

The ABCs of Strategic Management™

The Systems Thinking Approach® to Creating a Customer-Focused, High Performance, Learning Organization

By Stephen Haines, Founder and CEO of the Haines Centre for Strategic Management®

THINKING BACKWARDS TO THE FUTURE

In the Industrial Age, public and private enterprises built their future by incremental expansion of present technology, assumptions, and day-to-day operations. In today's global information age, this strategy of merely building on the present is defunct. Worldwide markets and instant global communications are now multiplying all our opportunities.

Today, organizations must keep pace with changes in their environment and reduce current expenses, waste, and bureaucratic operations. They must completely reinvent their future vision, and then begin thinking backwards to this future with the strategies needed to remain successful. They must commit passionately to the disciplined management of the changes that occur along the way toward becoming a customer-focused, high performance, learning organization.

THE ABCS OF STRATEGIC MANAGEMENT™

Our work at the Centre leads us to look for simple, yet systematic, ways to focus on Strategic Management (Planning, People, Leadership and Change) with our clients. As a result, we've clarified and simplified these ideas into

a Strategic Management System with three goals:

- Goal #1: Develop a Strategic Plan and Document
- Goal #2: Ensure Successful Implementation
- Goal #3: Sustain High Performance, year after year

To achieve these goals, first it is important to get an understanding of the three premises that form the basis for our Reinventing Strategic Planning from its checkered planning past. As a result of past problems, the number of planner jobs in firms has decreased while the amount of Strategic Planning is increasing rapidly.

Premise #1:

"Planning and Change are the Primary job of Leadership"

Strategic Management must culminate in a significant change in the way leaders conduct their business day-to-day. This is a key difference between our model and others which tend to suffer the fatal "SPOTS" Syndrome (*Strategic Plans On Top Shelves—gathering dust*). Having Strategic Planning and Change led by top management to achieve our three goals is a critical requirement. Strategic Plans are the blueprints; executives must fill in and follow up on implementation details.

Premise #2:

"People Support What They Help Create"

A core planning team of eight to 15 people from your collective leadership should lead the Strategic Management (Planning, People, Leadership and Change) process, do the hard work, and make the

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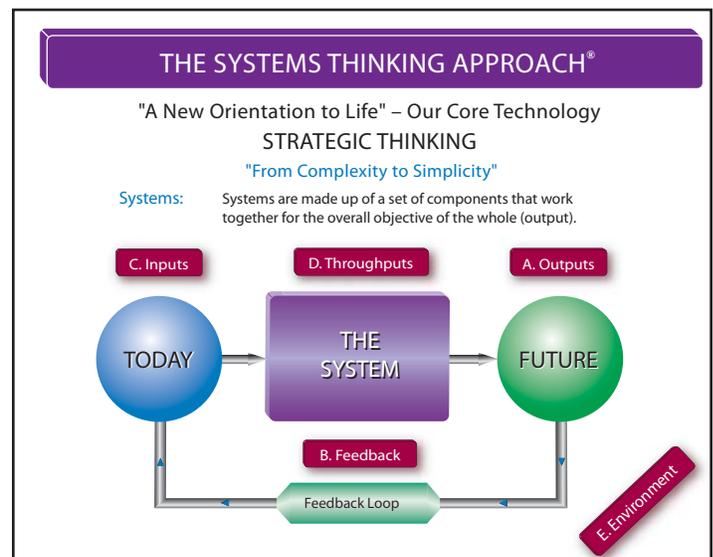
Every organization, both public and private, needs to become an outcome-oriented system, focused on the customer.

—Stephen Haines

A system is defined as a set of components that work together for the overall objectives of the whole. Our systems model is comprised of 10 concrete steps in five distinct Phases (A-B-C-D-E). We call these the ABC's of Systems Thinking. Any system can be described by the following Phases: A series of inputs (Phase C) to a throughput or actions (Phase D) to achieve your outputs (Phase A) along with a feedback loop (Phase B) in the environment (Phase E) to measure success.

