Strategic Planning



oxen



Strengths	Weaknesses	Opportunities to exceed plan	Threats to making plan

One Page "Getting Things Done" Plan

Company Name: Date:

Core Values (Should/Shouldn't)	Purpose (Why)	Targets (3-5yrs) (Where)	Goals (1yr) (What)
Value 1	Purpose	Future Date: March 2013	Year Ending
Value 2		Rev	Revenues
Value 3		Gross Margin	-cat 1
Value 4	Actions To Live Values, Purpose, BHAG	GM%	-cat 2
Value 5		Profit (20%)	-cat 3
		Target Market	Total Revenue
			Gross Margin
			GM%
			Overheads
			Profit
			ROS
			People
			Rev per person
			Cash
		3-5 Year Goal	Annual Goal
		Key Thrusts/ Capabilities 3-5 Year Priorities	Key Initiatives Annual Priorities
		Economic Drivers	Key Performance Indicators
	B.H.A.G. Big Hairy Audacious Goal	Key Market Differentiator	Brand Promise

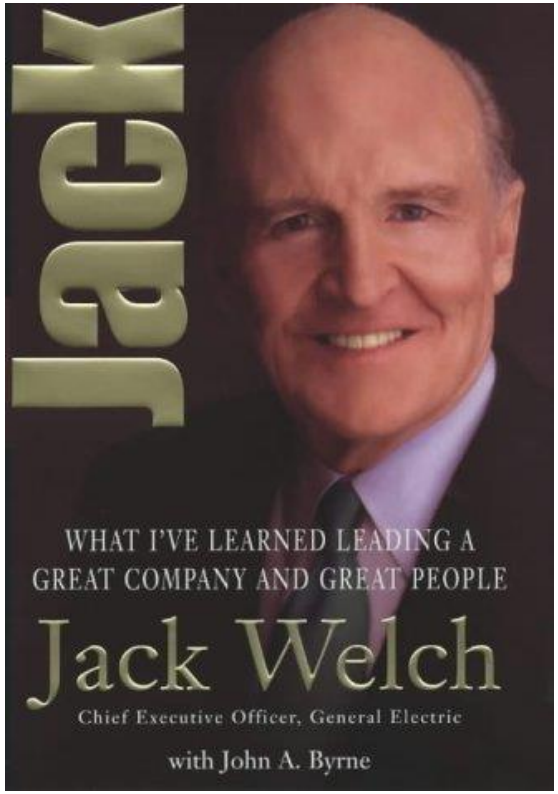
Actions (Qtr) (How)	Theme (Qtr)	Accountability
Quarter #	Deadline	This Quarter Last Year
Revenues -Cat 1		Revenues -Cat 1
-Cat 2	Measureable Target/ Critical #	-Cat 2
-Cat 3		-Cat 3
Total Revenue		Total Revenue
Gross Margin		Gross Margin
GM%		GM%
Overheads		Overheads
Profit		Profit
ROS		ROS
People #		People #
Rev per person		Rev per person
Clients #		Clients #
Quarterly Goal	Annual Theme Name:	Year Ending
		Revenues -Cat 1
		-Cat 2
		-Cat 3
		Total Revenue
		Gross Margin
		People #
		Rev per person
		Clients #
Quarterly Actions	Celebration/Reward:	
2 Critical #'s	Dashboard Deigns:	
Personal Quarterly Commitments		



oxen

What is Strategy?

- Strategy is not a lengthy action plan
- It is the evolution of a central idea through continually changing circumstances



10 Years

BHAG
(Big Hairy Audacious Goal)

BHAG:
A term from Jim Collins

- Big Hairy Audacious Goal
- Long-term, challenging goal beyond current capability
- Your stretch vision to take you from ‘good’ to ‘great’



BHAG





BHAG


First we set our BHAG
(our Mt Everest)
Then we plan our climbing route
and base camps along the way

The Mountain Analogy

- **Core values:**
  - Enduring rules for behaviour no matter what mountain you climb
- **Core purpose:**
  - Why you climb mountains at all?
- **BHAG:**
  - The view from the top of the mountain you intend to climb
- **Strategy:**
  - The route you plan to take to climb up the mountain and the core competencies you need to reach the top
- **Base camps (annual priorities):**
  - Milestone achievements on your way to the top of the mountain
- **90 day action priorities (ROCKS):**
  - The steps you need to take to step over the rock face in front of you right now

Characteristics of a Good BHAG

- A measurable goal with a deadline
- Long timeframe (10 +years?)
- Clear, compelling and easy to grasp
- Reflects your core values and core purpose
- Beyond current capabilities of organisation
- Set in understanding, not bravado
- Can outlive the tenure of the current leaders

Starbucks BHAG

“ To be the #1 consumer brand on the planet ”



Finding your BHAG

A category where you can position yourself as leader



Core Purpose

BHAG

Where you will maximise profits (profit / x)

BHAG - Questions

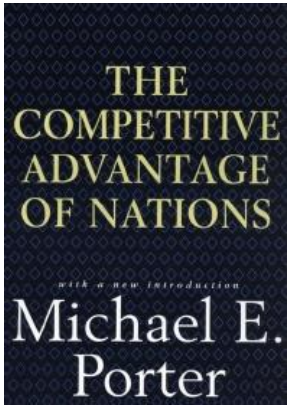
- What is your company passionate about?
- What could you be the best (in the world) at?
- Where will you maximise your profit?
- Imagine what your company would look like in 10 years time if it were truly great, and someone wrote an article describing your success
- What would it say?
  - Turnover / profit / size / scope / locations / # staff?
  - What products / services will you be providing / for whom?
  - What will you be the best at?
  - What have you achieved / awards won / how will you feel?
  - How will you have measured your success?

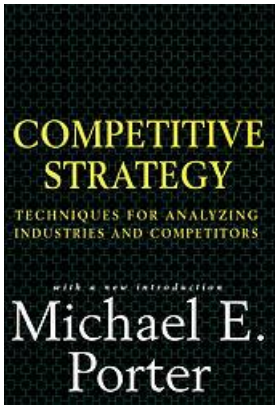
3 – 5 Years

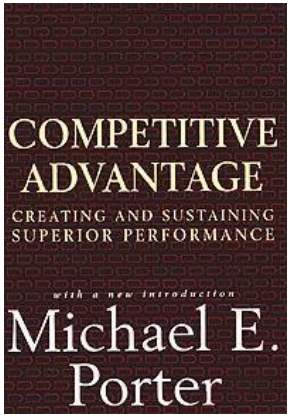
5 Competing Forces

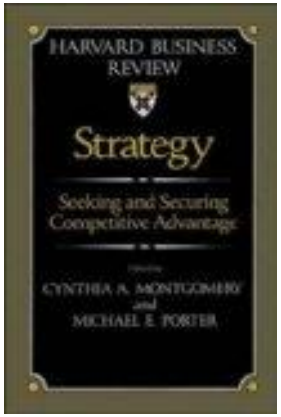
Michael Porter











The 5 Forces That Shape Industries



From "The Five Competitive Forces That Shape Strategy"
by Michael E. Porter,
Harvard Business Review, January 2008

oxen

1. Competitive Rivalry

- How competitive will your industry become in 3-5 years?
  - Industry growth rate
  - Number of competitors
  - Commoditisation – price competition
  - Who will have sustainable competitive advantages
  - Who will have economies of scale
  - Who will have cost advantages – outsourcing etc
  - Who will have promotional spending advantages
  - Predatory pricing / dumping / loss leaders
  - Industry exit barriers
- What moves are your key competitors likely to make in the next 3-5 years?

