*Strategic Management*, 9e: Chapter 13 study guide

Three styles of strategic planning

Although many companies undertake some form of strategic planning, it is important to understand that there are many variations in the way that it is conducted. The reasons for this include:

 *Environment*. Stable environments lend themselves to longer time-horizons. Stability also favours a more centralised approach to planning because there is less need to respond to rapid variations in the market (e.g., Nestlé).

 *Product range*. As products become more diverse across a company, it becomes more difficult to develop coherent core competencies, synergies and linkages across the value chain. In these circumstances, the planning style may move from one seeking co-operation across divisions to one based on simple financial linkages, e.g., the more unrelated parts of Siemens and General Electric described in Chapter 9.

 *Leadership and management style*. Particularly in smaller companies, this will inevitably guide the approach to the development of strategy and its co-ordination across the company. It may also apply in some larger companies, for example, Richard Branson at Virgin, Jürgen Schrempp of DaimlerChrysler and Rupert Murdoch of News Corporation.

There has been no wide-ranging international study on the range of management styles. However, Goold and Campbell conducted such a study during the 1980s on 16 diversified UK companies.[[1]](#endnote-1) They distinguished several different styles for conducting strategic planning. The purpose of identifying the different approaches was to define the way the *centre* added value to the company’s separate businesses. The researchers suggested that there were two main ways in which value could be added:

1. The centre could help to shape the plans of each business – the *planning influence*.

2. The centre could control the process as the plans were being implemented – the *control influence*.

From the empirical research, three main styles of strategic planning were then identified as being most common:

1. *Strategic planning*. The centre is involved in formulating the *plans* of the various businesses. Then the emphasis is on long-term objectives during the *control* process. Canon is an example that conforms approximately to this, although there is more collaborative effort at Canon than is perhaps implied by the definition. See Case 13.2.

2. *Financial control*. The centre exercises strong short-term financial control but otherwise the businesses are highly decentralised and able to operate as they wish. The individual businesses can develop longer-term plans if they judge that it is useful. It should be noted that there is little attempt to co-ordinate across companies in such an arrangement. Synergies, value chain linkages and core competencies are largely absent. Relatively few companies operate rigidly this way in the new millennium. The American multinational GE operates some of these financial control systems – see Case 9.1.

3. *Strategic control*. This lies between strategic planning and financial control. In planning terms, the company is not as centralised as a strategic planning company, nor as decentralised as a financial control company. Greater initiative is given to the individual businesses. In *control* terms, long-term strategic objectives are used but short-term profits are also required. Nestlé is a possible example here, except that the centre is closely involved at various stages of the strategy development process. See Case 13.3.

A further style was also identified but not analysed in depth in the research: *the centralised style*. In this style, all the major strategy decisions are held at the centre, with day-to-day implementation being delegated to the various businesses.

Within these broad types of planning, there were then further variations. The purpose of the research was not to choose between the styles but rather to explore how the resulting strategic process could be more successful. The researchers drew four conclusions:

1. Style should be matched to the circumstances of the business: technology, product range, speed of environmental change, leadership and so on.

2. Some styles demand greater understanding of the businesses than others: for example, the debate between the centre and its subsidiaries in the strategic control style is much keener than that to be found in the distant monitoring of financial performance in a financial control style.

3. Successful styles benefit from openness and mutual respect between those involved across the company. Suspicion and lack of trust between the centre and the parts of the business will cause real problems.

4. Shared commitment to work together to implement the agreed strategies is vital. This may come from inspired leadership or it may derive from the clarity of the objectives.

This research presents a useful and unique insight into strategic planning, but its attempt to categorise planning into a few distinct types is based on a sample of only 16 companies. There are other possible styles, e.g., entrepreneurial, that were not part of the sample. Moreover, styles change as companies, their environments and leaders change.

1. Goold, M and Campbell, A (1987) Op. cit. [↑](#endnote-ref-1)