

Strategic Planning: Intuitive-Anticipatory and Formal Planning System and the History of Strategic Planning: A Conceptual Approach

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ABSTRACT: Strategic planning is interlinked with the entire fabric of management. It is a function and concern of managers at all levels in an organisation. The objectives of this paper is to review strategic planning to explore the conceptual foundations of strategic planning. This study adopts a qualitative method based on an extensive literature review. This study reveals that there are two types of management: that which is completed at the highest of an organisational structure is strategic management; everything else is operational management. Based on the extensive literature review, this study also tries to provide a better understanding regarding the term of strategic planning. It also explains the history of strategic planning from several perspectives.

KEYWORDS: Strategic, planning, intuitive, formal planning, history.

I. INTRODUCTION

Strategic planning is interlinked with the entire fabric of management; it is not something separate and distinct from the process of management (Steiner, 1979). It is a function and concern of managers at all levels in an organisation. This paper reviews strategic planning to explore the conceptual foundations of strategic planning. These foundations studied in this paper consist of intuitive-anticipatory system, formal planning system, and some definitions of strategic planning. The brief history of strategic planning then is discussed. This study adopts a qualitative method based on an extensive literature review.

II. INTUITIVE-ANTICIPATORY AND FORMAL PLANNING SYSTEM

To take a broad view, in the view of Steiner (1979), there are two types of management: that which is completed at the highest of an organisational structure is strategic management; everything else is operational management. He states that, "Strategic planning is a backbone support to strategic management" (p.4), although, of course, strategic planning is not the wholeness of strategic management; it is a main process involved in the running of strategic management, and is central to helping managers satisfy their strategic management roles. Just as strategic management is absolutely concerned with operational management, so strategic planning is linked with operations; but as with strategic management, the focus of strategic planning is on strategy more than operations.

Further, Steiner maintains that there are two different ways for a manager to formulate forward-looking strategic plans (1979). The first, the intuitive-anticipatory approach, has several features, but the main one is that it is more of a thought process than a concrete activity, and may not result in a written set of plans. Commonly it has a reasonably short time horizon and reaction time and 'it is based upon the past experience, the gut feel, the judgment, and the reflective thinking of a manager,' (Steiner, 1979: 9). In contrast, the formal planning system is structured and developed on the basis of a set of procedures. It is obvious in the sense that people understand what is going on. Regularly, operations manuals are prepared to describe who is going to do what and when, and what will occur with the information. It is based on research and engages the participation of many people. Support for the decision making in the process is regularly documented and the result of the whole effort is a written set of plans. Both approaches, as said by Steiner (1979), can and should complement one another. A formal system can and should facilitate managers to sharpen their intuitive anticipatory ideas within the planning process.

At the very least, a formal system can and should give managers more time for reflective thinking. Furthermore, Steiner argues that the formal planning system cannot be really effective unless managers at all levels apply their judgements and intuition to the planning process. Nor, conversely, will formal planning be effective if top managers refuse it in support of their own intuition. As Mintzberg (1994) states, to be effective, any organisation has to combine analysis and intuition in its strategy making

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as well as other processes. Similarly, Grant (2010) contends that, as a rational planning system, the roles of intuition, creativity, and spontaneity are essential for successful strategies. Further, Steiner describes that managers, in reality, do stick to diverse thought processes in decision making. The blueprint of a formal planning system must understand and indicate these divergences if the system is to perform successfully.

III. SOME DEFINITIONS OF STRATEGIC PLANNING

Strategic planning literature provides a wide range of definitions, concepts, theories, and models of strategic planning. One of the seminal works in strategic planning by Anthony (1965:24), defined strategic planning as “the process of deciding on objectives of the organisation, on changes in these objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use, and disposition of these resources.” Here, strategic planning is a process to formulate strategic plans and policies transforming the character or direction of the organisation. Further, Anthony explains that in an industrial firm this process comprises planning that influences the objectives of the firms, all types of policies, market and distribution channels, the acquisition and disposition of the main facilities, new permanent capital sources, divisions, subsidiaries’ organisation structure, and research and development of new product lines.

