

## **Strategic Planning and Restructuring in Real Time**

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New Commons

### **Why Plan?**

Strategic planning can help grow your organization or community if you want to grow beyond what has happened in the past. If you sense you, are prisoners of the past or know what is “planned” next, will only replicate past processes and limits then strategic planning can make a difference. Strategic planning takes off the blinders. The times invite you to open your imagination. A written plan alone will not be enough to grow the enterprise. These times requires you to pursue strategy, innovation, and structural changes simultaneously. This integrated approach to planning provides more power for change than a conventional plan. The premium is on thinking strategically.

Strategic planning leads you to hone your distinct identity in the marketplace. The market place is both commercial and civic like a whole city. Distinctions are what draw customers to you, and away from competitors. It also helps you understand what customers do not yet know they want from you.

Strategic planning forces you to declare what business you are in, (and will not be in), and most importantly, what business to be in next. The business definition drives choosing all strategic priorities and opportunities.

Strategy is about understanding what is “out there,” beyond the organization, in the competitive marketplace. Strategy declares what you will do to work with and through the forces “out there.” Strategy reveals what you intend to do to close the gap between what is presently in place and what you want to create. It is the direction taken: left, right or straight down the middle. Big decisions and actions align with strategy.

### **Strategy is Change and Innovation**

Organizations today are facing unprecedented change. It feels like change never ends. Some call this sea of ambiguity and rapid pace, "permanent white water." In effect, every organization and community is a canoe paddling hard on the river to avoid the rocks and stay dry. In permanent white water, the paddling never stops.

In simple terms, what we once knew or counted on goes away. Change is what disappears from our picture of reality. For instance, the steady, not very demanding customer change loyalty; technology comes with fuller capacity and you have excess people with the wrong skills; new customers emerge and expect new services they want tomorrow.

Today, the circumstances and rules are always changing. The white water keeps rushing.

Things we once counted on are disappearing. In the face of change, leaders respond in one or a combination of four ways.

Response 1: Revert to past ways, just because it was that way before. This is a response of fear or an inability to handle ambiguity. This is not a strategic response and thus ineffective.

*Responses 2 and 3 below are effective for change with each response requiring various degrees of ambiguity and risk taking:*

Response 2: Formally, confirm what to keep because it works for customers and the enterprise.

Response 3: Weed out what is obsolete because it no longer works for customers or innovation replaced it.

*Confirming and weeding help you to define what will remain changeless in the face of change. Nevertheless, weeding and confirming alone will not position the enterprise for the future. Another level of strategic response is required:*

Response 4: Innovate to find a better way to service a current customer or go after a new customer. Using the five tests of strategy presented below, strategy demands innovation. Anything less and the business will lose in the marketplace.

### **Five Tests for Effective Strategy**

Organizations today must adopt a strategic thinking framework to guide their future. All planning occurs within this framework. Good strategy for an enterprise must meet five tests:

- Test One: Does it alter the rules of the enterprise and the industry in which it does business?
- Test Two: Does it demand alignment of resources so the intended circumstances change as expected? In this case, how are priority outcomes the focus?
- Test Three: Does it yield a distinct identity for the organization and its offerings in the marketplace among many competitors?
- Test Four: Does it demonstrate disciplined consistency? (Until the forces in the marketplace render it inoperable and you have to adjust the disciplined approach.)
- Test Five: Does it reveal a line of continuous inquiry and learning about the dynamics of the marketplace and what you can learn to execute strategy?

An enterprise must innovate to meet these tests of good strategy. Innovation is what you put in place in the face of change that outperforms current practice. Innovation combines new and existing capabilities. Either innovation establishes new objectives or new ways to achieve current objectives. Innovation can drive either incremental improvement or a

breakthrough to a new way of delivering service.

### **Work with all the Elements of Strategic Planning**

Planning identifies and addresses strategic and organizational elements. With each element, the planning process and conversations shifts between current reality and what to do to execute the plan. The contents of your plan emerge from this back and forth discussion and continuous focus. Key planning building blocks include:

*Complete an Environmental Scan.* Determine what is going on in the environment that impact the plan's success. A key component includes the needs and wants of the customers and stakeholders. The analysis is a picture of current reality. As we invent the future, what forces at play: Confirm it? Disrupt it? What are our customers and the market telling us to do: Differently? Stay the same? Regarding advantage (both ways) and our big competitors: What is our continuous advantage over them? What do they have over us? Overall, what do the results of the environmental scan tell you: To keep doing? Do differently? Stop doing? Start doing? In permanent white water, the marketplace is always churning. Things move quickly. The organization requires a process for gathering continuous market intelligence to inform it of what is going on with key customers and competitors. The environment is where unmet customer needs start to clarify. It is the source of new opportunities. It is the source of partners, some of whom may be former competitors.

