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STRATEGIC MANAGEMENT:

YOUR WAY TO MANAGE FOR THE FUTURE

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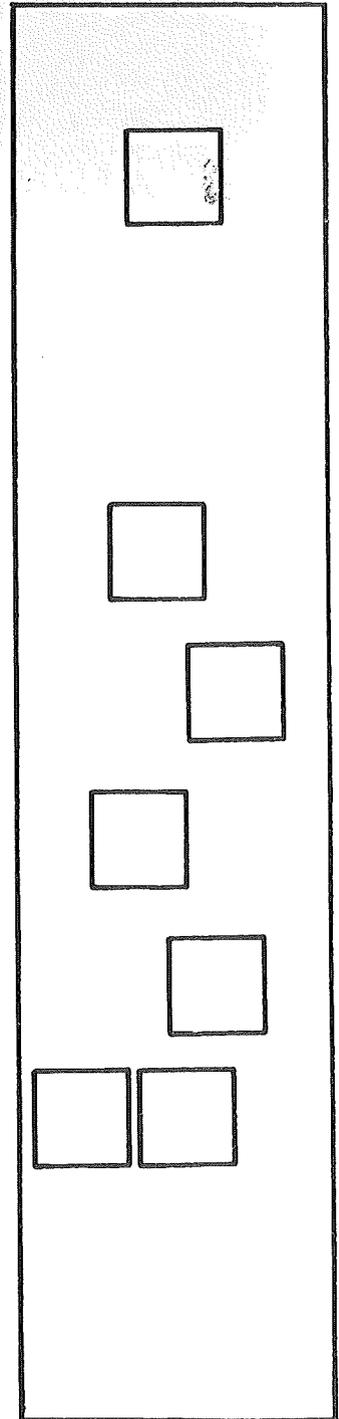
May 1987

Office of
Employee and Organization Development

Minnesota Department of Transportation

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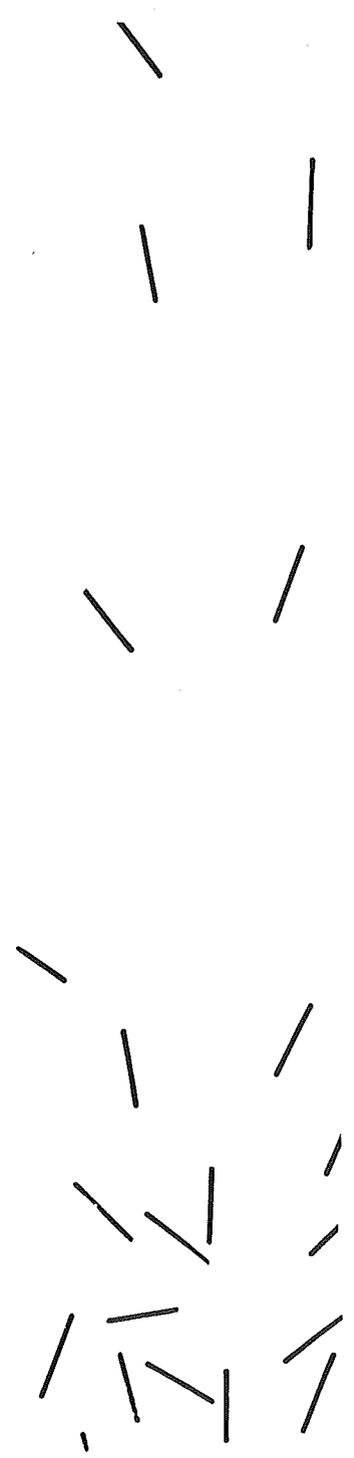
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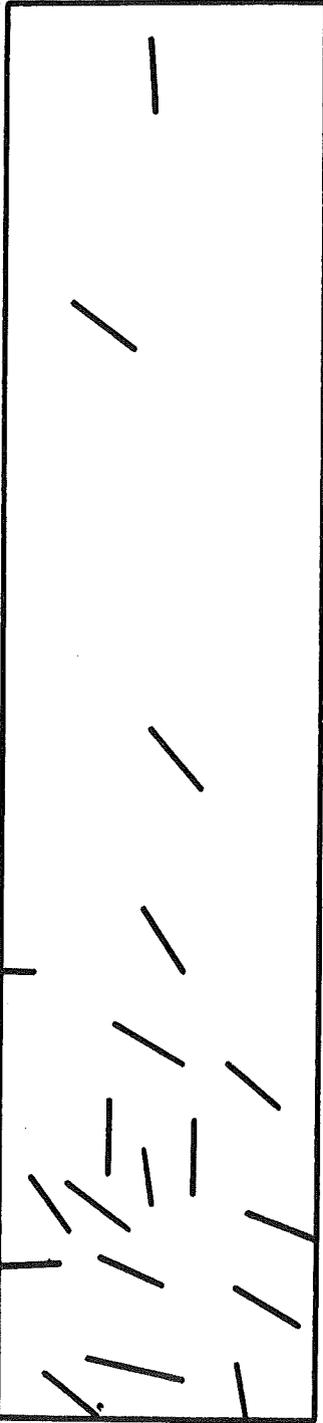
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EXECUTIVE SUMMARY

Many of you have voiced the need for a clearly articulated mission, vision or strategy for Mn/DOT of where you want to go, of what you want to be, accomplish and become during the next five to ten years. You have made many worthwhile short-term accomplishments but continue to react to change rather than influence it.

This decision paper offers you a choice: to develop a systematic process that allows you to manage for the future and be in control or to continue putting out fires that burst into flames and get by from crisis to crisis.

