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MANAGING THE STRATEGIC PLANNING PROCESS

PURPOSE

To establish and manage the process for setting vision, strategy, and direction to be a Class A company and improve the company's competitive position. To ensure the strategy is reflected through driving and supporting roadmaps that then direct all programs, projects, plans, and actions throughout the company.

POSITIONING

Strategic Planning processes mature over time through education, committed leadership, expert guidance, and improved market, customer, competitor, and business analysis. Many companies begin Class A improvement journeys in a disconnected state, marked by functional silos, defensive behaviors, a disproportionate focus on the past, and a lack of clarity about the future.

The ability for businesses to make swift and trusted decisions is essential. This is enabled through an integrated Strategic Planning process that clearly defines the business direction laid out in driving and supporting roadmaps covering a horizon that typically extends out five years or more.

Done well, Strategic Planning enables a growing ownership of the business direction, challenges, and opportunities. With increased ownership comes improved communication and understanding which, in turn, enables improved, focused decision making through Integrated Business Planning.

The standard for Strategic Planning defined in this chapter is implemented through a Class A Milestone that drives the next level of process maturity.

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UNDERSTANDING AND ANALYZING THE INTERNAL AND EXTERNAL ENVIRONMENT

1. **A process exists to collect relevant information internally and externally to understand the company's products and services portfolio, its marketplace, the competition, and future opportunities.**

   a. Company Capability

   Core business processes are analyzed for their capability to ensure the company's offer to the marketplace and its Value Proposition. Strengths and weaknesses of these are identified and actions put in place to address them.

   b. Industry Position

   The company actively seeks information and input from inside and outside its sector to benchmark excellent performance in all processes at all levels. It can identify its industry position and, through this understanding, measure how well it performs against a Class A Standard.

   c. Stakeholder Goals

   The major stakeholders in the company are identified, and their short-, medium-, and long-term goals are understood. The company has a balanced view of goals and targets, which are reflected in its driving and supporting roadmaps.

   d. Market Analysis

   Investigation and analysis is carried out to understand the company's markets, its competitors' activity, and the value of its opportunities. This includes geographic focus, consumer and customer demands, economic trends, national and international policies and regulations, etc.

   e. Products and Services Portfolio

   The Products and Services Portfolio is examined to ensure the voice of the customer and consumer are fully reflected in the product strategy. Life-cycle trends identify when portfolio changes are required. The potential of competitor actions, technology developments, and the marketplace are understood and incorporated.

2. Internal and external information is analyzed using appropriate tools to identify and prioritize opportunities and challenges for the success of the business.

a. Information Analysis

Information is analyzed to determine the future challenges that need to be included in the refreshed Strategic Plan. Potential breakthrough areas for technical and nontechnical innovation are sought and identified for the company to differentiate from its competitors.

b. Analytical Tools

Analytical tools are used to model business trends and opportunities and to understand how the company should respond to current and future market needs.

c. Prioritization

Opportunities and challenges to meet the business strategy are prioritized using established filter criteria. The potential risk to the business from each opportunity is understood.

VISION, MISSION, AND VALUES

3. Vision and Mission statements exist, representing the ambitions of the company (or business unit) and its stakeholders.

a. Top Down, Team Based

The company Vision, Mission, and Strategic Plan reflect a horizon appropriate to the business. They are initiated and agreed by the Chief Executive Officer, the company Leadership Team, functional heads, and other key players. They are clearly communicated, understood, and supported by all.

b. The Vision Statement

The Vision Statement is inspiring and memorable and summarizes concisely what the company wants to become in its marketplace and community. The Vision for the business is widely communicated in a succinct, consistent, and repeatable way with opportunity for enhancement and feedback.

c. The Expanded Vision Statement

The Expanded Vision Statement paints a picture in words and figures to show employees, customers, suppliers, and shareholders what the company plans to

become in the medium and long term. It is sufficient to relate their actions and behaviors and their sense of values.

d. The Mission Statement

   The Mission Statement is a clear and concise statement of the company's strategic intent. It summarizes the main purpose of the business or business unit and the value that its products and services bring to customers, consumers, and society. It is a clear statement of what the business or unit is here to do.

e. The Expanded Mission Statement

   The Expanded Mission Statement explains in words what each of the core process teams needs to do in support of the company Vision. It provides clarity of direction for the core processes and helps develop the core process strategies.

4. The Values are captured in a Value Statement and are lived throughout the company. They shape the driving and supporting strategic roadmaps and supporting programs.

a. Ownership

   The Values are owned by the Chief Executive Officer and the Leadership Team and are formally documented in a Values Statement.

b. The Values Statement

   The Values, Guiding Principles, and ethics are in use to define how the company will be known. They embody how the company is known by its stakeholders and continue to shape the development of the business culture.

c. Communication

   The Values are formally presented to everyone in the company. This ongoing communication process is used to create excitement and purpose, to stimulate behavior change, and to enable value-based challenge regardless of seniority.

d. Living the Values

   The leadership of the business visibly demonstrates the Values through their day-to-day behavior and how they engage the organization.

