REINVENTING STRATEGIC PLANNING

The Systems Thinking Approach®

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with **James McKinlay**

Chapter 3
The Organization...A Living, Breathing System

"The great successful men (women) of the world have used their imagination...They think ahead and create their mental picture, and then go to work materializing that picture in all its details, filling in here, adding a little there, altering this a bit and that a bit, but steadily building–steadily building."
-Robert Collier

'Thinking Backwards' to the Future

If you think about it, the whole reason behind reinventing the way you do business day-to-day is that you want to exercise better control over achieving your organization's future. You want to be proactive in seeing that your organization realizes your desired vision and outcomes. To do this, you'll need to practice what I call 'backwards (or systems) thinking.'

This calls for starting with your Ideal Future Vision, then 'thinking backwards' to where your organization is right now. From there, you have to determine how to bridge the gap between today's current state of operations and that vision you want to achieve.

If your organization is indeed customer-focused, it is already performing the most crucial survival task – focusing on its outcomes. This is Right Answer #3, and it tells us *'what'* we must do to reinvent our organizations to withstand all the changes – present *and* future – that rock our global marketplace.

Right Answers #1 and #2, discussed earlier, provide the *'how'* – by 'thinking backwards' to:
1) build an organization-wide strategic management system, and then
2) instill commitment throughout the organization by creating professional management and leadership practices.

Introducing these concepts, clarifying your terminology, and getting it all organized may seem like a lot of pre-work, and not really related to the planning process. However, it's actually a *part* of the planning process; it's a way to fold each of the three Right Answers into the overall organization as a system – a system with the fit, alignment, attunement and integrity necessary to focus on the customers' needs.

After all, the main reason you do strategic planning is because you want your organization to change and grow in some way. This implies continuous progress. By maintaining a permanent mindset of 'strategic thinking,' you get

into the habit of thinking with clarity, meaning, focus, and direction. Skipping it is the surest way I know to create one more strategic plan that falls by the wayside.

These concepts – and the system and structure in which they exist – are essential because they serve as tools for moving your plans into an integrated and successful implementation. This is especially true in the face of the revolutionary change that faces us now and will continue well into the twenty-first century.

Strategic *Planning* Defined

> *"If you do not look at things on a large scale, it will be difficult for you to master strategy. If you learn and attain this strategy, you will never lose, even to twenty or thirty enemies. More than anything...you must set your heart on strategy and earnestly stick to the Way."*
> *-Miyamoto Musashi (1643 A.D.)*

I'll say it again: if you don't know where you're going, any road will take you there. Avoiding dead ends – and, instead, developing a shared vision or roadmap that becomes a reality – is what strategic planning is all about.

Strategic planning is a dynamic, backwards thinking process by the collective leadership of an organization that:

> - **First defines the Ideal Future Vision, and then the appropriate core directional statements (strategies) in order to...**
> - **Establish consistent, meaningful annual operating plans and budgets that...**
> - **Drive the measurement and achievement of this future vision**

Your organization's strategic plan should serve as a blueprint, with the annual plans and budgets that result from it providing the specific, necessary yearly details.

Once this plan has been put to paper, however, many organizations run into trouble. Having a sleek, sophisticated plan on paper is one thing; getting it implemented can be quite another. In order to use Strategic Management as an ongoing way to grow your business into the twenty-first century, you must re-focus your mind and mental map on Right Answer #1: moving from strategic planning to establish a comprehensive, strategic *management* system (from planning to management).

Strategic *Planning* vs. Strategic *Management*

To be successful, your strategic plan needs to be built into a structure that is designed to lead and manage your organization as it continues to grow, develop, and change. Simply developing a plan on paper won't carry your organization forward; the plan must be implemented and it must be led and managed day-to-day.

Thus, you'll need a process in which strategic *planning* is only one part, albeit in the lead position. The overall process – strategic *management* – is a field of management that is rapidly gaining in popularity. You'll hear me (and, increasingly, others in the field) refer to it often. It's an integral part of Seemingly Simple Element #1: *planning is a part of management*.

Most organizational planners make the mistake of looking at strategic planning as an event or a process that is an end in itself. Once it's been developed that's the end of it.

Strategic management, on the other hand, is a new way to run your business day-to-day. It incorporates strategic planning and thinking into the everyday, ongoing progress of the organization, making it the backbone and focus of every organizational activity.

Going beyond strategic planning into strategic management means making a commitment throughout your organization to ongoing strategic (backwards) thinking and continuous improvement. It means accepting that no one plan can possibly anticipate or resolve every need, that the organization must have in place a strategic management *system* for planning and dealing with all organizational change and growth – now and in the future – and at all levels of management.

Where strategic *planning* once was mostly staff driven, strategic *management* is driven by senior line management leadership that aggressively pursues the commitment of all key stakeholders. As exhibited in the following comparison, strategic management also goes far beyond the 'warm, fuzzies' that sound so nice in the organization's mission statement.

It lays out clearly what specific actions and tasks must take place for the plan to be successful. Then, it sets up concise, practical ways to lead, monitor, and measure its progress. It also incorporates the specific Annual Strategic Review (and Update) to keep the organization on track (much like a yearly independent financial audit).

