SESSION I THE STRATEGIC PLANNING PROCESS–CAN IT BE APPLIED TO THE MARITIME INDUSTRY?

OVERVIEW OF STRATEGIC PLANNING

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Strategic Planning and its Applicability to the Public and Private Sectors.

Strategic planning is a process which leads to decisions regarding relatively short-term organizational actions based on:

1. Examination of the organization itself,
2. Examination of the context within which it operates, and
3. What the organization wants to do and wants to be.

The objective of strategic planning is to attain the mission of the organization, efficiently.

In the private sector, efficiency usually means a better return on investment and resources—greater profitability.

But, in the public sector, that is much more difficult to specify. It appears, though, that most of the difficulty lies in the definition and complexity of the mission, not in the measurement of the resources consumed.

This argues that clear definition and understanding of both explicit and implicit components of the organization's mission are critical. If we don't know what we are trying to accomplish, then what we do does not matter much; clear understanding of mission is absolutely critical to any effort to plan strategically.

Strategic planning has been criticized because it has not produced success for many of the private organizations which have undertaken the process in the past decade. But strategic planning, like any other process, involves a number of steps which can fail. It can be argued, though, that the process itself does not fail, even though one of those steps may. Why? If for no other reason, because strategic planning involves making decisions based on assumptions about the future and on understanding of the present and past. Every planning process involves those elements; every planning process is subject to "failure" if one or more of those elements fails.

This does not condemn the process, because strategic planning has value only to the extent that it forces or leads the participants to do a better, more thorough job of those elements than some other process. If it does, then the decisions which flow from it will have a higher probability of satisfying the mission and objectives of the organization than will the decisions from some other process.

This line of reasoning suggests that strategic planning is not a panacea and that it will not "do wonders" if it is treated mechanically—turned on and allowed to run to conclusion without thought and attention.

It also suggests that the sequence and outline of the process are not terribly important. What is important is the concept that it presents: making decisions only after identifying important factors which should be considered in making decisions about actions the organization will take:

- What's going on around the organization?
- Who is the organization addressing?
- What is the nature of the organization itself?
- What are the interests of those who are secondary participants in the organization?
- What are possible courses of actions and their potential consequences, given all of the information above?

Here, then, is a list of the steps in one arbitrary definition of strategic planning, and the questions which the steps are intended to answer:

1. Examination of the mission of the organization:
   - What are we trying to accomplish?
   - Where are we now; how successful are we in achieving our mission?
   - Where do we want to be in five years? Do we need to change our mission?
   - How do we define success? How do we know when we get to where we want to be?

2. Environmental scanning:
   - What are the economic, social, technological, demographic, and public policy trends and how will they affect our mission and organization?
   - How will these trends effect the demand for our services?
   - Who else can provide the services or alterna-

tives to them?

- What are the competing demands for the same resources?
- What will happen to the cost structure in providing future services; will there be major changes in technology or production methods?
- Where will future financing come from?

3. Market analysis:
- Who are our "customers," and how are their needs changing?
- Are there new markets or special markets that we should serve?
- What alternatives exist for those who use our services and facilities? How well are they serving our customers?
- What are our customers' goals; how do they define success? How do we provide services to help them achieve their goals?

4. Strengths and limitations of our organization:
- What are the key factors that have made our organization successful? Will these key factors lead to success in the future?
- What are the weaknesses and strengths of our organization and of other agencies serving the same clientele? What factors keep us from being more responsive to our customers' needs?
- What are the cultural and institutional constraints of our organization?

5. Shareholder analysis (constituency analysis):
- How will changing our services, our goals, and the structure of our organization affect those who share with us in the current support of our agency and its activities?
- Do our shareholders have multiple, diverse, and sometimes conflicting goals and objectives? How can we best provide services to such diverse groups?

6. Analysis of threats and opportunities (scenario building):
- How should we act or react to changes that may occur in the demand for our services, in the cost of our services, and to changes in technology? What are our strategic alternatives?
- What are current trends that need to be exploited now?
- What dangers exist if we delay making changes?
- Are there activities that we should drop, combine, or add? What will be the impacts on our supporters, the markets we serve, and our employees?

7. Critical issues and strategies:
- What are the top critical issues that have surfaced as a result of our strategic management process?
- What strategies and options do we have to respond to these critical issues?
- What are the risks and benefits to the organization and to the shareholders of the proposed scenarios?
- What losses can the organization sustain?
- Where is there substantial pain in the organization that warrants making changes?
- How do we coordinate the strategic plan with the budget process?
- How do we coordinate changes in our activities with continuing demands for ongoing services?
- How do we cope with limited resources?

