

DEVELOPING STRATEGY.

Checklist 258

» INTRODUCTION

It has been said that in strategy everything is simple but nothing is easy. At times of economic turbulence, environmental uncertainty and growing complexity, the question of how organisations can best set their direction for the future remains an enduring subject of debate and interest.

In the past most organisations took a highly structured approach to strategy development known as strategic planning. This involved an annual process of putting plans in place for the coming year and beyond. However, in today's complex and turbulent business environment, it is impossible to plan for every eventuality and strategy making needs to be a more flexible and dynamic process which reflects a way of thinking strategically about the business and the environment in which it operates. Organisations that fail to think strategically will be vulnerable to threats and ill-prepared to take advantage of fresh opportunities. A flexible but focused approach will put organisations in a better position to deal with setbacks and to respond to new opportunities as they emerge. Nonetheless, organisations still need to gain a clear understanding of the market place and their strategic position within it. Analysis and planning remain important for the majority of organisations.

There are many models of and approaches to strategy and a plethora of tools and techniques which can help strategy makers to assess their current position and evaluate options for the future. Such tools should not be regarded as recipes for success but used with careful thought to help in analysing and understanding the strategic context in which the organisation finds itself.

Failing to think strategically will mean that an organisation will become reactive, vulnerable to threats and closed to opportunities. Organisational strategy needs to be:

- › flexible - adaptable to change, but in line with corporate mission and vision
- › responsive - taking account of market, economic and environmental conditions
- › creative - to inspire commitment and ensure the organisation stands out from the crowd
- › challenging - so that it acts as a source of inspiration and motivation
- › realistic – so that it can be seen to be achievable and people can get to grips with it
- › focused - clear, defined and understandable to all stakeholders, especially employees and customers
- › engaging - in line with organisational culture and values.

This checklist provides a framework for thinking about and developing organisational strategy. It is based broadly on established processes of analysis, choice and implementation. Implementation is covered more fully in a related checklist. (See Additional Resources below.)

Strategy development is often seen as predominantly the responsibility of senior management. However, in some cases, senior managers set the strategic direction and divisional heads will then be given responsibility for developing appropriate strategies for their parts of the business. Moreover, all managers have a role to play in implementing and shaping strategy and in getting buy-in from the teams who will be executing the strategy on a day to day basis. It is important for managers to develop their strategic awareness, to be aware of their organisation's current position and open to potential opportunities for change and development.

There are many definitions of strategy. Perhaps the simplest is “The direction an organisation takes with the aim of achieving future business success.” Strategy sets out how an organisation intends to employ its resources, including the skills and knowledge of its people as well as financial and material assets, in order to achieve its mission or overall objectives and its vision.

There is a fine line between mission and vision and the terms are not always used in the same ways. Generally speaking, however, mission focuses primarily on an organisation’s purpose, the reason why it exists, and corporate vision is an image of the future to which an organisation aspires.

Strategy development is the process of researching and identifying strategic options, selecting the most promising and deciding how resources will be allocated across the organisation to achieve objectives. Key questions to be considered include: the key questions an organisation needs to ask in connection with its future, including:

- › What business are we in? Or what business should we be in? (Mission)
- › Where do we want to be? (Vision)
- › How are we doing? What is going well? What is not so successful?
- › How did we get to this point? What went well? What went wrong?
- › How can we improve our position?
- › What options are open to us?
- › What might hinder us from getting there?
- › What do we need to do to get there?
- › What should we not do?

1. Understand the current position

Start with an assessment of the organisation’s current position. This involves looking at recent performance and position in the marketplace. Questions to ask include:

- › What is our vision and how well placed are we to deliver it?
- › How is the organisation performing?
- › What is going well and what is not going so well?
- › What is our market share?
- › How are we placed in relation to our competitors?
- › How do our customers see us?
- › Are we on an upward or a downward curve?

Try to form a balanced view of the organisation, not just the rosy side. Don’t make assumptions - seek evidence so that decisions and future plans are based on reality.

