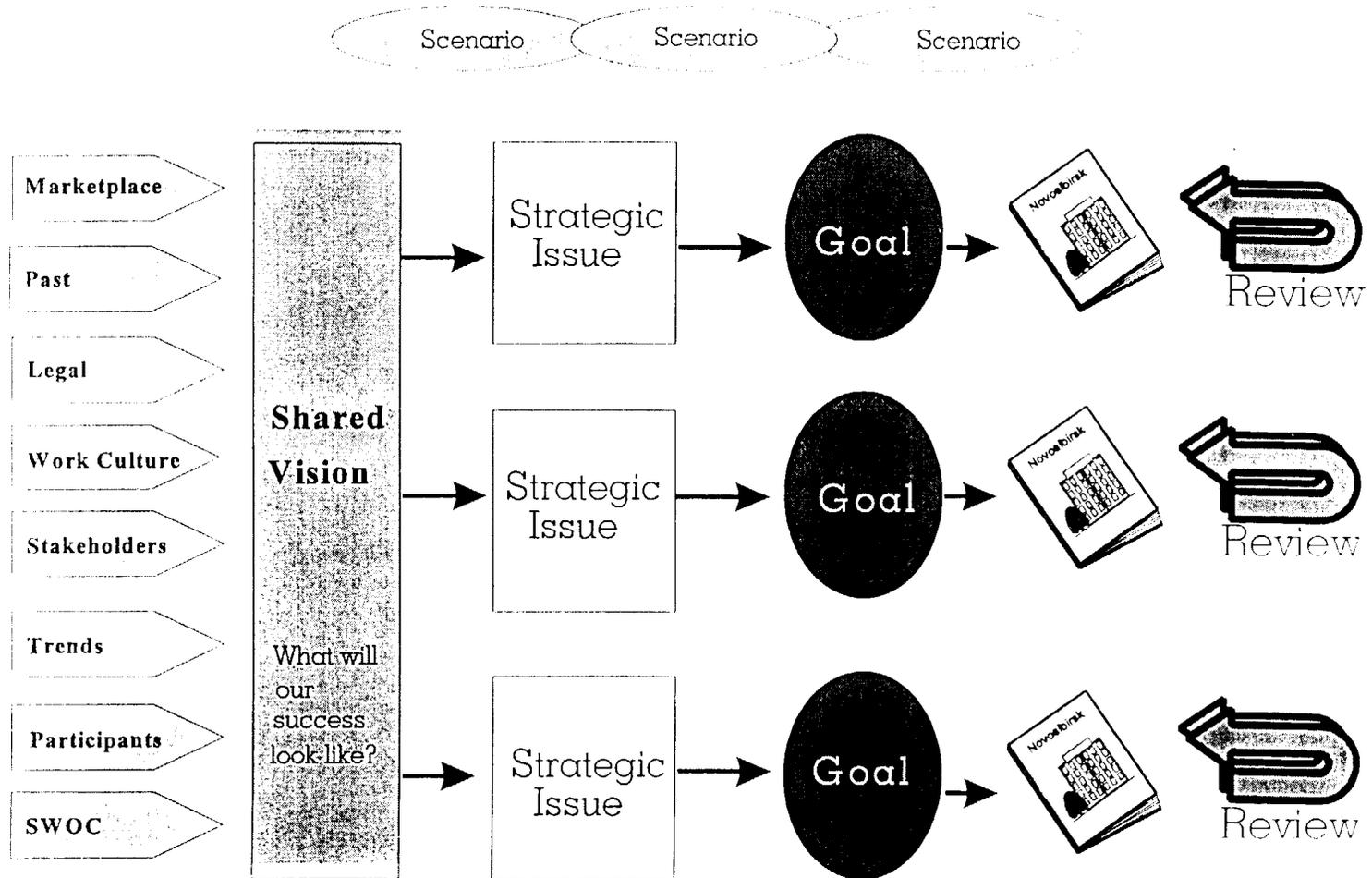
local market, the organization's internal strengths and weaknesses, and its external opportunities and challenges.

- ▶ Establish a shared vision of where the organization is going and what its future success will look like. In doing so, the groups reviews and clarifies the organization's mission -- what the organization is, and whom its products and services are to serve. The group also identifies the values that guide how the organization seeks to fulfill its mission.
- ▶ Identify a manageable number of strategic issues that pose key challenges to the realization of the organization's vision and the fulfillment of its mission.
- ▶ Specify for each strategic issue a measurable, achievable goal.
- ▶ Prepare a one-year and multi-year action plan that assigned clear responsibility for achieving specified goals.
- ▶ Establish a process for monitoring progress under the plan of action and keeping the plan of action under continuing review and refinement.

Because the organization's environment will continue to change, strategic management must be an ongoing process. Implementation of a plan of action will reveal how an organization could improve its strategic management process in the next cycle.

Illustrative briefing materials are included at the end of the chapter.

Strategic Management Process



Strategic Plan Elements

Scenarios -- depict likely future environments

- Impact by product or service line?
- Best case/worst case
- Probable impacts

Mission -- short statement. Context for decision making

- Who we are
- What products/services do we provide for whom

Guiding principles

- How we go about fulfilling our mission

Strategic Plan Elements

Situational Analyses -- Assessment of current and projected state of affairs

- **Customer/stakeholder analysis**
 - √ **Who are/should be our key customers and other stakeholders?**
 - √ **What do they need and expect?**
 - √ **What do we do to serve them?**
 - √ **How will they be most satisfied/dissatisfied about what we do?**

- **Marketplace analysis**
 - √ **Current and future**
 - √ **By market segment**
 - √ **Possible competitors**

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Strategic Plan Elements

- **Past performance**

- √ **Available data**

Situational analysis (continued)

- **Legislative/regulatory framework -- current and anticipated**

- **Work culture**

- √ **Current norms**

- √ **Climate/morale**

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Strategic Plan Elements

- **Future Trends**
 - √ "If we do nothing differently ..."
 - √ Demographics, technology, economic, political

- **SWOC**
 - √ Internal strengths and weaknesses
 - √ External opportunities and constraints

Common vision: a short descriptive picture of desired results

- **What will success look like?**
- **What will you "see and hear" in responses from customers, stakeholders, employers, and leadership?**

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Strategic Plan Elements

Strategic issues: key challenges to realizing the vision and fulfilling the mission

- "Looking back from success, what did we have to address?"
- Narrow few -- 3 to 6

Goals: how to address the strategic issues

- Measurable commitments
- Who will do what by when
- One goal per strategic issue

First-year objectives

- Measurable commitments
- Who will do what by when
- 1 to 3 objectives per goal

Strategic Plan Elements

Action planning: More specific steps to put the objectives in operation

- Measurable, time-bounded**
- Considering barriers and supports**

Strategic issue champions: people who drive through to success on the issues

- One champion per strategic issue**
- A member of the leadership group**

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Organizing the local process

A strategic management process must be tailored carefully to fit the requirements of a specific organization at a specific time in its history. When tailoring the process, however, leaders should be aware that each component of the strategic management process has been included because it has proven to be necessary for a management team to achieve important objectives in the face of adversity.

