Series on organisational strategic planning & execution[1]

Stage 1: Establish organisational strategic objectives

By Alan Stretton

INTRODUCTION

This is the first of a series of five articles on organisational strategic planning and execution. The series will discuss, in turn, each of the five stages of strategic planning and execution shown in Figure 1, which is based on models used in some of my recent articles in this journal (e.g. Stretton 2017l, 2018a, 2018b).

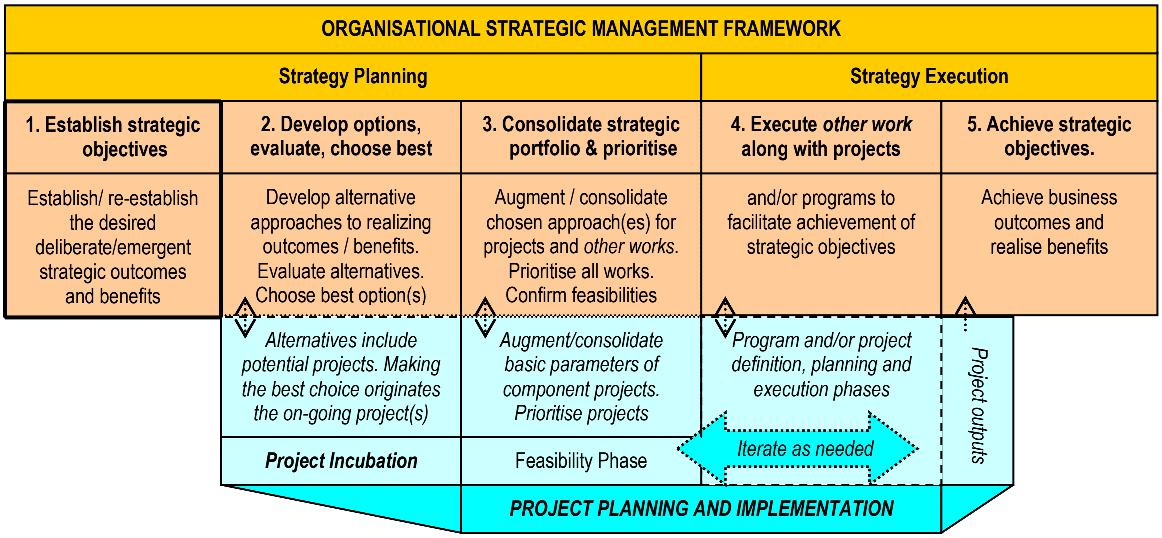

Figure 1: An organisational strategic management framework, with project contributions

This model (now somewhat modified) places project planning and implementation in the broader context of organisational strategic planning and execution. My previous articles were particularly concerned with project contributions to achieving strategic objectives. In this series I will be more concerned with the five strategic management stages per se, but will not attempt a comprehensive coverage of these. Rather I will tend to focus on particular issues that do not appear to be adequately covered in the project management literature, and/or where there are significant differences of perspective by different writers.

[1] This is article one in a five-part series on strategic planning by Alan Stretton, one of the world's experts in program and project management. This series is based on Alan's research and writing on this topic over the last several years, much of which has been published in previous editions of the *PM World Journal*.

This first article of the series is about *Stage 1: Establishing organisational strategic objectives.* It will be primarily concerned with summarising some of the extensive work that needs to be done in "deliberate" strategic contexts before strategic objectives can be reasonably established; the increasing importance of "emergent" strategies in times of increasingly rapid change; the need to re-establish strategic objectives as the latter come into play – all of which makes strategic management a dynamic, rather than relatively static, series of processes, and which I have tried to reflect in the (new) summarised descriptor in the Stage1 text box.

SOME ATTRIBUTES OF TRADITIONAL ORGANISATIONAL STRATEGY

Organisational strategy has long been a major subject in its own right

A great deal has been written in the general management literature about organisational strategy, and I do not pretend to be in a position to attempt to encapsulate these materials in a relatively short article. However, the following chapter headings from Johnson & Scholes 1999, in their book "Exploring Corporate Strategy", give an indication of the types of issues they believe need to be covered.

