

# Two Decades of Strategic Planning

by Michael J. Dooris

Critics of strategic planning question whether it is a useful tool or a counterproductive management fad. This article reviews the experience of a university that has one of higher education's longest continuous experiences with a strategic planning process and places it in the context of the literature on higher education planning. The article concludes that a long-term commitment to strategic planning—clearly defined in its broad parameters but flexible and adaptive in its details—can be productive.

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Penn State has one of higher education's longest continuous experiences with a strategic planning process. This article reviews that twenty-year experience in the context of the evolution of strategic planning in higher education.

This is a longitudinal case study – a report of one university's experience. The article is not a test of whether strategic planning works, since it satisfies few of the requisites for good research design: a clear theoretical proposition, many regular observations, reliable data about initial conditions, measurable effects, and so on. The caveat is offered because without it, readers might think the author is attempting to present an empirical analysis, and not succeeding.

## **A History of Higher Education Strategic Planning**

Readers of *Planning for Higher Education* are not an audience that requires a detailed review of the history of higher education planning. Nonetheless, it is probably useful to provide some historical context for a discussion of the effectiveness of planning.

Strategic planning is a relative newcomer to higher education management. Strategic planning's roots are in the arena of large-scale military operations. Most of the literature on strategic planning concentrated on the military, national-international statesmanship, and the corporate world until the past thirty years or so.

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During the 1960s through the mid-1970s, a boom period for strategic planning in the for-profit sector, higher education was essentially a growth industry that enjoyed considerable public confidence. To the extent that planning was relevant to higher education, it generally was about expansion and new facilities. The first significant formal meeting of higher education planners was a 1959 summer program attended by 25 campus planners at the Massachusetts Institute of Technology. With sporadic meetings through subsequent years, key members of that group – all with physical planning backgrounds – eventually organized the Society for College and University Planning. SCUP formed in 1966 with 300 members, most of them with a primary interest in campus/facilities planning (Holmes 1985).

From about the mid-1970s through the mid-1980s, higher education experienced a combination of challenging demographic, economic, and technological changes. Higher education costs consistently outpaced inflation. Public support weakened. And ideas about planning changed. The 1983 publication of George Keller's book *Academic Strategy* provides a reference point for a significant shift that occurred around that time, as colleges and universities took a closer look at strategic planning. Higher education's conception of strategic planning in the 1980s emphasized its use as a rational tool for orderly, systematic management – as a “disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it” (Bryson 1988, p. 4). Planning at that time was about notions such as strategic niche, competitive position, shareholder values, SWOT analyses, and core competencies. From the 1980s and into the early 1990s, the visibility of planning in higher education continued to increase. Keller's 1983 book, which eventually went through seven printings, was named the most influential higher education book of the decade by both the *New York Times* and *Change* magazine.

Through the 1980s and 1990s, just as planning was becoming more widely adopted by colleges and universities, critical analyses of planning in general and in higher education in particular were mounting. Strategic planning initiatives were disparaged for being too linear, for relying too heavily on available hard information, for creating elaborate paperwork mills, for being too formalized and structured, for ignoring organizational context and culture, and for discouraging creative, positive change. Four noteworthy observers along these lines were Henry Mintzberg, Tom Peters, Frank Schmidlein, and Robert Birnbaum.

Henry Mintzberg made perhaps the most compelling scholarly argument. His solidly researched 1994 landmark book presented considerable evidence that business had an often counterproductive love affair with planning from the 1960s through the 1980s. With a lighter touch, Tom Peters (1994) made basically the same points about strategic planning and other management trends such as TQM, reengineering, and the learning organization – what Peters called “death by a thousand initiatives.” Examples of companies that had negative experiences with large-scale, formal planning operations during that period included General Electric, Texas Instruments, General Motors, and

IBM – each of which, in various ways, were hobbled by "lead boots" and "paperwork mills" that hurt innovation and responsiveness. By contrast, a number of corporate success stories – including Wal-Mart, Nike, Microsoft, Dell, Honda, the Gap, Southwest Airlines, and 3M – found notable success through approaches that were much less rational, structured, and rigid. Robert Birnbaum (2000) focused in particular on higher education's adoption of management "fads," among which he included strategic planning and total quality management. Frank Schmidtlein has, in a number of publications over the past 20 years, assessed the effectiveness of formal planning practices (Schmidtlein 1990; Schmidtlein & Milton 1990); while his perspective has on balance been less negative than, for example, Birnbaum's, it has nonetheless been fairly critical.

