Advances in Project Management Series[1]

How strategy happens

By David Booth

An introductory tale

The pressure was on. A major new Division of a large international company had just been set up with great expectations, and as the new executive team got to work, the cry went up 'we need a strategic plan!'.

External help was sought, and a parade of management consultancies presented their recommendations for how the new organisation should go about developing this within the tight timescale set out in the brief: there were detailed project plans specifying what had to be achieved by when, with week by week deliverables, critical deadlines, templates and outline document formats – all very logical and thorough, and appropriately ambitious, and a stack of impressively prepared proposal documents built up in the file.

But one consultant walked into the Boardroom with just a blank sheet of paper, sat down and asked 'So what precisely do you want to achieve?' Out of the ensuing discussion came the realisation that – despite the agreed formal brief – those in the room had widely differing views about the new organisation. More talking, and some listening. Another blank piece of paper – this time flipchart-sized – and a marker pen. Discussion, clarification, different views. The 30 minutes 'credentials and presentation' slot became two hours of intense communication, at the end of which there was a simple sketched flipchart diagram mapping out how we were going to begin to address some of the issues. The organisation's strategy journey had started, not as a result of some detailed project plan, but from people talking and – importantly – listening, to achieve a common understanding of the challenges and how they were going to work together to address them.

The traditional 'textbook' approach to strategic planning is a structured process of working methodically through stages of analysis, consideration of strategy options and consequent decisions, and then the equally crucial challenge of implementation, setting up a programme of strategic projects ranging in nature from IT to organisational change - a linear, logical sequence by which an organisation determines its direction and intended destination and marshals its resources to achieve this. Such formal strategic planning processes were adopted widely in the 1970s, with organisations following a series of neatly defined steps to produce a detailed '5 Year Plan' which was then implemented through a structured project programme. But the

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world - industries, markets, businesses - has moved on since those days when relative stability meant that ambitions could be realised through sustained implementation projects delivered over extended periods; the increasing pace of change (a cliché perhaps, but its perceived veracity is sufficient to drive organisational attitudes) means that such a planned approach to developing and implementing strategies seems outmoded, a resource-intensive process whose determined outcomes are seldom delivered successfully before being overtaken by events.

The emphasis on rapid change has led to the adoption of a more dynamic approach to the development and implementation of strategy, with an emphasis on adaptability and organisational agility to react rapidly to changing circumstances or emerging opportunities[i].

Starting points and journeys

What prompts an organisation to develop a strategic plan? Every organisation's circumstances and rationale will be different. However, it might be helpful to consider two questions: a) what has prompted the decision to embark on that particular strategy journey, and b) what is determining the principal approach that is driving this?

To illustrate this, consider four scenarios:

A. Company A operates in a regulated industry. The regulatory body requires all companies to submit a strategic plan that meets defined criteria by a specified deadline. (One example of this occurred in the UK financial services industry in the early 2000s, when the then regulator, the Financial Services Authority, required all providers of financial services to produce strategic plans that included financial projections including scenarios for varying economic and market conditions. A more recent example was in 2014, when Monitor, the regulatory body for NHS Foundation Trusts, introduced compulsory 5-year strategic planning including issuing best practice guidelines and minimum requirement frameworks. One purpose for this was to be able to collate an overview of the NHS Foundation Trusts hospital sector at a time of severe NHS funding challenges, and assess the hospitals' capabilities and vulnerabilities within the sector.)

B. The new Board of Corporation B decide that they need to undertake a review of their operating Divisions and assess how each will fit strategically and contribute to the Corporation's ambitions; and they also want to test the capabilities of their Divisions' senior executive teams. A small Head Office team is set up to drive forward and coordinate the strategic planning process across the Divisions, setting out the process with specific requirements, timelines and formats for the resulting outputs. (Of course, much energy is expended here as the Divisional teams compete with each other to achieve all the milestones and demonstrate their abilities with sophisticated charts, glossy presentations and comprehensive appendices!)

