

BUILDING STRATEGIC CAPACITY BY DESIGN

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Why is it that so many strategic planning efforts fail on their promise to bring focus and positive change? The answer can be found in the assumptions behind the process of strategy development. Strategies need to be about increasing capacity rather than achieving particular ends.

As consultants, we are frequently contacted by association leaders seeking facilitation and related services to support traditional strategic planning processes. Drawing on our years of experience doing association work and our current thinking about the future of organizations in our community, we now find ourselves making a simple, yet provocative suggestion to CEOs who believe that working with the right strategic planning consultant will make all the difference:

It's time for associations to stop depending on strategic planning — and the consultants who provide it.

We don't believe there is anything inherently wrong with consultants, of course. The high-level advisory services that consultancies provide associations can help create extraordinary new value for members, customers, and stakeholders. Consultants often work with staff and volunteers to clarify complex issues and challenge leaders to make bold choices in the face of considerable uncertainty. The problem isn't what consultants do on behalf of associations as much as it is the inability of most associations to do this critical strategic work for themselves.

The usefulness and value of strategic planning, given today's rapidly changing landscape, is another matter. For decades associations have engaged in what certainly must be tens of

thousands of strategic planning sessions, and we doubt they have achieved many genuine breakthroughs. In the 20th century, it might have been sufficient for associations to pursue mission-driven constancy as their main strategic objective. In the 21st century, however, associations, like so many organizations, must confront their own demise and, in so doing, also must address the threefold challenge of sustaining relevance, catalyzing renewal, and increasing resilience. Unfortunately, strategic planning, an approach grounded in the command-and-control management model, fails to produce the requisite creativity and dynamism necessary for associations to succeed strategically in the years ahead.

While there is a basic mismatch between traditional strategic planning and the current operating environment, a compelling alternative is to build the association's intrinsic strategic capacity through thoughtful design. Instead of codifying specific and predetermined outcomes into a precisely worded plan document, building strategic capacity by design is about developing an enterprise of strategic thinkers and leaders who can capably reflect on, select, and implement intelligent strategic moves at every level of the organization on a continuing basis.

WHAT'S WRONG WITH STRATEGIC PLANNING?

It's hard to ignore the fundamental shift toward a knowledge-based, innovation-oriented, service-driven economy over the last quarter century. This new environment demands that association staff and volunteer leaders engage in fresh thinking about how value is created. Roger Martin, dean of the University of Toronto's Rotman School of Management, writes in *Rotman* magazine (Winter 2005): "As we leave behind one economic age and enter another, many of our philosophical assumptions about what constituted competitive success grew out of a different world. Value creation in the 20th century was largely defined by the conversion of *heuristics* to *algorithms*."

Nowhere in association management is the attempt to convert heuristics (a rule of thumb or discovery process that can help solve a given problem) into algorithms (a formal, step-by-step procedure for solving a given problem) more evident than in the development of strategic plans. Strategic planning places far too much emphasis on the need to find the "right answers" to difficult questions, often without regard to the nuances of emerging trends and changing markets. Like algorithms, strategic plans themselves tend to be quite linear, organized in a rigid structure of so-called "SMART" (specific, measurable, achievable, realistic, and time-based)

goals, objectives, strategies, and tasks. Such regimes clearly reflect the constraints-centered mindset of today's nonprofit association.

As the business environment has changed, it has revealed a still more fundamental flaw in the logic of strategic planning for associations. Associations today are competing to meet and exceed the growing expectations of demanding customers who have seen marketplace power shift toward buyers and away from sellers. Under these circumstances, the responsibility and authority for making strategic decisions cannot be reserved exclusively for the association's most senior leaders. When strategic capacity resides only at the center of the organization, the risk of inaction and long-term decline grows markedly as the association fails to capitalize on new opportunities that are recognized at the periphery. Strategic planning, when used by association CEOs and boards as a mechanism of control, prevents associations from leveraging all of its potential in the name of value creation for members, customers, and stakeholders.

Yet another shortcoming of strategic planning comes through in an interview published in the March 2005 issue of *Harvard Business Review* by Kevin Rollins, the current CEO of Dell Corporation. Rollins was asked why, if Dell's business model is so simple, other companies had not been able to replicate Dell's success:

“Because it takes more than strategy. It takes years of consistent execution for a company to achieve sustainable competitive advantage. So while Dell does have a superior business model, the key to our success is years and years of DNA development within our teams that is not replicable outside the company.”

