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STRATEGIC PLANNING FOR PUBLIC AND NONPROFIT ORGANIZATIONS

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STRATEGIC PLANNING FOR PUBLIC AND NONPROFIT ORGANIZATIONS

3RD EDITIO

A Guide to Strengthening and Sustaining Organizational Achievement

JOHN M. BRYSON

CHAPTER TWO

THE STRATEGY CHANGE CYCLE

An Effective Strategic Planning Approach

No, I can't say as I ever was lost, but once I was bewildered pretty bad for three days.

DANIEL BOONE

Make-believe is at the heart of play, and also at the heart of so much that passes for work. Let's make-believe we can shoot a rocket to the moon.

DIANE ACKERMAN, *DEEP PLAY*

This chapter presents my preferred approach to strategic planning for public and nonprofit organizations, boundary-crossing services, and communities. This process, called the Strategy Change Cycle, does what Poister and Streib (1999, pp. 309–310) assert strategic planning should do. Specifically, they believe strategic planning should

- Be concerned with identifying and responding to the most fundamental issues facing an organization
- Address the subjective question of purpose and the often competing values that influence mission and strategies
- Emphasize the importance of external trends and forces as they are likely to affect the organization and its mission
- Attempt to be politically realistic by taking into account the concerns and preferences of internal, and especially external, stakeholders
- Rely heavily on the active involvement of senior level managers, and [in the case of public planning] sometimes elected officials, assisted by staff support where needed

- Require the candid confrontation of critical issues by key participants in order to build commitment to plans
- Be action oriented and stress the importance of developing plans for implementing strategies, and
- Focus on implementing decisions now in order to position the organization favorably for the future

The Strategy Change Cycle becomes a *strategic management* process—and not just a *strategic planning* process—to the extent that it is used to link planning and implementation and to manage an organization in a strategic way on an ongoing basis. As Poister and Streib (1999) argue, "The overall purpose of strategic management is to develop a continuing commitment to the mission and vision of the organization (both internally and in the authorizing environment), nurture a culture that identifies and supports the mission and vision, and maintain a clear focus on the organization's strategic agenda throughout all its decision processes and activities" (pp. 311–312). The Strategy Change Cycle draws on a considerable body of research and practical experience, applying it specifically to public and nonprofit organizations. (Subsequent chapters provide detailed guidance on moving through the cycle.)

The epigraphs chosen for this chapter help make the point that strategic thinking, acting, and learning are more important than any particular approach to strategic planning. Consider the humorous statement of Daniel Boone, the famous eighteenth-century American frontiersman (Faragher, 1992, p. 65). When you are lost in the wilderness—*bewildered*—no fixed plan will do. You must think, act, and learn your way to safety. Boone had a destination of at least a general sort in mind but not a route. He had to wander around reconnoitering, gathering information, assessing directions, trying out options, and in general thinking, acting, and learning his way into where he wanted to be. In Karl Weick's words (1995), he had to "act in order to think." Or in Robert Behn's words (1988), he had to "manage by groping along." Ultimately—but not initially or even much before he got to a place he wanted to be—Boone was able to establish a clear destination and a route that worked to get him there. Boone thus had a strategy of purposeful wandering, and it is true that he was not exactly lost; rather he was working at finding himself where he wanted to be. So wandering with a purpose is an important aspect of strategic planning, in which thinking, acting, and learning clearly matter most.

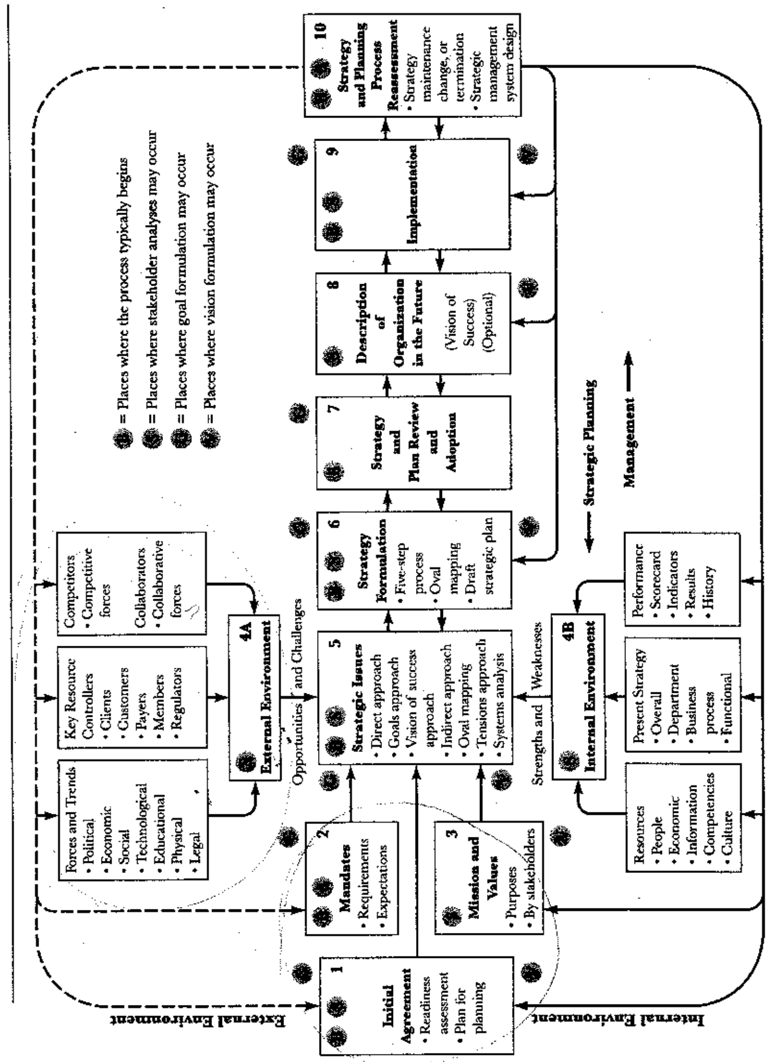
Diane Ackerman's statement makes the point that almost anything is possible with enough imagination, ambition, direction, intelligence, education and training, organization, resources, will, and staying power. We have been to the moon, Mars, Venus, and a host of other places. We have won world wars and cold wars, ended depressions, virtually eliminated small pox, unraveled the human genome, watched a reasonably united and integrated Europe emerge, and seen democracy spread where it was thought unimaginable. Now, let's think about such things as having a good job for everyone, adequate food and housing for everyone, universal health care coverage, drastically reduced crime, effective educational systems, secure pensions and retirements, a dramatic reduction in greenhouse emissions, the elimination of weapons of mass destruction, the elimination of HIV/AIDS, and the realization in practice of the Universal Declaration of Human Rights. And then let us get to work. We can create institutions, policies, projects, products, and services of lasting public value by drawing on our diverse talents—and have done so again and again throughout history (Boyte and Kari, 1996; Light, 2002a). And we can use strategic planning to help us think, act, and learn strategically—to figure out what we should want, why, and how to get it. Think of strategic planning as the organization of hope, as what makes hope reasonable (Baum, 1997).

A Ten-Step Strategic Planning Process

Now, with the caution that strategic thinking, acting, and learning matter most, let us proceed to a detailed exploration of the ten-step Strategy Change Cycle. The process (presented graphically in Figure 2.1) is more orderly, deliberative, and participative than the process followed by an essayist such as Ackerman or a wanderer like Boone. It is designed to organize participation, create ideas for strategic interventions, build a winning coalition, and implement strategies (see Figure 1.4). The Strategy Change Cycle may be thought of as a *process strategy* (Mintzberg, Ahlstrand, and Lampel, 1998, p. 199), *processual model of decision making* (Barzelay, 2001, p. 56), or *activity-based view of strategizing* (Johnson, Melin, and Whittington, 2003), in which a leadership group manages the main activities in the process but leaves much of the content of individual strategies to others. The ten steps (or occasions for dialogue and decision) are as follows:

1. Initiate and agree on a strategic planning process.
2. Identify organizational mandates.
3. Clarify organizational mission and values.
4. Assess the external and internal environments to identify strengths, weaknesses, opportunities, and threats.
5. Identify the strategic issues facing the organization.
6. Formulate strategies to manage the issues.
7. Review and adopt the strategies or strategic plan.

FIGURE 2.1. THE STRATEGY CHANGE CYCLE.



8. Establish an effective organizational vision.
9. Develop an effective implementation process.
10. Reassess the strategies and the strategic planning process.

These ten steps should lead to actions, results, evaluation, and learning. It must be emphasized that actions, results, evaluative judgments, and learning should emerge at each step in the process. In other words, implementation and evaluation should not wait until the "end" of the process but should be an integral and ongoing part of the process.

