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STRATEGIC PLANNING

The Key to Business
Success





STRATEGIC PLANNING Overview

WHAT IT IS:

- A key management process and tool which culminates in a document that guides future core structures, functions, and activities of your organization
- A forward-looking process outlining where you want to go; using information about where you are now and where you've been, and what you anticipate will occur in the future
- A methodology which came out of 6th century military strategizing/planning (The Art of War by Sun Tzu)
- A detailed (yes, detailed), inclusive, linear, succinct, and purposefully written document
 - Any suggestion to the contrary should be dismissed; obtaining the results you want requires a detailed approach with linear linkages between strategic actions and objectives



STRATEGIC PLANNING Overview

- A process which establishes a vision and a step-by-step means of achieving it
- Make sure your strategic plan defines success for YOUR organization
- Avoid producing a homogeneous strategic plan, i.e. your plan should work for you rather than be an “off the shelf” solution that could apply to multiple businesses (across multiple industries and sectors)
- Structured to measure success (frequent or periodic) through Business Performance Indicators (BPI) – these performance management metrics identify checkpoints and measure distance to realizing vision



STRATEGIC PLANNING Overview

WHAT IT IS NOT:

- A guarantee of success (execution is equally as important)
- A process that is done once per year in a “rah rah” team-building retreats for senior level managers or governance bodies/agencies
- A stand alone document – rather, it needs to strategically link to and govern ALL planning initiatives within the organization
- Effective, efficient or accountable – at least not without equal effort made toward implementation
- A high level, glossy, often expensive document which specifies no clear direction
- Finally, while viewed as critical to success, it is not done well by most organizations (McKinsey CEO Survey, 2006).



The PROCESS

Common process headings include:

1. Vision
2. Mission
3. Situational Assessment
4. Objectives (or Goals)
5. Strategies & Frameworks
6. Tactics & Implementation
7. Evaluation & Adjustments



VISION

- Written to inspire, aspire to, and to provide frequent, periodic checkpoints (aka milestones) in the organization's progress path
- Is a clearly written, succinct, forward-looking statement which describes what it looks like when you get to where you want to go
- Duration: a 3-5 year time horizon
- Ideally conveys a the message through perception, thought, emotion, and action to your audience, to account for differing learning styles
- Should require some stretching, but not be too lofty or unrealistic as to make it impossible
- Stay away from trite visions like: "...to increase shareholder value"...
- Example Vision (a Canadian healthcare facility):
 - *By March 31, 2010, provide evidence that we are the most effective acute, emergency, and tertiary service provider in the region by demonstrating optimal health outcomes for our patients; maximizing the number of discharges of healthy patients; minimizing the number of preventable errors in the healthcare delivery process; and minimizing the length of stay in hospital, all in a manner that is sensitive to the healthcare needs of our patient population and their families*



MISSION

- What it is that you do
 - Short statement, philosophically driven
 - Creates a sense of achievement and of doing the “right thing” - both internally, for the organization and employees and externally, for your clients/customers
 - Motivates and mobilizes the efforts of the entire organization
 - Creates a sense of unity and common direction
 - Articulates the overarching principle through which your services or products are delivered

 - Example MISSION:
 - *To provide appropriate healthcare services to those who need it, when they need it, how they need it, to create the most restorative outcomes possible*



ENVIRONMENT

IT IS CRITICAL TO:

- Analyze your operating environment prior to setting your strategic objectives, developing strategies, tactics and implementing
- Your strategic objectives will be informed by what is going on in your current context (internally and externally) and what is likely to occur in the immediate and mediate future (trends)



ENVIRONMENT (cont.)

Internal & External Analysis

SWOT Analysis:

Internal:

- **S**trengths
- **W**eaknesses

External:

- **O**pportunities
- **T**hreats

Industry Analysis

Porters 5-Forces - Modified:

- Current Rivalry
- Threat of New Entrants
- Substitutes
- Power of Buyer
- Power of Seller
- Technological Factors
- Trending Factors



ENVIRONMENT (cont.)

