



A Guide to Strategic Planning

by

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Introduction

This guide is designed to assist VASS member organisations in the strategic planning process.

As well as providing an overview of the process and the related concepts and principles, it also provides a step by step guide. More discussion of all of the key terms, concepts and Steps, can be found in the Appendices. This arrangement hopefully allows the reader to stay on the main path of the guide the first time through. More detail can then be found in the Appendices without detracting from the flow of the process being described in the Guide.

The Guide is intended to be a living document. We would like to add to it with case studies from our members. This will help illustrate the process and also highlight areas where we need to clarify or add to the information provided.

We, therefore, welcome your feedback and questions. You can forward questions to the author at w.english@auckland.ac.nz or contact VASS by emailing tess.vass@actrix.co.nz

About the Author

William English is semi-retired from teaching at the University of Auckland. He has spent 9 years at the University of Auckland (and a prior 4 years at Waikato University) teaching a variety of business and management courses, including:

- Strategic Management
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- Management of Quality
- Quality, Strategy and Implementation

He has also served as an Evaluator for the NZ National Quality Awards (NZ National Quality Award Foundation) for most of the years since their inception in New Zealand (1993).

Prior to venturing into Academia Mr English enjoyed a distinguished career in Management Consulting, spending 18 years developing the Management Advisory Services arm of Price Waterhouse in the US and the UK and consulting with companies around the world as diverse as Campbell Soup and Barclays Bank; and a subsequent 7 years, after resigning the partnership, developing start-up businesses and consulting as an independent business advisor.



What might you need to know about Strategic Planning?

Perhaps someone has suggested that you could do a better job of managing your stuff, or even running your organisation, aided by Strategic Planning. This is probably true. But it might not be. A lot depends upon you and your mindset. Truly! If, for example, you perceive Strategic Planning as a 'bolt-on' - a management "tool" or "technique" that you add on to what you are currently doing - it probably won't help you at all. It might even detract painfully from what you are doing.

Strategic Planning is a way of life. Well, it would probably be more helpful to say that Strategic Planning is integral to and plays a vital role in Strategic Management, which is a way of life for many successful organisations. So the mindset you need, to make Strategic Planning useful to you, is a world-view kind of thing where everything is an integral part of something else, and has vital interconnectedness (horizontally and vertically and maybe even transcendently) with purpose.

We call that a Systems Perspective

Strategic Planning is a part of the **System** of Strategic Management. Strategic Management is a **systematic** way of managing our life (organisational life, or even personal life). The organisation that we are managing is seen as a Purposeful **System** that we want to keep on line and on target towards objectives that we believe best serve the purposes of the **System**.

Strategic Planning is key to that. It is part of a cycle - sometimes called a Plan/Do/Check/Act cycle. Which means, in a sense, it is never static and is always ongoing.

We'll get into that a little more later. For now, recognise that if you continue to read this document you may be forced to rearrange your thinking somewhat and, for certain, you will see some challenges to the way you have managed heretofore.

Strategy, Strategic (Quality) Management, Strategic Planning Process

This guide is about Strategy. In general it is about Strategic Management, and in particular it is about Strategic Planning, which encompasses Strategy Development and Strategy Deployment. Let's deal with these terms - starting with Strategic Management.

Strategic Management

What is Strategic Management? There are several possible answers. It is the opposite of seat-of-the-pants management. It is knowing what you are doing and why. It is being confident that what you are doing fits in with what others are doing and is an effective contribution to getting to where you want to be. It is sort of leveraged management, where you are able to use a handful of stated values and objectives to get everything in the organisation in support of and aligned to those values and objectives. Simply stated it is the ability to make decisions and deploy resources based upon the answer to the question --- Is This On Strategy???

Strategy

From what has been said so far and/or from your experience outside this Guide, you have probably inferred a meaning for the term "strategy". There are differing understandings of what is meant by Strategy. Some might argue that it is the setting of Objectives, or the statement of a Mission. And while good Strategy may depend on these, it cannot be effective strategy without defining a way of getting to those Objectives and serving that Mission. For our purposes here, therefore, Strategy will refer to the means in relation to specific ends. And the term Strategic Planning will, then, be used to describe the complete process. This will become clearer as we work through the Guide.

Strategic Quality Management

Since the perspective taken for this guide is based upon the Business Excellence Model, a couple of more facets of Strategic Management need to be mentioned. Under the Quality umbrella of the Model, Strategic Management (perhaps better expressed as Strategic Quality Management) is also about Measurement, Feedback and Continuous Improvement. The concept we are working with in this document not only sees Strategic Management as part of a "continuous iterative process aimed at keeping an organisation...appropriately matched to its environment", but as fundamental to the ongoing journey towards excellence.

Strategic Planning Process

Strategic Management needs to be seen as a process, of which planning is a part, and where the actual plan, if it exists at all, is only a snapshot. There are innumerable ways that Strategic Planning is done. After all each organisation will have its own nuances, even if it is following the guidance of some “expert”, or the “standard” of some textbook. And even amongst the experts and textbooks there are considerable differences, in the How, Who, What of Strategic Planning, including a large number that don’t even come close to what is being described here.

For some, Strategic Planning is synonymous with financial planning or budgeting. Certainly Strategic Planning can constitute a critical input into the financial and budget plans of an organisation. And the availability of financial resources is an important input to Strategic Planning. They can be complementary. But they are not the same. Reviewing results, developing new targets, corporate retreats, speeches, social gatherings, all can come into play in the Strategic Planning effort, but they do not define it.

The biggest chasm in terms of schools of thought, at least for our purposes here, is the divide between what might be called the autonomous school and the interconnectedness view. We are firmly declared for the interconnectedness view, which will be seen shortly when we talk about the need for a systems perspective. For anyone interested in the autonomous view, research cues such as “portfolio management” or “Boston Consulting Group Matrix” should be helpful. Simply stated, we will follow the Strategic Planning path that is best suited to managing the connections within our System and our connections to the larger System.

The Strategic Planning Process doesn’t come in a package. Yes, you can have someone outside of your System prepare a Strategic Plan for you. Or even someone inside. But that is not the same as having a Strategic Planning **process** which is fundamental to our Strategic Management dynamic.

The Strategic Planning Process described in this guide is, as stated earlier, heavily grounded on the Criteria for Performance Excellence, which is developed out of a Systems Perspective and based heavily on Strategic Quality Management principles. The actual Strategic Planning Process itself looks heavily to Porter, Prahalad, and Mintzberg (who are mentioned in more detail in the Appendices). It is oriented to a set of common objectives for the process:

- a. inclusiveness
- b. alignment
- c. serving the customer
- d. getting outside the box
- e. building on strengths
- f. overcoming weaknesses
- g. serving a purpose

Strategic Planning is essentially two activities rolled into one. Planning can be as routine as listing tasks that must be accomplished within a certain time frame. Strategy Development in the course of Planning, however, can transform an otherwise routine list of to-dos into a creative, masterful game plan for effectively achieving meaningful objectives.