2. Reflect on how you got there

Based on analysis of the current position consider the reasons behind successes and failures. Are these a result of market forces, for example, or are they the result of internal strengths or weaknesses? Questions to ask included:

- › What did you do right (wrong) to get there?
- › What have we done well (or badly)?
- › Were we in the right place at the right time?
- › What was a consequence of market circumstances?
- › What was a result of good planning, bad planning, or lack of planning?

3. Be clear about your corporate identity (mission, vision and values)

Revisit any existing statements of the organisation's mission – its purpose and what it exists for, its vision – what it aspires to achieve and its values – the manner in which it believes it should do business. Are these still appropriate and valid? Consider whether your perspective needs to broaden in order to take advantage of fresh opportunities or be narrowed to maintain focus and effectiveness.

Try to gain a clear sense of identity by asking questions such as:

- › What kind of organisation are we?
- › What does our vision indicate that we need to focus on?
- › What kind of values do we have? Are we living them out or have we lost track of them?
- › What people strengths (or weaknesses) do we have?
- › What kind of leadership do we have?
- › What is the level of morale?

4. Analyse your strengths and weaknesses

SWOT analysis, which focuses on assessing organisational strengths and weaknesses, as well as threats and opportunities, is a popular tool which can help to focus attention on an organisation's capabilities and identify factors which could limit its achievements. For more information look at our checklist on SWOT analysis (See Additional Resources below).

A review of the strengths and weaknesses of the current portfolio of products and/or services offered by the organisation should also be included. The Boston Matrix , (See Related Models below) provides a framework for assessing the current and potential performance of products or services and can help to guide decisions on which are worth investing in for the future.

5. Analyse the business environment

The PEST analysis tool which is used by many organisations to help them get an overview of the current and future business environment in which they are operating, traditionally focused on political, economic, social and technological factors. A number of variants such as PESTLE and PEST-C have evolved to include additional factors such as legal, environmental and cultural. (See Additional Resources below.)

Questions to ask include:

- › What are the major trends likely to affect our business?
- › What new technologies are available?
- › How are customer needs and attitudes changing and evolving?

Pay particular attention to identifying the driving forces in your sector. These are the major underlying causes of changing competitive conditions. The most common of these are:

- › changes in long term industry growth rates
- › increasing globalisation
- › product innovation
- › the strength and number of existing and emerging competitors.
- › entry or exit of major firms in the sector.

Porter's Five Forces is tool which can help to assess the factors affecting the competitive position of an organisation. (See Related Models below.)

6. Identify and evaluate strategic options

A clear understanding of the current position should generate insights which will help the organisation to identify the most promising strategic choices for the organisation. Factors to be considered include:

- › how performance can be improved
- › what changes or adjustments in direction are needed
- › whether the situation calls for a widening or narrowing of focus
- › whether it is feasible to expand into new markets
- › which market areas offer the best chances of success
- › whether existing products and services can be improved or updated
- › when new products and services need to be introduced
- › what scope there is for innovation in processes
- › how the competition can best be tackled
- › what organisation development initiatives may be needed
- › whether there are things the organisation needs to stop doing.

When evaluating strategic options, consider the conditions which must be true for the strategy to be successful and identify barriers to success. In some cases it may be possible to conduct tests to gauge the likelihood of specific scenarios, but bear in mind that the future is never certain. In recent years there has been a growing emphasis on the benefits of combining the results of rational analysis with the experience and intuition of strategic leaders.

It is important for organisational strategies to take account of identified weaknesses and to provide a framework for addressing them, as well as capitalising on organisational strengths. For each option, consider the investment and resources which will be required and their availability. This should include:

- › people skills which will need to be developed or brought in
- › equipment and technology infrastructure
- › production and distribution capacity.

Time-frames should also be discussed. These vary hugely from sector to sector. For example, Internet businesses are evolving fast, but companies in the energy sector where exploration, and infrastructure development are involved, need to take a much longer term view. Although it takes time to change thinking and shift resources, in general, tighter time frames are being set for targets than in the past.

7. Set objectives

Once the strategic direction has been agreed, it is vital to translate this into specific objectives. These need to be firm without being so rigid that any modifications will result in failure. Objectives should be set by considering how the strategy is to be realised and what, in measurable terms, needs to happen if it is to be successful. (See Related Checklists below for more on setting objectives.)

