Stakeholder Value as an Organizing Principle for Strategic Planning

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Abstract

This article describes an approach to introducing strategic planning to an enterprise, motivated by a primary focus on creating value for key stakeholders of the enterprise. Two key consequences of the approach are that the efforts of the enterprise are aligned in a coherent fashion to achieve targeted external stakeholder impact and that successful deployment of the strategic plan can be assessed explicitly in terms of external stakeholder value. The approach, which was developed initially in the context of strategic planning for professional societies, has been adopted in introducing strategic planning to university departments and would appear to have more general applicability to commercial enterprises.

Introduction

One of the biggest changes in business imperatives over the last 60 years has been the need for enterprises to develop and maintain a strategic focus. The concept of strategic planning, taken here to mean the process used by an enterprise to determine a vision for the future and then to develop goals and strategies to achieve the vision, became popular in the 1960s. This required leadership to develop and maintain an eye to the future—*What seems to be coming? What else might be coming? How we do to guard against the threats and exploit the opportunities?* Whilst, initially, this was addressed mainly by providing competitive products and services, the imperative to compete and to develop a corresponding forward-looking view spread to other markets such as the employment market, because enterprises needed to have an all-round strategic outlook. This is not to say that

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such activities hadn't been happening for decades in some enterprises; rather that it became an imperative for enterprises operating in most sectors of the economy, including the public sector.

However, strategic planning does not have a good press.

People in all sorts of enterprises have experienced any or all of the following:

1. Planning carried out without consulting the people who will be involved in executing the resulting plan.
2. Vision or mission unclear.
3. Stated values at odds with actual enterprise culture.
4. Strategic plans that are incomplete in terms of what they should cover.
5. Strategic plans for which progress cannot be measured.
6. A process to produce the plan that lasts months, even years.
7. Strategic plans that are not strategic in their outlook.
8. Strategic plans that are not accompanied by a process for monitoring progress and updating plans in the light of changed circumstances.
9. Strategic plans that, once developed, are then ignored.

In the context of universities, academics tend to be particularly suspicious of planning, viewing it not just a waste of time but possibly as an attempt by their administration to 'control' them. The challenge, therefore, is to devise a planning process that is robust against each of these deleterious side effects, and achieves 'buy-in' from those who are expected to be part of executing the strategic plan. (Of course, suspicions about motives can also be found in non-academic settings as well: for example, that it may be a prelude to reducing staff numbers in public or private sector organizations.)

How then might 'buy-in' be achieved? The approach advocated in this article uses, as an organizing principle, the need to create superior stakeholder value now, and in the future, for the enterprise's principal stakeholders. It derives naturally from a general system for performance measurement described in Fisher (2013), to which the reader is referred for details about representations of value for a variety of stakeholder types, as well as the management of stakeholder value for each type. And implicit in the creation of stakeholder value is the need to involve the stakeholders in defining what Value means to them.

The second section proposes some desiderata for a strategic planning process, the third section then sets out the key steps in a process deriving from stakeholder value considerations. In the fourth section, the methodology is exemplified by its application to strategic planning for a university department. And in the fifth section, we revisit (1)–(9) to evaluate how the process counters the traditional flaws.

There is, of course, a vast literature on strategic planning, on how to define and derive Vision, Mission and Values, on the meaning of Strategic Objective (SO) or Strategic Outcome, and so on. No attempt is made to provide a review. First, there is reasonably general agreement on these concepts. And second, as far as the approach to planning is concerned, in the author's view this is the first approach to produce a reasonably simple process that has the desirable characteristics listed in the second section and, importantly, possesses a consistent way

of measuring success in pursuing SOs, using stakeholder value to define the basic metrics. (For information about how value can be defined and managed for a wide variety of stakeholders, see Fisher, 2013.)

Important Quality Attributes of a Strategic Planning Process

The following list of quality attributes of a strategic planning process, while probably incomplete, can reasonably be accepted as highly desirable, without much need for discussion.

1. The strategic planning process itself has a clearly communicated objective.
2. Planning is carried out in consultation with the people who will be involved in executing the resulting plan. *Generally, people who have to carry out a plan of work will be rather more willing to do so if they have had some say in development of the plan ... not least because they are generally the ones best placed to know how to carry out the work.*
3. There are clear and clearly communicated statements of Vision, Mission and Values. *The Vision and Mission provide the basis for aligning people and systems with organizational intent.*
4. Strategic plans accommodate all main facets of the operations of the enterprise. *Failure to do this may well amount to a failure by the leadership to execute due diligence.*
5. Planning is informed by a strategic outlook and associated data. Ideally, such data would include
   (i) a clear understanding of future needs of key stakeholders
   (ii) current competitive data in relation to key stakeholders
   (iii) results from a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and, depending on the nature and size of the enterprise, the more detailed data derived from a PESTLE analysis (what are the Political, Economic, Sociological, Technological, Legal and Environmental considerations that may affect the business? See e.g., https://processpolicy.com/pestle-analysis.htm).
6. SOs are SMART (*S*pecific, *M*easurable, *A*chievable, *R*ealistic, *T*imebounded).
7. The Strategic Plan is produced in a timely fashion.
8. There is an ongoing process for monitoring and review of progress and annual updating of the Strategic Plan. (Implicit in this is the need for flexibility.)

