

# **Strategic Planning Practices at a Malaysian Private University: The OUM Experience**

by

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## **Abstract**

*OUM is unique in that it is a private university but owned by a consortium of 11 Malaysian public universities. Starting from a humble intake of 753 learners in 2001, OUM's cumulative intake is now over 90,000. Currently, OUM offers more than 70 programmes in various disciplines and at various levels ranging from Diplomas to PhDs. It has more than 60 learning centres throughout the country.*

*OUM is the first Open and Distance Learning (ODL) University in Malaysia with the primary role to democratise education in line with its motto: "University for All". To stay ahead of its competitors, OUM must have a holistic and farsighted view of the needs of its students, which can only be achieved through a sound strategic planning process.*

*At OUM, the Corporate Planning Unit (CPU) is entrusted to manage its annual planning and budgeting exercise, which is an important and integral component of the overall university's long-term strategic plan.*

*This paper describes the annual strategic planning and budgeting exercise as practiced by OUM. It describes the key steps involved, identifies the critical success factors and highlights the major challenges faced. The use of the balanced scorecard and blue ocean strategy frameworks in the university's planning and budgeting exercise is also highlighted.*

## **Introduction**

There are far too many definitions of strategic planning. A cursory search for the definition of strategic planning in the world-wide web through the search engine, Google, revealed a total of about 3.33 million listings (Google, 2009). At the top of the list is the definition provided by Wikipedia, that is, “Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people” (Wikipedia, 2009). The Strategic Planning Handbook defines it as, “a tool for organizing the present on the basis of the projections of the desired future” (Strategic Planning Handbook, 2001). Ansoff, who many considers as the father of strategic management, defines strategic planning as, “a rational analysis of the opportunities offered by an environment and of strengths and weaknesses of the firm, and selection of a match (strategic) between the two which best satisfy the objective of the firm” (Ansoff, 1976). Finally, Drucker, another well-known management guru defines strategic planning as, “the continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions; and measuring the results of these decisions against the expectations through organized, systematic feedback (Drucker, 1974).

Having provided the various definitions of strategic planning, we move on to discuss its importance in the context of a university. Strategic planning as a process was migrated from the corporate world and has been practiced in some universities for at least 40 years (Fain, 2007). However, its use has exploded only in the last decade and now virtually every university has in place some form of a strategic planning process. The sudden rise in strategic planning activities among universities may be attributable to the following higher education trends: increasing intensity of competition, globalization and the rise of borderless education, increasing costs of running a university, reduced funding for public universities, learners’ diversity of needs and greater accountability and emphasis on quality corporate governance. Examining the possibilities and formulating strategies to meet those challenges can help the institution take full advantage of opportunities and minimize threats. In short, it can take control of its future. It can use its energies and resources more effectively and conduct its core business more successfully, despite changes in the environment.

What constitutes a good strategic planning exercise? The literature is filled with many suggestions and recommendations on this subject matter. However, in our opinion, an effective strategic management process has to have the following: Firstly, it has to be a participatory process whereby all members of the organization have to be made aware of its content and more importantly participate directly in the formulation of the plan. This is necessary to ensure that each member has a claim to its ownership. Secondly, as the name implies, it has to be strategic in nature. Though this is rather obvious, it is not easy to put it to practice. Furthermore, it is more easily stated than done. Unless, the strategic planning process has gone through a rigorous

strategic analysis stage, the eventual strategic plan will not provide the much needed competitive advantage for the institution.

Finally, the ultimate goal of a strategic plan is to achieve excellence. In this regard, it is often observed that traditionally, universities usually confined their goals to *academic excellence*. In the current context of higher education environment, this is a relatively narrow and non-comprehensive goal. For completeness, two other goals need to be incorporated, that is, *service* and *organisational excellence* (Ruben, 2001). Service excellence refers to how we create and maintain a cordial relationship with learners through teaching, research and community services. Organisational excellence on the other hand concerns the effectiveness and efficiency of the way we discharge our day-to-day duties or our internal processes. Dysfunctional work processes that pervade many higher education institutions are great time-wasters, inhibit innovation and demoralize the institutions' staff. Worst still, it has high potential to interfere the institutions' ability to better serve their learners and other external service providers.

