



## Essentials Guide to *Strategic Planning*

### Welcome Strategy Leader!

To help close the gap between strategy and execution, we've created the Essentials Guide to Strategic Planning, which provides an end-to-end overview of the strategic planning process.



Create



Empower



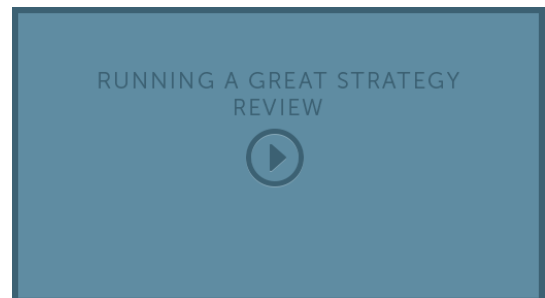
Execute

## Phase 2: Strategic Plan Development



Previously, you addressed where you are and where you are going. Now, you will focus on how you will get there. Use your SWOT to stay grounded and realistic as you build a roadmap from where you are today to where you want to be. As you develop your strategy and set your goals, make strategic choices about what to do and not to do. Remember that being strategic is about making those hard choices. A mark of a good strategic plan is one that is clear and focused (not too many goals and objectives), as well as balanced – telling a strategy story about how your whole organization is linked and aligned to drive key performance indicators.

Spend some time uncovering your competitive advantages based on an understanding of your strategic position. Your competitive advantages are the essence of your strategic plan because strategy is about being different. It is deliberately choosing to perform activities differently or to perform different activities than competitors to deliver value to your customers.



Eliminate any confusion around semantics by using these definitions:

- **Strategies:** The route you intend to take and the general methods you intend to use to reach the top of that specific mountain.
- **Long-Term Strategic Objectives/Priorities:** Intermediate objectives to the top of the mountain. If you have a 5-year vision, these would be 3- to 4-year intermediate objectives on the way up the mountain.
- **Short-Term Goals and Actions:** Specific moves for climbing the sections of rock and ice that confront you right now. These would be analogous to detailed annual plans for getting things done this year on the way to the 3-year objective.

## Phase Duration

- 2 weeks

### Data Needed:

- What is our base for competing and delivering value?
- What are we best at? What makes us unique?
- What are the “big rocks” – strategic objectives – we need to reach our vision?
- What must we accomplish over the next 1 to 3 years to achieve these?
- What are we not going to do?
- What strategic questions must we still address?
- How will we measure our success?

### Questions to Ask:

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- What strategic questions must we still address?
- How will we measure our success?

### Data Needed:

- SWOT, competitive advantages list, customer data
- Carry over goals from last planning period
- End of year scorecards/KPI data

### Outcomes/Deliverables:

- Organization-wide strategies
- Long-term strategic objectives
- Short- and mid-term organization-wide goals
- Financial projections

### Action Grid:

Action	Who is Involved	Tools & Technique	Duration
Solidify your competitive advantages based on your key strengths	Executive Team Planning Team	Strategy Comparison Chart Strategy Map	Leadership Offsite: 1 – 2 days
Formulate organization-wide strategies that explain your base for competing	Executive Team Planning Team	Strategy Comparison Chart Strategy Map	Leadership Offsite: 1 – 2 days
Clarify target customers and your value proposition	Executive Team Planning Team	Strategy Comparison Chart Strategy Map	Leadership Offsite: 1 – 2 days
Create an image of what success would look like in 3-5 years (vision)	Executive Team Planning Team	Strategy Comparison Chart Strategy Map	Leadership Offsite: 1 – 2 days
Agree on the strategic issues you need to address in the planning process	Planning Team	Strategy Map	Follow Up Offsite Meeting: 2-4 hours

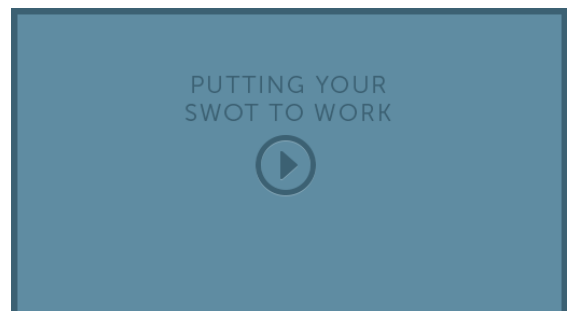
\*To access the worksheets under “Tools & Techniques” please refer to our [Strategic Planning Kit for Dummies](#).