*Establish the Foundation (which includes the mission).* State the purpose, the business definition, and the enduring truths as operating principles. What is the mission? In answering, please consider: What requires completion in the world? How is the business defined? What principles will you live or die by? What sense of mission or purpose is most pulling the enterprise? Mission is a high order resolve to achieve an ultimate, timeless result. It is the reason for being, stated as a noble timeless outcome. What core values and operating principles are driving the planning? These drivers articulate the direction emerging from the planning actions taken or contemplated. Action informs the language of mission and core values.

*Uncover the Critical Path.* What is the critical path for the future? Identify the images and building blocks that would have to be in place if it all worked right for your business, industry or community. The frame of a critical path is what is required for a complete solution. A critical path is not sequential, but rather your big list of outstanding to do's. Critical path is not the small stuff of action plans, but the large building blocks, capabilities and so forth.

*Declare the Vision* as the achievable dream that represents the overall strategy, strategic goals and priorities of all players who influence your business. Vision includes heart/passion, story, results and images. Vision is the future you want to invent. Vision is a dream that asks to be real.

*Build Scenarios.* A scenario is a plot outline for a possible future. The plot is like what

shapes a play. Scenarios describe distinct futures and not variations on the same theme. A scenario can describe a future situation that get worse, stay the same, incrementally change, or is a radical breakthrough. Scenarios provide sensory detail -- you can see, touch and feel the possible futures.

*Organize Projects for Action.* What projects will move the enterprise toward action that serves your customers? Projects reflect the environmental scan and the most pressing needs of the people served. Projects, more than goals, rally interest and resources to solve a problem or intervene in a complex system.

*Develop Capabilities and Capacity.* Identify the current and required core competence essential to producing the vision. Core competence is the deeply rooted knowledge base from which all products and services emanate. Like the seed corn of the farmer, keep it healthy or it will not germinate the crop (strategy) set in the ground. Under capacity, declare the core strengths and weaknesses as well. What competence will be required to achieve the vision and invent the future? What stays inside to nurture? What do you outsource? What requires a start growing process? What do you acquire through purchase, joint venture, etc.?

*Design the Structure.* If structure follows strategy, where will you bust the current structure to reinvent? Define how to organize the next big projects. Focus on the allocation of accountability and authority; where to use internal and external work teams; and where to forge external strategic alliances. In the structure element, determine how to nurture the core of the organization and what to outsource. Organizations of the future no longer keep everything in-house.

*Establish the Resource mix.* State the financial, informational and human resources required to achieve the plan. Determine which resources are internal and what to leverage from other partners.

*Engage Others in Implementation.* How and where to involve staff: In planning groups? What staff on what work teams? What leaders are capable of strategic thinking? Establish benchmarks and action plans that turn concepts and priorities into desired behavior and results. This element reflects the “finish touch” of details often left out in the conceptual conversations on values and direction. These details make a difference in guiding implementation.

*Make Planning Continuous.* Who within the enterprise writes the plan? Someone for the organization has to own the writing. If you write it, you will internalize the actions to take. Our job is to coach, cajole and comment on the birth of the plan. A useful plan usually requires four drafts before it is ready for use. The plan constructs along the way in each step of the process.

*Establish Benchmarks.* What indicators must we track and measure to demonstrate the progress toward our strategic goals?

## **Hold Dear What is Core to the Organization**

Core is what lies at the heart of what matters. Core is what you protect under all circumstances. Core remains changeless in the face of constant white water. In developing a strategic plan, there are two cores: competence and operating principles.

Core competence is know how you own which no one else has and which can't easily be replicated. Core competence is what defines your distinctions. Core competence is the source of your products. Core competence is know-how that makes the place hum.

The tradition is to establish vertical integration where you own all the competence required to deliver your outcomes. Instead, focus on your distinct core competence and build a stable of partners with complementary competencies in a network.