1. Corporate strategy: An introduction
2. Strategic management in practice
3. Analysing the environment
4. Resources, competences and strategic capability
5. Stakeholder expectations and organisational purposes
6. Bases of strategic choice
7. Strategic options: Directions and methods of development
8. Strategy evaluation and selection
9. Organisation structure and design
10. Resource allocation and control
11. Managing strategic change

This represents what Booth 2018 has called a traditional "textbook" approach. The related strategies have often been described as "deliberate" strategies.

There are commonly different levels of strategy within an organisation

Partington 2000 says that three different levels of strategy are often distinguished:

- ***Corporate level:*** Strategy is concerned with what businesses as a whole the company should be in, and with justifying why those business units should be grouped together corporately.
- ***Business level:*** Strategy involves determining what markets a business unit is competing in, how it should compete, where it aims to go, and how it should get there.
- ***Operational level:*** Strategies focus on the role of individual departments and functions, and on individual programmes or projects, in delivering the business level strategy.

Cabanis-Brewin & Pennypacker 2014 include the following bullet points in their discussions of best practices for strategy management:

- The organization's strategic plans cascade down from corporate strategy to business unit strategy to portfolio, program, and project strategy.
- Corporate and business units assemble a strategic portfolio of programs and projects, measure the strategic contribution of a program or project, and adopt or reject programs/ projects based on this information.
- As strategy cascades down the organization, performance measures are established at each level (business unit, portfolio, program, project) to link up with the strategic performance expectations of the entire company.

These strategic levels and the "cascading" of strategic plans will vary with the size and type of enterprise, and how it is organised. Figure 1 above does not show different strategic levels. For the purposes of this series I am restricting discussions to one generalised organisational level.

There is no universal 'standard' set of processes for strategic management

Booth 2018 discusses the uniqueness of each organisation, as follows:

> Each [organisation] 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.

Johnson & Scholes 1999 discuss organisational strategies in the following eight different types of organisations:

- the small business context,
- the multinational corporation,
- manufacturing and service organisations,
- the innovatory organisation,
- the public sector,
- privatised utilities,
- the voluntary and not-for-profit sectors, and
- professional services organisations.

The above certainly indicates the difficulty of developing a standard set of processes for strategy management, except in very general terms, which I have attempted to do in Figure 1. However, there is a high level of agreement about what is often called strategic analysis, as now discussed.

Strategic analysis is one of the more commonly shared processes

We will sample what has been said about the practice of strategic analysis from three broad sources.

Example from the general management literature

The most detailed discussions I have seen of Strategic Analysis come from a non-project source, Johnson & Scholes 1999. Part II of their book, entitled *Strategic Analysis*, has three chapters, with headings and main sub-headings as follows:

- Analysing the environment
  Understanding the nature of the environment
  Auditing environmental influences
  The competitive environment: five force analysis
  Identifying the organisation's competitive position

- Resources, competencies and strategic capability
  Resource audit
  Analysing competences and core competences
  Comparative analysis and benchmarking
  Assessing the balance of the organisation
  Identification of key issues

- Stakeholder expectations and organisational purposes
  Corporate governance
  Stakeholder expectations
  Business ethics
  The cultural context
  Organisational purposes

This gives a good idea of the potential scope of strategic analysis from a traditional general management source.

Examples from the project management literature

> *The prevailing approach …. is that strategy formulation is about achieving the essential fit between internal strengths and weaknesses and external threats and opportunities.*
> *(Dalcher 2018)*

The project management literature has a moderate amount of material on strategic analysis, and in Stretton 2017k I briefly discussed examples from Van Den Broecke 2005 and Archibald 2009. Shortly I will be discussing a recent contribution from Booth 2018. But first I turn to another recent and substantial contribution from Smit 2017, whose overall strategic management and business planning processes are represented as follows.

