HOW TO DEVELOP A MEANINGFUL

STRATEGY

A BEGINNERS GUIDE

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Strategy 101

In business, not-for-profit and government the word 'Strategy' is used to describe many things. There is no definitive answer to the question 'What is a Strategy?' A better starting point might be to the ask the question 'What do we want to achieve and how are we going to achieve it?'

The Long-Term View

Strategy is about taking a long-term view. As opposed to 'tactics' which centre on short-term gain. In today's world strategy and tactics occasionally get mixed as technological advances have caused the 'strategic cycle' to condense. Where in the past a strategic outlook might have been 5-10 years, today it is usually more like 1-3 years (with a 'nod' to the future). Clearly, this view is industry dependent. In pharmaceuticals, for example, there is still a need to take a long-term view when producing drugs. However, in the high-tech industries, for example, mobile phones, new models become available every year which can force a quick change of direction.

Nevertheless, strategy is about a long-term view. A company, organisation or government needs to plan for the future. They then need to communicate the plan, implement the plan, monitor progress and modify the plan continuously. The last two parts of this process is usually poorly executed or missed entirely. A strategy is a living thing. It is not an activity that takes place once a year, communicated and forgotten.

There is a well-known industry statistic that is often misquoted: '90% of strategies fail.' This is not true; the statistic is '90% of strategies fail in execution.' The strategies are usually very good. Time and patience have been put into developing, documenting and communicating the strategy. At the time of development, everyone has signed up and agrees that the strategy is sound and should be put into action. However, the strategy gets put on the shelf until the following year, is dusted off and used for input into the next years round of activity. The strategy needs to be embedded into the normal day-to-day working of the organisation. To do this, a process must be followed.

Strategic Process

At its most basic, the strategic planning process consists of five steps:

1. Vision/Mission and Goals
2. Research and Analysis
3. Formulation/Objectives
4. Implementation
5. Evaluation and Control

with loops, back from step 5 to step 3 and step 1.

If each of these steps are undertaken correctly then a strategy should succeed. Easier said than done. As with many complex structures that are defined simply, it is the interpretation of the model that can cause confusion and result in failure of the plan.

It does not help that there are several 'strategic mnemonics' in general use being applied inefficiently. For example, when asked what strategic process was being used in a particular company, the answer PESTLE was given. PESTLE is a useful tool, especially when applied to step 2 above, but it is not a strategic process. A distinction must be made between a strategic 'tool' and a strategic 'process'. For a list of recognised strategic tools, go to the Strategic Analysis section of our Strategic Guides.

A recognised strategic process will put the detail behind the steps required to build, implement, monitor and evaluate a strategy. Some refer directly to the five steps above, some use different terminology. Many companies/organisations have taken it upon themselves to create their own strategic process. We would not recommend this. You may think you are unique or that you want to develop a competitive edge by doing things differently. However, we are talking about a process here, it is the content that will make or break the strategy, not reinventing the process. Recognised strategic processes have been tried and tested for years, often decades, and have proven track records of success.

There are three strategic processes that you should consider evaluating (then adopt one):

Strategy Diamond

Published in the 2001 edition of The Academy of Management Executive by Professors Donald Hambrick and James Fredrickson. The Strategy Diamond identifies and elaborates upon five elements with a question related to each:

1. Arenas: where will we be active?
2. Vehicles: how will we get there?
3. Differentiators: how will we win in the marketplace?
4. Staging: what will be our speed and sequence of moves?
5. Economic logic: how will we obtain our returns?

The interesting thing about this process is that it is not a 'process' at all. The authors say:

"We do not mean to portray strategy development as a simple, linear process. The key is not in following a sequential process, but rather in achieving a robust, reinforced consistency among the elements of the strategy itself."

For some organisations, this loosely linked set of activities (all of them need to be completed) may suit their culture, for others a more disciplined approach is required.

Blue Ocean Strategy

It must be said that Blue Ocean Strategy is a set of tools leaning towards the first three steps described in the basic process above. However, in the expanded edition of W. Chan Kim and Renee Mauborgne's best-selling book of the same name, they begin to foray into steps 4 and step 5. The book is supported by a huge internet resource base offering multiple helpful tools and guidance.

The authors say, *"Blue Ocean Strategy represents a systematic approach to making the competition irrelevant and outlines principles and tools any organisation can use to create and capture their own blue oceans"*

Blue Ocean Strategy should be considered in any strategic approach. It may be lacking as an overall strategic process at this time, but the success of the approach is undeniable. In time the back-end of the process may well be added as well. In the meantime, the tools used could be integrated into the Strategy Diamond (above) or the Balanced Scorecard (below).

Balanced Scorecard

The Balanced Scorecard is a full end-to-end, step-by-step strategic process. Developed by Drs Kaplan and Norton over 20 years ago and re-developed later into an integrated strategic planning system by the Balanced Scorecard Institute. According to the Balanced Scorecard Institute:

"More than half of major companies in the US, Europe and Asia are using balanced scorecard approaches. A recent global study by Bain & Co listed balanced scorecard fifth on its top ten most widely used management tools around the world, a list that includes closely-related strategic planning at number one. Balanced scorecard has also been selected by the editors of Harvard Business Review as one of the most influential business ideas of the past 75 years."

The fundamental feature of the Balanced scorecard is the treatment of an organisation when viewing strategy. It sets out a 'balanced' view creating 'Perspectives' that look at Financial, Customer, Internal Processes and Organisational Capacity. The 'Nine Step' process created by the Balanced Scorecard Institute, and described in their book The Institute Way, provides not only the detail but real examples of how the process has been implemented by companies and organisations around the world.

Conclusion

Strategy is about taking the long-term view and creating and communicating a way forward for an organisation. More than this, it is about putting in place a strategic process to ensure the strategy is implemented successfully and monitored continuously. A strategy is a living thing, it must become part of the day-to-day, week-to-week and month-to-month business process.

A Strategic Process

Strategy is a process. Developing a strategy for business, not-for-profit or government is to develop a process to guide an organisation to a successful future. Strategy is not an ad-hoc activity and it certainly is not an annual event.

There are many strategic processes available, most of which have been defined by medium to large companies and are used in-house as proprietary methods. There are fewer publically defined strategic processes, most of which are badly defined or lacking in detail. In the previous section three of the most well-known have been described to illustrate the diversity of approaches.

This section will concentrate on the Balanced Scorecard Strategic Process. There are several reasons to select the Balanced Scorecard above any other approach:

- The Balanced scorecard has a long track record of success. It has been around for over 20 years.
- The process is maintained and updated by the Balanced Scorecard Institute who hold the de-facto standard for the world.
- It is used by over 50% of the world's largest companies and countless small to medium sized companies and organisations.
- The process is 'inclusive' and encourages the use of strategic tools such as SWOT, PESTLE, Blue Ocean, Strategy Maps and many others.
- There are certification courses available for Balanced Scorecard professionals and masters (BSP and BSMP) endorsed by the George Washington University.