The strategic management process should be reinforce other decision making processes, not compete with them.

Participants

Strategic management helps an organization's top leadership deal more effectively with its key problems. It should accelerate responses to threats and opportunities, not slow them down.

Strategic management has to begin with a person who is the leader of the management team -- a boss who is committed to getting the team's mission accomplished. The process should therefore have the close involvement and full support of the chief official who has executive authority over the agencies involved in the strategic management process and over resources that will be needed to carry out an effective plan of action.

The boss had better be ready to accept challenges to the status quo. We have presided at a few disasters where, despite assurances of open-mindedness, the boss turned the study into a self-justifying monologue. Fortunately, this is rare; it's a terrible waste of time.

The strategic management team should include *all* the key personnel who will be needed to achieve the mission and no one else -- nobody missing and no hitchhikers. In general, there should be no more than 12 people on the leadership team, since more than that is just too unwieldy. And if one member of the team

cannot attend the session, wait. Strategic management requires a buy-in from everyone not only to identify what is needed but also to commit to the process. Influential managers should be involved in the strategic management process at least much as they are in related decision making.

Task forces around strategic issues, goals, or other activities could be formed to open up participation by other key personnel in addition to the strategic management leadership team.

Facilitators

If successfully implemented, the techniques of strategic management will become integrated into the organization's management structure -- part of how the organization carries out its mission. In the initial years, however, most organizations find they need neutral, outside facilitators to help the organization break out of routine modes of operation and act more strategically.

Strategic management demands spontaneity, so even though the boss convokes the team, a neutral outsider should lead the discussions. The leader, or facilitator, could be a consultant, or a manager from elsewhere in the company. What is important is that facilitators not be the bosses' subordinates and that their livelihood should not depend on achieving the mission.

Facilitators must bring the following skills:

- ▶ Staffing the strategic management process, keeping it on track, and ensuring that the process meets the needs of local participants. Facilitators need a thorough and practical knowledge of the various pieces of the strategic management process. They must know how to adapt various strategic management methods to a specific organizational setting.
- ▶ Overcoming interpersonal, organizational, and procedural obstacles to effective decision making in the process. Facilitators need to know how best to implement organizational planning, institutional change, and managerial accountability. They must have skills in organizational behavior and confidence in the use of strategic management methods in real-life settings. They need good communications skills and must be able to structure and control the process of group decision making.
- ▶ Providing technical input to the extent that it helps local participants expand their awareness of possible solutions and arrive at a consensus for effective action. They need to know which organizational strategies work and which don't in a variety of circumstances. They need to have practical managerial experience and expertise in specific functional areas relevant to the organization's mission.

- ▶ Intervening to help individuals or teams overcome strategic, organizational, staffing or personal blockages. As neutral outsiders, facilitators can provide candid advice, expedite the change process, and move the team more quickly to closure on key decisions.

It is unlikely that any one person will excel in all of these skills. Special difficulties arise when a strategic management facilitator must be someone from a different country and who speaks a different language than the leadership team. The process requires more than translators. It requires that local professionals be full members of the team of facilitators who are familiar with the methods of strategic management and the objectives of each session.

Pre-meeting preparation

Facilitators should interview each member of the strategic management leadership team both to explain the purposes and general structure of the process and to clarify the participant's expectations of the process. A structured discussion could elicit information about prior experiences that color the participant's attitudes toward strategic management. The discussion should identify what the participant hopes to achieve through the process -- what specific results or products does the participant expect the process to produce. The discussion should also determine what the participant wants the process to avoid. Results of the discussions should be summarized anonymously and reviewed by the full group at the start of the process.

Session set-up

Since strategic management is a team process that results in commitment to specific change, the process needs to create an environment for thinking outside an organization's established routine.

Strategic management sessions should be held if at all possible away from the leadership team's normal work environment. That will minimize the temptation for group members to let routine business interrupt the group's thought process. The sessions should be scheduled in full-day segments -- preferably in blocks covering two or more sequential days -- so the leadership group can complete key lines of thinking. Each block of work should arrive at an important point of closure. Preparatory work and follow-through activities should occur between the work sessions of the strategic management leadership team.

Success depends on maintaining a strong sense that the group is spending its time as effectively as possible and moving to important decisions more quickly than it otherwise could. Any delays or uncertainty in the forward progress of the strategic management sessions can have a devastating effect on the leadership team's confidence in the process.

Therefore:

- ▶ Each strategic management session should be structured with a detailed, timed agenda. The team of facilitators should hold to the timetable as much as possible, but must be ready to refine the agenda as different approaches become necessary to maintain progress.
- ▶ All presentation materials should be designed for ease of understanding and must be immediately available when needed.
- ▶ At the beginning, participants should be given a clear overview of the strategic management process and the reasons for each component. The accompanying chart has been useful for that purpose. At key points throughout the process, the facilitators should help participants see how they are making progress toward the end result.
- ▶ The meeting room should be equipped to provide a strong experience of a group decision process -- the acts of recording ideas and establishing consensus should be made visible. Tools such as flip charts and overhead projectors are indispensable. The meeting room should be arranged to help the group focus as colleagues on a joint work product.
- ▶ We have found it most effective to have a computer and printer on site during the leadership group's work sessions. At least one facilitator was given responsibility for quickly providing the leadership team with printed results of its decision making at each stage of the process.
- ▶ Although introduction of modern management tools is valuable, facilitators should be careful not to rely heavily on equipment or methods that could not be incorporated into other work settings by the leadership group.

Structuring the work sessions

The pacing of each work session needs to build a sense of accomplishment throughout. Participants in the strategic management sessions should be aware that the group is opening its thinking to more options, gaining from a careful hearing of one another's viewpoints, and coming to closure on important issues.

A number of techniques for doing this have been refined in recent years. The methods noted here are discussed in more detail by C. Davis Fogg in *Team Based*

*Strategic Planning*¹. Facilitators need to vary the use of these techniques to maintain the effectiveness of the group process.

