IMPLEMENTATION OF STRATEGIC PLANNING SYSTEMS

Peter Lorange

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Abstract. Two classes of issues related to the implementation of strategic planning systems in large corporations are discussed, based on experience with in-depth implementation attempts at three corporations and a survey of 29 large to medium-sized corporations. The first set of issues is an identification of ten common pitfalls of implementation. The other set relates to the implementation of systems "tailormade" to a particular company's needs and "managed" to stay abreast of emerging needs.

Introduction

Strategic planning systems have shown considerable promise as a useful management tool. It is clear that an effective strategic planning system can provide a powerful competitive advantage for a company.

Unfortunately, when attempting to study the implementation of strategic planning we run into at least three problems that make systematic research difficult. First, the situational design approach, which generally has been accepted as necessary (i.e., to tailormake the system to the given company's particular needs), implies that the strategic planning system of each company will be quite unique; thus, it is difficult to generalize about the implementation of what is an exceedingly broad set of phenomena and not one relatively homogeneous system. Secondly, it is hard to come up with effectiveness criteria to distinguish between successful and less successful implementations. Clearly, corporate financial performance is not a good measure, given that the economic payoff of most major strategic decisions is rather long-term. Also, a planning system cannot substitute for bad business judgment. Maybe the only type of effectiveness measure is one that gives a qualitative assessment of the extent to which the needs for planning are met by the system's capabilities to take planning in a particular direction. This brings us to the third difficulty for research. Effectiveness defined this way will never lead to a static result regarding a planning system's worth, since the firm's ever-changing situational setting will create new planning needs on a virtually continuous basis.
Effective implementation of a strategic planning system thus implies a managed evolution of the system over time; it is less meaningful to measure the implementation effort at one point in time.

Given the difficulty of researching the implementation of strategic planning systems, we shall not be able to report on a systematic study of implementation of these systems per se. Rather, we shall develop a list of what seem to be critical implementation issues drawn from our experience with one conceptual approach to strategic planning at three large, divisionalized corporations. Also, we shall draw on the findings of an explanatory study of the appropriateness of the same conceptual approach to strategic planning within 29 large to medium-sized corporations (Ref. 4). It goes without saying that not all the implementation problem issues to be discussed were identified in each case. The companies studied generally performed well and by conventional judgment were well managed. The accumulated implementation problem list gives too negative an impression if one attempts to associate it with one company. For our purpose, however, such a checklist is useful, with the issues divided into two parts: those relating to pitfalls when installing a strategic planning system, and those dealing with managing the evolution of the system. Before this, however, we shall briefly discuss the major characteristics of our conceptual approach to a strategic planning system.

A Conceptual Approach

We shall discuss briefly a conceptual approach to strategic planning developed by Vancil and Lorange (Refs. 2 and 8). A detailed description can be found elsewhere, but four aspects of the model need to be stressed here.

First, we are dealing with a decision-making process which has two
major characteristics: to identify a range of relevant strategic opportunities and to choose one "best" set of actions among these. Said differently, the strategic planning system should facilitate the adaptation to environmental opportunities and threats by means of actions that allow integration of one's own strengths (avoidance of one's own weaknesses). There will thus have to be an external/internal focus as well as a long-term/short-term balance in the system.

Secondly, shifts of focus just discussed should come about by distinguishing among three phases of the strategic planning system: an objectives-setting phase that establishes "where" to go; a strategic programming stage which deals with the development of long-term programs for achieving the strategies; and a budgeting stage which deals with near-term actions, the part of the strategic programs to be carried out next year. Our three stages of strategic planning thus allow us to identify the strategic options and to "narrow down" these options through gradually narrowing the focus. Further, these stages should be "linked" to a fourth stage of monitoring performance and a fifth stage which emphasizes the relationship with managerial incentives.

Thirdly, in most organizations above a certain size, planning will go on at several levels in the organization. Within a divisionalized corporation, for instance, we have three distinctly different strategic planning tasks: at the corporate level the task is to develop and implement a portfolio strategy for all the business activities that the firm is in; at the division level the task is to develop a business strategy in order to succeed against competition within the particular business that the division is in; at the functional level the task is to develop (typically) crossfunctional programs for facilitating the implementation of the business strategy. Thus, we have an important "division of labor" within the
organizational hierarchy with emphasis on different aspects of the strategic planning tasks.

