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## ***Revisiting organisational strategic management (6)***

### **An addendum on organisational strategic preparedness for significant disruptive events<sup>1</sup>**

*By Alan Stretton*

#### **INTRODUCTION**

In the fifth article of what was originally intended to be a five-part series on revisiting organisational strategic management (Stretton 2021f), I signalled an intention to add an addendum to the series in relation to organisational strategic preparedness to respond appropriately to significant disruptive events. This was prompted by revisiting some articles by David Pells (Pells 2009b, 2009a, 1999, 1998), and noting particularly his concerns about the need for responsive decision support models. I felt that some of the earlier materials in this series could be expanded to help address this topic, and this is the main concern of this article.

We start with a summary of some of Pells' concerns.

#### **BEING PREPARED TO RESPOND APPROPRIATELY TO DISRUPTIVE EVENTS**

In Pells 2009a, the author is particularly concerned with a need for managers to gather global business intelligence, to help prepare them to respond appropriately to disruptive events. In the following quotation he describes disruptive events, and expresses a need for managers to be prepared to respond, as follows.

A disruptive change is a significant event with drastic consequences. The most obvious examples might be natural disasters based on extreme weather, a cyclone, hurricane or flood, for example. ....

Pells then cited 13 further examples, including "outbreak of pandemic disease", which could be seen as remarkably anticipatory of the Covid-19 pandemic. This quotation then continued as follows.

Disruptive events can change your market, industry, organisation, program and project, by changing the entire environment within which you are working. While many such events cannot be predicted, executives should be prepared to respond.

Pells then goes on to advocate the development of robust decision support models to help managers respond appropriately. His suggested model includes three dimensions, which he describes as strategic, operational, and structural, as now discussed.

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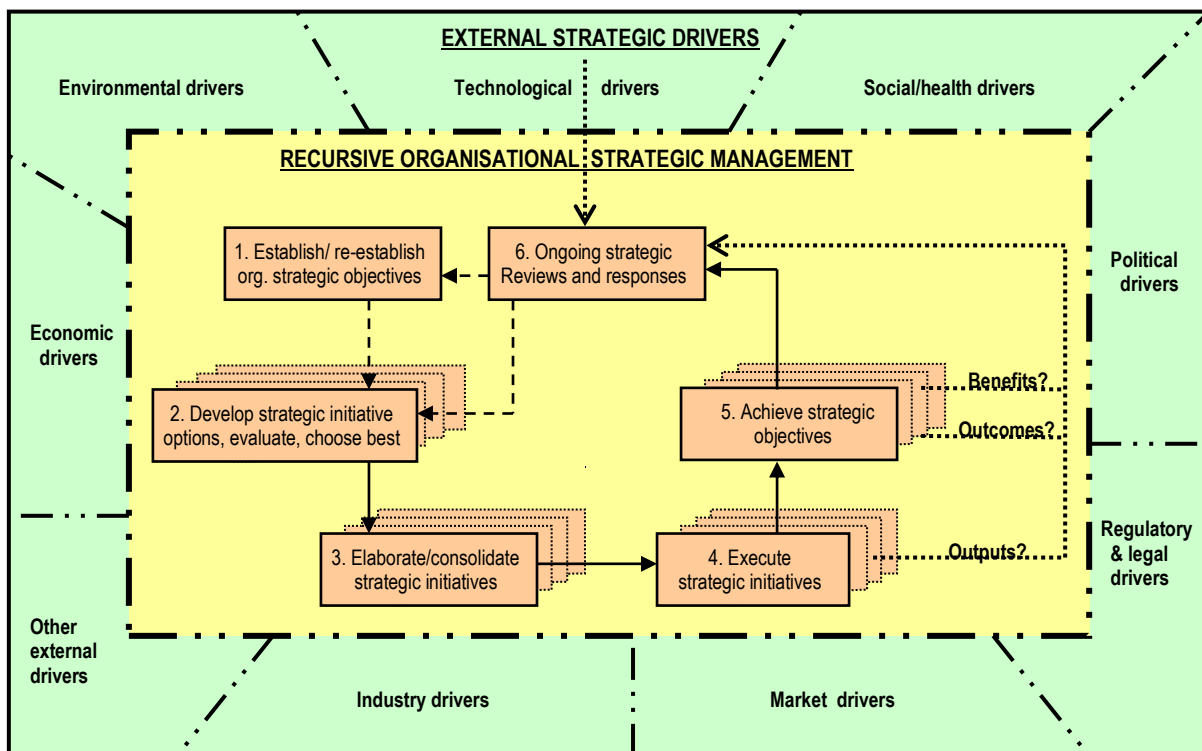
## A THREE DIMENSIONAL RESPONSIVE DECISION SUPPORT MODEL

### The strategic dimension

The strategic dimension is concerned with incorporating new business intelligence into the strategic planning process. In Pells 2009a the author discusses the art and science of environment scanning, trend spotting and analysis, and the need for responsive decision support models.

