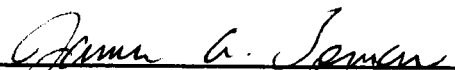


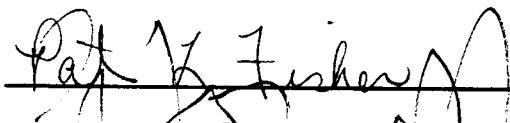
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STRATEGIC PLANNING FROM TWO PERSPECTIVES: URBAN PLANNING
AND BUSINESS MANAGEMENT

A Thesis
Presented for the
Master of Science in Planning
Degree
The University of Tennessee

Teresa James

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ABSTRACT

The world is changing rapidly in novel ways. In response to these novel discontinuities, strategic planning evolved in the private sector. Urban planners have begun to enter the strategic planning arena with mixed success. It is the contention of this paper that urban planners can use strategic planning more effectively by learning the theory, rules, and tools business managers use in a strategic approach.

This is an analytical research effort consisting of expert opinions and the author's conclusions and modifications. The data was obtained primarily from existing secondary sources. Professors from the Graduate School of Planning and the Master of Business Administration program were consulted about the choices of materials to insure the most significant works and authors on the subject of strategic planning were included.

The thesis traces the history of strategic planning, including environmental factors that affect both the public and private sectors. The paper then discusses strategic planning from a business management perspective, differences between the business management and urban planning environments, and factors that differentiate the public and private sectors. This is

followed by a modification of business management strategic planning tools and techniques for urban planners.

In conclusion, this paper states that strategic planning is becoming essential in today's rapidly changing world. It recommends urban planners pay more attention to theory and that they share their experiences in strategic planning with each other.

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CHAPTER I

INTRODUCTION

I. GENERAL INTRODUCTION TO STRATEGIC PLANNING

Strategic planning has been the subject of countless books and articles, but many of these leave the reader with the question, what is strategic planning? Part of the confusion is due to the broad array of applications of the techniques, and part is due to the evolution of strategic planning.

Strategic planning evolved in a business setting as a response to increased uncertainty about the future and shorter response times to novel situations and discontinuities. Institutions have been forced to change at rapid rates, and these institutions include businesses and urban governments. In addition, organizations have become larger and more complex. A split has taken place between "operating" management and what is now called "strategic" management. Operating management deals with the efficient operation of a business, or town, on a day-to-day basis. This is the traditional role of management, but with today's complexity and rapidly changing environment, efficiently proceeding today with what worked yesterday is no longer enough. New directions are needed, along with new skills and new

organizational structures. Looking for these new directions, skills, and structures is one component of strategic planning. Implementation, and especially overcoming resistance to change is another (Schendel and Hofer, 1979).

Strategic planning can be used in contexts as diverse as Joe's Barber Shop and IBM. This had led many would-be practitioners to the false conclusion that any well thought-out plan is a strategic plan if it takes into account strengths and opportunities, with an eye towards the firm or city's resources and capabilities. Often so-called strategic plans fail, leaving the practitioners disillusioned with the process. But Shanklin and Ryans (1985) point out that the strategic planning process is often blamed for poor results, and not given credit when it is successful. Conversely, individual managers' brilliance and talent often are credited with the successes accomplished through the use of strategic planning.

It is the contention of this paper that strategic planning can be effective in the context of urban planning, but attention must be paid to the underlying theory, which includes conditions, limits, and a quantitative methodology that must be used in order to select the appropriate tools for a given application.

Urban planners often overlook the theory and the rules which would make application effective. This paper explores some specifics of strategic planning theory, and applies them directly to the urban planning environment. Although what is presented here is not a complete transformation of all strategic planning theory, it lays a partial foundation for a beginning.

II. PURPOSE AND RESEARCH QUESTION

Following are the research question and subsidiary questions to be answered by this study.

A. Research Question

What techniques and applications of strategic planning, developed in a business management context, are fundamental and appropriate to the successful implementation of strategic planning in an urban planning context?

B. Subsidiary Questions

What aspects of strategic planning are common to business management and urban planning?

Which components of business management-oriented strategic planning do not apply to urban planning-oriented strategic planning?

What specifically differentiates urban planning-oriented strategic planning from business management-oriented strategic planning?

What modifications could be made to business management-oriented strategic planning to make it a more effective tool for urban planners?

Before answering these questions, it is necessary to understand the historical evolution of strategic planning, as well as urban and business management definitions of strategic planning. This paper will address these issues before going on to answer the research questions.

III. LIMITS

This study is limited to the strategic planning process, but contains an overview of the strategic management framework, of which strategic planning is a component. The specific techniques presented include matrix analyses, the life cycle evaluation, Porter's five forces model, and Ansoff's scale of environmental turbulence.

These techniques were chosen because they are potentially useful for urban planners, and because they deal with fundamental questions that must be answered in order to apply or reject these basic tools.

If these simpler tools and techniques are judged to be inappropriate, there are more complex ones. However, basic procedures must be understood before a practitioner can reject them, and move on to the more complex procedures. This paper does not deal with the more complex tools and techniques, but provides instead a discussion of the basic ones which constitute a foundation which practitioners may build. Some of the more complex procedures include redesigning the management system and/or the firm, analyses of the manager's strengths and weaknesses, shared authority, delphi, stochastic modelling, and many others.' The techniques presented in this paper may be expanded in certain cases to accommodate more complex situations. For example, the matrix analyses may be repeated with alternative dimensions represented on the axes in order to analyze additional factors. Also the tools and techniques presented in this paper give an overview of the varied perspectives from which the firm/city may be viewed, i.e., the strategic business unit/city functional

'See also Ansoff (1984), Camillus (1986), Chandler and Cockle (1982), Checkoway (1986), Cope (1981), Dutton and Ottensmeyer (1987), Freeman (1984), Guppor (1986), Haspelagh (1982), King (1987), Porter (1985), Shendel and Hofer (1987), Steiner (1979).

group, the firm/city, the industry/region, and the global or national environment within which the firm or the city must operate.

IV. ORGANIZATION OF THESIS

Chapter I is the introduction and includes an overview of the topic, the research question and subsidiary questions, and the limits of the study.

Chapter II presents the historical context for strategic management. This begins with the history of business from the 1900's to the present, followed by a discussion of the emergence of strategic planning in the public sector. The chapter concludes with a discussion of environmental factors affecting the rate of change in both the public sectors and the private sectors.

The third chapter is divided into two major studies: Urban Perspective and Management Perspective. The urban section discusses the factors that differentiate urban environments from business environments, and presents examples of strategic planning that has been done by urban planners. The business management section deals with the strategic planning process from a business perspective, and includes a thorough discussion of specific techniques and their limitations.

In Chapter IV the techniques presented in the business management section of the Chapter III are modified for urban planners. Chapter V is a summary and offers conclusions and directions for further research.

V. NATURE OF THE STUDY

This is an analytical research effort consisting of expert opinions and the author's conclusions and modifications. The data was obtained primarily from existing secondary sources. Professors from the Graduate School of Planning and the Master of Business Administration program were consulted on the choices of materials, to insure that the most significant works and authors on the subject of strategic planning were included.

Through this review the literature, urban planning and business-oriented strategic management are compared and contrasted as environments in which strategic planning may be applied, considering their objectives, internal structures, and external linkages. Using this basis, techniques from strategic planning are presented and modified for the use of urban planners.

CHAPTER II

HISTORICAL EVOLUTION OF STRATEGIC PLANNING

I. INTRODUCTION

The first step towards understanding strategic management is to examine the historical evolution of the approach. This chapter presents a brief look at the historical changes in American business from the 1900's to the present, followed by a discussion of the emergence of strategic planning in the public sector. The chapter ends with a presentation of environmental factors affecting the rate of change in both the public and private sector.

Igor Ansoff (1984) discusses the historical context from which strategic management emerged. He divides business history into three eras: Mass Production, Mass Marketing, and Post-Industrial. The following sections reflect his framework and his general ideas.

II. MASS PRODUCTION ERA

Industrial structure was developed and consolidated from 1900-1930 or so. This period is called the Mass Production era. The focus of industry was to perfect mass production and thereby decrease per unit costs of

the products. Cost advantage was the only marketing strategy used, i.e., having a standard product at the lowest price. Someone suggested a differentiation strategy to Henry Ford to which he replied, "Give it (the Model T) to them in any color so long as it is black."

Industries were separate from each other, and most industries had promising futures. Few firms attempted diversification since most felt there was adequate growth potential in their own field. Managers focused on the efficiency of production; mass production technology in consumer industries, batch and continuous production in process industries, and serial production in the manufacturing of capital goods. Progress was made in the subdivision of work, plant layout schemes, automation, equipment replacement, machine loading, inventory control techniques, warehousing and distribution, and the use of the experience curve. According to the experience curve, the cost of production declines by 10-30% each time a company's experience in producing a good doubles (Abell and Hammond, 1979). The sources of the experience effect include labor efficiency, work specialization, new production processes, changes in resource mix, and product standardization or redesign.

In the early history of business, entrepreneurs were in charge of their industries, but when perfecting the production process became the focus, management changed. Firms were divided into functional units. Once these functions were standardized, they could run with minimal interference from general management. In fact, these units ran more smoothly when the authority and responsibility were as close as possible to the levels where the functional work was being done. From this experience came the maximal decentralization principle which states that top management of a firm should involve itself only minimally in the day-to-day operations, and only step in when problems or conflicts arise. These problems and conflicts were rare, so corporate offices were minimally staffed and contributed little to the firms.

Political and social controls on business were few. Government infrequently interfered. When business exceeded the bounds of society, anti-trust or anti-collusion laws were enacted. But for the most part, business was left alone. The prevailing attitude of the times was reflected in the saying of Charlie Wilson, a president of General Motors, "What is good for General Motors is good for the country."

III. MASS MARKETING ERA

The Mass-Marketing Era started about 1930. At this time General Motors began a shift towards a market mentality. They instituted an annual model change, which symbolized a shift from cost strategy to differentiation strategy. A firm pursuing a cost strategy tries to be the lowest cost producer of a standardized good. Under a differentiation strategy, a firm tries to offer a specialized product for which it charges a premium price. Promotion, advertising, and other forms of consumer appeal became top priority for managers.

This shift meant a shift from an internal focus on production, to an external focus on marketing. Power shifted from production oriented managers to market-oriented ones. Conflict and power struggles ensued. In addition, many managers resisted the change because it required new skills from them, changes in structure, and acceptance of a higher degree of uncertainty about the future. Most of the changes came from the leading aggressive firms which set the pace of progress. Sometimes changes led to adverse consequences, but these were seen as the price of competitive freedom and well worth paying. These infrequent "surprises" were seen as the exceptions in a relatively surprise-free world.

Starting in the 1930s, firms increasingly looked for new products, so Research & Development (R&D) became more important. New products could not only recognize and fulfill consumer demands, they could anticipate and shape consumer preferences. Artificial obsolescence began in this era. After World War II, with so much new technology created in the war effort, R&D became a vital concern of managers. R&D could send a firm soaring, as it often did, but it could also sink firms, which was common.