C. After several years of steady sales growth supported by investment in marketing and manufacturing equipment to improve productivity and capacity, the future is looking less certain for Company C. One of their competitors has just been acquired by a US

Group with a reputation for stripping out costs and low cost production techniques, and people across Company C is are beginning to worry about what might happen. The marketers are concerned about the consequences of a high volume / low price drive from their competitor for market share, the Financial Director is anxious about the impact on margins, and the Production team fears the consequence will ultimately be the transfer of manufacturing to low cost factories in China. Meanwhile, Sales managers are talking up the risk of salespeople leaving to join the competitor as it builds its salesforce, although HR think this is just a ruse to increase salesforce remuneration. As the various concerns are raised more frequently and volubly it becomes apparent to all that there needs to be a more structured process to consider all the implications, and decide on how Company C should respond.

D. Entrepreneurial technology start-up D has evolved over 5 years to a medium-sized organisation spread over several sites. As the organisation has grown some supporting infrastructure has been introduced, but working practices and bonus arrangements vary considerably across the different locations, and there are differing approaches to outsourcing or in-company resourcing of supporting technical and non-core services. Department heads have tabled several opportunities for future development of their product areas, ranging from acquisition of new technologies to scaling up manufacturing. Whilst people are still keen to promote their own views, a consensus gradually forms that D needs a collective process to consider all these issues and opportunities and decide on the next phase of its development.

Considering these examples from the perspective of the two questions posed earlier, in the case of both Company A and Company C it is *external* factors (the industry regulator and a threat from a competitor respectively) that have prompted their decisions to develop their strategic plans; whereas Corporation B and technology start-up D were driven by *internal* situations (a formal review of the future direction in the case of B and the need for a clear, cohesive and understood strategy across the organisation for D).

The principal approaches that are driving the process also differ in these examples (see Figure 1): A and B are adopting a *deliberate* approach to formulating their strategic plans, setting out clear parameters and a structured process; whereas in the cases of C and D their strategy journeys have *emerged* from a growing realisation that there was a need to find a collective way to address various issues[ii].

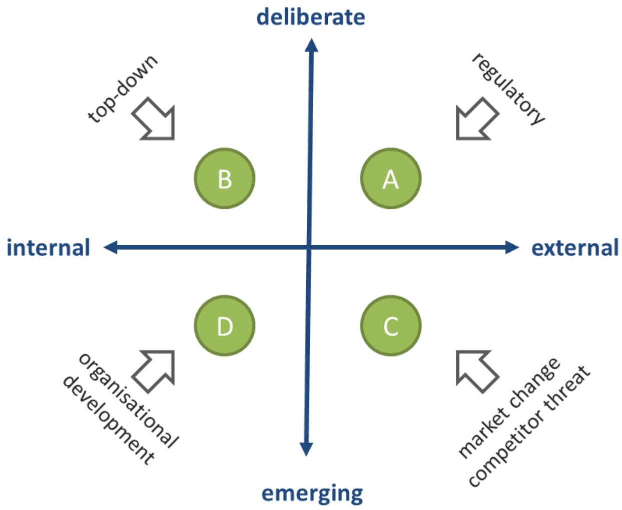

Figure 1: Drivers for developing a strategic plan

These examples illustrate how the drivers for developing a strategic plan can differ according to an organisation's individual situation. There are important differences too in how these organisations' strategies might develop and be implemented: in the case of Company A there will be considerable input and monitoring from the industry regulator requiring formal responses, whereas it is the internal stakeholders of technology start-up D who are likely to be the most critical in determining whether that organisation's strategic plan has succeeded, as well as being instrumental in its implementation.

