OPERATIONALIZING STRATEGIC PLANNING
Reid, David M
Strategic Management Journal (1986-1998); Nov/Dec 1989; 10, 6; ProQuest Central
pg. 553

Strategic Management Journal, Vol. 10. 553–567 (1989)

OPERATIONALIZING STRATEGIC PLANNING

DAVID M. REID
Department of Business Studies, University of Edinburgh, Edinburgh, U.K.

This article reports on a study which had the purpose of probing the reality of strategic planning, of highlighting some of its shortcomings then contrasting that reality with the literature-based constructs which are taught in business schools worldwide. In this way it is shown that the benefits of strategic planning are not realized unless the process is totally integrated with current operations. This study shows that only rarely is strategic planning a live process within companies. However, to make an improvement is extremely difficult because frequently the commitment and energy does not exist in companies. As a result, many companies are failing to benefit from their strategic planning efforts and are thus failing to establish appropriate long-term corporate positionings.

Why has IBM suffered a dramatic decline in its position among the *Fortune* 1987 list of most-admired companies? Is it related to the fact that 'Big Blue' was slow to adjust to the concept of the personal computer? While it may be difficult to prove, the answer to the question is 'Most likely, yes'. Why did Guinness undergo a major diversification programme only to reverse its direction following the controversial resignation of its chairman in Spring 1987?

Experience with major corporations demonstrates that they frequently make monumental strategic mistakes. As Porter (1987) indicated, the annals of corporate history are permeated with countless instances of major investment errors. These can be attributed directly or indirectly to ineffective strategic planning and management.

STRATEGIC PLANNING IN ACTION

This article reports on a study which had the purpose of probing the reality of strategic planning, of highlighting some of its shortcomings then contrasting that reality with the constructs established in the literature and which are taught in business schools worldwide. In this way some propositions are advanced for improving the efficacy of strategic planning practice.

The data upon which this article is based are drawn from a multi-year study. Face-to-face structured interviews with 94 chief executives were conducted, as well as informal meetings with many more. It also entailed 30 focus groups comprising executives who represented a variety of company types across a wide commercial and industrial spectrum. The focus groups consisted of structured meetings with up to ten senior executives at any one time. These senior executives were either directors or were senior managers reporting to board directors. During these meetings planning issues were discussed and probed. Tape-recordings of these sessions were subsequently analysed in order that recurrent themes and topics of significance could be identified.

The sample upon which the quantitative data is based was comprised of interviews with the chief executives of companies across a wide

0143–2095/89/070553–15$07.50
© 1989 by John Wiley & Sons, Ltd.

Received 6 January 1989
Revised 9 March 1989

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

spectrum of companies. The sample was selected to include a mix of service versus manufacturing industries as well as a variety of sizes. The industrial mix was selected to reflect the characteristics of the Scottish economy. The sample comprised companies ranging from small to large (Table 1). The sales levels achieved by these companies were as shown in Table 2. Approximately half of the CEOs had some sort of financial stake in their companies, mainly equities and stock options (Table 3).

Although the Scottish economy has been historically based upon manufacturing industries, in recent years a major economic restructuring has been occurring, resulting in a greater dependence on service industries (see Table 4).

Table 1. Company size by numbers of employees

Number of employees	Frequency	Percentage
1 – 50	10	11
51 – 250	41	44
251 – 500	19	20
500 upwards	24	25
Total	94	100

Table 2. Sales turnover

£ Million	Frequency	Percentage
0 – 2	21	22
3 – 5	16	17
6 – 10	18	19
11 – 20	17	18
21 – 50	15	16
51 upwards	7	8
Total	94	100

Table 3. CEOs with financial stake in business

	Frequency	Percentage
Financial stake	46	49
No financial stake	48	51
Total	94	100

Table 4. Service industry versus manufacturing

	Frequency	Percentage
Manufacturing	59	63
Service-based	35	37
Total	94	100

Specifically the sample companies were involved in the industries listed in Table 5. Scotland has been the recipient of much inward investment. As a consequence a major slice of those companies in the sample were subsidiaries of groups of companies (see Table 6). Much of the inward investment is derived from the U.S.A.; therefore, in the sample a representative proportion of U.S. companies were included (Table 7).

Table 5. Companies by type of industry

Industry	Frequency	Percentage
Raw materials processing	3	3
Metal manufacture	25	27
Non-metal manufacture	23	25
Construction	8	9
Distribution	20	21
Transportation	6	6
Business services	4	4
Consumer services	5	5
Total	94	100

SCOPE OF STRATEGIC PLANNING

There is a wide body of agreement in the literature regarding the nature of strategic planning. It is portrayed as a dynamic process by which companies identify future opportunities. They then link their appreciation with endeavours to grow or acquire resources so that the business can be positioned to benefit from its strengths. All this occurs against the back-cloth of a changing situation. The flows and processes typically expected in strategic planning are indicated in Figure 1.