This Guide presents Strategy Development as the driving force from which Planning emanates. There is an assumption that the proper inputs and analysis in Strategy Development will easily yield effective Planning outputs. Consequently, the guide will concentrate heavily on Strategy Development.

Remember, though, that the “complete process” for Strategic Planning is only part of the “complete process” of Strategic Management (see Strategic Management Overview Picture).

Systems View

A prerequisite for understanding Strategic Management and for understanding and making best use of this Guide is the development of a Systems Perspective. It would be an oversimplification to say that that means looking at things holistically. But it is a good place to start. With a Systems Perspective you can see the interconnectedness of things, and eventually come to understand that your organization, to be most effective, must be carefully designed to avoid disconnectedness and to achieve alignment amongst the connecting pieces. Strategic Planning is a critical part of this.

There is more about Systems Perspective in the pages that follow. For now, some basic rules:

1. A system is a whole consisting of two or more parts; what you do to one part of a system will have an affect on other parts of the system and/or the system as a whole.
2. A system is a whole that cannot be subdivided into independent parts or independent subgroups of parts.
3. The essential properties of a system taken as a whole derive from the interactions of its parts, not their actions taken separately; therefore, when a system is taken apart it loses its essential properties.
4. The ESSENTIAL parts of a system are those without which the system cannot perform its function.
5. The environment of any system consists of the set of variables that can affect the behaviour of a system.

The terms and concepts that we are using here (Strategic Management, Systems Perspective, etc.) are being used in the context of managing an organisation - any organisation - as long as it fits into the following definition.

An organisation is:

- 1) A purposeful system that is
- 2) part of one or more purposeful systems, and
- 3) parts of which – people - have purposes of their own

An organisation so characterised will have interactions at three levels of purpose - societal; organisational; individual

- how well an organisation performs depends upon how it is affected by both the people who are a part of it and the systems of which it is a part
- how an organisation's parts affect it depends upon how it affects them
- how the containing system affects it depends on how it affects that system

Crucial Systems Principle

- If each part of a system, considered separately, is made to operate as efficiently as possible, the system as a whole will not operate as effectively as possible
- The performance of a system depends more on how its parts interact than on how they act independently of each other

Strategy Development

Strategy Development, as has been indicated, is essentially the engine of the Strategic Planning Process. The usefulness of the Plans that result is highly dependent on the robustness of Strategy Development. There is a quote, attributed as I recall to General Dwight D. Eisenhower, that:

“A plan is nothing, but planning is everything”.

That may sound like overstating the case, but it should give emphasis to the relative importance of the Strategy Development activity in relation to the documents that may be produced.

Who Should Be Involved?

As with almost all aspects of Strategic Management, there are expert opinions all over the map. This guide takes the perspective that, in a sense, everyone should be involved in Strategy Development, although the attendees at the resort retreats or in the smoke-filled rooms, should be limited to representatives, not the whole of the organisation.

“Representatives” implies a sort of democratic flavour in the development of strategy. But getting all parts of the organisation represented in the Strategy Development activity is healthy for more than just egalitarian reasons.

Probably the most important reason is that you need buy-in from throughout the organisation to make your strategy work. Why? Because the two most important components for strategy are alignment and empowerment. Strategy can create both, if properly developed and implemented and if you get buy-in from throughout the organization. Strategy will then feed off both alignment and empowerment to further the organisation's mission.

Alignment is simply a Physics principle in an organisational setting. But simple as it may be to talk about having all of your ducks in line or everyone pulling in the same direction, it is one of management's most difficult tasks. Involving the different parts of the organisation in deliberating about and eventually getting behind the objectives and the direction will ease the pain of the alignment task.

Empowerment is, perhaps, a little more difficult to explain. Many of us are from the command and control school and we expect the troops to do what they are told and not ask questions. This, however, generally gets a minimalist result - what is required and no more. Don't ask me, I just work here. In the Business Excellence Model, the idea is to:

- devolve decision-making and decision-taking to the coal face
- celebrate initiative and innovation
- connect the front line with the system and the way it runs.

Such empowerment can most effectively begin at the planning and goal-setting stage. In excellence-oriented organisations involving the "troops" in Strategy Development, and in a response to our Objectives and Strategy, is an imperative for the development of Alignment and Empowerment. And Alignment and Empowerment are imperatives for successful Strategic operations. (In terms of Actions Plans refer to Step 7.)

The Strategy Development Process

The process description that follows is intended to be as generic a model as possible, while, at the same time, reflecting the special orientation of the human services sector. It is recognised, in any case, that each organisation will want to tailor this model to suit its own character and culture. Just a word of caution: consider every Step essential. You may have a particular way of assessing the environment, other than a PEST analysis, for example; but an assessment of the environment must be done.

Before embarking on the Process, it is important to consider the "why?" of Strategy and Strategic Management. At the risk of sounding too philosophical (and repetitive), Strategic Management is a way of life. It may not be a way of life you are used to or consciously aware of in your organisation, but you are a lot better positioned for success if you buy into its philosophy. As stated before this is about knowing what you want to achieve, overcoming

disconnectedness, having a consistent platform for decision-making, and continuously improving.

The point is that the success of this undertaking - developing Strategy - is every bit as dependent on understanding why it is worthwhile, and having and conveying a positive attitude about it, as it is dependent on going through the Steps that follow.

Step 1: Purpose

Define what the organisation is all about. It is helpful if this can be done independently of defining the organisation itself. This is sometimes referred to as the “blank page” approach. It allows for the premise that form follows function; structure follows strategy. This premise can be challenged; but for starters it can be very energising to not be constrained by form or structure.

This definition of what the organisation is all about should be lofty enough to encourage people to raise their sights, but not so lofty that it cannot be translated into operational terms. It should, in the first instance, answer the question of “what business do we think we are (or want to be) in?” and the follow-up question - “Why?”

Kenichi Ohmae, in “The Mind of the Strategist: The Art of Japanese Business”, states:

“The strategist’s method is very simply to challenge the prevailing assumptions with a single question: why? and to put the same question relentlessly to those responsible for the current way of doing things until they are sick of it”.