With a strategy articulated by top management, individual managers will be able to make decisions based on that strategy. You will be able to anticipate opportunities and threats while you have time to change or shape the outcome; to involve middle management in the decision making because you are not in a crisis mode; to link strategies to budgets, resources, annual objectives, legislative initiatives and policy development; and to communicate your decisions internally and externally in order to receive timely feedback.

Do you want to change? Do you want to make strategic management your philosophy, your way of life? The decision is yours.

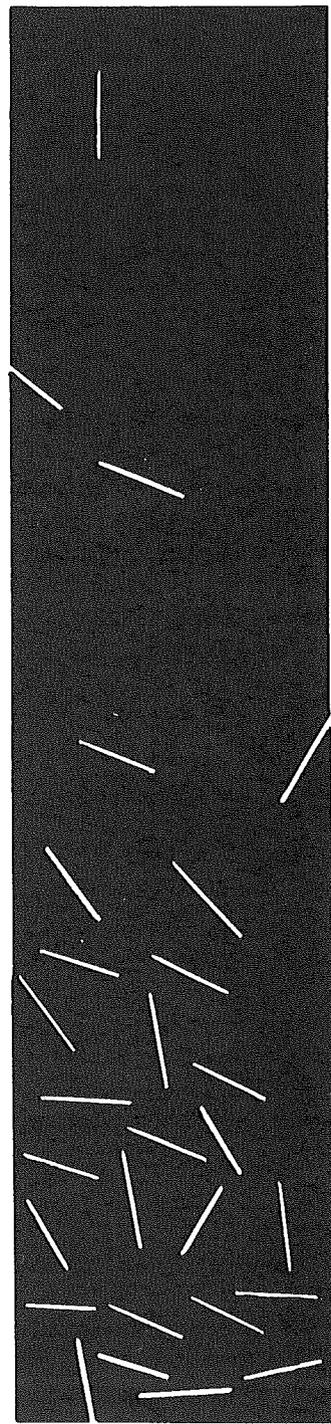
STRATEGIC MANAGEMENT: YOUR WAY TO MANAGE FOR THE FUTURE

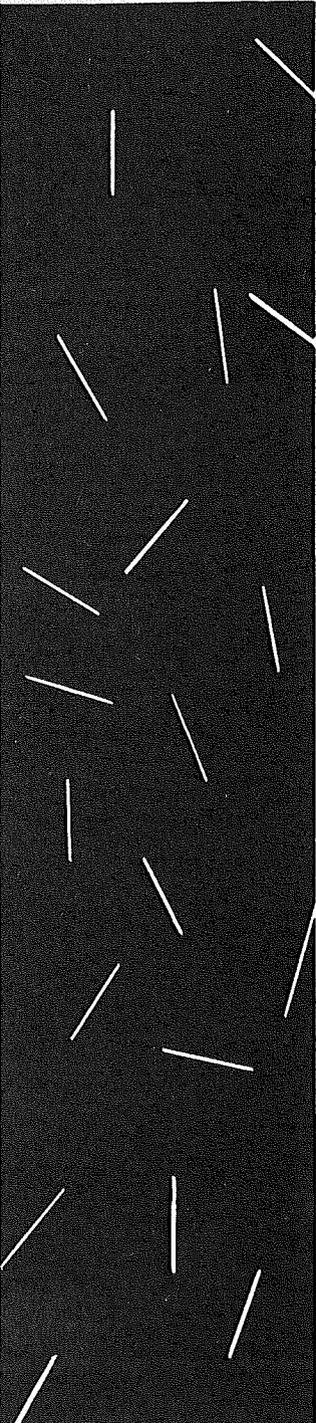
Change happens. Do you influence change or do you react to it? Issues affecting the Minnesota Department of Transportation are constantly emerging; sometimes they are variations on old themes and sometimes they are new issues.

The Department's relationship with other agencies — such as the Federal Highway Administration, Metropolitan Council, Metropolitan Airports Commission — is changing. As a whole, the public sector is finding it must compete, as well as cooperate, with the private sector for the delivery of services. Within the public sector itself, segments such as transportation, corrections, education and human services must compete with each other for limited resources.

Human resources at Mn/DOT are changing, too. Dramatic turnover of staff is occurring as the workforce associated with the start of interstate construction in the 1950s is retiring. When these individuals were hired 30 years ago, Mn/DOT had an implied mission, an unstated but understood purpose: we build highways. What will Mn/DOT be 30 years from now? The decisions you make today shape our future.

The Senior Management Forum (at the Ramada Inn, St. Paul, in September 1986 and the Spring Hills Conference Center in February 1987) expressed the need for the Department to define its mission and its strategy. This need was reiterated in the Internal Communications Effectiveness project (March 1987) where more than two-thirds of the employees sampled gave low ratings to the Department's ability to communicate its goals.





When management develops and articulates strategy — where the Department is going and what it should become — individual managers will be able to make decisions based on that strategy. When management does not develop, articulate or live its strategy, individual managers will develop their own strategy which may or may not be consistent with the visions of management as a whole. Decisions made on a piecemeal basis set strategy by default.

For instance, an operational decision within a specific corridor concerning the feasibility of a highway bypass can establish a precedent which, with the passage of time, may be perceived as Mn/DOT's overall position or, in effect, its strategy relative to new construction outside existing right of way. The proliferation of these bypasses implies that the Department has a strategy. It would be better to shape a strategy by design than by accident.

And, goals set as part of our management planning efforts (such as those concerning Mn/DOT's role in the state teletransportation function or in the engineering and construction of light rail transit systems) need to be recognized as strategic direction and actively marketed internally and externally. For strategy to have meaning it must be lived.

