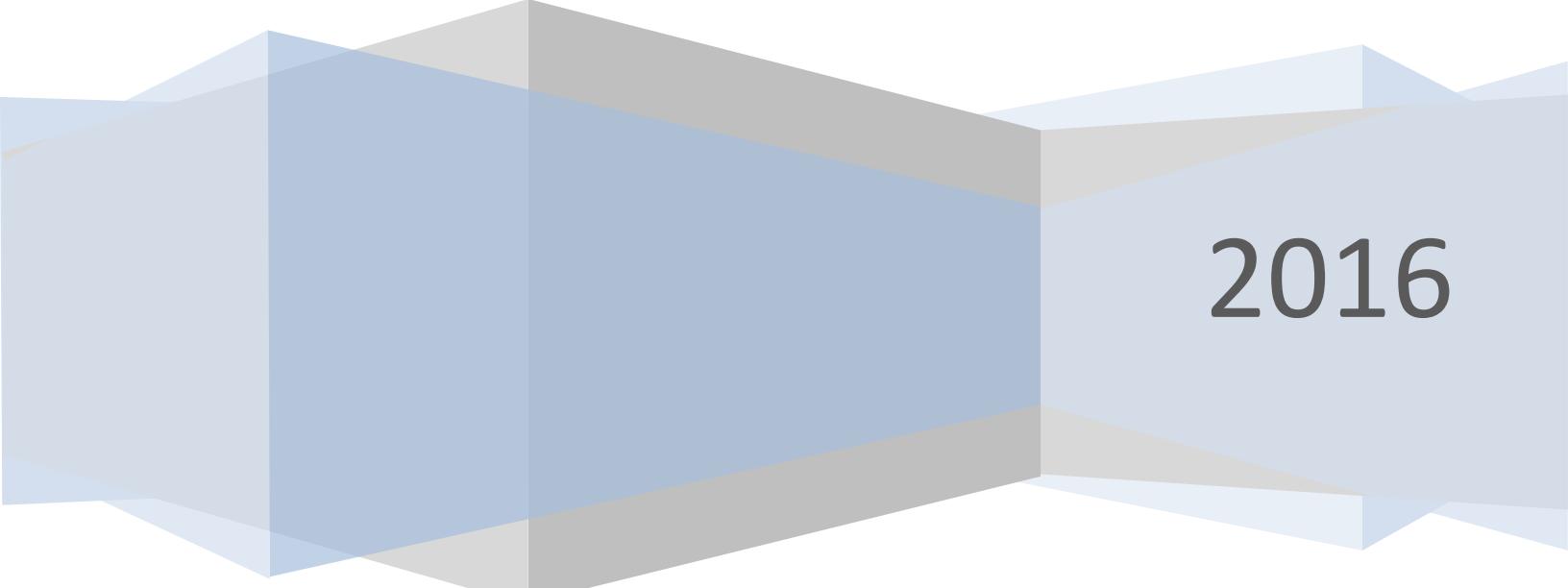


# **STRATEGY, STRATEGIC MANAGEMENT, STRATEGIC PLANNING AND STRATEGIC THINKING**

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# STRATEGY, STRATEGIC PLANNING, STRATEGIC THINKING, STRATEGIC MANAGEMENT

## INTRODUCTION

This paper was first written when I was head of Strategic Planning & Management Services at Educational Testing Service (ETS). It examines the words and terms making up its title and presents them in a way intended to make them useful tools for those charged with related duties.

## STRATEGY

Strategy is a word with many meanings and all of them are relevant and useful to those who are charged with setting strategy for their corporations, businesses, or organizations. Some definitions of strategy as offered by various writers spanning the years 1962 to 1996 are briefly reviewed below.

Alfred D. Chandler, Jr., author of *Strategy and Structure* (1962), the classic study of the relationship between an organization's structure and its strategy, defined strategy as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals." (As we will see later, it is the *allocation* of resources that ties the civilian use of strategy to its military origins.)

