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Prepare to develop a strategic plan

The first three steps in the strategic planning process involve the establishment of organisational vision, mission and values. These three terms are often used interchangeably but each is distinctly different.

Definition of vision, mission and values:

- The vision refers to the broad, long-term direction, purpose and goals of the organisation.
- The mission describes the path the organisation will take to achieve its vision.
- The values are the guiding principles by which the organisation operates.

Confirm the vision and mission

The first step in preparing a strategic plan is to confirm that the organisational vision and mission are current and supported. Strategic plans usually operate over a defined period, for example five to ten years, so it is important that each new strategic plan begins with an analysis of its currency and relevance from the top down. A review of vision and mission might also be necessary in between strategic planning cycles if there is a change in external factors. For example, if a new product far outperforms expectations, leading to a shift in business focus.



The organisation's vision

Organisations develop a vision to communicate why they exist, what they hope to achieve and how they work. It is the long-term achievement the organisation ideally would like to see if its work is successful. For example, a wine retailer's vision may be to be the country's leading retailer of fine wine.

Organisations will usually include this vision in their strategic plan and publicise it widely, both internally and externally, through their annual report, the media and various branding opportunities. Organisations are not legally permitted to carry out functions which are not explicit in their vision, as defined in their governing documents.

Tips for defining and reviewing a vision statement

- It should present a picture of what it is trying to achieve in the short to medium term.
- It should consider the future characteristics of the organisation, such as products, markets, customers, processes, location, staffing and so on.
- It should be brief and to the point.
- It should broadly consider the organisation's purpose.
- It should clearly state who you are as a company and who you wish to become.
- It should consider what your organisation does, what it wants to do and how it would like the world to view it.
- It should consider the services provided and state the very best way to provide them.

Make changes as required

Once you have consulted key stakeholders, it is your job to collate feedback and review the vision and mission statements to identify required changes or refinements. This might be an organic process which occurs as part of the consultation or you may have autonomy to make the changes yourself, after careful consideration of the feedback. Either way, it is important to make sure you follow up with those you have consulted. Here are some aspects that need to be considered when making changes.

Incorporate changes

Changes will need to be made to the master statements and then reflected everywhere they appear throughout and outside the organisation. This might include:

- the annual report
- the intranet and the company website
- advertising and information brochures
- signage, letterheads and business cards
- voicemail and on-hold messages.

Seek assistance

You will likely need to enlist the help of the marketing department or even an advertising agency when making and incorporating changes, and this will need to be planned for and implemented via the communication plan.

When incorporating changes, you will also need to ensure you follow organisational procedures and use the required templates and formats of the organisation.

Example: confirm the vision and mission statements

A South Australian university recently undertook a project to review its vision and mission to better reflect the changes technology, particularly online learning, has made to its service delivery and market share. A working group, made up of students, staff and industry partners, was formed to oversee the change. The working party decided to involve all staff in the review in order to harness ideas and maximise buy-in. A competition was advertised on the intranet, offering prizes for the best new mission statement. Guidelines were provided. Entries were reviewed and finalists were selected. Staff were then able to vote for a winner. Further consultation and market testing was then applied before the new statement was implemented.



Develop new values

When developing new values you should avoid obvious choices, such as honesty, fairness and integrity. It goes without saying that most organisations will believe in such values. Your goal is to identify values that truly represent who you are and what you do. The values will help to define your organisation's culture so you need to consider this when developing them.

Here are some tips that could be used for developing new values.

Process for developing values

1

Prepare a list

Prepare a list of values that your staff believe are important and that distinguish your organisation from competitors. For example, being honest with each other and with customers and demonstrating respect to everyone.

2

Brainstorm

Brainstorm key words and then sort them into common areas; such as honesty and respect.

3

Prioritise

Prioritise the list.

4

Achieve consensus

Allow time for consultation until a consensus is reached. Agree to a list of no more than eight to ten values.

5

Define each value

Define each value by describing the organisational behaviours and actions that will demonstrate this value. For example, 'We shall at all times demonstrate respect to each other and to all those we deal with'.

6

Assess each value

Refer back to the organisation's vision and mission to make sure your short list is compatible.

7

Finalise values

Finalise a set of five or six values.