The process is applicable to public and nonprofit organizations, boundary-crossing services, interorganizational networks, and communities. The only general requirements are a *dominant coalition* (Thompson, 1967), or at least a *coalition of the willing* (Cleveland, 2002), able to sponsor and follow the process and a process champion willing to push it. In small organizations well-informed strategic planning teams that are familiar with and believe in the process should be able to complete most of the steps in a two- or three-day retreat, with an additional one-day meeting three to four weeks later to review the resulting strategic plan. Responsibility for preparing the plan can be delegated to a planner assigned to work with the team, or the organization's chief executive may choose to draft the plan personally. Additional time might be needed for reviews and sign-offs by key decision makers. Additional time might also be necessary for securing information or advice for specific parts of the plan, especially its recommended strategies. Large organizations, however, are likely to need more time and effort for the process. And when applied in a network or community, the effort is likely to be considerably more time consuming because of the need to involve substantial numbers of leaders, organizations, and in a community, citizens.

As you learn more about the steps of the Strategy Change Cycle, you will see that it bears little resemblance to the rigid, formal, detached process—a caricature of strategic planning—occasionally found in the literature (for example, Mintzberg, Ahlstrand, and Lampel, 1998). Instead, the Strategy Change Cycle is intended to enhance strategic thinking, acting, and learning; to engage key actors with what is as well as with what can be; to engage with the important details while abstracting strategic messages from them; and to link strategy formulation with implementation in wise, technically workable, and politically intelligent ways.

Step 1: Initiate and Agree on a Strategic Planning Process

The purpose of the first step is to negotiate agreement among key internal (and perhaps external) decision makers or opinion leaders about the overall strategic planning effort and the key planning steps. The support and the commitment of key decision makers are vital if strategic planning in an organization is to succeed.

Further, the involvement of key decision makers outside the organization is usually crucial to the success of public and nonprofit programs when implementation will involve multiple parties and organizations (Nutt and Backoff, 1996; Eden and Ackermann, 1998; Light, 1998; Rainey and Steinbauer, 1999; Huxham, 2003).

Obviously, some person or group must initiate the process. One of the initiator's first tasks is to identify exactly who the key decision makers are. The next task is to identify which persons, groups, units, or organizations should be involved in the effort. These two steps will require some preliminary stakeholder analysis, which is discussed in more detail later in this chapter. The initial agreement will be negotiated with at least some of these decision makers, groups, units, or organizations. In practice a *series* of agreements typically must be struck among various parties as support for the process builds and key stakeholders and decision makers sign on. Strategic planning for a public or nonprofit organization, network, or community is especially likely to work well when an effective policymaking body is in place to oversee the effort.

The initial agreements should cover

- The purpose of the effort
- The preferred steps in the process
- The form and timing of reports
- The role, functions, and membership of any group or committee empowered to oversee the effort, such as a strategic planning coordinating committee (SPCC)
- The role, functions, and membership of the strategic planning team
- The commitment of the resources necessary for proceeding with the effort
- Any important limitations on or boundaries for the effort

As noted, at least some stakeholder analysis work will be needed in order to figure out whom to include in the series of initial agreements. A *stakeholder* is defined as any person, group, or organization that can place a claim on an organization's (or other entity's) attention, resources, or output or that is affected by that output. Examples of a government's stakeholders are citizens, taxpayers, service recipients, the governing body, employees, unions, interest groups, political parties, the financial community, other businesses, and other governments. Examples of a nonprofit organization's stakeholders are clients or customers, third-party payers or funders, employees, the board of directors, volunteers, other nonprofit organizations providing complementary services or involved as coventurers in projects, banks holding mortgages or notes, and suppliers.

Attention to stakeholder concerns is crucial: *the key to success in public and nonprofit organizations (and communities) is the satisfaction of key stakeholders* (Rainey, 1997, p. 38; Light, 1998). A stakeholder analysis is a way for the organization's decision makers and planning team members to immerse themselves in the networks and politics surrounding the organization. An understanding of the relationships—actual or potential—that help define the organization's context can provide invaluable clues for identifying strategic issues and developing effective strategies (Moore, 1995; Bryson, 2004a). In this regard, note that the stakeholder definition is deliberately broad, for both practical and ethical reasons. Thinking broadly, at least initially, about who the stakeholders are is a way of opening people's eyes to the various webs of relationships within which the organization exists (Rainey, 1997, p. 96; Feldman and Khademian, 2002) and of ensuring that the organization is alert to its ethical and democratic accountability responsibilities, because these responsibilities always involve clarifying *who* and *what* counts (Lewis, 1991; Mitchell, Agle, and Wood, 1997; Behn, 2001).

Many public and nonprofit organizations will give the label *customer* to their key stakeholder, particularly when the organization is trying to *reinvent* itself (Osborne and Plastrik, 1997, 2000), *reengineer* its operations (Hammer and Champy, 1993; Cohen and Eimicke, 1998), or employ continuous improvement processes (Cohen and Brand, 1993; Cohen and Eimicke, 1998). The customer label can be useful, particularly for organizations that need to improve their *customer service* (Light, 1997, p. 204). In other situations such *customer* language may be problematic. One danger is that focusing on a single customer may lead these organizations inadvertently to ignore other important stakeholder groups. Another danger is that the customer label can undermine the values and virtues of active citizenship (deLeon and Denhardt, 2000; Denhardt and Denhardt, 2000). The public sector is not as simple as the private sector; public entities typically have many *bottom lines* (Rainey, 2003). In addition, many community-based nonprofit organizations and those relying on government funding also face complex stakeholder environments.

Resource A, at the end of this book, provides an overview of a range of stakeholder identification and analysis techniques, and Chapter Three presents more detail on how to get started. The organizers of the planning effort should count on using several techniques, including what I call the *basic analysis technique* (discussed in Chapter Four). This technique requires the strategic planning team to brainstorm in order to produce a list of the organization's stakeholders, to identify the criteria these stakeholders use for judging the organization's performance (that is, the definitions of their *stakes* in the organization or its output), and to determine how well the organization performs against those criteria *from the stakeholders' points of view.* If there is time, additional steps (perhaps involving additional analysis techniques) should be considered, including reaching an understanding of the ways in which the stakeholders influence the organization, identifying what the organization needs from each stakeholder (e.g., money, staff, political support), and determining in general how important the various stakeholders are. Looking ahead, a stakeholder analysis will help the organization decide whether it needs different missions and perhaps different strategies for different stakeholders, whether it should seek to have its mandates changed, and in general what its strategic issues are.

Step 2: Identify Organizational Mandates

The formal and informal mandates placed on the organization consist of the various "musts" it confronts—that is, the various requirements, restrictions, expectations, pressures, and constraints it faces. It is surprising how few organizations know precisely what they are (and are not) formally mandated to do. Typically, few members of any organization have ever read, for example, the relevant legislation, policies, ordinances, charters, articles, and contracts that outline the organization's formal mandates. Even when they have read these materials, it is likely that their organization's strategic plans will fail to address at least some of the formal mandates and that these mandates may be overlooked (Piotrowski and Rosenbloom, 2002). Many organizational members also do not understand the informal mandates—typically political in the broadest sense—that their organization faces. It may not be surprising, then, that most organizations make one or more of three fundamental mistakes. First, by not articulating or knowing what they must do, they are unlikely to do it. Second, they may believe they are more tightly constrained in their actions than they actually are. And third, they may assume that if they are not explicitly told to do something, they are not allowed to do it.

Step 3: Clarify Organizational Mission and Values

An organization's mission, in tandem with its mandates, provides the organization's most important justification for its existence. An organization's mission and mandates also point the way toward the ultimate organizational end of creating public value. For a government, governmental agency, or nonprofit organization, this means there must be identifiable social or political demands or needs that the organization seeks to fill. Viewed in this light, these organizations must always be seen as a means to an end, not as an end in and of themselves (Frederickson, 1997). For the entities in a collaborative, this means identifying the *collaborative advantage* to be gained by working together, that is, what they can gain together that creates public value that they cannot achieve alone (Huxham, 2003). Communities too must justify their existence by how well they address their various stakeholders' values and meet those stakeholders' social and political needs—including the need for a sense of community. Communities, however, are less likely than other groups to think in terms of having a *mission;* they are more likely to talk about their purposes, values, and identity.

Identifying the mission or purpose of the organization does more than justify the organization's existence. Clarifying purpose can eliminate a great deal of unnecessary conflict in an organization and can channel discussion and activity productively (Terry, 2001; Thompson, 2001; Nutt, 2002). Agreement on purpose also defines the arenas within which the organization will collaborate or compete and, at least in broad outline, charts the future course of the organization. Agreement on purpose thus serves as a kind of *primary framework* (Goffman, 1986; Bryant, 2003, pp. 96–99) that bounds the plausibility and acceptability of arguments. Agreement on purpose can go even further and provide a kind of *premise control* that constrains thinking, learning, and acting (Perrow, 1986; Weick, 1995), and even legitimacy (Suchman, 1995). Moreover, an important and socially justifiable mission is a source of inspiration and guidance to key stakeholders, particularly employees (Weiss and Piderit, 1999; Kouzes and Posner, 2002). Indeed, it is doubtful whether any organization ever achieved greatness or excellence without a basic consensus among its key stakeholders on an inspiring mission (Collins and Porras, 1997; Rainey and Steinbauer, 1999).

