

Strategic Planning – How to build your future business

All businesses need a plan, a roadmap to help them evolve. Your strategic plan has the power to bring your team together to achieve breakthrough results. This report takes strategy off the shelf and gives you steps to put it into action.

About InsideOut

InsideOut is a Growth Consultancy focused on developing breakthrough business growth by applying specialist strategy, marketing, online and finance expertise.

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Strategic Planning

This document will give you a framework to develop a high performance strategic plan.

Defining Strategic Planning

Strategic planning is the process of developing strategies to achieve a desired outcome. The tag “strategic” indicates that the planning operates at the highest level of the organisation, taking into account the “big picture”. Strategic planning seeks to create a better future by influencing the external environment or modifying current plans to work to your advantage within the external environment.

3 levels of planning

Tactical Plan

...outlines the individual methods used to achieve an objective.

Long Term Plan

...forecasts the future by understanding current activities and trends.

Strategic Plan

...seeks to influence the external environment to achieve a better outcome.

Strategic planning gives you the opportunity to think about the future, understand the current reality and plan how to realise your vision. Simply spending time on strategy will give you a competitive advantage. A Harvard Business Review study published in Nov 2004 found that a typical management team only met for 3 hours per month to discuss strategy.

A strategic plan itself may provide overall direction to the company or specific areas such as;

- Financial Strategies
- Human Resources Strategies
- Information Technology
- Marketing Strategy

An effective strategy will

- Be able to achieve the desired result
- Fit with the external environment and with an organisation's resources and core competencies
- Be flexible, dynamic and adaptable to a changing environment
- Give your organisation a sustainable competitive advantage

Approaches

You can choose from two methodologies to complete a strategic plan: the STP Process and the Draw-See-Think methodⁱ. These alternatives are equally valid but the STP Process is more commonly used.

Two Strategic Planning Approaches

STP Process

- Situation** Where are we and how did we get here?
- Target** What goals do we want to achieve?
- Path** How will we reach our goals?

Draw-See-Think

- Draw** What do we want things to look like?
- See** What do things look like now? What is the gap between vision and reality – and why?
- Think** What actions do we need to take to close the gap?
- Plan** What resources do we need to carry out those actions?

The approach you use depends on how clear your vision of the future is. If you already have a clear vision then the STP process would be suitable. If your organisation's vision is not clearly defined then the Draw-See-Think approach would be more powerful.

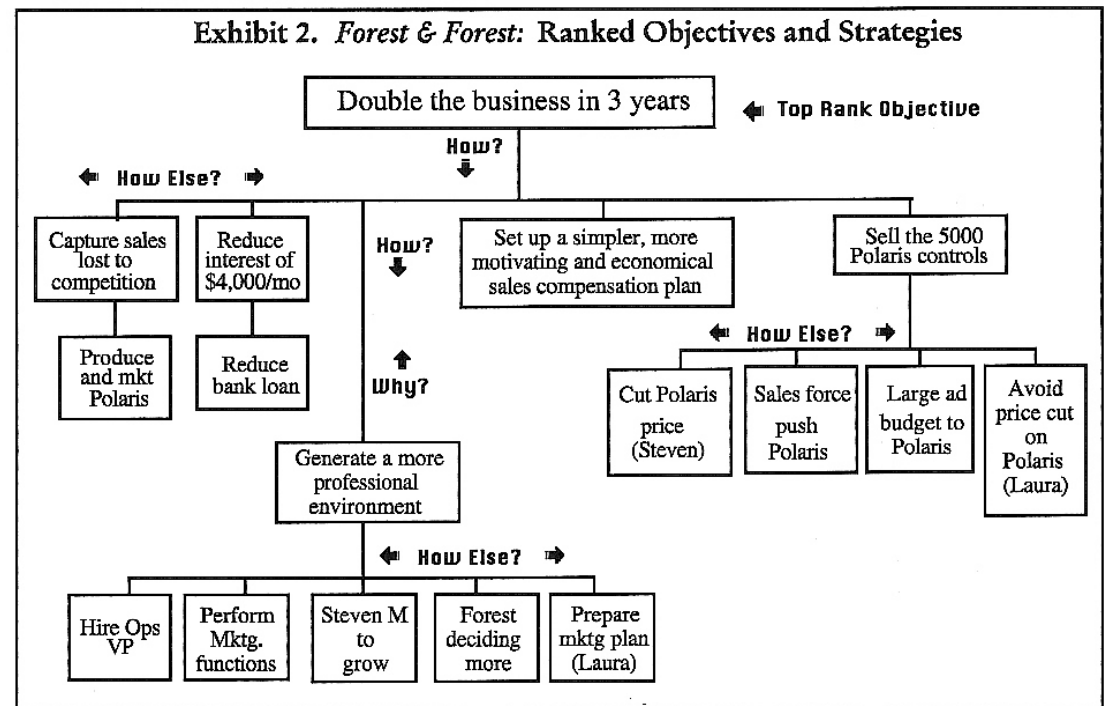
You can approach strategic planning incrementally... or revolutionarily.