Employees

It is also a good idea to gain support from employees. After all, they will be the ones who ultimately 'live' the vision, mission and values of the organisation. Aligning your organisation's goals with those shared by individuals is the best way to ensure success, so consulting employees is a key step in the overall consultation process. It is these individuals and their collective beliefs and behaviours that make up the organisation's culture. Here are things to consider when gaining employee support.

Approach

You may undertake this consultation yourself or you may delegate this task to department managers who can simultaneously undertake consultative activities within their own teams. Such activities may include brainstorming, discussions in staff meetings or planning days and feedback forms.

Test

This is also a good opportunity to test the vision, mission and values to see if they are realistic, robust and 'liveable'. You could ask staff to provide ideas and examples of how they believe the values can be demonstrated in their everyday work. This information will also come in handy later, when developing objectives and measures of success in your strategic plan. Feedback can then be collated and refined to inform any adjustments you might make to draft vision, mission and value statements before they are finalised.

Communicate

Once you have finalised your vision, mission and values statements, you will need to communicate with the entire organisation to educate them and to seek their buy-in. Remember, a vision, mission and values are only useful if all of the people within the organisation:

- know them
- understand them
- support them
- live them.

Topic 2

Analyse the internal and external environments

Now that the vision and mission of the organisation are refined and the values have been formulated, you can begin the strategic planning process. This process involves researching and developing the plan, performing a SWOT analysis, and reviewing inputs.

In this topic you will learn how to:

- 2A Research and analyse internal and external environments
- 2B Seek advice from experts
- 2C Identify and consider competitors' and allies' strengths and weaknesses
- 2D Analyse the organisation's strengths, weaknesses, opportunities and threats
- 2E Consider relevant cooperative ventures that are supported by risk and cost benefit analyses
- 2F Check that analyses are consistent with other people's perspectives

Intangibles

- Evidence of culture that is less visible but just as important.
- For example, how things are done, beliefs, values, understanding and behaviour.

Balance culture and performance

Successful companies balance culture and performance. They are based around a clear vision and mission. There is a shared set of values that is understood by all and implemented through decision making and practise. The internal culture must fit the needs of the external environment and company strategy.

Firstly, you need to decide:

- to what extent does the organisation rely on the internal and external environment
- does it require a flexible or stable external environment.

Types of organisational culture

Here are examples of organisational culture.

Adaptive culture

This culture has values that enable the organisation to quickly identify external signals and act accordingly. This is appropriate in an organisation where rapid change, quick responses and high-risk decisions are required.

Achievement culture

This culture is results-oriented and characterised by aggressiveness, competitiveness, a high level of personal initiative and cost cutting. Employees are usually willing to work hard to achieve strong results. This is appropriate for an organisation with a specific target market that is not subject to rapid or wide-scale change.

Involvement culture

This culture aims to encourage participation and contribution by employees, valuing equality and avoiding status and hierarchy. This is appropriate in an organisation with an internal focus that relies on the ability of employees to adapt to changes developed in response to environmental forces.

Consistency culture

This culture is orderly and methodical in its approach to strategic planning. This is appropriate for organisations that have an internal focus and a stable environment.

Delegate tasks

Given the time and effort required to regularly undertake research and collect and analyse data, particularly from the external environment, it is common for managers to delegate some of this work. You can delegate some or all of the tasks to others within your team. For example, you may choose to delegate the collection of data to a team member and then analyse results yourself before feeding them into your planning. Alternatively, you may delegate the data collection and analysis to a trusted team member.

Before you undertake the research and analysis, it is important that you have a plan. Like any project you undertake, this activity should be scheduled and resources identified and allocated to ensure it is done effectively and in a timely manner, particularly if you are involving others. Here are some strategies that can be deployed to delegate organisational tasks.

Checklist for delegation

If delegating, make sure you:

- are clear on what is required
- specify objectives
- identify subjects or targets for research
- have a schedule for when research and analysis should be undertaken
- suggest methodology
- provide support and training, if necessary.

Delegation action plan

An action plan should be developed which:

- details the objectives of the research
- identifies the environmental and internal factors you want to focus your research on
- identifies research or data collection methods
- assigns personnel and resources
- schedules time lines
- allows for briefing of personnel
- identifies analysis requirements and methods.

