

## Subir Gokarn: Strategy and structure

**In replacing the Planning Commission, organisational design must be driven by strategic objectives**

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The title of this column is borrowed from a classic work in business history, written by the late Alfred Chandler<sup>1</sup>. It is considered amongst the most influential books on management in the 20th century. Based on a series of detailed case studies of large and long-lived corporations, Chandler concluded that sustained performance depended on the ability of organisational structures to evolve in tune with changing strategic imperatives. When one sees just how many organisations fail when the business environment changes, it is apparent that changing structures effectively is a massive challenge.

I find this backdrop useful in thinking about the next *avatar* of the Planning Commission, the termination of which was announced by Prime Minister Narendra Modi in his Independence Day speech. The demise of the institution goes unanimously unmourned, but the mission and structure of its successor institution is the subject of widespread debate. One common thread that runs through this debate is the replacement of one institution with another. While the structural evolution of corporate organisations may not have direct relevance to this issue, I think that the basic insight about building a virtuous circle between strategy and structure is significant.

We need to begin by thinking about specific roles that such an institution might usefully play. The suggestions made by the Independent Evaluation Office in its report on the Planning Commission are a useful starting point. The report recommends a Reforms and Solutions Commission as a successor, encompassing three sets of objectives: serve as a knowledge bank and exchange for schemes and programmes that are being implemented both across Indian states and in different countries; provide ideas for reforming the system; and anticipate future constraints to growth and welfare, and suggest policy reforms to address them proactively.

I think that all these objectives are of critical importance. Having been associated with a consulting business for some time, when we did projects for state governments, I was struck by the absence of a systematic database on what different states were doing to address the problems posed by the client. Significant person-hours were spent on many projects just putting this information together and there was no guarantee that it was comprehensive; more importantly, it remained in the private domain. This kind of knowledge is unquestionably of great significance in helping states narrow down potential solutions to various development problems. It can provide guidance on programme and project design, and a live tracking mechanism for progress and impact. It can also link up the people involved in ongoing projects to those who are about to begin new ones, helping to cut down on learning and implementation lags.

The second objective mirrors a strategic planning function in a large corporate organisation. In his speech on August 15, the prime minister spoke about the central government having become a collection of fiefdoms, each pursuing independent agendas. This should come as no surprise; all large and multi-functional organisations constantly deal with the same challenge and breaking through silos is a common change agenda. The starting point for this is a blueprint that aligns the structures and goals of all the activities in the organisation with its larger strategic objectives. This is a role that strategic planning plays. One might think that this is a one-off job,

self-obsolcescing once the blueprint is ready. But just as a golf swing or a cricket stroke needs to be worked on constantly, the alignment process constantly needs to be nurtured. At the national level, this means an ongoing effort to align the structures and activities of different public agencies with national goals, be they related to development, security or sustainability. Chandler's insight about the ineffectiveness of rigid structures pursuing evolving goals is relevant here.

The third objective also has parallels in the corporate planning space. Many companies work with long-term forecasts, laying out different scenarios of how their business environment may look 10 or 20 years ahead and what they need to do now to exploit opportunities. It could be a meaningful exercise, or it could be fuzzy. At a national level, it cannot afford to be fuzzy. I think that the fundamental reason why growth has slowed so dramatically in India is because we failed to act in anticipation of looming constraints. Looking ahead and being proactive in policy decisions is critical to sustainable performance. The exercise becomes even more complicated in a globally integrated economy. But it needs to be done.

Let's move from objectives to institutional structures. If we accept the case that these three objectives are all important, the obvious question is whether all three can be performed effectively within a single institution. The debate on what needs to replace the Planning Commission seems to be driven by the assumption that it must be a single institution. But it appears that each of these three objectives is quite distinct in terms of the skills and resources that it requires, which, in terms of the strategy-structure framework, could also imply that it needs a customised organisational structure.

The knowledge repository and exchange objective will require a combination of knowledge-gathering, management and dissemination skills, along with domain knowledge that helps keep the exchanges constructive. The alignment objective will draw on principles and frameworks rooted in organisational theory and behaviour. And the scenario-building will need both quantitative and qualitative forecasting skills.

Are the three functions complementary and synergistic enough to warrant being housed within the same institutional umbrella? There are arguments in favour. The scenario-building clearly feeds into the reform strategy and organisational design. The reform strategy then feeds into the micro-domain of programmes and projects. So there is, in effect, a knowledge supply chain, which can be optimised within a single institution.

But there are also arguments against. First, each of these functions requires very distinct resources and skill sets, which may not be very easy to fit into a uniform structure. Second, each one will have to engage extensively with different sets of external stakeholders, in different ways. This may require a degree of flexibility that a unified structure may find difficult to provide.

My simple conclusion is that we now have an opportunity to design a structure from the bottom up. We should attempt to find the right combination between strategy and structure.

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*1. Chandler, Alfred D, Junior (1962/1998): Strategy and Structure: Chapters in the History of the American Industrial Enterprise; Cambridge, MA: MIT Press*  
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