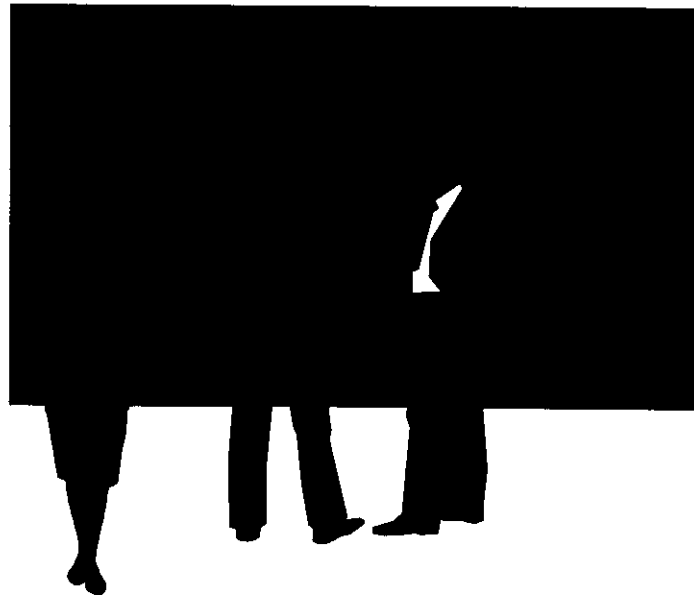


Strategic Planning



MFR Unit 11



Agenda

1. Introduction
2. Defining the Mission
3. Determining the Vision
4. The Importance of Values to Strategy
5. Environmental Analysis
6. SF - SWOT Analysis
7. Critical Success Factors
8. Culture and Strategic Planning
9. Process Improvement
10. Measures and Scoreboarding



Objectives

- discuss the various elements of Strategic Planning and why they are important
- describe the steps used in Strategic Planning (how to do it)
- participate in a Strategic Planning exercise



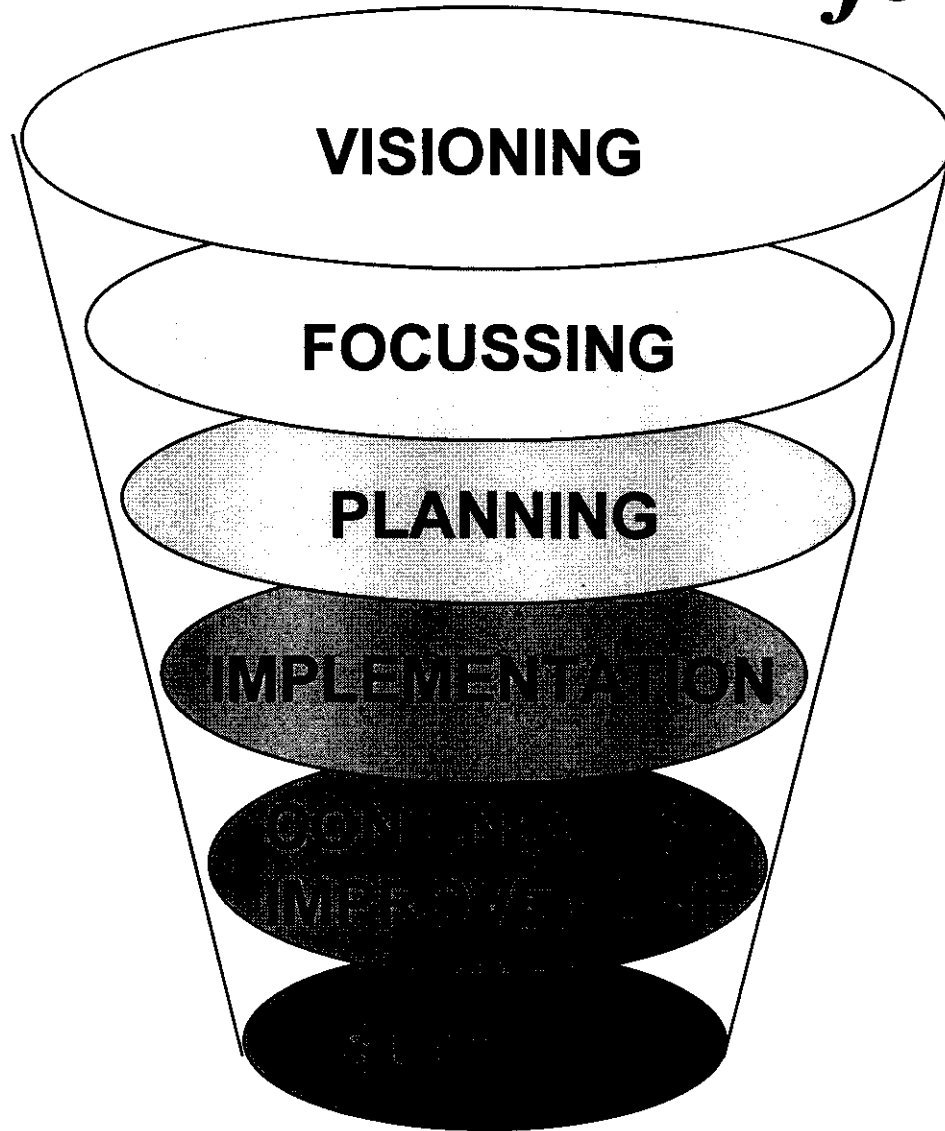
Strategic Planning:

- a top-down, fully formed plan
- permits little or no deviation
- tightly controlled and scheduled
- not responsive to rapid change
- sets direction for organization & employees
- takes into account all possible factors
- leads to THE plan for success!