As marketing gained pre-eminence over production, inevitably these two functions were frequently working at cross purposes. Top management had to increasingly play the role of arbitrator, resolving conflicts and optimizing profitability. As R&D grew, this became a three-way struggle and management was called upon to coordinate the functional activities and negotiate the conflicts between marketing, production, and R&D.

Until about 1950, firms extrapolated from the past, and relied on historical strengths. Operations budgets and capital budgets were extrapolated to forecast the future needs of the firm and the demand for the product. Management by objectives and long range planning were commonly used. But as the business environment became more turbulent and less predictable, it became apparent

that future performance could not be assumed to be founded upon historical strengths. Novel situations and discontinuities forced management to look for ways to anticipate change. Some of these new situations involved consumer demand, but many involved increasing government controls and societal demands.

IV. POST INDUSTRIAL ERA

In the 1960s, strategic planning emerged. The future was acknowledged to be discontinuous, but historical strengths were still important. The future threats and opportunities of firms and industries were predictable. New technologies led to new industries. There was increasing pressure on business to control pollution and be socially responsible. An analysis of the firm's strengths and weaknesses was an important contribution of strategic planning, but relying on historical strengths was limiting. Managers found themselves trying to balance the demands on production, marketing, and research and development with the demands of consumers, the government, and stockholders.

One point to keep in mind is the criticism of the Ansoff view of history by William Dill (Schendel and Hofer Ed., 1979). Dill believes the history is overly simplistic because it does not include non-manufacturing

enterprises such as banks, railroads, mining, etc.. These other enterprises were concerned with obtaining resources, and company strategy was aimed at gathering resources rather than with production efficiency and internal structure.

In the more recent past, strategic management has evolved to deal more effectively with novel discontinuities. (See Chapter III, Part II, Section G.) Response time to these novel challenges is often very short. Weak signals are defined by Ansoff (1984) as ". . . imprecise early indications about impending impactful events" (p. 22). They can be detected to indicate coming changes, so a constant surveillance of the environment is becoming essential for some firms. But some of the changes businesses face come as complete surprises. The environment is more complex and less predictable than ever. This has required many firms to develop management approaches that can deal effectively with the complexity and speed of environmental challenges. Strategic management is such an approach. But bear in mind, not every firm faces the same degree of complexity and speed of change, and because of this all firms do not need to take a strategic approach. Some businesses are still able to effectively use the older approaches discussed

before, such as long-range planning. But more and more firms find strategic management essential to their success.

V. URBAN PLANNING

The urban planning profession has been influenced by different factors since its inception. The first major influence in the modern era of the planning movement in the U.S. was the "City Beautiful" movement, initiated by the 1893 Columbian Exposition in Chicago. The fair was called the "White City."

City planning was design-oriented, due in large part to the fact that many of the early planners had back- grounds in architecture, landscape architecture, and civic engineering. Daniel Burnham, Charles McKim, and Frederick Olmstead, Sr., were part of the team that designed the "White City," and were trained in architecture and land- scape architecture. The order, cleanliness, and open space at the fair was directly opposite of what most people endured in their cities. The fair initiated the vast sweep of planning called the "City Beautiful" movement. Grand boulevards, plazas, new ornate buildings, civic centers, and majestic monuments

were common, at least in the written plans. Actually, the expense of building was beyond the means of most cities (So, Stollman, et al., 1979).

In 1917, the American City Planning Institute was formed, and marks the start of urban planning as a profession (Slater, 1984). Early city plans were physically oriented and tried to establish how cities ought to look: first, with the "City Beautiful" movement encouraging aesthetics [Peterson (Krueckenberg Ed.), 1983] and later with various regulations and zoning restrictions [Wilson (Krueckenberg Ed.), 1983].

Another major factor that influenced the urban planning profession was the Housing Act of 1954, and more specifically Title I, section 701. The Housing Act required that urban renewal projects be a part of a comprehensive city plan. Because the preparation of these plans put an enormous financial burden on small towns, section 701 provided half the funding for these plans in cities with populations of less than 25,000 (So, Stollman, et al., 1979). This program provided many jobs for planners and also created opportunities for planning consultants.

During the 1960's and 70's, the planning profession faced an increasingly diverse environment. The energy crisis, civil rights legislation, transportation advances

and problems, diminishing funds for ever-increasing demands, and concerns about pollution were just a few of the issues urban planners had to confront.

Boyer (1983) points out the growing disillusion urban planners have concerning comprehensive or master plans. According to her, they are illusory and impossible to achieve. Additionally, Boyer says the ideal of a public interest that may be served by a master plan conflicts with the reality of private interests and the political decision making process.

So (1984) reiterated Boyer's opinion. He says many planners abandoned the map-oriented planning approach in the 1960's, and opted for policy planning. Part of the problem was the lack of effectiveness of the traditional comprehensive plan, and another part was an impatience with the length of time it takes to prepare a comprehensive plan. According to Bracken (1981), urban planning since the 1960's has focused on the process of planning rather than on the final document.

The "seven deadly sins" of traditional master plans are discussed by Branch (1981) in his book Continuous City Planning, and are listed below.

- a. The picture of the physical city 20-25 years in the future shown by traditional end-state master plans does not represent what the community wants nor what is possible, but what city planners wish could be.
- b. Physical plans do not treat financial, economic, political, social, technological, and other "nonphysical" realities which must be incorporated in meaningful city plans.
- c. Traditional city plans are formulated as if the municipal government can provide whatever funds are needed and will enact whatever laws and regulations are required to achieve the end-state city planners believe is desirable many years hence.
- d. The end-state depicted in city plans is so far in the future and so idealized that it does not represent the outcome of a feasible sequence of shorter-range municipal operations and attainments.
- e. City planning has attempted to function independently of politics and separately from the administrative processes of the municipality.

- f. Past city planning has presumed that it can avoid the primary, most pressing, and most difficult urban problems.
- g. Master city plans are conceived and issued as inflexible printed publications, revised and republished only at long intervals, regardless of changing conditions and events.

Because of these factors, and the resultant disillusion of planners towards comprehensive planning, Branch goes on to advocate "continuous" planning, which is in many ways akin to strategic planning.

In response to the growing dissatisfaction with master plans and policy plans, many municipalities and regions are experimenting with strategic plans, believing they are faster to do and more effective. But they are expensive (So, 1984, Sorkin, 1984).

VI. CHALLENGES FACED BY URBAN PLANNERS AND MANAGERS

Many of the concerns of the private sector are also concerns of the public sector. Walter and Choate provide the following list of shared challenges (1984, p. 1):

- overwhelming pressures to favor the short term over the long term, irrespective of eventual consequences;

- problems of managing large, often unresponsive bureaucracies;
- internal and external forces that resist change, regardless of how much that change is required;
- pressures of special interest groups -- often the same special interest groups;
- difficulties in finding and retaining creative, productive people;
- the problems of creating or finding new ideas or new approaches;
- the difficulties of sharing decisions with individuals and institutions outside the organization;
- the problems of securing and allocating limited funds for virtually unlimited demands.

Several factors contribute to the complexities faced by today's urban planners and business managers. They include the items listed below. This is not meant to be an all-inclusive list. Some of the items are discussed in Walter and Choate (1984).

The Influence of Government

Tax laws

Other laws and regulations

Foreign policy and trade

The Influence of Government (cont'd.)

Public infrastructure deterioration

Education

Armaments

Social Issues

Health care quality and cost

Pollution

Threat of global nuclear war

Loss of wildlife species and habitats

Poverty

Natural resource and food supplies and needs

Technology

Computers

Robots

Communications

Replacement of human workers/shift to service jobs

These factors and many others combine to complicate the setting in which public and private sector groups must function. Changes are occurring in each of the areas, and often the changes are totally new directions for which the affected organization has little warning. A highly turbulent environment, rapidly changing in novel ways, is the type of environment for which strategic

planning was designed, and this is the environment within which many urban planners and business managers find themselves.

CHAPTER III

STRATEGIC PLANNING

I. URBAN PERSPECTIVE

A. Differences Between Urban and Business Environments

The urban setting is different from a business setting, and this difference requires that modifications be made to tools and theories borrowed from the business world. One major factor that is responsible for much of the difference is the political arena within which urban planning takes place. There is no single goal or single authority within a municipality. New people are elected and appointed to positions of authority recurrently, and each has his/her own agenda. The ultimate authority is the citizenry, but they do not speak in unity. Special interest groups abound, and each has its own agenda. The turnover due to elections and the changing emphasis of the special interest groups all contribute to the problem of goal definition. In addition, urban areas often are mandated by the state to do certain things, which further reduces their freedom to define their *raison d'être*.

Firms, on the other hand, have almost complete freedom to define and set sub-goals, and all have the same primary goal which is profit generation. People who have a stake in business decisions, such as employees,

shareholders, suppliers, and customers, generally have very limited input into the overall decision-making and goal setting process. The Chief Executive Officer of the firm is the final authority and his/her length of employment is based on performance, not election years. The government is passing more and more laws regulating business behavior, but these are aimed at specific behaviors, such as pollution control, rather than restricting the *raison d'être* of businesses.

The political context within which urban planners operate leads to several additional factors which differentiate the urban from the business environment. One of these is the focus. Business is focused on profit. Cities must focus on the delivery of services and development.

Assuredly it is more difficult to implement strategic planning in an urban context than in the business world. The difficulty is due to the multiplicity of goals and differing agenda faced by cities. Another complicating factor is the lack of continuity resultant from the political calendar of elections and appointments. Local government must gather relevant, accurate information, produce technically competent analyses, propose workable plans, be action-oriented, and have skilled personnel, like business requires, but in

addition, government must be especially concerned with implementability and specific skills. These skills include things such as the ability to work with elected and appointed officials and interest groups, the ability to work with people whose views are in opposition to one's own views, the ability to negotiate and develop consensus, and the ability to discern which policies are implementable, given the social and political situation (So and Getzels, 1988).

The opposition to decisions is more powerful in the public sector. When difficult decisions are made, such as weeding out inefficient services or promoting industrial development, there is always public outcry against the decision. The opposition may have enough power to block action. For example, every citizen recognizes a city's need for solid waste disposal, but no one wants a garbage dump in their neighborhood.²

According to In Search of Excellence (Peters and Waterman, 1982) one common characteristic of successful businesses is a bias for action. McClendon (1986) wrote that local government agencies seem to have a bias for inaction. He recommends planners concentrate on a few

²For more information refer to Bryson and Roeing (1987), Olsen and Eadie (1982), Sorkin, Ferris, and Hudak (1985), TenDam (1986), and Walters and Choate (1984).

concrete, solvable issues rather than taking on the complex whole. Trying to "fix" the whole leads to inaction because of the enormity of the task. Strategic planning can help because one of its purposes is to define a few important issues. When planners become efficient and action-oriented, they will be more effective, and they will gain the support and respect of the business community.

There are also differences between business managers and public-sector managers. Crane and Jones (1982) identified four ways in which the jobs of managers differ in these two groups. First, government managers are expected to be loyal to the authority of the government. Second, career public managers are expected to refrain from partisan politics. A third factor is that public managers have to work for elected officials and implement their policies, and so they are usually identified with the current officials. Finally, public managers must take into account the interests of the entire population. These factors also apply to urban planners.

