

Considering Strategic Planning for Your Port? Port Management Series

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Introduction

"We are confronted with insurmountable opportunities." These words, "spoken" by the comic strip character Pogo, seem to describe the current status of the port industry in North America. The obvious follow-up questions are: "How do you recognize these opportunities, and what do you do with that knowledge?" Strategic planning may help answer these questions.

This publication is written to provide an overview of strategic planning and management planning for public port authority directors and board members. It also provides information on what has worked and what has not worked for ports that have been involved in strategic planning effort. It is also written for the port authority that wants to initiate a strategic planning effort and for the port authority that is contemplating some form of management planning. It is not a step-by-step guide--this is best left to professionals such as the Planning and Research Committee of the American Association of Port Authorities, which is currently preparing such document.

During a 27-month period, a research project funded by Sea Grant was conducted to examine public port authorities undertake strategic planning efforts and to determine what worked and did not work in the process these ports used. Board members, executive directors, consultants, and customers were interviewed.

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Planning Levels

Virtually every public port authority is involved in some sort of planning. This is necessary because if a public port authority does not plan for itself, others will plan for it!

Port planning has several levels. At the very top is strategic planning, which provides a broad guideline and goals and objectives that will serve to shape future port development. Strategic planning is concerned with how a port wishes to relate to its environment and how its resources will be employed. Next is business planning, which transforms guidelines into specifics and links ideas and concepts to generalized timetables and "ballpark" estimates of the amount and type of resources that will be required to implement a program or project. Project planning is the next level. It is here that physical plans are drawn and specific timetables and resource allocations are determined. The lowest level of planning is budgeting, which actually allocates resources for various projects and functions. Although budgeting is the lowest form of port planning, it is probably the most important, since an activity or project can exist only if it is actually funded.

If a port limits its planning efforts to project planning and budgeting, the port is also limiting itself to being reactive. If a port enlarges its planning spectrum to include strategic and business planning, it allows itself to be proactive.

Can a port be successful if it operates in a reactive mode? The answer is a qualified "yes." The qualification is that such a port takes greater risks and is more dependent on others for its success. If a port is totally reactive, it usually does what other ports are doing or what someone (often a commissioner or the executive director) wants it to do, without much concern about whether it is the best option or even if there are any other options.

The days when a port was able to build a facility as a "trial and error" speculation are long gone. With high capital costs, project timetables measured in months and even years, high "up front" costs of permitting and mitigation, and a constantly changing economic environment, successfully operating in a reactive mode is extremely difficult.

To operate in a proactive mode means that the port can manage risk and make more informed decisions. To manage risks, a port must have information about itself, its customers, its community, and a firm understanding of what its mission is or what business it is in. This can be accomplished through strategic planning. In effect, through a strategic planning effort, a port can be in a position to take on projects that are both valid and profitable.

Strategic Planning

Strategic planning is a process that requires a port to define its mission, study and understand itself and the environment in which it exists, define and prioritize goals, set objectives, and implement the Strategic Plan. In effect,

strategic planning is a process that allows a port to formulate guidelines for resource (land, labor, and capital) allocation. The strategic planning process is similar to most decision-making processes. The decision-making process usually consists of the following steps: 1) define and understand the problem; 2) seek alternative solution options; 3) evaluate these options; 4) choose a solution option and implement it; 5) monitor the results; and 6) if necessary, return to step 3).

A major product of strategic planning is a greater understanding of one's own port--its strengths and weaknesses, and the opportunities and challenges that face it. Another major product is the Strategic Plan itself.

This Plan is a guideline for future investments of the port's resources: land, labor, and capital. It sets out the port's goals and objectives, and strategies for attaining those goals and objectives. Before a port begins its strategic planning effort, it must understand what strategic planning will (and will not) do for the port.

The Strategic Plan is a dynamic document to be subjected to constant review and adjustment in the years to come. It is not a static document that is to be blindly followed without question year after year. The Strategic Plan is neither a "self-fulfilling prophecy" nor a be-all and end-all document that will solve every problem if followed to the letter.

Last and most important, strategic planning is a long-term planning process and not a quick fix for current deep-rooted problems.

Undertaking Strategic Planning

If a public port authority undertakes a strategic planning effort, what can be done to improve the chances for the ultimate success of such an effort? More than two years of study revealed several "do" and "don't" actions that affect the success of a port's strategic planning effort.