Strategic Planning:

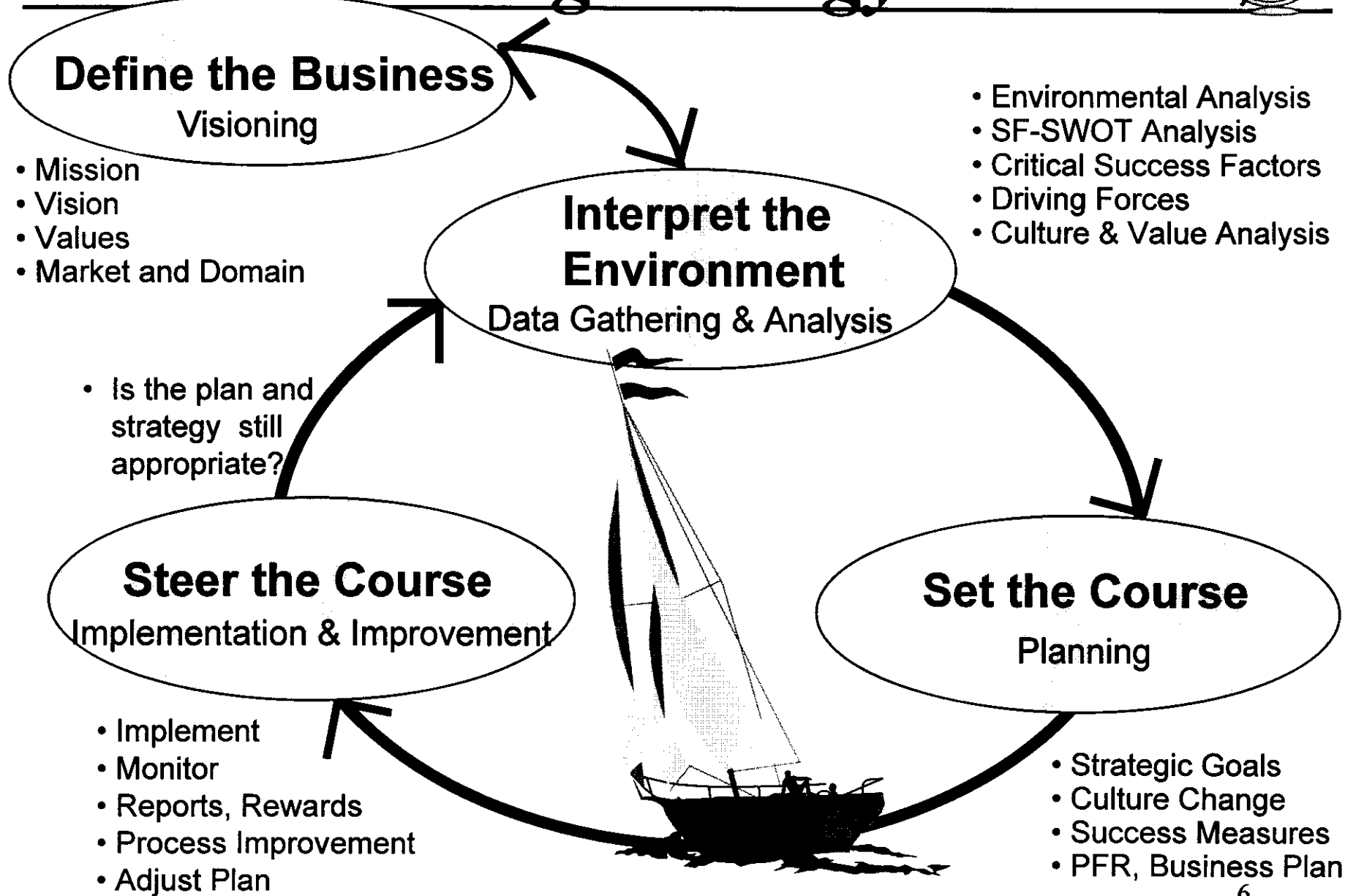


Focus for Success



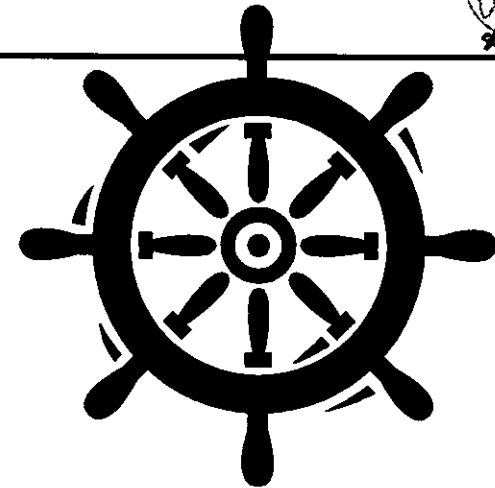


Formulating Strategy



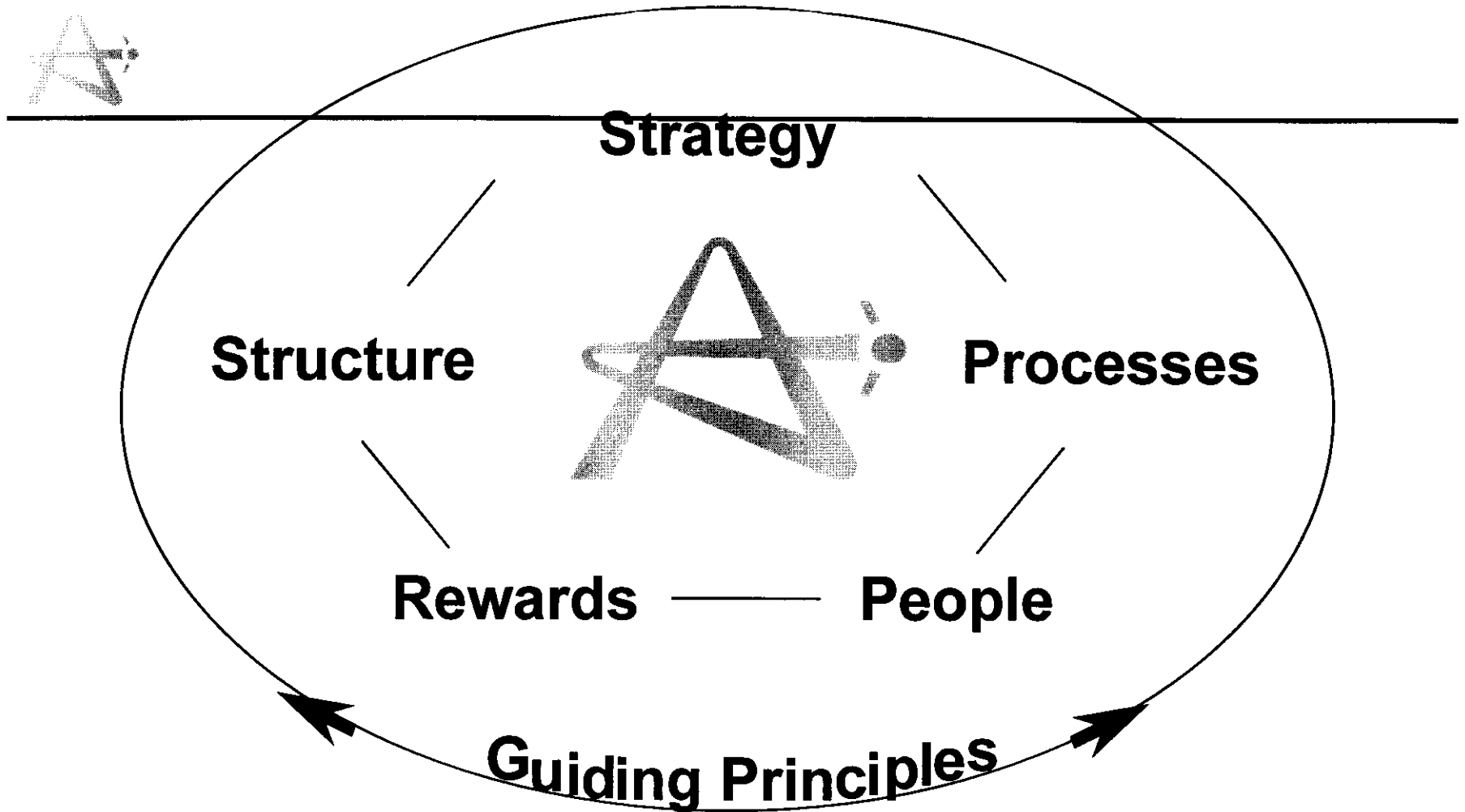


Five P's for Strategy:



- **Plan** - actions
- **Ploy** - maneuver
- **Pattern** - behaviour
- **Position** - domain
- **Perpective** - character

6-Point Checklist





Mission

is the purpose of the organization

- What do we do?
- Why do we exist? What are the results of what we do?
- Who is our customer?
- What does the customer want? Need?
- How will we conduct ourselves?



Vision

the ideal future for the organization,
its overarching long-term goal

- Where do we want to go?
- What are our dreams and aspirations?
- What do we want to look like in 'X' years?



MISSION STATEMENT

- a shared sense of opportunity, significance and achievement
- the basis for a code of conduct
- determining what the organization's value-adding activities

VISION STATEMENT

- direction and inspiration
- criteria for making strategic decisions
- focus on marketplace advantage factors which distinguish the company
- short and simple declaration based on truth

Together, these provide compelling reason for employees to contribute to company goals, and external stakeholders to support the business.



Vision and Long Term Strategy

- From the Vision fall key strategic themes that support the making of long-term strategic objectives.