## Use Your SWOT to Set Priorities

The SWOT analysis helps you get a better understanding of the strategic alternatives and choices that you face. It helps you ask, and answer, the following questions of how do you:

- Organization-wide strategies
- Long-term strategic objectives
- Short- and mid-term organization-wide goals
- Financial projections

If your team wants to take the next step in the SWOT analysis, apply the TOWS Strategic Alternatives Matrix to help you think about the options that you could pursue. To do this, match external opportunities and threats with your internal strengths and weaknesses, as illustrated in the matrix below:



### TOWS Strategic Alternatives Matrix:

	External Opportunities (O)	External Threats (T)
Internal Strength (S)	SO Advantage Strategies: Strategies that use strengths to maximize opportunities.	ST Protective Strategies: Strategies that use strengths to minimize threats.
Internal Weakness (W)	WO Conversion Strategies: Strategies that minimize weaknesses by taking advantage of opportunities	WT Defensive Strategies: Strategies that minimize weaknesses and avoid threats.

\*To access the worksheets under "Tools & Techniques" please refer to our [Strategic Planning Kit for Dummies](#).

Evaluate the options you've generated, and identify the ones that give the greatest benefit, and that best achieve the mission and vision of your organization. Add these to the other strategic options that you're considering.

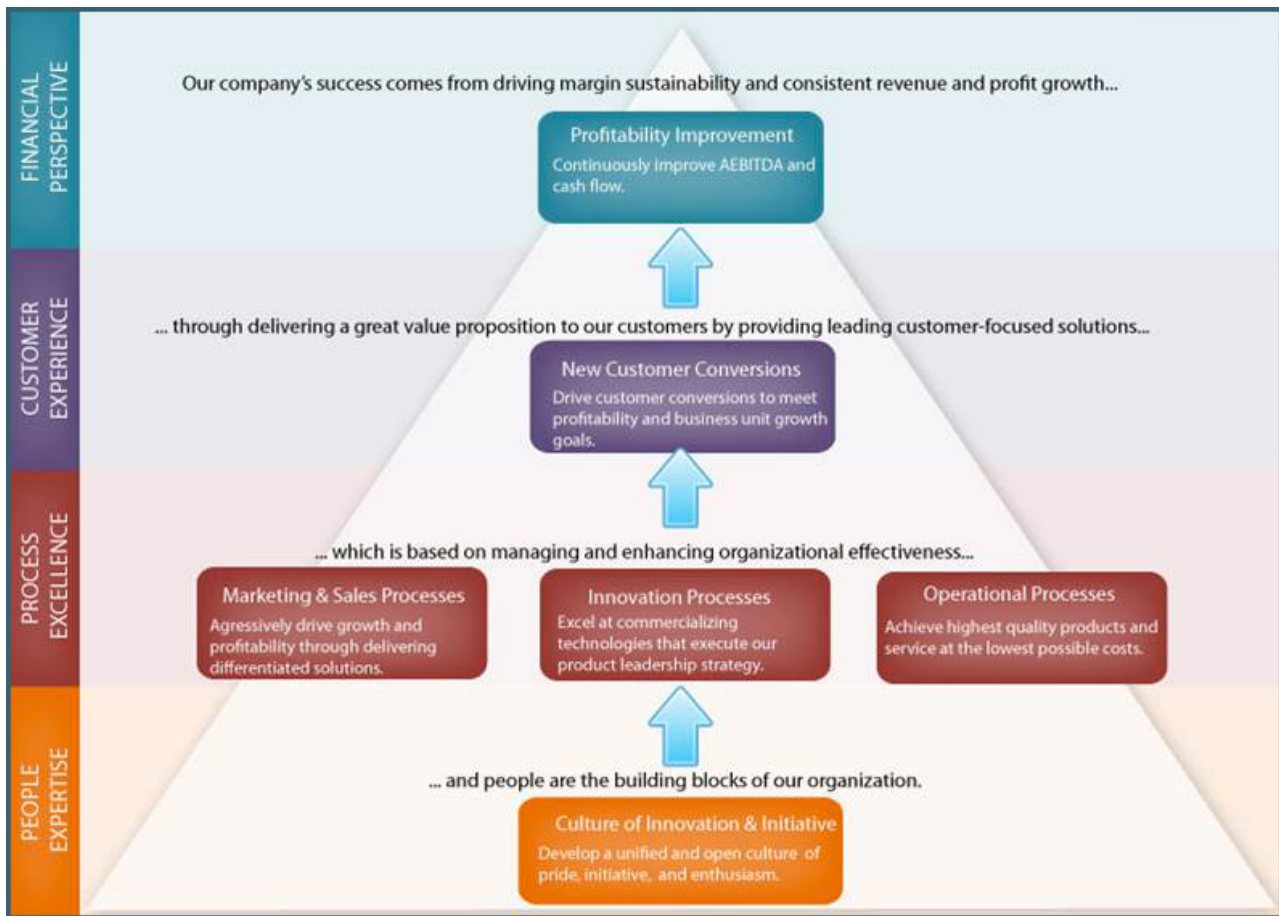
## Define Long-Term Strategic Objectives