Furthermore, another seminal study is Steiner’s 1979 work describing strategic planning from several points of view, each of which is needed in understanding strategic planning. First, strategic planning relates to the futurity of current decisions. It means that strategic planning should involve observing the causality effect of decisions that a manager will make; and if a better decision is arrived at, the original one can be readily changed. Strategic planning means “designing a desired future and identifying ways to bring it about” (Steiner, 1979:14). Second, strategic planning is a process. It starts from the setting of organisational aims, designs strategies and policies to attain them, and establishes detailed plans to make sure that designed strategies and policies are implemented. However, it should be understood too as a continuous process since the changes and turbulence in the business environment are continuous. Third, strategic planning is a philosophy, a way of life. It needs dedication to acting on the basis of future contemplation and to plan continuously and systematically as integral of management process; “Strategic planning is more of a thought process, an intellectual exercise, than a prescribed set of processes, procedures, structures, or techniques” (p.14). 58 Fourth, strategic planning is a structure. It connects three main types of plans; these are strategic plans, medium-range programmes, and short-range budgets and operating plans. In a firm with decentralised divisions there may be this type of connection in each division’s plans and a different connection between strategic plans made at divisional plans and headquarters. The concept of a structure is reflected too in this definition proposed by Steiner (1979): strategic planning is the systematic and more or less formalised effort of a company to establish basic company purposes, objectives, policies, and strategies and to develop detailed plans to implement policies and strategies to achieve objectives and basic company purposes (p.15).

In addition, the other seminal work is that of Lorange (1980), which describes strategic planning as “the process of deciding on objectives of the organisation, on changes in these objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use, and disposition of these resources” (p.24). Further, Lorange (2010) states that the aim of strategic planning is obvious: to be a management tool to aid in the strategic decision-making process of an organisation. If an activity runs under the strategic planning label but does not help in the strategic decision-making of the organisation, it is not strategic planning even though there are a range of appropriate planning components involved in the activity, such as detailed five-year plan documents. The other academicians in the field, Shrader, Taylor and Dalton (1984) viewed planning in a broad, descriptive sense and define it as a profile of decisions and predispositions of the dominant coalition with respect to environment, context, and structure. Dyson (1990:3) defines strategic planning as “a management process involving consultation, negotiation, and analysis which is aimed at ensuring effective strategic decision making.” A main part of the strategic planning process is to guarantee the initiation and formulation of strategic options, and because a strategic option when implemented will have durable effects and be difficult to change, the planning process, therefore, must be concerned with assessing options before action is taken and be concerned with the future effect of the planned decisions. A leading theorist in strategic planning, Bryson (2004:4-5), describes strategic planning as “a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it”. To deliver the best results, strategic planning requires broad yet effective information gathering, development and exploration of strategic alternatives, and an emphasis on future implications of present decisions. Heines (1995:3) describes strategic planning as “a dynamic, backward-thinking process by the collective leadership of the team, department or organisation.” The ideal future vision and core strategies are defined as a foundation for annual operating plans and budgets. Then a team or department involved in the strategic planning process will attempt to drive the achievement and measurement of this vision.

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The last and perhaps the most comprehensive and descriptive definition was provided by Peter Drucker (1959:240). He defined strategic planning (long range planning) as: The continues process of making present entrepreneurial (risk taking) decisions systematically and with the best possible knowledge of their futurity, organising systematically the efforts needed to carry out these decisions, and measuring the results of these decisions against the expectations through organised, systematic feed back. Ansoff (1965) referred to Drucker's definition in three parts: one, making present decisions systematically; two, organising programmes for their implementation; and three, measuring the actual performance of these decisions (the programmes).

The linkage of Drucker's definition to Ansoff's work (Corporate strategy) is their entire concern with "making present entrepreneurial decisions" (Ansoff, 1965 p.185). To extend his results to Drucker's definition of strategic planning, Ansoff created a document called the strategic budget to systematically organise the attempts make to execute the decision. In addition, according to Drucker (1959), it is easier to define long-range planning by what it is not rather than by what it is, namely: first, it is not 'forecasting.' It is not engineering the future and any effort to do so is thoughtless: human beings can neither 60 foresee nor control the future. Second, it does not cope with future decisions; instead it copes with the futurity of present decisions. Decisions occur only in the present. The question that confronts the long-range planner is not what we should do tomorrow; it is what we have to do prepared for an ambiguous tomorrow.

Third, long-range planning is not an effort to exclude risk. It is not even an effort to minimise risk. Indeed any such effort can only run to illogical and unlimited risk and to certain failure. Common to definitions of strategic planning above is the notion that strategic planning is concerned with the deciding process on organisational objectives, devising strategies and policies to reach them, and making detailed plans to guarantee that designed strategies and policies are executed, and measuring the achievement of the organisation. In other words, in essence, strategic planning tries to make analytically current decisions, manage programmes and policies for their execution, and assess the real performance of these decisions.