- Themes should be defined, measures and time boundaries applied.
- After SF-SWOT Analysis, themes should be compared with goals & Critical Success Factors.



SHARED Vision



- powerful motivator
- a force in people's hearts and minds
- creates a sense of commonality & unity
- brings coherence to many different activities
- each person has a similar picture and is committed to *all* having it
- keeps people on course in spite of great difficulties
- individuals feel connected to an important undertaking, and that their part matters



SHARED Vision

- reflects each individual's personal vision and draws them all together with a common theme
- a larger purpose embodied in the organization's products or services that all understand
- lifts the organization out of the mundane
- cure for apathy and poor morale
- compels people to deal with *all* issues
- encourages cooperation, risk-taking, innovation
- a collective sense of what is important & why



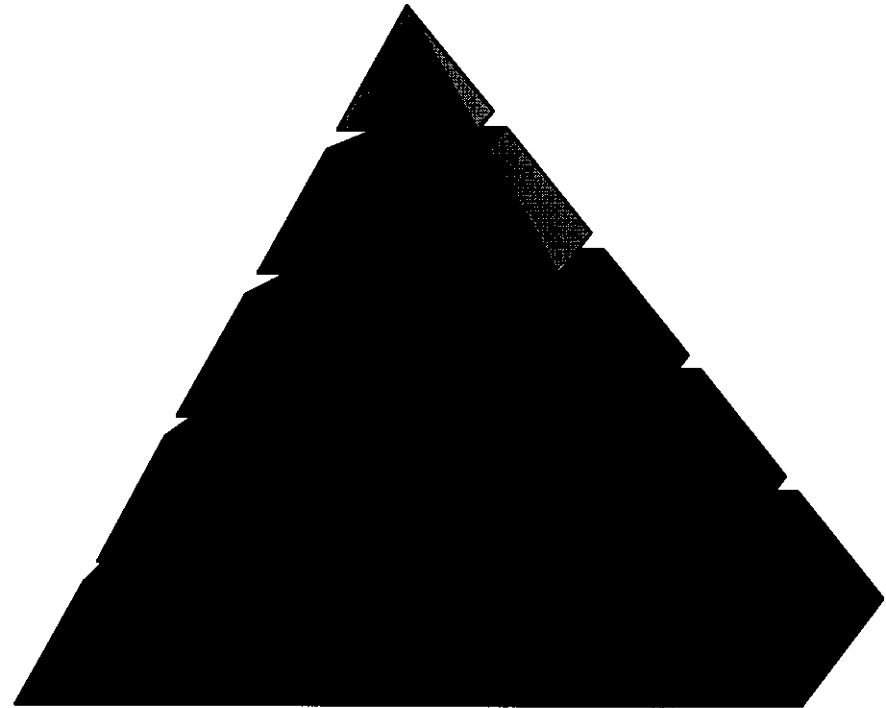
*In the absence of a
great goal, pettiness will
prevail.*





5 Ways to Create Shared Vision

1. Telling
2. Selling
3. Testing
4. Consulting
5. Co-Creating





Market and Domain

- **Market:** where the organization is doing business & what groups of customers it is after.
- **Domain:** sets the boundaries for your core activities & identifies area of core competence, the basis of competitiveness.



