

Something more about Strategy Planning

Every company has a Strategy Plan;
claiming to have none also discloses a plan;
namely the unconscious plan of continuing business as usual!

Sometimes the plan is not written down in a formal strategy document;
in few of these cases the management team has an extraordinary ability to keep all
details in their heads and act upon them in all relevant matters;
they might even continuously explain it to their employees,
so that they are able to act consistently.

In most cases however, if you do not from time to time execute a formal strategy process and document the result in a formal Strategy Plan Document,
you will leave too much of your company's future to chance,
and you will not benefit from an important vehicle
to improve your organisations strategic management capability

*If you don't know where you are taking your business
– it may arrive at a place which you or your stakeholders don't like!*

Bjarne Nielsen, advisor on strategy- and management, www.nielsencompany.dk

Preface

I have several passions – one of the professional is strategy planning! Hence I feel privileged that also in 2008 I have been involved in strategy planning – both as a non-executive board member and as an adviser to top management of leading firms.

Also I feel privileged still to be able to learn and improve. For many years I have strived to find a simple and easy to understand way to describe how to design a strategy process and what a strategy plan should look like. I have never been satisfied!

In my Christmas Essay from 2006, "Something on Strategy Planning"¹⁾, I thought I was pretty close. Since then I discovered that one way of describing the strategy process I want to describe simply is not sufficient. When you choose one way of describing a complex issue, and you don't want the description itself to become too complex, you are locked to what that one way allows you.

Further it is a common experience that people have different learning preferences – some prefer text, others prefer drawings and figures, and for most peo-

ple a mix of those communicates the best.

This is the background for this ultra-distilled picture-based supplementary essay on Strategy Planning. Still of course the content only concerns the framework of Strategy Planning. In practice there is a lot more – including a lot of tools and techniques that need to be applied to make it work.

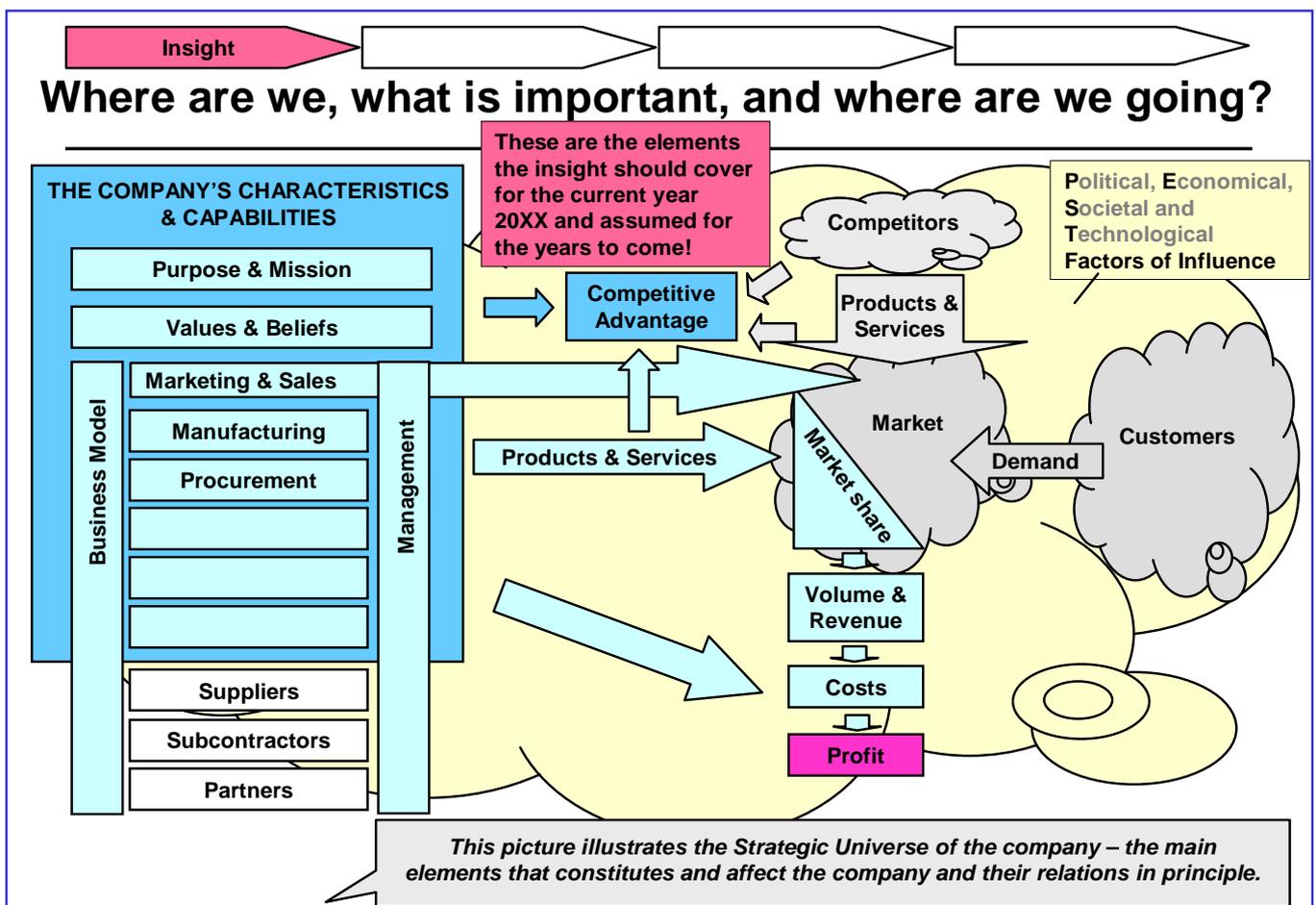
As I increasingly get involved in discussions in English, and for my personal convenience only having to deal with one version, the language is English. The terminology is that of private enterprises – however public organisations can easily find useful analogies. The four pictures are content rich – take your time to study them; you will find support in the text below.

