

# Strategic planning

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**Strategic planning** is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. In order to determine the direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue a particular course of action. Generally, strategic planning deals with at least one of three key questions:<sup>[1]</sup>

1. "What do we do?"
2. "For whom do we do it?"
3. "How do we excel?"

In many organizations, this is viewed as a process for determining where an organization is going over the next year or—more typically—3 to 5 years (long term), although some extend their vision to 20 years.

## Key components

The key components of 'strategic planning' include an understanding of the firm's vision, mission, values and strategies. (Often a "Vision Statement" and a "Mission Statement" may encapsulate the vision and mission).

- **Vision:** outlines what the organization wants to be, or how it wants the world in which it operates to be (an "idealised" view of the world). It is a long-term view and concentrates on the future. It can be emotive<sup>[citation needed]</sup> and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."
- **Mission:** Defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its vision. For example, the charity above might have a mission statement as "providing jobs for the homeless and unemployed".
- **Values:** Beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture<sup>[citation needed]</sup> and priorities and provide a framework in which decisions are made. For example, "Knowledge and skills are the keys to success" or "give a man bread and feed him for a day, but teach him to farm and feed him for life". These example maxims may set the priorities of self-sufficiency over shelter.
- **Strategy:** Strategy, narrowly defined, means "the art of the general"<sup>[citation needed]</sup> - a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. A strategy is sometimes called a roadmap - which is the path chosen to plow towards the end vision. The most important part of implementing the strategy<sup>[citation needed]</sup> is ensuring the company is going in the right direction which is towards the end vision.

Organizations sometimes summarize goals and objectives into a **mission statement** and/or a **vision statement**. Others begin with a vision and mission and use them to formulate goals and objectives.

Many people mistake the vision statement for the mission statement, and sometimes one is simply used as a longer term version of the other. However they are distinct; with the vision being a descriptive picture of a desired future state; and the mission being a statement of a rationale, applicable now as well as in the future. The mission is



therefore the means of successfully achieving the vision. This may be in the business world or the military.

For an organization's vision and mission to be effective, they must become assimilated into the organization's culture. They should also be assessed internally and externally. The internal assessment should focus on how members inside the organization interpret their mission statement. The external assessment — which includes all of the businesses stakeholders — is valuable since it offers a different perspective. These discrepancies between these two assessments can provide insight into their effectiveness.

## Strategic planning process

There are many approaches to strategic planning but typically one of the following approaches is used:

### *Situation-Target-Proposal*

- **Situation** - evaluate the current situation and how it came about.
- **Target** - define goals and/or objectives (sometimes called ideal state)
- **Path / Proposal** - map a possible route to the goals/objectives

### *Draw-See-Think-Plan*

- **Draw** - what is the ideal image or the desired end state?
- **See** - what is today's situation? What is the gap from ideal and why?
- **Think** - what specific actions must be taken to close the gap between today's situation and the ideal state?
- **Plan** - what resources are required to execute the activities?

## Tools and approaches

Among the most widely used tools for strategic planning is SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). The main objective of this tool is to analyze internal strategic factors, strengths and weaknesses attributed to the organization, and external factors beyond control of the organization such as opportunities and threats.

Other tools include:

- Balanced Scorecards, which creates a systematic framework for strategic planning;
- Scenario planning, which was originally used in the military and recently used by large corporations to analyze future scenarios.
- PEST analysis (**P**olitical, **E**conomic, **S**ocial, and **T**echnological)
- STEER analysis (**S**ocio-cultural, **T**echnological, **E**conomic, **E**cological, and **R**egulatory factors)
- EPISTEL (**E**nvironment, **P**olitical, **I**nformatic, **S**ocial, **T**echnological, **E**conomic and **L**egal).
- ATM Approach (**A**ntecedent Conditions, **T**arget Strategies, **M**easure Progress and Impact).<sup>[2]</sup> Once an understanding of the desired endstate is defined, the ATM approach uses Root Cause Analysis (RCA) to understand the threats, barriers, and challenges to achieving the endstate. Not all antecedent conditions identified through RCA are within the direct and immediate control of the organization to change. Therefore, a review of organizational resources, both human and financial, are used to prioritize which antecedent conditions will be targeted. Strategies are then developed to target the prioritized antecedent conditions. Linking strategies to antecedent conditions ensures the organization does not engage in activity traps: feel good activities that will not lead to desired changes in the endstate. Once a strategy is defined then performance measures and indicators are sought to track progress toward and impact on the desired endstate.

## Situational analysis

When developing strategies, analysis of the organization and its environment as it is at the moment and how it may develop in the future, is important. The analysis has to be executed at an internal level as well as an external level to identify all opportunities and threats of the external environment as well as the strengths and weaknesses of the organizations.