If this is the first time through the Strategic Planning Process (and even if you are going through the process for the tenth time) Mission is a good place to start. Values and Principles are also very helpful at this stage. There needs to be a long-term flavour to these. Mission, Values, Principles and the like should not be expected to change significantly in the years to come, and so in subsequent Strategic Planning efforts it might only be necessary to review the “guiding lights” to refresh our commitment to them. However, each Strategic Planning effort needs to ask the question anew of what business we are in, and if that answer changes, we need to carefully assure ourselves of the sustainability of Mission, Values and Principles (or modify them, as necessary, to fit with the new view of our business).

Things to consider: What is or should be our Distinctiveness (see Step 6 for specific possible areas to exploit). As stated earlier, this guide is based upon the principles of Quality and the Criteria for Business Excellence, and therefore we are working under an umbrella strategy of Quality - the ultimate differentiator. We want to consider how we can differentiate ourselves in:

- a. The product/service we provide
- b. The “customers” that we target

c. How best to serve the “marketplace”

This Step (Step 1) is normally an executive-level responsibility, and requires thoughtful creativity, particularly the first time through this Strategy Development Process. In subsequent iterations, there should be a sort of reality check - “does this still make sense?” But, unless the answer is no, there should be no wholesale modification.

Step 2: Probable Objectives

Propose some long-term objectives for the organisation that support the Mission. These should be few, have stretch, and be honest. Time frame: some 3-5 years out. These objectives should be thought of as temporary in our initial look; we will recycle through this step after completing Steps 3 and 4 (and probably 5) and confirm or modify our objectives.

As with Step 1, in subsequent repetitions (years 2, 3, etc., for example) of the Strategy Development Process, the objectives expressed here will need to be reviewed, primarily for confirmation of their ongoing importance. Some adjustment may be necessary but wholesale modification would be unlikely.

Step 3: External Look

In our terminology this is a look at the Supra System - the containing system within which we play a role. We want to understand our “environment” and what the view of our role might be, from those outside our system but affected by our system.

We also want to understand what conditions exist, both favourable and unfavourable, that affect our system, and over which, in many cases, we have little or no control. This is often referred to as a PEST (Political, Economic, Social, Technological factors and trends) analysis. Or a STEP analysis.

We also want to look at the Industry we are in. This is thought to be of paramount importance for some strategists, such as Michael Porter, who take the view that the “essence of strategy formulation is coping with competition”. But even if we are not in a fiercely competitive business/industry, the more information about our industry that we can include in our Strategy Development deliberations, the more successful we should be in working within that industry and enhancing and being enhanced by that industry. So Porter’s Five Forces may be of some help here. (These are discussed in the Appendix relating to Step 3). A caution, however - the “collective wisdom” that develops over time in an industry or an organisation, can turn into “collective ignorance”. Assumptions have to be challenged and tested.

Also, our look into the larger system should give us information about Opportunities and Threats (the “outside” part of a SWOT analysis).

Challenging “collective wisdom” assumptions, as just mentioned, is quite useful here. But even without the challenges, understanding the industry to the point of understanding Critical Success Factors in the industry can highlight opportunities for your organisation. The Threats part of this part of the Environmental Assessment is usually looking for environmental changes that we are not prepared to address and which can have an impact on our continued success. These Threats might be uncovered in the PEST analysis, or in the Industry Forces analysis. Or they may emerge from combined thought - a sort of “putting two and two together” - or group discussion (“what do you think might happen if....”)

Step 4: Internal Look

All that remains to be done in our information collection and assessment process is to evaluate ourselves - what are our strengths and what are our weaknesses. This, unfortunately, can be one of the toughest parts, particularly if we are not in the habit of systematically collecting information about and understanding our own “results”. What are we good at? Why? What are our disappointments? If we haven’t hidden them, do we know why they occurred? How could they have been prevented?

Almost all strategists agree that some form of a SWOT analysis is called for in Strategy Development. The typical SWOT analysis matches up Strengths (S) with Opportunities (O) and Weaknesses (W) with Threats (T). You will recall that Opportunities and Threats have already been discussed in the previous step. This eases the problem, somewhat, of not knowing your own strengths and weaknesses in an explicit way. When a particular Opportunity is brought forth, one can generally speak of the ability - a competence that we might, or might not, possess - to go after that opportunity, even if we don’t have any explicit results that would confirm such ability (or inability).

Also, our industry study will give us some relative ideas about our own strengths and weaknesses. How do we measure up to others in our industry?

This can be seen most readily when financial analysis is considered, for example, asset utilisation in our organisation versus industry benchmarks. Unfortunately, financial measures seldom shed much light on the reasons why, which can mean limited understanding of what the underlying strength really is.

(Please note: as indicated in Step 2, as we go through this process our view of Probable Objectives might be influenced by what inputs we develop in Steps 3 and 4, and it might be helpful, at this point to rethink our Objectives before moving on to Step 5)

Step 5: Thrashing it out

This is the point where it all needs to come together. And typically that includes bringing the Strategy Development group together, maybe for the first time in this process. The preceding steps are mostly about developing inputs, most of which can be done by individuals or small groups throughout the organisation. Now, however, it is time to bring inputs and thought processes together to sift through data and ideas and to create outputs that will drive the organisation's future.

However, while the thrust of such a gathering is to sort out collective agreement on future actions, expressed in the form of a Strategy Statement and/or Strategic Plan, there is much more to this step than just that outcome. Indeed, what is potentially of much greater importance is the establishment/reinforcement of a dynamic and the development of a strategic management culture that resides in and is compatible with the organisation's distinctive "way of doing things around here".

In other words, the bringing together of key people from throughout the organisation can be for more than just the purpose of amalgamating ideas and producing a workable plan at the same time each year. The larger objective should be to develop relationships and common language that will enable people to work together throughout the year - in a strategic management mode.

Thus, the Step 5 activity is often part of a management conference with multiple objectives, all under the umbrella of improving "the way we do things around here". Much can be gained from well thought out orchestration of social events, team building events, educational events, awards ceremonies, etc., as part of this gathering.

But the main event, for our purposes here, is the huddling together of key players to thrash out a strategy for the future. There is no set format for doing this. Its success is more dependent on the dynamic that is created than the program that is followed. This is often a good time for using a facilitator.

Step 5 essentially brings together lots of, hopefully relevant, information about the system and the suprasystem and seeks to project, from the collective knowledge created, a targeted future that:

- Has agreed objectives
- Supports the organisation's mission and values

Specific points to consider in Step 5

- Use of a facilitator
- Team Building
- Drive out fear
- Brainstorming

This step should generate Ideas in, and for, a healthy, forward-looking environment. There are various tools (e.g., Affinity Diagrams) for organising/visualising the Ideas. In Step 5 you should strive to work the best ideas into a few scenarios to play out for the attendees. This should lead to further discussion about the pros and cons of an idea, and working towards some form of consensus on the way forward. And this will provide the essential input to Step 6.