What is the Balanced Scorecard?

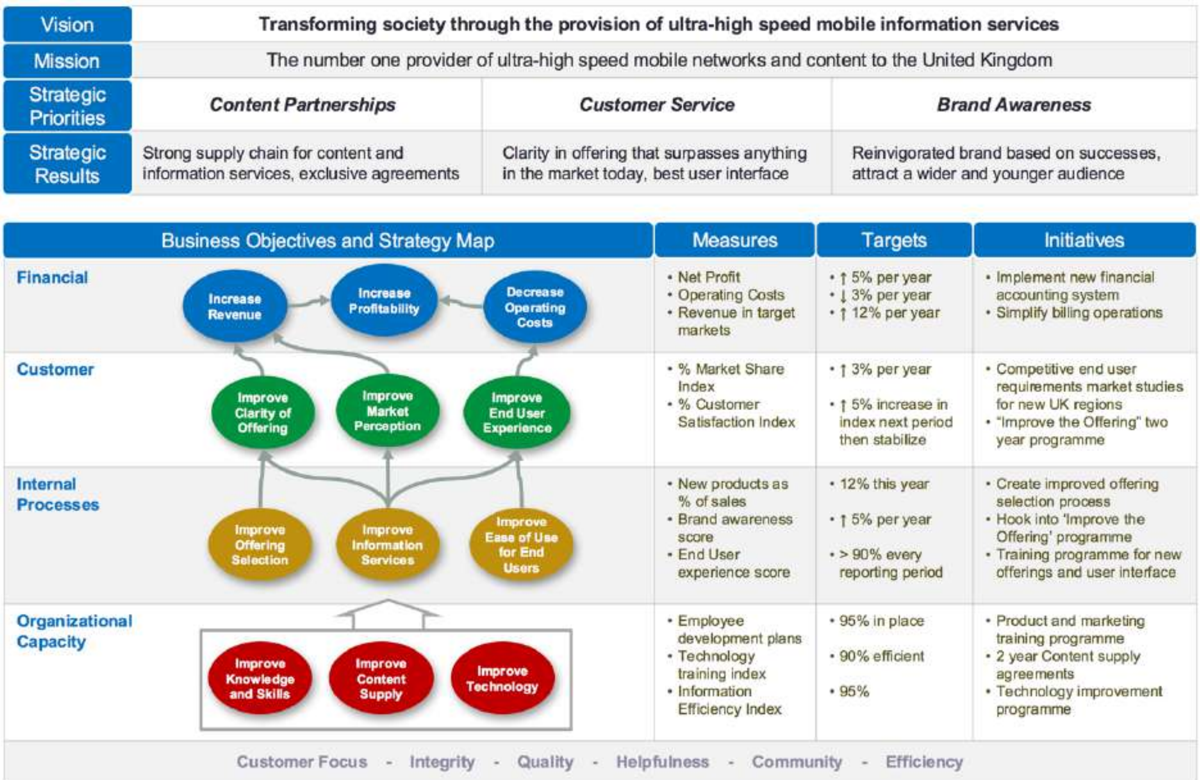
The Balanced scorecard is a strategic planning and management system that aligns an organisation to its vision and goals. It is a step-by-step process that ensures a strategy is kept alive by embedding it into day-to-day organisational activities.

The Balanced Scorecard concerns itself with a small number of financial and non-financial strategic objectives and measures that are directly related to an organisation's vision and strategic priorities. The 'balance' that the Balanced Scorecard achieves is brought about by a focus on four areas that are described as Perspectives.

The four Perspectives are:

1. **Financial** – The high level financial objectives and financial measures of the organisation that help answer the question – How do we look to our shareholders?
2. **Customer** – All objectives and measures that are directly related to the organisations customers, focusing on customer satisfaction. To answer the question – How do our customers see us?
3. **Internal Processes** – The objectives and measures that determine how well the organisation is running and whether the products or services conform to what is required by the customers, in other words, what should we be best at?
4. **Organisational Capacity** – The objectives and measures concerning how well our people perform, their skills, training, company culture and leadership. This perspective also includes infrastructure and technology. Answering the question – How can we improve and create value?

The real strength of the Balanced Scorecard approach is the way it connects every part of a strategy. The most significant output of the process is an Integrated Balanced Scorecard Strategy Map:



In the example above, we can see that the objectives, which sit solidly in the middle of the diagram, are linked together from the bottom of the map to the top. There is a causal relationship between investments made in Organisational Capacity and the Financial outcome. This allows us to tell a convincing 'story' when we need to describe the overall strategy.

To the right of the Objectives are Measures, Targets and Initiatives. Again, there is intent behind this structure. This in an area where the Balanced Scorecard approach differs from other methodologies. The strategy leads with a Vision, Mission and Objectives. These are measurable and targets can be set. Once this has been done, but not before, Initiatives or Projects will be considered. By leaving the definition of Initiatives to the end of the process, we can be confident we are doing the right things to ensure the success of our strategy.

The Nine Steps

The Balanced Scorecard Institute, who are the keepers of the de-facto standard for the Balanced Scorecard process, have defined a nine-step process that is represented as spoked wheel surrounding a Mission and Vision.

The Nine Steps to Success™, is a disciplined, practical approach to developing a strategic planning and management system based on the balanced scorecard.

In theory, it is possible to enter the wheel at any stage, in practice, it is best to start at the Assessment phase even if it means simply validating any work that has been done to date.

In brief, the nine steps can be described as follows:

Step One: Assessment

Step one of the scorecard building process starts with an assessment of the organisation's Mission and Vision, challenges (pains), enablers, and values. Step one also includes preparing a change management plan for the organization, and conducting a focused communications workshop to identify key messages, media outlets, timing, and communicators. More about Assessment

Step Two: Strategy

In step two, elements of the organisation's strategy, including Strategic Results, Strategic Priorities, and Perspectives, are developed by workshop participants to focus attention on customer needs and the organisation's value proposition. More about Strategy

Step Three: Objectives

In step three, the strategic elements developed in steps one and two are turned into Strategic Objectives, which are the basic building blocks of the strategy. They define the organisation's strategic intent. Objectives are created referencing Strategic Priorities categorised by Perspective. More about Objectives

Step Four: Strategy Map

In step four, the cause and effect linkages between the Strategic Objectives are formalised in a Strategy Map that shows how the organisation creates value for its customers and stakeholders. More about Strategy Maps

Step Five: Performance Measures

In step five, Performance Measures are developed for each of the Strategic Objectives. Leading and lagging measures are identified, expected targets and thresholds are established, and baseline and benchmarking data is developed. More about Performance Measures

