A Conceptual Framework for Strategic Planning
in Complex Multi-business Corporations

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ABSTRACT

In response to dynamic market demands and hypercompetition, multi-business corporations have typically adopted a complex multidivisional structure or M-form. At the same time, they continue to use strategic planning as a key mechanism for coordinating strategy formulation across the complex M-form. Consequently, in these corporations strategic planning can no longer be regarded as a single corporate process. Instead, it has evolved into a network of multi-level and multi-unit strategic planning processes. Multi-business corporations must synthesise, align and synergise this network of planning processes at the corporate centre to form integrated processes and practices. In this paper, we addresses this challenge by providing a conceptual framework for examining multi-level and multi-unit strategic planning processes in complex multi-business corporations.

Keywords: Strategic Planning, Multi-unit, Multi-level, Multi-business, Hierarchy.
INTRODUCTION

Strategic planning has been a central topic in strategy research for many years. Strategic planning research continues to debate the relationship between strategic planning and firm performance, and to investigate the nature of strategic planning process. Recently, research on strategic planning has been enriched by the lens of micro-strategy and strategising perspective (Johnson, Langley, Melin, & Whittington, 2007). This probes the activities inside a strategic planning process in order to improve our understanding of how firms carry out strategic planning activities in practice. An important limitation of strategic planning research to date is that it has always viewed strategic planning as a single process in a corporation. This, we argue, is insufficient given the evolution of the complex multidivisional organisation structure or the M-form (Chandler, 1982) that many multi-business corporations currently adopt.

When corporations adopt a complex M-form, their strategic planning needs become more hierarchically complex since they expand into and across different organisational levels and units. Consequently, multi-level and multi-unit strategic planning processes have evolved within multi-business corporations in order to bridge these multiple levels of decision-making and multiple dimensions of organisational structure. However, it is extremely difficult for multi-business corporations to manage this complex hierarchy of strategic planning processes effectively, flexibly and integratively. It is a significant challenge for them to synthesise and align their multi-level and multi-unit strategic planning activities into an integrated set of processes and practices. This paper aims to shed light on this challenge by proposing a conceptual framework for examining strategic planning processes that are complex and hierarchically structured. We first review the relevant literature before deriving the conceptual framework.
RESEARCH ON STRATEGIC PLANNING

Strategic planning has been researched for many decades, and continues to be a central topic in strategy research (Grant, 2003). Empirical research on strategic planning has focused on three main areas: (1) the effect of strategic planning on firm performance, (2) the process of strategic planning in strategic decision making, and (3) the activities of strategy practitioners in strategic planning practice. We review each of these areas as they apply to multi-level strategic planning processes in multi-business corporations.

Strategic planning and performance

The question of how strategic planning contributes to performance has spawned many studies but no vigorous and consistent findings. Evidence regarding the relationship between strategic planning and performance has been criticised as equivocal (Rudd, Greenley, Beasom, & Lings, 2008). While there is empirical support for a positive association between strategic planning and performance (Brews & Purohit, 2007; Ebben & Johnson, 2005), there is, on the other hand, evidence suggesting that no such relationship exists (Boyd & Reuning-Elliott, 1998; Greenley, 1986). The contribution of this area of research has been limited by the inconsistency of its measurement schemes, and a priori assumptions of strategic planning dimensions and factors. Arguably, by viewing strategic planning as a single process in a corporation, this research has limited its ability to establish clear correlations between planning and performance in multi-business corporations. One possible development from the conceptual framework we propose in this paper would be to study the planning-performance relationship based on a fuller representation of complex multi-level and multi-unit strategic planning processes.

The process of strategic planning in strategic decision making

A recent survey on strategic planning conducted by The McKinsey Quarterly in 2006 (Dye & Sibony, 2007) found an enormous amount of dissatisfaction among executives. Many of them felt that their strategic planning needed to be improved. They raised significant concerns about the way their
company executed the strategy, communicated it, aligned the organisation with it, and measured performance against it. The survey revealed the following key suggestions for improving their strategic planning: (1) improving their company’s alignment with the strategic plan, (2) developing a method to monitor progress against the plan, (3) increasing involvement from all levels of company, and (4) improving efficiency of planning process.

The literature we review below has attempted to address this dissatisfaction by establishing effective and adaptive strategic planning systems for entire corporations that synthesise deliberate and emergent perspectives. However, we argue that this synthesis becomes much more difficult if multi-level and multi-unit strategic planning processes are taken into account. This is because of the high level of coordination that is required to ensure strategy formation is effectively aligned between each level and unit.

Within the literature on the strategy process perspective, the efficacy of deliberate strategic planning versus emergent strategic planning is an ongoing debate (Rudd et al., 2008; Wit & Meyer, 2005). Brews and Hunt (1999) suggest that lessons from both design and learning schools are needed for successful strategic planning. By combining the deliberate, rational and linear process of the design school and the adaptive, incremental and complex learning process of the learning school, a more productive result can be achieved. Moreover, Grant (2003) refers to the long debates between the strategy-as-rational-design and strategy-as-emergent-process schools, and points to a process of ‘planned emergence’ in which strategic planning system provides a mechanism for coordinating decentralised strategy formulation within a structure of demanding performance targets and clear corporate guidelines.