Fourthly, we are dealing with a behavioral process that attempts to develop commitment to a unified strategic thrust by the entire management group. This, of course, can only be achieved through a communication process, which will be interactive as well as iterative in nature. Further, the various managers should bring to the process their particular perspective; senior management's "top-down" portfolio strategy perspective needs to be reconciled with divisional management's "bottom-up" specialized business strategy. The agreed-upon strategy would represent a commitment for each manager.

In summary, the conceptual strategic planning approach involves a scheme for communication, interacting and gradual commitment to a strategic focus within a "three by three" matrix structure (of three stages and three strategic levels). Let us now turn to the discussion of our experience with implementing such a planning concept within divisionalized corporations.

Implementation Problems

We shall discuss a total of ten problems of implementation, each one typically occurring during a particular stage of the planning process. We shall first discuss four problems pertinent to implementation at the objectives-setting stage, then two problems particularly relevant to strategic programming implementation, two problems that relate primarily to implementation at the budgeting stage, and finally one problem pertinent to the monitoring stage and one to the incentives stage.

(1) Objectives-setting

(a) The first problem to be discussed regarding implementation of
the planning process at the objectives-setting stage is the issue of getting the chief executive officer involved in the initiation phase of the process. It seems essential that the C.E.O. will have to "start the process off" by stating what he sees as appropriate aspirations for the company. The initial input by the C.E.O. serves three purposes. It assures his key managers of his commitment to strategic management of the company. Conversely, an aloof "go out and plan" attitude would signal a lack of commitment. Also, it sets a realistic pattern of what levels of expectations the chief executive will find satisfactory. Finally, it provides realism in terms of financial constraints on the businesses that might save the divisions from spending their efforts on unrealistic planning activities if brought out early. Lack of the C.E.O.'s presence during the initiation of the process has turned out to be a major barrier to the implementation of effective planning in many situations (Ref. 7). This requirement on the C.E.O. should of course not lead him to impose his own views to the extent that he actually prevents valuable bottom-up inputs. This is an issue of appropriate top-down/bottom-up balance and will be discussed later. The issue at hand presently is the lack of a minimum involvement by the C.E.O.

(b) The second problem is the lack of meaningful assessment of environmental opportunities and threats at the division level. Often the businesses fail to assess the prevailing opportunities and threats in their business environment. Instead, they merely "update" the rationale for their business based on the assumption
that the future will be an extrapolation of the past, i.e., the adaptation process becomes what the business managers more or less wish it to be. This will of course introduce an element of unrealism with regard to the true internal growth opportunities of the company. It is critical to develop a realistic basis for opportunities and threats at this stage, given that the environmental inputs will influence the largely internal process of narrowing down the options, making strategic choices and commitments. Thus, what is needed is for the business management to assess the overall business attractiveness and evaluate discretionary strategies.

(c) The third issue relates to the nature of the corporate review of divisional objectives proposals. Often these divisional proposals will be reviewed one at a time by the C.E.O., and there might be considerable discussion back and forth, with revisions being made before the C.E.O. is comfortable with a division's objectives proposal and can give his approval. This sequential corporate review division by division will not allow the C.E.O. to develop a corporate portfolio strategy, however. Instead the overall portfolio pattern will be determined as more or less the total of the divisions' objectives. In order for the C.E.O. to develop a statement of corporate portfolio objectives it will be necessary for him to receive all the division proposals and evaluate them as a whole. This will allow him to assess where resources should be allocated and where the resources will come from. He should then interact with each division to attempt to notify each business as necessary within the context
of the overall portfolio. Thus, the portfolio strategy task imposes a particular type of constraint on the mode of corporate-divisional interaction. Sequential review is not permissible.

