

# Strategy / Strategic Planning

## *White Paper*

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There's no shortage of resources available from a variety of venues regarding the importance of and how to's of strategy development and strategic planning techniques. The goal of this paper is to highlight, emphasize, and/or expound on a few of the more fundamental yet critical concepts thereof in hopes of inspiring the reader to instill a mindset that embraces a strategic based culture within their organization.

*One day Alice came to a fork in the road and saw a Cheshire cat in a tree. "Which road do I take?" she asked, "Where do you want to go?" was his response. "I don't know," Alice answered. "Then," said the cat, "it doesn't matter." – Lewis Carrol – Alice in Wonderland*

*If you don't know where you are going, you will end up somewhere else. –Yogi Berra*

*Everyone ends up somewhere in life, some people end up somewhere on purpose. –Andy Stanley*

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## STRATEGY

*The art of devising or employing plans or stratagems [schemes] toward a goal<sup>1</sup>.*

### Vision

*The first rule in developing a strategy is, start with a vision.*

*Vision and strategy are both important. But there is a priority to them. Vision always comes first. Always. If you have a clear vision, you will eventually attract the right strategy. If you don't have a clear vision, no strategy will save you. – Michael Hyatt*

Vision is the 'what and the why' whereas strategy is the how. Michael Hyatt in *Why Vision is More Important than Strategy* writes, "Through the years, I had learned that if you think about strategy (the "how") too early, it will actually inhibit your vision (the "what") and block you from thinking as big as you need to think. What you need is a vision that is so big that it is compelling, not only to others, but to you. If it's not compelling, you won't have the motivation to stay the course and you won't be able to recruit others to help you."<sup>2</sup>

### Long-Term Vision

*You can always amend a big plan, but you can never expand a little one. I don't believe in little plans. I believe in plans big enough to meet a situation which we can't possibly foresee now. –Harry S. Truman*

Vision is a long-term exercise. It is based on a proactive mindset, visioning your organization's potential while affording the flexibility to exceed that vision.

Andy Stanley in his book, *Visioneering*, describes vision as a destination with a plan. It is the course by which you somehow pursue turning dreams into reality. It is the multi-faceted, intentional, and painstaking process whereby ideas and convictions take on substance toward a goal.

Stanley goes on to identify four essential elements of a vision:

1. Vision Evokes PASSION
2. Vision Provides MOTIVATION
3. Vision Establishes DIRECTION
4. Vision Translates into PURPOSE

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<sup>1</sup> Merriam-Webster, Incorporated. Copyright © 2011

<sup>2</sup> <http://michaelhyatt.com/why-vision-is-more-important-than-strategy.html>

Vision will inspire people to get behind and to support your strategy. Strategy is achievable when the vision is presented with passion and clear direction and purpose which will motivate your people to action. Vision, therefore, inspires leadership.

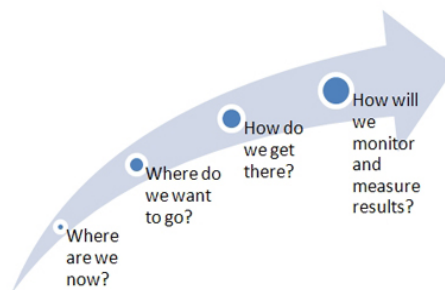
### **Vision and Strategy Equals Leadership**

Developing, adopting, and communicating your organization's vision and strategy is an exercise in leadership. Leadership is the act or an instance of leading. To lead means to direct on a course or in a direction.<sup>3</sup> Strategy speaks to how you will make your organization's vision become reality. Strategy, therefore, is derived from the vision for your organization and it provides the roadmap and boundaries within which to operate. Strategy coupled with appropriate delegation of authority empowers an organization to raise up a team of leaders instead of a team of followers. Leaders lead teams to victory. Followers leave victory to chance. In order for a leader to get buy-in on his/her vision, the leader must have passion, the vision must be inspirational, and it must be easy to understand.

