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## **MANAGING THE STRATEGIC PLANNING PROCESS**

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### **PURPOSE**

To establish and manage the process for setting vision, strategy, and direction in order to be an upper-quartile company. To ensure that this is reflected in all plans, projects, and actions throughout the company.

### **Chapter Content**

Understanding and Analyzing the Internal and External Environment  
Business Mission, Vision, and Values  
Strategic Planning  
Supporting Process and Function Strategies  
Strategy Development  
Business Planning and Annualized Plans  
Evaluation and Control  
Business Strategy Management Process  
Risk Management  
Performance Measures  
Behavioral Characteristics

## UNDERSTANDING AND ANALYZING THE INTERNAL AND EXTERNAL ENVIRONMENT

0—NOT DOING  
1—POOR  
2—FAIR  
3—GOOD  
4—VERY GOOD  
5—EXCELLENT

1. **A process exists to collect relevant information internally and externally to understand the company, its products and services, its market place, and the competition.**

- a. Company Capability

The company has a process to understand the capability of all its business processes to identify the strengths and weaknesses of its offer to the market place.

- b. Industry Position

The company actively seeks information and input from inside and outside its sector to identify best practices and excellent performance in all its processes and at all company levels. It can show its industry position and measure that it performs at least as an Upper Quartile company in its sector.

- c. Stakeholder Goals

The major stakeholders in the company are identified and their short-, medium-, and long-term goals are understood. The company has a balanced view of goals and targets.

- d. Market Analysis

Sufficient investigation and analysis is carried out to understand the market in which the company operates, its competitor's activity, and the value of its opportunities. This may include trends in geographic focus, consumer and customer demands, economic trends and national and international policies and regulations, etc.

0—NOT DOING  
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e. Products and Services Portfolio

All parts of the products and services portfolio are examined to ensure the voices of the consumer and customer are understood and life-cycle trends are identified. The potential of competitor actions and technology discontinuities and breakthroughs in technology and the market place have been assessed.

2. **This information is analyzed using appropriate tools to identify and prioritize opportunities and challenges for the success of the business.**

a. Information Analysis

Information is analyzed to form a picture in words and figures of potential futures for the strategic plan horizon. Potential breakthrough areas for technical and nontechnical innovation are sought and identified for the company to differentiate from its competitors.

b. Analytical Tools

A comprehensive use of analytical tools is made to identify business trends and opportunities and to understand how the company responds to current and future consumer needs.

c. Capability Diagnostic

A diagnostic is prepared and agreed showing the capability of the company in all its processes and its adequacies or limitations for the future.

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0—NOT DOING  
1—POOR  
2—FAIR  
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d. Opportunities

The challenges and opportunities for the company from inside the company and from its external environment over the strategic plan horizon are understood and documented.

e. Prioritization

Opportunities to meet the business strategy are prioritized using established filter criteria, and the potential risk to the business from each opportunity is understood.

**BUSINESS MISSION, VISION,  
AND VALUES**

**3. Mission and vision statements exist, representing the balanced views of the company (or business unit) and its stakeholders.**

a. Top Down Team-Based

The company mission, vision, and strategy are for a suitable long-term horizon appropriate to the business. They are initiated and agreed by the chief executive officer, his company leadership team, and other functional heads and key players, and they are shared and supported by the entire organization.

b. The Mission Statement

The mission statement is a clear and concise statement of the company's strategic intent. It summarizes the main purpose of the business or business unit and the value that its products and services bring to customers, consumers, and society.

0—NOT DOING  
1—POOR  
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c. The Vision Statement

The vision statement is inspiring and memorable and summarizes concisely what the company wants to become in its market place and community.

d. The Expanded Vision Statement

The expanded vision statement paints a picture in words and overview figures to show employees, customers, suppliers, and shareholders what the company plans to become in the medium and long term. It is sufficient for them to relate their actions and behaviors and their sense of values. It is long term enough to be independent of business cycles.

**4. The company values shape the business strategies and supporting plans. They are captured in a values statement and are lived throughout the company.**

a. Ownership

The company values are owned by the chief executive officer and the leadership team and are formally documented in a values statement that is discussed and agreed with all the company stakeholders.

b. The Values Statement

The values statement sets out the guiding principles and ethics by which the company will be known. It embodies how the company wishes to be perceived by all its stakeholders and is the prime driver for setting the culture of the business.

0—NOT DOING  
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c. Communication

The company values are formally presented to everyone in the company, and this process is used to create excitement and purpose and to stimulate behavior change.

d. Living the Values

The company values are reviewed regularly and are used on an everyday basis to challenge the behaviors and culture of everyone in the company and to inspire all to improve continuously.

