

**OUR PLANS MISCARRY BECAUSE THEY
HAVE NO AIM. WHEN A MAN DOES NOT
KNOW WHAT HARBOR HE IS MAKING FOR,
NO WIND IS THE RIGHT WIND.**

SENECA (4BC - AD65)

Strategic Development

Strategic Development is summarized in the following topic areas:

- Strategic Planning Models
- Business Environmental Analysis
- Strategic Plan Deployment

Strategic Planning Models

This Primer Section deals with strategic planning techniques and models. Let's discuss several models (on an introductory basis) first. ISO 9001 and ISO/TS 16949 are of major importance to many companies. Therefore, these companies devote a great deal of strategic attention to their attainment. Likewise, the achievement of MBNQA, or other quality awards, have become models for more advanced performance organizations. Since these models are addressed in Section IV of this Primer, they will be given superficial treatment here. Certainly, strategic planning can be presented independently of these models.

The authors are aware of one CMQ/OE instructor who will ask students to rank, from highest to lowest priority, the following items and to be prepared to justify their choices:

- Policies
- Goals
- Strategic Intent
- Strategies
- Activities
- Mission
- Values
- Vision
- Objectives
- Projects
- Principles
- Tactics
- Plans
- Procedures
- Instructions

The described exercise may be tedious but it does prompt plenty of discussion and some understanding of the subject. It also indicates that there is considerable confusion regarding strategic management terminology in the eyes of many.

Strategic Planning Models (Continued)

To provide some clarity to the subject, consider the approach taken by the writers of the CMQ/OE BOK compared to a more conventional strategic management approach:

- Analyze the Corporate Environment (to follow later in this Section)
- Engage in Strategic Management, consisting of:
 - Strategic Thinking (omitted for some reason)
 - Strategic Planning ← (you are here)
 - Strategic Execution Deployment (to follow later in this Section)

In order to plan, information is needed. The following items will be discussed in the environmental analysis portion of this Section:

- SWOT analysis
- Market forces
- Stakeholder analysis
- Technology trends
- Internal capabilities
- Legal and regulatory factors

Any company with the above informational input should be in a position to plan.

Harrington (1995)¹² states the three main purposes for articulating a business plan are to set direction, to establish expectations, and to define actions. Consider the information in Table 3.1:

Purpose	Outputs	Time Frames
Direction	<ul style="list-style-type: none">• Vision(s)• Mission• Strategic Focus• Critical Success Factors	<ul style="list-style-type: none">• 10 - 20 Years• Open - ended• 5 Years• 3 Years
Expectations (measurables)	<ul style="list-style-type: none">• Business Objectives• Performance Goals	<ul style="list-style-type: none">• 5 - 10 Years• 1 - 5 Years
Action	<ul style="list-style-type: none">• Strategies• Tactics• Budgets• Performance Plans	<ul style="list-style-type: none">• 1 - 5 Years• 1 - 3 Years• 1 - 3 Years• 3 - 12 Months

Table 3.1 Strategic Planning Elements and Timing

Strategic Management Defined

Strategic management bases all actions, activities and decisions on what is most likely, within an ethical framework, to ensure successful performance in the market place. (Goetsch, 2000)⁹

Strategy Defined

A strategy can be a single or set of long term plan(s) or policy(ies). Note that there should be an emphasis on long term. Corporate strategies may seek to improve efficiency, control costs, add customer value, gain technical advantages, provide superior quality or attain targeted market leadership. Mintzberg (1994)²⁰ defines strategy in several ways:

- An approach to use resources within the constraints of a competitive environment in order to achieve a set of goals
- A plan or course of action into the future
- An organization's perspective or way of doing things

Strategic Planning Defined

Drucker (1995)⁷ states that strategic planning is the continuous process of making present entrepreneurial decisions systematically and with the greatest knowledge of their futurity, organizing systematically the efforts to carry out these decisions, and measuring the results of these decisions against the expectation through organized systematic feedback.

Strategic Thinking

Through various studies, it has been determined that most U.S. executives are operationally competent but strategically deficient. A strategic plan should evolve from good sound strategic thinking. Strategic thinking is the process of considering the same key issues and concerns that the CEO and upper management use to help shape and direct the organization's future. Issues, concerns, and decisions that fit within the scope of this future are taken and implemented. Those that do not fit the direction of the future are not included.