### **Simplicity of Strategy**

*Simplicity is the ultimate sophistication. –Leonardo da Vinci*

Exhibit 1<sup>4</sup>



The second rule in developing an achievable strategy is to keep it simple. Strategy is nothing more than a hypothesis; the setting of a plan to reach the goal or target; a desired path to a destination. A strategy is simply how you will get to where you want to go. When determining your strategy, multiple assumptions are leveraged to build a hypothesis regarding the anticipated outcome(s) resulting from those assumptions coming to fruition. No matter the extent of assumptions made, in the end it is still just a hypothesis.

*Hypothesis: an interpretation of a practical situation or condition taken as the ground for action; a proposition to be proved or one advanced without proof.<sup>5</sup>*

Strategy is the long-term *how* of fulfilling your vision for the organization. Strategic planning, a subset of Strategy, is the short-term, detailed *how* of the long-term objectives. For example: *Vision*–5 % year-over-year sustainable growth in revenues and market share.

<sup>3</sup> Merriam-Webster, Incorporated. Copyright © 2011

<sup>4</sup> Fox Valley Technical College, © 2011

<sup>5</sup> Merriam-Webster, Incorporated. Copyright © 2011

*Strategy*—growth in revenues and market share to be achieved through aggressive marketing campaigns and customer care initiatives. *Strategic Planning*—commission a marketing study, increase of X\$ allocated to marketing, increase customer service staff by X number of employees, etc.

While strategy is long-term, strategic planning is short-term. Strategic planning is the detailed roadmap by which your organization will begin to execute your strategy and ultimately achieve your vision.

## STRATEGIC PLANNING

*An organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy<sup>6</sup>. The art of defining one's expectations and devising of plans regarding direction, resources, and critical decisions required to achieve the expected goal.*

Strategic Planning is critical to the successful execution of an organization's strategy. Strategic is defined as, of great importance within an integrated whole or to a planned effect. Therefore, strategic planning is the process of identifying critical (strategic) and specific action items required to execute your overall strategy. As depicted in Exhibit 2, it's not a point in time exercise, rather a living process, if you will, that continuously seeks to anticipate threats and exploit opportunities that will either hinder or advance efforts to successfully execute the strategy. An essential factor to successfully executing a strategic plan is communication.

*Plans are nothing, planning is everything. –Dwight D. Eisenhower*

*Those who plan do better than those who do not plan even though they rarely stick to their plan. –Winston Churchill*

Exhibit 2<sup>7</sup>



<sup>6</sup> Wikipedia.

<sup>7</sup> Compass Point, Ltd. © 2002-2012

## Communication

*Communication is critical to making strategy everyone's job. Poor execution, not bad strategy, is the primary cause of strategy failure, and one of the main reasons organizations do not successfully execute strategy is the lack of awareness.*<sup>8</sup>

Every decision of an organization should be filtered, to some extent, through your organization's strategy to assess that decision's potential to influence the desired outcomes of your strategy. Every business decision will contribute to the success or failure of an organization's strategy. Those decisions will span the spectrum of influence from weak to strong, short-term to long-term, but all will carry some level of influence.

*"Unless you have definite, precise, clearly set goals, you are not going to realize the maximum potential that lies within you" Zig Ziglar*

Clear and measurable directives are critical to executing your strategy. You cannot manage what you do not measure, a management adage that has been around for a long time. Along those same lines, if your strategy is not disseminated to every level of your organization, it holds true that decisions will be made that adversely influence your ability to execute your overall strategy. Managers without a clear understanding of the organization's strategy and overall vision will be limited to making decisions which directly benefit that which they know, their respective areas, with little consideration to how that decision may indirectly impact other areas or the execution of the organization's overall strategy.

You can not intentionally work toward benefiting that which you are unaware of. Managers left to develop and monitor decentralized goals that are unlinked to the organization's overall vision and strategy will lead to the implementation of benchmarks and goals that carry a high potential of steering the independent parts in diametrically opposed directions.

