

Dynamic Strategic Planning

Overview

Organization of Lectures

- **INTRODUCTION**
- **PHASE 1: Recognition of Risk and Complexity Reality**
- **PHASE 2: Analysis**
- **PHASE 3: Dynamic Strategic Planning**
- **CASE STUDIES OF DYNAMIC STRATEGIC PLANNING: Example Applications to Different Issues and Contexts**

Outline of Introduction

- **The Vision**
- **The Problem: Inflexible Planning**
- **The Solution: Dynamic Strategic Planning**

The Vision

- **A significantly improved approach to systems design and corporate planning,**
- **that realistically accounts for rapid changes**
 - **in the economy,**
 - **in technology and**
 - **among competitors**

The Problem: Inflexible Planning

- **The Usual Error**
 - Choice of a Fixed "Strategy" ; A Master Plan
 - "Here we are...There we'll be"
 - Management and Company commitment to plan -- leading to resistance to change when needed
- **The Resulting Problem**
 - Inflexibility and Inability to respond to actual market conditions
 - Losses and Lost Opportunities

Examples Of Inflexible Planning

- **Nuclear Power in USA**
 - fix on technology
 - Uneconomic Plants
 - Bankrupt Companies
- **Electricity in South Africa (see Case Studies)**
 - fix on size
 - Huge Excess Capacity
 - Large Unnecessary Costs

The Solution: Dynamic Strategic Planning (1)

- **3 PHASES**

1. **Recognition of Risk and Complexity as Reality of Planning**
2. **Analysis of Situation**
3. **Flexible, Dynamic Planning**

The Solution: Dynamic Strategic Planning (2)

- **PHASE 1: Recognition Of Risk And Complexity Of Choices As The Reality Of Planning**

- **Risk** -- the fundamental reality to be faced in developing long-term plans
- **Complexity** -- leading to **Wide Range of Choices**, especially hybrid choices, those which include elements of other alternatives and allow flexible response to events

The Solution: Dynamic Strategic Planning (3)

- **PHASE 2: Analysis**
 - Identifying Issues
 - ◆ Structuring the Situation
 - Decision Analysis of Choices
 - ◆ Decision trees
 - Determining Satisfaction of Decision-Makers, of Customers
 - ◆ Utility Analysis

The Solution: Dynamic Strategic Planning (4)

- **PHASE 3: New Kind Of Decision-making -- Flexible, Dynamic**
 - Builds INSURANCE into plans
 - ◆ in the form of flexibility
 - Commits ONE PERIOD AT A TIME,
 - ◆ to permit adjustment to changing conditions

The Solution: Dynamic Strategic Planning (5)

- **Doing Dynamic Strategic Planning involves**
 - Looking ahead many periods, appreciating the many scenarios with their opportunities and threats;
 - Choosing Actions to create flexibility,
 - ◆ so you can respond to opportunities and avoid bad situations; and
 - Committing to Actions only one period at a time.
 - ◆ Maintaining the flexibility to adjust to conditions as they actually develop

Chess Analogy

- **Dynamic strategic planning is comparable to playing chess as a grand master.**
- **Dynamic strategic planning compares to regular corporate planning as grand master chess compares to beginner play.**