



Essentials Guide to *Strategic Planning*

Welcome Strategy Leader!

To help close the gap between strategy and execution, we've created the Essentials Guide to Strategic Planning, which provides an end-to-end overview of the strategic planning process.



Create



Empower



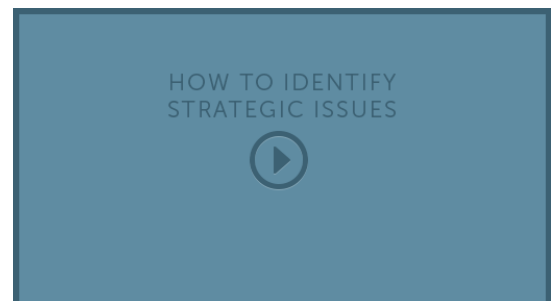
Execute

Phase 1: Determine Your Strategic Position



A strategic plan is your organization's roadmap or trip plan. Where you're headed is your vision and why you're going is your mission. The strategy is the road you select to travel. The scenery and landscape is the industry or market you are operating in. The type of 'bus' you drive is your operations' lean and mean, or clunky and slow. How it feels on the 'bus' is your organization's culture, [teamwork](#), leadership, climate for action. Who is on the 'bus' are your employees or volunteers' their skills and capabilities. Lastly, the time and money you use to get to your destination, the direct route or with detours, dictates your profit margin. For now, let's focus on the 'scenery' and your 'bus' – evaluating your strategic position.

Before you jump in, determine as a team how wide and how deep you want to go with collecting and analyzing information. A good rule of thumb is this: You need the right information and data, not too much or too little, to feel confident in making strategic choices and decisions. The methods to collect that information include web research on macro, market and industry trends; sending out customer and employee surveys; and acquiring information about your competitors through secret shopper, trade shows, or industry reports.



Making sense of the data comes from synthesizing main themes into a SWOT, which is a handy 2x2 matrix of your [Strengths](#), [Weaknesses](#), [Opportunities](#) and [Threats](#). Later in the planning process, you'll use your SWOT to make strategic decisions.

Phase Duration

- 2-4 weeks

Questions to Ask:

- Where are we now?
- What are our strengths, weaknesses, opportunities and threats?
- What is our position in the competitive landscape?
- What are the political, economic, social and technical trends that will impact our organization?

Data Needed:

- Strategy of record, past performance
- Industry, market, and competitive data
- Customer data
- Employee feedback

Outcomes/Deliverables:

- SWOT drafted and prioritized

Action Grid:

Action	Who is Involved	Tools & Technique	Duration
Conduct a scan of macro and micro trends in your environment and industry (Environmental Scan)	Executive Team and Planning Team	-Environmental scan worksheet -Web research	2-3 weeks
Identify market and competitive opportunities and threats	Executive Team and Planning Team	-Trade shows -Industry reports	2-3 weeks
Clarify target customers and your value proposition	Marketing team, sales force, and customers	-Customer survey / feedback -Customer worksheet	2-3 weeks
Gather and review staff and partner feedback to determine strengths and weaknesses	All Staff	-Employee survey / feedback	2-3 weeks
Synthesize into a SWOT	Executive Team and Strategic Planning Leader	-SWOT worksheet	Strategic Position Meeting: 2-4 hours
Solidify your competitive advantages based on your key strengths		-Positioning Map -Opportunity Analysis	

*To access the worksheets under "Tools & Techniques" please refer to our [Strategic Planning Kit for Dummies](#).

Strategic Issues

Strategic issues are developed and identified based on input from your planning team. These issues should be a summary of critical topics that need to be addressed during the planning process. The idea is to call

these issues out during early so you and your team ensure the important areas are not lost as you dive into a lot of data, detail and ideas.

Tip: You will know a strategic issue when you “see” it. If they are not jumping out right now, move on as they will certainly surface during the [SWOT exercise](#).

Some examples of strategic issues include:

- Two [customers comprise](#) 75% of total revenue.
- Staff morale is low due to recent budget cuts and lay offs.
- Impact of health legislation is likely to erode margin.
- Current value proposition is not resonating with customers. Review [business model](#) to determine future value and deliver.