2. Threat of New Entrants

- How easy will it be to enter your industry?
  - Capital requirements
  - Learning requirements
  - Access to suppliers
  - Access to distribution channels
  - Brand equity of incumbents
  - Expected retaliation by incumbents
  - Government protection
- What is the threat of new entrants in 3-5 years?

3. Threat of Substitutes

- Different ways customers can achieve a similar result:
  - Availability of substitute products / services
  - Relative performance of substitutes
  - Perceived differentiation in customer's mind
  - Customer switching costs
  - Technology changes
  - Structural changes that could render your model obsolete
- What substitute offerings could impact your industry in 3-5 years?

4. Bargaining Power of Suppliers

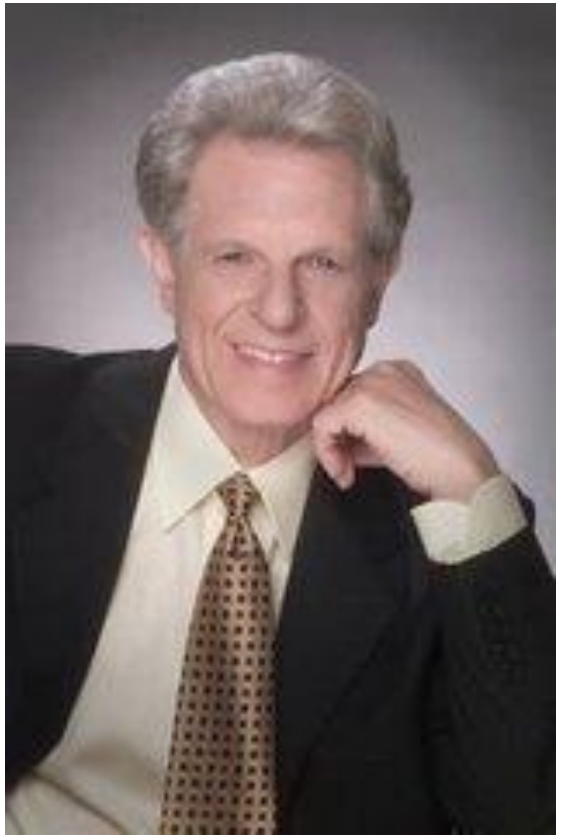
- What power will suppliers have over you in 3-5 years?
  - Number of suppliers
  - Supplier price setting power
  - Ability for you to switch suppliers
  - Size of your purchases relative to other buyers
  - Supplier ability to favour other buyers
- What is the threat of forward integration (supplier becomes a direct competitor)?

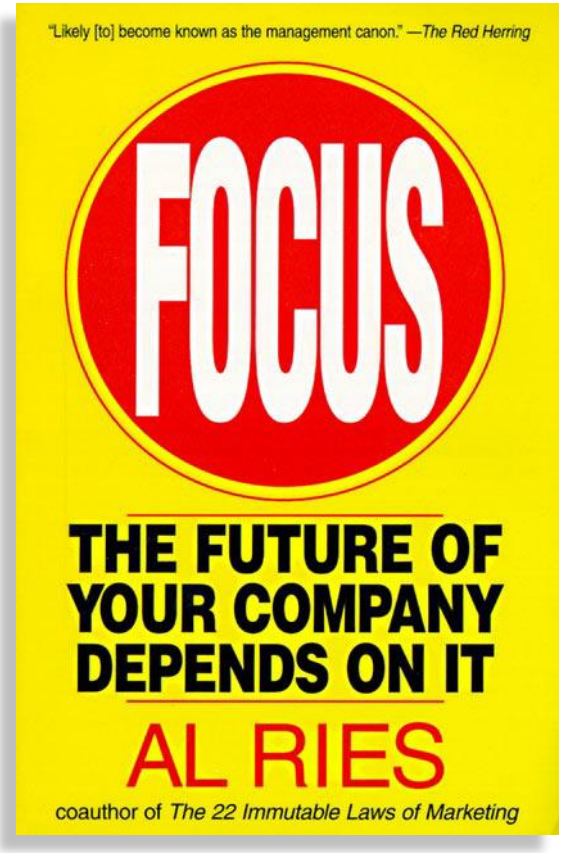
5. Bargaining Power of Customers

- What power will customers have over you in 3-5 years?
  - Number of customers
  - Customer price setting power
  - Customer perception of differentiation between competitors
  - Cost of switching to your competitors
  - Availability of substitute offerings
  - Size of their purchase relative to other customers
- What is the threat of backward integration (customer decides to do what you do for themselves)?

Sandbox

Al Ries




"Likely [to] become known as the management canon." —The Red Herring
FOCUS
THE FUTURE OF YOUR COMPANY DEPENDS ON IT
AL RIES
coauthor of The 22 Immutable Laws of Marketing

Don’t Be All Things To All People



oxen


TESCO

Target Market

- Who are your most profitable customers?
- Which customers have most potential for growth in the next 3-5 years?
- Describe demographic and psychographic profile?
- What is their biggest frustration / problem / need / desire?
- How will you solve this?

Geographic Area

- Geographic area you will serve in 3 to 5 years?
- Size of your target market?
- Expected market share?
- Growth potential in this area?
- How will you access these locations?

Value Chain

- "Value-adding" activities
  - E.g. R&D, design, supply of inputs, production, marketing, sales, warehousing, distribution, selling to end users, provision of services, delivery, administration, finance, billing & collections, after sales service
  - Also consider the activities of each business unit
- What value-adding activities will your company perform in the next 3-5 years?

