# *Mastering Change*

# *&*

# *Planning for the Future*

**An Introduction to the Concepts of**

**Strategy Management & S³ Analysis**
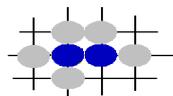
## Introduction

Traditionally strategic planning has been recognised as an essential activity to the effective management of all organisations. However during the late 1980s and early 1990s many experts poured scorn on its effectiveness. They pointed to the numerous failures in even the best run organisations, citing management's misguided focus on strategic planning as the culprit. But is strategic planning the guilty party? Or is it the way in which strategic planning has been used in those so-called "well-run" organisations? The latest research tends to indicate the latter rather than the former.

The error that most organisations make in their strategic planning appears to be that the management considers the implementation of the plan is the desired final outcome. They consider that the strategic planning process is a top-down one and, following in the footsteps of Drucker, that structure follows strategy.

This paper looks at the ways in which organisations are successfully going about strategic planning today - not as a top-down process but as a continuous-loop, iterative process. One which is not just carried out on a dreaded and long-winded annual basis, but one which is carried out all the time - a mindset. The process involves firstly management treating the planning of strategy (as opposed to strategic planning) as a fundamental part of their daily responsibilities i.e Strategy Management. A core part of this strategy management involves the continuous analysis of the three essential components of the planning framework, known as $S^3$ Analysis - Strategy, Structure, Systems.

## Strategic Planning

Traditional strategic planning over the last fifteen years been looked upon by organisations either as a necessary evil, or in extreme cases, as a dangerous activity which engenders a short-term focus orientation on management. Yet in spite of all its weaknesses many organisations still go through the periodic strategic planning cycle.

Strategic planning is looked upon by most organisations as an activity separate from management's main duties and responsibilities. And it is primarily for this reason that strategic planning has gained its poor reputation. Management can't wait to conclude their strategic planning sessions so they can return to what they

consider their prime responsibilities. The following flowchart best illustrates most organisations' thinking with regards the strategic planning process:

**Strategy Planning**

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**Strategy Analysis**

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**Strategy Implementation**

In other words, the focus by management is top-down and start-to-finish. The commitment is absent. The involvement is minimal in many cases. And in many organisations the strategic planning process is used as an internal battle ground, where inter-departmental wars are fought (particularly between sales, marketing, production and finance), territory is won and lost, and negotiations and bargaining take place to establish a begrudging organisational peace until the next strategic planning session.

But just what is strategic planning? One of the best definitions is to be found in Daniel Gray's Article "Uses and Misuses of Strategic Planning"[1]. In it he states that strategic planning is:

> *"the allocation of resources to programmed activities calculated to achieve a set of business goals in a dynamic, competitive environment."*

In other words strategic planning is an activity which every manager should be carrying out as a fundamental part of his or her job.

## Strategy Management

But its not just strategic planning which the organisation should be carrying out. Organisations should be treating the entire strategy formulation process as one of continuous improvement. Such a transition involves a maturation of the traditional strategic planning process into one of strategy management - i.e. the management of strategy. Ideally the management of strategy can be split into two complementary activities. On the one hand there is the process which strategic planning departments should be undertaking as opposed to what most of them actual carry out - the actual planning of strategy for the organisation. As Mintzberg states in his article on the resurgence of strategy[2] "Planners should make their contribution *around* the strategy-making process rather than *inside* it. They should supply the formal analyses or hard data that strategic thinking requires, as long as they do it to broaden the consideration of issues rather than to discover the one right answer."

The other complementary activity in the management of strategy lies in the responsibility of managers to *formulate* strategy - a concept which Mintzberg calls *strategic thinking*. This is a continuous process which has no clearly defined start or finish. It begins with an idea, an invention or an innovation. It involves intuition (or gut-feel as many managers like to call it), and it requires lateral thinking. The outcomes of this strategic thinking can then be crystallised into a strategic plan which is subsequently dovetailed with other departmental strategic plans by the strategic planners into a cohesive and comprehensive strategic plan for the organisation.

But implementing these strategic plans has almost always been their downfall. Many organisations have followed the classic statements of Peter Drucker "structure follows strategy", and of course systems follow structure. But by the time the structures are in place and systems (typically information systems) have been developed to support the strategy and structures, several years have elapsed. Because of this time lag, the systems in fact don't support the current strategies but the strategies of previous years. Similarly the structures are also out of date, more geared to last year's strategies than next year's.

Again the top-down, start-to finish approach has proven the limiting factor. It is in this area (strategy-structure-systems analysis) where few companies have spent valuable management time. But it is a crucial part of any planning, analysis and implementation process and must be carried out in parallel to it. With the increased

rate of change that occurs in today's markets, organisations have to continually review all aspects of their organisation and make appropriate changes at the same speed (or faster) as the market changes. Any organisation which doesn't change or reacts too slowly to change, faces the real possibility of extinction in its chosen markets. The solution is move away from the top-down start-to-finish approach to a continuous strategy improvement process, referred to as $S^3$ Analysis (Strategy, Structure, Systems).

