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Strategic Planning

"The entrepreneur is essentially a visualizer and actualizer...
 He can visualize something, and when he visualizes it
 he sees exactly how to make it happen."

Robert L. Schwartz

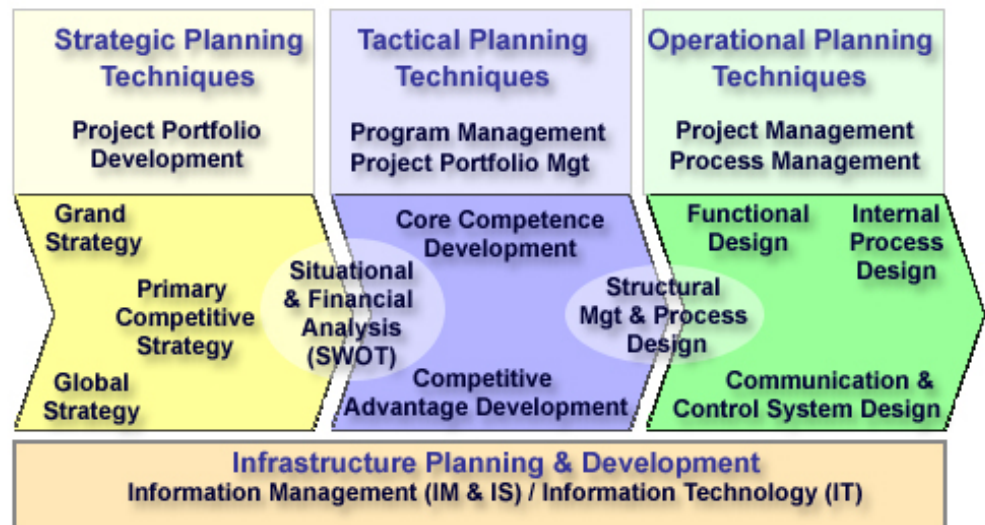
The Planning Process

Management structure provides a way of distinguishing the levels of planning and organizational development which are typical of most businesses (profit or non-profit).



Management Structure & the Planning Process

The elements of organizational planning and development are interrelated, dynamic, and interdependent as shown in the following illustration:



Elements of Organizational Planning

Adapted from **The Business Savvy Project Manager** (2005) by Gary Heerkens

Strategic & Tactical Thinking

Strategic thinking gives direction and builds systems for product & service delivery. Tactical thinking links strategy (a long-term business plan) to operations (an immediate work plan), and builds systems for day-to-day work supervision, guidance, quality control, and customer relationship.

Thinking is the engine of both long-term and short-term planning. It provides the intellectual and motivational framework for creativity, vision, problem-solving and opportunistic initiative. It is therefore, possible to identify two kinds of thinking: **Strategic / Systems Thinking** and **Tactical / Operational Thinking**. In both instances the thinking is typically not a product of one individual, but reflects a group process of collaborative thinking, planning, and decision-making of an executive or operational team. Therefore, the skills of collaboration, communication, and shared vision are integral components of the creative thinking process.

The relationship of Strategic Thinking to Long-term Planning and Tactical Planning are illustrated by George Morrissey in his book, **A Guide to Strategic Thinking**.

From George Morrissey:
A Guide to Strategic Thinking



Strategic Thinking begins with posing questions, gathering data, analyzing data, generating knowledge and developing strategic plan alternatives. It is about understanding the environment & context, gathering intelligence, and generating options. This thinking process leads to decisions that culminate in defining mission, vision, values, goals, objectives and action plans. Ultimately, a strategic plan must drive specific budget allocations to fund the action plans. It is only as a strategic plan is operationalized into funded implementations that it has real impact. A plan that does not lead to budget decisions is not genuinely strategic.

Strategic Thinking has been called systems thinking, solutions thinking, future and forward thinking, longer term thinking, and high level thinking. The key to strategic thinking is in asking the right questions – to drive toward a big picture view of context, relationship and connections. It sees systems within systems. It reasons holistically, rather than reductively. It uses analytical skills in the service of understanding a system as a whole, rather than analytically fragmenting the view into disconnected parts.

In another section of this web site, "[Design Thinking](#)," the role of both System/holistic thinking and Critical/analytical thinking was discussed as it applies to both Strategic and Operational issues. The importance of creativity and imagination in the development of future vision was stressed. Design as "[A Distinct Thinking Skill](#)" is introduced as well as its "[Impact on Strategic and Operational Thinking](#)."

The following table illustrates the important distinctions between Strategic and Tactical planning approaches. Communication problems, logical category errors, and creative blocks will inevitably occur when these perspectives and thinking frames are confused with one another.