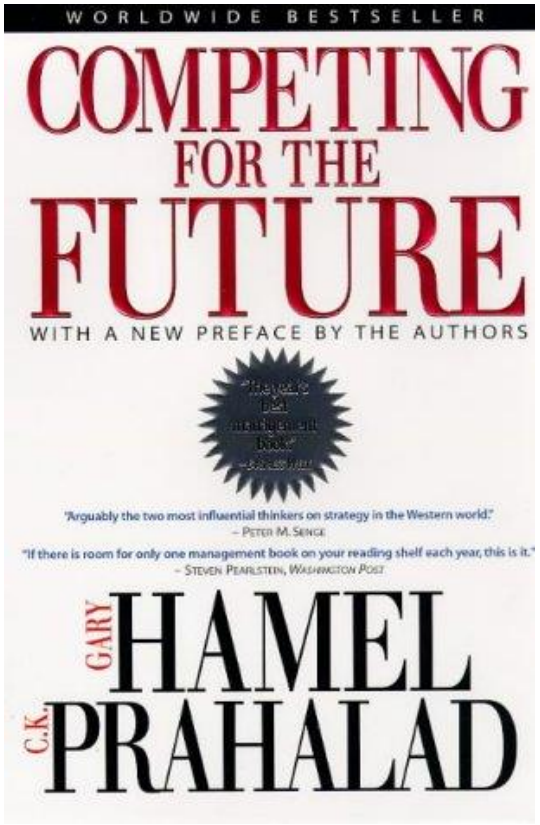
  = CORE
- Will you develop or acquire additional activities?

  = CORE
- What activities will you outsource / divest?

  = NOT CORE






WORLDWIDE BESTSELLER
COMPETING FOR THE FUTURE
WITH A NEW PREFACE BY THE AUTHORS
"Arguably the two most influential thinkers on strategy in the Western world."
– PETER M. SENGE
"If there is room for only one management book on your reading shelf each year, this is it."
– STEVEN PEARLSTEIN, WASHINGTON POST
GARY HAMEL
C.K. PRAHALAD

Core Comptencies

- What benefits will you be providing in 3-5 years?
- What will change in the way you interact with customers in 3-5 years?
- What core competencies (people / skills / technology) will you develop or acquire in the next 3-5 years?

3-5 Year Strategic Moves

3-5 Year Strategic Moves

Based on your BHAG, 5 Forces, Target Market, Geographic Area, Value Chain Activities, Customer Benefits and Core Competencies:

What are the top 3 strategic moves you nee to make in the next 3-5 years to position your company to succeed and move towards your BHAG?

1.

2.

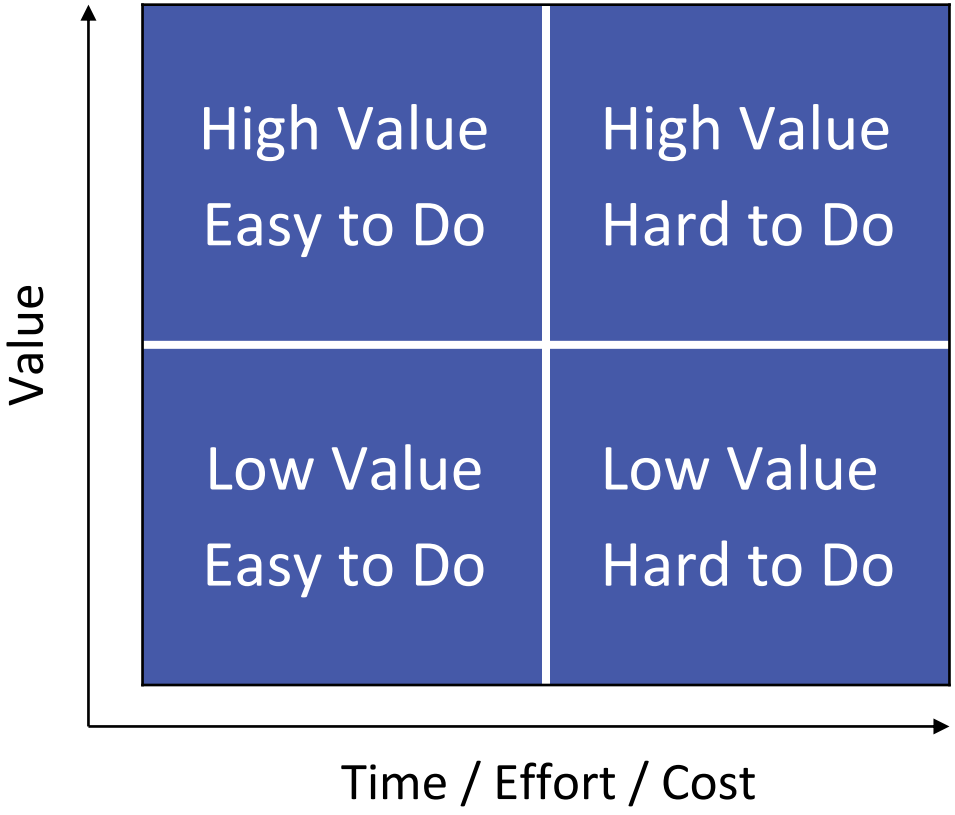
3.