Both the examples above and the (true) story at the start of this article demonstrate how no single 'standard' strategic planning process can meet the needs of all organisations. Each has its unique set of circumstances, drivers, key issues and influences, and these are unique to a particular time; indeed, arguably the 'best practice' approach to strategic planning is to recognise this uniqueness. Hence my use of the term '*strategy journey*' to describe the process an organisation takes to assess its situation, develop its strategy (including evaluating realistic options), plan and organise how to implement this, and then make it happen. This concept conveys a broader (and deeper) meaning than the traditional 'strategic planning as a project' approach. (In the introductory example, the 'strategy journey' of exploration, discovery, deliberation and debate that actually ensued as people – individually and collectively - tried to make sense of their organisation's situation highlighted the importance of this more fundamental approach compared to the 'standard process' proposals of the other management consultants.)[iii]

Changes

The concept of strategic planning as an organisation's strategy journey is useful also when we consider the lifecycle of a strategic plan. The phase of developing a strategic plan is usually one of intense organisational focus and effort, carried forward with determination into the implementation phase (see Figure 2). This momentum dissipates in time as initiatives are progressed (or not, in some cases), changes become assimilated into 'business as usual' activity, and new issues and opportunities arise that take up the attention of the organisation.

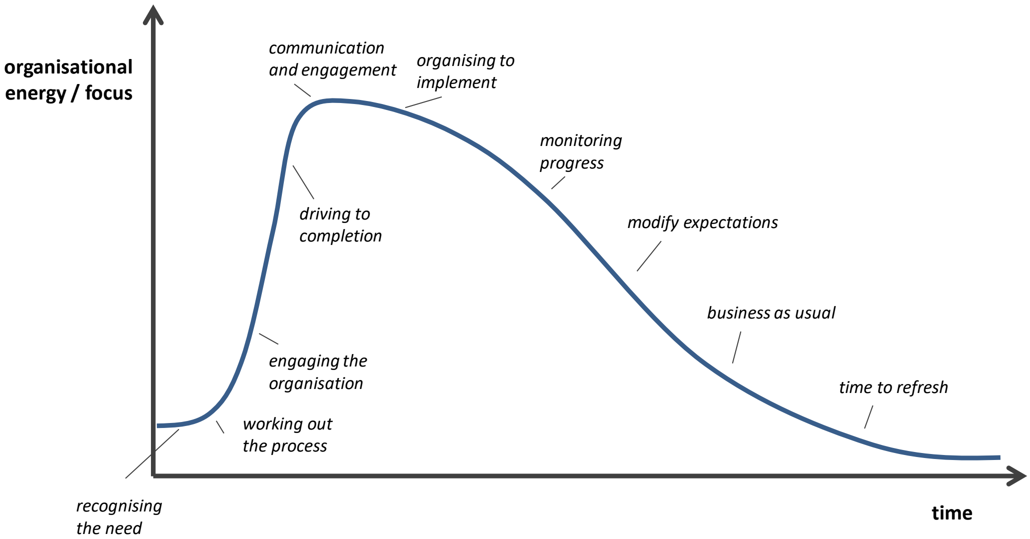

Figure 2: The lifecycle of a strategic plan

Radical changes (external or internal) can prompt the need to reconsider the organisation's current strategic plan; or it might be the case that the impetus of the current strategic plan has been lost, and the organisation would benefit from a reinvigoration of focus and energy through a renewal of the strategic plan (see Figure 3).

In the case of organisations like Company A, where in a couple of years the main reason for undertaking a strategic planning process might be because it has become an established part of a regular planning cycle (whether internally or externally determined), if there have been no significant changes in the context for the organisation the process might focus on refreshing the plan and its implementation rather than reviewing the organisation's strategy. Company C, on the other hand, might be faced with significant new competitor threats or product innovations that are changing their market, in which case an urgent reassessment of their strategy is called for, possibly resulting in a change of direction.