His concern is with questions such as how should significant developments and trends in the business, economic, political, social and technological spheres be incorporated into near and long term plans and actions. In Pells 1999 he suggests “a strategic planning model with categories of long range objectives, issues and strategies, that can be re-evaluated each year in light of significant events or changing trends. (In the more recent VUCA and Covid-19 environments, I am sure the author would be looking for much more frequent reviews and evaluations than annual ones).

The following model, Figure 6-1, provides for undertaking such reviews, and initiating responses, in relation to the external strategic drivers discussed in previous articles in this series. The outer ring of external strategic drivers was developed in the third article of the series (Stretton 2021a). This model shows a direct link from these to the Stage 6 strategic review and response group, to represent ongoing external influences scanning processes by responsible entities in Stage 6.



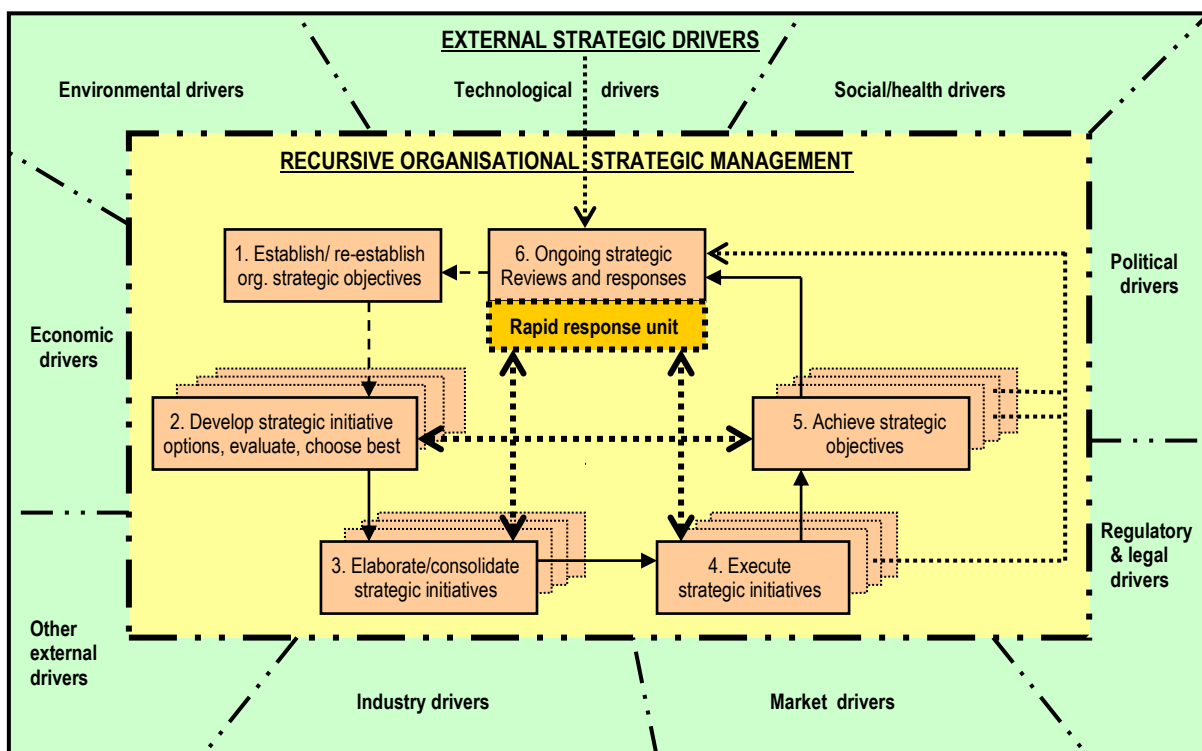
**Figure 6-1: The strategic dimension – A framework for strategic reviews and responses**

The central section of Figure 6-1 is a short-hand version of Figure 2-7 (Stretton 2020m), showing direct links to the ongoing strategic review and responses group, from Stage 4 (*Outputs* being delivered?), and two links from Stage 5 (*Outcomes* being achieved? *Benefits* being realised?). These are intended to represent ongoing internal processes which appraise progress on these objectives, which may indicate needs for adjustments in light of either internal or external influences.

