



U.S. Department of  
Transportation

# Strategic Planning in Small and Medium-Size Transit Agencies

A Discussion of Practice and Issues

August 1986



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# **Strategic Planning in Small and Medium-Size Transit Agencies**

A Discussion of Practice and Issues

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Final Report  
August 1986

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## CHAPTER 1

### INTRODUCTION

#### Background

"Strategic planning is the process of deciding on objectives of the organization or changes in these objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use, and disposition of these resources." [1, p.16]

This definition of strategic planning was offered by Robert Anthony in 1965 in his book, Planning and Control Systems: A Framework for Analysis. Since then the concept of strategic planning has been further developed, refined, and reviewed by scores of authors in the field of management. More importantly, strategic planning has been implemented by most major private corporations, and had become by the 1970s a major managerial tool for structuring corporate activities. Although the concept has lost some of its preeminence today and has fallen somewhat in disfavor in recent management literature, it is obvious that the considerable attention given to this concept has helped stimulate a very useful discussion about the need for explicit managerial objectives as well as about the various methods that can be used to develop and implement corporate strategy.

The concept of strategic planning had already been in practice in the private sector for many years before thought was given to its applicability in the public sector, and it was not until the early 1980s that the transit industry began discussing the potential use of strategic planning. Starting in 1981 (see References 2-14), a series of presentations and papers explored strategic planning methodologies and a few case applications in transit. In particular, the Toronto Transit Commission [15] and the Port Authority of New York and New Jersey stand out as precursor users of this managerial tool in transit. Since then, interest in strategic planning has continued to grow, with more transit agencies conducting strategic studies [16, 17] or setting up corporate planning divisions.

Much of the previously mentioned literature has been written by proponents trying to illustrate, and where possible to document, how strategic planning techniques that are commonly used by other industries might assist transit managers in designing powerful strategies to strengthen their organization. This literature has involved more conceptual discussion than research, and the empirical evidence has come primarily from a few very large transit organizations, such as Toronto, New York, and London. Consequently, these discussions have been developed using a rather narrow empirical basis in order to show the after-

the-fact results in very specific contexts, but do little to help assess the feasibility of applying this managerial tool to a range of transit systems. To do this would require an assessment of the organizational contexts found in different types of transit systems, and the obstacles or reinforcements these contexts create to the introduction of strategic planning.

These discussions have furthermore focused primarily on the application of strategic planning to the largest transit organizations, but have provided very little insight into the applicability of this tool to small and medium-sized transit agencies. Although these smaller agencies are usually not involved in the type of large-scale capital investment projects that larger agencies are, they do face political and institutional environments that are often as complex as those facing the largest transit agencies. Therefore, it would be valuable to determine whether strategic planning techniques can be successfully applied to the context of smaller transit agencies and whether they would help managers develop more effective corporate strategies. Clearly, the research and literature to date has paid insufficient attention to the potential of strategic planning in small and medium size transit agencies.

#### Research Objectives and Approach

The research described in this report seeks to provide an in-depth look at strategic planning, focusing in particular on small and medium-size transit agencies. The specific objectives of this research are to:

- Explore the use of strategic planning in the transit industry.
- Explore the use of other managerial tools that are related to strategic planning and that might facilitate its introduction into the transit organization.
- Identify obstacles hindering the application of strategic planning in transit agencies.
- Assess the effect of agency size on the use or potential application of strategic planning.
- Identify the special obstacles that face small transit agencies in the implementation of strategic planning.

A two-step methodology was adopted to accomplish the stated research objectives: (1) a nationwide survey of transit managers, and (2) an in-depth case study of a small transit agency's development of a strategic planning process.

The national survey provided a broad picture of strategic planning in the transit industry. It helped assess the use of strategic planning

by transit managers, the use of alternative managerial and analytical tools, the potential resources available for implementing strategic planning, and the various obstacles that hinder the use of strategic planning. A special effort was made to distinguish different categories of agency size which helped assess the impact of agency size, and to focus attention on the special problems of small transit agencies.

The case study provided a different but complementary perspective on strategic planning in a small transit agency. By discussing the step-by-step development of a strategic planning process in a specific small transit agency, the case study provided in-depth analysis of several of the issues that had been identified in the survey. It also helped identify a host of managerial and organizational issues that are raised by such a process.

The remainder of this report is divided into four chapters. Chapter 2 provides a brief discussion of the concept of strategic planning and outlines the basic components of a classical strategic planning model. The research findings are then discussed in Chapter 3 (survey of transit managers) and Chapter 4 (case study). Chapter 5 summarizes the major findings of the research, and draws conclusions about the use and potential of strategic planning in small and medium size transit agencies.



## CHAPTER 2

### A DISCUSSION OF STRATEGIC PLANNING

#### Introduction

At its heart, the concept of strategic planning is fairly straightforward; it simply establishes a formal process in order to answer three questions:

1. Where are we?
2. Where do we want to go?
3. How can we get there?

However, the implementation of strategic planning is very complex, and there have been scores of authors that have explored the potential and implications of this concept, developed models to facilitate its implementation, and analyzed its use by organizations (see References 18-35).

Part of the complexity stems from what Bowman [36] calls the integrative nature of this concept. Answering the above questions requires a profound understanding of the organization and its environment, as well as the factors and forces that affect and shape the organization and its environment. These questions also touch at the heart of the organization by seeking to determine its mission, its aspirations, its survivability and its future. Answering these questions necessarily draws on many skills and bodies of knowledge. There is no one correct answer, only many interpretations of what might be best. Given the complexity of these apparently trivial questions and the difficulty of designing a process to fully address them, it is not surprising to find confusion in the literature surrounding this concept and a large number of works on the topic.

It is not the place of this research to provide an in-depth analysis of the concept of strategic planning and the myriad of often subtly differing models of strategic planning. Many books and papers in the management literature have focused on this task. Rather, this research is an empirical study that seeks to explore the use (or not) of this managerial tool in the transit industry, and the issues that it raises. A relatively simple discussion of the concept will suffice for this purpose; this will be the focus of Chapter 2.

### Core Elements of Strategic Planning

One of the more complete discussions of strategic planning has been provided by George Steiner [31]. Rather than provide another encompassing formal definition of strategic planning, Steiner identifies four different, but important, perspectives on the concept. Together they illustrate the "integrative" nature of strategic planning, referred to earlier.

The first perspective concerns the futurity of current decisions. From the three fundamental questions stated earlier, it is clear that strategic planning is aimed at formulating decisions today that help attain the most desirable possible future. "The essence of formal strategic planning is the systematic identification of opportunities and threats that lie in the future, which in combination with other relevant data provide a basis for a company's making better current decisions to exploit the opportunities and to avoid the threats." [31, p.14]

The second perspective views strategic planning as process. This process seeks to answer the three questions mentioned earlier by determining the aims of the organization, by defining the strategies and policies needed to pursue these aims, and by developing detailed plans that will drive the organization in their pursuit.

The third perspective recognizes that strategic planning is also an organizational philosophy. It is a way of life that stresses a dedication to acting based on one's assessment of the future. Strategic planning cannot exist as mere process; it requires belief and commitment from top management and throughout the organization. Fourth, strategic planning should also be viewed as an organizational structure, that provides a formal link between three types of plans: strategic plans, medium-range programs, and short-range operating budgets and plans.

Although all four aspects of strategic planning are essential, authors have focused most of their discussion on the process of strategic planning. This is probably due to its more tangible nature; the development of a sequential set of activities provides the needed illustration of how the concept can take shape. One can "walk through" the distinct steps of a strategic planning process and become comfortable with its logic. It is much harder to discuss the abstract concepts of futurity or organizational philosophy. Furthermore the "structure" of plans is hard to define because the boundaries that separate different levels of plans are unclear. Consequently, most discussions tend to focus on the more tangible aspect of the strategic planning concept: the formal strategic planning process.

Although many authors have discussed this topic and there are many models for describing this process, there appears to be a convergence around several core elements and related activities. These elements and activities form the basis of what one might call a classical model of strategic planning. The fundamental tasks and activities of the classi-



cal strategic planning model can be defined using Bowman's framework [36]. Bowman identifies six elements that are always present in any strategic planning process: goals, environment, company, strategy, implementation, and control. Figure 2.1 shows these elements.

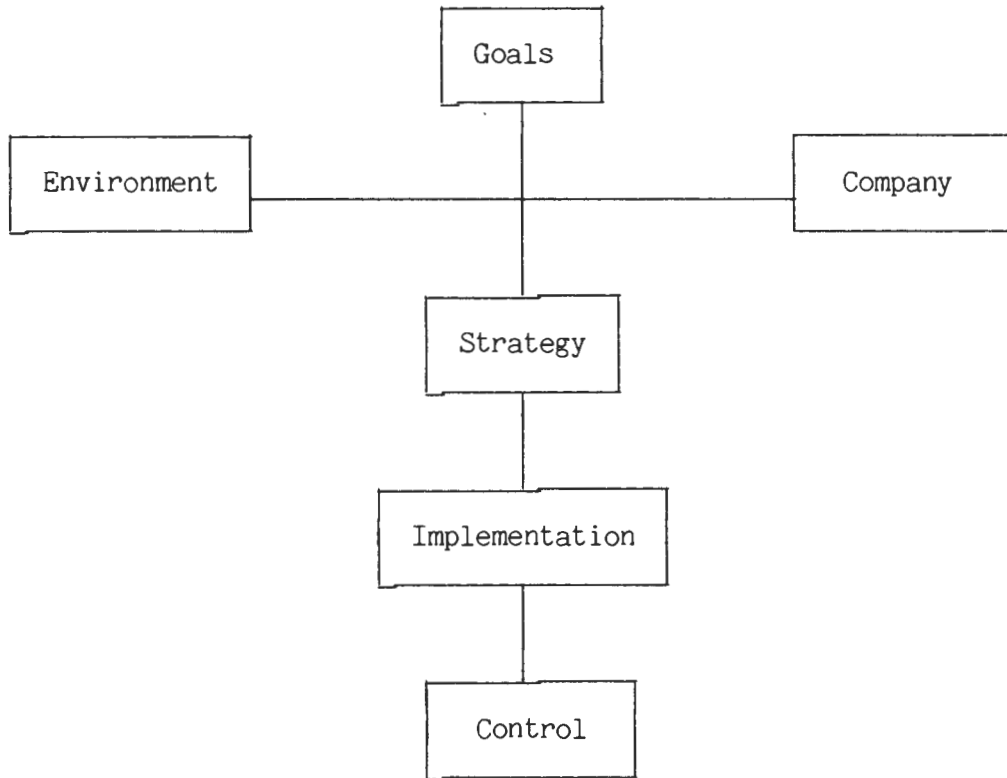


FIGURE 2.1 Core Elements of Strategic Planning  
Source: [36]

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### Goals

Classical strategic planning requires an explicit statement of organizational goals. In some cases, top management's goals may be the starting point for the entire process. In others, the identification of goals and objectives may be an outcome of an analysis and consultation process. In any case, strategic planning uses goals and mission state-

ments as a way for defining "what business we are in," and for setting the overall direction of the organization. Goals are most frequently broken down into objectives in order to articulate the chosen strategy.

### Environment

One important difference between strategic planning and other managerial tools is the emphasis placed on the organization's environment. Classical strategic planning provides a formal analysis of the environment, its current status, likely trends, and potential disturbances. Many analytical tools are available to help in this task. Above all, the analysis of the environment must help identify the threats and opportunities facing the organization in its environment. This is critical because the organization must seek to develop a strategy that takes advantage of opportunities while dealing with threats.

### Company (Organization)

The flip-side of the previous analysis is to look inside the organization and identify its current status, probable trends, and potential disruptions. This internal examination must help to identify the strengths and weaknesses of the organization; these determine the organization's ability to cope with what is happening in its environment.

The analysis of the environment and the organization are often viewed together since the objective is to develop a strategy that weaves these concepts together: a strategy should take advantage of opportunities and counter threats by building on the organization's strengths and correcting its weaknesses. The joint analysis of organization and environment is called the "situation audit," and some authors use the acronym "WOTS-UP" for weaknesses, opportunities, threats and strengths.

### Strategy

The combined analysis of the organization and its environment, when placed against the backdrop of the organization's goals, should lead to the identification of potential actions and strategic options. These alternative strategies then need to be evaluated, the best strategy needs to be chosen, and the strategy needs to be articulated for both external and internal participants. The result of these activities is usually the strategic plan, a formal document that establishes the organization's objectives and the means (policies and programs) for achieving them.

### Implementation

Once developed, the plan needs to be implemented. Authors, such as Meyer [7] stress that implementation needs to be explicitly considered in the articulation and choice of the strategic plan. This involves both process and structure because at this point the different level

plans (i.e., strategic, medium-range programs, short-term operating plans, and yearly budgets) need to be integrated. Classical strategic planning states that the shorter (lower-level) plans should be derived from the strategic plan.

### Control

The strategic planning process needs to contain the mechanisms to ensure its effectiveness. This involves monitoring processes to ascertain whether objectives are being met and feedback mechanisms to reevaluate goals, assumptions, analyses, strategy or plans if necessary. The plan's authority and the effectiveness of the control aspect must come from the commitment of the Chief Executive Officer (CEO). Finally, the process should be conducted regularly, and updates of the plan should be produced annually.

These represent the basic core elements and principles of classical strategic planning. Within this framework, there exists a multitude of ways to define the specific steps, and the sequencing and interaction of these steps. Figures 2.2 and 2.3 illustrate two potential representations of a strategic planning process. The first is from Steiner [31] and represents a fairly sophisticated but straightforward example of strategic planning. The second has been developed by Meyer [7] from his analysis of several strategic planning efforts in transportation. It is a simpler model that stresses the importance of the evaluation step, and the need to consider implementation when defining strategic alternatives.

### Requirements of Strategic Planning

Many authors have discussed strategic planning and each has proposed his or her own particular strategic planning model. These models may structure the overall planning process and its various elements in different ways in order to emphasize different aspects of the process. In this respect, one cannot speak of a universally accepted strategic planning process.

However, a reading of the many works on strategic planning indicates a consensus about (1) the core elements of strategic planning, described in the previous section, and (2) the requirements of formal strategic planning. Together these elements and requirements define the boundaries of what one might call classical planning. In this perspective one defines the concept, not in terms of specific procedural steps, but in terms of essential requirements.

This definition of strategic planning can be referred to as classical in that it represents the consensus of management authors as well as the ideal model of strategic planning, designed to answer in the most complete and effective way the three questions that were stated at the beginning of this chapter. The following sections describe the requirements of the classical strategic planning model, as identified in the literature.

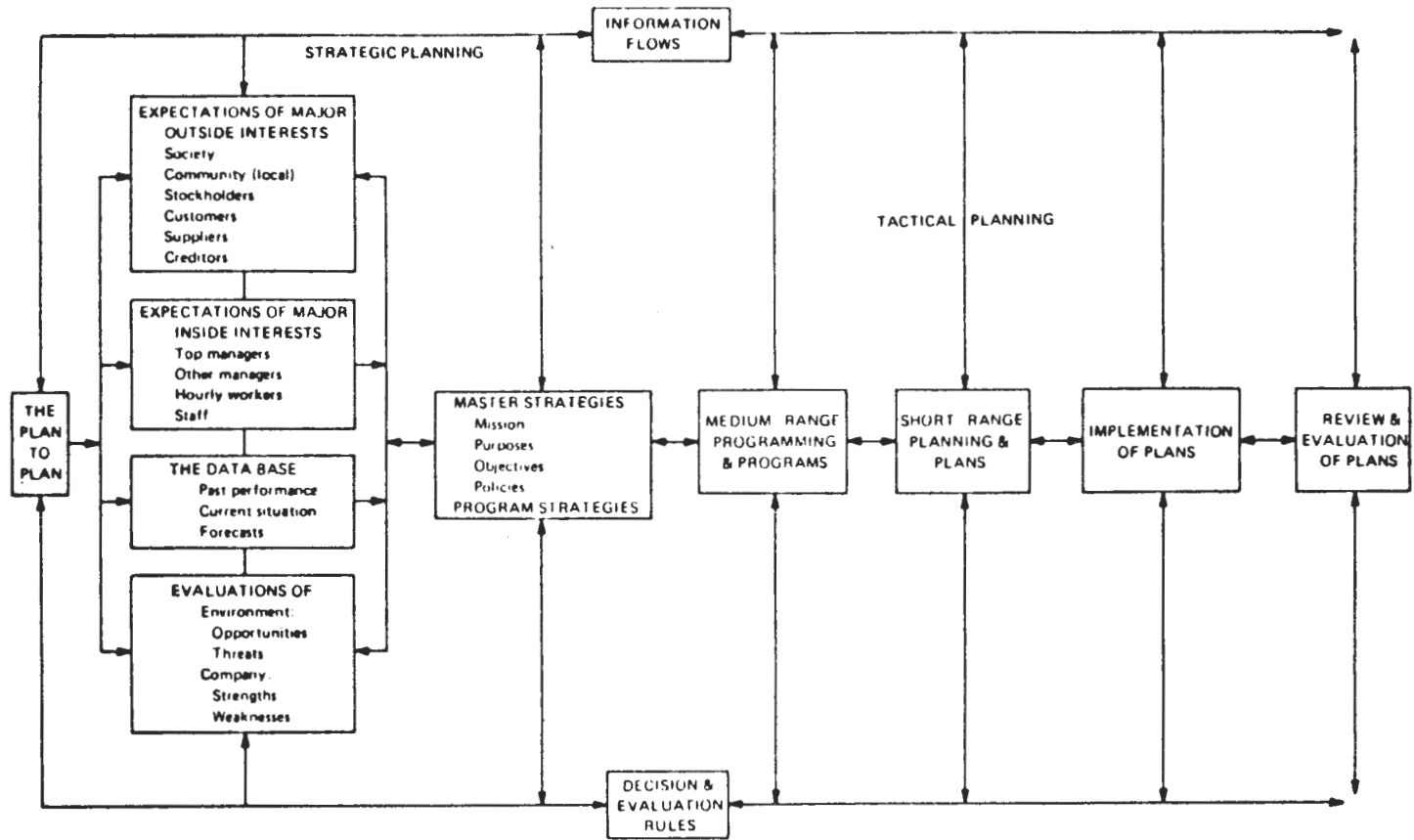


FIGURE 2.2 Steiner's Model of Strategic Planning.

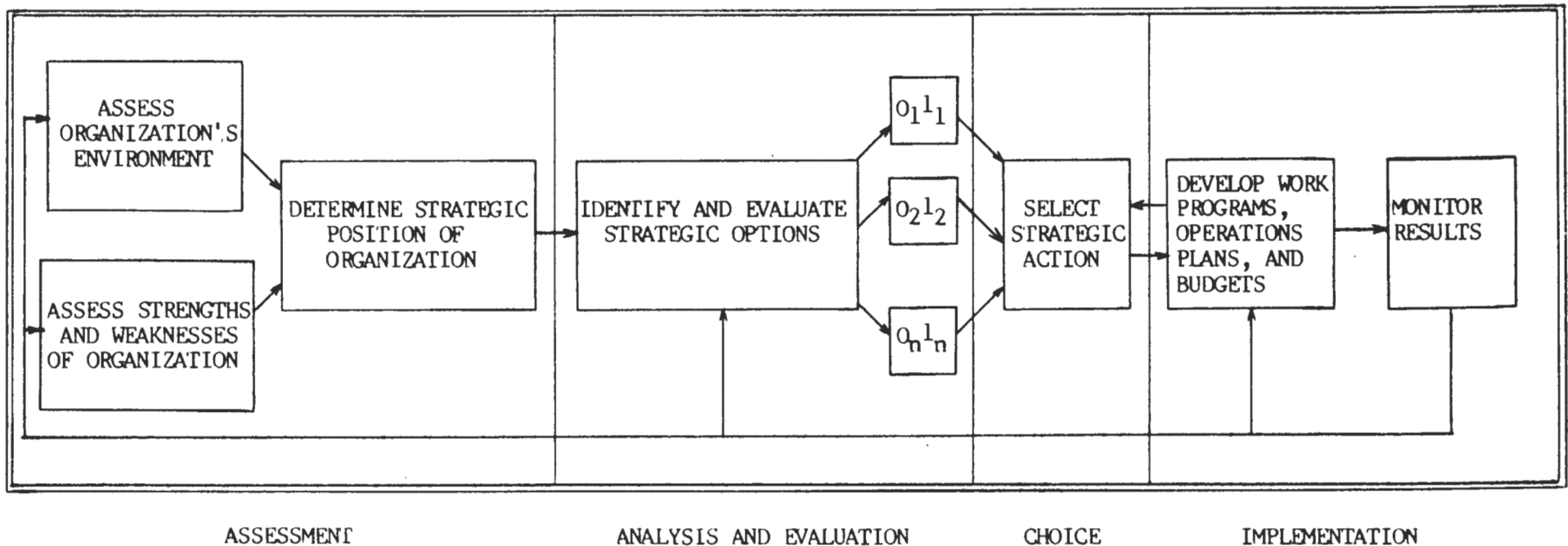


FIGURE 2.3 Meyer's Model of Strategic Planning.

### Dedicated and Periodic Process

Strategic planning is an important activity for the organization since it determines the future direction and activities of the organization. The importance of strategic planning should be signaled by the attitude and commitment of the CEO. Furthermore, strategic planning requires a structured process that is both dedicated and periodic.

Strategic planning cannot be properly carried out as an adjunct to some other organizational activity. It requires a dedicated process with a clearly defined sequence of activities and a formal outcome (i.e., the strategic plan). This dedicated process will help focus participant involvement on the necessary tasks and stimulate the most effective effort by all. Dedicated staff (i.e., strategic or corporate planning staff) may help to focus or organize the strategic planning effort, but they are not essential.

The dedicated process must also be carried out on a periodic basis. Conditions and trends within the environment or the organization change frequently and the organization's strategy will need to reflect these changes. As a result, the strategic plan cannot be static; it must to be updated regularly. Many authors suggest a full-blown, strategic planning process should be conducted every three to five years with annual updates in between. The process by which the strategic plan is developed thus needs to be cyclical, in order to maintain the plan's validity. Strategic planning cannot be a one-time event.

### Emphasis on Both Plan and Process

Strategic planning provides the organization with a formal blueprint of where it should be heading and the activities needed to arrive there. The strategic plan, this formal blueprint, is essential to strategic planning; it outlines the working assumptions, analysis, choice of strategy, and implementation path. However, the process that produces the plan is just as important as the formal document. On one hand, the process will determine the accuracy, validity, and quality of the plan. On the other hand, the planning process will also affect the implementation of the plan and its chances for success and overall effectiveness.

According to the literature, equal emphasis must be placed on both process and plan. A formal plan, if developed through an inappropriate process, is unlikely to be valid or implementable. However, a well structured process needs to result in a formal blueprint (plan) or it will not fulfill the objectives and strategic planning.

### Analysis

Strategic planning is designed to answer the three questions: (1) Where are we?, (2) Where do we want to go?, and (3) How can we get there? Clearly, analyses of the organization, its environment, and

alternative strategies are needed to answer these questions. As mentioned in the previous section, many authors believe the analysis of the organization and its environment should include a situation audit that identifies the threats and opportunities in the external environment, and the strengths and weaknesses of the organization. Such an analysis will help identify the strategic issues facing the organization. Analysis will also be needed to identify and evaluate alternative strategies, and then to select the strategy that best serves the mission of the organization, given the findings of the situation audit.

The above analyses are important requirements of strategic planning. These analyses must be comprehensive in nature because the objective is to design the best overall strategy to direct the activities of the entire organization. The analysis should encompass all aspects of the organization and its environment; this will ensure that the situation audit is complete and accurate, and that no significant factors or issues are overlooked.