Our ABC systems Phases start with Phase A (as we want to be proactive in creating our Ideal Future) and Phase E (environment) instead of Phase C, the traditional left to right flow. Once you create this future, you work backwards to today to make it happen.

We call this the "Systems Thinking Approach" and it is the best holistic & integrated organizing framework and language available.



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tough decisions. **A crucial Planning and Change Team task is the “Parallel Involvement Process”—involving the rest of management and key stakeholders in a meaningful way; gathering their input on all draft documents, and increasing their ownership of the plan.**

Visionary and participative leadership practices that produce dynamic leaders, as opposed to the feared bosses of the past, is a necessity in the 21st Century. Leaders must be trainers, coaches, and facilitators to carry out this Parallel Involvement Process as well as the entire Strategic Management System.

Premise #3:

“Use Systems Thinking”: Focus on the Customer

Systems Thinking provides some very clear elements and answers for becoming a successful organization over the long term. While there is no single answer or Holy Grail to be found, **it is a fact that every organization, both public and private, needs to become an outcome-oriented system, focused on the customer.**

Our Systems Thinking Approach® provides the A-B-C-D-E integrated organizing framework for our “Reinventing Strategic Planning to Strategic Management (Planning, People, Leadership and Change)” model to become a reality.

Our Strategic Management model has been reinvented based on research in General Systems Theory, our own Centre experiences as executives and consultants, and constant practical application and refinement from clients. Additionally, we did a literature search and comparative analysis of 27 other popular Strategic Management models. **The element missing from these other models is our systems focus on outcomes and the customer as the primary purpose of all enterprises.**

SO, WHERE TO BEGIN STRATEGIC MANAGEMENT?

Step #1: Begin with the **PLAN-TO-PLAN** step. We will not normally contract for overall Strategic Management before this innovative initial step is taken. It is composed of five elements:

1. A Future Environmental Scan (Phase E),
2. A Strategic IQ Audit Process
3. Visionary leadership practices, skills, and team-building training for the CEO, top executives, and middle management,
4. Establishing and training an internal support cadre, and
5. Our “Executive Briefing and Organizing” two-day session.

This skill building for the leadership of the organization is crucial, as noted above. **Leadership is the ONLY thing that really differentiates firms from each other OVER THE LONG TERM.**

Phase E

Part of Step #1 is to conduct a Future Environmental Scan using our SKEPTIC framework (Socio-demographics, Competition, Economics/Environment, Political, Technical, Industry/substitutes, Customer)—you become a futurist to ensure your plan is not developed in a vacuum. Involvement of staff in doing this results in a richer scan to guide your planning.

The last item of the one-day “Executive Briefing” or “educating, assessing, tailoring and organizing” day ensures that everyone has the same foundation with regard to our Reinventing Strategic Planning to Strategic Management (Planning, People, Leadership and Change) model and terminology. The Strategic Organizational Assessment leads to a joint tailoring of a Strategic Planning Process that makes sense to the executives. Even if Strategic Planning is not pursued, this Plan-to-Plan step is valuable in its own right as a unique diagnostic and learning event.

Once the Plan-to-Plan is completed, then the ABCs of Strategic Planning and Change begin in earnest.

Phase A

Creating Your Ideal Future

(Outputs of Any Organization as a System)

Step #2: This **IDEAL FUTURE VISION** step begins with a scanning of the future environment. However, our main purpose is to formulate dreams that are worth believing in and fighting for. At this stage, the cry of “It can’t be done!” is irrelevant; how to turn it into reality is pursued after the vision is created. The four challenges met during this step are:

- Challenge #1. Conduct a visioning process and develop a shared **Vision Statement** of your dreams, hopes, and desired future.
- Challenge #2. Develop a **Mission Statement** describing why your organization exists, what business it is in, and who it serves.
- Challenge #3. Articulate **Core Values** that guide day-to-day behavior and, collectively, create your desired culture.
- Challenge #4. Develop a **Rallying Cry and Position Statement** — a crisp and concise statement of the entire Strategic Plan and your competitive edge in the marketplace in the eyes of the customer.