Step Six: Initiatives

In step six, Strategic Initiatives are developed that support the Strategic Objectives. To build accountability throughout the organization, ownership of Performance Measures and Strategic Initiatives is assigned to the appropriate staff and documented in data definition tables. More about Initiatives

Step Seven: Performance Analysis

In step seven, the implementation process begins by applying performance measurement software to get the right performance information to the right people at the right time. Automation adds structure and discipline to implementing the Balanced Scorecard system. More about Performance Analysis

Step Eight: Alignment

In step eight, the organisation-level scorecard is 'cascaded' down into business and support unit scorecards, meaning the organisational level scorecard (the first Tier) is translated into business unit or support unit scorecards (the second Tier) and then later to team and individual scorecards (the third Tier). Cascading translates high-level strategy into lower-level objectives, measures, and operational details. Cascading is the key to organisation alignment around strategy. More about Alignment

Step Nine: Evaluation

In step nine, an Evaluation of the completed scorecard is done. During this evaluation, the organisation tries to answer questions such as, 'Are our strategies working? Are we measuring the right things? Has our environment changed? Are we budgeting our money strategically?' More about Evaluation

The process is cyclical, however, there are feedback loops throughout every stage. For example, one of the most common feedback areas occurs when developing performance measures. It is often the case that Strategic Objectives are seen to be 'unrealistic' when the discipline of measurement is applied. At this point it is good practice to go back from step five to step three and re-think a Strategic Objective and frame it into something that is possible rather than impossible.

Conclusion

Strategy is a process. One of the most successful strategic processes available is the Balanced Scorecard strategic planning and management system. Considering the decades of successful use, the question must be asked, why invent a new untried and untested process to manage our strategy?

Strategic Analysis

During the first steps of a process strategic analysis must take place. During this phase, it can be helpful to use some established strategic analysis tools. The following list is not exhaustive, but the selected tools cover all the bases.

Gap Analysis

System Component	Status	Comments
Vision		Not happy with content
Mission	√	Complete
Core Values	√	Complete
Commentary for the above		Almost in place, needs review
Stakeholders Engaged		Some but not all
Communications Plan		Not available
Market Research		Old material – needs refresh
Environmental Scan		Not Available
Enablers / Challenges		Completed a SWOT analysis
Customer Value Proposition	√	Complete – study available

Strategic Priority and Results		Reviewed but not worth keeping
Perspectives	√	Complete
Strategic Objectives		Needs review, to high level
Commentary for Objectives		Some in place
Strategic Budget		Requested but not in place
Strategy Maps		First pass complete
Measures & Targets		A lot of work, but not aligned
Reporting Plan		Almost complete
Initiatives		None in place
Commentary for Initiatives		Some in place
Automation Plan		Assessing a tool set
Roll-out Plan		Process in place, needs reviewing
Strategy Evaluation Plan		Not available

It would be very rare to enter a strategic process without having a previous strategy to consider. (Although this might be the case with a start-up company). Usually, there will be a lot of work that has been undertaken and a lot of people who have invested time and effort into formulating, communicating and implementing a strategy.

Previous work should never be thrown away. However, it should be validated and missing items should be identified. It is therefore always good practice to start with a Gap Analysis. As the title suggests, a gap analysis is an analysis of existing material to identify any 'gaps' that need to be addressed. To do this effectively, the first stage is to create a list of all the things that need to be included.

Care must be taken here. Simply creating a list is not the best way to approach a gap analysis. To paraphrase Donal Rumsfeld, the former US Secretary of Defence *"There are things we don't know we don't know."* To be sure you have a complete list you need to either benchmark a comparison to a similar industry (see Benchmarking below) or use an established, tried and tested general list.

The book, The Institute Way which describes the Balanced Scorecard strategic process uses a list like the one shown below:

The gap analysis should provide a good reference that can be returned to throughout the process to ensure all strategic activities are covered.

It should also provide enough information to determine which of the following analysis techniques might be used.

For more information and a free template refer to [Why do I need a checklist?]

SWOT Analysis

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. A SWOT diagram usually takes the form of a four-box quadrant and a set short statements related to each element written in each box. Arranging the quadrants in the way shown below provides useful views by; internal and external focus (reading across) and; an enabler and challenge focus (reading down):

	Enablers Help to achieve the vision	Challenges Hinders achieving the vision
Internal Within the organisation	Strengths	Weaknesses
	• High brand visibility • Right products, quality • Superior performance • Better product life • Direct delivery	• Range gaps • No direct marketing • Not international • Need more sales people • Limited budget • No pilot or trial ability • No detailed plan in place
External Outside the organisation	Opportunities	Threats
	• Could develop more products • Profit margins are good • End users respond to ideas • Could extend overseas • New specialist applications	• Legislation could impact • Existing core business impact • Market demand is seasonal • Retention of key critical staff • Distracts from core business • Potential negative publicity

The purpose of the SWOT analysis is to summarise an overall position in a single chart. The following are some of the things to be considered for each area:

Strengths

- What advantages does the organisation have over others?
- What is likely to produce the greatest return on investment?
- What does the organisation do well?
- What would be the best thing to implement quickly?
- If we are not looking at an obvious area, why not?

Weaknesses

- What are the areas where we should and could do better?
- Which areas should we avoid altogether?

- What do our customers consistently complain about?
- What do our employees consistently complain about?
- Do we have any internal/external processes that are obviously slow?

Opportunities

- What are the obvious opportunities we can see?
- What are the current exciting trends in the marketplace?
- What are the predicted long term trends in the market and technology?
- Are there any social, lifestyle or population changes we can exploit?
- What is happening with our existing development programmes?

Threats

- What are the biggest external obstacles we face?
- What are our competitors doing?
- Are there any government/regulatory changes we need to note?
- Can we keep up with technological changes?
- How good is our relationship with our suppliers?

A SWOT analysis is a very useful tool that can be used as part of a serious analysis or as a 'warm-up' exercise to kick-start a period of analysis. For the latter, it can show an organisation that, provided the right people are involved, a wealth of understanding can be gained by using internal subject matter experts.

PESTLE

PESTLE analysis, or the shortened version PEST analysis, is a mnemonic that stands for Political, Economic, Socio-Cultural, Technological, Legal and Environmental. It is a strategic tool used to look at 'the big picture'. It focuses on changes to the business environment that can have either a positive or negative impact.

For example, a positive impact may be the introduction of a new technology enabling a company to reach a larger number of customers. A negative impact may be a change in safety legislation that results in an increased cost and therefore reduced profit.

The PESTLE process usually has three steps:

1. Use the mnemonic to identify the 'big-picture' changes
2. Identify the opportunities or threats resulting from the changes
3. Build elements into your strategy to mitigate threats or take advantage of opportunities.