(Please note: as indicated in Step 2, as we go through this process our view of Probable Objectives might be influenced by what inputs we develop in Steps 3 and 4, and by the “thrashing it out” of Step 5, and it might be helpful, at this point to rethink our Objectives before moving on to Step 6)

Strategy Deployment

Step 6: Developing a Strategy Statement

This step can be considered the first Step in Strategy Deployment as well as the last step in Strategy Development.

The necessary ingredients for a Strategy Statement will have been developed by a representative group of people from throughout the organisation. But the actual Statement itself will need to be developed and promulgated by the CEO and a small number of other key executives. This decision-making group will rely heavily on what was accomplished in Step 5, but it is their responsibility to decide on the actual positioning of the organisation for the future.

The Strategy Statement will be a distillation of what came out of the Strategic Planning meeting/conference. Its primary objective will be to communicate:

- the organisation’s objectives and directions for the future
- its intended positioning in the environment
- some level of general initiatives that will be required to move in the intended direction.

It may concentrate heavily on organisation-wide issues, but it will need to provide some guidance on the development of functional area Strategies - such as Sourcing Strategies, Processing Strategies, Delivering Strategies, Designing Strategies, Supporting Strategies.

The Strategy Statement needs to have, preferably, two Major Themes - a Push Theme and a Pull Theme. The Pull Theme is the most important and reflects the idea of being Customer Driven. What do we need to respond to “out there”? The Push Theme reflects the ideas of Core Competence and Continuous Improvement. What do we need to put in place, fine tune, and/or

promote to reach them “out there”? Of course these have to align. We have to have the resources and competencies to be able to respond to whatever it is we must respond to “out there”. These Themes typically will address one or more of the following:

- Natural Resource Capability
- Human Resource Capability
- Process Capability
- Network Capability
- Strategic Alliances
- Supply Chain Capability
- Information Capability
- Lean and Mean
- Technology
- Responsiveness
- Reliability
- Agility
- Innovation

The Strategy Statement should consider and tentatively decide on and express what the Critical Success Factors are for the organisation. If, for example, one of the Themes that emerges (a Pull Theme in this case) is the idea of outstanding customer service in being able to respond to all types of inquiry in an immediate and comprehensive way, then it is very likely that a Factor that is Critical to our Success would be a comprehensive, reliable, user-friendly data base (and/or highly skilled, trained, and motivated Customer Service Reps).

Each Critical Success Factor (CSF) expressed in the Strategy Statement will be used down the line to develop subset CSFs. In the example just offered, the people that are responsible for the Information Technology function in our example organisation will probably decide that highly qualified Data Base Engineers and reliable high speed random access technology are critical to their success. And they will develop action plans to see to that.

Also, in the development of the CSFs it is appropriate and desirable to have a go at defining Key Performance Indicators (KPIs). A properly functioning Strategic Management system will have built in continuous improvement ‘loops’ that relate, at a minimum, to all our Critical Success Factors. (We talk more about loops in Step 7; if you glance back at the picture on p.iii you can trace a strategy improvement loop from Strategic Plan, through Action Plans, Implementation, Action, Measurement, Feedback and back to Strategy Development and Strategic Planning) Therefore we need to have a measurement system that enables and facilitates our continuing improvement. This means deciding on what measures of performance are key to our decision-making.

Each organisation, from what it understands itself to be aiming at, will have its own distinct summary strategy, with different categories of decision emphasised. More in Step 7, below.

Step 7: Defining the Loop(s)

Strategic Management - well, at least Strategic Quality Management - is a world of loops. Because we see the organisation as a Purposeful System, we might be heard to say "What goes around, comes around". Only, by that would be meant that we are highly dependent upon getting something back from what we have sent out.

In this Process we are looking for several types of feedback. First, we need constructive criticism as well as ideas/suggestions. Each organisation needs to create an atmosphere that realistically promotes this. Certainly, getting "representatives" involved in the Strategy Development Process is a good platform. But we need to be sure that we "drive out fear" at the same time.

Also, as suggested earlier, we want the "troops" to buy in to where the organisation is headed. The best vehicle for this is by responding to the Strategy Statement with Action Plans. In order for the various organisational teams to play a proper role in helping the organisation move in a particular direction, each team needs to design their piece of the action. Just what form these "action plans" might take is not prescribed. But they should probably be based upon sub-objectives and sub-strategies that align with the organisation's objectives and strategies, and include resource requirements. Also, the teams may develop Critical Success Factors and Key Performance Indicators that relate to their area of activity.

Thirdly, we are, under the umbrella of Quality, in a continuously improving mode. So, the feedback, on key processes and undertakings, needs to be ongoing.

And, fourthly, we are Customer Driven and we need to have effective channels to bring the voice of the customer, be it praise, complaint or suggestion, back into the organisation, to be incorporated into new plans and system redesign.

This brings us back to our world of Loops. Designing a Quality system means designing a system that is dynamic and informative. As Stafford Beer says:

"The system must have the capacity to respond to environmental change, even if the change was not foreseen at the time the system was 'designed'.

And, of course, the Big Loop of Strategic Management - at this point going from Action Plans to Actions to Feedback to Strategy Development to Strategy Deployment - continues cycling on.

Appendix Related to: Business Excellence Model

Reference is made, in the Guide, to the Business Excellence Model (aka the Criteria for Performance Excellence). This Model has been used (and refined) over the last 15 years to guide organisations to being the best that they can be, to being “world-class”. The original model was developed by the National Institute of Standards and Technology (NIST) in the U.S., as part of the Baldrige National Quality Program. It is now used throughout the world, and was adopted in 1993 by the New Zealand National Quality Awards Foundation (now the New Zealand Business Excellence Foundation) for the promotion of excellence in New Zealand organizations.

Strategic Management, in the best sense, through the driver of Strategic Planning, is meant to get us to a better place. The Business Excellence Model is the best picture we have of what that better place might look like. Two websites provide more information about the model: www.quality.nist.com and www.nzbef.org.nz.

The Business Excellence Model boils down to: guidance in developing a scheme and structure for managing a system, focusing on how effectively the different parts of the system work together. It includes collecting information about various parts of the system to inform management decisions.

Critical to the management of any system is the ability to see and understand how the different parts of the system connect and to be able to anticipate how each ‘connection’ will affect each part. These connections can be seen in the questions asked in each of the seven categories of the Criteria (of the Business Excellence Model).

“Vertical” Connectivity

The main strand of vertical connectivity is Strategy and the general objective is alignment of the various parts from the top down and the bottom up.

