

INNOVATING Reprint

Volume 4, Number 2

The Rensselaerville Institute

Strategic Planning...the Outcome Approach, Part II

by Harold S. Williams

In the first part of this **PARADIGM (INNOVATING, Fall, 1993)**, we focused on the information needed to think and act strategically. We called this data Findings, and divided it into two categories. The Charter Factors define an organization by its Vision, Performance Targets, Core Business and Technology, and Beliefs. *Environmental* Factors look at the external matters of Patterns and Surprises, Environmental Shifts, Competitors and Comparables, and Benchmarks.

How should organizations use their Findings to get better over time? This is the question to which we now turn. For efficiency, we shall assume reader familiarity with Part I of this piece. The practice is continued of using footnotes for both reference and additional musings.

Our starting point is to question two conventional bits of wisdom. The first is the purpose of a strategic plan. Most, when asked, say that the point is the plan itself. Here is the document on which implementation rests. And rest is just what happens. In engineering terms, what sits consistently on the foundation is the "dead load." We're looking for the live load.

We must also challenge the notion that planning is an implicit way of consolidating and centralizing. Conventional plans bring predictability, consistency, homogeneity. Outcome based strategic plans, however, prompt diversity and tolerate some ragged edges. Most plans collect and store wisdom; outcome plans spread it.

Both conventions are implicated in the mixed results of strategic plans. In 1990, the National Federation of Independent Business studied some 3,000 start-up companies. Amar Bhide of the Harvard Business School summarizes the findings by noting that:

...founders who spent a long time in study, reflection, and planning were no more likely to survive their first three years than people who seized opportunities without planning. In fact, many corporations that revere comprehensive analysis develop a refined incapacity for seizing opportunities. Analysis can delay entry until it's too late or kill ideas by identifying numerous problems.¹

While some old wisdom must be set aside, a new convention is needed, and in fact becomes critical in the outcome-based strategic plan. Simply put, it is this proposition: plans that are driven by the need to achieve specific performance targets will invariably do better than plans oriented to aspirations, goals, values and other good deeds. A related proposition is that targets cannot and should not be solely derived from present conditions. As Henry Mintzberg points out, this is the trap of most strategic plans; they look only to reconfigure what exists.²

In contrast, as we said in Part I of this **PARADIGM**, strategic plans are interventions. Their value lies in prompting and triggering new behavior. If you are greatly pleased with what you now do or accomplish, don't waste time in planning. Just extend your current trend lines to the far horizon.³

You Know You're in Trouble When...

Early warning signals abound that a Strategic Plan has missed the outcome boat. Here are seven:

- You wait to implement anything until the full plan is completed. If someone sees something new to be done, advise them to hold that thought until the plan is ready, then introduce it if it fits;
- A consultant is hired to write the plan;
- The plan is developed by components; one person or group writes an environmental scan "piece" while another drafts targets. A committee puts the pieces together;⁴
- Planners and others in staff positions are far more enthusiastic about the plan than are those in operating units;
- Most people in the company can't think of one thing they should be doing differently as a result of the plan;
- All key elements of the plan require new resources or structural changes;
- People convene to develop a plan that specifies what they can do together, then disperse to their own environments where they act separately.

I would add one additional signal. You know you are in trouble when Total Quality has so consumed the organizational leadership that everything, including strategic thinking, must meet a quality compatibility and linkage test. "But how does this relate to our quality program?" is often a way of asking whether initiatives are politically correct, at least in their diction. What quality programs should be seeking is tools and prompts for expressing quality in daily fashion.

The Strategic Portfolio

How can an organization best inventory and profile its strategies? Given that strategies are investments, consider the portfolio. In an organization's financial portfolio, you would look to see diversity in such terms as risk, gain, and type of return. Some elements would look for an appreciation in value, while others would look to toss off dividends or other returns while preserving capital. In a strategy portfolio, the following kinds of diversity would probably be important in most organizations:

- Some strategies should deal with strong problems—attempting to remediate current conditions—and some should focus solely on opportunity and potential;
- Some strategies should be deliberative and conceptual—fully articulated as the basis for action—and some emergent and insight driven, to the point that they are crafted rather than preformed;
- Some strategies should be organization-wide and some deliberately bounded by line of business;

- Some strategies are widely supported and clearly derived from shared premises and some divergent and innovative—not widely supported.

In most cases an organization can define in a general sense the mix of strategies that it wants, at all times, to have in play. For the portfolio to be clear, everyone who pursues a strategy must be able and willing to tell someone what they are doing—even if details are tentative or even sparse.⁵

As in a financial portfolio, the key element is the overall result. Information bases are about data. Portfolios are about performance.