Similarly, a practical study carried out by Marakon Associates, published by the Harvard Business Review in January 2006 (Mankins & Steele, 2006), argues that a number of companies have improved their strategic planning by replacing their calendar-driven and business unit-focused planning processes with continuous and issues-focused decision making. By changing the timing and focus of
strategic planning, these companies have also changed the nature of top management’s discussions about strategy, from ‘review and approve’ to ‘debate and decide’. This means that senior executives seriously think through every major decision and its implications for the company’s performance and value. Indeed, these companies use this new way of thinking for strategic planning process to drive faster decision making. This study also showed that these companies make more than twice as many important strategic decisions each year as companies that still follow the traditional strategic planning model.

Further, in strategy literature concerned with corporate strategic planning systems in multi-national companies, Grant (2003) conducted comparative case studies of the strategic planning systems of eight oil companies to explore the changing characteristics of their strategic planning processes. He found that multinational companies continue to have formal strategic planning process, but with a shift in the nature of strategy work away from analysis and forecasting, and more towards communication, coordination and control. He suggested that strategic planning is now more about coordinating strategies as they develop from within the business, communicating adopted strategies, and monitoring and controlling their implementation. According to this research, the strategic planning process acts as a context for strategic decision making as well as for coordination of its decentralisation, and provides a mechanism for control (Grant, 2003). Arguably, however, these findings were not able to be developed to their full potential due to the focus of this research on studying the strategic planning system as a single process in a corporation.

In summary, strategy process research on strategic planning has not so far explicitly taken into account the perspective that strategic planning is a complex multi-level and multi-unit process.
The activities of strategy practitioners in strategic planning practice

The last area of research on strategic planning is relatively new and considered as an emerging research domain on strategic planning. This emerging domain, through the lens of a strategy-as-practice perspective, has explored and probed into what is going on inside strategic planning episodes (Hodgkinson, Whittington, Johnson, & Schwarz, 2006; Jarzabkowski, 2003; Paroutis & Pettigrew, 2007; Whittington, 2006; Whittington, Molloy, Mayer, & Smith, 2006). It has been particularly interested in the practical activities and tools necessary to make strategic planning happen. This perspective has evolved in response to the limitations of process and performance studies, which do not investigate how managers and strategists undertake the activities needed to run their strategic planning system effectively.

Hodgkinson, Whittington, Johnson, and Schwarz (2006) studied the role of strategy workshops in strategy development processes. They found that strategy workshops are a common practice in contemporary organisations and that they are part of regular formal strategy development processes. According to their findings, strategy workshops seem to play an important role in introducing a degree of emergence within a wider formal strategic planning framework. They are the forums in which such emergent strategy is thought through, translating, legitimising and formalising strategy that originates lower down the organisation. In sum, these researchers found that strategy workshops and strategy away-days, as the popular tools for driving corporate strategic planning, play a significant role in introducing a degree of emergence within a wider formal strategic planning framework.

Jarzabkowski (2003) presented an empirical investigation of the micro practices of strategy in three UK universities during strategy processes, including strategic planning. Empirically, the findings from this study revealed that the universities instigated the strategic planning cycle to provide an integrative framework of direction setting, resource allocation and monitoring and control. The strategic planning rapidly engaged with contradictions by enabling constituents to synthesise interpretations and develop more unitary frameworks of activity. Furthermore, this researcher suggested that the strategic planning
cycle is a powerful practice for distributing an increasingly consistent interpretation of desirable strategic activity based upon accountability and financial viability (Jarzabkowski, 2003).

Paroutis and Pettigrew (2007) examined how central and peripheral teams of strategists in the multi-business firm, through their daily practice, adopt recursive and adaptive behaviours during the strategy process. Accordingly, these researchers focused on the actions and the interactions of strategy teams between the corporate centre and the business unit levels within the multi-business firm. From their findings, the activities of strategy teams evolved alongside the strategy process. The adoption of recursive and adaptive activities by strategy teams was closely linked with the strategy process. In addition, these researchers suggest that the notions of strategy process and practice were interrelated when examining how strategy teams strategise both at the corporate centre and at business unit level (Paroutis & Pettigrew, 2007).

These practice-based studies have shed light on the practical activities of strategy practitioners within strategic planning. However, like the process-based studies, they have studied strategic planning as a single strategic planning process for whole corporations. They have focused only on the activities taking place at the corporate level and the periphery. The broader analysis of planning activities within complex multi-level and multi-unit strategic planning processes has yet to be explored. The following section derives a conceptual framework designed to facilitate this multi-level, multi-unit research.
A CONCEPTUAL FRAMEWORK FOR MULTI-LEVEL, MULTI-UNIT PLANNING

Our literature review shows that existing strategy research on strategic planning assumes a single corporate strategic planning process for an entire corporation. In this section, we show why this is insufficient for studying strategic planning across complex corporate structures, and hence devise a conceptual framework for multi-unit, multi-level planning. The conceptual framework is shown in Figure 1.

