Strategic Plan Outline

Strategic planning is deciding how to allocate resources (people, capital etc.) to bring the organisation into alignment with its environment, especially its industry, so that long term goals and objectives can be achieved.

Strategic planning has two purposes:

1. Entrepreneurial – Ensuring long term growth by emphasising change and new ideas;
2. Operational- making the organisation more efficient and effective in reaching current strategic goals.

There are four levels of strategic planning:

1. Deciding in which Businesses to compete (what business are we in, and should we be there);
2. What is the business – a product or service unit that competes in a well defined market with an identifiable set of customers and competitors;
3. Business planning – deciding how to compete in a particular business;
4. Selecting goals for each functional area and determining action these areas will take to meet business plans.

The Strategic Planning and Implementation Process

1. **Situation analysis** – an analysis of the internal capabilities and limitations, industry and market overview, external opportunities and threats and competitive factors.

   The two components are strengths and weaknesses which are internal and opportunities and threats which are external in the environment.

   A key issue is the organisations distinctive competence that gives rise to its competitive advantage (strength and weaknesses).

   Product and service analysis evaluates the position of products and services in the marketplace.

   The external analysis involves gaining an overview of the industry and the market. It involves assessing the attractiveness of markets and evaluating current trends.

   External opportunities and threats in the industry indicate where strategic efforts should be focussed and what strategies are likely to succeed.

   Competitive analysis of forces in the industry including them threat of new entrants, bargaining power of buyers and suppliers, and threat of substitute products or services.

A further analysis might be made of the portfolio of services and products to assess growth rate and market share.

2. Goal Setting

What are the organisations core values? What will you do and what will you absolutely not do.

What is the organisations core purpose? What is the organisations fundamental reason for existence beyond making money?

A mission statement should answer the questions 'why are we in business?' and 'what are our long term goals?' It should also specify what goods or services are to be provided to which customer/client groups and what activities are to be undertaken to provide those goods or services.

Overall specific goals should then be set. They will usually revolve around issues identified in the situation analysis and will often involve:

- Profits measures;
- Lowered costs of marketing or production;
- Employee development and training;
- Increasing the quality of products and services;
- Increasing market share;
- Market leadership through innovation.

These goals should be specific and measurable.

3. Strategy Statement

The next step is to develop a strategy statement, a detailed plan of the means by which the organisation will achieve its mission and goals. A major component will be how the organisation will position itself in relation to competitors. If the organisation is in a poor competitive position it will require some creative ideas or strategies to overcome this disadvantage. This may mean reviewing generic strategies such as defenders, prospectors, analysers, reactors, cost leaders, differentiators or market focus.

4. **Implementing Strategic Plans Through Action Plans**

   Implementation is primarily and administrative process and therefore involves the management skills of leadership and interpersonal skills. It requires cooperation, commitment and creativity from all the people within the organisation.

   An action plan will unusually conclude with a schedule of what actions need to be taken, who is to responsible for them being undertaken and a timeline or date for each task to be completed.

5. **Monitoring**

   The implementation of the plan needs to monitored by devising some key performance indicator (KPI), usually linked to the specific goals, measures any changes which will alert the owner/manager. These may be financial measures such as gross sales in dollar value to budget, gross profit, net profit, return on investment level of stock and work in progress. It may also include non financial indicators such as staff turnover, customer complaints, returned goods from customers, spoilage rates, rework done, customer satisfaction surveys and staff engagement surveys. There also needs to team meetings at regular intervals to track the progress of implementation so that problems can be identified and addressed if any of the responsible people need assistance.

Estimates are that up to 90% of strategic business plans fail. This is not due to poor planning. The plan is usually very good. Results of the success of implemented business plans are that performance on all measures such as sales, earnings, share prices and return on investment, when compared to organisations that do not plan are better in the order of about 25% to multiples of 100%. The failure almost universally occurs at the implementation phase. Failure to implement most often occurs as a failure of leadership but also because the cooperation of other team members is not secured. These issues can be overcome.

The question is, if most businesses do not have a business plan, and the results of a successfully implemented business plan are well documented, what does it mean for the growth of your business if you implemented a sound business plan?

Source: Substantially from Anderson C ‘Management: Skills, Functions and Organisation Performance’ Allyn and Bacon 1988.