Core principles are the gyroscope for decision-making. Core principles are statements of intention on which the organization builds the future. Core principles are those values that you stand behind and by which you make choices. They communicate your distinctions in the marketplace.

## **The Mind and Structure for Strategic Action**

Planning and change occur together. For this to work and organization requires basic building blocks that foster change and constant innovation. In this way, planning is not static, but remains dynamic. The focus is less produce the plan, but think and act strategically to pursue opportunities when the show up or get discovered.

Our experience says strategic plans often fail in either the conceptual or operation's phases for one or two reasons. The first is planning is divorced from orchestrating change. Thus, planning must open the hearts and minds to change. As you begin to talk strategy, you talk change as well. The second reason for failure is structural: the structure in place is the product of a former plan and its priorities. Alfred Chandler said it well in 1956: "Structure follows strategy." New plan, new priorities, requires a customized structure to execute. If you avoid structural change, then the new plan will die because the current structure aims to achieve former goals.

## **The Executive Mindset**

The executive today must be able to think strategically. You must have time for deep reflection and realize the benefits of both performing the action and being a reflector about the action taken. In reflection true strategy and innovation are born. You must have an agile mind, capable of mobilizing resources quickly. These resources come from inside the organization and from outside alliances. This enables you to pursue the opportunities you want results from now. You must hold a vision for the future. Your vision is the achievable dream for the enterprise. You carry the whole picture while others carry parts of the vision. In creating a vision, the CEO must know when and how to enroll others and when to stand fast against core principles or use intuition to challenge the principles.

## **Organizational Structure Aligns with Strategy and Innovation**

Our models of structure are outdated. Most in use are the Prussian army chain of command or the Quaker circle. There are at least five types of structure. Each structure, presented below, provides more agility to pursue advantageous opportunities and innovations. Different structures work better in different industries. Each structure has limits and benefits for pursuing different strategies. Structures are not easily changed. Often, the enterprise that wants to alter its structure must do so by building a parallel structure and culture to work alongside or around the existing one. The second structure is the scaffold that becomes the required structure and culture over time. Eventually the culture way migrates to the new culture, yet it is a multi- year process of continuous change. (See the later section on protecting innovation.)

1. Functional bureaucracy where each functional store pipe stands separate
2. Functional bureaucracy, but with a management team weaving things together at the top
3. Matrix or basket weave throughout the organization, which mobilizes people from different functions to work on projects
4. Project or process driven with actual project or process teams organized around a product, a market of customers, or a core process
5. A network with a small core of key people and circled around the core multiple tiers of involvement

The last two of the five structures are the most flexible and, thus, produce the most innovation. More and more the needs of the customer require a response system that cuts across many functions. A rigid functional structure, like bureaucracy, is not able to respond quickly enough. Customers demand quick response and total solutions. No longer tolerated is a hand-off of problems across several functions. Enterprise today must be lateral and not only hierarchical.

### **The Agile Innovator**

The organization must quick to respond with a total solution so the customer experiences the service as seamless, even though many players are involved. Being this agile is not a call to dismantle the functional structure. Rather, it is a call for a new role of an innovator who serves as project manager. She identifies the outcomes and resources required to provide the customer's solution. She has the authority to then negotiate with the functional leaders to assemble people from all functions to deliver the solution. Functional people are assigned, part-time and temporarily, under the accountability and leadership of the project manager.

The example of this total solution is a customized customer response system. The team stays in place only as long as they are required. Once the solution is delivered, the people return to their functional role.

### **The Role of the Innovators Network**

This network comprises all innovators in the organization. Innovators come from all levels. Innovators are a form of internal change agent. Their purpose is to accelerate the practice of innovation throughout the enterprise. The network meets regularly as a

learning group so the group can learn from each other and solve problems together. The group reviews and sharpens practices that work and pools its resources. As a result, more innovative champions will emerge from within the organization.

The network of innovators comprises people with a mindset for innovation and change and has the tools to make it happen.