The following questions that can be asked for each element:

Political

- How stable is the government, is an election due?
- Who are the most likely contenders for power positions?
- Are there any pending tax or legislation changes?
- Is there a trend to regulation or deregulation?
- Are there any other political factors that may change?

Economic

- Is the economy stagnating, growing or declining?
- Are important exchange rates volatile?
- Is disposable income rising or falling?
- What is the unemployment rate?
- How easy will it be to build a skilled workforce?

Socio-Cultural

- Is the population growing, what is the age profile?
- What are the current employment patterns?
- Are there any generational shifts in attitude?
- Are there changing attitudes to regular employment?
- Do lifestyle or religious choices impact products choice?

Technological

- Are there new technologies on the near horizon?
- Do your competitors have access to new technologies?
- Are there research bodies you should be affiliated to?
- Are technological changes causing social change?
- Are there new communications system available?

Legal

- Have there been any recent major changes to law?
- Are there any recent international changes to law?
- Have any regulatory bodies been highlighted?
- Has consumer protection changed or about to change?
- Are there any new industry specific regulations?

Environmental

- Do environmental issues impact your products?
- Have your stakeholder or investor values changed?
- Does pollution or waste management impact you?
- Is staff engagement and morale high or low?
- Are there any global factors that need consideration?

Once a set of big-picture factors has been identified they should be categorised as opportunities or threats. The factors can then be used in the strategic process to develop objectives that either mitigate the problem or take advantage of the opportunity.

Porter's Five Forces

Unlike PESTLE analysis which concentrates on a big-picture, Michael Porter of Harvard University, the principal innovator of the 'Five Forces' suggests that this analysis is aimed a micro-environment. That is, it looks at the forces close to a company that affect its ability to serve its customers and make a profit.

The five forces are:

1. **Buyers** – Buyers are always happier to pay less and get more. In the mobile phone network industry price competition is fierce. Consumers simply want the cheapest connection option.
2. **Suppliers** – Suppliers want to be paid more to deliver less. Powerful suppliers will insist on higher prices or more favourable terms. Especially when they are the only supplier in town.
3. **Substitutes** – Where a product or service can be easily substituted for something else. These may not be obvious rivals, they may come from different industries.

4. **New Entrants** – New entrants can often cause tension. Occasionally a new company arises that does something differently at a lower cost but provides the same service. This can cause existing companies to spend more to retain customers.
5. **Existing Rivals** – The existing competition still needs to be accounted for and intense competition reduces everyone's profitability.

These five forces define every company/organisation structure, once they are understood they can be used to shape the future and enable better predictions and a more competitive strategy.

The following questions can be asked to identify factors related to the five forces:

Bargaining Power of the Customers

- How many buyers are there in the market?
- Can the buyers 'group' together to buy in force?
- Are the buyers concentrated in a geographic region?
- Can a buyer switch easily?
- What is the total amount of trading?

Bargaining Power of the Suppliers

- How many suppliers are there in the market?
- Which of the suppliers control prices?
- How easy is it to switch to a new supplier?
- How different are the supplier's services/products?
- How good is the supplier's distribution channel?

Threat of Substitutes

- How easy is it to find a near-equivalent?
- Can the service be outsourced?
- Can the service be automated?
- What is the perceived level of differentiation?
- Are quality, availability or price determining factors?

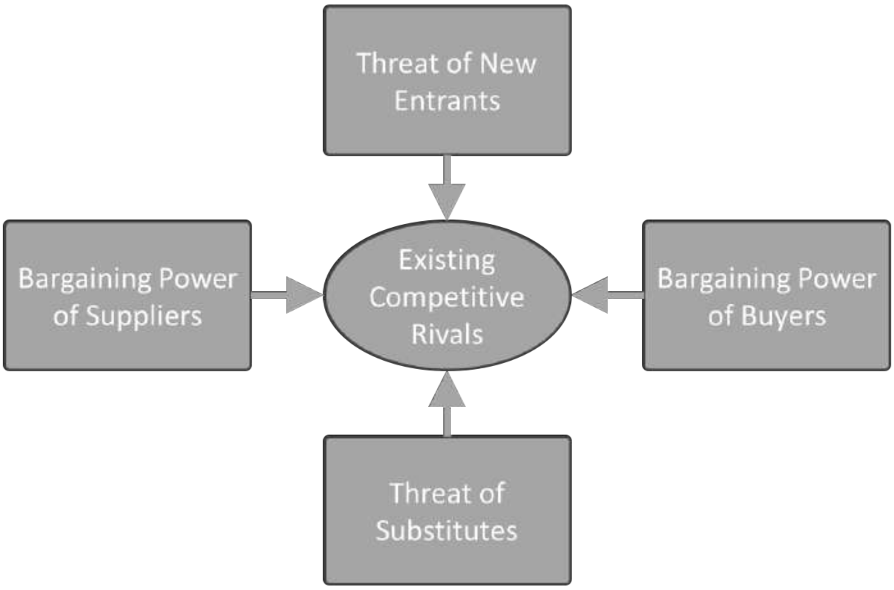
Threat of New Entrants

- How easy is it to start this line of business?

- What are the major barriers to entry?
- Are there any regulatory or government policy requirements?
- Are there significant established economies of scale?
- Is customer loyalty or brand loyalty an influencing factor?

Existing Competitive Rivalry

- What is the existing level of competition?
- What is the competitive situation?
- Are there opportunities for innovation?
- What is the customer acquisition cost comparison?
- What is the level of transparency between competitors?



The five forces are often presented in a diagrammatic form with Existing Competitive Rivals in the middle indicating both the importance of this force and the impact the other forces have upon it.

Benchmarking

Strategically you should not be looking at improved results in comparison to your organisation's previous results. A 10% increase in sales may appear to be a good thing, but it becomes insignificant if your nearest competitors are increasing sales by 30%. The same applies to many other factors, for example the introduction of new technology or customer satisfaction.

To ensure you can compete effectively, you must compare your performance to the best in the industry. This is benchmarking. By looking at industry standards you can see how you are progressing to a reference other than your own performance.