Use external parties

Some managers may even choose to delegate this task externally. There are many organisations which specialise in environmental scanning and can assist with or even undertake this research and analysis on your behalf.

Five forces of competition

Consider watching this *Harvard Business Review* video in which Michael Porter discusses the development of the concept of competitive advantage – ‘The Five Competitive Forces That Shape Strategy’, at: <https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy>

Know your market

Who is your market? Where is your market? How big is your market? What does your market want? It is important that you define the market you want to compete in. It is not practical or even good strategy to target a whole market. Retailers, for example, rarely try to attract everyone and usually target a particularly defined market. There are some obvious exceptions to this rule, such as Nike and Google. But most businesses will have a target market. Here are examples of ways you can define your market.

Geographic targeting

Where are your customers and how many are there? Do customers come from the local area, all over the city, or nationally? This criterion has changed with the introduction of online shopping and other e-businesses. Now, in many cases, geographic targeting is irrelevant for businesses.

Customer targeting

Who fits your customer profile? For example, a reception centre will target wedding planners, brides and their families, local businesses holding conferences and so on.

Product-orientated targeting

Who and how many customers are likely to be interested in your products or services?

Know your customers

Organisations often assess their performance by measuring their market share and comparing it to competitors. Market share is the piece of the market they have control over. It is important to understand market share so you can develop strategies which might aim to maintain or increase it. You can also profile customers to identify strengths and weaknesses so that you can better plan to meet their needs. Here are strategies that you can use to get to know your customers.

Networking

Network by attending events and conferences. This way you can eyeball your competitors on neutral ground, hear them speak and even speak to them yourself. Make sure you visit competitors' booths, look at their offerings, how they present themselves and how they interact with customers. Also look out for customer reaction to their strategies. What is attracting the crowd? Can you do the same or similar?

Ask your suppliers

You probably share the same suppliers as many of your competitors. Ask them. You might not get the direct answers you are looking for but there is still value to be gained in asking. Instead of asking outright about what a competitor has ordered, for instance, ask questions like: 'Which product have you found to be most popular?' or 'How many units of this do you already have orders for this month?'

Recruitment

Recruit employees who have worked for the opposition. No one knows more about your competitors than their former employees. You can't expect these people to give away trade secrets or hand over intellectual property but you can ask questions like: 'How would they have done this?', 'What is coming up in their future plans?', 'What new research and development are they investing in?'

Look at who your competitors are employing. Their job advertisements might give hints as to what they are planning in the future. You can get lots of information from a job advertisement which might include details of an exciting new project, software used or staff levels required; all of which might indicate change, expansion or new ventures.

Approach competitors

Try simply calling and asking some questions. It might not work but you might be surprised by the information you receive.

Analyse findings

Here are the steps that form part of the analytical process.

Analysis process

- Identify your competitors
- Identify competitors' goals and objectives
- Identify competitors' strategies and tactics
- Assess competitors' strengths and weaknesses
- Prioritise competitors and determine those to target

Often strategies become obvious during the SWOT analysis. Other times, you might need to give it some further thought. If you approach this step methodically and apply the ‘build, resolve, exploit, avoid’ methodology to each relevant point, strategies begin to develop.

Another approach is to consider how the strengths, weaknesses, opportunities and threats relate to each other. This is called a TOWS analysis.

TOWS analysis

Take each identified strength and think about ways you can use it to maximise the opportunities (strength – opportunity strategy).

Look at how each strength can minimise the threats (strength – threat strategy).

Use the identified opportunities to develop strategies that will minimise the weaknesses (weakness – opportunity strategy).

Think of ways to minimise weaknesses and avoid threats (weakness – threats strategy).

Example: analyse a SWOT process

Ricardo manages a new team of salespeople. The team will be responsible for selling a product that has just been introduced to the organisation. He has been asked to put together a strategy by his own manager. He decides to involve his team in the strategic planning process. Because the team is spread throughout the country, in both city and regional locations, he sends a detailed email to each team member, explaining the SWOT process. He includes a blank SWOT template which he asks them each to complete before the next national sales meeting.

He will compile the individual SWOT results into common points under each of the four headings and take these to the sales meeting where he plans to work with his team to finalise the strengths, weaknesses, opportunities and threats. He will then use these to formulate strategies that he will include in his final strategic plan to his manager.