Strategic Planning vs Strategic Management

Analytic Thinking **Traditional Strategic Planning** **"A Project"**		*Systems Thinking* **Strategic Management System** **"A New Way to Run the Business"**
1. Project	vs.	1. Continuous/ongoing process with yearly Strategic Management

		System cycle/review to stay on "track"	
2. Staff written	vs.	2. Line leadership driven/staff supported	
3. Focus on today/extrapolation	vs.	3. Start with Future Ideal and work backwards	
4. "Motherhood/Apple Pie" words	vs.	4. Outcome measures and action plans set and accountability tracked	
5. Big Strategic planning document as end	vs.	5. Execution/change management/ customer focus is the goal. Small Document	
6. Senior Leadership/Planning Department answers only (we/they)	vs.	6. Key stakeholder feedback and commitment also (Parallel Process)	
7. Weekend retreat	vs.	7. Strategic change in our roles/ behaviors day to day	
8. Strategic level only	vs.	8. Integrated into business units annual and daily decision making levels, too.	
9. Individual change projects (TQM, service, empowerment, value-chain etc.)	vs.	9. Customer-focused positioning and value-added delivery	
10. Single event—one time only	vs.	10. Annual Strategic Review (and Update) each year	
11. Environmental Scan of today only	vs.	11. Future environmental Scan/ quarterly reviews	
12. Analytical tools/analysis focus	vs.	12. Focus on Strategy, commitment and buy-in	
13. Units/Departments/Silo mentality	vs.	13. Shared Strategies as the glue and organizing forces.	
14. Hierarchy/controls	vs.	14. Customer-focused and values-driven empowerment	
15. Organization structure remains the same	vs.	15. Strategic Business redesign (watertight integrity)	

The reason for reinventing the way we do business is the overwhelming change occurring within our environment and organizations today. Therefore, successful strategic management *must include mechanisms, which address ongoing change.* And, structuring strategic management so that it integrates ongoing change mechanisms requires Right Answer #1–institutionalizing a three-part/three-goal strategic management *system*.

Though thinking, planning, and managing strategically are all essential, establishing a *system* within which to manage the myriad of changes is the only way to ensure continuous implementation of your core strategies. That's why the Strategic Change Steering Committee is the *#1 absolute for success*.

Otherwise, change and good intentions always lose out to the day-to-day crises.

> *Strategic management system: (phraseology) A comprehensive, interactive, and participative system that leads, manages, and changes the total organization in a conscious, well-planned, and integrated (watertight integrity) fashion based on core strategies; using proven research that works, to develop and successfully achieve the ideal future vision.*

"Systems" – An Over-Used, Misunderstood Term

"In one way or another, we are forced to deal with complexities, with 'wholes' or 'systems' in all fields of knowledge. This implies a basic re-orientation in scientific thinking."---Ludwig Van Bertalanffy

In spite of the fact that we're inundated with an infinite variety of business management trends these days, the idea of incorporating a systems framework into our organizations is *not* just another fad. Far from it. In fact, I consider it to be a critical element that can make the difference between organizational success and organizational failure.

Because the term 'system' is frequently applied to a veritable cornucopia of organizational concepts, however, I'd like to first address the actual definitions of a 'system'. Then, let's discuss how they can be used as a way to 'think backwards' to your ideal future.

During the 1920's, the field of biology, with Ludwig Van Bertalanffy leading the way, brought forth a new way to look at the structure of all life – the system. In defining a 'system' as *a set of components that work together for the overall objective of the whole*, scientists began to look at life and the elements that support it in a totally different perspective ...ultimately ending up with a new theory called the General Systems Theory (GST).

In describing this theory, author Geoffrey Vickers wrote:

"The words 'general systems theory' imply that some things can usefully be said about systems in general, despite the immense diversity of their specific forms. One of these things should be a scheme of classification. Every science begins by classifying its subject matter, if only descriptively, and learns a lot about it in the process; and systems especially need this attention, because an adequate classification cuts across familiar boundaries and at the same time draws valid and important distinctions which have previously been sensed but not defined.

In short, the task of GST is to find the most general conceptual framework in which a scientific theory or a technological problem can be placed without losing the essential features of the theory or the problem."

Our Centre utilizes General Systems Theory, and The Systems Thinking Approach**SM** as our foundation and new orientation to life -and- to all our work, learning and effectiveness with clients. Why?

Systems Thinking is a heavily researched methodology and rigorous macro-scientific theory with its roots in the Universal Laws of Living Systems on Earth and in ecology and biology. As we said, an Austrian, Ludwig Von Bertalanffy is the father of what he called General Systems Theory, begun over 50 years ago.

It has been a recent focus of Dr. Russell Ackoff (renaissance professor emeritus at University of Pennsylvania) and Jay Forrester at MIT, among others. In fact, we have identified over 25 other scientific disciplines such as electronics, architecture, complexity and chaos theory, project management, etc. whose leading thinkers and writers are moving in this direction. This is due to the fact that four superstars founded the interdisciplinary society for General Systems research—one in economics, one in physiology, one in physics, and Ludwig from Biology. They researched for a **unity of science** that encompassed all living things on earth.

