

### The Program Agenda

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The TRB's program for strategic planning for freight transportation focused on several issues in the 2 1/2 day conference. A "food for thought report from the field" session opened the conference on Monday morning. Five speakers formed a panel in which each gave a short presentation followed by discussion and questions from the audience.

The five panelists were:

Edwin G. McKeever, Manager, Office of Strategic Planning, The Port Authority of New York and New Jersey

Henry H. Livingston, Vice President-Research, Kidder, Peabody and Company

Roy B. Opitz, Assistant Vice President, Corporate Planning, Conrail

William J. O'Neill, Jr., Executive Vice President, Leaseway Transportation Corporation

James R. Mann, Director, Transportation Planning and Policy, U.S. Grocery Products, The Quaker Oats Company.

The panel represented a cross section of experts from the quasi-public sector, the financial community, the rail industry, the motor carrier industry, and the shipper/receiver industry. Their discussion centered on the definition of strategic planning from their perspective and their use of strategic planning in their transportation related activities.

The afternoon session followed with a second "food for thought" session relating to how to develop key issues in the strategic planning context for use by the participating committees for the topic areas over which they have domain. This focussing on key issues was developed by lessons from their own experience. This panel was assembled and moderated by Kathleen Stein-Hudson (Deputy Director of Transportation, New York City Planning Department) and consisted of:

Robert E. Heightchew, Director of Marketing, Greenhorne and O'Mara, Inc.

Bruce D. McDowell, Senior Analyst, Advisory Commission on Intergovernmental Relations

George T. Lathrop, Assistant Director, Department of Transportation, City of Charlotte, NC

Philip C. Anderson, Colorado Department of Highways

Tuesday morning continued the presentations with a discussion by Robert Dienes, Deputy Special

Assistant for Transportation Engineering of the Military Traffic Management Command at the Department of Defense on the Defense Needs for a Freight Transportation Network. His presentation gave the views of the nation's largest shipper. An international perspective was given by Claude Morin, Administrator, Road Transport Research Program, Organization for Economic Cooperation and Development.

The remainder of Tuesday morning and Tuesday afternoon were occupied with committee meetings for the seven participating committees. The committees identified the issues and research needs in the committee's domain and developed a committee action plan to implement their research needs. Other committee business was also transacted.

On Wednesday morning, representatives of each committee formed a panel which addressed the whole meeting with the agenda of research needs which had been generated by their committee meetings. These ideas and general freight planning ideas were discussed at this open meeting.

This circular summarizes the presentations and outputs of the committees' work on statements and needs.

### INTRODUCTION

By W. Bruce Allen

Investigating strategic planning (also called corporate planning and long range planning) for the conference, I read a number of books and articles on the subject. I had often worked with people who were in strategic planning positions and had strategic planning in their titles and had always thought that they did interesting things--but nothing that I would regard as unusual because I would do the same things myself. We would forecast future traffic demands, play "what if" scenarios, and attempt to come up with logical plans for action given hosts of unknowns. But I never had read the strategic planning literature. I merely assumed that the people that I worked with were trained just as I was.

After reading the literature, I became more convinced that what was being presented as a discipline area-strategic planning--was nothing more than "old wine in new bottles." This does not mean that the new bottles are unimportant, for as any good market manager knows, a repackaging, some new advertising, and the right breaks can take a product which was doing poorly and make the same basic product into a winner.

From my base discipline, economics, I saw the strategic planning literature as nothing more than what I learned in short run and long run economics and strategy from game theory. However, since implementation is the name of the game and since the economists didn't receive a lot of recognition from managers, the new bottle of strategic planning has enabled the concepts to get some good "play" in the business

world and I believe that the firms are better off as a result.

Strategic planning can be defined as the process of deciding on the objectives of the organization, on changes in those objectives, on the resources to be used to attain those objectives, and on the politics that are to govern the acquisition, use, and, disposition of those resources. Since our economic, political, and natural environment is so turbulent and since the givens of yesterday--stable economic growth, low energy prices, greater certainty due to regulation, etc.--no longer seem given, it behooves the intelligent market participant to plan for contingencies. The literature also identifies several types of strategic planning: extrapolative, business, and portfolio. Extrapolative planning is mostly financial, e.g., given the financial constraints on the firm, what growth opportunities are available? This type of planning does recognize that other constraints exist, e.g., competitors' actions; consumer preference changes; new products; changes in business, labor, and political environments; etc., but views these constraints as they impact on the actions allowable by the financial constraints.

