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STRATEGIC PLANNING: A Powerful Process that Produces Results



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Strategic Planning: A Powerful Process that Produces Results

by Joanne L. Smikle

Companies large and small spend countless hours talking about strategy. It is the elusive tool that directs departments, divisions, workgroups, and every other element of an organization. The need for a roadmap is clear, but few have mastered a workable strategic planning process. While we may know what we want in terms of strategic intent, there are skill deficits in the actual ability to devise, execute, and evaluate a sound strategic plan. This article presents a fool-proof method for strategic planning. The method can be used on the macro and micro levels of any enterprise.



The People

Begin with the players before the process...only key decision-makers need to be involved. This may seem like an exclusive, exclusionary activity. It is not. The underlying assumption is that these decision-makers will have intimate knowledge of what their business units need, the developmental gaps, and their business unit's unique position within the organization. These key players represent not themselves, but their entire section. They also tacitly represent customers and clients.

Decision-makers are responsible for bringing four things to the strategic planning process. This information should be disseminated well before the process so that the decision-makers will have time to read, interpret, and question each other on the information. Sharing information prevents surprises and squabbling during the planning process.

The four critical pieces of information are as follows:

- 1. Data on the current and anticipated outputs from their business units.** This is a statement of what they have produced and what they anticipate producing over a specified time period. The data must be presented in undisputable quantitative form. It may consist of sales data, service records, or other areas that can be measured and verified. This quantitative data also provides a factual basis for projections.
- 2. Data on resource allocation.** This data answers three questions: Where have our resources (human, technological, time, and financial) been invested? What results have we gotten from that allocation? Where and how could those resources be best utilized?

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3. Description of current business challenges. What are the stumbling blocks that have prevented maximum resource utilization? These obstacles may include intense competition in a particular marketplace, limited access to the latest technology, or trouble recruiting and retaining talent. They may also include customer satisfaction, customer retention, or customer loyalty.

4. Business goals for a specified time frame. Strategic plans typically cover a previously determined three-, five-, or seven-year time parameter. Business goals should reflect the business unit's current output and reasonable projections for the future. The goals should require reach and support the long-term success of the entire enterprise. When goals are too easy they have no meaning. When they are too hard they sabotage and frustrate.

The planning process is greatly enhanced when participants make certain agreements on the front-end. The critical ingredients are as follows:

- **To adhere to a time frame.** This ensures that the process will not linger for months.
- **To participate fully.** There must be a sincere commitment to being active, responsible, accountable participants in the process.
- **To commit to the strategic, not the operational.** Strategy dictates the where. Operational dictates the how. Emphasis must be on the where—the strategic intent of the enterprise.
- **Candid communication about deliverables, resource constraints, and any other salient points.**

Accurate, uncensored data is essential in the development of a sound plan.

- **Commitment to completion.** The planning process is a time-driven activity that produces a tangible product. It is that product that will serve as a framework for the entire organization and all of its business units.

Moving to the process itself; it is vital to have a skilled facilitator that is not a part of the decision-making group. The facilitator will not have input on anything other than the flow of the process. He or she will be responsible for keeping participants on task, adhering to time limits, and refocusing energy on the completion of the plan. The facilitator is responsible for helping participants establish and adhere to norms for interacting. He or she should track deliverables at each stage of the process to ensure that participants are honoring their agreements to complete the components of the plan.

Preparing for the Process

1. Decide on key players
2. Select a facilitator
3. Make critical agreements
4. Gather salient data from business units
5. Gather data on available resources
6. Identify current business challenges
7. Identify and summarize current business goals
8. Distinguish the difference between strategy and operations

The Process

The planning process has six elements. While it would be wonderful to complete the process in one day, it typically takes a series of days. For very small enterprises it can take two or three days, for larger enterprises it can take three to four weeks. These are rough estimates. Time frames will vary depending on the business, its complexity, and the dynamics of group interactions. In either case, this is an outcome-oriented process that is focused on plotting a three-, five-, or seven-year course of strategic action. It is essential to decide how many years you are addressing before beginning. This specificity will be an important guide at every stage of the process.