In short, Systems Thinking is an old/new *orientation to life*. It is a better, more natural and holistic view of living systems, such as individuals, teams and organizations, as they try to survive and thrive in today's dynamic environment. This holistic and more purposeful *outcome-oriented* approach distinguishes us from other consultants who have a sole focus on the components or separate functions of an organization (a more narrow, piecemeal and fragmented analytical approach). In fact it takes a higher, more integrated intellect and maturity to fully utilize this different worldview. It gives you a new way to think. Start thinking about:

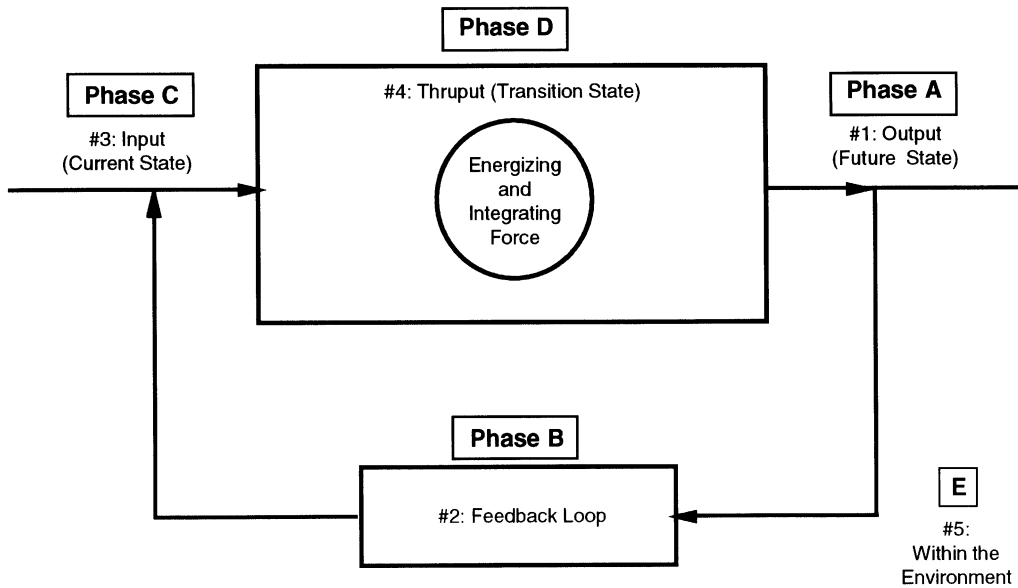|		
The Environment	E	(and opportunities)
The Outcomes	A	(and results)
The Future	A	(and direction)
The Feedback	B	(and learning)
The Goals	B	(and measures)
The Whole Organization	D	(and helicopters @ 2,000 feet)
The Relationships	D	(and patterns)

Stop Thinking About:

1. Issues and Problems

2. Parts and Events

3. Boxes/Silos

4.	Single Activities of Change

5.	Defensiveness

6.	Inputs and Resources

7.	Separateness

How we think...is how we act...is how we are

How is the systems concept best described? As you'll see in the General Systems Theory chart illustrated below, a system is described as an actual process with some key elements: In the system process, there are a series of *inputs* to *throughputs (*or actions), resulting in *outputs* into the system's environment. A system also contains a *feedback loop*, for monitoring and evaluating the system's input, throughput, and output. Every living system also openly interacts with its own *environment*.

SYSTEMS THINKING
(FIVE KEY ELEMENTS)
"From Theory to Practice"

Phase C	Phase D	Phase A
#3: Input (Current State)	#4: Thruput (Transition State) — Energizing and Integrating Force	#1: Output (Future State)

Phase B
#2: Feedback Loop

E
#5: Within the Environment

Systems: Systems are made up of a set of components that work together for the overall objective of the whole (output).

In fact, General Systems Theory has four main concepts in which the A,B,C,D,E is one. See Figure 3.?

Three Main Concepts (and How to Change Systems):

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**Concept #1.** **Standard System Dynamics**—12 Characteristics of General Systems Theory.

Natural Laws/Desired State	vs. Experienced Dynamics
Part I: The Whole System:	
1. **Holism** – Overall Purpose-Focused Synergy/Transformational	1. Parts/Activity Focused/Suboptimal Results
2. **Open Systems** – Open to Environment	2. Closed Systems/Low Environmental Scan
3. **Boundaries** – Integrated/Collaborative	3. Fragmented/Turf Battles/Separate/ Parochial
4. **Input/Output** – How natural systems operate	4. Piecemeal/Analytic/Sequential and Narrow View
5. **Feedback** – on Effectiveness/Root Causes	5. Low Feedback/Financial Only Financial Only
6. **Multiple Outcomes** – Goals	6. Artificial Either/Or Thinking
Part II: The Inner Workings:	
7. **Equifinality** – Flexibility and Agility	7. Direct Cause-Effect/1 Best Way
8. **Entropy** – Follow-up/Inputs of Energy/Renewal	8. Decline/Rigidity/Obsolete/and Death Obsolete/and Death
9. **Hierarchy** – Flatter Organization/Self Organizing Structures/Infrastructures	9. Hierarchy/Bureaucracy/Command and Control
10. **Interrelated Parts** – Relationships/Involvement and Participation	10. Separate Parts/Components/Entities/ Silos
11. **Dynamic Equilibrium** – Stability and Balance/Culture	11. Short-Term Myopic View/Ruts/Resistance to Change
12. **Internal Elaboration** – Details and Sophistication	12. Complexity and Confusion/Need for KISS

Concept #2. **Seven Levels of Living Systems**

All systems are actually subsystems of larger and larger systems in their environment. There is an actual hierarchy of interrelated systems. i.e.,

1. cell
2. organ
3. individual
4. group/team
5. organization/community
6. society/nation
7. earth/world/continent
8. solar system/universe???

