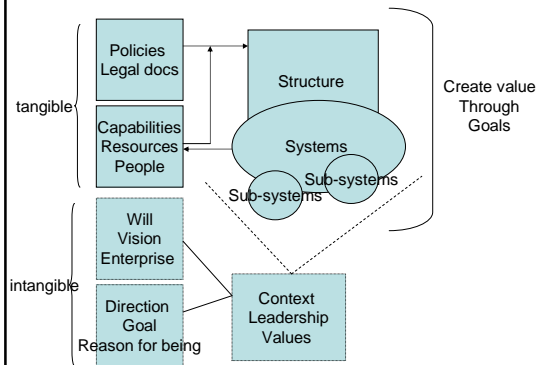


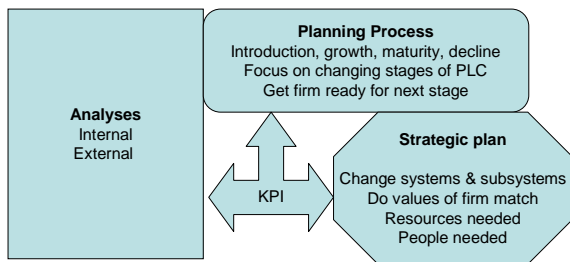
Strategic Plan write-up and implementation

Al Lee

Anatomy of a firm



Strategy process

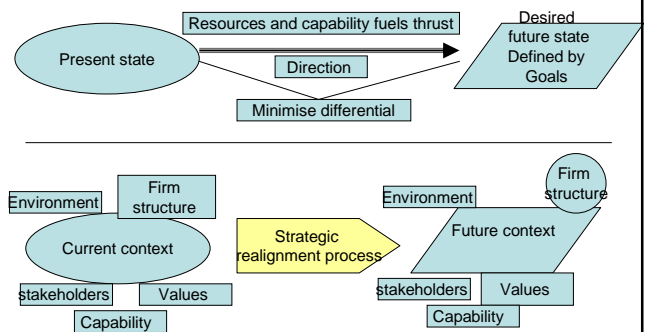


Evidence based decision making

Periodic realignment to meet changing market needs

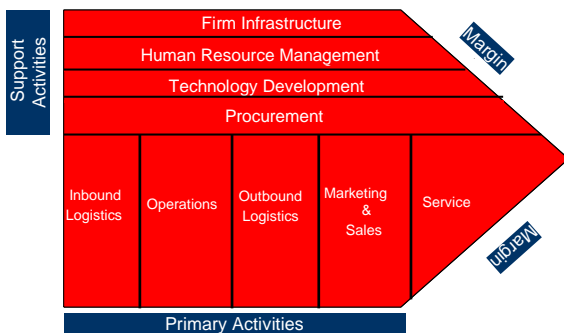
Create value by aligning firm's capabilities with what the market wants – market driven strategy

Strategic plan helps to realign firm to future context



Firms are made up of systems & subsystems

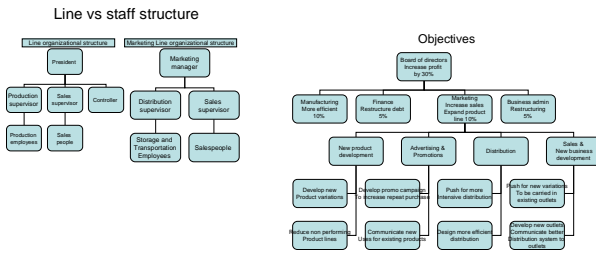
- Strategic plan shows how to realign systems to new context



Role of systems

- Execution
- Implementation
- Control
- Executive reward
 - Value problem
 - Signalling problem
- Systems design issues
- Profit impact of marketing strategy (PIMS)

Systems live in structure



Structure decides behavior

Human	Horse	Monkey
Heart	Heart	Heart
Brain	Brain	Brain
Circulatory	Circulatory	Circulatory
Muscles	Muscles	Muscles
Skeleton	Skeleton	Skeleton

Put systems together differently, behave differently
Same with firms
Each system is essential to continued function of firm
Structure determines behavior

Why do we need to know about systems and structure?

