

## NOTE ON STRATEGIC PLANS

By far the single most important assignment in this course is the strategic plan due in Week 6. I strongly urge you to do this assignment in pieces as we cover the topics and to ask any questions you might have as we go along.

This note provides guidance to create a successful strategic plan. In fact, this document explains how to get 100% of the content and analysis points available for the Week 6 assignment, as well as the assignments due in Weeks 3-5.

Since the entire strategic plan is covered in this note, the topics will not make a lot of sense until we cover them. Consequently, I suggest that you reread it periodically. The sections below which apply to the assignments in Weeks 3-5 are as follows:

Week 3 -- through “Long-term objectives”

Week 4 -- through “Strategic analysis and choice”

Week 5 -- through “Short-term objectives and tactics.”

### General approach

Your assignment is to create a strategic plan for an organization for the next three to seven years. Pretend that the organization just hired a new CEO, who asked you to prepare the plan to ensure their success. Since whatever the organization did or is doing now might be entirely wrong, do not waste your time researching it.

The purpose of a strategic plan is to provide a “framework for managerial decisions” (p. 4<sup>1</sup>) to provide the managers with “unity of direction” (p. 38). In this way, all functions of the organization will reinforce the others as they make progress toward their goals. The four major steps are to:

1. identify candidates for each key element of the strategic plan,
2. analyze each candidate,
3. make a clear and specific recommendation for each key element, and
4. justify each recommendation by citing previously stated facts (including explicit assumptions), analysis of those facts, any prior recommendations, or some combination.

Focus. I want you to focus on *one* business. If the organization has multiple businesses, the subject of your strategic plan must be at the business level of text Exh. 1.3 (described on text pp. 6-7).

Summary approach. The core sections of a strategic plan are:

1. Company background
2. Vision statement
3. Mission statement
4. SWOT analysis
5. Long-term objectives

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<sup>1</sup> All page and chapter citations in this note are to the Pearce & Robinson *Strategic Management* 12e text, unless otherwise stated

6. Strategic analysis and choice
7. Short-term objectives
8. Tactics

Supporting sections are:

9. Action items, milestones and tasks
10. Critical success factors

These constitute a process of interrelated steps, not independent tasks, to develop a plan. As you go forward, check that the items tie together and prove that point in your write up.

For example, in Week 1 we look at strategic issues and the mission statement (item 3). Your long-term objectives (item 5) must be consistent with the SWOT table in the SWOT analysis (item 4) and lead the organization to that mission; if not, then either they or the mission need modifying.

The same will be true to the end: Your strategic analysis and choice (item 6) must take advantage of strengths and opportunities (item 4) and avoid weaknesses and threats (item 4) to meet the long-term objectives (item 5). Similarly, each successive item must be consistent with all previous items.

Then, as you follow the process, keep looking back. At each step, double check all the earlier steps because you might have uncovered something that affects an earlier recommendation. I will not expect you to go back and make all the necessary changes, but that is exactly what you would do in the real world.

Accordingly, the best overall approach is to do the core steps above in the order shown. When this is all done, you write the executive summary, because you will not be able to do it until the paper is complete! More details about all these sections are in later sections of this document.

Recommendation. Be clear about what you think the organization ought to do with phrases such as “I recommend,” “The organization should” and “It would be best.” Do not say anything like “They should consider” because it’s your job to consider alternatives then recommend one. Similarly avoid phrasing like “They can” and “They could,” because this merely presents options. Tell the CEO what to do.

Justification. As you prepare your plan, you must describe the chain of logic that explains how each conclusion and recommendation is consistent with all previous steps. Do not assume the reader remembers all the detail, and do not make the reader go back through your plan. Instead, explain each conclusion and recommendation and then back it up with solid justification. In addition, **do not add any new information in the paragraphs which justify conclusions or recommendations** -- use only the facts and analysis that have been already presented.

The best justification consists of previously mentioned facts (including explicit assumptions), analysis of those facts, prior recommendations or some combination, such as:

We should focus on capturing more sales from our existing customers since they are very satisfied with our products and services (Exh. 4) but purchase an average of only 22% of this category from us (Exh. 5).

Let me repeat the key points because it is vital to your earning a good grade:

**Back each conclusion and recommendation with solid justification, which consists of previously mentioned facts (including explicit assumptions), analysis of those facts, prior recommendations or some combination. Do not add any new information in the justification.**

Remember that you cannot merely say something like, “This recommendation is consistent with the vision, mission and SWOT” -- you must explain why that is so.

The next section describes sections of UOP’s outline that may be skipped, while the subsequent sections provide more detail about the plan.

