

STRATEGIC PLANNING TEN-STEP GUIDE

THE IMPORTANCE OF PLANNING

Planning is a critical component of good business and good management of business.

Planning helps assure that a business remains relevant and responsive to the needs of its customers, and contributes to stability and growth. It provides a basis for monitoring progress and for results. It facilitates new product development. It enables a business to look into the future in an orderly and systematic way.

Most companies understand the need for annual goals and objectives and an annual business plan. Longer-range planning – planning beyond the next year or two – often seems more difficult and less rewarding. With the external environment changing so rapidly, businesses wonder how they can expect to develop plans that will remain relevant?

In fact, planning is no less important in a changing environment; it may well be more important.

Most businesses serve a specific target market. To do that, they need to be very clear on their customer needs and then work to address them through similarly clear company missions, priorities and objectives. If the external environment – funding, the economy in general, government legislation, etc. – is changing, then businesses must be that much more effective in defining needs and marshalling internal and external resources to meet them. The customer's needs will change over time. The challenge of meeting them can become greater with changes in the local or national environment, such as a poor economy. It is here that strategic planning can be most helpful. Planning is designed to help an organisation define its vision for the future and then determine systematically how it will get there, understanding obstacles and figuring out ways to overcome them.

There is an important caveat: Longer-range planning requires some level of organisational stability. It is very difficult to plan in a crisis, and unrealistic to look five years ahead unless an organisation has some confidence that it will exist next year, and that most of its key staff and its leadership will continue to be working with the organisation. Businesses also need the time to plan, which means that they must not be using every minute to carry out activities required for survival.

Moreover, while planning provides increased organisational definition, a sound base for planning is consensus concerning a well-defined vision-mission statement and/or organisational goals – these must often be developed as a foundation for longer-term planning. It is also difficult to plan if the business is so young or its leadership so new that they do not have a good sense of the business and of the broader external environment.

THE 10 STEP STRATEGIC PLANNING PROCESS

There are many different models and action steps for strategic planning. One approach is summarised below. It assumes a cooperative effort between management and staff, perhaps with a special strategic planning committee taking responsibility for the effort.

Some of the work can be done in committee, while larger staff planning workshops or retreats are also likely to be required, both early and late in the planning process.

Typical steps are described below, along with some suggested approaches for carrying out each step.

Frequently, Steps 1-3 occur before a strategic planning retreat, Steps 4-7 during the retreat, and Steps 8-10 after the retreat.

1. Agree on a strategic planning process.

This may be done at a committee meeting, or may require a special meeting or retreat, including some external stakeholders such as suppliers and customers. The critical issue is to have leaders and opinion-makers in the company agreed about the value and need for the process. At the session:

- Provide an understanding of what strategic planning is and how it is done;
- Discuss its potential value to the business, in terms of providing a common vision and focus, with agreed-upon goals and strategies;
- Consider the costs of doing strategic planning, in terms of staff other resources – and what might need to be given up in order to develop a plan; if the business is in crisis or is financially or organisationally unstable, it may be difficult or unwise to enter into a strategic planning process until the immediate problems and needs have been successfully addressed;
- Consider whether the business is "ready" for a long-range plan or whether it may best focus on a short-term plan, perhaps doing a one-year plan and then undertaking longer-term planning at the end of that year;
- If strategic planning seems appropriate, consider what procedures or steps can be used to establish and implement a strategic plan (including the following);
- Agree upon a process and establish responsibilities for the various steps in the process.

Except for a very small business, it will probably be desirable to set up a strategic planning committee or task force. Choose participants carefully, assuring their commitment to the process and their willingness to devote significant time to the planning effort. Usually the coordinating group will include a mix of owners/managers/leaders and staff. Some groups also include a representative of technical and/or support staff. Representatives of stakeholders – customers, suppliers and allies – might also be included. The organisation may also want to include an outside facilitator or consultant who will assist with the process and with preparation of the strategic planning document.

Be sure to allocate sufficient staff time to the strategic planning process. It may be necessary to reduce the regular workloads or responsibilities of staff members who are expected to play a key role in developing the strategic plan.

2. Carry out an environmental scan.

This helps provide an understanding of how the business relates to its external environment. The scan usually includes an external component -- identifying and assessing opportunities and threats in the external environment -- and an internal component -- assessing the business' strengths and weaknesses. This process is often referred to as "SWOT" Analysis or strengths, weaknesses, opportunities, and threats analysis.

The external component of the environmental scan should include a review of the target market and the broader environment in which the business operates, to identify the opportunities and threats facing the business. This might include the following:

- Consider forces and trends in the broader political, economic, social, and sometimes technological ("PEST") areas. In each area of PEST, look at changing demographics, political trends, community values, economic trends, the implications of new or changing laws and

regulations affecting the business, communications and other technological trends -- and consider their impact on your business and the customers it needs to serve.