The process begins with a review of the organization's mission, vision, and values. These affirmations dictate the tenor of every interaction at the macro and the micro levels. They determine the posture the organization takes with employees, customers, and competitors. Mission, vision, and values are more than flowery words constructed as organizational propaganda. In fact, they are the standards that govern every activity. They establish acceptable criterion and baselines.

The next step is to identify the business drivers that will propel the enterprise for the specified time period. These are the directives determined by leadership. They reflect the tenets of the mission and determine the course of every business decision made on both the leadership, management, and frontline levels. Business drivers guide every strategic and operational decision in the enterprise. Once these drivers are defined, it is time to begin working on alignment.

Alignment

Alignment is the intentional congruence between people, processes, products, services, and systems. It is created and sustained by the consistent, monitored implementation of a mission, strategic plan, operational objectives, performance objectives, and day-to-day evaluation of processes. Employee education, training, and development must support and reinforce this alignment. Alignment is a necessary element of successful strategy implementation.

It is at this point that the team of decision-makers examines misalignments in the enterprise. Which elements are functioning congruently? Which are not? They are well-served by openly identifying the inconsistencies so that they can be corrected. Each and every element of organizational life is dictated by the tenets set forth in the mission. It is the mission that guides strategic intent and alignment.

Identifying misalignments will enable the planning team to refine the business drivers. The drivers must have meaning and must not create disconnects within the organization. Consistency can be ensured by addressing misalignments.

This is another reason that only key decision-makers should be involved in the process. They can efficiently impact swift change to properly align services, systems, and the like. They can also use the results of this activity to pinpoint key elements that determine success based on the business drivers.

Once business drivers are defined, misalignments identified and potentially corrected, strategy formulation can begin. You will notice that this process involves more than sitting down and creating lofty goals. It requires preparation—a willingness to dissect the most elemental components of the macro systems. And then it requires forethought in deciding how to correct misalignments so connections that translate strategy into operations can be formed.

The Process

1. Review mission, vision, and values
2. Craft business drivers
3. Identify alignments and misalignments
4. Correct, or create plans to correct misalignments
5. Formulate strategy with clear objectives
6. Develop evaluation checkpoints
7. Create performance objectives
8. Implement the plan

Strategy Formulation

Next, it is time to begin the work of strategy formulation. This is the leadership function that conceptualizes the mission and sets specific objectives that are integral components of the strategic plan. The outcome is a realistic strategy that guides the organization for a three-, five-, or seven-year time frame. That strategy, when clearly articulated, is the strategic plan.

Clear objectives—reflective of the business drivers—come out of the strategy formulation process. These objectives support the mission and reflect the commitment to the mission. It is at this stage that leaders identify the key activities that influence organizational success based on the aforementioned drivers. Once participants have brainstormed objectives, they must whittle them down to those that are both most important and are linked to each driver. Again, do not forget the number of years you are forecasting when establishing the objectives.

A word of caution, the temptation to move from strategic activities to operational can be compelling during the strategy formulation stage. Don't fall into this trap.

Operations are the responsibility of managers, supervisors, and frontline staff. Senior leadership uses the planning process to map the course, not drive the vehicles.

For instance, a strategic objective could be to establish a sizable customer base within the southeastern marketplace within the next three years. That objective would need to be refined to define 'sizable.' It could be 500 corporate customers or 5,000,000 consumers. An operational goal supporting that objective would be to build a sales team (in each of the seven southeastern states) within the next twelve months. The strategy provides the map for southeastern growth. The operational goal gets the cars on the road. The make and model of the cars is operational. The number of cars is operational. Both must reflect the resources allocated to this strategic goal but are well within the purview of the next level of management.

