Session 3

2. Strategic Planning Process

2.1. Organizational Strategic Planning

A strategic plan is a plan that maps out specific strategies for achieving organizational results. It is hinged around the mission, vision, values and critical success factors of an organization.

In essence, a strategic plan will provide a path that will take an organization from its present status to where it will like to be in a projected time frame.

As a management tool, a strategic plan must be developed according to the needs of the organization that it represents. Representatives from every department within the organization should participate in the strategic planning process. If possible, customers and stakeholders should also be an integral part of the planning activities. When everyone participates in the planning stages, the implementation of the strategic plan becomes less of a challenge.

The Strategic Planning Process

Strategic Planning in Government Organizations

The developers of an organization's strategic plan should take into consideration the following:

- The type of leadership structure that is provided by the organization
- The culture of the organization
- The size of the organization
- The organization's stakeholders

- The organization's budget
- The complexity of the organization

Although these factors should be considered when developing a plan, the stages involved in strategic plan development can be very lengthy; and may require detailed analyses of all departments within the organization. The following steps outline some of the procedures that an organization should employ when developing a comprehensible strategic plan that will best represent the business of the organization.

1. Effective strategic planning should begin with the decision of whether a consultant should be employed to assist in the development and implementation of the strategic plan. Usually small organizations opt for in- house strategic planning and implementation, while larger organizations hire consultants.

2. Strategic planning should be conducted by a planning team. The team or committee should include the following:

- The Chief Executive Office of the Organization (CEO)
- Directors from each division within the Organization
- Stakeholders
- At least one person who is responsible for composing and implementing the strategic plan (usually the meeting chairperson)

3. The next step in strategic planning is to schedule committee meetings. Meetings should be no more than two or three weeks apart. The CEO should emphasize the importance of meeting attendance- regularized input from all committee members is important for accomplishing an effective strategic plan.

4. One of the first tasks the committee should undergo is to assess the organization's current situation. Each member of the committee should prepare answers for the following questions:

- What is the purpose of this organization?
- Who and what does this organization represent?
- How well are we presently achieving the purpose of the organization?
- What are our strengths?
- What are the weaknesses of the organization?
- What opportunities are there for growth within our organization?
- As an organization where will we like to be in the next 10 years?
- How are we going to get there?

5. Once the questions have been answered, there should be one or more meetings, during which the various answers are discussed. The committee's chairperson should then put together a document that best answers these questions from an organizational perspective, and then circulate the answers for review and comments by all members of the committee.

6. Using similar methodologies to those employed in steps 4 and 5, committee members should work towards defining the following for the organization.

- Vision Statement
- Mission Statement
- Values
- Objectives
- Goals
- Success Factors

- Strategies
- Programs

General definitions for these organizational elements are as follows:

Vision Statement

A Vision Statement outlines what the organization wants to be. It concentrates on the future, and is usually a source of inspiration for all employees within the organization. It provides clear decision- making criteria.

Mission Statement

A Mission Statement is a clear and succinct representation of the organization's purpose. A mission statement is usually general, and represents all sections within the organization. Mission Statements are intermittently reviewed according to how often major changes are made within the organization.

Values

Organizational values define the standards that govern the culture of the organization. Without values the employees of the organization will adopt values that may not necessarily align with the values of the organization.

Objectives

Objectives are guideposts that define standards of what an organization should accomplish in areas such as customer service, stewardship, safety etc. Managers are able to evaluate performance on a regular basis, based on how well an organization is moving towards its objectives.

Goals

Organizational goals define the desired results that an organization hopes to realize and achieve within a specific time frame.

Organizational goals should be both long- term and short- term. Most organization’s recommend setting long- term goals first, and then short- term goals.

Critical success factors

Critical success factors are key organizational factors that should be addressed if the organization is to achieve its vision and mission.

Critical success factors might include:

- Achieving credibility as an organization
- Maintaining product quality standards
- Finding needed resources
- Staying in touch with customer needs
- Establishing internal and external communication standards
- Establishing cost-effective manufacturing and operations
- Establishing a continuous improvement policy for reviewing and evaluating progress
- Development of a system that documents processes so others can be trained
- Achieving buy-in from all levels of the company, which helps understanding and acceptance through participation

- Establishing a financial plan that ensures enough cash flow and sales revenue to grow the company effectively
- Developing a plan to deal with downturns should they occur
- Employing systems and administrative policies to enhance employees do their jobs effectively

Strategies

Organizational strategies are created by evaluation of decision within the organization that will enable long- term objectives to be achieved. Strategies may define the resources that are needed to implement the organizational objectives.

Programs

Strategic programs represent the final element of strategic planning. The programs are basically projects that implement the key strategies of the plan. Strategic programs should identify resources, time-scales, budgets and targets that must be put in place to implement the strategies.

Once you have completed all of the aforementioned steps, and you have defined all of the strategic planning elements that are most suitable for your organization, you can precede to piece together you strategic plan.