### Participative Process

Strategic planning helps design the future course for the organization. To be effective and successful, the strategic planning process must involve extensive participation of all levels of management. Participation is needed for three important reasons. First, it ensures that the analysis benefits from the input of those with close working knowledge of the matter. This provides added insight that may help identify important issues or formulate more feasible strategies. Second, it facilitates the communication of findings, options, and choices to all levels within the organization. Third, a participative process increases the chances of successful implementation of the plan. Employee motivation is enhanced while resistance to the plan is reduced because of personal involvement in the analysis and decision process.

### Formulation of a Comprehensive, Long-term Strategy

Strategic planning should result in the formulation of a strategy for the organization. The strategy that emerges from the strategic planning process should be both long term and comprehensive. It should be long term since it is trying to shape the organization's future, which can only evolve slowly over time. At the same time a strategic plan is much more than just a long-range plan, or a forecasting exercise. It involves a comprehensive analysis of the organization and its environment, the issues it faces, and the options it can pursue. As a result the strategy that emerges from a strategic planning process must be not only future oriented but comprehensive in outlook, addressing all major aspects and activities of the organization.

### Implementable Strategic Plan

Strategic planning should result in a plan which is an organizational guide for action, not merely a wish-list of desirable intentions.

The plan must be implementable; therefore, it needs to establish the link between long-term goals and the organization's short-term reality through such tools as programs and budgets. Although the plan need not provide great detail about programs and budgets, it must state how the plan is to be implemented, and should also outline how the plan's effectiveness will be monitored.

### Summary

A review of the literature suggests a classical interpretation of strategic planning that defines the concept not so much in terms of a specific process (although there is a certain agreement concerning its core elements), but rather in terms of specific requirements that underly strategic planning as a activity. This classical interpretation suggests that strategic planning should at minimum (1) consist of a dedicated and cyclical process (with or without dedicated staff); (2) emphasize both process and formal plan; (3) develop a comprehensive analysis of the organization and its environment, and of alternative strategies; (4) use extensive participation in the analysis and choice of strategy; (5) identify a comprehensive long-term strategy; and (6) outline how the chosen strategy is to be implemented in the short-term. According to the literature a strategic planning activity should fullfill these requirements in order to effectively serve its objective. It is clear that the concept defined in this section represents an ideal that may not be feasible for any given organization. It nonetheless defines what classical strategic planning should look like and establishes a benchmark for comparison.

### Benefits of Strategic Planning

The primary benefit that organization's derive from strategic planning is a systematic process for charting the organization's course. This may be of little benefit to some organizations: those who are stable and healthy, those whose environment is calm, and those where key decisions are simple and obvious. However, this is not the case for most organizations, including transit agencies. For example, transit agencies often must deal with organizational crises, turbulent environments, and difficult decisions. Under such circumstances, the transit agency might benefit from a process that helps systematically identify problems and opportunities, formulate alternative options, evaluate impacts, and determine the best feasible choice. The strategic planning process will strengthen the organization not only because it assists individual decisions, but also because it establishes an overall system for policy development and implementation. In that respect it will help ensure the most effective use of the organization's limited resources.

Strategic planning will also benefit the organization in a variety of other ways that were identified by Meyer:

Strategic planning provides several benefits to an organization: it identifies future problems and opportunities; it requires an



internal assessment of an agency's strengths and weaknesses; it provides an opportunity to understand the problems facing the organization, and the constraints associated with agency actions to meet these problems; it forces an articulation of agency goals and objectives; it requires an explicit consideration of implementation strategies which should decrease delays due to problems in implementation; it generates a basis for measuring organization (and sub-unit) performance; and it provides an opportunity for all levels of management to participate in the development of agency strategy. [7, pp. 319-20]

It is clear that these benefits are important for most organizations, including transit agencies. The remainder of this report will explore to what extent strategic planning is used by transit agencies and whether they receive the potential benefits that can be derived from the use of this managerial tool.

### Exploring Strategic Planning

The main purpose of the research is to provide an empirical investigation of the use of strategic planning in the transit industry. Research objectives have been identified in Chapter 1, and Chapter 2 has provided an overview of the concept. In light of these objectives and of the preceedings discussion of strategic planning, the empirical investigation has focused on the four following themes:

1. Classical strategic planning; its use and derivative forms.
2. Alternatives to classical strategic planning; other types of "strategic" analyses or tools, and their use.
3. Factors discouraging strategic planning and the perception of their importance.
4. Strategic planning and the small transit agency; the impact of agency size on these issues and the special plight of small transit agencies.

The research methodology used to explore these themes involved: (1) a national mail survey of transit managers, in Chapter 3, and (2) an in-depth case study of a small transit agency, in Chapter 4. The survey provided considerable information on both the use of strategic planning and of alternative managerial tools. It also provided insight into the factors discouraging strategic planning and the impact of agency size on the use of these tools. The in-depth case study provided a useful complement to the survey because it helped identify in more detail the issues faced by small transit agencies when implementing strategic planning. Together, they provide an overview of strategic planning in the transit industry, with special emphasis on small and medium size transit agencies.



## CHAPTER 3

### A NATIONAL SURVEY OF TRANSIT MANAGERS

#### Introduction

A national survey was used in order to obtain a broad overview of the use of strategic planning in the transit industry. The survey consisted of a written questionnaire which was sent to transit managers across the country. In order to encourage maximum response by managers, the questionnaire was designed to be completed quickly and easily. For example, single answer or multiple choice questions were generally preferred over open-ended questions.

The surveys were mailed to 279 agencies across the country; 104 surveys were completed and returned. The 37% response rate was higher than expected, especially for a topic that is often perceived as esoteric. Because the size of the transit agency was a major focus of this study, a special effort was made to monitor this variable and its impact. Transit agencies were sorted into four size categories based on their number of peak hour vehicles. This information was obtained from the 1984 APTA Directory and the 1982 UMTA Section 15 report. The four size categories were: (1) Largest--more than 500 vehicles, (2) Big--100 to 500 vehicles, (3) Medium--50 to 100 vehicles, and (4) Small--fewer than 50 vehicles.

Table 3.1 shows the breakdown of surveys mailed and responses by size category. The overall response rate was 37%, but varied by agency size from 32% for the small agencies to 48% for the largest.

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TABLE 3.1 Survey Response by Agency Size

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<u>Size Category</u>	<u>Surveys Mailed</u>		<u>Surveys Received</u>		<u>Response Rate</u>
	<u>No.</u>	<u>Prctg.</u>	<u>No.</u>	<u>Prctg.</u>	
Largest (over 500 vehicles)	27	(10%)	13	(13%)	48%
Big (100 - 500 vehicles)	63	(23%)	26	(25%)	41%
Medium (50 - 99 vehicles)	54	(19%)	22	(21%)	41%
Small (under 50 vehicles)	135	(48%)	43	(41%)	32%
TOTAL	279	(100%)	104	(100%)	37%

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### Strategic Planning in Transit Agencies

The starting point of this analysis was to ask transit managers whether or not their agency had a formal strategic or corporate planning process. For the purposes of the survey, strategic planning was defined in the questionnaire as follows:

Strategic planning is an organized process aimed at developing an agency strategy, it is long-run in perspective and comprehensive in that it focuses on issues that affect all aspects of the organization and its management.

#### Existence of Strategic Planning

In response to this question, 41% of respondents reported that they did not have a strategic planning process. However, the response to this question varied greatly according to the size of the transit property, as shown in Table 3.2. Only one (7%) of the respondents from the largest transit properties answered the question negatively compared to 58% from the small transit agencies. Respondents from the big and medium size categories had fairly similar negative responses: 37% and 32%, respectively.

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TABLE 3.2 Existence of Formal Strategic Planning Process, by Size Category

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	<u>Total</u>	<u>Largest</u>	<u>Big</u>	<u>Medium</u>	<u>Small</u>
No	41%	7%	38%	32%	58%
Yes	59%	93%	62%	68%	42%

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The respondents' perception that their agency is engaged in a formal strategic planning process is clearly related to the size of the agency, but this relationship is more of a step function than a linear one. For example, there is an enormous difference in the percentage of negative responses between respondents in the largest and smallest properties, but there is no significant difference between those from medium sized and big properties.

#### Types of Strategic Planning in Transit Agencies

The respondents who reported having a formal strategic planning process were asked to answer a series of questions about that process including: title, frequency and regularity; internal and external involvement in this process; and the major issues addressed by the stra-

tegitic plan. These questions provided insight into the types of strategic planning that transit agencies are engaged in, and the extent to which these correspond to the classical definitions of strategic planning described in Chapter 2. An analysis of responses and led to several important observations.

Variety of interpretations. There is a wide variety of interpretations in the transit industry over what constitutes strategic planning. The responses were grouped into different categories based on different variables including the name of the process, regularity of occurrence, time horizon, existence of formal plan or dedicated staff, etc. This analysis is outlined in Table 3.3 and shows the variety of interpretations that transit managers have of strategic planning. The 61 responses were grouped into seven categories. These included long and short-range service plans, irregular ad-hoc consultant studies with unclear follow-up processes, dedicated processes with no formal plan, yearly internal managerial planning documents, and yearly budgetary processes.

Confusion with long-range planning. Of the 61 respondents who said their agency carried out strategic planning, 24 (39%) cited the long-range (5 year) service and capital plans required by UMTA (i.e., Transportation Development Programs) as their strategic planning process. Another 9 respondents (15%) described short-range service plans that appeared to be very similar to the previous types of plans except for their shorter time horizon. In some cases these short-range service plans appeared to be required by the state. Thus, over half (54%) of the respondents viewed their externally required service and capital planning effort as a strategic planning process. This is a very important observation, and suggests that there may be considerable confusion over what constitutes strategic planning.

Under certain circumstances, long-range service and capital planning activities may serve a strategic planning function. First, it would require an analytic scope that is comprehensive and addresses the broad range of issues beyond service and capital needs that affect the health and growth of the organization. Such issues include: the political environment, public image, labor climate, labor relations, organizational structure, resources and capabilities, etc. Second, the analysis should be based on an in-depth situation audit of strengths, weaknesses, threats, and opportunities rather than on mere straight line forecasts based on past trends. Third, the development of the plan should involve broad participation within the organization to ensure proper analysis and discussion of options. Fourth, a strategic plan is developed to guide internal decisions, not just to communicate needs to external participants. Therefore, an externally required long-range plan that was being used for strategic planning would have to place considerable emphasis on the internal implementation of the plan. It is possible that externally required planning could be structured to meet these four requirements, but it would be difficult.

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 TABLE 3.3 Types of Strategic Planning Described by Respondents
 

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| 1. Long-Range (5 year) Service Plans:<br>(24 responses)                        | - formal document usually required externally: Transportation Development Programs, Long-Range Capital Plans, etc.<br>- focus primarily on demand for services, service levels, capital needs, funding requirements, and fare structure<br>- regular process<br>- 5-year horizon |
| 2. Short-Range Service Plans:<br>(9 responses)                                 | - short-range service plans, comprehensive operational analysis, etc.<br>- very similar to previous category, but shorter time horizon: 1 - 2 years<br>- planning requirement in certain states  |
| 3. Annual Budget Process:<br>(2 responses)                                     | - some focus on strategic issues<br>- annual process<br>- 1-year horizon   |
| 4. Comprehensive "Strategic" Studies:<br>(4 responses)                         | - comprehensive analysis of organization, environment, and strategic issues<br>- carried out on irregular ad-hoc basis<br>- typically conducted by consultant  |
| 5. Continuous Process with Dedicated Staff:<br>(Without Plan)<br>(4 responses) | - continuous activity involving dedicated corporate/planning staff<br>- new process<br>- no formal plans yet (newly established process)<br>- staff responsible for organizational coordination and development of response to strategic issues                                  |
| 6. Goals & Objectives and MBOs:<br>(7 responses)                               | - formal document: Goals and Objectives, Management by Objectives<br>- annual process<br>- sometimes involving analysis of strengths and weaknesses<br>- usual time horizon: 1 year  |
| 7. Strategic, Business, or Management Plans:<br>(11 responses)                 | - distinct from externally required planning documents<br>- formal document<br>- annual process<br>- usually outline both organizational objectives and implementation plan  |
- 
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An alternative explanation for the large number of respondents describing externally required service planning as their agency's strategic planning may be that there is a general confusion over the definition of strategic planning. However, it would take in-depth research on how externally required planning is developed and used to fully understand the correct explanation of these responses.

Range of issues addressed by strategic planning. The survey asked what types of issues were addressed as part of the strategic planning process. The analysis of these responses indicated that service levels and needs, capital requirements, and funding were the issues that were most frequently the focus of the described processes. This is partly explained by the fact that a high proportion of respondents described their required service plans (TDPs, etc.) as strategic planning, and these issues are at the heart of the required service plans.

Other frequently mentioned issues were fare policies and marketing. Issues that were occasionally mentioned included: human resource development, goals, automation, community impacts, competition, economic impacts and environment, performance monitoring, and organizational structure. That the issues of service, capital needs, and funding appear in most cases is to be expected, but it is surprising and significant that so many other "strategic" issues are not prominently addressed by the strategic planning processes described by respondents (including: political environment, community support, public image, labor relations, organizational performance, human resource development, etc.).

Evidence of classical strategic planning. The analysis of responses suggests that the classical model of strategic planning outlined in Chapter 2 is not prevalent in the transit industry. Although the survey responses did not provide enough detailed information about the individual cases to fully determine the detailed characteristics of the strategic planning in individual properties, they provided information about key variables. Some of this information is summarized in Table 3.3. It is apparent from this rough categorization that few of the described processes correspond to the classical model of strategic planning discussed in Chapter 2.

The discussion in Chapter 2 outlined several requirements of the classical model. In particular it stated that classical strategic planning should, at minimum: (1) consist of a dedicated and cyclical process, with or without dedicated staff; (2) emphasize both process and formal plan; (3) develop a comprehensive analysis of the organization, its environment, and alternative strategies; (4) use extensive participation in the analysis and choice of strategy; (5) identify a comprehensive long-term strategy; and (6) outline how the chosen strategy is to be implemented in the short term.

A comparison of the processes described in Table 3.3 to these requirements clearly shows that most of the processes described by

respondents violate one or more of the requirements of the classical strategic planning model. For example, the process many respondents described is not a dedicated process in which the principal objective is the development of internal organizational strategy. Instead, the described process is an externally mandated requirement intended to provide information to external agencies (UMTA, state DOTs). In other cases, the process is not carried out on a cyclical basis, but only in an ad-hoc fashion. In many of the cases, the process does not have a long-term time horizon. In some cases, there is a formal and comprehensive analysis (by a consultant for example), but no process to either develop a comprehensive strategy or follow-up specific recommendations. In other cases, the cited process is not comprehensive, (i.e., it does not analyze all the activities of the organization). Finally, in some cases the process does not focus on both strategy and implementation, and does not develop the needed linkage between the strategic plan and the shorter term programs and budgets needed to implement it.

After comparing survey responses to the requirements of the classical strategic planning model, it appears that only the processes in the last category of Table 3.3 (Strategic, Business, and Management Plans) do not obviously violate one or more of the previous requirements. One might also include the four responses under the category of a Continuous Process with Dedicated Staff because their lack of formal strategic plans may be a result of their recent development, rather than of any specific decision. These two categories include a total of only 15 responses, or 14% of all survey responses; it is conceivable that several individual responses within these categories might not conform to the classical model on closer analysis.

This lack of classical strategic planning in the transit industry does not carry with it any value judgment; it may be more of a reflection on the classical model of strategic planning and its ambitiously comprehensive definition in the literature than on the transit industry. Still, it indicates that except for a small minority of cases, the industry does not subscribe to formal comprehensive strategic planning. The industry may still pursue alternative methods for achieving the same objectives, but these are not brought together in a formal comprehensive strategic plan.

Recent interest in strategic planning. The responses to questions concerning timing and frequency of strategic planning revealed that there is a growing interest in strategic planning. Excluding those responses relating to required activities such as UMTA's required TDPs etc., 8 of the 26 remaining responses concerned processes that were established for the first time in 1984-1985. Of these, 6 were in properties in the largest size category (over 500 vehicles), and these included 4 agencies which had created strategic or corporate planning offices. Thus half of the agencies in the largest size category had recently initiated a strategic planning effort. This indicates that these agencies felt a pressing need to develop a more organized and coordinated strategy building process to guide the organization.



### Strategic Planning, by Size of Transit Agency

Agency size is an important variable that was analyzed in-depth to identify its potential impact on the existence and type of strategic planning process described by respondents. Table 3.2, in the previous section, showed the strong relationship between agency size and existence of a strategic planning process. Table 3.4 shows the relationship between agency size and type of strategic planning process, as described by respondents. Table 3.4 provides a breakdown by agency size of the categories used in Table 3.3.

Small transit agencies. The processes described by managers of small transit agencies fell overwhelmingly into the categories of long range and short-range service plans. These two categories include 14 of the 18 responses (78%) by small transit agencies, while only one agency described a process that fell into the strategic, business, or management plan category. It is obvious that small transit agencies do not have dedicated processes to develop internal strategy, but rather rely on externally required planning processes. Possible explanations for the absence of dedicated strategy-setting processes include a lack of staff resources, lack of support for such activities, lack of training, or a lack of perceived need.

As for the high number of respondents who described long-range or short-range service plans as their strategic plans, there may be different phenomena at work. Small transit agencies may be using the development of externally required service planning documents as an opportunity to develop an internal strategy and a comprehensive program of organizational activities. Alternatively, the high number of responses in this category may result from confusion about what strategic planning is, and how it differs from long-range service planning. More in-depth research would be required to answer this question by analyzing the development and use of required planning documents.

Largest transit agencies. The analysis of the responses by the largest transit agencies shows that the situation is actually the reverse from that of small transit properties. Only 2 of 12 respondents described long-range service plans, while 10 respondents (83%) described processes that were dedicated to internal strategy building in some form or another, and were not externally required. Of these 10 respondents, 3 respondents described strategic, business, or management plans, 4 had recently created strategic staff functions, 2 had strategic studies carried out recently, and 1 had a comprehensive MBO process. Clearly, the largest transit agencies have the resources and/or the need to organize dedicated processes. These resources may not in all cases satisfy the requirements of the classical strategic planning model, but these agencies do not consider externally required service plans to be strategic planning, as illustrated by the pattern of response.

Big and medium transit agencies. A similar pattern to that found in Table 3.2 concerning the existence of strategic planning is found in

TABLE 3.4 Analysis of Strategic Planning Process (by Type and Size of Agency)

	Total		Number of Responses by Size Category			
	<u>No.</u>	<u>Prctg.</u>	<u>Largest</u>	<u>Big</u>	<u>Medium</u>	<u>Small</u>
Long-range Service Plans (TDPs, Capital Plans, etc.)	24	39%	2	6	7	9
Short-range Service Plans	9	15%	0	3	1	5
Annual Budgets	2	3%	0	1	0	1
Comprehensive "Strategic" Studies (Irregular Basis)	4	7%	2	1	1	0
Continuous Process With Dedicated Staff (Without Plans)	4	7%	4	0	0	0
Goals & Objectives, MBOs	7	11%	1	3	1	2
Strategic, Business, or Management Plans (Yearly Process)	11	18%	3	2	5	1
Total of Positive Respondents	61	100%	12	16	15	18
Total of Survey Responses, by Category	104	---	13	26	22	43

Table 3.4. The responses from big and medium size properties are similar to each other, but different from the responses of either the largest or small transit agencies. For example, 9 of the 16 respondents from big transit agencies (56%), and 8 of the 15 respondents from medium transit agencies (53%) described long range or short-range service plans as their strategic planning process. Therefore, these agencies gave comparable and more evenly balanced responses on the existence (or non-existence) of a dedicated management process to assist strategy development than did the small and largest size categories.

This suggests that there are two size-related thresholds. Below some level, transit agencies either do not have the staff and time resources to devote to a dedicated managerial process (strategic plans, goals and objectives, etc.) or they do not feel they need such formal processes because their organization or environment are sufficiently simple. Strategic planning, if it exists, is pursued through externally required service plans. Above that threshold, the organization of management functions becomes more complex and dedicated processes become more common. Transit agencies are on average as likely to develop dedicated processes (business plans, goals and objectives, etc.) for the development of organizational strategy as they are to use externally required service plans.

However, at some point a second threshold appears; the agency becomes so large or the environment so complex that a formal dedicated process becomes necessary to coordinate the formulation and implementation of strategies. Above this threshold, the largest agencies no longer consider the externally required long range and short-range service planning as sufficiently comprehensive to address the range of issues they must deal with. This is significantly different from agencies below this threshold (the big and medium agencies), over 50% of which use required long-term planning for their strategic planning. A significant number of agencies above that threshold have dedicated strategic or corporate planning staff, whereas smaller agencies rarely have specialized staff.

Although big and medium size agencies are similar along this dimension, the type of process that is used for strategic planning differs. Respondents from medium size agencies were more likely to use strategic, business, or management plans (5 out of 15) than big properties (2 out of 16) while big agencies reported using goals and objectives processes (3 out of 16) more frequently than did the medium size agencies (1 out of 15). A more in-depth analysis would be needed to explain this phenomenon. It should also be noted that both of the big properties that fell into the category of strategic business and management plans operated rail systems.

#### The Use of Analysis by Transit Agencies

Chapter 2 discussed the importance of analysis in strategic planning. The formulation of an organizational strategy through a stra-

ategic planning process should be based on a comprehensive, long-range analysis of all the internal and external factors that may affect the organization's health, capability to carry out its mission, and ability to grow. Strategic planning provides the opportunity to analyze the organization and its environment, to question its assumptions, and to reflect on its mission and future prospects.

Therefore, it was important to better understand the use of analysis within transit agencies, and its impact on strategy formulation. The research first identified six types of studies that were of a strategic nature (i.e., analysis that might be used as inputs to strategic planning processes and might be significant to the formulation of a organizational strategy). Transit managers were then provided a checklist of these six types of studies and asked whether their agency had conducted any of these types of studies in the last five years. For those that had, the question was asked whether these studies had been conducted internally or by consultants. Finally, the managers were asked what other types of studies had been carried out in their agency.

Table 3.5 summarizes of the responses to these questions. It shows the percentage of agencies that conducted each of these types of studies, and what percentage of the studies involved external consultants. This last question is useful because it indicates where transit agencies feel they need outside expertise and the study's degree of formality.

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TABLE 3.5 Strategic Studies Conducted by Transit Agencies in the Past Five Years

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<u>Type of Study</u>	<u>Use of Study Type</u>	<u>Use of Consultants (Prctg. of First Column)</u>
Short-range Service Plan	76%	32%
Capital Needs Study	73%	16%
Marketing Plan	64%	48%
Management Performance Audit	62%	84%
Financial Study	49%	51%
Alternatives Analysis	33%	80%

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### Types of Studies Conducted

Not surprisingly, the two most frequently performed types of studies were service plans (76% of positive responses) and capital needs studies (73%). This is consistent with the prior finding concerning the issues that were addressed by strategic plans. There is also a strong indication that if an agency conducts either a service plan or a capital needs study, it is more likely to do so internally without consultants. This is probably a direct result of UMTA's planning requirements that service and capital needs be analyzed in the agency's TDP. It creates an incentive for the internal development of necessary expertise.

The next most frequently performed studies were marketing plans (64% of positive responses) and management performance audits (62%). The relatively high number of agencies that conducted performance audits in the last five years is particularly important because audits can provide much of the information needed for the situation audit of the strategic planning process. This relatively high percentage of positive responses may be partly explained by an increasing number of states (e.g., California) that are requiring management performance audits of the systems to which they provide funding. Significantly, a high percentage (84%) of these studies were conducted by consultants, which may cause problems for strategic planning. Although consultant involvement may be consistent with external agencies' desires for an objective analysis, it does not necessarily serve the need for a participative analytic process where transit staff benefit from the learning experience of analyzing the internal and external issues of concern.