I think careful stakeholder analysis work should precede development or modification of an existing mission statement, so that attention to purpose can be informed by thinking about purpose *for whom*. If the purposes of key stakeholders are not served, then the organization may be engaging in what historian Barbara Tuchman (1984) aptly calls "folly." The mission statement itself might be very short, perhaps not more than a sentence or a paragraph. But development of the mission statement should grow out of lengthy dialogue about the organization's identity, its abiding purpose, its desired responses to key stakeholders, its philosophy and core values, and its ethical standards. These discussions may also produce a basic outline for a description of the organization in the future, or its *vision of success,* described in step 8. Considerable intermediate work is necessary, however, before a complete vision of success can be articulated.

Step 4: Assess the External and Internal Environments

The planning team should explore the environment outside the organization to identify the opportunities and challenges the organization faces (step 4a). It should explore the environment inside the organization to identify strengths and weaknesses (step 4b). Basically, *outside* factors are those not under the organization's control, and *inside* factors are those that are (Pfeffer and Salancik, 1978). Opportunities and challenges are usually (though not necessarily) more about the future than the present, whereas strengths and weaknesses are usually about the present and not the future (Nutt and Backoff, 1992). Note that communities are more likely to think in terms of assets rather than strengths (Kretzmann and McKnight, 1993).

Monitoring a variety of forces and trends, including the political, economic, social, educational, technological, and physical environmental ones, can help planners and decision makers discern opportunities and challenges. Unfortunately, organizations all too often focus only on the threats they see in serious challenges and ignore the genuine opportunities these challenges may also present, so care must be taken to ensure a balanced view (Dutton and Jackson, 1987; Borins, 1998; Nutt, 2001b). In other words, attending to challenges and weaknesses should be seen as an opportunity to build strengths and improve performance (Weick and Sutcliffe, 2001).

Besides monitoring trends and events, the strategic planning team also should monitor important external stakeholder groups—especially those that affect resource flows (directly or indirectly)—such as customers, clients, payers or funders, dues-paying members, regulators, and relevant policy bodies. The team should also attend to competitors, competitive forces, and possible sources of competitive advantage as well as to collaborators, collaborative forces, and potential sources of collaborative advantage.

The organization might construct various scenarios to explore alternative futures in the external environment, a practice typical of much strategic planning in large private sector organizations. Scenarios are particularly good at demonstrating how various forces and trends are likely to interact and which forces and trends are amenable to organizational influence and which are not. Scenarios also offer an effective way of challenging the organization's *official future* when necessary. The official future is the presumed or taken-for-granted future that makes current strategies sensible. Organizations unwilling to challenge this future are the ones most likely to be blindsided by changes (Schwartz, 1991; Van der Heijden and others, 2002; Barzelay and Campbell, 2003). Communities too may wish to develop scenarios (Neuman, 1998; Myers and Kitsuse, 2000).

Members of an organization's governing body (particularly when elected) are often better than the organization's employees at identifying and assessing external opportunities and challenges (particularly present ones). This is partly due to the board's responsibility for relating an organization to its external environment and vice versa (Scott, 1987). Unfortunately, neither governing boards nor employees usually do a systematic or effective job of external scanning. As a result, most organizations are like ships trying to navigate troubled or treacherous waters without benefit of human lookouts, global positioning systems, radar, or sonar. All too often the result is a very unwelcome surprise (Marcus and Nichols, 1999; Weick and Sutcliffe, 2001).

That is why both employees and board members should consider supplementing their informal efforts with a somewhat formal external assessment process. The technology of external assessment is fairly simple and allows organizations to cheaply, pragmatically, and effectively keep tabs on things happening in the larger world that are likely to have an effect on the organization and the pursuit of its mission. Basically, the organization takes these three steps: scanning the environment to identify key trends, analyzing those trends to interpret their importance and identify issues, and compiling reports that are useful for planning and decision making (Pflaum and Delmont, 1987). Clipping services, discussion groups, and periodic retreats, for example, might be used to explore forces and trends and their potential impact. The key is to avoid being captured by existing categories of classification and search, because they tend to formalize and routinize the past rather than to open people to the surprises of the future (Mintzberg, Ahlstrand, and Lampel, 1998; Weick and Sutcliffe, 2001).

Attention to opportunities and challenges, along with a stakeholder analysis, can identify the organization's *critical success factors* (Johnson and Scholes, 2002, pp. 145–198). These success factors may overlap with mandates in the sense that they are the things the organization must do or criteria it must meet in order to be successful in the eyes of its key stakeholders, especially those in the external environment. Ideally, the organization will excel in these areas, and it must do so in order to outperform or stave off competitors.

To identify internal strengths and weaknesses, the organization might monitor resources (inputs), present strategy (process), and performance (outputs). Most public and nonprofit organizations have volumes of information on many of their inputs, such as salaries, supplies, physical plant, and full-time-equivalent (FTE) personnel. Unfortunately, too few organizations have a clear idea of their philosophy, core values, distinctive competencies, and culture, a crucial set of inputs both for ensuring stability and for managing change.

Organizations also tend to have an unclear idea of their present strategy, either overall, by subunit, or by function. And typically they cannot say enough about their outputs, let alone the effects, or outcomes, those outputs create for clients, customers, or payers, although this too is changing. For example, schools have traditionally been able to say how many students they graduate—an output—but most cannot say how educated those students are. National requirements for standardized testing at certain grade levels are an attempt to measure outcomes in order to remedy this shortcoming. We know tests of this sort are almost always imperfect, but the need to demonstrate accountability for performance to politicians and the citizenry virtually requires that believable testing of some sort be used (Behn, 2003).

A lack of performance information presents problems both for the organization and for its stakeholders. Stakeholders judge an organization according to the criteria *they* choose, which are not necessarily the same criteria the organization would choose. For external stakeholders in particular, these criteria typically relate to performance. If an organization cannot effectively meet its stakeholders' performance criteria, then regardless of its inherent worth, the stakeholders are likely to withdraw their support (Epstein, Wray, Marshall, and Griffel, 1998; Poister, 2003). The need to address this potential threat—particularly from key stakeholders, or customers—is one of the reasons organizations initiate reinvention, reengineering, or continuous improvement efforts (Light, 1997; Kettl, 2002).

An absence of performance information may also create or harden major organizational conflicts. Without performance criteria and information, the organization cannot objectively evaluate the relative effectiveness of alternative strategies, resource allocations, organizational designs, and distributions of power. As a result, organizational conflicts are likely to occur more often than they should, serve narrow partisan interests, and be resolved in ways that don't further the organization's mission (Terry, 1993; Flyvbjerg, 1998).

The difficulties of measuring performance with reasonable objectivity are well known (Osborne and Plastrik, 2000; Ingraham and Donahue, 2000; Kaplan, 2001; Poister, 2003). But regardless of these difficulties, organizations are continually challenged to demonstrate effective performance to their stakeholders. Employees of governmental agencies and nonprofit organizations receiving governmental funds might see the public's desire to limit or decrease taxation and funding as selfishness. It may be that for some people; however, one might also interpret these limitations on public expenditure as a sign of unwillingness to support organizations that cannot demonstrate unequivocally effective performance. The desire for demonstrable performance was clearly behind the Government Performance and Results Act (GPRA) of 1993 (Public Law 103-62), which requires all federal agencies to complete a strategic plan based on outcomes rather than inputs or throughputs. The assessment of GPRA's effectiveness is mixed (Radin, 2000; Fredericksen, 2001), but the impulse behind the act will remain. Several states initiated performance-oriented systems prior to GPRA (Broom, 1995), and large numbers of local governments embrace performance management as well (Berman and West, 1998).

A consideration of the organization's strengths and weaknesses can also lead to identification of its *distinctive competencies* (Selznick, 1957), or what have been termed more recently *core competencies* (Prahalad and Hamel, 1990; Johnson and Scholes, 2002) or *capabilities* (Stalk, Evans, and Shulman, 1992). These are the organization's strongest abilities, most effective strategies and actions, or best resources (broadly conceived), on which it can draw routinely to perform well. What makes these abilities distinctive is the inability of other organizations to replicate them easily, if at all, because of the way they are interlinked with one another (Eden and Ackermann, 2000).

Finally, a consideration of the ways in which inputs, process, and outputs are linked can help the organization understand what its strategies are and the *value proposition* that it offers its stakeholders (Moore, 2000, p. 197). In other words, what story does this linkage tell about the *logic model* (Millar, Simeone, and Carnevale, 2001; Poister, 2003) or *value chain* (Porter, 1985, pp. 33–61) that the organization pursues to convert inputs into outputs that meet its mandates, fulfill its mission, satisfy its stakeholders and create public value? Being clear about what *is* can be an extraordinarily helpful prelude to discerning what *ought to be* (Terry, 1993; Weick, 1995). For one thing, understanding what the strategy is in practice can open people's eyes to what is going on in the environment more generally. As Mintzberg, Ahlstrand, and Lampel (1998) note, "The very encouragement of strategy to get on with it—its very role in protecting people in the organization from distraction—impedes their capacity to respond to changes in the environment" (p. 28). Understanding the current strategy can also sensitize people to the ways in which an integration of human resource management, information technology, and financial management might be used to sustain, strengthen, and protect desirable strategies.