IV. A BRIEF HISTORY OF STRATEGIC PLANNING

The notion of strategy has a long history. It has existed for thousands of years as a way of thinking about survival and of attaining success through leadership in war or politics. In the time of the ancient Greek civilization, the term 'strategy' was used to illustrate a senior military commander-in-chief or a topmost magistrate (Segal and Horn, 2004). However, the concept of strategy did not derive from the Greeks. Sun Tzu's classic, *The Art of War*, written circa 500 BC, is viewed as the first tract on strategy (Grant, 2010). Lorange and Vancil (1977) portray that strategic planning as a form of human mental activity is not new; what was new was the attempt by managers in large firms to reinforce strategic planning in the early 1960s. Similar to Segal and Horn (2004); Lorange and Vancil (1977) and Grant (2010), Dooris, Kelley and Trainer (2002) contend that strategic planning is definitely not new when considered in the setting of human thought and behaviour. To the contrary, since strategic planning represents vital features of Homo Sapiens, it is by definition as old as humankind. Conversely, when one views strategic planning as a well-thought-out management discipline and practice, it is barely out of its infancy. Further, according to Grant (2010) Segal and Horn (2004), and Barker and Smith (1997), the roots of strategy and planning concepts can be traced to military applications in which the literature on strategy dates from classic writings of Sun-Tzue (*Art of war*, 6th Century BC) and later, writings of Carl von Clausewitz (on war) in the 19th Century. The term 'strategy' derives from the Greek word 'strategia', meaning generalship (Grant, 2010). Similarly, Coulter (2013), and Galbraith and Nathanson (1978) explained that strategy can be viewed in historical decisions and actions used by military organisations and that the word strategy itself comes from the Greek word 'strategos,' or military commander. That is why, according to Anthony (1965), the word strategic suggests a close relationship with strategy as used in military parlance in which military leaders and researchers have done much thinking about strategic principles. Business management should be able to benefit from what the military leaders and researchers have studied and published. Further, Anthony stated that of the 14 well-known planning principles proposed by Harold Koontz in 1964, nine planning principles have a relationship to the military principles. Strategy can be understood as "the what is to be done and planning as the how to do it" (Barker and Smith, 1997:289). Drucker (1974) noted that in the early 1920s for the first time Du Pont and Sloan developed systematic approaches to business objectives, to business strategy, and to strategic planning. Impetus was given to strategic planning in the post-World War II period in which many who had been involved in the US armed forces had returned to civilian life and applied the concepts of strategy and planning to firm and industry. Long-range planning evolved and, as argued by Ansoff and McDonnell (1990:247), in the 1950s, "long range planning was the firm's response to the pressures of rapid growth, size, and complexity" which firms were no longer likely to rely on budgeting in facing their future competitive challenges, growth and expansion needs. Strategic planning emerged as a distinct methodology for a time between the 1950s and the 1970s (Dooris, Kelley and Trainer, 2002). Segal and Horn (2004) note that the 62 use of concept 'strategy' in relation to organisations, and the utilisation of the theme of strategic management (usually in the context of business firms and corporations) has only arisen since the twentieth century. Further, Lorange and Vancil