This decision paper furnishes you with a brief history of previous efforts that document your ability to use the components of strategic management, an assessment of the current situation and a description of the strategic management process and how you can benefit by using it.

HIGHLIGHTS OF PREVIOUS EFFORTS

Strategic management is not a new concept to Mn/DOT. Without exception top management of the Minnesota Highway Department, and later the Department of Transportation, has expressed the need to have a clearly articulated vision of where it wants to go and what it wants to accomplish and become. This need for a mission and strategy has also been voiced many times by individual employees and employee groups. But no matter how hard the Department has tried, no matter what has been attempted, success has been elusive. Worthwhile short-term accomplishments have been achieved, but the identification and implementation of mission and strategy has not been institutionalized as a meaningful part of the process by which we do our business.

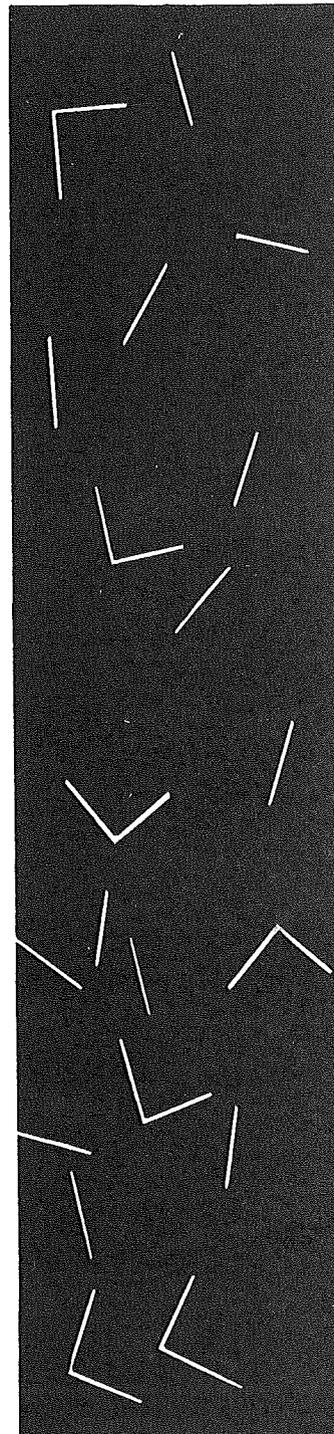
Since 1971, the Department has initiated six different strategic management efforts:

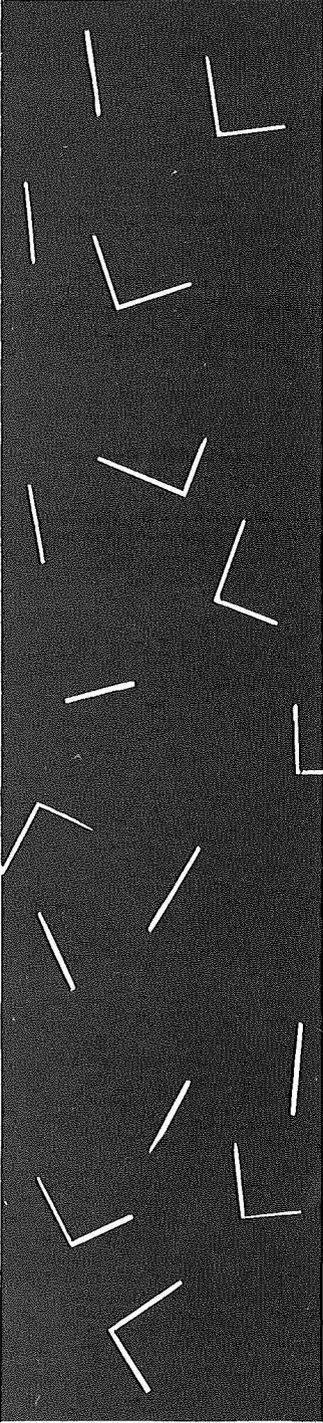
Seminars in Planning — In 1971, the Department of Highways hired consultant John Sigford to initiate a strategic planning process. One of the products of this effort was the first formal mission statement:

To provide for the safe and efficient movement of people, goods and services in a manner and form that will most effectively contribute to the social, environmental and economic welfare of the people of the State of Minnesota.

Formalizing the mission of the Department and recognizing that its role should be more than just to design, construct and maintain highways led to the creation of a Department of Transportation in 1976.

Staff-Developed Strategic Management Plan — In 1977, the Executive Committee of the newly created Minnesota Department of Transportation requested a staff developed strategic management plan. Although Mn/DOT did not implement this plan, it was used to develop the Fiscal Year 1979 Commissioner's Objectives.





Mini Long-Range Management Planning Session — In July 1980, internal facilitators assisted the Commissioner's Staff in developing a strategic management plan. After identifying areas in which they could make progress, the staff used the plan in preparing the minimal budget supplement, the six-year budget supplement and the Fiscal Year 1981 Commissioner's Objectives.

Strategic Management Plan (staff developed) — In September 1982, a staff-initiated discussion paper suggested a mission, vision and management strategy for the Department to follow. This paper was used to develop a strategy for managing information through new technology, which was adopted by the Commissioner's Staff in 1983. Because of the foresight shown four years ago, Mn/DOT today is a leader in the use of technology in state government; for example, at the 1987 Transportation Conference, Mn/DOT had 55 booths exhibiting the Department's technological capabilities.

Strategic Management Planning Retreat (Spring Hills) — At the February 1984 retreat, the Commissioner's Staff identified new operational initiatives, which were later incorporated in the Mn/DOT Agency Action Plan (July 1984 - December 1986). Mn/DOT's current mission statement (see page 13) was developed as a result of this retreat.

