

Strategy & Tactics: A Practical Approach to Filling the Gap

2nd International Seminar on Strategic vs. Tactical Approaches in Mining
Australian Centre for Geomechanics (ACG)
Novotel Langley, Perth, WA, 8 - 10 March 2006

D.F. Pershke *URS Australia Pty Ltd, Perth, Australia*

P. Elliott *URS Australia Pty Ltd, Perth, Australia*

1 INTRODUCTION

Over the years the gap between strategy and tactics within an organisation has resulted in ineffective or sub-optimal environmental management. With the advent of the concept of sustainability, and the need to balance the social, environmental and economic issues and opportunities within an organisation, the importance of closing the gap between strategy and tactics becomes even more important. This is because social and environmental issues typically occur over long time horizons (life of mine and beyond), and adequate strategic planning to implement measures that will minimise liabilities or maximise opportunities in the future, is essential. The failures to address the gap between strategy and tactics typically fall into four categories:

- Failure to incorporate consideration of environment and social issues into mainstream business planning. Often organisations have committed “doers” at the tactical environmental/community officer level, but fail to incorporate environmental and social management into the business planning of the organisation, making it difficult for the tactical part of the organisation to fulfil their function, through lack of direction and/or commitment from senior managers for addressing long-term issues.
- Failure of business plans to have a strategic focus. Environment, and to a lesser extent social issues, are now more commonly incorporated into organisations’ business plans, however, the business plans themselves often lack a strategic focus. This is symptomatic of the short term focus and pressures placed on organisations to respond to shareholders needs and demands. A typical organisational attention span is between 6 and 10 months (Steel, 1991), whereas the successful implementation of a strategic plan has a much longer timeframe. Many managers tend to dismiss strategic planning as they see no immediate competitive gains and pursue the latest new management programme (Massello, 2006). Other contributing factors preventing a strategic approach to planning include organisational culture and failure to establish measurement and monitoring systems for lead indicators (i.e. indicators that establish whether the management practices of an organisation are being properly implemented to achieve desired outcomes. Lag indicators measure whether the desired outcomes have been achieved).

- Failure of the tactical part of the organisation to deliver on a strategic plan. In cases where strategic plans have been developed, there may be breakdowns in the tactical management systems designed to implement the strategic plan. Where a more holistic organisational approach is required to deliver sustainability principles, an inability to operate cross-functionally can mean strategic initiatives are not actioned appropriately.
- Failure to strategically review environmental monitoring and community data. Very often, organisations ignore data regarding social and environmental issues until crisis point is reached. This results in a reactive approach to social and environmental management, which is inefficient in the use of resources and often results in a “band aid” approach that yields sub-optimal results.

This paper focuses discussion on the last three failures in the list above, and suggests possible solutions to addressing the gaps.

2 STRATEGIC SUSTAINABILITY FOCUS IN BUSINESS PLANNING

Companies have a choice in strategically positioning themselves along a continuum in sustainability. For example a company may choose an environmental strategy set against the standards of compliance with legal regulatory requirements and social pressures. Roome (1992) has developed a Strategic Options Model which is based on classical strategic management principles and identified five broad theoretical options. Non-compliance, compliance, compliance-plus, commercial and environmental excellence and leading edge. Non-compliance occurs when companies choose not to, or cannot respond to changing environmental regulation due to resource constraints, for instance. “Compliance” is a reactive position driven by legislation and involves tactical responses. There is little incentive for companies to consider the need to integrate environmental management techniques into the overall mainstream management systems, or to consider the adequacy of organisational design to cope with environmental issues. In contrast, compliance-plus involves a move from a reactive, to a proactive strategically led, management style. It accepts the need to consider organisational structures, systems and style and, therefore requires reform. “Commercial and environmental excellence” and “leading edge” view good environmental management as good proactive management and strive to be leaders in their industry. It involves the recognition of synergy between corporate values, missions and actions of employees. It also recognises the importance, to a company, of aligning itself with a set of values held by the part of society in which it operates. (Griffiths 2003). The focus of management is obtaining an end point that does not encompass broader business conditions. Depending on what choice an organisation makes in relation to compliance versus leading edge, business plans may be more tactical in nature than strategic. For example the plan for a business at the compliance end of the spectrum is likely to be more tactical than strategic in nature. A drive towards compliance alone may, in the end, cost the business a significant opportunity to innovate and reap benefits such as cost savings, process efficiencies, improving the value of the company’s reputation and consequently positioning themselves for access to other opportunities.

