

Company Strategy

Where to Go & How?

The purpose of strategic planning

The purpose of strategic planning is **to set your overall goals** for your business and **to develop a plan** to achieve them. It involves stepping back from your day-to-day operations and asking **where your business is headed** and **what its priorities should be**.

The three key elements of strategic planning

- **Where is your business now?** This involves understanding as much about your business as possible, including how it operates internally, what drives its profitability, and how it compares with competitors. Keep your review separate from day-to-day work and be realistic, detached and critical in distinguishing between the cause and effect of how your business operates. You should also write it down and review it periodically.
- **Where do you want to take it?** Here you need to set out your top-level objectives. Work out your vision, mission, objectives, values, techniques and goals. Where do you see your business in five or ten years? What do you want to be the focus of your business and your source of competitive advantage over your rivals in the marketplace? This step should be the foundation for the final plan and motivate change.
- **What do you need to do to get there?** What changes will you need to make in order to deliver on your strategic objectives? What is the best way of implementing those changes - what changes to the structure and financing of your business will be required and what goals and deadlines will you need to set for yourself and others in the business? Think about the business as a whole, for example consider diversification, existing growth, acquisition plans, as well as functional matters in key areas.

Getting started with strategic planning

Who to involve?

- Try to find people who show the kind of **analytical skills** that successful strategic planning depends upon. Try to find a mix of **creative thinkers** and those with a **solid grasp of operational detail**.
- A good **rule of thumb** is that you shouldn't try to do it all yourself. Take on board the opinions of other staff - key employees, accountants, department heads, board members - and those of external stakeholders, including customers, clients, advisors and consultants.

Getting started with strategic planning

How to structure the process

- There is no right or wrong way to plan the process of strategic planning, but **be clear in advance about how you intend to proceed.** Everyone involved should know **what is expected** of them and **when**.
- For example, you may decide to hold a series of weekly meetings with a strategy team before delegating the drafting of a strategy document to one of its members. Or you might decide to block off a day or two for strategy brainstorming sessions - part of which might involve seeking contributions from a broader range of employees and even key customers.

Getting started with strategic planning

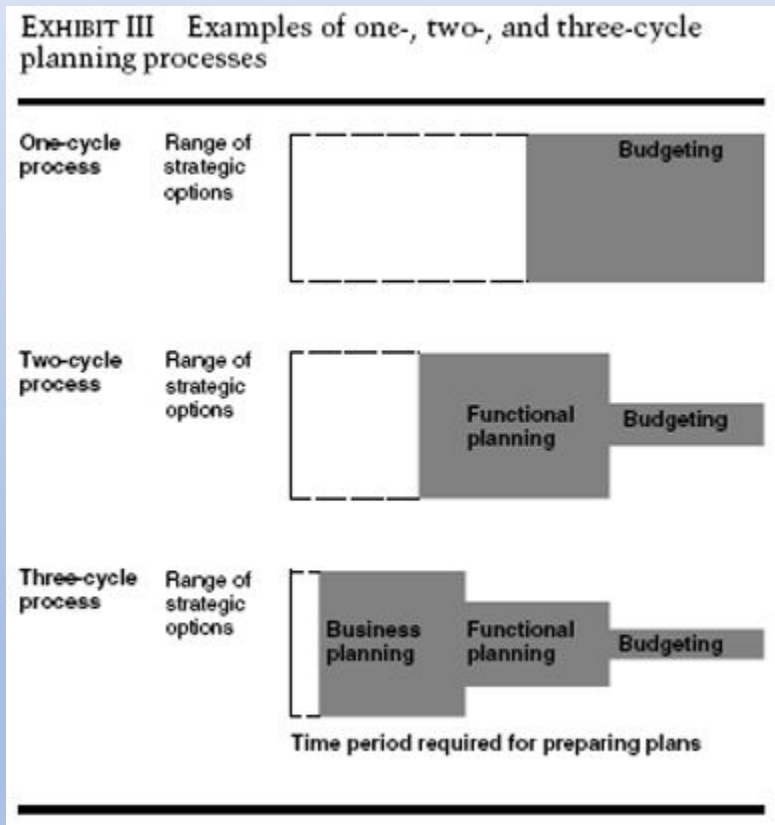
Getting the planning document right

The priority with strategic planning is to get the process right. But don't neglect the outcome - it's also important to make sure you capture the results in a strategic planning document that communicates clearly to everyone in your business what your top-level objectives are.

Such a document should:

- reflect the consensus of those involved in drafting it
- be supported by key decision-makers, notably owners and investors
- be acceptable to other stakeholders, such as your employees

Approach required



- The first step requires no comprehensive financial projections; instead, each division manager is asked **to identify three or four strategic issues** for presentation and discussion at headquarters. *Agreement on those issues sets the stage for orderly functional planning and budgeting.*
- Once the division's strategy is set, the second cycle begins; here functional managers play a much more important part. In both that cycle and the budgeting cycle, they have **the primary responsibility** for developing detailed programs and budgets. The division manager and his staff are involved more or less actively in these two cycles, while top management limits itself to a review of division proposals.