Step 5: Identify the Strategic Issues Facing the Organization

Together, the first four steps of the Strategy Change Cycle lead to the fifth, the identification of strategic issues. *Strategic issues* are fundamental policy questions or critical challenges affecting the organization's mandates, mission and values, product or service level and mix, clients, users or payers, cost, financing, structure, processes, and management. Finding the best way to frame these issues typically requires considerable wisdom and dialogue, informed by a deep understanding of organizational operations, stakeholder interests, and external demands and possibilities. The first four steps of the process are designed to slow things down so that planning team members have enough information and interaction for the needed wisdom to emerge. The process is designed, in other words, to *unfreeze* people's thinking (Lewin, 1951; Dalton, 1970; Fiol, 2002) so that knowledge exploration and development may occur (March, 1991; Crossan, Lane, and White, 1999). This knowledge is then exploited in this and later phases.

Strategic planning focuses on achieving the best *fit* between an organization and its environment. Attention to mandates and the external environment therefore can be thought of as planning from the outside in. Attention to mission and

organizational values and the internal environment can be considered planning from the inside out. Usually, it is vital that pressing strategic issues be dealt with expeditiously and effectively if the organization is to survive and prosper. An organization that does not respond to a strategic issue can expect undesirable results from a threat, a missed opportunity, or both.

The iterative nature of the strategic planning process often becomes apparent in this step when participants find that information created or discussed in earlier steps presents itself again as part of a strategic issue. For example, many strategic planning teams begin strategic planning with the belief that they know what their organization's mission is. They often find out in this step, however, that one of the key issues their organization faces is exactly what its mission ought to be. In other words the organization's present mission is found to be inappropriate, given the team members' new understanding of the situation the organization faces, and a new mission must be created.

Strategic issues, virtually by definition, involve conflicts of one sort or another. The conflicts may involve ends (what), means (how or how much), philosophy (why), location (where), timing (when), and the entities advantaged or disadvantaged by different ways of resolving the issue (who). In order for these issues to be raised and resolved effectively, the organization must be prepared to deal with the almost inevitable conflicts that will occur. Conflict, shifts in understanding, and shifts in preferences will all evoke participants' emotions (Weick, 1995; Bryant, 2003). It is therefore in this stage that the importance of emotion will become dramatically apparent, along with the concomitant need for emotional intelligence on the part of participants if the emotions are to be dealt with effectively (Goleman, 1995; Heifetz, 1994; Goleman, Boyatzis, and McKee, 2002).

A statement of a strategic issue should contain three elements. First, the issue should be described succinctly, preferably in a single paragraph. The issue should be framed as a question that the organization can do something about. If the organization cannot do anything about the issue, it is best not to think of it as an issue for the organization; it is simply a condition (Wildavsky, 1979). An organization's attention is limited enough without wasting it on issues the organization cannot address effectively. The question should also have more than one answer, as a way of broadening the search for viable strategies. Too often organizations jump to a solution before fully understanding other options; reaching this understanding helps the planning team learn more about the issue (Eden and Ackermann, 1998; Nutt, 2002).

Second, the team should list the factors that make the issue a fundamental challenge. In particular, what is it about the organization's mandates, mission and values, or internal strengths and weaknesses and external opportunities and challenges that makes this issue a strategic one for the organization? This list will be useful in the next step, strategy development. Every effective strategy builds on strengths and takes advantage of opportunities while it minimizes or overcomes weaknesses and challenges. The framing of each strategic issue is therefore very important because it will provide much of the basis for that issue's resolution (Eden and Ackermann, 1998; Nutt, 2002; Bryant, 2003).

Finally, the planning team should prepare a statement of the consequences of failure to address the issue. This will help organizational leaders decide just how strategic, or important, various issues are. If no consequences will ensue from failure to address a particular issue, then it is not a strategic issue. At the other extreme, if the organization will be destroyed or will miss a valuable opportunity by failing to address a particular issue, then the issue is clearly *very* strategic and is worth attending to immediately. Thus the step of identifying strategic issues is aimed at focusing organizational attention on what is truly important for the survival, prosperity, and effectiveness of the organization.

Once statements of the issues are prepared, the organization will know what kinds of issues it faces and just how strategic they are. There are several kinds of strategic issues:

- Issues that alter the organization and especially its *core business* (or what might be called *developmental* issues), and those that do not (or what might be called *nondevelopmental* issues) (Nutt, 2001b). Developmental issues involve a fundamental change in products or services, customers or clients, service or distribution channels, sources of revenue, identity or image, or some other aspect of the organization. They are also issues for which there is no real organizational precedent. In other words the resolution of these issues may well hinge on defining a new vision or set of goals. Nondevelopmental issues involve less ambiguity because most aspects of the organization's overall strategy will not change. Resolving these issues is likely to require reprogramming strategies rather than altering the vision and goals.
- Issues that require no organizational action at present but that must be continuously monitored.
- Issues that are on the horizon and likely to require some action in the future and perhaps some action now. For the most part they can be handled as part of the organization's regular strategic planning cycle.
- Issues that require an immediate response and therefore cannot be handled in a routine way.

Seven basic approaches to the identification of strategic issues are discussed in detail in Chapter Six. Briefly, the *direct* approach goes straight from a discussion of mandates, mission, and SWOCs (strengths, weaknesses, opportunities, and

challenges) to the identification of strategic issues. The *indirect* approach begins with brainstorming about different kinds of options before identifying issues. These options include actions the organization could take to meet its mandates, fulfill its mission, and create public value; to meet stakeholders' performance expectations; to build on strengths, take advantage of opportunities, and minimize or overcome weaknesses and challenges; and to deal with any other important knowledge from background studies. These options are then merged into a single set of potential actions and clustered into potential issue categories. The *goals* approach starts with goals (or performance indicators) and then identifies issues that must be addressed before the goals (or indicators) can be achieved. And the *vision of success* approach starts with at least a sketch of a vision of success in order to identify issues that must be dealt with before the vision can be realized. This approach is probably necessary in situations involving developmental issues—where fundamental change is needed but the organization lacks a precedent (Nutt, 2001b). For example, development of a vision of success is often recommended for organizations about to engage in a serious way in e-government or e-commerce (Abramson and Means, 2001). In addition, many community strategic planning efforts use a visioning approach to identify issues (Chrislip, 2002).

The *oval mapping* approach involves creation of word-and-arrow diagrams in which ideas about actions the organization might take, how it might take them, and why, are linked by arrows indicating cause and effect or influence relationships. In other words the arrows indicate that action A may cause or influence B, which in turn may cause or influence C, and so on; if the organization does A, it can expect to produce outcome B, which in turn may be expected to produce outcome C. These maps may display hundreds of interconnected relationships, showing differing areas of interest and their relationships to one another. Important clusters of potential actions may constitute strategic issues. A strategy that responds to the issue will then describe the specific choices of actions to undertake in the issue area, how to undertake them, and why (Eden and Ackermann, 1998; Bryson, Ackermann, Eden, and Finn, 2004). This approach is particularly useful when participants are having trouble making sense of complex issue areas, time is short, the emphasis must be on action, and commitment from those involved is particularly important.

The *tensions* approach was developed by Nutt and Backoff (1992) and elaborated by Nutt, Backoff, and Hogan (2000). These authors argue that any strategic issue always presents four basic tensions that involve, in various combinations, human resource and especially *equity* concerns, *innovation* and *change*, maintenance of *tradition*, and *productivity improvement*. They suggest critiquing the way issues are framed by highlighting these tensions, separately and in combination, in order to find the best way to frame the issue. The critiques may need to run through several cycles before the wisest way to frame the issue is found. Finally, the *systems analysis* approach can discern the best way to frame issues when a system contains complex feedback effects and must be formally modeled in order for the organization to fully understand it (Senge, 1990; Sterman, 2000).

By offering seven different approaches to the identification of strategic issues, I may raise the hackles of some planning theorists and practitioners who believe you should *always* start with issues or goals or vision or analysis. I argue in contrast that what will work best depends on the situation and that the wise planner should choose an approach accordingly.

Step 6: Formulate Strategies to Manage the Issues

A *strategy* can be defined 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. Strategies vary by level, function, and time frame. Organizations develop strategies to deal with the issues they have identified.

This definition is purposely broad in order to focus attention on achieving consistency across *rhetoric* (what people say), *choices* (what people decide on and are willing to pay for), *actions* (what people do), and the *consequences* of those actions. Effective strategy formulation and implementation processes link rhetoric, choices, actions, and consequences into reasonably coherent and consistent patterns across levels, functions, and time (Eden and Ackermann, 1998). They are also tailored to fit an organization's culture, even when the purpose of a strategy is to reconfigure that culture in some way (Johnson and Scholes, 2002). Draft strategies, and perhaps drafts of formal strategic plans, are formulated in this step to articulate desired patterns. Strategies may also be reviewed and adopted at the end of this step if the strategic planning process is relatively simple, small scale, and involves a single organization. (Such a process merges steps 6 and 7.)