Tips for ensuring a good strategic fit:

- Establish a profile of an ideal partner, if you do not have one in mind already, and measure all possible partners against your profile.
- Consider geographic location (although this is becoming less important these days).
- Ensure both parties' vision, mission, values and goals are consistent or at least similar.
- If structured differently, consider how you will be able to operate with these differences.
- Gather as much information as you can about your prospective partner, both quantitative and qualitative, from a range of sources.
- Talk to others who have worked with them before.
- Conduct a SWOT analysis on both parties and check alignment of strengths and weaknesses, looking for opportunities to complement each other.
- Ensure there is a clear win-win opportunity.
- Make sure you apply the same evaluation criteria to all prospective partners.
- Check that management teams in both organisations are supportive of the partnership.

Risk assessment

When undertaking a cooperative venture, like any major business decision, a risk analysis should be undertaken to identify any risks and develop strategies to manage them. Ventures that pose significant risks may even need to be reconsidered. To do this you should refer to the organisation's risk management procedures. The following looks at the steps in more detail.

Identify risks

- What are the possible risks?
- How many risks are there?

Assess risks

- How serious are the risks?
- How likely are they to occur?
- What are the possible impacts or consequences?
- What priority should be placed on controlling these risks?

Control the risks

- What strategies can we use to control the risks; that is accept, transfer, avoid or reduce?
- What is involved in this?
- How much will it cost?
- How long will it take?
- What is the desired outcome?

Implement and review controls

- Did the controls work?
- How effective were they?
- Could they be improved?
- What else can we do?

Resource the venture

Once all of the ground work has been laid, project planning can begin which means that the venture will need to be resourced. This will include:

- recruitment of staff for the new venture, either internally or externally
- acquisition of plant and equipment
- establishment of project goals
- development of an action plan that identifies time lines, personnel, events and deliverables.

Example: cooperative ventures

Caltex Woolworths is a chain of petrol stores in Australia. It is a 50:50 joint venture between Caltex Australia and Woolworths Limited. Caltex Woolworths offers a four-cents-per-litre discount off the pump price for customers who present a docket as proof of purchase for spending \$30 or more at Woolworths and Safeway supermarkets.

The Woolworths Everyday Rewards loyalty card also allows customers to access their discount by swiping their cards at Woolworths stores nationwide and then presenting it again at Caltex Woolworth's petrol stations.

This joint venture capitalises on combining and growing the market share of both large organisations and encourages loyalty and repeat custom.



Practice task 8

With a partner or colleague, identify some potential organisations your organisation could undertake a cooperative venture with. Choose one and write a report discussing the pros and cons of a possible joint venture. Your report should be no more than one page in length.

Summary

1. You must know about all of the internal and external factors affecting your business, now and into the future, and plan for them.
2. The internal environment of an organisation refers to variables which are confined to within its operation.
3. The external environment refers to any outside elements that affect an organisation.
4. Careful monitoring of an organisation's internal and external environments allows a manager to detect early signs of opportunities and threats that may influence its current and future plans.
5. A PEST analysis considers political, economic, social and technological factors to assess a market.
6. Market analysis should focus on the competitors in your chosen market and the allies or customers. Knowing the strengths and weaknesses of each will assist you in formulating strategies to optimise your own performance and gain target market share.
7. To develop a strong business strategy you need to be sure you have identified and considered all of your business's strengths and weaknesses. Then you can evaluate them against the opportunities and threats that exist externally, and use this to focus your planning.
8. It requires a real shift in thinking to consider competitive relationships as opportunities for mutual benefit.
9. You should take some time, before commencing the planning process, to consult with relevant stakeholders to validate your findings and gain additional insight to inform your plan.

Organise documentation

The collation of data is likely to result in large amounts of documentation. It is essential that it is organised for easy access by all involved in the strategic planning process. This means storing and filing documentation in a logical way that is intuitive and orderly. Electronic files should be made available on shared drives or on the organisation's intranet and secured appropriately. This may mean applying password protection and allocating access to relevant stakeholders. Consider the following information.