1 Year

Current Reality

EXECUTION:
Action Priorities

Return on Investment Matrix

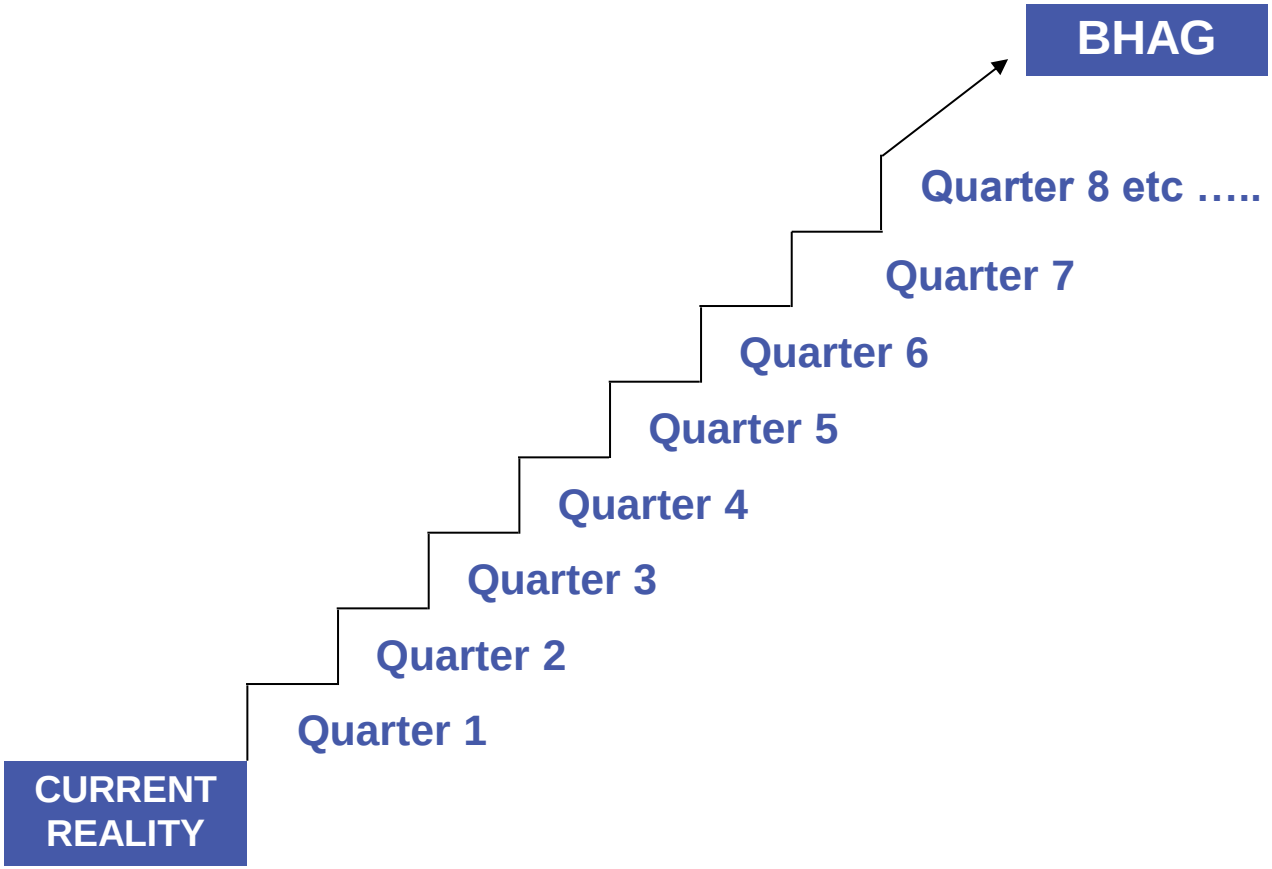


1 Year Action Priorities

- **What are the top 3 Action Priorities you need to implement in the next 12 months?**

- Based on your S.W.O.T. analysis
- Aligned to your BHAG & 3-5 Year Strategic Moves
- Ranked in order
- Tangible = can answer “yes / no” to achievement

Achieving BHAG



SMART Goals

- S Specific
- M Measurable
- A Achievable
- R Relevant
- T Time bound
- I Inspirational (SMARTI)

90 Day Goal

- **What is your #1 Goal to achieve in the next 90 days?**

- Aligned to BHAG and 3-5 Year Strategic Moves
- Aligned to 1 or more of the Annual Action Priorities
- SMARTI
- Focus and align the company for the quarter

90 Day Action Priorities (ROCKS)

- **What are the top 3 actions to achieve this quarter?**

- Aligned to 1 or more of the Annual Action Priorities
- Ranked in order
- Tangible = can answer “yes / no” to achievement
- Assign accountability – 1 person per ROCK

