Creating Successful Strategic Plans

“It is always wise to look ahead, but difficult to look further than you can see.” (Winston Churchill).

Thousands of articles, journals and books have been devoted over the years to the subject of corporate strategy, and how best to approach it. Here, we put the discipline of strategic planning in its historical context and outline the key considerations for creating a meaningful strategic plan today.

A brief history of strategic planning

In the 1960s, Ansoff observed that there was an important difference between strategic planning and what he referred to as ‘strategic management’. He believed that strategic management had three distinct parts:

- Strategic planning.
- An organisation’s ability to make these plans happen.
- An organisation’s ability to manage internal resistance to change[1].

Ansoff realised that while organisations were becoming increasingly adept at formulating strategy, this was rarely matched by an ability to convert this strategy into meaningful results. This tended to lead to what he called ‘paralysis by analysis in strategic planning’.[2]

Despite this, strategic planning remained popular throughout the 1960s and 1970s. But in the 1980s, largely due to the recession, it started to fall out of favour. Business giants such as General Electric that had led the way in strategic planning, axed their vast planning departments, tasking their main business units with the planning function instead.

By the mid-1990s, however, strategic planning was back on the business agenda, bolstered by an upturn in the economy, and also by the arrival of the internet with all the business opportunities it could offer. Some organisations such as Disney® even went as far as undertaking strategic planning specifically for their online businesses, though others concluded that strategic planning was meaningless in what was now a fast-changing business environment.

Although strategic planning is generally still popular today, for some organisations it is now less of an annual event than a continuous process. Nokia, for instance, already noted for its innovative working practices, aims to make strategy a daily part of every manager’s activity.

Where strategic planning was previously the preserve of a select few, or of a specialised department, many organisations are starting to consult a far wider number of stakeholders in the strategy-making process. By engaging more people in the strategy process, some organisations find it can make implementing the strategy easier, as well as producing strategic options that had not been previously considered.

The planning framework

Enough of the history, what about the nuts and bolts of strategic planning? Well, a strategic plan should establish a clear, coherent and realistic view of what an organisation wants to achieve, and an overview with timings, of how it will set about achieving its objectives. It can be summed up by the question ‘what business should we be in?’.

In order to be able to answer this, the plan should set out:

- the organisation’s mission
- specific strategic objectives to be achieved within a given timescale
- the overall strategies for achieving the objectives
- the resources required to meet the objectives
- the criteria for measuring the achievement of objectives
- a timetable for implementing the plan
- a method for monitoring performance and reviewing the plan

The **mission statement** is a useful way for an organisation to explain its purpose. It should be short (preferably no more than one or two sentences), inspiring, distinctive, specific about what the organisation wants to achieve, and last but not least, credible, so that all stakeholders will believe it and support it.

The UK’s Prince’s Youth Business Trust mission statement, for example is:

“To help young people who would not otherwise have the opportunity, to develop their self-confidence, achieve economic independence, fulfil their ambitions and contribute to the community through the medium of self-employment.”[3]

While a mission statement outlines an organisation’s purpose, many organisations also have a vision, to express the desired future state of the organisation, which by its very nature is more aspirational. For example, Voluntary Service Overseas’ vision is:

“a world without poverty in which people work together to fulfil their potential”[4]

Organisational objectives should state both the quantity and quality of the results that are expected. As well as a final date for achieving all the objectives, key milestones should be built in.

Many organisations favour SMART objectives, that is, objectives which are specific, measurable, achievable, relevant and time bound. [5]

In order to produce an effective strategic plan, Drucker suggests eight key areas for which objectives should be set. These are:

- **Market standing**, e.g. by increasing market share, developing products and improving customer loyalty and satisfaction.
- **Innovation** through the use of technological advances and seeking to make improvements in all key areas of the organisation.
- **Productivity** by making best use of resources and using innovative techniques to increase output and quality.
- **Physical and financial resources**, e.g. effective management of plant, machinery, offices, budgeting and capital deployment.
- **Profitability**, by maximising profit and measuring profitability.
- **Management performance and development** through guidance and support for managers, coaching future managers and removing redundant or ineffective layers of management.
- **Employee performance and attitude** by improving employee relations, developing teamwork and encouraging employee participation.
- **Public responsibility**, i.e. fulfilling responsibilities towards society, meeting legal requirements and taking public opinion on board. [6]

While Drucker first published this list of key objectives in the 1950s, much of it is based on common sense, and, therefore, is still useful in helping organisations set strategic objectives today.