Solid strategic analysis

- Strategic planning is about **positioning your business** as effectively as possible in the marketplace. So you need to make sure that you conduct as thorough as possible an analysis of both your business and your market.
- There is a range of strategic models that you can use to help you structure your analysis here. These models provide a simplified and abstract picture of the business environment.

SWOT

- **strengths** - attributes of the business that can help in achieving the objective
- **weaknesses** - attributes of the business that could be obstacles to achieving the objective
- **opportunities** - external factors that could be helpful to achieving the objective
- **threats** - external factors that could be obstacles to achieving the objective

STEEPLE

- **s**ocial –e.g. demographic trends or changing lifestyle patterns
- **t**echnological – e.g. the emergence of competing technologies, or productivity-improving equipment for your business
- **e**conomic – e.g. interest rates, inflation and changes in consumer demand
- **e**nvironmental – e.g. changing expectations of customers, regulators and employees on sustainable development
- **p**olitical – e.g. changes to taxation, trading relationships or grant support for businesses
- **l**egal – e.g. changes to employment law, or to the way your sector is regulated
- **e**thical – e.g. ethical and moral standards governing policies and practices
- STEEPLE analysis is often used alongside SWOT analysis to help identify opportunities and threats.

Five Forces

The Five Forces model aims to help businesses understand the drivers of competition in their markets. It identifies five key determinants of how operating in a given market is likely to be for a business:

- **customers' bargaining power** - the higher it is (perhaps because there is a small number of major buyers for your product or service) the more downward pressure on prices and thus revenue they will be able to exert
- **suppliers' bargaining power** - the ability of suppliers to push prices up (for instance if you rely on a single firm) can impact significantly on costs and profitability
- **the threat of new competitors** entering your market or industry - more businesses competing makes it more difficult to retain market share and maintain price levels
- **the threat of customers switching** to substitute products and services - an example would be the threat to fax machine manufacturers posed by the wide availability of email
- **the level of competition** between businesses in the market - this depends on a wide range of factors, including the number and relative strength of the businesses and the cost to customers of switching between them.

What a written strategic plan should include?

- Analysis of **internal drivers** - corresponding, for example, to the strengths and weaknesses of a SWOT (strengths, weaknesses, opportunities and threats) analysis.
- Analysis of **external drivers** - this should cover factors such as market structure, demand levels and cost pressures, all of which correspond to the opportunities and threats elements of a SWOT analysis.
- **Vision statement** - a concise summary of where you see your business in five to ten years' time.
- **Top-level objectives** - these are the major goals that need to be achieved in order for your vision for the business to be realised. These might include attracting a new type of customer, developing new products and services, or securing new sources of finance.
- **Implementation** - this involves setting out the key actions (with desired outcomes and deadlines) that will need to be completed to attain your top level objectives.
- **Resourcing** - a summary of the implications your proposed strategy will have for the resources your business needs. This will reflect financing requirements, as well as factors such as staffing levels, premises and equipment.
- You may also want to consider adding an **executive summary**. This can be useful for prospective investors and other key external stakeholders.

Some important strategic planning issues to consider

Examples of the kind of issues that tend to get overlooked by growing businesses include:

- **The future role of the owner** - for example, it may be in the best interests of the business for the owner to focus on a smaller number of responsibilities, or to hand over all day-to-day control to someone with greater experience.
- **The location of the business** - most small businesses are located close to where the owner lives. But as a business grows it may make sense to relocate the business -for example, to be closer to greater numbers of customers or employees with certain skills.
- **Ownership structure** - growing businesses in particular should ensure that they get this right. The more a business grows, the more sophisticated it needs to be about meeting its financing needs. In many cases, the best option is for the owner to give up a share of the business in return for equity finance - but this can be emotionally difficult to do.

In the final analysis, it is the owner of the business who decides the strategic plan. Growing a business is not something done "at all costs". However, an honest assessment of the options allows for any decisions made to be as informed as possible.

Implementing a strategic plan

The key to implementation of the objectives identified in the strategic plan is to assign goals and responsibilities with budgets and deadlines to responsible owners - key employees or department heads, for example.

- **Monitoring the progress** of the implementation plan and reviewing the strategic plan against implementation will be an ongoing process. The fit between implementation and strategy may not be perfect from the outset and the implications of implementing the strategy may make it necessary **to tweak the strategic plan**.
- **Monitoring implementation is the key.** Using **key performance indicators (KPIs)** and **setting targets and deadlines** is a good way of **controlling the process** of introducing strategic change.
- Your business plan is another important tool in the implementation process. The business plan is typically a short-term and more concrete document than the strategic plan and it tends to focus more closely on operational considerations such as sales and cash flow trends. If you can **ensure that your strategic plan informs your business plan**, you'll go a long way to ensuring its implementation.
- ***Remember that strategic planning can involve making both organisational and cultural changes to the way your business operates.***