

Chapter 1

What Is Strategic Planning Anyhow?

In This Chapter

- ▶ Figuring out what a strategic plan is
 - ▶ Checking out the key parts of a strategic plan
 - ▶ Getting the most out of your strategic planning process
 - ▶ Heeding the warnings about your strategic planning process
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What will your business be like in three years? Do you have a roadmap to get from today to your envisioned tomorrow? Will you be a few steps closer to realizing your vision by next year? No one can predict the future. But if you don't change anything, the future won't be any different than the past.

One sure-fire way to impact your company's future (and profitability) is to dust off a timeless tool — the strategic plan — and intentionally drive your organization forward. No one strategic model fits all organizations, but the planning process includes certain basic elements that all businesses can use to explore their vision, goals, and next steps of an effective strategic plan. A good strategic plan achieves the following:

- ✓ Reflects the values of the organization
- ✓ Inspires change and revision in products and target markets
- ✓ Clearly defines the criteria for achieving success
- ✓ Assists everyone in daily decision making

No one can predict the future. But effective leaders aren't sitting around and waiting for it to happen either. They're anticipating what lies ahead. Managers and business owners aren't waiting for their competitors to swoop in and put

them out of business. Instead, they're using their strategic plans to get ahead of the game. So it's odd to think that many people avoid strategic planning because they consider it complex, costly, and time-intensive. Most of the time the plan is shelved before it's implemented, even knowing the fact that some other company can invade your market!

But strategic planning doesn't have to be mysterious, complicated, or time-consuming. In fact, it should be quick, simple, and easily executed. And strategic planning isn't just something you cross off your list of to-dos — you must create a culture of strategic thinking, so your strategic planning doesn't become an annual retreat but, instead, a part of daily decision making.

Clearing Up the Confusion about Strategic Planning

Many people are confused by the terms *strategy*, *strategic plan*, and *strategic planning*. Well, I am here to help you get a clear picture. For the moment, forget what you've heard about this subject. I promise that strategic planning makes a huge difference to your organization both tangibly and intangibly, so keep reading!

What is strategy?

Strategy means consciously choosing to be clear about your company's direction in relation to what's happening in the dynamic environment. With this knowledge, you're in a much better position to respond proactively to the changing environment.

The fine points of strategy are as follows:

- ✓ Establishes unique value proposition compared to your competitors
- ✓ Executed through operations that provide different and tailored value to customers
- ✓ Identifies clear tradeoffs and clarifies what *not* to do
- ✓ Focuses on activities that fit together and reinforce each other
- ✓ Drives continual improvement within the organization and moves it toward its vision



Surprising strategic-planning stats

Consider the following statistics from the Balanced Scorecard Collaborative (covered in Chapter 12):

- ✓ 95 percent of a typical workforce doesn't understand its organization's strategy.
- ✓ 90 percent of organizations fail to execute their strategies successfully.
- ✓ 86 percent of executive teams spend less than one hour per month discussing strategy.
- ✓ 60 percent of organizations don't link strategy to budgeting.

So what's the upshot of these surprising revelations? Strategic planning matters to the life of your business.

Knowing what strategy is can also be explained by looking at what strategy is *not*. Dr. Michael Porter, the leading strategy guru and professor at Harvard, had this to say at the 2006 World Business Forum in Chicago. Strategy is not

- ✓ Best practice improvement
- ✓ Execution
- ✓ Aspirations
- ✓ A vision
- ✓ Learning
- ✓ Agility
- ✓ Flexibility
- ✓ Innovation
- ✓ The Internet (or any technology)
- ✓ Downsizing
- ✓ Restructuring
- ✓ Mergers/Consolidation
- ✓ Alliances/Partnering
- ✓ Outsourcing

What is a strategic plan?

Simply put, a *strategic plan* is the formalized roadmap that describes how your company executes the chosen strategy. A plan spells out where an organization is going over the next year or more and how it's going to get there. Typically, the plan is organization-wide or focused on a major function such as a division or a department. A strategic plan is a management tool that serves the purpose of helping an organization do a better job, because a plan focuses the energy, resources, and time of everyone in the organization in the same direction.

So, you may be thinking, “Hey I’ve got this great book on business plans, so I’ll just use that to form my strategic plan.” But be aware that strategic plans and business plans aren’t the same concepts.