Strategic Management Planning Retreat (Humphrey Institute) — In March 1986, the Commissioner's Staff identified the Department's strengths and weaknesses and potential opportunities and threats. The intent was to use this analysis to identify new strategic initiatives; however, such action was deferred because of the legislative session.

Each of these efforts had the potential to move the Department towards strategic management, but nothing was permanently institutionalized. Why?

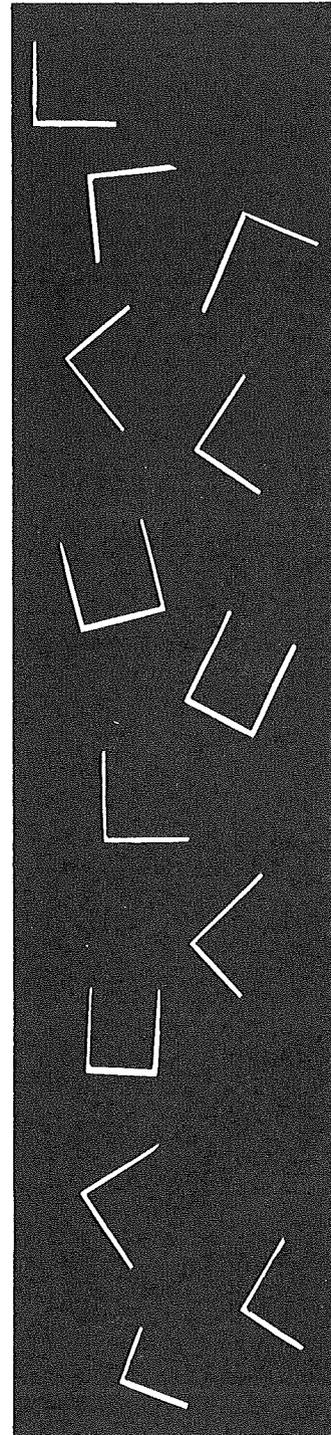
ASSESSMENT OF CURRENT SITUATION

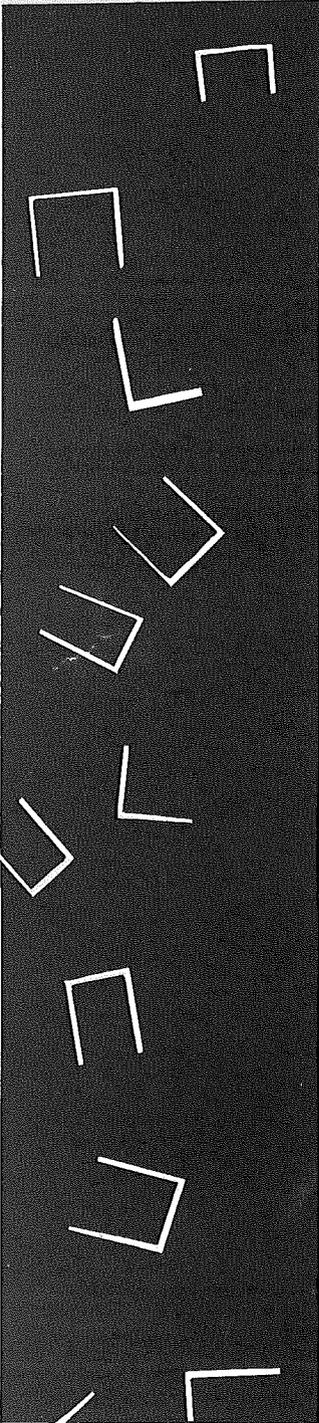
As summarized in a Preliminary Situation Analysis paper distributed to the Commissioner's Staff, current and former Mn/DOT managers were asked if the Department needs a strategic management process. Their responses made a number of key points:

- Strategic issues exist that can affect this Department's future and new strategic issues continually surface that require resolution. Therefore, institutionalizing a strategic management process is important to the future success of Mn/DOT.
- Mn/DOT has already demonstrated it has many of the essential ingredients of a strategic management process.
- A formal strategic management process requiring a highly structured methodology and emphasizing written reports has a low probability of success in Mn/DOT.
- In the previous efforts, middle management* was not adequately involved or communicated with effectively. This group is still unclear about the Department's mission, goals and strategies.

These Mn/DOT managers believe a need exists for a strategic management process that will develop an overall plan of action to help effectively shape the Department's future.

*For discussion purposes within this paper, middle management refers to all other individuals covered by the Management Plan below top management (the Commissioner's Staff).





Strategic management is a top management function which cannot be successfully delegated to either administrative staff or middle managers. Management theorist Peter Drucker, author of *Management: Tasks, Responsibilities and Practices*, describes top management as multi-dimensional. Every other managerial level, he says, is designed for one specific major task. According to Drucker, top managers must:

- Think through the mission of the organization. They must ask the question, “What is our business and what should it be in the future?” This leads to the development of strategies and the setting of objectives, allowing managers to make decisions today for tomorrow’s results.
- Set vision. Only top management sees and comprehends the entire organization.
- Create the spirit of an organization. Their standards of conduct, their values, their beliefs set the example for the entire organization.
- Establish and maintain relations with constituents. Out of these relationships emerge a number of top management policy decisions and actions.