## $S^3$ Analysis

The concept of $S^3$ Analysis is very straight-forward. Instead of looking at the process top-down, consider it to be circular. Each component can influence the other two, as illustrated by the following diagram:
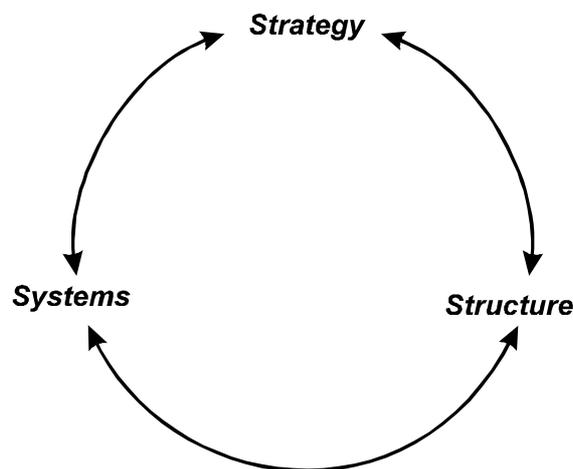


But where does one start with such a circular process? What comes first - strategy, structure or systems? The answer of course has to be strategy, which in turn emanates from the idea, invention or innovation as it is crystallised. It can be likened to the life-cycle of a seed. The makeup of this seed is crucial to the long-term success of the organisation. It is variously referred to as the Mission or the Purpose and the prime purpose of the top management is to bring the seed into being. They must plant it in the minds of the organisation management, then provide the right nutrients and environment to firstly germinate the seed, then grow it into the desired plant., shrub or tree. Once the process is underway, most of growth and change will occur not at the roots (management) but at the branches and leaves (the front line staff)  Recent research has shown that most of the ideas for strategy in rapidly-changing organisations occur in this way[3]

So, once the seed is planted the strategies can then be analysed and formulated. Following this the structure and systems needed to support the strategies can also be analysed and formulated. Analysis of the ideal structure will almost certainly identify improvements that can be made to the strategy, taking advantage of specific knowledge and skills that the organisation may have in its staff. This could range from competitive information, market knowledge or certain management styles.

Similarly, analysis of the systems needed to support the structure and strategy will uncover improvements to both of them. This could provide competitive advantage, flatter organisational structures, or new ways for the organisation to carry out its business processes. A classic example of this is in the Computer Reservation Systems (CRS) of the major airlines of the world, which provide a major competitive advantage to their owners. Improvements to systems and structures is also the objective of many business process reengineering projects. Unfortunately, more than 70% of them fail, mainly due to a failure to carry out the necessary $S^3$ analysis beforehand. The concept of business process reengineering and the reasons for its numerous failures is covered in an accompanying paper.

It can be seen therefore that $S^3$ analysis is very much a circular and iterative process. As ideas and improvements are made in one area the other two are then analysed to see the effect these ideas and improvements will have. These in turn could have a further effect which is then analysed, and so on.


So, having identified where the process starts and where it goes, where does it stop? The answer to this is very similar to: how long is a piece of string? In one sense the organisation can stop at any time that it feels comfortable with the results. There is of course the danger of "analysis to paralysis" or going around in circles forever. But good management will have a bias to action and will realise themselves when enough is enough. The beauty of such a process however is, that being analytical and iterative, much of it can be automated, which substantially reduces the drudgery and time taken, leaving management to get on with what it is good at - the ideas, innovation and initiative, and using the output from the automated analysis as inputs to this.

In reality the process doesn't stop altogether. Change is a constant factor in the market. What works today may well not work tomorrow. As such, strategies that work today may not work tomorrow. Therefore, two things need to happen as a part

of the continuous strategy management and $S^3$ analysis processes - firstly the organisation needs to ensure that its strategy analysis encompasses not only products, markets and channels of today but also those of tomorrow. Secondly, the organisation needs to have in place not only the structure and systems for today's environment but also for tomorrow's environment. It is this concept that Hamel and Prahalad propose in their best selling book[4] as essential for the future long term success of organisations.

## Summary

Strategic planning can work - when it is considered as a part of a much wider planning activity which involves a continuous strategy improvement process. Managers of organisations have to realise that it a fundamental part of their duties to plan, and to plan continuously. It has to become second nature - a mindset. Just as they manage their business so too must they manage strategy - $S^3$ Analysis is the key. It is the only way in which managers can master the rapid change that is endemic throughout every market and adapt quickly to those changes.

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[1] Gray Daniel H., *Uses and Misuses of Strategic Planning,* Harvard Business Review Vol 64 No 1 , January-February 1986

[2] Mintzberg, Henry, *The Fall and Rise of Strategic Planning*, Harvard Business Review Vol 72 No 1, January February 1994

[3] Bartlett C. A. & Ghoshal S., *Changing the Role of Top Management: Beyond Strategy to Purpose*, Harvard Business Review Vol 72 No 6, November-December 1994

[4] Hamel G. & Prahalad C.K., *Competing for the Future*, Harvard Business School Press, Boston, 1994