KPI’s / Dashboards

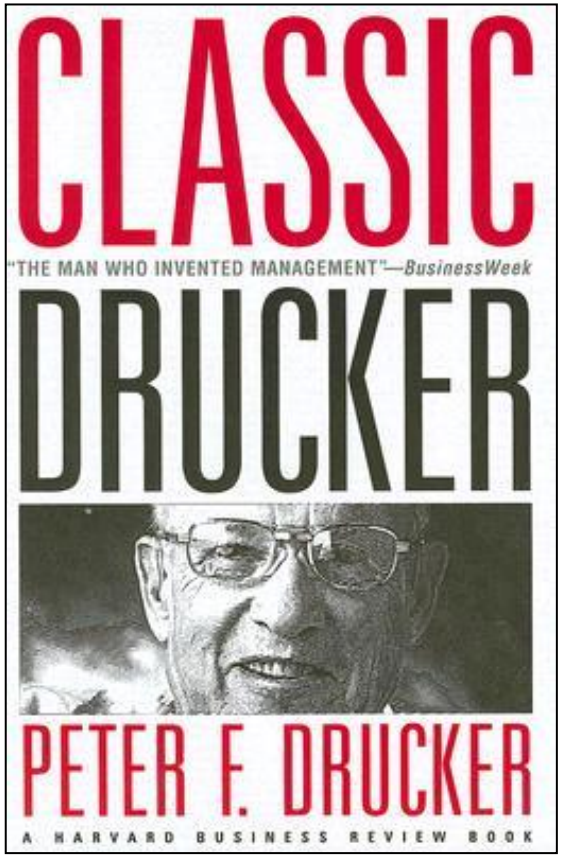
Dashboards



oxen

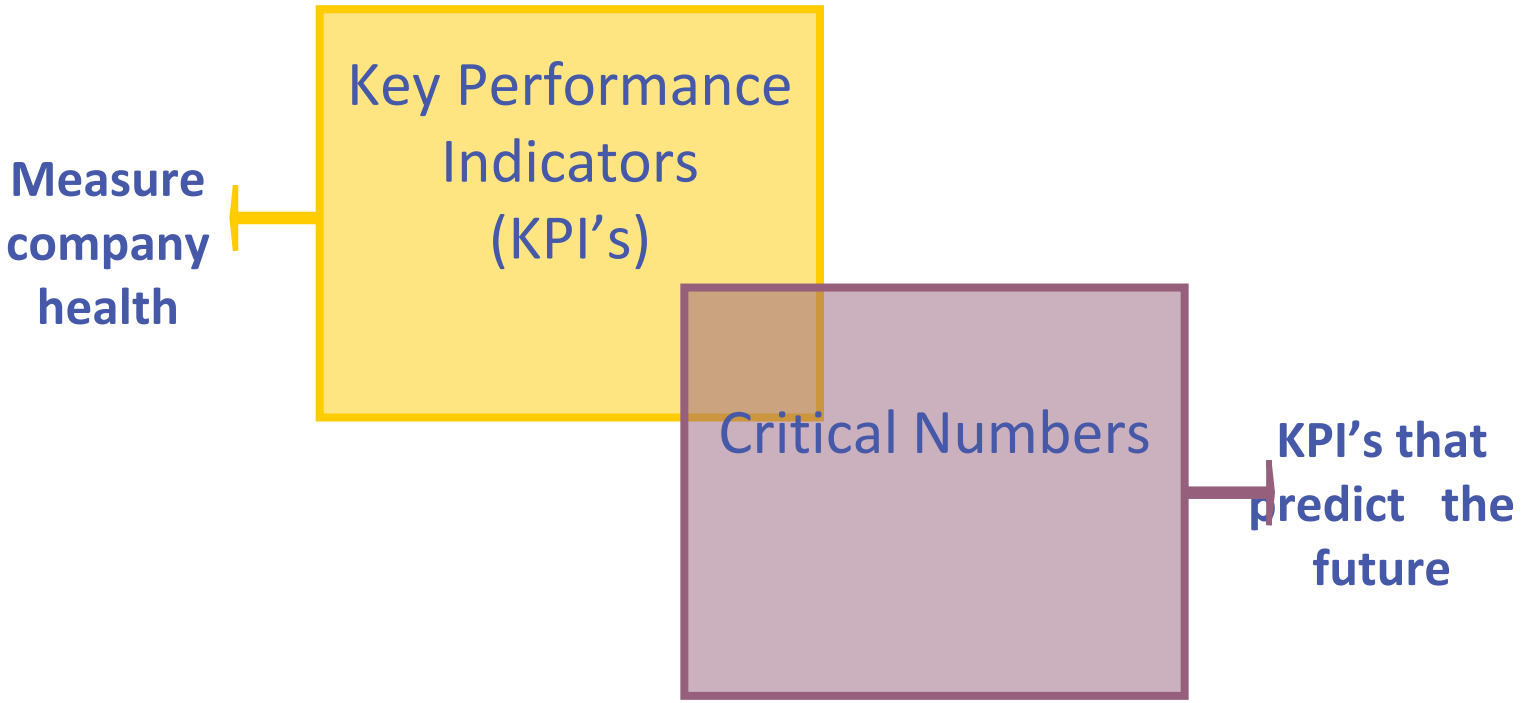
"You can only manage what you measure

What gets measured gets done"



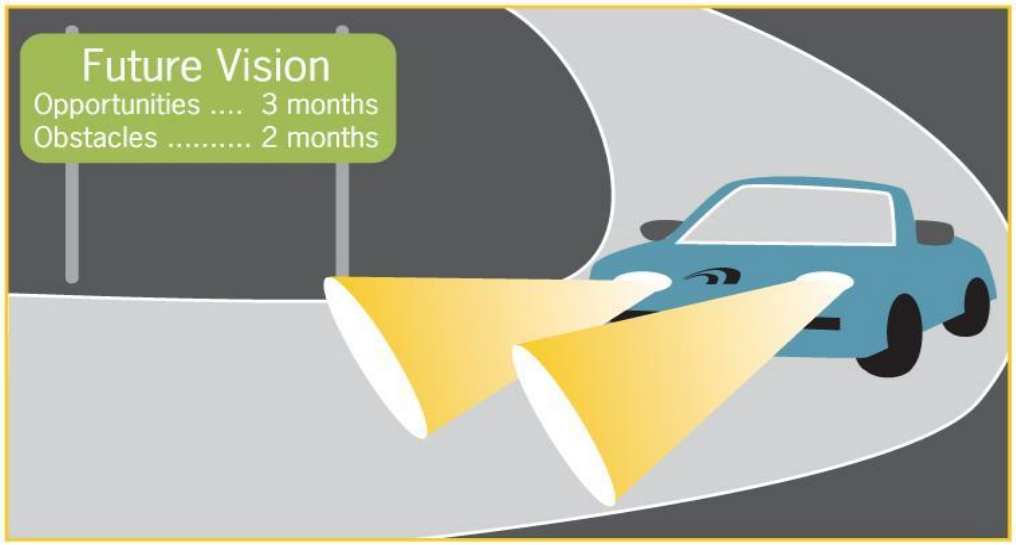
oxen

KPI's & Critical Numbers



Critical Numbers = Predictive KPI's

- Critical numbers are like "headlights" that shine out in front of your company and let you know what is ahead.



KPI Questions

Imagine this:

- You are lying on the beach in the tropics
- You receive a text from your business
- The text gives you a small handful of numbers that tell you how well your business is performing
- What would those numbers be?

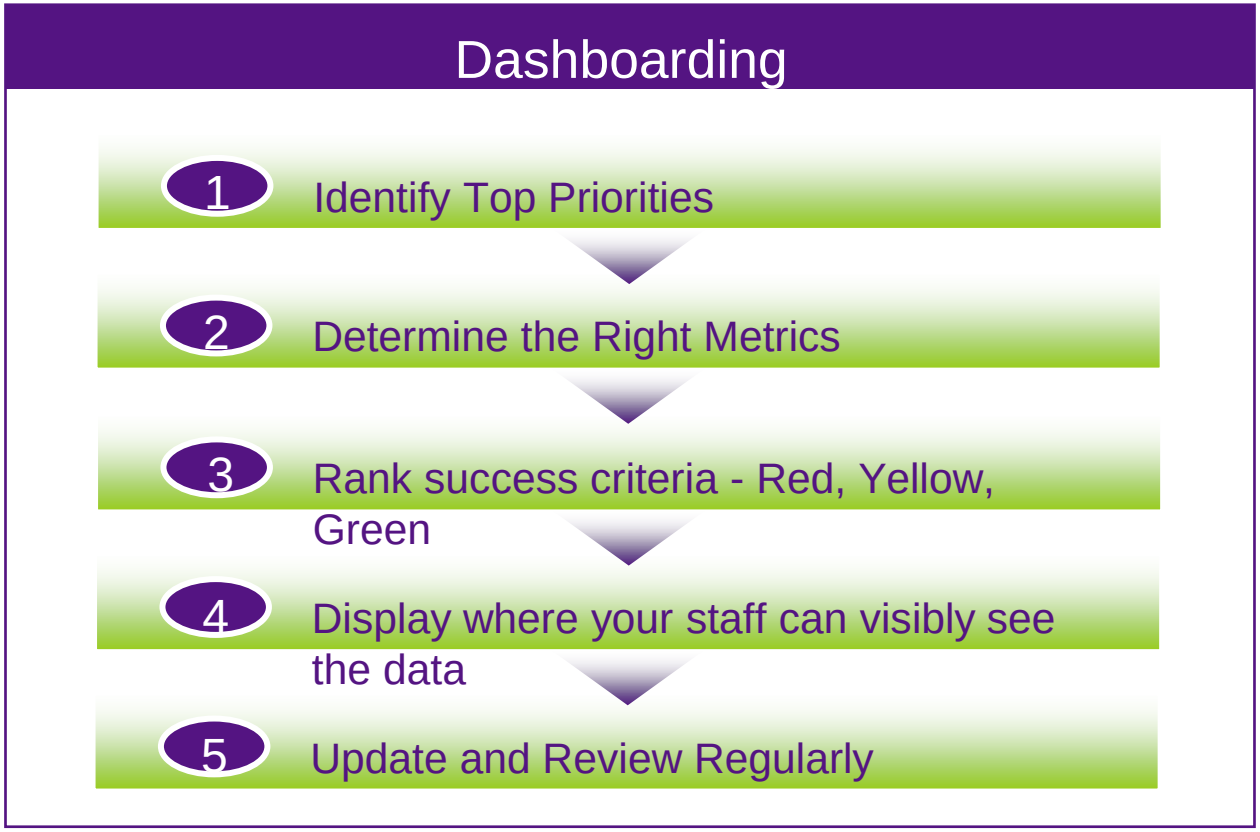
KPI's

- Choose small handful of key numbers that will be your targets for the next 12 months from your:
  - Profit & Loss budget?
  - Balance Sheet budget?
  - Cashflow forecast?
  - Operations reports?
  - Other?
- What 1 or 2 Critical Numbers will predict the future achievement of your 90 Day Goal & Action Priorities?
- How will you closely monitor these?