#### *The innovative mindset*

- Tempered risk taker who accepts and manages risk rather than being risk adverse
- Boundary spanner working across functions, able to live in multiple worlds
- Creatively reshapes and combines material and thus breaks the old mold of what is possible
- Comfortable with ambiguity so as to be flexible
- Stamina, energy and desire to drive change with passion
- Innovation in their blood because growth comes from change

#### *The know-how and tools*

- Ability to develop trusting relationships with diverse players
- Practices of the change agent
- In response to changing circumstances, finds opportunities by knowing where to look and then what to do
- Ability to inspire and motivate people with vision so others say: "I want to go where you are going"
- Ability to communicate with multiple audiences because she is a doer who thinks creatively

### **Protect Innovation until Ready for Transfer**

Innovation is always fragile. It requires protection until there is momentum and results. The role of an executive is to define the practice of innovation and build a heat shield to guard it from intrusion of premature inquiry. Too often, the inquiry comes at the wrong time and the innovation is reigned-in, too much.

This temporary separation is akin to what General Motors did when it launched Saturn in Tennessee and not "Detroit." Eventually, General Motors brought Saturn into the fold, but not until it could stand the pressure of the General Motors structure. This is what every organization must do. Keep innovation and change at a distance until it is ready for integration.

Innovation begins with a critical look at existing products and services to determine if they are "value added" for the customer. Product line owners make a decision in their area about the fate of the product: continue or change the offering.

In the face of new change, people will view recent change as old. This is the first law of how organizations develop. It is a cycle of change: There is an established way of doing things based on current circumstances and needs – the norm. Once needs change, the

organization must establish new ways of doing things. Thus, emerges a new norm. In short, the move away from norms is change and the response is innovation. There is tension between the old and new order: no exceptions. There is no going back. This is the second law of organization: evolve or die. A complete retreat to previously held norms is death. Innovation is additive. It combines core values and new norms in a new order.

### **Benchmarking**

Benchmarking measures performance with external measures. Today there is a demand for results. The premium is on improving quality and delivering on promises.

The use of an external measure fosters a dynamic, ever changing workplace. Using a benchmark ups the ante for everyone. It sets the bar high and forces people to stretch and learn. This leads to a learning culture where every employee realizes that old answers will not yield better results. Thus, there is constant learning to determine what works even better. Everyone becomes a learner in the learning culture of the organization.

Benchmarking is a five-fold process. Each step benefits the enterprise:

1. Search effectively for best practice
2. Sets the standard of performance you want to achieve against the best performer
3. Apply best practice to the operations
4. Measure your performance against the benchmark
5. Determine where you are doing well and not so well and make changes

### **The Written Plan and Continuous Planning**

Strategy becomes every leaders business. A formal strategy session occurs every month to review the results of the planning process and to update the plan. This session is distinct from the meetings, which discuss current operations. It should be on a different day in a different room. In this way, strategy is not a onetime event, but a continuous process of executives exercising their leadership.

The strategic planning process as just described produces two important lists of strategic items. One list contains the priority opportunities to pursue. All key leaders carry these opportunities as they navigate the external environment and solve problems inside. The second list is the internal change projects that will allow the company to develop flexibility in the structure and culture to go after the priorities. The group reviews, regularly for progress, the opportunities and internal projects.

A completely written plan is a dead idea. Map effective plans on white boards or flip chart paper, hung in a war room. Also dead is the plan must cover the next three-to-five years and be sequentially presented. Most executives state they hold a big strategic vision, but plan for action in 18-to-24 month increments. The white water always chums up a better opportunity than the one they thought to go after. The notion that you do a periodic SWOT (strengths, weaknesses, opportunities and threats) analysis is dead.

Instead, you must be continuously in SWOT mode.

Strategic plans written today are less formally, formed as memorial documents do to constant updates and the demand for more fluidity. There are, however, basic communication requirements to workers:

- What business you are in
- Core competencies and operating principles
- Priority growth opportunities in the market
- Internal change projects underway.

In addition, include data and analysis because it helps people understand what is going on and why the show is going where it is going. Rule of communication: The larger the organization, the greater the need for more communication.

In our experience, strategic plans hold for about 18-to-24 months after which most of what an organization planned to do is obsolete. Thus, it is more essential to focus on instilling strategic thinking and an orientation to discontinuous change throughout an organization, than it is to acculturate the "old chestnut" of a sequential five-year plan.

Our approach to planning is not the usual mission, goals, objectives, resources and action planning. We find this approach less than fully effective for the dynamic white water every organization faces today. Our approach is to design and unfold the plan as you go.

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