Traditional strategic planning undervalues this kind of deep-seated and consistent execution. For Dell, effective strategy is made real through a true “culture of execution,” one that is developed with great purpose and considerable care. In traditional strategic planning, plans normally are conceived without regard to the prevailing organizational culture, leading to an inevitable disconnect between intention and outcome. Dell has realized that people in organizations rarely make important decisions based on what's written in the latest plan. Rather, they are guided by the flow of events, as well as by organizational traditions, norms, and culture. Strategies are more likely to be advanced by internal needs and expectations of success that are established dynamically, over time, in every corner of the organization. For strategy to

be successful, execution and the culture that drives it must receive as much attention as strategy development. In fact, they must be fully integrated.

So what is the alternative to strategic planning? What the successful 21st century association needs is an approach that is all about clear strategic thinking expressed through focused strategic conversation and executed through simple strategic actions. We call this approach building strategic capacity by design.

THE IMPORTANCE OF DESIGN

The University of Toronto's Roger Martin argues further in *Rotman* magazine that "design skills and business skills are converging. To be successful in the future, business people will have to become more like designers — more 'masters of heuristics' than 'managers of algorithms.'" Associations must apply this perspective to the critical work of strategy. Our application is based on three core concepts:

The articulation and application of design principles to guide strategic decision making. All organizations are guided by certain inherent strategic principles that shape the way important decisions are made. Yet these critical guiding principles are rarely developed in an explicit fashion by organizational leaders. Rather, they are forged by the cumulative effect of organizational decision making over time, a process punctuated by the success or failure of decisions made at significant moments in the organization's history. As a result, strategic decision making often deteriorates toward the lowest common denominator. Tacit and thus "undiscussed" principles of action often serve as a built-in justification for the association to do simply what is "feasible" (i.e., what it has always done).

Association leaders often attempt to remedy this situation by retaining consultants to assist them in writing and "wordsmithing" vision and mission statements. The goal is worthwhile, but the choice isn't optimal for two reasons. First, most association vision and mission statements are oriented toward a relatively static end state. Although they describe the completed picture, they offer little or no guidance for identifying the design principles that will help fill in the picture's details. Second, the process of writing vision and mission statements tends to be about the end product (the statement itself), and not the organization's capacity to engage in principle-centered strategic thinking for years to come. An organization's explicit design principles for

strategic thinking and decision making, however, challenge staff and volunteer leaders to develop the essential strategic habits of mind they will need as marketplace realities change. So while clear expressions of vision and mission are important, carefully developed design principles are far more useful in driving the association toward strategic clarity.

The design of strategic thinking/conversation processes throughout the organization. Once its design principles are in place, associations can then apply those principles to the careful design and implementation of organization-wide processes for strategic conversation. Building true organizational capacity for effective strategic conversations, however, goes far beyond the traditional elite-driven strategic planning process. This effort must extend both deep into and far across the organization, involving all key stakeholders, and ensure that strategic issues and decisions are considered through the lens of the organization's principles in a consistent and ongoing way.

Once again, the focus is on design. All organizations need processes that facilitate strategic conversations and then link the decisions reached from those conversations to simple and straightforward action. Traditional strategic planning efforts improperly combine all of this into a single, undifferentiated process, with a focus on producing a plan. By contrast, building strategic capacity by design is about carefully crafting robust processes of strategic thinking, strategic decision making, and strategic execution that are appropriately distinct, yet fully integrated into the rest of the organization's work, including planning, budgeting, performance evaluation, and even organizational and departmental staff meetings.

The continuous and intelligent execution and learning-focused review of strategy. An association's strategic principles and processes will function successfully only if they strengthen the organization's real-world practice of disciplined execution and rigorous review. And it is important for association leaders to view strategic execution as much more than simply the timely and efficient completion of identified tasks. As suggested by Kevin Rollins of Dell, the twin disciplines of strategy execution and learning must be inculcated into organizational culture, an effort that demands a deeper understanding of internal patterns of behavior that will either support or impede those efforts. In addition to intelligently executing its strategy, leading organizations will seek to design a total organizational surround that enables effective execution and strategic learning, once again using its core strategic principles as a guide.

A FUNDAMENTAL SHIFT

Building the association's intrinsic strategic capacity through thoughtful design has great potential to challenge the entrenched status quo in association management. Strategic planning is all about the plan. The result of building strategic capacity by design, on the other hand, is an organization that has its eyes on long-term growth. The association leaders who work to build strategic capacity will drive the emergence of breakthrough strategic insights and will make strategy the most important work of the entire organization. If you're ready to end your association's dependence on strategic planning — and the consultants who provide it — then building strategic capacity is for you.

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