White Paper

Strategic Planning 3.0
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Every leader has a sense of purpose — an inner drive to support the success of the mission — whether it is a non-profit, community collaboration, or private firm. A good leader also has a sense of adventure, balanced by sound judgment. To be successful, a leader needs a good “map.” A map is a critical tool to help a business leader find out:

- Where she is (the business environment)
- Where she is trying to go (goals and objectives)
- How best to get there (what action is required)
- How to avoid dangerous terrain (what market activities might be predicted) [1]

Without a good map, the firm may be led into a quagmire — or worse.

Strategic planning (SP) is an important business practice. SP typically involves setting goals (and objectives), surveying the internal and external business environments, and analyzing the data. Firms use the results to predict future events and take effective action to improve the firm’s chance of success. Common approaches include SWOT analysis, balanced scorecard, theory of change, and strategic mapping.

When it is done well, a SP provides a systemic view of the firm’s resources and situation. Thus, it supports the firm’s success through managerial learning, improved ability to make effective strategic decisions, and the efficient allocation of resources. [2]

SP is often thought of as a standard practice. However, SP is also difficult. A firm may need weeks and months of effort to prepare a plan. Worse, when the plan is put into motion a single wrong decision can destroy a career.

Four Levels of Strategic Planning (SP)

SP 0.0: Flying by the seat of your pants (just take action)
SP 1.0: All the data, all the time (SWOT approach)
SP 2.0: Collaboration & communication (OD approach)
SP 3.0: Integration and evaluation (IPA & SKM approach)
Fear, therefore, leads many managers to use simple strategies and follow only the well-worn paths.\textsuperscript{[3]} Not the sense of adventure we need for good leadership!

Good leaders need good maps. SP is an evolving practice for creating better maps. In this article, we show the key stages of the evolution of SP. Our goal is to help develop a better understanding of the past limits and growing strengths of SP. We also describe how leaders and managers can use these new insights to make better maps. These new maps will help leaders make better decisions, with greater confidence, to achieve success.

Modern day entrepreneurs sometimes attempt to use this same approach. When they are successful, they are may be considered “specialists” in judgmental decision-making.\textsuperscript{[4]} That is to say, entrepreneurs combine information from many sources to make important and risky decisions.

However, the business world of today is not as stable or predictable as it was a century ago. Worse, that process of combining pieces of information is not reliable. It is not nearly as effective as we want it to be.

Despite the failure of many entrepreneurial firms, intuition or, “flying by the seat of your pants” is still the most common approach — perhaps because it seems to be the easiest — at least in the short run. Sure, flying by the seat of your pants reduces the effort needed for planning and making maps. However, flying without a complete and reliable map can be dangerous.

A sobering reminder may be seen when hiking in the high mountains. There, one can find the wreckage of many small planes. Those bits of debris are all that remain of pilots who tried to fly by the seat of their pants instead of effectively integrating all the needed knowledge about the terrain and the weather.

\textbf{Strategic Planning 0.0: Flying by the Seat of Your Pants}

In the early centuries of commerce, formal planning was not a common practice. Those who managed firms were typically the owners. Decisions were made based on intuition and a deep knowledge of stable industries.

\textbf{SP 0.0}

In business, the larger the firm, and the more difficult the terrain, the greater need we have for good maps. In the modern world, decision-making has become very complex and difficult. As a result, SP emerged as a process to analyze data and find the best path through the mountains.
Strategic Planning 1.0: All the Data, All the Time

As firms grew, the need for planning also grew. Strategic planning, as a formal process, emerged in the 1960s. Managers moved beyond the limits of their intuition. They studied industry reports, academic analyses, and data from their own firms. This kind of effort has become prevalent among managers — particularly in larger firms. Indeed, some suggest that top managers should spend 10% of their time in SP activities.\(^5\)

You might say that SP 1.0 has helped our leader avoid crashing in the mountains. Now, however, she has become trapped in the “data mine.” She is chained to an endless task — digging at mountains of data.

Because we live in the “information age,” the supply of data seems infinite. However, leaders often lack a clear direction to dig. They lose a great deal of time reading reports that may not be relevant. This is time that might be better spent on important tasks such as improving communication, coordination, and productivity.

SP 1.0

SP 1.0 is a huge investment of time and it sometimes promotes organizational success. However, the results may also be irrelevant, dysfunctional, and excessively rigid.\(^6\) By the late 20th Century, SP 1.0 had lost its luster and was already in decline.\(^7\) Research has even found the popular SWOT analysis to be ineffective.\(^8\)

Strategic Planning 2.0: Collaboration and Communication

By the end of the 20th Century, a new approach was emerging. The practice of Organizational Development (OD) is focused on long-term thinking, improving communication, and collaboration. OD is often used in leadership teams to develop mission statements, establish goals, and coordinate efforts needed to reach those goals.\(^9\)

SP 2.0

In short, SP 2.0 brings people together so they can more easily decide how to work together for better results.

Of course, wisdom can come from groups. With good coaches and facilitators, an organization can surface a wide variety of interesting ideas.
and potential directions. This can also serve to improve communication and collaboration in the firm. These processes are essential for working together to increase success.

But the OD approach also has a downside.

Imagine you are in the Camden marketplace near London, or the Grand Bazaar in Istanbul. You are surrounded by merchants hawking their wares. The never-ending lines of tables are in no apparent order. Aisles, like tunnels, lead in every direction.

When asking for ideas on how to run a firm, it is difficult enough to talk with a few people. With SP 2.0, our leader is trying to get ideas from everybody. In this Grand Bazaar of ideas, our adventurous leader may easily find herself lost. Rather than clarifying a preferred direction, she finds only more confusion. One map may seem as good as another because the leader lacks a clear way to choose between the many maps offered for sale.