### **Objective and scope of paper**

The objective of the paper is to present and share the strategic planning practices at Open University Malaysia (OUM), the country's first open and distance learning (ODL) university. Since the area and context of strategic planning is rather vast and the space limitation afforded by this paper is obviously limited, this paper will focus only on one of the critical components of its overall strategic planning process, that is the annual planning and budgeting exercise. More specifically the paper will describe the key steps involved, identify the critical success factors and highlight the major challenges faced. Since inception, the university has been using the *balanced scorecard framework* as its primary strategic planning and implementation tool; this framework will be elaborated in the paper. Finally, since recently, the team has introduced an additional and complementary tool, the *blue ocean strategy* in the university's strategic planning process; this will also be highlighted in the paper.

### **OUM: Malaysia's first ODL University**

OUM is the first Open and Distance Learning (ODL) University in Malaysia. Its vision is "to be the leading provider of flexible learning" and its mission is to widen access to quality education and provide lifelong learning opportunities by leveraging on technology, adopting flexible mode of learning, and providing a conducive and engaging learning environment at competitive and affordable cost." Its primary role is to contribute towards the democratisation of education in line with its motto of "University for All".

OUM is unique in that it is a private university but owned by a consortium of 11 Malaysian public universities. Starting from a humble intake of 753 learners in 2001, OUM's cumulative intake is now over 90,000. Currently, OUM offers more than 70 programmes in various disciplines and at various levels ranging from Diplomas to PhDs. It has more than 60 learning centres throughout the country. To date, it has produced more than 13,000 graduates and at its Seventh Convocation in November this year, more than 7,000 of its learners will graduate bringing the total to more than 20,000 graduates. On the international front, we have successfully established learning centres in Bahrain, Yemen, the Maldives, Indonesia, Singapore, and Ghana and in the very near future, Vietnam. Thus, it is evident that OUM has grown at a very rapid pace in a relatively short span of time (9 years). This remarkable achievement is due to many factors, one of which is its effective strategic planning process.

The strategic planning process at OUM takes cognizance of its primary role in providing lifelong learning, enriching learners' experience and democratising education through affordable, accessible and flexible learning. A large majority of OUM's learners are working adults who require greater learner support when compared to learners in the conventional universities. The provision of these supports forms one of the critical strategic thrusts of the University's strategic plan. As a relatively young institution, with all its challenges, OUM would as much as possible avoid having to spend most of its time reacting to unexpected changes instead of anticipating and preparing for them. When caught in such a crisis management, it will spend too much time and energy with the immediate problems, leaving little energy left to anticipate and prepare for the next set of challenges. This forms the rationale for the critical need of strategic planning.

From our experience, the three ingredients to successful strategic planning and implementation are commitment, credibility, and communication. Up-front commitment by all leaders, such as HODs means that they have to adhere to the full and thorough process of strategic planning. Input, feedback, and understanding are crucial at every step. Everyone should provide inputs and, ideally, everyone should feel a sense of ownership over the final plan. Such personal commitment will facilitate the implementation process. Another useful approach used by OUM is in treating the strategic plan as the "benchmark" for progress. The strategic plan then automatically becomes a system of accountability.

Despite of the impressive progress of OUM, staff has been constantly reminded never to rest on its laurels and be complacent with what it has achieved so far. OUM has to continually strive to innovate and improve all aspects of its operations so as to maintain its leading position in ODL in this country. In this regard, OUM must have a holistic and farsighted view of the needs of its learners, and this can be achieved through a sound strategic planning process.