The most important single factor in assuring success in a strategic planning effort is to have total commitment on the part of both the board and executive director. Both must be willing to expend time and money to support the strategic planning effort, to authorize staff time in support of this effort, to support the "in-house coordinator" in his activities in furtherance of the strategic planning effort, and ultimately to implement the Plan. Without a commitment to these four things, the strategic planning effort may turn out to be little more than an expensive academic exercise that could cause a loss of employee morale and become a counterproductive commitment of both time and money.

Another important factor in the success of the strategic planning process is the selection of an in-house coordinator. This coordinator must be a port employee who has the respect of staff and direct access to the executive director. The coordinator must be perceived as the executive director's designee with authority to call upon any staff member for support, assistance, and consultation. The coordinator is the funnel through which the executive director's thoughts and ideas are fed into the strategic planning process and by which the thoughts and ideas of the staff are formally entered into the process. In effect, the in-house coordinator is the focal point for the strategic planning effort. The coordinator determines schedules, arranges meetings, monitors meeting input and output, supervises the activities of consultants, and organizes the Strategic Plan while it is in the process of being formulated. Empirical evidence indicates that the in-house coordinator should devote full-time to the preparation of the Strategic Plan and should be involved in its implementation and the after implementation monitoring of the Plan's effect. It should be stressed that this coordinator's position should be filled by a port employee who reports directly to the executive director and not by a consultant.

The in-house coordinator must be an individual who has the respect of peers and the maritime community (labor, shipping lines, railroads, shippers, agents, etc.). The importance of how this in-house coordinator is accepted can be illustrated by the following example. A major port initiated a strategic planning effort with full support from both the board and the executive director. To coordinate this effort, a long-time middle-level port employee familiar with port planning (project planning) was appointed as coordinator. After several months of attempting to hold substantive meetings and coordinating activities in support of the strategic planning effort and the expenditure of a substantial amount of port funds and staff time, the strategic planning effort was essentially abandoned. Subsequent investigation indicated that port employees and the port's maritime community perceived the appointment of this middle-level port employee to coordinate the effort as an indication of the lack of importance placed on strategic planning by the port.

Roles of the Board and the Manager

Determination of the roles that individuals and groups play in the strategic planning effort directly affects the ultimate success of that effort.

Among the more important decisions for ports is the determination of the role of the board in the strategic planning effort. Empirical evidence tells us that the board should take the lead in the Mission Statement formulation phase. As the

policymaking body, the board is charged with the responsibility of defining the port's mission.

What is a Mission Statement? An old Chinese proverb says, "Without a known destination, any road is acceptable." Just as a traveler must know where he is going in order to take the road that will allow for the most direct trip, a port must know where it is going in order to allocate its resources most efficiently. For many ports, resource allocation is done on a "that sounds like a good idea--let's do it" basis. A serious problem for many smaller ports is being able to resist letting the public (or the audience at a board meeting) determine what projects the port will undertake. Unless a port has a formally stated, written Mission Statement, it is often difficult to reject projects that are "suggested" for the port to undertake.

The Mission Statement identifies the underlying design, aim, or thrust of an organization. For example:

The mission of the Port of Los Angeles as a service-oriented organization is to develop and manage property and provide the services required to promote and accommodate maritime related commerce, fisheries, recreation, industrial and commercial activities and to do so on a self-supporting basis by generating sufficient income to maintain the health and growth of the Port for the benefit of the public.

The formulation of the Mission Statement is an appropriate opportunity to get public input and gain public support for the port's strategic planning effort. This input can be anything from an open meeting to an advisory committee representing a variety of interests. The latter forum appears to provide the most valid public input vehicle. It is important to get public input into the formulation of the Mission Statement. However, little--if any--public input is necessary or even desirable in the other phases of the strategic planning effort.

Strategic planning is NOT an open public process! In fact, the majority of ports that successfully completed a strategic planning effort sought no public input at all once the Mission Statement was approved. Those that did seek public input did so either by using a select advisory group or by inviting individual community leaders to comment on specific sections of the Plan.

Once the Mission Statement has been prepared and accepted, the role of the board changes. The board's role following formulation and acceptance of the Mission Statement is as an overseer of the process. It reviews the results of each step in the process to ensure that it fits with the port's Mission Statement. It may be necessary to adjust the Mission Statement on the basis of the results of studies/research conducted as a part of the process. Instead of the board's taking the lead role in the port's strategic planning effort, the lead now shifts to the executive director. The executive director, through the in-house coordinator, takes the lead in the remaining steps in the process.

