

# Study: strategic planning process

Business



A global leader in the software and computer gaming industry, Valve maintains a very unique internal operating environment. The company operates without any managers, instead relying on all employees to manage themselves. Grouped into project teams, the employees of each team are collectively responsible for the success of their respective project.

While it could no doubt be argued that there are certain benefits to Valve's distinctive operating style, it is evident from the case study that there are also substantial problems with the operational ecosystem within Valve. One of the major issues for Valve is the lack of strategic planning within the organisation. All of Valve's employees work in project groups, and their goals, tasks, and deliverables are all project-specific. As such, there is no employee group specifically focused on longer-term, strategic planning for the organisation. Valve's flat organisational structure also means that there is an absence of management personnel, who would usually be charged with driving the strategic planning process. This lack of strategic planning at Valve has left the organisation without clear goals, objectives, and plans for the future.

An absence of strategic planning also exposes Valve to the risk that it will be in a weaker position to respond to future changes in the operating environment. Schermerhorn, Davidson, Poole, Simon, Woods, and Chau (2011, p. 66) define planning as 'setting objectives and determining how to accomplish them', and stress the importance of planning as one of the four functions of the management process. Strategic planning maps out the company's future goals and objectives, and allows the employees to see the direction the company wants to take. Without strategic planning, Valve

cannot hope to be successful in managing changes in its operating environment, a point that is particularly relevant given the volatile conditions of the software industry. This report examines the role of strategic planning within an organisation, discusses the relevant strategic planning theories, and recommends steps that Valve can take to implement strategic planning within its organisation.

Analysis and Critical Evaluation Jimmy Jo Jo S1234567 Page 2 of 8 Strategic planning builds a solid foundation for an organisation, and provides a company with a higher chance of performance success. Peattie (1993) contends that strategic planning should be a fundamental process in every organisation, as strategic planning allows an organisation to determine the future direction and goals that the organisation will work towards. Reid and Hinkley (1989; as cited in Peattie 1993, p. 12) agree, arguing that the strategic planning process fulfills many roles in an organisation, including acting as an organisational communication process, a resource allocation process, and a form of strategy alignment. The positive correlation between strategic planning and organisational performance has also been well documented (Armstrong 1991; Rudd, Greenley, Beatson, ; Lings 2008; Glaister, Dincer, Tatoglu, Demirbag, ; Zaim 2008), strengthening the argument for the necessity of planning at Valve.

However, strategic planning is not a uniform process across every organisation, but must be specifically tailored for each organisation, based on characteristics such as the organisation's type and industry. Operating as a project-based firm, all of Valve's employees belong to individual project groups working on separate projects. A study of project-based firms found <https://assignbuster.com/study-strategic-planning-process/>

that although autonomous project teams generally undertook their own project-specific planning, in firms where organisation-level strategic planning was absent, these project-based plans were often in conflict with one another (Mutka ; Aaltonen, 2013). On the other hand, Mutka and Aaltonen (2013) found that in organisations with established strategic planning processes, this firm-level strategy actually dictated the project-level strategy, creating cohesion in strategy across all projects and project teams throughout the organisation. It is therefore evident that a project-based firm such as Valve must have organisational strategic planning in place, in order to ensure all project teams within the organisation are working towards the same strategy.

However, successful strategic planning involves more than just formal written plans. Mintzberg (1993, p. 37) contends that a successful strategic planning process involves three components: the written strategic plan, a strategic vision, and strategic learning. The written plan is the actual documented outcome of the strategic planning process. Strategic vision focuses on creating a broad strategy, rather than constructing a strategy around specific details. By utilising a strategic vision approach to planning, organisations can ensure that their strategic plan can be easily adapted to any changes that may occur in the operating environment. Jimmy Jo Jo S1234567 Page 3 of 8

This adaptation of the strategic plan is what Mintzberg (1993, p. 38) refers to as strategic learning, whereby the organisation “ experiments” with the strategic plan in order to successfully vary it to suit the changed environmental conditions. Thus, without incorporating strategic vision and <https://assignbuster.com/study-strategic-planning-process/>

learning into the strategic planning process, any unpredicted change in the environment is likely to severely diminish the effectiveness and usability of the organisation's plans. This is particularly relevant to Valve, as the high-tech software development industry is notoriously unpredictable, and the outcomes of any strategic planning undertaken by Valve would need to be sufficiently easy to adapt to changing operational conditions. Also concerned with the scope of organisational strategic planning, Reeves, Love, and Tillmanns (2012, p.

78) identify four organisational “strategic planning styles”, based on the two key factors of predictability and malleability: adaptive, shaping, classical, and visionary styles. Here, predictability relates to how confidently future demand and market performance can be predicted, while malleability refers to the extent that the organisation can influence those factors. Reeves et al. (2012) contend that organisations such as Valve within the software development industry should be utilising a “shaping” strategic style, due to the industry's unpredictable environment, as well as the relative ease with which the population companies can change that environment. A shaping strategy is where the organisation aims to actively shape the business environment to its own advantage, rather than merely maintaining its existing market position, or reacting to changes after they have occurred (Reeves et al.

2012, p. 81). In order to achieve this, an organisation must employ continuous strategic planning over short planning cycles. As a shaping organisation's competitive advantage lays in interpreting and responding to changes in the external environment faster than its competitors, and capitalising on

<https://assignbuster.com/study-strategic-planning-process/>

technological changes to influence the development of its industry, the strategic plans of a shaping organisation must be extremely flexible, and attention must focus heavily on the company's external environment. The focus of an organisation's planning process was explored further in the work of Smith, Binns, and Tushman (2010), who examined the strategic planning processes of multiple complex organisations to determine the optimum theoretical strategic planning model. "Complex" in this context refers to a project-based firm, such as Valve, where multiple projects operate concurrently across the organisation.