Concept #3. **Basic Systems Model** (Part of 12 characteristics)—and many, many applications
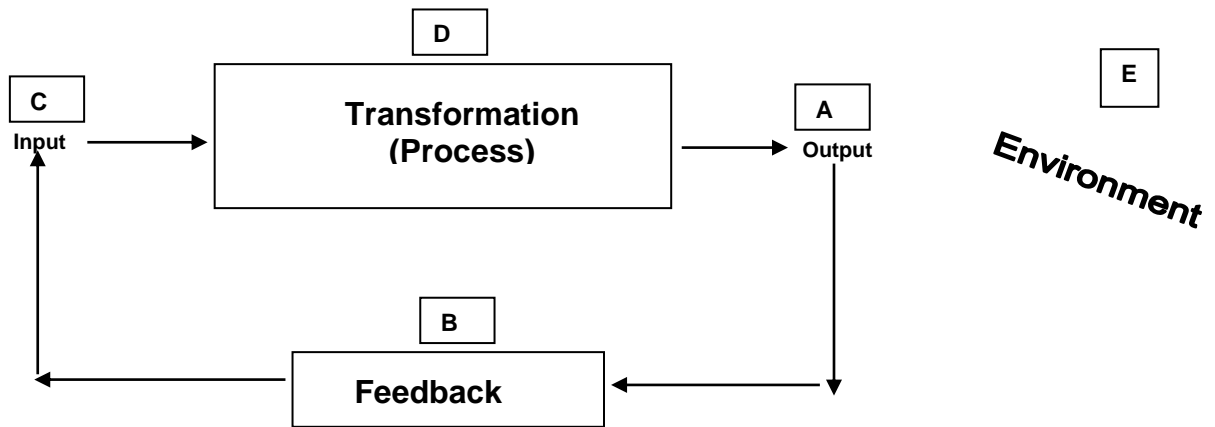
Changing Systems:

Concept #4. **Historical/Natural Cycles of Change…**

- The Rollercoaster of Change^{SM}—and many, many applications.

The ultimate outcome of this discovery was that theorists began to apply this reasoning to all forms of social structure, including socio-political and socio-economic focuses.

By 1979, *Business Week* magazine noted that, *"Nobel Laureate Wasily Leontief's 'Input-Output Analysis' has long been considered an ideal framework for economic planning."*

The point is, this systems thinking and structure has a permanence and a flexibility that permits it to readily adapt to all the variations and complexities of our dynamically changing organizational environment, as well. That's why it's called a *General* Systems Theory!

Conversely, in the traditional analytic approach to planning, organizations start with today's problems, breaking them out into separate parts, analyzing and resolving one area at a time, then moving on to the next.

Systems thinking practices the exact opposite of this analytic approach. Systems thinking studies the organization as a whole in its interaction with its environment. Then, it works backwards to understand how each part of that whole works in relation to – and support of – the entire system's objectives. Only then can the core strategies be formulated.

Thus the benefits of Systems Thinking are tremendous and include:

1. A way of thinking more effectively about any system

- Its purposes
- Its environment
- Its components

2. A framework and way to make sense out of life's complexities – since all living things are systems.

3. A way to learn new things easier as the basic rules stays the same from system to system.

4. A framework for diagnosing, analyzing, problem solving, and decision making of the system. A clearer way to see and understand what is going on in an organization – or in any system. Complex problems become easier to understand, as do the interrelationship of parts and the multiple causes/effects cycles.

5. A way to manage in the complex "systems age," i.e., focusing on the whole, its components, and the *interrelationships* of the components. A better way to integrate new ideas together within the systems context

6. A way to see the big picture as well as the details

7. A view of the long-term and the short-term consequences.

8. A new and better way to create strategies, solve problems, find leverage points, keeping the outcome/vision goal in mind at all times. It unveils points of leverage for change that might otherwise be ignored.

9. A method of understanding the relationship, patterns and themes between issues and events

10. A method for identifying the root causes to a current problem. It engages teams and people in a deeper thought process/analysis and definition of more root causes that provide longer lasting results.

11. It helps get at the deeper structure and relationship/process issues that aren't obvious by the "Quick Fix" mentality.

12. A framework for focusing on the customer and your external environment

13. A forward looking, solution seeking perspective vs. just problem solving today's issues.

14. A common language with a better way to communicate and collaborate

In Summary: A New and Better Orientation to Success in Life

Systems ('Backwards') Thinking: An Orientation to Life

"Everything everywhere now truly affects everything else."
- Ian Mitroff

I refer to this systems thinking as a "new orientation to life" because of its universal use in thinking differently and better about everything we do. It's about thinking backwards from your desired outcome, determining where you are now, and then finding the core strategies or actions that will take you from today to your desired outcome. Backwards – or true systems– thinking employs what I call the A,B,C,D,E guideposts; five critical questions or phases that serve as locator points to clarify this thought process.