Hence the vary nature of choices in planning can constrain the outcomes that can be achieved. Organisational culture and the capabilities and capacity of the people within an organisation to apply new thinking, influence the choices that are made in relation to positioning along the “compliance” versus “leading edge” scale, and the success in implementing a new approach.

Classic examples of the need for strategic planning in the mining industry arise in relation to start-up and closure planning for mines. At the start-up of a mine and throughout the life of a mine, decisions are taken on the resources that will be put into environmental management. The level of resources provided often reflects the level of environmental performance that may be achieved in the long term, and the associated long-term liabilities which may influence the financial performance of a company. Decisions may be taken that meet immediate short-term needs, but which pose greater environmental risks in the medium to long term. This has been evident in mine closure planning where poorly resourced closure plans have been developed with a poor understanding of environmental and social impacts. In some instances a significant environmental legacy has been left for the community to live with.

Failure to develop and deliver on an appropriate community strategy at the start-up of a mine and during its life, can lead to issues in the future. An example of a tactical, narrow focus approach that was taken to a community issue and which failed to take into account the broader strategic issues in a timely manner is as follows. A minerals processing plant had some complaints about odour after installing a new piece of equipment. The initial response to the complaints was to investigate the source of the odour and design engineering solutions to address the issue. Unfortunately, this narrow focused engineering action failed to take into account the social dimension, and resulted in wide-spread community outrage, and media and regulator attention. Similarly, organisations that have failed to adequately engage with the community at the start-up of a mine site, have found themselves in a continuing adversarial situation well into the future. The lack of trust engendered by poorly considered actions at the start up of a mine continues throughout the life of the mine, unless very positive action is taken to engage the community and rebuild trust. As one community officer put it, “People who have been living next to the site for a long time, do not recognise the fact the personnel have changed within the organisation and that organisational responses might therefore have changed. They remember what happened when the site started 30 years ago, and see the current organisation in the same light as the actions that were taken at that time. I get blamed for these actions as the company’s representative - I was only 6 at the time the site started!”

The concept of life of mine planning for closure is well established, but has still not been embraced by a large number of mines. Failure to plan properly for closure has resulted in mines leaving landforms that are difficult to rehabilitate (e.g. through failing to account for dispersive soils, acid generating or saline rock in the construction of waste dumps) and which have cost the parent companies millions of additional dollars in trying to fix the rehabilitation (often more than once). In failing to plan for, and account for closure costs, some mines have been in the situation where the last few years of operation are running at a loss, to enable sufficient funds to be accrued for closure. With the trend towards sustainable mine closure, there will be an

increasing focus on the social issues that are generated, and left behind by the mine. The need to address social issues further increases the need for a strategic approach to closure planning.

Some of the common issues that prevent a strategic approach being taken to planning are:

- Senior managers delegate strategic planning to lower management levels. This signals to the organisation that planning is not important. It also means that the senior managers ultimately required to sign-off on the plan and provide resources for its implementation, may not fully understand the implications of the plan because they were not involved in the discussions associated with its formulation.
- Managers involved in strategic planning are not familiar with strategic processes and fail to differentiate between business processes that require a strategic approach, and those that require a tactical approach. When a tactical approach is taken to a strategic issue, short-term reactive and quick fix solutions are often developed, which fail to take account of all relevant factors and deliver sub-optimum results in the long-term, as discussed above.
- Managers of particular disciplines (e.g. environment, community, production) are asked to come up with business plans for their area, without any reference to the plans of other areas. This “silo effect” means that each plan has a narrow focus and the impact of the each plan on other areas is not considered. This approach can result in conflicting objectives, and fails to maximise the synergies and opportunities that might be gained from closer cooperation between departments.
- Insufficient baseline data is collected to enable meaningful and appropriate planning to be conducted. Often managers attempt to make strategic decisions regarding community development options without collecting appropriate data from the community about what they want. There are numerous examples of industries, such as banana plantations, that have been set up to mitigate the impact of mine closure on a community, without any discussion with the community about what they want, or without any real market analysis of the viability of the business. As a result, these industries have typically failed, resulting in wasted company resources and social issues in the community.
- The broader risks and opportunities associated with the business are not identified. For example, an organisation may conduct its planning within the narrow frame of the current regulatory environment, but may fail to take into account proposed future regulations and what risks and opportunities these regulations might present to the organisation.
- Inappropriate performance measures are established. The measure may be a measurement of tactical process or performance, not strategic. There is a need for lead indicators to guide strategy. Often there is poor attention to establishing performance measures that will stretch the thinking within the organisation. In the case of sustainability, there is still an absence of understanding of what, and how, to measure social performance besides using lag indicators that describe what has already

occurred. This is an issue, as these lag indicators may not be a guide to future strategy or performance (Black 2004).

