

ACADEMIQUE

ADVANCED DIPLOMA OF MANAGEMENT (HUMAN RESOURCES) BSB60915

Study Support materials for Develop and Implement Strategic Plans BSBMGT616



STUDENT HANDOUT

This unit describes the performance outcomes, skills and knowledge required to establish the strategic direction of the organisation, and to sustain competitive advantage and enhance competitiveness. It requires analysis and interpretation of relevant markets, capability assessment of the organisation, and its existing and potential competitors and allies. It also covers implementation of the strategic plan. No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.

This unit applies to individuals working in senior roles in the organisation, who have responsibility for ensuring that the organisation is positioned to ensure its long term viability and success. The unit covers the requirements for analysing the organisation's present position, and for developing specific actions and initiatives that will be undertaken by people working in various roles.

| ELEMENT | PERFORMANCE CRITERIA |
|--|--|
| <i>Elements describe the essential outcomes.</i> | <i>Performance criteria describe the performance needed to demonstrate achievement of the element.</i> |
| 1. Confirm organisational vision and mission | <p>1.1 Check with stakeholders that organisational vision and mission are still held to be current and are supported</p> <p>1.2 Make any changes or refinements to vision or mission statement as required</p> <p>1.3 Review or develop organisational values to support the vision and mission statement</p> <p>1.4 Gain support for strategic planning process from all relevant stakeholders</p> |
| 2. Analyse the internal and external environment | <p>2.1 Determine information requirements and undertake or commission research to deliver relevant information</p> <p>2.2 Analyse political, economic, social, and technological developments in a global context</p> <p>2.3 Seek advice from appropriate experts wherever necessary</p> <p>2.4 Identify and consider strengths and weaknesses of existing and potential competitors and allies</p> <p>2.5 Analyse organisation's strengths, weaknesses, opportunities and threats</p> <p>2.6 Consider cooperative ventures that are supported by risk and cost benefit analyses, are consistent with the organisational vision, mission and values and provide for due diligence</p> <p>2.7 Check that analysis of internal and external environment is consistent with the perspectives of other informed people</p> |
| 3. Write strategic plan | <p>3.1 Document relevant research and background for inclusion in the strategic plan</p> <p>3.2 Formulate strategic objectives and strategies needed for the future</p> <p>3.3 Detail each strategy with an assigned priority, a timeframe, responsible parties and measurable performance indicators</p> <p>3.4 Circulate strategic plan for comment, support and endorsement</p> |
| 4. Implement strategic | 4.1 Communicate strategic plan to all relevant parties |

| ELEMENT | PERFORMANCE CRITERIA |
|----------------|---|
| plan | 4.2 Brief people with a specific role in relation to strategies 4.3 Use performance indicators to monitor progress in implementing plan 4.4 Make necessary refinements to plan 4.5 Evaluate achievement of objectives at agreed milestones 4.6 Review effectiveness of plan and consider methods for improving strategic planning processes |

An Organisation's Mission and Goals

At the core of every organisation remains an essential set of values that guides its operations, and a vision, mission and strategy that give its operations purpose, meaning and direction.

These guide essential activities of the organisation, such as attracting, retaining, guiding and inspiring its employees, and giving them worthwhile goals to aim at, so the organisation can operate to work towards its vision.

Do you know the importance of values, vision, mission and strategy in guiding an organisation and its employees?

With the values, vision and mission in place, organisations can then develop a strategy containing more detailed information about how to achieve its aims. From there, even more detailed plans and operational plans are developed.

The goal of private sector organisations is generating profits. Many of their measures of success, therefore, revolve around financial indicators. Increasingly, they also include social and environmental measures.

The goal of public and not-for-profit sector organisations, however, isn't making money but providing a service. Their measures of success, therefore, revolve around controlling costs through efficient operations and the quantity and quality of the services they provide.