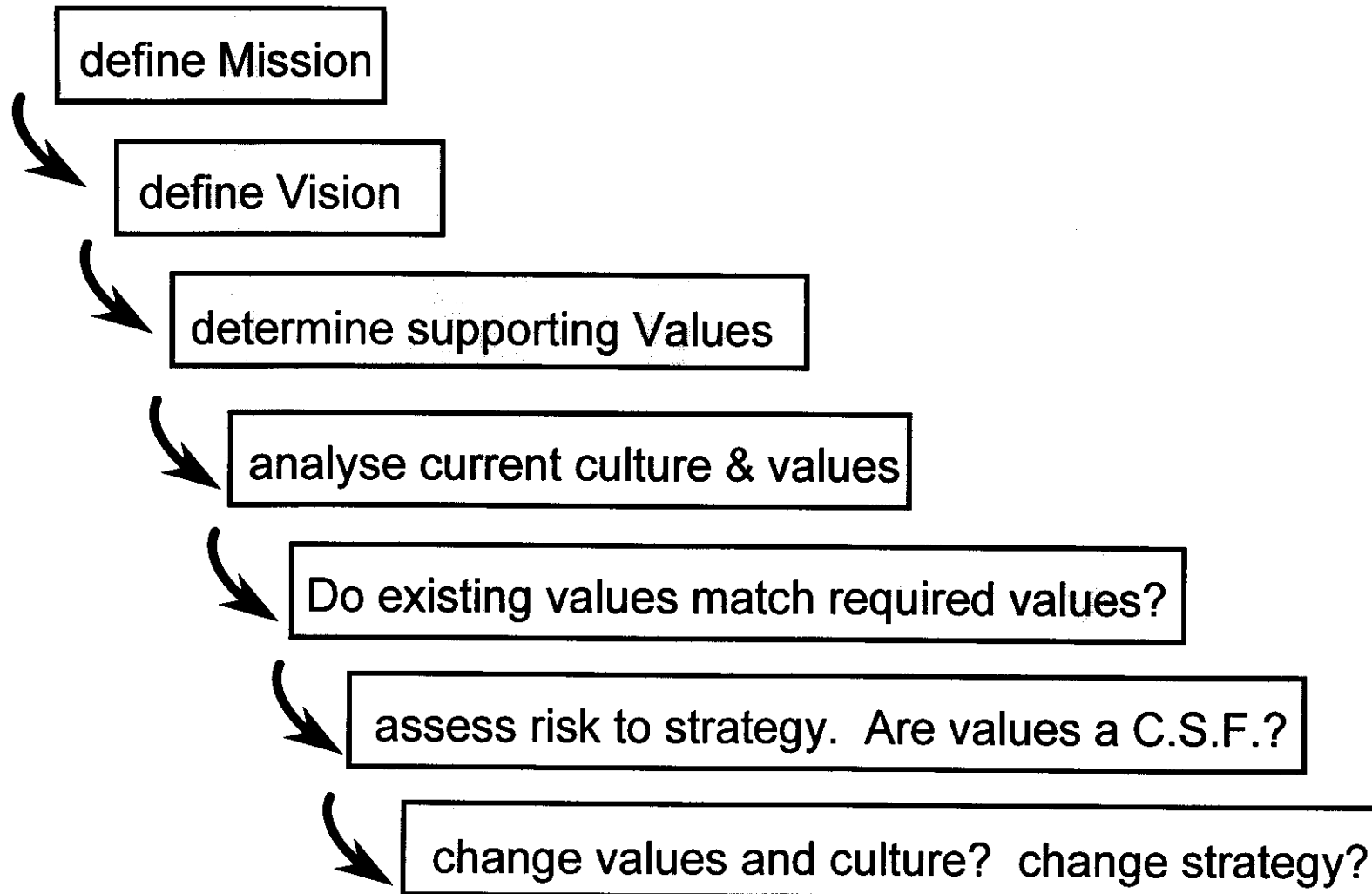
Values

how the organization expects to travel to where it wants to go, in terms of *behaviour*

- indicate how the organization intends to operate
- Mission and Vision imply certain values
- specific work practices and behaviours reflect values



Align Values and Strategy





Values are a Beacon

When values are articulated but then ignored, a very important part of the vision is shut away.



If values are made central and in full view, they act as a beacon to guide behaviour and instill a sense of teamwork and commonality for employees.



Strategic Choices:

- have ethical ramifications
- are affected by beliefs & values held at top levels of the organization
- are not based solely on analysis and calculation
- have traditionally been made with little attention to values
- Strategic Goals : WHAT to do
Values : HOW to do it



Values Statements

- **Partnering:** “We work in partnership with our customers and peers, freely sharing information, ideas and plans.”
- **Empowerment:** “We encourage people at all levels to take initiative to meet customer needs and support them in doing so.”



Organizational Values

- more than token motherhood statements
- should represent the very heart of the firm
- should be a constant over time
- may cause employees to leave
- 1-4 main values that all employees know, understand and respect
- reflected in every aspect of the enterprise



Discussion

“For any kind of organization, or for yourself as an individual, what values do you most feel should be manifested consistently in the way business is done?”

“Are these values held in my organization?”



3 Doorways to Change



ATTITUDE BEHAVIOUR FEELINGS



Values and Culture

- values are expressed in behaviour
- culture *is* behaviour, beliefs, values, attitudes, work practices, norms, history, folklore, heroes, perceptions
- if you change values, you change culture
- value change must be backed up by consistent behaviour change before it will affect other parts of the culture



Value Chain

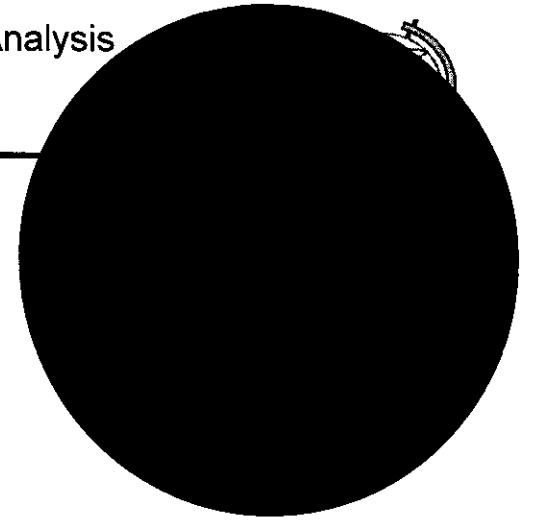
- different from organizational values
- the sequence of activities that produce value for the customer
- used to determine which internal business processes are most critical for achieving customer and stakeholder expectations
- chains can be developed in increasing levels of detail, like process maps



Value Chain - Strategic Level

- How do we manage the whole chain of functions while minimizing cost?
- If we cannot do it all, considering our strategy, what aspects of the business should we be in?
- Where are our core competencies? Our weaknesses?
- Do we have to own each link? What should we do? not do (out-source)?