Meeting rules

The facilitators should gain agreement on rules the group will adhere to during its work sessions. Such rules might include the following:

- ▶ The meeting agendas will be set in advance and followed.
- ▶ All team members will attend unless excused.
- ▶ Be on time.
- ▶ No side conversations.
- ▶ No interruptions or wandering in and out.
- ▶ Participants will contribute and listen to others as colleagues.
- ▶ Meeting results will be captured in writing and summaries will be sent to all participants at the end of the meeting.

Round-Robin idea generation

This is useful for identifying, discussing, and prioritizing ideas from all participants. Team members may be given an opportunity to list their ideas before the round-robin begins. Then each person in turn gets to offer one of their ideas without duplicating others already noted. The process continues around the circle until all ideas have been listed. No discussion or criticism of the idea is permitted, although questions and 20 second explanations may be permitted for clarity. Each idea is recorded for the full group to see. After all ideas are noted, the list is condensed to the most useful form. The process may run for 25 to 60 minutes.

Brainstorming

This method is used to generate a lot of creative ideas quickly. It can be used to revive the pace of the work session. The quality of the ideas is not important at this stage. The facilitator frames the task. Everyone is expected to participate. No criticism or evaluation of an idea is allowed -- there are no dumb or silly ideas. Participants should build on one another's ideas to gain momentum, stimulate new thoughts, and increase creativity. Ideas should come rapid fire for about 15 minutes. Ideas can be refined, culled, and ranked thereafter.

Consensus formation

This technique moves the group to agreement on actions to be taken. Consensus does not mean that everyone agrees on a conclusion. It means that, after a thorough discussion, most members of the group feel that one approach is in the organization's best interest. And those who disagree are willing to go along with

¹ Fogg, C. Davis, *Team-based Strategic Planning -- a complete guide to structuring, facilitating and implementing the process*, American Management Association, New York, 1994

the preferred plan. A consensus should be established at the conclusion of each stage of the strategic management process. One method is to list all options and ask each participant to vote for, say, the four the participant feels are best. Rank the list by the vote totals and, through discussion, refine the list to the top choices.

Story boarding

This method is used to gain consensus on key words and their definitions, to be used in crafting a mission or other conceptual statement. It helps the group agree on major thoughts without getting bogged down in detailed drafting. Facilitators ask all members to focus on a few key words or phrases that capture the issue at hand. Each member's key words are quickly listed for all to see. Fast-paced discussion focuses on what is meant by the words, distinguishing among concepts and moving to consensus.

Break-out groups

Breaking the participants into small groups of three to seven people is a useful way to give participants more "air time" for their ideas, to permit more interactive discussion of an important topic, or to lessen the ability of a few dominant members from excessively narrowing the group's work product. Each break-out group should have a specific task and a tight timetable. Each break-out group should have a facilitator to keep the discussion on track. Each break-out group should select a spokesperson -- with that role rotating among all members -- to report the small group's conclusions back to the full session. Each group's conclusions are recorded for all to see, and group discussion should combine items on the lists to the extent possible.

Process check

This technique is used to get participant's assessment of the strategic management process as it unfolds. It uncovers how people feel about the methods used, how they could be improved, and possible barriers to the group's success. These checks are important not only to get feedback on the facilitation methods but also to demonstrate that the strategic management process is adjusted throughout to reflect input from participant's. Process checks can utilize questionnaires to be filled out and handed in, and they can involve voting to confirm a consensus. One useful technique is to ask members anonymously to express their satisfaction or dissatisfaction, say, on a range of one to five, or one to ten. Unless all participants express a high degree of satisfaction, facilitators could ask what might make some participants feel less satisfied and how the stated consensus could be refined to overcome those concerns. One or more rounds of voting could affirm a stronger consensus.

Illustrative briefing materials are included at the end of the chapter.

Guide for Pre-Session Discussion

(Each interview may take about 40 minutes)

Briefly explain the purpose of this interview: to learn the initial views of strategic management participants so as to make the planning sessions most productive.

Provide an overview of the strategic management process:

- ▶ Clarify facts and trends that will affect the organization's work
- ▶ Build vision of how the organization could achieve success
- ▶ Develop specific goals for next year and beyond
- ▶ Focus the management team on implementation of key plans of action

Interview questions:

1. What has been your experience with long-range or strategic planning?
2. What did you find particularly useful about the experience?
3. What could have been done differently to make it more effective?
4. For this strategic management effort, what would you like to achieve?
5. What do you see as the major challenges for this organization?
6. What changes would you like to see in the organization? Which of these changes do you think is most important for the organization's future success?
7. Without identifying individuals, what do you think other key people in the organization expect from this effort?
8. Is there anything you would like to avoid during this planning activity?
9. Are there pieces of information -- in specific -- that the leadership team will need to cover or include in the strategic management process?
10. Do you have any other information, ideas, or guidance related to this strategic management effort?

Handwritten signature

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Scenario Development

Strategic management takes account of the fact that an organization's future environment is largely beyond its control. A leadership team must be skilled in anticipating and responding to a variety of events that affect implementation of a plan of action. The team will need those skills, not just on a one-time basis when it creates a strategic plan, but on an ongoing basis throughout the plan of action. An important objective of a strategic management process, therefore, is to include these anticipatory skills in a leadership team's repertoire of managerial behavior.

Most plans of action soon become useless because they rest on incremental projections from past experience. Any plan of action that rests on a single forecast of the future is almost certain to be too rigid and obsolescent as events actually evolve.

Some organizations attempt to avoid this weakness in their planning by coming up with two or three forecasts of the future: a "best case," a "worst case," and a "most likely case." In practice, this exercise usually turns out to be only a marginal improvement on the single forecast. Indeed, the "most likely case" is often a group's single forecast by another name. The other two cases turn out to be less credible listings of all the favorable events that may help the group carry out its plan of action and all the unfavorable events that would make success more difficult. It is of little practical benefit for an organization to narrow its vision down to three, or even five forecasts, rather than to only one.

Strategic management therefore uses the more powerful technique of scenario analysis. When done properly, scenario development enables top managers to think through the external forces that could affect the organization's mission. A scenario is not a forecast. It is not just a listing of all the good or bad things that may happen. What is most important about a scenario is that it provides a credible story, *with a compelling internal logic*, of how the interaction of trends could give rise to conditions that would affect the organization. The purpose is not to identify the range of possible futures, but to help the management team become comfortable thinking together about the implications of developments for

which they are not prepared. The approach tends to develop more insightful, innovative, and robust business strategies.

