

The
ABCs
of
STRATEGIC
MANAGEMENT

Executive Summary

The
Systems Thinking Approach™ to
Business Sustainability

By Stephen Lin



HAINES CENTRE
for **STRATEGIC**
MANAGEMENT®

Architects of Strategic Change

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GOALS AND PREMISES OF STRATEGIC MANAGEMENT

Our work at the Haines Centre for Strategic Management has led us to look for simple, yet systematic, ways to focus on how to manage organizations more strategically for long-term business relevance and sustainability. We have collated our ideas into a Strategic Management System with three goals:

- ✓ Goal #1: Achieve Clarity of Purpose and Direction
- ✓ Goal #2: Ensure Successful Implementation and Transformation
- ✓ Goal #3: Sustain High Performance for Business Sustainability

To achieve these goals, first it is important to get an understanding of the three premises that are the foundation of our Systems Thinking Approach to Strategic Management:

- ✓ Premise #1: Business Sustainability is the PRIMARY job of Leaders\
- ✓ Premise #2: “People Support What They Help to Create”
- ✓ Premise #3: Focus on the Customer

5 PHASES AND 10 STEPS OF STRATEGIC MANAGEMENT

The Systems Thinking Approach™ to Strategic Management is based on systems thinking. We have taken the basic operating system of natural systems, and adapted it for use in business, and especially in strategic management. From the 5 phases (the ABCDE) of how a system works, we expanded it to the 10 steps of strategic management,

Step #1: Begin by preparing first, before anything else. This is the PLAN-TO-PLAN step. It has as 4 essential goals:

- ❑ EDUCATE: Get the planning and support teams onboard the same boat by educating them on the strategic management process and what is expected of everyone involved. Here is also a good time to stress leadership emphasis and criticality of strategic management to the organization.

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- ❑ **ASSESS:** Assess the readiness of the organization for both planning and implementation. This will determine how ambitious of comprehensive the strategic plan will be, or if strategic leadership competencies need to be developed first.
- ❑ **ORGANIZE:** Organize the necessary administrative, logistics and other support needed to make the planning effort seamless and meaningful.
- ❑ **TAILOR:** Tailor the strategic management process to the organization based on the findings from the ASSESS stage, and the culture and legacy (such as the use of specific terminology) of the organization.

THE SYSTEMS THINKING APPROACH™

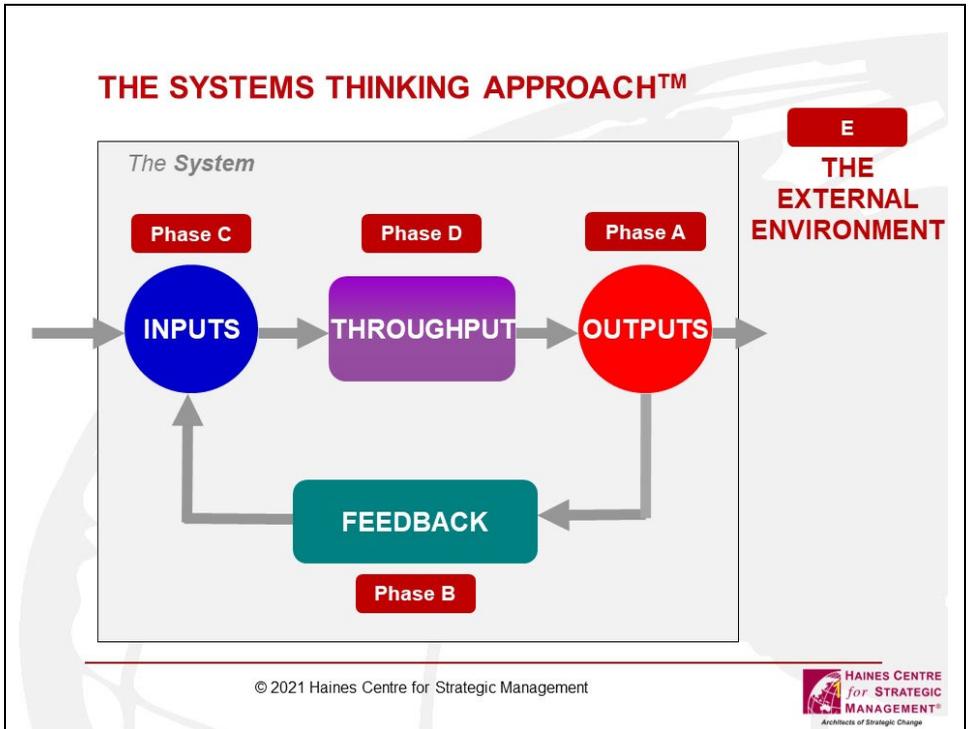
A system consists of a set of interrelated components that work together to achieve the purpose of the system.