A strategic plan

- ✓ Is for established businesses and business owners who are serious about growth
- ✓ Helps build your competitive advantage
- ✓ Communicates your strategy to staff
- ✓ Prioritizes your financial needs
- ✓ Provides focus and direction to move from plan to action

A business plan, on the other hand,

- ✓ Is for new businesses, projects, or entrepreneurs who are serious about starting up a business
- ✓ Helps define the purpose of your business
- ✓ Helps plan human resources and operational needs
- ✓ Is critical if you’re seeking funding
- ✓ Assesses business opportunities
- ✓ Provides structure to ideas

What is the strategic planning process?

In order to create your strategic plan, you have to go through the strategic planning process. The planning process typically includes several major activities or steps. People often have different names for these major

activities. They may even conduct them in a different order. Strategic planning often includes use of several key terms as well. See Chapter 3 for specific guidelines and checklists to help you with your process.



Don't be concerned about finding the perfect way to conduct a strategic planning process. (Perfection doesn't really exist, does it?) Modify the information in this book to fit with your organization's culture and timing.

What are the big planning pitfalls?

Strategic planning can yield less than desirable results if you end up in one of the possible pitfalls. To prevent that from happening, here's a list of the most common traps to avoid:

- ✓ **Relying on bad information or no information:** A plan is only as good as the information on which it's based. Too often, teams rely on untested assumptions or hunches, erecting their plans on an unsteady foundation. Chapters 7, 8, and 9 cover collecting good information for your plan.
- ✓ **Ignoring what your planning process reveals:** Planning isn't magic: You can't always get what you want. The planning process includes research and investigation. Your investigation may yield results that tell you not to go in a certain direction. Don't ignore that information!
- ✓ **Being unrealistic about your ability to plan:** Put planning in its place and time. It takes time and effort to plan well. Some companies want the results but aren't willing or able to make the investment. Be realistic about what you can invest. Find a way to plan that suits your available resources, which include your time, energy, and money. Chapter 3 helps you decide what kind of planning process to embark on.
- ✓ **Planning for planning sake:** Planning can become a substitute for action. Don't plan so much that you ignore the execution. Well-laid plans take time to implement. And results take time to yield an outcome. Chapter 14 is all about action.
- ✓ **Get your house in order first:** Planning can reveal that your house isn't in order. When an organization pauses to plan, issues that have been buried or put on the backburner come to the forefront and can easily derail your planning efforts. Make sure that your company is in order and that there are no major conflicts before you embark on strategizing. Chapter 3 and 7 help you to identify if you have any organizational issues that will derail your planning.
- ✓ **Don't copy and paste:** It's easy to fall into the trap of copying the best practices of a company similar to yours. Although employing best

practices from your industry is important, other organizations' experiences aren't relevant to your own. Organizations are unique, complex, and diverse. You need to find your own path instead of following a cookie-cutter approach.

What are the components of a strategic plan?

There are several different frameworks to think about and use while you're developing your strategic plan. Think of the frameworks as different lenses through which to view the strategic planning process. You don't always look through two or three lenses at once. Normally you use one at a time, and often you may not know that you're using certain frameworks that are embedded in your process. If you're trying to explain to your planning team how pieces of the puzzle fit together, first you must understand the following components of the strategic plan:

- ✓ **Strategy and culture:** Your organization's culture is made up of people, processes, experiences, ideas, and attitudes. Your strategy is where your organization is headed, what path it takes, and how it gets there. You can't have strategy without culture or vice versa. Your culture is like your house, and if it's not in order, the best strategy in the world can't take your company anywhere.
- ✓ **Internal and external:** Similar to the strategy and culture framework (previous bullet), you have an internal and external framework. The strategy is external. You gather information from your customers, competitors, industry, and environment to identify your opportunities and threats. Through employee surveys, board assessments, and financial statements, you identify your company's strengths and weaknesses, which are internal.
- ✓ **The Balanced Scorecard perspectives:** The Balanced Scorecard is a framework used to develop goals and objectives in four areas (instead of departments): financial, customers, internal business processes, and people. The financial, internal business processes, and people areas are internal. The customer area is external. Chapter 12 elaborates on this framework and the Balanced Scorecard.
- ✓ **Market focus:** Growth comes from focusing on your customers and delivering superior value to them consistently year after year. Built into your strategic plan is a market-focus framework because of how critical this is to your organizational growth.

- ✓ **Where are we now? Where are we going? How will we get there?:**
Because it's easy to confuse how all the elements of a plan come together and where they go, this framework is a simple, yet clear way of looking at the whole plan. This framework is explained in Chapter 3.