Thinking & Planning Factors	Strategic Planning	Tactical Planning
Time Period	The Longest Period Worth Considering	The Shortest Period Worth Considering
View & Scope	System process; Broad; Many functional areas	Operational process; Narrow; Few functional areas
Frame	Asks Why	Asks How (Relies on strategy to have answered "why" and provide value constraints on "how"; Enables strategy to drive operations)
Goal	Means & Ends "Doing the right thing"	Means Only "Doing things right"
Method	Deploy Resources	Employ Resources
Approach	System thinking: Understand relationships, multiple outcomes, holism and boundaries, "yes/and" logic, environment , see larger context	Analytical thinking: Understand mechanism, relate to components, "either/or" logic, parts oriented, "one best way" (efficiency), reductionism
Focus / Intention	Achieve the long-term goal Clarity & simplicity of vision Meaning & purpose are questioned	Achieve milestone goal (the over-arching purpose is assumed or given — not radically questioned)
Military Metaphor	Deploy troops "Win the war."	Employ troops "Win the battle."

Strategic Planning Framework

Strategic thinking is the skill set which drives the strategic planning process. Enterprise strategy can be formulated on three different levels:

- ▶ Corporate level
- ▶ Business Unit level
- ▶ Functional or Departmental level.

The Business Overview is a summary of what is relevant and important to an organization and its performance. It addresses: What is most important to the organization? What are the key influences on how the organization operates? Where is the organization is headed?

Sustained success in business requires a systems approach. Malcolm Baldrige National Quality Award has developed criteria for each of the following essential enterprise areas:

1. Leadership
2. Strategic Planning
3. Customers & Markets
4. Information & Analysis
5. Staff Focus
6. Process Management
7. Organizational Performance Results

The strategic planning process will ask the following questions:

- ▶ Where do we want to go (immediate future / long-term future)?
- ▶ How do we get there?
- ▶ Where do we put our resources?
- ▶ What processes and policies do we need to have in place?
- ▶ What happened during the last cycle?
- ▶ Did we do what we said we would do?
- ▶ Were there unexpected results?
- ▶ What caused them?
- ▶ What could we do differently?
- ▶ How would that impact the results?

Both individuals and organizations need strategy in order to achieve consistency of focus on priorities and alignment of action over the long-term. This strategic framework is both a top-down and bottom-up process of planning and decision-making that involve the following components:



- ▶ **Vision** of the future: where you are going, what success looks like (**What We Want to Be**)
- ▶ **Mission** that defines who you are, what you do, and why (**Why We Exist**)
- ▶ **Values** that guide & shape actions (**What's Important to Us**)
- ▶ **Goals** that express strategic intent &

Strategy Pyramid: a framework using both top-down & bottom-up business planning & design

- direction
- ▶ **Strategies** that zero in on key success approaches to achieve the mission
 - ▶ **Tactics** to guide design of business processes, projects and infrastructure to achieve strategy
 - ▶ **Action plans** to guide daily, weekly, monthly and quarterly actions — operational implementation of business processes and projects.

Mission Statement: Mission or Purpose is a precise description of what an organization does. It should describe the business the organization is in. It is a definition of "why" the organization exists currently. Each member of an organization should be able to verbally express this mission. Additionally, each person needs a mission for his or her life (career, values, family, etc.). The alignment of an individual's life mission with an organization's mission is one of the key factors in job satisfaction. If they are incongruent, you are likely dissatisfied with your choice of work.

Questions addressed by Mission Statements:

- ▶ What is the purpose of the enterprise?
- ▶ What is unique about the enterprise?
- ▶ What are its principles products & markets?
- ▶ What are its values?
- ▶ Where is the enterprise hoping to be in five or ten years time?

Vision Statement: A vision is a statement about what an organization wants to become. It should resonate with all members of the organization – generating pride, excitement, and belonging to something much bigger than oneself. A vision should stretch the organization's capabilities and image of itself. It gives shape and direction to the organization's future.

A vision tells the organization where it is going and what success can look like. The nature and impact of this leadership relates directly to developing an individual's or an organization's capacity for [intrinsic motivation](#). But in order for "vision" to be more than just a cliché that is hung on the wall or posted in company literature, it must be lived and promoted daily through a company's leaders. It is the difference between an intentional, proactive culture, or a reactive, aimless culture.

"A vision is a guiding theme that articulates the nature of the business and the intentions for the future. These intentions are based on how management collectively believes the environment will unfold, and what the business can and should become in the future. Visions are not vague expressions of goodwill, but explicit systems about what it takes to succeed in the future. Without a vision, and the leadership to rally others around the vision, the organization is likely to be reactive in the present arena and aimless in pursuit of new directions." (Day, p15)

Core Values: Values are traits or qualities that are considered worthy and inspirational. They represent an individual's highest priorities and deeply held driving forces. An enterprise becomes unified by proclaiming the values the organization desires to express and to be held accountable.