Peter Schwartz, who has popularized the concept of scenario development², explains the technique as follows:

To act with confidence, one must be willing to look ahead and consider uncertainties: "What challenges could the world present me? How might others respond to my actions?" Rather than asking such questions, too many people react to uncertainty with denial. They take an unconsciously deterministic view of events. They take it for granted that some things just can't and won't happen; for example, "oil prices won't collapse," or "the Cold War can't ever end." Not having tried to foresee surprising events, they are at a loss for ways to act when upheaval continues. They create blind spots for themselves.

Scenarios are a tool for helping us to take a long view in a world of great uncertainty. The name comes from the theatrical term "scenario" -- the script for a film or play. Scenarios are stories about the way the world might turn out tomorrow, stories that can help us recognize and adapt to changing aspects of our present environment. They form a method for articulating the different pathways that might exist for you tomorrow, and finding your appropriate movements down each of those possible paths. Scenario planning is about making choices *today* with an understanding of how they might turn out.

In this context the precise definition of "scenario" is: a tool for ordering one's perceptions about alternative future environments in which one's decisions might be played out. Alternatively: a set of organized ways for us to dream effectively about our own future. Concretely, they resemble a set of stories, either written out or often spoken. However, these stories are built around carefully constructed "plots" that make the significant elements of the world scene stand out boldly. This approach is more a disciplined way of thinking than a formal methodology. . . .

Often managers prefer the illusion of certainty to understanding the risks and realities. If the forecaster fails in his task, how can the manager be blamed? But in the long run, this denial of uncertainty sets the stage for surprises, shattering the manager's confidence in his or her ability to look ahead. Scenarios allow a manager to say, "I am prepared for whatever happens." *It is this ability to act with a knowledgeable sense of risk and reward that separates both the business executive and the wise individual from a bureaucrat or a gambler. . . .*

[One leading management strategist who uses scenarios] was no longer concerned with prognostication; his concern was with the mind-set of decisionmakers. ... To operate in an uncertain world, people needed to be able to *reperceive* -- to question their assumptions about the way the world works, so that they could see the world more clearly. The purpose of

² Peter Schwartz, *The Art of the Long View*, Doubleday Currency, New York, 1991.

scenarios is to help yourself change your view of reality -- to match it up more closely with reality as it is, and reality as it is going to be.

The end result, however, is not an accurate picture of tomorrow, but better decisions about the future. The planner and the executive are partners in taking a long view. ... The real value comes from the interaction with those who must decide and act. ...

The Process of Scenario Development

There is no prescription for writing an effective scenario. But scenario development has a recognizable process:

- ▶ Start by isolating a decision you want to make. Investigation of the issue requires an investment in time and research. As thinking and exploration continue, the questions are constantly refined.
- ▶ Think through the key factors that affect decisions. A factor may be much more important when considering one decision than when considering others.
- ▶ Some of these factors are “givens” or “predetermined elements,” factors that you can count on occurring, such as unfolding demographic trends. Such factors would be part of *any* scenario.
- ▶ Other factors are much more uncertain, such as changes in the economy or the impact of technological innovation. Alternative scenarios are needed to describe different ways in which these uncertainties could interact.
- ▶ Scenarios are not conceived of one at a time. You develop a range of two or three potential futures, allowing you to address an array of possibilities. At the same time, four or more scenarios tend to be too complex; you cannot keep track of their ramifications in your minds.
- ▶ The true work takes place in the last step, rehearsing the implications of the different possible futures. That is the most interesting part of the scenario process, the part that yields the most surprises. You can start looking at a small local problem and then realize you have to care about what is happening in the global economy.

Scenario thinking is an art, not a science. But the basic steps are the same. Typically you will find yourselves moving through the scenario process several times -- refining a decision, performing more research, seeking out more key elements, trying on new plots, and rehearsing the implications yet again.



5

Situational Analysis

The strategic management process begins by enhancing the leadership group's shared understanding of its current and projected circumstances. The purpose of this analysis is to accelerate the leadership group's arrival at a plan of action. The process of analysis should drive toward useful insights and should avoid distracting the leadership team into paperwork or details that do not serve that purpose. Task forces around these issues could involve personnel in addition to those not on the leadership team. The following suggestions assume the leadership team is responsible for a municipal housing sector.

Description of the marketplace

The dynamics of the local housing system should be analyzed to highlight factors that affect the supply and demand for housing, and the demand for products or services that the municipal housing sector does or could provide.

What are the current and future factors in the local housing and finance markets that will affect the leadership group's plans? What is the population size and makeup? Incomes? Costs of supplies, materials, services, financing? How do they differ by market segment? What are the possible alternatives to services provided by the housing sector? Other forms of housing? Other suppliers of housing?

Results of past performance

While the attention of top management is often drawn to the challenge of new lines of business, those new initiatives can readily be undercut if the legacy of an organization's past performance is not carefully taken into account. Strategic management analyzes past performance to shed valuable light on practices that may hinder or contribute to the success of planned action. That analysis can also uncover the seeds of future trouble hidden within an organization's past commitments.

How has the local housing sector performed -- historically and in the most recent past -- according to key measures of quality, service, efficiency etc? What have been the most successful and weakest elements? How will these matters affect the expectations and response of groups that will affect implementation of the strategic plan?

Legal

A local housing sector is profoundly affected by the federal and local regulatory and legislative framework within which it must work. Changes in the market environment interact with this regulatory framework in ways that can greatly alter the housing sector's performance or opportunities.

What local, national or other laws will affect how the local housing sector carries out its activities? How can they be expected to change in the foreseeable future?

Work culture

The work culture of a large organization tends to change slowly and can profoundly affect the way organization will respond to new circumstances and demands. Strategic management considers how the current institutional structure and patterns of behavior can be expected to affect the housing sector's mission. The strategic management plan takes account of the resources and constraints provided by the workforce.

What are the current norms of performance by housing sector employees? What is the working climate, morale of the employees? Does it differ importantly from group to group? How will this help or hinder specific activities that are being planned?

Stakeholders

Strategic management brings top managers to take identify and into account the interests and potential responses of various important "stakeholder" groups -- those who contribute to an organization, who use its products or services, or who can affect the organization in some significant way.