Environmental Analysis



- a good strategy is based on good information & response to that information
- analyze internal and external environments
- track influences & trends, predict outcomes
- identify strengths, weaknesses, opportunities and threats (SWOT Analysis)



Internal Environment

- **HUMAN RESOURCES**
people, functional capabilities, morale, skills, etc.
- **PRODUCTS & SERVICES**
deliverables, affects by the industry
- **CULTURE & CLIMATE**
beliefs, norms, expectations, behaviours, traditions
- **POLICY**
policies, plans, programs, audits, controls, measures, funds
- **TECHNOLOGY**
equipment, hardware, software, R&D, telecommunications
- **INFRASTRUCTURE**
functional organizations, procedures, interfaces, structure



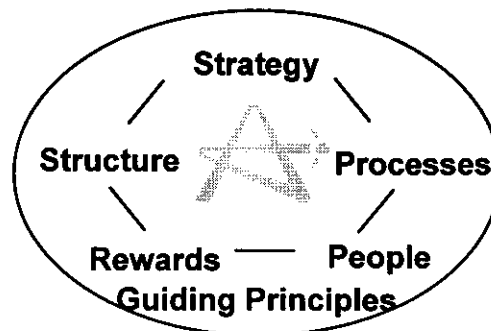
External Environment

- **CUSTOMERS & STAKEHOLDERS**
everything related to prospective buyers and buyers
- **MARKETS**
everything related to territories where sales will be made
- **SOCIAL DEVELOPMENTS & CONDITIONS**
trends, demographics, psychographics, lifestyles, niches, etc
- **PUBLIC SECTOR**
government, regulators, laws, politics, legislation
- **COMPETITION**
everything related to businesses vying for same customers
- **ECONOMY**
local, regional, national, international, policies, trends, etc.



12 Elements, 6 Factors

Pair	Internal Factor	External Factor	Linkage
1	Human Resources	Customers	Human Factor
2	Products and Services	Markets	Delivery Factor
3	Culture and Climate	Social	Psychological Factor
4	Policy	Public Sector	Agenda Factor
5	Technology	Competition	Alternatives Factor
6	Infrastructure	Economy	Structural Factor





SF-SWOT Analysis

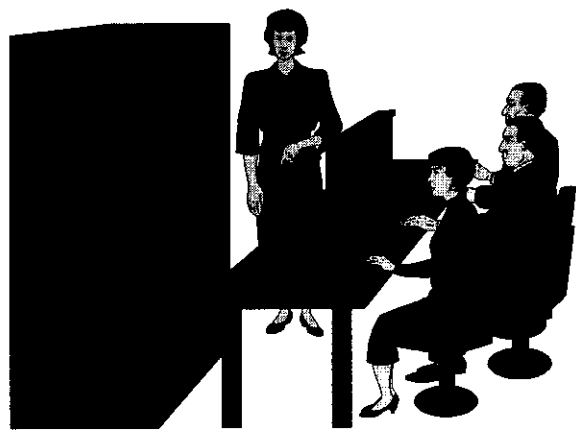
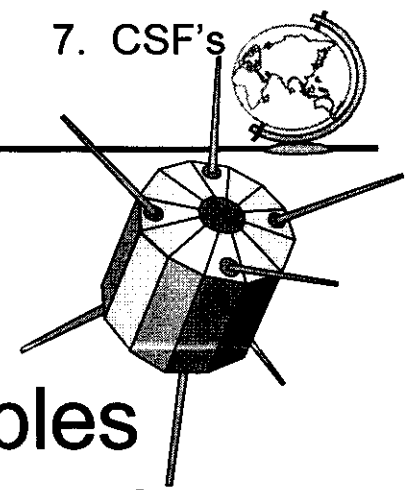
S Successes } recent past and present
F Failures } performance

S Strengths } recent past and present
W Weaknesses } condition of the company

O Opportunities } future perspective
T Threats }

Critical Success Factors:

characteristics, conditions and variables that, when properly sustained, managed or maintained have a significant impact on the success of the business, within its particular industry.





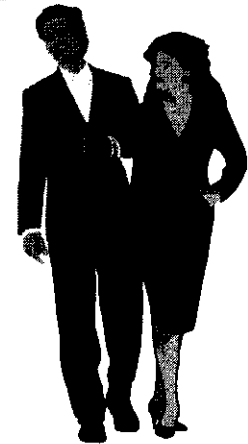
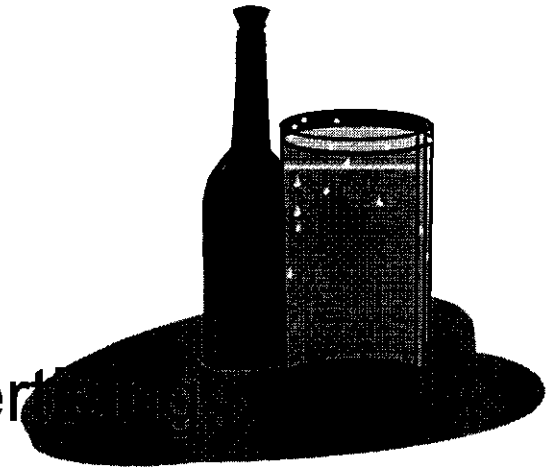
CSFs:

- key areas where things must go right for the business to flourish
- variables that management can influence through decisions
- limited number (4-6 maximum)
- can come from three levels of analysis:
 - firm-specific
 - industry-specific
 - socio-economic-political environment



Examples of CSF's

- **Beer Industry:**
access to retail outlets, clever advertising, utilization of brewing capacity
- **Apparel Industry:**
buyer appeal, manufacturing efficiency
- **Generic:**
customer service, rapid distribution, rapid communications, new product development, leadership, employee commitment



Culture and Strategy



- what you do is not as important as how you do it
- the company's greatest asset is its people
- people are affected by culture
- culture is how people behave in the workplace - how they get the work done
- culture and strategy must be aligned



Understanding Culture

1. Shared patterns of behaviour
“our way of doing things”
2. Shared beliefs, values, norms
“our way of thinking”
3. Organizational underpinnings
“what we reward and punish here”