Some suggested solutions to addressing strategic shortfalls in planning are as follows:

- Senior managers should take ownership of strategic planning, and be actively involved.
- Managers involved in strategic planning should be given the skills and tools to recognise when strategic versus tactical planning is required, and develop strategic plans, as required.
- Strategic planning to address sustainability issues requires expertise from a wide variety of disciplines (including environment, health & safety, community, human resources, production, marketing, finance etc.). To enable appropriate expertise to be incorporated into strategic decisions, the silo effect needs to be overcome. This is best done through development of appropriate high level decision-making tools that reflect all aspects of the business, and a team approach to planning.
- For decisions that require a strategic approach, careful consideration of appropriate data is required to enable optimal long-term outcomes to be achieved. Time should, therefore, be allowed within the strategic planning process for collection of data. Initial plans may be developed, but these should be reviewed and revised in the light of new information arising from data gathering exercises (refer to Section 4 for further discussion regarding the importance of data in developing strategy).
- In considering performance measurement, the development of lead indicators that management can manipulate to guide strategy and predict future direction should be developed.

3 TACTICAL APPROACHES TO DELIVERING STRATEGY

Some organisations develop strategic plans, but find that they are not implemented. Failure to implement is often the result of organisational culture, and inadequate management systems to provide an appropriate tactical response to the strategic direction. Some typical organisational culture and management system failures are as follows:

- Failure to allocate resources, including time, to implement strategic plans. Many organisations make no allowance for the time required for the implementation of strategic plan actions. Personnel who are judged on their performance with respect to day to day operational issues, therefore, never have time to complete the strategic plan actions. In some instances the resources required to implement the plan are recognised, but the organisational culture is such that the implementation of strategic plan actions is seen as outside the core business of production, and therefore, other day to day production oriented actions are seen as having a higher priority.
- Meaningful measures for the implementation of strategic actions are not defined. This issue relates to the failure to collect meaningful baseline data about an organisation's performance (refer to Section 4) and implement appropriate monitoring programmes to track performance on an ongoing basis. Without the baseline data, it is impossible to quantify improvements in performance as a

result of implementing the strategic plan. Failure to be able to show tangible improvements in performance discredits the strategic plan, and implementation loses momentum.

- Decision-making tools are not aligned to the strategic direction of the organisation. Failure to align decision-making tools to the strategic direction of the organisation means that any decisions taken in relation to new activities, processes or projects may not be aligned with the strategic plan. A good decision-making tool is crucial in implementing sustainability, due to the wide range of factors that need to be taken into account to arrive at a sustainable outcome. A utility organisation developed a strategic plan aimed at implementing sustainability. It wasn't until the organisation developed and implemented decision-making tools aligned with sustainability objectives that real progress in the implementation of strategic objectives occurred. Following the development of the tool, new approaches were taken to engineering projects, and social and environmental benefits were realised.
- The organisational culture does not encourage completion of actions. When actions and measures are defined with no input from staff, there is often no ownership of the actions and measures. In addition, the culture in some organisations is such that the development of actions and measures by management, and their imposition on staff, is seen as an additional stick with which to beat people. These issues impede the implementation of the actions. While it may take longer to set the actions by involving relevant staff in their development, the implementation of the actions is greatly facilitated by this process. It should also be noted that the participative development of actions may still not encourage the implementation of actions, if other subtle signals in communication of what is important in the organisation, do not align with the message that the implementation of strategic plan actions is important. Management must "walk the talk" in all of its actions.

An example of where an organisation failed in the implementation of its strategic actions due to organisational culture issues is as follows. The organisation involved staff in the development of the actions, assigned responsibility and timeframes and implemented a review mechanism. At each review little progress had been made. In investigating the organisational culture that pervaded, it became apparent that each week the manager of the organisation would closely monitor production indicators and questions would be asked if those indicators were not at an appropriate level. No similar questions were asked about the completion of strategic actions. In addition, the company had an employee of the month award. Each month, the award would be presented to the person that had worked the longest hours in contributing to the production effort. There was no similar recognition for anyone that had put in additional effort to achieve a strategic plan objective.