**STRATEGIC PLANNING**

**5. A business strategic plan exists to support the mission and vision statement that is focused on strategic business objectives. It enables the alignment of all company processes and functional plans and the deployment of a hierarchy of measures.**

a. Value Proposition

The strategic plan contains clear direction on the company value proposition (strategic values or value discipline), outlining how the company will differentiate as an upper-quartile performer in its chosen markets.

b. The Strategic Plan and Competing Priorities

The plan sets out for the medium and long term, the policies, goals, financial strategy, actions, and milestones for the company to attain its vision and firmly sets out the company's Strategic Business Objectives. Its competing initiatives and ambitions are prioritized against a timeline. It is long term enough to be independent of business cycles.

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c. Strategic Business Objectives

The goals for the company area clearly stated in quantifiable Strategic Business Objectives, which are formally agreed and documented and are each owned by a member of the leadership team. The Strategic Business Objectives are the driving force for change throughout the organization. It drives the hierarchy of goals and objectives in all separate or integrated units of the business.

d. Validity and Affordability

The strategic plan has sufficient operational analysis and plans to ensure that it is valid and achievable and contains sufficient financial analysis to ensure that it is viable and can be funded.

e. Risk Analysis

The main risks are formally identified and documented, and actions to reduce risks and risk contingency plans are identified.

f. Organization Roles

The role of every part of the present and future organization and its planned achievement is defined. The prime measures in the hierarchy of measures are derived from the Strategic Business Objectives, and are identified, agreed, and owned by a member of the leadership team.

**6. The assumptions generated through all parts of the strategic planning process are captured and formally documented. They are revalidated as additional information becomes available and are regularly reviewed and monitored.**

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a. Documentation of Assumptions

The assumptions made in the construction and the agreement of the strategic plan are identified and are formally documented and communicated. Ownership of assumptions exists throughout the organization.

b. Validity

The assumptions are sufficiently tested to ensure that they are valid and are confirmed and applied throughout the business. Wherever possible, they are measured by their owners so that early warning of change is given.

c. Monitoring and Reporting

Key assumptions are monitored and reported through the formal company Integrated Business Management process on a planned and regular basis.

**SUPPORTING PROCESS AND  
FUNCTION STRATEGIES**

**7. The business strategic plan is appropriately supported by strategies for the core processes of the business that collectively deliver the company goals.**

0—NOT DOING  
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a. Market Strategy

There is a market analysis and planning process culminating in a market strategy to meet the growth and profitability aspirations of the business policies and plans covering the market sectors to be pursued. It also covers direction about the geography of the business and its planned channels and routes to market. The market strategy drives the company demand management processes and reviews.

b. Product and Services Strategy

There is clear analysis and direction on the products and services the company chooses to sell to meet its business aspirations, culminating in a product and services strategy. It includes direction for each product family or brand, its targeted consumers and customers, geographies, and the expected trends in product life cycles. It may include the company technology strategy and will drive the company product management processes and reviews and require a critical mass of identified core competencies.

c. Financial Strategy

There is a financial strategy for the business that sets out how the strategic plan will be viably funded and supported. It shows how the shareholder value and returns will be protected and grown. It defines the potential sources of funds and how those funds will be used. It will outline how the provision and use of financial information will be developed to promote and support advances in the business.

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d. Operations Strategy

There is an operations strategy that defines how the company processes will be developed to meet future service and costs targets and to introduce new products and services most effectively. It reflects the company's competitive priorities. It covers processes from suppliers to consumers and from customer orders to invoicing, and includes a capital investment strategy that drives the company's make/buy policies. The strategy defines the role and focus of each operating unit and drives the company supply management processes and reviews.

**8. Detailed strategies for key supporting functions are also derived from the business strategic plan and should, at minimum, include human resources (HR), information technology (IT), and any other process enabler important to the business.**

a. HR Strategy

The company is committed to excellence, and its values are demonstrated at all levels. The role of people as a major differentiator is understood, and a strategy and plan exists to focus the acquisition, development, recognition, and motivation of the skills and competencies that are key to its future success. It includes practical succession planning to cover potential gaps in key positions and competencies.