STRATEGIC PLAN

5. A Strategic Plan exists to support the Vision and Mission and clearly articulates the Strategic Business Objectives. It enables the alignment of all processes and plans and is used to direct the development of roadmaps, a measurements hierarchy, and organizational developments, including roles.

a. The Strategic Plan

The Strategic Plan explains the anticipated impact of technology; competing priorities, competition, market footprint changes, immediate priorities, organizational developments, values, and guiding principles. It clearly defines the Strategic Business Objectives and provides clear guidance for the development of driving and supporting roadmaps.

b. Value Proposition and Discipline

The Strategic Plan provides clear direction on the company Value Proposition and Value Discipline focus. They outline how the company will differentiate as a Class A performer in its chosen markets.

c. Strategic Business Objectives

The Strategic Business Objectives are clearly stated and formally agreed. Each is owned by a member of the Leadership Team. The objectives are the driving force for change throughout the organization and used to develop the hierarchy of goals and measures.

d. Validity and Affordability

The Strategic Plan has operational analysis and plans to ensure that it is valid and achievable and contains sufficient financial analysis to ensure that it is viable and can be funded, before it is communicated to support the development of roadmaps.

e. Risk Analysis

The key risks are formally identified and documented, and formal mitigation plans are developed and deployed as required.

f. Organizational Roles

Current and future organizational roles are fully understood and have been communicated throughout the organization.

6. The Assumptions generated through all parts of the Strategic Planning process are captured and formally documented. They are revalidated as additional information becomes available and are regularly reviewed and monitored.

    a. Documentation of Assumptions

       The Assumptions made in the construction and the agreement of the Strategic Plan are formally documented and communicated. Ownership of Assumptions is clear, ensuring understanding.

    b. Validity

       The Assumptions are tested to ensure they are valid, confirmed, and applied throughout the business. Wherever possible, they are measured by their owners so that early warning of change is given.

    c. Monitoring and Reporting

       Key Assumptions are monitored and reported through the Integrated Business Planning process regularly.

BRINGING THE FUTURE INTO TODAY

7. The Strategic Plan is supported by driving roadmaps for the core processes of the business market, product and portfolio, supply chain, and finance. These collectively deliver the company goals and Strategic Business Objectives.

    a. Critical Success Factors Identified

       Market, Product and Portfolio, and Supply Chain Roadmaps each include identified annual Critical Success Factors that need to be achieved to meet the Strategic Business Objectives.

    b. Market Roadmap

       A Market Roadmap has been developed based on the direction provided by the Strategic Plan. It defines the geography of the business and the market sectors to be pursued. It is designed to meet the growth and profitability aspirations and drives the company Demand Management processes, review, and decision making.

c. <u>Products and Services Roadmap</u>

A Product and Portfolio Roadmap has been developed based on the direction provided by the Strategic Plan and informed by the Market Roadmap. It defines the portfolio of products and services that the company wishes to sell and how that will change over time for each product family or brand. It is designed to meet profit margin aspirations and drives the company Product Management processes, review, and decision making.

d. <u>Supply Chain Roadmap</u>

A Supply Chain Roadmap has been developed based on the direction provided by the Strategic Plan and informed by the Market and Product and Portfolio Roadmaps. It covers processes from suppliers to consumers and from customer orders to invoicing and defines how these will be designed to meet service and cost targets and to introduce new products and services effectively. It defines the role and focus of each Supply Chain and Supply Point and drives the company supply processes, reviews, and decision making.

e. <u>Financial Roadmap</u>

A Financial Roadmap has been developed from the financial views of the other three driving roadmaps. This is used to ensure the driving roadmaps support the Strategic Plan. It confirms the funding for the Strategic Plan, how it will be supported, and how shareholder value and returns will be protected and grown. It defines potential sources of funds and how those funds will be used. It outlines how financial information will be developed to promote and support advances in the business.