A systems has purpose only in the context of the higher level system in which it exists. It's purpose is to produce unique specific outcomes, that together with the outcomes of all the other systems within this higher-level system, fulfills the purpose of the higher-level system.

All systems have following functions: A series of inputs (Phase C) to a throughput or internal working (Phase D) to achieve its outputs (Phase A). Successful systems have in addition a feedback loop (Phase B), which is missing in unsuccessful systems. All these take place in the context of the external environment (E).

Our ABC Systems Phases borrow from the natural sequence of phases that occur in all successful systems. We start with Phase A (Output) as our ideal future to proactively adapt to the future external environment (E). Once you identify this future, you work through the ABCD to make it happen.

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E (EXTERNAL ENVIRONMENT)

UNDERSTAND THE FUTURE EXTERNAL ENVIRONMENT YOU WILL OPERATE IN

Part of Step 1: Plan-to-Plan is to conduct a **FUTURE EXTERNAL ENVIRONMENT** Scan. This is to try to project the trends of the future that would have an impact on the future of the organization. We recommend that you use our **SKEPTIC** framework to help you do this.

- S – Socio Demographics and Social Trends
- K – Competition and Substitutes/Alternatives
- E – The Economy

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- E – Ecology Issues and Trends
- P – Political and Regulatory Changes
- T – Technological Advancements
- I – Industry Trends
- C – Community Expectations: Trends and Changes

When you use the SKE²PTIC framework, consider not only trends that impact directly how the organization will function, but also those that impact the customers and how the impact on the customers will affect your organization.

PHASE A

ENVISION YOUR IDEAL FUTURE (IN THE CONTEXT OF THE FUTURE EXTERNAL ENVIRONMENT)

Step #2: Crystallize and clarify your **IDEAL FUTURE** direction. The main purpose is to formulate dreams that are worth believing in and fighting for. At this stage, any assumption of “It can’t be done!” is irrelevant; how to turn it into reality is pursued after the vision is created. The four dreams that describe the organization’s ideal future are:

- #1. Vision – What do you want the organization to BE in the future?
- #2. Mission – What should the organization DO in the future (in the context of the Future External Environment)? What is its raison d’etre?
- #3. Core Values – What are the values that will guide the way the organization and its people behave?
- #4. Positioning – What position will the organization hold in its marketplace. How does it stand out versus the competition?
- #5. Rallying Cry – What is the enduring cry that personifies the organization and what it is about?