Although it is a proposition of this article that strategy can be formulated either with or without written documents, it is unlikely that genuine commitment could be won for any plan which is not committed to paper. This is especially true in complex organizations where decision-making

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

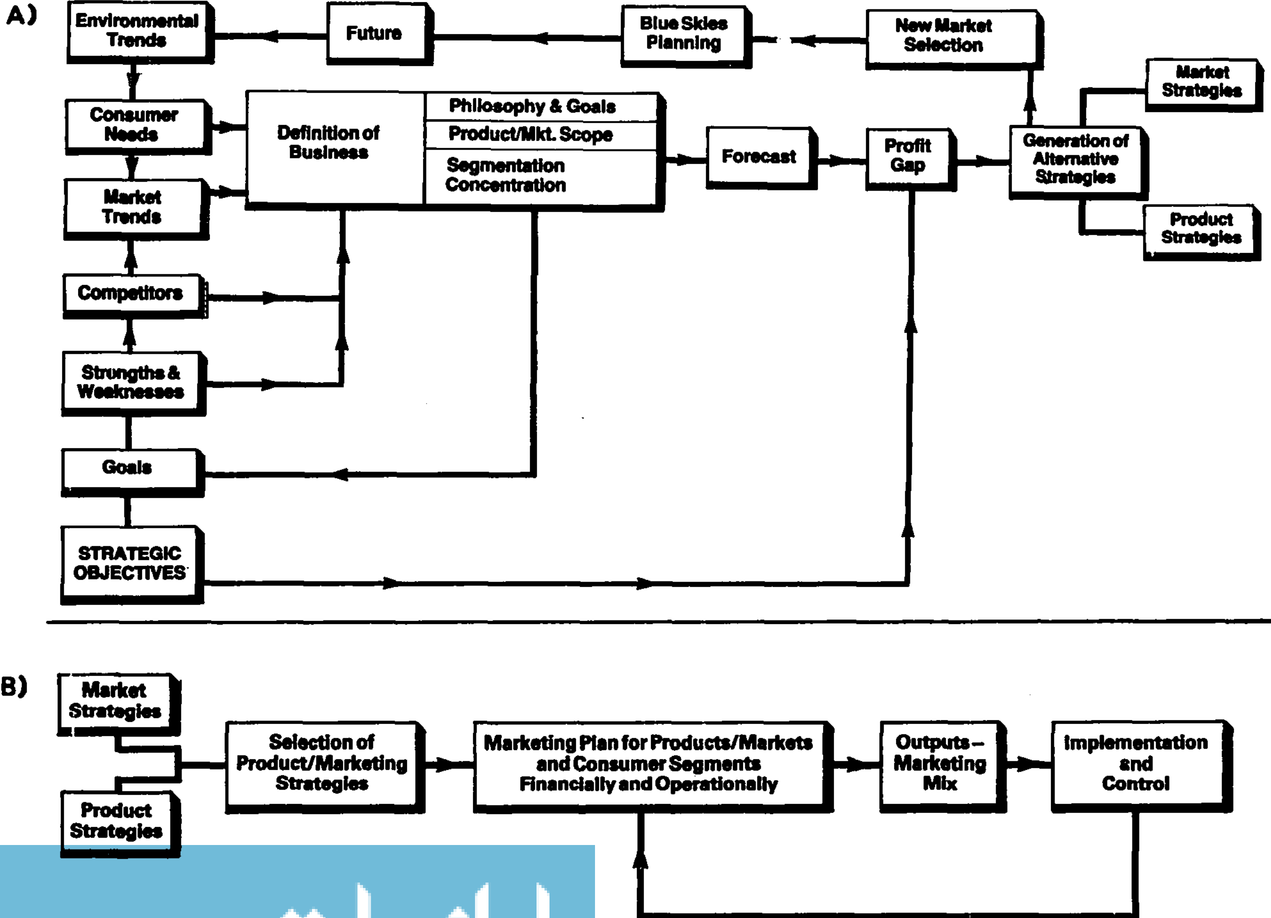

Figure 1. Flow chart illustrating the processes and flows operating in strategic planning

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Table 6. Companies which are part of a group of companies

	Frequency	Percentage
Part of group	42	45
Independent operations	52	55
Total	94	100

Table 7. Location of company headquarters

	Frequency	Percentage
U.S.A.	10	11
U.K.	84	89
Total	94	100

is often collective. What is also true is that the exercise of strategic planning must not be merely an exercise in report generation but must also include a measure of strategic thinking.

In order to identify the presence of strategic thinking and to distinguish its existence from a mere orientation towards producing useless documents among the sample companies, the processes and flows in the strategic planning model in Figure 1 were gauged so that the degree of compliance with the model could be assessed. Despite the fact that many of the companies studied were either complex or involved in complex projects, and thus had a need to support their decisions with written documents, approximately half of the companies could not substantiate their strategic plans.

A major complication is that those involved in strategic planning customarily belong to one of two groups—the professional planner and the line manager. Bridging this gap between the approaches of professional planners or those of the model-builders and that of line management is a challenging problem for which there is no easy solution (Reid, 1980). The solution requires that planning should be a function in which line managers engage; it should be part of a holistic management approach (Mitroff, 1978).

However, the reality is that strategic planning is frequently a sterile process, one which is oriented merely to the production of documents, the existence of which frequently fails to result in any meaningful change in the behaviour of organizations. This is especially true where the task of strategic planning is delegated to professional planners (Brown, 1978). In this sample there was a significant incidence of professional planning activity.

Although the planning coordinators used by the sample of companies were predominantly part-time planners, and had other organizational responsibilities, the use of professional planners creates a complication which stems from the people who are ultimately responsible for the implementation of the strategic plan; for, as has already been indicated, the objectives of a strategic plan are to allow for external change and to actually promote change within the company. Yet managers often resist change and feel uncomfortable with it. Moreover they are frequently critical of strategic planning when desirable directional changes require updating of their operational plans (Faulkner, 1979).