The distinction between strategy and operations is important for several reasons. First, understanding this distinction keeps decision-makers focused. They are less likely to spend time on the nits and gnats because they are keeping a keen eye on long-term intentions. Second, giving control of the operational goal to the next level of management is a vote of confidence in their abilities. These managers know that not only do leaders trust their skills, but they trust them to actually do the work required to translate strategy into action. Sharing control opens the door for a greater breadth of ideas and innovations. This can potentially move the enterprise towards the achievement of even greater strategic objectives than imagined at the outset of the process.

Measurement

Each strategic objective requires measurement. These measurements are evaluation checkpoints—markers that leadership institutes to track execution of the objectives. These checkpoints are used to measure operational results towards meeting objectives that support business drivers. They must occur at regularly scheduled intervals and be specific enough to measure elements of strategy implementation. The checkpoints must meet the following criteria:

- Reflect congruence between the business driver and the strategic objective;
- Be meaningful and measurable;
- Not dictatorial of operational approaches to reaching the desired aims;
- Create clear, consistent schedules for evaluation; and

- Assign responsibility to whoever will conduct the evaluations. Clear evaluation checkpoints keep the leadership team focused on strategy even when the day-to-day grind gets difficult. It allows leaders to have a constant point of factual reference for resource allocations, adjustments in strategic focus, and other large-scale decisions that impact the enterprise. Measurement of this nature serves another purpose.

Upon completion of the evaluation checkpoints, it is time for the decision-makers to integrate the next level of management into the process. Second-tier management is responsible for creating performance objectives. These are the targets for the achievement of strategic goals as articulated by the plan. These objectives articulate management and employee evaluation standards, the creation of operational initiatives, management and staff education, and every substantive aspect of work within the organization. As measurement is an essential element at

each stage of this process, so these objectives must be measurable. Management is responsible for an on-going assessment of these operational efforts. Additionally, leadership should require systematic reports on the progress of meeting each of the performance objectives.

This middle level of management is charged with creating reasonable performance objectives. These tools should require some degree of difficulty, to raise performance and productivity standards. They call employees to meet the demands of the business drivers. The performance objectives should be designed to stimulate the work of frontline staff.

This is another of the trust-building opportunities for senior leadership. If they can trust middle managers enough to allow them to define performance objectives, stimulate performance based on them, and then regularly report on them, that is another nod of approval.

Strategic Objective	Supporting Operational Goals
<ul style="list-style-type: none"> • To increase leases of business machines, by at least 25 percent, in Iowa, South Dakota and North Dakota within the next three years 	<ul style="list-style-type: none"> • To raise product awareness (throughout 2007) through tradeshows in target industries in the Northern Iowa territory • To request, contact, and close a minimum of five referrals per month from existing customers within the target markets
<ul style="list-style-type: none"> • To develop a sales and service focused organizational culture within the next three years 	<ul style="list-style-type: none"> • To annually provide a minimum of 400 hours of customized sales and service education and training for all levels of staff and management throughout 2007, 2008, and 2009 • To implement a quarterly service measurement methodology that utilizes random point-of-service contact evaluations
<ul style="list-style-type: none"> • To rate within the top three companies, based on sales records, in the office equipment industry by the year 2012 	<ul style="list-style-type: none"> • To, through a new recruitment and retention program, consistently generate at least a 20 percent in sales per quarter • To, by the end of 2007, institute an aggressive new incentive program for senior sales reps

A clear process that defines the critical elements of business success and intentions for future success is what is required for a strategic plan.

Summary

A clear process that defines the critical elements of business success and intentions for future success is what is required for a strategic plan. It need not be flowery or prosaic. What it must be is a clear, discernable statement of where the company is headed. It is articulated in succinct strategic objectives reflective of the business drivers. The success of the plan is contingent upon the clarity of these elements. It is also directly linked to the establishment and adherence to evaluation checkpoints designed to keep implementation on track and systematically measure results. The performance objectives and their subsequent measurement ensure fulfillment of the plan at the frontline level. This process removes the mystique from strategic planning. It provides a map for directing your enterprise's success.



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