Another way to distinguish the broad transportation perspective of top management from the operational point-of-view of middle management is shown below:

Top Management Perspective

- Departmentwide
- Total constituency
- National transportation
- Total resource
- Strategy development
- Long-range (4-8 years)
- Department communication
- Department mission

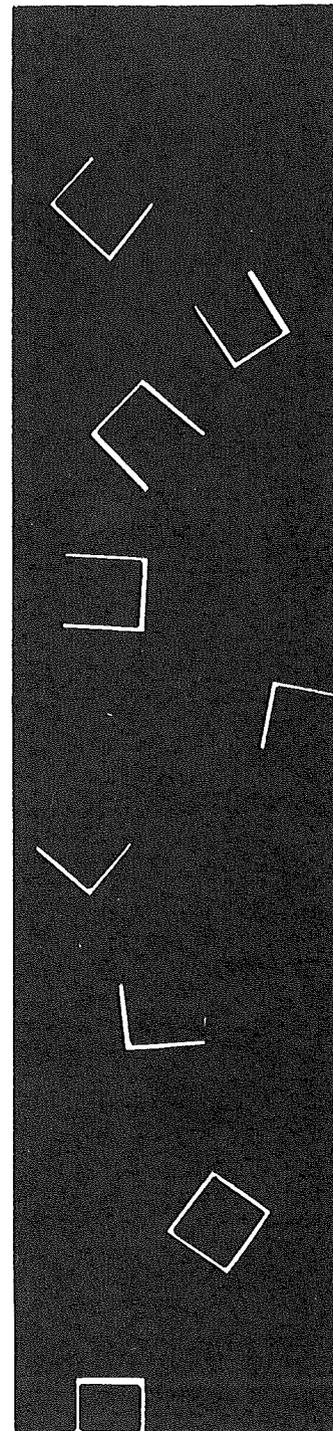
Middle Management Perspective

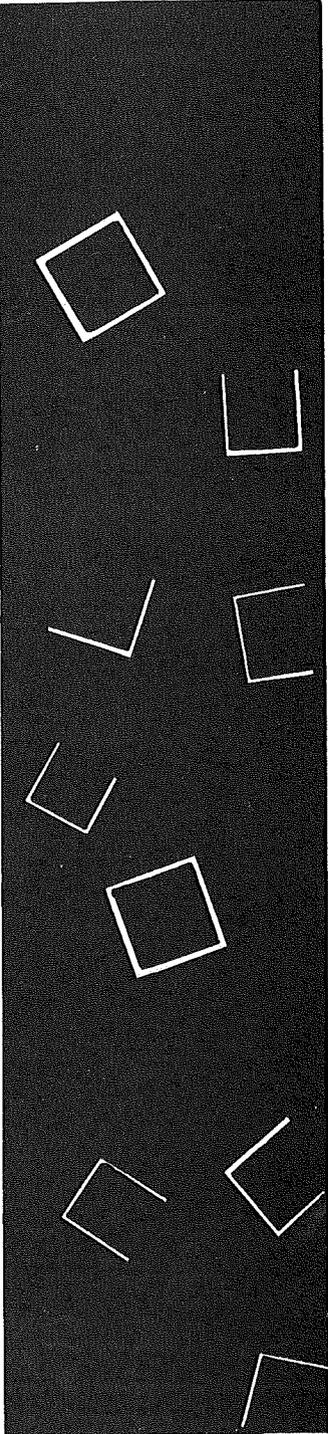
- Office/district
- Limited constituency
- Local transportation
- Limited resource
- Strategic implementation
- Short-range (1-2 years)
- District/office communication
- District/office mission

These illustrations explain why only top management has the breadth of knowledge and vision needed to set Department mission and strategy.

Yet the time rarely seems to be available to plan for the future and develop strategies accordingly. This is why Mn/DOT consistently finds itself with major problems that need immediate attention. For example:

- We waited until the media and the public attacked our scheduling of summer construction projects in the Twin Cities area before we developed a policy of weekend and nighttime work.
- Two bridges in New York collapsed before we refocused public awareness on Minnesota's problem bridges.



- 
- Developers keep putting more and more demands on the highway system. In order to accommodate developer needs at Apache Mall in Rochester and at Ridgedale, we received a small donation but the impact cost was far higher. Now we are facing impact costs in the hundreds of millions to accommodate the proposed entertainment mall complex in Bloomington.
 - Organizational restructurings go through a process of conflict and dissension among the Governor, legislators, the Commissioner's Staff, office directors and district engineers before the issues are fully addressed or resolved.
 - We initiate projects — such as activity analysis, public perception task force and Agency Action Plan — and do not follow through on recommendations after the crisis passes.

To avoid managing crisis after crisis, Mn/DOT must change its present philosophy to one of managing for the future.

Managing for the future means top management anticipates what the critical future issues will be and develops strategies for dealing with those issues. Strategic management ensures that alternative strategies are in place so that if there were an increase or decrease in funding levels, all managers would know how their area would be affected, what their priorities would be and what resources they would have available.

Strategic management also allows you, as a top manager, to:

- Anticipate opportunities and threats while you have time to change or shape the outcome;

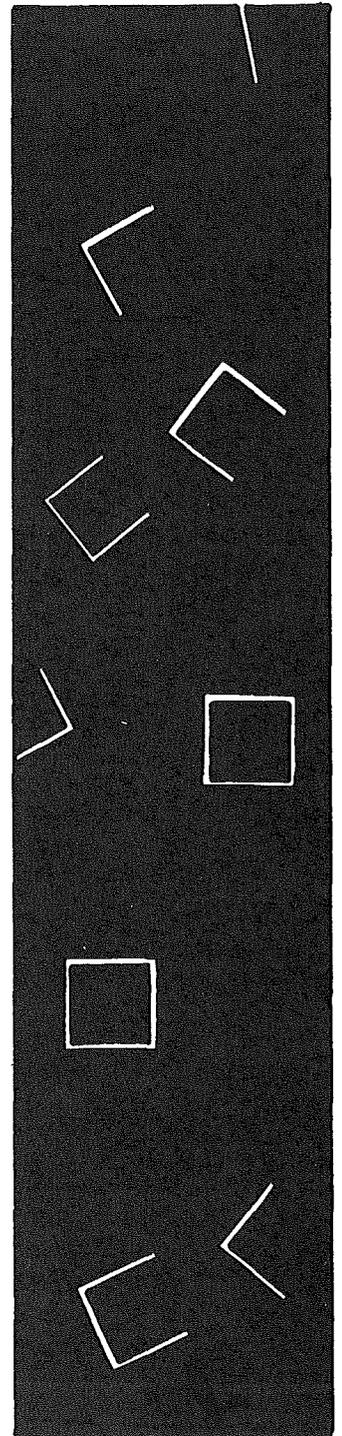
- Involve middle management in decision making/priority setting because you are not in a crisis mode;
- Link strategies to budgets, resources, annual objectives, legislative objectives and policy development;
- Communicate your decisions — internally and externally — in order to receive timely feedback.