I would be happy if my thoughts could inspire you and lead to improvement of your strategic management capability to the benefit of your company or organisation.

Rungsted Kyst, December 2008

Bjarne Nielsen

¹⁾ Originally in Danish but now available in an English version
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Bjarne Nielsen, advisor on strategy- and management, www.nielsencompany.dk

Strategy Planning

Good strategies may be developed by gifted executives conceiving innovative ideas during their morning shower. Most of us however, do not belong to this category. To maximise the likelihood of developing sound strategies, to facilitate the organisational learning of strategic management, to be able to involve people in the process and, not least, to establish a firm basis for implementation, a structured approach is recommendable to most companies. This is what I call Strategy Planning.

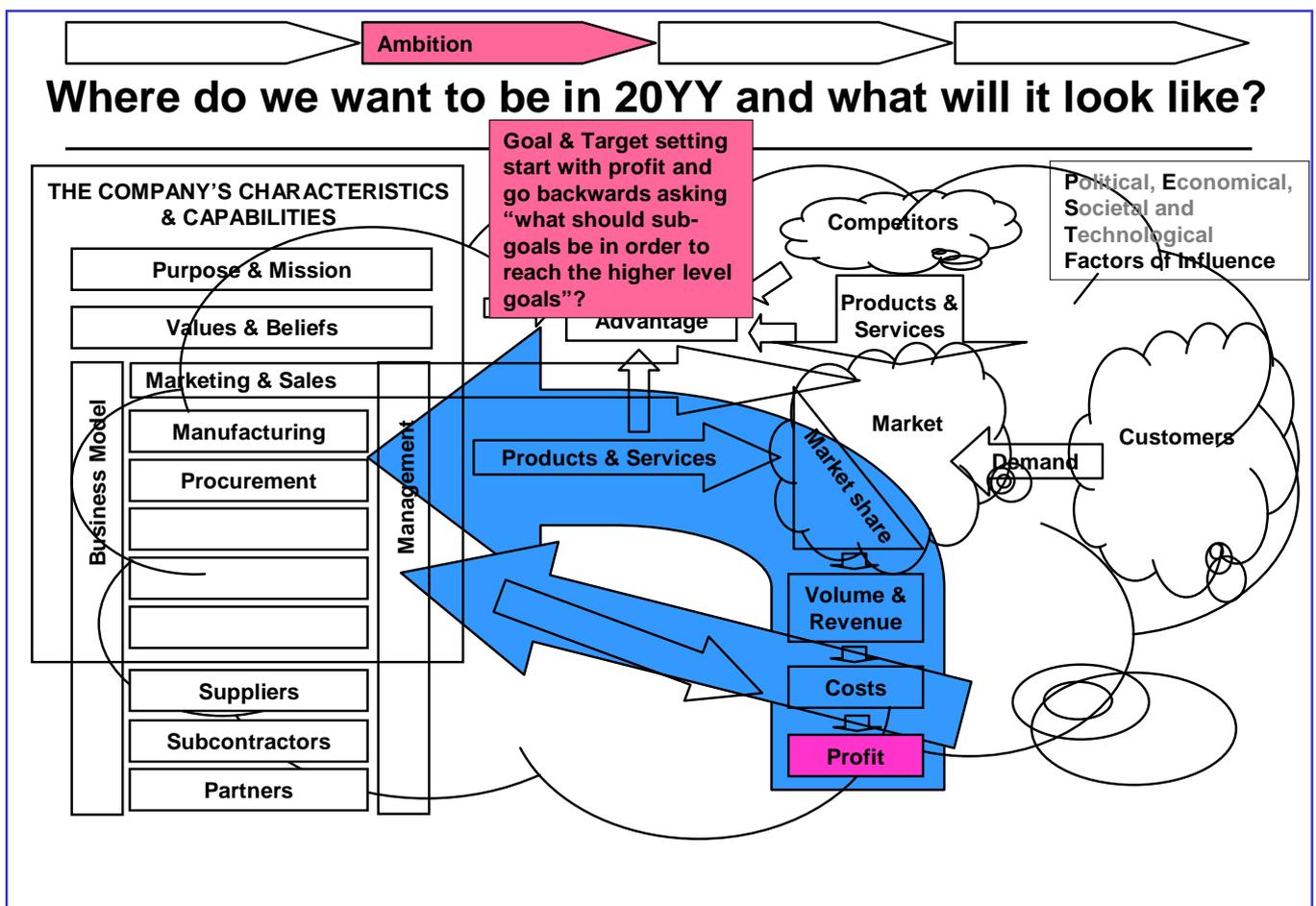
Strategy Planning consists of four phases: Insight, Ambition, Strategy and Implementation. These phases are logically sequential, and you need to time-box each and every for the entire strategy process to be effective. However you also need to recognise that in any of the phases 2 – 4 you become wiser about the content of the previous phases.

Phase 1: Insight

In today's global competition it is more than ever key that strategies are based on profound insight into what I call the Strategic Universe of your company: What are the elements that affects your company's value creation, their relations and their importance? How is your company doing and where is it heading?

What does this insight mean in terms of a distilled strategic agenda – i.e. the challenges you need to address in the next phases of the strategy process? These fundamental questions can be answered through clever execution of the following steps:

- 1 Define the strategy domain – i.e. the area of strategy planning – decide on the yardstick of success (value creation) and unravel the power structure in relation to the approval and accept of the Strategy Plan.
- 2 Prepare a calculation model to be used continuously during the strategy process to calculate and illustrate value creation.
- 3 Elucidate and understand the company's present value creation – i.e. who, what, where, why, and how much value is created (use the calculation model).
- 4 Describe and understand the nature of the customers, the market, the competition, and of the company's competitive position.
- 5 Identify the internal and external factors (value drivers) which have significant influence on the value creation of the company – and make assumptions about their future development.