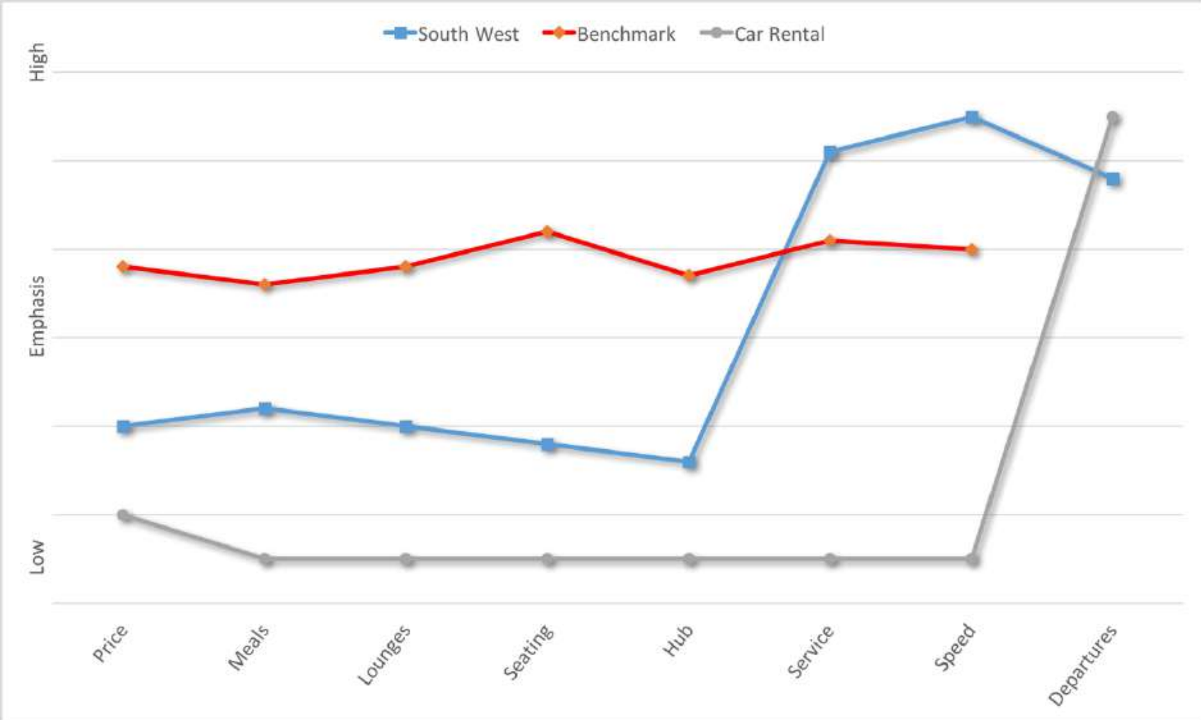
In some instances, it may be worthwhile looking at 'similar' industries rather than the same as your own. For example, in the last decade a well know airline gained a massive competitive advantage (granted for only a short time) when examining airport turnaround times. Rather than looking at other airlines, they look at the motor industry, specifically motor sports. They carefully examined what happened during pit-stops. They we able to translate some of the activities to a much larger scale and improve the airport stop-overs considerably. The net effect was more scheduled flights that had fewer delays.

Benchmarking can be undertaken in a formal or unformal way. Formal benchmarking usually requires a source benchmark to be either purchased or researched by a benchmarking organisation. Output from formal benchmarking can be of high quality and provide valuable insights, however, its preparation can be expansive and time consuming.

Informal benchmarking requires some level of research as well but can also be undertaken by subject matter experts who simply apply common knowledge. Benchmarking brainstorming sessions can be remarkably effective. One method often used in informal benchmarking is the use of a 'Strategy Canvas'.

The Strategy Canvas is one the Blue Ocean Strategy strategic tools. It can be used to provide benchmarking insights while at the same time providing the basis for identification of a differentiated 'extension' to a service or product.

The classic, and well known, example of this technique which has been widely discussed is that of South West airlines:



Here we can see the factors that were used in the benchmark across the bottom of the diagram. The airline industry standard is represented by the red line. South West Airlines also looked a 'similar' industry, car rentals, to help identify an element of differentiation. They completed the exercise by:

1. Selecting prime areas where they would not compete
2. Creating an area that the other airlines did not benchmark.

The vertical axis did not contain highly accurate and researched data but simply a range of relative importance to the consumers.

The use of this simple mechanism to compare to a benchmark can pay enormous dividends without incurring a huge research cost.

Critical Success Factors

When building a strategy, organisations tend to move very quickly to defining objectives or projects. This is a mistake. Having spent time authoring a Vision moving to the detail without determining what is important can result in a lot of wasted effort. By defining a set of Critical Success Factors an organisation can home in those things that will accelerate change and improvement.

The concept of a Critical Success factor was fully developed by John F. Rockart of the MIT Sloan School of Management, he said Critical Success Factors are:

"The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where things must go right for the business to flourish. If results in these areas are not adequate, the organization's efforts for the period will be less than desired."

Where a Vision can provide an overall strategic direction, Critical Success Factors provide focus on the few things that need to be done to ensure success. For example, a mobile phone network company might have the Vision:

"Transforming society through the provision of ultra-high speed mobile information and entertainment services."

By breaking this down to the actual (and implied) strategic components we can see that for this mobile network company to succeed they must:

- Provide a set of unique information services
- Provide a set of expected information services
- Deliver the service at an ultra-high speed
- Convince consumers that the experience will be transformational
- Attract consumers that will buy-in to the concept

These strategic components provide the basis to conduct a Critical Success Factor analysis. Generally, the strategic components describe ***what*** an organisation needs to do to. The Critical Success Factors will describe ***how*** that will be achieved. The first step is to create a set of 'candidate' Critical Success factors:

Strategic Component	Critical Success Factors (candidates)
Provide a set of unique information services	• Build partnerships with content providers • Target unusual content providers and innovative content suppliers

	• Contract a few exclusive relationships
Provide a set of expected information services	• Keep working with existing content suppliers • Offer 'innovation' incentives to existing content suppliers
Deliver the service at an ultra-high speed	• Ring-fence budget for the ultra-high speed network • Accelerate roll-out of ultra-high speed network • Ensure regulators are informed every step of the way
Convince consumers that the experience will be transformational	• Thoroughly test the brand awareness plan before implementation • Ensure the brand awareness plan contains at least three 'innovations' • Develop a fool-proof and exciting user interface
Attract consumers that will buy-in to the concept	• Target a younger audience (and build a retention plan) • Use social media to attract early-adopters to act as focus groups for testing

The final list will contain far too many Critical Success Factors and will need to be refined to those that require full attention, funding and resources. The actual number of Critical Success Factors you go forward with will depend on the nature of the business, but in general the fewer the better. Three to five is a good rule-of-thumb to work to.

To help shorten the list always go back to the vision, and if required include the Mission statement. In the above example, the most important activities concern content, brand and service so the three Critical Success Factors would almost certainly be:

1. **Unique Content Partnerships** – Without compelling and innovative content the vision will not even get off the blocks!
2. **Tested Brand Awareness Plan** – The company aspiration is to transform society, this is a big plan. Without a big brand awareness campaign and the recourses behind it, the aspiration will not be attained
3. **Superior Customer Experience** – developing a fool-proof and exciting user interface to deliver unique and interesting content must be in place to provide a competitive edge.

The words 'ultra-high speed' are contained within the vision but have not made the cut into the Critical Success Factors. Is this a mistake? Possibly, however this company is clearly in the business of delivering an ultra-high speed network. It is what they do, it is their day-job and therefore part of their Mission rather than part of their Vision. Delivering the network is something that will happen regardless of the Critical Success Factors, so there really is no need to include it.

