

The Basics of Strategic Planning
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Introduction

Strategic Planning is a comprehensive process for determining what a business should become and how it can best achieve those objectives or goals.

Strategic Planning appraises the full potential of a business and explicitly links the business's objectives to the actions and resources required to achieve them. It offers a systematic process to ask and answer the most critical questions confronting a management team – especially large, irrevocable resource commitment questions.

Steps in Strategic Planning

The pathway to successful strategic planning lies in the following steps:

1. The Creation of a Mission Statement for the Business

The Mission Statement of a Business is a Statement of the purpose of the business which is intended to unify the business to focus towards one common page. A well worded Mission Statement will put all stakeholders (from management to employees to shareholders) “on the same page” and will get all stakeholders thinking along the same lines.

2. Creating a Vision for the Business

A Vision is a realistic dream for the business for the future. With the Mission Statement in mind, a Vision needs to be created and all stakeholders need to “buy into” the Vision. A Vision is normally focussed on the long term and paints the picture of where a business should be heading to or what should a business look like in the long term in a near perfect environment.

3. Translating the Vision for the Business into Short-term and Long-term Objectives

The next step is to set short-term and long-term measurable and obtainable targets that would ultimately lead the business to its Vision as set out for the business. By linking the objectives to the Vision, the business will focus on achieving the “future realistic dream” it set out for itself.

For strategic objectives to be measurable and obtainable, it should be set out in a structured way, such as measuring each objective against the SMART objectives framework.

SMART objectives:

S – Specific (What exactly are we going to do, with or for whom?)

M – Measurable (Is it measurable and are we able to measure it?)

A – Attainable (Can we get it done in the timeframe, in the climate, with the amount of money?)

R – Relevant (Will this objective lead to the desired result?)

T – Time-bound (When will we accomplish, achieve the result?)

Once objectives have been set in this way, these will be evaluated and re-evaluated on a continuous basis to establish if the business is realising the objectives on its way to its Vision.

4. Putting strategies into place to achieve the objectives

At this stage various possible practical actions plans will be analysed and decided upon to achieve the strategic objectives. Core to the decision on which action plans to be implemented are the following:

- What are the different possible plans available to achieve the objectives?
- Who will implement the plans?
- With what will the plan be implemented (what resources are needed and are the resources readily available)?
- By when will the plan be implemented?

These plans will be business and industry specific and a detailed analysis of each environment will have to be done before a decision on the course of action is taken. Once the course of action is decided upon, a budget can be drawn up. Theoretically a budget is an expression, in financial terms, of the strategic and operation plans of an organisation, for a forthcoming period of time.

Items to be taken into account during the strategic planning process

Various items should be taken into account during the process as mentioned above, especially after the Mission and Vision have been created, preferable on a yearly basis. An analysis of these items will help in setting the measurable and obtainable objectives, as well as deciding on the correct action plans to achieve the objectives.

Listed below are some items to take into account:

- The current Economic Cycle

The economic cycle refers to the fluctuations of economic activity (business fluctuations) around its long-term growth trend. The cycle involves shifts over time between periods of relatively rapid growth of output (recovery and prosperity) and periods of relative stagnation or decline (contraction or recession).

- The stage in the life cycle of the business's products
All firms and products have a life cycle. The length of the cycle can vary enormously from business to business. The stages in the life cycle are: Introduction in the market, Growth, Maturity, Saturation and decline. A business needs to analyse where in the life cycle it is to be able to establish its way forward.
- SWOT analysis of the business
Each business should be aware of its Strengths, Weaknesses (Internal Environment) and its Opportunities and Threats (External Environment) to be able to plan for its future.
- PESTEL environment analysis
For Strategic Planning purposes a business needs to know the environment in which it is operating as it will directly influence the course of action. Factors to take into account are Political, Economical, Social, Technological, Environmental and Legal environmental analysis.
- Industry Analysis
Understanding the industry will help in setting the correct plans. The following factors should be analysed:
 - o How big is the industry?
 - o Market Characteristics
 - o Industry Conditions
 - o Key Competitors
 - o Industry Performance
 - o Industry Outlook
- Competitive Analysis.
A continuous process of comparing a business's strategies, products or processes with those of "best-in-the-class" organisations. Such benchmarking will help a business in closing any gaps that might be existing relative to the industry leaders.

Conclusion

Strategic Planning is a comprehensive process for determining what a business should become and how it can best achieve those objectives or goals. It should be done in a logical way with a process approach to enable a business to reach its full potential.

The financial objective of a business, to create wealth by adding value to providers of capital, lies at the core of the whole strategic planning process. All planning activities should ultimately also be weighed against this objective.

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