Who are the customers of the local housing sector? How can they be thought of as different subgroups of customers with distinct needs? Who are the other key stakeholders (others who buy or use the housing sector's products or services, who depend on the housing sector in some way, who are otherwise affected by what the housing sector does, or who can affect the housing sector's performance)? What does each customer/stakeholder group need and expect? What does the housing sector do to serve them? How will they be most satisfied or dissatisfied by what the housing sector does?

Future trends

The strategic management process identifies major trends that, if unchanged, will affect the local housing sector's ability to perform its mission. Planned efforts could be overwhelmed by events if such trends are inadequately.

If the housing sector does nothing differently, where are current trends likely to take us? What major trends could have a significant impact on housing in the locality -- demographics, technology, economic, political?

SWOC analysis

Strategic management gives special attention to how an organization's internal strengths and weaknesses, can interact with its external opportunities and constraints to determine the most useful courses of action. A summary of this analysis is used to guide thinking throughout the remainder of the strategic management process.

What is the organization able to do best? What are its core competencies? In light of its new challenges, what is the organization least able to do well? Where are there emerging opportunities to achieve its mission? What are the threats to the organization's existing resources or opportunities to gain new resources to achieve the organization's mission?

Illustrative briefing materials are included at the end of the chapter.

6

Mission and vision of success

A systematically developed mission statement is be vital to the implementation of an organization's strategy. An organization gains a heightened sense of purpose when its managers address the issues of:

- ▶ What business are we in?
- ▶ What customer do we serve?
- ▶ Why does this organization exist?
- ▶ How do we achieve our objectives?

Managers can undermine the usefulness of the mission as a guide to an organization's action when they answer these questions with platitudes or ambiguous generalizations. An organization must state its long-term intentions clearly so that people in the organization can share expectations, set priorities, and evaluate performance.

What is a Mission?

With an organizational mission statement, strategic decision makers determine the basic goals, characteristics, and philosophies that form the basis of an organizational culture that will guide future executive action.

Our advice is to make the mission statement explicit -- nail it to the wall. It shouldn't be more than three or four short sentences. The mission statement should define the boundaries of the business and the customer population. It should say what has to be done and how that achievement will be measured.

An organizational mission is a broad but enduring statement of purpose that defines an enterprise in terms of what it produces and how it relates to its market. The organizational mission:

- ▶ embodies the decision makers' operating philosophy;
- ▶ reflects the organization's self understanding;
- ▶ reveals the image the organization seeks to project;
- ▶ indicates the principal products or services the organization will provide;
- ▶ states the methods and technology to be used in providing those products or services; and
- ▶ clarifies the primary customer needs the organization will attempt to satisfy.

Formulating the Mission

The process of defining the mission for an organization is best understood by thinking about an organization at its inception. A typical organization begins with the beliefs, desires, and aspirations of one person or a small group of people. Their sense of mission is usually based on a belief that:

- ▶ the organization's product or service can provide benefits commensurate with its price;
- ▶ the product or service can satisfy a customer need currently not met adequately;
- ▶ the methods to be used will provide a product or service that is competitive in cost and quality;
- ▶ with hard work and the support of others the organization can succeed;
- ▶ the management philosophy will result in a favorable public image and will provide financial and psychological rewards for those willing to invest their labor and money; and
- ▶ the organization's self-concept can be communicated to and adopted by its employees and other key groups.

Each word in a mission statement should have an *operational* reason for being there. An effective mission statement should help people throughout an organization recognize what the organization does *and* what it does not do.

The mission should be clear enough to let you know when you have succeeded and are entitled to a reward. "Increase revenues" is not a rewardable mission. How much of an increase? 0.5%? 5%? 50%? But "generate positive cash flow"

might well be a rewardable mission for a management team nursing a sick organization.

Components of the Mission Statement

A mission statement should be concise. Each word should be chosen because it has direct implications for the organization's actions.

Product or Service, Market, and Technology

Three indispensable components of a mission statement are the organization's basic product or service, the primary market, and the principal technology to be used in producing or delivering the product or service. In combination, they define the organization's present and potential activity.

Organizational goals: survival, growth, success

Unless an organization can survive, it cannot satisfy any of its stakeholders' aims. Unfortunately, survival is too often assumed as a goal and therefore neglected as a principal criterion in strategic decision making. When this happens, the organization may focus on short-term aims at the expense of the long run. Too often the result is near-term failure, owing to a lack of resource synergy and sound business practice.

An organization's growth is inextricably tied to its survival and success. In this context, growth must be broadly defined. Growth can be measured in terms of the number of markets served, the variety of products or services offered, and in the technologies used to provide goods or services. Growth means change, and proactive change is a necessity in the dynamic economic environment.

Success over the long term is the main goal of an organization. The key phrase is "over the long term," since a focus on short-term success measures can have serious consequences over time. For example, in seeking short-term success, an organization might be misguided into overlooking the enduring concerns of customers, suppliers, employees, creditors, ecologists, regulatory agencies or others who can exert decisive influence over the organization.

Organizational Philosophy

A statement of an organization's philosophy usually accompanies or appears as a part of the mission statement. These reflect the basic beliefs, values, aspirations, and philosophical priorities that the strategic decision makers are determined to emphasize in their management of the organization.

Unfortunately, statements of philosophy are often stated in such platitudinous ways that they read more like public relations promotions than like the commitments to values they are intended to be. But cynicism is rarely justified. Managers usually try and often succeed in providing a distinctive and accurate picture of the organization's management style.

Organizational Self-concept

A major determinant of success is the extent to which an organization can relate functionally to its external environment. Finding its "place" in a fast changing environment requires that the organization be able to evaluate realistically its own strengths and weaknesses. The notion that the organization must know itself is the essence of the organization's self-concept.

Discussions of an organization's self concept typically do not appear in a mission statement, but readers of an organization's mission statement usually get a strong impression of the organization's self-concept.

Public Image

An organization's public image is important, particularly when an organization is growing and redefining its strategy. Present and potential customers can attribute certain qualities to a functioning organization. Therefore, mission statements should reflect the anticipations of the public whenever the goals of the organization are likely to be achieved. This would help ensure that an organization will not become engaged in a line of activity that will undermine public perceptions that are crucial to an organization's success.

A negative public image often prompts organizations to reemphasize the beneficial aspects of their character as reflected in their mission.

Internal communication

An organization will be able to carry out a coherent strategy over time and to achieve significant goals to the extent that people throughout the organization -- its employees and policy makers -- share a sense of mission that influences the way they make choices and set priorities. A mission statement should be written carefully so that each element relates clearly to specific actions and responsibilities of the organization.

Illustrative briefing materials are included at the end of the chapter.