### **Most of the plan will be your creation**

UOP does not expect you to critique an existing strategic plan for your organization even if you could find one, because they are highly confidential. Your task is to create a strategy for the future. The most that you are expected to get is their vision and mission statements, under the assumption that they exist at all. Therefore, the SWOT analysis and everything that follows will be your original work.

### **Company background**

It will be helpful to your reader to describe the organization. Since you will provide more detail in later sections, particularly the SWOT analysis, you do not need to be exhaustive here, although you must identify which of the three criteria apply (in serious trouble, facing disruptive change, not yet in operation) and evidence for the first two, if applicable.

### **Vision and mission statements**

Your organization might have vision and mission statements, although they may be called by a different name. If it does, you need to analyze it according to the concepts in the text and the class notes, and decide whether it is good or bad. If it is bad, then you create a new one that is good. In all cases, be sure that the vision and mission statements adhere to the working definitions of this course.

Your organization might merge what we in this course call the vision statement and mission statement. That is perfectly all right, but be sure to treat each half separately as they are defined in the class notes.

Recommendation for the vision statement. The first recommendation of a strategic plan looks externally and explains – without mentioning the organization or its offerings – how the organization will make the world a better place. An example is, “We see the world free of infectious disease.”

Justification. If your organization’s vision and mission statements are merged, explain which part is the vision. For the mission statement, identify the organization’s core competencies and operating philosophies, unless those terms appear in the mission statement. Explain how the mission statement will help them to achieve the vision.

## Values statement

If your organization has a values statement, describe it and make any recommendations you see fit. This section is optional because it is not covered in the text or class notes.

## SWOT analysis

SWOT analysis is dealt with in the class notes, Chap. 4 and 6 of the text, and especially *Note on SWOT analysis*. Be sure your SWOT elements are consistent with the working definitions in that note.

In addition to the analyses listed in the note, the text has others that will be helpful, including Porter Five Forces analysis (pp. 91+), and the value chain analysis (pp. 145+).

As *Note on SWOT analysis* says, your paper must describe the key SWOT elements well (step 4). This includes an explanation of each strength and weakness, and a description of the combination of strength(s)/weakness(es) and SWOT factor(s) that create each opportunity and threat.

Be sure to avoid common problems with SWOT analyses. As described in *Note on SWOT analysis*, it is easy to confuse evidence of strengths with real strengths, and symptoms of weaknesses with real weaknesses.

Opportunities describe success. Actions (“Launch a new product”) and macroenvironmental factors (“A fast-growing market”) are not opportunities, although they might contribute to them. Similarly, threats are possible negative outcomes and not macroenvironmental factors (“A looming recession”), although again they might help to create threats.

The last common error is to omit the combinations of items that create opportunities and threats. Each opportunity is the combination of strength(s) and macroenvironmental factor(s), while each threat is the combination of weakness(es) and macroenvironmental factor(s).

## Long-term objectives

After the SWOT analysis come the long-term objectives. These are the milestones your company wants to reach in a few years through its strategic plan and therefore must follow logically from the SWOT analysis. In other words, long-term objectives are what the organization needs to achieve to realize opportunities and avoid threats.

Be sure that the long-term objectives define success unambiguously (which means each usually contains a quantitative measure so it is clear whether they reach the goal), that they include a date, and that they contain nothing about tactics. Examples are in the class notes.

Once these objectives are set, we can assess the strategic plan that we will develop by the likelihood of meeting them. The text and class notes describe other characteristics of long-term objectives to use in formulating them for your organization.

How many objectives should they have? That depends on the SWOT analysis, but in general the fewer the better. It is perfectly OK to have only one long-term objective if it addresses all the opportunities and threats.

Another item that could be identified here is any constraints to our range of action, such as budgetary considerations and choices limited by other products or parts of the business. An example of the latter is our not competing with another division.

Avoid common errors such as using ambiguous measures of success (like market share), using ranges (like “\$10-15 million”), omitting a date, using a date less than two years away, or providing a series of short-term goals (like “10% sales growth for five years”).

Recommendation for long-term objectives. In summary, the recommendation for a long-term objective consists of an unambiguous measure of success with a date roughly 2-7 years in the future.

Justification of long-term objectives. You justify long-term objectives by checking that they fit the working definition, and showing at a minimum that:

1. meeting *each* means that an opportunity is achieved or a threat is avoided (or both),
2. by meeting *all* long-term objectives, the organization achieves all opportunities and avoids all threats, and
3. perhaps by tying one or more back to the vision.