Another major cause of the failure of strategic planning is that it is a process which is simply

Table 8. Documentation of strategic plans

	Frequency	Percentage
Companies who document strategy partially or wholly	46	50
Companies which formally document strategic plans	36	38
Companies who do not document	48	50
Sample size	94	100

Table 9. Incidence of professional planners

	Frequency	Percentage
Companies relying entirely on professional planners	7	7
Companies using planning coordinators	54	58
Other responses	33	35
Total	94	100

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

difficult to exercise in practice. One reason for this is that it is usually extremely arduous, as well as expensive, to obtain complete information relating to all of the decision variables (Higgins, 1978). Even if handling of many decision variables in a manifest analytical way can be aided by models or some sort of decision support system many line managers are deterred from adopting apparently complicated models in favour of their own decision rules (Lauenstein, 1978). That is to say they develop their own heuristic methods and these are not easily observable. What is important to the managers is that they think they understand what they are attempting.

So since planning, in particular strategic planning, is often a sterile process, nothing more than a veneer overlaid across day-to-day operations (Reid, 1985), the question remains as to how new life can be injected? The results of this study suggest that to make the planning process live and seem relevant to all it is necessary to:

1. achieve permeation of planning effort;
2. make planning a continuous process;
3. stimulate strategic thinking.

ACHIEVING PERMEATION

As with all organizations in whole or in part, cooperative action will not result unless the purpose is accepted by its members (Barnard, 1948). This is equally true as far as a planning suborganization is concerned; for it is a well-established organizational precept that decisions should be taken as close to the action areas as is feasible. Yet two-thirds of senior managers in the focus groups had not been involved in formulating strategy and perceived it to be within the remit of others who 'dictated the pattern of events'. Even though these were senior managers they did not accept responsibility for shaping future events.

In more than half of the companies there was no structured setting to facilitate the making of contributions by managers (Table 10). Many managers capable of contributing to the development of strategy are apparently not encouraged to do so. In most businesses it is arguable that there is a hidden wealth of underutilized expertise. This results in insufficient consideration being made of fewer decision variables, which ultimately results in poor decisions. Although strategic planning appears to occur formally as well as informally, the low involvement indicated by the focus groups is a matter for concern. This is because—and it has been shown elsewhere—poor decisions, strategic and otherwise, often stem from a failure to harness and involve middle managers (Ford, 1978). Therefore achieving permeation of planning involvement is a sound organizational principle since the commitment of those who execute plans can be enhanced by their involvement and participation.

Table 10. Structures for planning: formal vs informal

	Frequency	Percentage
Companies using formal structure only	46	49
Companies using informal and formal structures	67	71
Sample size	94	100

Frequently, planning responsibilities are vested with planners or planning teams which may or may not include top management. Strategic planning is a particular case in point, for it is in this area where the future scope and shape of the business should be determined. Yet without the commitment of the chief executive to the objectives, as well as to the process of planning, the process will cease to be effective (Redwood, 1977). Although a majority of chief executives readily claimed to have strategic objectives they were less positive when asked to list them (see Table 11).

Many chief executives were observed to ponder and prevaricate when asked to list the strategic

Table 11. Strategic objectives

	Frequency	Percentage
Companies claiming strategic objectives	77	82
Companies quantifying and documenting	46	50
Sample size	94	100

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

objectives they had previously claimed to have (Table 12). This observed uncertainty suggests their followers must be less clear about their corporate aims, so concern for achieving them is unlikely to permeate their enterprises.

Profit was considered as an end-objective, not as a reward for offering consumer value based upon the harnessing of organizational expertise. There was little evidence of recognition of the experience curve and the potential lowering of costs which would result by winning bigger shares of markets, nor was there awareness of the competitive advantage which could thus be engendered.

Commitment to strategic plans is essential, but it must also be consistent. If planning is to be effective, consistent efforts must be maintained during both good and bad times. Usually, however, dedication to strategic planning varies. It can be seen to expand during adverse periods and to contract when prospects look good (Kudla, 1978). Yet it is precisely during these good periods when the company may be capable of generating and justifying resources to exploit new arenas of opportunity. Conversely, when things get tough the company possesses a particular requirement for access to the energies and imaginations of all those capable of contributing.

It is therefore essential that there is leadership to stimulate continuous participation in the process of all those who are capable of contributing. This will require the construction of an organization with a characteristic style (Peters and Waterman, 1982). After all organizations and their effective structures can be viewed simply as those aspects of behaviour patterns which are relatively stable and change only slightly with time (March and Simon, 1958).

Strategic planning, however, is a top management responsibility; it deals with establishing a 'positioning' for the business; that situation which affords the best balance between company capabilities, competitors' offerings and the demands of target customers. Therefore, top management must direct the energies of many to achieve the ideal positioning.

The management of multiple effort can be made more easy if those responsible can provide guidance on alternative favoured directions. That is a prime task of the director. External directors who often have wide exposure to the external environment are particularly well suited to aid the development of strategy, but they are often not well used at all (Hessler and Gaither, 1978), even though they can be effectively utilized in the planning process (Dewey Presley, 1978). This study showed that the use of non-executive directors in strategic planning occurred in only 22 per cent of cases (Table 13).

Given, therefore, that one role of the director is to provide guidance on possible directions, it is desirable that such direction is made with some prior sensitivity to the views and orientations of those who will be involved in the tactics. For unless the tactics are right the strategy will fail (Schleh, 1979). Some circularity is called for in the functioning of the organization. Themes and directions developed by those responsible for strategic planning must be made known to those responsible for the implementation of the strategic plan, and perhaps ought to be sold persuasively to them.