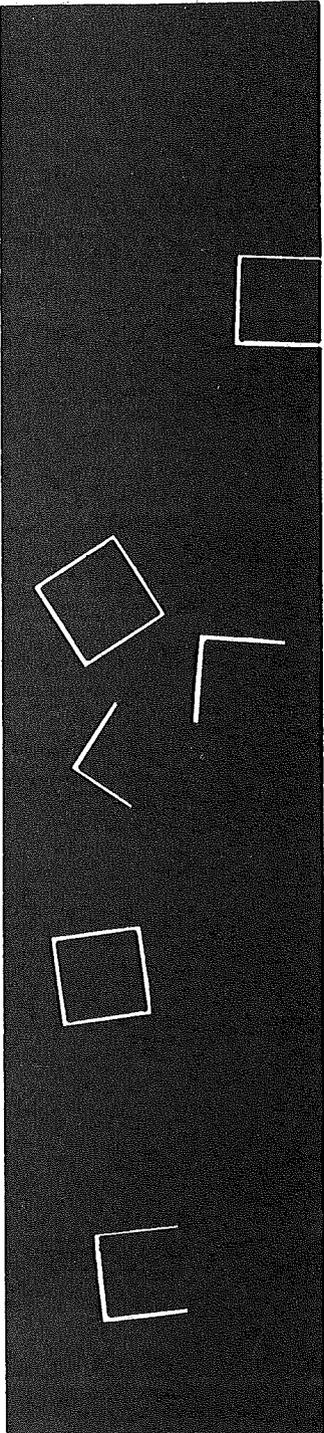
Strategic management is a management philosophy, a way of life, just as problem-solving crisis management is Mn/DOT's current way of life. Now, it is time for you either to commit to change, to develop and implement a strategic management process within Mn/DOT, or to keep the *status quo* by managing from crisis to crisis, that is, reacting to each new problem as it develops.

COMMITMENT TO STRATEGIC MANAGEMENT

Commitment is necessary to implement strategic management in all Mn/DOT functions. For the Department to experience the benefits that make strategic management worthwhile, the entire process must be implemented. The Commissioner's Staff must choose between two courses of action: maintaining the *status quo* of crisis management or managing for the future.

Although there are several ways to implement strategic management, Kathleen Stein-Hudson, who chairs the Transportation Research Board's Standing Committee on Strategic Management, promotes the classical approach. Five steps make up the classical approach: developing a mission statement; scanning and analyzing the external and internal environment; analyzing strengths, weaknesses, opportunities and threats (SWOT analysis); developing strategy; and implementing and monitoring the strategy.





Development of a Mission Statement — Every organization exists for a reason. An articulated mission statement is the organization's "North Star," a guide to the future. A mission statement is a concise declaration of an organization's purpose. It provides a clear sense of direction for decision making, stating why the organization exists and where it is going.

A clearly communicated and understood mission statement for Mn/DOT will forge employee commitment to the Department by establishing a set of values with which everyone can identify. Mn/DOT's current mission statement, adopted in 1984 and presently under revision, states:

LEADERSHIP for rational and enlightened transportation decisions,

ADAPTATION of innovative, transportation-related engineering and technology within the public sector, leading to the

DELIVERY of safe and productively managed transportation systems and services for the movement of people, goods and information to:

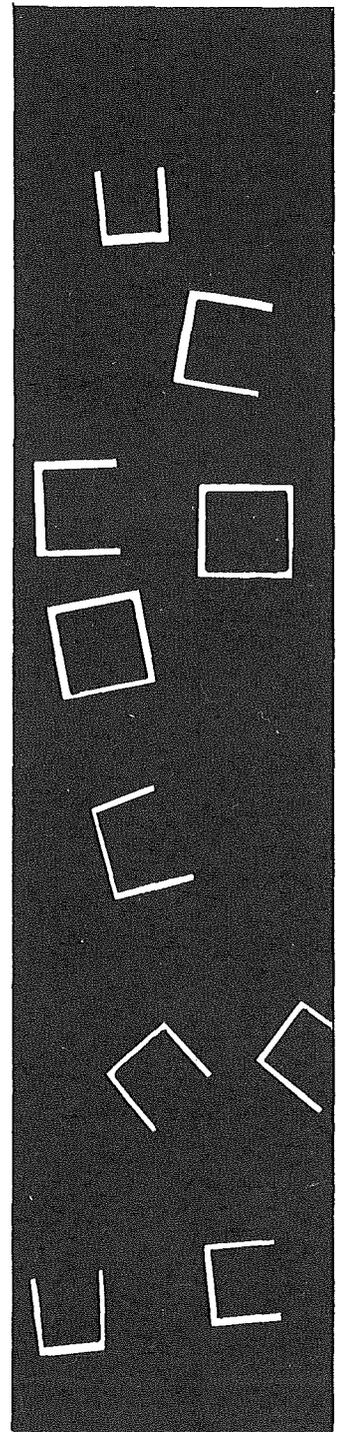
- foster for Minnesota citizens' economic vitality,
- provide for personal needs,
- facilitate environmental preservation/protection, and
- promote national/international tourism and commodity marketing.