Some skepticism about planning's effectiveness is probably warranted. But even authors who have been relatively harsh in their evaluation of how strategic planning has been conceived and practiced have not, for the most part, concluded that planning is unnecessary nor undesirable. In fact, both Mintzberg and Peters have explicitly argued that the need for organizations to face discontinuities is as great or greater than ever, and that high-quality performance and responsiveness are absolutely essential. They believe that the challenge is to use planning well and wisely – to listen to the market, to encourage the emergence of good ideas, to allow employees to contribute, to help managers recognize opportunities and make good decisions, to help an organization flourish amidst change.

Regardless of academic disagreement about the merits of planning – or even about different conceptions of what constitutes strategic planning – by the late 1990s, planning had in many respects become mainstreamed in higher education. Certainly, accreditors had come to believe that strategic planning represented basic good practice. For example, the 1998 Council for Higher Education Accreditation's *Recognition Standards* defined an expectation for "evidence of policies and procedures that stress planning and implementing strategies for change" (CHEA 2002). (CHEA is the advocacy voice for voluntary accreditation to the U.S. Congress and the U.S. Department of Education. It coordinates accreditation activity in the U.S. for eight regional, institution-level accrediting associations, plus 60 or so specialized bodies that deal with specifics such as the accreditation of particular disciplines or distance learning.)

By 2001, the Society for College and University Planning had 4,200 members. While SCUP continues to address facilities planning, its conferences and publications now encompass the full range of academic planning considerations: governance, budgeting, student assessment, faculty workload, market segmentation, endowment management, and so on.

A January 2002 survey of the twelve CIC universities (the Committee on Institutional Cooperation is the academic consortium of universities more often referred to as the Big Ten, plus the University of Chicago) found that all of these institutions have some formal

structures and/or processes for addressing planning. For example, of these twelve research universities (Penn State 2002a):

- ten publish university-wide strategic plans;
- ten have systematic central reviews of unit-level plans;
- ten link planning directly to the university budget process;
- eight use a representative university-wide planning and budgeting committee;
- eight compile university-wide strategic performance indicators.

By the later half of the 1990s and into the 21<sup>st</sup> century, higher education planning had moved beyond a focus on niche and competitiveness to encompass ideas such as re-engineering, business transformation, and continuous quality improvement. Without necessarily discarding familiar strategic planning tools, college and university leaders have clearly become more sophisticated about how they define planning, and in their perceptions of the limits of cookie-cutter planning methodologies (Rowley and Sherman 2001). As suggested by Keller (1999-2000), strategic planning is now increasingly about organizational learning and creativity, with the recognition that college and university leaders need to challenge assumptions and consider radically changing existing structures and processes. Relatively recent conceptions of strategic planning focus more than earlier approaches on dynamism, the future, flexibility, organizational intelligence, and creativity, and about actually moving from strategy to transformation:

- “(It’s) about synthesis... intuition and creativity. The outcome of strategic thinking is an integrated perspective of the enterprise.” (Mintzberg 1994)
- “The heart of strategic thinking is the creation of a set of initiatives... to maintain stability or win a new position amid a blizzard of discontinuities, unprecedented threats, and surprising changes.” (Keller 1997)
- “Planning is a sophisticated form of social discourse – a social process.” (Woo 1998)

Along with an emphasis on creativity and change, the more recent planning literature highlights the pragmatic challenges of actually implementing creative ideas. As Rowley and Sherman (2001, p. 317) noted: “Strategic planning isn’t just about learning about the environment.” Planning must also be about putting that learning into play by making change happen. In short, notions about strategic planning and planning practices in higher education – as reflected in the ideas of observers such as those cited above, and in the growing use of such tools as Hoshin or “breakthrough” planning – continue to evolve and mature.

### **Strategic Planning at Penn State: 1983 - 2002**

Penn State has had a continuous, annual, institution-wide strategic planning process for almost twenty years – certainly one of the nation’s longest-running college or university experiences with strategic planning. In essence, Penn State has a fairly conventional

process that will be familiar to most observers of strategic planning in higher education, although planning at Penn State has probably been more flexible and less bureaucratic than some conceptions.

Penn State initiated its strategic planning process in 1983 under the leadership, and at the instigation of, then-president Bryce Jordan. In that year a university-wide committee produced what was generally referred to as a "plan to plan." That became the basis, in many respects, for what has occurred through the present. Since 1983, strategic planning at Penn State has, in its broad strokes, followed a basically consistent approach: a participative, top-down/bottom-up, annual process that connects planning and budgeting. Planning for the past two decades has been a true university-wide process, engaging all of Penn State's academic and administrative units, and all 23 locations of the university.