Some companies opt for very extensive and elaborate strategic plans. Good examples of extensive strategic plans are the U.S. Department of Commerce Strategic Plan and the Strategic Plan for the Ohio Department of Development. Other strategic plans are concise like the Carnegie Mellon University's 2008 Strategic Plan; and others are even more concise like the one page strategic plan from the Center for Excellence in Child and Family Inc.

At the end of composing the strategic plan for your organization, you should note that there is no perfect strategic plan. Organizations should do their best to encourage and implement strategic thinking within all facets of the organization, and should make a habit of learning from previous mistakes in an effort to promote continuous growth within the organization.

2.2. Process Steps

The strategic management process is ways for businesses to build strategies that help the company respond quickly to new challenges. This dynamic process helps organizations find new and more efficient ways to do business. The four key elements are situation analysis, strategy formulation, strategy implementation, and strategy evaluation.

By addressing each element of the process in the order listed, companies can evaluate and re-evaluate situations as they develop; always checking to be sure the company has positioned itself optimally in the business environment. Situational analysis is the first and most vital part of business process management.

Situation analysis involves looking over the company's external and internal environments and the context in which the company fits in those environments. It begins with observing the company's internal environment, investigating how employees interact with each other at all levels. Often, organizations hold discussions, interviews and surveys to get a clearer picture of the current environment. To analyze the external environment, managers must look at the interactions between customers, suppliers, creditors, and competitors.

Managers should also consider which company needs are not being met. The types of challenges businesses face are numerous and varied, and they can involve processes like financial planning, staffing, employee performance, customer retention, sales projections and many others.

After a situational analysis is completed, it is time to formulate a strategy. This involves determining the company's strengths to decide which strategies can be implemented. Strategies can be operational, competitive or corporate, depending on which part of the organization must implement them.

Operational strategies involve day-to-day operations, forming the processes and procedures by which the company does business. Competitive strategies involve finding ways to compete with a particular industry or business. Corporate strategies are long-term plans that govern the overall direction the company plans to take.

Strategy implementation is the third step in the strategic management process. It involves putting the formulated strategy into place. Management processes will focus on methods and procedures designed to execute their strategies and the order in which strategies should be implemented.

The final step in this process involves observing the results of an implemented strategy. In this strategy evaluation, the process comes full circle. This analysis is essentially the same as situational analysis, looking at the internal and external environments and the company's context within them to determine if a plan should be reformulated.

2.2.1. Description of the company and situation

The primary purpose for the situation analysis section of a marketing plan is to describe what is happening in the markets, in which the company competes, and the company's product and distribution trends. A simple, common-sense approach to organizing and providing only relevant information is recommended for this section.

Subsections should go from the "big picture" of macro environment influences on your business down through total market descriptions, the competition, target buyers/end users, and, finally, product trends and your company distribution channels description.

Information in this section provides rationale and support for the marketing objectives, plans, and strategies. Key subsections include:

- Acroenvironment situation, which presents information on trends for demographic, economic, technological, political, social, cultural, material supply, etc., that impact on the company
- Market situation, which includes size, growth trends of total market, and key segments
- Competitive situation, which provides a description of major competitors with size, goals, market share, product quality comparisons, marketing strategies, marketing spending, etc.
- Target buyer or end user situation, which analyzes the identification and behavior of target buyers/end users and consumer wants and needs
- Product situation, which includes sales, prices, and contribution margins; net profits of each company product line are shown
- Distribution situation, which provides information on size, trends, and importance of each distribution channel for the company's products

2.2.2. Mission Statement

Mission statement is a description of what an organization actually does – what its business is – and why it does it.

Often called the “credo”, “philosophy”, “core values” or “our aspirations”, organization’s mission is the statement that defines its core purpose or reason for being. It tells who a company is and what it does.

According to P. Drucker, often called the father of modern management, a mission is the primary guidance in creating plans, strategies or making daily decisions. It is an important

Communication tool that conveys information about organization's products, services, targeted customers, geographic markets, philosophies, values and plans for future growth to all of its stakeholders. In other words, every major reason why company exists must be reflected in its mission, so any employee, supplier, customer or community would understand the driving force behind organization's operations. There are two types of statements.

Customer-oriented missions. Customer-oriented missions define organization's purpose in terms of meeting customer needs or providing solutions for them. They provide more flexibility than product-oriented missions and can be easily adapted to changing environment. *For example*, Nokia's statement "connecting people" is customer-oriented. It does not focus on mobile phones or smartphones only. It provides a solution to customer needs and could easily have worked 50 years ago, and will continue to work in the future. It also gives more strategic flexibility for the company. In Nokia's case, it may start providing VoIP software to allow calls to be made over the internet and its mission would still be valid.

Product-oriented missions. Product-oriented missions focus on what products or services to serve rather than what solutions to provide for customers. These statements provide less flexibility for the company because most products have short life cycle and offer limited market expansion. The company that defines its business as "providing best health insurance products" may struggle to grow to other insurance product categories.

For a mission to be effective it must include the following 9 components.

- **Customers.** Who are your customers? How do you benefit them?
- **Products or services.** What are the main products or services that you offer? Their uniqueness?