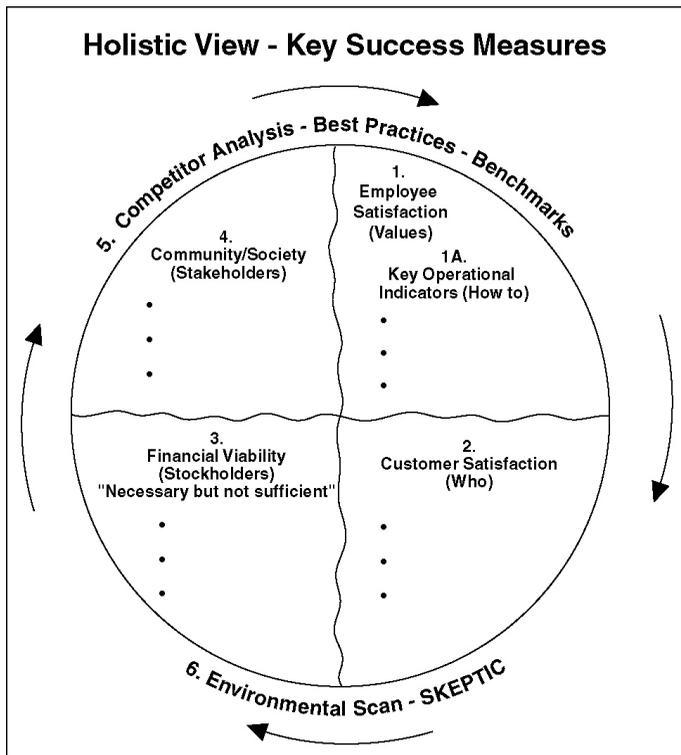
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PHASE B

DEFINE QUANTIFIABLE OUTCOME MEASURES OF SUCCESS

Step #3: Develop the **KEY SUCCESS MEASURES**, the quantifiable outcome measurements of success in achieving the organization's IDEAL FUTURE. Key Success Measures should be those that are really "KEY" to success. There usually are not more than 4 to 6 of them, each with a number of indicators

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.



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PHASE C

DESIGN STRATEGIES AND ACTION PLANS (INPUT FOR ACTION)

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

In traditional and outdated forms of Strategic Management, this is often the first step, leading only to long-range planning that projects the current state incrementally into the future. There are numerous tools to use in conducting these analyses. However, the key is to assess today in the light of your desired Ideal Future, not just assessing today in the light of today. That makes a whole big difference.

More detailed current state analysis can also include:

- Competitor analysis
- Industry analysis
- Value Chain Analysis
- Strategic Resources
- Gap Analysis
- Benchmarking, and so on....

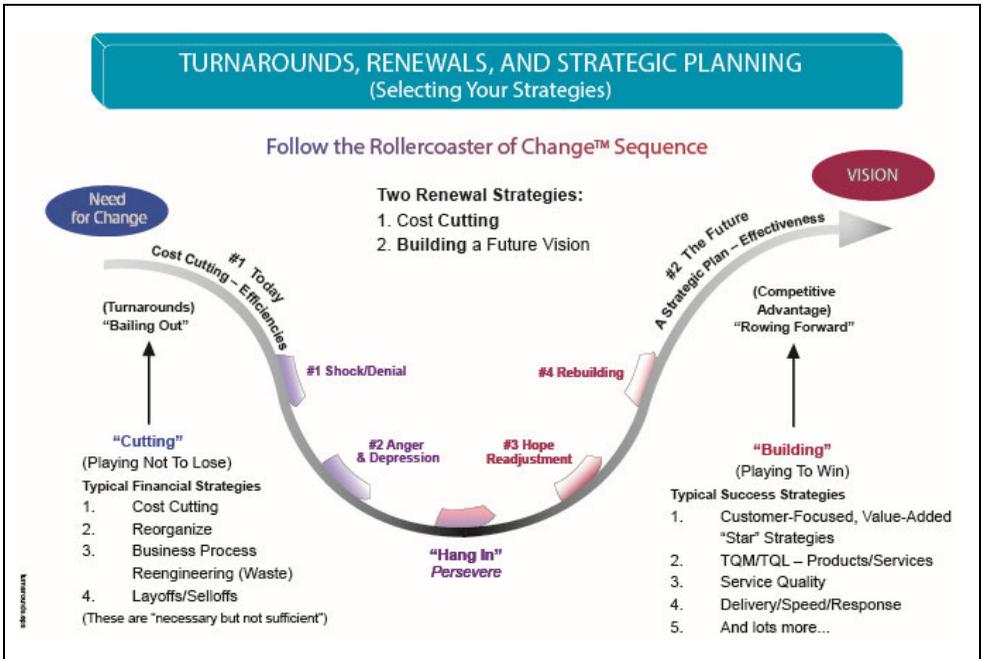
Step #5: This **STRATEGY DEVELOPMENT** step is to design the Core Strategies to bridge the gap between the Current State and the Ideal Future. Typically you should have three to five Core Strategies (and definitely not more than six), to be implemented organization-wide. The idea is to focus everyone on the few Core Strategies, and not confuse them with too many.