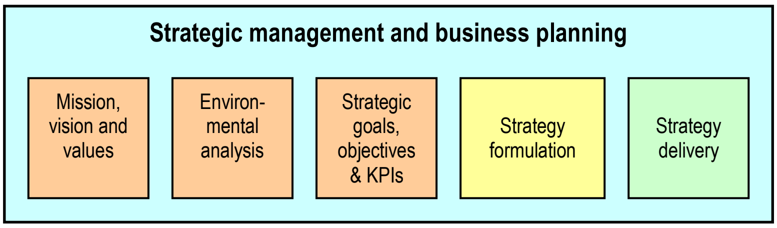

Figure 2: Strategic management and business planning activity groups, adapted from Smit 2017

The first two activity groups in Figure 2 are virtually the same as Van Den Broecke. Smit 2017 describes their components along the following lines (abbreviated by me).

Mission: The purpose and priorities of an organisation.
Vision: An organisation's highest aspirations and ideals for success.
Core values: The behaviour of the organisation and artefacts embodied in its culture.
Environmental analysis (internal & external): To establish strategic goals & objectives.

Smit's article on developing a project portfolio management model for executing organisational strategies is a very substantial one indeed, and is most certainly recommended reading.

Examples from the Lend Lease experience

I will be describing two examples from the Lend Lease experience in this section. The first of these is a type of strategic planning which I have not seen described in the literature, which we called defensive planning.

- Defensive planning: In November 1960 the Australian federal government created a credit squeeze, in circumstances described by Clark 2002:87 as follows:

> ….when, by the end of 1960, prices were continuing to spiral, the federal government, fearful that the economy was overheating, decided it was time to slam on the fiscal brakes. It raised interest rates, increased taxes, and tightened credit in a package of economic measures introduced in November 1960, thus creating a credit squeeze that would last the best part of eighteen months.

This created a recession, with the Australian building industry particularly hard hit. The Lend Lease CEO, G. J. Dusseldorp, went immediately into crisis mode, stopping or slowing all self-sponsored development projects, and instituting a capital raising program, various cost-control measures, and asset sales. Lend Lease survived that crisis, whilst many others did not.

As a consequence of this experience, Dusseldorp developed defensive strategies to cope with an ever-increasing range of disasters. As Clark 2002:89 put it,

> Taking the opportunity to rethink corporate goals, he put in place a 'defensive planning strategy' that would ready Lend Lease to face the next such crisis, which he knew must inevitably come. It did. In 1974 the bottom once again fell out of the property market and five major developers and/or financiers fell through the gaping hole; before the decade was out, a dozen more would follow them.

There were four key elements to this defensive plan. These are described in some detail by Clark (pp.89-91), and I will not attempt to summarise them here. I simply conclude by suggesting that defensive planning would seem to be a logical and prudent strategic planning initiative for most organisations.

In Lend Lease this work was done before my involvement with its strategic planning, but it certainly cleared the way for opportunity-focused initiatives. However, there was still a need to keep track of current and early future events in the environment, and the following example shows how diligently prepared projections led to a major shift in a key Lend Lease strategic area.

- Supply-demand projections: This example concerns office buildings in Sydney's central business district (CBD) and North Sydney in the late 1960s and early 1970s, which I originally discussed, in part, in Stretton 2009h.

As I noted in that article, typically it could take of the order of six or seven years from site acquisition, development application, development approval, demolition, and construction before an office building is completed, and the office space becomes available.

Whilst it takes some detailed research, it is certainly possible to track down and record such information, and we had a person in Lend Lease over this period who specialised in this type of detective work, and was able to make very reasonable projections of the supply of office space for many years ahead.

As regards projections for demand for office space, we started with establishing historical and current occupancy rates – which again required some detailed research, as there was generally little directly available information. Now, in some instances demand tends not to fluctuate very much from previous records, and this appeared to be the case with CBD offices. In this case, regression curve techniques helped in establishing ranges of future demand with reasonably high levels of confidence. This then enabled us to initiate and maintain supply-demand actuals and projections over substantial time-frames, which in turn directly helped Lend Lease make a very important strategic decision in the early 1970s.

Figure 3 is a reasonably accurate replication of an actual office space supply-demand chart still in my possession. This was an updated version made in 1975. Unfortunately I do not have an early 1970 version, but it looked much the same, with similar disparities between projected supply and projected demand.