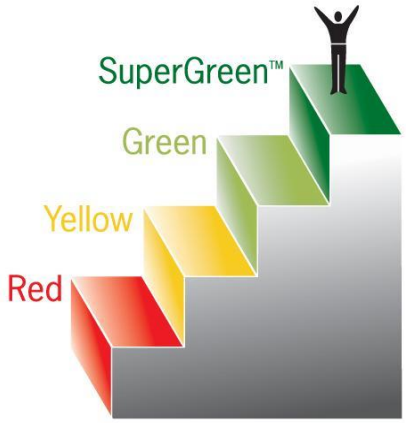
Use Dashboards to Confront Reality



Dashboards – 5 Step Process

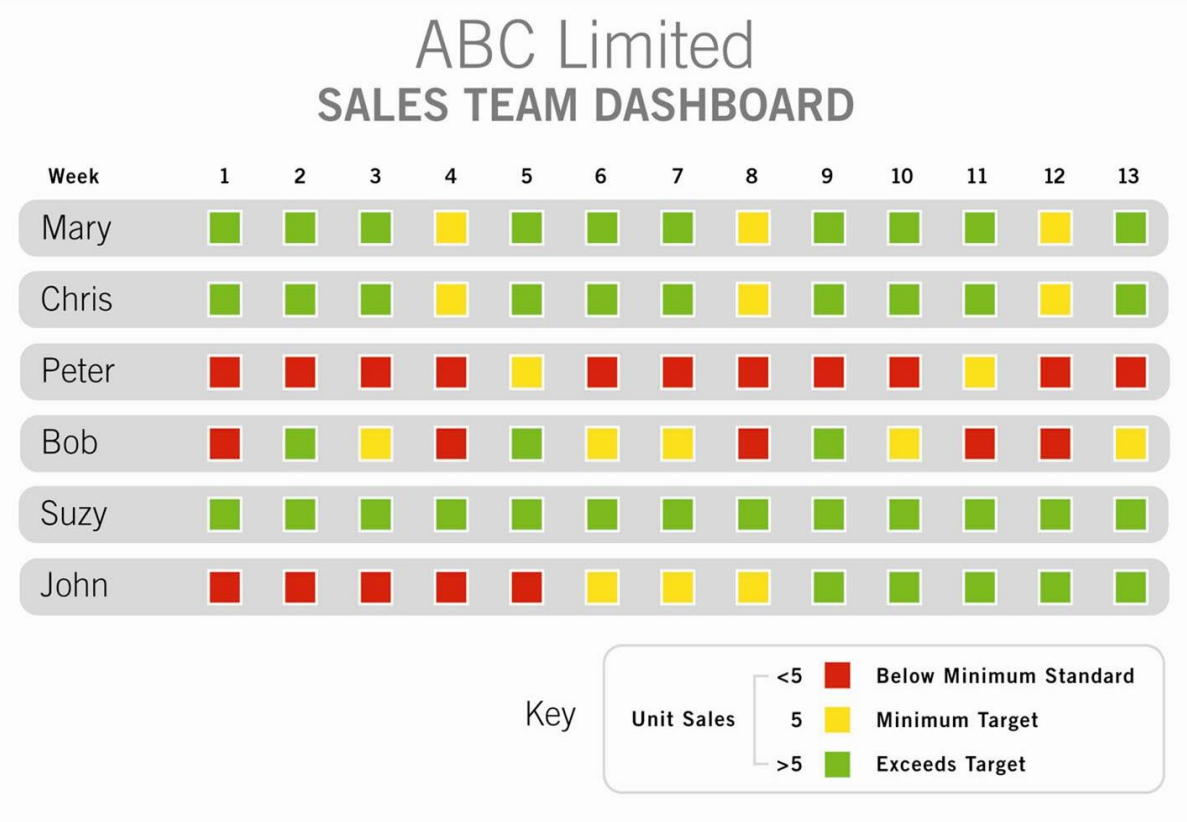


Rank Your Success Criteria

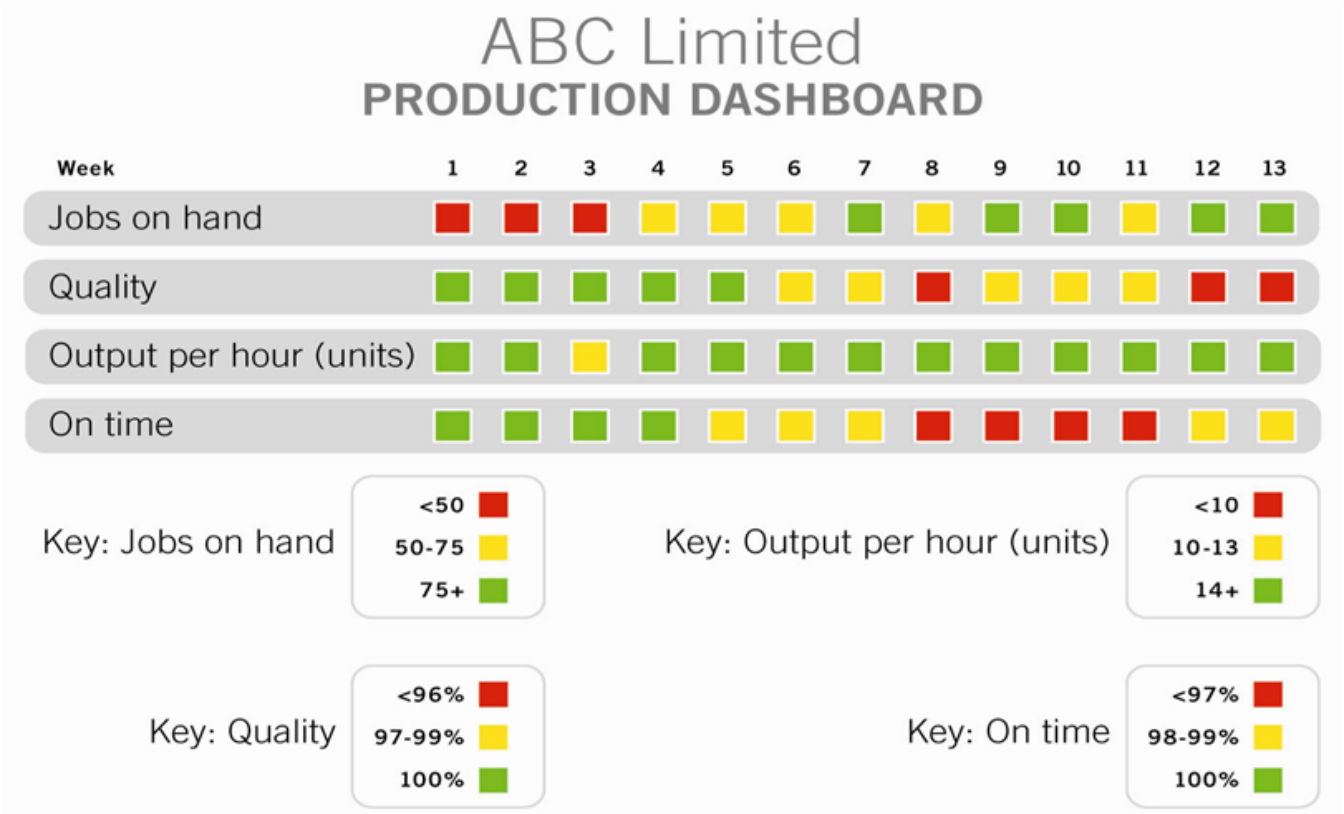


- RED = Unacceptable performance
- YELLOW = Minimum acceptable performance but below Goal
- GREEN = Goal achieved = desired standard of performance
- SUPERGREEN (optional) = Exceeds the Goal by a significant margin

Dashboard Example



Dashboard Example