Robert N. Anthony, author of *Planning and Control Systems* (1965), one of the books that laid the foundation for strategic planning, didn't give his own definition of strategy. Instead, he used one presented in an unpublished paper by Harvard colleague Kenneth R. Andrews: "the pattern of objectives, purposes or goals and major policies and plans for achieving these goals stated in such a way as to define what business the company is or is to be in and the kind of company it is or is to be." (Here we can see the emergence of some vision of the company in the future as an element in strategy.)

Kenneth Andrews, long-time Harvard professor and editor of the *Harvard Business Review*, published the first edition of *The Concept of Corporate Strategy* in 1971 and updated it in 1980. His published definition of strategy took this form in the 1980 edition: "the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to

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make to its shareholders, employees, customers, and communities.” (Andrews’ definition of strategy is rather all-encompassing and is perhaps best viewed as a variation on the military notion of “grand strategy”.)

George Steiner, a co-founder of the *California Management Review*, and author of the 1979 “bible,” *Strategic Planning: What Every Manager Must Know*, observed that there was little agreement on terms or definitions and confined his discussion of the definition of strategy to a lengthy footnote. But, nowhere does he define strategy in straightforward terms.

Michael Porter, another Harvard professor, became well known with the publication of his 1980 book, *Competitive Strategy*. Porter defined competitive strategy as “a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals.” (In contrast with Andrews’ definition, Porter’s is much narrower, focusing as it does on the basis of competition.)

Also published in 1980, was *Top Management Strategy*, by Benjamin B. Tregoe (of Kepner-Tregoe fame), and John W. Zimmerman, a long-time associate of Tregoe’s. They defined strategy as “the framework which guides those choices that determine the nature and direction of an organization.” (This definition is quite succinct but still includes “nature” and “direction.”)

In 1994, Henry Mintzberg, an iconoclastic professor of management at McGill University, took the entire strategic planning establishment to task in his book, *The Rise and Fall of Strategic Planning*. In effect, Mintzberg declared strategy did indeed have several meanings, all of which were useful. He indicated that strategy is a *plan*, a *pattern*, a *position*, a *perspective* and, in a footnote, he indicated that it can also be a *ploy*, a maneuver intended to outwit a competitor.

A more recent entry appears in *Strategic Planning for Public and Nonprofit Organizations*, published in 1996 by John Bryson, professor of planning and public policy at the University of Minnesota. Bryson defines strategy as “a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it.”

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In the military, the strategy for a battle refers to a general plan of attack or defense. Typically, this involves arrangements made *before* actually engaging the enemy and intended to disadvantage that enemy. In this context, strategy is concerned with the *deployment* of resources. In civilian terms, this amounts to the “allocation” of resources. Tactics is the companion term and it refers to actions formulated and executed *after* the enemy has been engaged — “in the heat of battle,” as it were. Tactics, then, is concerned with the *employment* of resources already deployed. In the civilian sector, this equates to operations in the broad sense of that term. Generally speaking, tactical maneuvers are expected to occur in the context of strategy so as to ensure the attainment of strategic intent. However, strategy can fail and, when it does, tactics dominate the action. Execution becomes strategy. Thus it is that, whether on the battlefield or in business, the realized strategy is always one part intended (the plan as conceived beforehand) and one part emergent (an adaptation to the conditions encountered). As a consequence, there are always two versions of a given strategy: (1) strategy as contemplated or intended and (2) strategy as realized.

Although there are many similarities in the definitions above, there are also some important differences. We are left, then, with no clear-cut, widely-accepted definition of strategy; only different views and opinions offered by different writers working different agendas.

We come now to a definition of strategy that I proposed for use when I was head of Strategic Planning and Management Services at Educational Testing Service:

Strategy refers to *a general plan of action for achieving one's goals and objectives.*

A strategy or general plan of action might be formulated for broad, long-term, corporate goals and objectives, for more specific business unit goals and objectives, or for a functional unit, even one as small as a cost center. Such goals might or might not address the nature of the organization, its culture, the kind of company its leadership wants it to be, the markets it will or won't enter, the basis on which it will compete, or any other attribute, quality or characteristic of the organization. As my definition implies, it is my view that strategy (and tactics) relate to *how* a given end is to be attained. Together, strategy and tactics

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bridge the gap between ends and means. Resources are allocated or deployed and then employed in the course of executing a given strategy so as to realize the end in view. The establishment of the ends to be attained does indeed call for strategic thinking, but it is separate from settling on the strategy that will realize them.