- Enables decision making at all levels
- Fosters common understanding of issues, processes and results
- Empowers the parts of the system that connect most directly with the customer
- Reduces the levels (and therefore the complexity).

“Horizontal” Connectivity

This is actually seeing how functions blend into each other and the relationship between all parts of the “value chain”. (This is explained below)

- End-to-End processes
- Cross functional teams
- Drives the customer into the back room (and perhaps further)
- Feedback loops
- Next-in-line customer concept; must understand needs
- Measurement and reward

“Value Chain”

“A firm’s value chain is an interdependent system or network of activities, connected by *linkages*. Linkages occur when the way in which one activity is performed affects the cost or effectiveness of other activities. Linkages often create trade-offs in performing different activities that must be optimised.”

“Management” information

The Business Excellence model is not a process manager but an organisation manager, requiring targeted relevant information about the interactions within the system and between systems:

The information collected is primarily for...

- DECISION MAKING
- CONTINUOUS IMPROVEMENT

... relating to the interaction between people and processes and systems.

But, within those two headings look for information (and knowledge management) relative to:

1. Enhancing value to customers through new and improved products and services.
 2. Developing new business opportunities.
 3. Reducing errors, defects, waste, and related costs.
 4. Benefiting/learning from (and properly rewarding) successes.
 4. Improving responsiveness and cycle time performance.
 5. Increasing productivity and effectiveness in the use of all resources.
-

Appendix related to: Strategy

The word Strategy comes from the Greek 'Strategos', meaning "a general" - a general that would "lead" an "army".

And the Greek verb Stratego means to "plan the destruction of one's enemies through effective use of resources".

Peter Drucker, in 'The Practice of Management' (1954), stated that strategy requires managers to analyse the present situation and change it if need be. It also required that managers should find out what their organisation's resources are and what they should be.

Alfred Chandler, in his landmark book 'Strategy and Structure' (1962), however, probably gave us the first full modern definition of strategy for "generals" of industry. After painstaking analysis of four of the giant's of American industry (Du Pont, Standard Oil of New Jersey, General Motors, and Sears & Roebuck), he defined strategy as determining the basic long-term goals of an enterprise, and adopting courses of action and allocating the resources necessary for carrying out those goals.

Other definitions followed based on Chandler, but adding or emphasising the importance of, for example, designing a set of objectives that define what business the company is in or is to be in and the kind of company it is or is to be (Andrews).

One definition that is particularly helpful makes the point that strategy is the "common thread" among an organisation's activities and products/markets. It becomes a rule for making decisions (Ansoff).

If you broaden the common thread idea to internal matters as well (such as alignment and empowerment), and emphasise the decision making aspect to encompass all members of the organisation, then you have come very close to the idea and application of strategy promoted in this guide.

There are, of course, many views on strategy. While not necessarily clashing with each other they challenge us to understand how strategy works differently in different organisations. Henry Mintzberg is probably the most highly regarded "challenger".

He offers 5 definitions of Strategy:

1. Strategy as a Plan - a consciously intended, purposeful course of action, anticipated in advance of the action itself.

2. Strategy as a Ploy - a manoeuvre intended to outwit an opponent or competitor.

3. Strategy as a Pattern - a stream of actions with a consistency in behaviour whether intended or not. In this sense, even organisations that don't make plans, can still be seen to have strategies - what Mintzberg refers to as Emergent Strategy. Eight types of strategy flow from his "pattern" definition:

- Planned
- Entrepreneurial
- Ideological
- Umbrella
- Process
- Disconnected
- Consensus
- Imposed

In our Guide we have asserted Quality as our "umbrella" (and, perhaps, "ideological") strategy.

4. Strategy as a Position - a means of locating an organisation in an environment.

5. Strategy as a Perspective - not just a chosen position but also the world view of the strategists. In this Guide we insist, for example, on a Systems Perspective.



Appendix Related to: Strategic Planning

Strategic Planning is part of a process (or a collection of processes) usually referred to as Strategic Management. In the text "Strategic Management - A Focus on Process" (Certo, S., and Peter, J., McGraw-Hill -Singapore, 1990, p.5), strategic management is defined as:

"a continuous iterative process aimed at keeping an organisation as a whole appropriately matched to its environment....The definition.....emphasises that managers engage in a series of steps.....performing an environmental analysis, establishing organisational direction, formulating organisational strategy, implementing organisational strategy and exercising strategic control....The definition also suggests that the strategic management process is continuous - it never really stops within the organisation. Although different strategic management activities may receive more or less emphasis and may be pursued with different intensity at different times, management should virtually always be focusing or reflecting on some aspect of strategic management."

Inputs for the Strategic Planning process (establishing organisational direction and formulating organisational strategy) include:

Strengths/Weaknesses

- Resources and Technology
 - Human Resource assessment (Quality and Quantity)
 - Process assessment
 - Information systems
 - Research
 - Other technology
- Financial status/projections
- Production Performance

Opportunities/Threats

- The market/competition
- Technology
- Legislation
- Economic Trends
- Social Trends
- Technical Developments
- Resource pool (particularly human resources)

Appendix Related to: Systems View

Selected System Principles (taken from Ackoff and Beer)

A system is a set of two or more elements that satisfies the following three conditions:

- The behaviour of each element has an effect on the behaviour of the whole
- The behaviour of the elements and their effects on the whole are interdependent.
- However subgroups are formed, each has an effect on the behaviour of the whole, and none has an independent effect on it.

A system, therefore, is a whole that cannot be divided into independent parts. From this, two of its most important properties derive:

- Every part of a system has properties that it loses when separated from the system.
- Every system has some properties - its essential ones - that none of its parts do.

Essential properties:

- The essential properties of a system taken as a whole derive from the interactions of its parts, not their actions taken separately.
- When a system is taken apart it loses its essential properties.

A system is a whole that cannot be understood by analysis. Instead, synthesis before analysis:

- Identify a containing whole (system) of which the thing to be explained is a part.
- Explain the behaviour or properties of the containing whole.
- Then, explain the behaviour or properties of the thing to be explained in terms of its role(s) or function(s) within its containing whole.

If each part of a system, considered separately, is made to operate as efficiently as possible, the system as a whole will not operate as effectively as possible.

The performance of a system depends more on how its parts interact than on how they act independently of each other.

A system's viability is contingent on its capacity to respond to environmental change (change in the larger system), even if the change was not foreseen at the time the system was 'designed'.