There are numerous approaches to strategy development (Mintzberg, Ahlstrand, and Lampel, 1998; Holman and Devane, 1999; Bryson and Anderson, 2000; Bryson, 2001, 2003a). I generally favor either of two approaches. The first is a five-part, fairly speedy process based on the work of the Institute of Cultural Affairs (Spencer, 1989). The second, a mapping process, can be used when the planning team needs or desires to articulate the relationships among multiple options so as to show how they fit together as part of a pattern.

Developing Strategies Through a Five-Part Process. The first part of the five-part process begins with identification of practical alternatives and of dreams or visions for resolving the strategic issues. Each option should be phrased in action terms: that is, it should begin with an imperative, such as *do, get, buy, achieve,* and so forth. Phrasing options in action terms makes them more "real" to participants.

Next, the planning team should enumerate the barriers to achieving those alternatives, dreams, or visions. Focusing on barriers at this point is not typical of most strategic planning processes, but it is one way of ensuring that any strategies developed deal with implementation difficulties directly rather than haphazardly.

Once the alternatives, dreams, and visions and the barriers to their realization are listed, the team develops major proposals for achieving these alternatives, dreams, and visions, either indirectly (through overcoming the barriers) or directly. (Alternatively, the team might solicit proposals from key organizational units, various stakeholder groups, relevant task forces, or selected individuals.) For example, a major Midwestern city government did not begin to work on strategies to achieve its major ambitions until it had overhauled its archaic civil service system. That system was a barrier that had to be changed before the city government could have any hope of achieving its more important objectives.

After major proposals are submitted, two final tasks remain in this five-part process. Actions that must be taken over the next two to three years to implement the major proposals must be identified. And a detailed work program for the next six to twelve months must be spelled out to implement the actions. These last two tasks shade over into the work of step 9, but that is good, because strategies should always be developed with implementation in mind. As Mintzberg (1994) explains, "Every failure of implementation is, by definition, also a failure of formulation" (p. 25). In some circumstances, steps 6 and 9 may be merged—for example, when a single organization is planning for itself. In addition, in interorganizational or community settings, the various parties often must work out implementation details before they are willing to commit to shared strategic plans (Innes, 1996; Bardach, 1998; Bryant, 2003). In situations such as these, implementation planning may have to precede strategy or plan adoption.

Developing Strategies by Structuring Relationships Among Strategic Options. The second method of developing strategies is based on the strategic options development and analysis (SODA) method, developed by Colin Eden and Fran Ackermann and their associates (Eden and Ackermann, 1998; Eden and Ackermann, 2001; Bryson, Ackermann, Eden, and Finn, 2004). This method involves listing multiple options for addressing each strategic issue, once again phrasing each option in imperative, action terms. The options are then linked by arrows indicating which options cause or influence the achievement of other options. Each option may be part of more than one chain. The result is a *map* of action-to-outcome (cause and effect, means-to-an-end) relationships; those options toward the end of a chain of arrows are possible goals or perhaps even mission statements. Presumably, these goals can be achieved by accomplishing at least some of the actions leading up to them, although additional analysis and work on the arrow chains may be necessary to determine and clearly articulate action-to-outcome relationships. Option maps can be reviewed and revised and particular action-to-outcome chains selected as strategies. (See Resource B for more information on how to develop maps of this sort. Additional detail and numerous examples can be found in Bryson, Ackermann, Eden, and Finn, 2004.)

An effective strategy must meet several criteria. It should be technically workable and administratively feasible, politically acceptable to key stakeholders, and results oriented. It must also fit the organization's philosophy and core values, even if the purpose is to change them. Further, it should be ethical, moral, and legal. It must also deal with the strategic issue it was supposed to address, and it must create public value. All too often I have seen strategies that were technically, administratively, politically, morally, ethically, and legally impeccable but that did not deal with the issues they were presumed to address or did not create public value. Effective strategies thus meet a severe set of tests. Careful, thoughtful dialogue—and often bargaining and negotiation—among key decision makers who have adequate information and are politically astute is usually necessary before strategies can be developed that meet these tests. Some of this work typically must occur in this step; some is likely to occur in the next step.

Step 7: Review and Adopt the Strategies or Strategic Plan

Once strategies have been formulated, the planning team may need to obtain an official decision to adopt them and proceed with implementation. The same is true when a formal strategic plan has been prepared. This decision will affirm the desired changes and move the organization toward *refreezing* in the new pattern (Lewin, 1951; Dalton, 1970; Fiol, 2002), where the knowledge exploration of previous steps can be exploited (March, 1991). When strategies and plans are developed for a single organization, particularly a small one, this step may merge with step 6. But a separate step is likely to be necessary when strategic planning is undertaken for a large organization, a network of organizations, or a community. The SPCC will need to approve the resulting strategies or plan; relevant policy-making bodies and other implementing groups and organizations are also likely to have to approve the strategies or plan, or at least parts of the plan, in order for implementation to proceed effectively.

In order to secure passage of any strategy or plan, the planning team must continue to pay attention to the goals, concerns, and interests of all key internal and external stakeholders (Borins, 2000). Finding or creating inducements that can be traded for support can also be useful. But there are numerous ways to defeat any proposal in formal decision-making arenas. So it is important for the plan to be sponsored and championed by actors whose knowledge of negotiating the

intricacies of the relevant arenas can help ensure passage (Bryson and Crosby, 1992; Crosby and Bryson, forthcoming).

Step 8: Establish an Effective Organizational Vision

In this step the organization develops a description of what it should look like once it has successfully implemented its strategies and achieved its full potential. This description is the organization's *vision of success*. Few organizations have such a description or vision, yet its importance has long been recognized by well-managed companies, organizational psychologists, and management theorists (Locke, Shaw, Saari, and Latham, 1981; Collins and Porras, 1997; Kouzes and Posner, 2002). Such descriptions may include the organization's mission, its values and philosophy, its basic strategies, its performance criteria, its important decision rules, and the ethical standards it expects of all employees.

This description, to the extent that it is widely circulated and discussed within the organization, informs organizational members about what is expected of them without constant managerial oversight. Members are freed to act on their own initiative on the organization's behalf to an extent not otherwise possible. The result should be a mobilization of members' energy toward pursuing the organization's purposes and a reduced need for direct supervision (Nutt, 2001b).

Some might question why developing a vision of success comes at this point in the process rather than much earlier. There are two basic answers. First, it does not have to come here for all organizations. Some organizations are able to develop a clearly articulated, agreed-upon vision of success much earlier in the process. Communities, in fact, often start with *visioning* exercises in order to develop a consensus on purposes and values sufficient to guide issue identification and strategy formulation efforts (Chrislip, 2002; Wheeland, 2003). (Figure 2.1 displays the many different points at which participants may find it useful to develop some sort of guiding vision.) Some planning teams may start with a visionary statement. Others may develop a vision to help them figure out what the strategic issues are or to help them develop strategies. And still others may use visions to convince key decision makers to adopt strategies or plans, or to guide implementation efforts. The further along in the process a vision is found, the more fully articulated it is likely to be.

Second, most organizations typically will not be able to develop a detailed vision of success until they have gone through several iterations of strategic planning—if they are able to develop a vision at all. A challenging yet achievable vision embodies the tension between what an organization wants and what it can have (Senge, 1990). Often several cycles of strategic planning are necessary before organizational members know what they want, what they can have, and what the difference is between the two. A vision that motivates people will be challenging enough to spur action yet not so hard to achieve that it demotivates and demoralizes people. Most organizations, in other words, will find that their visions of success serve as guides more for strategy implementation than for strategy formulation.

Further, most organizations do not need to develop a vision of success in order to achieve marked improvements in performance. In my experience, most organizations can demonstrate a substantial improvement in effectiveness if they simply identify and satisfactorily resolve a few strategic issues. Most organizations simply do not address often enough what is truly important; just gathering key decision makers to deal with a few important matters in a timely way can enhance organizational performance substantially. For these reasons step 8 is labeled "optional" in Figure 2.1.

Step 9: Develop an Effective Implementation Process

Just creating a strategic plan is not enough. The changes called for by the adopted strategies must be incorporated throughout the system for these strategies to be brought to life and for real value to be created for the organization and its stakeholders. Thinking strategically about implementation and developing an effective implementation plan are important tasks on the road to realizing the strategies developed in step 6. For example, in some circumstances direct implementation at all sites will be the wisest strategic choice, but in other situations some form of staged implementation may be best (Joyce, 1999, pp. 80–83).

Again, if strategies and an implementation plan have been developed for a single organization, particularly a small one, or if the planning is for an interorganizational network or community, this step may need to be incorporated into step 7, strategy formulation. However, many multiunit or intergovernmental situations will require a separate step to ensure that relevant groups and organizations do the action planning necessary for implementation success.