B. The Need for Strategic Planning

The public sector and the private sector can be viewed as converging on a continuum. The public sector started out with concerns about supplying citizens with needed services such as a clean, safe place to live and

work, and the more esoteric goal of redistribution of wealth through public facilities and services. Business began as a purely competitive economic enterprise, with profit generation as its main concern. However today, cities are beginning to compete with each other for resources and industries while business is coming under pressure to be more socially responsible.

Strategic planning evolved in response to rapid unforeseen changes in the business environment, and because these same kinds of uncertainty are facing the public sector, urban planners are attempting to borrow some of the strategic planning techniques. When economic, regulatory, and consumer environments are relatively stable there is little need for a strategic approach. Day-to-day operations planning is the focus. But in today's world of increasing competition and complexity, strategy assumes a central role. Many of the variables that are important to a community are outside its control. Some of these include interest rates, energy costs, changes in grant availability and application procedures, increased consumer demand for services, population growth and migration, and countless others. The more of these factors that erect an

influence on a certain municipality, and the more unstable the factors are, the more a city needs a strategic approach (Slater 1984).

Another reason cities are attempting to getin on the "strategic" bandwagon is to foster public-private partnerships. According to So (1984), many American cities, faced with diminishing public funds, are becoming involved in strategic planning in order to involve the business community in public affairs. They believe business people will feel more comfortable with a process derived from the business world, and urban planners and managers believe their familiarity with business techniques will give them credibility with the private sector managers. In many ways, strategic planning is a fad, as practiced in the urban setting, and an assortment of plans are being labeled strategic with little regard to the definition or the theories the label implies (So, 1984).

C. The Status of Strategic Planning in the Public Sector

The application of strategic planning to the public sector is still in the experimental stage (So and Getzels, 1988). As a result, judgement about the effectiveness and applicability of the various techniques is uncertain. Some communities have continued with their traditional planning methodologies and merely attached a

strategic label to their new plan. Other communities have involved citizens and business in the establishment of multiple, conflicting goals and implementation of strategies, but most of these are limited in scope.

Strategic planning is becoming more widespread in the public sector, but a single, comprehensive discussion of theory and rules for selecting and modifying techniques for use in particular communities does not exist. Neither does a discussion or an example of a comprehensive urban strategic plan. What does exist is a diverse array of applications, techniques, and theory that form no cohesive unit for urban planners to use. Among these pieces there is a lack of consensus in the urban sector on key issues such as whether strategic planning is short range or long range, whether strategic planning can be applied comprehensively, and what if any, are the differences between strategic planning and the traditional comprehensive planning model.

D. Examples of Urban Strategic Planning

1. Chicago Works Together

This section is based on the discussion of Chicago's strategic economic development plan by Meir, Moe, and Sterr (1986). Harold Washington was elected Mayor of Chicago in 1983. From the beginning, his administration faced a volatile, adversarial political situation,

limited funds, high expectations from his constituency, and major changes taking place in the urban economic structure. Faced with major changes and a four-year term, Mayor Washington recognized that traditional planning and public administration approaches would not work.

Washington had been elected on a platform that promised job opportunities and openness, fairness, and accountability in local government. Because of these factors and the inherent problems of working within a bureaucracy, Mayor Washington chose a strategic approach. Strategic planning was defined as the

... process wherein key actors agree on a limited number of goals based on a careful analysis of the wide range of strengths and weaknesses in the organization's internal and external environment (Meir et al. p. 300).

An essential document was prepared during Harold Washington's campaign for Mayor: the Washington Papers. This document outlined Washington's policy recommendations for a variety of local issues. In preparing Chicago Works Together, the many objectives were reduced to 13 priority goal statements, and this list was later cut down to five goals. These goals were used as the yardstick against which to evaluate city programs and projects. The goals were: job opportunities, promotion

of balanced growth, neighborhood development, public participation, and the legislative agenda. Chicago Works Together committed the mayor to annual numerical targets such as "6,000 units of rehabilitated housing," and "10,000 jobs retained or created," etc.

Chicago Works Together was an improvement on the Washington Papers in two key ways. First it set a small, manageable number of goals and priorities, which is a major difference between strategic and comprehensive plans. Secondly, the plan focused on specific beneficiaries and designed programs to help them, unlike comprehensive plans which attempt to provide something for everyone.

An example of how decision-making was aided by this strategic approach is the proposed expansion of O'Hare Airport. A one billion dollar investment was expected to generate 50,000 direct and spinoff jobs over the following 10 years. Because one of the economic development goals for Chicago was more jobs, research was conducted to determine whether most of the new jobs would go to Chicagoans. It was determined that 90% of the jobs at O'Hare were held by suburbanites at that time. Further it was determined that the Mayor's Office of Employment and Training, the agency that refers Chicago residents to jobs, was not involved in the O'Hare project. The city

was subsidizing a private project through revenue bonds, but there was no linkage between the employment opportunities and any placement or training programs. As a result of the strategic plan, city expenditures such as this were linked to the goals outlined in the plan.

2. Strategy-making in Ontario municipalities

According to Fillion and Seasons (1987), two communities in Ontario, Sudbury and Hamilton-Wentworth, adopted what they call the community development model. Both municipalities were in the midst of economic crises. Both were dominated by one industry, mining in Sudbury and steel in Hamilton-Wentworth, and these industries lost many jobs during the 1970s and 80s. The community development model is a blueprint for economic diversification, with an emphasis on expanding the service sector.

Each case began with proposals by planners based on surveys of current and expected economic trends. This extrapolation is considered to be generally unwise in strategic planning literature because the need for a strategic approach is based on the premise that changes are rapid and the future is uncertain. After the proposals were completed, planners solicited community involvement in the form of public meetings where citizens

had a chance to respond to the proposal. The Sudbury plan is in the process of being adopted, and the Hamilton-Wentworth plan has been adopted.

The authors call these two plans strategic and say they spell out needed changes, provide visionary proposals addressing a wide array of economic and social issues, and acknowledge the role of economic redevelopment in the community development process. The Hamilton-Wentworth plan has guidelines for the Regional Planning and Development Department, with a detailed course of action for the future. The Sudbury plan emphasizes the need for a directed effort from the community in order to achieve a reversal of the current decline with little clear direction.

These plans stand in contrast to the focused, narrow approach made by Chicago Works Together. Whereas the Chicago plan dealt with five specific goals aimed at helping a specific segment of the population, the Ontario plans try to address every aspect of community development and lack the few clear cut goals needed in a truly strategic plan.

Fillion and Seasons go on to explain that the strategies developed in the plans were defined to minimize dissension and did not challenge the interests of any identifiable groups within the community. This

seems to be more of a comprehensive than strategic approach. They also point out that no major staffing changes were required in either case. This is also unlike business-oriented strategic planning which usually requires special skills or expertise that must be developed or brought in.

3. Other Cases

Reed, Reed, and Luke (1987) published an account of their experience with the strategic planning process in Beatrice, Nebraska. They used a shift-shares analysis to determine the most promising economic development sectors, in order to promote these sectors strategically. However, the community focused on industrial recruitment, which was not one of the sectors uncovered by the analysis. The analysis pointed out that health care and telecommunications were the best choices for Beatrice. This resistance in the face of strategic recommendations is a common problem.

Another problem is goal setting. The New York City Partnership articulated it's goal as "(making) New York City a better place to live, to work, and to conduct business" (Sorkin, Ferris, Hudak, 1984, p.36). This vague, all encompassing goal does nothing to aid decision makers faced with allocation problems. In order to alleviate this type of problem, many cities have goals

for city functions, rather than for the city as a whole. For example, San Francisco came up with a mission statement, goal, and objectives for the public transportation system (Sorkin, Ferris, Hudak, 1984, p. 46).

Mission Statement: To provide the capacity to handle safely, economically, and expeditiously a growing number of San Francisco work trips via public and private transportation, within the constraint of available finances.

Goal: Increase MUNI (bus system) reliability and efficiency

Objectives:

- Increase average miles per preventable mechanical defect by 25% for the next four years.
- Increase headway adherence on 15 target lines by 2% per month.
- Utilize increases in system capacity due to additional and/or larger vehicles to reduce load factor to 1.4 for diesel, 1.25 for trolley, and 2.0 for the LUR during peak service periods.

Objectives (cont'd.)

- Decrease the percent of service missed per week due to operator absenteeism from 1.3% to 1% by July 1983, and to 0.5% by January 1984.

This precise goals and objectives list sets the stage for success, but political pressures, technological innovations, and a lack of fiscal resources could make the transit system less important strategically than say public housing, crime prevention, or industrial recruitment. This is the major danger with this approach. If every function of the city has its own strategic plan/agenda, without an overriding city-wide strategic plan, complete with priorities and numerical goals, the effort is likely to be wasted. Once a city has focused on the few functions that will receive priority, then those functions may proceed with their strategic plans, in keeping with the overall strategic plan. But trying to develop strategic plans for every city function seem to the author to be akin to running before learning to walk. In the case of San Francisco, little progress was made towards implementing the transportation strategies over the first year.

Other strategies for San Francisco that made little progress include the city finances strategies, jobs and business opportunities strategies, and a group called general strategies. The only strategies that made significant progress during the first year were the housing strategies (Sorkin, Ferris, Hudak, 1984).

Some information that would be of use to other urban planners, that is conspicuously absent in most case studies, is an indepth look at goal setting, strategy formulation, strength and opportunity assessment, external scanning, implementation procedures, and techniques for overcoming resistance. Although the particular processes and techniques would not be transferrable in every case, it would help would-be strategic planners to precisely what other planners did, the problems they encountered, what they would do differently next time, and what worked extremely well. There are a few instances of this, such as the shift-shares analysis in Beatrice, but for the most part, the literature records what steps were taken without articulating how they were taken.

II. BUSINESS MANAGEMENT PERSPECTIVE

A. The Strategic Planning Process

When a firm exists in an industry where extrapolation of past success is unable to forecast future success (i.e., traditional long-range planning), strategic planning may be the appropriate response. Strategic planning is long-range-oriented and includes goal setting and a new look at the firm's raison d'être. This approach requires an environment in which planning is continuous, and it requires a commitment from personnel. It adds an evaluation of the external environment within which the firm operates. Historical successes are still relevant, but it is understood that historical strengths may become weaknesses in the future. An example of a strength that becomes a weakness is found in the vacuum tube manufacturing industry. When solid-state technology made vacuum tubes virtually obsolete, many firms were forced to leave the vacuum tube industry, including the industrial leaders.

The strategic planning process has been described in several ways. Ansoff (1984) offers the following:

- a. Analysis of the firm's prospects
- b. Competitive analysis
- c. Portfolio analysis

- d. Diversification analysis
- e. Establishment of strategic goals
- f. Strategic implementation and control

In the introduction to their book, Schendel and Hofer (1979) lay out the following tasks that comprise the strategic management process.

- a. Goal formulation
- b. Environmental analysis
- c. Strategy formulation
- d. Strategy evaluation
- e. Strategy implementation
- f. Strategic control (p. 14)

A final example to illustrate the strategic planning process follows. This one is presented in Chapter III of Shanklin and Ryans book Thinking Strategically: Planning for Your Company's Future (1985).

- a. Undertake situation analysis and momentum assessment.
- b. State business philosophy, definition and scope.
- c. Prepare several alternative future scenarios.
- d. Design master and contingency plans.
- e. Provide a mission statement for each plan.
- f. Establish trigger points for plan activation.