Municipal Housing Sector
Novosibirsk, Russia
Market-based Strategic Management

Worksheet: Mission Statement

Use of mission statement. A mission statement should provide members of the Novosibirsk municipal housing sector with a clear, practical sense of the sector's most important responsibilities and how they are to be fulfilled. The mission statement should be short, clear, realistic and worthwhile:

- **Short** -- It should include no more than 3 or 4 sentences, if possible.
- **Clear** -- It should communicate an understandable message to those working in the municipal housing sector and to key stakeholders outside the sector.
- **Realistic** -- It should not be "hot air" or "wishful thinking" but a statement that could actually be achieved in 4 years with hard work.
- **Worthwhile** -- It should deal with matters that will actually make a difference to many people.

Elements of a mission statement. A well-drafted mission statement will indicate:

- **Why** we are in business.
- **Who** our customers are.
- **What** products and services we provide.
- **How** we provide those products/services.

Emerging themes. Members of the Novosibirsk municipal housing sector leadership group have identified several themes that could be built into a forceful mission statement. They were:

- We mobilize available resources -- work force, construction capacity, natural resources, funds -- to preserve and improve the housing environment in Novosibirsk.
- We help create a legal, tax, regulatory, and land use environment that will stimulate the financing and development of housing.
- We help create conditions under which every family to solve its housing problems.
- We help Novosibirsk residents to make the transition to a developing market-based housing system.

Proposed Mission Statement:

MUNICIPAL HOUSING SECTOR
NOVOSIBIRSK, RUSSIA
MARKET-BASED STRATEGIC MANAGEMENT

Mission/Vision Worksheet

What business are we going to be in?

- Producing housing?
- Maintaining the existing stock?
- Providing jobs?
- Transferring ownership of housing?
- Creating sound land use and other requirements for a housing market?
- Encouraging competition in housing products and services?

Who are we going to serve?

- Current residents of municipal housing?
- People seeking apartments?
- People looking to own their own homes?
- Enterprises and private firms wanting to provide housing and services as a profit-making business?

What is our product/service?

- Housing structures and amenities?
- Service infrastructure (heat, water, electricity, etc)?
- Maintenance and renovation?
- Assistance in ownership transfer?

How do we provide that product or service?

- Providing services directly?
- Contracting with public enterprises and private firms?
- Encouraging a competitive environment?
- Clearing the way for new technologies?
- Public education and technical advice?
- Housing and land use regulation?
- Tax policies?

What is a realistic vision of success?

Your Suggestions: What will be realistic for the next 4 years?

Mission

- Three or four short sentences.
- Boundaries of the organization and the customer population.
- What has to be done or produced.
- How achievement will be measured.

Mission Statement

- **Short** -- 3 or 4 sentences if possible
- **Clear** -- understandable message inside and out
- **Realistic** -- achievable in 4 years with hard work
- **Worthwhile** -- will make a difference to many

Mission Elements

- **Why** we are in business.
- **Who** our customers are.
- **What** products and services we provide.
- **How** we provide those products/services.

Brainstorming

- ▶ Everyone should contribute.
- ▶ Everything is fair game, no matter how crazy or outrageous.
- ▶ Nobody is permitted to challenge any suggestion.
- ▶ Write everything down so the team can see the whole list.

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Sharpened management focus

Strategic management helps move an organization from a state of confusion in which it is responding to immediate crises with an inadequate sense of direction. It enables the organization to concentrate its resources on those issues that are of strategic importance and direct its attention toward clear, achievable goals.³

Strategic issues

Strategic issues are those things that are both (1) what the organization must achieve because of its mission and (2) most difficult to achieve because of the organization's environment. Issues having those two characteristics deserve the special attention of top management.

Spell out your strategic issues and goals

Consensus on the strategic issues is vital. In one study, the top 10 managers in 125 European companies were asked individually to identify their companies' five most critical objectives. The minimum number in each company would be five; the maximum, 50. Managers of the 40 most profitable companies agreed on 6 to 12 objectives. For the 40 worst companies, the range was 26 to 43. In other words, the top executives of the poor performers had no shared vision of what they were trying to do, while just the opposite was true of the successful companies' leaders. Significantly, a few years after the managers of a company in the worst category had agreed on its critical objectives, the company moved into the most profitable group.

Like the mission, strategic issues are not the detailed activities of an enterprise, and they are not directly manageable. Often they are statements of hope or fear.

³ This section is adapted from "Getting Things Done," Maurice Hardaker and Bryan K. Ward, Harvard Business Review, November-December 1987, page 112.

Each strategic issue could be viewed as beginning with the words “We need...” or “We must...” That expresses buy-in by all (“We”) and agreed-on criticality (“need” or “must”).

In naming its strategic issues, a team should be guided by the necessary-and-sufficient rule. That is, the group must agree that each strategic issue listed is *necessary* to the mission and that together they are *sufficient* to achieve the mission. This is a stringent requirement. The strategic issue list must reflect the absolute minimum number of subgoals that must be achieved for the team to accomplish its mission.

Each strategic issue must be devoted to a single distinct topic -- pure in the elemental sense, like hydrogen or gold. The word “*and*” is forbidden. The team has to struggle to reduce its list honestly; it can’t succumb when some creative manager says, “Why don’t we combine numbers three and seven so we reduce the of operation *and* improve morale?”

The list should be a mix of tactical and strategic factors. If the factors are all strategic (such as, increase number served to 15% of the total population by the year 2000) the organization might founder while everybody concentrates on the blue skies ahead. Equally, if all are tactical (such as, reduce the cost of delivering a service by 20% by year end), the organization could kill itself on short-term success. The proper ratio of tactical and strategic factors will depend on the nature of the mission.

The maximum number of strategic issues is eight. And if the mission is survival, four is the limit -- you don’t worry about whether your tie is straight when you are drowning. There is no magic about eight. It just seems to be the largest number of truly critical goals that a management team can focus on continuously.

Our rules on number and absolute consensus may be tough, but they work, and it’s essential to follow them. Whenever we have been persuaded to relax either rule, we have ended up with a mess, a list of moans rather than the truly visceral issues affecting the business. If someone cries, “We can’t agree, let’s vote,” don’t do it. Insist on consensus; after all, responsible and experienced managers should be able to agree on what is vital to their organization.

Reaching agreement on the strategic issues usually takes from one to three hours. The longest time we’ve seen was a day. In that case, the team was composed of the heads of nine quasi-independent business units and managers from headquarters. Understandably, they had a tough time reaching consensus.