Strategic Issues

Next, you must conduct an [environmental scan to understand your operating environment](#). An environmental scan is also referred to as a [PEST analysis](#), which is an acronym for Political, Economic, Social and Technological trends. Sometimes it is helpful to also include Ecological and Legal trends as well. All of these trends play a part in determining the overall business environment. Some examples of topics include the following:

Political (includes legal and regulatory): elections, employment law, consumer protection, environmental regulations, industry-specific regulations, competitive regulations, inter-country relationships/attitudes, war, terrorism, political trends, governmental leadership, taxes, and government structures.

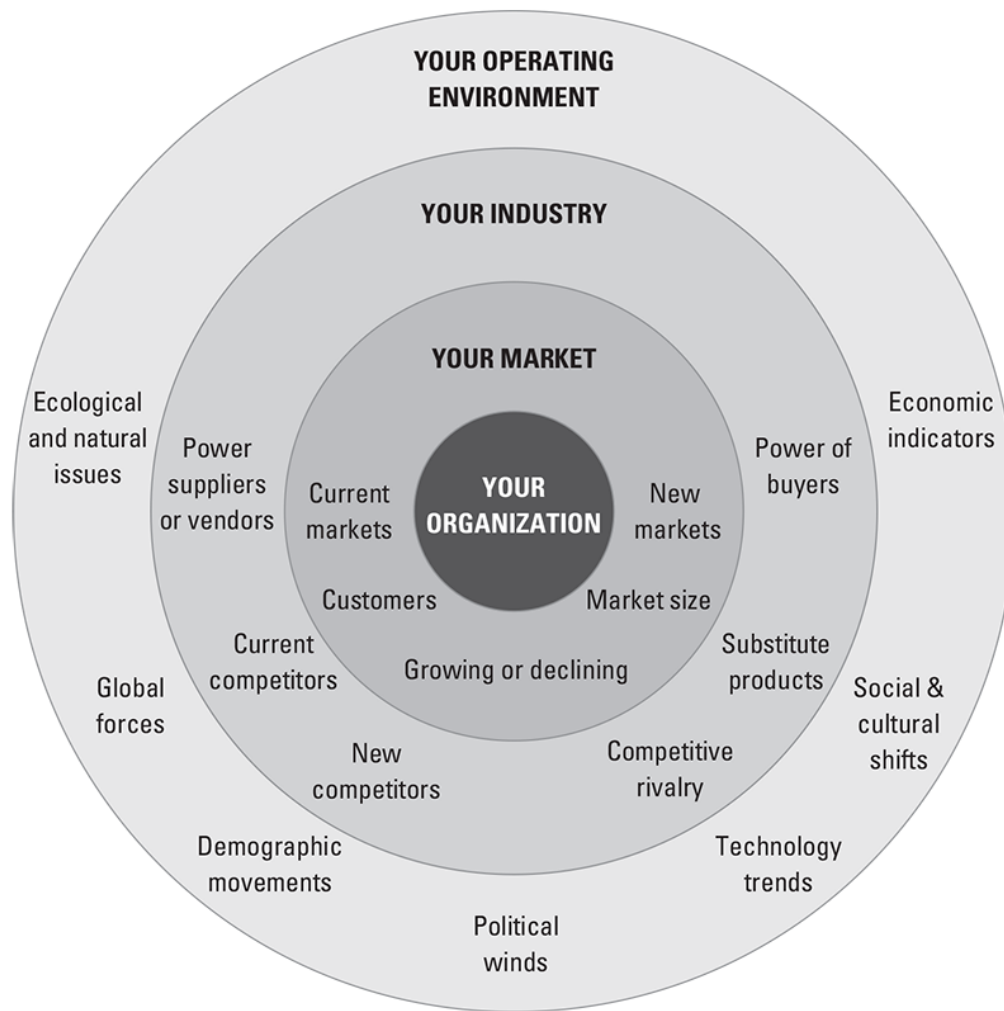
Economic: economic growth trends (various countries), taxation, government spending levels, disposable income, job growth/unemployment, exchange rates, tariffs, inflation, consumer confidence index, import/export ratios, and production levels.

Social: demographics (age, gender, race, family size, etc.), lifestyle changes, population shifts, education, trends, fads, diversity, immigration/emigration, health, living standards, housing trends, fashion, attitudes to work, leisure activities, occupations, and earning capacity.