The exact method by which the executive director organizes the remaining steps in the process varies widely. The personal management style of the executive director dictates how he will handle this responsibility. Based on empirical evidence, the most successful method is to rely heavily on the in-house coordinator to organize the activities, give out assignments, supervise the effort, organize the Strategic Plan, and brief the executive director frequently. The input of the executive director to all phases of the preparation of the Strategic Plan is essential. The executive director provides vision and insight as well as defining the limits of what is implementable. Attempting a strategic planning effort without the executive director's input (or in the absence of an executive director) is an almost insurmountable obstacle to the eventual successful implementation of the Plan.

The Strategic Plan is a document that, if released in its entirety to the public or to a competing port, would cause irreparable harm. This Plan, if made public, would place the port in an untenable position with respect to the purchase of properties and/or facilities and would allow another port effectively to counter the accomplishment of goals and objectives.

The Strategic Plan appears to fit the majority of legal requirements that release a public port authority from having to classify it as a "public document. "

Since the Strategic Plan itself is a confidential document, the strategic planning process is not a public process. To ensure this confidentiality and comply with open meeting and disclosure laws, it may be necessary to have a minority of the board appointed to a Strategic Plan Review Committee in order to accomplish the strategic planning process in the most efficient manner.

Role of a Consultant

One of the most common (and most complex) questions asked by ports that are contemplating a strategic planning effort is: "How do consultants fit into this process?" On the basis of empirical evidence , the most appropriate role for a consultant in the strategic planning process is as an extension of port staff, not as coordinator of the process or as the party solely responsible for the preparation of the Strategic Plan.

Strategic/Management Planning Event Participation	Mission Statement Preparation	Internal/External Environmental Analysis	Goals/Objectives Formulations	Strategic Plan Preparation	Strategic Plan Approval	Strategic Plan Implementation	Strategic Plan Review	Business Planning	Project Planning	Budgeting
Board	✓				✓	✓				✓
Executive Director	✓	✓	✓	✓	✓	✓	✓			✓
In-house Coordinator	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Port Staff	○	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consultants	○	✓	✓	✓	✓	✓	○			
Public	✓				○					✓

✓ = Primary ○ = Optional

If the consultant plays the major role in preparation of the Plan, the port staff may conclude that the Plan is the "consultant's Plan" rather than the "port's Plan." The implementation, or more important, the enthusiasm and support for implementation of the Plan by the port staff often appear to be in direct relationship to the pride in authorship that the port staff has in its preparation.

In the case of a port with a small staff, a consultant may have to play a major role in the strategic planning process. This is certainly appropriate, but it places an additional responsibility on the in-house coordinator to ensure that the Plan truly reflects the executive director's and the staff's thinking and does not reflect only or in large part the consultant's ideas. Several ports have had success with using a consultant in a major role, but it means that the port and the consultant must work very closely in the preparation of the Plan. Some of these ports have facilitated this closeness by requiring that the consultant remain on board until after the Plan is implemented. This is a means to ensure that the consultant shares responsibility for the creation of a "workable" Plan.

Two additional areas where a consultant has real value in this process is as a "knowledgeable neutral" who can critically review both the assessment of the port's internal strengths and weaknesses and the external opportunities and challenges and as a facilitator in the Mission Statement phase.

Perhaps the most valid role that the consultant can play in this process is as a facilitator of the process itself. A consultant can bring to the executive director and staff a wealth of experience in strategic planning. This experience can be passed on to the port by allowing the consultant to act as a facilitator in the process—posing questions, reviewing findings, and conducting research into areas that the port staff lacks expertise or time to do thoroughly.

In summary, there are roles for a consultant in the strategic planning process. However, these are limited roles that will not create an opportunity for the consultant either to dictate or totally control the content of the Strategic Plan. Above all, the consultant must be supervised by the in-house coordinator, the person most responsible for preparation of the Plan.

Additional Information on Strategic Planning

There are at least three versions of the strategic planning process: private for-profit corporation, not-for-profit corporation, and government. Because port authorities are a form of public enterprise, government units involved in a

competitive environment on a profit-making basis, they do not totally fit any of these versions. However, the private for-profit corporation version seems to fit the best. The main difference from a process viewpoint is public input in the Mission Statement phase.

Two very readable texts, Strategic Planning: What Every Manager Must Know (The Free Press, 1979), by George A. Steiner, and Competitive Strategy: Techniques for Analyzing Industries and Competitors (The Free Press, 1980), by Michael E. Porter, can provide an excellent overview of the strategic planning process and the formulation of strategies.

Conclusion

Strategic planning provides a tool for distinguishing between solid opportunities and latent disasters and a rationale for acceptance or rejection of potential opportunities. A port can succeed without doing strategic planning. Conversely, a port that has done strategic planning can fail. A key factor is that it is more difficult to fail with a welldone Strategic Plan than without one.

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