

# STRATEGIC PLANNING: SHAPING ORGANISATION ACTION OR EMERGING FROM ORGANISATIONAL ACTION?

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## ABSTRACT

Several perspectives have been offered to explain the strategy making process, and also at the same time offered the best strategy remedy. The perspectives of strategy making can be divided into two main perspectives: mechanic and organic. The mechanic perspectives view strategy as 'posture and plan' and the main models used are the design model and SWOT. The organic stream gives alternatives views in strategy development that captures the needs of dynamic interaction with environment and emphasis more on strategic change. Both perspectives will be discussed and their compatibility in the current environment is compared. The two approaches have their own logics, and both are valid depending on the situation and environment the organisation in. However, with the globalization, tight competition and changes in government policies and behavior, organisation is expected to be more flexible in responding to changes and keep an open mind and eyes to unforeseen opportunities and threats. Therefore, nurturing a conducive environment for emergent strategies seems like a logical thing to do.

**Keywords:** strategic planning, mechanic perspective, organic perspective.

## INTRODUCTION

Strategy making is a highly debatable topic. Several perspectives have been offered to explain the strategy making process, and also at the same time offered the best strategy remedy. According to Farjoun

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(2002), the perspectives into strategy making can be divided into two main perspectives: mechanic and organic. The mechanic perspectives view strategy as 'posture and plan' and the main models used are the design model and SWOT (Farjoun, 2002, p. 561). The organic stream gives alternatives views in strategy development that captures the needs of dynamic interaction with environment and emphasis more to strategic change (Farjoun, 2002, p 562).

Formal strategic planning falls into the mechanic perspective, and it has also been a source of debate for decades, since its launched in the 1960s to now. For nearly decade, between 1960 to late 1970s, strategic planning enjoy its popularity (Wilson, 1994, p. 13), and the limitation it possess make organisations acted more carefully towards this approach (Wilson, 1994, 9. 13). However, with the coming globalization, technology innovations, and uncertainties in the political and economy, the need for effective planning has been strong again (Wilson, 1994, 9. 13-14). However, academics in the area of strategy still questions the best model for the strategic planning, whether the mechanic approach is still valid in the current environment that is very unpredictable. The more flexible approach offered by the organics perspective allows organisations to manouvre more freely, but this approach is also weekend by its free nature.

Deeply embedded in the debate is the intended versus emergent strategy formations in the strategic planning, and both perspectives will be discussed and their compatibility in the current environment are compared.

### **STRATEGIC PLANNING AS INTENDED STRATEGY**

An organisation needs strategies to be able to perform superiorly against its competitors and to deliver best service to its stakeholder, and there is no difference in this regard whether the organisation is a public department, profit or non-profit. According to De Witt and Meyer (2004, p. 105), strategy is 'a course of action for achieving an organisation's purpose', and it is needed for organisations survival and development. However, in creating strategy, there is always the debate on how should strategy be formulated? How formal does an organisation want to go in developing strategies? What is the best mechanism in creating organisation strategy?

The mechanic perspective on strategy making see strategy as a posture (Farjoun, 2002, p. 563) or fit (Hill, Jones, and Galvin, 2004, p. 26) between organisational elements and environmental elements. Moreover, strategy is also viewed as a rational plan highly based on analysis (Mintzberg, 1994a) and also highly intende/deliberate. Deliberate strategy is a strategy that is “realized as intended” (Mintzberg and Waters, 1985, p. 257), and it is “formulated prior to action” (Hill et.al., 2004, p. 105).

Formal strategic planning system is highly popular way to develop strategy, and it includes clear mechanism, schedule and task delegation (De Wit and Meyer, 2004, p. 110). Strategic planning use strategies to develop ‘a plan of action’ (Viljoen and Dann, 2003, p. 456). And as the definition has suggested, strategic planning resulted in a tight and comprehensive plan, and it gives more control to top management as the performance indicator is clear and any change to this plan has to be approved (De Wit and Meyer, 2004, p. 110).

According to Glaister and Faltshaw (1999, p. 107), strategic planning and company performance should have a positive reaction, as hinted by various prescriptive literature in strategic management. Advantages of strategic planning include:

1. It serves as a connecting device, the strategic planning event force different people from the organisation to meet and share ideas. People sit together and talk about where the organisation should go, thus giving the events an integrative function (Dess and Miller in Viljoen and Dann, 2003, p. 42).
2. The strategic plan document serves as a communication tool that inform all people in the organisatin where the company wants to go and how (Dess and Miller in Viljoen and Dann, 2003, p. 42). It also gives directions to managers, because managers would know what the objectives before they can decide how to achieve them (Hayes, 1994, p. 112).
3. A strategic plan will maximize efficiency, because early commitment can be made and resources necessary can be allocated optimally (Hayes, 1994; De Wit and Meyer, 2003).
4. Strategic plan makes it possible to program all organisation’s activities, hence organisation can be run “with the clockwork precision, reliability and efficiency of a machine” (De Wit and Meyer, 2003 p. 112). Hence, though it might not give financial

benefit, it has given the organisation benefits in operational efficiency (Greenly in Glaister and Faltshaw, 1999, p. 107).