**The operational dimension**

Pells 2009a describes the operational dimension as a decision support process to facilitate decisions and actions that must be taken immediately when a significant change event occurs.

Whilst I have attempted to provide for some element of urgency in the above framework for the strategic dimension, when it comes to providing for the types of immediate decisions and actions described by Pells, it would appear to make eminent sense to appoint an executive manager, (or executive group) from within the Stage 6 team, with specific responsibility and authority to initiate particularly rapid responses when such responses are needed. Whether an individual or group, I will describe this as a *Rapid response unit*. I have represented such a unit as being appended to the Stage 6 group, and have illustrated very direct links between the *Rapid response unit* and all the operating stages of the organisational strategic management sequences in Figure 6-2, to represent the types of immediate communications channels needed in cases of sufficient urgency.



**Figure 6-2: The operational dimension - Adding a Rapid response unit & direct communications**

The rationale for having a dedicated *Rapid response unit* appears to be reasonably straight-forward. However, the need to respond rapidly also has some caveats. Possibly the most important of these is the need to have people on the team who are exceptionally capable in the risk management area, who can make consistently good decisions in complex, urgent situations, and also have the capability of working with portfolio investment managers and strategic initiative managers in shared decision making, and in developing ongoing action plans.

### The structural dimension

Pells 2009a describes the structural dimension as that part of an organisational model that identifies and defines relations between the organisation and all its key stakeholders.

This “stakeholder tree” should identify relationships, key decision makers, communication channels, issues and risks. When a negative or positive event occurs, and a decision or action is needed, managers and executives must know who to contact and how to do so.

Now, stakeholder management has received much more attention in the project management literature in the past decade than it had been accorded up to 2009, so that there is little need to further emphasise its importance here, nor to attempt to summarise more recent contributions on stakeholders and their engagement.

However, I did make quite a detailed listing of “*potential external influencers*” – i.e. external stakeholders – in Stretton 2019j (which derived from some earlier articles on external stakeholders in relation to projects, including Stretton 2018j and 2014a). It therefore appeared natural to see how these *external influencers* aligned with the list of *external stakeholder drivers* developed earlier in this series, initially in Stretton 2021a, Figure 3-9. This has been undertaken in Figure 6-3 below.

EXTERNAL DRIVERS (Figure 3-9)	EXTERNAL INFLUENCERS (Stretton 2019j)	EXTERNAL DRIVERS (Figure 3-9)	EXTERNAL INFLUENCERS (Stretton 2019j)	EXTERNAL INFLUENCERS (Stretton 2019j)
Technological	<u>Technological Actors</u> <ul style="list-style-type: none"> <li>Patent offices</li> <li>Universities</li> <li>Research institutes</li> <li>Standardisation bodies</li> </ul>	Political	<u>Political/Regulatory Actors</u> <ul style="list-style-type: none"> <li>Governments</li> <li>Politicians</li> <li>Lobbyists</li> <li>NGOs</li> <li>Regulatory bodies</li> <li>International institutions</li> <li>External auditors</li> </ul>	<u>External champions</u> <ul style="list-style-type: none"> <li>Entrepreneurs</li> <li>Developers</li> <li>Visionaries</li> <li>Investors                             <ul style="list-style-type: none"> <li>Funders</li> <li>Sponsors</li> <li>Shareholders</li> </ul> </li> </ul>
Social/health	<u>Socio-Cultural Actors</u> <ul style="list-style-type: none"> <li>Media</li> <li>Communities</li> <li>Opinion leaders</li> <li>Religious organisations</li> <li>Environmentalists</li> </ul>	Regulatory & legal	<u>Industry Insiders/Outsiders</u> <ul style="list-style-type: none"> <li>Competitors</li> <li>Complementors</li> </ul>	<u>Parasitic Participants</u> <ul style="list-style-type: none"> <li>Opportunists</li> <li>Activists</li> <li>Causes</li> <li>Intervenor groups</li> </ul>
Environment Economic	<u>Economic Actors</u> <ul style="list-style-type: none"> <li>Tax authorities</li> <li>Central banks</li> <li>Employers federations</li> <li>Unions</li> <li>Stock exchanges</li> </ul>	Industry & market	<u>Purchasers</u> <ul style="list-style-type: none"> <li>Owners/users</li> <li>Customers</li> </ul>	

**Figure 6-3: The structural dimension – Broadly aligning “external influencers” from Stretton 2019j with the external strategic drivers from Figure 3-9, Stretton 2021a.**

It can be seen that six of the seven *external influencers* that most closely correspond with particular *external drivers* give more detailed lists of examples under their respective headings. There are also two groups of *external influencers* that do not have corresponding *external drivers*.