There are several factors to assess in the external situation analysis:

1. Markets (customers)
2. Competition
3. Technology
4. Supplier markets
5. Labor markets
6. The economy
7. The regulatory environment

It is rare to find all seven of these factors having critical importance. It is also uncommon to find that the first two - markets and competition - are not of critical importance. (Bradford "External Situation - What to Consider")<sup>[3]</sup>

Analysis of the external environment normally focuses on the customer. Management should be visionary in formulating customer strategy, and should do so by thinking about market environment shifts, how these could impact customer sets, and whether those customer sets are the ones the company wishes to serve.

Analysis of the competitive environment is also performed, many times based on the framework suggested by Michael Porter.

With regard to market planning specifically, researchers have recommended a series of action steps or guidelines in accordance to which market planners should plan.<sup>[4]</sup>

## Goals, objectives and targets

Strategic planning is a very important business activity. It is also important in the public sector areas such as education. It is practiced widely informally and formally. Strategic planning and decision processes should end with objectives and a roadmap of ways to achieve them. The goal of strategic planning mechanisms like formal planning is to increase specificity in business operation, especially when long-term and high-stake activities are involved.

One of the core goals when drafting a strategic plan is to develop it in a way that is easily translatable into action plans. Most strategic plans address high level initiatives and overarching goals, but don't get articulated (translated) into day-to-day projects and tasks that will be required to achieve the plan. Terminology or word choice, as well as the level at which a plan is written, are both examples of easy ways to fail at translating your strategic plan in a way that makes sense and is executable to others. Often, plans are filled with conceptual terms which don't tie into day-to-day realities for the staff expected to carry out the plan.

The following terms have been used in strategic planning: desired end states, plans, policies, goals, objectives, strategies, tactics and actions. Definitions vary, overlap and fail to achieve clarity. The most common of these concepts are specific, time bound statements of intended future results and general and continuing statements of intended future results, which most models refer to as either goals or objectives (sometimes interchangeably).

One model of organizing objectives uses hierarchies. The items listed above may be organized in a hierarchy of means and ends and **numbered** as follows: Top Rank Objective (TRO), Second Rank Objective, Third Rank Objective, etc. From any rank, the objective in a lower rank answers to the question "How?" and the objective in a higher rank answers to the question "Why?" The exception is the Top Rank Objective (TRO): there is no answer to the "Why?" question. That is how the TRO is defined.

People typically have several goals at the same time. "Goal congruency" refers to how well the goals combine with each other. Does goal A appear compatible with goal B? Do they fit together to form a unified strategy? "Goal hierarchy" consists of the nesting of one or more goals within other goal(s).

One approach recommends having short-term goals, medium-term goals, and long-term goals. In this model, one can expect to attain short-term goals fairly easily: they stand just slightly above one's reach. At the other extreme, long-term goals appear very difficult, almost impossible to attain. Strategic management jargon sometimes refers to "Big Hairy Audacious Goals" (BHAGs) in this context. Using one goal as a stepping-stone to the next involves **goal sequencing**. A person or group starts by attaining the easy short-term goals, then steps up to the medium-term, then to the long-term goals. Goal sequencing can create a "goal stairway". In an organizational setting, the organization may co-ordinate goals so that they do not conflict with each other. The goals of one part of the organization should mesh compatibly with those of other parts of the organization.

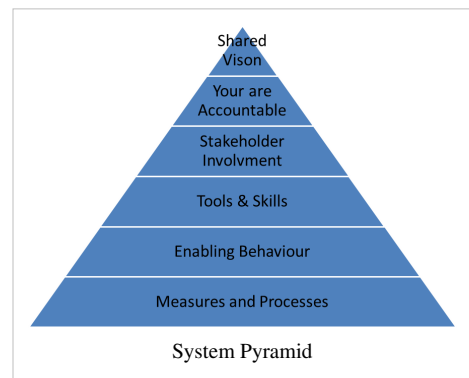
## Business analysis techniques

Various business analysis techniques can be used in strategic planning, including SWOT analysis, PEST analysis, STEER analysis, and EPISTEL (see above).

### SYSTEM:

Successful and sustainable transformation efforts require leaders who know how to manage change. At the simplest level, managing change means:

- Knowing what you want to accomplish and creating a compelling vision that motivates others
- Understand stakeholders and communicating with them early, consistently and often
- Managing the varying levels of support and resistance that will inevitably emerge in response to any change
- Change Leadership is a skillset that is required throughout any deployment, from planning and executing to sustaining improvements.
- Change Leadership is essential for both high level executives and program leaders, who are responsible for setting the vision, communicate the vision and make the changes happen.



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