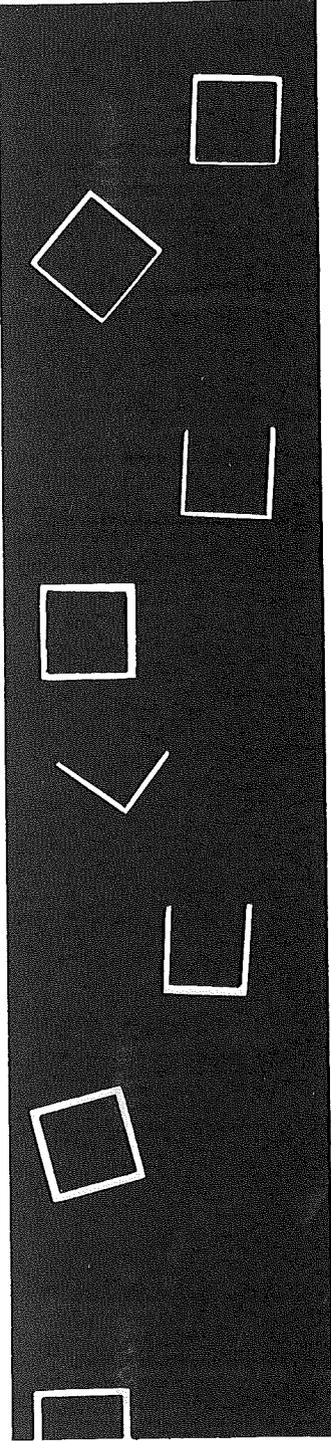
Environmental Scanning and Analysis — Environmental scanning anticipates social, technical and economic forces significant to future success and seeks to minimize surprises. It provides top management with information that can be used to alter assumptions about today's workplace as well as the workplace of the future. Environmental scanning is a three-part process:

- Scanning** - identifying key organization-related issues and trends;
- Analysis** - interpreting what the issues and trends mean;
- Reporting** - transmitting the information gained in a form useful for decision making.

Although several divisions in the Department had been scanning the environment for some time, there never was a coordinated scanning effort in Mn/DOT until February 1986. Then, the Issues Scanning Committee was created to serve as a central clearinghouse of issues. Representatives from a number of areas in Mn/DOT — including research, trucking, transit, financial management, aeronautics and traffic management — make up the Committee, which meets monthly. The issues identified by the Committee are then summarized in *Mn/DOT Trends*, a monthly newsletter published by the Information Services Section.

SWOT Analysis — Based on data from the environmental scanning process, top management identifies an organization's real and potential strengths, weaknesses, opportunities and threats. The identification of strengths and weaknesses focuses on organizational structure, human resources, managerial and operational skills. Opportunities and threats, however, are usually from outside the organization.





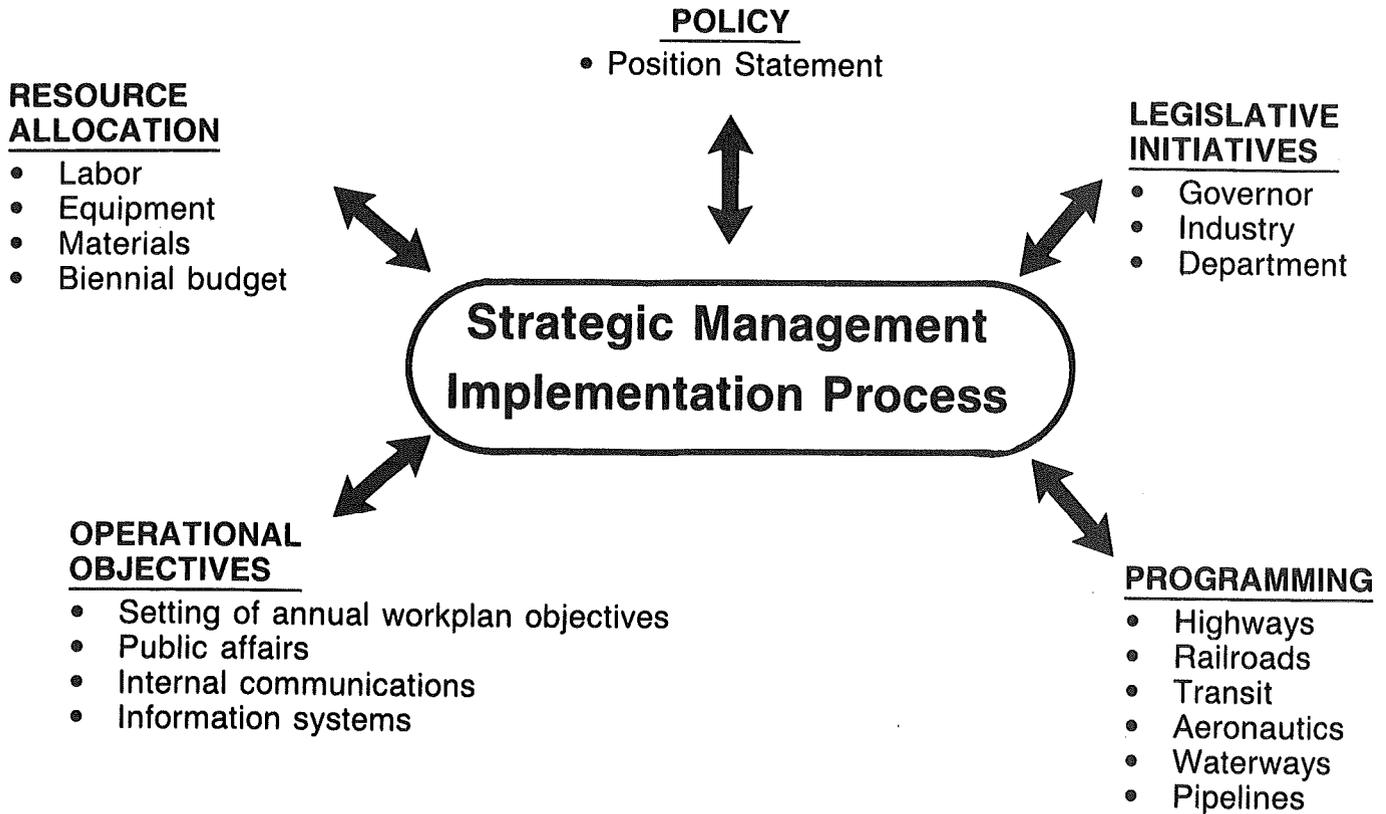
SWOT analysis helps top management to identify issues and priorities likely to affect the Department and its constituents over the next five to ten years and to assess the probabilities of its successfully influencing the issues.

