

THE PROCESS OF STRATEGIC PLANNING

ARTICLE #6 OF 10 **KEY SUCCESS FACTORS**

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

Key Success Factors are those functions, activities or business practices, defined by the market and as viewed by the customer, that are critical to the vendor/customer relationship. Key Success Factors are defined by the market and by the customer, not by the company. They revolve around skills, processes and systems. Outstanding performance in those areas results in “order winners”.

In article five, Core Competencies were discussed. Core Competencies focused on the internal activities, practices and functions. When these competencies are aligned with the Key Success Factors the value of the business relationship blossoms and grows for the benefit of both the company and the customer.

Another way to think of Key Success Factors is to view the business from the market and customer perspective. What functions, activities or business practices are valued and demanded by the market conditions and by the customer needs? What is it that the company must do to compete in the market and to be perceived by the customer as adding value to the business relationship? What factors are important in the customer decision process that generate an order? Why does the customer select your company over the competition?

In considering these questions, from the market or customer’s perspective, there are three variables to consider. The first variable is to consider if the function, activity or business practice has significant customer value or market differentiating qualities. If the answer is no, stop doing those activities immediately. If the answer is yes for any function, activity or business practice then attempt to quantify the value the company brings to the customer versus the value the competitors bring to the customer on the same issue.

The second variable is to think and sort the issues in terms of order qualifiers. That is, the function, activity or business practice must be done to complete the business transaction; but does not particularly add value. These activities are, in a way, the price of admission, the activities that must be undertaken in the process of doing business and all competitors are about equal in the eyes of the customer.

The third variable is best thought of as “order winners”. That is the function, activities or practices are conducted in a superior fashion compared to the competition and are highly valued by the customer. It is this third variable that sets a company apart from the

competition and squarely aligns the company's total offering with the customer's total need. These are Key Success Factors. Examples of Key Success Factors might include the following:

Key Success Factors

- Strategic Market Segmentation
- Understand Competitor's Strengths and Weaknesses
- Respond to Customer's Needs and Wants
- Efficiencies Through E-Commerce/Technology
- Reliable Delivery
- Strong Service
- Solid Sales and Support Staff
- Reduces Costs, Operates Lean
- Utilize Employees Strategically

In the process of analysis of Key Success Factors it is important to have a realistic view of both the drivers of the market and of the customer's needs. It is also key to understand and to define the position of the company as compared to competitors for the Key Success Factors.

Key Success Factors can exist in both the functional areas of the company and in the condition or circumstances of the company. Functional Key Success Factors might include such things as the following: Manufacturing – proprietary processes, Marketing – after sale service or highly trained sales force, Supply Chain – on time, perfect order delivery, Technology – on line, real time information exchange between the company and the customer.

Examples of Key Success Factors relating to the condition or circumstances would be as follows: favorable market image or reputation, low cost operations (not limited to manufacturing), location relative to customer, exclusive processes in manufacturing or supply chain.

The final step in the analysis of Key Success Factors is to determine the total value of the Key Success Factors that the company brings to the customer versus the Key Success Factors that the competitors bring to the customer. Arrange the Key Success Factors in order of priority from the viewpoint of the customer and focus on those functions, activities and practices that bring the most value to the customer, and are considered most important to the customer, and are most differentiated from the competitors.

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(Article #7 in this series of 10 will deal with Business Unit Strategy)