If It Acts Like a Strategy...

Strategy, unlike many organizational tasks, is not helped by labored wordsmithing. The point is insight and direction, and language should be used to clarify and simplify the goals, rather than weigh them down. Keep in mind that the question is not whether people can read or even fully understand a strategy. The question is whether people can practice it.

In Part I of this article, we spoke of the definition of strategy, beginning with its military origins. Still, definition is illusive, even when apparently clear. A common definition is that strategy is the way selected to use resources such as to achieve objectives. That is not overly helpful. Indeed, that means that a budget is a strategy. In my experience, most budgets may start with strategic intent but end up a patchwork of interests and compromises, with the outcome of spreading dissatisfaction as equitably as possible.

A better way to look at definition is to define the boundary conditions or use criteria of any strategy. Here are four:

- *They provide the connection between aspirations and actions.* At heart, strategies are connectors. They connect up to performance target and outcomes and they connect down to the specific workplans of persons who would achieve targets. Indeed, in many organizations, strategies are the missing link. Without it, countless organizations pursue untold hours of training and human resource development, with little appreciable rise in reported empowerment or productivity of those supervised. Strategies provide the path without which most steps go nowhere.
- *They let you use time to advantage.* Strategies thought to be timeless are immediately suspect. Indeed, this is one way to know a strategy. Goals are often enduring and so are workplans. There is always room for another aspiration or dream. There is always a vacancy for another workshop, training session, resource directory, or corporate plan. Strategies at their best are more fragile, not only because they tend to be opportunity driven, but because they depend on a set of conditions that will not last.
- *They connect to performance targets.* If the strategy seems to offer general value to an organization but fails to directly contribute to achieving a target, beware. Many kinds of planning, public relations, and other overhead functions have long existed with more presumed value than actual benefit. Indeed, that discovery is one key reason why even profitable companies are trimming the ranks of management.
- *They exclude.* Useful strategies invariably give you the permission to stop doing something. If a proposed strategy seems all-embracing and encompassing, watch out!

If nothing else, it probably won't sell to people whose plate is already heaping. Effective strategies are selective. They are not simply statements of priority but compelling directives that enable people to stop doing something that is nonproductive.⁶

If a strategy seems to offer these four contributions, it is acting like a strategy. And it probably is one.

Beginning with Questions

A surprising amount of human interaction consists of people who make assertions to which others respond. For most of us, we learn as we declare. For strategic thinking, the much better starting point is to ask questions. Declaration closes us down; inquiry opens us up.

The best generic question in strategic acting is to ask of each Findings area, "So What?" If that statement of vision, core technology, environmental shift, etc. is correct, so what? What should it prompt us to do and do differently? On the Charter side, here are some illustrative uses of this question:

- You are great in the laundromat business where your *core technology* is coin handling. So What? So your strategy is to avoid expansion into dry cleaning and move instead to vending machines where your technology can be fully used.
- Your *vision* has led to the target that no small business which deserves and needs bank financing in your city should go without it. So what? So you consider the strategy of creating new customers from small businesses that have no bank, a shift from competing with other banks for existing customers.
- You hold the *belief* that employees should be empowered to make decisions in any situation where it will improve customer service and will fall within general company policies. So what? So, knowing that this will prove difficult for staff to do no matter how much you encourage them, you focus instead on managers and require that they refuse to make decisions for those who report to them concerning any aspect of direct customer engagement.

And on the environmental front, here are illustrations:

- You find a *customer* surprise that those buying your small, one-person kayaks are not the Yuppies you pictured, but middle aged women looking for solitude and peace on small lakes and ponds. So what? So, you decide to drop everything that adds price to enhance status or performance in order to sell to the greatest possible number of women.
- You find an *organizational trend* of program managers spending about 30% of their time dealing with individuals who join programs but soon leave them. So what? You define the one to three factors that most explain the difference between who sticks and who does not and use indicators of their presence to pre-qualify those interested.
- You note the addition of bar coding to inventory for tracking products in a hospital that you *benchmark*. So what? So, you devise a strategy of tracking customers via

giving each a bar code as they move through your community-based health care services.

- As an *environmental shift*, you see an increasing number of middle aged, middle managers in your city being terminated as part of corporate overhead cutbacks. So what? So, your strategy is to devise volunteer programs with a very small honorarium that harnesses this talent for your programs while giving them something challenging to do and “pocket money” as well.
- Your *comparables study* shows that other groups who also operate group homes for persons with a disability have overhead costs of about 20% despite their many variations in approach and configuration. So what? Your strategy is to assume that each group probably does some things very efficiently but others inefficiently, which averages out. You choose to study ten groups with the target of learning something from each that will lower your overhead by one percent—for a total gain of ten percent.