Critical Success Factors force an organisation to prioritise and focus on a few things that must be done to achieve a Vision. They break the vision into manageable components and aid the process of developing a strategy.

Conclusion

There are numerous strategic tools that could be looked at to help develop a strategy. The few described above, if used carefully, can be mixed and matched to provide full coverage, specifically to assist in the analysis stage.

Strategy Maps

A good strategy map should communicate everything a company is striving to achieve on a single page. If your company is made up of only five people or is an enterprise of 5,000 people first and foremost you want them to know exactly what the company is about and what it is trying to do. What is more, your employees want to know that your company has ambition and plans and will be around for the long haul. They want to be sure that the leaders know what they are doing and are in control. They want to work in a winning environment and want to know their jobs are secure. One of the most powerful tools in your armoury is a strategy map (that and consistently winning profitable business, the two are inextricably linked).

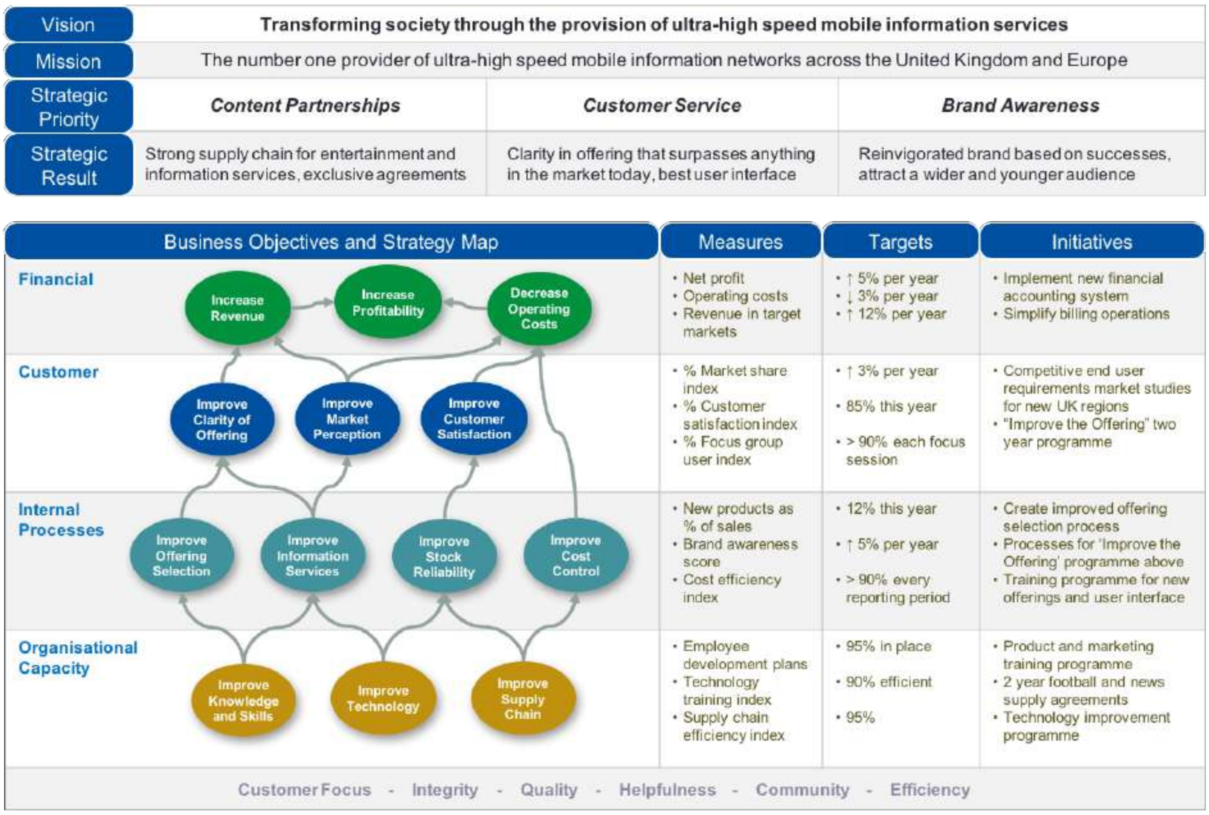
There are many views as to what a good strategy map should look like. Tesco for instance, has developed a strategy map in the form of a circle which is centred on their 'Every little helps' slogan and the two company principles 'no-one tries harder for customers' and 'treat people how we like to be treated'. Tesco, of course, has the resources to not only spend time on developing their strategy but also developing an innovative presentation method.

The latter is something that many companies cannot afford to do. There are however, several industry standard templates that can be used, not least of which is the Kaplan/Norton Balanced Scorecard approach. For more information on the Balanced Scorecard, go to the Intrafocus Guide to the Balanced Scorecard.

To make the most of a Strategy Map we would suggest one or two additions to the basic template. The basic balanced scorecard template focuses on four areas of business referred to as 'perspectives' these are: 1. The Financial Perspective, 2. The Customer Perspective, 3. The Internal Processes Perspective, 4. The Organisational Growth Perspective. In addition to these four perspectives there are three things that need to be highlighted, these are:

1. A Vision Statement,
2. A Mission Statement and
3. A Core Values Statement.

It is true that these statements could be included within the four perspectives, but given their importance they should be elevated to the right level of prominence in a strategy map. So how does this all come together? The easiest way to demonstrate is to look at a strategy map.



There is an argument that there is a fourth element of the strategy that should be highlighted, that of the Customer Value Proposition, on balance this statement should fit easily within the customer perspective and is part of the Mission statement so the need to specifically highlight it is not imperative. Using the above template, any organisation, large or small should be able to describe what they are in business for and what they intend to achieve. For more information on strategy maps and for a selection of strategy map templates, see the documents to the right.

Conclusion

A strategy map provides a unique opportunity to communicate a strategy in an easy to read format. By extending the strategy map to include a vision and everything through to initiatives, individuals within an organisation are better able to see where they fit and why a strategy is important.

Strategy Checklist

Why do I need a checklist?

Wherever you are in the strategic planning process, it is worthwhile to run a check to ensure you have done everything you need to do. Strategic planning is not complex. Implementing a strategy might be, but the strategic planning process is quite straightforward. At its simplest it consists of; defining a vision of the future, communicating the vision; breaking it down to priorities and work elements, measuring progress, assessing the plan and starting again. Most strategic planning cycles reiterate annually and have a three to five-year outlook.

The following is a checklist containing all the elements required for a good strategic plan and a commentary for each element. It can be used as a gap-analysis tool (see example above). The items on the list are based on decades of experience of practitioners involved in strategic planning.

Completing the checklist itself will not ensure a successful strategy, it will however, ensure you have all the elements identified to allow you to implement a successful strategy.