8. **Detailed roadmaps for key supporting functions are derived from the Strategic Plan and driving roadmaps and include, as a minimum, People Operations, Information Technology, Quality Assurance, Data, and any other process enablers important to the business.**

a. <u>People Operations Roadmap</u>

The role of people as a major differentiator is understood, and a roadmap exists to focus the acquisition, development, recognition, and motivation of the skills, competencies, and behaviors that are key to delivery of the Strategic Plan and all roadmaps. It includes practical succession planning to cover potential gaps in key positions and competencies.

b. Information Technology Roadmap

A roadmap exists that prioritizes planned investment in Information Technology to support business processes and all roadmaps. It sets out the architecture and framework for systems and communication tools for the future and identifies education and training needs and required behaviors to ensure business gains from Information Technology investments.

c. Quality Assurance Roadmap

A roadmap exists that identifies how Quality Assurance will support all aspects of the business in pursuit of its Strategic Business Objectives.

d. Data Roadmap

A roadmap exists that defines the static and dynamic data needs of the business and its partners and how they will be satisfied. Its implementation is owned by the Leadership Team. Data quality and integrity are understood as foundation requirements and discipline for excellence and are measured throughout.

9. **Multi-year programs, which are used to help define the Business Plan, are structured by fiscal year and focus on providing greater granularity to the driving and supporting roadmaps. They are used throughout the company for team goal setting.**

a. Programs

Using the roadmaps, programs with a multi-year horizon are developed, providing increased granularity of the actions required to achieve the roadmaps. Roadmaps define the yearly targets through Criticial Success Factors that enable clear programs to be defined.

b. Affordability

The resource requirement of the Business Plan is regularly reviewed, and affordability is formally checked to ensure validity.

c. Integrated Business Planning

The Business Plan is the prime reference for Integrated Business Planning.

10. **Projects are developed from the programs to determine the actions required in the first year. These are the main drivers of the company's Annual Plan (or Budget), management control, and gap-closing activity.**

    a. <u>Projects</u>

        Projects supporting the multi-year programs are developed and approved for action. Project action plans include the details necessary for resourcing and monitoring quarterly through Key Performance Indicators (KPIs). These project action plans are inputs to the Annual Plan (or Budget), which shows, in depth, an integrated view of how the Strategic Plan will be met.

    b. <u>Alignment to Strategy</u>

        The projects constituting the Annual Plan are driven top down from the programs supporting the Strategic Plan. They are also monitored and adjusted bottom up through Integrated Business Planning to ensure alignment with the multi-year Business Plan.

STRATEGY DEPLOYMENT

11. **The priority of strategic programs and projects is determined through resolution of competing priorities and the Strategic Business Objectives. These priorities determine skill and capability requirements. Programs and projects are justified with unbiased business cases demonstrating a compelling need aligned to strategy and provide a case for change.**

    a. <u>Performance and Capability Gap Analysis</u>

        The gap between current capability and future plans and needs is understood, and the benefits and time phasing of planned changes are quantified.

    b. <u>Competing Priorities</u>

        Proposed initiatives that compete with each other for attention are assessed using established and agreed criteria and are prioritized to the overall business needs during the horizon of the Strategic Plan.

    c. <u>Skill and Competence Analysis</u>

        Skills and competencies are formally assessed during Strategic Planning against the strategic plan, roadmaps, programs, and projects. Strengths and weaknesses

enable a gap analysis, and improvements are planned. Gap-closure actions are assigned and drive the education, training, selection, and succession plans for the business.

12. Roadmaps are converted into goals at every level of the business with detailed and prioritized action and resource plans. They are cascaded and explained, demonstrating the need and plan for change.

a. Communication Process and Listening

The Vision for the business is widely communicated in a succinct, consistent, and repeatable way with opportunity for comment and feedback. Strategic goals and plans are cascaded to working levels with ownership and sponsorship.

b. Deployment of Goals and Targets

The performance targets required to fulfill the Strategic Plan and the goals outlined in approved and planned programs and projects are represented as goals and targets at all levels of the business. Accountabilities are assigned and are part of the Performance Management process.

c. Detailed Project Plans

Approved programs and projects have detailed plans for goal achievement with supporting resource and capability plans to develop and allocate the appropriate skills and competencies.

d. People Development Plans

Plans are developed and deployed to prepare people for the change program and projects. There is a process in place to identify development needs and potential, and individual personal development plans are instituted. As these evolve, they are used as inputs to development of the People Operations Roadmap.

e. Measure and Review

Formal processes and tools are used to manage, review, and measure programs, projects, and their goals at all levels. Management by exception is commonplace, and proactive corrective action plans are communicated.

EVALUATION AND CONTROL

13. Formal and informal periodic reviews are held to confirm the alignment of strategies at all company levels and between core processes and specialist support functions.

  a. <u>Diagnostic Review</u>

  As a minimum annually, a formal Diagnostic Review of strategy deployment is undertaken. This will usually be a complete review of one sample Strategic Business Objective to gauge the depth of its understanding throughout the business and the alignment of all business processes to achieve it. This review will include any challenge to strategic assumptions as identified through Integrated Business Planning.

  b. <u>Reflection</u>

  At least twice per year, the diagnostic is supported by an informal reflection of the Strategic Plan and roadmaps where a few key individuals come together to assess the health and understanding of at least one Strategic Business Objective.

  c. <u>Resource Allocation</u>

  Approved strategic projects are included in the reporting and resource allocations in Integrated Business Planning for programs and projects.