Long-Term Strategic Objectives– Using the information gathered in your SWOT, for each of the following areas develop at least one objective, but no more than five to seven.

- The **"Financial"** perspective indicates whether the company's strategy, implementation, and execution are contributing to top and bottom line improvement include the following: Cash flow, Sales growth, Market share, and ROE.
- The **"Customer"** perspective is focused primarily on creating value and differentiation when acquiring, retaining or servicing the customer. This driver deals primarily with gaining and growing customers and market share.
- Focusing on **"Internal Processes"** in operations has the greatest impact on customer satisfaction. Positive long-term results rely on defining the competencies needed to maintain market leadership and maximizing the effectiveness of those internal systems.
- The **"People/Learning"** perspective relies on an organization's commitment to its greatest resource—people. This area focuses on creating value by developing an environment that fosters learning, innovation, and prioritizing on its "human asset." The premise is that people drive the other three elements to achieve the organization's goals.

Keep in mind that the strategic objectives establish should connect your mission to your vision. These objectives are long-term (think 3-5 years), continuous strategic areas that get you moving from your mission to achieving your vision. Ask yourself what the key activities are that you need to perform in order to achieve your vision. We encourage you to create strategic objectives in four key areas – Financial/Mission, Customer, Internal/Operational, and People/Learning.

\*The Balanced Scorecard was introduced by Robert Kaplan, a Harvard Business School professor, and David Norton, the founder and president of Balanced Scorecard Collaborative, Inc., in the early 1990s as a new way to work with business strategy. Today, over half of the Fortune 1000 companies in North America are using the Balanced Scorecard, which has become the hallmark of a well-run organization.



## Examples:

### Financial Strategic Objectives:

- To establish a financially stable and profitable company.
- Shift revenue mix majority of product sales to service sales.
- Profitability: Maintain margins at XX%.

### Financial Strategic Objectives:

- Introduce current products to two new markets.
- Increase loyalty, customer satisfaction, referral volume.

### Customer Strategic Objectives:

- To achieve order fulfillment excellence through on-line process improvement.
- Improve or institute a sales process, increase close rate, increase lead generation.
- Improve brand management through consistent use of...

### Internal Process Strategic Objectives:

- To achieve order fulfillment excellence through on-line process improvement.
- Improve or institute a sales process, increase close rate, increase lead generation.
- Improve brand management through consistent use of...

### People and Learning:

- To provide employee with challenging and rewarding work.
- HR Mgmt: Hire and onboarding processes.
- Knowledge Mgmt: Structured training (sales, IT, management, ownership).