The 21st Century is seeing a proliferation of new strategies as businesses try to cope with the evolutionary times, where great change is taking place. In looking to adopt some of 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*

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strategic answers are found. Really, **BOTH cutting and building strategies are absolutely needed!**

Each core strategy needs a set of strategic action items to achieve that strategy over the planning horizon. From this set of strategic action items, you need to identify the top three to five priority action items for each strategy, for the first 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 corporations 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 various 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.

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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 the detailed action plans at the project or unit level, depending on how the particular priority action item is to be carried out. You will then requisition and allocate the necessary resources to actually implement the priority action items. This leads ultimately to the realization of the core strategies and with them the ideal future of the company.

It is not enough to have each project team or business 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 core strategies and priority action items.**

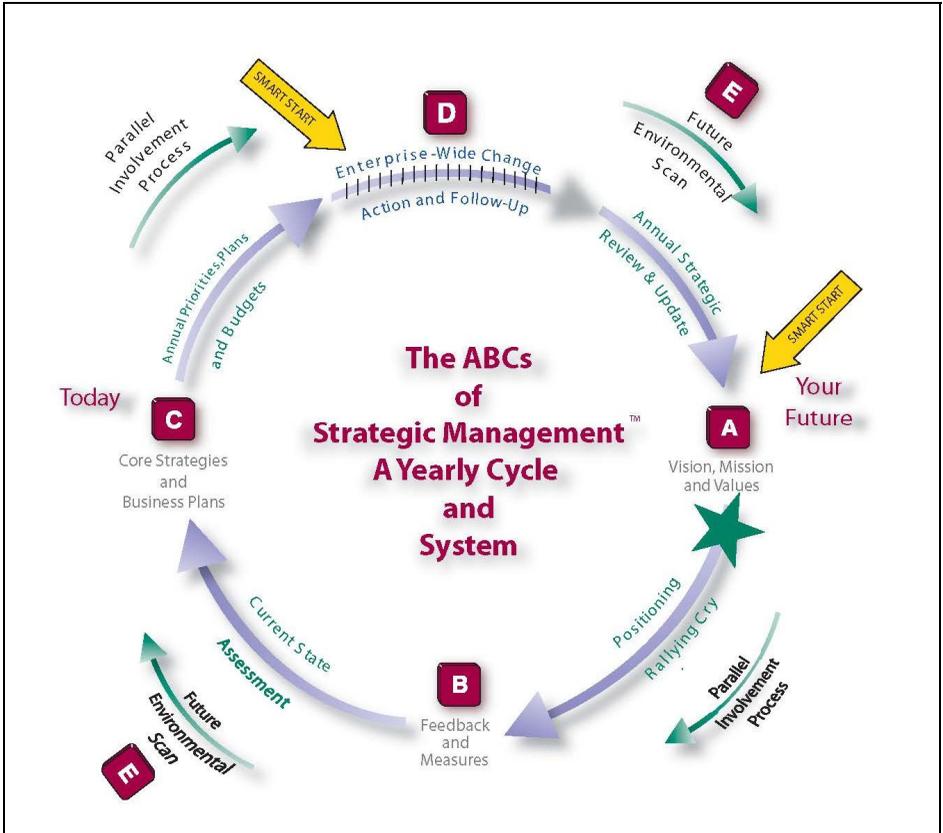
Budgeting needs to be more strategic and follow (not lead) strategic annual plans. This “Strategic Budgeting” will enable you to achieve a focused allocation of resources based on the Strategic Plan and the priority action items you set for the next fiscal year. *The tension created between current allocations 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: PLAN-TO-IMPLEMENT. Just like you need a plan-to-plan before starting planning, you also need a plan-to-implement before starting implementation. This is the bridge from Goal #1 (Achieve clarity of purpose and direction) to Goal #2 (Ensure successful implementation and transformation). Key points to consider are to:

1. Create a Strategic Change Leadership Team.
2. Develop a yearly Comprehensive Implementation Map.
3. Use cross-functional Strategic Project Teams.
4. Set up a Program Management Office to drive the day-to-day change journey is successful.
5. Develop a communications plan for the Strategic Plan.
6. Assign Key Success Measures tracking coordinator.
7. Allocate adequate resources.
8. Develop leadership and change management competencies.

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9. Modify performance appraisal and rewards processes.
10. Develop a transformation plan for cultural change in the company.
11. Get people to buy-in, and just as important, to stay-in.
12. Institutionalize a stakeholder involvement process.



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PHASE D

ENSURE SUCCESSFUL IMPLEMENTATION AND TRANSFORMATION .

Step #9: STRATEGY IMPLEMENTATION AND TRANSFORMATION

This step is the beginning of **Goal #2: “Ensure Successful Implementation and Transformation.”** It’s where the Strategic Plan is implemented through the cascaded annual plans and individual action plans. A comprehensive rewards and recognition system is needed here. Performance appraisal needs to evaluate individuals on their *strategic contribution* on top of their operational performance, and their behaviors related to the desired cultural transformation.

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 Strategic Change Leadership 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 regular meetings (monthly, if not weekly) with their staff, with the agenda dedicated to reviewing the status of the priority action items under each core strategy.

Step #10: ANNUAL STRATEGIC REVIEW AND UPDATE

This is essentially a strategic audit similar to a yearly independent financial audit, except it is focused on strategies and their implementation. It is needed to remain flexible to keep pace with the VUCA (volatile, uncertain, complex, ambiguous) environment. This is the key to **Goal #3 (Sustain High Performance for Business Sustainability)**. It includes:

1. Accommodating changes in the external environment.
2. Formally auditing and reviewing the Strategic Plan, for effectiveness of the strategic plan itself, and efficiency in implementing it.
3. Updating the strategic plan, and deciding on the priority strategic action items for the next fiscal year.

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4. Updating the structures and processes in place for driving the implementation of the strategic plan on a day-to-day basis.

How To Get Started In Strategic Management

Here are some suggestions on where to start. Once you get started, you simply follow the cyclical strategic management process as explained in this article.

- **OPTION A:** If you are nearing the end of your yearly strategic planning cycle: Conduct a Strategic Audit, followed by an Executive Briefing and Plan-to-Plan to reboot your strategic planning process.
- **OPTION B:** If you have already developed your strategic plan: Plan-to-Implement – prepare your company to implement the strategic plan efficiently instead of leaving it to chance.
- **OPTION C:** Conduct training on Strategic Planning or Strategy Implementation.
- **OPTION D:** Start anywhere. Since a system is circular, you may actually enter it and begin the process at any point during the year.
- **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 a holistic and integrated organizing framework and language for business sustainability in the 21st Century.