14. Program and project progress is reviewed through Integrated Business Planning to identify gaps and enable decisions to be made to realign and ensure Critical Success Factors are achieved.

  a. <u>Program and Project Organization</u>

  An organization exists to manage all strategic programs and projects. It gives visibility of their progress and enables balanced multi-functional priorities and resource allocation.

  b. <u>Project Reviews</u>

  Project plans are regularly reviewed by line managers and sponsors from the Leadership Team, and decisions are made to keep them on course.

c. Results Tracking

Projected and actual business gains are measured, and project-based assumptions are reviewed to ensure that a project remains viable and worthy of completion.

d. Communication

Project launch, progress, and completion are widely communicated to recognize the efforts of those involved and to create an ongoing excitement and appetite for change throughout the organization as well as with Value Chain partners.

BUSINESS STRATEGY MANAGEMENT PROCESS

15. A dynamic process exists to ensure that the impacts of decisions and events on the Strategic Plan and roadmaps are visible, understood, and agreed.

a. Integrated Business Planning

The Integrated Business Planning process reviews the activities and forward plans for all company processes and ensures that their integrated results meet the programs and Business Plan.

b. Short-Term Decisions and Long-Term Alignment

Integrated Business Planning ensures that day-to-day events and decisions are fully aligned to longer-term plans for the business. If not fully aligned, business gaps are made visible for determination of gap-closing decisions and actions.

RISK MANAGEMENT

16. The Strategic Plan and roadmaps are systematically and rigorously analyzed for risk. Contingency plans exist to mitigate identified risks.

a. Risk Analysis

A standard method of risk analysis, which identifies comparative criticality of risks, has been adopted and is widely used at all levels of the business on an ongoing basis.

b. Risk Management

Plans and actions exist and are updated to eliminate risk or to reduce it to manageable levels.

c. Contingency Planning

Contingency plans exist at all levels of the business to minimize the impact of known risks and to shorten disruption and recovery time.

PERFORMANCE MEASUREMENT

17. **A hierarchy of balanced measures is used to assess and drive company performance to achieve its Strategic Business Objectives and Vision.**

a. Integrated Measures

A balanced suite of measures is in place at the top of the company, identifying how the interests of all the stakeholders are managed. This suite is at the top of a measurement hierarchy for the whole business that is used to monitor progress and drive action.

b. Visibility

The measures for individuals or a team are succinctly summarized and show trends as well as spot performance. Measures are clearly displayed for everyone to see and are designed to encourage improvement.

18. **Measures are hierarchically structured and integrated so that the impact of performance on the business is clearly visible and understood. Measures at all levels can be linked back to the Critical Success Factors and, hence, the Strategic Business Objectives.**

a. Team Targets

Company-wide measures are cascaded through all levels so that each person or team clearly understands their targets and performance expectations, including how they relate to overall company performance in pursuit of Strategic Business Objectives.

b. Driving Improvement

Measures are used to drive performance improvement and to encourage Continuous Improvement by individuals and teams.

c. Relevance

All measures can be linked back to Critical Success Factors as defined in the roadmaps. They measure business performance and/or process performance in pursuit of Strategic Business Objectives.

BEHAVIORS AND COMPETENCIES

19. The Strategic Planning process is supported by both cultural and behavioral development, which ensures positive team ownership of the entire plan, with strong leadership and individual accountabilities.

a. Leadership and Excitement

Strategic Planning is led by the Chief Executive Officer and the Leadership Team and utilizes a process to engage more people, from all levels, as the Strategic Plan, roadmaps, programs, and projects are developed. When deployed, it must excite and engage its stakeholders.

b. Ownership

Performance, programs, projects, and actions are owned at the appropriate level and are sponsored within the Leadership Team.

c. Communication

Formal communication is used to progressively cascade the Strategic Plan and roadmaps throughout the business and engage the workforce. It is actively reinforced through everyday, informal communication.

d. Demonstrated Leadership

Leadership demonstrates a disciplined use of the deployed strategy in its decision making and company-wide communications to keep the strategy alive at all levels.

20. Competencies: unique skills, talents, and proficiencies ensure individual, team, and business success.

a. Leadership

They have the ability to create the big picture and engage the organization with the vision.

b. <u>Strategy Development</u>

   Strategy Development enables the ability to synthesize global perspectives, the geopolitical environment, and economic and macro market conditions.

c. <u>Strategy Deployment</u>

   This is the capability to develop a coherent plan and supporting organizational design to successfully communicate and action the Strategy throughout.