Technological: inventions, new discoveries, research, energy uses/sources/fuels, communications, rates of obsolescence, health (pharmaceutical, equipment, etc.), manufacturing advances, information technology, internet, transportation, bio-tech, genetics, agri-tech, waste removal/recycling, and so on.

After the key trends have been identified, the next step is to analyze the potential each trend has to disrupt

Fig. 1 - Operating Environmental Influence Diagram



Gather and Review Internal Feedback

Remember your operating environment is the outside circle influencing your business. Some of these trends and issues may even appear to come and go in slow motion. You may not need to watch them religiously, but having an eye on them can be the key to your organization's boom ' or bust. Although some of these issues may seem ridiculous to you, they may be someone else's reality.

To take the next steps, you will need to find secondary data sources to conduct your analysis. It may be essential to look at periodicals, analyst reports, demographics, and anything that will give the exposure to new trends and possibilities. Any reliable secondary data source of current events and projected future trends will provide [information for the PEST analysis](#), including:

- Newspapers, periodicals, current books
- Trade organizations
- Government agencies
- Industry analysts
- Financial analysts

Important Note: PEST is useful before SWOT – not generally vice-versa – PEST definitely helps to identify SWOT factors. There is overlap between PEST and SWOT, in that similar factors would appear in each. Specifically, the outcome from your PEST flows into the Opportunities and Threats quadrants of your SWOT.

Conduct a Competitive Analysis

Swinging from one extreme to another is easy when it comes to [analyzing your competition](#). Some organizations don't worry about what their competitors are doing and just charge ahead. Others track every move and assess how to react. You want to fall somewhere in the middle.

The reason to do a competitive analysis is to assess the opportunities and threats that may occur from those organizations competing for the same business you are. You need to have an understanding of what your competitors are or aren't offering your potential customers. Here are a few other key ways a competitive analysis fits into strategic planning:

- To help you assess [whether your competitive advantage is really an advantage](#).
- To understand what your competitors' current and future strategies are so you can plan accordingly.
- To provide information that will help you evaluate your strategic decisions against what your competitors may or may not be doing.

Start by identifying organizations you compete against for attention and loyalty. To do this, perform the following:

- Make a list of similar organizations by name or group. What are each one's strengths and weaknesses?
- Are these opportunities or threats to your company?
- What are the competitive advantages of similar organizations?
- What is happening with these similar organizations? Are they growing or shrinking?
- Are there new organizations similar to yours that are emerging?

Identify Opportunities & Threats

Opportunities are situations that exist but must be acted on if the business is to benefit from them. Opportunities most relevant to a company are those that offer important avenues for profitable growth, those where a company has the most potential for competitive development, and those that match up well with the financial and organizational resource capabilities that the company already possesses or can acquire.

Threats refer to external conditions or barriers that may prevent a company from reaching its objectives.

The following areas can help you identify opportunities and threats that can be collected via research and surveys. Summarize your key findings as your OT part of your SWOT.

Operating Environment:

- Political/legal
- Environment
- Social
- Technological

Industry:

- New competitors
- Substitute products
- Power of suppliers
- Power of buyers
- Competitive rivalry

Market:

- Growing, shrinking
- Size of markets
- New markets

Competitors:

- Who they are
- Strengths, weaknesses
- Strategies

Identify Strengths and Weaknesses

Strengths refer to what your organization does well. It gives you an advantage in meeting the needs of its target markets. An analysis of organization strengths should be market and customer-focused, because strengths are only meaningful when they assist the business in meeting customer needs. Strengths give the organization enhanced competitiveness.

Weaknesses refer to any limitations an organization faces in developing or implementing a strategy. A weakness is something an organization lacks or does poorly in comparison to others, or a condition that puts it at a disadvantage. Weaknesses should also be examined from a customer perspective, because customers often perceive weaknesses that an organization cannot see.