(d) The fourth implementational issue relating to objectives-setting deals with the role of the functional departments during this stage. A heavy and formalized participation by the functional managers in developing a division's objectives proposal might have several dysfunctional effects. First, a notion of commitment might be created which later might have to be given up when the business objectives proposal is being fitted into the corporate portfolio. This might cause considerable frustration, particularly if subsequent proposals have to be curtailed. The division manager too is being put in a very difficult position with little flexibility to fulfill his divided loyalties. A final problem with heavy functional involvement is the creation of a considerable work-load which is largely unnecessary and potentially only will distract from the important role of the functions in the subsequent programming stage. Needless to say, the division manager will have to consult informally with his functional managers; a good division manager would typically know enough about his organization's functional capabilities to carry out his role in the objectives-setting stage in the manner just discussed, making a distinction between the formal involvement of the general management levels and an informal involvement of functional management levels.
(2) **Strategic Programming**

(e) The strategic programming task is critical for the implementation of strategies and objectives. It is concerned with the development of specific programs to arrive at a given target. The strategic programming task draws heavily on the functional departments within the business divisions, for it is primarily these organizations that must carry out the programming development, of course within the context of predetermined strategies and objectives.

The programming process is typically a crossfunctional set of activities. A major problem is that the functional departments might not cooperate fully enough to provide for good interdepartmental strategic program development and implementation. A parochial view might well exist within the functions which might overshadow the strategic relevance of a program within the business portfolio. For instance, an R & D program might be developed without the appropriate inputs from other functions such as marketing and production. This might lead to an underemphasis of the program's contribution towards a favorable business effectiveness position and/or utilization/improvement of one's own competitive strength.

Strategic programming is a highly creative, typically unstructured activity in which the functions have to interact in a complementary manner. Too often this vital part of the planning process breaks down because of lack of proper cooperation, communication and common working focus among the functions. The result is that strategic change becomes difficult; even though the company might have identified its clear desire for change,
it might not be able to develop the necessary programs to implement the business strategies.

(f) The various program alternatives need to be economically evaluated in two respects. First, there are different ways to achieve a particular strategic implementation action and these alternatives should be compared. A cost/benefit analysis is needed, but unfortunately is done too often on narrow grounds. By only looking at the financial costs and benefits without taking a strategic risk-assessment into account one might easily pursue the less favorable project or fail to search for less risky alternatives. To assess risk in this strategic context three steps of analysis must be carried out: a specific assessment of which environmental factors might significantly affect the strategic program's success; an assessment of the degree of predictability of each factor; and an assessment of one's own potential for responding to a particular environmental development to ameliorate adverse effects or to take advantage of favorable developments. Thus, the choice of program alternative should put major emphasis on maintaining strategic flexibility. Unfortunately, a too narrow financial analysis typically seems to take place which does not pay proper attention to maintaining strategic flexibility (Ref. 3).

The second aspect of the economic evaluation of the strategic programming activities relates to the aggregation of strategic programs into an overall "package" for the division. Many businesses do not take existing programs into account when choosing the overall "package" of strategic programs; thus, the continued relevance of existing strategic programs is not examined (Ref. 5).
However, even if a "zero-base" approach has been taken to the program package evaluation, another problem seems to be that the package is chosen according to some cut-off point on a cost-benefit ranking, without paying proper attention to how the combination of strategic programs provides the direction agreed upon for the business during the objectives-setting stage. Too often, the strategic programming activities are left open-ended without proper assessment of overall business strategy impact and consistency with the business objectives.

3) Budgeting

(g) When a set of strategic programs has been decided upon it is implied that resource allocations have been made for these programs, often for several years into the future. Without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented. However, in most companies there is a long tradition of allocating resources to capital investments through capital budgeting and for strategic expenditures through discretionary expenditure budgets. There is a problem when these traditional resource allocation procedures are not modified to be consistent with the resource allocation pattern implied by the strategic program activities; the new role for the traditional capital budgeting and strategic expenditure tools should be as fine-tuning and safety-checking devices for the strategic resource allocation pattern, and not as devices to frustrate the progress of strategic programs. Unfortunately the latter might easily become the case, particularly when different organizational staff groups are primarily responsible for the activities (say, planners versus controllers).
Presumably the budget should represent next year’s detailed picture of the part of the strategic program to take place this year. Thus, the role of the budget will be to facilitate coordination of next year’s activities and to provide a basis for measurement of progress towards strategy-fulfillment. It is important, particularly at the business level, to integrate non-financial measures such as market share or market growth in the budget, so that one can better assess the extent to which improved competitive strength is being achieved as well as the extent to which deviations are due to changes in the business attractiveness. Also, since most budgets will be based on operating departments, it is important to superimpose key non-dollar factors that would signal whether the strategic programs are proceeding on schedule. The concern for financial measurement accuracy in the budgets seems to have jeopardized the concern for relevance in some companies’ budgets.