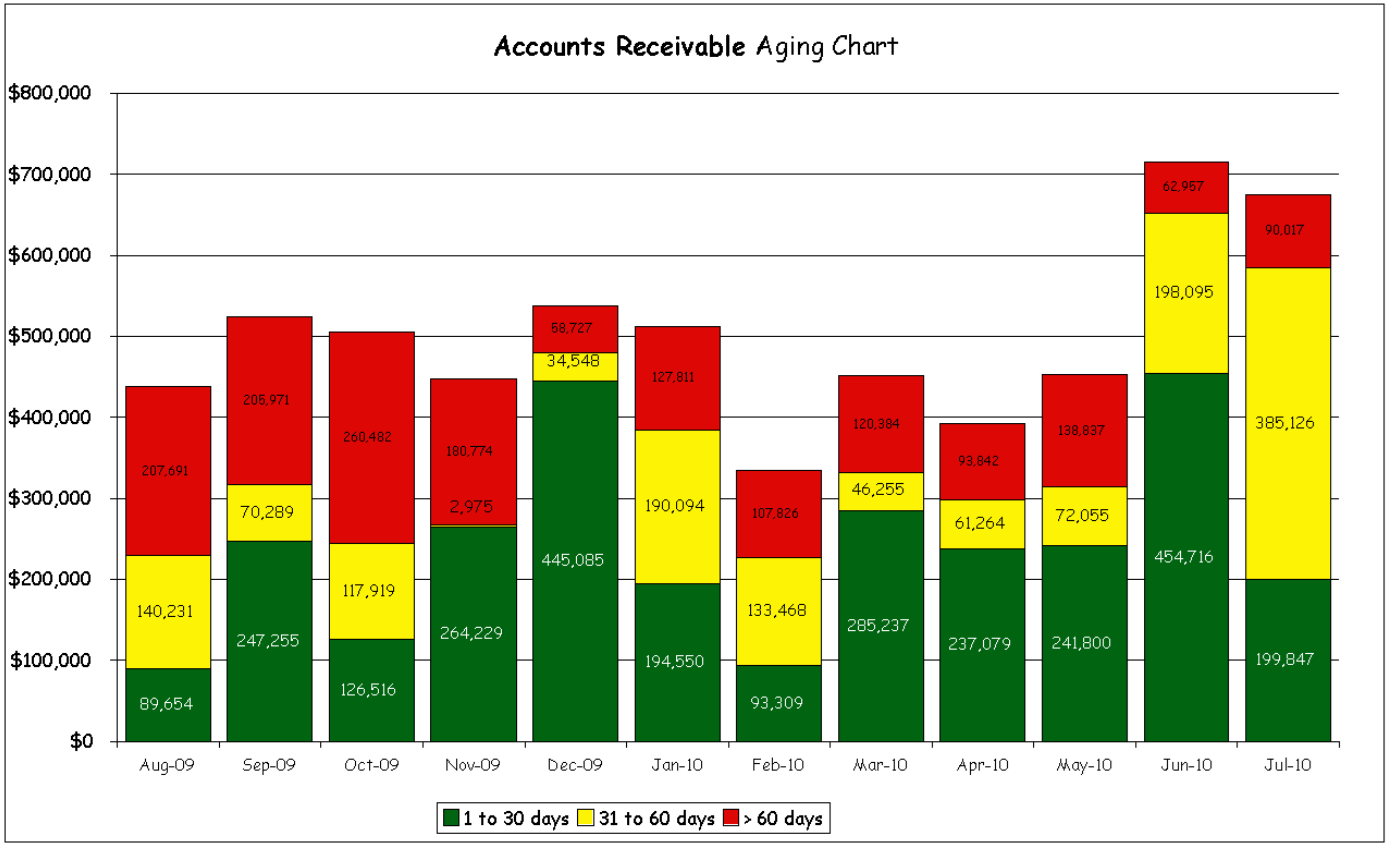
Scorecard Example

Quarterly Priorities Dashboard		Company	AvidXchange		
		Quarter	Q2 2006		
	Top Priorities	**Goal**	**Apr**	**May**	**Jun**
1	***Cash availability & sales***				
1	Total sales (12 month contracts)	$600K			
2	Cash balance end of Q2	$300K			
3					
2	***Employees: Org Structure***				
1	Put org in place	6 Positions			
2					
3					
3	***Make: Software release***				
1	Smooth V5 release	On: 5/21/2006			
2	Define product roadmap	Written 3 Gen plan			
3					