0—NOT DOING  
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b. IT Strategy

The strategic plan is supported by an IT strategy that sets out the architecture and framework for systems and communication tools for the future. The strategy prioritizes planned investment in IT (as part of the company capital investment strategy) to support the business processes and its strategic initiatives and determines how it will be managed. The need to educate as well as train users and managers in the processes and required behaviors to secure the potential business gains from investments is recognized.

c. Data Strategy

A data strategy exists to define the static and dynamic information needs of the business and its partners and how they will be satisfied. Its implementation is owned by the leadership team. Data quality and integrity is understood as a foundation requirement and discipline for excellence and is measured throughout the organization.

**STRATEGY DEPLOYMENT**

**9. The competing priorities of the business and its performance goals are resolved to determine the priority of strategic projects and their skill and capability requirements. Projects are justified by demonstrating a compelling need and case for change.**

a. Performance and Capability Gap Analysis

The gap between current capability and future plans and needs is understood, and the benefits and time phasing of planned changes is quantified.

0—NOT DOING  
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b. Business-Based Competitive Priorities

Proposed initiatives that compete with each other for attention are assessed using established and agreed criteria and are prioritized to the overall business needs during the lifetime of the strategic plan.

c. Project Approval

Each planned project is formally approved before work commences, and the need and case for change is proved with detailed business benefits and resource implications. Approved projects are held in a company-wide project master plan with agreed planned start and completion times, identified interdependencies, and ownership and sponsorship within the leadership team.

d. Skill Competence Analysis

The skill and competence base of the company is formally assessed against the strategic plan. Its strengths and weaknesses against timelines are understood, a gap analysis is conducted, and improvements are planned. Gap-closure actions are assigned and drive the education, training, selection, and succession plans for the business.

**10. Strategic plans are converted into goals at every level of the business with detailed and prioritized action and resource plans. They are cascaded and explained to all people, demonstrating the need and plan for change.**

0—NOT DOING  
1—POOR  
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a. Communication Process and Listening

The vision for the business is widely communicated in a succinct, consistent, and repeatable way with opportunity for builds and feedback, and strategic goals and plans are cascaded to working levels with ownership and sponsorship.

b. Deployment of Goals and Targets

The performance targets required to fulfill the business strategy and the goals outlined in approved and planned improvement projects are represented as goals and targets at all levels of the business. Accountabilities are assigned and are part of the appraisal process.

c. Detailed Project Plans

Approved projects have detailed plans for goal achievement with supporting resource and capability plans to develop and allocate the appropriate skills and competencies.

d. People Development Plans

Plans are prepared and actioned to prepare people for the change program and projects. People with talent, development potential, and leadership skills are identified, and personal development plans are instituted.

e. Measures and Reviews

Formal processes and tools are used to manage, review, and measure projects and goals at all levels. Management by exception is commonplace and proactive corrective action plans are communicated.

## **BUSINESS PLANNING AND ANNUALIZED PLANS**

0—NOT DOING  
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**11. The early years of the strategy are defined in the business plan and are the foundation of the company's annualized plans. They are used throughout the company for individual and team goal setting.**

a. Business Plan (Multiyear Plan)

The plan for implementation of the early years of the business strategy is contained in the top level business plan covering at least two years. The business plan is the foundation of all other plans and projects.

b. Annual Plan (or Budget)

The annual plan (or budget) shows in depth an integrated view of how the business strategy and plan will be met, with owned targets and goals to achieve that reach down to every individual or team.

c. Affordable

The resource requirement of the business plan and annual plan (or budget) is regularly reviewed, and their affordability is formally checked to ensure validity.

d. Integrated Business Management

The business plan and the annual plan (or budget) are the prime references for the monthly Integrated Business Management process.

**12. The business plan is the main driver of the company annual plan (or budget), management control, and gap-closing activity.**

0—NOT DOING  
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a. Alignment to Strategy

The annual plan (or budget) is driven top down from the business strategy and bottom up from the company Integrated Business Management processes and is in alignment with the business plan.

b. Budget Information

Information from the Integrated Business Management process is directly used to compile the annual plan/budget.

c. Suite of Measures

A balanced suite of measures is in place at the top of the company, showing how well the interests of all the stakeholders are managed. This suite is at the head of an integrated hierarchy of measures for the whole business that are used to monitor progress and drive action.

d. Assumption Management

The assumptions behind the strategic plan, the business plan, and the annual plan (or budget) is aligned, formally recognized, and documented. They are regularly monitored and reviewed, and plans and assumptions are updated as required. Assumptions are carried forward into the company Integrated Business Management process.