A team briefing approach[1] is hence called for, which involves and builds commitment among a wider network of participants. Such an approach

[1] For more information on team briefing refer to notes published by The Industrial Society.

Table 12. Strategic objectives mentioned upon prompting

	Frequency	Percentage
Profit	50	61
Growth	44	54
Survival	24	29
Consolidation	11	13
Sample size	94	100

Table 13. External help used in strategic planning

Sources	Frequency	Percentage
Auditors	33	35
Non-executive directors	21	22
Banks	21	22
Government bodies	17	18
Trade associations	15	16
Business schools	8	9
Advertising agencies	3	3
Sample size	94	100

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

works well with a continuous strategic development programme. It was observed working well in some exceptional companies which were also using external directors or consultants as catalysts in developing their strategic plans. An attempt was made to grade the degree to which the strategic planning performances of the sample companies were aided by outside advice by scaling the conformity to the model, subprocess by subprocess, and by type of decision in Figure 1. This resulted in the pattern shown in Table 14.

Those companies seeking strategic advice from trade associations, business schools, management consultants or government bodies were more likely to comply with the strategic planning model in Figure 1, although significant statistics were generated for only the latter two. The significance of trade association usage was highly significant with a chi-square value of 0.008. Those companies utilizing the services of business schools were arguably more comfortable with the constructs incorporated in the model. The highly significant pattern of Trade Association usage implies a more sleuth-like approach to environmental scanning and data collection, which in turn is associated with an overall conformity with the best strategic planning practice.

The team briefing approach referred to can be operated vertically at critical stage points in the development of the strategic plan. Team briefing sessions may be used to communicate the results of analyses and interpretations as well as decisions

Table 14. Planning performance and the use of external advice

Help sought from:	Low	High	Total	Chi-squared	Significance
	Planning performance rating				
Non-executive directors					
No.	9	12	21		
Percentage	43	57	100	0.075	0.79
Auditors					
No.	15	18	33		
Percentage	45	55	100	0.016	0.89
Management consultants					
No.	5	8	14		
Percentage	35	65	100	0.187	0.46
Government bodies					
No.	6	11	17		
Percentage	35	65	100	0.77	0.38
Trade associations					
No.	2	13	17		
Percentage	13	86	100	6.96	0.008
Business schools					
No.	1	7	8		
Percentage	13	88	100	4.38	0.036
Banks					
No.	8	13	21		
Percentage	38	62	100	1.04	0.31
Advertising agency					
No.	2	1	3		
Percentage	66	33	100	0.438	0.507
Column					
No.	45	49	94		
Percentage	48	52	100		

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

on strategic direction. A revised mission statement, for instance, or information relating to the importance of some newly chosen business arena can be disseminated to functional heads for their edification and subsequent communication among their subordinates. In this way the decisions resulting from strategic analysis can be translated into meaningful terms among peers. This process of permeation by communication is a crucial stage in adopting a planning culture. Conversely, a failure to achieve effective communications represents a failure to plan (Lipinski, 1978).

However, in the majority of cases permeation was not being achieved. The lack of it was most pronounced in companies where chief executives were apparently not committed to achieving long-term goals and objectives as previously highlighted. Such companies are unfortunately in a majority. This was gauged from the nature of responses which were made, for although 82 per cent (Table 11) claimed they had strategic objectives fewer than half of these were able to quantify them or had committed them to paper.

Despite giving weight to the informal aspects of planning a positive correlation appears to exist between conformity with the planning literature and company size. The regression of planning performance against size measured by employees and by sales turnover resulted in a multiple R value of 0.29335, and an adjusted R square value of 0.06597. The F value was 4.28425 with a significance value of 0.0167. However, cross-tabulation illustrates that companies with sales in excess of 10 million pounds conformed more closely with the literature-based model (see Table 15).

It was anticipated that some high-quality strategic planning would occur in smaller companies, and the methodology was specifically designed to enable such results to occur. Attempts were made to test what actually happened, and which kind of issues were considered in the organizations; unfamiliar technical terms from the planning literature which might bias the results to the larger more sophisticated corporate climate were avoided. While there were some 20 companies with sales under £10 million which showed high conformity with the model the overall relationship demonstrated convincingly that size is a crucial factor in strategic planning performance.

Companies where management had some sort of financial interest also tended to show higher conformity, as did companies which were subsidiaries of larger organizations. It was expected that American ownership would positively affect planning performance. While this appears to be so, the American sample was small and that statistic was not significant (see Table 16).

Table 15. Conformity with planning literature by company size

	Frequency (percentages)		
Sales ($ million)	Low	High	Total
0 – 2	32	14	22
3 – 5	21	14	17
6 – 10	24	14	19
11 – 20	13	23	18
21 – 50	6	25	16
51 up	4	10	7
Sample distribution	100	100	100

Chi-square 11.48; d.f. 5; significance 0.0427.

MAKING PLANNING A CONTINUOUS PROCESS

The interactive planning cycle advocated in the previous section is essential in order to develop the plan and ensure commitment to its aims. Without such interaction the necessary actions will not occur as intended. The punishing of deviations will be inadequate as a control mechanism (Means, 1978).