Illustrative Example

To use a private sector illustration, a fictitious firm sells consumer products over a large geographic area. It is a mature market, and the organization's market share and profitability have eroded. The management team's mission statement for this business might read:

"Restore market share and profitability over the next two years, and prepare the company and marketplace for further profitable growth."

The strategic issues for that company might include:

"We need best-of-breed product quality."

"We need new products that satisfy market needs."

"We need excellent suppliers."

"We need motivated, skilled workers."

"We must achieve excellent customer satisfaction."

"We must develop new business opportunities."

"We must have the lowest delivered cost."

The management team *could* accomplish the mission only if they satisfy *all* seven strategic issues over the next two years. That is what we mean by necessary and sufficient.

Find what matters most

An additional step in team-based strategic management is to identify and list what has to be done so the organization can meet its strategic issues. This might mean being more responsive to the market, exploiting new technologies, or whatever else is essential to accomplish the strategic issues.

Ask almost any management team for a list of its business activities or processes, however, and you are likely to get a set of bland descriptions like "production," or "maintenance," or "sales," or "customer service." These aren't business processes. They don't describe what is actually done in the business.

We recommend a rigorous approach that draws on our necessary-and-sufficient rule. As with the strategic issues relation to the mission, each process necessary for a given strategic issue must be indicated, and together all those processes must be sufficient to accomplish it.

A “champion” for each strategic issue

Strategic issues need to be linked with specific activities and persons who will have clear responsibility for ensuring that the issue is addressed:

Each business process description should follow a verb-plus-object sequence. (For example, “research the marketplace”, “measure customer satisfaction”, “bill customers”, “educate suppliers”, “train employees”, etc)

- ▶ Every business process should have an “owner” or “champion,” the person responsible for carrying out the process.
- ▶ The champion should be a member of the management team that agreed to the strategic issues.
- ▶ No champion should have more than three or four business processes to manage.

To see how these rules might work, think about “measure customer satisfaction.” This process has an action verb and an object of the action. It can have an owner, and its quality or performance can be measured. Is this process currently being done? By whom? How often? How well? How well are competitors doing it? Since each team member shares collective responsibility for the affected strategic issues, the entire team should be interested in the answers. But only one person owns that process -- commitment by all, accountability by one.

“Bill customers” is another example of a business process. It includes many activities in addition to “invoicing.” Invoicing is a simple process; billing customers involves a much richer field for disaster. Many functions contribute to billing: sales, field engineering, accounting, legal, distribution, and information services. The person responsible for invoicing is rarely the one who can coordinate all of the activities needed to get an accurate, understandable, complete invoice at the right time and at the lowest cost. The invoicing manager is not likely to have a broad enough view of the business or the power to affect needed change.

Once identified as an important process, however, billing customers can be assigned to a member of the management team, who will then be responsible for its performance.

Defining a goal for each strategic issue

Now suppose we have a complete list of important business processes, each of which has an owner. The list still needs ranking to identify the most critical

processes -- those whose performance or quality will have the biggest impact on the mission. This is the next key stage of team-based strategic management.

First, place the processes and strategic issues in random order. Then focus on the first critical success factor -- in our example, "best-of-breed product quality" -- and ask this question: Which business processes must be performed especially well for us to be confident of achieving this strategic issue. The objective is to single out the processes that have a primary impact on this particular strategic issue. Many business activities will touch on it, of course; what you are after are the essential ones.

The facilitator notes each critical process identified for this strategic issue. The list must pass the sufficiency test. If all these activities are performed well, will the team achieve its first critical goal? If the team answers no, then it must identify what else is needed.

This is usually the stage at which teams begin to be really creative, looking beyond what is already being done and breaking new ground. There is a check, though, because each new process added for sufficiency must also have an owner within the management team. It has to be important enough.

The team then repeats this process for each strategic issue in turn, being careful to apply the necessary-and-sufficient test before moving on to the next strategic issue. Then the number of strategic issues that each process affects is totaled.

By now the management team has produced a valuable document. The team has agreed on its mission, on the strategic issues or goals required to accomplish the mission, and, finally, on the things that must be done to achieve those goals. While each strategic issue is owned by the entire team, each business process is owned by an individual member.

A final step remains -- identifying the most critical processes and setting a clear, measurable, attainable goal for each strategic issue. If organizations had unlimited resources, each process could have equal attention for resources and management focus. But time and resources are always limited. So it is vital to identify those activities that warrant the most attention.

The most important processes are those that affect the most strategic issues. But to get a useful ranking, we need to know how each process is being performed.

In our team-based strategic management work, we use a subjective ranking: A = excellent performance, B = good performance, C = fair performance, D = bad performance, and E = embryonic performance or a process that is not performed at all. It may seem surprising, but we hear very few arguments about process

quality. By this stage in the strategic management process, the managers are really working as a team.

Graphing makes priorities clear. By plotting the quality of each process and the number of strategic issues the process affects, the team can see which activities need the team's closest attention if the company is to achieve the mission of improving market share and profitability within two years.

It is vital that the leadership team keep refining each goal until it is:

- ▶ clear
- ▶ achievable
- ▶ measurable
- ▶ worthwhile

For each goal, the leadership group needs to reach consensus on objectives for the first year. Each first-year objective should meet the following tests:

- ▶ It should be the best starting point for reaching the stated goal.
- ▶ Achievement of the objective should be in the organization's control.
- ▶ Key obstacles to its achievement have been identified and are manageable.
- ▶ The organization has the resources to achieve the objective.

Refinement of issues such as those is the heart of strategic management -- a way to conduct what is, in truth, a never-ending journey to zero defects.

Illustrative briefing materials are included at the end of the chapter.

Municipal Housing Sector
Novosibirsk, Russia
Market-based Strategic Management

Worksheet: Strategic Goals

Champion (and task force members) for this strategic goal

Statement of the strategic goal (what we *must* do during the next few years to achieve our mission).

Resources that the City of Novosibirsk (and others) will have to provide to achieve this goal.

First-year actions/timetables.

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Municipal Housing Sector
Novosibirsk, Russia
Market-based Strategic Management

Action Plan Checklist

Goal

Is it clear?
Achievable?
Measurable?
Will it make a difference?

No? rework

Yes

General Approach

Is it convincing?
Can it be sustained over time?

No? rework

Yes

First-year Action

1

Is this the best starting point
for real progress?

No? rework

Yes

Is it in our control?

No? rework

Yes

Is it clear how we will do it?