- g. Map facilitating strategies and major tactical maneuvers.
- h. Provide for implementation and control.

Although authors describing the strategic planning process lack a consistent terminology, the basic outline is similar to the one presented below. This outline will be used to structure this discussion of strategic planning.

- a. What are we trying to achieve?
- b. Where exactly are we right now?
- c. How can we bridge the gap between 1 and 2?
- d. Selection of a course of action and contingency plans.
- e. Implementation.
- f. Continual updating.

This is a simple, workable outline that is easy to understand and implement, but these steps are not as clean in practice as they appear. There is a degree of overlap and recycling with each step.

- 1. What are we trying to achieve?

This is often a hard question to answer. What are the goals and objectives of the firm? Profitability is of course the primary goal, for without profitability a firm would cease to exist. But there are always other

goals. Many times the goals of a firm are implicit and it takes an evaluation of current strategies to uncover the goals. One of the problems is the presence of conflicting goals. For example, growth and profitability are conflicting in the short run because growth diverts profits for investment. Another difficult aspect of this step is the definition of what business the firm is in, which sounds simple enough. But is a small independent bookstore that devotes resources to community education programs in the bookselling business, the information business, or the community service business? This first step is difficult, but essential. The rest of the process is geared towards reaching specific goals and objectives, and so the goals must be explicit or there is no measure of the effectiveness of the strategies generated.

As the strategic planning process proceeds, it may be useful to consider a modification of the present goals and objectives. The environmental assessment may reveal opportunities the firm wishes to pursue that are outside the current goals and objectives.

But the first step must be to articulate a set of goals and objectives, with the understanding that these may be modified later on. Another way to ask this question is what businesses do we want to be in?

2. Where exactly are we right now?

This step is closely tied to the preceding step. Here the firm uncovers its present position, but this position must be analyzed relative to the firm's goals and objectives. Jemison (1981) points out that strategic management theory deals with three different levels of analysis: the firm, the industry, and the external environment. Techniques for assessing, "Where exactly are we right now?" are divided into these levels in this section.

a. The firm. Matrices are useful in determining a firm's present location relative to its goals and objectives. One matrix, the Boston Consulting Group (BCG) matrix is a simple measure for assessing a firm's current position (see Figure 1). But this is another place where the process gets complicated, because these matrices may also be used to address the question, "What are we trying to achieve?"

The vertical axis measures market growth and the horizontal axis measures market share. The firm places each of its strategic business units (SBU's) in the appropriate square. An SBU can be a division, a product line, or any logical grouping.

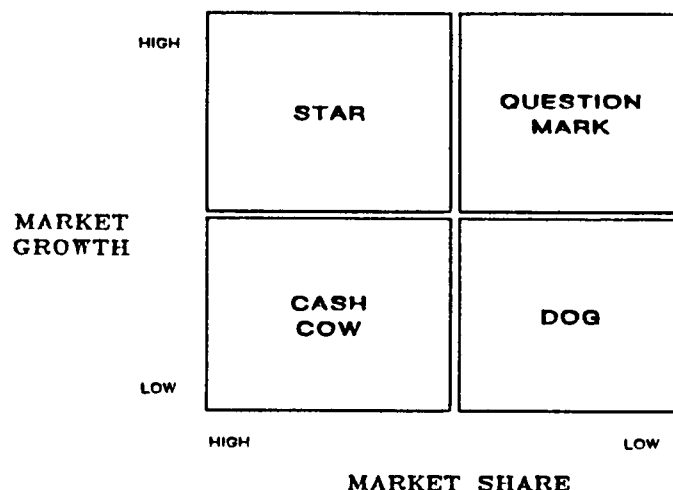


Figure 1. Boston Consulting Group matrix.

The four quadrants represent different market share/market growth positions: stars (high share/high growth), cash cows (high share/low growth), question marks (low share/high growth), and dogs (low share/low growth). A high market growth rate is usually considered to be 10% annually or better. Some firms use 5%.

Relative market share is the company's market share compared to the market share of the largest competitor. For example, if Company X had sales last year of \$2 million, and the market leader had sales of \$10 million, Company X's relative market share would be 0.2. Market

share is high if it is 1, bearing in mind there can only be one firm in each industry with a market share of 1. If two industries hold equal market shares and no one exceeds their individual shares, their shares are both given the value 1.

The star SBU's require large investments, but they are assumed to have high profits potential because of their market share, the experience curve (see Chapter II, Part I), and the product life cycle. Cash cows have high cash flows because of high market share, but they have little need for additional investment because market growth is low. Their cash flows can be used to invest in some of the question marks to help them become stars.

The question marks have high market growth and require large investments to assume high market share and profitability, i.e., to turn them into stars. It is difficult to determine which question marks should receive the funds from the cash cows. The question marks with little chance of funding or low potential should be divested. Dogs have a low market share and a low market growth rate and should generally be divested. But most SBU's are in this category, so the decision to divest must be based on more than the BCG matrix analysis.

The BCG matrix is effective when the future prospects of a firm can be measured by a single index, which is to say when growth is not likely to be affected by unexpected changes. Also, this technique is effective when the only measure of competitive strength is market share (Ansoff, 1984). But, it is sometimes very difficult to measure market share. The data may not be available from competing firms, and it is hard to define a firm's market. For example, is the market the state in which the firm operates, the region, the nation, or the world? The definition of a firm's market has obvious effects on the determination of market share.

Another limitation is that the BCG matrix has only two dimensions to explain cash flow: relative market share and an inflation adjusted market growth rate during a specified time period. Abell and Hammond (1985) state "statistical analysis shows that only about 6% of the variability in cash flow among businesses can be explained by relative shares and growth alone." As a corollary to this it may not always be best to take cash from cows and invest it in question marks. The matrix indicates buying into a high growth share business unit will maximize profits. At times, buying into a dog might generate more profits, especially if the dog is at the edge of a technological breakthrough. Or the linkages

between SBUs may have a synergistic effect, which means together, two or more SBUs make a greater contribution than the sum of their separate, individual contributions. Synergy has been defined as $2 + 2 = 5$.

The BCG matrix can lead to a "throwaway" mentality. Just because a division or a product is a dog does not mean it should be divested. Technological innovation can rapidly transform a dog into a star. Each decision made on the basis of the BCG analysis must be carefully considered. The BCG is an indicator of decisions that might be needed, not a hard and fast decision-making rule set.

The final limitation is the evaluation of the market growth rate. If the previous five years have been a recessionary period, the measurement is misleading.

Bearing in mind these limitations, the BCG matrix can be used effectively by firms in which the future prospects of a business unit can be measured by the single indicator, market growth, and where market share is the only index of competitive strength. As this discussion indicates, where exactly a firm is today is

inextricably linked to what a firm is trying to achieve. In more complex situations, a more involved technique is needed.³ Another more complex technique for measuring where a firm is today is the GE-McKinsey Matrix. It is an expansion of the BCG matrix with industry attractiveness as one axis and business strengths as the other. Typically these are measured as high, medium, and low. The key considerations for determining these values are as follows (Shanklin and Ryans, 1985):

<u>Industry Attractiveness</u>	<u>Business Strengths</u>
Size	Size
Market growth	Growth
Pricing	Share
Market diversity	Position
Competitive structure change	Margins
Industry profitability	Technology position
Inflation vulnerability	Strengths/weaknesses
Technical role	Image
Social	Pollution
Environment	People
Legal	
Human	

³ For more information, see also Ansoff (1984) and Shanklin and Ryans (1985).

The relative importance of these factors will vary. The process of determining which are the key factors for a firm or a strategic business unit is very helpful for management because it forces an understanding of the key components of success.

This matrix is very similar to the BCG matrix in terms of evaluation (see Figure 2). Red light SBU's need to be harvested or divested. Yellow lights need to be matched and invested in selectively. Green lights need to be invested in and encouraged to grow. But as in the BCG case, this matrix should be used to determine what decisions need to be considered, rather than as a model that generates decisions.⁴

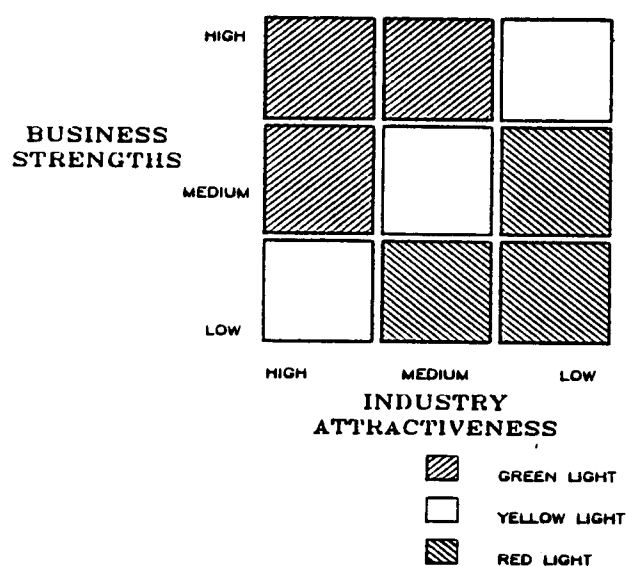


Figure 2. G. E. McKinsey matrix.

⁴For further information see Ansoff (1984) and Shanklin and Ryan (1985).

Because the environmental rate of change is high in many of today's firms and because short-term growth is no longer a measure of long-term profitability, balance is needed between long- and short-term prospects. Also, because of the novel situations faced by today's firms, flexibility is an important component to consider when balancing a firm's portfolio. The final factor to consider is the synergy between SBU's. These three factors, long-term versus short-term projects, flexibility, and synergy can be assessed simultaneously using the model designed by Igor Ansoff (1984, chapter 2.3).

The life cycle is used to measure long-term versus short-term potential of SBU's or products. This is necessary to anticipate changes in the demand for products and to react to them. If, for example, all of a firm's products or SBUs were just emerging, the firm would not be profitable. If, on the other hand, all the SBUs or products were in the maturity phase, decline would be inevitable, and the firm should rapidly invest in emerging or accelerating SBUs or products. Theoretically any product or SBU has a life cycle consisting of five stages.

1. Emergence, when it is born and competitors fight for leadership;
2. Accelerating growth, where the surviving competitors enjoy success, with demand frequently exceeding supply;
3. Decelerating growth, with early signs of saturation, supply typically exceeds demand;
4. Maturity, typified by saturation and over capacity;
5. Decline, where demand falls to zero due to demographics, economics, product obsolescence, etc.

In order to balance long-term and short-term potential, a firm needs SBU's at different stages of the life cycle (Figure 3) (Ansoff, 1984, p. 73).

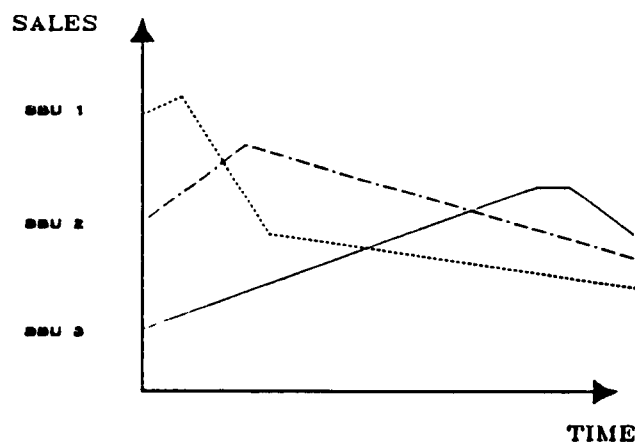


Figure 3. Life cycle.