- While responsibilities for implementing actions are assigned, personnel' performance in implementing the actions is not measured. This places a lack of importance on the completion of strategic plan actions. It should be noted that performance measures should be used as indicators only. Successful managers should be able to distinguish between routine variations ("noise") and real systemic change (Kravchuck and Schack, 1996). Top managers' performance in implementing the strategic plan should also be measured. It is often they that make decisions about the allocation

of resources, and if the achievement of the plan is not one of their performance measures, then there may be a tendency to allocate insufficient resources for its achievement.

- Failure to frequently review performance against the strategic plan. Many organisations create strategic plans but do not monitor performance against the plan until the next planning session. To keep the momentum of the plan going, a properly structured management review process needs to be established. The purpose of the management review is to assess progress against the plan and to identify other external or internal factors that may influence the strategy, and revise it accordingly.
- Innovation is often required to successfully implement a strategic plan. It is often difficult for people to be innovative if they have worked in similar organisations over a period of time. The use of business improvement tools such as six-sigma can facilitate the development of innovative approaches to achieving strategic direction.

These issues are reflected in the experience of one organisation that held off-site planning sessions over a number of years, but found that each year the same issues were identified and none of the “hard” issues from previous years had been addressed. In years to come, the credibility of the planning sessions was impacted as staff realised that no changes were being made. On reflection, the organisation identified that it had not always designated any responsibilities for implementing aspects of the strategic plan, when responsibilities were designated, no action was taken as the organisational culture and performance measurement system was production oriented, and the only time performance against the plan was reviewed was at the next strategic planning session.

In setting up a management system that successfully delivers results from the strategic plan, consideration, therefore, needs to be given to:

- Identifying and allocating sufficient resources to implement the strategic plan.
- Developing decision-making tools that are aligned with the strategic goals of the organisation.
- Adopting a participative approach to the development of actions and measures with those that will be responsible for implementing the actions.
- The subtle messages that are being delivered to staff through management actions and day-to-day communication. A review should be conducted of the organisation to determine whether actions align with words in relation to the importance of the implementation of the strategic plan.
- Incorporating implementation of strategic actions into personnel performance evaluation. Measures should also be incorporated into top managers’ performance evaluations.
- Conducting regular reviews of progress against the strategic plan, and external or internal factors that could necessitate a change to the plan.
- The use of business improvement tools to facilitate innovation in implementing the strategic plan.

4 DATA ANALYSIS & STRATEGY

Most organisations collect some environmental and community data. Often the environmental data is reviewed for compliance purposes only, and if no breach is occurring, then no comment will be raised about long-term trends and possible needs for action in the future. In addition, clear objectives for environmental monitoring are not always defined, and consequently the data-set from the monitoring provides no useful information that can be used for management purposes. For example, one organisation received dust complaints and as a result committed to do some monitoring. Their approach was a reactive approach to a request from the regulators, and static dust monitors were installed which provide dust results averaged over a 24 hour period. The means of analysing the data means that the results may not be available for two to three days. Because of the nature of the monitoring technique, the monitors provide little meaningful data regarding the organisation's historical performance with regard to dust, as they are not directional and record dust from sources located in all directions from the monitor, over a 24 hour period. In addition, this issue combined with the time delay in receiving the data, means that the information cannot be used for management purposes either.

Many organisations take little account of community data in their planning processes, and even actively avoid collecting any data in case this process "raises an issue". The approach of these organisations to community issues is highlighted by the following example. An organisation operating adjacent to a local residential housing development, on a space-constrained lease, had the need to develop a large stockpile as there was insufficient market demand for the material being excavated. Rather than discuss the stockpile with the community and "raise concerns unnecessarily", the approach of the organisation was to build the stockpile approximately 150 m from the boundary of the site and wait to see if there were any complaints. Once the stockpile started to become visible, complaints regarding dust were received. Some of these complaints were directed to the organisation, but were dismissed by the organisation due to the direction in which the wind was blowing at the time, and were given no further thought in relation to the planning for the site. Because of the way that the organisation had dealt with the stockpile and their complaints, the community then sought action through the regulators. The organisation is now in a reactive and defensive position with regard to the community and regulators. A proactive approach to collecting and reviewing data from the community would have assisted the organisation in anticipating the issues, and in developing solutions with the community.