### Strategic analysis and choice

You will select one or two of the grand strategies to achieve the long-term objectives. You have at least three tools to do so in the text: “SWOT Analysis Diagram” (Exh. 6.2), that suggests strategies based on the SWOT, the “Grand Strategy Selection Matrix” (Exh. 8.10), and the “Model of Grand Strategy Clusters” (Exh. 8.11).

To use each tool, we do two things. One, we discuss both ends of the horizontal axis and explain why the organization is above or below it. Two, we discuss both ends of the vertical axis and explain why the organization is to the left or right of it. The conclusions of above/below and left/right identify one cell/quadrant, and the content of that cell describes the suggested strategy.

Although these tools may not necessarily provide the best conclusion for your unique situation, you ought to use at least two for the Week 6 paper, and all three for the Week 4 paper. Applying judgment to the results of those tools and using other appropriate analysis will lead to the selection of one or more suitable grand strategies. As the class notes describe, not all grand strategies are appropriate for our level of the organization.

One common mistake is to screen suggestions before all the matrices are analyzed. Another regarding the use of any of these tools is claiming which quadrant the organization falls in without explaining why. You need to explain two things: why the organization falls on one side of the horizontal axis, and why the organization falls on one side of the vertical axis. That determines both the proper quadrant and solid justification for that conclusion.

Recommendation for grand strategy. Be sure to recommend at least one appropriate grand strategy but never more than three.

Justification of grand strategy. At a minimum, grand strategies are justified by:

1. showing that *each* is consistent with the results of at least two of these three tools, “SWOT Analysis Diagram” (Exh. 6.2), “Grand Strategy Selection Matrix” (Exh. 8.8) and “Model of Grand Strategy Clusters” (Exh. 8.9),
2. showing that pursuing *each* will accomplish at least one long-term objective,
3. showing that pursuing *all* recommended grand strategies will lead to the accomplishment of all long-term objectives,
4. explaining why the other grand strategies in the one quadrant selected per matrix do not apply
5. perhaps by explaining why the grand strategies will realize opportunities, avoid threats, or some combination of these, and
6. if you discuss value disciplines and generic strategies, showing why the grand strategies are consistent with them.

In addition, you might show that the strategic choice moves the organization toward reaching its vision.

### Short-term objectives

Short-term objectives must adhere to the text’s definition and the working definition of “objective” in the class notes -- they must be unambiguous and measurable, and have a date -- and each long-term objective must have short-term objectives which lead to the achievement of the long-term objective. Your analysis ought to include the potential problems described in Chap. 10.

Recommendation for short-term objectives. Be sure to identify an unambiguous measure of success with a date within a year for every short-term objective. Each long-term objective will have a set of short-term objectives that comprise the smaller steps.

Justification of short-term objectives. Short-term objectives are justified by showing, at a minimum, that they:

1. are consistent with the long-term objectives, and
2. are consistent with the grand strategies.

In addition, you might show that the short-term objectives:

3. help the organization to realize the key opportunities and avoid key threats, and
4. move the organization toward reaching its vision.

### Tactics

For tactics, recommend actions which will put your recommended grand strategies into effect. Keep these at a high level, such as new marketing programs, operations policy changes, or characteristics of acquisition targets.

Recommendation for tactics. Tactics are functional actions consistent with the recommended strategy and required to achieve the short-term objectives.

Justification of tactics. Tactics are justified by showing that they:

1. help achieve the short-term objectives, and
2. are consistent with the grand strategies.

In addition, you might show that the recommendations for tactics:

3. move the organization toward reaching its vision,
4. take advantage of all key strengths and opportunities in light of all key weaknesses and threats,
5. are consistent with the long-term objectives.

### **Critical success factors**

This section summarizes the few, most important items -- already discussed -- which pose the most risk to your strategic plan. If, for example, success depends on the launch of a new product line, then a critical success factor might be that it is completed on time.

### **Executive summary**

Now you are ready to write the executive summary (item 1 of UOP's outline). This is a brief, one- to two-page (no more!) synopsis of the plan which highlights the major findings - - everything in this section must be more fully described later in the paper. Its purpose is to grab the attention of your reader, excite that person, and motivate him/her to continue reading. It belongs at the beginning of your paper, of course.

A common error with executive summaries is to write an introduction to the paper rather than describing the main findings.

### **Final checklist**

After you have put the paper together, review it and ask yourself:

- \* Does the paper flow logically?
- \* Is the vision statement clear with a view totally external of the organization?
- \* Are the mission statement and objectives clear and justified?
- \* Is each conclusion and recommendation clear and specific?
- \* Is each conclusion and recommendation well justified?
- \* Are the spelling, grammar and logical flow perfect?
- \* Does the paper include formatting elements like headings to help the reader?
- \* Have you clearly identified every word, fact or idea that is not original and properly cited it?