Flexibility can be assessed using a matrix like the one in Figure 4 (Ansoff, 1984, p.78). This matrix can point out whether the firm is relying too heavily on one or two of its SBU's. This would indicate a low level of flexibility. If, for instance, 80% of the firms profits came from the one top SBU, that would indicate an overdependence on that SBU, and it would indicate vulnerability to discontinuities.

	% OF SALES	% OF PROFITS	% OF CASH FLOW	% OF INVESTMENT CAPITAL
TOP SBU				
TOP 2 SBU's				
TOP 3 SBU's				

Figure 4. Flexibility.

The third factor is synergy. The concept of synergy is basically that $2 + 2 = 5$, but synergy can also be

negative. Synergy is a result of sharing things between SBU's. Another way of saying it is synergy is the increase in return on investment for the firm over what would exist if the SBU's operated independently. Synergies may result from sharing facilities or competencies.

b. The industry. Within an industry there are factors that affect all the firms. These are things such as growth of industry demand, potential for product differentiation, structure of supplies, and technology. The elements also determine the strength of Porter's (1985) five forces model, discussed below. Competition is essential to a firm's success or failure. Two factors help firms choose a competitive strategy. The first is industry attractiveness. This is a measure of the industry's profitability. Some industries are inherently more profitable than others. The second major factor is a particular firm's competitive position within a given industry.

Porter designed a model for locating strategic groups within an industry, and a firm's position in its strategic group. Strategic groups are groups of firms following the same or similar strategies along strategic dimensions such as:

- the degree of specialization

- brand identification
- brand identification with customers versus suppliers
- choice of distribution channel
- product quality level
- technological leader or follower
- degree of vertical integration
- importance of the "low cost" position
- services offered
- price policy
- financial leverage
- relationship to parent company
- relationship to home and host government

If, for example, an industry consisted of a strategic group in which the two critical strategic dimensions were the degree of specialization and pricing policies, one could graph their locations (see Figure 5). Obviously, in mapping strategic groups, the number of axes is limited to two, so it is important to select the dimensions carefully. The mapping may be repeated with alternative dimensions. The size of the circles represents the industry revenues of firms relative to the other firms on the map.

Each strategic group is influenced by Porter's (1985) "five forces" model. At the industry level, the

measure of industry attractiveness. On the strategic group level, the five forces may point out ways the strategic group may improve its position and protect the group from other groups. The five forces are:

1. Entry/Mobility Barriers
2. Buyer Power
3. Supplier Power
4. Threat of Substitutes
5. Rivalry

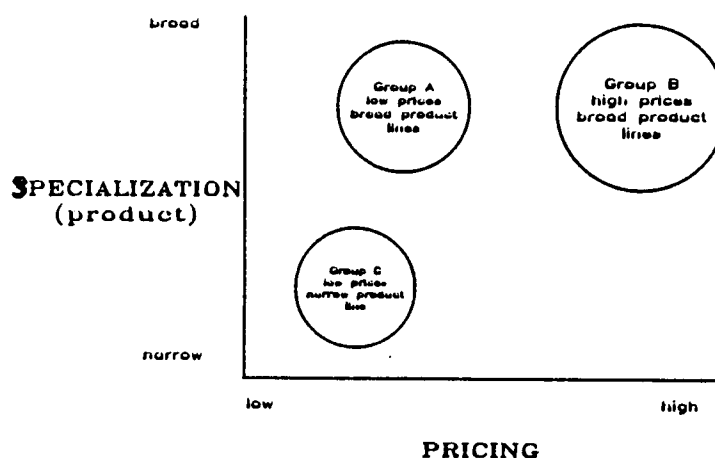


Figure 5. Strategic group map.

The influences of the five forces can be powerful on strategic groups. Entry/mobility barriers need to be high to protect the firm's group. The bargaining power

high to protect the firm's group. The bargaining power of the buyers and suppliers should be as low as possible, and the strategic group should have a low vulnerability to substitutes. If in addition rivalry is low, the strategic group will be profitable and very attractive. If the entry/mobility barriers are high, and the other forces are low, this indicates a very attractive situation for a particular industry or a strategic group within the industry. Entry barriers are those elements which restrict entry into the industry. They can serve to protect a firm as can mobility barriers which protect the firm from movement between strategic groups within an industry. This can be carried even further to the firm's position within a strategic group. But just what factors are important in assessing high or low values for the five forces? Examples of the elements needed to assess the strength of each of the five forces follows.

Entry Barriers

Economies of scale

Product differences

Brand identity

Capital requirements

Access to distribution channels

Cost advantage such as lowest product design

and access to inputs

Government policies

Buyer Power

Bargaining power

Buyer volume

Buyer switching costs relative to firm
switching costs

Buyer information

Substitute products

Price sensitivity

Supplier Power

Differentiation of inputs

Cost of switching to a different supplier

Presence of substitute inputs

Supplier concentration

Cost of the supply relative to total purchases

Substitution Threat

Switching costs

Buyer propensity to substitute

Price and performance of substitutes

Rivalry

Industry growth

Brand identity

Product differences

Switching costs

Concentration

Rivalry (cont'd.)

Diversity of competitors

Exit barriers such as capital investment

The final component of Porter's (1985) model is a firm's position within a strategic group. This is dependent on the degree of competition within the group, the scale of the firm in relation to others in the strategic group, the cost of entry into the group, and the ability of the firm to implement its chosen strategy.

To tie this back in to the firm's goals and objectives is possible through the formulation of strategies. Strengths should become apparent through this analysis, as should weaknesses.

Porter's framework can indicate what environmental attributes are critical to the firm's success, and so indicate what should be monitored. It also provides a sense of the ways in which the industry evolves and changes. One weakness of this model is that it considers increased profitability as the only goal.

High entry/mobility barriers protect a strategic group and are a strength. If government policies lower these barriers, this would be a weakness. Strategies should be implemented which reinforce strengths or reduce

weaknesses. A firm could start a new strategic group or shift to a new group, or strengthen the position of its strategic group, or its position within the group.

Porter also outlines the three sources of competitive advantage a firm may pursue. The first is low cost; the second is differentiation. A low cost strategy would result in a firm trying to have the lowest cost, standard item in the industry. A differentiation strategy means the firm is trying to offer a unique product at a premium price. A firm must usually choose one or the other in order to be profitable. Under certain conditions, a firm can pursue a niche strategy, that is setting a standard product for a premium price to a limited market.

c. External environment. Ansoff (1985) has operationalized a model for evaluating the rate of environmental change, which he calls the turbulence level (Figure 6). The first step is to determine which of the firms environments is expected to be the most turbulent in the next 5-7 years. In that chosen environment, the next step is to choose one point for each of the characteristics listed on the vertical axis, and put a dot there. These will be values between one and five. Then draw a vertical line through the average of the three points. Where this line intersects the turbulence

Characteristics

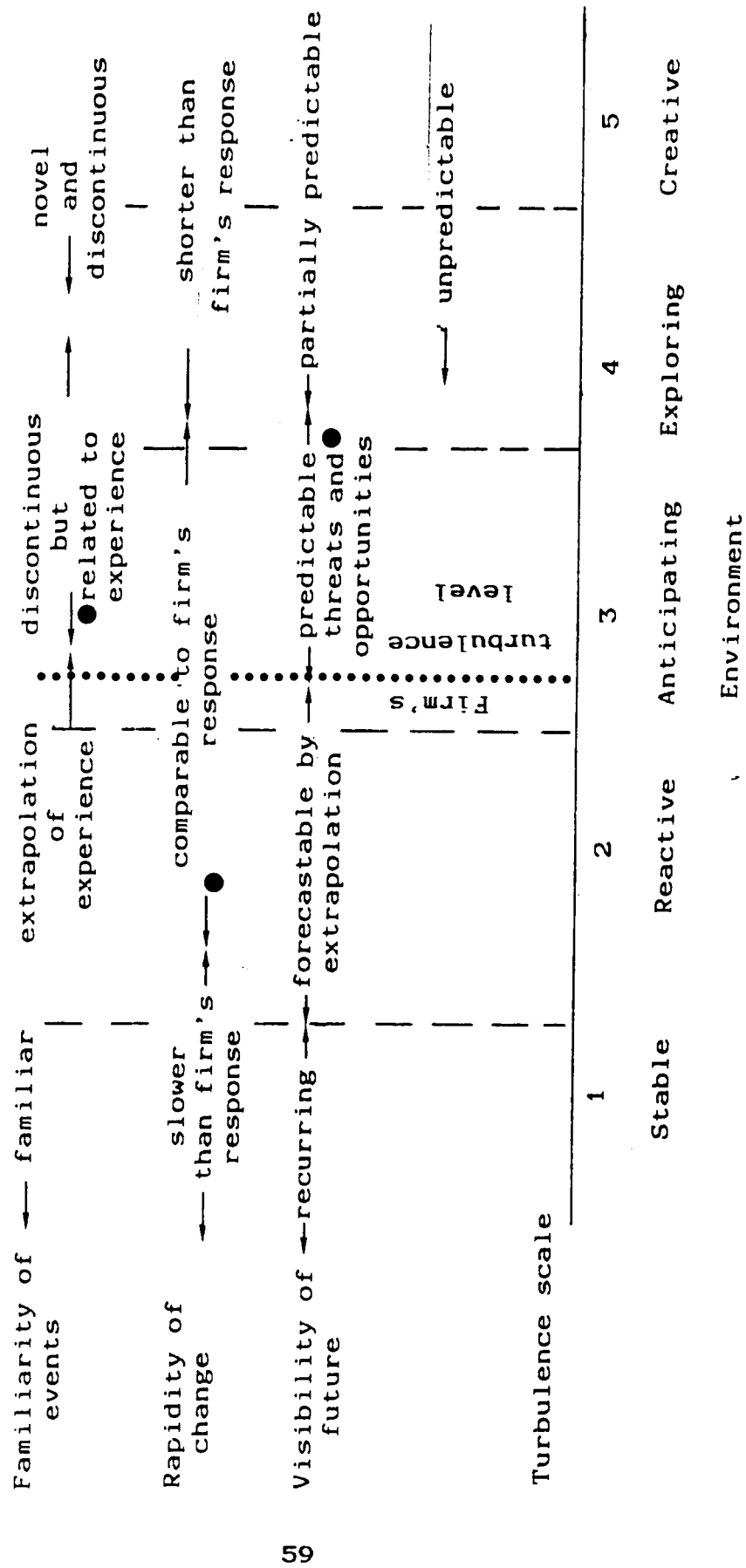


Figure 6. Environmental turbulence.

scale indicates the level of environmental turbulence the firm will face in the future. As an example, assume a firm rates the familiarity of day-to-day events as a 3.5: discontinuous but related to experience. The rapidity of changes faced by the firm is 2.5: comparable to the firm's response time. The visibility of the future is partially predictable, with a rating of 4.0. The average of these is 3.3, which is the firm's turbulence level.