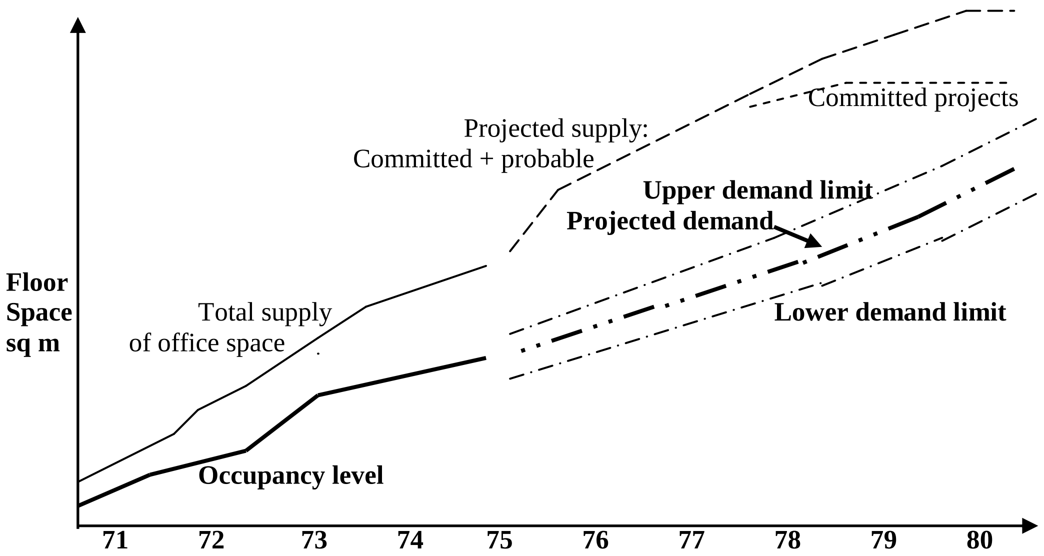

Figure 3: Actual and projected supply-demand data for office space in the Sydney CBD

This led to a major change in Lend Lease's strategy at the time, which was described by Clark 2002:91 as follows:

> Just as others were rushing into what would soon become a massively oversupplied office market in the central business district, in October 1971 Dusseldorp, predicting that some of those 'others' would 'undoubtedly …. go broke', announced that Lend Lease was 'switching out of office blocks to concentrate on shopping centres and other property development.

Although not mentioned in Clark's book, I can directly affirm that the relevant supply-demand projections of the late 1960s and early 1970s were key to this decision.

MORE DYNAMIC FLEXIBLE APPROACHES TO STRATEGY MANAGEMENT

Moves towards more dynamic flexible approaches

Booth 2018 distinguished between the traditional "textbook" approach to strategy management, and the adoption of a more dynamic approach, as follows.

> The traditional 'textbook' approach to strategic planning is a structured process of working methodically through states of analysis, consideration of strategic options and consequent decisions, and then the equally crucial challenge of implementation, …..
> 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.

As we shall see in a moment, the traditional "textbook" approach broadly equates with what Booth 2018, Mintzberg & Waters 1985, and many others describe as *deliberate* strategies, whilst the more dynamic approach just described relates with what these authors describe as *emergent* strategies. We start with Booth 2018.

Drivers for developing a strategic plan

Recently in this journal, Booth 2018 discussed how drivers for developing a strategic plan can differ according to an organisation's individual situation, examples of which he gave in Figure 4 below, which is adapted from Booth's Figure 1.

