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.