- *Strengths & Weaknesses* (quantified and measured in both the “now and future”):
 - Leaderships, Management/HR depth, Financial, Marketing, Capital Assets, Strategic Competitive Advantage, Economies (Scale & Scope), First-mover, Patent/industrial design, Business replicability, Reputation/Brand Strength
- *Opportunities & Threats* (quantified and measured in both the “now and future”):
 - Political, Economic, Socio-cultural, Technological, Environmental, Legal/Regulatory, Demographic, Health Factors, Human Factors, Public Relations, Religious/Philosophical



OBJECTIVES

- Objectives Characteristics
 - **S**pecific, **M**easurable, **A**ttainable/**A**ggressive, **R**ealistic, **T**ime-Limited (SMART)
- Weave in Performance Management BPIs at this stage of the plan¹; ensure they accurately reflect your expected outcomes
- Sometimes “goals” are used in place of “objectives” or to establish or signify higher level targets – to avoid confusion, use either objectives or goals, but try not to use both
- Objectives statements usually begin with the word “To”:
 - To build a better mousetrap
 - To manage projects more efficiently
 - To hire the right people

1. Did you notice anything about these objectives?

¹BPI – Business Performance Indicators



STRATEGIES

- The most misunderstood or confused aspect of a strategic plan
- Strategies are higher-level approaches required to meet objectives, and specifically to leverage business strengths and opportunities and minimize weaknesses and threats
- Strategies can be:
 - Individualized or global in nature
 - Singular or synthesized (from 2 or more approaches that work)
 - Creative (new - novel)
 - Combined
- Strategies are forward looking statements which can be broken down into a series of distinct action plans and/or project plans and implemented
- Implementation of action plans and/or project plans will result in the identified strategy coming to fruition



STRATEGIES

- Strategies can relate to any link in the value or supply chains, support functions, or governance & leadership, including:
 - Resources; inbound logistics; operations/production; service/product delivery; capital asset management; marketing, sales, PR; outbound logistics; Technology; Finance; Human Resources; Project/Program Management;
- Strategies can be:
 - proactive, responsive, aggressive, protective, competitive or cooperative
- Strategies almost always focus on one or more of the following:
 - Increasing sales or improving performance
 - Decreasing or minimizing costs or maximizing efficiencies
 - Guarding against outside threats or adapting to projected changes
 - Increasing accountability to shareholders and stakeholders



STRATEGIES

- Objective → Strategy Linkage:
 - **Objective:**
 - To increase sales by 3% per month in last quarter of the fiscal year
 - **Strategies:**
 - Increase brand awareness; improve sales incentives; expand target market; refine target market; differentiate product on price and quality; creative promotional tactics
- Programs (or series of projects with a common aim) are examples of organizational strategies
- Contingency plans are comprised of secondary or back-up strategies formulated to further business aims when primary strategies are not working



IMPLEMENTATION (Tactics)

- Tactics are purpose-specific, discreet, actions or simple processes which, in combination with other tactics, result in the achievement of a strategy
- Implementation is the actual execution of tactics with projected results on strategy
- Tactical planning may be required during the Implementation phase, though this is normally devolved to operational managers in consultation with their staff (e.g., Lean operations, kanban)
- Project planning & execution – individual or smaller projects with few participants can be classified at the Implementation or Tactical level (some organizations break this up into strategic and tactical, with tactical occurring at the project rollout phase)



IMPLEMENTATION (Tactics)

- Implementation is the tactical mobilization of resources to achieve strategic objectives
- Libraries and bookstores are filled with volumes of texts on management tools, techniques, and processes during implementation
- Implementation is the most important aspect of the strategic process, and the one which most business fortunes hinge
- All the planning in the world will not create successful outcomes unless an organization is accomplished at implementation



EVALUATION & ADJUSTMENTS

- During the strategic planning process and it is important to periodically evaluate your progress
- Formulate benchmarks or milestones (the former are usually common industry-related metrics) in order to assess your progress
- BPI's (formerly Critical Success Factors – CSF's) are industry and organizational-specific metrics which offer a means of measuring your performance and progress during a strategic implementation
- It is important to ensure BPI's actually measure what they are intended to measure and that they meaningful convey useful information
- Avoid getting into data traps – with the availability of data warehouses, many organizations are drowning in data and reports