If an organization did nothing more than to ask the “So what?” question at central leadership and operating unit levels for all eight components of Findings on a quarterly basis, they would be far ahead strategically.

Honoring Tactics

Most strategies fail because they are unable to fulfill their connecting mandate. In some cases, they fail to connect upward, to goals and targets. But in many more instances they fall short because they do not connect downward to what people do on a daily basis. Most strategies lack tactics.

The word comes from the Greek, *takikos*, meaning “fit for arrangement.” As with strategy, its foremost theater has been warfare, where forces of action are arranged to carry out a strategy—whether of attack, containment, or retreat. More broadly, a tactician is defined as the director of a line or arrangement of action. As with strategy, we can keep the tool when we leave the battlefield.

Think of a symphony orchestra conductor as a tactician, arranging the action from the strategy template of the composer, or of a group of actors as the tacticians reflecting the strategy of the playwright. In both cases, tactics make the difference. They are anything but “nuts and bolts” to be applied by “technicians.” At the same time, improvisation addresses how to interpret the notes or the lines, not how to write them.

Part of our failure to honor tactics is that we confuse them with activities and workplans. The latter are generally independent variables that we often hold constant, letting the consequences do the drifting. In contrast, tactics are purposefully dependent. They depend on strategies to come to life. They are also at their best when made personal. They answer questions like: What will *you* do as an individual to pursue that strategy? How can *you* help others to do that? Indeed, this is where widespread participation most fully belongs. Not everyone can or should think strategically. But everyone must act tactically.

If the key to strategy is design, the key to tactics is execution:

So you develop the strategy of using your ability to handle coins in laundromats to enter vending machine businesses with a similar core technology. What will you do to get there? Perhaps you determine that you want to start with machines that process between 100-150 quarters per day each—the same range as your washers and dryers. You then generate a list of possibilities that meet this criteria. Perhaps you decide to try some small scale business to get a clear sense of how vending machines in pizza parlors differ from machines in a laundromat. You lease ten machines and get your feet wet.

These are your tactics, and their importance is profound.

Looking In

Internal strategies focus on what the organization can do better or differently in its own operations. They often deal in two areas: cost control and productivity. Historically, internal strategies are used only when external ones fall short. Most businesses, for example see increased sales as a better way to become profitable than reducing costs. In the non-profit realm, organizations that have a cost reimbursement system from government have been equally prone to look to increased volume rather than increased efficiencies. In both sectors, looking inward is now understood to be more important. And it has the added greater benefit of making it possible to survive even when revenues are down.

To develop strategies within the cost control and productivity matrix, groups need to differentiate between structural issues and people issues. An issue based in the personalities or relationships between people is usually best handled by staff development—either hiring stronger people or raising the skills of those now in place. A structural problem has to do with the relationships between roles or activities, and can be identified by its persistence regardless of who occupies a position in question.

Strategies are ill-fated that propose personal approaches to tackle structural matters, and vice versa. For example, many ill-conceived programs or even organizations keep searching for the “right” person to make their evident brilliance shine. If the premises are unsound, however, few, if anyone, can make them work. The problem is structural. On the other hand, millions of dollars are expended annually on curriculum development, new buildings, and other structural factors in education. Most ignore the primacy of the human factor. If you want better learning, hire or enable better teachers.

On the structural side, perhaps nothing is in more need of strategy than the issue of the degree of centralization. As noted earlier, the typical approach to any such issue is to make assertions back and forth. If only our operating units would follow our policies fully and completely, this outfit would hum. If only headquarters would bother to learn what it’s like in our shoes, they would stop making so many rules. Neither assertion is as helpful as one simple question: what can best be done at what level and place in the organization?

As a second example, let’s look at an area that is mistakenly listed almost entire on the structural side: Communications. This is the area most often cited for improvement in many organizations. I have seen countless groups move immediately from the need to presumed solutions, which invariably include a newsletter, an open door policy, and some new form of electronic interaction or bulletin postings. These add more chatter than meaning.

How would an outcome-based strategic approach differ? By beginning with outcomes, first, look for a vision for communication. We might say:

Our vision is that all employees have full and ready access to all information that they need to do their work with the highest possible level of productivity and that this information be in a form that they can both understand and use.