Unfortunately, in many companies commitment to planning is not forthcoming because the planning cycle is regarded as an irregular semi-academic exercise unrelated to the mainstream of business activity. This was observed to be frequently true of smaller companies despite the fact that, as shown in Table 15, many smaller companies of equivalent size actually excelled in comparison to some of their larger counterparts.

Often the planning mechanics which companies apply actually discourage management from thinking about strategy on a continuous basis, since popular reward systems are geared to recognizing actions or decisions which have positive outcomes rather than the effort which is expended in taking them. The planning documents which frequently result tend only to serve to ossify thinking (Evans, 1978).

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Table 16. Conformity with planning literature

Variable	Frequency (percentage) Low	High	Total	Chi-squared	Significance
Subsidiary of larger company	37	63	45	3.66	0.03
Management with financial interest	56	43	49	1.51	0.30
American companies	7	14	10	0.74	0.39

The aforementioned comments can be applied to companies of all types and size, for they all need to improve their strategic capability to react (Ansoff, 1979). That so many companies are failing strategically can be attributed to the separation of planning and execution behaviour. It will be further argued later, in the section 'Review and Control', that it is only by integrating strategic planning on a continuous basis with the responsibilities of management concerned with implementation that strategic planning can be successfully used. The concept of strategic management strikes at the very root of this problem, in that it combines planning with action-centred management. Yet the power to change this situation and achieve a concomitant improvement in strategic management performance is within the power of many companies.

In order to make such improvements it is necessary to:

1. establish operating philosophies;
2. position the business;
3. commit to strategic objectives;
4. review and control.

Establishing operating philosophies

Relatively few (3 per cent) companies in the study had any sort of operating philosophy, whereas the more successful Japanese and Western companies devote much importance to the formulation of their mission statements (Keagan, 1983). Matsushita (1979–80) considers the matter of crucial importance: 'without a philosophy there is no point in business'. By defining the mission in need terms, the role of technology can be highlighted, as well as put into perspective. Similarly genuine opportunity areas can be chartered. Moreover, by being committed and communicating that commitment, the mission will serve to motivate all those who can play a part in shaping the future of the business. The steps required in order to affect these changes are to:

1. devote sufficient time and intellectual resources to formulating the mission;
2. understand the market environment and identify new arenas of opportunity;
3. establish qualitative goals in the light of the competitive situation.

Devoting resources to formulating the mission

The study has shown that few companies (32 per cent) spend any significant time on fundamental issues such as defining the business boundaries by defining the scope for future business concentration or carefully segmenting their markets at a strategic level.

Analysis of the data obtained in the group discussions showed that executives find mission formulation an extremely difficult process. Simple straightforward questions like:

What is our business?
Who is the customer and what represents value to him?
What should the business be in the future?

are considered inordinately difficult to answer. The answers appear to be no easier today than they were when Drucker (1968) first highlighted the need to ask those questions. Senior executives have to grapple with the questions which to an outsider *appear* fundamental. The difficulty lies not in the presentation of individual answers, but with forging a common view. Without such common purpose there will always be some

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

tendency for one faction to pull in a different direction to others, which will result in sub-optimum performance.

Therefore, if management is to overcome this problem of obtaining a consensus they must begin by spending sufficient time on the issue of winning it. Yet time commitments for this kind of 'abstract' issue are very difficult to win. For this reason some structure is required. Effective structures were found mainly in those 14 per cent of companies (table 14) which were using outside help in the form of consultants. But the fact that they were resorting to outside help indicates they first had recognized that there was a problem. Without this prior recognition there could be no progress.

It was the experience of management in those companies which were using the 'group commitment' approach that, once having invested the initial 'difficult' time in developing and communicating the mission statement, specific functional strategies were much easier to develop and to gain agreement upon. Chief executives in this category of company claimed they were able to identify more pertinent business opportunities and were also more easily able to harness their technologies wisely. Similarly the processes of prioritizing capital projects and gaining agreement on concomitant investment allocations were considered to be 'less painful'.

Understand the market environment

Steering a business is a complex process. What makes it complex is the variety of environmental forces which impact upon the business from outside, together with the direct conflicts of departments and functional interests within the organization. To manage a business strategically it is essential to gain expertise in the gleaning, interpreting and discarding of various types of data. The efforts of several or many groups of people operating across functional boundaries must be harnessed to do the process justice. Yet in the companies studied there was a glaring absence of group planning effort and, as is partially indicated in Table 17, the monitoring of change in the environment was somewhat superficial. In the main, the planning processes observed in the companies were non-continuous and there was little evidence of concerted group interpretations of events based on a variety of types of data.

A major strength of the Japanese management style is that of their heavy reliance on the team approach. Although this style stems from factors deep-rooted in the Japanese culture, this does not mean that management cannot introduce some intelligent group principles into the cultures of their organizations no matter from where they derive their national cultures. It merely highlights the desirability of doing so because it is in this area of strategic management where the Japanese management style offers some of its greatest benefits (Keagan, 1983). Therefore by harnessing group activity to scan environmental change more efficiently, and then to determine collective interpretations of the data, companies would be in a stronger position to gauge the value of potential new business arenas. It is also true, however, that companies frequently avoid such a team approach as they consider it to be too time-consuming.

Establish qualitative goals

Goals expressed in qualitative terms represent an operative translation of the mission statement. By stating what it is they are attempting to offer to their customer base the possession of goals can impart standards of pace and urgency to everyday actions. By stating qualitatively, for example, that they intend to be number one in their industry, or among the 'front-runners', it clearly becomes necessary for management to cease meaningless dreaming and advance positive proposals for achieving their goals.

