Strategic Planning is among the most widely used and perhaps among the most abused management terminology in modern day business. If one were to ask the CEO of any large organization why Strategic Planning is needed, the responses would be varied:

Resources are finite and we need to have clear line-of-sight towards how and why we allocate our resources and to what end...

We need a structured process for highlighting opportunities / risks in order to sustain and accelerate the growth momentum..

We need to have a defined game-plan for taking on the competition...

And the list would go on.

STRATEGIC PLANNING

The question that one needs to ask is "What exactly is meant by strategic"? There are hundreds of books written on this subject and its use in business is nothing new, therefore Strategic Planning should be relatively simple, right? Surprising though it may sound, it's hardly that simple and this article attempts to showcase, from a practitioner's perspective, some of the pitfalls and misconceptions that abound in the strategic planning process. Note that this article is designed to touch upon the process that is used for strategic planning in a corporate setting about which little has been written, rather than the tools that are needed to crafta strategy about which sufficient literature already exists.

Let's look at an example. What is common in the following statements?

\* Our strategy is to be a low cost organization

\* We are pursuing a global strategy

\* Our strategy is to provide unparalleled customer service

\* Our strategy is to be a "first-mover"

\* Our strategy is to grow by making selective acquisitions

The only thing common in the above is that none of them is a "strategy"!

(Source- Academy of Management Executives 2001 Vol. 15)

Now let's take a step back and figure out why none of the above is a strategy.

Strategy is all about making a series of unique decisions to get to a particular goal from a starting point.

Note the emphasis on the words "series", "unique decisions", "particular". Now take another look at the above statements? Are they really decisions, or are they merely an articulation of statement of intent that's important for their respective organizations? Which organization doesn't want to lower its costs? Who doesn't want to offer great customer service? Wouldn't your competitors in the same industry say similar things about their intent? The point that is being made here is that while the above may be very critical for an organization, they are not "strategic". These are things that would need to be done regardless of your strategy. The key is that no decision is needed here. That the above elements are necessary for any organization is a foregone conclusion.

THEN WHAT EXACTLY IS STRATEGIC?

The framework shown below is a good starting point. Note that all the questions pertain to "decisions". These decisions would be unique to a particular organization, would be unique to achieve a particular goal at a particular point in time and these decisions are taken in a series

The key question that practitioners often face is what is the process that is used to answer the above questions? While traditional academic learning provides aspiring strategists with the tools to analyze industries, often there isn't enough literature around the "process" that is used for strategy creation. The following framework is one such attempt to throw some light on the process that can be followed by practicing strategic planners in order to craftthe strategies of their respective organizations.

THE STRATEGIC PLANNING PROCESS - A FRAMEWORK

Boundary Conditions and Specification of decision criteria

This is the first stage in the planning process. It is the job of the Office of Strategy Management to get clarity on the boundary conditions / scope and on the decision criteria upfront, before the commencement of the planning cycle. Often the CEO / Promoters have certain preferences about the markets / business that they wish to be in or not be in. They might also have limitations on the resources available and the time horizon for the strategic plan. It is important to know the scope upfront. Also, it's important to get buy-in on what would be the criteria that would be used by the management team to choose from various strategic options that the team will subsequently develop. Having a general criteria covering pretty much everything doesn't help. Maximizing market share and profitability in a manner that increases shareholder value while minimizing cost, basically means that the decision maker doesn't know what he wants and is hedging his bets. The more specific the criteria, the easier it will be to choose from multiple options. Having loosely defined criteria results in an inability to choose and sign offon a particular strategic direction. Also, it becomes important not to have too many criteria or else the practicising manager faces the possibility of having multiple strategic options, many of which may meet some decision criteria, thereby making decision making difficult if not impossible

Industry Analysis

This area is taught well at academic institutions and there are abundant tools available for analyzing industries. Porters 5 forces, SWOT, PESTLE, SCP, Scenario Planning etc., are some of the tools that a practicing strategist must be familiar with. Appropriate use of these tools would reveal opportunities and highlight areas of weakness in your organization. Rather than dwell upon the relevant merits and demerits of these tools, it's important to determine how to take this learning to the next level and get organization-wide buy-in.

Status Quo Analysis

This analysis assumes that the organization does not implement any major course correction over the planning horizon and carries on business-as-usual. The organization continues to develop operational effectiveness and tactical initiatives to achieve higher profitability, lower cost structure, and increased market share. The purpose of doing this exercise is to create a baseline that sheds light on where the organization might be in a few years time, had it been business-as-usual. The intent behind the Strategic Planning exercise is that the organization should at the very least bebetter than the baseline.