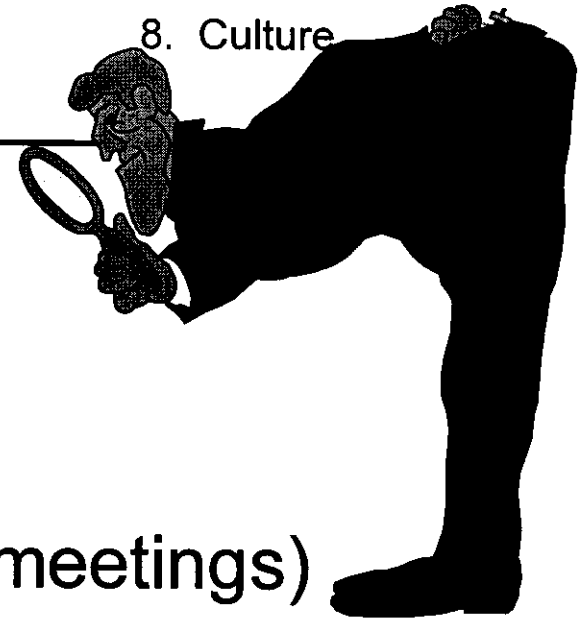
Challenges to Changing Culture

- 1) sub-cultures
- 2) behaviours are supported by the group (peer-pressure)
- 3) environment must change first
- 4) culture is linked to underlying values
- 5) relationship to business success unclear



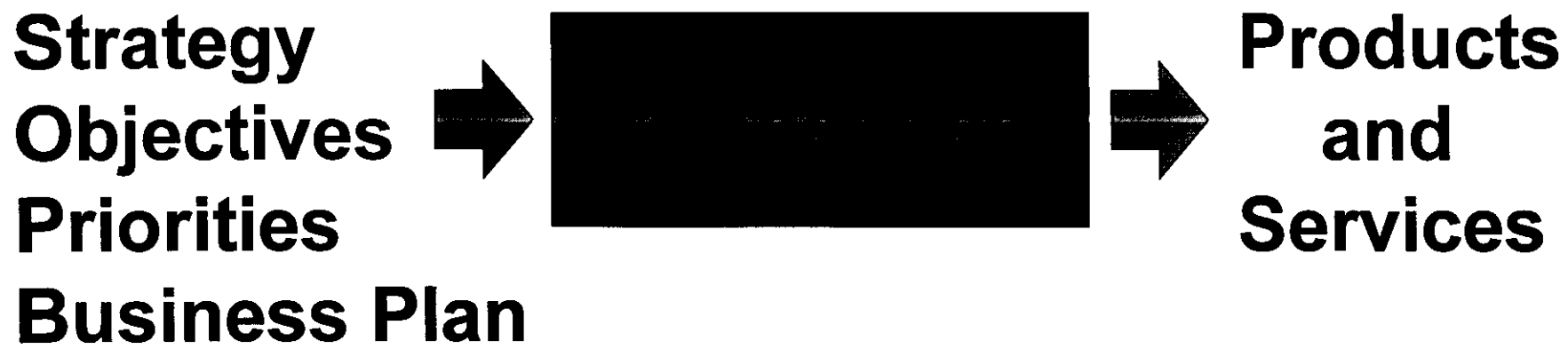
Prerequisites for Cultural Change

- strategy explicitly stated
- current culture analyzed and tangible
- cultural risks to strategy identified
- top management commitment and modelling
- desired behaviours and reasons understood
- rewards and incentives
- coordinate with other systems
- pilot the change
- prioritize on strategically important issues



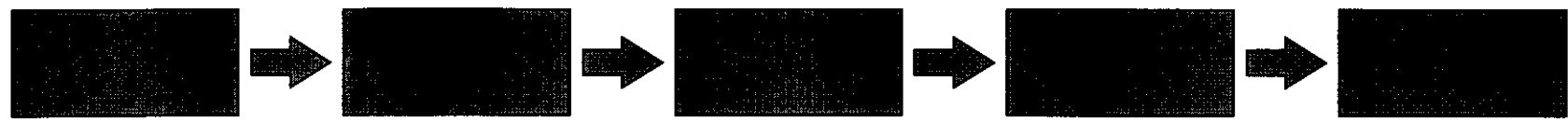
Methodology

1. define and communicate strategy
2. analyze current culture (surveys, meetings)
3. organize data in terms of manager tasks and key relationships
4. describe the ideal culture to support the strategy
5. determine which traits of current culture put strategy most at risk (stop, start, continue)
6. assess degree of risk for each and prioritize
7. define changes and develop action plan