Here are some value examples:

Ambition, competency, individuality, equality, integrity, service, responsibility, accuracy, respect, dedication, diversity, improvement, enjoyment/fun, loyalty, credibility, honesty, innovativeness, teamwork, excellence, accountability, empowerment, quality, efficiency, dignity, collaboration, stewardship, empathy, accomplishment, courage, wisdom, independence, security, challenge, influence, learning, compassion, friendliness, discipline/order, generosity, persistence, optimism, dependability, flexibility

These corporate values are often referred to as core values or as governing values. They are used as criteria in making key decisions and developing policy.

Value statements define how people want to behave with each other in the organization. They are statements about how the organization will value customers, suppliers, and the internal community. The values of each of individual, along with their experience and beliefs, meld together to form corporate culture. The values of senior leaders are especially important in the development and maintenance of corporate culture.

Goals: Strategic Goals are the major outcome of strategic road-mapping and strategic planning. Goal setting is based on vision, mission and values. A goal is a long-range aim for a specific time-frame. Goals express strategic intent and direction.

Here are some examples of strategic goals which show the range, diversity and dimensions of enterprise strategy development:

Organizational: Establish employee empowerment and team development; Streamline the current distribution system using lean management principles;

Market:: Open a new worldwide market in Asia; Introduce three new products this year; Establish new sales information system;

Departmental: Become the training and education resource of choice by offering one-stop access to any and all existing education and training resources; Provide cost-effective IT networking services;

Financial: Expand funding base; Move courses online for added revenue stream and customer convenience;

Human resource: Eliminate poor performers through performance reviews; Hire from several venues to obtain excellent candidates; Develop succession planning; Increase training and cross-training opportunities.

There are two major consequences of strategic goal setting:

- ▶ First is **budget**; for a goal and strategy development to be meaningful and effective, it must be matched by a commitment of financial resources. Strategic commitments are immediately reflected in budget allocations.
- ▶ Second, is **core competencies**. Goal setting and strategy development must have confidence that the required core competencies (knowledge, skills, & attitudes) and accountable leaders exist within the company. If there are deficits in competency, leadership or accountability, then these facts must be addressed as integral to nature of the strategy to be developed.

In this way, the goal setting process, through strategic road mapping and planning process has an immediate practical effect by forcing reality-checks (in financial and human resource terms).

Strategies: Strategies are key approaches an organization will use to accomplish its mission and drive toward the vision.

Tactics: Tactics define methods and means to achieve immediate objectives. Tactics do not focus on "why" but on "how" — methods and means . They rely on the strategic plan to provide the context of commitment to meaning, purpose and social-ethical values. Tactics are focused on how to implement strategy by engaging resources in implementation, operations, infrastructure and business process design. Thus, tactics is a process by which strategy is

linked to operations. Critical issues, key results and key performance indicators must be defined at the tactical level.





Action Plans: Action plans flow from goals, strategy and tactics. The translation of a strategy concept into an actual action plan means that the end-result objective must be stated clearly in measurable terms so that a program of tasks can be implemented and monitored.

The strategic planning framework is not just a top-down process imposed from above in an authoritarian and idealized way. It is equally a bottom-up process of participation, collaboration and realism in which the daily experience of operations informs strategy, and the striving to be responsive to real customers continually influences key executive decisions.

"Some firms are consistently better at managing the process, making the right strategic choices, and ensuring superior execution. They can be contrasted with their lagging peers along two critical dimensions... Winners are guided by a shared vision, driven to be responsive to market requirements and continuously strive to satisfy their customers." (Day, p. 15)

Strategy Into Action

Here is an example of translating a strategy into an action plan. The end objective is to be stated clearly in measurable terms so the program of tasks can be implemented, measured and monitored. It is only this process that will make the abstract intention into a concrete strategic program:

Objectives	Measure	Target	Initiative
What the Strategy is trying to achieve	How success or failure against objectives is monitored	The level of performance or rate of improvement needed	Key action programs required to achieve targets
			
Build strong customer	Customer Satisfaction	Customer Service Index improves	Implement Customer

relationship	15%	Feedback Database
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Leadership Vision

Leaders have vision, and they communicate a dream and direction that other people want to share and follow.

"The very essence of leadership is that you have to have a vision. It's got to be a vision you articulate clearly and forcefully on every occasion."

[Theodore Hesburgh, President University of Notre Dame](#)

The leadership vision goes beyond written organizational mission and vision statements. It permeates the enterprise by being manifested in the actions, beliefs, values and goals of the organization's leaders.

"There's nothing more demoralizing than a leader who can't clearly articulate why we're doing what we're doing."

[James Kouzes & Barry Posner](#)

Leadership, corporate culture and learning go hand-in-hand.

"Leaders are designers, stewards and teachers. They are responsible for building organizations where people continually expand their capabilities to understand complexity, clarify vision and improve shared mental models-- that is, they are responsible for learning."