Implementing Strategic Planning

In broad outline, implementation for a university department comprises three phases:

1. **Preparatory work**: Some preliminary work by a departmental planning team.
2. **Planning week**: Five moderately intensive days of planning that produce a 5-year Strategic Plan, a 1-year Operational Plan and a monitoring and review process.
3. **Initial benchmarking**: Implementation of appropriate stakeholder value management processes to provide initial benchmarks of current performance.

Details of each phase are shown in Tables 1 and 2.

Table 1. Activities Carried Out by a Department in Preparation for the Planning Week, and Their Outputs

Preaparatory Work	
Activities	**Outputs**
Department establishes a small representative planning team *Team members are selected by the leader as people who are able to participate in a constructive way in planning meetings and to take a broad view of the needs of the group they represent*	5–10 people, comprising senior faculty, junior faculty, postdoctoral scholars, graduate students and staff
Planning team arranges for a strategic outlook *This might be achieved via a PESTLE analysis, by team members talking to colleagues in other disciplines to see what is on their horizons or by some other means*	Opportunities identified from some sort of 'thinking outside the square' process
Planning team conducts a SWOT analysis within the department *SWOT data requested from everyone in the* department, *and summarized by the planning team. (It helps to provide a short note on how to conduct a brainstorming session.)*	Lists of Strengths, Weaknesses, Opportunities and Threats, with redundancies removed.
Planning team performs a stakeholder analysis *(cf. Fisher, 2013, pp. 138–139.) A careful stakeholder analysis provides two important assurances: firstly, that no important group has been overlooked in developing SOs; and secondly, there is a sound basis for measuring progress with the plan, via Stakeholder Value metrics. The act of carrying out a stakeholder analysis itself starts to change the way people in the planning team think about planning and about measurement. This is almost certainly going to require some consultation with stakeholders, especially with external stakeholders and with all key stakeholders for whom an elaborated Value tree has not been established*	The key stakeholder groups (current and prospective), and their current and likely future needs
Planning team performs an initial pass at Vision, Mission and Values	*Draft statements of Vision, Mission and Values*

Source: Author's own.

Table 2. The Work Done by the Planning Team and the Consultation Process Used during the Planning Week, Together with the Outputs

	Planning Week	
	Activities (planning team only unless otherwise indicated)	**Outputs**
Day 1	General briefing on approach—Planning team plus anyone else interested. Review SWOT and extract key points. Review the Stakeholder Analysis and extract key points. Review the Vision, Mission and Values in light of this information, and circulate to the department for overnight comment.	*1.1 Key points from SWOT and Stakeholder analysis* *1.2 Draft Vision, Mission, Values*
Day 2	Finalize the Vision, Mission and Values Develop draft SOs (cf. 1.1) and circulate to the department for overnight comment. (Objectives need to be SMART)	*2.1 Final Vision, Mission, Values* *2.2 Provisional SOs*
Day 3	Finalize the SOs and develop draft Strategies to deliver the Objectives, and associated Measures of Success, and circulate to the department for overnight comment. Develop a Deployment Flowchart for a monitoring process to manage the execution of the plan, and to review and update it at the end of the year; circulate it to the department for overnight comment.	*3.1 Final SOs Provisional* *3.2 Strategies and Measures of Success* *3.3 Provisional monitoring process*
Day 4	Revise the Strategies, Measures of Success and monitoring process in response to the feedback. Assemble the Vision, Mission and Values, and SOs, Strategies and Measures of Success into the draft 5-year Strategic Plan. Draft the Operational Plan for forthcoming year. Circulate both plans to the department for overnight comment.	*4.1 Documented monitoring process* *4.2 Draft Strategic Plan* *4.3 Draft Operational Plan*
Day 5	Finalize both plans in response to feedback. Meeting of the whole department to present final versions.[Celebrate!]	*5.1 5-year Strategic Plan* *5.2 1-year Operational Plan*

Source: Author's own.

There are some important points to note in relation to Table 2:

1. On any planning day, the planning activities consume only part of the day, leaving a moderate amount of time for team members to engage in their academic or administrative activities.
2. Monitoring the planning process is best done by a small leadership group that meets on, say, a 3-month basis. The agenda items of the meeting correspond one-to-one to the SOs in the Strategic Plan. This ensures that the leaders maintain ongoing focus on strategic issues.