Whilst these listings do not claim to be comprehensive, they could well be useful as a checklist for particular organisations in developing their own detailed listings of external stakeholders.

I have not attempted to compile listings for internal stakeholders, because they would be so variable between organisations. However – as applies also with external stakeholders – it is critically important to identify all the stakeholders who are significantly impacted by, or who could themselves significantly impact, the operations of the organisation.

## **PRACTICALITIES RE DEVELOPING THESE TYPES OF SUPPORT MODELS**

Developing and utilising responsive decision models on the lines of the above, particularly the strategic and operational dimensions, are very substantial undertakings. As Pells 2020 expressed it in an email to the author, he sees them as

..... applying to large international corporations and large government agencies with global interests. For example, I am certain that there are U.S. government agencies with hundreds of people in basement offices analyzing changing global conditions, trends and emergencies and assessing strategic implications just as outlined in my papers .....

This observation set me thinking about how small or medium sized enterprises might go about preparing for significant disruptive events in an effective way. This, in turn, has led me to draw on some of the Lend Lease experience in this strategic area when it was a much smaller organisation than it is today. I have discussed some of the following in previous articles in this journal, one of the more recent being in Stretton 2018d.

## **POSSIBLE MODIFICATIONS FOR SMALLER ORGANISATIONS**

### **Defensive strategic planning**

This first example from the Lend Lease experience had its origins in November 1960, when 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.

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. This work was done prior to my involvement (from 1965) as the secretary (i.e. "workhorse") of the Lend Lease Group [Strategic] Development Committee, which comprised the CEO and his most senior managers. However, I was certainly impressed by the way in which Dusseldorp had developed these defensive plans for Lend Lease to cope with a series of ever-increasing potential disasters.

The existence of these defensive strategic plans then cleared the way for the opportunity-focused strategic investigations which characterised my seven years in this role. Our domain for gathering business intelligence was Australia and New Zealand. However, the global scene was not neglected, because Dusseldorp, originally from the Netherlands, travelled widely in Europe and North America, and had a unique "eye" for identifying global trends. On one occasion, in late 1970, just after Alvin Toffler's *Future Shock* had been published overseas, Dusseldorp returned to Australia with a copy, and had me organise a meeting of all chief executives and some other senior officers of all the Lend Lease Group companies, in which they spent a full half day discussing this book, and its potential importance for our futures.

So, although all this happened long ago, and in relatively stable times, it appears to me that small and medium sized organisations could undertake similar types of defensive planning strategies, which would then place them in a position to evaluate significant disruptive events as potential opportunities, rather than as problems.

### **Trend analysis**

This trend analysis example is at a local level, and thence well within the capabilities of small to medium sized organisations. The following is an actual case which illustrates how important detailed and informed trend analysis can be in making important strategic decisions. The example relates to office buildings in Sydney's central business district (CBD) and North Sydney in the late 1960s and early 1970s. I discussed the following in Stretton 2018d, but it is such a good example of what was actually achieved with some effective trend analysis that I have elected to discuss it again in the particular context of this article.