System Component	Status	Comments
Vision	√	
Mission		
Core Values		
Commentary for the above		
Stakeholders Engaged		

Communications Plan		
Market Research		
Environmental Scan		
Enablers / Challenges		
Customer Value Proposition		
Strategic Priority and Results		
Perspectives		
Strategic Objectives		
Commentary for Objectives		
Strategic Budget		
Strategy Maps		
Measures & Targets		
Reporting Plan		
Initiatives		
Commentary for Initiatives		
Automation Plan		

Roll-out Plan		
Strategy Evaluation Plan		

Vision

Where we want to go – The cornerstone of any strategic planning activity. Without a vision, there is nothing to build the strategy upon. A vision statement should be short and inspirational. It describes where a company or organisation wants to be in the future. It sets the tone for all the work that follows. Do not attempt to embark on a strategic planning activity without a vision. For example: Transforming society through the provision of ultra-high speed mobile information services.

Mission

What we do today – A short statement describing who you are, what you do and how you do it. A good mission statement will be short and instantly recognisable by people within the organisation to which it applies. For example: The number one provider of ultra-high speed mobile information networks across the United Kingdom and Europe

Core Values

The foundations upon which the organisation stands. Usually expressed in five or six words or phrases with a short explanation for each. For example: Customer Focus – we focus on our customers and pay attention to what they say at every opportunity.

Vision, Mission, Core Values Commentary

This component has been included intentionally. It is easy to rely on labels or short statements when it comes to Vision, Mission and Core Values. However, a label can be interpreted in many ways. For all aspects of the Strategy Plan there should be a commentary. A commentary is a short paragraph, it is not pages and pages of information. It should convey the true meaning using simple easy to read sentences.

Stakeholders Engaged

A successful strategy needs to be inclusive. Do not be fooled into thinking a strategy can be defined by senior management and simply distributed in the hope it will be implemented. It will not happen. Vision, mission and core values can be defined by leaders, this is desirable. A good leader will set the organisation on the right path. Once this is done, the work of creating the strategy must include the people who will implement it and the beneficiary's. In general, this includes three groups: 1. Managers, 2. Subject Matter Experts (from the staff and/or externally), 3. Customers.

Depending on the size of the organisation, teams need to be set up with representation from each of these areas.

Assessment

Information needs to be gathered from a variety of sources and distributed to the stakeholders. The information should include:

- A summary of the existing strategy and current capabilities
- External market information, political and social trends
- Views from a small number of existing customers

A methodology should be used to gather and analyse the information. The two most common are SWOT (Strengths, Weaknesses, Opportunities, Threats) for an internal analysis and PESTLE (Political, Economic, Social, Technological, Legislative, Environmental) for an external analysis

Strategic Budget

There are arguments for or against declaring a Strategic Budget early in the cycle (or even at all!). Most organisations are usually quite clear as to how much money is available to spend. By declaring it early everyone will be aware of what is, and what is not possible. Conversely, declaring a budget early can stifle creative thought resulting in a mediocre strategy.

Our rule-of-thumb experience suggests more is gained by declaring a budget early.

Customer Value Proposition

A good vision and mission statement makes it possible to describe exactly, and in compelling terms, what is being offered to a customer. The only exception is if a break-out strategy is being devised to take the organisation into a completely new direction. The Customer Value Proposition starts with a statement that clearly describes the product or service firstly in terms of its functionality and secondly in terms of the relevance, benefit and difference it makes to the customer. Do not fall into the trap of using internal jargon.

One of the most famous templates still widely used today is from Geoff Moore's seminal book 'Crossing the Chasm". It goes like this:

For – *a short description of the customer*
Who – *a short description of the problem*
Our – *a short description of the solution*
So that – *a short description of the benefit derived*.

The value proposition should be no longer than 30 word, for example:

For *people* who *need fast communications where ever they are* our *extensive networks provide ultra-high speed connections* so that *they can send and receive information in any format including documents, images and video*.

Strategic Priorities

Sometimes called Strategic Themes. These are the three (or maximum four) focus items for the whole organisation that run through all aspects of the strategy. For example, Business Growth or Customer Service might be strategic priorities. It is of vital importance there is a short statement that explains what is meant by the labels. What one organisation means by customer service might be completely different in another.

Perspectives

There are four perspectives in a classic balanced scorecard, these are Financial, Customer, Internal Processes, Organisational Capacity. In the balanced scorecard methodology, the four perspectives and the order are explicit and intentional. The reason for this is that 'causal' links must be made from organisational capacity through to the upper layers of customer and financial.

It may be that your organisation uses a different set of perspectives. This is fine, it just means you are not using the Balanced Scorecard methodology

Strategic Objectives

Strategic Objectives, more than any other components, are the backbone of a strategy. The strategic objectives are the working interpretation of the vision, mission and strategic priorities. They should be balanced in number and complexity across the perspectives. A strategic objective is a label that provides guidance to the allocated owner as to what needs to be done to implement part of the strategy. In isolation it has little worth, it must include a strategic result and be part of a strategy map. Examples of strategic objectives include Increase Revenue or Improve Market Awareness or Improve Sales Targeting

Intended Results

During the process of creating a strategic objective the desired outcome of that objective will be discussed. If it is not, what is the point of the objective? The outcome must be formally recorded as an Intended Result. This commentary should clearly communicate exactly what is required by the label. A label can be interpreted in many ways; it is important to ensure it is interpreted the right way.

For example, the label, Improve Market Awareness, for a new on-line retail organisation might have the indented result: "Improved market awareness by achieving higher on-line rankings in all of the major search engines."

However, the same label, Improve Market Awareness for an established insurance company might have the intended result: "Improved market awareness by increasing the percentage of new customers and maintaining the existing customer base."

Notice that the language used in the intended result is 'outcome' based. That is, it assumes the outcome has been achieved.

Strategy Map

The Strategy Map provides the causal links between any investment made in the base organisational capacity layer and the internal process, customer and financial layers. This is the power of the balanced scorecard methodology. The strategy map provides the means to 'tell a story' about the impact of investment or change in the organisational layer (or resource base, which can include infrastructure) on all the layers above.

This is best explained through illustration. In the example below we can see a logical causal progression from the bottom of the map to the top. If we take one path through the map starting with the strategic objective Improve Supply Chain Technology, then the 'story' we might tell could be as follows:

"By improving the use of technology, we use to manage our supply chain to strengthen the relationships with our suppliers, we will improve our inventory processes to ensure well stocked shelves, we can improve the in-store experience for our customers, resulting in an end to end reduction in logistics costs."

Measures

Every strategic objective should have at least one measure (sometimes called a Key Performance Indicator or KPI). And as a rule of thumb, no more than three measures. The measures must be owned. Without ownership, nothing will be done. Creating meaningful key performance indicators is not a task that should be taken lightly. Refer to How to Develop Meaningful KPIs for more information on this subject.