- Structure determines alignment with market
 - Gives optimal performance
 - Firms tend to want to be at equilibrium with environment (too big tear themselves apart)
- Systems make the structure work
 - Change in structure affects systems
- Strategy
 - Match structure with market
 - Match systems to structure

Obtaining Information about Organizational Components

Structure

- What is the organization's structure? How decentralized is it?
- What are the lines of authority and communication?
- What are the roles of task forces, committees, or similar mechanisms?

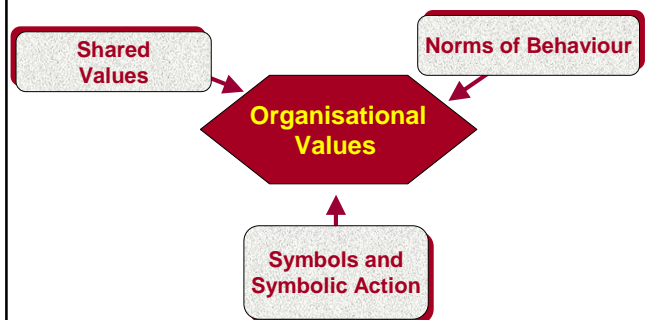
Systems

- How are budgets set?
- What is the nature of the planning system?
- What are the key measures used to evaluate performance?
- How does the accounting system work?
- How do product and information flow?
- Workflow?

But what about intangibles

- People
 - Skills, knowledge, depth and breadth of experience (quality)
 - Outlook (engineers v. service)
 - Type (drillers v. pipeline builders)
 - Expectations & Attitudes?
- Hit industry
 - Wildcaters, pipeline builders, distributors
 - All engineers but very different type of people

Organisational values (Culture?)



Obtaining Information about Organizational Components

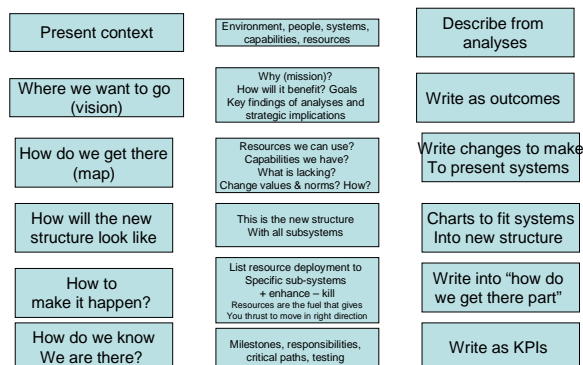
People

- What are the skills, knowledge, and experience of the firm's employees?
- What is their depth and quality?
- What are the employees' expectations?
- What are their attitudes toward the firm and their jobs?

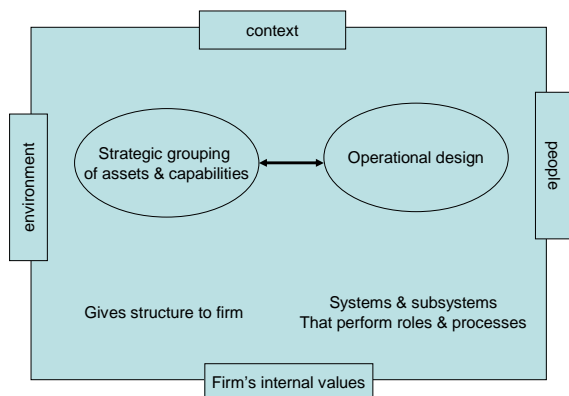
Culture

- Are there shared values that are visible and accepted?
- What are these shared values and how are they communicated?
- What are the norms of behavior?
- What are the significant symbols and symbolic activities?
- What is the dominant management style?
- How is conflict resolved?
- Is it ok to fail?