**EVALUATION AND CONTROL**

**13. Formal and informal periodic reviews are held to confirm the alignment of forward strategies at all company levels and between processes and specialist functions.**

0—NOT DOING  
 1—POOR  
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a. Diagnostic Review

On an annual basis, a formal diagnostic review of strategy deployment is undertaken. This will usually be a complete review of one sample strategic business objective to gauge the depth of its understanding throughout the business and the alignment of all business processes to achieve its goals.

b. Reflection

At least twice per year, the diagnostic is supported by an informal reflection of the strategic plan where a few key individuals come together to assess mutually the health and understanding of a particular Strategic Business Objective.

c. Resource Allocation

Strategic initiatives are included in the reporting and resource allocations in the Integrated Business Management process.

**14. Results are regularly reviewed to ensure that the deployment and implementation of strategy delivers the company plans.**

a. Project Organization

A project organization exists that embraces all strategic initiatives. It gives visibility of their progress and enables balanced cross-functional priorities and resource allocation.

b. Project Reviews

Project plans are regularly reviewed by line managers and sponsors from the leadership team, and decisions are made to keep them on course for success.

0—NOT DOING  
1—POOR  
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c. Payback

Projected and actual business gains are measured and project based assumptions are reviewed to ensure that a project remains viable and worthy of completion.

d. Communication

Project launch, progress, and completion are widely communicated to recognize the efforts of those involved and to create an ongoing excitement and appetite for change throughout the workforce and its partner resources.

**BUSINESS STRATEGY  
MANAGEMENT PROCESS**

**15. A dynamic process exists to ensure that the impact of decisions and events on the business strategy and plan are visible, understood, and agreed.**

a. Integrated Business Management

The company is managed through an Integrated Business Management process, which reviews the activity and forward plans for all company processes and ensures that their integrated results meet the business plan.

b. Monthly Review Process

The process is based on demonstrated performance and manages the rolling period forward appropriate to the business through formal monthly reviews.

0—NOT DOING  
 1—POOR  
 2—FAIR  
 3—GOOD  
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 5—EXCELLENT

c. Review of Strategic Initiatives

The company monthly review includes a review of progress and resource for strategic initiatives.

d. Short- and Long-Term Alignment

The review also ensures alignment between day-to-day events and decisions and the longer term plans for the business and is focused on identifying business gaps and actions for their closure.

**RISK MANAGEMENT**

**16. Risk analysis of the strategic plans and actions is systematically and rigorously conducted and includes adequate follow up to mitigate identified vulnerabilities and establish contingency plans.**

a. Risk Analysis

A standard method of risk analysis, which shows the comparative criticality of risks, has been adopted and is widely used at all levels of the business on an ongoing basis.

b. Risk Management

Plans and actions exist and are updated to eliminate risk or to reduce it to manageable levels.

c. Contingency Planning

Contingency plans exist at all levels of the business to minimize the impact of known risks and to shorten disruption and recovery time.

## PERFORMANCE MEASURES

0—NOT DOING  
1—POOR  
2—FAIR  
3—GOOD  
4—VERY GOOD  
5—EXCELLENT

**17. A process exists to assess and drive company performance to its goals and targets and to its vision through a balanced approach as perceived by its various stakeholders.**

a. Integrated Measures

A balanced suite of measures is in place at the top of the company showing how well the interests of all the stakeholders are managed. This suite is the head of an integrated hierarchy of measures for the whole business that is used to monitor progress and drive action.

b. Visibility

The measures for a person or team are contained on one sheet and show trend as well as spot performance. Measures are clearly displayed for everyone to see and are designed to encourage improvement.

**18. The measures are hierarchically structured and integrated so that the impact on the business of performance from any part of the organization is clearly visible and understood.**

a. Team Targets

The measures at the head of the company are cascaded through all levels so that each person or team clearly understands their targets and performance expectations, including how this relates to overall company performance.

0—NOT DOING  
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b. Driving Improvement

Measures are used to drive performance improvement and to encourage continuous improvement of business relevant issues by individuals and teams.

c. Relevance

The measures are seen to be relevant and identify the performance and effectiveness of processes.

**BEHAVIORAL CHARACTERISTICS**

**19. The strategic planning process is supported by a balance of cultural and behavioral development, which ensures positive team ownership of the entire plan with strong leadership and individual accountabilities.**

a. Leadership and Excitement

The strategic planning process is led by the chief executive officer and his or her leadership team and rolled out to excite and engage all of its stakeholders.

b. Ownership

Performance, projects, and actions are owned at the appropriate level and are sponsored within the leadership team.

c. Communication

A formal communication process is used to progressively cascade the strategies throughout the business and to engage the workforce. This is actively reinforced through everyday informal communication.