The key is to just start

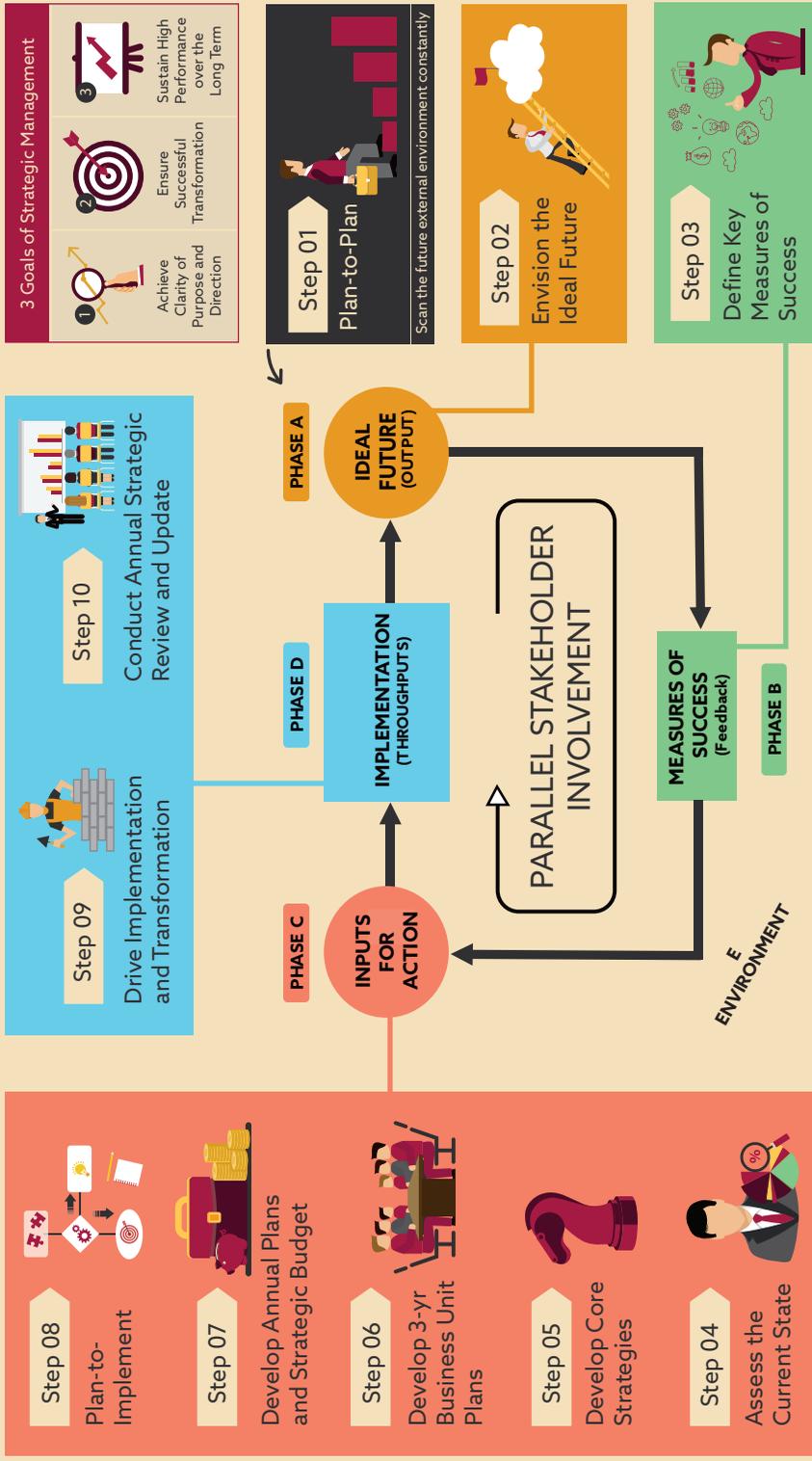
This article was written based on the original work of my friend and mentor, the late Stephen G. Haines, updated for today's strategic leaders --- Stephen Lin

We are available for consulting, training and coaching in Strategic Thinking and Strategic Management, our core expertise.

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Systems Thinking Approach® 10-Step Model



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