



## **Strategic planning and capabilities.**

### **Strategic Concept.**

By establishing the "Strategic Concept" an organization defines its purpose, why it exists and their durable nature; the Key activities that define its mission; the most likely scenarios and the required efforts to be made in them; the key factors of the environment and a properly articulated approach to meet the most likely challenges; the guidelines that allow to get versatility and resilience... All aimed at achieving the goals of the organization Vision.

### **Highlights of capability strategic Planning.**

Previously, the foundation of strategic planning was to know as precisely as possible what threats could come to be actual and forecast their consequences. From there planners analyzed a small number of scenarios and identified with relative ease what means would be needed and when to seize opportunities or cope with these threats -of those competitors- and be winners or at least to have the sufficient resilience. It was know "who" could do "what", and "where". This foundation is valid when the strategic situation is clear, ie when we know who is opposite and more or less what does he intend. Consequently all the planning was oriented to make effective decisions about renewing assets; well to acquire a new and better or upgrade existing ones. When no resources were allocated, the desired capability was not available.

However, in today's globalized environment, the strategic situation is not clear, but uncertain, and the threats and opportunities can be subtle, ie low intensity but high penetration; indefinite and multifaceted and can come from almost anyone: identified competitors or "outsiders". So now the core interest is not "who" can do "what" and "where", since it could be quite indefinite and infinite the possible reactions. The core interest is in "what" can be done and "how" relegated to a secondary plane the questions of "who" does and "where": Of course to know "who" is important, but we are obliged to do so because of the lack of information and the scarcity of available resources.

Indeed the current strategic situation does not allow to be aimed at only determining needed investments to overcome competitors, but to obtain and develop certain distinctive capabilities to seize opportunities and face to a broad spectrum of threats. In times of instability, it is better to focus on business model innovation than only in products and services innovation. And one more thing, very often, businesses that remain resolute and proactive to face threats become stronger and leaner than those using defensive tactics.

### **The uncertainty.**

In the current context it is accepted that the lack of information is great as well as the uncertainties to contend with, so the effort planning must be much tougher in requiring a comprehensive approach and a depth analysis of the most likely scenarios and the most demanding environments where the organization could operate,



otherwise the result may be poor or unbalanced. The lack of information forces the knowledge management to be at the heart of planning being the communication the backbone, to help the development of innovative solutions that help to face the many challenges of global world. As Peter F. Drucker said, communication is the way to organize, not the means to do so.

## Scenarios for the capability planning process.

The definition of the scenarios where a company is going to compete, with the current approach of the strategic planning, allows to deduce first what is one wants to be capable of doing and how to do it, and secondly against whom to compete and where. From this point, the process allows to quantify the needs to obtain those wished capabilities, even in the case that means necessary to get them didn't exist at that moment.

There is nothing that could assure the realistic adequacy of the proposed scenes, though always there must be analyzed, at least, those who have major probability and those who contemplate the most demanding environments (or more dangerous).

## Resources and Capabilities.

Some authors have defined capabilities as organizational routines, for Nelson and Winter, 1982, they are "complex patterns of co-ordination that permit different specialists to integrate their knowledge into the production of goods and services while preserving the efficiencies of knowledge specialization". On the other hand, but complementary, the NATO defines capabilities as a set of factors combined and balanced on diverse forms in order to produce certain desired effect. These factors are the following:

- **Doctrine**, which orientate the execution of all the activities coordinated and towards a common goal;
- **Organization**, which allows the individuals and services the systematic cooperation to carry out their assignments;
- Training;
- Material, that is to say the necessary assets that are not an infrastructure;
- Leadership and Education;
- Personnel with the qualification and the suitable commitment;
- Infrastructure.

The use of this concept of Capability allows to articulate and to define, with sufficient accuracy, what the organization must be able to do, and therefore the precise knowledge of why it needs those capabilities within the framework of the strategic concept, is fundamental. Bearing this in mind, the necessary resources should be the needs in terms of the diverse factors that combined each other shape the capabilities and allow to deploy them with effectiveness.

## Comprehensive and effects-based planning approach.

Capability based planning studies should use a comprehensive and effects based approach to determine the needed requirements of each one of the Capabilities; their



advantages and disadvantages, and the alternatives. This approach, consistent strategically with the environment and its evolution, allow deciding on future investment projects on the basis of what they are able to do (or they will be able to do), they are not mere assets but packages for the fulfillment of missions.

### Conflicts in defining capabilities.

There are conflicts defining capabilities. It is not easy to figure out and quantify the needs that emerge as necessary from the scenarios and environments that have been studied. Hard effort is needed, however, training as the organization is going along, facilitate learning in order to acquire mastery in this issue and after all strengthening the competitive position of the organization. In defining capabilities, accommodative solutions mustn't be accepted, those everyone agrees with the "lesser evil". It is better to seek the conflict, understood as the freedom to offer new solutions and the courage to justify the sacrifice of the "sacred cows" if these solutions require it. The conflict ensures that all alternatives are considered. If there are no conflicting ideas about matching solutions with needs to earn money, we are still in the dark about details. Basically there are three types of conflicts:

- Those arising from discussing which should be the capabilities; how to define them; how to figure out their needs in order to develop them; how to break them down, on many or few levels, what period of time and what tempo should be considered, etc.
- Those arising from facing opposite criteria to assess and prioritize capabilities. Prioritizing is essential, since you can not go to the supermarket and get everything you need; there wouldn't be enough money to acquire what you want to have to deal with alleged perfection, all threats.
- Those arising when elucidating to what level (beginner, moderate, expert, or whatever), and timing in which the organization should be able to use the skills.

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### Prioritizing capabilities.

I have cited this as a sure conflict. Prioritization is aimed at ensuring that the organization itself or allied with other partners possesses all the necessary capabilities to implement its Strategic Concept, so that conflicts in regard with competitive allocation or reallocation of resources are resolved having in mind that to be effective, the more urgent capabilities must be delivered first.

Strategic alliances must be considered, because very often the means available for every individual organization are not enough to win on their own, so there is a need to look for partners of diverse nature and competencies that could provide more flexibility and sustainability to the coalition with a common goal based on the respective strategic concepts. Along with this, there is still a major change. It is the traditional budget that directly impacts on the results obtained by capabilities planning process.

### The necessary change in the way of preparing budgets.

The traditional budget, remains as the sacred cow of management, nevertheless it has the following two pressing problems



- Lacks agility: decisions are made only at high levels of the hierarchy of the organization in isolation, and sometimes tightly, although it gives appearance of otherwise.
- The agenda imposed by the undisturbed calendar dates makes it even stiffer.

The overarching procedure is good, but to mitigate the lack of information in times of instability while the need for speed is merciless, a change in its procedure is necessary. Nowadays knowledge must be at the core of any organization, to identify, integrate, access and exploit it, being the communication as the backbone of the organization and playing an increasingly important role in organizations. To overcome these obstacles, the traditional budget must change and reduce bureaucracy to a minimum to evolve in two ways:

- Implement more agile procedures in order to get dynamic participation of most of the components of the organization, replacing budget programming - calendar driven- by a platform to participate in making the budget to allocate resources.
- Moving from a discrete process, imposed by calendar dates, to a continuous and adaptive approach, where the effects desired and their deadlines set the timing for dynamic allocation of appropriate resources.