The organisation is currently unable to adopt any alternative approaches to stockpiling due to the economics of double-handling large quantities of material. Any approach to controlling dust and visual impact is a retrofitted solution, rather than a solution designed into the construction of the stockpile. Furthermore, community trust in the organisation is reduced as a result of the failure to take the initial complaints into account during the planning for the site. It is also worth noting that the need for the stockpile was generated in the first place through poor data collection of the characteristics of the material being excavated and research on the markets for such material. Options that might have solved the need for the stockpile, if

identified and implemented 3-4 years ago, are no longer viable due to the quantities of material that now need to be processed, and time and space constraints.

These two examples highlight the need to:

- Identify data that needs to be collected to inform strategic decision-making, including community data;
- Clearly define the objectives of data collection so that appropriate monitoring programmes can be designed to enable strategic decisions to be made with the resulting data; and
- Review major trends in key data regularly, to facilitate long-term strategic planning.

5 EFFECTIVE USE OF CONSULTANTS

Several organisations use consultants to facilitate them in developing their strategic plan. An independent facilitator adds value to the development of the plan, however, all too often there is no plan champion within the organisation. Failure to have senior management champion the plan leads to the perception that the plan belongs to the consultant, and has little relevance to the organisation. Senior management should be involved in finalising and allocating resources for the plan in discussion with other managers/supervisors.

In using a consultant to complete an action to assist in the implementation of the strategic plan, the more information that can be given to consultants regarding the purposes of the action, and the desired strategic outcomes, the better the consultant's work will align with the strategic direction of the organisation, and the more effective the action will be. A scope of work that is developed collaboratively with a consultant will generally be more effective than one where the work has been scoped for the consultant, or the consultant has scoped the work in isolation from information about the purpose of the work. In the case where work is scoped for the consultant, the organisation is removing a potential source of innovation that could take significant steps towards delivering the strategic plan. In the case where a consultant has been asked to scope a piece of work with little information regarding what the work will be used for, and the organisational structure and culture, the outcome may not be wholly effective at meeting strategic objectives. This is particularly true if asking a consultant to design a monitoring programme. The design of the programme will significantly impact the uses to which the data can be put.

Often organisations assign the development of management systems to consultants and assume that they can take ownership of the system "once it has all been sorted out". To ensure that the system is owned by those that have to implement it, a collaborative approach needs to be adopted to its development. In this way the consultant can facilitate the development of the system, without being seen as the owner of the system.

6 CONCLUSIONS

The advent of sustainability as a business concept requires organisations to make choices on the strategic and tactical responses required. To achieve the innovation and organisational change required to realise the value that a sustainability focus can deliver, requires strategic thinking and the appropriate tactical responses. This paper has highlighted some of the issues associated with closing the gap between strategy and tactical planning in this context.

Strategies for addressing some of the shortfalls have been identified and include the need for ownership of strategic planning by senior managers, education in the skills and tools that identify the benefits of strategic and tactical planning, the involvement of a wide range of stakeholders both internally and externally, and the need for appropriate data management, performance measurement and monitoring systems.

In setting up the management systems to support the strategic plan, consideration needs to be given to the resources required and development of decision-making tools aligned to the strategy. Participative approaches should be adopted in the development of actions and measures, and implementation of strategic outcomes should be incorporated in top managers' performance evaluations, as well as the performance evaluations of other personnel.

The importance of collecting appropriate data to inform the strategic decision making process is vital.

Consultants can assist in the development of strategic plans and tactical response actions and systems, however, a collaborative approach to scoping and conducting the work is typically most effective.

REFERENCES

- Centre for Strategic Management, http://csmintl.com/st_vs_tact_think.htm
- Black, L.D & Hartel C.E (2004) The Five Capabilities of Socially Responsible Companies. Accepted for The Journal of Public Affairs.
- Griffiths, A, Dunphy, D, Benn, S (2003) The Challenge of Building Corporate Sustainability. In proceedings of Minerals Council of Australia's 2003 Sustainable Development Conference, Brisbane.
- Kravchuck, R.S. & Schack, R.W. (1996) Designing effective performance-measurement systems under the Government Performance and Results Act of 1993. Public Administration Review, 56 (4), 348-358.
- Massello, C.S. (2006) How to Successfully implement strategic planning. Journal of Modern Business. <http://www.dcpres.com/jmb/page17.html>.
- Roome, N. (1992) Developing Environmental Management Strategies, Business Strategy and the Environment, Vol 1: 11-24
- Steel, R. (1991). From paper to practice: implementing the corporate strategic plan. Business Quarterly, 55 (3), 119-124.