In addition, certain political, environmental, or demographic trends and events may impact the firm. The ones considered to be important should be selectively scanned in order to give the firm time to see changes coming and react appropriately.

3. How Can We Bridge the Gap Between 1 and 2?

The above analyses should indicate a firm's present position. This, coupled with explicit goals and objectives, will indicate which strategies are needed. Working from Ansoff's (1985) turbulence concept, he goes on to say that strategies should match the turbulence level of the firm. So strategic planning only comes into play at turbulence levels in excess of 3.0. In light of the opportunities and threats uncovered by the analysis of the firm's situation the goals and objectives may need to be revised. Strengths and weakness play a part in strategy formulation, but by definition, at levels 3.0

and up, the future is no longer extrapolatable. Past strengths may become tomorrow's weaknesses and vice versa in a rapidly changing environment. A proactive, exploring or creative approach is needed in a more turbulent environment. This may entail a structural change and new managerial capabilities.

A proactive approach often runs counter to the status quo. Shifts in the power structure and in resource allocation may be necessary, and this is very threatening to many employees. But faced with the alternative of a firm's demise, a proactive approach is needed at the higher levels of turbulence, even though some resistance is inevitable.

Ansoff (1984) defines two basic types of resistance to change. The first is behavioral resistance which is active opposition to change. The other is systemic resistance which is the "passive incompetence" (p. 403) of the organization. At turbulence levels of 3.0 and above, creative approaches such as brainstorming may be effective. But if the new approaches are threatening to existing groups or individuals, resistance to change will be a problem in the implementation phase. For this reason, it is important to include the affected managers

and personnel as much and as early as possible. If time allows, training for new responsibilities, restructuring, and strategy formulation should be simultaneous.

4. Selection of a Course of Action and Contingency

Sometimes three scenarios may be selected from the alternative strategies suggested in Step 4. These are the best case, worst case and most probable case. The most probable case becomes the course of action and the other two are contingency plans. Implementability is a prime consideration when deciding on a course of action. Other considerations include goal attainment, the effects on stateholders, resources and capabilities.

5. Implementation

This paper is primarily concerned with strategy formulation rather than with implementation. Implementation is an important step in the strategic planning process though. For more information about implementing strategic plans, see Ansoff (1984), Schendel and Hofer (1987, Section 5), and Steiner (1979, Chapter IV).

6. Continual Updating

As the firm's environment changes, adjustments will be necessary. The environment in this sense includes external and internal changes. External changes will be

identified by the selective scanning process described in Section C, item 3. Internal changes could include massive resistance, inability to implement the strategy successfully, changes in personnel, changes in equipment, technological breakthroughs.

A strategic issues management (SIM) system will aid in updating, without having to go back through the entire process annually. SIM was designed to provide early detection for fast responses to unexpected changes internal and external to the firm. Several techniques are available for performing SIM. A firm could use an environmental impact analysis, cross impact analysis, issue ranking, or a more complex approach, with the assumption that a firm will use the simplest method the complexity of the situation allows.

The environmental impact analysis involves predicting the potential impact of trends on the future of the firm, after deleting trends not expected to have major impacts. The cross impact analysis technique looks at anticipated future deficiencies within the firm. The issue ranking technique divides the effect of internal and external trends as urgent, delayable, or postponable. They are further categorized as having a major or a minor impact. This results in a list of critical issues to monitor. (See Ansoff, 1984.)

SIM is not a replacement for periodic strategic planning, but in the case of high rates of change, it is a necessary component. Strategic planning is too time consuming and costly to do annually, so SIM keeps the plan updated and monitors and responds to changes, but even without SIM, strategic planning is continuous. SIM is just a set of methods for continually updating strategic plans.

B. The Strategic Management Framework

Strategic planning is useful in many situations, but it has some limitations. In firms where the environmental turbulence is at level 4.0 or higher, historical strengths may have absolutely no relevance. At these highest turbulence levels, managerial capability, as well as systems and structural capability, are more critical.

When faced with a highly turbulent environment, managers must be able to adapt to new responsibilities and technology. The managerial system must reward innovativeness and risk-taking. The structure must be flexible in order to accommodate reorganization and novel situations. An extension of strategic planning that includes capability is called strategic posture analysis.

Strategic posture analysis, along with real time issue management are the components of strategic management. As discussed before, strategic posture

analysis includes strategic planning but also includes some additional concerns. Real time issue management deals with the novel and discontinuous events faced by firms at high levels of turbulence. It provides a framework for responding to unanticipated changes, in order to minimize losses. Some procrastination is inevitable in any response to change, but real time strategic responses are geared towards minimizing procrastination.

This paper will not deal further with strategic management or its two components. But it is helpful to have some degree of understanding of the total picture in order to see where strategic planning fits. The status of strategic planning in the urban sector has not evolved to the point where these other components can be successfully utilized. Urban planners need to understand and use strategic planning tools before they can explore the other elements of strategic management. In the future, a strategic management approach to federal, state, and local planning may become necessary, but at this point, strategic planning is a good place to start.

C. Summary

The concept of environmental turbulence is essential to the choice of an appropriate response. Strategic planning is unnecessary at turbulence levels below about

3.0. It is insufficient at turbulence levels in excess of 4.0. But for firms falling between these values, it is a useful tool.

The process cannot be performed step-by-step, but involves feedback loops to previous steps. A matrix approach can be used to determine a firm's current position, and the five forces model can be used to locate a firm within its industry. These tools can uncover competitive advantages, strengths and opportunities. Once these have been determined, strategy formulation takes place. It is important to consider implementability in the strategy formulation process. Strategic planning relies somewhat on historical strengths, but realizes these strengths may be future weaknesses.

The business world devised strategic planning and later strategic management, to deal with the novel discontinuities experienced by some firms. Although some resistance to new approaches is inevitable, research shows the techniques have been successful (Ansoff 1985).⁵

⁵This research draws heavily from the excellent works of: Ansoff (1984), Camillus (1980), Porter (1985), Schendel and Hofer (1979), Shanklin and Ryans (1985), and Steiner (1979).

CHAPTER IV

PROPOSALS FOR URBAN PLANNERS

I. INTRODUCTION TO URBAN STRATEGIC PLANNING

When a city is unable to predict the future based on extrapolation, strategic planning may be the appropriate response. Central to strategic planning are goal setting and a new look at the city's *raison d'être*. In application, this may be limited by state and federal mandates, as well as the other problems discussed in the Urban Perspective section of Chapter III. Also, a strategic planning approach requires continuous planning, a commitment of personnel, and an evaluation of the external environment within which the municipality is located. This chapter is organized around the same set of questions as the Business Management Perspective section of Chapter III. Here they are used to discuss the utility of strategic planning to urban planners. The organizing statements are:

- a. What are we trying to achieve?
- b. Where exactly are we right now?
- c. How can we bridge the gap between 1 and 2?

- d. Selection of a course of action and contingency plans.
- e. Implementation.
- f. Continual updating.

II. WHAT ARE WE TRYING TO ACHIEVE?

This is the goal setting step. Determining goals at the national, local, or functional level is difficult. A services orientation is one approach for providing a unified system of measuring goal attainment. There are probably others, but there must be a measurement dimension in order to set and assess goals. In addition, there are several ways of visualizing goals. For example, does the the community want more jobs, or is environmental preservation more important? What assets and problems does the region have? In this paper, all these issues will be considered as services the community or region can offer its citizens. Not only does the public sector provide infrastructure, it provides economic development or preservation programs, and it uses a community's assets and helps the community overcome its problems.

There is not a single set of questions a locality could ask itself in order to identify goals and set measurable objectives. The problems of consensus

building and political and financial feasibility are complicating factors. Services that are mandated by federal or state laws must be provided. If strategic planning were undertaken on a national level, the question could be, which services do we as a nation want to provide for our citizens? At the city level, it might consist of two questions: what services are we mandated to provide to our citizens, and what services do we want to provide in addition to mandated services? A program of development or controlled growth is considered to be a service in this context. Some difficult questions will result from this inquiry, and some prioritizing is inevitable. Is it more important to provide free transportation for elementary school children or to build an addition to the public library? Should the city continue to provide fire protection, or could a private firm handle that more effectively and efficiently? Which citizen groups or services should receive priority funding? Where do we want to be five, ten years from now? Because of the complexity involved in goal setting and establishing measurable objectives, it is recommended that municipalities start out by using a strategic approach in a top priority functional area.

If strategic planning is only applied to a specific function of local government, such as resource preservation or economic development, the questions become fewer and less complex. If the community is pursuing a strategic industrial development plan, it might ask how many new jobs do we need annually? What is the skill level of our citizenry? Do we need training programs and if so what kind for how many people? Where will we locate new firms? What incentives can we offer them? What about expansions and retention? These and other essential questions must be asked in order to formulate a few key goals, and in order to derive strategies and specific numerical objectives to reach the desired state. Once the strategic framework of goals is in place, opportunities and costs can be evaluated in order to aid the decision making process.

This step is essential for two reasons. First, the lack of precise goals and objectives has been a major problem in previous attempts to develop strategic plans in cities (see Chapter III, Part I, section D, item 3). Another reason is because this is a fundamental step in the strategic planning process (see Chapter III, Part II, Section B).

III. WHERE EXACTLY ARE WE RIGHT NOW?

This step ties into the preceding one because it requires a city to evaluate their present state in terms of its goals and objectives. This can be done on three levels: the functional area or specific service, the city, county, or region, and the external environment.

A. The Functional Area

Matrices are useful in determining the specific location of a specific service relative to its goals and objectives. The Boston Consulting Group matrix has been modified below (Figure 7) to offer a simple measure for assessing current position.

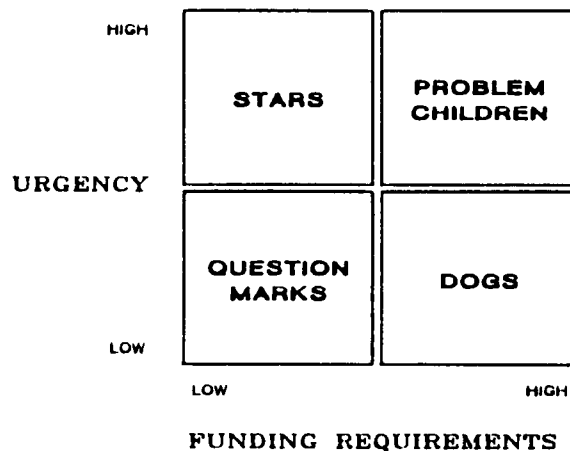


Figure 7. Simple functional matrix.

The four quadrants represent priorities for various physical items or program activities. The funding requirement would be considered high if it were a substantial, 25% or more, portion of the function's traditional budget. Priority would be considered high if the program activity or item was on the administration's priority agenda, if it was essential to other operations, or if it was deemed urgent by some other measure.

Funding measurements are fairly straightforward, but measuring urgency is more difficult. A matrix such as this one is only useful for getting a general feeling about which programs should be retained, expanded, investigated, or dropped. If the administration has an agenda with explicit priorities, the measurement of urgency is easier, but if priorities have not been set in some way, this measurement is more critical. A task force of citizens and decision makers can usually arrive at a consensus about which programs would fall into which category, or perhaps a delphi approach would be appropriate. But whether priorities have already been established or if they must be established as part of this process, a measurement of urgency is a subjective decision. In the business world, there are also measurement problems associated with this technique (see Chapter III, Part II, Section C, item 1).