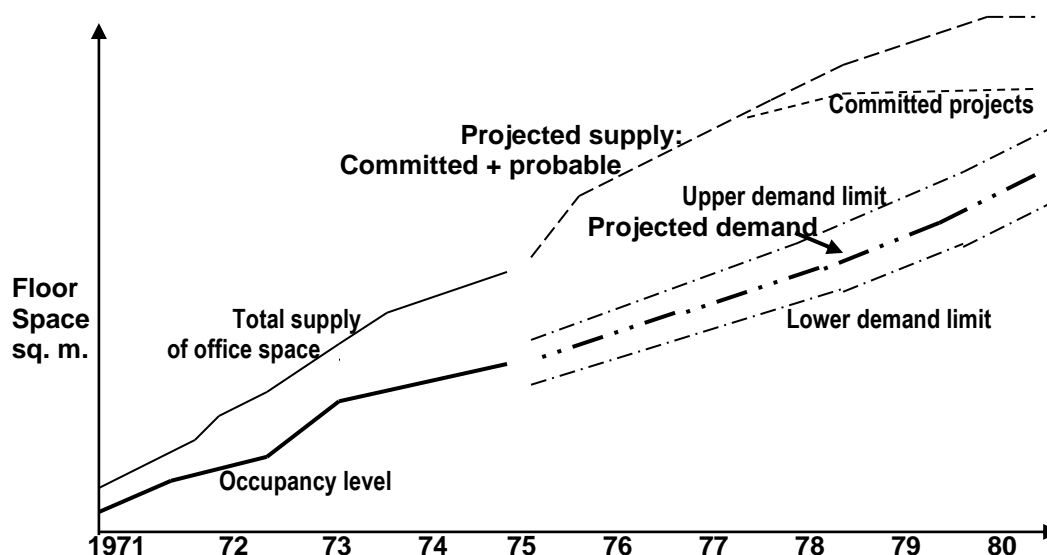


As I noted in that article, typically it could take of the order of six or seven years from site acquisition, development application, development approval, demolition, and construction before an office building is completed, and the office space becomes available.

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 6-4 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 the earlier 1970 version, but it looked much the same, with similar disparities between projected supply and projected demand.



**Figure 6-4: Actual and projected supply-demand data for office space in the Sydney CBD**

These ongoing analyses 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 above supply-demand projections of the late 1960s and early 1970s were absolutely key to this decision.

This concludes the two case examples from the Lend Lease experience. Both happened a long time ago, and in much more stable environments than we have today. None-the-less, it is hoped that they may have some relevance for small to medium sized organisations in these more turbulent times.

## **SUMMARY**

This article was prompted by revisiting some articles by David Pells in which he discussed needs for, and approaches to, developing responsive decision support models to help organisations prepare for responding appropriately to significant disruptive events. He proposed a model which includes three "dimensions" – strategic, operational, and structural.

The strategic dimension is concerned with incorporating new business intelligence into the strategic planning process, and to respond appropriately. I proposed a framework for facilitating these by combining and slightly modifying models from earlier articles in this series.

The operational dimension is concerned with decision support processes to facilitate decisions and actions that must be taken immediately when a significant change event occurs. Here I proposed a framework which essentially added a Rapid response unit to Stage 6 in the previous framework, and highlighting immediate communications channels to facilitate rapid strategic responses.

The structural dimension is described as that part of an organisational model that identifies and defines relations between the organisation and all its key stakeholders. The latter subject has received very substantial attention in the project management literature in recent times, so that the only contribution I could make was to add some "external influencers" (meaning external stakeholders) from earlier articles to the key external strategic drivers identified earlier in this series.

Pells sees this type of support model as suitable for large international corporations and large government agencies, but perhaps too complex for small to medium sized organisations. This led me to suggest a couple of possible modifications, based on approaches we used early on in Lend Lease, which may help small and medium sized organisations better prepare themselves to cope appropriately with significant disruptive events.



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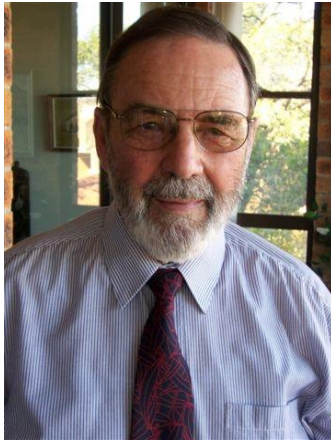
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## About the Author



### **Alan Stretton, PhD**

Faculty Corps, University of Management  
and Technology, Arlington, VA (USA)

Life Fellow, AIPM (Australia)



**Alan Stretton** is one of the pioneers of modern project management. He is currently a member of the Faculty Corps for the University of Management & Technology (UMT), USA. In 2006 he retired from a position as Adjunct Professor of Project Management in the Faculty of Design, Architecture and Building at the University of Technology, Sydney (UTS), Australia, which he joined in 1988 to develop and deliver a Master of Project Management program. Prior to joining UTS, Mr. Stretton worked in the building and construction industries in Australia, New Zealand and the USA for some 38 years, which included the project management of construction, R&D, introduction of information and control systems, internal management education programs and organizational change projects. He has degrees in Civil Engineering (BE, Tasmania) and Mathematics (MA, Oxford), and an honorary PhD in strategy, programme and project management (ESC, Lille, France). Alan was Chairman of the Standards (PMBOK) Committee of the Project Management Institute (PMI®) from late 1989 to early 1992. He held a similar position with the Australian Institute of Project Management (AIPM), and was elected a Life Fellow of AIPM in 1996. He was a member of the Core Working Group in the development of the Australian National Competency Standards for Project Management. He has published over 230 professional articles and papers. Alan can be contacted at [alanailene@bigpond.com.au](mailto:alanailene@bigpond.com.au).

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