However it is not enough to just have a Mission, Vision and Goals – you need to constantly be revisiting it to ensure that all staff is working in accordance with these agreed plans. All plans should be evaluated by management on an annual basis and if necessary changes can be made. All changes should only be made with the agreed support of both management and staff. It is not enough for management to make changes and not get the staff approval – they are the ones most likely to be working within these guidelines and need to have input into any amendments.



Wikipedia gives the following definitions:

Key Components

The key components of 'strategic planning' include an understanding of the firm's vision, mission, values and strategies. (Often a "Vision Statement" and a "Mission Statement" may encapsulate the vision and mission).

- **Vision:** outlines what the organization wants to be, or how it wants the world in which it operates to be (an "idealised" view of the world). It is a long-term view and concentrates

on the future. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."

- **Mission:** Defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its vision. For example, the charity above might have a mission statement as "providing jobs for the homeless and unemployed".
- **Values:** Beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities and provide a framework in which decisions are made. For example, "Knowledge and skills are the keys to success" or "Give a man bread and feed him for a day, but teach him to farm and feed him for life". These example maxims may set the priorities of self-sufficiency over shelter.
- **Strategy:** Strategy, narrowly defined, means "the art of the general" - a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. A strategy is sometimes called a roadmap - which is the path chosen to plow towards the end vision. The most important part of implementing the strategy is ensuring the company is going in the right direction which is towards the end vision.

Organizations sometimes summarize goals and objectives into a **mission statement** and/or a **vision statement**. Others begin with a vision and mission and use them to formulate goals and objectives.

Many people mistake the vision statement for the mission statement, and sometimes one is simply used as a longer term version of the other. However they are distinct; with the vision being a descriptive picture of a desired future state; and the mission being a statement of a rationale, applicable now as well as in the future. The mission is therefore the means of successfully achieving the vision. This may be in the business world or the military.

For an organisation's vision and mission to be effective, they must become assimilated into the organization's culture. They should also be assessed internally and externally. The internal assessment should focus on how members inside the organization interpret their mission statement. The external assessment — which includes all of the businesses stakeholders — is valuable since it offers a different perspective. These discrepancies between these two assessments can provide insight into their effectiveness.

A vision statement is a declaration of where you are headed—your future state - to formulate a picture of what your organization's future makeup will be, and where the organization is headed.

Strategic planning process

There are many approaches to strategic planning but typically one of the following approaches is used:

Situation-Target-Proposal

- **Situation** - evaluate the current situation and how it came about.
- **Target** - define goals and/or objectives (sometimes called ideal state)
- **Path / Proposal** - map a possible route to the goals/objectives

Draw-See-Think-Plan

- **Draw** - what is the ideal image or the desired end state?
- **See** - what is today's situation? What is the gap from ideal and why?
- **Think** - what specific actions must be taken to close the gap between today's situation and the ideal state?
- **Plan** - what resources are required to

execute the activities?

Tools and approaches

Among the most useful tools for strategic planning is SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). The main objective of this tool is to analyze internal strategic factors, strengths and weaknesses attributed to the organization, and external factors beyond control of the organization such as opportunities and threats.

Other tools include:

- Balanced Scorecards, which creates a systematic framework for strategic planning;
- Scenario planning, which was originally used in the military and recently used by large corporations to analyze future scenarios.
- PEST analysis (**P**olitical, **E**conomic, **S**ocial, and **T**echnological)
- STEER analysis (**S**ocio-cultural, **T**echnological, **E**conomic, **E**cological, and **R**egulatory factors)
- EPISTEL (**E**nvironment, **P**olitical, **I**nformatics, **S**ocial, **T**echnological, **E**conomic and **L**egal).
- ATM Approach (**A**ntecedent Conditions, **T**arget Strategies, **M**easure Progress and **I**mpact) Once an understanding of the desired end state is defined, the ATM approach uses Root Cause Analysis (RCA) to understand the threats, barriers, and challenges to achieving the end state. Not all antecedent conditions identified through RCA are within the direct and immediate control of the organization to change. Therefore, a review of organizational resources, both human and financial, are used to prioritize which antecedent conditions will be targeted. Strategies are then developed to target the prioritized antecedent conditions. Linking strategies to antecedent conditions ensures the organization does not engage in activity traps: feel good activities that will not lead to desired changes in the end state. Once a strategy is defined then performance measures and indicators are sought to track progress toward and impact on the desired end state.