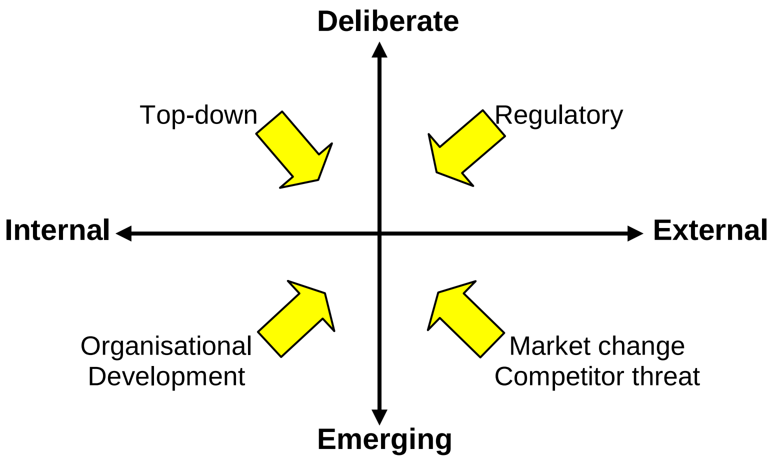

Figure 4: Drivers for developing a strategic plan – adapted from Booth 2018, Figure 1

This is largely self-explanatory, but we will say a little more about deliberate and emergent strategies.

First, Dalcher 2018 discusses the role of bottom-up emergence of strategic details through learning, adjustment and sensemaking, and says,

> Undeniably, this idea chimes with Mintzberg's findings that the interaction critical to strategy occurs between the operational base of the organisation and the environment, rather than between executives and the outside world. Instead of coming from the top, a fair amount of real strategy emerges bottom-up.

We now turn briefly to Mintzberg & Waters 1985, whose work on deliberate and emergent strategies I first discussed in Stretton 2017k. The central theme in those discussions was the presentation of a continuum of strategies which vary from very planned, deliberate strategies at the one end of the continuum, to substantially ad hoc, emergent strategies at the other end.

The authors concluded that most strategies had elements of both deliberate and emergent strategies, and that, in practice, actual overall organizational strategic achievements contained elements of both. In this context, emergent strategies soon become de facto deliberate strategies.

Examples of emergent strategies

Figure 4 examples *organisational development* as an internally originated emergent strategy, but of course there could be many others. This comment also applies to the two externally originated emergent strategies, *market change* and *competitor threat*.

If we return to the Lend Lease *Supply-demand projections* (Figure 3), we can see that this example has both deliberate and emergent elements, the latter being associated with *market change*. The following additional example from Lend Lease is highly emergent. It relates in some ways to Booth's *competitor threat* in Figure 4, although the competitor took a very different form from that normally associated with competition. I have subtitled this example *From threat to opportunity.*

In 1981 the largest and best-known corporate raider in Australia, Industrial Equity, acquired 15% of life insurer MLC, which, in turn, was by far the largest shareholder in Lend Lease. So, this move was not only a threat to MLC, but also, if a little less directly, to Lend Lease.

Initially, as part of a defensive move, Lend Lease acquired a 20% holding of MLC shares. But then Dusseldorp began to look at the potential opportunity for Lend Lease to expand its role in what was essentially a fund management sector, and moved to acquire a 50% holding in MLC. With this holding they had the responsibility of running MLC, so decided to try and acquire the whole of MLC, which they eventually did in 1986, when Industrial Equity agreed to sell its 20% to Lend Lease.

Clark 2002:131-154 describes the acquisition and transformation of the MLC in very substantial detail. To cut a long story short, Lend Lease went about completely changing the way MLC did business, and by the early 1990s MLC had become Lend Lease's biggest earner, contributing over half the group's total profits.

This was rather a spectacular example of how an emergent threat was turned into an opportunity, which I thought worth recounting, as it could be relevant to others in different contexts.

ESTABLISHING STRATEGIC OBJECTIVES

Accommodating both deliberate and emergent strategies in Figure 1

If there were no emergent strategies coming into play, then a "deliberate" version of the summary in the Stage 1 text box in Figure 1 would read *Establish the desired deliberate strategic outcomes and benefits.*

However, whenever emergent events lead to a need to develop emergent strategies, the existing strategic objectives need to be re-established to accommodate the new developments, and the whole strategic planning process correspondingly revised. I have tried to illustrate this dynamic attribute of the strategic planning process in the Stage 1 text box in Figure 1, by summarising this stage as *Establish/ re-establish the desired deliberate/ emergent strategic outcomes and benefits.*

As indicated earlier, Figure 1 does not claim to be a universally applicable set of processes for strategy management. It is simply too generalised for that. But, hopefully, it is sufficiently representative to be relevant to a wide variety of contexts.