The need for multi-level planning

The corporate strategic planning process acts as the mechanism for vertical and horizontal coordination among corporate, business unit levels and functions across corporation in order to aggregate ‘umbrella strategies’ (Grant, 2003). This concept has been driven by the creation of the multidivisional organisation structure or the M-form (Chandler, 1982). This was introduced in the 1920s to support large firms pursuing a strategy of diversification by organising the structure of the firms into different functions and units. The diffusion of the M-form structure and the adoption of SBUs have consistently driven the emergence of a hierarchy of strategies: corporate level, strategic business unit level and functional level (Chakravarthy & Henderson, 2007).

This hierarchical view of strategy also maps onto the levels of management within the firm. This devolution is especially effective where vital knowledge is dispersed throughout the organisation, and where responsiveness to the changing needs of different customer segments is important (Johnson, Scholes, & Whittington, 2003). While corporate level strategy is concerned with domain selection and the business portfolio that the firm should have in order to deliver value to its shareholders, each SBU becomes a standalone entity deserving of its own strategy and dedicated functional support. At the same time, SBU level strategy has to be aligned with the firm’s corporate strategy. However, with the evolution of the complex M-form, multi-business corporations have expanded their SBU level into multiple sub-organisational levels based on, for example, local geographic level, global technology-
based level, global functional level, and global geographic level. Figure 1 incorporates this complex multi-level perspective by demonstrating how strategic planning processes at each organisational level are interfaced, integrated and linked to each other.

The need for multi-unit planning

With the complexity of organisational structure driven by dynamic market demands, multi-business corporations inevitably broaden SBU concept into multiple organisational structuring dimensions. Organisational structure refers to the grouping, clustering or decomposing of tasks and people into particular units. The structuring dimensions may be grouped based on the different criteria: Output-based, Throughput-based and Input-based (Wit & Meyer, 2005). This situation of multiple organisational structuring dimensions leads to the great horizontal and vertical complexity of strategy-making processes (Chandler, 1991). The hierarchy of strategy formation processes becomes more complex which leads, in practice, to business units and functions that have adopted strategic planning process at their organisational levels and units. This is because business units and functions have their own specific demands and interests. These in turn need to be aligned with each other, and definitely with the corporate strategic planning process. Figure 1 incorporates the multi-unit perspective by representing the embedded strategic planning processes within embedded organisational units.
The conceptual framework

Figure 1: Multi-level and Multi-unit Institutionalised Strategic Planning Processes

Figure 1 conceptualises and illustrates how the hierarchy of strategies requires different organisational levels and units of strategy processes in order to bridge the multiple levels and units of decision-making. It shows too how interaction among those strategy processes is essential to close the gaps between them. It represents how the hierarchy of strategy formation processes, the multi-level and multi-unit strategic planning processes, must play a key role for multi-business corporations to define their future directions, to coordinate strategy formulation, to craft strategies at different organisational levels and units, and to manage the major strategic changes during turbulent environments.

In summary, it is essential to examine the strategic planning processes at the different organizational levels and units in order to understand how strategies at each level and unit are coordinated, integrated, aligned, synergised and formulated. Taking the concepts of the strategy-as-practice perspective and process research tradition gives us both micro- and macro-level understanding to explore deep inside the multi-level and multi-unit strategic planning processes.
DISCUSSION

This paper has highlighted a mismatch between the established view of strategic planning as a single corporate process, and the reality of multi-business corporations that operate using a complex M-form. Operating a complex M-form leads to the creation of multi-level and multi-unit strategic planning processes in order to capture competitive strategies at each organisational level and unit. This in turn adds complexity because multi-business corporations need to have a mechanism for coordinating their strategy formulation at different organisational levels and units, and for the corporation as a whole.

Our conceptual framework provides a basis for studying how multi-level and multi-unit strategic planning processes operate within the multi-business corporations. It presents a model to integrate the individual elements of complex corporate strategic planning processes. For example, it can be utilised to study how multi-business corporations synergise, align and integrate their multi-level and multi-unit strategic planning processes. Both the process research tradition and the micro-strategy and strategising perspective are needed to aid the discovery of how strategic planning practitioners can improve the decentralised and overall planning processes.

For researchers, our conceptual framework contributes to the general strategic management literature and particularly to the strategic planning schema. This paper proposes a broader view of how strategic planning processes function in multi-business corporations that are hierarchically structured and complicated. An important undertaking for strategy researchers is to develop concepts and extend existing theories to better understand how multi-level and multi-unit strategic planning processes are managed and how strategy practitioners at different organisational levels and units can improve on those processes that currently exist in multi-business corporations.
For practitioners, the immediate value of our conceptual framework is that it highlights the need to understand how multi-level and multi-unit strategic planning processes are constructed, coordinated, integrated and aligned. When it is fully developed, we anticipate that it will help multi-business corporations to manage and integrate their hierarchically complex strategic planning much more effectively and flexibly.
REFERENCES