Examples where a systems perspective helps

- Humpty Dumpty
- Optimizing performance
- Connections, Integration
- Co-ordination, Co-operation, Competition
- Environment

A Systems Perspective will encourage you to:

- abandon reductionism (looking for understanding by taking things apart)
- apply synthesis
- Ask why, why.....
- look for interconnections
- seek purposes

...And to:

- move up a level
- develop a holistic view
- understand variability/make effective decisions
- fix the process
- continuously improve

Helpful reference: Russell L. Ackoff, *Creating the Corporate Future: Plan or Be Planned For*, Wiley & Sons, New York, 1981. Particularly Chapters 1 & 2.

Appendix Related to: Step 1

Many organisations fail to use the Strategic Planning process to challenge themselves. There may be seemingly sound reasons. Perhaps it isn't really Strategic Planning that they are about, but an annual budgeting exercise instead, and where the rule of thumb is "whatever we did last year + 5%". Or possibly they perceive themselves in a very static operation or a very entrenched position. Whatever the rationale (or lack thereof), it is a shame to see any entity that resists challenging itself (and it is unlikely that there is any organisation that doesn't need to challenge itself).

In our world we need to challenge ourselves in at least two ways:

- To be better (move ahead/improve)
- To be distinctive (differentiate)

Michael Porter's "Generic Strategies" essentially come down to these two choices, although his "Cost Leadership" Strategy is primarily focused on improving one's cost structures (see, however, the Appendix Related to Step 6 for an update on Porter's view on "To be better").

In the "to be better" mode, we need to examine and understand our current strategic position and to try to improve that position. This might result in restructuring, refocusing, process improvement and/or redesign, product enhancement and improvement, etc. It might mean more resource devoted to training or to research. It probably should be based on a look from the inside out (benchmarking) and from the outside in (external advisor/assessor).

In the "to be distinctive" mode, we need to look for new customers - not radically different from our existing business - a new "who". We can also look for a new "what". These may be customer needs that are not currently being addressed by our organisation or our competitors, and which we have a reasonable expectation of being able to resource and develop. And, perhaps, most powerfully of all, we need to look for a new "how" - new ways of doing what we are currently doing in producing, selling and distributing our products (or designing, promoting and delivering our services).

Mission Statement (from: "The Strategy Process", Mintzberg, H., et al, Prentice- Hall, Inc, 1995 (pp 55-56))

An organisation's mission statement describes the nature and concept of the organisation's future business. It establishes what the organisation plans to do, and for whom, along with the major philosophical premises under which it will operate. Its principal application is as an internal guide for major decision makers within the organisation so that plans that are developed can be tested for compatibility with the total organisation's mission.

Appendix Related to: Step 2

Objectives

Objectives are the destinations of our journey and, in our systems perspective, represent the interconnection between the broad purpose expressed in Vision/Mission statements and the specific strategies, tasks, actions and results that will close the loop and get us there.

Objectives should have reach in them, yet be achievable and feasible.

Objectives should not be set in stone; conditions change, adaptability/flexibility succeeds.

Objectives should be measurable. Did we achieve; how close did we get?

Objectives should be compatible, one with the other, and with the organisational values.

Objectives tend to be level dependent. There are probably some high-level organisational objectives that tie in very closely to Vision/Mission/Values. How about: “(We want) to be the care-giving Standard of Excellence in New Zealand”? Maybe that has too much reach or is at too high a level. Try dropping it back and down a level: “(We intend) to make our vocational and support services work to a level of excellence agreed by the client”. (Later on in the Strategic Planning Process, such an objective might derive a Strategy of “Create a can-do environment”.)

The highest level objective can be thought of as the umbrella objective, from which all sorts of subsidiary-level objectives derive. Such as: “to continuously improve our ‘negotiations’ with our clients until a ‘contract’ is reached”. (Later on, such a subsidiary objective might derive a subsidiary strategy that has to do with proper assessment tools, training methods, etc.)

Because we are a “Quality” organisation our objectives and related strategies will eventually relate to improving people and processes and their interconnections - building an excellent System - although often the top-level objectives and strategies can sound more like “positioning” or “posturing”.

Lower level objectives will tend to address specific functional areas (e.g., type of services and how delivered, physical resources, human resource management, innovation, social responsibility, etc.). But they all need to weave together to create a total fabric to clothe Mission and Vision to a standard defined by our Values.

Appendix Related to: Step 3

In **Step 3** we are looking at the world around us. Different terms are used. In this Guide we have used the term Suprasystem. Other Strategists refer to the Macroenvironment or the General Environment.

And there are usually levels within the environmental analysis. We referred to four when we talked about PEST analysis in Step 3. You could also speak (separately) of the Demographic Environment or the Global Environment. In all cases we are challenged to examine a broad collection of factors that directly or indirectly influence every firm in every industry. Consider such disparate influences as Political Correctness, the Internet, general health care maxims, changing cost of capital or interest rates, the commercial media, population aging, DNA, benchmarking, MMP. The list goes on.

Rather than continue the list, however, I want to direct your attention to, and emphasise the importance of understanding the influences in - yes, even for social services organisations - the competitive environment.

Porter's Five Forces (referred to on page 8).

In an award-winning article published in the Harvard Business Review in 1979 ("How Competitive Forces Shape Strategy", March/April, v.57, #2), Michael Porter sort of established an imperative for Strategists: Prepare to confront the world that in-your-face confronts you; every industry has a set of fundamental economic and technical characteristics that results in competitive forces.

In a world of social services, Porter's emphasis on Competitive Strategy may seem irrelevant. But rather than seeing Porter's Five Forces as a Model that doesn't fit our situation, it is suggested that we look at it first as a model, and not get too distracted by the "competitive" terminology.

Probably the Force to look at first, the most unappealing to us in our non-competitive benign-ness, is the "Rivalry Among Existing Competitors". This is the part where "firms try to take customers from one another".

Whatever your reaction to that, please explore the things that Porter would have you look at when considering this force. A few of the more (for social services) relevant "rivalry determinants" are: Industry Growth; Efficient Use of Assets; Intermittent Overcapacity; Concentration and Balance; Informational Complexity; Diversity of Other Providers.

Another way of looking at Porter's Five Forces Model is as a stimulus for you to "get better" and to "be distinctive" which we have talked about in the Appendix Relating to Step 1. And it was postulated that Porter's "Generic Strategies" essentially fit under the umbrella of those two challenges (and

implied that those two challenges are the appropriate ones for our Quality umbrella).

So the Five Forces Model can offer you insights as to how to get better and/or differentiate.

With that perspective let's look at the other Forces:

1. Threat of New Entrants

Here again the terminology might seem too warlike, but the points to consider in this "Force" --- such as, Economies of Scale, Proprietary Differences (even though we might be willing to share them with other service providers, to the benefit of the whole industry), Accessibility, Government Policy - all can trigger your strategic thinking towards ways to get better and towards world-class performance - for your organisation and, perhaps, for the whole industry.