## Setting Organization-Wide Goals and Measures

Org-Wide Goals and Measures — Once you have formulated your strategic objectives, you should translate them into goals and measures that can be clearly communicated to your planning team (team leaders and/or team members). You want to set goals that convert the strategic objectives into specific performance targets. Effective goals clearly state what, when, how, and who, and they are specifically measurable. They should address what you need to do in the short-term (think 1-3 years) to achieve your strategic objectives



Remember this simple acronym to guarantee your goals are:

- **Specific:** Goals need to be specific. Try to answer the questions of How much and What kind with each goal you write.
- **Measurable:** Goals must be stated in quantifiable terms, or they are only good intentions. Measurable goals facilitate management planning, implementation, and control. For example, a measure might be “# of new customers” or “% complete” and a target might be “500” or “100%”, respectively.
- **Attainable:** While goals must provide a stretch that inspires people to aim higher, they must also be achievable, or they are a set-up for failure. Set goals you know you, your organization, and your employees can realistically reach.
- **Responsible person:** Goals must be assigned to a person or a department. But just because a person is assigned a goal doesn't mean that she is solely responsible for its achievement; they just need to be the point person who will ensure the goal is achieved.
- **Time specific:** With reference to time, your goals must include a timeline of when they should be accomplished.

### Examples:

#### Financial 1-Year Goals:

- Increase our billable hours by 10% over the next 12 months. (Measure: # billable hours / Target: 1.2%)
- Achieve sales growth of 10% per year. (Measure: Monthly sales / Target: 1.2%)

#### Customer 1-Year Goals:

- Realize 10% of the company's annual sales from the small business market by end of the next year. (Measure: # of small business clients / Target: 100)
- Reach a 15% annual increase in new customers by end of year 2012. (Measure: % increase in new customers / Target: 15%)

#### People & Learning 1-Year Goals:

- Reduce turnover among sales managers by 10% by the end of the year. (Measure: Employee turnover / Target: 10%)
- Hire and train a human relations director by the end of the year. (Measure: Director hired / Target: 100%)

## Select KPIs

To help monitor your strategic plan, one of the best tools around is the Balanced Scorecard, developed by Kaplan and Norton from Harvard. The scorecard is to be used as both a measurement and management tool to assist in fulfilling your organization's vision. With it, you can actively track progress toward your goals. Begin by asking "What are the key performance measures we need to track in order to monitor if we are achieving our goals?" These KPIs include the key goals that you want to measure that will have the most impact in moving your organization forward.



The scorecard has four categories of measures:

- 1. Financial/Mission — How do we look to our stakeholders?** These measures indicate whether your organization's strategy, implementation, and execution are contributing to bottom line and top line improvement.
- 2. Customer/Constituent — How do we provide value?** These measures are customized to each of the targeted groups you serve.
- 3. Internal/Operational — Which processes must we excel at?** These measures focus on internal programs and activities that have an impact on customer/constituent satisfaction. They focus on internal processes needed to sustain your competitive advantage.
- 4. People/Learning — To excel at our processes, how must we learn and improve?** These measures identify the infrastructure that your organization must build to create long-term growth and



improvement. It includes your ability to attract essential staff, innovate, improve and learn.

GOALS	MEASURES	TARGETS	FREQUENCY	SOURCE	YEAR TO DATE
Increase number of new paying customers by 50%	Conversion of new contacts within 2 months	50%	Monthly	Customer Relations Management System	20%
Increase number of former paying customers by 25%	Renewing of previous relationships that were inactive	25%	Monthly	Customer Relations Management System	12%
Improve inventory turns	# of inventory turns per year	4–6	Monthly	Enterprise Resource Planning	2

### Examples:

- 1. Identify the right measures.** Most of your goals should have measures associated with each one. If not, pick a measure to track the goal.
- 2. Establish increments that mesh with the targets.** Make sure to get the right time frame and size of measures. For example, if you're target is a 10% increase in sales over the year, break the target down to a monthly number. Try to use the same increments for all your measures. If you are reporting monthly, then use monthly measures.
- 3. Identify the data source.** Clearly identify where the monthly number is coming from and who is responsible for reporting on it. Be sure that the measures are easily accessible.
- 4. Input numbers monthly.** Enter numbers every month for each measure.
- 5. See the big picture.** The primary purpose of key indicators is to give you a big-picture look at the organization with a relatively small amount of information. If you are not seeing the big picture, change the measures. A great way to get a visual is to produce a chart or graph for each measure.
- 6. Take action.** Taking action means doing it in a timely manner. The whole point of using a scorecard is to make adjustments, now, on time, before it's too late. Your strategy meetings should easily facilitate this process.