### **Top-Down/Bottom-Up**

Strategic planning at Penn State is both a top-down and a bottom-up process. Probably the most important top-down characteristic is the administration's mandate that every budget unit within the university will create and submit an annual strategic plan or planning update. Also, central administration issues planning guidelines each spring for the coming academic year. Penn State's university-wide strategic plan was completed in 1997 for the years 1997 to 2002 (Penn State 1997), enunciating overarching top-level goals and context for planning. For most of the past 20 years, a University Planning Council, comprised of about two dozen deans, faculty members, administrators, and students, annually reviewed the strategic plans of each academic and support unit, considered requests for resources, and recommended enhanced funding levels. The University Planning Council was eliminated for the 2002-2005 planning cycle in the interest of streamlining the review process. Beginning in Spring 2002, strategic plans are submitted to the chief academic officer; the provost then can and does share any given plan based on who is best positioned to respond to specific issues. This change has been about efficiency and effectiveness, not secrecy. The plans have always been public documents. Copies are always available in the university libraries and on request from the planning office; many plans are posted on college or support-units' websites, as well.

The bottom-up idea refers to the importance, and relatively high autonomy, of the university's 34 individual strategic planning units. In essence, a planning unit at Penn State is any academic or administrative unit headed by a budget executive: a dean, vice president, or vice provost. Planning units therefore are colleges such as engineering or liberal arts, and administrative operations such as enrollment management, development, or finance and business. (There are a few idiosyncratic exceptions, but that is more or less how Penn State's structure would translate to a generic higher education taxonomy.) Every planning unit prepares, during the course of each year, an individual strategic plan or planning update with the usual elements: vision and mission, assessments, action plans, and so on. Those documents also describe budget plans. So to a great extent the substance of strategic planning and action is a dean- or vice president-level responsibility.

There is an additional bottom-up characteristic that reflects how planning actually happens within the 34 planning units. Within a college, there is often structured, formal planning at the department level. Departments may review their program offerings, taking into account student interest, societal needs, developments in particular fields of study, faculty expertise, and so forth. Strong and central programs may be enhanced; low enrollment programs may be reorganized or eliminated. The planning office provides information and support (such as workshops, retreats, and panel discussions) to facilitate unit planning by faculty and staff from across the university. In effect, planning cascades throughout the various levels of the university.

### **How Planning Has Evolved at Penn State**

Planning at Penn State has been a continuous process since 1983, but has also evolved in important ways.

The university has gradually, but very definitely, shifted away from one-size-fits-all requirements and toward more flexible and focused approaches to planning. The annual planning and budgeting cycle continues for all units. But within that cycle, units at key transition points may engage in a relatively intensive planning, assessment, and improvement process; the procedures can be more streamlined for other planning units.

The university has committed to the principles of Continuous Quality Improvement, especially since 1991, when a CQI office – reporting to the chief academic officer – was created. Central administration has encouraged planning units to show that they are incorporating CQI principles – especially with regard to benchmarking of critical processes – into their strategic planning.

In 1992, the university incorporated very deliberate budget recycling; this provided both incentives and a means to reallocate resources from administrative activities toward academic functions. In keeping with Penn State's overall philosophy, colleges and departments, not central administration, have proposed and carried through the details of those reallocations.

In 1997, Penn State took steps to explicitly link quality, planning, and assessment; those steps included the merger of leadership and support responsibilities for those activities into a single new administrative center (the Center for Quality and Planning), and more deliberate incorporation of assessment into quality improvement efforts.

Also, in 1997, Penn State produced its first university-wide strategic plan (Penn State 1997). Considerable attention and energy have gone toward the actions – including the definition and implementation of performance measures – that can help achieve the goals of that plan.

In 1998, the university began producing an annual report of university-level strategic performance indicators, and to require all planning units to incorporate a similar approach in unit level plans as well.

2001-2002 represents the final year of a five-year planning cycle. Looking ahead, Penn State has moved to a three-year window for the next cycle; the thinking is that a shorter planning horizon is probably more realistic. Another significant change in 2001-2002 is that the university has moved away from central recycling, in which units were required to return a small percentage of their total budgets, but could then apply for enhancement monies created by that central pool. Now, each unit is asked to describe how it will *internally* recycle at least one percent of its operating budget each year – that is, redirect money to the highest priorities within the unit. Finally, units are now asked explicitly to describe, in their strategic plans, how they are addressing certain university objectives, such as diversity planning and the enhanced use of Web technologies for teaching, research, and service.

### **Planning and Strategic Indicators**

Penn State's strategic indicators are tied to the six overarching institutional goals in the university's strategic plan, and attempt to answer the question, "How well are we doing?" Strategic indicators are tracked to chart progress toward meeting those goals. A few examples of the 27 university-level indicators (Penn State 2002b) are:

- **Graduation rates.** At University Park, for example, 45 percent of undergraduate students graduate within four years, 75 percent graduate within five years, and 80 percent graduate within six years.
- **Student employment.** When surveyed six months after graduation, 88 percent of baccalaureate degree graduates are employed, and ten percent are pursuing further education.
- **Research.** In 2000-2001, research expenditures totaled 473 million dollars – a 34 percent increase from 1996-97.