Incremental approach

1. Set the objective you want to achieve – eg 100% growth in three years.
2. Gather and analyse information, including an external analysis and an internal assessment of skills/resources, organised in a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats).
3. Evaluate the objective in view of the SWOT.
4. Develop strategy. Answer these questions:
 - a. How can we use our strengths?
 - b. How can we reduce our weaknesses?
 - c. How can we exploit opportunities?
 - d. How can we minimise threats?

...to achieve our goal. Develop at least 10 options.

5. Draw a HOST (Hierarchy of Objectives, Strategies and Tactics) diagramⁱⁱ (see Exhibit 2) - this will help you visualise the strategy, understand the dependences and develop the strategy further. You can do this through ordering your different elements and answering questions such as How? Why? And How Else?
6. Develop a detailed plan for the 3 most attractive strategies.
 - a. Name
 - b. Benefits
 - c. Actions – what will be done
 - d. People – who will be in charge
 - e. Timing – start-finish
 - f. Resources – what will be needed



- g. Measurements – reporting
 - h. Contingency plans – what is plan B?
7. Evaluate Programmes – of the final 3 strategies, recommend the most effective programme by answering these questions;
- a. Are the resources available?
 - b. What risks or bad side effects are involved?
 - c. Is there a better way of achieving the objective?
 - d. Are the action plans complementary?
 - e. Should this action programme go ahead? When?
8. Monitor progress and the environment once you've begun to implement your plan.

Revolutionary approach

The majority of plans are developed using an incremental approach, but it's important to be aware of the revolutionary approach, which is based on:

Unquestioned Beliefs – every industry has a set of unquestioned beliefs. Find them and challenge them. Look for ways to re-write the rules of your industry.

Trends – look for major discontinuities in social, technological, and environmental areas. Be ready to create an entirely new business model at any time.

Blue Oceans – Industries tend to converge using the same competitive levers. This leads to competition focused on incremental improvements rather than revolutionary leaps. A Blue Ocean strategy is a metaphor for positioning your business in a clear blue ocean versus an ocean red with the spilt blood of market share competition. In their book “Blue Ocean Strategy”, authors Kim and Mauborgne outline the approach to develop a clear competitive position. They note that speed of revenue and profit growth for Blue Ocean strategies is significantly faster than traditionally based competition.ⁱⁱⁱ

(The InsideOut whitepaper **Everyday Innovation** discusses more ideas for how to take a revolutionary approach to your strategy.)

Your Strategic Foundation

Your strategic plan needs a clearly defined relationship with the purpose and vision for your business. It's not realistic to have a clear 5-10 year plan; business changes too quickly. But strategic decisions will be easier when you clearly know **what** you do, **how** you do it and what you **aspire** to be.

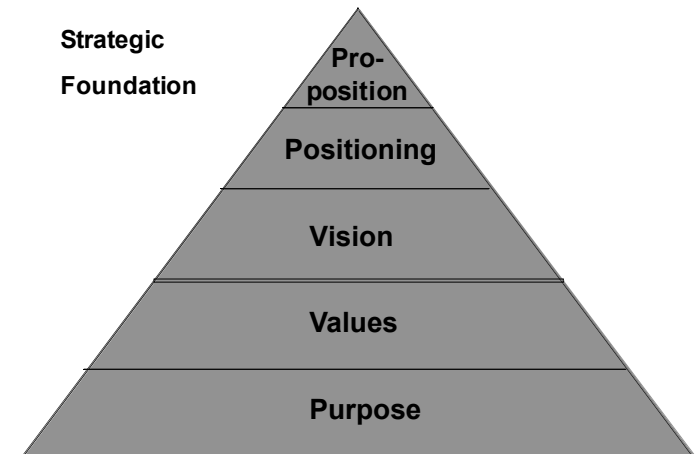
A key part of any strategic plan is assessing the strategic foundation. Your strategic foundation starts with a well-defined purpose. This defines **what** you do. Your values define **how** you work. Make a short list of 3 to 5 values that really define how you do things. These two components make up your strategic foundation. This doesn't change. It should remain constant for 100 years – it defines what you stand for and why you exist.