- Look carefully at the immediate target market or product area to determine its status and needs, and specifically those of current and potential customers.
- Consider opportunities and challenges related to resources and funding.
- Look at actual and potential collaborators and competitors.

The internal component of the environmental scan includes an assessment of the business' strengths and weaknesses. This may include a number of components or approaches.

- You may want to assess current organisational performance in terms of financial and human resources (inputs), operating processes or strategies (processes), and profits or outcomes (outputs) otherwise referred to as the "IPO Assessment". Once you have this information, be sure to further analyse the reasons -- in terms of inputs and processes -- for perceived weaknesses in outcomes.
- It is often valuable to identify critical success factors for the business. This step is not always included in strategic planning, but can be very useful. Try to understand what factors are necessary to the future and continued success of the business. These may be factors like relationship with target market, resources, marketing strategies and staff skills and experience.

- The business might want to review or formalise organisational values and operating principles. Some businesses have written values and principles which guide their decision making and their ongoing activities. These can be very helpful in defining the “brand” of the business.

The result of the environmental scan should be an analysis of organisational strengths and weaknesses and external opportunities and threats. This may be oral or written, and requires careful review and discussion by the strategic planning committee. Often, your strategic planning retreat will begin with a presentation of results of the environmental scan. The staff should be familiar with the findings before strategic planning decisions are made.

3. Identify key issues, questions, and choices to be addressed as part of the strategic planning effort.

This may mean specifying "strategic issues" or questions that the business should address, and setting priorities in terms of time or importance. If there is little disagreement about issues and priorities, it may be possible to move immediately to the organisational vision and then goals. If there is no agreement on general directions and organisational goals, it may be important to explore issue priorities and identify critical choices. This might be done in several ways. For example:

- People might be asked to identify strategic issues from the environmental scan, with individuals identifying a specified number of such issues and indicating why each is strategic, including the benefits of addressing it and the negative consequences of not addressing it.
- The planning group or a consultant working with the group might work to identify strategic issues emerging from the environmental scan, and then prioritise them in terms of importance, timing, and

feasibility. The result should be a set of strategic issues that will be addressed as part of the strategic planning process, preferably during the retreat, and a second set that will not be addressed or will receive limited attention at the retreat, but will be considered by appropriate staff.

Whatever the method used, the issues discussion should generate some level of agreement about issues or choices to be considered and decisions to be made as part of the strategic planning process.

Once Steps 1-3 have been completed, you are ready to develop a strategic planning retreat agenda and schedule a one to two day retreat or a series of shorter meetings.

4. Define or review the business' values, community vision, and mission.

Be sure there is consensus on what the business is there to do, what goals or outcomes it seeks to achieve, what it stands for, and whom it serves. This is the “brand” of the company, those characteristics and beliefs that make it stand out.

Consider beginning your strategic planning by agreeing on the following:

- **Organisational core values or operating principles** – those beliefs or principles that guide the business; these values are shared by everyone in it, strongly held, and not easily changed.
- **Mission** – the stated purpose for your business; it might be viewed as your business' public statement of the promises it makes to customers.

Agreeing on values and mission is usually best accomplished as a part of a planning retreat or at a special meeting; the process will usually take several hours. Often, you

will draft the values and mission statement and describe the vision as part of your strategic planning session, and then the Strategic Planning committee or task force will review and refine the specific language, and bring the refined language for approval.

5. Develop a shared vision for the business.

it is important to agree on where the business wants to be in three to five years (It is often helpful to focus on where you want to be at the end of the period covered by the strategic plan).

For many businesses, it makes sense to first develop a vision of where the business wants to be in a specified number of years, and then define strategies that will help it get there. The vision might describe the business broadly, in terms of its mix of products, reputation or status inside and outside its primary target market, key accomplishments, and relationships with stakeholders. This form of "visioning" can be done in many ways; for example:

- o Small groups can physically draw their vision of the future, then describe it to the full group, and identify common elements, and use them to establish a joint vision.
- o Small groups can role play what they would want to be able to say about the business' major accomplishments and reputation to a newspaper reporter five years from now, then share the major components of their vision with the full group, again as a basis for developing a shared vision.
- o Small groups can play the role of various supportive stakeholders – customers, suppliers, owners, the staff – and each develop a series of statements describing the business as they would like to see in a specified number of years. Then these visions can be shared and “meshed”.

6. Develop a series of goals or organisational status statements which describe the business in a specified number of years – assuming it is successful in addressing its mission.

It is usually a short step from the vision to goals – sometimes the statements describing the vision are essentially goal statements. It is extremely valuable to transform the vision into a series of key goals for the business, preferably in the form of status statements describing the business. For example:-

- We shall operate twelve branches around the State
- We shall be the biggest supplier of widgets to the electronics market
- We shall have a turnover of \$12 million by Year 5

During the development of goals, it is always important to ask two questions of every goal submitted for consideration:-

- Vision, Mission, Values - Does the goal help the business achieve its vision, is it within the definition of the business' mission, will achieving it subscribe to the business' core values?
- Is the goal, and the phrasing of it, SMART (Specific, Measurable, Achievable, Result-based, Time-defined)?