Yet relatively few companies appeared to have determined goals, or had gone through a rigorous process of translating goals from the mission, and

Table 17. Environmental data—their importance and acquisition

Type of data	Percentage of companies considering important	Percentage acquiring
Technological	90	72
Legislative	80	59
Social and economic	78	61
Political	72	49

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

fewer still could demonstrate much of a genuine commitment towards achieving them. As a result they were not benefiting from the sense of direction and pace-making which goal-setting provides. Nor were they harnessing their ambitions and dreams to derive measurable objectives which would ultimately enable a more effective basis for management control.

Seek to position the business

Although many companies pay lip-service to the principles of optimization, 'satisficing' (Simon, 1957) is still clearly a classical mode of business behaviour. This is especially true with regard to positioning decisions. The 'positionings' which many companies take are merely where they happen to be at a point in time. In other words they are the result of a series of past decisions rather than that of a determined effort to steer an optimum course between the positions of competitors, internal organizational capabilities and the insatiable desires of consumers.

The reality is that to develop a 'positioning' is no easy task. Many major corporations have stumbled over this issue. For example, Esso thought there was a common link between their mainstream business thread and that of hotels. They entered and quit the hotel business after a brief honeymoon. Similarly Goodyear developed critical problems after having determined in 1983 that it was in the 'energy business'. Even companies of this ilk make mistakes by developing spurious missions, yet such mistakes are made despite the overwhelming body of evidence which demonstrates the benefits of positionings which build on synergy (Rumelt, 1982). However, it is steering this delicate course between the forces of threats and genuine opportunities which offers the greatest ultimate chance of reward.

Committing to achieving strategic objectives

As was mentioned earlier, the process of objective setting should be preceded by establishing aspirational goals. The objectives should result from translating the goals into operational terms which enable measurement (Keagan, 1983). Thus by giving the strategic objectives a high profile and determining supporting sub-objectives, then allocating clear responsibilities for their execution, progress can be gauged and controlled. In this way a higher probability of successful company achievement may ultimately be attained.

This study identified only scant evidence for the existence of goal statements. Frequently strategic objectives do not exist in reality. Although 82 per cent of companies claimed to have them, fewer than half committed them to paper and, as was mentioned earlier, many CEOs seemed unsure of their own strategic objectives. The strategic objectives cited repeatedly lacked the quality of incisiveness. In only a few cases did the respondents convince the researchers that CEOs have an incontrovertible sense of purpose of where they are going. The ultimate consequence of this situation is that strategic objectives, such as they are, generally appear to be having little effect upon corporate behaviour.

Review and control

Experience has shown that plans are often committed to drawers to gather dust until the next planning cycle and, as has been mentioned in previous sections, they have little effect on the day-to-day behaviour of the organization. There are good reasons for this state of affairs. Usually these reasons stem from the perceptions of reactive as opposed to pro-active management and the priority allocated by them to matters of 'urgency'. For example much energy is devoted to the solution of 'urgent' problems which have differing degrees of 'importance'. In fact some urgent problems may be of little consequence. Alongside these matters of urgency, planning by its very nature is not perceived to be urgent. Another reason for this orientation may be the loss of credibility of planning due to past failures to meet quantitative targets.

However, a distinction should be made between 'urgency' and 'importance'. If planning were to be accorded a higher importance ranking, then the day-to-day 'urgent' operations could be brought into harmony with the opportunity areas. In this way the energy consumed in the oft-frenetic pace with which urgent matters are dealt with could be harnessed to offer a higher rate of success. In fact the business mission and resultant goals should be the moderators by which urgency is judged. Establishing a more important profile for planning requires purposeful organizational management.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The issue of strategic thinking is one which, this study has shown, taxes many organizations. Frequently the cause of the difficulty is linked to the previously mentioned issues of importance versus urgency.

Some organizations have been cited by others as being successful in achieving higher rates of innovation as a result of their having created cultures which stimulate and reward creative strategic thinking. Peters and Waterman (1982) cited Hewlett-Packard and other examples of companies in possession of this characteristic. Subsequently those authors built an industry around the concept of excellence. Much earlier than that, 3M and others were noted as having this quality, by Levitt (1974). Yet these qualities, although valuable in contributing to the achievements of those companies at the time of the research, were shown to be vulnerable over the passage of time.

It can be seen that 'excellent' companies, such as HP, IBM, and Digital, have all suffered changes of fortune since publication of *In Pursuit of Excellence*. In fact according to *Business Week* 14 out of the 43 companies cited by Peters and Waterman had 'lost their lustre' by November 1984. On the basis of the measures established for measuring excellence many companies performing well in the present would not necessarily continue to be excellent in the future.

By some measures, many of those lacklustre companies would excel in terms of strategic planning. However, in many cases the strategic planning process can be criticized because it does not lead to strategic thinking. The answer is not to abandon strategic planning but to stimulate thinking (Porter, 1987). In fact deterioration in performance could probably be avoided by the execution of more strategic thinking. Of course there can be no absolute certainty, but if the correct strategic choices were made in timely fashion, IBM might not have earlier locked its product activities so tightly to mainframe development, and thus been more of a pioneer in PC hardware and applications software; thus it may have occupied a more advantageous strategic positioning. Similarly some of the other companies mentioned might not have lost their 'lustre'.

