

# **Strategic Plans in Higher Education: Planning to Survive and Prosper in the New Economy**

## **Introduction**

Human beings have entered the new millennium with the emergence of the new economy: the market-oriented economy, which has brought about major social, political, economic, technological and educational changes (Uvalic-Trumbic, 2003). The environment in which organizations operate is no longer stable and predictable. It has become hyper-competitive. To survive and succeed in the new era, institutional leaders are required to analyze their strengths and weaknesses, to identify vital changes in the environment, and most importantly to implement strategic plans to cope with new challenges.

First and foremost, it is necessary to clarify the meaning of planning. In business, planning is generally based on some hypotheses about the future, and seeks to invent the future that suits the organization (Pacios, 2004). Mintzberg (1994) defined planning as ‘a formalized procedure to produce an articulated results in the form of an integrated system of decisions’. According to Ackoff (1970 cited in Mintzberg, 1994), ‘planning is required in the future state when we desire involves a set of interdependent decisions; that is a system of decisions’. Business management literature has revealed the different stages in the evolution of planning. Hax and Majluf (1984 cited in Hughes, 1994) described the five stages of planning: *budgeting and financial control*; *long-range-planning*; *business strategic planning*; *corporate strategic planning* and *strategic management*. While budgeting and financial control are rather limited forms of planning because ‘these plans mostly rely on immediate financial results to lead to a rather near-sighted approach to management’, long-range planning, as these authors commented, is ‘an improvement in that it includes multi-year projections of future sales’. These authors also identified some common points among the three forms of strategic planning. These strategic plans help ‘to identify an organizational mission, perform some environmental scan, specify a set of objectives and produce a strategic plan to achieve these objectives.’ Pacios (2004) summarized the planning process development through the three stages: long-range planning, strategic planning, and strategic management.

Although planning theorists may perceive and define the planning process differently from different perspectives, many commonly analyze the differences between the plans named ‘strategic’ and those named ‘long-range’. Generally these two terms can be used interchangeably (Bryson, 1988). In essence, long-range planning and strategic planning differ in their emphasis on the ‘assumed’ environment. Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the plan’s reality over the duration of its implementation. Strategic planning, on the other hand, does not expect the future to be necessarily a development of the past (Pacios, 2004). Strategic planning assumes that an organization must be proactively adaptable and flexible to a dynamic, changing

environment. Strategic planning, then, stresses the importance of making decisions that will ensure the organization's ability to successfully respond to changes in the environment. Further, Stuart and Moran (1993 cited in Pascio, 2004) stated that 'strategic planning deliberately tries to concentrate resources in areas that may produce a substantial improvement in future capacity and performance.' They also considered strategic planning as 'a framework and a way of thinking' rather than 'a set of procedures.' Corall and Brewerton (1999 cited in Pascios, 2004) also differentiated strategic planning from long-range planning when they pointed out that these plans 'differ in their approach to identify and solve problems, in their expectations about new trends and discontinuities, and in their qualitative changes of direction.'

In business environment, strategic planning was very popular and widespread between mid-1960s to mid-1970s when then people believed it was the panacea for all organizational problems. As Bell (2002) commented, 'strategy and the development of strategic planning now constitute an important weapon in the armory of the modern manager.' There are different generations of strategic planning such as the SWOT analysis model in the 1950s; the qualitative and quantitative models of strategy in the 1960s; the shareholder value model and the Porter's five forces model in the 1980s; and from the 1990s on, models of strategic planning focus on organizational adaptability to change, flexibility, and importance of strategic thinking, as Gouillart (1995) commented 'strategic agility is becoming more important', and 'it enables organizations to transform their strategy depending on the changes in their environment.' In the new economy when changes are inevitable and competition is ever-increasing, the existence of every organization depends on its ability to adjust quickly and keep pace with the change. Any organization that is not capable of responding to the transformation will probably not be able to develop in the long run.

In higher education, strategic planning is 'a formal process designed to help a university identify and maintain an optimal alignment with the most important elements within which the university resides' (Rowley, Lujan et al., 1997). In the world today, higher education is a 'complex, demanding and competitive reality' (Montez, 2004). Universities are driven to engage in a strategic planning process by a variety of forces (Chareonwongsak, 2000; Navarro and Gallardo, 2003). The first force is the increasing demand for higher education concurrent with a decline in government funding. It is clear that higher education is still very much in demand throughout the world, and this trend continues to be more in the coming decades. Take Can Tho University (CTU) as one example. According to the university's ten-year strategic plan prepared in 2000, the university enrollment is estimated to be 17,000 in 2010, about 55% increase over 12,000 in 2000. As more and more people recognize that a college degree is essential to their economic well being, demand for higher education will increase. The student population keeps growing, but many universities are facing the budget constraints. In nearly all countries, school leaders traditionally rely on government funding, but in this new economy, universities are no longer the only part of the national system, funded and protected by the government (Ginkel, 2002). Like a business, most of universities now need to strategically manage their budget, and seek additional financial sources. These

sources can be from donor sources, from parental sources, and most importantly from for-profit and non-for-profit business sources.