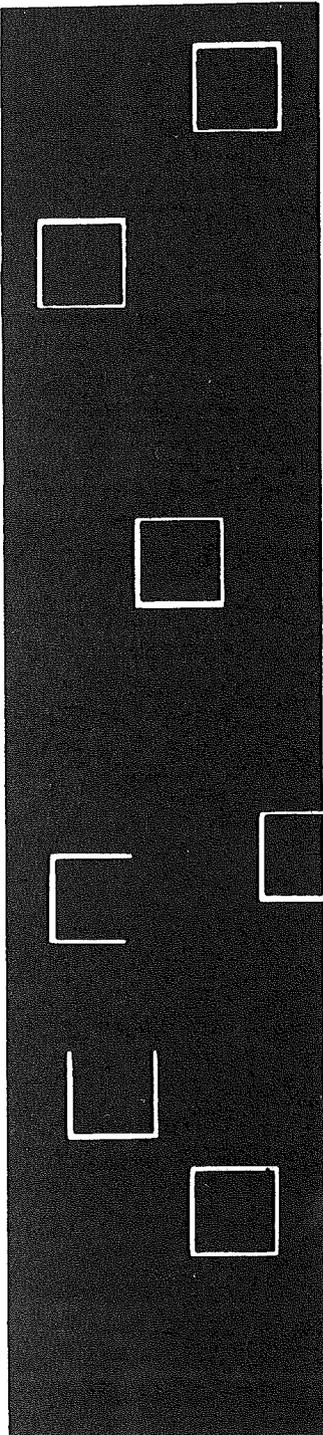
Strategy Development — When high priority issues are selected from the SWOT analysis, top management looks at each issue and asks: Are there future threats that will make this issue worse? Are there future opportunities that could solve or lessen the problem? What actions are currently being undertaken?

Answers to these questions serve as the basis for developing alternative best-case to worst-case scenarios. From the scenarios, top management decides the organization's strategy. If Mn/DOT stops the process at strategic development, it becomes a one-time effort, an incomplete strategic management project.

Implementing and Monitoring Strategy — To operate strategically, all managers must make decisions based on an organization's articulated strategy.

Implementing strategic management at Mn/DOT will affect all decisions as they relate to policy, legislative initiatives, programming, operational objectives and resource allocation. The chart at the right illustrates the two-way relationship of Mn/DOT's decisions to strategic management.



- 
- **Policy** — The Mn/DOT Policy Committee will develop policies, as needed, to support Department strategy.
 - **Legislative Initiatives** — The Department may need new or revised legislation to accomplish the strategy.
 - **Programming** — The adopted strategy addresses program planning decisions. For example, trade-off issues between highways and transit must be decided based on the strategy.
 - **Operational Objectives** — The adopted strategy is used to develop annual workplans or operational objectives. The top management of the Pennsylvania Department of Transportation, for example, meets monthly to measure accomplishments of each operational object in light of the set strategy.
 - **Resource Allocation** — The strategy is used in making decisions on how to fund operational objectives. In state government, the biennial budget process is a reality that managers must contend with to fund the operational objectives. Management, however, still has considerable latitude to shift resources within the annual spending plan.

Commitment simply means completing all five steps of the strategic management process, including the tie-ins to all other decisions outlined above. You cannot have the benefits of strategic management without completing the process.

CONCLUSION

This decision paper began by asking the question: "Do you influence change or do you react to it?" A process that provides strategy for future decisions is critical; the alternative — reacting to each situation as it occurs — only results in more costly decisions being forced on you in the long run. Managing for the future will make your life as a Mn/DOT manager easier than when operating in a crisis management mode.

The strategic management process, says Kathleen Stein-Hudson, "fosters a strategic outlook down through the organization, encouraging line managers to think beyond day-to-day matters to the accomplishment of critical organizational objectives."*

Before deciding *how* to implement strategic management, you first must decide *if* you should implement it. You cannot have the benefits of the whole process without institutionalizing all of its parts as your way of life.

The decision is yours: Do you want to develop a systematic process that allows you to manage for the future and be in control or do you want to continue putting out fires as they burst into flames, getting by from crisis to crisis?

*TRNews, July-August 1985. See page 12 for Stein-Hudson.