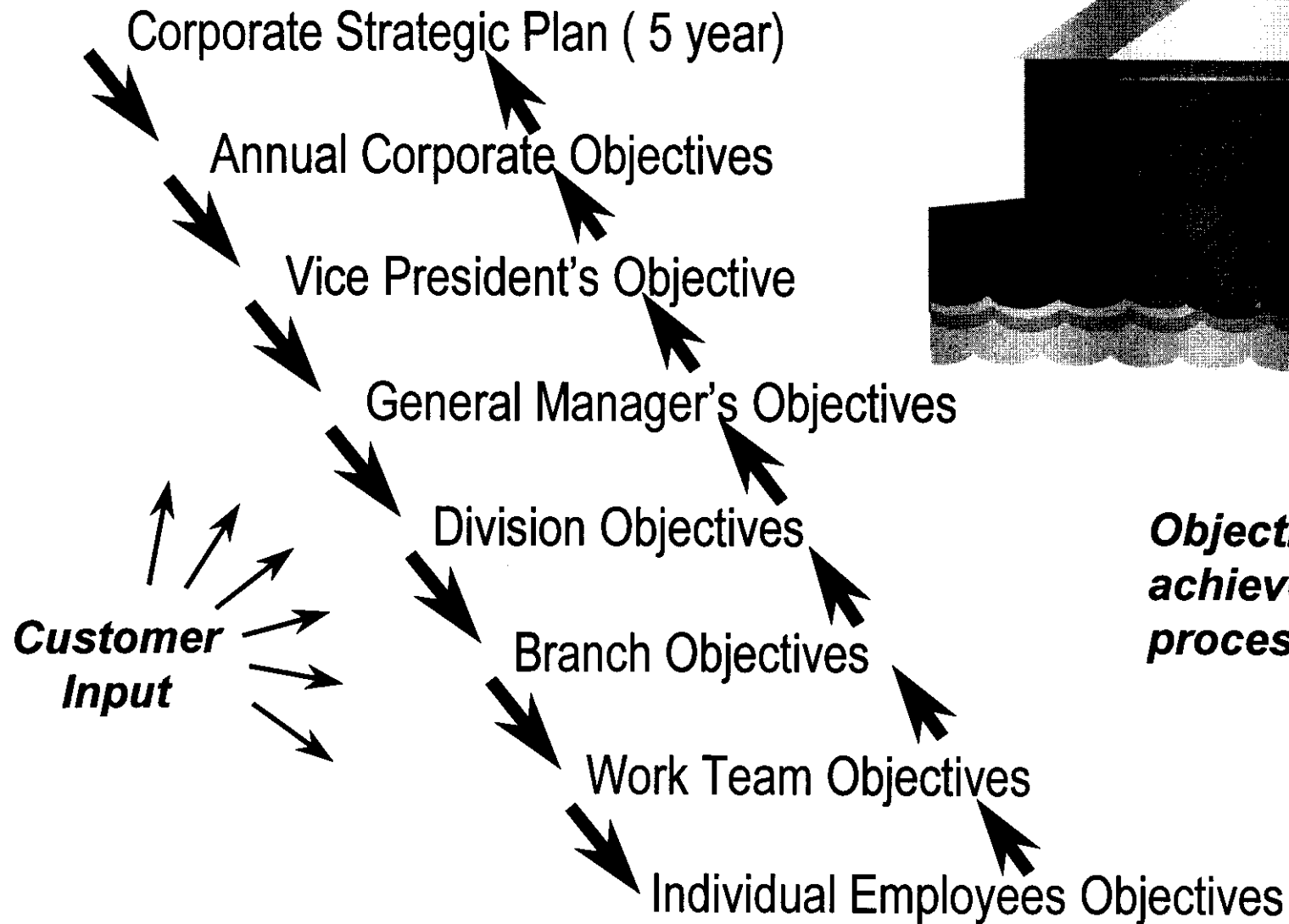
Processes:

- execute the organization's intent
- are what people do to achieve their goals
- the way that an organization carries out its work





Business Planning Cycle



Objectives are achieved through processes.



Strategy & Processes

- A brilliant strategy will only be as good as its execution, through processes.
- processes must be studied and improved
- Good processes maximize quality and value to the customer while supporting strategy.
- Process improvement takes place at the working levels in the organization, and should be a regular way of life
- is best done by teams as a bottom-up activity
- Major Process Problems? The reengineering decision rests at the strategic level.



Process Improvement Involves:

- regular customer contact
- building positive relationships between supplier and customer
- cooperation between functional groups
- creativity
- regular monitoring and finding solutions
- finding better ways of doing things
- eliminating low-value or no-value work
- maximizing activities that provide value to the customer



Strategic Objectives & Measures

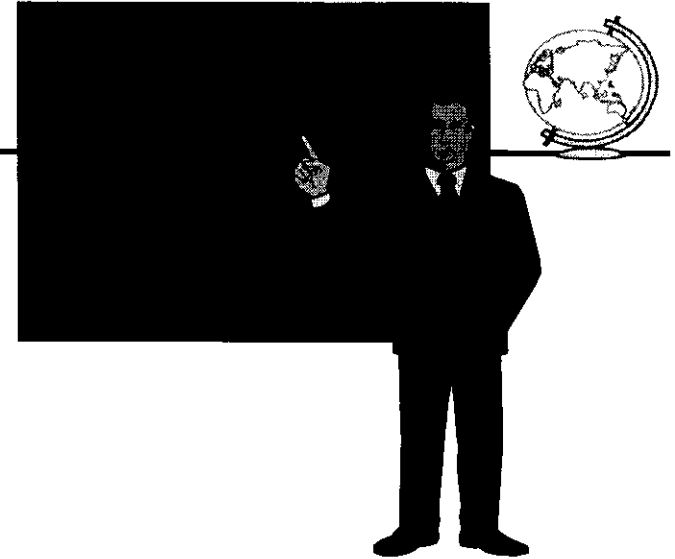
- strategy translates into objectives cascade
- good objectives have meaningful measures (performance indicators)
- measures should be prioritized, then highlighted visibly and used consistently
- “what is most visible gets the most attention”
- “what gets measured gets done”



Scoreboarding



Scoreboarding



- 1) identify key objectives to be monitored
- 2) determine how to gather measures data
- 3) design means to communicate to all staff
- 4) use it whether things are good or bad!



The Balanced Scorecard (BSC)

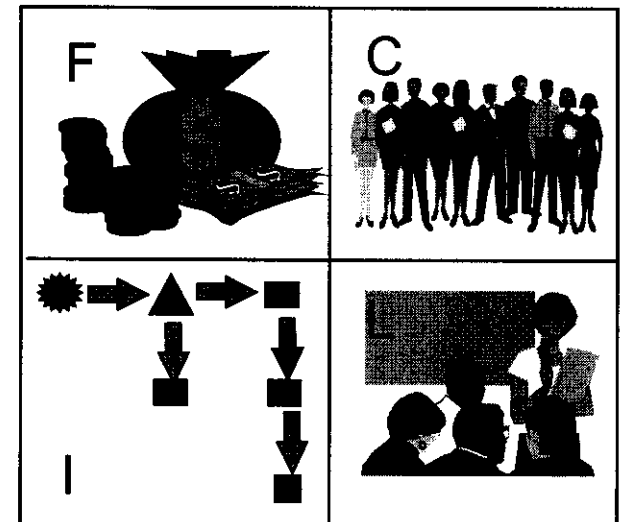
- managers need to monitor MANY different aspects of their work environment
- BSC looks at 4 major perspectives:

Financial

Customers

Internal Business Processes

Learning & Growth





The BSC Balances...