EVALUATION & ADJUSTMENTS

- Critically assess what information you need in your business and your specific-business environment (you will end up setting aside the majority of statistics in your report)
- Pick only those BPIs which directly address your needs
- Develop an executive dashboard to monitor, interact with, assess, and amend tactics and approaches
- Use dashboard reports as one means to take the pulse of your organization (emphasis on “one way”)
- Do not “deify” your metrics as they may be flawed



EVALUATION & ADJUSTMENTS

- **Maintain a “Rigid Flexibility”:**
 - Stick to the program, but do not become arrogantly vested –i.e., if you are not seeing the desired results after a reasonable period of time, then revisit your underlying premises: tactics, strategies, objectives, mission, and vision (in that order)
- **Metrics:**
 - Are the tactics which are being implemented resulting in meeting the success metrics (e.g., BPIs) for the business?
- **Echo Effects:**
 - Is there an “echo effect” or a potential echo effect on the vision or objectives (i.e. is it “getting the job done”?)
 - How long will be required to determine if the echo effects will work or not
- **Remediation or Contingency Plan Implementation:**
 - Does it require a tactical change or strategic change in order to achieve the desired objectives?
 - Have these factors been planned for in advance?
 - What are the costs/benefits of doing this, and doing it now?
 - Net Benefits must be > Net Costs to implement a change in course



CAVEATS & COROLLARIES

- When the planning is done, ensure you execute
- Implementation is the most difficult part of any strategic planning process
- Operations (in concert with marketing) is almost always the most important component of your business as implementation occurs within these structures
- Make sure you have your finger on the pulse of your operation and ask critical questions prior to changing strategy
- Giving up on the final leg of a journey is common, so guard against giving up just before there is a light at the end of the tunnel (but avoid trains)
- Do not confuse a good strategic plan with good implementation – these are qualitatively and quantitatively different and may be mutually exclusive
- It always takes greater effort, courage, and risk to “DO” than to “PLAN”
- Cherish your “doers” and involve them in what you are doing
- If you do not involve your “doers”, someone else will - Japanese production methodology is a success as it focuses on “doing” and “doer” involvement
- North American organizations will need to implement Kaizan, kanban, and other Japanese management concepts to continue to compete



Strategic Plan & Business KILLERS

- Wrong people, doing the wrong jobs, at the wrong time, for the wrong reason (any of the above)
- Leadership, management or union arrogance
- Excessive rigidity OR flexibility in structuring and implementing strategic planning related activities
- Inward vs. outward looking orientation (analysis paralysis)
- Little recognition of and emphasis on competitive strategies
- Misdirected “Group Think” (senior management off on a wrong tangent, but nobody willing to challenge them)
- Business or personal paradigm flaws
- Information overload and equitable distribution of human or other resources
- Poor or absent contingency planning
- Slow or unresponsive decisions
- Lack of or poor change management (structures and processes)
- Lack of or poor project management frameworks and clearinghouse (PMO)



Strategic Plan & Business KILLERS

- Lack of or poor utilization of resources
- Lack of or poor sound business processes (e.g., marketing, finance, IT)
- Undercapitalization
- Inappropriate SBU pre-eminence (e.g., one business area given more weighting amongst its peers - often IT, finance, HR)
- Poor accountability framework (e.g., responsibility channels unclear or pervasive “buck passing” mentality)
- Poor organizational incentives or allowances for people to “step up” to the plate
- An environment which promotes: fear, risk aversion, retribution, pettiness
- Resistance to Evolution - “Same old same old” thinking (if you always do what you always did, you’ll always get what you always got)
- Poor rigor or missing environmental assessments (errors, gaps, or misinterpretations)
- Absence of a organization-wide change management framework



GOOD LUCK!

...and that good luck is accorded to those who:

1. Cultivate a mindset to see opportunities when they arise
2. Prepare for opportunities in advance of when they arise (develop a good plan of attack)
3. Scan the environment or create potential opportunities
4. Develop the ability to read situations and people to discern fools gold from 24-karat opportunities
5. Seize good opportunities when they arise and run with them
6. Work harder and smarter than the competition
7. Move quickly, efficiently, and with courage
8. Persevere when others quit (e.g., going the “extra mile”)
9. Periodically check where they are in relation to where they planned on being – and adjusting their sails as needed