Strategic Planning in the Maritime Industry

The Maritime Administration and other public and private agencies are represented at this meeting.

This group is not a single organization or agency.

MARAD, obviously, is a public agency. Others represent public agencies, while many represent what I will call quasi-public agencies, which behave like private for-profits and compete like private for-profits, still others are private, albeit regulated; shippers and carriers, for example.

This implies a number of things, but in the context of strategic planning, the most important is that each type of participant, and perhaps even each participant, has a different mission. Very importantly though, all of you also share a mission.

Picture a diagram with three interlocking rings, like the famous Ballantine ale symbol. This is a union of three sets that represent a common interest. Although the large majority of what the three rings represent may be quite separate, it is the central area on which this meeting needs to bring its focus.

Each of you must address the above questions twice, first from your point of view as shipper, carrier, or agency, then from an industry mission point of view; what are all of us trying to accomplish for the industry as a whole? We all may be trying to make a living, or satisfy a particular constituency, or a particular group of shareholders, but separate the individual interests and think of the union of those three rings: what are all of us trying to do in the interests of the industry?

The environmental scan raises the same set of questions. Each of you is part of the other's environment. All of you together face the larger environment, both domestic and foreign, and including other modes, technologies, and economic change.

You might view the environment this way; this group, or my organization, controls "this" and is affected by "that." If you are affected by "that" and you don't control "that," then think of "that" as the environment. If you control "this," then "this" is something for which you can make a strategic plan. It is something about which you can do something. Otherwise, it is your environment.

The point is, you share the small common set of interests and those are what you need to concentrate on in a strategic way. What is external to those shared interests? What do we see as the threats and opportunities? What are our strengths and weaknesses? What are the strategic issues? What are the things we can do? How can we move forward? Treat this group as if it were an organization with a common mission, and remember that if each of us in our own day-to-day activities—shipper, carrier, government agency, port authority—has our own mission, then what are the things that we can do in common toward a shared mission?

The difference between strategic planning and long-range planning is that, while long-range planning shares many of the components of strategic planning, it usually assumes that we are planning for an activity or program that will continue or be carried out in the future.

Strategic planning is driven by the notion that everything is up for grabs. Should I even bother to keep making candy? The question is not my plan for expanding the market for the candy I make now, at least not as a given. If I come to that as a second consideration after I decide that I am going to stay in the candy business, fine—then address the question of how to make better candy or expand the market. But the strategic question is: should I stay in the candy-making business?

To use a public sector example, it is not "strategic" to plan future projects for highway construction in Mecklenberg County, North Carolina, but to determine whether the Department of Transportation ought to do something other than build roads or run the transit system in response to the basic mission of our department, which is to move people and goods.

I leave you each with two questions:

First:
MARAD, what do you want?
Shippers, what do you want?
Carriers, what do you want?
Port authorities, states, others—what do you want?
Second:
What are your common interests?

WHAT IS THE MARITIME INDUSTRY; HOW IS IT EVOLVING; AND WHAT DRIVES THE INTERMODAL REVOLUTION?

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Transportation has always been an important cost for any manufacturer. Today, transportation is becoming even more important in global production distribution.

The world is becoming smaller and demands more efficient freight transportation. What is the maritime industry? There are all kinds of definitions. It is a huge ocean transportation system serving all of the trade lanes throughout the world. Maritime transportation makes trade possible. As it relates to general commodities, it is an extremely capital-intensive industry.

How is it evolving? It was an industry that consisted of small, medium, and large carriers representing many nations. The industry is currently evolving into an industry characterized by larger and larger highly efficient ships that use space sharing and other rationalizing techniques to take advantage of economies of scale in order to reduce their capital risk. Today, the fastest growing segment of international transportation is in development of international/intermodal systems that traverse land masses such as the United States. Intermodalism is here but there are many problems associated with it.

Containerization, which started internationally in the mid-1960s, obviously has had a profound effect on world transportation economics. The container was successful because of its economic advantages. It saved or eliminated expensive packaging costs. People forget that they used to have to pay 20 percent of the retail price of the product just for export packaging. Containerization cut damage, eliminated pilferage, etc. But equally important, containerization has made ships more productive, and freight is loaded in considerably less time than could have been imagined 30 years ago. The container has made the movement of goods simpler as well as cheaper. The container was a maritime tool that won shippers' support because it saved money.

There is an axiom that says all major transportation advances are driven by economics. This is true. It is also true that there are strong economic factors that are today driving the intermodal revolution. Containerization developed at an alarming pace between the 1960s and the 1980s. Intermodalism only came to the forefront with the introduction of the 1984 Shipping Act.

Introduction of point-to-point rates has been a tremendous challenge to the ocean carrier. The adage