Situational analysis

When developing strategies, analysis of the organization and its environment as it is at the moment and how it may develop in the future, is important. The analysis has to be executed at an internal level as well as an external level to identify all opportunities and threats of the external environment as well as the strengths and weaknesses of the organizations.

There are several factors to assess in the external situation analysis:

1. Markets (customers)
2. Competition
3. Technology
4. Supplier markets
5. Labor markets
6. The economy
7. The regulatory environment

It is rare to find all seven of these factors having critical importance. It is also uncommon to find that the first two - markets and competition - are not of critical importance.

Analysis of the external environment normally focuses on the customer. Management should be visionary in formulating customer strategy, and should do so by thinking about market environment shifts, how these could impact customer sets, and whether those customer sets are the ones the company wishes to serve.

Analysis of the competitive environment is also performed, many times based on the framework suggested by Michael Porter.

With regard to market planning specifically, researchers have recommended a series of action steps or guidelines in accordance to which market planners should plan.

Goals, objectives and targets

Strategic planning is a very important business activity. It is also important in the public sector areas such as education. It is practiced widely informally and formally. Strategic planning and decision processes should end with objectives and a roadmap of ways to achieve them. The goal of strategic planning mechanisms like formal planning is to increase specificity in business operation, especially when long-term and high-stake activities are involved.

One of the core goals when drafting a strategic plan is to develop it in a way that is easily translatable into action plans. Most strategic plans address high level initiatives and overarching goals, but don't get articulated (translated) into day-to-day projects and tasks that will be required to achieve the plan. Terminology or word choice, as well as the level a plan is written, are both examples of easy ways to fail at translating your strategic plan in a way that makes sense and is executable to others. Often, plans are filled with conceptual terms which don't tie into day-to-day realities for the staff expected to carry out the plan.

The following terms have been used in strategic planning: desired end states, plans, policies, goals, objectives, strategies, tactics and actions. Definitions vary, overlap and fail to achieve clarity. The most common of these concepts are specific, time bound statements of intended future results and general and continuing statements of intended future results, which most models refer to as either goals or objectives (sometimes interchangeably).

One model of organizing objectives uses hierarchies. The items listed above may be organized in a hierarchy of means and ends and **numbered** as follows: Top Rank Objective (TRO), Second Rank Objective, Third Rank Objective, etc. From any rank, the objective in a lower rank answers to the question "How?" and the objective in a higher rank answers to the question "Why?" The exception is the Top Rank Objective (TRO): there is no answer to the "Why?" question. That is how the TRO is defined.

People typically have several goals at the same time. "Goal congruency" refers to how well the goals combine with each other. Does goal A appear compatible with goal B? Do they fit together to form a unified strategy? "Goal hierarchy" consists of the nesting of one or more goals within other goal(s).

One approach recommends having short-term goals, medium-term goals, and long-term goals. In this model, one can expect to attain short-term goals fairly easily: they stand just slightly above one's reach. At the other extreme, long-term goals appear very difficult, almost impossible to attain. Strategic management jargon sometimes refers to "Big Hairy Audacious Goals" (BHAGs) in this context. Using one goal as a stepping-stone to the next involves **goal sequencing**. A person or group starts by attaining the easy short-term goals, then steps up to the medium-term, then to the long-term goals. Goal sequencing can create a "goal stairway". In an organizational setting, the organization may co-ordinate goals so that they do not conflict with each other. The goals of one part of the organization should mesh compatibly with those of other parts of the organization.