Financial studies (49% of positive responses) and alternatives analysis (33%) were the least frequently conducted of all six types of studies. It is somewhat surprising that financial studies were relatively less popular than other types of analyses, considering the difficult financial situation that transit properties are facing. This suggests that the use of analysis is not automatically linked to the handling of strategic issues.

Finally, the survey also identified other types of studies that transit agencies conducted. These are outlined in Table 3.6 by topic area. There was no mention of studies on organizational structure or procedures, nor of automation, except in the field of maintenance management.

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 TABLE 3.6 Other Types of Studies
 

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<u>Management:</u>	- Operations - Scheduling - Performance Indicators - Personnel
<u>Maintenance:</u>	- Preventive Maintenance Plan - Maintenance Management Information System
<u>Fares:</u>	- Fare Collection - Fare Policy
<u>Marketing:</u>	- Market Segmentation - Telephone Survey of Nonriders - Trip Management System Development
<u>Service:</u>	- Corridor Analysis - Paratransit - Elderly and Handicapped

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#### Impact of Agency Size

The survey and research project next considered the relationship of agency size on the use of analysis, in particular to assess whether small and medium transit agencies were less frequent users of analysis than larger agencies. The individual responses were analyzed by agency size and summarized in Table 3.7, which provides by agency size category the same information as Table 3.5.

Analysis in small transit agencies. Table 3.7 shows that small transit agencies consistently conducted fewer studies than all other size categories of transit agencies. Furthermore, this difference is significant because the percentage of positive responses dropped 10% - 20% from the medium size category to the small transit agency category. Small transit agencies also rely on consultants more than internal staff for a larger number of studies. The only types of studies where the analysis was done more frequently internally than using consultants (i.e., use of consultants was less than 50%) were capital needs studies and service plans.

These observations have two consequences. First, because small transit agencies do less analysis they have less information available

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TABLE 3.7 Strategic Studies Conducted in the Last Five Years, by Size of Agency

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Type of Study	Total	Largest Agency	Big Agency	Medium Agency	Small Agency
Service Plan	76% (32%)	69% (12%)	73% (31%)	91% (40%)	67% (34%)
Capital Needs Study	73% (16%)	77% (0%)	85% (14%)	77% (18%)	63% (22%)
Marketing Plan	64% (48%)	69% (33%)	65% (48%)	77% (30%)	56% (66%)
Mgmt. Performance Audit	62% (84%)	62% (100%)	69% (72%)	68% (93%)	53% (83%)
Financial Study	49% (51%)	69% (67%)	54% (50%)	50% (28%)	40% (57%)
Alternatives Analysis	33% (80%)	85% (82%)	54% (86%)	27% (67%)	7% (67%)

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Note: The numbers in parentheses are the percentage of the studies in that category where outside consultants were involved.

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as input to any strategic planning effort. Second, for a transit agency that does not have an organized strategic planning effort, these strategic-type studies can offer a partial substitute that provides information to help guide managerial decisions. However, not only are small agencies less likely to carry out strategic planning (refer to Table 3.2), but they are also less likely to have substitute sources of analysis and information available to them to replace strategic planning and to guide major, that is, strategic decisions (refer to Table 3.7).

Average number of strategic studies. An indication of the intensity of use of analysis can be gained by calculating the average number of strategic studies conducted by transit agencies (i.e., the total number of positive replies for all six types of studies divided by the number of survey respondents). Overall, each transit agency conducted an average of 3.57 studies of the six types listed in the survey. The average number of studies per transit agency was highly related to transit agency size: 4.3 for the largest size category; 4.0 for the big agency category; 3.9 for the medium size category; and 2.9 for the small transit agency category. Therefore, the average number of studies conducted decreased as agency size decreased with the most significant decrease occurring between the medium and small agency categories. This illustrates in another way the previous observation that small transit agencies carry out less analysis than the other size categories of transit agencies.

Most popular topics. This study has already concluded that service plans and capital needs studies were the most popular types of studies with 76% and 73% positive responses, respectively. Agency size slightly affects this observation (refer to Table 3.7). Small and medium size properties conducted service plans more frequently than any of the other five types of studies. Big and largest agencies, however, appear slightly more concerned about capital investment issues; they conducted capital needs studies (for the big agencies) or alternatives analysis studies (for the largest agencies) at greater rates than for service plans. This more intensive use of analysis for capital investment decisions reinforces the previous observation that large scale investment programs appear to motivate the organization of strategic planning activities.

Service plans. Excluding the small agency category and its consistently lower use of all types of analysis, Table 3.7 shows that the popularity of service plans is inversely related to agency size: 69% of the largest agencies conducted service plans in the last five years; 73% of the big agencies, and 91% of medium size properties. One possible explanation is that medium size transit agencies have been experiencing relatively more system growth than the big or the largest agencies because in the last few years the communities in which they are located have been growing faster than the larger metropolitan areas. Another potential factor may be that medium size properties were likely to have been privately or municipally operated until very recently. With public takeover or regionalization, these transit agencies must review their



route structure, which requires a service plan. In any case, it implies that medium size agencies are more likely than other agencies to have a recent information base concerning service planning which may be relatively easy to build upon in a strategic planning effort.

A second observation is that all transit agencies, regardless of their size, are more likely to develop service plans internally without consultants than with consultants. The percentage of studies involving consultants was 32% for all respondents, and hovered around one-third (31% - 40%) for all categories except the largest agencies where it was only 12%. Given the strategic importance of service design for transit agencies, it is likely that this analytic activity will generally be conducted internally, except for major service evaluations where additional expertise is required. The significantly lower use of consultants for service planning by the largest agencies may reflect the relatively larger size of staff resources that are available to them internally.

Capital needs studies. Capital needs studies are very popular for all size agencies and are frequently conducted internally without consultants. Excluding the small agency category, four-fifths of all the other transit agencies conducted capital needs studies in the last five years. Furthermore, the proportion of positive responses varied little (8%) among the three different categories. Capital needs studies were also popular with small agencies but to a lesser extent (63%). The high proportion of agencies that conducted capital needs studies is most likely related to federal planning requirements. It is interesting to compare capital needs studies with service planning, which is also required; the number of agencies that conducted capital needs studies varies little with agency size, while the number of agencies that developed service plans varies significantly with agency size. Apparently, the review of capital requirements is a regular activity which all agencies consider necessary; whereas, service planning may represent a major undertaking that is done only as needed.

A second observation is that a small proportion of these studies used consultants (0% - 22%), and the small variation was inversely related to size. The proportion of studies with consultant involvement was 22% for small agencies, 18% for medium ones, 14% for big ones, and 0% for the largest agencies. Apparently, the expertise for such studies is found internally, but appears to be slightly affected by availability of staff resources.

Marketing plans. The relative popularity of marketing plans is not affected by agency size. Excluding the small transit agency category, the positive response rates concerning marketing plans varies only from 65% to 77%. The slightly higher use of marketing in medium size agencies (77%) may be related to the relatively high service planning activity observed earlier. Recent changes to medium size communities will not only revise service plans, but may also require a better understanding of changes in the ridership.

Management performance audits. Use of management performance audits is only slightly affected by agency size. Excluding the small agency category, there was only a 7% variation in positive responses among the three other size categories (62% - 69%). Even small agencies were not far below, with a 53% positive response rate. This lack of variation is relatively surprising since one might have hypothesized a slightly greater use of performance audits by larger agencies given their relatively greater complexity in improving performance. This stable proportion of performance audits, however, might be explained by the increasing use of these studies by state governments: state government requirements for performance audits apply to all agencies without respect to size.

Table 3.7 also shows that a very high proportion of management performance audits (72% - 100%) involved outside consultants, irrespective of agency size. This may be explained by the need for objectivity, and the perception that this can only be achieved if the performance audit is conducted by persons outside the organization. This would be especially true if these studies were primarily the result of state requirements.

Financial studies. The percentage of transit agencies that recently conducted financial studies increased considerably with agency size, as did the involvement of consultants in these studies. The previous section noted the relatively low number of agencies that conducted financial studies (49% overall). Table 3.7 shows that the proportion of positive responses varies considerably and directly with size of agency: 40% for small agencies; 50% for medium ones; 54% for big ones; and 69% for the largest. There is a 29% variation across all agency sizes, and a 19% across the top three. A second observation is that there is a parallel progression of the use of consultants for such studies (excluding the small agency category which systematically calls on outside expertise to a greater extent): medium size agencies only used consultants in 28% of the studies; big agencies jumped to 50% use; and the largest agencies, to 67%.

The combination of these two observations suggests that medium size properties feel less of a need for financial studies, either because they are more stable or because they have fewer options to analyze and conduct less formal financial analysis when they do, instead relying primarily on their internal expertise. As agencies get larger, their situation becomes considerably more complex, requiring more frequent and formal financial analysis. This will generally require calling on outside financial expertise. The implication of these observations is that the big and largest agencies are much more likely to have more recent and sophisticated financial information available to them for strategic planning. To the extent that financial issues are important strategic factors, small and medium agencies will be at a considerable disadvantage in any strategic planning effort.

Alternative analysis. The conduct of alternative analysis studies is highly correlated to size. Given the purpose of alternative analysis

studies is to evaluate alternative service designs and capital investment options, in particular rail options, it is not surprising that there is such a strong correlation between the positive response rate and agency size. Excluding small agencies, the proportion of agencies that recently conducted alternatives analysis was 27% for medium size agencies, 54% for big, and 85% for the largest agencies (refer to Table 3.7). The use of consultants in these studies was high for all sizes of agencies, and ranged from 67% to 86%. This is not surprising given the complexity of such studies and the length of time required to complete them.

### Implications for Strategy Formulation

Analysis is a pivotal aspect of strategic planning. In this study we wanted to gain a better understanding of the amount of analysis developed in the transit industry, particularly with respect to six specific types of studies that are of a strategic nature and fairly well defined in the industry. The survey provided insight into the analytic propensity of the industry.

Overall, the transit industry does not intensively use strategic analysis. The most frequently performed kinds of analysis were service plans and capital needs study, but only three-fourths of the respondents had conducted such studies in the last five years. The strategic management literature suggests that such critical analyses should be updated annually and reanalyzed every two or three years. The number of agencies that had developed marketing plans or conducted management performance audits was less than two-thirds. Less than 50% of the transit agencies had undertaken major financial studies in the last five years despite the important financial issues that have threatened the transit industry. Furthermore, these response rates may be slightly biased upwards given the survey methodology; it would take a more in-depth analysis with a more specific definition of "study" to verify the responses. Therefore, this survey may overstate the industry's analytic intensity.

However, the survey provides a good picture of the relative importance and popularity of these different types of studies for the different agency size categories. First, there appears to be more emphasis in the industry on operational analysis (e.g., service plans, capital needs) than on management of the organization or marketing of the service. This may pose difficulties for the development of strategic planning in the transit industry, because strategic planning puts these different aspects of the organization on an equal footing. The industry would need to develop a stronger focus on marketing, finance, and strategic management.

Second, on the whole, transit agencies do not have the analytic base to offer a real substitute to a strategic planning process. A transit agency that regularly analyzes not only service and capital needs but also organizational practices, consumer needs, the political

(and thus financial) environment, so on, might develop the comprehensive understanding of the agency and the agency's future that would enable the development of sound organizational strategies. This is clearly not the norm in the industry given the relative imbalance between the different types of analysis. The survey responses indicate that strategy setting is either driven by the analysis of operational requirements, based on managerial experience and judgment rather than analysis, or is not formally developed at all.

Third, the comparative analysis of the four agency size categories shows that small agencies consistently carry out less analysis. This poses several problems for strategic planning. First, small agencies are the least able of the four categories to use existing analysis as a substitute for the analysis provided by a strategic planning process. Second, if a small agency were to organize a strategic planning process, then the existing information base that would be at its disposal and could be used as input to the process, would be considerably less than that available for larger transit agencies. Third, because small transit agencies conduct and use analysis less than other size transit agencies, they would be more uncomfortable with a process such as strategic planning which emphasizes analysis and the use of information as a basis for selecting organizational strategy. Therefore, the concept of strategic planning in small agencies would have a less solid basis on which it could be built.

Finally, with respect to the use of analysis, a comparison of the three other agency size categories in Table 3.7 indicates that there is much less difference among them than might be expected. Although medium size properties on average conducted fewer financial studies in the last five years than the big or largest agencies, they carried out both marketing plans and service plans at greater rates than the other two categories, and were equivalent with respect to capital needs studies or management performance audits. Medium size transit agencies, despite their small size and limited staff resources, appear to use strategic-type analysis as intensively as the much larger agencies. This may have positive implications for the acceptance of strategic-type analysis and strategic planning in medium sized transit agencies, and appears to be a substantially different situation from that found in small transit agencies.

#### The Impacts of Analysis on Strategy

Having explored the types and amount of analysis that transit agencies carried out, we assessed what the impacts of this analysis had been. The survey asked respondents what impacts the previous studies had on the agency's strategy or direction. Table 3.8 summarizes the overall responses.

TABLE 3.8 Impacts of Studies on Strategy

Agencies Indicating No Impact	32%
Agencies Indicating Impact	68%
Small impact	5%
Vague statements about impacts	20%
Specific impacts	43%

#### Perception of Impacts

A relatively high percentage of the survey respondents (32%) reported that the studies had no impact on the agency's direction or strategy. First, this response may suggest that the type or format of analysis was inappropriate for assisting strategic decisions, which is especially plausible because much of the analysis was conducted to satisfy externally mandated requirements (from UMTA and state DOTs) rather than to support internal managerial decisions.

A second factor may be the difficulty of assessing a study's significance after-the-fact. Analysis often serves as background to a decision, providing a common understanding of issues without identifying specific recommendations. In such cases the analysis may be perceived as having had no significant impact, although it contributed to the choice of strategy.

Finally, this response may be explained by a more general lack of regard for analysis in the transit industry. The environment of transit is often turbulent, uncertain, and politically sensitive. This may create a context within which decisions are more frequently based on judgment, experience, and political feasibility rather than on technical analysis. Analysis may be carried out not as a basis for decision, but in order to support decisions arrived at through other methods. To the extent that this type of factor may be relevant, it may make strategic planning all the harder to implement.

Table 3.8 shows that 68% of the respondents felt that these studies had an impact on the organization's direction. Table 3.8 also shows the breakdown of the positive responses into three categories. First, 5% of all respondents said the studies had only a small impact on strategy. Second, 20% of all respondents said the studies had an impact, but provided only vague statements about the nature of this impact (e.g., "assisted decision making"). Third, 43% of all respondents provided specific examples of the impact of these studies. The research focused on this third category to gain better understanding of the nature of studies' impacts.

Table 3.9 outlines the types of studies most often cited by respondents as having had an impact and the type of impact reported. Service

plans were most often cited as having had an impact; service plans were also the most frequently performed type of analysis. Most of the impacts of service plans related to the structure and quality of service provided although a few respondents mentioned that their service plans had also had impacts on system performance, costs, and (in a few rare cases) long-range goals.

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TABLE 3.9 Specific Impacts of Studies

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<u>Types of Studies</u>	<u>Types of Impacts</u>
1. Service Plans: (20 mentions)	<ul style="list-style-type: none"> <li>- changes to route structure</li> <li>- service improvements</li> <li>- cost savings</li> <li>- new types of service (for E &amp; H)</li> <li>- improved performance</li> <li>- reallocation of personnel</li> <li>- direction for long-range goals</li> </ul>
2. Management Performance Audits: (14 mentions)	<ul style="list-style-type: none"> <li>- changes to organization structure</li> <li>- improved financial control</li> <li>- new institutional (regional) structure</li> <li>- development of management philosophy</li> <li>- refocus on service delivery</li> <li>- created organizational turmoil</li> <li>- development of performance indicators</li> <li>- specific methods to increase efficiency</li> <li>- development of goals &amp; objectives</li> <li>- identification of weaknesses &amp; strengths</li> </ul>
3. Capital Needs with Alternatives Analysis: (13 mentions)	<ul style="list-style-type: none"> <li>- provided justification, priorities, and planning of capital investments</li> <li>- rail system development or expansion</li> <li>- vehicles</li> <li>- maintenance facility</li> <li>- CBD improvements</li> <li>- farebox acquisition</li> </ul>
4. Marketing Plans: (9 mentions)	<ul style="list-style-type: none"> <li>- choice of priority market segment</li> <li>- development and implementation of marketing strategy</li> <li>- specific promotional comparisons</li> <li>- development of management philosophy (consumer orientation)</li> </ul>
5. Financial Studies: (4 mentions)	<ul style="list-style-type: none"> <li>- identification and evaluation of alternative sources</li> </ul>

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The second most frequently cited type of study was the management performance audit. Management performance audits clearly had the widest range of impacts of all the studies mentioned. Some of the impacts affected the overall organization (e.g., management philosophy, goals and objectives, organizational structure), and others involved impacts at a more focused level (e.g., improved financial control, actions to improve efficiency). However, these impacts were not always positive: one respondent mentioned that the main result of the management performance audit was organizational turmoil.

The third study cited was capital needs (along with alternatives analysis). As expected, the impacts of these studies focused primarily on the justification, establishment of priorities, and planning of capital investment decisions. The scope of these decisions ranged from the planning of an entire rail system to the acquisition of fareboxes. Several respondents mentioned marketing plans; their impacts related primarily to the identification of target market segments, the development of marketing strategies, or the design and implementation of promotional campaigns. One respondent replied that the study had helped develop a consumer-oriented management philosophy.

Finally, financial studies were mentioned by four respondents who all reported that the impact concerned the identification and evaluation of alternative sources of funding in order to develop a permanent and stable funding base. The perceived smaller impact of financial studies may be because a small number of financial studies was performed and because financial studies at best serve as discussion papers. Implementation of any recommendations may require much more external and political debate than would be the case for other types of studies.

#### Impacts of Studies, by Agency Size

The perceived impact of these strategic studies varied little across different agency size categories, with the exception of the largest agencies. Table 3.8 shows that overall 43% of respondents identified specific impacts resulting from these studies. The response rate for this question was 37% for small transit agencies, 40% for medium size agencies, 46% for big agencies, and 61% for the largest agencies. There was only a 9% difference in the response rates between the small and the big transit agencies, which indicates a certain consensus on the perceived impact of strategic studies. The exception was the largest agency category where a higher percentage (61%) of respondents identified specific impacts. An explanation of this high positive response may be provided by a more in-depth analysis of the types of impacts identified by different sized agencies.

The largest transit agencies cited changes to management as the most common impact of these studies, followed by impacts on capital investment decisions and on agency goals. Of the respondents from the largest agencies who described specific impacts, 62% said that these studies led to changes in the management of the organization (new orga-

nization structure, new procedures, development of performance indicators, etc.). Furthermore, 50% of these respondents also mentioned impacts these studies had on capital investment decisions (in particular rail expansion), and 50% said specific organizational goals resulted from these studies. Apparently, several of the largest transit agencies are in a phase of change, and respondents from these agencies perceive that specific studies played a significant role in the decisions leading to these changes.

Big agencies reported that the most significant impacts of these studies were in the areas of service and capital investment. Of the respondents from big agencies who cited specific impacts, 41% mentioned that these studies resulted in changes to services, while 41% said they had influenced capital investment decisions. Big transit agencies are apparently experiencing less change in their management than the largest agencies.

The impact of these studies on medium size agencies occurred evenly across a variety of areas: management, goals, service, capital investment, marketing, etc. This may be partly due to the slightly wider variety of studies that medium size agencies were performing. Finally, the impact of these studies on small transit agencies predominantly focused on changes in their service (62% of the respondents). The impact on other areas was negligible.

#### Impacts of Studies on Organizational Strategy

Perhaps most important is the perceived impact of these studies on organizational goals and strategy, which helps explain the current role analysis plays in strategy formulation and the difference with strategic planning. Overall, the six types of strategic studies appear to have more impact on specific aspects of the agency, its service, its costs, and its organization than on the agency's goals or strategy. The 45 respondents who identified specific impacts resulting from these studies provided an inventory of 80 different examples of impacts; of these, only 11 related to organizational goals or strategy.

Finally, there was no obvious pattern relating study type and impact on agency goals because several different types of studies were cited by respondents. The impacts of these studies varied considerably, including: the identification of specific service and managerial objectives, the recognition of a need for a more clearly defined strategy, the identification of target market segments, the development of strategic alternatives, etc. These are clearly issues that would be addressed by a strategic planning process, but the relatively low levels of focus on goals and strategy emerging from these studies highlights the lack of a "strategy" analysis tradition. By comparison, strategic planning would introduce a new type of analysis and a different focus (overall goals and strategy vs. specific changes to the service or organizational structure), which appear to be relatively uncommon in transit agencies.



### Use of Strategic Management Tools

Having explored the use of strategic planning and strategic-type studies in the transit industry, the research explored the use of alternative tools that might be used by transit managers. Three managerial tools appeared particularly relevant in this context: performance indicators, management by objectives, and retreats.

It was important to analyze the use of these three tools for two reasons. First, because they offer partial substitutes for a strategic planning process, it is of interest to see how widely they are used. Second, there was a perception that managers who were using such tools exhibited a strategic outlook and might be more susceptible to the logic behind the concept of strategic planning. Therefore, it would be interesting to see if there were any patterns concerning their use that were affected by agency size.

#### Performance Indicators

Performance indicators are used extensively in the transit industry, and the extent to which they are used varies little with agency size. Overall 82% of the survey respondents reported that they use performance indicators. Breaking down the responses according to agency size showed consistent use for the largest (85%), big (88%), and medium size (86%) transit agencies. Although the use for small agencies was somewhat less (74%), it was still high compared to their reported use of analysis. In fact, performance indicators are more popular with transit managers than any of the types of analysis discussed earlier.

The strong use of performance indicators implies that this tool has become widely accepted by the industry, and that managers recognize the need for continuous monitoring of agency performance. This finding is encouraging because early identification of potential problems through continuous monitoring is a prerequisite of strategic management. Furthermore, such monitoring can provide valuable input into a strategic planning effort; it provides a history of the organization and its performance, and a basis from which to analyze alternative future options.

Finally, the strong consistency of responses across the industry is quite surprising. One potential explanation is that performance indicators may represent a flexible managerial tool whose use is less dependent on technical expertise than other tools or technical studies. To some extent, the implementation of performance indicators only requires expertise at the outset when the choice of indicators is made and appropriate targets are chosen. Subsequently, their use relies primarily on routines for collecting data, processing it in standard ways, and displaying it. This makes performance indicators highly accessible to all agencies, including small ones. The strong consistency of responses most likely indicates that managers find this tool accessible and useful in that it fills a recognized need of all size agencies.

## Management by Objectives

Management by Objectives (MBO) is highly and consistently used in medium, big, and largest transit agencies. Of the managers who reported that their agency had a formal MBO process, 62% were from largest agencies, 65% were from the big agencies, and 64% were from the medium agency size category; this represents only a 3% variation among the response rates of the three size categories. In contrast, a formal MBO process existed in only 30% of the small transit agencies. Overall one out of two survey respondents (50%) had an MBO process.

MBO has made a relatively recent appearance within the transit industry so the definition of what constitutes MBO is not uniformly shared. As a result, it may be necessary to treat these responses with caution. Nonetheless, it is obvious that the use of at least what respondents perceive to be MBO is consistent in transit agencies of different sizes (except small), which indicates a strong interest from transit managers to provide more structure to the activities of the organization.

There are several possible explanations for the much lower use of MBO by small transit agencies. It may be caused by a lack of expertise and understanding of the concept by managers of small agencies. It may be the result of a lack of resources, especially staff and time, to allow the concept to be implemented. Alternatively, managers of small agencies may perceive less need for such a process in organizations that have so little staff. Although there is some basis for such perceptions, the process of defining objectives is a valuable effort for any organization, regardless of its size.

The fairly high use of MBO within the transit industry is encouraging for the future use of strategic planning. MBO involves a structured process of defining one-year objectives for the organization, departments, and individual employees. It then monitors the attainment of these objectives on an ongoing basis to identify early problems in performance. In some cases, MBO is also formally linked to the allocation of resources within the agency or to the monetary reward of strong performance through bonuses or raises.