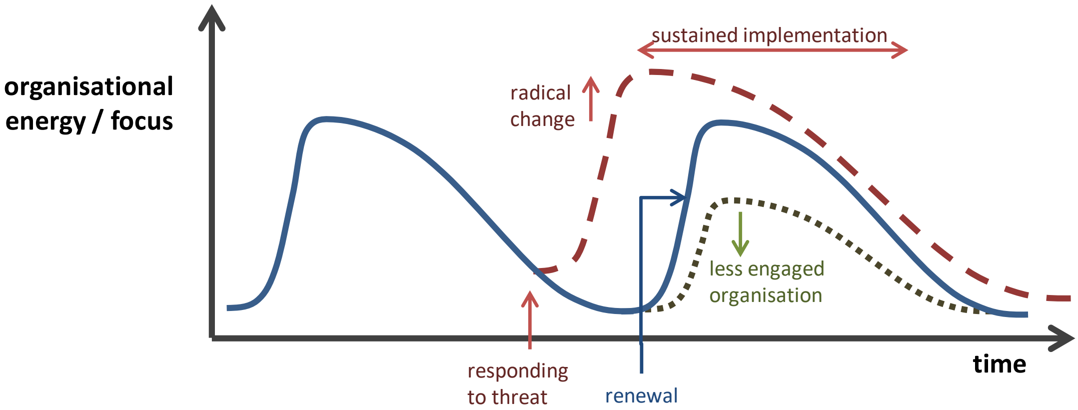

Figure 3: Refreshing the strategic plan

All the best plans…

Let us consider how the strategy journeys might map out for one organisation over the course of a few years.

The organisation's first strategic plan set a clear direction, and in the initial stages of implementation this intended strategy was being realised. But progress started to drift from this – initiatives faltered, new products didn't achieve the projected sales, assumptions used in financial planning turned out to be too optimistic given changes in the market, competitors increased their market share more than expected, technological innovations changed customers' requirements: any of the many ways that real life can turn out differently to what was anticipated.

Although there was increasing deviation from the original strategic plan, there was still sufficient recognition that the basic strategic direction remained relevant as a broad goal, even if the organisation had fallen somewhat behind its intended plan to implement this. The ambition still resonated with people in the organisation, and a rationale had been accepted by the Board for why the actual, realised strategic plan differed from the intended – even if some suspected that there were initiatives which hadn't been implemented as well as they should have been.

Towards the end of the second year of the strategic plan one of the organisation's competitors introduced a technological breakthrough that would change the market; it was apparent to all that this would undermine sales of several of the organisation's leading products. After initially trying to throw doubts on the efficacy of the innovation, when it became clear that consumers were switching to this new technology the organisation reacted by exploring options to enable it to compete, including potential acquisition of manufacturers with the capability to replicate the innovation to stepping up its own research and development programme to find a patentable alternative. The efforts to respond to the new threat resulted in the organisation acquiring a different technology that offered other product benefits, and a strategy began to emerge about how this could be developed, including entry into new market segments (see Figure 4).

The implications of this for the organisation needed to be considered, and a strategic plan was developed to work out what changes were needed to be able to support this new direction, including disinvesting in some activities and changing the structure of the organisation. However, several assumptions were made in the new intended strategic plan that turned out to be wide of the mark (understandable in a fast-changing market at the early stages of adopting new technologies, but not without some internal retributions) and within the first year it was apparent that the financial plan would not be achieved. A series of crisis discussions was convened, resulting in reducing operational overheads by closing down the manufacture of some less profitable products, and gradually financial performance improved and the organisation was able to begin to pull back towards its intended strategic plan.