What are the most frequently asked strategic planning questions?

Strategic planning can create a ton of questions. You're not alone if you have a long list. The following sections cover the answers to the most commonly asked questions.

Who uses strategic plans?

Everyone — or at least every company and organization that wants to be successful. Companies in every industry, in every part of the country, and in most of the Fortune 500 use strategic plans. Organizations within the non-profit, government, and small to big business sectors also have strategic plans. See Chapter 3 for statistics for how widely strategic planning is used as a management tool.

Does every strategic plan include the same elements?

A strategic plan should include many elements:

- ✓ A mission statement and vision statement
- ✓ A description of the company's long-term goals and objectives
- ✓ Strategies the company plans to use to achieve general goals and objectives
- ✓ Action plans to implement the goals and objectives

The strategic plan may also identify external factors that can affect achievement of long-term goals. Plans may vary in detail and scope (depending on how big the organization is), but for the most part, a strategic plan includes the basic elements listed above.

Just exactly what is strategic planning?

The term *strategic planning* refers to a coordinated and systematic process for developing a plan for the overall direction of your endeavor for the purpose of optimizing future potential. For a profit-making business, this process involves many questions:

- ✓ What is the mission and purpose of the business?
- ✓ Where do we want to take the business?
- ✓ What do we sell currently? What could we sell in the future?
- ✓ To whom shall we sell it?
- ✓ What do we do that is unique?
- ✓ How shall we beat or avoid competition?

The central purpose of this process is to ensure that the course and direction is well thought out, sound, and appropriate. In addition, the process provides reassurance that the limited resources of the enterprise (time and capital) are sharply focused in support of that course and direction. The process encompasses both strategy formulation and implementation.

What is the difference between strategic planning and long-range planning?

The major difference between strategic planning and long-range planning is in emphasis. Long-range planning is generally considered to mean the development of a plan of action to accomplish a goal or set of goals over a period of several years. The major assumption in long range planning is that current knowledge about future conditions is sufficiently reliable to enable the development of these plans. Because the environment is assumed to be predictable, the emphasis is on the articulation of internally focused plans to accomplish agreed-on goals.

The major assumption in strategic planning, however, is that an organization must be responsive to a dynamic, changing environment. Therefore, the emphasis in strategic planning is on understanding how the environment is changing and will change and on developing organizational decisions that are responsive to these changes.

Does every company need a strategic plan?

Every endeavor or enterprise already has a strategy. These range from some vague sense of the desires of the owner to massive, overly sophisticated master plans. So the question shouldn't be whether every company needs a strategy but instead whether the company's strategy needs to be well thought out, sound, appropriate, and do-able. The answer is yes.

We are highly successful already, so why should we plan?

Success is strong evidence that a company has had a sound and appropriate strategy. Note the past tense. There's absolutely no guarantee that yesterday's sound and appropriate strategy will continue to be successful in the future. Indeed, there's great danger in assuming so without adequate study.

Can a smaller company afford the time for strategic planning?

Experience shows that the top management team devotes approximately 2 to 4 percent of its time to practical strategic planning. In reality, structured strategic planning isn't something more to do; it's a better way of doing something already being done. Indeed, in the long run, you save time.



But understand, strategic planning can become a time trap. You can become caught in a long slog of planning if you get too mired down in the details. From the outset, you need to establish that the plan is a living document and that it is not written in stone. By doing that, you can avoid strategic planning becoming a time trap.

Why plan in a world that's highly uncertain?

Your efforts in forward planning can become pointless if you fear that the plan may be overwhelmed by unanticipated events and developments. Uncertainty is, indeed, a major problem in forward planning. However, the greater the uncertainty, the greater the need for good strategic planning because you want to try to be ready for the unknown.

How can we be confident that our planning will be successful?

Even in the presence of a structured strategic planning process, it's quite possible to formulate unsound, inappropriate strategies and/or to fail at implementation. But this book helps you avoid these many pitfalls. Strategic planning is worth the effort because it helps you run your organization better. You can be confident that the information and best practices outlined in this book result in a successful strategic planning process. I promise!

What is strategic thinking?