(4) Monitoring of Performance

(i) During this cycle the purpose is to monitor actual progress towards the fulfillment of the strategic plans. Most companies tend to monitor the progress towards fulfillment of their budgets almost exclusively, without attending to objectives and strategic programs. This heavy emphasis on short-term monitoring is likely to cause a problem in that corrective actions of strategies might come too late. The budget should reflect this year’s means towards implementing the strategies. However, it is hard to deduce from short-term budget deviations the implications for the validity of the underlying strategies, not only because of
the "mental transformation" required to think long-term based on short-term events, but more importantly because of the difference in dimensionality of the variables between the strategic programming and objectives-setting cycles from the budgeting cycle: While the budgets typically will be based on the various functional departments as "building blocks," the strategic programs span the departments. Thus, a budget deviation at a department cannot easily be used for judging the continued validity of a strategic program. Further, given that the "package" of strategic programs reflects the overall strategy, it will be exceedingly difficult to judge the overall strategy based on budget deviations directly.

There are several reasons for this lack of direct tracking of performance towards objectives and strategic programs. Partly, this is historical. The internal management accounting system was set up to focus on dollar variables only and to measure short-term performance. A strong financial accounting tradition often prevailed within the controller's department which tended to administer the management accounting function. In cases where the actual measurement of non-dollar variables would be difficult, attempts at tracking might not have been pursued because the relative emphasis on reliability might have been put above considerations for relevance—in line with the stewardship tradition from financial accounting. The measurement problems related to non-dollar variables should not be underestimated, however,

Partly, too, the lack of formal monitoring of progress towards objectives and strategic programs may be due to a more serious, "political" dilemma. A direct monitoring of a line
executive's strategic progress is probably a highly sensitive matter and, accordingly, the executive will want to be convinced of the soundness of the monitoring approach. The controller's department is not likely to get an unconditional mandate to do this. It is unfortunate that the result might be a lack of longer-term strategic monitoring and that this might seriously jeopardize the implementation of more effective planning.

(5) **Incentives schemes**

(j) The executive incentives and compensation schemes of most companies are typically only loosely tied to formal performance, and, when so at all, primarily to short-term budget fulfillment performance. This, of course, means that there will be a safer path for executives to emphasize conservative, short-term behavior as opposed to being associated with longer-term strategic moves. Not only would this probably yield them "safer" bonus payments, but also, with rapid job rotation patterns the norm today, short-term performance showing is essential for the executive's future success.

It seems to be particularly important, in our experience, that the executive compensation of the key line managers must be seen in connection with the rest of the strategic administrative system. A redistribution of the incentives emphasis towards a relatively higher honoring of long-term strategic performance might improve the effectiveness of planning. By maintaining a short-term incentives system which is not in accord with the rest of the administrative system, there is a likelihood that behavior dysfunctional to strategic progress might
prevail in a corporation.

This concludes our discussion of ten particularly common and serious issues of implementation of a hierarchical strategic planning system in large diversified companies. All of these issues will of course not be relevant in a particular implementation setting, as indicated in the introduction. However, our experience is that even if one or a few of these issues is permitted to become an implementation constraint, serious diminishing of the planning system's effectiveness as a strategic decision-making tool might become the result.