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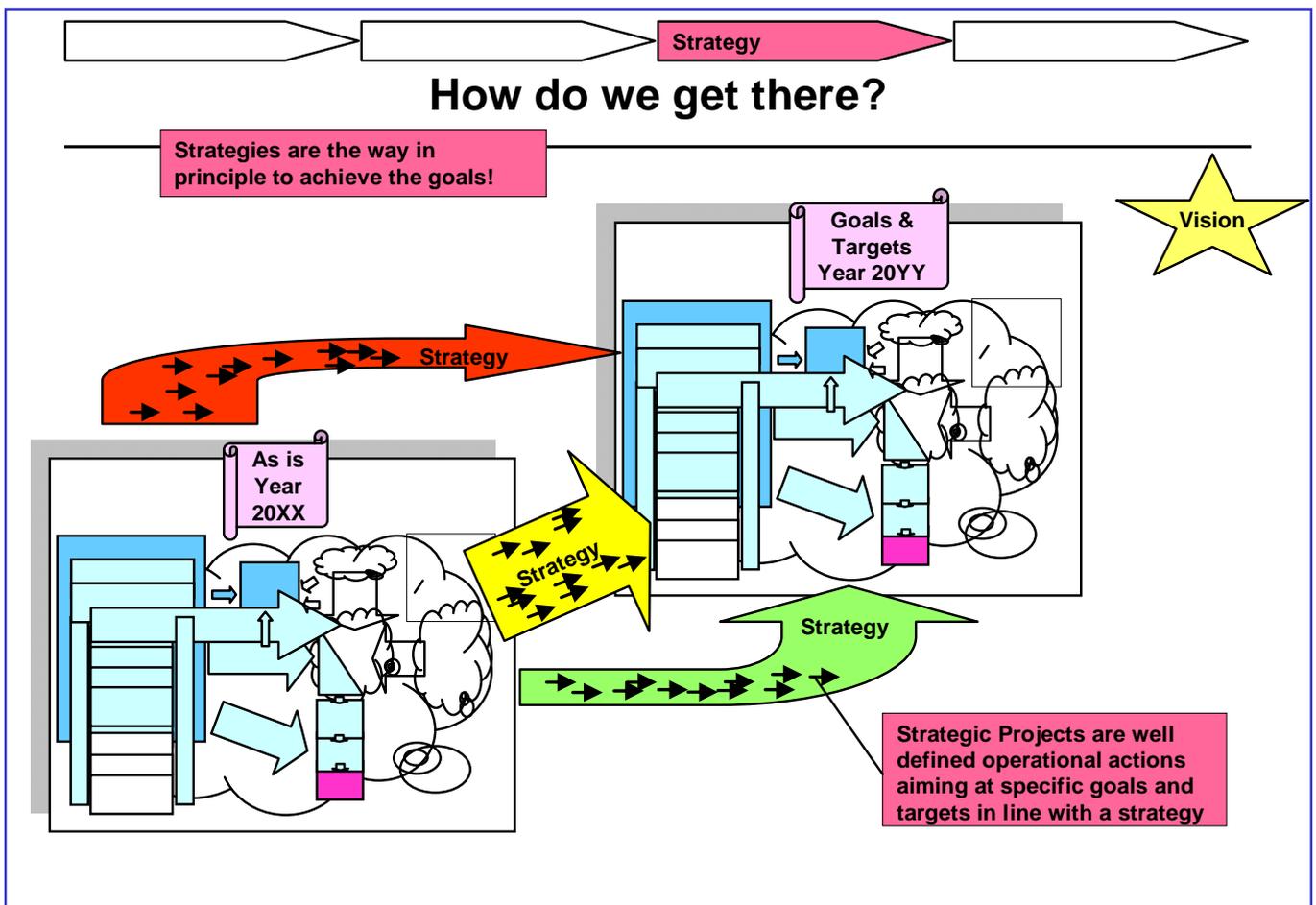
- 6 Prepare one or more projections of the company's value creation based on the above and on present plans.
 - 7 A SWOT analysis may be useful.
 - 8 Based on the above, prepare a list of all the issues which worry management with regard to future value creation and conclude on the strategic agenda for the company.
 - 9 Make a list of possible strategies to meet the challenges on the strategic agenda in order to contribute to the goal setting in the Ambition Phase.
- 1 Begin by checking and possibly adjusting the raison d'être of the company in business society. In other words what is the mission of the company through which it aims at fulfilling its purpose: to create shareholder value?
 - 2 Consider if the owners and management hold basic values and beliefs that may limit and guide the choice of strategies, e.g. concerning Corporate Social Responsibility.
 - 3 Decide how ambitious you want to be concerning the future development of the company.
 - 4 If relevant and possible, decide on a vision which briefly expresses what the very long term future company looks like. A good vision may mobilise a lot of energy in an organisation.
 - 5 Set up specific goals which must be fulfilled to create the future you want. Be aware that if goals are too hazy you can't steer at them.