> ***Start at Phase A:***
> A) Where do we want to be?
> B) How will we specifically know when we get there?
> C) Where are we now?
> D) How do we get from here to there?
> E) What is changing in our environment?

Pretty simple, right? In a sense, it truly is a simple, common sense approach. That's why I've incorporated it as one of the three Seemingly Simple Elements. Before deciding it is *simplistic*, however, let's see how this changed orientation points to a new paradigm of how to lead and manage complex organizations.

The illustration below shows that these five A,B,C,D,E questions relate directly to the phases of our systems model. They set up the holistic approach to strategic management:

A) concentrating on defining outcomes first
B) establishing a quantifiable feedback system by which your organization will specifically measure its progress.
C) determine where you are now
D) figure out what actions you need to take to reach your vision
E) all the while continuously scanning the environment

SYSTEMS THINKING: SIMPLICITY: "A NEW ORIENTATION TO LIFE (A-E: Five Key Elements)

Systems: Systems are made up of a set of components that work together for the overall objective of the whole (output).
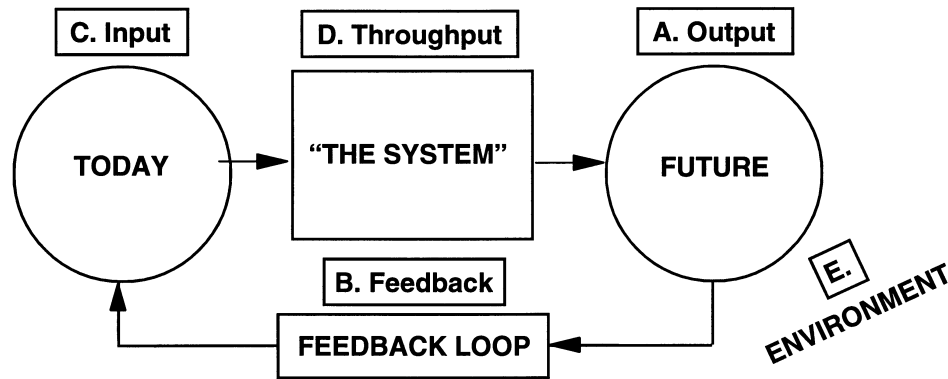
Five Questions in Sequence

A	Where do we want to be? (i.e.our ends, outcomes, purposes, goals, holistic vision)
B	How will we know when we get there? (i.e., the customers' needs and wants connected into a quantifiable feedback system)
C	Where are we now? (i.e., today's issues and problems)
D	How do we get there? (i.e., close the gap from C → A in a complete holistic way)
E	ongoing: What will/may change in your environment in the future?

vs. Analytic Thinking *Which:*

1.   Starts with today and the current state, issues, and problems.
2.   Breaks the issues and/or problems into their smallest components.
3.   Solves each component separately (i.e., maximizes the solution).
4.   Has no far reaching vision or goal (just the absence of the problem).

Note: In systems thinking, the whole is primary and the parts are secondary (not vice-versa).

"If you don't know where you're going, any road will get you there."

Systems thinking is fundamentally different from our standard analytical approach to problem solving. The analytical approach is the predominant paradigm in Western society today. It's taught to us in all of our disciplines – be it health and medicine, legal structures, finance and accounting, computer science, nuclear science, etc. It starts with today, breaks out each individual issue, and solves it before moving on to the next issue.

Systems thinking, rather, clarifies the overall objectives of the whole, starting at Phase A. It *simplifies the process* and makes sure all those pieces fit together in a continuous, growth-oriented system that focuses on outcomes. But, it's not simplistic, as it goes against the grain (or paradigm) of mainstream and popular western society thought
.

Exactly What *Are* the Properties of a System?

The most distinctive feature of any system is that *each and every part influences and affects every other part of that same system*. Ideally, all parts of a system fit and work together synergistically. *By definition, no individual part can be independent*. The following list identifies most of the properties of a true system:

PROPERTIES OF SYSTEMS

Systems Thinking…is finding patterns and relationships, and learning to reinforce or change these patterns to fulfill your vision and mission.

1. **The Whole is Primary**—The whole is primary and the parts are secondary. Focusing on maximizing the parts leads to suboptimizing the whole

2. **Understand Systems Holistically in Their Environment**—Systems, and organizations as systems, can only be understood holistically. Try to understand the system and its environment first. Organizations are open systems and, as such, are viable only in mutual interaction with and adaptation to the changing environment

3. **Each System Functions Uniquely**—Every system has properties/functions that none of its parts can do

4. **System Purposes First**—The place to start is with the whole and its purposes within its environment. The parts and their relationships evolve from this

5. **The Role of Parts—Supports the Whole**—Parts play their role in light of the purpose for which the whole exists. Focus on the desired outcomes; not just the problems of the parts

6. **All Parts Are Interdependent**—Parts, elements, subsystems are interdependent...a web of relationships. Therefore, yesterday's great solutions may lead to today's issues. Every system cannot be subdivided into

independent parts; a system as a whole cannot function effectively when it loses a part

7. **Small Changes Produce Big Results**—Change in any element of a system effects the whole as well as the other elements, subsystems. The small changes can produce big results if the leverage points are clear