Formats

Documentation may need to be made available in a range of other formats to support the planning process. For example, for a planning day or staff meeting where strategic planning will be undertaken by a group, you will need to make available paper-based copies of documentation. You will need to determine whether one set of documents will be made available per person or shared between two or three participants. Since the data is likely to be considerable, this may be a better and more cost effective option.

Presentation

Documents could be presented in a bound folder with tabs or dividers separating the information into sections. Separate documents may be made available for each data category. You will need to decide what is most appropriate. Some presentation materials may also be required to help facilitate planning, such as slide shows, handouts or posters.

Target the audience

Whatever organisational methods you adopt you should consider the target audience. Here are some example questions that you can ask yourself to ensure you are meeting the needs of your target audience.

Audience considerations

Is the language clear and simple to understand?

Is documentation free from unnecessary jargon?

Does the level of information suit the range of stakeholders in the audience? Is it detailed enough for managers, yet brief enough for operational staff to comprehend?

Is there opportunity for feedback and clarification?

Is there a range of presentation methods used to meet the needs of stakeholder preferences and levels of understanding?

SWOTs and goal grids



Your SWOT analysis should form the basis of your objective development. One common approach for developing objectives from the SWOT analysis is the use of a goal grid. This technique can focus your thinking around SWOT, using a four-square approach.

To use this matrix, simply answer yes or no to the following questions:

- What do you want that you do not already have? (Achieve)
- What do you want or need that you already have? (Preserve)
- What do you not have that you do not want or even need? (Avoid)
- What do you have that you do not want or need? (Eliminate)

The results of the analysis, using a goal grid, will be as follows:

- If you want something you do not have or need (Y/N), your goal is to obtain it (Achieve).
- If you want something you already have (Y/Y), your goal or aim is to keep it (Preserve).
- If there is something you do not want or need and do not have (N/N), your goal is to avoid it (Avoid).
- If you do not want something and you have it (N/Y), your aim is to get rid of it (Eliminate).

State objectives

When you have a plan for what your goals and objectives will be, you can begin to formulate them. Remember, your strategic goals need to reflect the results of the analysis you have undertaken into internal and external factors. Use the SMART principle, as outlined below, to help you develop a 'good' objective.

S	M	A	R	T
Specific	Measurable	Attainable	Realistic	Time framed
Target and clearly define a specific area that you want to improve.	Suggest an indicator of progress; quantify if possible. Determine how you will know the goal has been achieved.	Agree what the goals should be and keep them achievable in the time frame.	Identify what results can realistically be achieved given the available resources, knowledge and time.	Specify when the result can be achieved; make sure there is enough time to achieve the goal, but not too much time.

3D

Circulate the strategic plan for comment, support and endorsement

You should now have a draft strategic plan. Before it can be finalised, you must circulate it for comment, support and endorsement to various stakeholders throughout the organisation.

Just as you consulted key stakeholders along the way when developing the strategic plan, it is now time to seek their input again, before the final plan is signed off. This is necessary for a range of reasons.

Reasons for circulation include the following:

- Corporate governance requirements
- To maximise support and buy-in
- To check accuracy and effectiveness
- To ensure it is actionable by all parties
- To check it aligns with the organisations vision, mission and values
- To confirm understanding
- To gain approval and achieve signoff

How to consult with stakeholders

You will need to consult with key stakeholders such as your team, your manager, the executive team, the Board and shareholders. The following outlines some of the many options for communication and consultation techniques, together with examples of when they might be adopted. It is worth remembering that more than one method may be combined in many cases. Guidance on eliciting and incorporating feedback in drafts to obtain endorsement and final approval is also provided.

Communication and consultation methods

- Reference groups/steering committees; for example, when there are multiple key stakeholders to be represented or when there strong compliance is required.
- Focus groups for customer or other small group feedback.
- Surveys to gauge opinion from stakeholders.
- Informal discussions to seek peer or management advice.
- Reviews and written feedback from experts from within or external to the organisation (sometimes combined with key stakeholder consultation).
- Meetings to deliver information and seek immediate feedback face-to-face.
- Presentations followed by audience feedback; for executive, staff or peer approval.

continued ...

Communication considerations

Here are several options that you might consider including in your communication of the strategic plan. You should adjust the level of detail according to the audience.