The existence of an MBO process can encourage strategic planning in different ways. First, it involves a comprehensive, agencywide managerial process as does strategic planning; therefore, MBO establishes a precedent for implementing such a process without creating organizational upheaval. Second, MBO involves the monitoring of performance often through quantitative indicators. Through their involvement with the MBO process, agency managers and staff, who might have little quantitative background, will become more familiar with quantitative techniques and more comfortable with the use of quantitative information for management purposes. This will also support strategic planning and the emphasis it places on analysis. Third, and most important, MBO involves the defining of objectives for the organization and its employees. To

some extent, this is at the heart of strategic planning. The more aware agency employees become of the importance of establishing targets to provide direction to their activities, the easier it will be for them to recognize the need for developing organization-wide goals and strategy. In such circumstances, the concept of strategic planning is less unfamiliar and easier to implement.

MBO and strategic planning are thus related, which is illustrated by the number of respondents who identified the agency's MBO process in the survey question concerning strategic planning. Nonetheless, there are differences between MBO and strategic planning. The focus of MBO is primarily individual performance; whereas, the focus of strategic planning is the survival and health of the organization. MBO assumes a continuum; this year's objectives should be to achieve that which could not be achieved last year. Strategic planning questions working assumptions and builds a vision of the organization that does not need to be confined by the past. MBO operates within a one-year time horizon; whereas, strategic planning has a long-term horizon. In essence MBO is one of the managerial mechanisms that can be used to translate the strategy developed through strategic planning into organizational reality. Despite these differences, the use of MBO by many transit agencies creates changes within these agencies that facilitate the implementation of strategic planning. Conversely, the much lower use of MBO by small transit agencies makes it all the harder to pursue strategic planning.

### Retreats

Retreats are only used moderately by the transit industry for the purpose of formulating organizational strategy. However, the use of retreats varies greatly with size of agency. The largest agencies use retreats at more than twice the rate of big or medium agencies, and eight times the rate of small agencies. Managers were asked whether retreats had been conducted in the last two years to develop strategy, and if so, how many times. The overall response rate for the use of retreats was 28%, but this varied greatly with size: 77% for the largest agencies, 32% for agencies big, 31% for medium agencies, and only 9% for the small agencies. For agencies that conducted retreats in the last two years, their use of this mechanism was moderate; 69% conducted one or two retreats in that time. Only 8% conducted three or more retreats in the last two years, and five of these nine respondents were from the largest agency category.

These findings are surprising. Strategy retreats offer a useful alternative to a formal strategic planning process. Although they do not provide the depth of analysis, extent of participation, or formal documentation of a formal strategic planning process, they do provide a structural forum for key decision makers to discuss agency mission and goals, analyze strategic issues, and evaluate alternative organizational strategies. Retreats are also more flexible, less time-consuming, less demanding in expertise or information, and less costly. Although strategy retreats do not provide all that can be achieved through a formal

strategic planning process, they do provide a valuable alternative for pursuing some of the same objectives that should be equally available to agencies of all sizes.

There are several possible explanations for the surprising survey findings. First, low use of strategy retreats may be due to the lack of tradition in the industry as a whole. The transit industry is fairly conservative and adopts new managerial practices relatively slowly. Before public takeovers, strategy setting was done primarily by the president of the private operation. In the last decade after transit became public, a public administration approach evolved where goals were discussed in public board meetings. In both cases, there was no tradition of strategy retreats. Today, as transit agencies are increasingly asked to be run like modern private businesses, such a tradition is likely to develop because there is need for a variety of mechanisms to discuss and evaluate strategy options for both management and board members. Furthermore, one annually held board meeting to discuss the agency's budget is totally insufficient to either understand where the organization is at present or to assess where it might (or should) head in the future. This lack of tradition might provide a plausible explanation especially when one considers that managerial practices often filter down from the largest to smaller agencies; this would be consistent with size-related use of retreats that has been observed in the survey. As the tradition builds within the industry, one might expect increased use of retreats by all agencies, particularly the small agencies.

A second explanation may be linked to the fact that strategy retreats are a particular form of communication, one that is geared to developing consensus among key decision makers. The low use of this form of communication may indicate a general lack of communication in the industry, both internally and externally. Transit management generally does not emphasize communications because managers are usually rewarded for their ability to operate a reliable service and run a tight ship rather than for their ability to build consensus. Therefore, adherence to routines and achievement of efficiency are usually more highly valued than the ability to communicate. Transit managers are more likely to be reactive rather than proactive with respect to communications; internal communications tend to be minimal and external communications occur only when requested by external sources (city council, media, state or federal decision makers, etc.).

This low use of retreats for strategy formulation most likely implies little discussion of options, either internally or externally. Internally, the transit managers will tend to develop options alone without much internal discussion and then present them to the board. Externally, the only participants who will be involved will be those with the power to demand it. The result of this scenario is consistent with the survey findings, and suggests that strategy retreats are likely to occur in one of two situations: where complex external or internal circumstances require the building of consensus or where a highly

proactive manager wishes to better manage the future of the organization. This first situation might explain the high percentage of largest agencies that regularly use strategy retreats.

A third explanation for the low use of strategy retreats may be that the need for such a mechanism has not been fully recognized within the transit industry. Up to now, transit managers have been primarily preoccupied with managing for the present and have not yet fully recognized the equally powerful need to manage for the future. As this need becomes more evident, transit managers will need to identify appropriate mechanisms, and strategy retreats are more likely to be used.

All three explanations for the low use of strategy retreats may also apply to the low use of formal strategic planning. This is obvious given the similarity of their objectives. However, the extremely low use of strategy retreats by small transit agencies is disturbing given their relative ease of implementation. This issue needs to be addressed by persons wishing to strengthen the strategic management capabilities of these agencies. It is recommended that small transit agencies be actively encouraged to use strategy retreats in order to develop more sound organizational strategy.

#### Availability of Staff Resources

The availability of specialized staff resources can have an important impact on the ability of a transit agency to implement a strategic planning process. Staff is needed in order to handle the logistics of such a comprehensive process, to coordinate discussions and the input of all participants, and to monitor implementation. Staff is also needed to conduct analysis, synthesize findings, and to present options and their impacts. It is also perhaps a factor that varies considerably with agency size.

Respondents were asked whether they had staff resources available to them in six preselected areas, and if so, to specify the number of staff persons in each area. The six areas were: service planning, capital planning, marketing, management information systems (MIS), executive assistants, and corporate planning. The first three areas parallel the previous discussion of strategic studies. MIS staff was included because formal strategic planning can involve considerable data collection and manipulation or reprocessing of existing information; therefore, a lack of MIS staff could limit the ability of the agency to carry out complex data analysis. Executive assistants were included because they often perform various tasks that are relevant for strategic planning including: organizational coordination, identification of potential problems (scanning), trouble shooting, etc. They were also included because their role or potential has not been sufficiently understood. Finally, corporate planning staff was included for obvious reasons.

Table 3.10 summarizes the responses on the availability of staff resources for the overall survey and by transit agency size category. The first finding is that the small transit agencies have less specialized staff than other size agencies. The percentage of small agencies that have specialized staff peaked at 38% for service planning, and then dropped to 27% - 22% for the next four areas. To put this in perspective, Table 3.10 shows that response rates increase dramatically between the small agency category and the medium size category. Excluding the corporate planning area, the gap ranges from 26% for executive assistants to 68% for marketing. Furthermore, even when a small system indicated the availability of staff, it was often less than a full staff person; in many cases one staff person covered three or four areas of responsibility. This explains the lower response rate boundary of 22%; it does not mean that 22% of small agencies had dedicated capital planning or MIS personnel, but rather that someone on staff other than the manager handled those areas of responsibility. Conversely in 78% of the small agencies capital planning and MIS responsibilities were handled by the manager or not handled at all.

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TABLE 3.10 Availability of Staff Resources

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Type of Staff	Overall Survey		By Size of Agency			
	Including Small Agencies	Excluding Small Agencies	Largest	Big	Medium	Small
Service Planning	71%	92%	100%	96%	81%	38%
Marketing	70%	97%	100%	96%	95%	27%
Capital Planning	53%	73%	92%	80%	52%	22%
MIS	46%	69%	100%	64%	57%	22%
Executive Asst.	42%	54%	69%	52%	48%	22%
Corporate Planning	18%	29%	61%	16%	24%	0%

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This finding has important implications for strategic planning in small agencies; it confirms the hypothetical lack of staff resources available to these agencies. The organization of strategic planning activities will be considerably harder for small agencies than for other size agencies because the various aspects of strategic planning (the

organization of the process, the analysis of the issues, options, and impacts, and the implementation of the strategy) will all be in direct competition with the manager's day-to-day responsibilities. There is little opportunity to delegate either logistics or analysis.

Table 3.10 also shows that there is a significant difference in this respect between small and medium size agencies; the availability of staff resources in medium size agencies is much more comparable to that of big agencies than to that of small agencies. We again find the threshold that has been identified between small and medium size agencies. The difference in response rates between medium and big agencies is under 16% for all areas except capital planning; this compares to the 26% - 68% difference in response rates found between the small and medium agency size categories.

Having identified the systematic nature of the small agency's lack of staff resources, small agencies were excluded from the discussion of other patterns that appear in Table 3.10. The first column presents the total response rate including responses from small agencies. The second column presents the response rates excluding the small agency category; this second column summarizes the availability of staff resources for all transit agencies with more than 50 peak-hour vehicles. The difference between the two columns illustrates in another way the lack of staff resources for small agencies.

#### Staff Resources, by Area

The responses in Table 3.10 have been displayed in descending order of the overall survey response rates. The ranking of staff availability shows that agencies most often have service planning and marketing staff, followed in decreasing order by capital planning staff, MIS staff, and executive assistants. A much smaller proportion of agencies have corporate planning staff. When small transit agencies are excluded, a slight variation in this ranking occurs: marketing staff become slightly more prevalent than service planning staff. This occurs because medium size agencies have marketing staff available to them more frequently than service planning staff. This effect is no longer mitigated by the higher availability of service planning staff to small agencies.

Service planning and marketing. Specialized service planning and marketing staff are available to nearly all transit agencies (excluding small ones). As Table 3.10 shows, the staff availability rates for these two types of staff are extremely high, generally ranging between 95% and 100%. The sole exception is the response rate concerning service planning staff in medium size agencies, which is somewhat lower (81%) than this range and is lower than the availability of marketing staff for medium agencies. This lower response may be due to some confusion between service planning and executive assistants. Alternatively, it might be explained by special organizational arrangements; four of the five negative responses in this category were

from agencies which are operated with private management contracts. There is a slight variation in the responses related to agency size for both service planning and marketing staff, but nonetheless, the responses remain extremely high.

It is not surprising that service planning staff is so pervasive considering the importance of service planning to the provision of transit service and the numerous planning documents that are required by the federal government. On the other hand, the high availability of marketing staff is more surprising, especially for medium size properties where the response rate was even higher than those for service planning staff. It would appear that medium size agencies are too large to handle marketing activities on an ad-hoc basis; a marketing staff person is needed to handle media relations, customer service, promotional campaigns, user information, etc.

Capital planning. Nearly three-fourths of all transit agencies (excluding small ones) have specialized staff for capital planning, but the availability of such staff increases dramatically with the size of the agency. Table 3.10 shows that 73% of the (non-small) transit agencies have capital planning staff. The response rate varied by 40%: 92% of the largest agencies, 80% of the big ones, and only 52% of the medium size agencies reported having capital planning staff. This is logical because as agencies get larger, the planning of their capital facilities becomes much more complex and necessitates specialized staff. On one hand, the big and largest agencies are more likely to plan or operate rail systems or bus ways which require specialized planning and engineering. On the other hand, the planning of bus maintenance facilities is also likely to require much more sophisticated and specialized expertise as the size of the facility increases.

MIS. Over two-thirds of all transit agencies (excluding small ones) have specialized staff for MIS, but the availability of such staff in the largest agencies is much higher than it is in big and medium size agencies. Again, the spread between the different responses is very large, ranging from 57% (medium) to 64% (big) to 100% (largest). In this case, however, the responses of big agencies were much closer to those of medium size agencies than to those of the largest ones; there was only a 7% difference in the response rates of big and medium size agencies. This is the reverse of that found for the availability of capital planning staff where the comparable difference in their response rate was 28%.

Compared to the largest agencies, big transit agencies appear to have a much lower need for specialized MIS staff. This may be explained by different factors. Big agencies may find it more economical to use contract services to meet their needs in data processing, payroll, etc. They may use small computers (mini or microcomputers) that require less specialized staff. They may use off-the-shelf software packages more frequently and have no need for in-house programmers. In comparison, the largest agencies are likely to have economies of scale which make it



attractive to internalize all data processing functions. This may require the use of much more complex main-frame computers. Furthermore, software programs may also have to be tailored to meet the agency's needs. These various factors will create a very high need for specialized MIS staff. The survey found that 100% of the largest agencies have such staff.

Executive assistants. Only one-half of all transit agencies (excluding small ones) have executive assistant positions, although the availability of such staff is considerably greater in the largest agencies. Table 3.10 shows that 54% of all the (non-small) transit agencies have executive assistants; the availability rates in big (52%) and medium size (48%) agencies are very similar, and are considerably less than the equivalent rate for the largest agencies (69%). This pattern is similar to that discussed for MIS staff, except that the staff availability rate for the largest agencies is much lower than in the previous case: 69% instead of 100%.

In analyzing these availability rates, it should be noted that several of the medium size agency respondents did not specify the actual number of staff, but merely indicated availability of staff resources in this area. In some cases this may mean that there is no executive assistant per se, but rather that one staff person has several areas of responsibility, including serving as an executive assistant. Therefore, the availability rate for the medium agencies may be slightly inflated, and the spread in responses between medium and big agencies may be larger than the 4% indicated in Table 3.10.

It is nonetheless noteworthy that only 52% of big agencies have executive assistant staff considering the important role such staff can play in strategic planning. Executive assistants can provide a staff resource to top management that is relatively objective and neutral because they are not embedded within any given department and view the organization and its activities from above. They also allow management the ability to evaluate options and make more informed decisions. Executive assistants can serve an important coordination role within the organization. Finally, they can provide ongoing liaison with other agencies, and serve as the "eyes and ears" of top management. This helps management identify problems before they become crisis.

All these functions relate to our discussion of strategic planning. If an agency wishes to implement a strategic planning process without creating dedicated staff, existing executive assistant staff might be able to provide the needed coordination of logistics and analysis as part of their various responsibilities. Alternatively, executive assistant staff might be able to provide a less formal substitute for various aspects of strategic planning, including: identifying issues, developing alternative strategy options, evaluating their impacts, and coordinating and monitoring the implementation of strategy. Table 3.10 shows that currently only-half of big and medium size agencies have such staff available to them, staff that might be used to strengthen their strategic planning or management capabilities.

Corporate planning. The largest transit agencies are the only ones that have corporate planning staff to any extent. Table 3.10 shows that 61% of the largest agencies have corporate planning staff while the availability rates drop to 16% and 24% for big and medium size agencies, respectively. This clearly shows one relationship between agency size and strategic planning: only the largest agencies can justify having dedicated staff for strategic planning.

The responses from the big and medium size agencies require more detailed analysis. In the first case, there were respondents from big agencies who reported that their agency had corporate staff: two of the respondents indicated the existence of staff availability without specifying actual staff resources, while the other two were from agencies operating rail systems. This last fact is particularly relevant because it reinforces a previous observation that the operation of a rail system increases the need for strategic planning. Rail operations, are much more similar to the largest agencies and, therefore, should be recategorized.

As for the medium size agencies with corporate planning staff, a slightly different phenomenon appears to be at work. Some of these agencies appear to have considerably expanded the scope of their required long-range service planning, and to have incorporated other dimensions such as the setting of organizational goals and objectives, the allocation of resources, manpower planning, etc. The staff members responsible for this process do not fall neatly into the survey's framework; they are responsible for comprehensive management planning, and have thus found their way into Table 3.10 under corporate planning. Further research would be needed to verify this hypothesis.

#### Size of Specialized Staff

Having analyzed in detail the availability of staff resources, it is worth looking briefly at the survey's findings concerning the size of specialized staff available for different size agencies. Table 3.11 summarizes these findings, presenting the average number of staff persons by staff type and by size of agency. Only responses which specified actual numbers of staff were used in these calculations. In two cases there were too few responses to provide a reliable number. Finally, staff size was not necessarily greater than one; in some cases several responsibilities were carried out by only one staff.

Several observations can be made from analysis of Table 3.11. First, the average specialized staff size of the largest transit agencies is consistently greater than that of big agencies for all categories of specialized staff. Depending on the type of staff, the order of magnitude of this size differential varies from two to 10. For example, the largest agencies have only twice the number of executive assistants as big agencies (two vs. one), but have 10 times the number of MIS staff (17.00 vs. 1.71).

A related observation is that the average specialized staff size of big agencies is much more comparable to that of medium size agencies than it is to the largest ones. Again, there appears to be a threshold between the big and largest agencies. This is most apparent with respect to MIS staff, and confirms the previous discussion on that topic. However, there is also an obvious threshold with respect to service planning and capital planning staff, as illustrated by the large differences in average staff sizes for these two categories.

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TABLE 3.11 Specialized Staff Size: Average Number of Staff

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Type of Staff	Largest (over 500 vehicles)	Big (100-500 vehicles)	Medium (50-99 vehicles)
Service Planning	12.78 (9 resp)	2.09 (22 resp)	1.71 (12 resp)
Marketing	6.25 (8 resp)	2.26 (21 resp)	1.46 (12 resp)
Capital Planning	9.89 (9 resp)	1.56 (17 resp)	1.25 (8 resp)
MIS	17.00 (8 resp)	1.71 (13 resp)	1.12 (8 resp)
Executive Assistant	2.00 (6 resp)	1.03 (10 resp)	.92 (6 resp)
Corporate Planning	8.43 (7 resp)	-	-

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Note: Staff size was calculated using only those respondents who provided an actual number of staff. The number of these respondents is indicated in parentheses.

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A comparison of Tables 3.10 and 3.11 shows that the largest and big agencies reported comparable percentages of specialized service and capital planning staffs (Table 3.10), but the average size of these staffs differed significantly, (Table 3.11). Apparently, big agencies have as great a need specialized staff in these two areas as the largest agencies, but their staffing requirements are smaller and resemble those of medium size agencies.

The average staff size in service planning and capital planning systematically increases with size, although apparently not in a linear progression. Additional research involving a more refined analysis and

categorization of agency size would be required to explore the actual shape of this function and the nature of the thresholds observed in this research.

The average size of corporate planning departments, is surprisingly large. Table 3.11 shows that the related staff size, averaged over the seven responses, was 8.43 persons. Although the actual number should be viewed carefully given the lack of specific definitions or ability to verify responses, the responses still indicate sizable staffs. The seven responses ranged from three to 16 staff persons, and had fewer small numbers (e.g., one or two) than the other types of specialized staff. This indicates that if an agency decides to develop a strategic planning effort including dedicated staff, it has not been handled lightly and usually involves the creation of an entire department.

#### Factors Discouraging Strategic Planning

One goal of this project was to obtain a better understanding of the factors that discourage strategic planning and to determine transit managers' perceptions of the relative importance of these factors. The survey asked respondents to consider 12 factors that had been identified by the research and to assess their importance: highly important, moderately important, and irrelevant. Table 3.12 summarizes the responses to this question, giving the percentage of respondents that considered the factors highly important for the overall survey, and then broken down by agency size category. The factors are listed according to their overall ranking of importance.

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TABLE 3.12 Relative Importance of Factors Discouraging Strategic Planning

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<u>Factor</u>	Percentage of Respondents Listing the Factors as Highly Important				
	Overall Summary	By Agency Size			
		<u>Largest</u>	<u>Big</u>	<u>Medium</u>	<u>Small</u>
Changing federal policies	85%	75%	79%	86%	90%
Local politics	68%	67%	50%	79%	73%
Complexity of environment	52%	75%	45%	53%	48%
Lack of staff resources	51%	31%	45%	40%	65%
Changing state policies	45%	25%	43%	47%	50%

continued

Table 3.12, continued

<u>Factor</u>	<u>Overall Summary</u>	<u>By Agency Size</u>			
		<u>Largest</u>	<u>Big</u>	<u>Medium</u>	<u>Small</u>
Lack of good information	33%	58%	41%	22%	27%
Fish-bowl environment	26%	59%	22%	22%	20%
Management turnover	23%	31%	22%	28%	18%
Rapidly changing environment	23%	8%	26%	30%	21%
Board turnover	22%	23%	18%	26%	22%
Strategy set informally by CEO	19%	0%	38%	18%	16%
Strategy making not mgmt's. responsibility	12%	9%	20%	18%	5%

### Observations

Changing federal policies. Changing federal policies were consistently perceived as the most important factor discouraging strategic planning. Table 3.12 shows that 85% of all the respondents viewed changing federal policies as highly important. This is considerably more than the next factor, local politics, which received a 68% highly important response rate. The importance of changing federal policies in discouraging strategic planning is inversely related to size: 90% of the small transit agencies were sensitive to this factor compared to 75% of the largest agencies.

Local politics. Local politics was perceived to be the second most important factor that discourages strategic planning. Overall, 68% of the survey respondents felt that local politics limited the agency's ability to carry out strategic planning. This factor was the second most important factor for all size categories except for the largest agencies where it was a close third. The response by big transit agencies (50%) was considerably less than the next lowest response (67% for the largest), although it still was the second most important factor for them.

Complexity of the agency's environment. The complexity of the agency's environment was rated the third most important factor discouraging strategic planning, but it was considerably more important for the largest agencies than for the others. Overall, 52% of respon-

dents felt that the complexity of the environment was very important, but this response jumped to 75% for the largest agencies. This makes the factor as important to the largest agencies as changing federal policies, since both received a 75% response. To put this in perspective, one can consider the responses of the other size categories; the difference in responses between these two factors (changing federal policies and complexity of environment) was on the order of 33% - 42%. In other words, all transit agencies except the largest viewed changing federal policies as much more important than the complexity of their environment; however, the largest agencies view them as equally important.

The complexity of environment was relatively less important for small transit agencies than other factors (i.e., lack of staff resources, changing state policies) because it was only the fifth most important factor. However, the percentage of small agencies that viewed it as a highly important factor (48%) was comparable to the percentage for other size categories.

Lack of staff resources. One half of all respondents felt that the lack of staff resources was a very important barrier to strategic planning. The response of small transit agencies was twice that of the largest transit agencies. Although 51% of survey respondents felt that the lack of staff resources was a highly important factor, that response varied considerably; it was only 31% for the largest agencies but 65% for the small agencies (see Table 3.12). This confirmed the discussion of the previous section and the impact of the lack of staff resources on small transit agencies, especially compared to the largest agencies. The lack of staff resources was the third most important factor for the small agencies while it was only the seventh most important one for the largest agencies.

Another observation can be made comparing the responses of the big and medium size agencies. Although the response rates of the big (45%) and medium size agencies (40%) were similar, the relative ranking of this factor within each size category differed; it was the third most important factor for the big agencies, but the fifth for the medium size agencies. This is consistent with the discussion of the previous section which showed that big agencies had comparable staff resources to medium size agencies, but the size of their operations could be up to 10 times greater. The staff resources available are thus not proportional to agency size which may make the lack of a staff relatively more serious a problem for big agencies than for medium size agencies.

Changing state policies. The largest transit agencies are considerably less sensitive to changing state policies than are all other size transit agencies. Only 25% of the largest agencies viewed changing state policies as a highly important factor compared to the 43% - 50% response rates from the other size categories. Considering the relative influence that the largest transit agencies and their jurisdictions have in shaping state policies, it is perhaps not surprising to find that the response of the small agencies was twice that of the largest ones.