Business analysis techniques

Various business analysis techniques can be used in strategic planning, including SWOT analysis, PEST analysis, STEER analysis, and EPISTEL

SYSTEM:



System Pyramid

Successful and sustainable transformation efforts require leaders who know how to manage change. At the simplest level, managing change means:

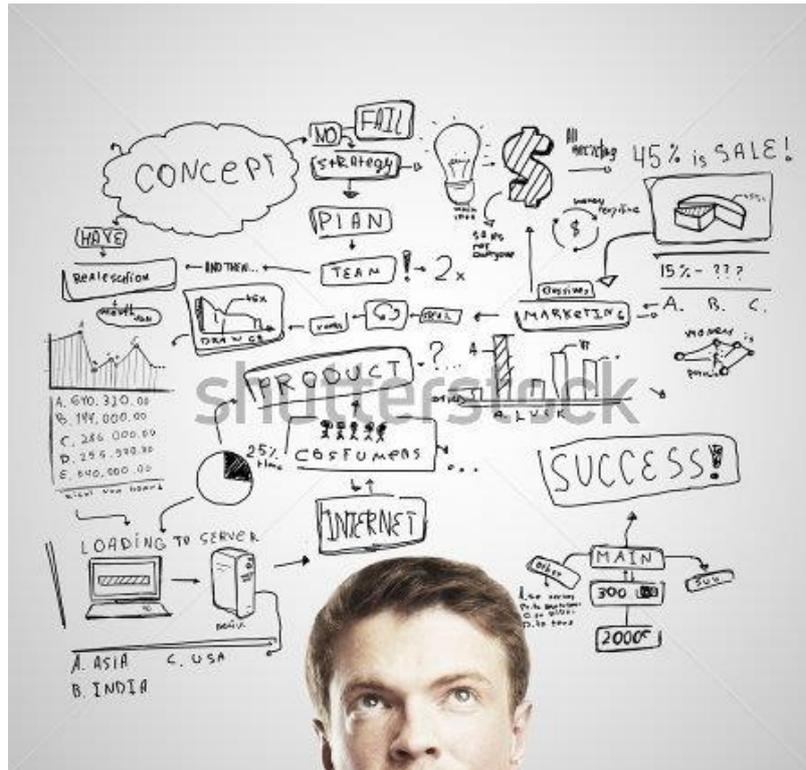
- Knowing what you want to accomplish and creating a compelling vision that motivates others
- Understand stakeholders and communicating with them early, consistently and often
- Managing the varying levels of support and resistance that will inevitably emerge in response to any change
- Change Leadership is a skillset that is required throughout any deployment, from planning and executing to sustaining improvements.
- Change Leadership is essential for both high level executives and program leaders, who are responsible for setting the vision, communicate the vision and make the changes happen.

Major Components of a Strategic Plan

Strategic plans can come in many different shapes and sizes, but they all have the following components. The list below describes each piece of a strategic plan in the order that they're typically developed.

- **Mission statement:** The mission statement is an overarching, timeless expression of your purpose and aspiration, addressing both what you seek to accomplish and the manner in which the organization seeks to accomplish it. It's a declaration of why you exist as an organization.
- **Vision statement:** This short, concise statement of the organization's future answers the question of what the company will look like in five or more years.
- **Values statement or guiding principles:** These statements are enduring, passionate, and distinctive core beliefs. They're guiding principles that never change and are part of your strategic foundation.
- **SWOT:** A SWOT is a summarized view of your current position, specifically your strengths, weaknesses, opportunities, and threats.
- **Competitive advantage:** Your competitive advantage includes what you're best at compared to the competition.
- **Long-term strategic objectives:** These long-term strategic focus areas span a three-year (or more) time horizon. They answer the question of what you must focus on to achieve your vision.
- **Strategies:** Strategies are the general, umbrella methods you intend to use to reach your vision.
- **Short-term goals/priorities/initiatives:** These items convert the strategic objectives into specific performance targets that fall within the one- to two-year time horizon. They state what, when, and who and are measurable.