*Strategic planning is worthless -- unless there is first a strategic vision. –John Naisbitt*

*If we could first know where we are and whither we are tending, we could better judge what to do and how to do it. – Abraham Lincoln*

## Illustration in Communication within Centralized vs. Decentralized Management Structures

### *Centralized*

To illustrate, let's look at the analogy of driving a car. From a centralized management perspective, one simply starts the vehicle and controls all decisions regarding the operation of that vehicle from point A to point B. Under this structure vehicle prep, departure time, route, and travel speed are all centralized decisions. With all decisions driven from a central point,

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<sup>8</sup> The Execution Void: Filling the Role of the Chief Strategy Officer, Journal of Strategic Leadership, Vol. 1 Iss. 1 2008, pp 56-64. © 2008 School of Global Leadership & Entrepreneurship, Regent University.

they are all interlinked and synergistic with regards to operating the vehicle between points A and B. As a sidebar, a centralized management culture greatly hinders and in some cases eliminates the ability to identify alternative routes and processes and tends to raise up followers, not leaders.

*Decentralized – Linked*

From a decentralized management perspective, decisions regarding the strategy to operate a vehicle from point A to point B would be spread over multiple individuals or teams. One individual would be responsible for steering, another for acceleration and braking, yet another for monitoring the roadway behind the vehicle and very likely another for monitoring the roadway ahead. Maintenance of the vehicle including ensuring it has fuel would be a separate group as well and so forth. You get the idea. Let's assume the strategy is to get from point A to point B in time to attend a 3:00 pm meeting on Thursday. Linking the decentralized management to the overall centralized strategy would ensure everyone understands the strategy regarding this trip and that everyone is working toward the same objectives. For example, additional information may indicate the overall trip is expected to take three hours, the trip will be planned without stops and the route of preference is highway travel as much as possible. From this information a strategic plan can be discussed, agreed to, and distributed to decision makers within each respective decentralized management group.

*Decentralized – Unlinked*

Contrast the previous scenario with one where the additional information was not communicated nor was a centralized strategy communicated to the decision makers. If the group responsible for steering was risk averse, they would likely avoid freeways in planning out the route between points A and B. If the maintenance group set cost savings as a primary directive for their group, they may only partially fill the gas tank knowing that the project would absorb the fuel cost when the team stopped to refuel the vehicle. The non-freeway route and the refueling detour would likely not cause the company additional expense overall, but just as likely would not have been factored into the planning teams departure time causing the team to arrive late to their 3:00 pm meeting. Inefficiency costs money in the long-run.

Albeit an atypical illustration, many organizations follow the decentralized–unlinked goal setting example. Each division or profit center is provided limited information regarding the overall strategy of the organization i.e. get from point A to point B by 3:00 pm Thursday. Each division is then left to develop their goals independent of any further guidance from a centralized source resulting in very disjointed, inefficient, and costly efforts. Under this structure, time and money are often wasted on projects that, if the strategy was well known and specific metrics were well established, would never have been pursued.

*There is nothing so useless as doing efficiently that which should not be done at all. –Peter Drucker*

In addition to incorporating proper communication procedures, well defined strategic plans incorporate flexibility and delegation of authority to modify the strategic plan in response to changes in the market, both actual (reactive changes) and anticipated (proactive changes).

Changes are authorized and executed to ensure continued momentum toward the desired outcomes of the strategy.

### **Flexibility / Delegation of Authority**

*What happens is not as important as how you react to what happens. –  
Thaddeus Golas*

*By failing to prepare, you are preparing to fail. –Benjamin Franklin*

When an organization's strategy and subsequent strategic plans are well communicated, all levels of an organization fully comprehend the overall desired and expected outcomes of that strategy, how their respective area contributes to the successful execution of that strategy, and the rationale behind the strategic plans. Further to that point, decisions should be based, primarily, on the impact that decision potentially has on the ability of the organization to achieve its overall strategy. Strategic planning is both a reactive and a proactive exercise whereby you plan for and prepare for known (reactive) and anticipated (proactive) events.

Empowering managers to make decisions in response to market events and market intelligence is essential to executing a strategic plan. An organization must be able to reactively and proactively respond to actual and anticipated changes in the market quickly and decisively. This is critical to minimizing the gap between planning and executing, reducing costs, and outperforming competitors. Effective decentralized management structures are highly dependant on clear communication and understanding of the strategy and the development of metrics that are synergistic with the strategic plan. Each of these critical components enhances a decentralized management's ability to respond quickly, intelligently, and to ensure all actions work toward a unified end.