You can define your strengths and weaknesses by breaking them down in these areas. Then align them with the strategic direction you want to go. They can be discovered via assessments and surveys:

Capabilities:

- Human
- Organizational
- Knowledge

Resources:

- Financial
- Physical
- Intangible

Processes:

- Operational
- Customer management
- Relationship management
- Innovation

Current Customer:

- Customer mix
- Satisfaction
- Loyalty
- Strength of your value chain
- Strength of your value prop

Other:

- Technology management
- Communication
- Productivity
- Profit margins

Figure 2 - Evaluating Strategic Positioning Matrix

	INTERNAL		EXTERNAL
STRENGTHS	Capabilities Resources Processes	OPPORTUNITIES	Operating Environment Industry Market
WEAKNESSES	Other process areas Current Customers	THREATS	Competitors

Define Customer Segments

Customer-focused organizations recognize that they cannot appeal to all buyers in the same way. Buyers are too numerous, too widely scattered, and too varied in their needs and buying practices. Rather than trying to compete in the entire market, you must identify parts of the market that you can serve best and most profitably.

The most effective way to do this is to segment customers. The [goal of creating customer segments is so you can target specific customers that have similar needs](#) and wants with the same message, products, pricing, and through the same distribution channels. When done correctly, your target market will respond similarly to your marketing efforts.

After you have identified your segments, determine what they need and how you can best satisfy them by providing value. Many organizations are committed to doing the right things, but they fail to understand what their people value. It is best to ask the customer/constituents and stakeholders themselves what they value. Then evaluate how to best provide value for each segment and set goals accordingly.



Some examples of customer segments include:

- **Small businesses located in Oregon:** Small body shops seeking rapid insurance reimbursement in Oregon.
- **Agencies in the marketing industry:** An agency focusing on public relations for local and state

government community programs.

- **Field sales people constantly on the road:** Field sales people earning between \$50-\$100K who are image conscious first movers and are looking to purchase a sports car in the next year.
- **Anthropologie:** A nationwide retail store: 'A female about 30 to 45 years old, college or post-graduate education, married with kids, professional or ex-professional, annual household income of \$150,000 to \$200,000. She's well-read and well-traveled. She is very aware — she gets our references, whether it's to a town in Europe or to a book or a movie. She's urban minded. She's into cooking, gardening, and wine. She has a natural curiosity about the world. She's relatively fit. Her identity is a tangle of connections to activities, places, interests, values, and aspirations. She is affluent but not materialistic. She's focused on building a nest but hankers for exotic travel. She'd like to be a domestic. She's in tune with trends, but she's a confident individualist when it comes to style. She lives in the suburbs but would never consider herself a suburbanite.' ' Fast Company

Answers to the following questions will help you identify your target Customer Segments:

- Who are your biggest customers?
- Do your customers fall into any logical segments based on needs, motivations, or characteristics?
- Are there one or two characteristics that will help you segment your customers? (geography, price, need, etc.)
- Have you described them well enough to picture shaking their hand?

Fig. 3 - Determining Lifetime Value of Customer

CALCULATING THE LIFETIME VALUE OF A CUSTOMER TO YOUR BUSINESS.	
	Your Estimate
1. Average sale per customer per month	<i>\$150</i>
2. Number of sales per year per customer	<i>24</i>
3. Number of years customer buys from you	<i>5</i>
4. Number of referrals from customer	<i>4</i>
5. % of referrals that become customers	<i>50%</i>
6. Lifetime Value before referrals = Calculation: Gross Sales per year per customer (1x2) X Number of years customers buy from you (3) =	<i>\$18,000</i>
7. Lifetime Value of Referrals = Calculation: Referrals who become customers (4x5) X Lifetime Value before Referrals (6) =	<i>\$36,000</i>
Total Lifetime Value of a Customer (6+7)	<i>\$54,000</i>

Step 1: Segmenting Customers

Segment Name:

Name your target customer segment.

Evaluate:

After you have identified your customer segments, evaluate them based on the following criteria:

- Can you measure the size of the segment?
- Can you reach this segment through clear communication channels?
- Are there enough customers in the segment to make it profitable?
- Will this segment respond differently to product and service offerings than other segments identified?

Customer Needs:

List the needs or wants of this customer segment. Target customer segments can be grouped based on similar needs, motivation, or behavior. You may also choose to approach this by picking one product/ service that your company provides in meeting the needs of this segment. For example, the U.S. car market can be segmented by product type (luxury car, sedan, minivans, sports cars) and customer needs (convenience, style, cost, reliability).