## **Strategic Planning Practices at OUM**

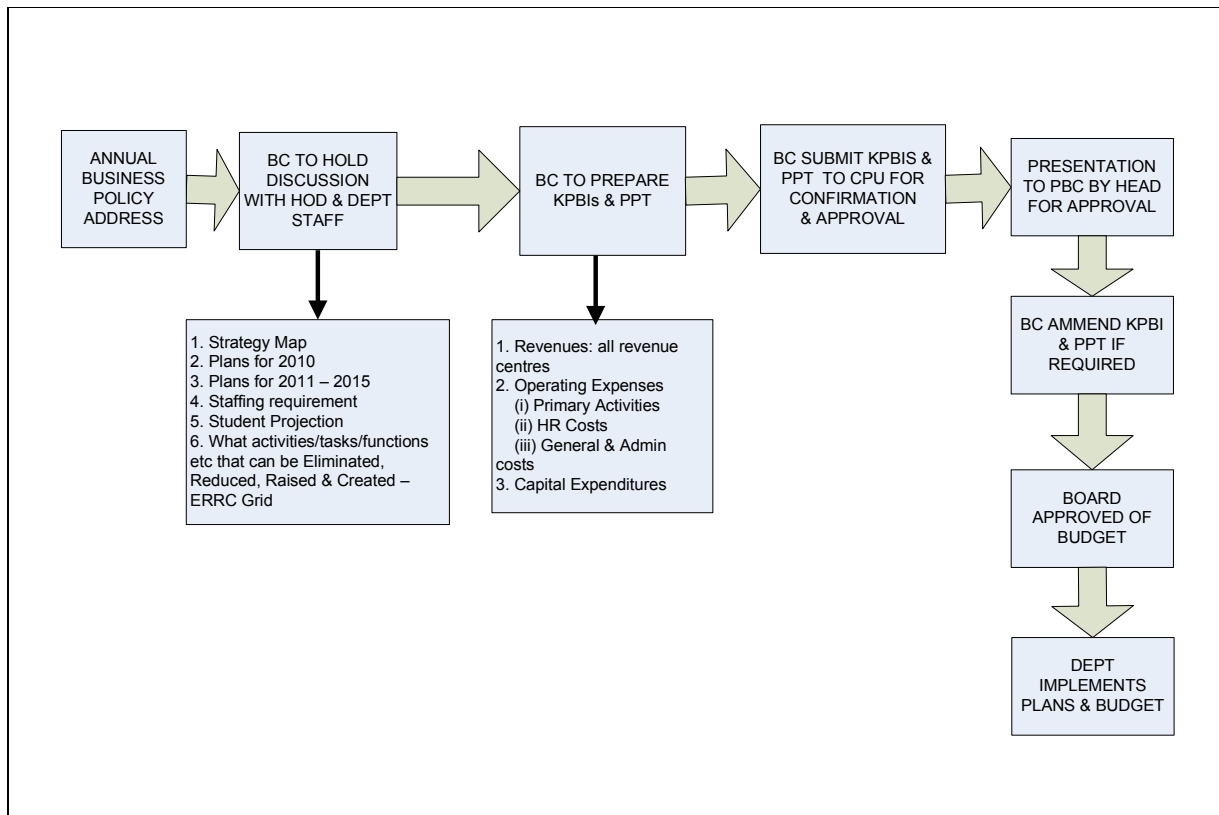
At OUM, the *Corporate Planning Unit* (CPU) is entrusted to manage its annual planning and budgeting exercise, which is an important and integral component of the overall university's long-term strategic planning process. The role of CPU in this regard is to manage, coordinate, monitor, plan, implement, report and review the entire planning and budgeting process of the university. However, the credit for the success of OUM's planning and budgeting exercise (PBE) is not due to the unit alone. Without the undivided cooperation of the departmental heads and all their staff and inexorable support from the top management of the university, the exercise would not have been as successful as it is.

The steps in the annual PBE at OUM is shown in Figure 1. It commences with the Annual Business Policy Address (ABPA) delivered by the university's President/Vice-chancellor which provides the business directions, basic strategies and broad targets for the various operating units (OPUs) to align to and achieve in the coming planning and budgeting year. It is usually held in the month of August each year.

After ABPA, a planning and budgeting workshop will be held by CPU. The workshop will be attended by the various Heads of Departments (HODs) together with their respective Budget Coordinators (BCs). The strategies and targets were meticulously deliberated at the workshop with a view of developing the necessary action plans or initiatives to implement the strategies and achieve the targets. After the successful completion of the workshop, the OPUs will begin preparing their departmental plans and budgets within the specified time frame. The first draft of the plans and budgets will then be submitted by the respective OPUs to CPU for an initial review. CPU will scrutinise the plans and budgets to ensure that they are fully aligned with the strategies and targets set in ABPA. Any inconsistencies in the plans and over- or under-budgeting will be further deliberated with the respective OPUs until they are eliminated.