- **Markets.** In which geographical markets do you operate?
- **Technology.** What is the firm's basic technology?
- **Concern for survival.** Is the firm committed to growth and financial soundness?
- **Philosophy.** What are the basic beliefs, values and philosophies that guide an organization?
- **Self-concept.** What are the firm's strengths, competencies or competitive advantages?
- **Concern for public image.** Is the firm socially responsible and environmentally friendly?
- **Concern for employees.** How does a company treat its employees?

Why creating mission is important?

Many studies have been conducted to find out if having and communicating mission statement helps an organization to achieve higher performance. The results were mixed. Some studies found positive relationship between written statements and higher organizational performance, while other studies found none or even negative relationship. One of the reasons might be that most of the companies create mission statement only because it's fashionable to do so and little effort is made to actually communicate that mission to its stakeholders. David argues that if an organization constantly revises its mission and treats it as a living document, it achieves higher performance than its competitors. Nonetheless, all of the authors agree that mission brings the following benefits.

- Informs organization's stakeholders about its plans and goals;
- Unifies employees' efforts in pursuing company goals;
- Serves as an effective public relations tool;
- Provides basis for allocating resources;
- Guides strategic or daily decision making;
- Shows that a company is proactive.

Writing the mission

Creating a mission statement is an important first step in clearly identifying your business' reason for being. It's hard to do it right. Therefore, we identified these steps and guidelines to help you write an effective statement.

Step 1. Gather a team of managers, employees and shareholders. Mission is the statement that must be understood by employees of all levels. Involving more people will let you find out how each of them sees an organization and its core purpose. In addition, employees will support organization's mission more if they will be involved in the process of creating it.

Step 2. Answer all 9 questions for effective mission. Many practitioners and academics agree that a comprehensive statement must include all 9 components. Only then creating a mission can benefit a company. At this stage, try to honestly answer all the questions and identify your customers, markets, values etc. It may take a lot of time but it's worth it.

Step 3. Find the best combination. Collect the answers from everyone and try to combine one mission statement out of them. During this step, you can make sure that everyone understands company's reason for being and there are no conflicting views left.

Following guidelines (all taken from various studies) should also be helpful in writing an effective mission statement:

- Public image, concern for employees, philosophy and customers are the most important components of a mission.
- Citizenship', 'teamwork, excellence and integrity are the values used most often by the companies with effective missions.

- Influential statements include words such as: communities, customers, employees, ethics, global and quality/value.
- Statement should be customer-oriented.
- Use less than 250 words.
- Be inspiring and enduring.

2.2.3. Vision Statement

Vision statements are the starting point of your small business strategy. Use sample vision statements to write strategic plan, then manage your business to the plan through a focused strategic management process.

I used to think that vision statements were more about what you had to do; rather than what you needed to do when building a strategy and when using a focused and effective strategic management process.

Vision in a strategic business plan is often viewed as 'soft' and intangible, and perhaps even as an unnecessary, nice-to-have.

And the challenge for most business owners is in dealing with 'soft' and making it the core (the vision) of the business.

Why is vision important to your small business plan and strategic management process?

Because without the vision of where you want your business to go, it's hard to get there! First, let's review the difference between a vision and mission statement.

The vision is about looking forward and about formalizing where you, and the business, are going; the mission is about defining 'who' the business (the character of the business - yes, I've personified the business organization) is, and what it does.

So, if strategy is your business road map, then vision is both your starting point on the journey and where you want to go.

You need to define your vision for your business. You need to be clear in where you want to go: what is the future for your business? If you cannot define that future, you will not be able to build a successful strategic plan.

2.2.4. Objective of the long-term planning

Determining a strategic plan to accomplish long-term business objectives helps you and your employees maintain focus on the future. A strategic plan provides guidance during each stage of business development and serves as a reminder of the objectives needed to build a successful and profitable business. Clearly stating long-term objectives in your strategic plan brings you one step closer to realizing your business goals.

Step 1

Create a strategic plan that includes a list of all long-term business objectives. Long-term objectives may include increasing profits by a certain percentage, expanding the business by hiring new employees or moving to a larger facility or increasing the number of products and services currently offered. Long-term objectives can take anywhere from two to five years to achieve.

Step 2

Support each long-term objective with smaller, short-term objectives. For example, if you want to increase business profits by three percent over the next five years, list several short-term objectives, such as updating your website to accept online sales, conducting market research to find new target markets and reducing overhead costs by a specific percentage. Short-term objectives include a shorter time span for completion and should serve as a benchmark for reaching long-term objectives.

Step 3

Measure the success of short-term objectives to ensure that these objectives effectively help reach long-term objectives. For example, if you update your website to generate online sales, but overall sales have not increased over the last sales quarter, you may need to reevaluate your online marketing strategy. You may need to determine ways to attract more online customers or replace this objective with another, such as increasing direct mail marketing campaigns or using social media to advertise your business, if these methods have already shown to be successful.

Step 4

Evaluate the strategic plan each year to see if you need to readjust long-term objectives. Unfortunately, long-term objectives that seem necessary now may no longer be necessary in a year or two. Also, as your business grows, new long-term objectives may take precedence over those listed in the strategic plan. Make changes to these objectives accordingly.