Several variables were observed throughout the study, including the focus of strategic planning at the corporate level within Jimmy Jo Jo S1234567 Page 4 of 8 the population companies, which Smith et al. (2010, p. 50) grouped into either 'exploratory strategic planning' or 'exploitative strategic planning'. Exploratory strategic planning is forward-focused, with planning centering on exploring new opportunities in new markets. On the other hand, exploitative strategic planning is concerned with the past, with planning seeking to refine and improve the firm's existing market position. The results of the study showed that in order for a firm operating in the high-tech software development industry to achieve the highest level of success, it needs to employ both exploratory and exploitative strategic planning simultaneously (Smith et al.

010, p. 454). Additionally, the study showed that firms with a flatter, more decentralised structure tended to focus more on exploratory strategic planning, while firms with more hierarchical and centralised structures were more prone to employing exploitative strategic planning. Therefore, when <https://assignbuster.com/study-strategic-planning-process/>

implementing strategic planning into their organisation, Valve must ensure that both exploratory strategic planning and exploitative strategic planning theories are equally adopted. Recommendations Valve must act immediately to implement strategic planning into the organisation.

In keeping with the current structure and culture of the organisation, it is proposed that the creation of a Strategic Planning Board would be the most appropriate means of achieving this. The Board would consist of selected employees from the organisation, who would be elected by their peers to serve for a fixed term, and would be responsible for the implementation and development of strategic planning at Valve. Additionally, the board members should be made up of employees from diverse backgrounds and experience levels, in order to maximise the creative potential of the Board's vision. It is suggested that at its current size, the Strategic Planning Board would consist of 10-12 employees, and would meet on a quarterly basis to review the strategic plans of the company, check the plans are still relevant in the current environment, and make any necessary changes to the plans to ensure the organisation remains on track to meet its goals and objectives. The Strategic Planning Board would also be charged with creating the initial structure of the strategic planning process at Valve. It is recommended that Valve design its strategic planning process around Langley's (1988, p.

47) four functions of strategic planning: information, group therapy, direction and control, and public relations. First, the strategic planning process must bring together all of the Jimmy Jo Jo S1234567 Page 5 of 8 appropriate and necessary organisational information that will be needed when the plan is used by the company in the future to make strategic decisions. Second, the <https://assignbuster.com/study-strategic-planning-process/>

strategic planning process must seek input and commitment from all areas of the organisation, while communicating the overarching vision throughout the company. Third, the strategic planning process needs to set the direction of the organisation, and implement control mechanisms for achieving that direction by using a management by objectives approach. Lastly, the strategic planning process may be used by Valve to influence external parties, although given Valve's self-funded status, this point is perhaps less important in the current circumstances.

Given Valve's organisational structure and culture, it is suggested that perhaps the most important function of strategic planning at Valve would be group therapy, whereby the planning process needs to involve the entire organisation in the setting of the company's future direction and goals. Additionally, given the absence of management personnel at Valve, the implementation of control mechanisms to measure the organisation's performance against the strategic plan is also vitally important. When designing the planning process, the Strategic Planning Board must also be mindful that the final process will need to have the support of the employee body, as this is the key to gaining employee commitment to the planning process and ensuring its successful implementation at Valve. The strategic planning process designed and implemented by Valve should include Mintzberg's (1993) three components: the written strategic plan, strategic vision, and strategic learning. The focus of Valve's strategic planning should utilise a mix of exploratory and exploitative objectives, to continue to strengthen their current position in the marketplace, while exploring opportunities in new markets, and with new products and services. Valve's



strategic plan must also be focused on desired direction and outcomes, without being too heavy on specific details.

This will ensure Valve is well equipped to deal with any changes in the external operating environment, and can easily adapt its strategic plan to adjust to any such changes if and when they occur. It is recommended that as a small, high-tech firm, Valve's strategic planning should initially focus on positioning the company for future strategic growth, by identifying current organisational issues, and taking immediate action to implement solutions to these problems (Fogg, 1994). Once the short-term issues have been addressed, the Strategic Planning Board at Valve can shift their focus to more long-term strategic planning. It is also recommended that the Strategic Planning Board construct a project-planning outline, to be used in current and future projects and project teams at Valve. This will ensure alignment between the overarching organisational strategy Jimmy Jo Jo S1234567 Page 6 of 8 and individual project strategies, and will help to eliminate any potential conflicts that may otherwise arise. Once the strategic planning process has been designed, the Strategic Planning Board will also need to ensure the formalised organisational strategy and plan are communicated throughout the organisation, and take steps to imbed strategic planning principles in all business-as-usual activities at Valve.

This will help to increase the awareness of strategic planning among all Valve employees, and will affirm strategic planning as an important aspect of Valve's culture. Conclusion It is clear that strategic planning forms an important element of any successful organisation. By implementing a strategic planning process within their organisation, Valve will ensure that <https://assignbuster.com/study-strategic-planning-process/>

the company's direction and goals have been clearly articulated, and the company has a vision for the future. The establishment of a Strategic Planning Board will enable Valve to develop and implement a strategic planning strategy, and clear communication with all Valve employees during the design and implementation of the strategic planning process will firm employee commitment to the plan. By focusing its strategic planning on the external environment, and conducting planning in short planning cycles, Valve will be best positioned to easily respond to changes in the environment as they occur.

The alignment of organisational strategy with project strategy will also ensure that all Valve employees are working towards common goals and objectives. It is important that Valve act immediately to implement these recommendations, in order to increase the company's current performance, and secure the long-term growth and development of the organisation.