The next step is a set of performance targets. Just what is different in an organization which has excellent communications? We might be tempted to go to such measures as a 5% reduction in overall costs. The problem is that we cannot readily connect improved communications to that target. We also know that many other factors can cause or inhibit that overall improvement. So we might come down to such targets as these:

- that persons who now report spending about ten hours a week just tracking down the source of information they need cut that to no more than five hours;
- that persons who now spend over 15 hours a week on average in meetings designed to “inform them” use alternative means and cut down their meeting time to no more than eight hours per week;
- that staff report that the number of critical incidents per week in which they are conscious of being stymied or embarrassed for not knowing something they feel they should will drop from about ten to five or less;
- that the percent of people who say their morale is effected by communications problems will drop from 70% to no more than 35% within six months.

Targets tied to visions are a good way to resist the typical quick fixes to open more channels of communication. If people fail to take responsibility for “getting” information, increasing *either* supply or demand for more information will be futile. Another example is our inability to distinguish between a failure to communicate and a failure to agree. Too often we think they should be inseparable. In reality, people who communicate clearly may understand just how widespread their differences truly are.

If ever strategy had a useful place, it is here, between the goal of better communications and the activities used to create it.

And Looking Out

The second major area for strategies is external, where most of the focus looks to three elements:

- *Customers*. How can we better know our particular customers (participants, clients, patients, etc.) and how they are different from larger markets of those in need? How can we better know if our products have worked for them?
- *Products*. How can our programs, services, and other offerings best be improved? Which of our products are least effective and what are we doing about replacing them with new ones?
- *The customer-product connection*. How can we get more people to buy or buy-in to what we offer? What supports and “instructions” can we improve so that people use our products to achieve desired changes and improvements?

These are always good inquiries. Indeed, if anything should remain constant in an organization it is not the answers but the questions.

With customers, one persistently useful question asks of distinctiveness. How do we and can we stand out from the crowd? If you offer workshops, what makes them different from and better than the many other workshops offered in that field? This question forces you to look carefully at your wares and figure out the definitive if not singular or unique contribution they can make and to determine their key features and advantages.

Certainly the typical non-profit workshop offered to help someone to start something good or stop something bad is not altogether exciting. Perhaps your approach should be to ensure that all concepts presented are tied by participants to their own life situation within one hour of being presented. Perhaps no generalization is allowed that cannot be followed by three illustrations. Perhaps the acid test is that the students conduct the last half hour by summarizing all key points made.

If you don't now have those advantages, think of some you do have and express them. If you can't think of any—if what you do is no different from what others in a general field do—forget being strategic. Just keep following the crowd.

A second focus on customers, products, and their connection is a look for analogies. Look at strategies and tactics in other organizations and ask how they might apply. For example, a community based health organization might consider these experiences:

- an analogy to the United Way fund raising barometers that visually and publicly could track numbers of people who stop smoking or start exercising on a block or neighborhood basis;
- the practice of some western states utilities to subsidize conservation as cheaper than building new generation plants...and how this might be used to subsidize preventive measures known to reduce costs of the formal health care system;
- the locational decisions and critical masses (e.g., in shopping malls) of retail stores such as to maximize walk-in trade and how these might be used to build use patterns at clinics and centers.

All of these are rich in strategic implications.

Wrapping Up

Strategic planning is not about writing an ideal document called a strategic plan. It is about shaping and crafting strategies that achieve intended results. In that mold, many strategies may be viewed as innovations. You try something new and build on what works. You start small. You honor people trying a new approach that you might happen not to like. You do not require strong theoretical underpinnings. You focus on the payoff of learning such as to change strategies over time.

At heart strategy, like innovation, is not about what you say or believe. It is about what you do.

FOOTNOTES

¹Amar Bhide, “How Entrepreneurs Craft Strategies That Work,” Harvard Business Review, March-April, 1994, p. 150.

²Henry Mintzberg, “The Fall and Rise of Strategic Planning,” Harvard Business Review, Jan-Feb, 1994.

³Some organizations mistakenly believe that projecting trends forward will reach a preferred future. Instead, it defines a derived future. A better futures technique is to define where you want to be in five years and “backcast” to the present. Almost invariably, you will find that present trends will not get you there.

⁴One limit of componentized thinking lies in its focus on elements rather than the connections between them. People speak of the “innovation piece” in a project or product, for example, failing to understand that innovation is a core premise, not an add-on.

⁵For a look at portfolios in a strongly related context see Mary E. Marsters and Harold S. Williams, “Portfolios: Pictures of Performance,” INNOVATING, Vol. 3, No. 3, 1993, pp. 15-27.

⁶Many terms in organizations are given homage as ways of broadly convening when their true value lies in narrowing. Priorities, for examples, are best viewed as statements of the many things you won’t do in order to fully achieve a few things you will do.

Harold S. Williams is the President of The Rensselaerville Institute.