- **Action items/plans:** These specific statements explain *how* a goal will be accomplished. They're the areas that move the strategy to operations and are generally executed by teams or individuals within one to two years.
- **Scorecard:** You use a scorecard to report the data of your key performance indicators (KPIs) and track your performance against the monthly targets.
- **Financial assessment:** Based on historical record and future projections, this assessment helps plan and predict the future, allowing you to gain much better control over your organization's financial performance.



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Your Strategic Planning Framework

Strategic planning has a basic overall framework. Not to oversimplify the strategic planning process, but by placing all the parts of a plan into the following three areas, you can clearly see how the pieces of your plan fit together:

- **Where are we now?** Review your current strategic position and clarify your mission, vision, and values.
- **Where are we going?** Establish your competitive advantage and your vision. Clearly see the direction your organization is headed.
- **How will we get there?** Lay out the road to connect where you are now to where you're going. Set your strategic objectives, goals, and action items and how you'll execute your plan.

Tips for Better Strategic Planning

Before you get too far into your strategic planning process, check out the following tips — your quick guide to getting the most out of your strategic planning process:

- **Pull together a diverse, yet appropriate group of people to make up your planning team.** Diversity leads to a better strategy. Bring together a small core team — between six and ten people — of leaders and managers who represent every area of the company.
- **Allow time for big-picture, strategic thinking.** People tend to try to squeeze strategic planning discussions in between putting out fires and going on much needed vacations. But to create a strategic plan, your team needs time to think big. Do whatever it takes to allow that time for big-picture thinking (including taking your team off-site).
- **Get full commitment from key people in your organization.** You can't do it alone. If your team doesn't buy in to the planning process and the resulting strategic plan, you're dead in the water. Encourage the key people to interact with your customers about their perception of your future and bring those views to the table.
- **Allow for open and free discussion regardless of each person's position within the organization.** (This tip includes you.) Don't lead the planning sessions. Hire an outside facilitator, someone who doesn't have any stake in your success, which can free up the conversation. Encourage active participation, but don't let any one person dominate the session.
- **Think about execution before you start.** It doesn't matter how good the plan is if it isn't executed. Implementation is the phase that turns strategies and plans into actions in order to accomplish strategic objectives and goals. The critical actions move a strategic plan from a document that sits on the shelf to actions that drive business growth.
- **Use a facilitator, if your budget allows.** Hire a trained professional who has no emotional investment in the outcome of the plan. An impartial third party can concentrate on the process instead of the end result and can ask the tough questions that others may fear to ask.
- **Make your plan actionable.** To have any chance at implementation, the plan must clearly articulate goals, action steps, responsibilities, accountabilities, and specific deadlines. And everyone must understand the plan and his individual role in it.
- **Don't write your plan in stone.** Good strategic plans are fluid, not rigid and unbending. They allow you to adapt to changes in the marketplace. Don't be afraid to change your plan as necessary.
- **Clearly articulate next steps after every session.** Before closing the strategic planning session, clearly explain what comes next and who's responsible for what. When you walk out of the room, everyone must fully understand what he's responsible for and when to meet deadlines.
- **Make strategy a habit, not just a retreat.** Review the strategic plan for performance achievement no less than quarterly and as often as monthly or weekly. Focus on accountability for results and have clear and compelling consequences for unapproved missed deadlines.
- **Check out examples.** Although you can't borrow someone else's strategy, you can find inspiration and ideas from the examples of others. Here is just one I have a catalog of example strategic plans by industry: on my website at www.mystrategicplan.com/examples. Check it out for quick access to ideas.