Planning units define and compile their own strategic indicators. For example, the overall goal of the College of Engineering is to be one of the ten most outstanding engineering schools in the nation. Among the measures that the College of Engineering tracks in relation to its goal are the number of faculty selected as fellows in professional organizations and the National Academy of Engineering; the national ranking of programs by *U.S. News & World Report* (most recently 14<sup>th</sup> out of 228 undergraduate programs, and 15<sup>th</sup> out of 221 graduate programs); and the average combined SAT scores of first-year students (most recently 1240). Other planning units have developed their own performance indicators. Many are similar. Some are unique. All are tied to university and unit goals, to high quality, and to efficiency in the use of resources.

## **The Impact of Planning at Penn State**

How well has planning worked at Penn State? This is an interesting question, even if (or maybe because) it doesn't have a definitive answer. In part this is true because university leaders operate within limited degrees of freedom. As at any university, most of Penn State's operating budget represents its permanent commitments to programs and personnel that continue from year to year. Salaries and related benefits alone comprise 72 percent of Penn State's educational and general budget in 2001-2002. In addition, some changes occur through essentially formulaic allocations that must respond to changing enrollment and course-taking patterns rather than discretionary strategic choices. Also, the availability of resources is sometimes impacted in sudden and unexpected ways. For example, during 2001-02, due to faltering tax revenues, the Commonwealth of Pennsylvania announced two mid-year budget rescissions.

In spite of these constraints, Penn State has become, markedly and undoubtedly, a stronger university over the past 20 years. It joined some of America's finest and most widely recognized large universities by becoming a member of the Big Ten. The university gained a law school. It completely reorganized 17 former two-year feeder campuses into a system of colleges with four-year degrees. It created a new honors college with the support of a single \$30 million gift while substantially increasing gifts overall. It created, in the space of one year, an entirely new School for Information Sciences and Technology. The university undertook several major institution-wide initiatives (such as interdisciplinary thrusts in areas such as the life sciences and materials sciences). For the first time, the university developed a realistic and systematic \$300 million facilities plan, in partnership with the Commonwealth of Pennsylvania.

These accomplishments primarily reflect strong leadership at the highest levels of the university. These changes have not, for the most part, been outcomes of unit-level planning. Many important achievements at Penn State have over the past 20 years been consistent with, rather than a product of, strategic planning.

The strategic planning and budgeting processes have helped Penn State to aggressively reduce costs and create more effective and efficient ways of operating, while preserving and enhancing academic quality. Over the past 20 years, Penn State has advanced into the top tier of national research universities reputationally and on measures such as research funding. It internally shifted millions of dollars from administration to academic priorities such as additional faculty lines, to better support teaching, research, and service. The university has eliminated duplication in programs and services and moved resources to the most promising and effective programs. Since 1992-1993, 58 programs have been eliminated or merged. Also since 1992-1993, colleges and support units have reallocated slightly more than one percent of their budgets annually, totaling \$79 million dollars through 2001. This represents more than 12 percent of departmental operating budgets.

There are many examples of administrative streamlining that has occurred through the planning, budgeting, and continuous quality improvement processes. Penn State's award-winning electronic budget approval system enables the elimination of hundreds of thousands of paper forms, as well as the associated costs of mailing, copying and filing. Computer imaging has streamlined record keeping in employee applications, graduate admissions, student aid, and financial systems. A new VISA-like purchasing card has consolidated payments and substantially reduced paperwork. The university now has about 6,500 purchasing cards issued and active, and since the program began in October 1996, Penn State has processed well over a half-million purchasing card transactions.

Over 45 percent of undergraduate applicants now use Penn State's Web-based application process; the numbers of online applicants (graduate and undergraduate) have risen steadily since the Web application system was first implemented in 1997. E-Lion is another Web-based system, one that allows students to check course availability, calculate their expected semester and cumulative grade-point averages, and look up academic policies and procedures. An innovative grants administration and management system provides principal investigators across the university with access to up-to-date information about their research grants in an online format. In short, more than 450 continuous quality improvement teams have increased customer satisfaction and saved millions of dollars.

To borrow an analogy from Brian Quinn (cited in Peters 1994), strategic planning has to be more than a rain dance that may improve the dancing, but has no effect on the weather. No one can prove whether this university (or, ultimately, any organization) is more or less successful because of strategic planning than it would have been without it. Nonetheless, the evidence of Penn State's experience does suggest that the university's long-term commitment to strategic planning – clearly defined in its broad parameters, but flexible and adaptive in its details – has been productive.

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