There is however a set of additional issues to be addressed in order to make the design of the strategic planning system appropriate for a given company. Corporations have different needs for strategic planning, reflecting differences between companies' situational settings, the strategies that they pursue, the nature of their businesses, different styles and attitudes towards risk by the managements of the companies, and so on. Further, even for a particular company the needs for strategic planning will not stay constant over time; the business environment might change, the firm's own strengths and/or weaknesses might change, the mix of the firm's business activities might change as a result of past strategic decisions, and so on. Thus, there is a need to tailor the design of the strategic planning system so that the capabilities of the system match the firm's particular needs for strategic planning, and there is also a need to manage the evolution of the strategic planning system so that its capabilities can stay in tune with the evolving needs. We shall discuss these issues of the evolution of the strategic planning system.
Evolutionary Issues

We might usefully classify a company's needs for strategic planning into two major categories. The first is one of adaptation to major environmental opportunities and threats. The second is one of integration of strengths and weaknesses internal to the company. Alternatively, we might say that there is a need for planning effectiveness (adaptation) as well as a need for efficiency (integration). At a given point in time most companies will have a need for both adaptation and integration; however, the relative balance between the two will probably differ between companies, and it will probably also change over time for a given company due to situational and evolutionary considerations. The challenge is thus to come up with a strategic planning system which possesses adaptation and integration capabilities that match the needs. We shall discuss two major elements of changing the adaptation/integration capability balance of the planning system. First, however, we shall give three examples of how a company's strategies might dictate a company's adaptation/integration needs.

(1) Adaptation/Integration Balance Needs in Three Companies.

Let us first consider Company A, a divisionalized corporation in which the corporate management concludes that opportunities for growth through its present rather mature businesses seem less favorable than to grow through acquisitions. This strategy would call for relatively heavy emphasis on integration planning needs within the existing divisions, so that funds might be provided from the existing operations for diversification. At the corporate level on the other hand there would be a heavy need for adaptation, in order to identify the opportunities and threats of changing the firm's business portfolio through acquisition and/or divestiture.
Let us contrast the planning needs of the previous company with those of Company B, another divisionalized corporation which sees excellent opportunities for further growth through its present divisions. In this case there will be a relatively high need for adaptation planning within each of the existing divisions in order to go after environmental growth opportunities. At the corporate level on the other hand the planning need will be relatively more integration-oriented, namely to keep the present business portfolio on track. Thus, we see distinctly different, almost diametrically opposite planning needs at corporate and business levels of companies which pursue growth by acquisition strategies versus internal growth strategies.

Let us now look at Company C, which is probably closer to the real-life case, in that it does not pursue such extreme strategies as the previous two companies, but attempts to create internal growth through a few of its more promising divisions while attempting to provide funds for this growth from its more mature divisions. In addition to this, particularly during exceptionally good years for its existing businesses, the company attempts to consummate an occasional acquisition too. The planning needs here would be more diverse with relatively more emphasis on adaptation within the internal growth divisions, relatively more emphasis on integration within the mature divisions, and primarily integrative corporate planning needs but with some adaptation need for acquisition-planning and providing a base for assessing the present business portfolio relative to external potential opportunities. Thus, we see a multifaceted pattern of adaptation and integration needs. Further, this pattern might change as the environmental economic climate changes for the firm.
Let us now discuss two aspects of changing the relative balance between adaptation and integration within our "three by three" planning scheme.

(2) "Top-down" vs. "Bottom-up" Balance

One of the major roles of the strategic planning system is to provide a dual set of strategies: a corporate portfolio strategy which delineates the role of each business within the portfolio in terms of funds availability and constraints, areas of growth, areas that might receive excessive capital resources, and so on; and a set of business strategies which attempt to operationalize success within each business in accordance with each business-intended role in the corporate portfolio. This division of labor calls for a "top-down" corporate input to facilitate the arrival at a given portfolio strategy balance, manifested above all in terms of the pattern of the resource allocations to the various divisions. It also calls for a "bottom-up" divisional input for the development of business plans, drawing on the specialized skills and insights of those executives closest to a particular business scene (Ref. 1).