That strategy is a creative process has never been in doubt. Moreover, as with many creative activities there is no linear relationship between the processing or the interpretation of the many types of data and the decisions reached. What is clear is that companies do not engage in the type of fundamental thinking which is necessary to protect their futures. Companies continue to operate within existing arenas after the criteria for success have changed; moreover they consider new arenas without much thought or analysis (Reid, 1989a,b).

Strategic thinking is a term which is intended to communicate the presence of some prior evaluation. An action orientation is implied in its existence. This quality of action is crucial because many organizations concede that some of their major innovations have stemmed from individuals who acted beyond their official charters. Often these individuals have shaped events by championing products which at times were unpopular developments. Yet, as was indicated earlier in this article, corporate reward systems rarely encourage and reward those who promote the kind of action which leads to strategic change.

If more people within organizations could be persuaded to think strategically, and the organizations be primed to select from the best ideas and approaches, they would be able to choose their strategies from a wider field of options within predefined arenas. Ultimately this would result in more effective opportunity exploitation. These changes in orientation could be effected by:

1. highlighting the importance of strategic thinking;
2. rewarding strategic thinking and removing the fear of penalization.

Highlighting the importance of strategic thinking

Clearly if people consider an issue to be important they are more likely to focus attention upon it than if it is considered inconsequential. Therefore, if the desired behaviour management is attempting to produce is more strategic thinking, then some upgrading of its perceived importance is desirable. It will therefore be helpful to:

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

1. make adjustments to the organizational climate;
2. introduce objectives for producing actionable ideas.

Making adjustments to the organizational climate

The subject of organizational behaviour is something of a thorny problem; if a higher valuation is placed on strategic thinking then some device or approach must be found to achieve such thinking. While attempts have been made to highlight the existence of techniques to achieve strategic thinking (Mason, 1986) the real problem is to change the organizational climate.

Changing the climate will require that account be taken of numerous interactions. The nature of this problem has been illustrated elsewhere (Peters and Waterman, 1982) in terms of the 7-S framework. The 'hardware' of strategy, structure and systems must be sound, as should the 'software' components of the organization, consisting of acquired skills, staff, style, etc., in order that new shared values pervade the organization.

There is nothing magical in this prescription. The companies studied which were succeeding in improving their planning performance were using old-fashioned firm management to instil in their middle management the notion that sound planning efforts were required. Actions such as insisting upon rewriting of marketing plans, and giving them counselling by consultants, were the sorts of devices used. Other companies gave a high profile to the overall planning process, middle managers were accustomed to the conception of 'the strategy', in those companies planning was indeed a living process.

Introducing objectives for producing implementable ideas

If ideas are required then it surely makes sense to begin by asking for some. Yet in only a few companies did CEOs admit to making ideas-generation a key part of job requirements. It has been shown elsewhere that even in job positions which are considered to have creative components it is rare for ideas-generation objectives to exist (Reid, 1984).

Without such attempts to bring out ideas, problems will occur. In some of the contributing companies it was acknowledged that major opportunities were being missed entirely because those most closely involved with market happenings were not expected to contribute new ideas. The ideas were there; they were just not brought forward. This meant a great loss of opportunity since ideas in limbo represent collateral wasted.

Rewarding strategic thinking and removing the fear of penalization

If there is no reward in broad terms, or it is perceived that a false move or error will result in a black mark on a career record, then it is likely that in the majority of cases very little effort will be devoted to exposing one's ideas and thoughts. This problem is one with which even the most innovative companies have had to deal.

The prize of harnessing all those minds within the business is an attractive one. In almost any company there is the equivalent of centuries of experience either of the industry or in the company. There must always be different perspectives and only one direction which the company can select. Yet by ensuring that all are agreed – if not persuaded – that the chosen direction makes sense, a greater application towards achievement of the goals will result.

It proves to be difficult to persuade people to give out their ideas and thoughts. In many of the respondent companies managers had to be coaxed, persuaded and cajoled into believing that the company was genuinely serious about planning,and that their efforts were valued. The fundamental principles of planning were actually not understood. Individuals were aware of the format of the plans they were compiling, but often did not believe that issues they would like to see addressed would receive serious consideration.

Major successful innovative companies have found it necessary to introduce structural devices into the workings of their organizations to help overcome some of this resistance. In some companies studied, 'lunchtime heresy' was advocated, whereby managers were encouraged to be critical of the way things were organized. It was claimed that some radically new insights were obtained in this way. For instance 3M has policies

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

whereby their managers may submit new business development schemes and, if successful, they will be 'awarded' a place in the New Business Development division with a budget to develop the concept for one year. Extensions to the budget will be forthcoming if the individuals continue to demonstrate management ability, leadership and enthusiasm. Those whose projects do not succeed return to their original division as 'admired heroes', not failures. Those who do succeed end up as general managers of their new divisions (Levitt, 1974). This underpinning of individual risk is an important part of constructing an innovative climate.

Clearly in many of the companies studied strategic thinking was not rewarded. In many cases senior management regarded the thinkers as irritations. Yet the evidence points to the need for the organizational maverick. If companies want the benefit of a better tomorrow, or at least a secure future, then more must be done to stimulate strategic thinking among all those capable of making such a contribution.

CONCLUSIONS

The benefits of strategic planning are often nullified unless the process can be totally integrated with the organizational way of life. Continuity and inseparability with the execution process are critical factors.