Note: Be clear on defining who your primary customer should be. Anticipate their wants and needs using our five-point World Class Star Results model.

Phase B

Quantifiable Outcomes

(Measurements of Success/Goals)

Step #3: The **KEY SUCCESS MEASURES/GOALS** step develops the quantifiable outcome measurements of success for achieving an organization’s vision, mission, and core values on a year-by-year basis. The maximum preferred number of Key Success Measures is 10, forcing a focus on what’s really “key” to success. Key not comprehensive!

Key Success Measures should always measure what’s really important (not just what’s easy to measure) including, as a minimum, customer satisfaction, employee satisfaction, learning, and financial viability, much like the so-called Balanced Score Card but also including a fourth area community society.

Phase C

Strategy to Operations

Converting

(The Input to Act)

Step #4: This **CURRENT STATE ASSESSMENT** step is where internal and external analyses (Strengths, Weaknesses, Opportunities, and Threats—SWOTs) are conducted.

In traditional forms of Strategic Management, this step is the first step, leading only to long-range planning that projects the current state incrementally into the future. The good news about the history of planning is there are numerous tools to use in conducting these analyses. However, the key is to assess today in light of your desired Ideal Future, not just assessing today in light of today. We prefer more robust assessments using our Business Excellence Architecture for the Strengths and Weaknesses and the Implications of our Environmental Scan for the Opportunities and Threats.

Step #5: This **STRATEGY DEVELOPMENT** step creates the core strategies to bridge the gap between the Ideal Future Vision and the Current State Assessment, resulting in three to seven core strategies to be implemented organization-wide (less is more).

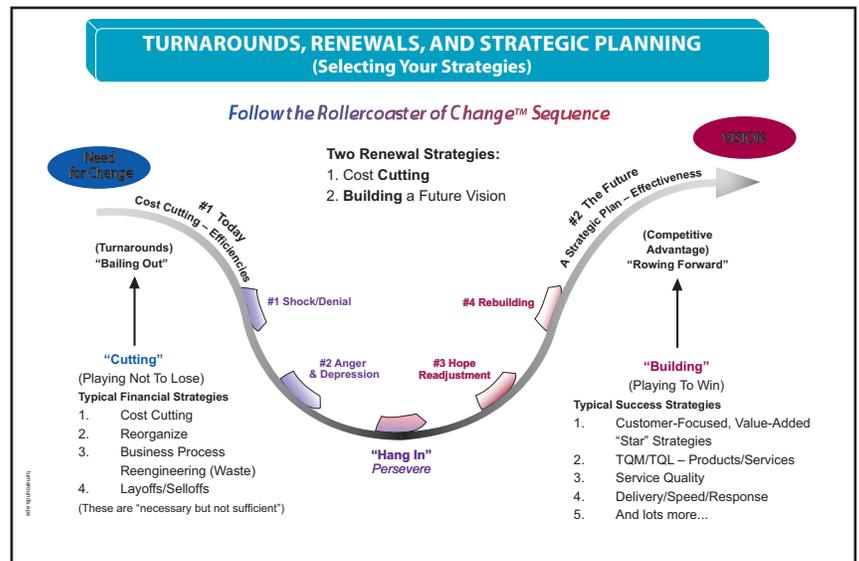
The 21st Century has seen a proliferation of new strategies as businesses tried to cope with these revolutionary times. In looking at these strategies, beware of those that are of the cost cutting variety only. These might include reorganizations, layoffs, business re-engineering, budget cutbacks, etc. *“Cutting” is definitely necessary, yet not sufficient for success. “Building for the future” strategies, focused on quality products, services, and the Internet, that satisfy the customer is where the strategic answers are found.* Thus, **BOTH cutting and building strategies are absolutely needed (see The Rollercoaster of Change™ model this page)!**