Sometimes it is useful to begin the Insight Phase (by a first shot) at step 8, and use the result of that (i.e. hypotheses about the strategic agenda) to focus the efforts in that phase.

Ambition

Where do you want your company to be in the years ahead? Great care and precision should be exercised in answering this question. If your level of ambition is too low, you risk future poor performance due to a relaxed company culture, leading to limited growth opportunities and the risk of being taken over. If you are too ambitious you risk the same (or worse) due to lack of capabilities or resources. The following five steps may help you strike the balance:

No matter where you start goal setting, the goals must ultimately fit into a logical structure – in principle: Financials first (assuming volumes and market shares), then what you need to provide of products and services to the market, and then what you need of capabilities. In setting goals you can spend much time defining what is goals and what is strategies. Be pragmatic and find a solution that works for you!



Bjarne Nielsen, advisor on strategy- and management, www.nielsencompany.dk

Strategy

How do you get there? Which main ways should you go to create the future defined in the Ambition Phase? This is where the strategy process becomes really complex and potential dangerous. Complex because you deal with many elements of the future; dangerous because you are not able to prove that your strategies will work and you may decide poor strategies that put the company at great risk.

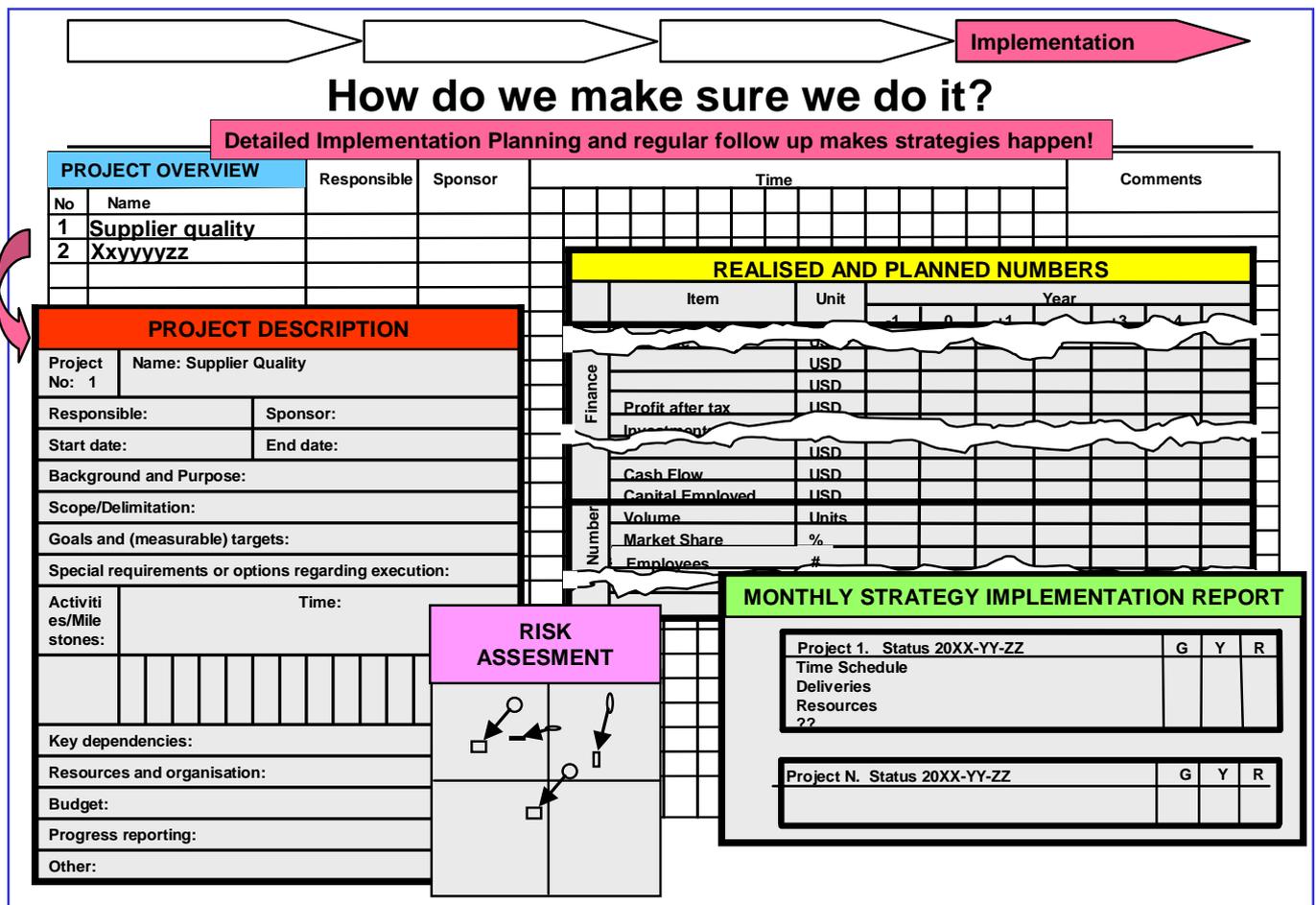
The Strategy Phase can be divided into the following five steps:

- 1 Set the scene for which type of strategies should be pursued. It depends much on how much scope for action you have? Is the company in a crisis, in a consolidation phase, or growing?
- 2 Develop many possible strategies (this is a very creative task).
- 3 Evaluate and test the strategies individually and collectively (this is absolutely not a creative task, except for the data collection methods and the test methods).
- 4 Choose (this must be based on brain and not heart although also intuition and courage is needed)
- 5 Test the choices (again).

To structure the creative development of strategies, you may proceed sequential by how low hanging the strategy possibilities are, e.g. the following six classes going from "low" to "high" (from easy to difficult):

- A More of the same. Is it sufficient? If not ...
- B Find out how to stop the diluting or destruction of value. Is it sufficient? If not ...
- C Find out how much trimming of the existing company could bring. Is it sufficient? If not ...
- D Find out how much investments in the trimmed company could contribute. Is it sufficient? If not ...
- E Find out how much new products and/or markets could contribute. Is it sufficient? If not ...
- F Find out how much acquisition of business is necessary. Is it realistic? If not, you should lower the ambition – go back to the Ambition Phase!

Unfortunately many strategy plans stops here; now the glorious and funny part is over. In such cases the Strategy Plan will seldom be implemented. Strategies must be broken down into operational Strategic Projects aiming at specific operational goals and targets.



Bjarne Nielsen, advisor on strategy- and management, www.nielsencompany.dk

Implementation

The Implementation Phase is about preparing the implementation; making as sure as possible that the strategies will happen and deliver the promise. That is why this phase demands high competence in execution – i.e. to make things happen in the daily operations. Many managers are reluctant to conduct the detailed work and allocate the resources that a professional implementation management requires. They think it is nitty-gritty, too boring and too resource consuming – and they pay a high price for this line of thinking!

The implementation should be subject to a thorough risk analysis followed by decisions regarding proper risk mitigation; this should be part of the implementation plan.

It is necessary to prepare an operational implementation plan, which describes in detail, who does what, when, where, why and how – and what it takes in terms of resources. Strategies must be broken down into a number of operational Strategic Projects, each and every well described in a standard format.

The entire project portfolio must be tested. Does each project have a clear purpose, measurable goals

and clear delivery requirement that contributes to deliver the strategy? Are the projects collectively sufficient? Could some projects be downgraded or postponed to not stress the organisation unnecessary? Are each goal supported by sufficient projects?

Everything must be converted into numbers in a budget for the next fiscal year plus a 3 – 5 year calculation of all relevant quantitative consequences and assumptions of the strategy plan. Most often a best and worst case forecast should be included.

Strategy implementation control and reporting procedures should be established. Project managers, line managers and top management should each with relevant frequencies receive dedicated reports, allowing them to understand progress and act accordingly.

Finally, but not the least important, the implementation will very soon lose momentum if a programme office is not put in place. It can be anything from a part time person to one or more persons for large implementations. The minimum task being administrative project control, preparation of progress reports and administrative support to managers.

*"These are my principles.
If you don't like them I have others!"
Groucho Marx*

Bjarne Nielsen
Advisor on Strategy and Management
Strategy – Execution – Value Creation
Constantiavej 4 B, DK-2960 Rungsted Kyst
www.nielsencompany.dk
Tel: +45 40 90 46 24; e-mail: bjarne@nielsencompany.dk