### **Balance of Information**

*Information is not knowledge. –Albert Einstein*

*Without freedom of thought, there can be no such thing as wisdom –Benjamin  
Franklin*

This is an area which requires a delicate balance. Give just enough information to clearly identify the expected destination without squashing or hindering other's efforts to create the path on which your organization will travel. Properly set strategy will inspire your leadership to leverage the resources available to them. Too much information will result in the creation of followers. Followers do not take ownership of a process nor do they create a process, they simply follow one.

### **Monitor and Measure**

*Without a standard there is no logical basis for making a decision or taking  
action –Joseph M. Juran*

The primary purpose for monitoring and measuring performance with regards to your strategy is to improve the probability of successfully executing that strategy. It further affords opportunities to refine your vision, realign your strategy, and strategically respond to actual and anticipated developments within the market. Monitoring and measuring performance ensures decisions are synergistic with your vision and strategy and thereby enhancing your team's efforts.

Goals and performance metrics should be directly related to your strategic initiatives. Performance metrics are the core indicator of an organization's ability to create value.

Here again, communication of your organization's vision and strategy are critical to successfully executing the short-term strategic plan and long-term strategy. It also ensures, decisions regarding short-term adjustments are done so with the overall long-term global strategy in mind.

Goals and performance metrics should be specific. Broad, generalized metrics such as *improve contribution margin (CM) on a cents per pound (ccp) basis*, is too vague and allows for too many areas that can negatively impact the outcomes and make measurement and comparison quite difficult. If the overall strategy is to improve CM on cpp basis, performance metrics should be attached to specific areas that have a direct and material impact on CM on a ccp basis. An example would be to reduce the pounds of raw material used per pound of product produced by X%. The bottom line is *what gets measured, gets done*. Therefore, the overall objective is to identify critical areas of performance in order to set goals and performance metrics that encourage greater attention to and performance improvements in those areas that have the greatest opportunity to improve value for your organization.

### **Don't Confuse Effort With Results**

*You get what you measure. Measure the wrong thing and you get the wrong behaviors –John H. Lingle*

*Don't rate potential over performance –Jim Fassel*

A strong effort is not a substitute for real results. Often our best efforts will yield little to no results. Effort is a subjective term and although it is often a component of an individual's overall performance, it should not be a consideration when measuring a specific metric that is based on specific quantitative factors. Effort does not negate the value of a specific performance metric or goal. Even a failed metric or performance goal when properly measured will yield valuable insight into creating value in that area. The more specific the performance metric the easier it will be to measure the results, compare it to the specific goal for that metric, and leverage the results to create future value in that area.

## **CONCLUSION**



Strategy and Strategic Planning are critical to an organization's ability to create value. Vision is the first step in developing a strategy as it is the 'what' and the 'why' of where you will target taking your organization. Strategy is the long-term 'how' to realize the vision and strategic planning is the short-term 'how' that puts details to the more general strategy.

Your organization's strategy should be simple with the understanding that it is just a hypothesis regarding the expected outcomes as a result of certain events coming to fruition. To successfully execute your strategic plans, they must be properly communicated to all levels of your organization, linked to the organization's overall vision and each group must understand how decisions in their respective areas potentially impact other areas.

Decentralized authority and flexibility are critical to this process as it affords quick and strategic adjustments in response to events in the market place both actual and anticipated. Sub-groups should be afforded the opportunity to put forth for discussion alternative solutions and plans to ensure the most efficient and value add solutions are adopted.

Measurements and performance metrics directly linked to the organization's strategy and strategic plan will ensure every person and group is working toward a unified goal.

Lastly, having a vision and strategy for your organization, will help you to raise up leaders who will not only take ownership of a process, but will develop processes that will result in the greatest value creating organization attainable.

*In the end, an organization is nothing more than the collective capacity of its people to create value –Lou Gerstner*

Adopt a strategic mindset for your organization and empower your people to be great leaders.