[Peter Senge \(1990, p. 340\)](#)

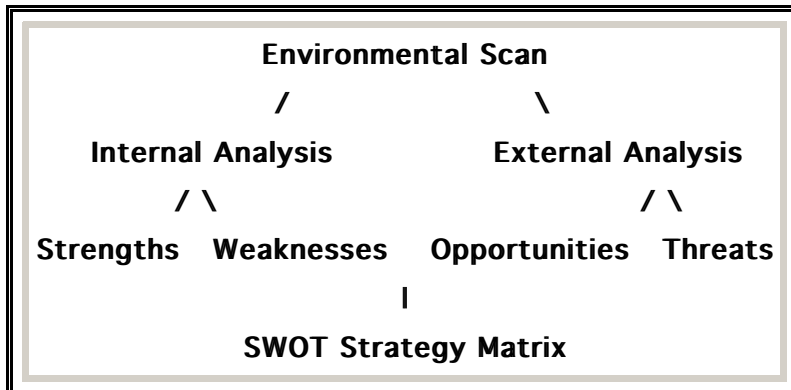
SWOT Analysis

A scan of the internal and external environment is an important part of a strategic planning process. Environmental factors internal to the enterprise can be classified as strengths (**S**) or weaknesses (**W**), and those external to the enterprise can be classified as opportunities (**O**) or threats (**T**). such an analysis of the strategic environment is referred to as a **SWOT** analysis.

The SWOT analysis provides information that seeks to match the enterprise's resources and capabilities to the competitive environment in which it operates. As such, it is a tool of strategy formulation and selection. The goal is to use a framework that will help focus on your strengths,

minimize weaknesses, and take advantage of available opportunities. The following diagram shows how a SWOT analysis fits into an environmental scan:

SWOT Analysis Framework



Template SWOT Analysis

<p>STRENGTHS</p> <p>Positive internal factors within your control on which you could capitalise</p>	<p>WEAKNESSES</p> <p>Negative internal factors within your control that should be limited or improved upon</p>
<p>OPPORTUNITIES</p> <p>Positive external factors outside of your control on which you could capitalise</p>	<p>THREATS</p> <p>Negative external factors outside of your control whose effects you should seek to lessen</p>

Strength

An enterprise's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. What advantages do you have? What do you do well? What relevant resource do you have access to? What do other people see as your strengths? Examples of strengths include:

- ▶ Patents
- ▶ Strong brand names

- ▶ Good reputation among customers
- ▶ Cost advantages from proprietary know-how
- ▶ Exclusive access to high grade manufacturing resources
- ▶ Favorable access to distribution networks

Weaknesses

The absence of needed strengths may be viewed as a weakness. What could you improve? What do you do badly? What should you avoid? For example, each of the following may be considered weaknesses:

- ▶ Lack of patent protection
- ▶ A weak brand name
- ▶ Poor reputation among customers
- ▶ High cost structure
- ▶ Lack of access to the best manufacturing resources
- ▶ Lack of access to key distribution channels

In some cases, a weakness may be the flip side of a strength. Take the case in which a firm has a large amount of manufacturing capacity. While this capacity may be considered a strength that competitors do not share, it also may be considered a weakness if the large investment in manufacturing capacity prevents the firm from reacting quickly to changes in the strategic environment.

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. What good opportunities are on the horizon? What are the industry trends that can enhance the business? Some examples of such opportunities include:

- ▶ An unfulfilled customer need
- ▶ Arrival of new technologies
- ▶ Loosening of regulations
- ▶ Removal of international trade barriers

Threats

Changes in the external environmental also may present threats to the firm. What obstacles do you face? What is your competition doing? Are the required specifications for your job, products or services changing? Is emerging technology threatening your position? Do you have bad debt or cash-flow problems? Could any of your weaknesses seriously threaten your business? Some examples of such threats include:

- ▶ Shifts in consumer tastes away from the firm's products
- ▶ Emergence of substitute products
- ▶ New regulations
- ▶ Increased trade barriers

The SWOT Strategy Matrix

"There are three kinds of companies: those that make things happen, those who watch things happen, and the rest who wonder what happened."
anon

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The SWOT Strategy Matrix is shown below:

SWOT Strategy Matrix

	Strengths	Weaknesses
Opportunities	S-O strategies	W-O strategies
Threats	S-T strategies	W-T strategies

- ▶ **S-O strategies** pursue opportunities that are a good fit to the enterprise's strengths.
- ▶ **W-O strategies** overcome weaknesses to pursue opportunities.
- ▶ **S-T strategies** identify ways that the enterprise can use its strengths to reduce its vulnerability to external threats.
- ▶ **W-T strategies** establish a defensive plan to prevent the enterprise's weaknesses from making it highly susceptible to external threats.

Information



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