Action plans should detail the following:

- Implementation roles and responsibilities of oversight bodies, organizational teams or task forces, and individuals
- Expected results and specific objectives and milestones
- Specific action steps and relevant details
- Schedules
- Resource requirements and sources
- A communication process
- Review, monitoring, and midcourse correction procedures
- Accountability procedures

The organization must build into action plans enough sponsors, champions, and other personnel—along with enough time, money, attention, administrative and support services, and other resources—to ensure successful implementation. It must "budget the plan" wisely to ensure implementation goes well. In interorganizational or community situations, it is almost impossible to underestimate the requirements for communications, nurturance of relationships, and attention to operational detail (Huxham, 2003). It is also important to work quickly to avoid unnecessary or undesirable competition with new priorities. Whenever important opportunities to implement strategies and achieve objectives arise, they should be taken. In other words it is important to be opportunistic as well as deliberate. And it is important to remember that what happens in practice will always be some blend of what is intended and what emerges along the way (Mintzberg, Ahlstrand, and Lampel, 1998).

Successfully implemented and institutionalized strategies result in the establishment of a new *regime,* a "set of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area" (Krasner, 1983, p. 2; see also Lauria, 1996; Crossan, Lane, and White, 1999). Regime building is necessary to preserve gains in the face of competing demands. Unfortunately, regimes can outlive their usefulness and must be changed, which involves the next step in the process.

Step 10: Reassess Strategies and the Strategic Planning Process

Once the implementation process has been under way for some time, the organization should review the strategies and the strategic planning process, as a prelude to a new round of strategic planning. Much of the work of this phase may occur as part of the ongoing implementation process. However, if the organization has not engaged in strategic planning for a while, this will be a separate phase. The organization should focus on successful strategies, asking whether they should be maintained, replaced by other strategies, or terminated. Unsuccessful strategies should be replaced or terminated. The strategic planning process also should be examined, its strengths and weaknesses noted, and modifications suggested to improve the next round of strategic planning. Effectiveness in this step depends on effective organizational learning, which means taking a hard look at what is really happening and being open to new information. As Weick and Sutcliffe (2001) say, "The whole point of a learning organization is that it needs to get a better handle on the fact that it doesn't know what it doesn't know" (p. 18). Viewing strategic planning as a kind of action research can embed learning throughout the entire process and make sure that the acquisition of information, the feedback, and the dialogue necessary for learning occur (Eden and Huxham, 1996).

Tailoring the Process to Specific Circumstances

The Strategy Change Cycle is a general approach to strategic planning and management. Like any general planning and management process, it must be tailored carefully to specific situations if it is to be useful (Christensen, 1999). A number of adaptations—variations on the general theme—are discussed in this section.

Sequencing the Steps

Although the steps (or occasions for dialogue and decision) are laid out here in a linear sequence, it must be emphasized that the Strategy Change Cycle, as its name suggests, is iterative in practice. Participants typically rethink what they have done several times before they reach final decisions. Moreover, the process does not always begin at the beginning. Organizations typically find themselves confronted with a new mandate (step 2), a pressing strategic issue (step 5), a failing strategy (step 6 or 9), or the need to reassess what they have been doing (step 10), and that leads them to engage in strategic planning. Once engaged, the organization is likely to go back and begin at the beginning, particularly with a reexamination of its mission. (Indeed, in my experience, it does not matter where you start, you always end up back at the mission.)

In addition, implementation usually begins before all the planning is complete. As soon as useful actions are identified, they are taken, as long as they do not jeopardize future actions that might prove valuable. In other words, in a linear, sequential process, the first eight steps of the process would be followed by implementing the planned actions and evaluating the results. However, implementation typically does not, and should not, wait until the first eight steps have been completed. For example, if the organization's mission needs to be redrafted, then it should be. If the SWOC analysis turns up weaknesses or challenges that need to be addressed immediately, they should be. If aspects of a desirable strategy can be implemented without awaiting further developments, they should be, and so on. As noted earlier, strategic thinking *and* acting *and* learning are important, and all of the thinking does not have to occur before any actions are taken. For one thing, often it is action that leads to real learning (Weick, 1995). Or as Mintzberg, Ahlstrand, and Lampel (1998) note: "Effective strategy making connects acting to thinking which in turn connects implementation to formulation. We think in order to act, to be sure, but we also act in order to think" (p. 71)—and to learn, they might have added. Strategic planning is iterative, flexible, and action-oriented and that is often precisely what makes it so attractive to public and nonprofit leaders and managers.

Making Use of Vision, Goals, and Issues

In the discussion of step 8 I noted that some organizations and communities may wish to start their process with a vision statement. Such a statement, even if less detailed than a statement developed later in the process, may foster a consensus and provide important inspiration and guidance. As indicated in Figure 2.1, there are other points at which organizations might develop a vision statement (or statements). A vision may thus be used to prompt the identification of strategic issues, guide the search for and development of strategies, inspire the adoption of strategic plans, or guide implementation efforts. The Amherst H. Wilder Foundation (2000) of St. Paul, Minnesota, for example, presents this vision in its 2000–05 strategic plan: "A vibrant Saint Paul where individuals, families and communities can prosper, with opportunities for all to be employed, to be engaged citizens, to live in decent housing, to attend good schools, and to receive support during times of need." The foundation also formed a vision for each of its previous plans and used each one to help it identify issues to be addressed and to develop strategies for realizing the vision. U.S. Air Force planners also used a vision to help them identify issues and develop strategies in the 1990s; a dramatic reorientation of mission and strategies resulted (Barzelay and Campbell, 2003). The decision to develop a vision statement should hinge on whether one is needed to provide direction to subsequent efforts; whether people will be able to develop a vision that is meaningful enough, detailed enough, *and* broadly supported by key stakeholders; and whether there will be enough energy left after the visioning effort to push ahead.

Similarly, as indicated in Figure 2.1, it is possible to develop goals at many different places in the process (Borins, 1998; Behn, 1999a; Roberts, 1999). Some strategic planning processes will begin with goals set by new boards of directors, elected policy bodies, chief executive officers, judges, or other top-level decision makers. These goals embody a reform agenda for the organization (or network or community). Other strategic planning processes may start with goals that are part of mandates. For example, legislation often requires implementing agencies to develop plans that include results and outcome measures that will show how the intent of the legislation is being achieved. A *starting* goal for these agencies therefore is to identify results and outcomes they want to be measured against that also are in accord with legislative intent. This goal helps these agencies identify an important *strategic issue*—namely, what should the results and outcomes be? Subsequent strategic planning efforts are then likely to start with the outcomes the organization and legislature thinks are still important.

Still other strategic planning processes will articulate goals to guide strategy formulation in response to specific issues or to guide implementation of specific strategies. Goals developed at these later stages of the process are likely to be more detailed and specific than those developed earlier. Goals may be developed any time they will be useful to guide process efforts *and* will have sufficient support among key parties to produce desired actions.

In my experience, however, strategic planning processes generally start neither with vision nor with goals. In part, this is because in my experience strategic planning rarely starts with step 1. Instead, people sense something is not right about the current situation—they are facing strategic issues or they are pursuing a strategy that is failing or about to fail—and they want to know what to do (Borins, 1998; Nutt, 2001b). One of the crucial features of issue-driven planning (and political decision making in general) is that you do not have to agree on goals to agree on next steps (Innes, 1996; Bryant, 2003; Huxham, 2003). You simply need to agree on a strategy that will address the issue and further the organization's (or community's) and the key stakeholders' interests. Goals are likely to be developed once viable strategies have been developed to address the issues. These goals will typically be strategy specific.

Articulating goals or describing a vision may give strategic planners a better feeling for where a strategy or interconnected set of strategies should lead (Behn, 1999a; Nutt, 2001b). Goals and vision are thus more likely to come toward the end of the process than the beginning. But there are clear exceptions—as the examples of the Wilder Foundation and the Air Force revealed earlier—and process designers should think carefully about why, when, and how—if at all—to bring goals and vision into the process.

Applying the Process Across Organizational Subunits, Levels, and Functions

Strategic thinking, acting, and learning depend on getting key people together, getting them to focus wisely and creatively on what is really important, and getting them to do something about it. At its most basic the technology of strategic planning thus involves deliberations, decisions, and actions. The steps in the Strategy Change Cycle make the process reasonably orderly to increase the likelihood that what is important is recognized and addressed and to increase the number of people who participate in the process. When the process is applied to the organization as a whole or at least to significant parts of it on an ongoing basis (rather than in a one-shot effort), it is usually necessary to construct a *strategic management system*. This system encourages integration of the various parts of the process in appropriate ways and engages the organization in strategic management, not just strategic planning (Poister and Streib, 1999). In the best circumstances the system will include the actors and the knowledge necessary to foster systems thinking and

prompt quick, wise, and effective action, because inclusion, systems thinking, and speed are increasingly required of public and nonprofit organizations (Schachtel, 2001; Linden, 2002; Bryson, 2003a).