Considerations
Organisational overview: your history and your vision for the future.
Overview of the competitive environment in which you operate: who are your competitors and what is the external environment like?
Objectives: a brief description of the goals and objectives in terms of the projected benefits and outcomes.
Barriers: the obstacles you might come up against while pursuing your objectives. Try referring to these barriers as challenges rather than problems.
Strategies: how you hope to accomplish your goals and overcome challenges.
Implementation: what you are already doing and what you will do to carry out the plan, including who will be involved and what the organisation expects.

Communication strategies

There are many ways you can communicate the strategic plan to your various target audiences. It is likely that more than one strategy will be required to both meet the various needs of the audiences and to maximise opportunities for stakeholders to engage with and understand the plan.

Simply distributing the strategic plan via a memo or email, for example, will not allow you the opportunity to scaffold the plan with supporting and background information. Often, a diagram of the components of the plan and a one-page summary, accompanied by a short presentation targeted at the needs of the audiences is the most effective combination of strategies. Here are several other communication strategies.

Both scorecards and dashboards measure performance against pre-determined KPI metrics, and communicate this information in easily understood, interactive reports. Many organisations will use one or both, or may even combine the two methodologies in one visual display. For example, some dashboards have evolved to also include the ability to track progress towards an objective. Both can be developed using simple software products, such as Excel or Microsoft Project.

For more information about dashboards and scorecards see the article ‘What’s the difference between a dashboard and a balanced scorecard?’, from the BSC Designer website, at: www.bscdesigner.com/dashboard-vs-balanced-scorecard.htm

Individual performance

Measuring performance against KPIs is not isolated to a department’s or organisation’s financial results. Individual performance can also be monitored against KPIs. It is good practice for organisations to link the performance goals of individuals in their work plans or performance plans directly to the values and objectives of the strategic plan. Individual KPIs can then be set or negotiated between individuals and their managers. Managers and individuals can discuss performance against those KPIs at regular performance reviews; for example, annually or biannually.

The image shows a 'Job Performance Appraisal' form. At the top, there's a section for 'EMPLOYEE'S DETAILS' with fields for Name, Position, Years/months employed in this position, and Date of next review. Below this is a section for 'PROGRESS TOWARDS GOALS IDENTIFIED IN LAST PERFORMANCE REVIEW' with columns for Goal, Action taken, Completed, and Comment. At the bottom, there's a section for 'OPPORTUNITY TO EVALUATE OWN'. There are also checkboxes for 'A or new role?' and 'responsibility and ethics'. A table at the top right shows 'Achieved Expectations' with columns for 'Actual', 'Target', and 'Variance'.

Assess performance

When monitoring performance using metrics, you need to identify instances of underperformance and focus on any roadblocks, or barriers, that may have caused failure. You will need to analyse what stopped individual strategies or tactics from being properly enacted. There might have been an unexpected external factor, such as a spike in interest rates, or there may have been an internal problem, such as a lack of training and support for implementation in a particular department.

You need to be asking:

- What is happening?
- Why or why not?
- What is getting in the way?
- Who needs help?
- Who needs recognition?
- What can we learn from the success or failure?

4D

Review the effectiveness of the plan and identify methods for improving planning processes

The final stage in the strategic planning process should be a review of all steps undertaken to inform any improvements for future planning, adopting a continuous improvement approach to planning. Many organisations, for one reason or another, fail to execute their chosen strategy, so it is important to find out why and what can be done better in the future.

By reviewing the strategic planning processes, you can gather intelligence on what worked and what didn't to better inform the next iteration of the plan. During the review, you should assess how effectively you undertook each step in the strategic planning process.



Conduct a review

Establishing a system to measure and monitor the effectiveness of your strategic planning can greatly enhance the impact of the process and lead to greater success. An effective measurement system enables management to address areas of non-performance or under-performance by implementing corrective actions. Lessons learnt can also be fed into future planning activities to achieve improved outcomes.

The following provides more information about how to review the strategic plan.

Methods

There are many ways to review strategic planning. These include:

- consulting with key stakeholders
- distributing questionnaires or feedback proformas
- debriefing before developing new strategic plans
- conducting a review meeting
- benchmarking with peers, departments or even competitors
- rating overall outcomes against objectives to identify areas for improvement.