8. **Maximizing Parts Suboptimizes the Whole**—Exclusive focus on one element or subsystem without simultaneous attention to other subsystems leads to suboptimal results and new disturbances. The solution or simple cure can often be worse than the real disease

9. **Causes and Effects Are Not Closely Related**—Delay time and delayed reactions along with cause and effect being not closely related in time and space cause inaccurate diagnoses and solutions. Direct cause and effect is an environmentally free concept

10. **Faster is Ultimately Slower**—Systems have a natural pace to them. Sometimes trying to go faster is ultimately slower

11. **Feedback and Boundaries**—Systems are more "open" and likely to sustain their existence longer and more effectively, the more feedback they receive from the environment through all aspects of their boundaries

12. **Multiple Goals**—All social systems have multiple goals; building consensus on them first is the key to successful teamwork and achieving these goals

13. **Equifinality and Flexibility**—People can achieve their goals and outcomes in many different styles/ways—thus the CSM "strategic consistency – operational flexibility" concept of the '90s

14. **Hierarchy is Natural**—Despite some recent political correctness against hierarchies, all systems have a natural hierarchy; find it, minimize it, and make it work for you

15. **Entropy and Tendency to Run Down**—All systems have a tendency towards maximum entropy, disorder and death. Importing resources from the environment is key to long-term viability, closed systems move toward this disorganization faster than open systems

So: A system cannot be understood by analysis—but by synthesis—looking at it as a whole within its environment

Thus: In organizations we don't deal with problems—we deal with "messes of problems

Prior to this, I've talked about the difference between analytic and systems thinking. It's important at this point to mention that neither thought process is bad, nor do they automatically exclude one another. There will be times in our organizational environment when an analytical approach is called for.

It's critical, however, that when we apply it to a problem, we're applying it *within the context of an overall, integrated systems thinking framework.*

A good way to summarize the notion that every part of a system interacts with and depends upon every other part is to review some of the things that took place in the financial marketplace during one month in 1984. On March 4, 1984, E.S.M., a small Florida securities dealer, collapsed. Home State Savings Bank in Cincinnati, Ohio, having one-third of its loan portfolio in E.S.M. securities, then closed its doors.

Following this, there was a run on savings and loans throughout Ohio, which were then taken over by the Federal Home Loan Bank Board (FHLBB), the old Savings and Loan Insurance Corporation. Understandably, this caused some major jitters on the already deficit-ridden financial system and market of that time. During March 18th through 20th, only two weeks later, the U.S. dollar fell 6% against the British pound; one of the largest drops in history.

Finally, British oil assets took a severe beating due to the fact that they were measured and traded in U.S. dollars.

This is a perfect example of systems theory in action. It shows us clearly that not only are all the parts of any given system (in this case, our global economic system) dependent on one another, but that every system affects every other system in our globally interconnected world.

Organizations As Systems – Backwards Thinking Systems

One of the primary reasons I began to research a systems approach to strategic management was due to the surfeit of organizational trends I kept running into throughout my years in senior management. Between management-by-objective, quality circles, TQM, restructuring, downsizing, coaching, mentoring, benchmarking, business re-engineering, and more, I had a lot of headaches – but no real problems resolved. It was becoming obvious to me that this analytical approach to problem solving was sort of like trying to build the world's greatest car:

Example:
Picture yourself building the premiere car in the world. You have access to every automobile ever made. First, you examine them for which one has the undisputed best engine. Next, you select a distributor from a different car, one which you know has the very best in distributors. Now it's time to select the

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best, most reliable carburetor – which of course comes from another, totally different car.

One by one, you gather these 'best parts' until you have every part necessary for making the world's best car. Once you've tried to put them all together, however, just what is it exactly that you have? One thing's for sure, you don't have the world's greatest car...you don't even have a car, *because the parts don't fit!*

Though you have in your possession all of the parts necessary for building a car, none of those individual parts were designed to fit with each other – they're all from different systems, and used independent of their systems, they're worth nothing.

After talking to hundreds of other business executives – who were also trying to build 'the world's greatest car' within their own organizations – and felt the same sense of frustration and confusion that I did, I began to wonder: how in the world could any of us take all of the intricate components that exist (in infinite variations) within every organization, match them to whatever trend was the 'flavor of the day,' and make sense out of it all...much less come up with any answers that would truly serve our customers?

It was at this point that I realized my earlier work on the General Systems Theory should serve as a overall framework that would accommodate all of the intricacies presented by a typical organization. In viewing the 'organization as a system,' we see it as an intricate puzzle, a network of inputs, processes, outputs, feedback from suppliers, employees, customers and other key stakeholders in the environment.

Every part of this system depends on every other part working as it should. To successfully lead and manage this requires a specific and complex set of concepts, tools, and skills for wiring and aligning these components together for the overall objective of the whole – i.e., focusing on the outcome of serving the customer. And, the customer has a complex set of expectations for quality products, high-level service, prompt delivery, and reasonable cost.

What all my peers, and I had been trying to do was to apply an issue-by-issue, analytical solution to a systems problem. No wonder it wasn't working! No wonder it is so difficult to lead and manage today's organizations.

Some of the attributes one could expect to find in a systems-oriented organization that might not exist in a more hierarchical one include:

- A shared vision of the overall organization's future.
- Better horizontal, cross-functional communication and cooperation to serve the customer.