3. The final plans are very concise—just three pages. The first page comprises the statements of Vision, Mission and Values, information that is made publicly available on the department's website. The next two pages comprise three columns: SOs, strategies to deliver each Objective and metrics that will confirm that each objective has been achieved.
4. The development of the Operational Plan necessitates making decisions about priorities for the different SOs. It may be possible to work on some strategies associated with each SO; it is much more likely that business considerations dictate which SOs need immediate attention. These are matters for the leadership.

Example

The Mellon College of Science (MCS) at Carnegie Mellon University (CMU) comprises four departments (Biological Sciences, Chemistry, Mathematical Sciences, Physics) as well as a number of research centres that may involve members of one or more CMU departments as well as some other groups and individuals. The College is placing considerable emphasis on collaborative and interdisciplinary scientific research in order to capitalize on CMU's considerable research strengths in many areas of science and engineering (amongst others).

In March 2017, MCS embarked on a process to introduce strategic planning for all departments, for the College itself, and for several of its cross-department centres, within this context. Whilst the details of SOs, Strategies and Measures of Success are necessarily confidential, it is possible to provide somewhat generic versions of MCS's strategic plans that are likely to be similar to what is needed by other departments. The process described above was commenced in April 2017.

Tables 3 and 4 show a (slightly modified) version of the strategic plan for the Department of Biological Sciences, after conducting the process described in Table 2. The information in Table 3 would typically appear on the department's website.

The vital importance of managing stakeholder value emerges very clearly in the third column of Table 4. The Measures of Success depend critically on elucidating the structures of the various Stakeholder Value trees. Some of these trees are reasonably well understood (see e.g., Fisher, 2013) for examples of Owner Value, People Value, Partner Value and Community Value that can readily be adapted to the current context); the People Value tree in Chapter 6 also works well for managing Postdoctoral Scholar value. Others need development (e.g., External and Internal Peer Value, and Graduate Student Value).

Table 3. First Page of Strategic Plan 2017–2022, Department of Biological Sciences at CMU

Strategic Plan: 2017–2022

Exploring Life Sciences from Atoms to Biosystems

Vision:	To be recognized as leaders in fundamental and applied life science research and education
Mission:	To have transformative impact in the life sciences and beyond by **Research:** Advancing innovative, emerging and multi-disciplinary research programs **Education:** Preparing future leaders and creative analytical thinkers **Outreach:** Promoting appreciation of the Life Sciences
Values:	The Department of Biological Sciences is an intellectually agile community that values **Scholarship** through dedication to the pursuit of new knowledge **Innovation** in pursuit of creative solutions to meaningful problems **Communication** in an open, collaborative and inclusive environment **Professional Growth** in commitment to mentoring and training

Source: Department of Biological Sciences Strategic Plan.

Table 4. Second and Third Pages of Strategic Plan 2017–2022, Department of Biological Sciences at CMU

| Strategic Objective	Strategies (examples)	Measures of Success (some sources)
1 A world-class reputation in integrating experimental approaches with quantitative analysis	• Increase visibility of existing research programs • New hires	• Owner Value Survey • External Peer Value Survey • Internal Peer Value Survey
2 Excellent research infrastructure and instrumentation	• Work with other CMU groups …	• Faculty Value Survey • Staff Value Survey • …
3 Reposition and restructure research centres …		• Faculty Value Survey • Staff Value Survey • Partner Value Survey
4 Professional development programs		• Faculty Value Survey • Staff Value Survey
5 Establish a world-class graduate program …		• External Peer Value Survey • Graduate Student Value Survey • Employer Value Survey
6 Establish a strong post-doctoral program		• External Peer Value Survey • Postdoctoral Value Survey
7 Ensure departmental structures and processes support the departmental mission and objectives.	• Flow chart, improve, standardize and document the main departmental processes • Implement a systematic approach to identifying and reducing 'waste'	• Faculty Value Survey • Staff Value Survey

(Table 4 Continued)

(Table 4 Continued)

Strategic Objective	Strategies (examples)	Measures of Success (some sources)
8 [Undergraduate]		• Student Value Survey
9 Generate significant public awareness of CMU Department of Biological Sciences	• Develop and implement a public awareness plan to highlight the unique identity of the Department of Biological Sciences	• Owner Value Survey • Community Value Survey • …

Source: Department of Biological Sciences Strategic Plan.

Note: The undergraduate program was the subject of change and so not considered in this planning. (Some detail omitted for reasons of confidentiality.) Undergraduate planning was not considered in this process as it was the subject of a more general and concurrent university-wide process.

In the first instance, Value trees were developed for Faculty, Staff, Postdoctoral Scholar and Graduate Students, and initial (i.e., benchmarking) surveys conducted across all four departments in the College. It is of some interest to describe the Graduate Student instrument, as this appears to be somewhat new territory. The Graduate Student Value tree is depicted in Figure 1. This worked well as a Value model ($R^2 > 80\%$ in most parts of each tree).