The stars are high urgency items or programs that require moderate or low funding. These will certainly be continued. The problem children are considered to be programs that are urgent, but which will require a substantial portion of the functional budget. These are called problem children because they require either innovative funding approaches or a decrease in funding available to other programs and items. Either path will be fraught with risk and unpopular decisions. A final solution might be to decide against investing in the problem child, but since it is considered urgent this will be difficult at best.

The question marks are those programs and items that are not very important, but in addition are not very expensive. Since all municipal budgets are restricted some of these will have to go. But the future importance or contribution of the question marks may indicate they are worth retaining.

The dogs are high cost/low priority. They should probably not be continued. But as with question marks, each dog must be evaluated on its potential contribution as well as in terms of potential alternative funding sources.

There are limitations to this approach. As discussed before, it is often difficult to determine priority. A second limitation is that the matrix has only two dimensions. Most selection procedures will require analyses on more than two dimensions. Also, the matrix approach leads to a throw-away mentality in which items or programs are evaluated without regard to the unique attributes of each program or item. Perhaps technology, public-private partnerships, user fees, or some other approach would reduce the funding required from the function's budget. An item may be urgent to a small sector of the population. In addition, if an election year is approaching or legislation is pending, the urgency status of a specific item or program is likely to change.

The final but most significant limitation is that this matrix assumes urgency and funding requirements are the only concerns when selecting programs and items for inclusion within a functional area. Other things such as visibility, community involvement, etc. may be the articulated goals of the municipality and may need to be considered, as well as alternative funding sources.

A more complex matrix can be constructed that would address these concerns. The following matrix (Figure 8) is a transformation of the G. E. McKinsey matrix. In

this matrix, if a program or item falls in the green light section, it should be kept. If it falls in a yellow light section, a cautious evaluation is needed. If it falls in a red light section, it should probably be eliminated. But as with the BCG type matrix, this serves only as a guide and should not be trusted for any final decisions.

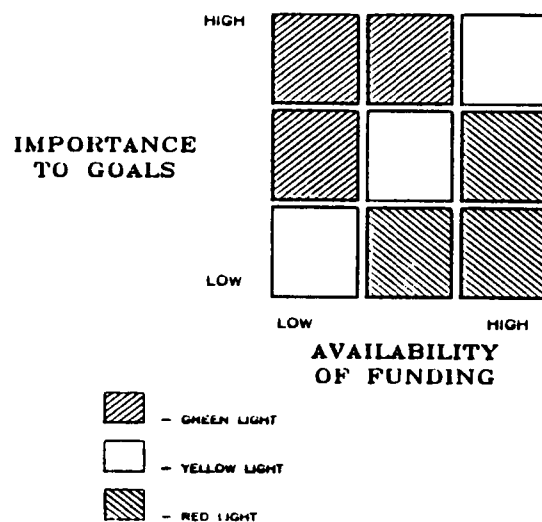


Figure 8. Modified G. E. McKinsey matrix.

A matrix can be constructed that would apply in any given situation. But because of the high rate of change in today's urban environment, past importance and funding is no longer a measure of long-term importance or

funding. Similar matrices have been used by urban planners to assist in developing strategic plans. Examples include San Francisco (Sorkin, Ferris, Hudak, 1984), Walter and Choate's (1984) generic matrices, and Ontario (Rocine and Pare, 1985). Matrices are also used by planners in non-strategic approaches (Bracken, 1981).

A life cycle (Figure 9) approach may be used to measure the long-term vs the short-term contribution made by an item or program. Each item or program will go through several stages: emerging, developing, maturing, and declining. In order to balance long-term and short-term contributions, the functional area needs to have programs and items at each stage of development.

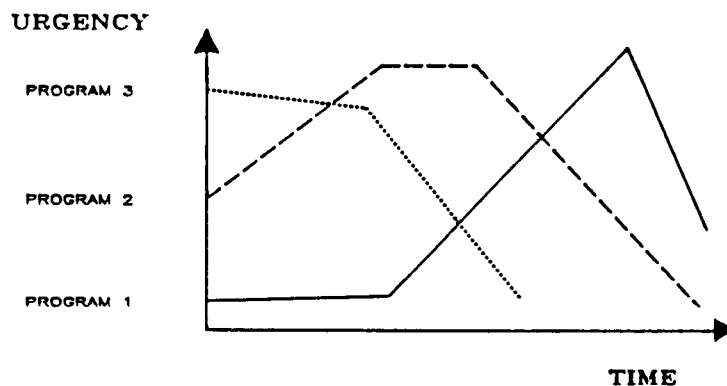


Figure 9. Life cycle.

These programs could be anything. If the functional area is industrial development, program 1 could be the future purchase of a new industrial park. Program 2 could be the production of a brochure to distribute to potential industrial recruits, and program 3 could be an existing Chamber of Commerce structure. In order to balance long- and short-term needs, a functional unit must have emerging, growing, maturing, and declining programs. The life cycle concept has been applied to the private sector by Walters and Choate (1984) and by Rocine and Pare (1985).

Flexibility is the key to designing an effective functional program. Synergy must also be considered. Synergy is the relationship between two or more factors that results in a contribution which is greater than the contribution made by the individual factors. Flexibility can be assessed using a matrix similar to the one in Figure 10.

B. The City/County/Region

Within a jurisdiction, there are factors that affect all the functional areas. These are things such as rates of growth or decline, plant closings, natural resources, services demanded by the citizens, etc.. These elements

are similar to the factors considered in Porter's (1985) five forces model. His concept is modified below to apply in an urban development.

	% OF BUDGET REQUIRED TO FUND	% OF TIME DEVOTED TO	% OF PERSONNEL ASSIGNED
TOP PROGRAM			
TOP 2 PROGRAMS			
TOP 3 PROGRAMS			

Figure 10. Flexibility matrix.

This model will locate strategic groups within a jurisdiction, and each functional area's position within its strategic group. Strategic groups are groups of functional units following the same or similar strategies along strategic dimensions such as:

- degree of specialization
- similarity of services offered
- use of similar or shared facilities
- citizen involvement

- financial requirements
- political importance
- visibility
- urgency of the service
- environmental impact

These strategic dimensions were chosen because of their similarity to business-oriented strategic dimensions, and because of their importance to functional units. In the public sector, functional groups can be identified along these dimensions, but the same functional group may compete along different dimensions in different cities. For example, fire protection is usually a top priority in major cities because of the urgency of the service. But in a smaller town, fire protection may find it advantageous to procure funds through citizen involvement, such as volunteer units, and local fundraisers. Strategic dimensions are ways functional units can increase their funding or level of service.

If a particular town determined the two critical dimensions that located strategic groups of functional units were environmental impact and citizen involvement, the strategic map would look like Figure 11.

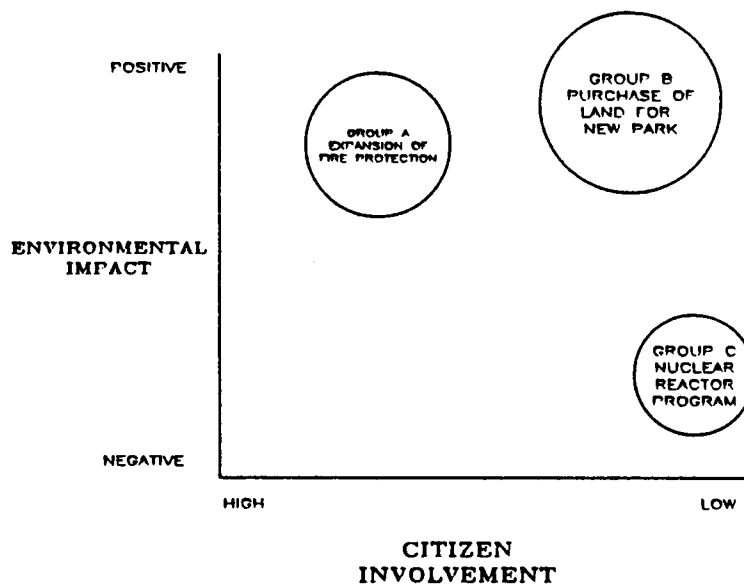


Figure 11. Strategic group map.

Obviously this technique is limited because only two axes may be used at a time, but additional analyses may be performed using alternative dimensions. It is important to recognize the critical dimensions in a given community, and to carefully choose the most appropriate combination or combinations. All the programs and capital budget expenditures may be evaluated in this way. The strategic mapping process aids in decision making, by evaluating programs and services along certain dimensions which are critical to a community, but as outlined above, care must be used in its application.

Each strategic group is influenced by Porter's (1985) "five forces" in his model. But this discussion will focus on the more relevant issue of how the "five forces" influence a community. The "five forces" can point out ways in which the community can enhance or protect its position from other communities. This is especially relevant in the area of economic or industrial development. The five forces modified for an urban environment are:

1. Entry Barriers
2. Citizen Power
3. Political Power
4. Threat of Alternatives
5. Rivalry

Entry barriers need to be significant to protect the municipality. The influence of citizens and the political structure should be as supportive as possible and the threat of alternatives should be low. If, in addition, rivalry is insignificant, the community will be attractive for industrial or economic development. Examples of some of the elements needed to assess the strength of each of the five forces modified to pertain to economic/industrial development follow.

Entry Barrier

Quantity and quality of land owned by the
municipality

Zoning appropriate to the prospective firm's needs,
or ease of rezoning procedures

Availability of transportation such as water, rail,
and highways

Availability of infrastructure, such as water,
electricity, and gas

Availability of unique resources needed by specific
industries

Government policies

Level of local concern about retention and expansion
of existing firms

Citizen Power

Level of commitment to development by citizens

Level of citizen information about the development

Availability of services elsewhere that citizens
desire, such as employment, shopping, dining

Sensitivity of citizens to wage levels and price
levels

Level of influence on development by special
interest groups

Political Power

Level of commitment to development by the political organization

Level of funding designated for development

Location of the economic development organization within the political structure

Concessions made to entice new firms or encourage retentions and expansions

Threat of Alternatives

Relocation costs for existing industry to move to other communities

Availability of resources in other areas

Level and types of concessions made by other municipalities

Rivalry

Number of communities competing for the same firm

Diversity of competitors

Concentration or level of current economic development

Exit barriers, such as capital investment

The evaluation of these forces should lead back to the goals and objectives of the community, because they identify areas of competitive advantage for the city, and

should result in strategy formulation. This framework provides a tool for uncovering strengths and weaknesses that goes beyond intuition and political expediency.

If political power is supportive for development, that is a strength and should be reinforced. If on the other hand, citizen power is in opposition to development, this is a weakness and steps need to be taken to reduce the opposition.

C. External Environment

Ansoff's (1985) model for evaluating the rate of environmental change, called the turbulence level, is explained in the Business Management Perspective section of Chapter III (Figure 6, p. 59). This applies to an urban environment as well. If the turbulence level is below 3, a strategic approach is an unnecessarily complex approach. But at levels 3.0 and up, a strategic approach is the appropriate and logical response.

