



## KELL CONSULTING

### MANAGEMENT PERSPECTIVES

#### THE MIND OF THE STRATEGIST

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Last month in this column (October, 1999), we talked about the opportunities that are presenting themselves to Executive Directors through QHWRA and the Agency Plan process. We discussed four key points that PHA Executive Directors and staff will want to keep in mind while they are preparing their Plans. They are:

1. Correctly and accurately define your agency's mission;
2. Develop a marketing perspective that is customer focused;
3. Consider the costs and benefits of management alternatives; and
4. Analyze whether the organizational structure that works today will be as effective tomorrow.

In this article, we will look at the strategic planning and goal setting process that PHAs must embark on as they create their goals and objectives. Although housing authorities operate under the same HUD rules and regulations and must all comply with QHWRA requirements, each housing authority operates within a local milieu that is distinct and different from the others. No two communities will have the same rental housing market, identical housing needs, identical resources, the same education and skill level of the staff, the same physical condition of the buildings, and so forth. Each plan's goals and objectives therefore, will be unique to each agency.

A strategic plan is a document, but the strategic planning process is a tool that allows organizations to assess their true position in the marketplace, identify current and potential opportunities, identify the competitive advantage that the organization has, determine specifically what must be done to execute a strategy and determine the resources required to implement the plans. Sacrifices and trade-offs are a necessary part of the process because not every road can be chosen. For this reason, agreement and commitment on all levels is necessary for a strategic plan to be effective.

QHWRA, of course, does not require strategic planning as such. Rather, it requires the development of goals and objectives that flow from a mission statement. Implicit in the HUD process is the assumption that goals and objectives will become clear and obvious once a mission statement is adequately framed.

In reality, this assumption is only partly true. Since mission statements are brief and succinct, any number of goals can be created when different individuals with different points of view consider the agency's mission. For example, a PHA mission statement that says "we are the primary local provider of low cost housing" will mean something different to the development arm of the authority than it will to

the maintenance staff. It's easy to see how ten, twenty or more goals could be created from the mission statement, many of which could be of a competing nature.

Additionally, and as we all have experienced at one point in our careers, the most politically influential, articulate, or insistent people find a way to get "their" goals included in the "plan", which of course creates resentment on the part of less verbal staff people, and reduces PHA-wide commitment and buy-in. Third, the lack of a champion, such as the Executive Director or an individual who has the support of the ED, who can consistently guide the organization through the implementation phases of the plan over time, practically guarantees failure. And finally, the investment that a PHA makes in the development of a strategic plan, particularly in terms of lost staff time, is frequently seen by Executive Directors as exorbitantly high considering the plan's ultimate worth. If the planning scenario described here is the method that you've seen in practice, I am quite sure you are not looking forward to spending your valuable time involved in this process. There must be a better way, you think, and there is. The purpose of this article is to introduce you to one such way that is used in business and industry. It is a strategic planning process that involves the notion of asking solution-oriented questions to identified problems.

Kenichi Ohmae, whose book The Mind of the Strategist, is well known in management circles, discusses his work with many large Japanese companies. He says that "today's giant institutions, both public and private, are by and large not organized for innovation. Their systems and processes are all oriented toward incremental improvement – doing better what they are already doing." "Advocates of bold and ambitious strategies too often find themselves on the sidelines, labeled as losers, while the rewards go to those more skilled at working within the system. This is especially true in mature industries, where actions and ideas often move in narrow grooves, forcing out innovators."

"In what I call the mind of the strategist" Ohmae states, "insightful and a consequent drive for achievement, often amounting to a sense of mission, fuel a thought process which is basically creative and intuitive rather than rational. Strategists do not reject analysis. Indeed they can hardly do without it. But they use it only to stimulate the creative process, to test the ideas that emerge, to work out their strategic implications, or to ensure successful execution of high potential "wild" ideas that might otherwise never be implemented properly. Great strategies, like great works of art or great scientific discoveries, call for technical mastery in the working out but originate in insights that are beyond the reach of conscious analysis."

As was described in last month's column, Ohmae agrees that "analysis is the critical starting point of strategic thinking." "Faced with problems, trends, events or situations that appear to constitute a harmonious whole or come packaged as a whole by the common sense of the day, the strategic thinker dissects them into their constituent parts. Then, having discovered the significance of these constituents, he or she reassembles them in a way calculated to maximize his advantage." "True strategic thinking thus contrasts sharply with the conventional mechanical systems approach based on linear thinking. But it also contrasts with the approach that stakes everything on intuition, reaching conclusions without any real breakdown or analysis."

Let's bring these ideas down to earth by the use of a concrete example. What if you, the Executive Director, are reading monthly staff reports, and you notice that vacancies rose again for another month. You believe that reducing vacancies should be an objective in the strategic plan and you ask your staff to develop alternatives for a vacancy reduction program. Possible solutions that staff might bring to you could include hiring temporary maintenance employees to turn units, conducting outreach efforts to increase the size of the waiting list, re-assigning housing technicians to help lease up units, and so forth.