You also need to define your vision for the future. Jim Collins calls this your BHAG or “big hairy audacious goal” - something to achieve in 15 to 20 years. It should scare you and inspires you in equal measure. If you can clearly see the steps you need to take to achieve your BHAG, you haven't set a tough enough vision!^{iv}

Next is your Positioning, where you begin to translate your strategic foundation into market action. Here you need to consider what the market is offering now and what your customers need now, and develop a product that efficiently and effectively positions your business to its best advantage. You're creating a Blue Ocean strategy, effectively positioning your business in a non-competitive space.

Lastly, determine the proposition you want to make in the marketplace. This is a culmination of each previous layer. It's a simple but powerful promise you make to the market that only your business and brand can make.

Each of these steps helps propel your business forward. You must define what your business does, how it works and set a challenging goal that will inspire and guide your team. With these in place you need to make the right calls in the current marketplace and develop compelling propositions to grow your business. Once you have a solid strategic foundation and know what the future looks like you can consciously and unconsciously begin the journey to realising it.



Why Strategic Plans Fail

The best-laid plans fail for two reasons – poor strategy or inadequate implementation.

Poor strategy may arise from

- Not defining your objectives correctly or completely
- Not thoroughly analysing the SWOT for your objectives
- A lack of creativity in identifying possible strategies
- Strategies that can't deliver the desired objective
- A mismatch between internal resources and external environment

Inadequate strategy implementation may come from

- A lack of support - not building a strong guiding coalition
- Inadequate resources or lack of skills/capabilities
- Failure to coordinate or work as a team.
- Failure to address significant barriers to change
- Failure to follow the plan

Other Tools

Rigorous Testing

It's important to thoroughly and rigorously evaluate your alternatives. Your chosen strategy needs to survive scrutiny.

Some key questions:

1. Is the strategy aligned with your business' priorities, values and purpose?
2. Have all the interdependencies been identified?
3. Are there clear defined measurable outcomes (are they S.M.A.R.T – Specific, Measurable, Agreed, Realistic, Time bound)?
4. What is the contingency plan?

Some other rigorous questions;

- **What plans are already in place?**
- **Who is support needed from?**
- What degree of influence do we have?
- What paradigms can we break?
- What are the likely barriers?
- What are the key levers?
- What are the costs/benefits?
- What skill level is required?
- How will it be communicated?

Holding the Questions

It's natural to try to find solutions to problems. Once we find a solution we relax and move to the next task. A key skill to improve the quality of your strategic thinking is to learn to hold the question. To do this you distance yourself from a problem and intentionally keep the problems in the back of your mind.

Holding the question lets you process the information subconsciously^v. When you give your subconscious mind more time, it finds more connections between the problem and other related information.

Our subconscious can find even more connections when we develop our ability to think in images, metaphor, and even random or absurd thoughts. These skills can help you find higher quality solutions as your unconscious mind stretches and finds more connections than the obvious surface-level solutions.

Mix Up the Team

The best ideas come when you bring together groups of people from different parts of the organisation. Ideas are generated at the edges – where disciplines overlap, where your organisation touches the customer, where head office rules don't apply.

Where possible, involve people from outside your organisation – your best suppliers, research company or advertising agency. This diversity and the right environment should promote creativity.

Next Steps – Ongoing Review

Strategic planning never ends. In a global environment, you need to review, keep score and adapt your plan to reality. You have to balance the firmness of your strategic foundation with the agility to make the right market decisions. With a solid strategic foundation in place, annual strategic planning becomes a purposeful, streamlined process. You'll have a clear blueprint for choosing the right options and opportunities to take you from vision to reality.

Moving Forward

Need to develop your own strategic foundation and business plan to take charge of your future? Visit www.inside-out.co.nz for more tools and information. If you want to discuss a program to develop a breakthrough strategy for your business, don't hesitate to contact Duncan.

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References

- i From www.wikipedia.org
- ii From www.mbatoolbox.org
- iii **Blue Ocean Strategy – W. Chan Kim & Renee Mauborgne**
- iv **Good to Great – Jim Collins**
- v **Blink – Malcolm Gladwell**