Responsibilities for establishing strategic objectives

In the seven years I was involved in corporate strategic planning for the parent company Lend Lease from the mid-1960s, the strategic planning work was undertaken by what we called the Group Development Committee. This originally comprised the CEO and his deputy (both members of the Board of Directors), joined later by the next most senior operating manager, with me as the work-horse secretary. We were mainly concerned with potential opportunities in the external environment, which included delving quite deeply into the Australian National Accounts to get a more comprehensive understanding of the main marketplace in which we were then operating.

As far as I know this type of set-up for corporate strategic planning is not uncommon. Smit 2017 mentions the overall accountability of an Executive Committee (EXCO) in his discussions of organisational strategies in a State Owned Enterprise (SOE) in South Africa. Within this he includes the key roles of *Strategic and Business Planning*, and *Business Analysis*.

But, however the working mechanisms for helping develop organisational strategic objectives are structured, surely there can be no doubt that the board of directors (or its equivalent in other contexts) has the ultimate responsibility for establishing and/or approving the organisation's strategic objectives.

A terminological note re *strategy formulation*

The term *strategy formulation* is used differently by different authors. Both Van Den Broecke and I (in Stretton 2017k) include it as part of the process of establishing strategic objectives. However, some others authors, including Smit 2017, use this terminology to cover one or more of the following stages.

For example, Smit says:

> Strategy formulation establishes a roadmap to enable long term organisational decisions and includes policies, directives, plans and actions for achieving strategic goals and objectives, either through operations (on-going organisational activities) or programmes and projects.

In this series, the above will be covered in following articles.

SUMMARY

I first presented an organisational strategic management framework, which is modified from earlier articles in this journal, and which will be used throughout this series. This figure shows five stages within the strategic planning and execution framework, and the five articles will address each of these stages, in seriatim.

The concern of this first article has been *Stage 1: Establishing organisational strategic objectives.* After observing that organisational strategy that has long been a major topic in its own right, it was noted that there are commonly different levels of strategy within an organisation, but that, for the purposes of this series, discussions will be restricted to one generalised organisational level.

Whilst there is no universal standard set of processes for strategic management, strategic analysis is one of the more commonly shared processes, and examples of this were discussed from three sources, namely general management, project management, and my old employer, Lend Lease.

We then turned to more dynamic flexible approaches to strategy management in the context of more rapid change in recent times, and the need to react rapidly to changing circumstances or emerging opportunities. We looked at Booth's model of drivers for developing a strategic plan, which provided for both *deliberate* and *emergent* strategies, from both internal and external sources, and briefly discussed examples of emergent strategies.

Finally, it was noted that, whenever emergent strategies come into play, the existing strategic objectives need to be re-established and the whole strategic planning process correspondingly revised. I have tried to illustrate this dynamic attribute of the strategic planning process in Figure 1, by summarising Stage 1 as *Establish/ re-establish the desired deliberate/ emergent strategic outcomes and benefits.*

In the next article in this series we will be looking at *Stage 2: Develop options, evaluate, and choose the best*, which is short-hand for developing alternative strategic initiatives for realizing outcomes / benefits, evaluating these alternatives, and choosing the best option(s). The primary focus of these discussions will be on the importance of developing alternative strategic initiatives to achieve the strategic objectives, and on the importance of good conceptual level estimates, to get meaningful comparisons in evaluating the alternative options, and to help ensure that the chosen alternative will be viable.

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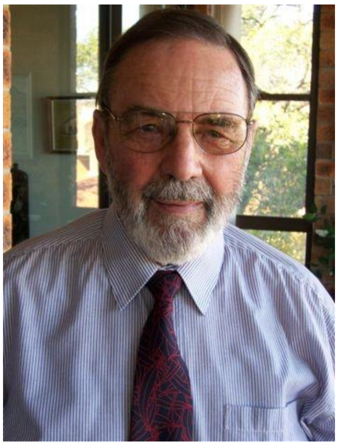
About the Author



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