The top-down inputs have two major functions; as a vehicle for reorienting the portfolio balance, through such actions as constraining the divisions' uses of funds, and corporate acquisitions and/or divestitures; and for interacting with the divisions in order to develop desired direction in divisional strategies, through discussion, review and approval of divisional plans. The first top-down element thus relates directly to the company's adaptive planning capabilities at the corporate portfolio level. If there is a major need for corporate portfolio changes, such as for our Company A, then there should
be relatively more emphasis on this top-down input. In Company B, on the other hand, there would be less need for extensive top-down inputs of this kind. The second type of top-down input would be needed for divisional direction. In Company A, with a relatively heavy emphasis on divisional integration, corporate would spend relatively more time on reviewing, discussing and suggesting revisions of the "right-hand" side of the planning activities of the divisions. The opposite would be the case in Company B where corporate would attempt to interact with the divisions to improve business adaptation, i.e., spend relatively more efforts on interacting, reviewing and iterating the "left-hand" side of the business planning activities. In Company C the internal growth divisions would receive top-down inputs putting relatively more emphasis on catalyzing divisional adaptation, similar to Company B above, while the mature divisions would receive top-down catalytic inputs which would be more integration-oriented, just as for Company A above. Thus, we see the danger of a standardized top-down input approach; rather, tailormaking to respond to the divisions' adaptation and integration needs is necessary. Unfortunately few corporate planning systems seem to adhere to this.

The divisional bottom-up planning process will also differ in our company examples. In Company A the divisional business expertise should be funneled relatively more into the direction of emphasizing internal strengths and weaknesses, with relatively stable objectives over time, with emphasis on strategic programs that focus on process improvements, efficiency improvements and consolidation of position, and with detailed budgets reflecting a relatively short-term emphasis. In Company B, on the other hand, the divisional bottom-up business expertise would focus more on the redefinition of environmental opportunities and threats as reflected in the business objectives, on development of strategic programs
such as those emphasizing the development of new products or markets to facilitate the breaking into new growth opportunities, and with budgets that reflect a relatively longer time-horizon with less financial variables detail and more non-financial emphasis.

The top-down/bottom-up emphasis of the planning system thus has a direct impact on the adaptation/integration capabilities of the planning system. It is a critical element of the design of the planning system and of the management of the evolution of the planning system to provide for an appropriate top-down/bottom-up balance in the planning system, reflecting the needs for adaptation and integration. There are, however, two sets of factors that might limit the flexibility of top-down/bottom-up system emphasis. First, there is an important element of organizational learning taking place through the planning process. During the start-up phases of strategic planning it might be difficult to come up with an appropriate top-down emphasis because the corporate level needs to "learn" about the potential of its businesses, and the businesses themselves might only become explicit about their realistic prospects after having gone through the formal planning exercise once or twice. A second and related limiting factor is that some companies have such a high degree of diversity that it will be difficult for the corporate level to be familiar with the business potential of the entire portfolio.

(3) **Linkage Between Elements of Administrative System**

There are several elements in a strategic planning system, as previously discussed. The issue of choosing appropriate linkage devices between these elements might have a major impact on the
adaptation/integration capability balance that the planning system can provide (Ref. 6). Specifically, in Exhibit 1, we have identified eight "linkage types" that might be considered.

Exhibit 1. Linkages in the Planning Process

| Linkage Type 1: | Between the objectives-setting and strategic programming cycles. |
| Linkage Type 2: | Between strategic programming and budgeting. |
| Linkage Type 3: | Between performance measurement and budgeting. |
| Linkage Type 4: | Between performance measurement and strategic programming. |
| Linkage Type 5: | Between performance measurement and objectives setting. |
| Linkage Type 6: | Between the management incentive scheme and budgeting. |
| Linkage Type 7: | Between the management incentive scheme and strategic programming. |
| Linkage Type 8: | Between the management incentive scheme and objectives setting. |

The adaptation-related capabilities of a planning system might be strengthened through putting relatively more emphasis on the "front end" of the system, while the system's integration-related capabilities might be strengthened by putting relatively more emphasis on the budgeting end. Thus, we might strengthen adaptation by putting more formal emphasis on "tightening" linkage types 1, 5 and 8. Integration might be strengthened by tightening linkage types 2, 3 and 6 in particular. The issue thus is not one of tight vs. loose linkage in an
overall sense; we want the linkages to give realism to planning in the sense of being a serious strategic decision-oriented exercise backed by hard analytical thinking. Rather the issue is to provide a proper balance of emphasis between the various linkage devices in such a way that a desired relative adaptation/integration balance of the planning system's capabilities can be achieved, reflecting the needs created by the strategies to be pursued.