Customer Characteristics:

List the characteristics that describe this segment. To help you segment your target customers, a detailed list of major categories of characteristics is provided at the end of this section. If you have a consumer product or service the major categories of characteristics are: demographic, geographic, lifestyle, and usage. If you have a business-to-business product or service, the major categories are: demographic, environmental, operating variables, purchasing approaches, situational factors, and personal characteristics. Remember there is no best way to segment a market; it requires your creativity

Customer Profile:

Create a customer profile that uniquely describes this target customer segment. Each customer profile should be descriptive enough that it enables you to 'shake the imaginary hand' of this segment. Add any descriptive words that you did not include under customer needs and customer characteristics.

Step 2: TARGETING

Evaluate your target customer segment's attractiveness:

- How big is this customer segment and what is the growth potential?
- Is this segment substantial? Can you reach these customers?
- Does targeting this segment leverage your competitive advantage? Do you have the resources?

Evaluate the financial feasibility:

- Is this segment profitable? $\text{Projected Revenue} - \text{Estimated Expenses} = \text{Profit}$. If so, then determine the projected Revenue.

Select segments your company can compete in successfully. Combine any segments where the key success factors are similar. For each segment a single value creating strategy can be formulated.\

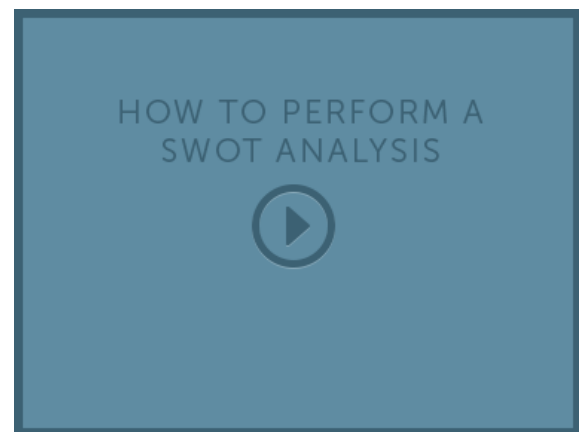
Step 3: POSITIONING STATEMENT

Create a company value proposition image so that you occupy a unique and distinctive place in the 'mind' of the target customer segment . When your customer thinks of your company, what do you want to come to mind? This positioning statement should provide consistent messaging and communication.

Develop Your SWOT

A SWOT analysis is a quick way of examining your organization by looking at the **internal strengths and weaknesses** in relation to the **external opportunities and threats**. By creating a SWOT analysis, you can see all the important factors affecting your organization together in one place. It's easy to read, easy to communicate, and easy to create.

Below are a series of questions that will help you analyze the internal strengths and weaknesses of your organization and the external opportunities and threats impacting on your organization.



Some questions to ask while preparing your SWOT (these questions should have been asked in various interviews and surveys prior to preparing your SWOT):

- **Strengths:** What is golden about your company? What do you do well (in sales, marketing, operations, management)? What are your assets? What are your core competencies? Where are you making money? What differentiates you from your competitors? Why do your customers buy from you?

- **Weaknesses:** What do you need (customer service, marketing, accounting, planning)? Where do you lack resources? What can you do better? Where are you losing money? What necessary expertise/manpower do you currently lack? In what areas do your competitors have an edge?
- **Opportunities:** Where is the blue sky in your environment? What new needs of customers could you meet? What are the economic trends that benefit you? What are the emerging political and social opportunities? What are the technological breakthroughs? What niches have your competitors missed?
- **Threats:** Where are the red alerts in your environment? What are the negative economic trends? What are the negative political and social trends? Where are competitors about to bite you? Where are you vulnerable?

Once you have completed your SWOT, you should use the information to start developing a strategy that will leverage your organization's strengths to pursue opportunities, while also countering identified weaknesses and threats that might undermine your efforts. Most importantly, you can match your strengths with opportunities, shore up your weaknesses, and combat your threats as a starting point to form your goals. Keep your SWOT handy when you get ready to develop strategic alternatives and potential goals.

Group Exercise: List your Strengths, Weaknesses, Opportunities and Threats onto posters. Ask those in the room to add other items that they believe should be on or off of any of those lists. Discuss which items need to be addressed immediately, so you can later create goals for them.

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