Lack of good information. Overall, 33% of survey respondents viewed the lack of good information as a very important problem. The response for the largest agencies (58%) was more than twice that of either the small (27%) or medium size agencies (22%). It appears that the largest agencies have the staff resources to conduct analysis but are hampered by the availability or quality of information, while small transit agencies do not even have the staff to process information and are less sensitive to this factor.

Fish-bowl environment. Only the largest transit agencies felt that the "fish-bowl" environment of transit significantly hampered their ability to conduct strategic planning. There was no variation in the responses of the big, medium, or small transit agencies, of which only 20% - 22% felt that the fish-bowl environment was a highly important barrier to strategic planning (see Table 3.12). On the other hand, 59% of the largest agencies felt this was a highly important factor, 2.5 times more than for the other three agency size categories. Again, some threshold occurs between the big and largest transit agencies which creates a more politically sensitive environment for the latter category. To some extent, this is directly parallel to the response concerning the complexity of the environment, where there was clearly a threshold between the largest agencies and all others.

Turnover. Management turnover and board turnover were perceived as moderately important factors by transit agencies. The responses for management turnover (23%) and board turnover (22%) were very similar, and agency size did not appear to affect the responses very much. Management turnover seemed to be a bit more significant for the largest agencies (31%) than for other agencies, especially the small agencies (18%). Management turnover was also a slightly more difficult a factor for the largest transit agencies than was board turnover (23%).

A closer look at the responses revealed that a significant proportion of small agencies viewed both management and board turnover as irrelevant factors, 40% and 44%, respectively. This was considerably higher than the "irrelevant" responses for the other size categories, which ranged from 28% to 31% for management turnover and 18% to 27% for board turnover. Apparently, small transit agencies experience more stability in their management or board of directors. Turnover affects small transit agencies considerably less than other agencies in their ability to conduct strategic planning.

Rapidly changing environment. Most transit agencies reported that the rapidly changing environment affects their ability to conduct strategic planning to some extent, except for the largest agencies which said this factor was irrelevant. The overall response concerning the importance of the rapidly changing environment (23%) were the same as the responses concerning management and board turnover. However, the response by the largest transit agencies (8%) was more than three times lower than those of the other size transit agencies, and 42% viewed this factor as irrelevant. This is the converse of the responses concerning the complexity and fish-bowl nature of the environment.

Clearly, the largest agencies have a very different perception of their environment and its impact on their ability to conduct strategic planning than other transit agencies. The environment for the largest agencies appears to be highly complex and politically sensitive but does not appear to evolve very rapidly. In comparison, all other transit agencies perceive their environment as less complex but more prone to rapid changes. This has implications for strategic planning; a complex but slowly evolving environment is more easily addressed by a formal strategic planning process than one prone to rapid changes. Therefore, the environment of the largest transit agencies makes the implementation of strategic planning easier than in other size transit agencies.

Strategy factors. Finally, respondents did not view the remaining two factors as seriously discouraging strategic planning. On one hand, the responses in Table 3.12 are low: 19% for "strategy set informally by CEO," and 12% for "strategy making is not management's responsibility." On the other hand, both of these factors got very high percentages of "irrelevant" responses, 43% and 63%, respectively. One important conclusion from these responses is that transit managers view strategy making as their responsibility; they are not only operators or strategy implementors but also strategy formulators.

#### Other Factors

Respondents were also asked what other factors discouraged strategic planning. The responses are outlined in Table 3.13. These responses identified several other interesting types of factors, including the short-term focus created by the operation of transit service, the short-term nature and unpredictability of the funding of transit service, institutional constraints related to the predefined mission of transit, and its limited ability to influence its environment. In this last respect transit differs greatly from private businesses.

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TABLE 3.13 Other Factors Discouraging Strategic Planning

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Pressure of operating issues  
 Focus on operations and short-term issues  
 Year-to-year budgets (one-year budget horizons)  
 Lack of long-range stable funding  
 Lack of budget certainty  
 "Public service" concept  
 Inability to enter new markets (predefined mission)  
 Inability to change environment

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## CHAPTER 4

### CASE STUDY OF THE SMTS STRATEGIC PLANNING PROCESS

#### Introduction

Chapter 3 provided an overview of a broad set of issues, which were identified through a national survey of transit managers, that affect the use of strategic planning. Chapter 4 will focus on the implementation of strategic planning in small transit agencies by describing one agency's effort to develop a strategic planning process. This case study proved a valuable complement to the broad survey by providing in-depth insight into the practical issues small transit agencies face in using strategic planning.

In the summer of 1984, the executive director of Southeast Missouri Transportation Services, Inc. (SMTS) decided to undertake a strategic corporate planning process. The agency had experienced major changes in its organizational environment that posed significant problems for the agency, to the extent of threatening its survival. The executive director felt that the organization would have to undergo major changes and that a structured process would be required in order to analyze the issues and identify potential options. This was to be achieved through a corporate planning process.

The executive director had previously discussed the benefits of strategic planning with the staff of the Institute for Urban Transportation (IUT) at Indiana University, and subsequently sought their assistance in developing and implementing a corporate planning process. This gave the research staff of IUT a unique opportunity to experience firsthand the problems of implementing a strategic planning process, and to assist an organization that lacked the necessary financial resources for hiring outside expertise. It was agreed that one of IUT's staff would act as facilitator, helping SMTS design and develop a corporate planning process. The case study documents this effort and outlines the various issues that affected this small transit agency's ability to conduct strategic planning.

#### The Case Study Context

##### SMTS as an Organization

SMTS is a small organization that provides a variety of transportation services, both rural and urban, to a large area in southeastern Missouri. SMTS serves 26 counties with a 49-vehicle fleet consisting mostly of vans. The various services it provides include: intracounty and intercounty public transportation, long-distance transportation to large state medical facilities in Columbia and St. Louis, service to county nutritional sites that offer meals and social activities to the

elderly, urban transportation service in several communities, and specialized transportation for handicapped workshops. The service operates on regular schedules along broad corridors. A reservation system is used to even out loads and organize specific vehicle routing to permit door-to-door service.

In order to cover the large geographic area it serves, SMTS has two bases of operations, one in Poplar Bluff and another in Fredericktown. The Poplar Bluff office supervises the 18 counties in the south, east, and west; the Fredericktown office supervises the 8 remaining counties in the north. The Fredericktown office is also SMTS's administrative office where all billing, reporting, personnel, and marketing functions take place. Overall scheduling and operations are handled by the assistant director of operations in Poplar Bluff. SMTS staff in the Poplar Bluff office also includes the assistant director of operations and four other staff. The Fredericktown office includes the office manager and four other staff. As for many small organizations, SMTS has no formal structure but staff responsibilities and tasks have evolved informally over time. In each county there is a county coordinator who is primarily responsible for phone reservations and day-to-day scheduling, and at least one driver. County coordinators and drivers are paid employees.

SMTS is a private, nonprofit organization which has a board of directors representing the different geographic regions of the service area. However, SMTS is most closely identified with the personality of the executive director who has been with the organization since its start in 1973. He has essentially built the organization, represented it in all major capacities, and defended its interests in several conflicts that have occurred over the years.

Funding for SMTS, as for most rural transportation providers, comes from a variety of sources including UMTA Section 18 and 16(b)2, state matching funds, contracts with the Area Agencies on Aging (AAAs) which use Title III and Title XX federal funds to provide transportation services to the elderly, and from specialized service contracts with individual organizations. SMTS also collects donations from riders.

#### Changes in SMTS's Environment

The motivation for instituting strategic planning at SMTS was the recognition of several recent changes in SMTS's environment whose combined effect threatened the health and survival of the organization. The executive director felt that his previous methods for dealing personally with external changes might be inadequate in the long run, and perhaps even in the short run. He felt that a corporate planning process would provide a structure for assessing issues, identifying options, and evaluating potential impacts. It would also provide new perspectives on the issues with which he had been grappling. Three issues were particularly threatening: (1) reduced federal funding, (2) competing services, and (3) reduced local funding.

Reduced federal funding. SMTS faced a long-term threat of reduction or elimination of federal assistance. SMTS depends heavily on Section 18 funding, and the long-term prospects for sustained funding at current levels appeared dim. Furthermore, there was the threat of reductions in other federal transportation programs that SMTS could use to develop innovative ideas (i.e., Sections 4(i), 6, 10, 11). SMTS prides itself on its innovativeness; the executive director had been trying to develop several projects such as new technology for extinguishing fires in vehicles. In the past, he was able to develop certain concepts using some of these other federal programs; however, the uncertain future of these programs virtually eliminated SMTS's ability to pursue these innovations.

Competing services. A second equally serious threat to SMTS was increased competition from other Section 18 transit agencies. In the last two years, there had been a steady rise in the number of Section 18 properties in Missouri, particularly in the southeastern part of the state which SMTS serves. Possible explanations for this situation include: changes in the state political climate, liberalization of state policies concerning the creation of new systems, poor communications between SMTS and the organizations (e.g., nutritional sites, social clubs, social service agencies, counties, etc.) sponsoring these new transportation services, conflicting priorities between SMTS and these agencies, the image of SMTS, lack of grassroots support or organized constituencies supporting SMTS, local politics, and others.

Whatever the explanation, this increasing number of Section 18 properties represented an important threat to SMTS. The new transportation agencies primarily provide local service, usually within a city or a county. In many cases these agencies had been initiated to serve a specific need such as trips to nutritional sites or social clubs for the elderly. Although these services did not compete with SMTS's inter-county and long-distance medical transportation services, they frequently competed with SMTS's intracounty and urban transportation services. SMTS used these shorter trips to complement the long-distance trips and ensure maximum use of vehicles; vehicles were usually scheduled to provide intracounty service on the days they were not used for long-distance trips. Due to increased local competition, demand for SMTS was no longer covering operating costs in some counties, thereby making it increasingly difficult to justify operating the local service.

This competition had two impacts. First, if competition continued to increase, SMTS would have to eliminate local services in many counties. This reduction in SMTS's comprehensive coverage in southeast Missouri would also reduce its visibility and ability to attract other clients. Second, and perhaps more important, the competition might have serious financial implications. SMTS used the revenues generated by the local services as local match for state and federal funding, so any reduction in these revenues would have a multiplier effect. Furthermore, it was important that vehicles be used to full capacity in order to justify the capital investment. SMTS cannot afford to have vehicles

sitting idle and not generating revenues. Like all Section 18 agencies, SMTS's finances are always tight so any changes in demand could have very serious financial impacts.

Reduced local funding. A third change in SMTS's environment was a stated intent by an important local Area Agency on Aging (AAA) to reduce or eliminate its funding to SMTS. Three AAAs have jurisdiction in the area served by SMTS. The AAAs subsidize the fares of special categories of riders (e.g., hot meal trips or medical trips for the elderly) through Title III and Title XX. Funding, which is negotiated each year, is provided through a contract agreement between the AAAs and SMTS. It is an important source of funding for SMTS, representing 38% of its revenues in 1983-84.

The most important AAA for SMTS is the Southeast Missouri Area Agency on Aging (SEMO AAA), which covers the counties in the heart of the SMTS service area. Of SMTS's \$1.1 million budget for 1983-84, SEMO AAA contributed \$300,000. SMTS's relations with the SEMO AAA board and staff had deteriorated; the SEMO AAA did not feel SMTS was meeting service needs. Consequently, SEMO AAA had notified SMTS that it should not expect to receive the same amount of funding as it had last year. (The actual reduction would be determined in the spring of 1985 after contract bids had been received.) Some of SMTS's competitors in this contract bidding were new Section 18 properties that provided service to local nutrition sites using vehicles that were purchased with Section 18 money and supported by specific cities or counties.

This intent to reduce SEMO AAA's financial contribution represented an immediate and serious threat to SMTS. First, SEMO AAA's direct funding represented 27% of SMTS's revenues. Second, SEMO AAA's payments for rider fares were used as a match to generate other sources of revenues. Therefore, a multiplier effect would aggravate the financial impact of a reduction in these revenues.

A third impact was more long-term in nature. The SEMO AAA is a major actor in southeastern Missouri whose board represents many of the influential members of the community who are concerned with the needs of the elderly. Since the elderly are SMTS's major riders, a withdrawal of support by the SEMO AAA would probably have important long-term consequences on SMTS's position within the community, its ability to attract new clients, and ultimately, its ability to survive.

Implications. These changes in federal funding, increased competition, and the planned reduction in funding from SEMO AAA were described in some detail to outline the circumstances that led to the organization of a corporate planning process. However, from the point of view of this case study, the factors themselves are less important than the fact that they represented substantial changes in SMTS's environment.

These factors were threatening SMTS's financial resources both in the short term and long term. They were also affecting basic charac-

teristics of SMTS's environment. For example, the increased competition implied that SMTS's previous assumption of being a monopoly was no longer valid, which raised questions about the agency's goals and organization. The reduction in the SEMO AAA's financial contribution implied a serious deterioration of support from an important actor, which raised questions about SMTS's constituency, whose needs should be served, and how priorities should be set when needs of different constituencies are in conflict. It also raised questions about whether the organization was properly structured to build support and handle diverse needs. Thus, these environmental changes signalled a need to rethink previous assumptions, priorities, available resources, and agency structure.

The executive director recognized the seriousness of the situation, and hoped that a structured corporate planning process might help to deal with these external issues. At the same time, several internal issues or opportunities were developing, which he hoped the plan could also address. These issues included: identifying the training needs of staff, assessing how microcomputer technology might benefit the agency, improving financial accountability and efficiency, clarifying individual responsibilities and the agency's structure, and planning vehicle replacement.

Although the specific circumstances affecting SMTS were unique to its environment, the issues being raised and their implications are similar to those facing many small transit agencies. These include changes in federal funding programs; shifts in state policies and their sometimes unforeseen consequences; interagency rivalries and their impact on funding levels; the importance of communication; perceptions, and agency image when conflicting interests are being served; the serious impacts that can result if external relations deteriorate; and the vulnerability of transit service to political conflicts. This case study provides insight into the practical problems that arise when a small transit agency structures a strategic planning process to address such issues.

### Phase I: Organization of the Planning Process

#### Description

The executive director initiated the corporate planning process in the summer of 1984. Initial conversations were held with a few key board members to obtain their reactions to the proposed planning process. Based on board members' positive reactions, concrete steps were taken to initiate the process.

First, the issue was placed on the board's agenda for a meeting in late July. Second, after discussions with SMTS staff it was decided that the planning process would be staffed by the executive assistant to the executive director, with strong involvement by the executive director. In anticipation of this, the executive assistant attended a one-day

training program on strategic planning provided that month by the United Way. Third, a tentative calendar was established for the principal milestones of the process. Fourth, the executive director decided that SMTS would need external expertise to carry out this process. He discussed the proposed project with IUT staff, and the possibility of an IUT staff person serving as facilitator at key points in the process. He also contacted two local resource people who might serve on the planning committee. These were a professor on the University of Missouri Cooperative Extension Faculty who had aided SMTS before, and the executive director of one of the regional planning commissions in the area SMTS served.

The board meeting was held in late July. The executive assistant presented several documents from the training program he had attended and provided an overview the principal activities involved in a strategic planning process (see Appendix A). He then outlined the proposed timetable of activities for the process (shown in Table 4.1). The board endorsed the proposed process and focused its discussion on two practical issues: the level of detail in data collection, and membership of the planning committee.

During the following weeks, efforts were made to form the planning committee. The vice president of the board, who was particularly interested in corporate planning since she had been actively involved in the planning efforts of other nonprofit organizations, was selected as chairperson of the planning committee. Other members of the committee included another particularly influential board member, the two previously mentioned external resource persons, the director of operations, the executive director, the executive assistant, and the comptroller. The comptroller was not an employee of SMTS, but was working on a retainer arrangement. The office manager, who was initially supposed to be on the committee, felt reluctant and later declined to participate.

During this same period, it was agreed that an IUT staff person would act as facilitator to the process, and would serve to:

- Advise SMTS staff in the design of the strategic planning process.
- Aid the planning committee in the design of the data collection and analysis process.
- Provide feedback on the results of this analysis.
- Facilitate the committee's discussion of issues raised by the analysis particularly with respect to potential strategies for SMTS.

Finally, the executive director and the committee chairperson developed two statements that would be introduced at the first meeting of the planning committee on September 19. The first, was a mission statement for SMTS:

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 TABLE 4.1 Timetable of Activities for the SMTS Strategic Planning Process
 

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August 9	<u>Executive Board Meeting</u>	Executive board drafts mission statement Planning committee chairperson is selected
August 16	<u>Board Meeting</u>	Board adopts mission statement
September		President, executive director, and chairperson select planning committee
September- December	<u>Planning Committee</u>	Collects and analyzes internal and external data Writes report
February	<u>Goals</u>	Developed by planning committee, board task force, or board
March	<u>Board Meeting</u>	Board adopts goals
April	<u>Objectives</u>	Written by study groups or volunteers and staff
May	<u>Action steps</u>	Developed by volunteers and staff
June	<u>Budget</u>	Budget for 1985-86 is prepared from action steps

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The purpose of Southeast Missouri Transportation Service is to assist the people of southeast Missouri by providing local and long distance transportation service.

The second, stated the purpose of SMTS:

SMTS has the authority and responsibility to provide and safeguard transportation, to build an organization of service, secure and direct personnel, finance its work, and develop community and public relations.

#### Issues Raised by Phase I

Defining the objectives of the process. The SMTS case showed how difficult it is to define specific objectives for the strategic planning process. Although there was some discussion of process objectives between the executive director and the IUT facilitator, these remained at a fairly broad level. Furthermore, new objectives were introduced later in the process that were inconsistent with initial ones. Finally, although the objectives of the process were discussed at the first meeting of the planning committee, these had little meaning to most participants because all members were not equally familiar with concepts and terminology. For example, committee members who had experience with strategic planning discussed the "model" that was being used; whereas, others were bewildered by the new concepts and process. Committee members were, therefore, not on an equal footing, which affected each member's understanding of the group's objectives.

Furthermore, the documents presented to the board at the first meeting did not help define the specific objectives of the intended process. For those experienced with strategic planning, the documents stated accepted views found in the literature; for those who were not, they represented a complex set of concepts and jargon. As a result, the board did not discuss the objectives of the process, but instead focused on two practical issues: who should be on the planning committee, and what specific data would be collected. Consequently, committee members interpreted the objectives of the process based on their understanding of strategic planning or their view of the organization's needs.

The objectives that were identified during the case study follow:

- Develop a specific strategy and action plan for dealing with the threats to SMTS.
- Develop a formal document (five-year plan) that outlines internal needs and objectives and addresses service levels, capital plans, human resource development and training, etc..
- Clarify SMTS's mission and goals and communicate them widely in order to create common expectations among financial contributors.



- Build a team approach among agency staff by identifying objectives, clarifying responsibilities, and opening new lines of communication.
- Build a team approach within the board by identifying roles, procedures, and useful actions to make the board more proactive.
- Create a momentum for change within the agency that will disrupt traditional patterns and allow new activities and responsibilities to be defined.
- Establish a more professional approach to management and develop new procedures to enable the organization get away from a crisis management mode.

Clearly many of these objectives are not compatible. If the goal is to design a managerial strategy to address a complex set of political issues, it may best be achieved through informal consensus of key internal actors, identification of objectives, and the delegation of responsibilities. This will certainly be incompatible with a formal (e.g., TDP-type) five-year plan. Similarly, if the process is to create a momentum for organizational change, it may be difficult to pursue the process on an ongoing basis after the desired change has been achieved.

Much of the literature on strategic planning suggests that such an array of objectives can be achieved through the classical strategic planning process. However, the SMTS case study suggests that is not possible in organizations that have little tradition with formal managerial processes. Participants' interpretation of objectives were found to vary widely as did their expectations. The result over time was that as participants got involved in the process they were working at cross-purposes, which caused frustration.

Clearly, the initiators of a strategic planning process (top management and/or key board members) need to determine what they hope to achieve through this process, and then set specific objectives. These objectives need to be clearly communicated to all participants involved in the process so that a common set of expectations is established from the start.

Selecting planning committee members. Another difficult issue concerns the selection of members for the planning committee. According to the literature, the process should be participative so that the identification and evaluation of potential strategy options incorporates a broad spectrum of views, and so that persons who will implement the strategy are consulted about the analysis and choice of strategy. At the same time, given SMTS's initial decision to have the plan developed through a planning committee, it was necessary to limit the size of the committee to keep it effective. Therefore the size and composition of the committee had to be chosen carefully to maximize its effectiveness.

This brings us back to the issue of the objectives of the process because the effectiveness of the committee can only be defined in relation to the objectives of the committee and, therefore, of the process. Without a specific understanding of the objectives, it is difficult to assess what types of participants and skills are needed on the committee.

In this case study, we have already noted the lack of specific objectives. In such a context, it was felt that the planning committee membership should have a wide variety of attributes in order to ensure flexibility. The executive director gave considerable thought to the composition of the committee with this objective in mind. Table 4.2 shows how the committee's composition fulfilled a wide variety of criteria that might be useful to the planning process.

The case study raised three questions that managers of small transit agencies need to answer when selecting a strategic planning committee:

1. Which staff should be members of the committee?
2. Should board members be on the committee?
3. Should persons external to the agency be on the committee?

The answers to these questions will depend on the objectives to be achieved through the process. The following considerations also affect the answers to these questions. First, with respect to agency staff, strategic planning may represent an entirely new process within the organization. For some, participating in this process may introduce uncertainty or more work, and is, therefore, avoided. For others, participation may provide recognition that has little to do with the desire to improve organizational strategy. Consequently, the general manager may have to contend simultaneously with staff who are reluctant to participate and others who may become jealous if they are not involved. Both situations occurred at SMTS and made staff selections to the committee a difficult problem.

Second, with respect to having board members on the committee, they are sometimes useful and sometimes a problem. The involvement of key board members in the strategic planning process can be valuable if the plan is to result in recommendations that need the consideration of the entire board or if these board members are to be involved in external actions to improve the image or political position of the agency. However, senior managers may not feel comfortable developing a candid analysis of the agency's performance with board members present; in such circumstances, analysis of sensitive matters that reflect on management tends to be minimal. Furthermore, in some agencies, it may not be appropriate for middle managers to have direct communications with board members.

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 TABLE 4.2 Composition of Planning Committee
 

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<u>Desirable Attribute</u> (Selection criteria)	<u>Committee Member</u>
<u>Analysis</u>	
Understanding of strategic planning process	Univ. of MO professor Vice president of SMIS (IUT facilitator)
Staff involved in data collection of analysis	Executive assistant Comptroller Executive director
Understanding of service planning and access to data	Executive directors of reg. planning comm.
<u>Implementation</u>	
Influence on board	Vice president of SMIS Other board member
Involved in implementation	Executive director Director of operations Comptroller (Office manager)
Member of board of SEMO AAA	Other board member
Local influence	Vice president of SMIS Univ. of MO professor

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With respect to the third question, involvement of persons external to the agency in the strategic planning process may also raise some dilemmas. On one hand, external participants may provide expertise that is lacking within the agency, for example, expertise in strategic planning or in specific technical areas of analysis (e.g., service levels, capital needs, etc.). Furthermore, they may bring new perspectives to the analysis or discussions. On the other hand, external persons introduce an unknown element into a process. It may be difficult to ascertain their allegiances, which may create a risk if any of the strategic planning discussions are politically sensitive. If the external persons are there primarily for their expertise, it will be important to determine whether that expertise is needed during particular phases (e.g., data collection and analysis) or throughout the entire process, in which case the expert should be present on the committee. For example, the executive director of the regional planning commission did not participate extensively in the process when it became clear that his expertise would not be needed at all meetings.