Key Terms

Business Strategy Describes how the organization competes within an industry or market

Competitive Strategy Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage in its market

Contingency Approach An extension of the systems approach that implies organizational variables (e.g. strategy, structure and systems) and its success or performance is dependent upon environmental influences (forces). There is, therefore, no one best way to structure or manage organisations; rather it must be dependent upon the contingencies of the situation

Contingency Approach to Organization Structure A perspective which argues that an organization, to be effective, must adjust its structure in a manner consistent with the main type of technology it uses, the environment within which it operates, its size and other contextual factors
Contingency Theory of Leadership A view which argues that leaders must alter their style in a manner consistent with aspects of the context

Continuous Change Organizational changes that tend to be ongoing, evolving and cumulative

Control Ensuring plans are properly executed; assuring the organization functions as planned

Controlled Performance Setting standards, measuring performance, comparing actual with standard and taking corrective action if necessary

Controlling Ensuring plans are properly executed; assuring the organization functions as planned

Core Competence Those capabilities fundamental to the organization's strategy and performance

Core Values Core values are the principles that guide an organization's actions

COSO ERM Framework The COSO (Committee of Sponsoring Organizations of the Treadway Commission)

Enterprise Risk Management-Integrated Framework published in 2004 defines ERM as a . . . process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives

Corporate Culture Defined by Bower as 'the way we do things around here'. Trice and Beyer elaborated this as: 'the system of . . . publicly and collectively accepted meanings operating for a given group at a given time'. Hofstede describes corporate culture as 'the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years' time.

Corporate Governance The system used to control and direct a company's operations

Corporate Social Responsibility A concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on all stakeholders, including the environment

Domestic Exporter A strategy characterized by heavy centralization of corporate activities in the home country of origin

E-Business Using Internet technologies as the platform for internal business operations, electronic commerce and enterprise collaboration

E-Commerce All electronically mediated information exchanges between an organization and its external stakeholders (see sell-side and buy side e-commerce)

Global Strategy Assumes a single market and offers a standard product(s) to meet customer needs wherever they are located

Niche Strategy A firm reduces its scope of operations and focuses on narrow segments of a declining industry

Organization A group of people with a common purpose who work together to achieve shared goals

Organisation Theory The study of the structure, functioning and performance of organizations and the behaviour of groups and individuals within them

Organizational Behaviour The study of the structure, functioning and performance of organizations and the behaviour of groups and individuals within them

Organisational Change The alteration of organizational components (such as the mission, strategy, goals, structure, processes, systems, technology and people) to improve the effectiveness or efficiency of the organization

Organisational Design The design of an organization patterns its formal structure and culture. It allocates purpose and power to departments and individuals. It lays down

Organic System A fluid and flexible system of management practice and structure which is characterized by the adjustment and continual redefinition of tasks, a network structure of control, authority and communication and where superior knowledge does not necessarily coincide with positional authority

Organization Development A systematic process aimed at improving organizational effectiveness and adaptiveness on the basis of behavioural science knowledge; typical stages in an OD programme include analysis, diagnosis, action plans and review, an external third party assists the process.

Organizational (Corporate) Culture A set of values, beliefs, goals, norms and rituals that members of an organization share

Product Portfolio The variety of products manufactured or supplied by an organization

Product Portfolio Analysis A strategic planning tool that takes a product's market growth rate and its relative market share into consideration in determining a marketing strategy

Product Structure The organization is structured according to related products or services

Strategic Management Process A sequential set of analyses that can increase the likelihood of a firm's choosing a strategy that generates competitive advantages

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations

Strategy as Position A means of locating an organization in its environment (choice of niche). It can be considered in relation to competitors or simply with respect to markets or an environment at large. Strategy is creating situations where revenues may be generated and sustained

Structure The structure of an organisation is the way in which employees are formally divided into groups for coordination and control

Strategic Choice The process whereby power-holders within organizations decide upon courses of strategic action

Strategic Decision Making Determining the long-term objectives, resources and policies of an organization

Strategic Management Process A sequential set of analyses that can increase the likelihood of a firm's choosing a strategy that generates competitive advantages

Semi Structured Decisions where only part of the problem has a clear-cut answer provided by an accepted procedure

Helpful Websites:

<http://www.smetoolkit.org/smetoolkit/en/content/en/793/Creating-an-Effective-Business-Plan>