Using OD has promise for developing more effective SPs. However, “OD practitioners are not stepping up to the challenge” [9, p. 218]. This is an important concern because organizations need “OD skills to help navigate” (ibid, quoted from Jelinek and Litterer). Instead of careful navigation, however, the OD practice of coaching says people should shoot for instant results. In short, OD has not yet lived up to its promise.

Strategic Planning 3.0: IPA & SKM

Before our bold leader begins to make a map, she might step back and consider, “How do we determine the quality of a map?” A good place to start is Wexler. He explains that a knowledge map is a useful tool for overcoming data smog or information overload (the problem we identified in SP 1.0). Maps are useful for making sense of existing knowledge and identifying where exploration might be needed to fill critical gaps in leadership knowledge.

Those maps are common in some firms. You may recognize them if you are familiar with causal maps, strategy maps, concept maps, and cognitive maps. Here, we will think of them as Strategic Knowledge Maps (SKMs). Or, more simply, Maps. For more detailed information on the creation of SKMs, please see our white paper titled, “Strategic Knowledge Mapping for Improved Policy & Strategic Planning.”

So far, the benefits of a good map are much the same as mentioned in SP 2.0. That is, a good map is useful for improving cohesion, strengthening communication, encouraging the development of new knowledge, and boosting economic returns.

Advantages of SP 3.0

- Surfaces tacit (hidden) knowledge
- Helps overcome data smog
- Supports communication and collaboration
- Reveals knowledge gaps
- Measures progress scientifically
- Assesses maps to choose and improve maps before following them
- Shows leverage points

The time has come for a new perspective and a new tool that is more useful.
However, we can’t test the quality of a map by following it. If we do, we risk crashing into a mountain. Or, to put it another way, if you are conducting a strategic planning session, and two executives suggest different maps, how do you know which one leads “through” the mountains and which one leads only “into” a mountain?

We need a better measure. We need a way to determine the quality of the map before we try to fly through the mountains.

A very practical view suggests that a good map must be systemic. For example, a roadmap of the country shows highways that are connected with cities and other roads — a highway system.

From that view, imagine our adventurous leader looking at two maps. One “map” provides a list of all the mountains in the world. The other map shows interconnected roads through the mountains. With this new insight, it is clear which map is best.

One new approach, Integrative Propositional Analysis (IPA), has proven especially useful for evaluating maps. Research using IPA has shown that maps that are more Complex and more Systemic will serve as more reliable guides. Very briefly, Complexity is a measure of the number of concepts within the map. Systemicity is a measure of the causal connections within the map. For a more detailed discussion, please see our white paper titled, “The Science of Conceptual Systems: Its History and Usefulness for Improved Decision-making and Organizational Success.”

Developed from a systems perspective, IPA is an easier and faster way to improve and evaluate maps and plans. So easy, in fact, that we are gamifying the process (some early adopters even called it fun). In the Strategic Planning 3.0 process, insights and data combine to create a better map, which in turn leads to new insights and improved outcome measures.

Benefits of Strategic Planning 3.0

This new approach begins by assembling the appropriate participants — those with the knowledge and interest in the situation. With the facilitation of a Certified SKM Coach, they identify relevant knowledge. Participants collaboratively integrate that knowledge into a map. Using IPA, they evaluate the map for its Systemicity and so its potential usefulness.

This process helps participants determine if they have enough of the right data. If not, the map helps them determine what additional directions of exploration might yield the most useful data.

With a good map, leaders can more easily identify reasonable goals. Additionally, points of leverage become clear, so that leaders may more easily develop strategies to reach higher goals with less expense. A leverage point is a place to intervene in a business system where a small change in one area will lead to larger changes in other areas.

Creating a SP from a Strategic Knowledge Map and analyzing that map using IPA gives leaders and their firms many advantages.
SP 3.0

First, it includes the intuition and tacit knowledge of the entrepreneurial approach. A key strength here is that a map is useful for surfacing and clarifying that knowledge. This also means identifying knowledge strengths and knowledge gaps. The pass through the mountains may be seen with greater clarity.

Second, the map is beneficial because it includes large amounts of data. The key improvement here is that leaders can evaluate each piece of data for its logical relationship with other data. Thus, firms are not trapped in the endless (and expensive) process of mining data.

Third, the map draws on participation from multiple stakeholders. This collaborative approach is also essential for building buy-in and supporting collaboration.

Finally and most importantly, the IPA approach to mapping provides new ability to quantify the Complexity and Systemicity of the map. This allows the firm to measure their progress as they improve their SP.

In short, IPA provides a compass to help you make a better map.

Summary and Conclusion

Organizational knowledge is a key strategic asset. Knowledge supports the process of cognition (the ability to think about situations and find solutions) another important resource for all firms. Cognition, however, is difficult to manage and most of the knowledge is tacit, essentially locked within individual minds.

By creating a map, firms can clarify the knowledge needed to successfully execute their strategies, identify internal knowledge gaps and learning opportunities, and clarify strategic knowledge strengths.

From the middle of the 20th Century to the early years of the 21st Century, strategic planning (SP) has travelled a rocky road. With each step, with each innovation, the process has improved. In this paper, we have shown the evolution of SP including some strengths and weaknesses of each of its iterations.

Today, we stand on the threshold of a new adventure. Using the SP 3.0 process of creating Strategic Knowledge Maps and using IPA to evaluate our maps before we take the journey means that we can move forward with greater confidence and greater assurance of success.
REFERENCES