Secondly, new models of providing higher education have emerged in recent years. According to some researchers, there is an increasing gap between what the public wants and what traditional universities can provide (Rowley, Lujan et al., 1997). Educational needs tend to be more specialized and applied. Moreover, the information explosion has deeply influenced the purposes and practices of higher education. Knowledge in many fields such as computer science, biology, medicine, law and business administration needs to be continually updated. Consequently, the knowledge learned in schools might be obsolete in just a few short years (Hallinger, 1998). More importantly, Most of schools' curricular presently focus more on abstract, formal knowledge than on practical, experiential knowledge, which causes the gap between schools and reality.

Thirdly, as the result of technological revolution and globalization, 'knowledge and technology become dominant social forces, and practitioners of every occupation, despite a significant knowledge base, must keep learning' (Lowendahl and Revang, 1998). The main purpose of schools in this era is to prepare learners to be the life-long learners, to acquire technological skills for the workplace, to be cognitively prepared for complex tasks, to solve problems and to adapt to changes (Hallinger, 1998).

Fourthly, the government is debating the purposes of higher education and its service provision function. 'Universities cannot move completely away from a provider-driven model to a consumer-drive form of higher education' (Davies, 2002). Redefining schools as an economic investment function from a social welfare function requires school leaders to deal with education as a commercial industry. Eliminating disciplines because they are currently not in demand is contrary to the traditional mission of a comprehensive university. However, to some degree, universities must consider student preferences for applied education and the larger labor market.

These forces are challenging most of universities, and, as in most of companies, strategic planning is one of the major steps universities can take to address these challenges. Strategy is a tool for the university to find its competitive advantage and successfully adapt to the changing environment. However, to ensure success of the strategic planning effort, universities need to adjust the business strategy's model to apply in its specific situation. In essence, university-based strategic planning differs from the business strategic planning in some aspects. Time frame is the first consideration. In most of the business organizations, their vision is either short-term or medium-term, and the strategic planning cycle is two to three years whereas in education, the vision is long-term, and it usually takes five or more years for a strategic plan (Pacios, 2004).

The second difference is about the decision-making process. The business model generally follows top-down decisions (Kheng-Hor and Munro-Smith, 1999; Harrison and Pelletier, 2000). However, in universities, the faculties or departments cannot be directed in the same way as employees in a company because 'centralized power' at university is not very strong (Ridden, 1992). Ken State University can be a typical example of

developing a strategic planning approach that sought broad participation at every step (Richard and Harding, 2000). Similarly in Can Tho University, to facilitate an inclusive, bottom-up strategic planning process, school leaders together with academic deans and administrators work with faculties and staff to select representatives and appoint them to the strategic planning steering committee with at least one representative from each department or school unit. In addition, drafts of the strategic plans are posted on every department bulletin board and uploaded on the institutional website for the staff review and discussion.

Thirdly, although the major task of both business and education is to make a profit, companies' bottom-line is the aimed value while university's main value is long-term investment in educating people. Consequently, differences in the value system require a different approach to strategic planning at universities.

Another difference between business and university deals with the product. The product in business is visibly established, but in education it is not easily visible. Moreover, in the new economy, higher education has a wide range of customers as primary customers being students, as secondary customers being employers, local education authorities, and as tertiary customers being ex-students, parents (Conway, Mackay et al., 1994). It is also interesting to note that students can be considered as either customers with courses as the higher education products or products with the employers being the customers (Conway, Mackay et al., 1994). Viewing higher education as being in both service and manufacturing industry will have important implications for the institutional strategic planning process (Conway, Mackay et al., 1994).

Despite some distinctive differences between business and education, strategic plans can be effectively implemented in education to a great extent. The aim of the universities, as seen by Chaffee (1990), should be to increase quality and productivity to cope with foreseeable socioeconomic problems and to demonstrate behaviors and attitudes so that learners can ensure their own future. To do this, universities have to examine and analyze their environments both internally and externally. They need to know their strategic position. Then the institutional leaders need to identify the options, critically evaluate them, and finally, select the best alternative. The strategies chosen must 'reflect the institution's values', must be 'economically justifiable', 'politically attainable', and must be 'consistent with serving student needs' (Picken and Dess, 1996; Schraeder, 2002; Tsiakkios and Pashiardis, 2002). To be successful, these authors also suggested, institutional strategy planners must involve everybody in the stages of strategy formulation, and develop an institutional commitment to make things happen.

## **Conclusion**

Major changes in the new economy and increasing social demands are confronting universities with the need to implement strategic planning process. The process itself is important to 'opening the lines of communication, and engaging faculty and staff in a two-way dialogue' (Lerner, 1999). Strategic planning is a complex process and it is not an end in itself, but an ongoing process. It is also important to note that strategy planning

does not provide a panacea for success in every situation; instead, 'strategic planning takes the institution through a journey and helps develop a framework and context within which the answers will emerge' (Lerner, 1999). The strategic plan can be simple or complex subject to each institutional situation. A well-developed strategic plan must 'develop and maintain a strategic fit between organization and its changing opportunities' (Conway, Mackay et al., 1994). Most importantly, strategic plans should be viewed as 'a tool that evokes an action within the organization – a living document that guides the activities of the organization in a purposeful manner, not some show-piece that is shelved upon completion (Schraeder, 2002).

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