The following aspects should be covered:

- › profitability and return on investment
- › market share and market needs
- › product/service quality and customer service
- › changes needed to organisational processes, activities and culture
- › social responsibility
- › people participation and commitment.

8. Communicate the strategy

Communicate details of the thinking which is emerging throughout the organisation. This will involve clearly documenting strategic decisions and adjustments as they are made. All employees, and especially managers,

need to be fully aware of organisational strategy and to understand how their own job roles contribute to the achievement of organisational objectives. Widespread consultation and feedback will help to gain commitment, but will also facilitate the gathering of additional information on threats and opportunities from those who work on the front line.

9. Implement the strategy

In recent years there has been a growing awareness that it is one thing to formulate a strategy but another to implement it. Unless the practical implications are worked out and acted on, the strategy will be no more than a statement of hopes and aspirations for the future. A clear route map needs to be outlined with time frames and staging posts. If objectives are to be achieved, everyone in the organisation should have a clear understanding of what needs to be done, when, and by whom. Depending on the size of the organisation, the implications of the strategy for business and operational plans, marketing plans, financial plans and budgets, project plans and personal development plans need to be clarified and the steps which need to be taken identified. More information on implementing strategy and executing strategic plans can be found in a related checklist on implementing strategy. (See additional Resources below.)

10. Review progress

The end point of strategic action is a combination of products and services, employees, customers and technologies that produce results. The one constant is the need to stay close to the market - that continuing measurement of progress against objectives, continuing assessment of the market and business environment or the needs and requirements of stakeholders, and continuing adjustment to changing circumstances to take advantage of changing technologies and explore new opportunities as they become apparent.

» POTENTIAL PITFALLS

Managers should avoid:

- › forgetting to spend time getting to know their industry/market sector
- › being unaware of core strengths and critical factors
- › assuming that they know what their customers need and want.

» ADDITIONAL RESOURCES

BOOKS

Key strategy tools: The 80+ tools for every manager to build a winning strategy, Vaughan Evans
Harlow: Pearson Education, 2013

The strategy book, Max McKeown
Harlow: Pearson Education, 2012
This title is also available as an [e-book](#).

Fundamentals of strategy, Gerry Johnson, Richard Whittington and Kevan Scholes
Harlow: Pearson Education, 2012

Good strategy, bad strategy: The difference and why it matters, Richard Rumelt
London: Profile Books, 2011

Strategic leadership: how to think and plan strategically and provide direction, John Adair
London: Kogan Page, 2010
This title is available as an [e-book](#).

Business strategy: A guide to taking your business forward, 2nd ed, Jeremy Kourdi
London: The Economist in association with Profile Books, 2009

This is a selection of books available for loan to members from CMI's library. More information at:
www.managers.org.uk/library

JOURNAL ARTICLES

Bringing science to the art of strategy, A G Lafley and others
Harvard Business Review, Sep vol 90 no 9 2012, pp 57-66

Simple rules for a complex world, Donald Sull and Kathleen M Eisenhardt
Harvard Business Review, Sep vol 90 no 9 2012, pp 69-74

Your strategy needs a strategy, Martin Reeves, Claire Love and Philipp Tillmans
Harvard Business Review, Sep vol 90 no 9 2012, pp 78-83

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RELATED CHECKLISTS

- 259** Strategy implementation
- 196** Carrying out a PEST analysis
- 005** Performing a SWOT analysis
- 067** Producing a corporate mission
- 052** Setting objectives
- 231** Setting SMART objectives
- 153** Gathering competitive intelligence

RELATED MODELS

Ansoff Matrix
Boston Matrix
Porter's Five Forces
SMART objectives
PEST analysis
SWOT analysis

ORGANISATION

Strategic Planning Society
New Bond House, 124 New Bond Street, London W1S 1DX
Tel: 0845 056 3663 Web: www.sps.org.uk

» NATIONAL OCCUPATIONAL STANDARDS FOR MANAGEMENT AND LEADERSHIP

This checklist has relevance for the following standards:

- › Unit BA5: Develop your organisation's vision and strategy
- › Unit FA1: Implement and evaluate strategic business plans



MORE INFORMATION

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