The plan



Strategic organisational design

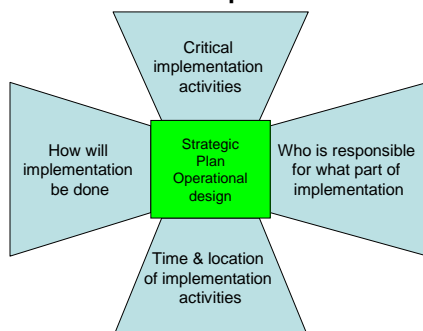


Obtaining Information about Organizational Components

Strategy

- Where would the new strategy fit into the organization?
- Would the new strategy fit into the strategic plan and be adequately funded?
- Would the systems and culture support the new strategy?
- What organizational changes would be required for the new strategy to succeed?
- What impact would these changes have? Are they feasible?

How to implement?



Questions for strategy evaluation

1. Is the strategy identifiable?
2. Is the strategy clear?
3. Does the strategy provide a sense of direction?
4. Is the strategy timely?
5. Is the strategy appropriate?
6. Is the strategy internally and externally consistent?
7. Does the strategy offer the potential for enduring sustainability?
8. Is the strategy motivating?

Questions for strategy evaluation

9. Does the strategy contain clear measures, controls and timetables for performance evaluation?
10. Is there evidence or suggestion of likely market responsiveness? That is, is the strategy working/likely to work?
11. Does the strategy contain contingencies for unanticipated or low probability events that may significantly alter the strategy's effectiveness if these events materialise?

Strategy Evaluation and Control (KPI)

Strategy Evaluation and Control must deal ultimately with both how well the strategy is meeting the objectives set for it (*Strategy Effectiveness*) as well as how well the strategy is returning value and profitability to shareholders (*Strategy Efficiency*).

What makes a good KPI

- Deal with all systems (must be able to take into account effect on other systems in the structure) – e.g. marketing KPI affects finance area

- | External | Internal |
|--|---|
| <ul style="list-style-type: none">• Financial measures<ul style="list-style-type: none">– Sales volume, investment profits• Brand equity<ul style="list-style-type: none">– Availability of product– Price– Perceived and actual quality– Repurchase | <ul style="list-style-type: none">• Strategy<ul style="list-style-type: none">– Staff awareness of goals– Commitment to goals– Active innovation support• Firm's internal values<ul style="list-style-type: none">– Appetite for learning– Freedom to fail• Outcomes<ul style="list-style-type: none">– Number of initiatives in progress– Number of innovations launched– Percent of revenue due to new product sales |

Are these reported to snr.mgmt. regularly
Are these compared to forecasts in business plans
Are these the same KPIs used by competition

Ambler, Tim (2000). Marketing Metrics. Business Strategy Review, 11(2), p. 59-68

Strategy measurement

- Dexter system – sales growth, net plant investment, unallocated divisional expenses, appropriate time horizon for cash flow projections
- Game theory
- Delphi technique
- Trend impact analysis
- Cross impact analysis
- Scenario building
- Benchmarking
- Core competencies
- Customer satisfaction

The Marketing Audit (1)

- An outside, independent assessment made of a company's environment, goals, objectives, strategies, and tactical activities
- Uncovers problem areas and/or opportunities, with the ultimate goal the improvement of the firm's marketing performance.

The Marketing Audit (2)

- Made by an independent party outside the marketing area.
- The topical areas and questions covered in a marketing audit parallel those underlying the strategic Marketing Plan.
- Management then decides what findings of the audit require action, and their priorities.

Dealing with significant unexpected events

- Flexibility
 - Build strategy to enable quick redeployment and alignment –
- How to achieve flexibility?
 - modularity of processes, systems and subsystems
 - Scalability of systems and sub-systems
 - Outsourcing, OEM, Structure