- Teamwork within and across functions.
- Cross-functional task forces and project teams.
- Integrity of the various parts and departments of the organization fitting and working together for the good of the whole.
- An alignment of work processes horizontally across the organization that meet the needs of the external customers.
- Focus on system-wide core strategies rather than functional or department goals.
- Fewer levels of hierarchy and management; greater operational flexibility and empowerment.

The best place to begin establishing a true strategic management system in your organization is to set up the A,B,C,D,E Phases I referred to earlier. Applying them as an organization-wide systems or backwards thinking process enables you to chart a clear course for developing and putting your vision/mission/values into practice:

- **Phase A – "Where do we want to be?"** – This is the place to begin replacing the traditional analytic approach with backwards thinking. It's actually the starting point for putting your systems framework into place by focusing on the outcomes you desire for your organization ... envisioning the year 2000 as if it were today...and then working backwards to the present.
- **Phase B – "How will we know when we get there?"** – It's crucial to develop concrete feedback; you need to define your outcome measures of success...both organization-wide and unit by unit. This is how you'll be able to gauge whether the implementation of your core strategies is progressing successfully; it's where you will determine the success of Point A on a year-to-year basis.
- **Phase C – "Where are we right now?"** This is the step in which you design strategies and actions for 'closing the gap' between your organization's current state and its desired Future Vision...with the specific action priorities necessary to support them.
- **Phase D – "How do we get there from here?"** – It is at this point that you further develop the systems framework that will include detailed considerations on how to implement and manage change throughout your organization. Integrate your change management techniques into an organization-wide system and put your plans into motion...tracking, monitoring, reporting, and adjusting as necessary.
- **Phase E - : "What is changing in the environment that we need to take into account?"**

While this systems thinking approach to strategic management seems to follow simple logic, it really is an 'uncommon' common sense approach. During the development of our Reinventing Strategic Management Model, I was surprised to find that not one of the fifteen other models I researched had systems thinking as its base foundation or assumption.

However, the further I went, the more I came to understand that *any* strategic plan – without the consistency of this framework to support and grow with all of the various contingencies that are inherent in organizational strategic management – will eventually fall through the cracks and disappear.

Six Uses of the A,B,C,D Framework

As you can see, this A,B,C,D,E framework aligns directly with the five phases of a system: 1) output, 2) feedback loop, 3) input, and 4) throughput/actions 5) within the dynamic and changing environment. By addressing the five phases, starting with Phase A, and then following through with the implementation of the five phases of a systems framework, you lay the groundwork for a common sense, practical strategic management system that focuses you on the changes you want to accomplish.

The real beauty of working within a systems framework is that you can be quite flexible in how you apply it. Remember, the General Systems Theory provides a generic, universal framework to which literally any set of requirements can be adapted. Depending upon your specific needs or situation, you can adapt this framework in numerous ways. You should always use the same A,B,C,D,E phases in sequence and in conjunction with backwards thinking. It's just applied more quickly or for different uses:

Six Different Uses

> **Use #1) A Comprehensive Strategic Plan -** For a large organization, this is a process in which your collective leadership develops a comprehensive plan that encompasses the entire organization. Your investment in time will depend on whether you are starting from scratch or tailoring and filling in the missing 'pieces' of your organizational systems framework to get synergistic implementation. Expect to spend anywhere from 8 - 16 days off-site over a four- to six-month time frame.

> **Use #2) Strategic Planning Quick -** This allows you to conduct a less comprehensive version of strategic planning for a smaller to mid-size organization. It requires approximately 5 days off-site, over two to four months.

> **Use #3) Three-Year Business Planning -** If you need to create a strategic plan for a specific business unit – or a major support function, section, or program of a larger organization– you can complete a shortened three-year business planning process in about 3 - 5 days off-site, over two to four months, as well.

Use #4) Micro Strategic Planning - Even if your organization is very small, you still need to create a strategic plan for it. This 'micro' process enables you to develop a strategic plan in only two days off-site, over two months, and complete the rest without off-site meetings. However, it does require immediate implementation through a Strategic Change Steering Committee to keep up the momentum started and to finish any planning pieces missed due to the short timeframe.

Use #5) Project Planning & Strategic Changes - With this A,B,C,D,E system, you can apply it to a major project or change effort – such as TQM, customer service, business process re-engineering, empowerment, partnerships/teamwork, and technology, etc. Even if you are going to go after change in this piecemeal fashion, use systems thinking to leverage your effectiveness and success in this project. Remember, always differentiate between analytical versus systems thinking; when you need to apply analytical thinking, do it within a systems framework and context.

*Use #6) Strategic Life Plan - Your personal life is even more important than your business life! This A,B,C,D,E systems framework can be used to conduct a personal (person, family, couple) life plan. My wife and I, along with numerous other personal and professional acquaintances, have developed a life plan with very satisfying results.

Keep in mind, the systems or backwards thinking framework can be applied to virtually any professional or personal situation. No matter what the particular requirement may be, as long as you stay focused on the A,B,C,D,E phases in the proper sequence, they will work for you.

Remember, systems thinking is a better way to think and to act as a new orientation to life!