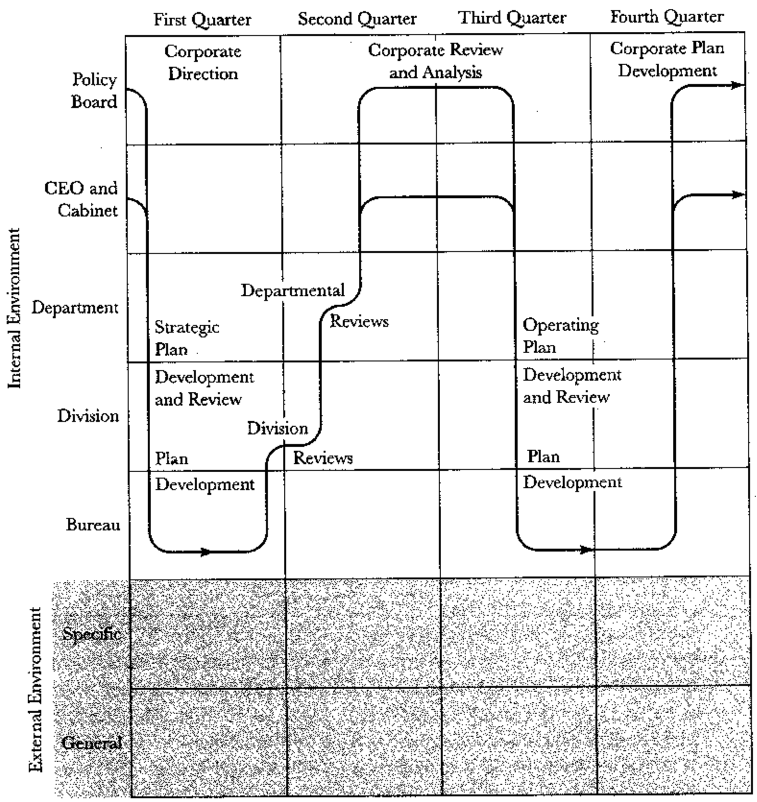
The Strategy Change Cycle might be applied across organizational subunits, levels, and functions as outlined in Figure 2.2. This application is based on an *integrated units of management* system used by many corporations. The system's first cycle consists of bottom-up development of strategic plans within a framework established at the top, followed by reviews and reconciliation at each succeeding level. In the second cycle operating plans are developed to implement the strategic plans. Depending on the situation, decisions at the top of the organizational hierarchy may or may not require policy board approval (which is why the line depicting the process flow diverges at the top).

The system may be supported by a set of performance indicators and strategies embodied in a *balanced scorecard* (BSC) (Kaplan and Norton, 1996, 2004; Niven, 2003). An example of a BSC, from the city of Charlotte, North Carolina, is presented in Figure 2.3. The theory behind the balanced scorecard is that learning and growth outcomes should enhance the effectiveness of internal processes, which in turn should facilitate achievement of desirable financial outcomes. Achieving desirable outcomes in all three areas should produce better customer outcomes. The theory implies that an organization that has gone through the process of developing an organization-wide balanced scorecard and supporting scorecards for departments and lines of business should be more effective in meeting its mandates, fulfilling its mission, and creating public value. (The Hennepin County, Minnesota, strategic management system relies in part on the use of balanced scorecards and is discussed in detail in Chapter Ten.)

Strategic planning systems for public and nonprofit organizations are usually not as formalized and integrated as the one outlined in Figure 2.2. More typical is a *strategic issues management* system, which attempts to manage specific strategic issues without seeking integration of the resultant strategies across all subunits, levels, and functions (Roberts and Wargo, 1994; Joyce, 1999; Hendrick, 2003). Tight integration is often not necessary, because most issues do not affect all parts of an organization, are subject to differing political requirements, and have their own time frame.

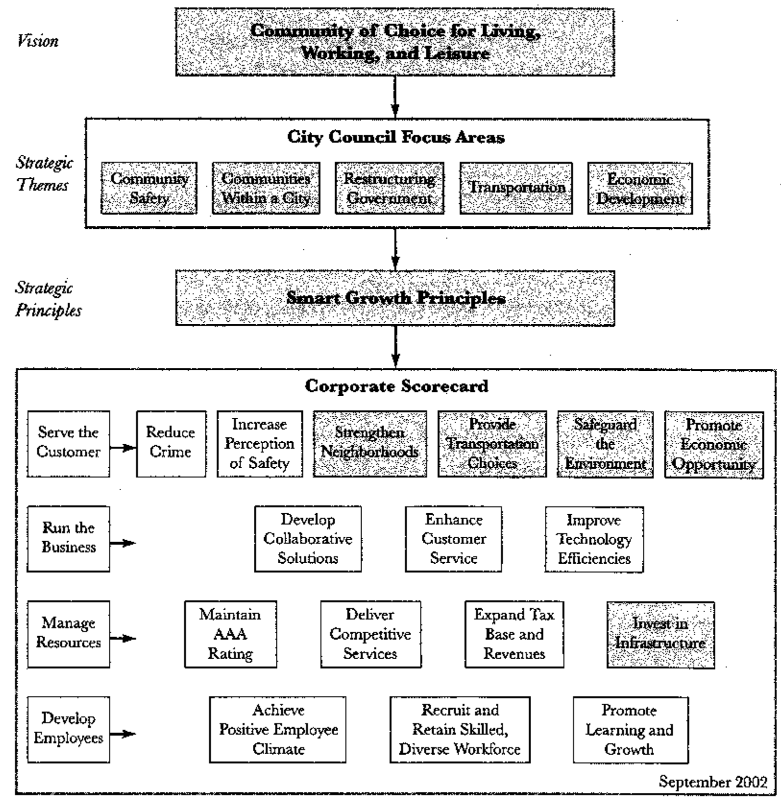
Baltimore, Maryland, and a number of other cities have institutionalized strategic issues management through use of the CitiStat system (Schachtel, 2001; Linden, 2002). In this system a central analysis staff uses geographically coded data to spot trends, events, and issues that need to be addressed by line departments. The heads of the relevant units meet regularly with the mayor and the mayor's key advisers, including the heads of finance, human resources, and information technology, to examine the data and address the issues face to face. Actions

FIGURE 2.2. STRATEGIC PLANNING SYSTEM FOR INTEGRATED UNITS OF MANAGEMENT.



Source: Adapted from Bryson and Roering, 1987, p. 16.

FIGURE 2.3. BALANCED SCORECARD FOR A GOVERNMENT.



Note: Corporate Scorecard shaded boxes are specifically related to Smart Growth Principles.

Source: City of Charlotte, North Carolina, 2004. Reprinted with permission.

and follow-up procedures are agreed upon on the spot. Notable successes have occurred in which better outcomes were produced, money was saved, or teamwork and competence were enhanced. Many cities have experienced all three of these results. Other common public and nonprofit strategic planning systems are the *contract model, collaboration,* the *portfolio model,* and the *goal model.* (These systems are discussed in Chapter Ten.)

If the organization is fairly large, then specific linkages will be necessary to join the process to different functions and levels in the organization so that it can proceed in a reasonably orderly and integrated manner. One effective way to achieve such a linkage is to appoint the heads of all major units to the strategic planning team. All unit heads can then be sure that their units' information and interests are represented in strategy formulation and can oversee strategy implementation in their unit.

Indeed, key decision makers might wish to form themselves into a permanent strategic planning committee or cabinet. I recommend this approach when it appears workable for the organization, because it emphasizes the role of line managers as strategic planners and the role of strategic planners as facilitators of decision making by the line managers. Pragmatic and effective strategies and plans are likely to result. Temporary task forces or strategic planning committees or cabinets can work, but whatever the arrangement, there is no substitute for the direct involvement of key decision makers in the process (Borins, 1998).

Applying the Process to Functions That Cross Organizational Boundaries, Interorganizational Networks, and Communities

When applied to a function or network that crosses organizational boundaries or to a community, the Strategy Change Cycle usually needs to be sponsored by a committee or task force of key decision makers, opinion leaders, "influentials," or "notables" representing important stakeholder groups. Additional working groups or task forces usually need to be organized at various times to deal with specific strategic issues or to oversee the implementation of specific strategies. Because so many more people and groups need to be involved and because implementation has to rely more on consent than authority, the process is likely to be much more time consuming and iterative than strategic planning applied to an organization. However, the additional time spent on exploring issues and reaching agreement may be made up later through speedy implementation (Innes, 1996; Bardach, 1998; Bryant, 2003; Huxham, 2003). Resource C provides additional information on how to pursue strategic planning in collaborative settings.

In addition, when a community is involved, special efforts are necessary to make sure that important connections are made and any incompatibilities are resolved between the strategic plans and the community's comprehensive plan and the various devices used to implement it, such as the government's capital improvement program, subdivision controls, zoning ordinances, and official maps. Making these connections, however, should not unduly hamper the process. Strategic planning and comprehensive planning can be complementary, and efforts should be made to ensure that they are so that the interests of the community and its various stakeholders can be advanced (Innes, 1996; Burby, 2003; Wheeland, 2003).

Roles for Planners, Decision Makers, Implementers, and Citizens

Planners can play many different roles in a strategic planning process. In many cases the planners are not people with the job title of planner but are policymakers or line managers (Mintzberg, Ahlstrand, and Lampel, 1998). The people with the title of planner often act primarily as facilitators of decision making by policymakers or line managers, as technical experts in substantive areas, or as both. Planners also operate in a variety of other roles. Sometimes the planner is an "expert on experts" (Bolan, 1971), easing different people with different expertise in and out of the process for different purposes at different times. At other times planners act as technicians, politicians, or hybrids of these roles (Howe, 1980). At still other times they are finders of strategy, interpreting existing actions and recognizing important patterns in the organization and its environment; analysts of existing or potential strategies; catalysts for promoting strategic thought and action; or strategists themselves (Mintzberg, 1994, pp. 361–396).

