

THE PROCESS OF STRATEGIC PLANNING

ARTICLE #7 OF 10 BUSINESS UNIT STRATEGY

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

In the first six articles of this series we described the analysis that needs to be undertaken to be in a position to develop a clear, distinctive and differentiated Strategic Statement for the business.

The first six steps of the Strategic Planning Process work are primarily about data gathering, analysis, describing and understanding the business from the views both inside and outside the company. It is a process driven and developed around fact gathering, valuing, and defining. It is developed with top down support and direction and bottom up input and analysis.

Depending on the scope and complexity of the business, the next step is to develop a Strategic Statement or statements for multiple elements of the business. Those elements of the business include the overall business, each operating division of the business and each key functional area of the business. So there would be an overall company Business Strategic Statement, a Division Strategic Statement, and Functional Strategic Statements. The Functions might be Manufacturing, Marketing, Logistics or Supply Chain, Human Resources or other functions important to the success of the business.

The levels of Strategic Statements might look like the following:

- Corporate Strategic Statement
- Division Strategic Statements
- Functional Strategic Statements
 - Operating
 - Marketing
 - Technology Systems
 - Research and Development
 - Etc.

Each one of the Strategic Statements must be in agreement with the overall corporate or company Strategic Statement and aligned with each other. The writing of an effective Business Unit Strategic Statement focuses on creativity and differentiation rather than on process. It is developed and written around the intuitive, differentiating elements of the business discovered in the first six steps of the process. The Business Unit Strategic Statement must take into account both alignment of the Mission and Vision Statements

with customer or consumer needs and differentiation compared to the competitors' strategic statement or position. The elements of uniqueness and of value adding are important to the final product of the Strategic Statement.

Following is a Strategic Statement for an automotive distributor company:

Strategy Statement

To become the "first look" two step distributor in the Ohio/Indiana market, specifically for high volume dealers and retailers. With product emphasis on brake and under hood products, customer emphasis will be on specialty performance, franchised shops, body shops, general repair shops, and automobile dealerships.

Transform the Company into a value added link in the supply chain of automotive parts returning a minimum of %5 ROA through:

- Acquisition and disposition of locations
- Conversion to two-step distribution
- Value-Add VMI solutions
- Focused sales and marketing strategies

The Strategic Statement of the Business describes what, to whom and how the business product or service is to be brought to the market. It is stated in broad, descriptive, general, non-tactical terms. It focuses on differentiating the business from the competition. It aligns the Business with its strengths and opportunities and with its customers and consumers needs. Importantly, the Strategic Statement differentiates the business from the competition. A well-crafted Strategic Statement will be brief but clear to the employees inside the company as well as externally to the suppliers and customers of the business. It will provide a description that draws boundaries and establishes clear direction to guide the managers of the business, as they make tactical and executional plans for the day-to-day activities of the business.

If a Division or Divisions Strategic Statement is called for it is important to be sure those statements are totally in agreement and in sync with the Business Unit Strategy. If conflict or contradiction exists between the Strategic Statements of the Business and the Divisions it is a clear sign of the misalignment of the core strengths, resources, skills, and goals and objectives within the organization.

Once the Business and the Divisions or Business Unit Strategies are completed, the next step is to develop Functional Strategies for those functions central to the operations for the businesses. Again, these functional strategies must be aligned and in agreement with the Business and Divisions Strategies. Alignment will help to direct the functional managers to conduct activities and execute tactical plans that are consistent with the Business Strategy and Division Strategy. Alignment of all of the Strategy work will help to assure efficient and effective use of the strengths, skills, and resources of the Business.

Following the completion of the basic elements of developing a Strategic Statement for the company, divisions and functions will be the development of an Annual Business Plan.

This work will be done from the bottom up, it will be focused on and consistent with the direction defined by the Strategic Planning Process described in articles one through seven.

The Business Plan will be built around the tactical and executional elements of conducting business. It will establish annual goals and objective important to achieving the longer term Strategic Plan. It will define specific goals and objectives that are measurable and meaningful. These goals and objectives will consist of both traditional financial goals such as revenue, income, cash flow, and key financial ratios. In addition it will include key sales and marketing goals such as volume, market share and market penetration or frequency of purchase or use. It will also include goals and objectives for key functional areas such as manufacturing or supply chain. The Business Plan will detail the tactical activities to be undertaken to achieve annual business goals.

The selective mix of long term Strategic Goals and near term Annual Business Plan Goals will become the source for selecting the few key metrics to become the “Balanced Scorecard” covered in the next article in this series.

John F. Dix and H. Lee “Buck” Mathews
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(Article # 8 in this series of 10 will deal with The Balanced Scorecard)

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