Figure 1. Structure of Graduate Student Value Tree for Value Survey for PhD Students, Showing Indicative Attributes on the Main Branches.
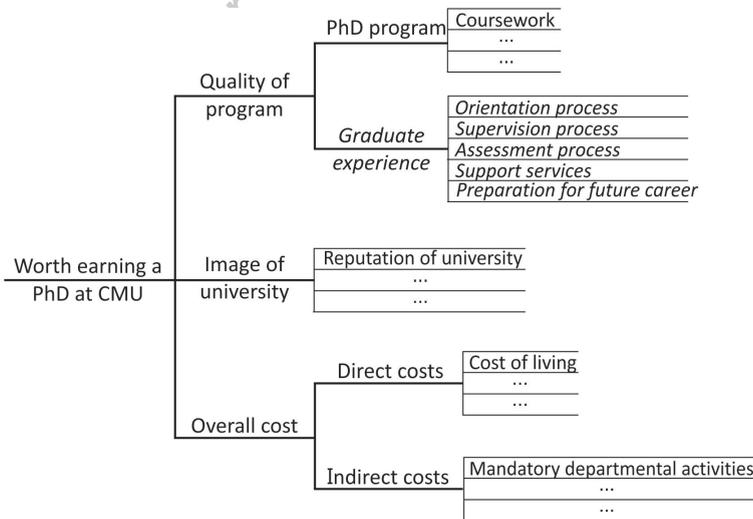
Source: Mellon College of Science Graduate Student Value tree.

Note: Italicized branches are processes.

Evaluating the Process

Finally, we ask: *how does this process address traditional flaws in Strategic Planning*?

1. *Planning carried out without consulting the people who will be involved in executing the resulting plan.* Everyone is consulted in the lead-up to the planning week, and then after each planning day.
2. *Vision or Mission unclear.* This is achieved in two ways, by good facilitation and via the daily consultation. (Note: good definitions and exemplars need to be provided in advance, when this is first considered in the preparatory work.)
3. *Stated Values at odds with actual enterprise culture.* Whilst this cannot be guaranteed, at least if the Values are selected and agreed to via a consultative process there is some hope that the culture will evolve to embrace them. If the leaders want the plan to work, they will have to get the culture right.
4. *Strategic plans that are incomplete in terms of what they should cover.* The contention is that if the key current and emerging needs of all stakeholder groups are identified, then there is a sound basis for making decisions about what needs to be in the plan.
5. *Strategic plans for which progress cannot be measured.* This is clearly addressed by the final column in the plan. The SOs are derived from the current and future needs of stakeholders, so the measures of success can be taken to be the results from the corresponding stakeholder management surveys. In any well-run value management process, the stakeholder is kept apprised of what specifically is being done to create and increase Value, so failure to perform should be highlighted by the survey results.
6. *A process to produce the plan that lasts months, even years.* Avoidance of this is an immediate consequence of the process design: a short period (days not weeks) of preliminary work, then a single week of intensive work.
7. *Strategic plans that are not strategic in their outlook.* The stakeholder assessment takes account of emerging needs. (Of course, there is no defence against doing the planning work poorly, e.g., by poor elicitation of emerging stakeholder needs, or by proceeding to ignore important stakeholder priorities.)
8. *Strategic plans that are not accompanied by a process for monitoring progress and updating in the light of changed circumstances.* Producing the monitoring process as part of the planning week is an essential deliverable.
9. *Strategic plans that, once developed, are then ignored.* This is the explicit main purpose of the monitoring process: most specifically, the fact that the regular monthly or quarterly leadership meetings have, as their agenda items, the areas of the SOs.

Conclusions

1. By focusing SOs and their associated strategies on current and emerging needs of key stakeholders—thereby managing stakeholder value in a strategic fashion—the resulting Strategic Plan provides the basis for aligning the systems and processes of the enterprise with its Mission and Vision. (Indeed, feedback from an anonymous reviewer of an earlier version of this article has expressed this so clearly that it is best quoted verbatim: '… a shift in mindset from internal objectives to external value creation creates alignment, clarity, prioritization, and measurement. This is because finally everyone can agree on WHO we are serving, WHAT it is they want, HOW we are doing so far, and WHICH PRIORITIES we should start with based on their needs'.)
2. Stakeholder value-based strategic planning can be done efficiently and effectively. It can be carried out in a consultative manner, gaining buy-in from people at all levels of the enterprise. And it can produce outcomes that avoid many standard pitfalls.

Acknowledgements

Reference

Fisher, N. I. (2013). *Analytics for leaders. A performance measurement system for business success.* Cambridge, UK: Cambridge University Press.