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An Introduction to Strategic Planning

What is Strategic Planning?

Strategic planning can be defined as the process of highlighting and documenting the fundamental decisions that an enterprise needs to make and action, in order to achieve success in the future.

The resulting documentation, sets forth a strategic plan for the direction of the company going forward. This will include operational strategy, key goals, and expected targets.

Strategic planning can be seen as a top level view of how the enterprise as a whole should operate. It should not contain plans detailing how the business approaches, and reaches, its strategic goals on an operational level.

Unlike other forms of long-term planning, strategic planning does not aim to lay down solid, tangible plans for the operation of the company. It is solely used to provide a view of the issues that the company will need to overcome, in order to reach its goal, and how they may be met.

In effect, strategic planning results in documentation that firstly defines the long-term goals of the company, and then highlights the decisions that will need to be made, actions needed to be taken, and resources needed to be allocated to achieve these goals.

How is Strategic Planning Different?

The primary difference between strategic planning and other forms of business planning, is that it looks much further in to the long-term. It is also based upon much broader issues, rather than narrow business facts. Very much an "eyes wide open" approach to steering the company.

Where most forms of business planning look to the short and medium term, usually no longer than 12 month period, a strategic plan may well look as far forward as 10 years, although three years is more normal.

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Strategic planning should be undertaken frequently, and revisited, on average, once every six months. However, companies that work in a volatile, quick changing market, may wish to undertake strategic planning sessions more frequently.

Unlike business planning that looks to improve the effectiveness of the operation of the business, strategic business planning is used more often to prove the viability of new ventures. Examples of this include entering new markets, launching a new product range, or opening a new site.

Developing a Strategic Plan

The actual document that results from a strategic planning session can differ widely from company to company. However, whether the resulting strategic plan is a full long form document, or a succinct overview, it must contain a plan for leveraging available resources, to achieve long-term goals.

When developing a strategic plan, keep in mind that the overall goal is to:

- Achieve agreement upon key issues facing the company, and the strategies put in place to tackle them.
- Ensure that the company has the resources to put the strategies into action.
- Foster co-operation between all stakeholders involved in reaching strategic goals.
- Put in place a structure for managing efforts taken to achieve strategic goals.

The Structure of a Strategic Plan

There is no real right or wrong way to structure a strategic plan. However, most strategic planning documents do contain common elements. Most often we find the following sections, or similar.

- Assessment - a snapshot of the current internal and external corporate environment.
- Formulation - the actual high-level strategy itself, agreed upon during the strategic planning session.
- Execution - a plan to achieve the goals set forth within the strategy.
- Evaluation - measurement of the effectiveness of strategic endeavors.

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Developing a strategic plan can take a lot of effort. It needs to be approached in a systematic way. The process involves defining a set of strategic “questions” in the formulation section, and coming up with the answers to them in the execution section. The effectiveness of these question/answer pairs is then judged in the evaluation section. Further iterations will build upon the results uncovered.

The Strategic Planning Process

It is important to understand that a strategic plan does not look backwards at the historical performance of a company, with a view to improving future performance. A good strategic plan starts in the now, and looks forward.

Of course, historical, empirical data is often relied upon to define the current corporate situation, but it is not used to measure potential effectiveness of decisions made during a strategic planning session.

We could summarize this by saying that a strategic business plan should answer the question “We are here, we want to get there, how do we do it?” without asking the question, “What did we do before?”

Once the starting point for strategic planning has been locked in, it is then time to move on to deciding what is important for the business in the long-term. This will include defining corporate vision with regard to such issues as customers, markets, products, etc.

Important issues should then be prioritized, shifting the focus to those that require immediate action. Overcoming these issues will then be the emphasis of the strategic business plan.

Following on logically, once important issues have been defined and prioritized, the strategic plan will cover the goals that will need to be reached to resolve them. This will include defining the expected allocation of resources, and who will ultimately be responsible for ensuring each goal is met.

This process will need to be repeated in an iterative fashion, during each subsequent strategic planning session.

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Why Undertake Strategic Planning?

Inherent within the concept of strategic planning, is the power to move a business forward, showing continued growth. This power stems from the fact that strategic planning is not bogged down by micro-management. Instead, it focuses on the key top level issues that need to be overcome to keep the company moving in the right direction. These can be summed up by the four pillars of business growth, which fit the strategic planning model very well:

- Planning – The identification and resolution of long-term issues effecting company growth.
- Prioritization – Making sure that the most important issues are resolved first.
- Processes – Iterative monitoring and improvement of the corporate strategic view.
- Pace – Making sure that the right things, are done at the right time.

Strategic planning ticks all of the boxes here, it can be an invaluable tool for keeping a company on track.

The Goal of Strategic Planning

There are four main ways in which a company can grow, and these are:

- Acquisition – Acquiring value add resources through merger.
- Improvement – Increasing the profitability of the current business model.
- Innovation – Implementing more profitable ways to do things, or developing new products/services.
- Scaling – Doing more of the same, growing the business to increase revenue in a proportional manner.

In each of these cases, strategic planning is the perfect tool ensuring that the company moves steadily from a position where it is operating in a saturated market (red ocean) to where it is operating in an open market (blue ocean).

Indeed, when using strategic planning as a tool for growth, it should always be kept in mind that the overall goal is to move the company out of the red ocean, and in to the blue ocean.

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Strategic Planning Best Practice

Due to the fact that strategic planning is something more of an art than a science, it is easy to get things wrong. There are a number of pitfalls that needed to be avoided, to ensure that strategic planning becomes a useful tool to the enterprise, and this includes:

- Issues within a strategic business plan should be under the ownership of top-level management, and not delegated down the management chain.
- In a similar fashion, ownership of issues should not be passed to external consultants.
- Strategic planning involves tough choices. Often closing one door, to open another. These decisions need to be fully evaluated before they become firm resolutions within the strategic plan.
- Risk management should be part of the process of evaluating the cause and effect attached to the resolution of each issue.
- It needs to be fully understood that strategic planning is a senior management tool. It should not be used by lower levels of management to make operational decisions in their own.
- Even though strategic planning is owned by senior management, it should incorporate information and opinions from other sources where expedient.

These are just a handful of the potential pitfalls that need to be avoided to not only get the most from strategic planning, but also ensure that it does not actually have a detrimental effect. A bad strategic plan can potentially be very damaging.

Conclusion – From Red Ocean to Blue Ocean

Strategic planning can be a very powerful tool if used correctly. The overall goal of strategic planning should be to move a company from the Red Ocean, and as far in to the Blue Ocean as is possible.

Indeed, carrying this analogy a little further, we can think of strategic planning as plotting a course for a large ocean going vessel. We want to miss the peaks and troughs in rough water, and steer as clear and calm of a course as possible.

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Our final destination should be the calm Blue Ocean, rich with customers, lacking in competition and yielding much higher volumes of revenue. Of course, once we reach this destination, we need to continue the strategic planning cycle to ensure that we remain there.