Match Planning Sophistication to Organizational Evolution

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DONNA SOLLENBERGER AND ALAN ZUCKERMAN, in their respective articles, have presented their readers with an interesting point–counterpoint underscoring the juxtaposition between research and theory and practical application. On the one hand, Zuckerman presents us with the results of his research and field experience suggesting a disconnect between the practitioner's perceived state of the art of healthcare strategic planning and the "ten best practices" in healthcare strategic planning. He goes further to argue that a yawning chasm exists between the best practices in healthcare strategic planning and the state of the art in strategic planning outside of healthcare. In the course of this discussion he addresses four stages in the evolution of strategic planning and suggests that most healthcare institutions have not evolved past stage two and that stage-four organizations tend to operate outside of healthcare. Stage three is defined as "strategic management" and stage-four strategic planning is characterized by aspects of some or all of the following five qualities:

1. systematic, ongoing data gathering, leading to use of knowledge management practices;
2. encouragement of innovation and creativity in strategic approaches;
3. more bottom-up than top-down strategic planning;
4. evolving, flexible, continuously improving planning processes; and
5. a shift from static to dynamic strategic planning.

Zuckerman's points are well taken. The process of strategic planning, including its death at one point, has been the focus of extensive research and writing over time. The concept of evolution in the strategic planning process has also been well studied. Gluck, Kaufman, and Walleck (1980) 25 years ago

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described four phases in the evolution of strategic planning. Phase I is defined as "basic financial planning" designed for operational control and to meet the budget. For many companies with strong leadership and singular focus, this level of sophistication may serve the organization well. As companies and markets become larger and more complex, they tend to migrate to more effective planning processes to accommodate that level of complexity. Phase II is then defined as "forecast-based planning" and recognizes the need for more effective planning for growth. When rapid change becomes the hallmark of an industry, forecasting contributes less value to the decision-making process and a new focus predominates the strategic planning process. Labeled Phase III, this focus is defined as "externally oriented planning" that forces management to think strategically. At this stage of an organization's evolution, the complexity of its business and the markets in which it operates dictate that alternative paths be considered and that difficult choices be made. Unfortunately, these issues become compounded when the right hand doesn't fully appreciate, or communicate in advance, the effects decisions will have on the left hand. As this realization sets in, the process evolves to an even higher plane. Phase IV is defined as "strategic management," and when effectively integrated into the organization, Phase IV allows management to create the future. The words of Gluck and colleagues are illustrative here:

The guiding principle should be to effectively match the resources available to the challenge facing the organization and its capacity to absorb and change.

> Phase IV joins strategic planning and management in a single process. Only a few companies that we studied are clearly managed strategically, and all of them are multinational, diversified manufacturing corporations. The challenge of planning for the needs of hundreds of different and rapidly evolving businesses, serving thousands of products/markets in dozens of distinct national environments, has pushed them to generate sophisticated, uniquely effective planning techniques. However, it is not so much planning technique that sets these organizations apart, but rather the thoroughness with which management links strategic planning to operational decision making. This is largely accomplished by three mechanisms:
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> 1. A planning framework that cuts across organizational boundaries and facilitates strategic decision making about customer groups and resources
> 2. A planning process that stimulates entrepreneurial thinking
> 3. A corporate values system that reinforces managers' commitment to the company's strategy

The article continues with a solid discussion on each of the three mechanisms enumerated above and is recommended reading for those so inclined. One comment above should be underscored: "it is not so much planning technique that sets these organizations apart, but rather the thoroughness with which management links strategic planning to operational decision making."

Fast-forward 14 years and join a discussion with Gary Hamel and C. K. Prahalad (1994):

> We often ask senior managers three related questions: First, what percentage of your

time is spent on external, rather than internal, issues—understanding, for example, the implications of a particular new technology versus debating corporate overhead allocations? Second, of this time spent looking outward, how much of it is spent considering how the world could be different in five or ten years, as opposed to worrying about winning the next big contract or how to respond to a competitor's pricing move? Third, of the time devoted to looking outward and forward, how much of it is spent in consultation with colleagues, where the objective is to build a deeply shared, well-tested view of the future, as opposed to a personal and idiosyncratic view?

