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Strategic Planning

6 Steps to Make Your Strategic Plan Really Strategic

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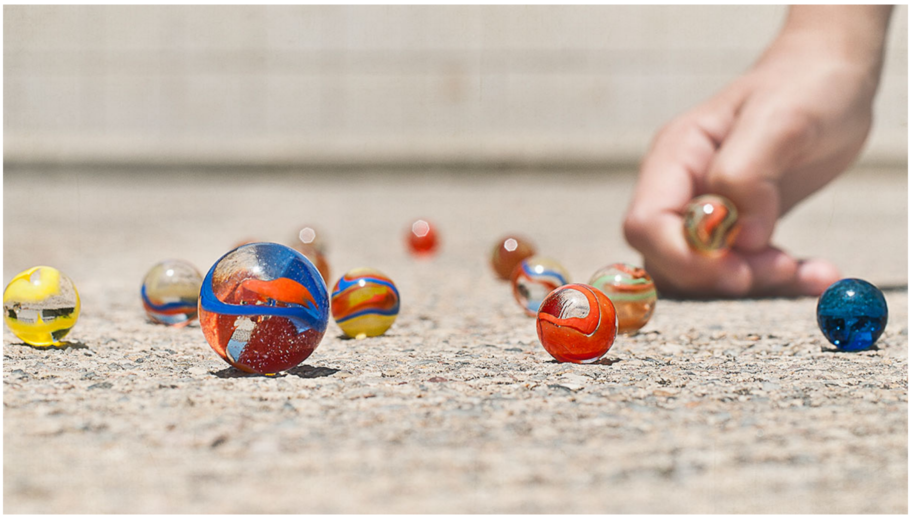

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Summary. Many strategic plans aren't strategic, or even plans. To fix that, try a six step process: first, identify key stakeholders. Second, identify a specific, very important key stakeholder: your target customer. Third, figure out what these stakeholders want from you. Fourth, figure out what you want from them. Fifth, design your strategy around these requirements. Sixth, focus on continuously improving this plan. **close**

Why is it that when a group of managers gets together for a strategic planning session they often emerge with a document that's devoid of "strategy", and often not even a plan?

I have one such document in front of me as I write this. It starts with a "vision" statement, moves on to "strategic themes" (six in all) and culminates in 28 "strategic goals." The latter is a list of actions interspersed with a sprinkling of desired results, all utterly useless in terms of strategy. It's more like a dog chasing its tail. As the managing partner of a client law firm recently explained to me: "Before we adopted your approach we lacked the keys to effective strategic planning. It was seat-of-the-pants stuff. I would spontaneously go about saying how about we do this/how about we do that. I was buried in the enterprise."

This problem is the lack of an effective “method” — a systematic or established procedure to undertake something, step by step. But methods can be learned. I’ll let you in on the six-step technique I have developed over many years, working with clients and in teaching my public seminars on strategic planning.

Step one is to **recognize your dependencies**, i.e. your key stakeholders. You may think that this will be easy. And in a small business, like a convenience store, it initially is: customers, employees, suppliers, and owners. But then you become aware that some of the employees are also owners, and the complexity grows.

The trick is to identify stakeholder roles. The same group of stakeholders can occupy more than one role. Take the example of a dairy cooperative I worked with recently. It was a national distributor of milk and other dairy products and in it, farmers occupied two roles. We described these as: farmers-as-shareholders and farmers-as-suppliers. Its other key stakeholders were distributors; customers-retail; customers-industrial/food service; consumers; and employees. Once you get the knotty key-stakeholder problem sorted out you can move on — but not too fast.

An essential second step, and one that I’ve been guilty of not stressing enough with clients, comes with the word “target.” It’s vitally important to **identify your “target customer”** before moving forward. Take, for example, the international accounting firm KPMG. Its target customers aren’t mums and dads lodging their annual tax returns, or small businesses that need help with their accounts. That work falls on the shoulders of the suburban accountant. Nor is KPMG’s target mid-size firms with limited budgets. That’s for so called “second-tier” accounting firms. No, KPMG targets large corporates and big government.

Isolating the target customer has massive implications, including in other stakeholder groups. For example, KPMG only hires staff who are qualified to offer services for large corporate and big government customers. Your strategic plan can’t be all things to all customers. So, take your time here to clearly define your target customer.

The third step requires you to work out **what your organization wants *from* each key stakeholder group** for your organization to prosper. For some managers, this seems initially like putting the cart before the horse. The reason? They’re so used to thinking operationally rather than strategically that putting “self” first seems like heresy. Nowhere is this more apparent than with the stakeholder “employees.”

Take the case of a recent client of mine, an architectural firm. The HR team and senior management would bend over backwards to identify what would satisfy staff. But they placed little attention on, and certainly failed to measure, the return volley. That is, what the organization wanted *from* employees. Once it adopted the six-step method, these outcomes were identified as "reducing employee turnover and increasing productivity and innovation." Metrics were developed to monitor these, and targets were set before moving on.

The fourth step is to identify **what these stakeholder groups want *from you***. These are the key decision-making criteria that stakeholders use when interacting with your business. For example, these might include the factors influencing the decision to purchase from you (customers), work for you (employees), supply to you (suppliers) or invest in you (shareholders).

It's essential that you know how each stakeholder group thinks about these — that you focus on *their* point of view, not your own. This can come from a variety of sources including: in-depth interviews of stakeholders, listening to stakeholder stories about their experience with you and the competition, feedback via your complaint and suggestion systems, focus groups and even casual conversations with stakeholders. It can even involve immersing yourself in the stakeholder experience by going through it, e.g. the senior executives of an airline might travel at the back of the plane to get a feel for what economy passengers experience.

For example, at a manufacturer of specialized air conditioners for computer rooms, "customer service," as you'd expect, meant "handling enquiries and dealing with complaints." But research showed that "customer service" had additional dimensions in the minds of their customers, namely "technical support pre- and post-sale." Getting to grips with the full extent of the customers' expectations led to insight which drove the company's strategy.

Strategy design, your fifth step, involves deciding what your organization's positions will be on the identified strategic factors for each key stakeholder group. This is shaped by the objectives you've set for your organization *and* the knowledge you've gleaned about your stakeholders' current and future needs on strategic factors. This is where "focus" again delivers in spades. I've assisted a rural bank which decided that its target customer was "commercial family farms." This ruled out large corporate farms and hobby farms. It then built strategy based on these customers' opinions. It went further to co-create with farmers its positions on product range, customer service, and price to drive revenue and profitability. Stakeholders can be great strategists. Tap them in designing strategy.

The sixth step is **continuous improvement**. Recognize that no matter what you decide, there is no certainty in the result once you embark on implementation via an action plan and scorecard. You can't be sure, for instance, in the case of the manufacturer of specialized air conditioners, that ramping up technical support pre- and post-sale will drive more revenue. Be prepared to adjust. View your strategic as being locked in an intimate tango with your key stakeholders. This dynamic perspective encourages openness, innovation and a preparedness to change.

Organizations which practice this system-design approach to strategic planning turn out to be gob-smackingly great. Toyota and McDonald's are two that I deal with that fall into that category. They're stakeholder-focused, no-stone-unturned companies that defy expectations in their ability to pull together a diverse population of employees to produce amazing results. You can too — if you become systematic in your approach.

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