Each core strategy needs a set of action items to achieve that strategy over the planning horizon. Further, you need to identify the top three to five action priorities for each strategy over the next 12 months. **These action priorities become the organizing framework used by everyone to set annual department plans and individual goals for performance appraisals.**

Step #6: (Optional—For larger firms with multi-strategic business units only.) This **THREE-YEAR BUSINESS PLANNING** step answers the question of how core strategies are to be implemented by the different strategic business units. To do this, the business units that make up the organization’s overall business portfolio must be clearly identified and prioritized based on their importance to the future organization’s growth, profitability, and direction.

Each business unit (and Major Functional Area (MFA)) must then develop concrete three-year Business Plans to carry out the core strategies. They do this by following the same ABC’s (and 10 steps) of Strategic Management in this article.

Step #7: This **ANNUAL PLAN AND STRATEGIC BUDGETING** step is where “the rubber meets the road.” It is where you develop unit plans with prioritized actions and the resources to actually implement your core strategies. It is not enough to have each unit develop their



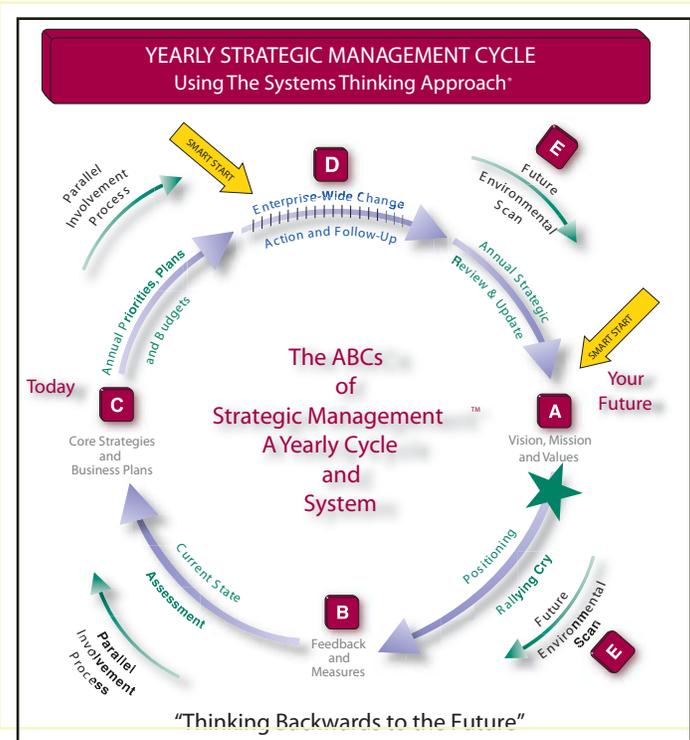
own isolated annual plans. **What is needed is a large group meeting of collective leadership (i.e., the top 30 to 70 leaders) where draft plans are critiqued and refined based on their fit with the strategies and top action priorities.**

Then it is time to change the way budgeting is traditionally done. It needs to be more strategic and follow (not lead) annual planning. This “Strategic Budgeting” will enable you to achieve a focused allocation of resources based on the Strategic Plan and the action priorities you set for the next fiscal year. *The tension created between current allocations vs. future priorities is normal and desired as we’ve now forced you to make the “tough choices” for success. Focus-Focus-Focus!!!*

Step #8: The **PLAN-TO-IMPLEMENT** step, the bridge from Goal #1 to Goal #2, is a two-day session. Key is the installation of the following crucial concepts:

1. Create a Strategic Change Leadership Team.
2. Develop a yearly Comprehensive Implementation Map.
3. Use cross-functional Strategy Sponsorship Project Teams.
4. Set up a Program Management Office to ensure the day-to-day change journey is successful (with an internal change management support cadre).
5. Finalize communications and rollout of the Strategic Plan.
6. Assign Key Success Measures tracking coordinator.
7. Allocate resources to support the change process/priorities.
8. Present senior executives’ “Personal Leadership Plans.”
9. Modify performance appraisal and rewards processes.
10. Develop a Game Plan to ensure a critical mass for change.
11. Attunement with people to create the People Edge.
12. Alignment of the delivery processes.
13. Provide education on Leading Strategic Change.