There are several aspects of linkage; content linkage focuses on the reconciliation of the substantive content of the various elements of the planning system; timing linkage refers to the sequencing of time between the various planning activities, and, finally, organizational linkage deals with the role involvements of staff groups (planning department versus controller's department, for instance) and line groups.

Changing the relative emphasis between various linkages is probably one of the most effective tools available for changing the thrust of a planning system. Let us illustrate this by examining what might be the differences in the linkages between elements of the planning system of the three company examples that we have previously discussed. At the corporate portfolio planning level of corporate A there will be a relatively high need for adaptation-related portfolio planning: what are the various opportunities for acquisitions (and divestitures)? This should call for relatively heavy emphasis on linkage types 1, 5 and 8. At the division level, on the other hand, the emphasis is probably more in the direction of integration: to secure a steady operation which can provide a relatively stable cash flow as a basis for the diversification strategy, rather than making excessive use of funds flows in pursuing
rapid internal growth. Relatively heavy emphasis should therefore be put on linkage types 2, 3 and 6 at the divisional level. At Company B, however, the linkage pattern should probably be different. At the division level, with a heavy emphasis on pursuing internally generated business growth, there will be a need for adaptation, and hence relatively heavy emphasis on linkage types 1, 5 and 8. At the corporate level, on the other hand, the emphasis will probably be more on attempting to keep the internal growth path "a healthy one," i.e., corporate will face a relatively higher integration planning need. The corporate level linkage thus should give relatively more emphasis to linkage types 2, 3 and 6. We now see that Companies A and B need to emphasize exactly the opposite patterns of linkages in order for their administrative systems to provide useful focus to satisfy the planning needs created by each company's strategy. In Company C, where some divisions may be chartered with following predominantly growth strategies while other divisions may play the roles of providing funds through operating in more mature, less expensive businesses, the funds-consuming divisions might put relatively more emphasis on linkage types 1, 5 and 8, while funds-generating divisions might emphasize linkage types 2, 3 and 6. This illustrates the need to tailormake linkage among divisions within a company; too inflexible formalized planning rules for the company as a whole may be dysfunctional. Further, the emphasis on pursuing a corporate or business strategy is likely to change over time in most real-life settings. Thus, again, as the relative need for adaptation versus integration changes due to strategic shifts the relative emphasis on the different linkage types should change. This "management" of the shifts in linkage emphasis is probably one of the most important "plan for planning" tasks.
Conclusions

We have discussed the issue of implementation of strategic planning systems within large, diversified corporations. Based on our experience with implementation attempts at several companies and an exploratory study of several others we came up with a list of ten issues that seemed to be common in causing barriers to effective implementations. These issues were as follows: minimum involvement by the C.E.O., de facto business assessment of opportunities and threats; portfolio, not sequential corporate review of business inputs; general management's, not functional management's involvement in objectives-setting; interfunctional strategic programming; strategic program selection according to strategic rationale; resource allocation through strategic programs, not through budgets; strategic considerations for the variable choice for the budgets; monitoring of performance towards objectives and strategic programs fulfillment in addition to budget fulfillment; and linkage of management incentives to long-term strategic performance in addition to short-term behavior. We also identified a major need to tailormake and evolve the strategic planning system to implement effective strategic planning systems even if our list of the ten initial implementation issues had been adhered to. The issue was to provide a balance in the adaptation and integration capabilities of the strategic planning system which would correspond to the needs dictated by the company's strategy and situational setting. One major tailormaking tool was the top-down/bottom-up balance in the planning system. A second tool was the design of the nature of the linkages between the various elements of the strategic planning system. Both were operational enough to provide a basis for management of the evolution of the strategic planning system.

Given the growing importance of strategic planning systems in today's
large corporations it is pertinent that we understand the issues of implementation of such systems. At present we seem to have detected certain issues and patterns; however, more systematic research is needed in this area.
References