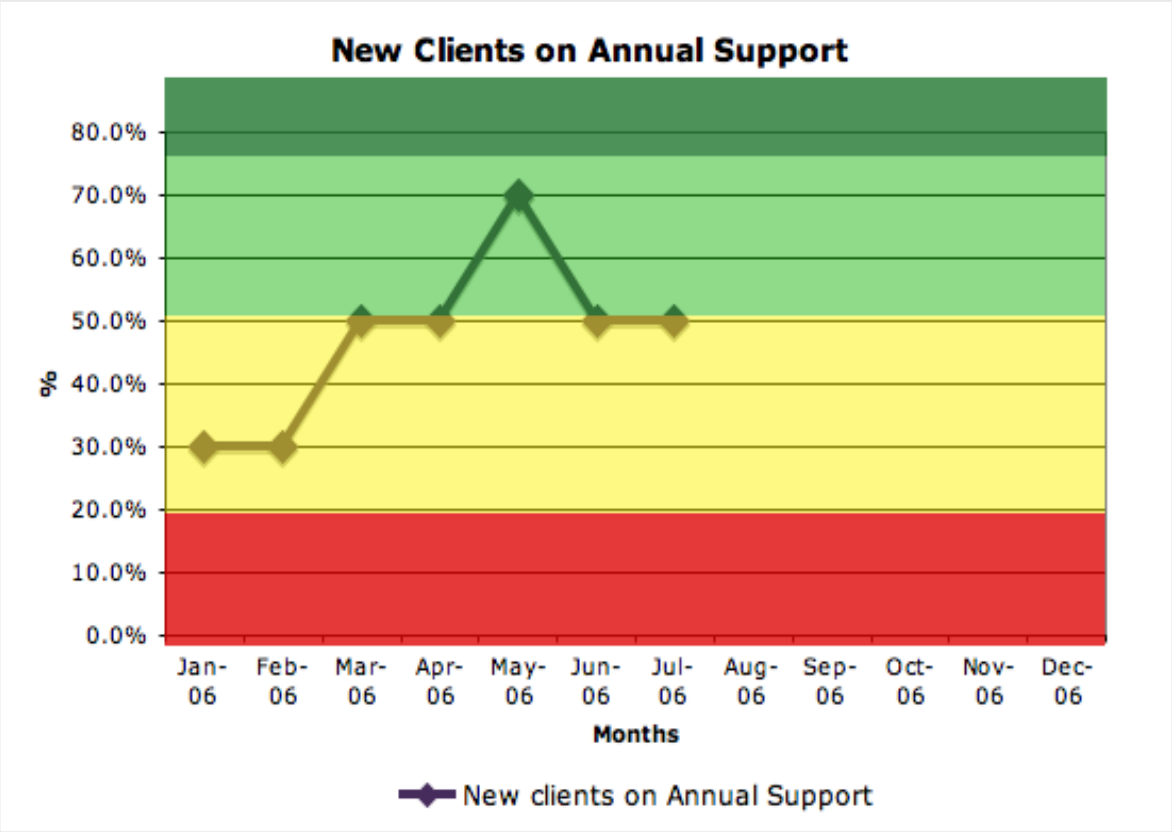
Legend:	R	Y	G	SG
Sales	300K	300-600	600K	1MM
Cash Balance	100K		300K	500K
Hire 6	2	3 - 5	6	--
V5 (# Bug calls)	80	20-80	20	0
Write roadmap	V1	V1+	V1,2	--

oxen

Accounts Receivable Bar Chart

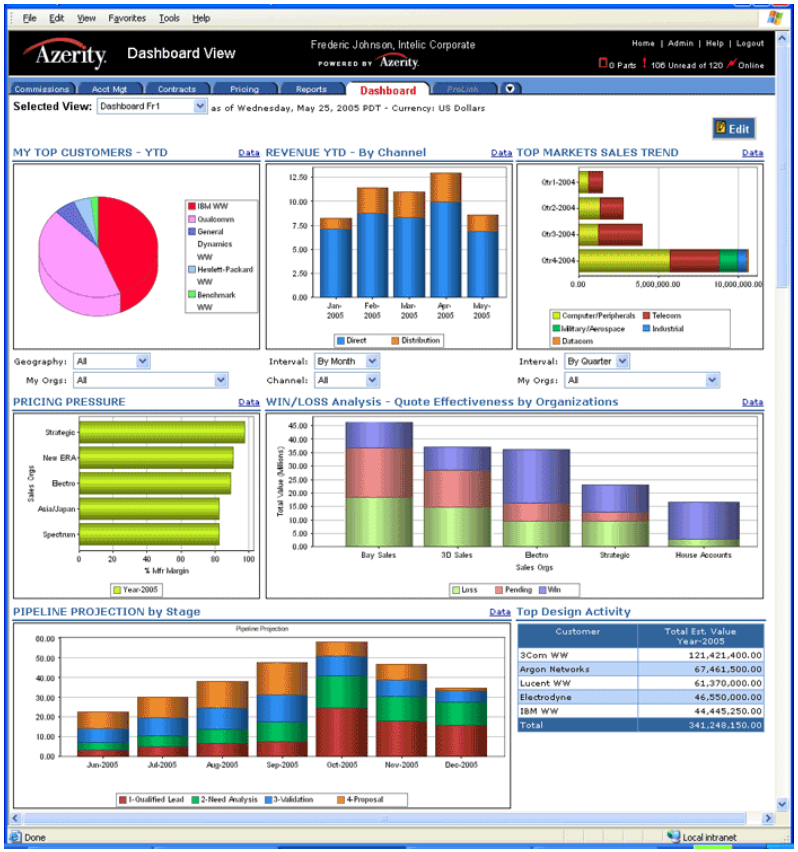


Line Graph Example



Dashboard Questions

- How will you design dashboards to bring your KPI data to life?
- Where will you display your dashboards for your team?



EXECUTION
Meeting Rhythm

What are Meeting Rhythms?



Meeting Rhythm

- The pulse (rhythm) of your company
- The faster your growth, the faster your pulse
- A disciplined meeting rhythm helps you:
  - Capture opportunities faster
  - Identify and remove bottlenecks faster
  - Get things done faster
  - Keep staff aligned and focused
  - Focus on #1 priorities – less is more
  - Invoke peer pressure / accountability for keeping promises

WARNING:

- AVOID Suspending meeting rhythm during busy or difficult times

Microsoft's Daily Huddles

- Drive performance on a daily basis
- Identify and remove roadblocks

Microsoft



oxen

10 Min Daily Huddle - Agenda

1. What's Up and what's your #1 Priority for the day? (1 min per person)
2. Any Blockages?
3. One Phrase Close?

- Standard time and place for the meeting
- Phone in option for team members out of the office
- Daily Huddle Structure (Stand up! Do NOT sit down!)
- Go around the circle – everyone answers question 1
- Then go around again – everyone answers question 2 etc.
- Approx. Total Time: 10 minutes

oxen

1 Hour Weekly Meeting - Agenda

1. What's Up? (good news story / other news of interest)
2. Did you achieve your #1 priority last week?
3. What is your #1 priority for the coming week?
4. Any blockages?
5. What are the numbers? (comment on dashboards)
6. Customer and employee feedback?
7. Pick 1 key issue to brainstorm as a team
8. Document each person's #1 priority for the coming week
9. One Phrase Close?

- Approx Total Time: 45 – 60 minutes
- Purpose: Keep team aligned to their priorities for the quarter (ROCKS) and provide clarity of purpose for each individual in terms of their #1 action priority for the coming week

Who, What, When

- List everyone's weekly #1 priority
- Must be a specific "yes / no" tangible action
- Not just "Do my job" or "I'll work on…"
- Specify the #1 action they can complete on this week to move their area of the business forward
- Post list where everyone can see it
- Hold everyone accountable for achievement each week

Are You Ready To Win Your Race?



"A coach is someone who tells you what you don't want to hear, who has you see what you don't want to see, so you can be who you have always known you could be"

(Tom Landry 1924 – 2000)



oxen