Step #8 is also when the same 30 to 50 collective leaders (as in Step #7) participate in a three-day skill-building workshop entitled “Leading Enterprise-Wide Change.” This workshop provides the knowledge and skills necessary to execute complex and chaotic change successfully.



Phase D

Implementation (*The Processes or Throughput: Real Actions*)

Step #9: This STRATEGY IMPLEMENTATION AND CHANGE step is the beginning of **Goal #2: “Ensure Successful Implementation.”** It transforms the Strategic Plan into thousands of individual plans and ties a rewards system to it. Your performance appraisal needs to evaluate everyone on their behaviors vs. the core values, and on their contribution to results vs. the core strategies.

Implicit in this step is the understanding that we have to manage change before it manages us (in ways we may not like). **Monthly meetings of the Strategic Change Leadership Team are absolutely essential.** No organization we have worked with has successfully implemented their Strategic Plan without this change team supported by a day-to-day Program Management Office jointly run by an executive and a consultant.

In addition, the CEO needs to conduct weekly meetings with his/her staff with an agenda focused on reviewing the status of the top annual priorities previously agreed to under each core strategy (with internal support cadre help).

Implementation needs to focus on the vital few leverage points for Strategic Change from our research and that of others regarding best practices of successful organizations.

These leverage points are (1) leadership and management practices, including those in human resource management, i.e., *attunement with peoples’ hearts and minds*; (2) customer-focused, business process reengineering to “eliminate waste” throughout the firm, i.e., *alignment of the*

delivery system; and (3) becoming more customer-focused through high quality products and services (our five-point World Class Star Results model).

NOTE: If your Strategic Change is of an Enterprise-Wide radical, cultural or transformational nature, 75% of these major changes fail. Thus, please see our companion article on Enterprise-Wide Change and the need for a Program Management Office (PMO) to guide this unique change.

Step #10: This ANNUAL STRATEGIC REVIEW (AND UPDATE) step is similar to a yearly independent financial audit and is needed to keep pace with and be flexible to changing environments. This is the key to **Goal #3: Sustaining High Performance** over the long term. It includes:

1. Reacting to changes in the environment (Phase E).
2. Formally auditing and reviewing the Strategic Plan with a Strategic IQ Audit.
3. Updating annual action priorities for next year.
4. Updating the Strategic Management System itself as the new way to run the business day-to-day.

HOW TO GET STARTED IN STRATEGIC MANAGEMENT

- **OPTION A:** A two-day Strategic IQ Audit, Executive Briefing and Plan-to-Plan event (Step #1). This is the educating, organizing, and tailoring mentioned earlier.
- **OPTION B:** A two-day Plan-to-Implement day (Step #8). Complete the 13 tasks listed earlier and later finish other aspects of the full Strategic Management Process.
- **OPTION C:** Conduct training on Strategic Planning or Strategic Change and/or have staff certified in this process.
- **OPTION D:** Since a system is circular, you may actually enter it and begin the process at any point during the year. Thus, you could enter into developing a system of managing strategically at whatever point you desire. This might include starting with the Strategic Review and Assessment, or a Strategic Change project you have in mind (such as Total Quality), or developing your measures, or the SWOT Analysis, etc.
- **OPTION E:** Conduct only the step you need now. Then set up the Program Management Office to guide it using the 5 Phased A-B-C-D-E model as the best and most holistic, integrated organizing framework and language available in the 21st Century.

The key is to just start

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