Strategic Management Comparisons—Ten Unique Concepts and Paradigm Changes: The Systems Thinking Approach℠
"Strategic Consistency Yet Operational Flexibility

Analytical Planning Model	vs.	Reinventing Strategic Management (Systems Model)
1.Focus on plan content only	**vs.**	1.Team building and leadership development (skills of trainer – coach – facilitator) are an integral part of this, including senior management personal life visions and personal values
2.Preset steps/actions	**vs.**	2.Plan-to-Plan and team building first to build in and engineer success up front ("educate and organize").
3.Current state emphasis (starts with today's problems).	**vs**	3.Ideal Future Vision (vision – mission – values) as the place to start. The use of

		"Backwards Thinking" to redirect the status of today towards a future vision of total customer-focus on their wants/needs and product/services and their benefits
4.Total community participation	**vs.**	4.Involvement of many, many stakeholders through the use of a Parallel Process. (People support what they help create.)
5.Written in platitudes (high level only)	**vs.**	5.Quantifiable outcome measures of success developed as a year-to-year score board
6.Smooth over conflict and disagreements with words	**vs.**	6.Making/forcing tough choices. Focusing your business with priority setting (mission, driving force, outcome measures, core strategies, annual action priorities at a number of levels).
7.Discrete and separate/planning projects and goal setting process (department/ individual annual budgets)	**vs.**	7.A "Cascade of Planning" to link strategic planning with business unit plans…with functional/department plans…with individual goal setting/rewards…and day-to-day decision-making empowerment within a framework.
8.Set budgets first; work within them to plan	**vs.**	8.Strategic budgeting that includes ten different ways to force your annual resource allocation to become based on your strategic plan's priorities/focus
9.Focus on the Strategic Planning document	**vs.**	9.Both a "Plan-to-Implement" day with a Yearly Comprehensive Map, and a "Strategic ChangeLeadership Steering Committee"…to "bridge the gap" between planning and implementing and to build a team with the skills to manage change
10.Plan on left, manage on the right — "structure" is not important		10.The last step is an Annual Strategic Review and Update…like an independent financial audit to recycle your annual priorities and recommit to your revised plans.
MACRO – Systems Thinking Approachᔆᴹ.		
11.Didactic (tell client the answers; meaning outside client)		11.Facilitator role of planner and staff to help the clinet find andown the answers. Experiential with meaning developed ineternal to client. Line executives are in charge as part of their management responsibility. Take the time for in-depth discussions/full buy-in and understanding. (Two steps forward; one step back.) Focus on the Systems Thinking Approachᔆᴹ throughout (i.e., a Strategic Management System)

Questions to Ponder

- Do you understand why it's crucial to start at Phase A – the future outcomes you desire – versus starting with the present?
- Do you know and understand what the five key properties of a system are?
- Are you clear on some of the key attributes of a systems-oriented organization versus a hierarchical one?
- Which of the six possible uses for the Reinventing Strategic Management Model do you and your organization need?

   Use #1) A comprehensive strategic plan
   Use #2) Strategic Planning Quick
   Use #3) Three-year business planning
   Use #4) 'Micro' strategic planning
   Use #5) Project planning & strategic changes
   Use #6) Strategic life plan

In Summary

It is abundantly clear to most of us in business these days that what worked before won't work now. The traditional, time-consuming method of analyzing and solving one problem at a time has given way to the sweeping and sometimes obliterating winds of revolutionary change. A fresh new approach is called for, one that can set in place a framework sturdy enough to withstand the ongoing complexities of continuous change and organizational dynamics.

From extensive experience, I have come deeply to believe that long-term success can only come from a systems thinking approach. In this chapter I have tried to explain the 'why' behind that approach. It begins with an obscure scientific discipline called General Systems Theory. In the next chapter, I'll present the 'how' behind using the systems framework to conduct successful Strategic Management – along with some common mistakes and benefits through using our Reinventing Strategic Management (Planning and Change) Model.

Our Belief

The Systems Thinking Approach^{SM} is an absolute necessity to make sense of and succeed in today's complex world.

If life on earth is governed by the natural laws of living systems, then a successful participant should learn the concepts and principles.

—Stephen G. Haines
1998

RE-CAP OF KEY CONTENT POINTS

- **Focus on systems thinking in your Strategic Management.**

- **Start with your Ideal Future Vision and then work backwards to determine the core strategies you'll need to achieve this.**

- **Goal #2 – ensuring successful implementation – is the key to strategic planning; *not* the document.**

- **Simply developing a strategic plan on paper won't work; you must incorporate a three-part strategic management system to ensure continuous improvement.**

- **Where strategic planning was mostly staff driven, strategic management is driven by line management leadership, and aggressively pursues the commitment of all key stakeholders.**

- **Any system can be described as an actual process, with inputs, throughputs, outputs, and feedback within a dynamic and rapidly changing environment.**

- **In traditional analytic thinking, issues are broken out and resolved one at a time. Systems thinking is the opposite; it studies the organization as a whole and the achievement of its objectives as it interacts with its environment.**

- **A systems framework sets up an A,B,C,D,E sequential, five-phase approach to strategic management: A) concentrating on outcomes first, B) establishing a quantifiable feedback system for measuring progress, C) determining where you are now, and D) how you'll reach your ultimate vision within E) a rapidly changing environment.**