It is the opinion of the author that few municipalities operate below 3.0, especially in the area of economic or industrial development. Therefore, a strategic approach at least in these areas, is becoming a necessity.

IV. HOW CAN WE BRIDGE THE GAP BETWEEN 1 AND 2?

If we accept the premise that cities operate at turbulence levels of 3.0 and above, a proactive, exploring, or creative approach is needed. This may include structural changes in the organization and different managerial skills.

As in the business management environment, a proactive approach usually runs counter to the status quo in the public sector. People often feel threatened when confronted by major and/or frequent changes. Shifts in the power structure or in resource allocation are even more difficult in the diverse and complex urban environment, but a joint, consolidated effort by the community and for the good of the community is so important to the survival or growth of urban areas, that the effort must be made in spite of inevitable resistance.

There are methods for overcoming resistance which are outlined by Ansoff (1984). He recommends a process that starts by changing behaviors, such as norms, perceptions, values, and the power structure. The next step is to change the "systemic competence" (p. 410) which includes systems, structure, skills, and knowledge. The final step is to change the strategies. This works well if the strategic changes needed are not urgent. If

they are urgent, this process takes too long. In the case of urgent needs, a reliance on power is the usual alternative. In this process, strategies are changed, from the top down, new training and structures are implemented, and eventually behaviors are changed. But this approach often fails to change behavior because the affected people are too threatened by the change, or because the power driving the changes is not sufficient.

Another approach for reducing resistance to change is crisis management. When it appears a firm or a municipality's very existence is threatened, there is a sort of rallying around to avert the crisis. Political leaders throughout history have invented "external enemies," in order to attain the cohesiveness generated by a crisis. This is certainly questionable ethically, but it does happen.

Some types of resistance include delays, inefficiencies, and cost overruns. At times resistance takes the form of deliberate sabotage. And there is a long-term tendency after any change, to revert back to pre-change status. Ansoff (1984) states:

Resistance to change is proportional to the degree of discontinuity in the culture and/or power structure introduced by the change. For a given discontinuity, the resistance will be inversely proportional to the time over which the change is spread.

(p. 390)

When embarking on a strategic planning project, resistance will be minimized if managers and personnel are involved as much and as early as possible. If there is time, behavioral changes should come first, followed by systemic changes, and finally strategy generation and implementation.⁶ Since resistance to change is a greater problem in the urban arena, urban planners must be especially sensitive to and proficient at managing resistance to change.

V. SELECTION OF A COURSE OF ACTION AND CONTINGENCY PLANS

Selection of a course of action and contingency plans is built on the goals and objectives, strengths and weaknesses, external environment, and many other factors. The scenario method described in Chapter III, Part II, Section E is also applicable to the public sector. Many urban planners already use the scenario method. (See Bracken, 1981, for further explanation.)

⁶For more information see Ansoff, 1984, Part 6.

VI. IMPLEMENTATION

This paper deals with strategy formulation rather than with strategy implementation, but this is a critical step. For more information, see Checkoway (1986), Olsen and Eadie (1986), Sorkin, Ferris, and Hudak (1984), and Walter and Choate (1985).

VII. CONTINUAL UPDATING

Adjustments and reevaluations will be necessary. Internal and external elements may change the analyses performed earlier. And since the strategic planning approach is to be used only in highly turbulent environments, this continuing turbulence will result in new changes that will need to be considered periodically. The SIM system suggested in Chapter III, Part II, Section F is applicable here also. Specific elements that must be continually scanned can be identified by SIM.

The following figure illustrates the strategic planning process and tools presented in this chapter (Figure 12).

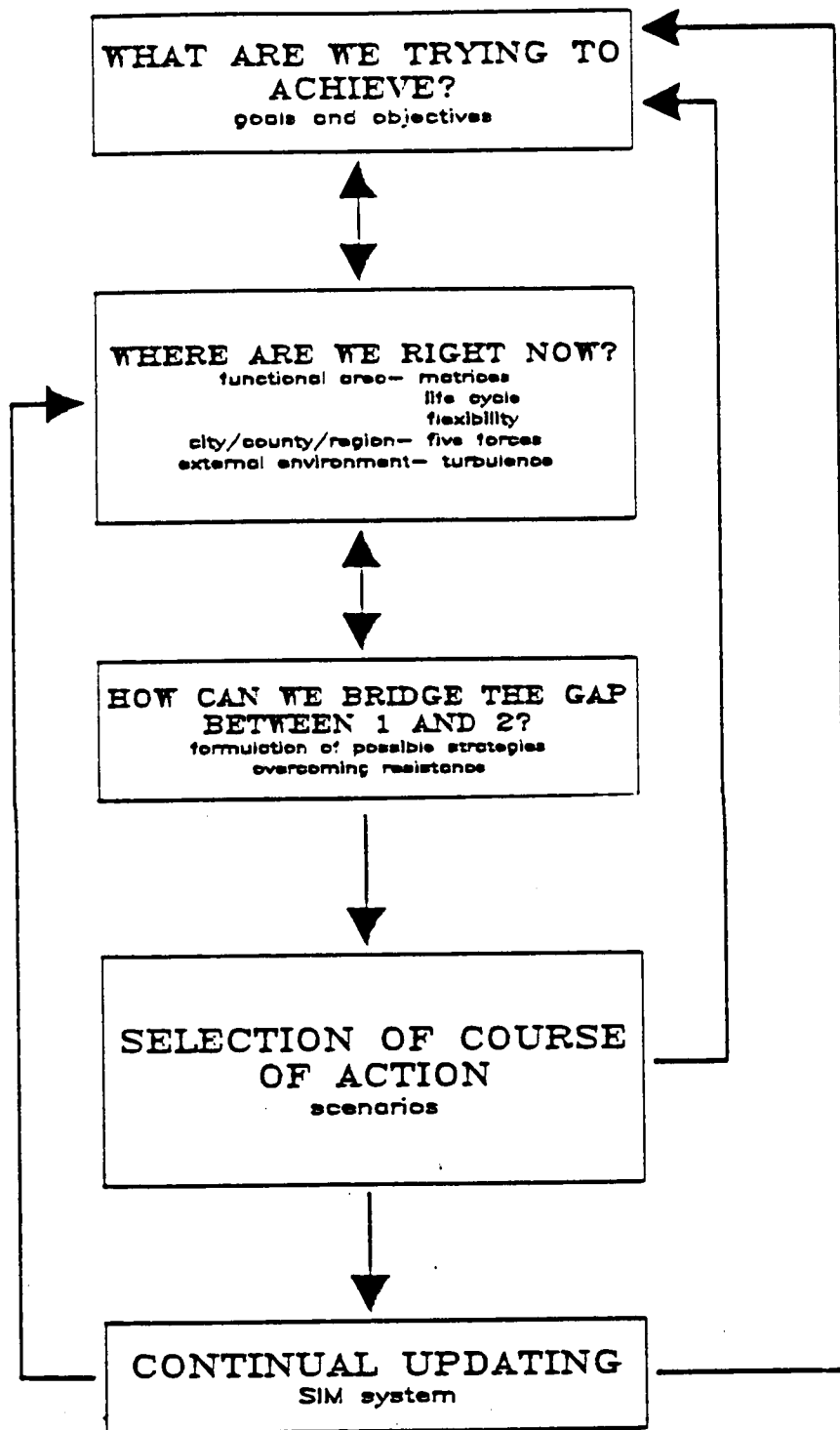


Figure 12. Strategic planning process.

CHAPTER V

SUMMARY AND CONCLUSIONS

This paper has reviewed the evolution of the strategic management approach in both the public and the private sectors. In today's rapidly changing world with ever-increasing technology and novel situations, a strategic approach is becoming essential in more and more situations.

The state of strategic management in an urban setting was discussed, and case studies were presented. Some of the basic business-oriented strategic management theory and a few of the basic techniques were also presented. Chapter IV took the tools and theory from the business world and applied them to an urban setting.

Following are summary answers and references to the text for each of the subsidiary research questions.

What aspects of strategic planning are common to both disciplines?

The environment for which strategic planning was initiated is the major commonality. This is discussed in Chapter II, Part VI, and in Chapter III, Part I, Section B. Additionally, both the urban and business sectors have several levels of responsibility and authority.

What components of business management-oriented strategic planning do not apply to urban-oriented strategic planning?

There are none really, but many business management-oriented strategic planning tools and techniques must be modified for urban planners. For example, a basic component of business management-oriented strategic planning is profitability. This does not apply in the public sector, but funding availability or funding required may be substituted for profitability. Both the public and private sectors are concerned with fiscal matters. The underlying theory of strategic planning is applicable in either setting. The more complex aspects of business management-oriented strategic planning do not apply in an urban environment yet, but may become essential after the basics are mastered by urban planners.

What specific differences exist to differentiate urban planning-oriented strategic planning from business management-oriented strategic planning?

This question is answered in Chapter III, Part I, Section A. The main difference is the political arena in which urban planners must operate, and its influence.

What modifications could be made to business management-oriented strategic planning to make it a better tool for urban planners?

Chapter IV answers this question.

The need for strategic planning in the public sector is apparent. Most municipalities operate in turbulent environments. The success of attempts to utilize strategic planning in urban settings is uncertain. There are a few examples, like Chicago Works Together, that stand out, but most of the cases discovered by this author fall short of being truly strategic.

Strategic planning is not just a bag of tools and techniques. It is a way of viewing problems and searching for answers. Strategic planning is not always the best approach, but when it is, choosing a few tools or techniques will not be as beneficial as a holistic strategic methodology. It is not the intent of this paper to advocate a piecemeal approach, but rather to suggest beginning steps towards understanding and effectively using strategic planning.

Urban planners must make a more thorough study of existing business-oriented strategic planning literature in order to understand the theoretical underpinnings of the techniques. This will lead to a more effective selection of tools, more examples of successful

implementation, and progress toward developing a strategic way of thinking. A study such as this one, Walter and Choates (1984) book, or Sorkin, Ferris and Hudak's (1984) work, can lay a foundation, but a more extensive examination by individual practitioners and authors is necessary. There is no single reference available that achieves a transference of business-oriented strategic planning theory and techniques to the urban environment.

Also missing from the literature are case studies with indepth how-we-did-it sections. The available studies present what-we-did, with very little why or how. Although the actual techniques and procedures used in one municipality cannot be transferred to another municipality without adaptation, it would be valuable to researchers and practitioners to have this information. It would fill an existing gap in the literature, it would help others to see what works in which settings, and it would help prevent others from making the same mistakes.

Another field of business literature directly related to strategic planning is the literature dealing with overcoming resistance. This is the major barrier to successful strategic planning in the private sector, given that the practitioners are well versed in the business management-oriented theory. This has been a

popular subject in management literature and urban planners need to educate themselves and transfer this body of theory to the urban setting.

As urban planners gain experience with business-oriented strategic management theory and techniques, it will be possible for them to invent new techniques for use in the public sector. At some point, adaptation of business strategic planning techniques will no longer be necessary, and a strategic planning mind-set will be in place. However, this future state depends on an increased understanding today of strategic planning theory.

Strategic management is not just a fad. It is a necessary response to today's world. But as in other fields, a little knowledge is a dangerous thing.

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