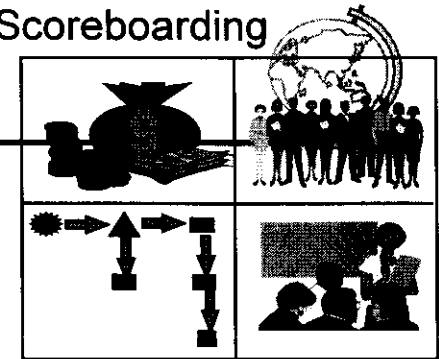


1. results from past efforts (lag indicators) **with** measures that drive future performance (lead indicators)
2. external measures for customers and stakeholders **with** internal measures of critical processes, innovation, learning and growth
3. objective, easily quantifiable measures **with** subjective, more judgmental measures

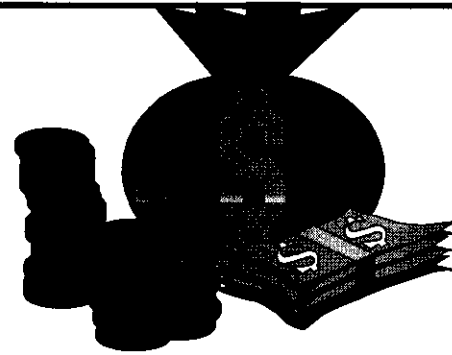


Tips for Effective Scoreboarding

- Measurement matters. If you can't measure it, you can't manage it!
- Measurement affects behaviour.
- Measures from both financial and non-financial perspectives are important at all levels and in all parts of the organization.

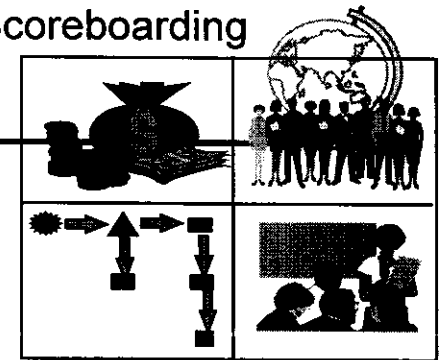
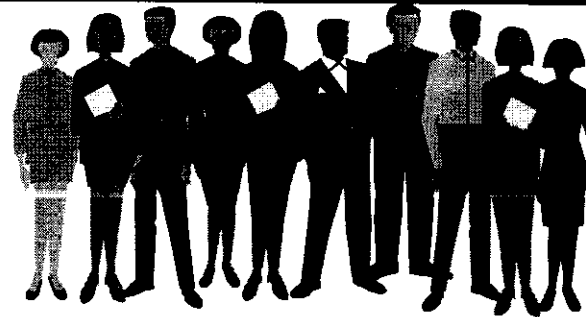


Financial



- readily quantifiable summary of actions
- indicates contribution of strategy & execution to profits
- e.g. operating income, profits, return on capital, economic value added, rapid sales growth, generation of cash flow

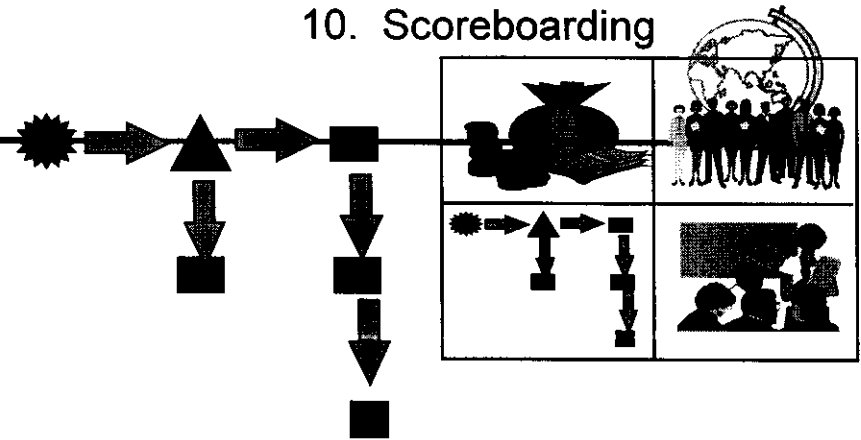
Customer



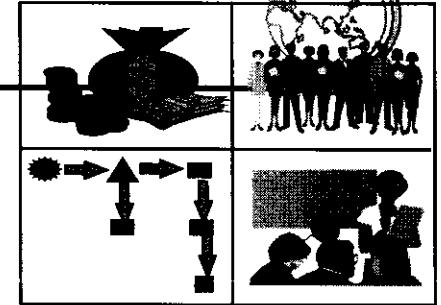
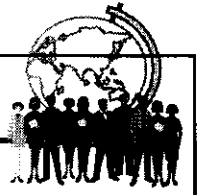
- focus on customers and market segments
- enables articulation of strategy that will drive superior future financial returns
- e.g. customer satisfaction, new customer acquisition, customer retention, market and account share, measures of value to customers, customer profitability

Internal Business Processes

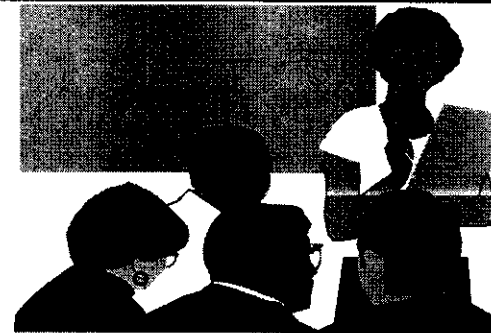
10. Scoreboarding



- identifies critical processes which must excel to attract and retain customers and satisfy shareholders
- goes beyond monitoring and improvement to identifying new processes required
- includes innovative processes that focus on long term success
- e.g. facility utilization, productivity, mapping of processes, yield, throughput, cycle time (end-goals of particular processes)



Learning & Growth



- must improve capabilities for delivering value, and update technologies and skills
- focus on long-term growth & development
- new skills for employees, enhanced information technology, aligned procedures
- e.g. employee satisfaction, employee retention, training, available skills, availability of accurate information, alignment of employee incentives



Construction of a BSC

- a sequence of cause & effect relationships
- communicates meaning of strategy to entire organization
- starts with good *Strategic Objectives*
- contains *Core Outcome Measures* (generic lag indicators) and *Performance Drivers* (unique lead indicators) which support one another
- lower level *Strategic Initiatives* (and related measures) support these



How MANY Measures?

- BSC is the instrumentation for a SINGLE strategy
- an integrated system of measurement
- usually 4-7 measures per perspective
- should be many *Diagnostic Measures* to monitor detailed control of the business & identify issues that need immediate attention
- should be a smaller number of *Strategic Measures* that define the strategy



Strategic Initiatives

- take the BSC down to line level
- become objectives for line managers and teams
- link detailed Diagnostic Measures to Strategic Measures through Performance Drivers
- Performance Drivers indicate HOW Core Outcomes will be achieved