Strategic Options Generation

This step involves formulation of widely different but equally viable strategic options that might be available to the firm in question, and is often the most complicated of all the steps. It requires the participation of the Executive Committee/Senior Leadership Team and is often very time consuming. The typical pitfall in this part of the process is that options are often not even brought to the table because somebody believes they won't work, or won't be financially viable. The skill of the practicing strategist lies in getting the leadership team to articulate the logic behind a particular strategic option rather than moving directly into an evaluation stage. In other words, the leadership team should be able to articulate in one or two pages what is the strategic theme/intent, where in the value chain do you propose to play, what choice of products/services should be sold at what prices, through which channels, and in which geographies in order to maximize value for the organization. It is important to get the logic, in English, right. The Math can follow in subsequent steps. Combining the two often leads to premature assessment and circular reasoning without any closure.

The quality of the industry analysis done, gaps highlighted, relative positioning in the industry versus competition and consumers, as well as understanding of revenue drivers and key success factors, all play a critical role in framing different strategic options.

Options Assessment and Evaluation

This step is often executed in conjunction with the project team one level below the Senior Leadership Team. Significant financial analysis is involved at this stage and all modern tools of sensitivity analysis and scenario planning are used. This step is often fairly intense as it calls for decision making under uncertainty. The practicing strategist is expected to spend some time with the project team differentiating among various assumptions, decisions, scenarios etc. It is surprising how many use these terminologies interchangeably. For instance, price is a decision. It's a matter of choice. However, the subsequent volume that one could achieve in the future as a result of the price, among other things, is an uncertainty hence assumptions around it would need to be made. Similarly, which piece of the value chain to play in is a decision. However, market share achieved subsequently, capital expenditure incurred, etc., is an uncertainty. Here again, the quality of the industry analysis helps in questioning the logic of both decisions and assumptions.

Scenario planning, as a tool, helps immensely in this part of the process. Note that sensitivity analysis and scenario planning are sometimes used interchangeably, but they are different tools that are to be used for different objectives. Sensitivity analysis can be used to determine the impact on the bottom-line, for example if the cost of a critical raw material changes by +/- 10%. Scenario planning is relevant when you need to create a totally different view of the world based on legislation, policy framework, technology, etc. For instance, a changing tax regime for tobacco from specific taxation (fixed tax based on length of cigarette) to ad-valorem taxation (tax based on price) would call for a scenario planning type of exercise whereas the change in volume in response to a change in price would call for a sensitivity analysis. Similarly, the market growth of renewable energy in response to a change in subsidies/feed-in-tariffs, change in technology, etc. would call for a scenario planning type of exercise, whereas the market growth in a particular market on account of different adoption rates would call for a sensitivity analysis.

Articulation of Strategic Roadmap

Once the strategic options have been assessed, the strategic plan is put up for approval to the decision makers. Some of the key issues that the strategic plan must address are:

\* What is our portfolio game-plan over the planning period?

\* Businesses and roles of businesses

\* Goals

\* Roadmap for achieving the goals

\* Risks / Returns (financial and non-financial)

\* Investments

\* What options did we have while choosing a particular game-plan and why did we prefer one over the other?

\* What are the key assumptions on which the game-plan is based? What are the exit clauses?

It may involve a couple of rounds of iteration before it is finalized. Here it is important to note that the strategic plan is a roadmap for where the organization aspires to be in a couple of years and what it would look like when compared against the pre-decided decision criteria. A common mistake made is that people start looking at a Strategic Plan as a "to-do" list with loads of activities and timelines and individual names who are responsible for various activities. We are not there yet. First you need to have an agreed upon plan.

Deconstructing the plan into specific activities, timelines, responsibilities etc is part of deployment of strategy.

Deployment of Strategy

Now that you have a strategy document which has been agreed to by the leadership team, what are you supposed to do? What is the line manager supposed to do? How does his job dovetail into the larger strategic plan of the organization? What does it mean for the salesman on the ground?

There are several tools that can be used to deploy strategy and one such tool which is fairly effective is the "Balanced Scorecard". This enables line-of-sight between the overall corporate objective and the key result areas of the foot soldiers, as can be seen from the chart below.

It is the role of the practicing strategist to deconstruct the strategic plan into its various elements and ensure that they are put into timelines with clear responsibilities that dovetail into the Performance Management System within the organization.

Strategic Planning versus Budgeting

Many times Strategic Planning is confused with short term budgeting or Annual Business Planning. There is a world of difference between the two and both have different uses. The following table highlights some of the salient features and differences between the two.

Many times people ask whether Strategic Planning as a discipline is still relevant today, given that business conditions change so rapidly. The advent of technology, globalization, hyper competition, increasing legislation, and shortening of product life cycles are all making the business environment increasingly complex and shortening the planning horizon. However the need for planning still exists, all the more so today. The nature of the planning exercise needs to be adapted to reflect the nuances of the industry in question and economic conditions prevailing at that point in time. The fundamental principles of planning such as direction setting remain the same, only the application needs to be modified. After all, at the end of the day, it's better to be approximately right than to be precisely wrong!