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(1977) write that, in the early 1960s, managers in large firms attempted to formalise strategic planning and to focus it on influencing the strategic directions of their organisations. In the 1960s, business policy and strategic planning played increasingly important roles in developing formal alternatives to increase firms' performance, and this period saw a proliferation of major works (Shrader et al., 1984). A leading expert and main proponent of strategic planning, Steiner, in his seminal book (1979), asserts that strategic planning with its modern design characteristics was first introduced in profit oriented companies in the mid-1950s by large companies under the rubric of a long-range planning system. Since then, according to Steiner, formal strategic planning has matured; virtually all large firms throughout the world have adopted a strategic planning system, and a number of smaller firms are adopting the example of the larger firms. Mintzberg (1994) notes that strategic planning arrived on the scene in the mid-1960s when corporate leaders embraced it as the one best way to devise and implement strategies that would enhance the competitiveness of each business unit. By the 1960s, the business policy course at Harvard Business School was highlighting the need to fit a firm's strengths and weaknesses against apparent opportunities and threats: this approach has become famous known as the SWOT framework (Susan and Horn, 2004). The 1960s was a period of steady economic growth and general prosperity in the United States and during this period there were many attractive opportunities for growth; subsequently corporate executives realised that they had to choose sometimes to diversify through acquisition and to expand to international market (Steiner, 1979). These strategic moves compound the managerial complexity of large enterprises, and new management tools were obviously needed to help corporate executives overcome an increasing complexity of strategic decisions. Formal long range planning was invaluable to these corporate executives and its main virtue was that "it focused on the right set of issues" (Steiner, 1979: p.vii). During the five years of 1968-1972, Steiner says further, the rapid development of strategic planning systems was established. Hundreds of executives and scores of academicians focused 63 on learning about the design of strategic planning systems. Further, Susan and Horn (2004) note that the majority of large US companies had formal planning departments, as did many large Europeans companies. Although these companies made substantial use of the notions and frameworks developed by management academics, they increasingly turned to management consulting firms. The contribution of these consulting firms - for example, BCG and McKinsey, two best-known strategy consulting firms - to the development of strategic thinking throughout the 1960s and 1970s was extensive. Some scholars link the emergence of strategic planning to the chaotic environment of the 1970s when, with the energy crisis and other unforeseen events, organisations hurried to find a more appropriate planning system (Rosenberg and Schewe, 1985). Susan and Horn (2004) note that a shift of the strategic role of corporate planning happened during the 1970s. What had initially been an emphasis on strategy as planning, governed by corporate planning departments that concentrated on long range planning and using mostly quantitative analysis procedures as the base for strategic decision-making, unexpectedly began to break down. Ghemawat (2002:50) illustrates this phase in the late 1970s as 'leading to stale-mates as more than one competitor pursued the same generic success factor.' In addition, the concepts of competition and competitiveness subsequently grew in significance. At first, in the 1980s, the very well-known books of Michael E. Porter (1980, 1985) that highlighted the external environment of the corporation, seek to give explanation particularly about the analysis of industry structures to find out the levels of industry attractiveness and comparative levels of potential industry profitability. However, as Susan and Horn (2004) presented, after a decade of strategic management concentrated on industry structure and market positioning as the main drivers of performance and potential profitability of companies, a new perspective on strategy came forward in the 1990s. It is the approach known as the 'resource-based' view (RBV) of strategy (Grant, 1991; Prahalad and Hamel, 1990). Furthermore, from 1990 onwards, and emerging from the RBV perspective, the emphasis for strategic management shifted once more from the external competitive environment to the internal analysis of the company, as the basis 64 for building strategies and discovering sources of competitive advantage. Firms in the same industry may pursue different strategies and attain varied performance levels, as a result of comparable resources but differing competencies or capabilities. The resource-based view (RBV) provides a compelling explanation for heterogeneity. Thus, this conferred an important role on management in generating appropriate processes for capability-building within their organisations (Susan and Horn, 2004).

Finally, as said by Dooris, Kelley and Trainer (2002), many would claim that searching for the birthstone of strategic planning is chimerical since planning is an evolutionary course. Certain dating stones can be traced, but strategic planning owns no single event of origin. What is obvious, however, is that the more recent decades have been a prosperous period for strategic planning- "a development in which higher education has shared" (Dooris et al., 2002: 6). The concept of strategic planning has progressed over time and from its early stages of application in companies has extended to all areas of society encompassing government and public sector, small medium enterprises as well as higher education (Barker and Smith, 1997).

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IV. CONCLUSION

Strategic planning is a backbone support to strategic management. Although strategic planning is not the wholeness of strategic management; it is a main process involved in the running of strategic management, and is central to helping managers satisfy their strategic management roles. Strategic planning is a process to formulate strategic plans and policies transforming the character or direction of the organisation. Strategic planning is a philosophy, a way of life. It needs dedication to acting on the basis of future contemplation and to plan continuously and systematically as integral of management process; Strategic planning is more of a thought process, an intellectual exercise, than a prescribed set of processes, procedures, structures, or techniques. Strategic planning with its modern design characteristics was first introduced in profit oriented companies in the mid-1950s by large companies under the rubric of a long-range planning system. Since then, formal strategic planning has matured; virtually all large firms throughout the world have adopted a strategic planning system, and a number of smaller firms are adopting the example of the larger firms.

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