Once the plans and budgets have been agreed upon by CPU, the departments will begin finalising their presentation and submission to the Planning and Budgeting Committee (PBC), a top management committee comprising of the President/Vice Chancellor, as the Chairman and the other members of the Group Management Committee (GMC). During the presentation, each HOD will have the opportunity to present and justify its departmental plans and budgets for the coming year and as well as the issues that need to be resolved at the top management level.

Figure 1: Key Steps in the Planning and Budgeting Exercise at Open University Malaysia



After all the departmental plans and budgets have been approved by PBC, CPU will then collate and consolidate them to develop the university-level plans and budgets for the final presentation and submission to the university’s Board of Directors (BOD). Upon the approval of BOD, the plans and budgets will be disseminated to the various departments for their implementation, starting from 1 January of the coming year.

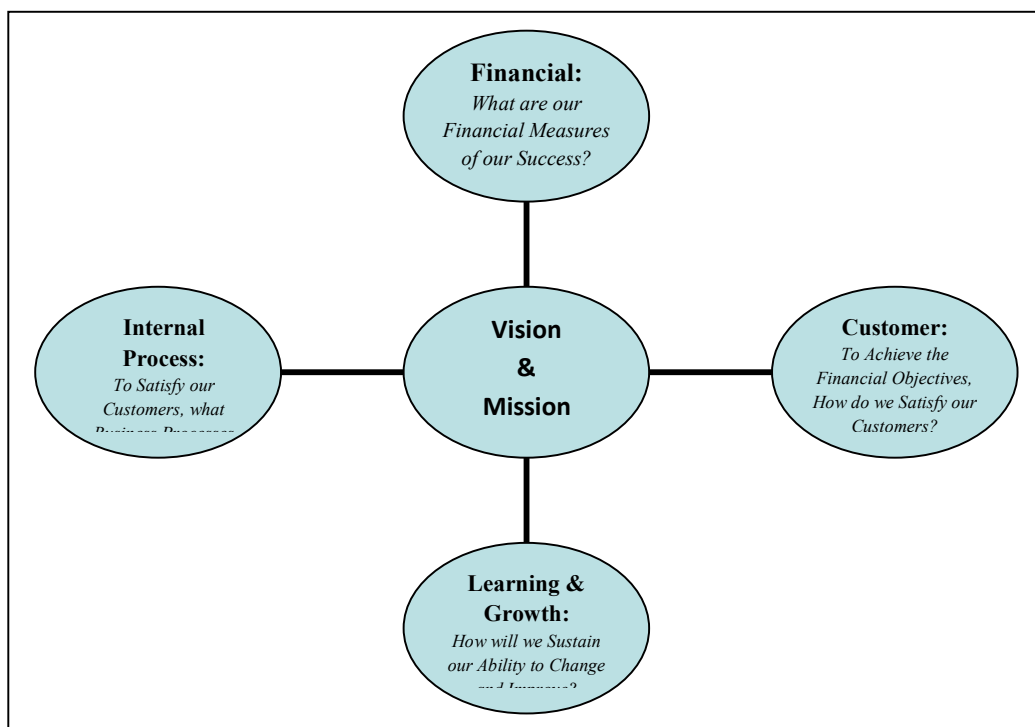
### Implementation and monitoring of departmental plans and budgets

The implementation of the departmental plans and budgets is monitored by CPU via two sets of online systems. The first is called the *i-campus* where all the expenditures incurred by the departments will be keyed in to the system by the Finance Department based on the budget code of each of the budget line items. At the end of each calendar quarter, these departmental expenditures will be summarised and presented in the form of a Quarterly Management Report (QMR) for that quarter. Two sets of reports will be presented, namely variance analysis, which

compares the actual expenditure against that of its budget and year-on-year analysis which compares current quarter performance against that of the same quarter of the previous year.

These QMRs are specially constructed report based on the Balanced Scorecard (BSC) framework of Norton and Kaplan (Norton & Kaplan, 1996) which consists of the departmental *key performance indicators* (KPIs) categorised into BSC's four perspectives: *Financial*, *Customer*, *Internal Process* and *Learning and Growth* (Figure 2). The report is presented online in the form of a dashboard and made available to the top management of the university for review at all times. The variance and year-on-year performance of each department are evaluated using the typical traffic light system of BSC. An additional evaluation is carried out for faculties and the distributed state learning centres which share a common set of KPIs in their respective categories. In this exercise, they are ranked against each other to evaluate their comparative performances. Annual departmental performances are one of the primary inputs in the annual staff performance appraisal for the year.