If the answer to both is not an unequivocal “yes” then the goal must be discarded.

7. Agree upon key strategies to reach the goals and address key issues identified through the environmental scan.

The major emphasis should be on broad high-level strategies (not lower-level action steps). These strategies should be related to specific goals or address several goals. The

process requires looking at where the business is now and where its vision and goals indicate it wants to be, and identifying strategies to get there. The Owners need to provide a broad view to guide this effort, while the planning group or staff can do much of the detailed analysis.

Approaches might include the following:

- Once the key issues to be addressed and the goals have been specified, the planning group, staff, or a consultant might look back at the SWOT results of the environmental scan, and identify changes in current strategies which may be required to reach the goals and address the issues. This might mean identifying potential new strategies or suggesting changes in emphasis or priority. These would be presented to the committee for discussion and decisions.
- The planning group might review the planning process to date, and develop and present a series of alternative approaches or scenarios. Based on the decisions made using these scenarios, strategies will be determined.

Whatever the specific approach used, specific criteria for evaluating and choosing among strategies should be agreed upon. They might include such criteria as the following:

- **Value** – Will the strategy contribute to meeting agreed-upon goals?
- **Appropriateness** – Is the strategy consistent with the business' vision, mission, values, and operating principles?
- **Feasibility** – Is the strategy practical, given personnel and financial resources and capacity?

- **Acceptability** – Is the strategy acceptable to the Owners, Managers, key staff, and other stakeholders?
- **Cost-benefit** – Is the strategy likely to lead to sufficient benefits to justify the costs in time and other resources?
- **Timing** – Can and should the business implement this strategy at this time, given external factors and competing demands?

Based on these or other agreed-upon criteria, strategies can be evaluated and selected, or prioritised.

You are likely to complete Steps 4-7 during a strategic planning retreat. Someone, a consultant, the Strategic Planning committee or task force, or a staff member will need to take the notes from the retreat, the results of the environmental scan, and other relevant materials and begin to draft a written strategic plan. Once this draft has been prepared, the next step can begin.

8. Develop an operational business plan that addresses goals and specifies objectives and work plans on an annual basis.

Once the longer-term elements of a strategic plan have been developed, it is time to ensure a specific operational plan to begin implementation. Strategic planning recognises that strategies must reflect current conditions within the business and its environment. Thus it is rare to attempt to develop detailed annual objectives except for the first or perhaps the first and second year covered by the strategic plan. However, annual operational business plans are needed. Annual program objectives should be time-based and measurable. The annual plan may be a part of the strategic plan or, preferably, may be an annual addendum to it.

However the annual plan is viewed, it is important that any work or workshops relating to the annual plan is conducted totally separately from those of the strategic plan – it is important two distinct paradigms are maintained, being a long-term strategic focus and a shorter-term details focus.

9. Finalize a written strategic plan that summarizes the results and decisions of the strategic planning process.

There is no set format, but be sure to include the outputs of each major step. The addendum at the end of this article provides a suggested format, but it is only one possibility.

10. Build in procedures for monitoring, and for modifying strategies based on changes in the external environment or the business.

Be sure progress towards goals and objectives and use of strategies is monitored regularly, with strategies revised and annual objectives developed yearly, based on the progress made, obstacles encountered, and the changing environment. Have procedures for taking advantage of unexpected changes. Define annual objectives at the start of each year. Look back to see what progress has been made in critical success factors. Use the plan as a compass, but not an inflexible blueprint for action.

SAMPLE FORMAT FOR A STRATEGIC PLAN

1. INTRODUCTION

- A. Need for a Strategic Plan
- B. How the Plan was Developed

2. THE ENVIRONMENTAL SCAN

- A. Organisational History and Structure
- B. The External Environment
 - 1. National Situation and Trends
 - 2. Local Situation and Trends
 - 3. Summary of Opportunities and Threats
- C. The Business
 - 1. The Products
 - 2. The Market
 - 3. Management
 - 4. Summary of Strengths and Weaknesses

3. ORGANISATIONAL VALUES, VISION, AND MISSION

- A. Vision Statement
- B. Mission Statement
- C. Core Values

4. GOALS, OBJECTIVES AND STRATEGIES

- A. Goals and Objectives
- B. Strategies

5. MONITORING AND REVIEW

- A. Monitoring and Evaluation Program
- B. Plans for Reviewing and Refining the Plan

6. ANNUAL PLAN (may be prepared separately)

APPENDICES

- A. Environmental Scan Data
- B. Other Supporting Information