However, this highly deliberate strategy is also highly criticised for its tightness and its use of assumptions. The weakness of this strategy are:

1. It is highly relied on present condition and future prediction. This is a major weakness of formal strategic planning system, as there is “more than one possible future” in the fact that future ‘is not exist’ (Boulton and Allen in Jenkis, Ambrosini and Collier, 2007, p. 215). A more harsh criticism comes from Mintzberg (1994a, p. 111), saying that strategic planning wants the world to come to halt in the time of planning and stay the same in the time of plan executions.
2. The system is becoming more important than the human. The system can be very easily become so tight that it can crush creativity and inflexible planning bureaucracies can create a detached mechanism that demands tight rules and control, and at the end “making the system inflexible, unresponsive, ineffective and demotivating”. Furthermore, formal planning system can process more (hard) information, but they cannot be expected to synthesise them and produce strategy (Mintzberg, 1994a, P. 111).
3. Problems with commitment in organisation. Strategic planning often imposing top management control to lower level staff and ignore the role of managers at operational level (Mintzberg, 1994; Hill et. Al., 2004), as a result people that has to implement the plan have low commitment because they do not have the sense of belonging. Furthermore, strategic planning creates a “calculating style” of management (Mintzberg, 1994a and 1994b), in failing to engage people in implementing the strategies.
4. The fact that good strategies are often the results of serendipitous events (Hill et.al., 2004, p. 19). The existence of strategic planning thus can blind organisation to opportunities in uncalculating events. The logic of “ends-ways-means” in traditional strategic planning has made organisations create highly quantitative goals and abandoning non-quantitative goals and encourage episodic thinking (Hayes, 1994, p. 113). This has also encouraged thinking that is based on forecast rather than vision (Hayes, 1994, p. 113). Moreover, this model also focusing management to the fit between current resources to current environment, rather than

enhancing resources to exploit future opportunities (Hamel and Prahalad in Hill et.al., 2004, p. 26-27).

5. Formal strategic planning rely too much on analysis rather than synthesis, which is considered by Mintzberg as the grand fallacy of this model (Mintzberg, 1994b, p. 19). Furthermore Mintzberg maintain :

Because analysis is not synthesis, strategic planning has never been strategy making. Analysis may precede and support synthesis, by defining the parts that can be combined into wholes. Analysis may follow and elaborate synthesis, by decomposing and formalizing its consequences. But analysis cannot substitute for synthesis. No amount of elaboration will ever enable formal procedures to forecast discontinuities, to inform detached managers, to create novel strategies. Thus planning, far from providing strategies, could not proceed without their prior existence. All this time, therefore, 'strategic programming', and promoted as a process to formalize, when necessary, the consequences of strategies already developed.

Formal strategic planning system's preciseness and rigidity has often invited criticism from various writers, however this method is still widely practiced (Joyce and Woods in Viljoen and Dann, 2003; Glaister and Falshaw, 1999).

## **STRATEGIC PLANNING AS EMERGENT STRATEGY**

Criticisms of traditional on formal strategic planning has drawn other models in strategy formulation. Alternative approaches mainly concern to strategic planning preciseness and rigidity, in its compatibility to the unpredictable environment, which then triggered the development of organic perspective in responsive approach in formulating strategy, thus using more emergent strategy elements.

Emergent strategy is explained as "patterns or consistencies realized in absence of intentions" (Mintzberg and Waters, 1985, p. 257), and focus to strategic behaviors to facilitate strategic change rather than facilitating changes through a grand plan (Hill et.al., 2004: Mintzberg, 1994a). emergent strategic in the absence of plan or when they divert from the intended plan (De Wit and Meyer, 2004, p. 113)

The absence of planning has made emergent strategy seem chaotic, conducted in no order, seems like a lot of ‘muddling through’ and highly based on ‘pure luck’ (Mintzberg and Waters, 1985; De Wit and Meyer, 2004). However, there are major advantages associated with emergent strategy :