Figure 2: Balanced Scorecard Framework



### Critical success factors (CSFs) for a successful planning and budgeting exercise

Implementing the university's PBE is not without its own and unique challenges. These challenges vary in terms of their source and intensity. However, the following factors are critical in determining the success of the exercise.

### *Institutional leadership*

The first and foremost success factor for PBE at OUM is the support from the top management. It is not an exaggeration to state that without the crucial and inexorable support from top management, CPU will face many insurmountable obstacles in implementing the university's annual PBE. The commitment of top management particularly the President/Vice Chancellor in advocating all the necessary ingredients and activities of PBE is vital as this will result in a greater cooperation from the various departments. In short, the top management provides the leadership to inspire and motivate the organisation to change.

### *Ownership and accountability*

The second CSF is the participation in the planning and budgeting processes. This can be achieved via three innovative activities of the exercise. The first is the appointment and recognition of the services of the departmental BCs. BCs' primary role is to assist his or her HOD to formulate his or her departmental plans and budgets for the coming year. The direct involvement of the BCs and HODs in the university's PBE implies that it is a bottom-up as well as a top-down process. This involvement also implies ownership of the plans and budgets and accountability for their achievements which in turn improves responsibility and morale of the departmental staff. Implementation will falter if there is a lack of commitment from the staff.

### *Monitoring and Reporting: Leveraging on ICT*

Another critical success factor in PBE at OUM is the use of ICT in its implementation. Leveraging on ICT, quarterly performance evaluation is carried out online and made accessible to all parties concerned, particularly the top management and the relevant departments. This provides immediate alerts and early signals for rectification and remediation. On the part of top management, any serious misalignment or underperformance by a department can be brought to their immediate attention and measures may be instituted to assist the affected department to improve itself. It is indeed a win-win situation.

### *Strategic thinking culture*

As mentioned above, for a strategic plan to be effective, it has to be strategic in orientation and philosophy. It must be formulated with a strategic intent on the part of the departments and will greatly depend upon the strategic thinking capability of the HODs. In the early days of the implementation of PBE, HODs are focused on day-to-day operations, at the expense of objectivity and creativity, which are the essential ingredients of a good and effective planning process. As a result, their plans and budgets are mundane and routine with very little focus on strategic content. Fortunately, through several strategic awareness initiatives such as envisioning and alignment workshops, HODs are now more capable in formulating strategic initiatives in their plans and budgets. At OUM, *strategy maps* in the BSC framework are developed by each



department to guide the departments in their strategic thinking process, as well as to align their departmental strategies to that of the University.

*Innovation culture*

Recently, CPU took the initiative to incorporate one of the components in the *Blue Ocean Strategy* (BOS) framework in OUM’s PBE, namely the *Eliminate-Reduce-Raise-Create* (ERRC) Grid (Figure 3). It is mandatory for each department to include its ERRC Grid in their plans and budgets presentation to PBC. This has generated the innovative interests among the departments to reassess their activities to determine which of them could be eliminated, reduced or raised. The departments also need to explore and create new activities to further improve their operations and performance.

Figure 3: ERRC Grid

<b>ELIMINATE</b>	<b>RAISE</b>
<b>Which activities Department has taken for granted should be eliminated?</b>	<b>Which activities should Department reduce well below the current practice?</b>
<b>REDUCE</b>	<b>CREATE</b>
<b>Which activities should Department reduce well below the current practice?</b>	<b>Which new activities should Department create?</b>

**Conclusion**

While the success of a young higher education institution like OUM depends on many critical factors, we believe that an effective strategic planning process is certainly one of them. Strategic planning is an effective tool in plotting the direction of an institution; however it in itself cannot foretell exactly how the future scenario will evolve and what issues will surface later in time in order to successfully plan our organisational strategy. In this regard, strategic innovation and tinkering with the strategic plan is an essential strategy to ensure that the institution survive in the current erratic and turbulent higher education business. In other words, while a strategic plan

should be consistent and reliable to enable it to serve as a useful guide to our future actions, it should be flexible enough to allow for continuous improvements brought about by highly uncertain future environment.

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