## Phase II: Launching of the Planning Process

### Description

The first meetings of the planning committee, held September 19 and September 21, 1984, served to launch the strategic planning process and had as specific objectives:

- To enable committee members to become acquainted with one another and start working as a team.
- To bring everyone up to speed concerning the purpose and basic aspects of strategic planning.
- To devise a plan of attack.
- To define the role of the committee and to motivate involvement.
- To identify the data that needed to be collected.
- To structure the analysis process and identify the types of analysis that were needed.

In practice, this set of objectives proved to be overly ambitious for two days of meetings.

Before the meeting, extensive discussions were held among the IUT facilitator, the executive director, and his assistant. These discussions provided considerable background on the agency, its past, its staff, and the issues clouding its future. The discussions also focused on the planning committee members, their expertise, personalities, and interrelationships. These discussions were valuable in helping the facilitator structure and lead the initial meetings of the committee.

In order to determine the most effective structure for the initial meetings of the planning committee, some thought was given to the overall approach and to the types of analysis that would be most useful. As discussed in the previous section, the objectives of the strategic planning process had not been well defined. Management was trying to pursue several different, and sometimes contradictory, objectives. A calendar of activities had been defined with specific milestones (refer to Table 4.1), but this did not clarify the specific objectives of the process. For example, it was not clear whether the primary objective was to develop formal documents (i.e., goals, objectives, action plans) or whether they would only be formal by-products of a strategic thinking process. The stated objectives, therefore, did not provide specific guidance to determine the best overall approach or the most effective design for the analysis activity.

An assessment was then made to determine whether the classical strategic planning model was appropriate for the SMTS context. As discussed in Chapter 2, classical strategic planning should, at minimum: (1) consist of a dedicated and cyclical process, with or without dedicated staff; (2) emphasize both process and formal plan; (3) develop a comprehensive analysis of the organization, its environment, and alternative strategies; (4) use extensive participation in the analysis and choice of strategy; (5) identify a comprehensive, long-term strategy; and (6) outline how the chosen strategy is to be implemented in the short term.

SMTS management had already initiated actions that fulfilled several of these requirements. The process was certainly dedicated. The lack of dedicated staff was being compensated by a (volunteer) committee dedicated to the purpose of strategic planning. An attempt was being made to emphasize on both process and plan, and to encourage participation. Finally, the intent was to link the strategy to the agency's short-term activities through action plans and next year's budget.

Despite these efforts, there remained a major obstacle to the use of classical strategic planning model in the SMTS context: the requirement for a comprehensive analysis of organizational strengths and weaknesses, environmental threats and opportunities, strategic issues, and alternative strategies. This was clearly not feasible for SMTS because of the lack of staff resources, technical training, and financial resources. These limitations made it impossible to develop the type of comprehensive analysis that is required by the classical strategic planning model, and suggested that this model would be inappropriate for the SMTS context. An overall approach would need to be devised that was adapted to this context and was both flexible and realistic.

A flexible approach was needed because: (1) the objectives being pursued through this process were diverse and ill-defined, and (2) many committee members were participating for the first time in such a process, which was likely to affect the group's dynamics. In order to achieve this flexibility, greater emphasis was placed on informal processes or outcomes than on formal ones. For example, it would be coun-

terproductive to put great emphasis on formal documents if the resources did not exist to develop them.

It was also necessary for the overall approach to be realistic and recognize, for example, the severe limitations on the analytic resources available to the committee. Consequently, it was decided to structure the data collection and analysis activities around the specific strategic issues facing SMIS, as perceived by the committee members. Instead of using a comprehensive analysis to identify all issues and then evaluate them, a short-cut was used whereby issues were identified at the outset by the committee and only these were analyzed. Although this approach was clearly not comprehensive or totally objective, it provided a method for effectively focusing limited resources. It also could serve to motivate the committee members because these strategic issues were of particular concern to them.

This general approach was discussed with the executive director and his assistant. It was agreed that the first meeting would be used to launch the process and to identify the strategic issues facing SMIS. The second meeting would structure the data collection and analysis steps around the identified strategic issues.

The first meeting was held September 19, 1984. It started with the committee members introducing themselves, followed by a presentation by the facilitator on the concept and process of strategic planning. This brief presentation attempted to bring all committee members up-to-speed and clarify fundamental aspects of the concept. The presentation, outlined in Table 4.3, reviewed some of the issues discussed in Chapter 2.

In the discussion that followed the presentation it became clear that a one-hour presentation was inadequate time to explain such a complex concept and process, and to provide a common understanding and framework. This was especially true given the committee members' diverse backgrounds and varying familiarity with managerial processes. During the discussion, some members were able to discuss alternative planning models; whereas, others were having trouble understanding the concepts being discussed.

Following this introduction, the facilitator initiated a less abstract discussion concerning the issues that were likely to affect SMIS's future. After some initial hesitation, caused primarily by the rapid and abstract introduction, committee members eagerly joined in the brainstorming about strategic issues. The careful balance created by the executive director in the composition of the committee was most useful in generating dynamic participation and providing a wide perspective on issues. The facilitator served three purposes in this process: (1) to draw out participants and encourage the involvement of all members, (2) to keep the momentum of the discussion going, especially by finding points of compromise between opposing views, (3) to facilitate the convergence of issues into categories for which there was consensus.

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TABLE 4.3 Presentation of Strategic Planning to SMTS Planning Committee

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I. Overview - The Concept

- A. Planning
- B. Strategy
- C. Strategic planning

II. Five Aspects

- A. Future impacts of today's decisions
- B. Process
- C. Linking agency activities to strategy
- D. Motivation and participation
- E. Organizational philosophy

III. Fundamental Questions

- A. Where are we? What is likely to happen?
- B. Where do we want to go?
- C. How do we get there?

IV. The Process

- A. Threats & opportunities, strengths & weaknesses
  - B. Key issues
  - C. Potential solutions
  - D. Choosing a strategy
  - E. Putting the strategy to work
- 
-

By day's end, a list of six strategic issues had been identified, which are presented in Table 4.4. Participants left the first meeting in a positive frame of mind because the process had narrowed the spectrum of interrelated issues facing SMTS into six categories that made sense to them. Even participants who were skeptical about the process felt the effort had been worthwhile.

The second meeting of the planning committee was held two days later. The purpose of this meeting was to identify the types of information needed for an objective analysis of the six issues that had been identified at the first meeting, and to structure a practical method for carrying out data collection and analysis. A brainstorming process, similar to that of the first meeting, was used to identify the types and sources of information that might help to better understand the six issues. Here the facilitator took a more active role, using his expertise to suggest potential sources of information. The two outside committee members were also called upon as resources in this effort. As a result of these discussions, a comprehensive list of types and sources of information was developed, which is outlined in Table 4.5.

Finally, it was decided that given the limited staff resources all committee members should be involved in data collection and analysis. It was agreed that the most effective way to achieve this was to form volunteer subcommittees for each of the six strategic issues, with at least one SMTS staff person on each subcommittee. Volunteers were sought, and six subcommittees were created to collect and analyze the necessary information.

#### Issues Raised by Phase II

Inappropriateness of classical strategic planning model. The classical model of strategic planning was assessed before the first meeting of the planning committee in order to determine it appropriate for SMTS's strategic planning effort. The assessment showed that although several aspects of this model could be accommodated within the organization of SMTS's process, the central requirement for a comprehensive analysis of the organization and its environment could not be fulfilled. Therefore, it became clear that the classical model was not appropriate for SMTS and would need to be modified. Four important obstacles that made it impossible to carry out the kind of comprehensive analysis that is required by classical strategic planning. These were: (1) the lack of staff to conduct analysis, (2) the lack of technical training needed to do the analysis, (3) the unavailability of data needed for the analysis, and (4) the lack of financial resources to overcome the first three obstacles.



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TABLE 4.4 Strategic Issues Facing SMIS Identified by the Planning Committee

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I. Service Characteristics and Policies

- A. Markets served
- B. Types of service
- C. Unmet needs
- D. Changes to markets, trends

II. Funding

- A. Federal trends
- B. State policies (Sect. 18 and 16(b)2)
- C. AAAs
- D. Local match (existing and potential)
- E. Creative sources

III. Competition/Duplication Analysis

- A. Nature of threat
- B. Causes
- C. Impact analysis

IV. Organizational Maintenance (Internal)

- A. Replacement of equipment
- B. Personnel issues (staff training and development needs)
- C. Internal policies (job descriptions, manuals, communications)
- D. Facilities
- E. Cost effectiveness

V. Outreach

- A. Public information
- B. Public feedback
- C. Relations with special interests (AAAs, RPCs, etc.)
- D. Relations with government units (state, county, city, federal)

VI. Board Decision Making

- A. Policy formulation procedures (structure, strategy, planning)
  - B. Current policy review
  - C. Board structure, cultural background, and service decisions
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 TABLE 4.5 Types and Sources of Information Identified by the Planning Committee
 

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I. <u>Service Characteristics and Policies</u>	
A. Markets served:	1. ridership profiles from RPC survey 2. interviews with drivers, riders
B. Types of services	1. policies established by board 2. managerial policies (scheduling, roles of coordinators, etc.)
C. Unmet needs	1. AAAs 1984 needs assessment 2. special transportation needs from RPC survey
D. Changes to markets	1. shifts of elderly to urbanized areas (U of MO Study) 2. Other demographic trends (Census)
II. <u>Funding</u>	
A. Federal	1. document what is likely to happen
B. State	2. trends and likely predictions
C. AAAs	3. options
D. Local match	4. contingencies
E. Creative sources	
III. <u>Competition Analysis</u>	
A. Nature of threat	1. inventory existing competitors 2. list potential sources of competition 3. assess competitors' situation (public funding, ridership, estimates of costs)
B. Causes (through interviews)	1. policies 2. people/personalities 3. politics 4. unmet needs
C. Impact analysis	1. cost comparisons (cost per passenger, per mile, per trip, etc.) 2. impacts on capital and operating funding 3. impacts on service (type of service, locations, schedules)

continued

Table 4.5, continued.

IV. Organizational Maintenance

- |                             |                              |
|-----------------------------|------------------------------|
| A. Replacement of equipment | 1. what is                   |
| B. Personnel issues         | 2. what could be             |
| C. Internal policies        | 3. what should be            |
| D. Facilities               | 4. what is needed to be done |
| E. Cost effectiveness       | 5. planning review           |

V. Outreach

- |                                     |                            |
|-------------------------------------|----------------------------|
| A. Public information               | 1. procedures              |
| B. Public feedback                  | 2. level of communications |
| C. Relations with special interests | 3. special compaigns       |
| D. Relations with government units  | 4. perceptions             |
|                                     | 5. impact of local values  |

Also: special analysis of internal procedures for complaints, commendations, suggestions, public input.

VI. Board Decision Making

- |                                  |   |
|----------------------------------|---|
| A. Policy formulation procedures | 1. document procedures  |
| B. Current policy review         | 1. analyze minutes<br>2. compare with OATS  |
| C. Board structure               | 1. review by-laws<br>2. geographic representation<br>3. board composition<br>4. comparision of board composition and ridership profile<br>5. comparision with OATS' structure |

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Note: OATS is the other multicounty transportation provider in Missouri and is a good basis for comparison for SMTS.

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The most obvious obstacle was the lack of staff. Compared to many small transportation properties, SMIS was fortunate to have one staff person, the executive assistant, whose time was not fully dedicated to specific operational responsibilities. Therefore, he could work on special projects when required, such as the strategic planning process. However, an enormous amount of information must be collected and processed to carry out the analysis required in classical strategic planning. This is well-illustrated by the long list of data outlined in the materials in Appendix A that were presented to the SMIS board in August. It is no wonder that data collection became a focus of concern for the board when they saw the list. Clearly, one staff person could never process that much information in the three months allowed for data collection and analysis. It was hoped that the creation of a planning committee would compensate for the lack of formal staff, by substituting volunteer staff; however, this hope was not fulfilled.

Second, even if staff did exist or could be freed from other activities for limited amounts of time, the staff was not trained to carry out the types of analysis needed. SMIS did not have the expertise to conduct traditional service and ridership analysis. Therefore, it could not handle the range of technical analysis required by classical strategic planning.

Third, the unavailability of data was another major obstacle to carrying out the type of analysis required in classical strategic planning. SMIS, like many small transit agencies, collects only that information which is required by funding agencies (e.g., passengers, vehicle miles, vehicle hours, passenger miles, trip purpose when needed for reimbursement, etc.). It does not collect the information needed to monitor managerial performance and to comprehensively assess organizational strengths and weaknesses. Consequently, any data collection effort would have to start from scratch. This implies a large effort requiring both staff resources and monetary costs, and is another important barrier.

Fourth, like most small transit agencies, SMIS has limited financial resources, and could not afford to purchase outside consultant expertise to carry out the analysis. It could also not afford to pay for the collection or development of data by either internal or external resources. Finally, it could not afford to train its staff in the specialized skills required to carry out the needed analysis.

These four obstacles made it impossible to develop the type of comprehensive analysis required by classical strategic planning. Consequently, it was decided to modify both the general approach and the design of the analysis effort to be consistent with SMIS's capabilities. Special emphasis was placed on flexibility and targeting the limited analytic resources.

The problems SMIS encountered with the classical strategic planning model and particularly with its central requirement of comprehensive

analysis, are likely to face any small transit agency that develops a strategic planning process. The four obstacles to carrying out comprehensive analysis are common to most small transit agencies. This implies that the classical strategic planning model is inappropriate for most small transit agencies unless it is modified.

Other aspects of the classical strategic planning model may create difficulties such as the requirements for extensive participation, the long-term time horizon, the development of a cohesive strategy, and the overall formality of the process. However, the difficulty of carrying out a comprehensive analysis is the major problem. The implication is that management needs to recognize existing limitations on the agency's analytic capability at the outset, and consciously design the strategic planning process with them in mind. This enables resources to be targeted to the truly important issues. In order to assist this effort, the objectives of the process should be clearly defined.

Although an effort was made to design the SMIS planning process with these limitations in mind by first identifying strategic issues and then structuring the analysis around those issues, it did not sufficiently narrow the focus. The lists of topics and information identified by the committee (shown in Tables 4.4 and 4.5) were still voluminous. This created problems in Phase III because the subcommittees did not fulfill their roles. It is important for participants not only to identify a limited number of strategic issues but to rank their importance so that analytic efforts begin with information that is most vital to the development of agency strategy. This ranking should also help refine the understanding of the strategic issues.

Formality of process and outcomes. The literature on strategic planning and the documented applications of strategic planning usually emphasize the formal aspects of the process and its outcomes, as discussed in Chapter 2. Considerable attention is devoted to the milestones of the process (i.e., situation audit, mission statement, goals and objectives, programs and policies, action plans, etc.) and to the structures that link participants in the process (i.e., corporate planning staff, executive committee, advisory committees, technical review panels, etc.). This is natural and appropriate for the type of organization where the concept first appeared, that is, large multi-product, multi-division enterprises. However, it is questionable whether this emphasis on formal documents and structures is appropriate when applying strategic planning to the context of small transit systems.

On one hand, formality seems to be an important aspect of the classical strategic planning model, even when it is applied to the context of smaller organizations. The formal nature of the process has the advantage of defining for participants the expected milestones of the process. For example, the materials that were part of the training program the executive assistant attended (in Appendix A), helped to establish the timetable of activities for SMIS's process (refer Table

4.1). The SMTS case, however, showed that the process needs to be flexible. For example, the difficulty in carrying out analysis, the lack of participant familiarity with managerial processes, the unpredictability of group dynamics in such a context, create considerable uncertainty and may hinder the fulfillment of preestablished objectives. However, the needed flexible process may be impossible to achieve if a commitment has been made to produce a series of formal documents at prearranged deadlines.

In the SMTS case, the facilitator and executive director opted to emphasize flexibility rather than formality. The choice will depend on the objectives being pursued. For SMTS the choice was consistent with the ill-defined and multiple objectives being pursued. In a context where there are carefully predefined objectives, formality may make more sense and give clarity and predictability to the process.

In fact, formality is generally not compatible with the natural context of small transit agencies, in which relationships and managerial processes are rarely formal. There are usually not large numbers of people involved in any given decision. Personalities and interpersonal relations are much more important factors than in larger agencies. A process as formal as the classical strategic planning model may appear artificial in such a context. Unless the process fits the context it may never serve its objectives, and will only result in a series of meaningless formal documents. If this occurs, strategic planning would become just one more process mimicked from larger agencies.

Nonetheless, the issue will need to be addressed in any strategic planning effort in a small transit agency. Management and consultants must determine how much emphasis on formal outcomes and structures is appropriate given the specific context and objectives. Although formality is a highly visible characteristic of most strategic planning processes, it may act as an important deterrence to its use in other contexts.

Preexisting level of communications. As the SMTS strategic planning process got underway, it soon became clear that the group dynamics of the committee were being affected by the low preexisting level of communications among its members. Several members of the committee did not know others in the group. More important, several members had little experience with team approaches to problem solving and felt quite uncomfortable interacting within a group structure. This, in turn, made it harder to stimulate discussions and encourage full participation, which counteracted the careful composition of the committee.

The communication situation in the SMTS case is very likely to be common in many small transit agencies. Transit staff are unlikely to have much personal experience with team building, task forces or other group dynamics, and their responsibilities may not emphasize communication skills. To the extent that this is the case, it may create obstacles for any process that requires extensive participation or group

thinking. This should be taken into account in the planning of the process, and may require special devices such as the use of an experienced facilitator.

Preparation of participants. Another issue that emerged in Phase II concerned the preparation of participants involved in strategic planning. In the SMIS case, committee members were insufficiently prepared for the entire process. A one-hour introduction was all that could be fit into the timetable. Consequently, participant understanding of the process, its structure and outcomes, varied tremendously from member to member; a few were quite comfortable with the concept but several were overwhelmed by the process. This created a serious handicap for the entire process. It was overcome during the first two meetings by focusing attention on the strategic issues which people could relate. However, serious problems were created for the remaining stages of the process because committee members did not understand their roles and what was expected of them.

This suggests that more attention should be devoted to the preparation of participants involved in the process. At minimum, participants should be provided with a common understanding of the objectives, process steps, procedures, and personal responsibilities to the process. However, this requires time, which may be difficult to find. Even more problematic, it requires someone capable of providing this background. This creates a serious dilemma for small transit agencies which are unlikely to have such capabilities in house, and do not have the financial resources to acquire this expertise from outside the agency. Although, there are no obvious solutions, the issue of participant preparation must be addressed when structuring the process.

### Phase III: Analysis of Strategic Issues

#### Description

The meetings described in the previous section identified the strategic issues facing SMIS and the information needed to analyze these strategic issues. In addition, the planning committee was divided into six subcommittees, one for each strategic issue in order to divide the analysis task and make it more manageable. Dates were set for the next committee meetings which the information and analysis of these issues would be presented by each subcommittee and discussed by the entire committee. A first meeting was scheduled for October 31 at which time most of the issues were to be discussed. A second meeting on December 12 would complete the discussion of any issues that could not be discussed at the October meeting. It would also serve to draw the conclusions of the entire analysis process, and identify potential organizational goals and strategies. Therefore, the analysis was to be accomplished in 11 weeks, with the bulk of the effort in the first five weeks preceding the October 31 meeting.

As the analysis got underway, several problems arose that affected the process. The most serious problem was that committee members did

not participate in the analysis process; they did not gather or synthesize information and did not even meet as subcommittees. As a result, the only information gathered or analyzed was done by the executive assistant and executive director.

Several factors may have created this situation. First, it may have been unreasonable to expect volunteer committee members to become actively involved in the collection and analysis of information. Although these activities require much effort, volunteers are neither compensated for their effort nor have any direct stake in the outcome. Second, there was a lack of subcommittee leadership to motivate committee member involvement. The first problem might have been overcome if there had been dynamic team leaders for each subcommittee. Unfortunately, the subcommittees did not have leaders responsible for the output of the subcommittee; the subcommittees consisted only of a small number of volunteers and one SMTS staff person to coordinate their efforts. Third, because the staff persons for the subcommittees were not made accountable for the subcommittee output, it was directly related to staff interest. In one or two cases, short-term crises or a lack of interest relegated strategic planning to a lower priority. Fourth, the lack of preparation of participants meant that roles and responsibilities were generally not understood. In some cases, members did not understand how the information was to be collected and who was going to do it.

As a result, the only information gathered and analyzed was done by those SMTS staff persons with a strong interest in the outcome (i.e., the executive assistant and the executive director). A transformation took place in the course of this case study: a process that initially had been structured as a participative group process evolved into a staff function. Given the lack of staff available and the time limits for the analysis process, the information to be gathered (identified in Table 4.5) clearly exceeded the resources.

Existing internal information was identified and synthesized, particularly with respect to service characteristics, past outreach campaigns, and board policies and procedures. Furthermore, the executive assistant conducted several interviews in order to gather a wide spectrum of qualitative information. Interviews were held with relevant SMTS employees (i.e., management staff, county coordinators, drivers) and with staff of various external agencies (i.e., the state transit division, two AAAs, county courts, and city councils). Table 4.6 outlines the types of information gathered for each strategic issue. As this table shows, SMTS staff gathered a substantial amount of useful information that provided considerable insight into the strategic issues.



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TABLE 4.6 Information Gathered for each Strategic Issue

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I. Service Characteristics and Policies

- A. Ridership statistics for last 4 years (total, and by trip purpose) passenger skills
- B. Service statistics for last 4 years (Vehicle miles, vehicle hours, vehicle days)
- C. Demographic information by county (population, breakdown by age & income)
- D. Profile of average rider
- E. Review of recent AAA survey of transportation needs of elderly

II. Funding

- A. Outline of present funding sources and their evolution over recent years
- B. Analysis of financial threat, its dimensions and key actors
- C. Interviews with state officials and staff of two principal AAAs to understand behavior and future
- D. Identification of new potential funding sources

III. Competition Analysis

- A. Identification by county of other transportation agencies and type of service provided

continued

Table 4.6, continued

IV. Organizational Maintenance

- A. Construction of current organization chart
- B. Documentation of management's working assumptions and policies
- C. Interviews with SMTS staff to identify methods for improving organizational efficiency and effectiveness

V. Outreach

- A. Interviews with SMTS staff about outreach activities
- B. Analysis of user information and promotional campaigns of 1982, 1983, 1984
- C. Analysis of complaint handling procedures
- D. Interviews with most dynamic county coordinators and drivers to identify successful outreach activities
- E. Interviews with contracting agencies to discuss quality of service and inter-relations

VI. Board Decision Making

- A. Interviews with board members to discuss areas of concern, procedures, and organization of activities
  - B. Analysis of geographic representation of board members
  - C. Analysis of by laws
  - D. Analysis of minutes to identify specific policies implemented
  - E. Interviews with another transportation provider concerning their board structure and activities.
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However, the depth of that information varied because of the lack of involvement by committee members.

The information gathered during this phase was assembled into a series of working documents. The information on service characteristics and outreach was gathered in time for the October 31 meeting. Some information was also gathered concerning competition from other transportation providers. The implications of this information were discussed by the committee after the staff presentations. By the October 31 meeting, it became clear to staff that it would be impossible to assemble all the proposed information. Therefore, data collection was narrowed to a more limited set of information, as illustrated by comparing Tables 4.5 and Table 4.6. Unfortunately, the process of refocusing the data collection and analysis effort was not the result of a conscious decision process by the committee; it emerged from the priorities of individual staff. Given the impossibility of fulfilling the initially proposed data collection and analysis effort, it would probably have been useful for the committee to address this problem directly at the October 31 meeting, but this did not occur.

After the meeting, SMTS staff continued its data collection and prepared whatever other information they could in time for the scheduled December 12th meeting. Although the time constraint and lack of participation by committee members severely limited the range and depth of the information that could be assembled, the reports that were produced contained much valuable information and insights. Unfortunately, the December 12th meeting had to be cancelled because of severe weather conditions, and was rescheduled for the new year. In the interim, the process went through another transformation that shifted it toward a focus on internal issues, which will be further discussed in Phase IV.