1. Emergent strategy is readily responding to the unpredictable future and unforeseen opportunities in serendipitous events (De Wit and Meyer, 2004; Viljoen and Dann, 2003). Therefore organisation should keep an open mind to see and take the opportunities (De Wit and Meyer, 2004, p. 113).
2. Organisation does not commit itself too early and open for other options in actions, thus emergent strategy gives flexibility (De Wit and Meyer, 2004, p. 113).
3. Emergent strategy facilitates learning and entrepreneurship, giving opportunities to people in the organisation to experiment with ideas (De Wit and Meyer, 2004; Mintzberg, 1994a). Mintzberg highly values learning, in the regards that learning is crucial in the development of novel strategies (Mintzberg, 1994a, p. 110). Allowing experiments can also give a high dynamic and enthusiasm in the organisation.
4. Emergent strategies are highly realistic to the capabilities and support in the organisation, because it is shaped based on “what is feasible, not on what is ideal” (De Wit and Meyer, 2004, p. 113)

Strategic planning model that use more emergent strategy is the logical incremental strategy planning. In this model, change is pursued in an evolutionary way (Quinn in Viljoen and Dann, 2003, p. 43). This model views that extra deliberate choice of strategic planning is the result of obsession for rationality and control (Viljoen and Dann, 2003, p. 44), while strategy formation is not something that can be controlled (De Wit and Meyer, 2004, p. 120). Providing an opposite view, the strategy implementation in the logical incrementalism is the “continual testing of small-scale projects and the scaling up of those projects that work” (Perry in Viljoen and Dann, 2004, p. 44), a series of innovation that should be tested, not executions of a rigid grand plan.

The advantages of logical incrementalism over formal strategic planning :

1. Allow creativity and ideas development in the absence of precise objectives.
2. Because changes is gradual, resource allocations and investment is committed slowly, and it also gives people time to adapt to change (Viljoen and Dann, 2003, p. 43)
3. It is more resilient in embracing changes by applying its flexible nature and its ability to respond to new conditions.

However, there are also disadvantages associated with logical incrementalism :

1. Because logical incremental deals with series of small changes, there is a risk of “strategic myopia” (Viljoen and Dann, 2003, p0 44), in which the organisation is satisfied with small changes onlu.
2. Leaders in the organisation that chiise this model should be visionary and able to choose the right emergent strategy among the choices (Mintzberg, 1994a; Hills et. Al., 2004), and in this kind of organisation managers are not only planners, but they should behave as ‘investors’ (De Wit and Meyer, 2004, p. 120). The absence of the right kind of people in this organisation into stagnancy.
3. To create a condusive atmosphere that nurturing emergent strategies to arise continually, organisation needs to develop a correct corporate culture (Mintzberg in Hill et.al., 2004, p. 21).

### **Choosing the best strategic planning : formal planning or logical incremental**

Answering ‘which one is the best’ is always a difficult task, because best is relative and different from person to person and from organisation to organisation. However, as explained by Mintzberg and Waters (1985), all strategy is a product of both deliberate and emergent. Therefore, it is unwise for organisation to highly favour one approach and resent the others in creating its strategic planning.

The formal planning approach is more suitable in a more suitable environment, thus it is most popular in 1960s when the economic and political is the most stable in the United States (Farjoun, 2002; Wilson, 1994). Therefore we have to put into considerations the highly dynamic environment we are in now, that rigid planning might not be the best options. However, going into the future without a

directions is also a scary prospect for people in the organisation, especially for managers (De Wit and Meyer, 2004, p. 111).

Hayes (1985) and Mintzberg (1994a) prescription in this situation is that organisation develop a long-term vision that give guidance to where the organisation wants to go, but loose enough to enable manouvre and strategic approaches. However, the degree in which an organisation wants to commit more to one approach will differ. An organisation that faces very tight competition, or located in a high risk country might choose to loosen its planning. On the other hand, new organisation or organisation that has steady income, serving certain stakeholder and have more control to itas environment might choose be tighter in its planning.

## CONCLUSION

The two main approach to strategic planning, the formal planning and logical incremental, reflects the two strategy formulation, the intended and emergent strategy. The two approaches have their own logics and supporters, and both are valid depending on the situation and environment the organisation in.

However, with the globalization, tight competition and changes in government policies and behavior, organisation is expected to be more flexible in responding to changes and keep and open mind and eyes to unforeseen opportunities and threats. Therefore, nurturing condusive environment for emergent strategies seems like a logical thing to do. By not setting an unmovavle preference to only implementing what has been planned, but also letting actions to become parts of strategic plan, organisation will open a possibility to gain more that it is expected. A combination of both, intended and deliberate strategy, would be a wise choice for today's organisations.

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