Before coming to grips with the term “strategic planning,” it is best to examine each of those terms separately. Let’s tackle “strategic” first.

## STRATEGIC

Surprisingly, here there is ready agreement. But again there are different nuances. Clearly, strategic means “of or having to do with strategy.” Because strategies can and do exist at various levels of the organization, it is entirely conceivable and appropriate for the corporation to have a strategic plan, for a business unit to have one too, and for a functional unit to have one. Strategic also means “of great significance or import” and so strategic plans, at all levels, are intended to address matters of great importance. For those concerned with the enterprise, strategic issues, initiatives, and plans are those that affect the entire enterprise in important ways. Chief among these are the direction and destination of the firm. Where is it headed and what is it to become? Not all strategic issues are long-term, although many are. A short-term crisis can be of strategic significance and should be dealt with accordingly. These considerations hold true at all levels of the organization. For our purposes, then, “strategic” means “of great importance.”

Next in our series of terms to be examined are plans and planning.

## PLANS AND PLANNING

Plans of action, whether for business or the battlefield, always have two fundamental aspects: ends and means — *what* is to be achieved and *how* it is to be achieved. The ends sought might be broad, far-reaching, and off in the distant future. Or, they might be nearby, tightly focused, and well defined. And, whether we label these future results “goals,” “aims,” “targets,” or “objectives” is of little consequence. The same is true of the means chosen to attain one’s ends. We might call these “programs,” “actions,” “steps,” “initiatives” or we

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might even reuse the word “plans.” As is the case with ends, means, too, might be very broad or very narrow, and long-term or short-term.

Needless to say, the scope and scale of our plans, thinking, and managerial activity varies. At least three levels of strategy and planning are widely accepted:

- enterprise level
- business unit level
- functional level

Those combinations of ends and means we call plans can be found at all three levels of organization. Strategies, too, exist at all three levels. Consequently, one can and should find strategic thinking, planning, and management at all three levels.

Planning has been defined in various ways, ranging from thinking about the future to specifying in advance who is to do what when. For our purposes, we will define planning as “the activity of preparing a plan” and we will define a plan as a set of intended outcomes (ends) coupled with the actions by which those outcomes are to be achieved (means). To plan, then, is to specify the ends sought and the means whereby they are to be attained.

Planning can be formal or informal and involve lots of documentation or very little. The information base can be large and captured in a wide range of reports, studies, databases, and analyses, or it can rest entirely on the personal knowledge of a few people, or even just one. Plans, and thus the planning activities that produce them, frequently will address timeframes, either generally, or in the form of milestones and perhaps detailed schedules. Resources, too, might be addressed, whether in terms of money, space, equipment, or people. There are no predetermined, mandatory guidelines to follow; it is a matter of doing what is appropriate for the task at hand.

Strategic planning is a different matter.

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## STRATEGIC PLANNING

Strategic planning is a defined, recognizable set of activities. Techniques vary with the particular author but the substantive issues are essentially the same across authors. These include:

- establishing and periodically confirming the organization's mission and its corporate strategy (what has been termed "the context for managing")
- setting strategic or enterprise-level financial and non-financial goals and objectives
- developing broad plans of action necessary to attain these goals and objectives
- allocating resources on a basis consistent with strategic directions and goals and objectives, and managing the various lines of business as an investment "portfolio"
- deploying the mission and strategy, that is, articulating and communicating it, as well as developing action plans at lower levels that are supportive of those at the enterprise level (one very specific method of policy or strategy deployment is known as *Hoshin Kanri*, a technique developed by the Japanese and subsequently used successfully by some American businesses, most notably Hewlett Packard)
- monitoring results, measuring progress, and making such adjustments as are required to achieve the strategic intent specified in the strategic goals and objectives
- reassessing mission, strategy, strategic goals and objectives, and plans at all levels and, if required, revising any or all of them