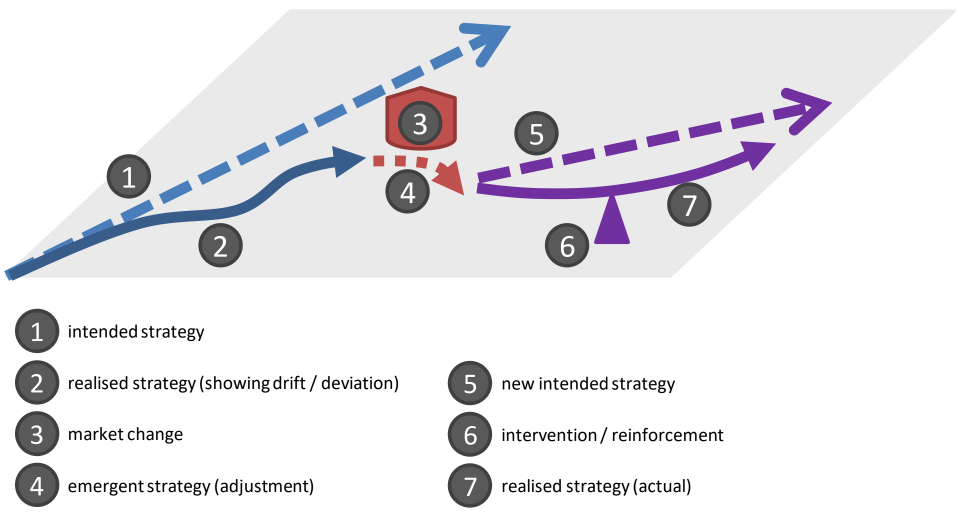

Figure 4: Realised vs intended strategy

This fictional example illustrates some of the strategy journeys that one organisation could experience over the course of a few years, including how events can make strategic plans no longer relevant, and the way in which strategies can emerge without a formal strategic planning process – and sometimes need to be developed rapidly in response to significant changes [iv]. It demonstrates too the differences between *intended strategies* & *realised strategies.*

One very useful way of looking at this is to consider this as a series of changing contexts. There was one context when the organisation started its first strategic planning process; then there was a different context as gap developed between this and what was happening. The market-changing competitor innovation was a significant new context that prompted the need to respond, although not by instigating a formal organisation-wide strategic planning process. At each stage there was a new context, and the organisation had to judge how best to address the key questions of assessing its current situation, considering its options and making decisions about where it wanted to go, then organising to do this and making this happen.

Conclusion: Effective strategies

Strategy-making is dynamic. The traditional interpretation of strategic planning as a defined project resulting in the development of a long-term plan is limiting; organisations need to be adaptable to changes in their situation and responsive to challenges and opportunities, both external and internal. Continually assessing where the organisation is on its strategy journey, what progress it is making, what it might face around the next corner, how it might overcome obstacles, whether it needs to change its route – all these are part of the art of effective strategic management in an agile organisation.

References

i. Henry Mintzberg's work on how strategy is actually created in organisations is both knowledgeable and accessible. MINTZBERG H, AHLSTRAND B, and LAMPEL J (1998). *Strategy Safari*, Financial Times Prentice Hall is a very readable 'primer' about the various approaches to strategic planning and how these have developed

ii. Alan Stretton's article in the November issue of *PM World Journal* discusses the role of deliberate and emergent strategies in the initiation of projects: STRETTON Alan (2017). Deliberate and emergent strategies and origins of projects. *PM World Journal,* Vol. VI, Issue XI, November

iii. BOOTH D (2017). Strategy Journeys – a guide to effective strategic planning, Routledge

iv. For further exploration of how organisations adapt and a systems thinking approach see: STACEY R (2007). *Strategic Management and Organisational Dynamics*, Financial Times Prentice Hall

About the Author

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David Booth has over 20 years of business management experience working for companies such as United Biscuits, Grand Metropolitan and Smith & Nephew, in marketing and then HR and strategic development at the senior management level, followed by working for the past 16 years as an independent management consultant helping organisations with their 'strategy journeys': clients include a range of large and medium-sized organisations from international financial services companies to specialist NHS Foundation Trusts. These projects have involved working intensively with client organisations, guiding and complementing their internal knowledge and resources to help steer their strategic planning processes and develop effective strategic plans: there has been a strong emphasis on organisational learning, and clients have remarked on the continuing value and relevance of the work.

He is author of *Strategy Journeys – a guide to effective strategic planning* *(Routledge, ©2017)* which aims to demystify the concept of strategic planning by propounding a 'first principles' approach to help those leading organisations work out where to start and what approach to take to steer their own organisation's 'strategy journey'.