No? rework

Yes

Do we have the resources?

No? rework

Yes

2

Is this the best starting
point ... etc.

8

Strategic Business Plan

The final steps in a strategic management cycle are to produce a written strategic business plan and to establish a system for measuring and maintaining progress toward clearly established goals. The discipline of writing a strategic plan will help the leadership team to flush out hidden disagreements and to achieve a stronger consensus for action. A written plan is also a powerful tool for communicating the leadership team's objectives to all those whose support will be needed to achieve those objectives. Finally, the monitoring and review procedures need to emphasize that strategic management must be an ongoing, iterative process.

Uses of a written plan

When writing a strategic business plan, the leadership team needs to be explicit about the various audiences to which the document should be addressed. Key audiences include a variety of individuals and groups whose cooperation will be needed to carry out the plan of action:

- ▶ The mayor
- ▶ Heads of key governmental agencies
- ▶ Legislators
- ▶ News media
- ▶ Private sector leaders
- ▶ The public
- ▶ Influential persons in other cities or levels of government

In addition, the leadership team needs to be aware of the different purposes that the document could be designed to serve:

- ▶ Building support among outside constituencies
- ▶ Gaining resources needed to achieve the strategic objectives
- ▶ Getting specific proposals approved for action

- ▶ Attracting outside investors
- ▶ Strengthening morale and a sense of purpose among employees

Structure of a written plan

The written plan should be brief. It should straightforward and practical. It should be interesting to read rather than laden with vague bureaucratic platitudes. The business plan should set forth the leadership team's consensus about:

- ▶ What they consider the few top-priority objectives for the coming months,
- ▶ Why they think these objectives are so important,
- ▶ How these objectives are to be accomplished, and
- ▶ Who will be involved in achieving the objectives.

A good business plan might be 12 to 20 pages in length. It would be written in sections so that different audiences can understand the organization's strategic direction in appropriate detail. Sections typically might include:

- ▶ An executive summary
- ▶ An overview of the strategic management process that produced the plan
- ▶ A concise statement of the organization's mission and values
- ▶ An honest review of the organization's current state of affairs
- ▶ Brief description of scenarios that the future might hold
- ▶ A statement of the leadership team's common vision
- ▶ Specific commitments -- goals, action steps, and accountability -- by strategic issues
- ▶ A set of appendices with data related to the situational analysis

The plan should have a cover letter signed by each member of the strategic management leadership team.

Monitoring and review

Although the strategic business plan should be clear about goals and objectives for the first year and beyond, the plan should not try to lock in too many operational specifics about how the objectives will be accomplished. Those tactical decisions should be left up to the "champion" designated for the issue and to project teams formed by the champion. The champion should be held accountable for achieving the specified objective and should be able to revise tactics so as to achieve the goal in the face of unforeseen obstacles.

The monitoring and review process should be compatible with the organization's normal decision making process.

Illustrative briefing materials are included at the end of the chapter.

Project Management

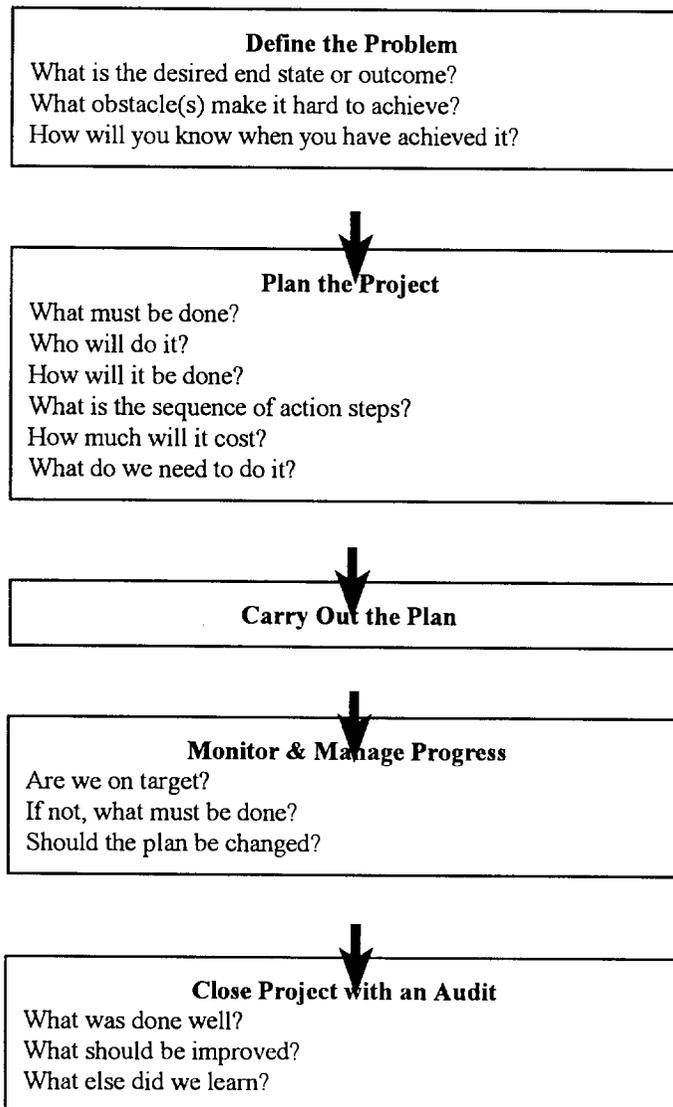
Project management is useful when:

- ▶ *a one-time activity* must respond to new, transient circumstances;
- ▶ *time is critical* to the achievement of the objective;
- ▶ *resources are limited* so costs must be carefully controlled; and
- ▶ *the task is complex* so a number of people and skills are needed to achieve the objective.

“A Project is a problem that is scheduled for solution.”

- ▶ If the problem is not defined correctly, you may end up with the right solution to the wrong problem!
- ▶ Focus on actual outcomes.
 - How will you know when you achieve them?
 - How will you measure success? If you can't put numbers on it, what will it look, feel, sound, smell, taste like?
- ▶ Try to learn how you can you do it better next time.

Steps in Project Management



Strategic Review and Management Procedures

The strategic review and management procedures should be easily explained and maintained within the operating practices of Novosibirsk's city government. It should also ensure that all elements of the strategic business plan receive full attention. It should highlight when activities are falling off schedule and accelerate adjustments to reach the goal.

Your recommendations:

1.

2.

3.

Suggested reading

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Peter Schwartz, *The Art of the Long View*, Doubleday Currency, New York, 1991.

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