2. Bargaining Power of Suppliers.

In this "Force", Porter's "Determinants" are not as helpful. Better to go back to the Business Excellence Model for ideas on how working with suppliers can yield distinct advantages towards providing better service. An easy example, considering how much the quality of your services depends on the quality of your staff, is to look at your "recruiting" sources. Might not a better relationship with suppliers of people, explaining, for example, the special culture you have, go a long way to improving your staff cohesion?

3. Bargaining Power of Buyers

This is an area of huge importance, and Porter's "Determinants", while certainly helpful, seem to only bite around the edge of the issue (such as "Decision-makers' incentives" or "Buyer information"). Again, it would be helpful to go back to the emphasis in the Business Excellence Model on Customers. And, also back to Step 6 in the Guide where the idea of a Pull Theme is discussed.

4. Threat of Substitutes

In Porter's world the Substitute issue is largely about costs - cheap substitutes. In your world it can, instead, be about performance. Is there a better way of doing things that we need to know about, and that we can incorporate into our way of doing things?

In Porter's scheme, the analysis of these five factors should shape the development of "business strategy". With some slight adjustments in perspective, these five factors can help shape the development of strategies for your "business" as well.

Appendix Related to: Step 4

Much of the resource material relating to an Internal Look deals with Strengths and Weaknesses. Even though not always stated, it is expected that the “analysts” will be able to match these internal factors to external factors (usually lumped under Opportunities and Threats). How well these connections are made is of extreme importance, yet difficulties abound and are not usually explained.

We have emphasised, in the Guide, the need for a Systems Perspective and the importance of connections. That is why we keep coming back to the Business Excellence Model and the Quality umbrella. The Business Excellence Model will help you to see connections - those within your System and those between your System, other Systems, and the Suprasystem.

In this Appendix, to underscore the point, we would like to offer a few examples of important interconnectedness that won't jump out at you if you only have a SWOT analysis by your side. For openers, we just mentioned connections within your System. Yet most SWOT analysis discussions gloss over that perspective in their efforts to encourage you to look at the connections between your System (strengths and weaknesses) and the Suprasystem (opportunities and threats).

What might some of those within-your-system connections be? Well, let's start with Knowledge Management since it is a popular buzz-concept today. Bringing Knowledge into your System is important, but largely ineffective if there is no way of translating it and disseminating it to all affected points throughout the system. And “storing” it and “retrieving” it. And updating it. And merging it with other Knowledge and/or purging obsolete Knowledge.

In the Appendix related to Step 3, we gave an example of working with your people - suppliers - those parts of the subsystem having to do with the selection of people that you hire. And it was suggested that working with such suppliers to explain your culture might enhance their ability to provide people resources that would “fit”. That subsystem will connect with an internal subsystem, the core of which is Human Resource Management. That is not saying that you have a HRM department. But it is saying that, clearly designed and defined or not, you have a system within your system for the care and feeding, hiring and firing, motivating and rewarding, and so on, of your most important resource - your staff. If your staff strengths do not have a culture that resonates with those strengths, your staff strengths will be considerably weakened. Likewise, if your culture depends on certain strengths but does not provide a way to develop and nourish those strengths, you have a disconnected system.

In the Strategy Development process, it is important to know how “well connected” you are, because the strategies you develop will not work if the

system doesn't support them. For example (with apologies, the example is radically simplified and presented with a little tongue in cheek so as to get to the point quickly), suppose you decide upon a growth strategy, one leg of which is an innovation strategy. You chose "growth" because you have unused "capacity", and you chose "innovation" because you have a lot of clever people (and we'll assume the suprasystem offered the opportunity for growth and innovation). Even with the "strengths" of capacity and cleverness you may seriously falter because you lack the flexibility to deal with change, or you don't have a channel to deal with new ideas. Or you failed to build a support system (with incentives, training, empowerment, feedback loops, etc.) or to provide the necessary resources (time, money, expertise, etc.).

So, it is important to see the internal system as interrelated tasks, people, processes, and the like rather than as a list of unattached strengths and weaknesses. Here are some questions that might help in obtaining that perspective:

1. Do we have a culture that embraces change? In what way? What are the mechanisms? What's missing?
2. Are we receptive to questions and criticisms? Are we able to challenge assumptions and "the way we do things around here". Is there a penalty?
3. How do we keep track of, and keep everyone informed about, changes - internal and external.
4. Do we seek feedback from suppliers, customers/clients, and employees? What do we do with it? How about double-loop learning?
5. Is there some slack in the system?
6. Are we continuously improving? How do we know? Are we going in the right direction?
7. Are our core competencies appropriate, relevant, and complementary? How do we keep them 'out of the closet'?
8. Are we competitive internally? Or cooperative? How does teamwork work?
9. Are we flexible? In what way? How do we know about and cope with a change in the wind?
10. How is decision making facilitated and dispersed?

The important point is that effective strategy is dependent not only on knowing our strengths and compensating for our weaknesses, but also, perhaps most importantly, in being able to systematically harness, nourish and focus our energy in the direction we want to go.

Appendix Related to: Step 5

In the Guide, it is suggested that Step 5 is (or can be) much more than just the mechanics of “bringing inputs and thought processes together to sift through data and ideas and to create outputs that will drive the organisation’s future”. There is a much broader opportunity here that might just simply be called building a team.

In our Quality paradigm the “team” concept rides high. It serves to replace competition with co-operation. It gets in the way of the “go it alone” mindset. It aids the group moving together in the same direction with leaders and coaches but no unredeemable stragglers. It guards against anti-systemic viruses. It connects things.

But whether building a team or building a strategic plan, the gathering of key people in a room together is perhaps necessary, but certainly not sufficient.

What are some of the approaches or tools that might help get the job done? Well, here are a few basics.

Brainstorming

Sometimes we don’t even know that we are doing it. Get a few people around to try to solve a problem or guess at the future, and inevitably some form of brainstorming is going on. But it is most effective when a few simple rules are imposed.

- a. Set clear objectives. What is it we want to achieve? Be loosely restrictive. Where should we focus our thinking?
- b. Suspend judgement. The first part of a good brainstorming session is open slather. Even the most offbeat idea can trigger other, perhaps more relevant, ideas. But at this stage your opinion on relevance (or sanity) is not called for. The time for sorting things out comes later.
- c. Offerings should be oral, usually requiring at least two “scribes” to capture ideas on flip chart pages in real-time.