### A List of Common Measures:

Financial	Customer	Internal Business Processes	Employee & Learning
<ul style="list-style-type: none"> <li>• Net sales (dollar growth and percent increase)</li> <li>• Gross profit margin</li> <li>• Pretax earnings (dollar growth and percent increase)</li> <li>• Operating expenses (SGA) as a percent of sales</li> <li>• Receivables turnover</li> <li>• Inventory turnover</li> <li>• Debt-to-equity ratio</li> <li>• Total equity dollars</li> <li>• Operating cash flow</li> <li>• Investing cash flow</li> <li>• Financing cash flow</li> <li>• Ending cash</li> <li>• Earnings per share</li> <li>• ROI, ROE, ROA</li> </ul>	<ul style="list-style-type: none"> <li>• Improving image/reputation</li> <li>• Number of customer complaints</li> <li>• Percentage market share</li> <li>• Number of customers retained</li> <li>• Customer satisfaction</li> <li>• Dollars per account</li> <li>• Time spent with customer</li> <li>• Revenue per customer</li> <li>• Number of transactions per unit time</li> <li>• Average sales dollars per transaction</li> <li>• Customer satisfaction index</li> <li>• Number of customers</li> <li>• Number of new customers</li> <li>• Ratio of new to existing customers</li> <li>• Average sales per customer</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage operating costs</li> <li>• Billable efficiency</li> <li>• Quality of product/service</li> <li>• Defects ratio</li> <li>• New product success rate</li> <li>• Cycle time to deliver</li> <li>• Project turnaround time</li> <li>• Number of defects or returns</li> <li>• Delivery times</li> <li>• Delivery response time to customer</li> <li>• Number of test market trials</li> <li>• Relative product quality</li> <li>• Number of new products</li> <li>• Number of products produced</li> <li>• Average cost per product</li> <li>• Number of products sold</li> </ul>	<ul style="list-style-type: none"> <li>• Employee retention</li> <li>• Employee satisfaction</li> <li>• Number of quality resumes on hand</li> <li>• Employee turnover</li> <li>• Number of ideas in the pipeline</li> <li>• Number of employee suggestions</li> <li>• Percentage of employees who are systems efficient</li> <li>• Average sales per employee</li> <li>• Number of net new positions</li> <li>• Number of relevant trainings attended</li> </ul>

## Cascade Your Strategies to Operations

By the time organizations get to cascading their strategy, many are tired and worn out from all of the work leading up to this point. But don't stop yet! Cascading action items and to-dos for each short-term goal is where the rubber meets the road – literally. Moving from big ideas to action happens when strategy is translated from the organizational level to the individual.





Here we widen the circle of the people who are involved in the planning as functional area managers and individual contributors develop their short-term goals and actions to support the organizational direction. But before you take that action, determine if you are going to develop a set of plans that cascade directly from the strategic plan, or instead if you have existing operational, business or account plans that should be synced up with organizational goals. A pitfall is to develop multiple sets of goals and actions for directors and staff to manage. Fundamentally, at this point you have moved from planning the strategy to planning the operations; from strategic planning to annual planning. That said, the only way strategy gets executed is to align resources and actions from the bottom to the top to drive your vision.

### Phase Duration

- 4-6 weeks

### Questions to Ask:

- How are we going to get there at a functional level?
- Who must do what by when to accomplish and drive the organizational goals?
- What strategic questions still remain and need to be solved?

### Data Needed:

- Coming year organizational goals, measures and targets
- Sales projections
- Product projections

### Outcomes/Deliverables

- Department/functional goals, actions, measures and targets for the next 12-24 months
- Individual team member action plans

### Action Grid:

Action	Who is Involved	Tools & Resources	Estimated Duration
Develop a 3-year financial projection or forecast	Finance Leader	Financial model or existing financial software	2 weeks
Set short-term department goals that align with organizational goals	Executive Team, Planning Team and Department Managers	Department Managers meet with their own teams	Dept. Goal Setting: ½ – 1 day meeting of each department
Cascade department goals to individual goals, creating action plans	Department Managers and Individual Team Members	Department Managers meet with individual staff members	One-to-Ones: 1 hr for each team member

\*To access the worksheets under "Tools & Techniques" please refer to our [Strategic Planning Kit for Dummies](#).