Business planning is personified perhaps by the Boston Consulting Group's famous matrix of cash cows, dogs, question marks, stars, etc.

Portfolio planning investigates various business positionings within a total corporate context so as to assess the firm's overall exposure to risk. It asks (and answers) the questions as to where the firm's money, people, and assets should be deployed and where should they come from so as to maximize the overall firm? It is more of a "systems" viewpoint which seeks for way and how do things fit into a whole.

Obviously, the good planner searches for the variables he/she can control and asks the questions; how to control them and in what amounts so as to attain the objective? Strategy versus other competitors and versus exogenous forces is important. Good planning entails offensive strategies and defensive strategies versus competitors. It also entails planning for changes in the rules of the game. Most of the motor carriers which have done best in the deregulated environment since the Motor Carrier Act of 1980 were planning either actively or passively on the assumption of less regulation and greater market opportunities from 1977 on. Good planning is continuous and involves redefining objectives and constraints as the circumstances change. To coin the often overused phrase from football--you have got to have a game plan in today's environment.

While redefinition implies a plan that is flexible, it is also important that the long run objectives of the entity are set so that a stable operating structure exists in order for the entity to have a direction. The redefinitions are perturbations from the objective or a recognition of a loosening or tightening of a constraint. But the objectives perservere.

Perhaps most important is a need to develop a strategic "style" in the company that allows the breaking down of barriers to the implementation of

the plan. As mentioned above, the concept is old wine in new bottles. The non-recognition of these concepts previously was caused by inflexibility in organizational style; and obsolescence in some executives; a parochialism in some lines of business or geographic areas; a too strong attachment to values, style, tradition for their own sake and not because they would help the entity; and a quest for power but not for the objectives. An attitude must be established within the firm that such planning is important and respected. Too many transportation firms have been dominated by operations in the past and have a difficult time recognizing the relevance of something that can not be directly seen as having a direct connection to the bottom line. To protect its future, a firm must be prepared to respond actively to developments in its environment that could create new opportunities and/or lessen negative impacts. It is difficult to act rapidly, forcefully, and knowledgeably without a plan. A knowledgeable actor can also "make the future happen" since he/she has knowledge of the control variables and what to do with them.

The teacher of strategic planning at Wharton is Peter Lorange. Lorange notes that there has been considerable attention to strategic planning in the last few decades evidenced by the fact that many resources are devoted to it. However, Lorange emphasizes that the effectiveness is not higher than its weakest link. He states that the major tasks of strategic planning (read its weakest link today) are in implementation, whereas the conceptualization aspects seem to be better developed.

As mentioned above, the operations orientation of the carriers seemed to create a difficulty of implementation in the transportation field. The pre-1977 rails and motor carriers seemed to be interested in "toting freight" while other energies were spent dealing with regulators in Washington. Today, with a much smaller regulatory scope, literally anyone can tote anyone else's freight. Thus only the carriers that can plan in an uncertain, highly competitive world are likely to be successful.

#### STRATEGIC PLANNING AT THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

By Edwin G. McKeever  
Manager Office of Strategic Planning  
The Port Authority of New York and New Jersey

Strategic planning places a heavy emphasis on systematic approaches but in so doing, must avoid the bureaucratic, the cumbersome and the burdensome. To be successful, strategic planning must be seen as relevant and practical -- it must simplify, not complicate. In light of these requirements, it is important to realize that planning is a skill and not a function -- a skill to be practiced by all levels of management, but especially the top executive group and senior operating officers. Likewise, it is a blend of art and of science. The major challenge to the planner is to provide a framework for a systematic and rigorous analysis without the framework becoming cumbersome. At the same time, the challenge to the operating executive is to recognize that systematic and rigorous planning is