Strategic Thinking (Continued)

Robert (1993)²⁸ identifies some of the variables that comprise strategic thinking:

- Current products
- Employees and their abilities
- Markets/market segments
- Competitors
- Suppliers
- Research and development
- Facilities
- Environmental data

Some of the critical issues that would arise from the strategic thinking process are:

- Time frames
- Market share growth
- Investment needs
- Customer concerns
- External threats
- Quality

The quality of products, services, supplier treatment, management direction, customer attention, and human resource empowerment are all inter-related. They reflect on the ability of the company to survive in an increasingly competitive and fast paced world economy. As Deming and others have pointed out, an organization needs to make a profit in order to stay in business and provide jobs.

H. James Harrington's book *Total Improvement Management* (1995)¹² includes some criteria for evaluating a company as a loser, survivor, or winner. The criteria includes: return on assets (ROA), value added per employee (VAE), market share, and customer satisfaction. Desirable conditions include:

- A ROA of 6% or greater
- A VAE above \$74,000 *
- A high rating from at least 76% of your customers
- A greater market share increase than your competition

* The VAE should be adjusted for inflation.

Strategic Planning

Strategic planning starts with the collection and arrangement of facts and information from the strategic thinking process. Planning includes an analysis and organization of key items, plus a logical implementation plan. Unfortunately, in many companies, there is little or no difference between the strategic thinking or planning phases. A short outline of the strategic planning process should include the following:

- Develop a vision and statement of purpose for the company
- Review previously gathered environmental data
- Consider corporate strengths and weakness
- Make assumptions about factors outside company control
- Establish appropriate goals
- Develop implementation steps, both strategic and tactical
- Compare performance to goals
- Reevaluate the above steps for perpetual use

Strategic planning and decision making should enhance the health of the business. The traditional specific strategic planning steps (Goetsch, 2000)⁹ include:

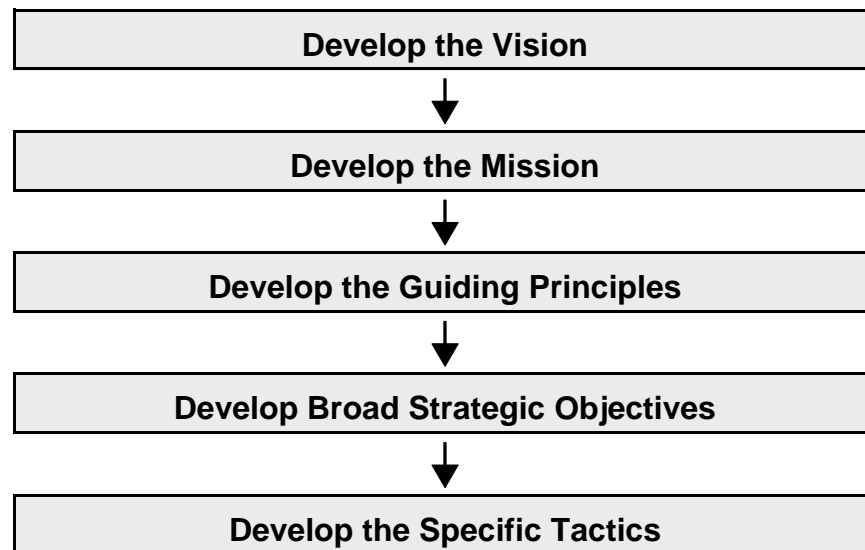


Figure 3.2 The Strategic Planning Process

Develop the Vision

A well written vision statement should have the following characteristics:

- Easily understood by stakeholders
- Exciting to stakeholders
- Clear and comprehensive in meaning
- Sets the tone for employees
- Not concerned with specific numbers
- Creates unity of purpose among stakeholders
- Both challenging and attainable

(Goetsch, 2000)⁹

Vision Examples

Florida Power and Light Company:

We will be the preferred provider of safe, reliable, and cost-effective products and services that satisfy the electric-related needs of all customer segments.

General Electric Company:

To become number one or two in every market we serve and revolutionize this company to have the strengths of a big company combined with the leanness and agility of a small company.

Canadian National Railways:

To meet customers' transportation and distribution needs by being the best at moving their goods on time, safely, and damage free.

Develop the Mission

Visions are dreams that can come true. The mission takes the next step and describes who the organization is, what it does, and where it is going (Goetsch, 2000)⁹. The mission defines the purpose of the organization.