## Cascading Goals to Departments and Team Members

Now in your Departments / Teams, you need to create goals to support the organization-wide goals. These goals should still be SMART and are generally (short-term) something to be done in the next 12-18 months.

**Pull together your action plan for each short-term goal.**

ACTION PLAN						
PRIORITY	ACTION ITEM	PERSON RESPONSIBLE	START DATE	END DATE	PROGRESS	EXPENSE
<b>Goal: Realize 10% of the company's annual sales from the small business market by end of next year.</b>						
1	Gather secondary market research.	Susie	1/1/11	2/1/11	50% complete	None
1	Hold 3 focus groups.	Beth	2/1/11	3/1/11	25% complete	\$10,000
2	Develop a marketing plan.	Beth	3/1/11	4/1/11	Not started	None
3	Execute marketing plan.	Beth	4/1/11	12/31/11	Not started	\$100,000

Finally, you should develop an action plan for each goal. Keep the acronym SMART in mind again when setting action items, and make sure they include start and end dates and have someone assigned their responsibility. Since these action items support your previously established goals, it may be helpful to consider action items your immediate plans on the way to achieving your (short-term) goals. In other words, identify all the actions that need to occur in the next 90 days and continue this same process every 90 days until the goal is achieved.

In the OnStrategy system, all the strategic objectives cascade down to the team member action items. For

example in the image below (3-tier plan), strategic objective 1 cascades down to organization-wide goal 1.1, then department goal 1.1.1, then team member goal 1.1.1.1, which is supported finally by the team member action item 1.1.1.1.1. In a 2-tier plan, the department goal would be the team member goal and the team member goal an action.

### Examples of Cascading Goals:

1 - Increase new customer base.

1.1 Reach a 15% annual increase in new customers. (Due annually for 2 years)

1.1.1 Implement marketing campaign to draw in new markets. (Marketing, due in 12 months)

1.1.1.1 Research the opportunities in new markets that we could expand into. (Doug) (Marketing, due in 6 months)

1.1.1.1.1 Complete a competitive analysis study of our current and prospective markets. (Doug) (Marketing, due in 60 days)

1.1.1.2 Develop campaign material for new markets. (Mary) (Marketing, due in 10 months)

1.1.1.2.1 Research marketing methods best for reaching the new markets. (Mary) (Marketing, due in 8 months)

\*To access the worksheets under "Tools & Techniques" please refer to our [Strategic Planning Kit for Dummies](#).

# Create — Empower — Execute

OnStrategy is the leader in strategic planning and performance management. Our cloud-based software and hands-on services close the gap between strategy and execution.

Strategy is more than simply achieving business goals. Smarter strategy builds smarter organizations. It inspires people to work hard, incite action and make things happen. Simply architected, thoughtfully executed, strategy moves mountains.

Whether you're just getting started, rolling out an organizational strategy, or managing execution, OnStrategy delivers the right tools and services to get the job done. Learn more at [www.OnStrategyHQ.com](http://www.OnStrategyHQ.com).

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**Give it a try! All plans come risk free with a 30-day full featured trial.**

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## **1. Start a Free Trial.**

We built OnStrategy as an organizational platform and integrated tool-set for empowering people to create and execute strategy. Collaborative, intuitive and actionable, OnStrategy is helping thousands of organizations worldwide achieve their strategic objectives. All plans include a 30-day risk free trial with no long-term commitments.

## **2. Create and Execute Strategy While Empowering Your Organization.**

OnStrategy is a tailored, yet structured tool for facilitating every essential element of successful strategy. It fosters engagement, clarity, ownership, accountability and organization-wide communications at every step of the strategic process. Self-help resources, best-practices and templates provide real-world help when needed most.

## **3. Supported by People Passionate about Strategy.**

We built and support OnStrategy and are passionate about helping people achieve enduring success. Available to help throughout the strategic process, we offer practical hands-on services to facilitate strategy creation, empowerment, and execution.



Call us at 1.775.747.7407 or visit [www.OnStrategyHQ.com](http://www.OnStrategyHQ.com)

Our Strategy Other Essentials Guides:

## Getting Started: Overview

### Phase 1: Determine Your Strategic Position

### Phase 2: Developing Strategy

### Phase 3: Build the Plan

### Phase 4: Executing Strategy And Managing