Organisational strategies are the actions required for an organisation to achieve its declared objectives. Depending on what the organisation is trying to achieve this could involve anything from engaging in a joint venture, to installing a new IT system. Whatever the objectives to be achieved, the associated strategies should be expressed simply and clearly.

Strategies can be broken down one stage further into tactics, i.e. individual actions and tasks. These tasks are usually given to specific groups or individuals, often along with a timescale for their completion.

Resource allocation. Once the objectives and strategies have been decided, the organisation can turn its attention to allocating the necessary resources for the job. Obviously, money is the key resource, but personnel, premises and equipment are also very important.

Criticisms of objective/goal setting

Recent research from Harvard Business School has questioned the use of goal setting. [7] The authors argue that while goal setting can have wide reaching and powerful effects, over-use of the tool can cause organisational side effects. Overly stringent use of goals, they say, can lead to too narrow a focus. There is, perhaps, a possibility that, in an organisation's determination to achieve the agreed objectives, corners are cut and new opportunities or change drivers missed. Among the risks of over-rigorous goal setting the authors include:

- too narrow a focus
- unethical behaviour or increased risk taking
- decreased cooperation between business areas
- loss of motivation

In the 1990s, the energy trading organisation Enron achieved rapid financial success. Salesmen were rewarded for the volume of sales rather than the price achieved by the goods they sold. The end result was that Enron's narrow focus on revenue volume, rather than profit, caused its financial collapse.

Goal and objective setting remains a powerful tool for achieving results and enabling all areas of an organisation to work towards a common outcome. However, caution needs to be taken to ensure that the achievement of these goals is not at the expense of other areas. Careful monitoring of progress and frequent reviews to check that the goals are still the most relevant should keep the balance right.

Keeping stakeholders happy

The process of preparing a strategic plan needs to involve board members, managers and staff, and often other stakeholders as well, to ensure that everyone 'owns' the plan and uses it to inform decisions and monitor progress.

While individually, stakeholders may not hold a great deal of sway in the setting of objectives, as a stakeholder group, their opinions and influence can have a much greater bearing on strategic decisions.

Of course it is impossible to please all of the people all of the time. Below are just some of the common conflicts of expectations that an organisation may expect when trying to agree their strategic objectives:

- the need for short-term profitability versus the need for investment for long-term growth
- owners' ideas versus management ideas
- financial considerations versus the interests of employees

By mapping out all the different stakeholder expectations, an organisation can assess where conflicts lie, and decide which objectives are necessary and appropriate.

Evaluating the plan

Finally, once a strategic plan has been devised it is important to make sure that it will be effective. It is important, therefore, to ask:

- Are its objectives, actions and targets clearly laid out?
- Is there a clear timetable for reaching key deliverables?
- Have responsibilities been properly allocated?
- Is there a method for monitoring progress?
- Is there overall support for the plan?

The answer should, of course, be yes to all of these questions.

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[1] Tim Hindle, *The Economist Guide to Management Ideas*, 2003, p 209.

[2] Tim Hindle, *The Economist Guide to Management Ideas,* 2003, p 209.

[3] www.compasspartnership.co.uk (20 May 2005).

[4] www.vso.org.uk (20 May 2005)

[5] **SMART** is sometimes also referred to as **SMARTER**, with the additions being **extending** and **rewarding**. SMARTER is more likely to be used in relation to personal, rather than strategic, objectives or goals.

[6] Peter Drucker, *The Practice of Management* (Butterworth Heinemann, 1995) p60-84.

[7] http://www.hbs.edu/research/pdf/09-083.pdf. (24 Mar 2009)