Mission Examples

We administer the business of Prudential Assurance Life. Our purpose is to delight our customers by delivering a quality service, in a cost - effective manner, through the contribution of everyone.

Business Express Airlines (BEA) is a domestic air carrier dedicated to providing business travelers with air transportation that exceeds their expectations in terms of cost, convenience, service, and dependability. To this end, BEA provides air carrier service to and from a steadily increasing number of major hub airports in the United States.

Guiding Principles

An organization's guiding principles provide the framework within which it will pursue and achieve its mission.

Guiding Principles Examples

- ABC Company places customer satisfaction as our highest priority
- ABC Company will actively engage our employees in business decisions
- ABC Company will treat all stakeholders as partners
- ABC Company will uphold high ethical standards in all business transactions
- ABC Company will be environmentally friendly
- ABC Company will continually improve all internally developed products
- ABC Company will treat all employees in a professionally supportive manner
- ABC Company will provide quality equal or superior to our competitors

Broad Strategic Objectives

It should be noted that goals and objectives are often used interchangeably. Some professionals attach the term "goal" to a long term need and "objective" to a short term need. In this case, reference is made to objectives that are sufficiently broad so that an organization will have to spend considerable time and effort to achieve them. Broad objectives are more specific than the mission. They still fall into the realm of what rather than how.

Broad Strategic Objectives (Continued)

Broad objectives have the following characteristics:

- They focus on a single issue in easily understood terms
- They are general enough to not require frequent rewrite
- They clearly show what an organization intends to accomplish
- They support the organization's mission statement
- They are aligned with the organization's principles
- They are usually restricted to a maximum of 5 to 8 items Goetsch (2000)⁹

It should be noted that strategic objectives generally cut across many departments and may be issues that affect the entire organization.

Tactical Objectives

Tactical objectives are detailed activities that will achieve the broader strategic objectives. Tactics will be discussed later in this Primer Section.

Useful Strategic Planning Tools

A number of tools are useful prior to, during, or in the execution stages of strategic planning:

- Management and Planning Tools
- Quality Functional Deployment
- Survey and Feedback Forms
- Hoshin Planning
- SWOT Analysis
- Benchmarking
- Capability Analysis
- Scenario Planning

All of the above tools are discussed elsewhere in the CMQ/OE Primer with the exception of scenario planning.

Scenario Planning

When developing strategic plans, management may be prone to groupthink, overconfidence, tunnel vision, etc. In order to overcome potential errors in decision making, best and worst case scenarios should be considered (collapse of the Berlin wall, rise of the internet, etc.). Once the different scenarios are visualized, appropriate contingency plans can be developed.

Strategic Planning Models

In addition to, or as a substitute for, the presence of strategic planning techniques, a company may choose to use models such as ISO 9001, ISO/TS 16949, or BNQP Criteria. A comparative overview of these topics will be discussed here.

Strategic Planning Models (Continued)

Baldrige National Quality Program (BNQP)

Perhaps the most important item for management to determine is a driving force for the company. The Baldrige National Quality Program (BNQP) Criteria for Performance Excellence provides such a driving force: Total Quality Management. A copy of the criteria is available from NIST (National Institute of Standards and Technology) and may be found on their web site (NIST, 2010)²². The core values and concepts for the BNQP Criteria for Performance Excellence are based on:

- **Visionary Leadership:** Senior leaders set directions, create a customer focus, clear and visible values, and high expectations.
- **Customer-Driven Excellence:** Understanding today's customer desires and anticipating future customer desires and marketplace potential.
- **Organizational and Personal Learning:** Adopting a well-executed approach to learning including sharing knowledge via systematic processes.
- **Valuing Workforce Members and Partners:** Creating an engaged workforce with meaningful work, clear organizational direction, and performance accountability.
- **Agility:** Having a capacity for rapid change and flexibility.
- **Focus on the Future:** Understanding short and longer-term factors in the marketplace, having sustainable growth, and making long-term commitments.
- **Managing for Innovation:** Making meaningful changes to improve products, services, and processes and creating new value for the stakeholders.
- **Management by Fact:** Depending on measurement and analysis of performance, critical data, key processes, outputs and results.
- **Societal Responsibility:** Stressing responsibilities to the public, ethical behavior and considering societal well-being and benefit.
- **Focus on Results and Creating Value:** Focusing on key results and using results to create balance and value for key stakeholders.
- **Systems Perspective:** Managing the organization and key processes to achieve results and to strive for performance excellence.