Because the most important thing about strategic planning is the development of strategic thought, action, and learning, it may not matter much which person does what. However, it does seem that strategic planning done by policymakers or line managers is most likely to be implemented. (Line managers in government are not usually charged with making important political trade-offs—politicians are. Therefore an effective governmental strategic planning process probably needs participation from both policymakers and line managers.)

Public organizations engaged in strategic planning often have little citizen participation in the process other than that of elected or appointed policy board members. One reason for this may be that the organization already possesses the necessary knowledge and expertise in-house, making citizen involvement redundant and excessively time consuming. In addition, insiders typically are the chief implementers of strategies, so their ownership of the process and resultant decisions may be what is most crucial. Further, the direct involvement of an elected or appointed policy board may be sufficient to legitimize the process, in keeping with the idea that this country has a representative, not a direct, democracy. The absence of participation by ordinary outsiders would parallel much private sector corporate planning practice. Nonetheless, it is easy to be wrong about how much one "knows," or needs to know, and how much perceived legitimacy the process needs (Suchman, 1995; Nutt, 2002). Interviews, focus groups and surveys of outsiders, and external sounding boards of various sorts are often worth their weight in gold because they open insiders' eyes to information they have missed, add legitimacy to the effort, and keep the organization, network, or community from reaching wrong conclusions or making poor decisions (Thomas, 1995; Feldman and Khademian, 2000). So a word of caution is in order: remember, as the ancient Greeks believed, that nemesis always walks in the footsteps of hubris!

Program-focused strategic planning appears to be much more likely to involve citizens, particularly in their capacity as customers. Citizen involvement in program planning thus is roughly analogous to consumer involvement in private sector marketing research and development projects. For example, the School District relied on a variety of citizen involvement techniques (for example, committees, task forces, surveys, public meetings) to figure out what it should be doing. More generally, transportation planning typically involves a great deal of citizen participation. Citizens may provide information concerning their travel needs and desires, reactions to various transportation system design alternatives, and advice on ways to resolve conflicts that arise during the process. Park planning also typically involves substantial citizen participation. Unfortunately, because the use of transportation systems or parks by citizens is generally broad based, actual users are often assumed to be identical with citizens at large. This equation is hardly ever justified, however, as it probably masks great variety in stakeholder concerns about and contributions to the process. A stakeholder analysis can help keep the interests and contributions of different groups of citizens analytically separate (Eden and Ackermann, 1998; Bryson, 2004b).

Finally, planning on behalf of a community almost always involves substantial citizen participation. Unfortunately, community-focused strategic plans often assume that all citizens can be treated alike and that all citizens are interested in the community as a whole—two assumptions at odds with most studies of political participation (see, for example, Putnam, 2000). Application of the stakeholder concept to community strategic planning would help avoid some of these errors, as it did in the case of the School District's efforts, where the interests of parents, businesses, taxpayers, elected officials, and other stakeholder groups were all explored. Beyond that, broad citizen involvement usually results in better plans and implementation processes (Chrislip, 2000; Burby, 2003; Wheeland, 2003).

Summary

This chapter has outlined the Strategy Change Cycle, a process for promoting strategic thinking, acting, and learning in governments, public agencies, nonprofit organizations, networks, communities, and other entities. Although the process is

presented in a linear, sequential fashion for pedagogical reasons, in practice it proceeds iteratively as groups continuously rethink the connections among the various elements of the process, take action, and learn on their way to formulating effective strategies. In addition, the process often does not start with step 1 but instead starts with some other step and then cycles back to step 1. The steps are not steps precisely but rather occasions for deliberations, decisions, and actions within a continuous flow of strategic thinking, acting, and learning; knowledge exploration and exploitation; and strategy formulation and implementation. Mintzberg, Ahlstrand, and Lampel (1998) assert that "all real strategic behavior has to combine deliberate control with emergent learning" (p. 195). The Strategy Change Cycle is designed to promote just this kind of strategic behavior.

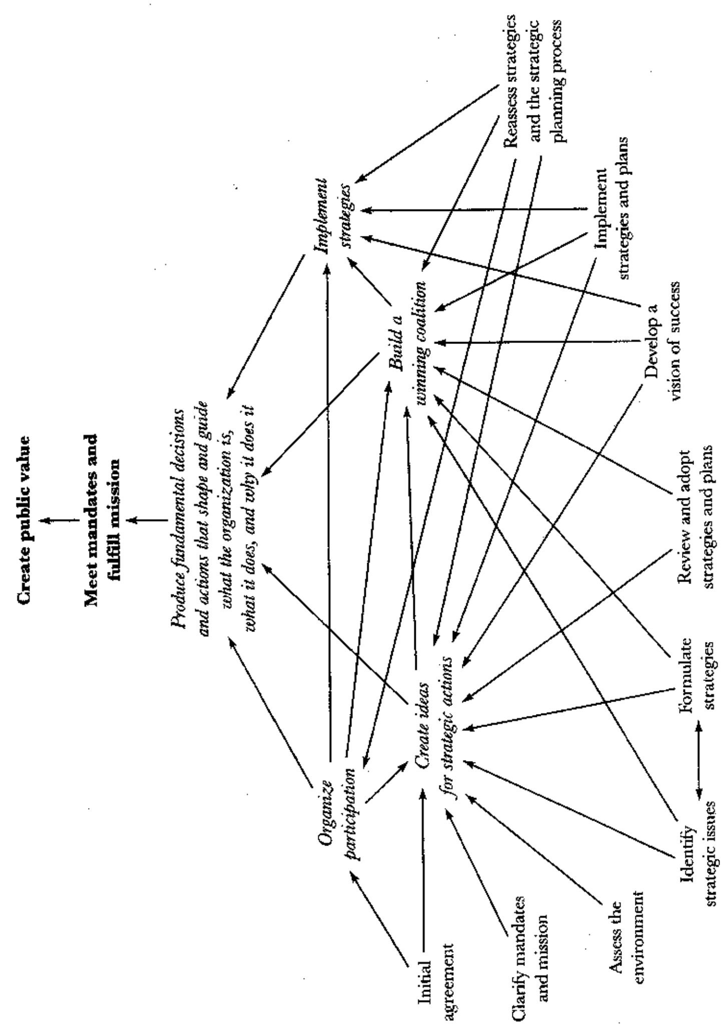
Figure 2.4 shows how the Strategy Change Cycle is designed to further the functions of strategic planning outlined in Figure 1.4. It also displays the iteration that is likely to occur as planning teams work to organize participation, create ideas of strategic significance, build a winning coalition, and implement the ideas so that the decisions and actions produced lead to meeting the organization's mandates, fulfilling its mission, and creating real public value.

As previously mentioned, my colleague Farnum Alston and I have prepared a strategic planning workbook designed to help individuals, teams, groups, and organizations work through the process (Bryson and Alston, 2004). The workbook should not be used without this book, however, because the Strategy Change Cycle typically requires careful tailoring to specific circumstances. Owing to space limitations, the workbook contains little advice on how to adapt the process to different situations, whereas this book offers a great deal of the advice and guidance necessary to design and manage a successful process.

In Chapter Three I discuss how to negotiate an initial agreement among key internal (and perhaps external) decision makers or opinion leaders on the purpose and process of a strategic planning effort. This agreement will shape the nature and direction of deliberations, decisions, and actions designed to deal with what is truly important to the organization or community.

The Process

FIGURE 2.4. STRATEGIC PLANNING PURPOSES AND FUNCTIONS AND STRATEGY CHANGE CYCLE STEPS.



PART TWO

KEY STEPS IN USING THE STRATEGY CHANGE CYCLE

The ten-step strategic planning process is presented in detail in Part Two. It is a reasonably orderly, deliberative, and participative approach to facilitating strategic thought, action, and learning by key decision makers.

Chapter Three covers the initial agreement phase, the "plan for planning." Chapter Four focuses on clarifying organization mandates and mission. Chapter Five describes how to assess an organization's strengths and weaknesses, as well as the opportunities and challenges it faces. Chapter Six discusses strategic issues—what they are, how they can be identified, and how to critique them. Chapter Seven is devoted to formulating and adopting effective strategies and plans.

The final three chapters in Part Two move from planning to management. Chapter Eight covers development of the organization's vision of success, a description of what the organization should look like as it fulfills its mission, meets its mandates, and achieves its full potential for creating public value. Chapter Nine focuses on implementing strategies and plans, and Chapter Ten on reassessing and revising them.

An organization that completes this Strategy Change Cycle should be well on its way toward improving and maintaining its effectiveness, pursuing its mission, meeting its mandates, and creating genuine public value. It should be clearly focused on satisfying key stakeholders in ways that are politically acceptable, technically and administratively workable, and legally and ethically defensible.