### Issues Raised by Phase III

Roles of participants in data collection and analysis. Committee members did not fully understand their role in the data collection and analysis processes and, therefore, had difficulty fulfilling their roles. This resulted from committee members' general lack of preparation, discussed in Phase II, and also from the lack of detailed discussions concerning participant roles in data collection and analysis activities. Limited financial resources and time created this situation. These limitations might have been overcome by strong subcommittee leadership that would have helped committee members define and structure tasks. Unfortunately, this was only the case in those subcommittees where the executive director or the executive assistant were involved. As a result, committee members were not effectively involved in the data collection and analysis efforts.

This situation is likely to be encountered in any strategic planning effort by small transit agencies. Most small agency staff (and volunteers) are not involved in analytic problem solving, and will have little knowledge of basic approaches to data collection and analysis.

They will, therefore, not fully understand their roles or responsibilities. Under such circumstances they are unlikely to fully participate.

This again draws attention to the need for sufficient preparation of participants to the strategic planning process. It also suggests the need for detailed discussions of analytic activities and participant roles, and for strong guidance throughout the analysis stage. However, these actions may be difficult for most small transit agencies because of their lack of financial resources (to use for training) and organizational expertise (to guide the subgroups).

Commitment of CEO and involvement of participants. Phase III also raised the issue of executive commitment, and especially the importance of clearly expressing this commitment to agency staff. Although the executive director was personally committed to the process, he had neither shown this commitment in sufficiently visible terms to his staff nor ensured staff commitment by making each staff person directly responsible for the output of their subcommittees. As a result, those SMTS staff who were not particularly committed or convinced by the process did not feel bound by the tasks that had been assigned to them. Their involvement in the process rapidly decreased as other issues of more recognizable significance occurred.

This was a difficult issue. The executive director wished to have a participative process involving a wide spectrum of individuals. Some committee members, including several staff, were reluctant participant. It would have been difficult to obtain their cooperation using a "stick" approach. However, considerable effort would have to have been required to persuade them of the value of participating in the process; this certainly could not be achieved through 1½ days of meetings. These individuals did not fully accept the process so it was unreasonable to expect them to play an active role in the analysis phase. Their involvement might have increased had the executive director visibly shown his personal commitment or held people accountable for their assigned tasks. Another alternative would have been to recognize early that these persons would not fully participate and to restructure the tasks accordingly. They still could have served a useful feedback function on the committee, but the analysis would have had to be carried out in other ways.

Whatever the approach, the case study suggests that careful attention needs to be paid to defining the specific responsibilities of participants in the process. They must then be held accountable for those responsibilities, whatever they may be (as analyst or as provider of feedback). At the same time, the CEO needs to visibly show commitment to the process; this will show staff the importance of their role in the process and in carrying out their assigned responsibilities.

Lack of staff resources. The case study illustrated the common dilemma of small transit agencies: they lack the staff resources to

carry out the full analysis that would be required for classical strategic planning. Small transit agencies typically do not have the technical staff resources, and considerable potential benefits are needed to justify any involvement by operational staff. In the SMIS case, there was one staff person (the executive assistant) available for analysis purposes and he was actively involved in this process. However, this was still insufficient to carry out the tasks that had been identified within the time frame that had been set. An attempt was made to involve operational staff in the analysis phase, but their commitment and involvement diminished rapidly after the initial meetings.

The SMIS process had also tried to compensate for the lack of staff resources by recruiting volunteer members for the planning committee. However, these members did not become actively involved in the analysis stage because they did not understand their responsibilities, they were not sufficiently prepared, or they lacked the leadership that would have motivated their energy. The lack of staff resources remains a critical issue for strategic planning in small transit systems. The options that exist to overcome this barrier may be expensive or very complex to implement, as shown by SMIS's attempts to involve operational staff and volunteer members.

Technical training of staff. The case also showed that technical training was an issue. Some of the information identified in Table 4.5 involved rather technical skills: ridership profile construction, statistical interpretation, marketing surveys, interviewing techniques, etc. In many cases this was the first time that SMIS had gathered such information. Consequently, for certain types of information, the agency staff first had to go through a learning process in order to identify how to collect the information. In other cases, the information was simply beyond the agency's technical capabilities. Because the agency did not have the means to hire consultants, it just had to do without this information. Therefore, limitations on the technical capabilities of agency staff should be taken into account when identifying the types of information to gather and the analysis to perform.

Gathering of sensitive information. A specific but interesting issue concerns the gathering of sensitive information. Any strategic analysis of a transit agency will need to incorporate a solid understanding of the political and interorganizational contexts that surround the agency because these may involve conflicts that hinder or threaten the agency. The analysis of the political and interorganizational contexts may necessitate the gathering of rather sensitive information, such as the identification of personal perceptions or the assessment of political influence.

This was the case in SMIS's strategic analysis process where several of the strategic issues required a better understanding of the perceptions, objectives, and likely strategies of key outside actors. This raised the issue of who should, or could, collect such sensitive information: the CEO, agency staff, committee members, or an outside

consultant (such as the facilitator). In general, most small transit agencies attempting such an analysis, the CEO should not attempt to gather this information because he is too much involved in the interactions with local politicians or other organizations. For example, if the transit agency has an ongoing conflict with another organization, it is unlikely that the transit manager would be able to talk to his/her counterpart about the conflict or objectively interpret and analyze any information relating to that conflict.

This task of gathering sensitive information can also be carried out by hiring an outside consultant. This preserves objectivity and ensures motivation for the task (in the form of monetary remuneration), but is also expensive. Unfortunately, the cost automatically precludes this option for most small transit agencies.

The volunteer committee members often are well-suited for the task of collecting sensitive information. They do not have a direct connection to the agency or to any potential conflict and can keep a certain neutrality that will inspire confidence and lead to more objective information. However, as we have seen in the SMTS case, the volunteer committee members did not participate in the analysis phase and could not serve this role.

Finally, the information can be gathered by internal staff, which is what was done in the SMTS case. Three potential problems are associated with using internal staff. First, it may be difficult for staff to be objective. Second, they may find it difficult to conduct interviews which require a possibly unfamiliar set of interpersonal skills. Third, the CEO may feel uncomfortable having subordinates become informed of sensitive issues. These three problems did not occur in the SMTS case but should be recognized when using internal staff for this purpose.

Therefore, small transit agencies have two options for gathering sensitive information as part of their strategic analysis: they can use internal staff or outside volunteers. The choice between these options will depend on the communications and the ability to overcome the potential limitations.

Handling of analytic constraints. The SMTS case showed that small transit agencies will experience problems as they attempt to carry out a strategic analysis process. The problems experienced by SMTS in this phase are typical of the problems that any small transit agency might experience. The inherent difficulty of the process raises the issue of how to deal with the analytic constraints that appear during the process.

In the SMTS case, no procedure was set up to deal with problems that occurred during the analysis process. These various problems made it impossible to achieve the objectives set out by the committee at the September 21 meeting. In the end, the information gathered was considerably narrower and less detailed than had been originally intended

by the committee. Given the circumstances, this was inevitable. However, the choices about what information to gather and what analysis to perform were made on an ad-hoc basis by the active staff. This is not necessarily a problem but it might have been useful to have the committee reconvene to address the problems and redetermine its priorities or schedule.

This suggests that any strategic analysis process should be flexible because problems are likely to occur. It should also include a procedure for identifying and addressing problems as they occur. If during the course of the analysis phase topics need to be dropped, resources redirected, new topics analyzed, and so on, then these choices should be made in a timely fashion and in a manner that is consistent with the overall objectives of the strategic planning process.

Role of outside agent(s). Unlike such activities as dispatching, supervision, maintenance, accounting, etc., strategic planning is not needed to ensure the day-to-day operations of the agency. Consequently, any transit agency that wishes to carry out strategic planning will not find all the needed resources inside the organization. At some point, an outside agent needs to be called in and the agency needs to determine what the agent's proper role for within its strategic planning process. In the SMIS case, the executive director wanted the outside agent to serve as facilitator to the process (i.e., to help organize the process, educate people, facilitate the launching of the analysis phase, and facilitate the identification of agency goals).

In larger agencies, as was seen in Chapter 3, consultants are sometimes brought in as analysts who organize the process, gather the information, analyze it, and make recommendations. However, this is extremely expensive and obviously beyond the financial resources of most small transit systems, unless the cost of these consultant services is underwritten by some external agency (city, MPO, state, extension services of a state university, etc.).

SMIS could not afford a consultant to conduct the analysis so it structured a process using a combination of staff and volunteer resources with the external agent as facilitator. The problems associated with this approach have been documented, but there may not be an alternative to this dilemma for small transit agencies. Given the extremely limited financial resources available to small transit agencies, they need to be creative in their use of human resources, as was SMIS, and need to carefully assess beforehand how the external agent is to be used. It should be recognized that since this may not be an optimal solution, problems are likely to occur and the process should be structured with this in mind.

## Phase IV: Process Dynamics

### Description

According to the timetable established by the planning committee the purpose of the December 12th meeting was threefold: to wrap-up the reports of the subcommittees, to discuss the implications of the various analyses, and to develop a preliminary set of organizational goals based on these analyses. The exact wording of these goals was worked out over the following two months with this meeting serving to establish the major thrusts. Phase IV should have been the setting of goals.

However, this plan was disrupted and the process had to be modified in order to adapt to these circumstances. The first cause of disruption concerned the problems experienced during the analysis phase and was described in the previous section. The lack of involvement of the committee members, both the volunteers and some of the SMTS staff, forced the transformation of the analysis from a participative committee function to a staff function, which greatly reduced the extent and depth of the analysis that could be performed in the allocated time frame. By December 12th the information gathered was less extensive than had been originally envisioned, and there was only a summary analysis of the information that had been gathered. One of the strategic issues (e.g., competitive analysis) had been scarcely addressed and in some cases the analysis consisted mostly of assessing whether predetermined potential solutions were feasible.

Despite these limitations, some valuable information had been assembled. In most cases this was the first time the organization had seen information such as the interviews of outside agencies and some of the analysis done for the outreach or board decision making issues. The information clearly identified potential directions for the organization and led to the development of organizational goals somewhat later in the process.

The second cause of disruption affected the process more profoundly: the process had created a dynamic of its own within the organization that needed to be addressed before the process could progress. The process created dramatic staff expectations which brought forth many internal issues of concern. By the end of the analysis phase, it was evident that further staff cooperation with the strategic planning process was unconsciously intertwined in their minds with the expectations that these issues were going to be addressed by the process.

This internal dynamic was created by a series of circumstances. First, the strategic planning process introduced a totally new process into the organization that disrupted ongoing processes and introduced the concept of change to the staff. Initially, there was great suspicion of this and some staff refused to become involved. In other cases there was outright cynicism concerning its likely impacts on the well-



established organizational patterns and habits. However, initial attitudes gradually changed. Many different things started happening all at once. Statistical records were being resurrected to consider the patterns over time of ridership, funding sources, costs, etc. Files that had never been looked at were emerging in order to understand procedures for complaint handling, maintenance, etc. Information was being assembled in new ways and internal communications were increasing dramatically.

The staff that were not on the planning committee increasingly sensed that its activities might be important for the organization. Consequently, some staff expressed a strong desire to participate in the process. Two new staff persons were introduced into the analysis process midstream, ironically at the same time that other staff who were original committee members, were gradually reducing their involvement. Unfortunately, the midstream introduction of new staff persons but did not help alleviate the problems of gathering and analyzing that information.

In any agency as small as SMTS, this amount of activity could not help but create considerable internal agitation and a sudden feeling of change. As the analysis proceeded and the participants explored the range of issues defined by the planning committee, virtually all aspects of the organization were under scrutiny and an increasing proportion of the staff was being affected. A host of internal issues arose: organizational structure, the clarification of responsibilities, reporting patterns, internal procedures, imbalances in activities and resources, poor administrative facilities, customer service procedures and attitudes, etc. As these problems became better defined and understood by staff, there was a growing sense that the process needed to address these problems. In other words, what had been previously a sense of discomfort within the organization had become a set of interrelated but clearly defined problems that required action. The participative nature of the process and involvement of a large proportion of the staff led to widespread expectations that action would be taken. The internal issues could not be ignored or the entire process, and management as well, would lose credibility and staff cooperation.

In some sense, SMTS's strategic planning process was achieving one of the important objectives of any strategic planning process: to challenge existing assumptions and to rethink the existing activities of the organization in light of its mission, weaknesses and strengths, threats and opportunities. The planning committee had recognized that internal procedures needed to be examined, and organizational maintenance was one of the six strategic issues. Unfortunately, the process was also creating an internal dynamic of its own and a set of perhaps unrealistic staff expectations about what should be changed and in what time frame. This situation created a serious challenge for the executive director.

Unforeseen circumstances helped deal with this situation. The next meeting of the planning committee had been scheduled for December 12,

with the IUT staff person serving again as facilitator. However, the day before the meeting the area was hit with a substantial snow storm. The formal committee meeting was cancelled because many of the volunteer members had to drive long distances to the SMTS head office. However, SMTS staff were not hindered by the snow because of their proximity to the offices. This created an opportunity to discuss these internal issues among staff in a less formal setting than would have been possible with the full planning committee. The executive director and facilitator decided to take advantage of this opportunity, and organized a day of consultations with staff to discuss the issues that had been identified by the analysis phase and to respond to staff expectations. Although this modified the original schedule of the strategic planning process, it had become obvious that the process would die without staff cooperation and support, and this required that the issues of special concern to staff be addressed.

The day began with meetings of subgroups that discussed the various issues that had been identified. (In order to encourage open dialogue, the executive director did not attend.) After analyzing the feedback obtained from these subgroups, the facilitator led an afternoon meeting involving all of SMTS's management personnel. The meeting was structured around four important issues where staff input would help the strategic analysis: (1) the organizational structure and its effect on strategic issues, (2) organizational goals and strategic decision-making criteria, (3) current service priorities, and (4) strategic options for SMTS. The afternoon meeting did not focus directly on the sensitive issues that had been raised during the morning's sessions but sought to incorporate them into a wider discussion of SMTS's objectives, potential future, and internal capability of responding to challenges. In this fashion, the emphasis was placed on the strategic situation and outlook of the agency. A report was later prepared by the facilitator for the executive director that summarized the concerns and issues that had been mentioned in the morning discussions.

#### Issues Raised by Phase IV

Raising of staff expectations. As Phase IV illustrated, the strategic planning process may introduce considerable debate within the organization, which may result in the raising of staff expectations.

An important aspect of strategic planning is to analyze the strengths and weaknesses of the organization in light of potential threats and opportunities. As needed information is collected and processed, most agency staff become involved in the process either directly as part of the team conducting the analysis or indirectly as providers of information. This process involves considerable self-evaluation and brings to the surface internal issues of concern to staff. As the issues are identified and discussed, there is a growing expectation within the agency that the resulting strategic plan should address those issues. The expectations are particularly strong when the issue is considered important by a large number of staff.

This phenomenon of staff expectations raised by strategic planning exists for any agency attempting such a process. However, the importance of this issue is greater for smaller transit agencies than for larger ones. First, a strategic planning process in a small agency actively involves all management and professional staff; there are fewer staff and each person is responsible for multiple tasks. Second, the launching of the strategic planning process has much greater significance in a smaller agency. Whereas larger transit agencies frequently conduct internal studies of one type or another, such undertakings are unusual in small agencies. The decision to pursue such a process is thus symbolic in and of itself, and the staff expectations surrounding the effort are likely to be greater than they would be in a larger agency where studies and internal change are more common.

Consequently, managers of small transit agencies need to understand the powerful staff expectations that are likely to be raised by a strategic planning process. If staff cooperation and support are important for the process and for the implementation of the strategic plan, then managers must ensure that the important internal issues are not ignored. This may be difficult because internal issues are likely to be sensitive, particularly when staff expectations are unreasonably high. The manager must carefully assess the best way to respond to these expectations in the given context.

Organizational readiness for strategic planning. As shown in Phase IV, a strategic planning process may create dynamics within the organization that may not be predictable or confined by a preestablished schedule. The need to modify the schedule of strategic planning activities in order to focus more attention on SMTS's internal issues is an example. Strategic planning may also result in major changes to the organization itself as well as to its management. This suggests that the manager of a small transit agency contemplating a strategic planning process may want to assess (1) the organization's ability to cope with these changes, and (2) the manager's own willingness to respond to issues that may be raised. In some sense, the manager must ask whether the agency is ready for strategic planning. An objective preliminary assessment by the manager of the issues that are likely to be raised and the personal implications for the manager will help to reduce potential problems later.

#### Phase V: Goal Setting

##### Description

Although the December meeting changed the schedule of activities, it helped strengthen the strategic planning process. The discussions provided a better understanding of several important internal issues and of their impact on potential strategies being considered for SMTS. After the meeting, the portions of the discussions that were relevant to the planning process were summarized and presented individually to the other planning committee members. Work then resumed on the next phase of the process, the defining of organizational goals and objectives.

To some extent this task had been defined from the outset as the principal purpose of the committee (refer to Table 4.1). The committee had already collected and analyzed a variety of information. This analysis helped the committee to understand the dimensions of the strategic issues facing the agency and the potential responses. The next step was to review this analysis, assess potential responses in light of the organization's mission, select the most desirable directions for the agency, and formulate a preliminary set of organizational goals in the six strategic areas. This task was carried out by the executive director and his assistant. These goals were then discussed at a planning committee meeting. Based on these discussions, SMTS staff prepared a second set of goals, that retained the thrust of the first set of goals but was less formally linked to the original set of strategic issues. After discussion, the committee felt that the formal goals of the organization should stand alone because they represented a message to the outside world. The second draft was discussed at a subsequent meeting and was adopted by the planning committee. The resulting organizational goals are outlined in Table 4.7.

These goals were then presented to the SMTS Board of Directors in March 1985 by the chairperson of the planning committee. The goals were discussed and adopted by the board; the presence of three influential board members on the planning committee greatly facilitated the board's adoption of these goals. This basically concluded the planning committee's responsibility.

The final step consisted of preparing detailed objectives for each goal. This was put together by the executive director using many of the conclusions from the analysis phase. The proposed objectives were discussed with individual members of the planning committee, and submitted and adopted by the board. The executive director was responsible for the implementation of these objectives.

#### Issues Raised by Phase V

The purpose of organizational goals. The discussions of the planning committee in this phase were primarily aimed at defining the goals of the organization, but in the process also raised questions about the purpose of these goals and their primary audience. Goals are generally construed as broad statements that define the desired "state of affairs" the organization is attempting to achieve and the direction in which the organization is moving. However, the discussions of the planning committee showed that there are differences in interpretation concerning the audience and purpose of goals.

First, goals might be primarily aimed at actors that are external to the organization. In this case, goals provide a message to the outside world that explains the mission of the organization and helps define it in relation to other organizations. Second, goals may be aimed at the organization's board members. In this case, the purpose of

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TABLE 4.7 Five-year Goals for SMTS: Prepared by the Corporate Planning Committee

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- I. Revise organizational policies and procedures and formulate new ones as needed in order to insure the successful operation of the organization.
  - II. Provide quality transportation that is standardized throughout the area and guided by the following priorities of service:
    - A. Needs of elderly
    - B. Needs of handicapped
    - C. Long distance medical
    - D. Other general public transportation needs
  - III. Develop demonstration programs in select geographic areas which will increase local financial support for SMTS, but not necessarily based on the goals of II.
  - IV. Insure adequate financial resources and facilitate the coordination of cash and other resources so as to provide maximum economic and service benefits for people in the area.
  - V. Decrease dependency on existing funding sources.
  - VI. Enhance board decision making through training and recruitment.
  - VII. Promote the image of SMTS through active involvement of board members in local areas.
  - VIII. Increase community awareness of SMTS services, policies, and funding.
  - IX. Enhance and facilitate the most efficient use of all federal funding used to provide passenger transportation through coordination of programs and services.
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goals is to achieve consensus, which helps individual board members play their role as part of the team. Third, goals may be primarily intended for the organization's employees. In this case, goals are not an abstract message, as in the first case, but represent a target or ideal state that serves to motivate staff.

To some extent, goals should achieve all three purposes; however, the wording, use, and impact of the organization's goals will vary depending on the primary audience and purpose. Since considerable emphasis is often placed on the formulation of goals, the manager should determine beforehand what the purpose of goals should be as part of the strategic planning process. This becomes more important when goals and objectives replace a formal strategic plan, as they did for SMTS.

Raising of board expectations. Although less dramatic than the effect of raising staff expectations, the launching of a strategic planning process in a small transit agency may also raise board expectations. In the SMTS case, the executive director initially presented to the board a process that was very formal, incorporating formal analysis and promising formal reports. This was probably unreasonable given the small amount of staff and financial resources available for the project. Furthermore, SMTS experienced several difficulties that are likely to be inherent to any similar attempts by small transit agencies. Consequently, the results were perhaps less extensive than had been promised.

In the SMTS case this process did not create too great a difficulty because of the presence of influential board members on the planning committee and because of the existing consensus on the SMTS Board. However, under other circumstances, this process might have created difficulties for agency management. Strategic planning is not a panacea, but a tool that can provide a broader perspective on the agency's situation, desirable future, and potential strategies. It is important for management to carefully present this tool to the agency's policy board and to establish realistic expectations of what can be achieved. Strategic planning should not be oversold, especially with respect to its value in dealing with short-term crises. It should be remembered that the implementation of this tool is bound to encounter problems which may affect the ability to deliver promised outcomes.

Responsibility for implementation and follow-up. Finally, the case raised the issue of the responsibility for implementation. This is especially difficult where the strategic planning process has involved the creation of a volunteer committee, as was the case here. The SMTS Planning Committee had defined its ultimate role as the development of goals based on a strategic analysis. Once this role had been fulfilled, the process became entirely a staff responsibility. First, this means that implementation can be divorced from the process that established the strategy. Second, it means that the effort spent on educating the volunteer committee members on the issues facing SMTS is lost after the committee's mandate has been fulfilled. Therefore, it is important to

identify an ongoing role for the planning committee that allows it to monitor the progress on the implementation of the plan, and that provides a forum for discussing the organization's future in an informal environment. Without this, it is likely that volunteer members will become less involved as the end of their fixed mandate approaches.

#### Summary

Chapter 4 described SMTS's effort to develop and implement a strategic planning process. The case study helped identify several difficult issues that confronted SMTS's management. The conditions that created these issues will often be found in other small transit agencies. To that extent, this discussion should provide useful insights to other transit managers contemplating strategic planning. Table 4.8 outlines the issues identified through the case study.

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TABLE 4.8 Issues Identified in SMTS Case Study

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Phase I: Organization of the Planning Process

- Defining the objectives of the process
- Selecting planning committee members

Phase II: Launching of the Planning Process

- Inappropriateness of classical strategic planning model
- Formality of process and outcomes
- Preexisting level of communications
- Preparation of participants involved in strategic planning

Phase III: Analysis of Strategic Issues

- Roles of participants in data collection and analysis
- Commitment of CEO and participant involvement
- Lack of staff resources
- Technical training of staff
- Gathering of sensitive information
- Handling of analytic constraints
- Role of outside agent(s)

Phase IV: Process Dynamics

- Raising of staff expectations
- Organizational readings for strategic planning

Phase V: Goal Setting

- The purpose of organizational goals
  - Raising of board expectations
  - Responsibility for implementation and follow-up
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## CHAPTER 5

### CONCLUSIONS

#### Findings

The national survey of transit managers and the SMTS case study provided much insight into the use of strategic planning in the transit industry and the issues surrounding its use. Special attention was paid to the impact of agency size, and four size categories were defined: small, medium, big, and largest. This section briefly summarizes the more interesting findings that emerged from this empirical investigation.