Targets

Every measure needs to have a target. Targets are usually set annually and often for incentive purposes. A good target should be realistic and should have buy-in from the target owner. If there is no data available to determine a target, do not set it arbitrarily. Wait until there is enough data to make a proper judgment. Rule of thumb suggests seven or more data points can provide a guide.

Initiatives

Initiatives, or more properly Strategic Initiatives are the 'engine' behind a strategy. Without initiatives, there is no change plan, you will simply record and analyse data. Creating initiatives should come at the end of the strategic planning process. Why? Because until you know what you want to do overall (vision) what you are capable of (mission) where your priorities lie (strategic priorities) and what the best improvement areas are (strategic objectives) you will not know how to achieve the plan.

Initiatives describe the projects you will put in place to achieve your plan.

Strategy Plan

All the above must be documented. Do not create a massive document with highly descriptive language. Also, do not create a set of slides with maps and labels. The Strategy Plan must have just enough information to make sense to the organisation it is aimed at. For more information on the make-up of a good strategy plan, refer to [Strategy Workshop Facilitation]

Communications Plan

The strategy plan, or parts of the plan, need to be communicated to the organisation, stakeholders and in some instances, selected customers. The most important group is the internal group. These are the people who need to be secure in the knowledge that the organisation they work for has a future and knows where it is going.

Reporting Plan

The reporting plan will include information about the systems that will be used to keep track of progress. Gone are the days when a strategy could be managed with a set of spreadsheets and presentations. The market and competition is moving too fast to rely on old technology. Dedicated strategy management solutions are either incorporated in major ERP systems of large companies or bought separately by smaller to medium sized companies. The reporting plan can be incorporated into the communications plan if required.

The reporting plan should also show that strategic planning is an on-going activity and not something done once a year. By following a good strategic methodology like the balanced scorecard this will happen automatically.

Strategic Evaluation plan

One of the strategic planning activities that is often missed as part of the process is to evaluate the process itself. This usually happens once or twice a year and requires the key players in the strategic planning group to get together and formally evaluate the process and modify it if required.

Conclusion

A good checklist will ensure that none of the strategic components are missed. The example above provides a good example, however, contrary to a previous statement in this document, all organisations are different and therefore you will need to reflect that in your checklist.

Strategy Software

Selecting Strategy Management Software

When selecting strategy management software, an easy-to-use and powerful web-based solution that requires little or no IT involvement is essential. The solution should allow for either an on-demand hosted system or local installation. Go through each of the heading below and check against the software you are looking at.

Balanced Scorecard RFP – Many companies are either required to or chose to place tenders for the goods and services they procure. The tender process often includes a formal Request for Proposal (RFP). This is usually sent out to a vendor short list. Click on the image to the right to download an example of a RFP for a Balanced Scorecard strategic management solution.

Strategy Maps

The key to a good strategic management plan and scorecard is the strategy map. Any product selected should have the ability to create strategy maps with drill-down capabilities. Strategy maps often start out as a blank canvas to which you add images, shapes, text, and numbers to create a visual representation of your data. Once you make a strategy map, however, the colours and numbers automatically update based on the real data in your system. Strategy maps can also be used to track key metrics, visualise geographic data, and monitor trends.

Objectives

A good strategy management software solution will allow for "Aligned Objectives" to be easily created, so that scorecards can show the performance of their own objectives and measures, or of supporting objectives across various scorecards.

Initiatives

Many initiatives will come out of a strategic management process. Look for products that have full blown initiative management modules to manage these scorecard initiatives. It should be possible to create tasks and milestones and assign them to individuals or groups. All the data should be visualised with Gantt charts.

Alerts

Alerting should come as standard for any strategy management software. Alerts should be definable at a system level for example to remind users to update metrics when they are due or over-due. alerts should also be definable at a personal level, for example to be notified when a metric or objective score goes below a certain threshold or a note has been added to an object.

Commentary

Look for products that allow for commentary on each level of the strategy from mission through to vision, objectives, metrics and initiatives. It should be possible to create comments that are either general or period specific.

Reports

Standard reporting is still necessary, even with an on-line system; getting the right information, to the right people, and at the right time is important. A good solution will come with a built-in report writer that contains canned reports like Red Metrics Report, Grey Metrics Report (missing values), and Metric Comparison Report (compares metrics within and across scorecards). The tools should also allow the user to pull data out of a scorecard database for ad hoc reporting. The report writer should allow for slicing and dicing of performance data and the ability to create exciting Flash presentation graphs.

Cascading Scorecards

Organisation-wide scorecard roll-outs require multiple cascaded scorecards. This allows the organisation to start at the top of the business and roll down into department, group, or even to the employee level. Look for products that allow for unlimited cascaded scorecards. Organisations should be able to drill-through to sub-scorecards or individual measure views. The entire organisation should be able to roll-up information from multiple scorecards into higher-level scorecards.

Weighting

A strategy management tool should provide automated scoring and user defined weighting of all structure elements. You should be able to build your scorecard structure, define the weighting, enter the measure values and then view the scorecard as a whole as it shows 'red-amber-green' for the various elements and the rolled-up scores based on the weighting provided.

Exporting Data

The strategy management tool should create on-line briefing books to consolidate data for management, groups, or users. Briefing books should be easy to set up by browsing the strategic model and adding views, reports, and graphs. Once the briefing book is created, it should be easily viewed on-line or exported to Adobe Acrobat, Microsoft PowerPoint, Word, or Excel.

Ease of Use

Select a solution that is extremely easy-to-use. Choose a product that functions like desktop software using left click to navigate and right click to develop. Also, look for products where data can be entered through the web interface, uploaded from a CSV file, or automated with a database connection. Products should be as easy to use as browsing a web page or shopping on-line.

Web Based

When selecting strategy management software, look for a solution where development and deployment is done through a web browser. Cross-browser compatibility is preferred. Solutions using the latest J2EE technologies and Ajax-style page updates are in-line with the latest developments in web technology.

Integration

When selecting strategy management software, the solution should have the facility to integrate into other systems. at the very least it should be able to pull data from spreadsheets, SQL and Oracle databases and from web pages. The solution should also allow for easy export of data to a variety of formats.

Conclusion

Whichever product you select, be sure to use the checklist above. The features listed are the minimum a good software product should include

Final Conclusion

A strategy is a long-term view of the future. At its best, it is an aspiration about how events could or should turn out. To have any chance of success, a strategic process should be followed. The process should be adaptable enough to include tried and tested strategic tools. A strategy is not a one-off event, it is a process with multiple feedback loops and should be iterated and tested continuously.

Finally, especially in today's fast moving competitive environment, the process should be managed with a high quality dedicated software toolset and not rely on documents and spreadsheets.