The techniques involved in strategic planning and management generally include some variation of the following:

- a strategic review or audit intended to clarify factors such as mission, strategy, driving forces, future vision of the enterprise, and the concept of the business
- a stakeholders' analysis to determine the interests and priorities of the major stakeholders in the enterprise (e.g., board of trustees, employees, suppliers, creditors, clients, and customers)

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- an assessment of external threats and opportunities as well as internal weaknesses and strengths (known variously as SWOT or TOWS), leading to the identification and prioritization of strategic issues
- either as part of the assessment above, or as a separate exercise, the identification of “core” or “distinctive competencies”
- also as part of the assessment above, or as separate exercises, the playing out of “scenarios” and even “war games” or simulations
- situational and ongoing “scans” and analyses of key sectors in the business environment, including industries, markets, customers, competitors, regulators, technology, demographics, and the economy, to name some of the more prominent sectors of the environment
- various kinds of financial and operational performance audits intended to flag areas where improvement might yield strategic advantage

## STRATEGIC THINKING AND MANAGEMENT

Obviously, a great deal of strategic thinking must go into developing a strategic plan and, once developed, a great deal of strategic management is required to bring its aims to fruition. But, as several authors have pointed out, the objective is indeed to think and manage strategically, not to blindly engage in strategic planning for the sake of strategic planning. However, when it comes to specifying the substance of the distinctions among strategic thinking, strategic planning and strategic management, all authors are noticeably reticent. So, we will take those distinctions as amounting to a well-meant caution against confusing the form of strategic planning with its substance.

## NESTED CONCEPTS

On my part, I have found it useful to view the concepts discussed in this paper as a set of “nested” concepts as depicted in Figure 1 below.

As Figure 1 indicates, strategic thinking encompasses all the other concepts. Strategic management represents an effort to realize the fruits of strategic thinking. This occurs via strategy formulation, strategic planning, and strategy deployment (i.e., putting it all into action).

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Figure 1 – The “Nested” Concepts Related to Strategy

## CONCLUSIONS

Strategy is a useful concept, even in all its many variations. Strategic planning is a useful tool, of help in managing the enterprise, especially if the strategy and strategic plans can be successfully deployed throughout the organization. Thinking and managing strategically are important aspects of senior managers' responsibilities, too. All these are part of what it takes to manage the enterprise. None of them is sufficient. Why? Because, if for no other reason, there is usually an existing book of business to manage. For most established firms, this can easily amount to 80 percent of the action. In other words, "strategic issues," regardless of their importance, typically consume no more than 20 percent of the organization's resources (although they frequently command 80 percent of top management's time and attention). To paraphrase an old saw, "The strategy wheel gets the executive grease." This is as it should be. Senior management should focus on the strategic issues, on the important issues facing the business as a whole, including where it is headed and what it will or should become. Others can "mind the store."

## REFERENCES

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6. Steiner, George (1979). *Strategic Planning*. Free Press.
7. Tregoe, Benjamin and John Zimmerman (1980). *Top Management Strategy*. Simon and Schuster.

## RELATED ARTICLES

In addition to this paper, there are several other strategy-related articles on my web site. A list of links follows.

- [Sir Basil H. Liddell-Hart's Eight Maxims of Strategy](#)
- [Competitive Strategy & Industry Analysis: The Basics A LA Michael Porter](#)
- [The Goals Grid: A New Tool for Strategic Planning](#)
- [A Strategic and Business Planning Bibliography](#)
- [Strategic Decision Making](#)
- [Strategy: Definitions and Meaning](#)
- [Strategy Is Execution](#)
- [Three Forms of Strategy: General, Corporate & Competitive](#)

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Fred Nickols can be reached by [e-mail](mailto:e-mail) and other articles of his can be found in the [Strategy and Strategic Planning](#) section of his web site.