#### Strategic Planning in the Transit Industry

Over half (59%) of all transit managers surveyed reported using strategic planning in their agencies, but use varied considerably by agency size (from 93% in the largest agencies to 42% in small ones). Managers had different interpretations of what constitutes strategic planning; the research revealed seven distinct categories of responses:

- Long-range service plans
- Short-range service plans
- Annual budget process
- Comprehensive strategic studies
- Continuous process with dedicated staff (without plans)
- Goals and objectives or MBOs
- Strategic, business, or management plans

There seems to be considerable confusion between long-range service planning (typically, externally required) and strategic planning. In-depth research is needed to address this issue and assess to what extent externally required long-range planning is being used to manage the agency and to guide organizational decisions. In general, the processes that respondents described address a limited range of issues, focusing primarily on service levels and needs, capital requirements, and funding. There is little evidence that the processes fulfilled or the requirements of a classical interpretation of strategic planning (as outlined in Chapter 2).

Dedicated corporate planning staff was found only in the largest transit agencies (or agencies with rail systems) and appeared to be linked to important levels of capital investments. Recent interest in strategic planning in the largest agencies was demonstrated by the creation of corporate planning departments and new dedicated strategy-building processes.

### Obstacles to Strategic Planning

The institutional environment of transit discourages strategic planning. Respondents unanimously agreed that changing federal policy was the most serious obstacle to strategic planning. Local politics and the complexity of the transit agency's environment were generally considered important obstacles. The largest agencies were most sensitive to the environment's complexity.

Internal obstacles appear to be generally less important than environmental ones. Overall, the lack of staff resources was ranked only fourth in importance, and the lack of good information was ranked sixth. However, the perception of the importance of these factors was strongly related to transit agency size. The lack of staff resources is serious for small agencies (65% ranked it as very important), but much less so for the largest agencies (only 31%). The opposite is true for the lack of good information; 58% of the largest agencies ranked as very important compared to only 27% of the small agencies. Managers generally did not perceive board and management turnover as serious obstacles to strategic planning, although management turnover was somewhat important for the largest agencies. There was a strong consensus that strategy building should be management's responsibility.

The importance of other environmental factors varies considerably with agency size. Changing state policies were viewed as very important by all but the largest agencies. The largest agencies were the only category to perceive the "fish-bowl" environment of transit as a serious impediment to strategic planning. Other factors that respondents identified as discouraging strategic planning included: operating pressures, short term focus within organization (fire-fighting) and outside the organization (political arena), year-to-year budgeting, the "public service" concept, the inability to enter new markets, and the inability to change the agency's environment.

### Managerial Tools Related to Strategic Planning

The research considered various managerial tools related to the strategic planning that might provide a basis on which to build a strategic planning process. These included:

- Strategic-type studies
- Performance indicators
- Management by objectives (MBO)
- Strategy retreats

Strategic-type studies. Six types of strategic-type studies were analyzed. Their ranking according to industry use is as follows: (1) service plans, (2) capital needs studies, (3) marketing plans, (4) mana-

gement performance audits, (5) financial plans, and (6) alternatives analysis. An analysis of the results led to several observations. The transit industry favors operational (service and capital related) over managerial (organizational or market related analysis). The average number of strategic-type studies decreases overall as agency size decreases. Small transit agencies consistently conduct less analysis than other size agencies. However, there is much less difference across the other size categories than one might expect. For example, medium size transit agencies use strategic studies as intensively as big agencies, and lead all size categories in both service and marketing plans. Fairly large proportions of all size categories of respondents have had marketing plans or management performance audits in the last five years, but the use of financial studies is strongly related to agency size.

Regarding the impact of these studies on agency direction, one-third of respondents felt the studies had had no impact, while 43% provided specific examples of impact. The perception of study impacts did not vary with agency size. Management performance audits had the widest range of impact, whereas service plans and capital investment studies were perceived to have most significant impacts. The impacts respondents mentioned relate more to specific aspects of the organization (service levels, costs, organization structure) than to agency goals and strategy.

Overall, it appears that the analytic base in the transit industry does not offer a real substitute for the analysis performed as part of strategic planning. Studies are insufficiently strategy oriented, relatively short term in nature, and apparently not integrated. However, the relatively high and even use (62%) of management performance audits holds promise for a more strategic analytic perspective in the future.

Performance indicators. Performance indicators are extensively used (82%) by the transit industry, and the rate of use varies little across different size categories of transit agencies. This may support the development of strategic planning because it provides a continuous data base of internal performance and helps management identify organizational weaknesses and strengths.

MBO. Nearly two-thirds of transit agencies with over 50 vehicles stated that they had a formal MBO process. Although MBO does not provide the comprehensive analysis or long-term perspective of strategic planning, it involves a structured managerial process for setting internal objectives. The relatively high use of this tool within the transit industry provides a base that will facilitate the development of strategic planning.

Retreats. Finally, the survey found that the transit industry only moderately uses retreats for the purpose of formulating organizational strategy. Furthermore, the use of retreats varies tremendously with agency size: 77% of the largest agencies used retreats during the last two years compared to only 32% of big, 31% of medium size, and 9% of

small transit agencies. This managerial tool is particularly valuable for transit properties because of its flexibility and effectiveness. Therefore, it is surprising that it is not widely used.

In conclusion, the survey found that on one hand the analytic base of the transit industry is not sufficiently entrenched or well balanced to facilitate strategic planning. One exception is the growing use of management performance audits. On the other hand, the relatively high use of MBO and performance indicators is encouraging, although strategy retreats need to become more commonly used.

#### The Special Case of Small Transit Agencies

The research was particularly interested in the use or potential of strategic planning in small and medium transit agencies, and carefully assessed the impact of agency size on the results. The research shows that medium size agencies (50 - 100 vehicles) are significantly different from small transit agencies, and typically have characteristics that are more comparable to the big agencies (100 - 50 vehicles) than to the small ones. Reference has been made to a threshold separating the small and medium size agencies, which existed for all areas examined by the research: existence of strategic planning, use of strategic-type studies, use of strategic management tools, availability of staff resources, and factors discouraging strategic planning. From these findings, it appears that medium size agencies are in a significantly different position than small agencies, and have a fairly encouraging outlook. This finding is both important and relatively surprising. (It should be noted that another threshold appears to separate big transit agencies from the largest ones).

Unlike medium size agencies, small transit agencies are in a very difficult position. Fewer small agency managers reported having dedicated strategic planning processes, and 78% of these fell into the category of long range and short-range service plans. Small transit agencies consistently have less staff available than all other agency size categories (small agency responses concerning staff availability were 26% - 68% lower than those of medium size agencies). They are also consistently lower users of strategic-type studies (responses were 10% -20% below the next lowest response rate). Small transit agencies are only moderate users of formal MBO (30%) and do not use retreats for strategy formulation at all. The hopeful findings are: the high use of performance indicators, (74%) and the relatively strong use of some of the strategic study categories even if these are systematically lower than in other agencies. The implications of these findings are that small transit agencies do not use strategic planning as a tool, and are much less likely to have the managerial functions or activities that can provide partial substitutes, or a foundation, for strategic planning.

The SMTS case study confirmed these findings and provided additional insight into the problems small transit agencies face when they try to implement strategic planning. The case study identified and

discussed 10 obstacles that can discourage strategic planning in small transit agencies:

- Availability of staff
- Internal resistance
- Difficulty of using outside volunteers
- Unfamiliarity of staff and outside participants with managerial processes in general, and strategic planning in particular
- Preexisting level of communications with agency and unfamiliarity with team-based efforts
- Availability of data
- Technical expertise of staff and outside participants
- Ongoing operational pressures and crises
- Fulfillment of internal and external expectations
- Lack of financial resources to hire outside expertise to train staff and participants, to collect and process data, etc.

Although several of these obstacles are not unique to small transit agencies, they are harder to overcome in the small transit agency context.

The case study also helped identify specific challenges confronting the small transit agency manager who attempts to develop a strategic planning process. These include:

- Defining the objectives of the process
- Designing the process overall approach, degree of formality, structure, responsibilities, timetable, deliverables, contingencies, implementation
- Using consultants
- Selecting participants
- Motivating involvement
- Structuring the analysis process to be consistent with capabilities
- Expressing executive commitment and ensuring participant commitment over time
- Integrating strategic planning tasks (data collection analysis, discussions, etc.) with day-to-day activities
- Handling unexpected contingencies
- Linking strategic analysis, potential strategies, organizational goals, and special actions
- Implementing decisions emerging from strategic planning process

Again it is obvious that these challenges are not unique to small transit agencies. However, they may be harder to address in small transit agencies, which are less familiar with managerial or analytic processes. These issues provide a useful overview for managers of what to expect when developing a strategic planning process.

### Conclusions

A review of the research results and of the summary of findings suggests three major conclusions:

1. The need to reinterpret the concept of strategic planning.
2. The importance of organizational readiness.
3. The need to mold strategic planning to the specific context of the organization.

### Reinterpreting the Concept of Strategic Planning

The classical strategic planning model, defined in Chapter 2, is overly ambitious and inappropriate for most organizations. It attempts to pursue several different objectives through a single process. Therefore, the process becomes all-encompassing and enormously complex. The requirements for such a process are extensive and the costs to the organization, in monetary and human resources, energy, and disruption, can be dramatic. Classical strategic planning does not appear compatible with the needs and conditions of most transit agencies. One exception may be the very largest transit agencies that may need such a process to coordinate the ongoing activities of multiple divisions, the large amounts of information they generate, and massive capital investment or rehabilitation programs.

However, most transit agencies do not need such a complex, formal, and comprehensive process nor is it compatible with their informal and simple structures. Nonetheless, transit managers need a managerial tool to assist in the formulation of organizational strategy; they cannot rely solely on their judgment. Although the organization of the transit agency typically is fairly straightforward, the environment often is complex, turbulent, and political. Many actors with conflicting interests are involved and the survival of the agency frequently is threatened.

A structured process may be useful for identifying the most serious issues, understanding their dimensions and causes, determining the agency's domain or mission, identifying potential strategies, evaluating these strategies, building internal or external consensus for a strategy, and determining how best to implement the strategy. However, it is unlikely that in any given context a transit manager would want to design a single comprehensive process that could fulfill all of these objectives from start to finish, as suggested by the classical strategic planning model. Therefore, the concept needs to be reexamined and reinterpreted to make it more workable.

The research suggests that five specific issues need to be addressed as part of this conceptual reinterpretation:

- Deemphasis of formality
- Appropriate analysis
- Cost and benefits
- Strategic (managerial) vs. long-range (operational) planning
- Segmenting the concept

Deemphasis of formality. A major problem with classical strategic planning is its emphasis on formality. As the SMIS case study showed, striving for formal outcomes can be highly constraining and disruptive if the means do not exist for achieving them. Too much emphasis is placed on formal documents (i.e., the plan) to the detriment of what the plan should represent: the best implementable strategy that has emerged from a structured, collective analysis and discussion process. For example, several participants of the SMIS Planning Committee believed that the production of a formal plan was the principal purpose of the committee. Although formality ensures a certain level of effort and commitment, it needs to be commensurate with objectives, means and context. In general, a highly formal process is incompatible with most transit agencies.

Appropriate analysis. The second major problem with classical strategic planning is the requirement for a comprehensive analysis of the organization and its environment including: strengths, weaknesses, threats, opportunities, and strategic options. A comprehensive analysis has enormous demands on monetary and staff resources, energy, and outside specialized expertise. Meeting these demands is impossible for small transit agencies and probably very hard for other transit agencies. The case study showed the impacts on SMIS, and the survey showed that the transit industry is neither rich in analytic resources nor enthusiastic in its use of analysis. This implies that if the concept of strategic planning is to be used in the transit industry, it must become flexible; the level and type of analysis must be appropriate for a given context. It will not always be possible to scan and analyze all aspects of the organization and environment.

Costs and benefits. The last point raises a more general issue: the benefits to be derived from the process must exceed its costs. It has been pointed out that the various costs of developing a strategic planning process are usually high. These include: monetary costs of consultants, staff-time, and computer analysis; opportunity costs of time spent collecting data, analyzing, and discussing; organizational costs of disruptions, pressures, and raised expectations; and political costs. However, the literature has spent little time explaining the practical benefits to managers. Therefore, it is questionable whether a process as complex and costly as classical strategic planning will yield sufficient benefits to satisfy risk-averse transit managers. However, if classical strategic planning could be re-thought, it is likely that specific aspects would be worth more than the costs. For example, if a focused and less costly process could be defined to fulfill only one simple objective at a time, transit managers might be more open to the

concept of strategic planning. For example, a strategy retreat could be combined with a moderate level of analysis to build consensus on a pre-defined strategy. Clearly, classical strategic planning needs to be interpreted to address the issue of benefits and costs.

Strategic vs. long-range planning. The survey showed considerable confusion between strategic and long-range planning. This is a particularly important and difficult issue in the transit industry because of federally (and state) required planning documents. These documents were designed to force a minimal level of analysis of service needs and requirements, and to provide sufficient justification for external subsidies. They are generally more operational than managerial, and focus on service delivery rather than on the organization. This does not mean that the planning process to produce these documents cannot serve strategic planning purposes, but it depends on the extent to which they fulfill the requirements discussed in Chapter 2. In particular, it depends on how these plans are developed, who is involved, and how the plans are used. A reinterpretation of classical strategic planning for the transit industry needs to address this specific issue.

Segmenting the concept of strategic planning. Taken together, the previous discussions suggest that the encompassing concept of classical strategic planning should be segmented into more approachable elements. If classical strategic planning attempts to fulfill several objectives simultaneously, then there is a need to distinguish the different potential objectives and processes that can be used to fulfill them. The transit manager could then develop those individual aspects or processes (at a more reasonable cost) that generate the greatest benefits given the particular context of the agency. The SMIS case identified different, and often contradictory, objectives that the process was supposed to achieve. A reinterpretation of the concept would have shown that these objectives could not be pursued simultaneously, and would therefore have forced a setting of priorities. Based on these priorities, appropriate designs for the process could be implemented. In general there is a need to move away from a single, rigid interpretation of strategic planning. This need is shown by the multiple types of strategic planning identified in the survey.

### Organizational Readiness

A second major conclusion relates to the need to consider an organization's ability to accept the pressures and requirements created by a strategic planning process. This concept has been termed "organizational readiness." The SMIS case study provided a realistic illustration of this need. SMIS management encountered diverse problems while trying to develop and implement strategic planning. Some were technical in nature (e.g., availability of staff, availability of data, staff expertise). Others pertained to organizational and managerial practice, both before and during the planning process.

The case analysis suggests that SMIS was simply not ready to undertake such a process. Committee members were insufficiently prepared,



and staff were insufficiently trained technically. The necessary organizational procedures, communications, and expected behavior contrasted too greatly with existing practice. As a result, the process suffered from a series of problems that affected the outcome. These included: internal resistance, participant uninvolvedness, unrealistic staff expectations, loss of interest and commitment, and so forth. In retrospect, too much was being attempted in too short a time. The problems SMTS encountered would have affected any transit agency that did not have the proper foundation on which to build such a process.

The various findings can be regrouped in light of the concept of organizational readiness, and suggests seven important criteria:

- Organizational sophistication
- Analytic tradition and technical proficiency
- Personal skills of participants
- Understanding of strategic planning process
- Commitment of management, staff, and participants
- Flexibility of management
- Organizational stamina

Organizational sophistication. This criterion relates to the organization's experience with managerial processes. Such processes include: internal committees, budgeting, formal reporting requirements, MBO, etc. Experience with these processes improves internal communications. It also reduces internal resistance and decreases the novelty (and related symbolism) when a strategic planning process is introduced.

Analytic tradition and technical proficiency. Analytic tradition refers to the extent to which organizational decisions are based on analysis. Technical proficiency refers to the existence of technical expertise among agency staff, that is needed during strategic planning. In general these two criteria go hand-in-hand. Analysis is at the core of strategic planning. An agency that has little analytic tradition experiences difficulty when strategic planning is introduced because (1) the management and staff lack basic skills for structuring and assessing analyses, and (2) because the agency lacks both technical expertise and data availability.

Personal skills of participants. The success of the strategic planning process largely depends on various personal skills of participants in the strategic planning process. Participants need to participate in committees, which requires general communication skills. Furthermore, participants' contributions are enhanced by their existing creative skills.

Staff members responsible for coordinating the process need the special skill of diplomacy to balance conflicting interests and perspectives. They may also require well developed conceptual and interpretive skills to bring to light the most important findings from the analysis process.

Executive management and team leaders require leadership skills to motivate participant's involvement and guide the process to its proper conclusion. Considerable managerial skills may be needed to keep the process on track, bridge transitions, and oversee implementation of tasks, during and after the planning process. It may be difficult to assess the existence of these skills, but it is important to try.

Understanding of strategic planning process. At the outset, all persons involved must have a clear understanding of the strategic planning process. Each participant must understand the objectives, steps, timetable, and target outcomes. Each person must also understand his or her involvement and responsibilities, and the means by which he or she will be held accountable.

Commitment of management, staff, and participants. Strategic planning faces great difficulty without a sustained commitment during the entire process. Although managerial process is critical, commitment from staff and other participants also is important. If the commitment is not strong initially, management needs to exert strong leadership skills to build participant commitment.

Flexibility of management. Organizational readiness for strategic planning requires a certain degree of managerial flexibility. A powerful process like strategic planning may create dynamics or opportunities of its own. Management must be capable of responding to such events, without losing sight of the objectives. Lack of flexibility may exacerbate any tensions and discourage participant commitment and cooperation.

Organizational stamina. Once engaged, the organization must sustain its effort until the strategic planning process has achieved its objectives, despite day-to-day pressures and agency crises. In addition, the organization must cope with any pressures that arise as a result of the strategic planning process. These two capabilities are indicators of organizational stamina.

Summary. The seven criteria described above were identified through the research, and in particular, emerged from an analysis of the SMTS case study. Looking back, it is clear that SMTS did not meet several of these criteria, and was thus not ready for strategic planning. However, a closer analysis revealed that few small transit agencies are organizationally ready for strategic planning. It is evident from the survey that of all agency size categories, small transit agencies are least likely to be characterized by organizational sophistication, analytic tradition, and an understanding of strategic

planning. Consequently, small transit agencies are likely to experience great difficulties in implementing strategic planning. This is consistent with the survey findings concerning the use of strategic planning. In general, it is preferable for small transit agencies not to attempt strategic planning from scratch, but rather to build organizational readiness incrementally, by first implementing other more simple managerial processes (e.g., budgeting, service performance reviews, structured and formal reporting, human resource development plan, etc.). This is an important conclusion for small transit agency managers contemplating strategic planning. A starting point should be to review organizational readiness.

### Molding Strategic Planning to the Organization's Context

The third major conclusion is that strategic planning needs to be molded to the specific context of the organization. The research made it obvious that classical strategic planning is applicable to very few organizations (perhaps the GE's of the world). Most transit agencies cannot fulfill the stringent requirements of the classical model, and will not receive sufficient benefits to justify the costs.

A more flexible, segmented conceptual framework for organizational strategy building needs to be developed; this was the first conclusion. From the transit manager's point of view, the counterpart to this first conclusion is that any strategic planning or strategy-building process that is introduced into the transit agency must be molded to meet the needs and characteristics of that agency. In particular, the manager should:

- Set priorities and clearly define process objectives
- Design the process that best meets these objectives
- Build on what exists
- Be realistic about what is feasible

Setting priorities and defining objectives. First, managers must be careful to set priorities and clearly define process objectives. There is a tendency to try to achieve too many objectives at once through a simple process. Although, strategic planning literature implies this is feasible, the SMIS case study suggests it is not. For example, at a critical juncture, it was difficult to determine which was more important to SMIS: the strategic thinking of the committee or the development of a formal document for external shareholders. Priorities should be established at the outset.

Designing the process. Second, the process should be designed around the objectives that have been defined by the transit manager or process leaders. The process should not be based on some normative model developed in the literature or in some other organizational context. Models are useful, but also have serious and often hidden

drawbacks. This is illustrated by the SMIS case study where an attempt was made to adopt the model of another organization (see Appendix A), in which there existed a more profound analytic tradition.

The difficulty with molding a process to meet defined objectives is that it may require considerable creativity and experience with other strategy building processes. The first-time implementor is unlikely to have such skills. To the extent that future research helps reinterpret and segment classical strategic planning, it should help identify alternative process designs that may be applicable.

Building on what exists. Third, the transit manager should design the process so that it builds the analytic and managerial tool that already exist within the organization. The survey identified several analytic and managerial tools that are currently used by the transit agencies, which might provide a base or support for strategic planning. Examples of these include: strategic studies, in particular management performance audits; performance indicators; MBO; and retreats. If such tools are in place or studies have been recently conducted, the process should build on them as much as possible.

Being realistic. Finally, in molding the strategy-building process, the manager must be realistic about the organization's capabilities. His/her knowledge of the staff is invaluable and should help in the choice of timetable, structure, individual responsibilities, tasks deliverables and outcomes. In some respects, this reflects the previous discussion of appropriate analysis, but is applied more generally to the design of the entire process.

A strategy building process that is designed around objectives, uses existing supportive managerial tools to the extent possible, and is based on realistic expectations of the organization's capabilities, will provide a tailored approach to strategy formulation whose benefit-to-cost ratio greatly exceeds that of the classical strategic planning model.

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APPENDIX A

DOCUMENTS PRESENTED TO SMTS BOARD

PROVIDING OVERVIEW OF STRATEGIC PLANNING

## PLANNING STEPS

## STRATEGIC PLANNING

1. Board Initiative

Board of Directors vote to adopt a corporate planning process.

2. Mission Statement

The board adopts a broad description of why the organization exists; the overall purpose of the organization.

3. The president and executive director recruit Planning Committee chairperson.4. The president, executive director, and chairperson recruit Planning Committee.

## 5. Planning Committee Oversees Data Collection

The Planning Committee collects and analyzes data that will affect a 5-year plan.

Internal Evaluation - covers all the main aspects of the organization's internal affairs.

Board organization structure  
 Board recruitment, selection and development  
 Board meetings  
 Public and community relations  
 Personnel, administration and board/staff relations  
 Planning and goal setting processes  
 Decision making/problem solving processes  
 Internal evaluation  
 Financial management  
 Resource development

This report is used by the Planning Committee to determine internal needs and capabilities.

External Evaluation - a collection of data which profiles the past, present, and future.

Age and sex  
 Ethnic/racial  
 Occupational by sex  
 Family income  
 Family characteristics (size; 1-2 parent)  
 Birth rates (married and single)  
 Death rates (by age and cause)  
 Divorce statistics  
 Business and employment outlook  
 Pertinent government legislation  
 Government funding trends  
 Private foundation trends  
 Individual contribution trends  
 Interviews with city, county, and community leaders and social agencies  
 Current problems  
 Anticipated problems  
 Image of organization  
 Potential of the organization to anticipate problems

6. Data Analysis

The most significant findings of the committee as to what the service area will look like in 1990, based on data.

7. Program Participation Statistics

Demographic breakdown of service recipient population.

Sources of data include:

Census Bureau, Public Health Dept., Dept. of Social Services, Board of Education, City and County Planning, Dept. of Labor, and HEW.

ALL DATA OBTAINED SHOULD:

- \* GO BEYOND ORGANIZATIONAL LINES
- \* SHOW TRENDS COVERING 5-YEAR PERIODS
- \* INCLUDE FINANCIAL, PROGRAMMATIC, AND MANAGERIAL AREAS
- \* FOREGO MINUTE DETAILS
- \* BE FUTURE-ORIENTED

8. Goals

The "planning umbrella" for the organization.

Planning Committee submits recommendations to board of directors or board elects to convene a goal-conference.

TACTICAL PLANNING

9. Objectives

Short range expected outcomes which will assist in achieving organizational goals.

Developed by study groups composed of key volunteer and employed staff.

10. Action Steps

The specific work activities necessary to achieve each stated objective.

11. Budget Development

Costing out action steps and estimating income for a period of one year.

IMPLEMENTATION

12. Action steps carried out.

REVIEW

13. Appraisal of operating objectives and corporate goals.