This study has identified that only in a few cases is strategic planning a live process within companies. In fact companies frequently fail to extract as much benefit from the process as they could. Much more intellectual effort could be generated by the key people in organizations, and much more effective use could be made of the data at hand. By demonstrating a genuine commitment to the principles of strategic planning, and stimulating thinking across a wider boundary, better corporate positionings would result which would offer a long-term benefit.

To make this improvement is extremely difficult. Frequently the commitment and energy does not exist in companies. In fact it requires a great commitment. Concerted efforts must be made to prime and fine-tune the organization in order to harness the energies of those capable of contributing. Since managers are often suspicious of the fickleness and genuineness of those above them, senior management must be patient. Commitment must be demonstrated consistently if the change is to be pervasive and effective.

REFERENCES

Ansoff, H. I. *Strategic Management*, Macmillan, London, 1979.

Barnard, C. I. *The Functions of the Executives*, Harvard University Press, Cambridge, MA, 1948.

Brown, A. 'When the planner speaks, does management really listen?', *Management Review*, November 1978, pp. 58–61.

Cyert, R. M. and J. G. March. *A Behavioral Theory of the Firm*, Prentice Hall, Englewood Cliffs, NJ, 1963.

Doyle, P., J. Saunders and V. Wong. *A Comparative Investigation of Japanese Marketing Strategies in the British Market*, The Bradford Management Centre, 1985.

Dewey Presley, W. 'The role of the outside director in planning', *Managerial Planning*, **27**(2), September/October 1978, pp. 25–29, 33.

Drucker, P. *The Practice of Management*, Pan Books Ltd, London, 1968.

Evans, D. G. 'Man rated strategy formulation', *Managerial Planning*, **26**(4), January/February 1978, pp. 9–16.

Faulkner, J. C. 'Strategic plans: made to be broken', *Journal of Applied Management*, **4**(4), July/August 1979, pp. 3–6, 29.

Ford, C. H. 'Time to re-design the decision making process', *Management Review*, July 1978, pp. 50–53.

Hessler, H. R. and G. Gaither. 'Corporate planning at the board level', *Managerial Planning*, **27**(2), September/October 1978, pp. 13–16.

Higgins, J. Strategic decision making—an organizational behavioral perspective, *Managerial Planning*, **26**(5), March/April 1978, pp. 9–13.

Keagan, W. J. 'Multinational scanning: A study of the information sources utilized by headquarters staff in multinational companies', *Administrative Science Quarterly*, **19**(3), 1974, pp. 411–418.

Keagan, W. J. 'Strategic marketing planning: the Japanese approach', *International Marketing Review*, Autumn 1983, pp. 5–15.

Kudla, R. J. 'The components of strategic planning', *Long Range Planning*, **11**, December 1978, pp. 48–52.

Lauenstein, M. C. 'Classroom to boardroom: what you learned may not help you', *Business Horizons*, December 1978, pp. 74–81.

Levitt, T. 'Marketing myopia', *Harvard Business Review*, July–Aug. 1960, pp. 45–56.

Levitt, T. *Marketing for Business Growth*, McGraw-Hill, New York, 1974.

Lipinski, A. J. 'Communicating the future', *Futures*, April 1978, p. 119.

March, J. G. and H. A. Simon. *Organization*, John Wiley & Son, New York, 1958.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Mason, J. 'Developing strategic thinking', *Long Range Planning*, (3), 1986, pp. 72–80.
Matushita, K. 'The philosophy of management', *PHP*, Part 1–20, March. 1979–November 1980.
Means, P. 'Integrated planning and control', *Managerial Planning*, **26**(5), March/April 1978, p. 25.
Mitroff, I. I. 'Zen and the art of implementation: speculation on a holistic theory of management', *Journal of Enterprise Management*, **1**(2), 1978, pp. 55–61.
Peters, T. J. and R. H. Waterman. *In Search of Excellence*, Harper & Row, New York, 1982.
Porter, M. 'Corporate strategy: the state of strategic thinking', *Economist*, 23 May 1987, pp. 19–22.
Redwood, H. 'Setting corporate objectives', *Long Range Planning*, **10**(2), 1977, p. 2.
Reid, D. M. 'Evaluating the marketing mix, its application to strategic marketing', *European Journal of Marketing*, **14**(4), 1980, pp. 192–205.
Reid, D. M. 'Product management getting it right', *Proceedings of European Marketing Academy Conference*, Nijenrode, Netherlands, 1984, pp. 749–775.
Reid, D. M. 'Strategic appraisal within the E.E.C.—Implications for the Asia Pacific Region', *Proceedings of the Inaugural Meeting of the South East Region Academy of International Business*, Hong Kong, July 1985a, pp. 641–655.
Reid, D. M. 'Strategic marketing planning: shortfalls and implications', In Shaw, W., Sparks, L., and Kaynak, E. (eds), *Marketing in the 1990s and Beyond*. Proceedings of 2nd World Marketing Congress, 28–31 Aug. 1985b, University of Stirling, Scotland, U.K., pp. 392–405.
Reid, D. M. 'Data access and issue analysis in strategic planning', *Marketing Intelligence and Planning*, **7**(1/2), 1989, pp. 14–18.
Rumelt, R. P. 'Diversification strategy and profitability', *Strategic Management Journal*, **3**, 1982, pp. 359–369.
Schleh, E. C. 'Strategic planning . . . no sure aim for corporate enterprises', *Management Review*, March 1979, p. 54.
Simon, H. *Administrative Behavior*, Macmillan, London, 1957.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.