

# **THE PROCESS OF STRATEGIC PLANNING**

ARTICLE #2 OF 10

## **CURRENT SITUATION ANALYSIS**

Strategic planning pays dividends to companies when approached in a disciplined process with top-down support and bottom-up participation. The following is the second in a series of ten articles describing one, proven and tested process for effective strategic planning.

The early step in the process of strategic planning can best be described as building a foundation. The importance of situation analysis is similar to the need to drive the pilings of a skyscraper all the way down to bedrock. This analysis prepares the organization to tackle the work of completing a useful and valuable strategic plan that provides a competitive advantage.

Step one is to be certain clear Mission and Vision statements are in place reflecting the mind, heart, soul, passion and resources of the owner or stockholders. It is important that these statements are consistently described and understood by all of the employees but especially be the key managers of the business.

The Mission statement describes who we are and what we do as a company. The more that statement differentiates the company from its competition, and the more it recognizes its uniqueness and value to customers, the more powerful the Mission statement becomes as a clarifying, directional force. A Mission statement should provide a statement describing the products, markets, corporate culture and overall financial goals of the company.

The Mission statement presented below is an example from a company that serves as a distributor to the auto aftermarket.

### Mission Statement

To distribute automotive parts to the automobile repair industry, providing customers with quality products, services, and information; to present our company in an honest and trustworthy manner in all transactions; to empower our employees to conduct the business; and provide our company a reasonable and consistent profit.

The Vision statement is the owner's view of where the enterprise should be in the future. The Vision statement is stated in general terms on key measures of importance. The Vision includes selective items such as sales volume, market share, market penetration, earnings, customer satisfaction, research and development investment, and relationships

with strategic partners. Statements on cost position relative to competitors and productivity or efficiency are also appropriate for the key measurement items discussed in the Vision statement.

Following is an example of a vision statement

#### Vision Statement

To be the market leader and the low cost distributor of high quality automotive parts in the Ohio and Indiana market. The right material, to the right place, at the right time, for each customer! At a price delivering value for the customer and a fair return for the company.

Each of the vision items add value only if it has been identified as clearly important to the defined outcome and results of the business as defined by the owner and by the expectations and demands of the market.

While the Mission and Vision statements are products of the owners or the stockholders they provide important defining parameters for the key managers as they develop a strategic plan. Each of the elements of the strategic plan that this series of articles discusses must be in agreement with and aligned to the Mission and Vision statements of the business.

The next step in analyzing the current situation is the development of Baseline Feedback. This is the collection and compilation of both the internal and external data that can help to define the current situation. The external data includes market, economic and competitive intelligence, customer and supplier information, and benchmark data from both inside and outside of the directly competitive industry.

The final exercise in the current situation analysis is to measure and gain perspective on the degree of convergence or misalignment of employee perception and opinion of the company mission, visions and strategy. It is very important that each and every employee have a consistent mind set relative to the Mission, Vision, and Strategy of the company.

Have each employee or at least the key managers write his or her own statement of company mission and vision. Compare those employee statements to the official version and see if there is any significant divergence of position. It is that alignment which allows for consistency in decision-making and in execution.

In addition, develop an understanding of customer perspective and opinion of the company. Ask the question for example, how do the most profitable customers view the company versus the views of the least profitable customers? How do the same customers view the key competitors? What products or product lines represent the greatest and least profit contribution and why?

A good tool to use is a simple eight to ten question survey. Have each key manager complete the survey. This will provide a measurement of the degree to which there is common and clear understanding of the current situation, the direction, decision-making and decision processing in the company.

Agreement throughout the organization is a fundamental requirement for optimization of the results. If the analysis in this step shows divergence then work to narrow the gaps prior to undertaking strategic planning. If there is considerable agreement then there is a strong platform from which to build a strategic plan with high probability of real long-term benefit. A parallel process of using a simple questionnaire outside of the company with customers and suppliers is also recommended and it too can be of real value in the strategic planning and development process.

The Current Situation Analysis step is dominated by data collection and analysis. It is also a time to check the validity and buy-in of the company Mission and Vision. It is a time to get feedback on employee perceptions of the company. And, it is a time to explore the value that customers place on the relationship.

This work process provides the foundation for the work of assembling the next four steps of strategic planning into a working document that becomes the strategic plan, the road map for the business plan, and the guide to long-term success for the company.

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(Article #3 in this series of 10 will deal with step two, Segmentation Analysis)