Affinity Diagrams

This works a little like brainstorming. Participants are asked to come up with (maybe a handful of) ideas on a given topic. Instead of shouting them out, they write them down on post-it type pages (sticky back). All participants converge on a vertical surface (such as a white board), and find a “place” for each of their ideas. The place for each idea will be next to some closely related idea (which your idea has an affinity with). The result is several clusters of related ideas.

In Affinity Diagrams we are using bottom-up thinking to get to a concept. Most people see the details surrounding an issue much easier than they see the key principles behind the details. The Affinity Diagram process capitalises on our ability to see the details. It then helps us to discover the concepts behind them.

Tree Diagrams

Diagramming is a very useful tool in a planning or problem solving session. There are many varieties - Fishbone Diagrams, Interrelationship Digraphs, Matrix Diagrams, Activity Network Diagrams, etc. Tree Diagrams are probably the most common. They are sort of the opposite of Affinity Diagrams in that they capture top-down thinking. They also complement Affinity Diagrams in that they uncover possible gaps from the Affinity process.

When all of the items have been broken down into definable action items, it usually becomes clear that we have more to do than resources to do it. Where to focus our resources for the most benefit? Enter Prioritisation Matrix!

The Prioritisation Matrix is a version of Matrix Diagram that is useful when we need to identify implementation options. (The Internet is a rich source of information on Step 5 activities; for example a Google search on Prioritization Matrix will yield several Website choices, such as:

<http://erc.msh.org/quality/pstools/psprior2.cfm>)

Team Building

If you accept the opportunity to better connect the key players in your organisation towards a shared purpose, you need to spend some time in team building. It was suggested in the guide that Step 5 often calls for a facilitator. This is particularly true for the team building part. Too often an organisation that is steeped in a command and control culture decides to go for this team stuff, and approaches it in the only way they know how - command and control. The politics of an organisation is a reflection of the politicians in it, and vice versa. At a minimum, bring in someone from outside (the politics of) the organisation to organise the team stuff.

The key to team building is developing a common frame of reference, seeing the interconnectedness, and driving out fear. There are many tools/techniques for at least getting a start on this in the Step 5 atmosphere. If you are going to try to organise it yourself then you will need to read up on team building and select the techniques that best suit you. If you are going to use a facilitator, he/she will be able to design a programme for you based on techniques he/she has found useful elsewhere.

For example, a favourite "tool" of mine is called "Win as much as you can". It is a sort of game based upon the Prisoner's Dilemma conundrum and is very effective in getting people into a more "collective" mindset. There are other techniques that focus on the core skills required for effective communication

and good interpersonal relationships - namely, feedback skills and self-disclosure skills (again, a Google search on, say, “team building tools” will reward you handsomely; and a search on “win as much as you can” will tell you all about the tool I mentioned above.

Appendix Related to: Step 6

Operational Effectiveness

Some Strategic Thinkers will encourage a distinction between Strategy and Operational Effectiveness. Michael Porter, in particular, in an article entitled “What is Strategy” (Harvard Business Review, November-December 1996, pp 61-78), starts out with a section “Operational Effectiveness Is Not Strategy”. His point is that a focus on “performing similar activities better than rivals perform them” (operational effectiveness) will not lead to differentiation, (since other companies can easily imitate our “best practices”, etc). And Strategy should lead to differentiation (“A company can outperform rivals only if it can establish a difference that it can preserve”).

We agree with that distinction and with the emphasis on differentiation. However, we think the argument diminishes as you move from the world of “hyper-competition”, that he was addressing, to a world where fierce rivalry is relatively absent. And when you consider the larger system of which social services organisations are a part, the improved operational effectiveness of all “competitors” is probably more to be desired than their particular differentiations.

In short, we believe that strategies that address operational effectiveness are to be encouraged - in your environment.

However, this should not be at the expense of the positioning choices that Porter is arguing for in his definition of Strategy. Perhaps a quote from that same article will put this in perspective:

“IV. Fit Drives Both Competitive Advantage and Sustainability

Positioning choices determine not only which activities a company will perform and how it will configure individual activities but also how activities relate to one another. While operational effectiveness is about achieving excellence in individual activities, or functions, strategy is about *combining* activities.....

...The importance of fit among functional policies is one of the oldest ideas in strategy. Gradually, however, it has been supplanted on the management agenda. Rather than seeing the company as a whole, managers have turned to ‘core’ competencies, ‘critical’ resources and ‘key’ success factors....

...Fit is important because discrete activities often affect one another.....complementarities are pervasive in strategy.” (p.70)

Of course, for us, the minute we put our systems lenses on we could see the importance of the “whole” and the need to put it all together. As Porter would suggest, all parts of the system are “critical” or “key” or “core” in the sense that they have to connect appropriately with other parts of the system, including those that might truly be core, critical, and key. “The correct answer is that everything matters”.

Porter uses the term “fit” to encompass:

- *simple consistency* between each activity (function) and the overall strategy - what we have referred to as alignment;
- *reinforcement and optimisation of effort* - where the various substrategies don't undermine other substrategies - essentially logical connectivity in addition to physical connectivity.

There is one further point before leaving this HBR article. The Strategic Planning Guide takes you through the process, but doesn't provide much in the way of specific ways of describing the system (documentation suggestions) that you are meant to be designing. Most organisations will have their own style. However, for anyone looking for a way to complement their Strategy Statement words with a helpful picture, the “mapping” that Porter has used, in this article, might prove a bonus (“Activity-system maps”).

Appendix Related to: Step 7

Step 7 actually moves us from Strategic Planning into the wider world of Strategic Management. In the Strategic Management picture on page ii, you can see that Steps 6 and 7 have brought us to the doorstep of “Action” and “Decision Making” and, most importantly “Measurement”. Strategic Planning will have led us into a blank wall if a similar effort is not made in Developing Measurements, Measuring, and Providing Feedback - completing the loops.

It is suggested that Users of this Strategic Planning Guide develop an understanding of measurement for strategic navigation, partly from their own research and partly from their own experience. There is much in the literature about Critical Success Factors, Key Performance Indicators, Balanced Scorecard, Benchmarking, and the like. And Users of this Guide will have something to say about what has worked for them in the past, and, more importantly, what hasn't. Negative experience will largely be due to a lack of strategic context and/or a heavy reliance on financial measures.

Perhaps a companion Guide, dealing with the second half of the Loop, can be developed. One of the hopes is that VASS can build up a body of knowledge from the use of this Guide, from the research and experience of member organisations, and from feedback on the whole process. An interactive approach to collecting and assembling this body of knowledge is being explored. The end result could hopefully be a case study treasury, a companion piece on measurement, and an updated/revised Strategic Planning Guide (and considerably enhanced Appendices) that reflects our collective experience.