Strategic thinking means asking yourself, "Are we doing the right thing?" It requires three major components:

- ✓ Purpose or end vision
- ✓ Understanding the environment, particularly of the competition affecting and/or blocking achievement of these ends
- ✓ Creativity in developing effective responses to the competitive forces

The Strategic Plan's Key Elements

A company's strategic plan is the game plan that management uses for positioning the company in its chosen market arena, competing successfully, satisfying customers, and achieving good business performance. Most business

owners and executives have countless excuses for not having a formal strategic plan. I've heard everything from "We're too new," to "We're not big enough," to "We've never had one; why start now?"

If these excuses sound familiar, check this out: Studies indicate that roughly 90 percent of all businesses lack a strategic plan. Of those that have a plan, only 10 percent actually implement it. So, if you're part of the 90 percent, ask yourself these questions:

- ✓ Can your company be more focused?
- ✓ Can you be more effective?
- ✓ Can your employees be more efficient?
- ✓ Can your company be more successful?

I'm guessing that the majority of you answered *yes* to all the above. And that's okay, so in the following sections, I help you understand how each part of a strategic plan can change how you answer the above questions.

Vision: Bringing things into focus

You get what you focus on. Everyone knows this, but most companies are busy tending to the urgent problems of the day and not focusing on key long-term issues. Unless your staff can focus on a common vision, the company can go nowhere. A strategic plan helps direct energy and guide staff toward a shared goal in an ever-changing world.

Orit Gadiesh, chairman of Bain & Co., says, "In the current environment, companies can't afford *not* to have a set of guiding principles — a vision that communicates *true north* to the entire organization." Can your company be more focused? Yes, and to help find your true north check out Chapter 6.

Mission, goals, and objectives: Empowering employees

The mission statement, goals, and objectives are the roadmap in a strategic plan to empower your employees to be more effective (and you too, for that matter). Don't let these elements be just a paragraph on the break room wall or bullet points in a memo; let them shine as primary guidelines for leading the organization to higher levels of performance. They provide the framework for independent decisions and actions initiated by departments, managers,

and employees into a coordinated, company-wide game plan. Head to Chapter 6 for more info on developing your mission and Chapter 12 for developing your roadmap.

Strategy: Explaining the how

After the mission, goals, and objectives are clear, (see previous section) establish how you're going to achieve those items. A strategy provides the vehicle and answers the question "How are we going to get there with the resources we have?" A good strategy focuses on efficiency through:

- ✓ Achieving performance targets
- ✓ Out-performing your competition
- ✓ Achieving sustainable competitive advantage
- ✓ Growing your revenue and maintaining or shrinking your expenses
- ✓ Satisfying customers
- ✓ Respond to changing market conditions

Basically, strategies keep your whole company acting together while strengthening the company's long-term competitive position in the marketplace. See Chapter 14 for more info on helping your employees be more efficient.

Execution and evaluation: Ensuring success

A strategic plan is a living, dynamic document. It drives your business and must be integrated into every fiber of your organization, so every employee is helping to move the company in the same direction.



All the best missions and strategies in the world are a waste of time if they aren't implemented. To be truly successful, the plan can't gather dust on the bookshelf. You know what shelf I'm talking about. If you ran the white glove over the shelf, you'd find layer upon layer of dust. You really should clean more often.

No, strategic planning success isn't about cleaning, it's about keeping the plan active so that it doesn't gather that proverbial dust. Know what your end result looks like and where your milestones should be. Plan your near term actions and evaluate your progress each quarter. Are you where you

thought you'd be if you had been on target? Or, if you're off target, how far are you off? The course correction to put you back on track becomes your next action plan.

When your company has a clear plan and acts accordingly to the plan, you're going to go from where you are, to where you want to go, therefore ensuring your success! Check out Chapter 14 for more on this topic.

Tips for Better Strategic Planning

Before you get too far into your strategic planning process, check out the tips below — your quick guide to getting the most out of your strategic planning process:

- ✓ **Pull together a diverse, yet appropriate, group of people to make up your planning team.** Diversity leads to a better strategy. Bring together a small core team — between six and ten people — of leaders and managers who represent every area of the company.
- ✓ **Allow time for big picture, strategic thinking.** We tend to try to squeeze strategic planning discussions in between putting out fires and going on a much needed vacation. But to create a strategic plan, your team needs time to think big. Do whatever it takes to allow that time for big-picture thinking (including taking your team off-site).
- ✓ **Get full commitment from key people in your organization.** You can't do it alone. If your team doesn't buy into the planning process and the resulting strategic plan, you're dead in the water.
- ✓ **Allow for open and free discussion regardless of each person's position within the organization.** (This tip includes you — the CEO.) Don't lead the planning sessions. Hire an outside facilitator, someone who doesn't have any stake in your success. When you do, people wonder whether you're trying to lead them down the path you wanted all along. Encourage active participation, but don't let any one person dominate the session.
- ✓ **Think about execution before you start.** It doesn't matter how good the plan is if it isn't executed. See Chapter 14 for more on this topic.
- ✓ **Use a facilitator, if your budget allows.** Hire a trained professional who has no emotional investment in the outcome of the plan. An impartial third party can concentrate on the process instead of the end result and can ask the tough questions that others may fear to ask.

- ✓ **Make your plan actionable.** To have any chance at implementation, the plan must clearly articulate goals, action steps, responsibilities, accountabilities, and specific deadlines. And everyone must understand the plan and their role in it.
- ✓ **Don't write your plan in stone.** Good strategic plans are fluid, not rigid and unbending. They allow you to adapt to changes in the marketplace. Don't be afraid to change your plan as necessary.
- ✓ **Clearly articulate next steps after every session.** Before closing the strategic planning session, clearly explain what comes next and who's responsible for what. When you walk out of the room, everyone must fully understand what they're responsible for and when to meet deadlines.
- ✓ **Make strategy a habit, not just a retreat.** Review the strategic plan for performance achievement no less than quarterly and as often as monthly or weekly. Focus on accountability for results and have clear and compelling consequences for unapproved missed deadlines.

Warning Signs That You Need This Book

Planning for the future is important but very few businesses actually do it. Instead of listing the benefits of business planning and strategic planning (see Chapter 2 for those), the following list of warning signs can tell you that you need a new strategy for your strategic planning process:

- ✓ Someone asks where your business will be in one year, and you don't have an answer. You ask your partners or management team the same question, and you hear wildly different answers.
- ✓ You have some idea where you want to go in the next year, but you don't have any idea what you're going to do to make next year a reality.
- ✓ Your company won't hit its revenue goals this year. Although there can be many reasons for the shortfall, you're not sure how to grow the top line.
- ✓ There are inconsistencies in your brochure, Web site, sales collateral, and so on. You can't understand the content. More importantly, neither can anyone else. You find that when you explain your business to a potential client, you tell different stories about how you provide value.
- ✓ You're ignoring your competition. You don't know who your number one competitor is and what they're doing, who their clients are, what products they offer, their pricing, or key message points. When your customers ask you to explain why your company is different, you don't have a good response.

- ✔ Everything on your to-do list is a priority. You don't know where your time is best spent.
- ✔ Friends and colleagues can't refer you because they aren't sure exactly what value your business provides and to whom. They often ask, "What is it you do again?"
- ✔ You're presented with a business opportunity, and you are unsure how to evaluate whether it's something your company should pursue. In fact, you normally pursue all opportunities for fear you may miss the big one.
- ✔ You enjoy what you do, but you aren't passionate about your business. You'd quit everything and follow that passion tomorrow if you could.
- ✔ Your business development consists largely of attending networking events, but you spend most of your time talking to people you know. You rely solely on word-of-mouth for new customers.
- ✔ You don't know why your customers buy from you. The majority continues to do business with your company, but you're not sure what keeps them coming back. You've never really asked.
- ✔ You find your clients contracting with other companies for services you provide. When asked, they say they didn't know you offered those services.
- ✔ You ask your employees what success looks like, and they don't have a consistent answer. And your incentive plan doesn't synch up with performance expectations.
- ✔ You complain when your customers call because you just don't have time to talk to them. And you notice your staff complaining too.
- ✔ You don't do market research or solicit customer feedback because you (think you) know your market. You've been in the industry for years and you know customers' need and wants.
- ✔ You determine your pricing by looking at your competitor's prices and discounting slightly. All your prices are based on your competitors' offerings.
- ✔ You can't articulate what your company does best, but it's a good point of discussion at a cocktail party.
- ✔ You're asked why you're in business, and your only response is *profit*.

Do any of these statements sound familiar? If so, it's time to get serious about your business and get focused. Having a strategic plan and a succinct strategy brings clarity and focus to your organization. It ensures that your time, resources, and actions aren't wasted. If every part of your organization isn't pointed in the same direction, you can end up going in circles and frustrating yourself and your employees. Why not get strategic now and make it your most successful year ever?