

Strategic Planning – Is it Worthwhile?

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Strategic planning fools most people. The techniques are not difficult, but quality of thinking is.

Strategic thinking requires appropriate information, full understanding of techniques, and application of thinking that is creative, initiative and innovative.

All stakeholders (like stakeholders, all staff, customers, financiers etc.) must have ownership of the process and decisions that form the strategic planning.

A couple of important questions that need to be answered during a strategic planning process are :

- What industry/ business are you in?
- What industry/ business should you be in?
- What industry/ business will you be in?

The strategic plan must have an action plan ie. who, what , when, how and a driver.

Using overseas models to develop a strategic plan has limitations for the Australian situation. We are different to other countries like USA, Europe and Japan. Some of these differences are :

- Importance of Government as a competitor, regulator, buyer and supplier;
- Role of public sector ie. stakeholder;
- Importance of Industrial Relations ie. centralised wage fixing and unions;
- Remoteness;
- Industrial structure ie. limited players;
- Three levels of Government and short term of office;
- History ie. English colony, exporter of raw materials; lucky country and no local wars;
- Immigration with increasing Asian intake;
- Analysis/ paralysis;
- Quality of management (Karpin report);
- Individual/ national values.

Most of these differences are missing in models imported from overseas and used in Australia.

Definition of Strategic Planning

Those decisions or choices which have high medium – long term impact on the activities of the organisation, including the implementation of those decisions.

Aim of Strategic Planning

To maximise the use of talent and resources in the organisation to give it a sustainable competitive advantage over its competitors. In other words, an organisation must make better use of its resources to develop products or services to more suit its customers needs.

Three Levels of Strategy are :

1. **Corporate** – strategic issues related to the portfolio mix of business.
2. **Business** – how one particular organisation positions itself relative to its competitors in order to achieve sustainable competitive advantage.
3. **Functional** – how each of the functional departments of the organisation will contribute towards achieving the business strategy which has been set.

For a single business organisation, corporate strategy and business strategy are the same. The 3 levels must be consistent with one another.

Organisation's strategy should be consistent with its vision.

Four key aspects of strategic planning :

1. **long term impact** - (not day to day decisions) Questions for asking in long term decisions include :
 - what business to be in;
 - what product range to sell;
 - which market to serve;
 - where to locate operating facilities;
 - reward system;
 - what information system.
2. **decision making** - as strategic decisions are about the future, complete information is not available. This should not be an excuse not to make decisions. Strategy is more than analysis. It is about action, and decisions need to be made.
3. **integration and focus of business functions** - strategic decisions usually impact on more than one area of the organisation. Thus there is a need to understand all the functions and interrelationships in an organisation.
4. **implementation** - for a strategy to be useful it must be implemented ie. a good analysis and plan is not enough.

Key Concepts and Issues in Strategy

Organisational size	<p>ie. as organisations develop in size, their strategic thinking and systems change and pass through a number of stages eg. hands on management to delegation.</p> <p>The stages of organisational life cycle are single manager, functional delegation, financial orientation, marketing orientation and strategic management.</p>
Industry life cycle	<p>ie. matching changes in organisational size with stages of development of an industry eg. at a start up stage of an industry the organisation will be small.</p> <p>The stages of industry life cycle are start up, growth, control, maturity, shake out and decline (?)</p>
Decision maker(s)/ Key stakeholders	<p>ie. a person or group that has a significant influence on the strategic decisions of an organisation, and involves the formal and informal power structure.</p>
Environmental analysis	<p>ie. need to look at factors and trends outside the organisation that can influence the performance of an organisation.</p>
Sustainable competitive Advantage	<p>ie. need to develop a sustainable competitive advantage over competitors. This means that there is a need to develop capabilities superior to those of your competitor. These capabilities need to be :</p> <ul style="list-style-type: none">- of value to customers;- better than most competitors;- difficult to imitate or replicate. <p>Key internal factors are described as “distinctive competencies”, “capabilities”, “core competencies”, “skills” and “strengths”.</p> <p>Most organisations only have a “few” capabilities that give a sustainable competitive advantage.</p>
Value adding/ value chain	<p>ie. in the operational sense, strategy is about producing products or services that create value for the customers and they are willing to pay for.</p> <p>Value added for an organisation is different to what the customer perceives. For the organisation the value added is the difference between what the customer pays and the cost of producing it. For the customer it is the difference between benefits received and the price paid for the service or product.</p> <p>It is important to establish what the customer values and does not value.</p>

NB: STRATEGY IS AN ART ... NOT A SCIENCE

Eleven Steps in Developing and Implementing An Effective Strategic Plan

- 1. Who to be involved**
 - Key Stakeholders
- 2. Environmental Analysis**
 - Analyse social, economic, political and technology factors in World and Australian scene
- 3. Industry, Business and Organisational Analysis**
 - Important questions, SWOT, Modified Porter's analysis, Cultural and corporate audit
- 4. Vision and Mission Statements**
 - Letter 2010, links between vision, mission statements and core values
- 5. Identify Gaps**
 - KRA or CSF
- 6. Alternative Strategies**
 - Use brainstorming techniques like fishbone, imagineering, "6" hats, "Po", random word and fan concept
- 7. Select Most Suitable Strategies**
 - Resource allocation, effectiveness, efficiency and prioritise
- 8. Action Plan**
 - Who, what, when and how
- 9. Implement Action Plan**
 - Driver
- 10. Monitor and Evaluate**
 - Measure performance and feedback
- 11. Review Strategic Plan**

Reference

Graham Hubbard, Graeme Pocknee & Graeme Taylor, (1996), Practical Australian Strategy, Competitive Edge Management Series, AIM (Prentice Hall).