The answers we get typically conform to what we call the "40/30/20 rule." In our experience, about 40 percent of senior executive time is spent looking outward, and of this time, about 30 percent is spent peering three, four, five, or more years into the future. And of the time spent looking forward, no more than 20 percent is spent attempting to build a collective view of the future (the other 80 percent is spent looking at the future of the manager's particular business). Thus, on average, senior management is devoting less than 3 percent (40% × 30% × 20% = 2.4%) of its energy to building a corporate perspective of the future. In some companies the figure is less than 1 percent. As a benchmark, our experience suggests that to develop a prescient and distinctive point of view about the future, a senior management team must be willing to spend about 20 to 50 percent of its time, over a period of several months. It must then be willing to continually revisit that point of view, elaborating and adjusting it as the future unfolds.

What one begins to draw from these discussions may have less to do with a specific process and its evolution than with leadership's commitment of time and energy, its willingness to reconsider and change, its willingness to step outside of the "comfortable" space of day-to-day operations and stake a distinctive claim on the future, and its ability to integrate strategic thinking with operational decision making. Having a process is critically important; equally important is having the knowledge that as the organization and its market(s) become more complex, more sophisticated strategic planning processes and techniques are available and may be appropriate. But to suggest that the adoption of the most sophisticated strategic planning processes is critical to the success of an organization, or that the failure to keep pace with the evolution of the art and science of strategic planning will place the organization in a noncompetitive position, fails to give credence to the evolution of the organization itself and its markets.

The level of strategic planning sophistication required by a company like Motorola to achieve success in the turbulent, finicky, fashion-and-technology-driven world of international communications would simply overwhelm the capacities of a 50-bed hospital in rural America. Architects design with the mantra that "form follows function." Perhaps there is an adaptation here. The decision to adopt a particular strategic planning process should be based more on the evolution of the organization and its markets than on the simple availability of the process. The guiding principle should be to effectively match the resources available to the challenge facing the organization and its capacity to absorb and change.

The results of the study conducted by the Society for Healthcare Strategy and

Market Development of the American Hospital Association and Health Strategies & Solutions, Inc. suggest that the respondents are at least knowledgeable of the state of the art in strategic planning and in many cases would appear to have incorporated some aspects into their planning processes. In their assessment of their own processes most gave their organizations good grades while recognizing room for improvement. Would one expect these self-reported results to lean to the more favorable end of the range? Perhaps, but we do not have the benefit of knowing how closely the sophistication of their chosen strategic planning process matches the evolution of their organization and its markets.

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In her article, Sollenberger has pulled back the curtain and walked the reader through the real-time experience of implementing a strategic planning process that would appear to incorporate the best practices identified by Zuckerman. She describes a process that can be time consuming, highly involving and collaborative, potentially risk creating, facilitative of tough decision making and prioritization, and, as she stated, "simultaneously exhilarating and daunting." One readily finds evidence that a far-reaching vision was adopted, that clear strategies were focused on the critical issues facing UWHC at the time, and that real benefits were achieved in part leading to a more clear differentiation between UWHC and its competitors. Process preplanning and the depth and breadth of participation are well detailed, as is the management of the plan's implementation. Finally, it becomes apparent that the strategic planning process at UWHC is not an administrative overlay to an otherwise full agenda of commitments but serves here as the catalyst for integrating strategic thinking and management into the fiber of the organization. In reality, the success of this planning process for this organization at this point in its evolution would seem to place UWHC squarely at stage three as described by Zuckerman. More importantly, it works.

References

Gluck, F.W., S.P. Kaufman, and A.S. Walleck. 1980. "Strategic Management for Competitive Advantage." *Harvard Business Review* (July/Aug): 157–65.

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