Ohmae however, suggests that this approach "has an intrinsic limitation." He believes that the question "is not framed to point toward a solution; rather, it is directed toward *finding remedies to symptoms*."

[Emphasis is mine.] A more solution oriented question might be: does this housing authority's rental units meet the needs of the customers? "To this question", Ohmae points out, "there can be only one of two answers – yes or no." To reach an answer of either yes or no, considerable analysis will need to be done. For example, an authority would need to understand its customers, the competition in the marketplace, the prices it charges compared to the competition, etc. [Sound familiar?] Whatever the answer is – yes or no – the response will suggest other steps that need to be taken. For example, if the answer is yes, the Authority's rental housing inventory does meet the needs of the customers, then the agency might want to look at marketing efforts, or lease up activities. From this point, the planning group continues to ask yes and no questions until the actual issue has been boiled down to its essence and the remedy becomes clear and apparent. For example, the next yes/no question in the series might be is the marketing effort effective? Or, is the lease-up function performed promptly and correctly? The correct questions will lead to the ultimate solution.

On the other hand, if the answer is no, the Authority will want to consider, among other ideas, making improvements to the physical inventory so that the units are more attractive to renters. The same yes/no question method would continue to be used as is described above. By using Ohmae's approach, objective analysis can take the place of the traditional goal setting method.

There are other solution-oriented questions that could have been considered in this example. For example, the Executive Director could have asked the question: does the maintenance staff have the capability to turn units quickly and effectively? If the answer is yes, this might suggest that the agency needs to look at another facet of the unit turnover function such as outreach, in-take and occupancy. If the answer is no, this might suggest that maintenance training or hiring additional maintenance staff might be necessary.

What Ohmae has noticed is that "if the right questions are asked in a solution-oriented manner, and if the proper analyses are carried out, the final answer is likely to be the same, even though it may have started from a differently phrased question and may have been arrived at by a different route." In either case, a question concerning the nature of the vacancies brings the real issue into focus and "makes it easy to arrive at a clear-cut verdict."

Ohmae builds a four step method that can be used by strategists as follows: the identification of concrete phenomena, grouping the elements identified, abstraction, and the determination of approach. This four-step method, which is easy to use, is described in the following paragraphs.

Step 1: Identify the Concrete Phenomena. In the first step of the strategic planning process, the people involved in the planning process are to observe and identify the concrete phenomena existing at the authority, without value or emotion. This list can be generated through brainstorming and the use of resident satisfaction surveys. For example, the planning group might identify the following:

- High turnover of staff
- Low mobility of personnel above line staff
- Decrease in morale
- Increased number of HUD audit findings
- Backlog of maintenance work orders
- Two year waiting list for Section 8; no waiting list for public housing
- Resident fear of crime has increased in the public housing developments

Step 2: Grouping. In the second step, the concrete phenomena is grouped into categories. For example, the high turnover of staff, low mobility of personnel and a decrease in morale suggests a grouping called

personnel problems. The increased number of HUD audit findings, and the backlog of maintenance work orders suggests a grouping related to performance issues. The existence of a two year waiting list for Section 8 while there is no waiting list for public housing, and the increased fear of crime by residents of the developments suggests the grouping of problems with product quality in the public housing program.

Step 3: Abstraction. Once the issues have been grouped, look at each group and determine what critical issue each group poses. This is done to fully understand the source of the problem prior to the development of a solution. This step can be difficult to perform without assigning value or blame, but it is critical to understanding the total issue without leaving anything out.

The abstraction of the first group that relates to personnel problems could be an inflexibility of the organization. The abstraction of the second group could be lower performance compared to other housing authorities and private market competitors. The abstraction of the third group could be “quality of public housing is perceived as being low in the marketplace.”

Step 4: Determination of Approach. If we view the abstractions as Agency Plan goals, then the Determination of Approach, which presents very concrete and specific items, becomes the Objectives. The Determination of Approach for the abstraction “inflexibility of the organization” could be “plan to reorganize”. For the second abstraction, the approach could be “plan for improving performance”. For the third abstraction, the approach could be “plan for improving public housing quality.”

In table form, your analysis will look like the following:

Concrete Phenomena	Grouping	Abstraction	Determination of Approach
1. High turnover of staff 2. Low mobility of personnel 3. Decrease in morale	Personnel Problems " "	Inflexibility of the Organization	Plan to reorganize
4. Increased number of HUD findings 5. Backlog of maintenance work orders	Performance Problems " "	Lower Performance Than Competition	Plan for improving performance
6. 2 year S8 waiting list; no PH waiting list 7. Increased resident fear of crime	Product Quality "	Quality is Perceived as Being Low	Plan for improving public housing quality

This is only one alternative approach to strategic planning, but it is effective because it is solution oriented, it is proven, and easy to use. We can recommend that you try this approach during the development of your own goals and objectives.

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