



TELLUSANT

Streamlining Corporate Decisions

Strategic Planning—The Tellusant Synthesis

A guide to understanding and developing a modern best-in-class strategic planning process

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INTRODUCTION

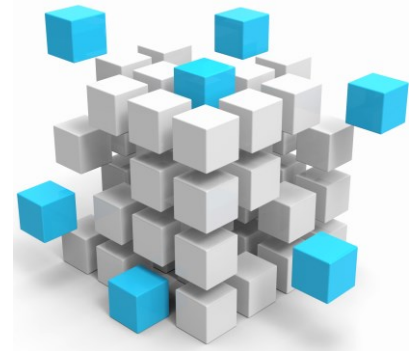
Strategic planning often suffers from inconsistencies by cycle and business unit, a slow process, and a lack of faith in results. Companies need to find solutions to improve this critical aspect of their business.

The starting place for any improvement in planning is to have a strong underlying strategy framework that anchors a company on its goals. This guide describes a structured approach to ensuring a better strategic planning process and how it links back to strategic thinking authorities.

The following chapters discuss:

- Strategy definitions and history
- Strategic planning frameworks
- Tellusant's strategic planning process

The right-hand “strategy cube” will gradually be filled in as the strategy concepts are explored.



This report is based on Tellusant's expert leadership, who have been working on strategic planning issues for decades and add deep knowledge of the academic underpinnings to strategy. Tellusant's mission to streamline corporate decision making is focused first on improving the strategic planning process.

STRATEGY DEFINITIONS

The starting point is a review of what strategy is and how it has evolved since the early 1960s. Any new framework must take the various historical strategy concepts into account to be credible.

Strategy Versus Operations and Tactics

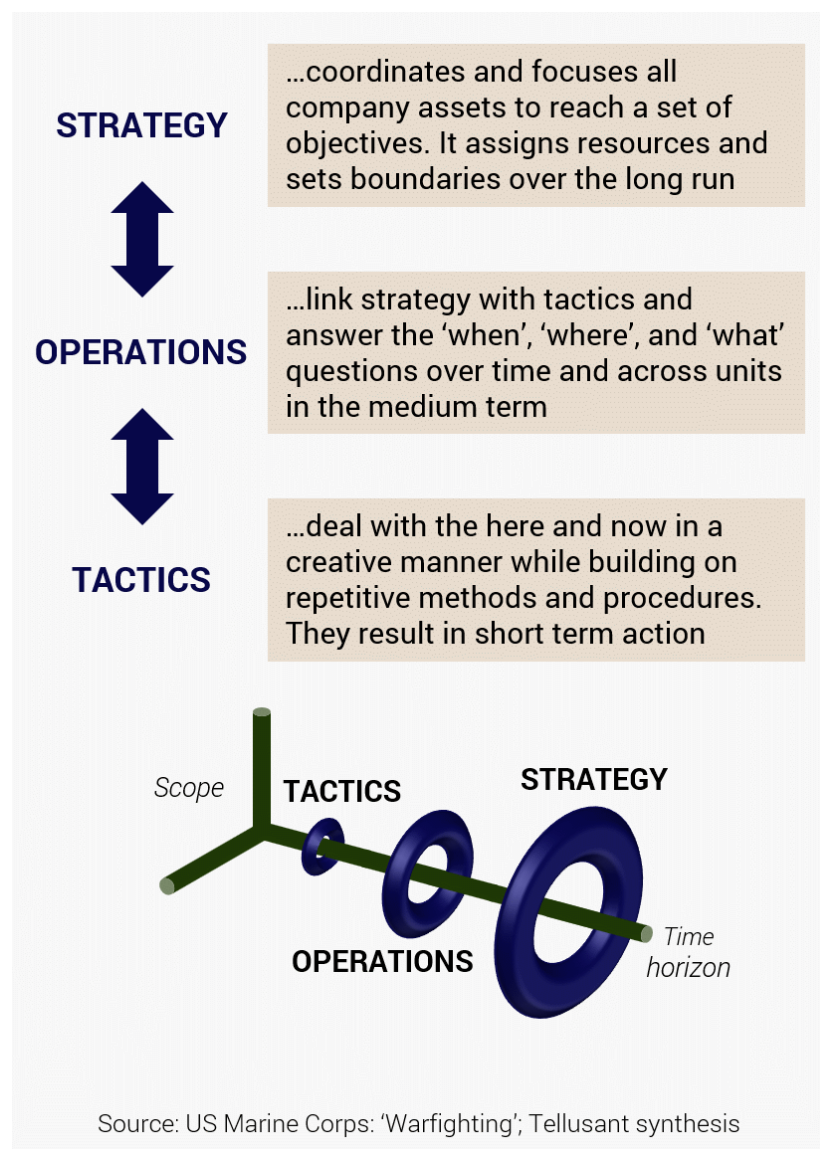
What is strategy? Having a correct definition is crucial to any strategist. The U.S. Marine Corps' definition in manual #1, '*Warfighting*' is instructive.¹

¹ U.S. Marine Corps (1997): *Marine Corps Doctrinal Publication 1: Warfighting*. Retrieved from bit.ly/3pijMsq

The Marine Corps definition is therefore adapted to a corporate setting. Corporate activities thus take place at three interrelated levels:

- Strategy has the longest time horizon and the broadest scope. It covers all functions and geographies for the business unit or company at hand.
- Operations bridge the strategy into tactics. Operations are conducted in campaigns (for example, brand renovation or entering a new market).
- Tactics are the practical implementation of the operational campaigns.

Sometimes strategy and operations are part of the same plan. This is called a strategic plan, 3-year plan, or similar. It has both strategic and operational elements.



Differences Between Planning Processes

Many executives are unclear about the differences between strategy (development), strategic planning, and financial budgeting. The graph below shows these differences.

STRATEGY

- **Ad hoc** when need arises at corporate or divisional levels
- **High level** thinking
- Porter's 5 forces or similar
- **5-10 years** horizon
- Usually with external advisors
- **No automation**

STRATEGIC PLANNING

- **Annual cycle** at country / BU level
- Fairly **detailed** templates
- **KPIs** and financials important
- **3-5 years** horizon
- Usually by company executives
- **Little automation**

FINANCIAL BUDGETING

- **Annual cycle** covering all organizational units
- **Strict templates** with data pull from financial systems
- **Detailed** revenue, cost, and capex **commitments**
- **Well established** process since decades back
- Usually by company executives
- **Significant automation**

A few observations:

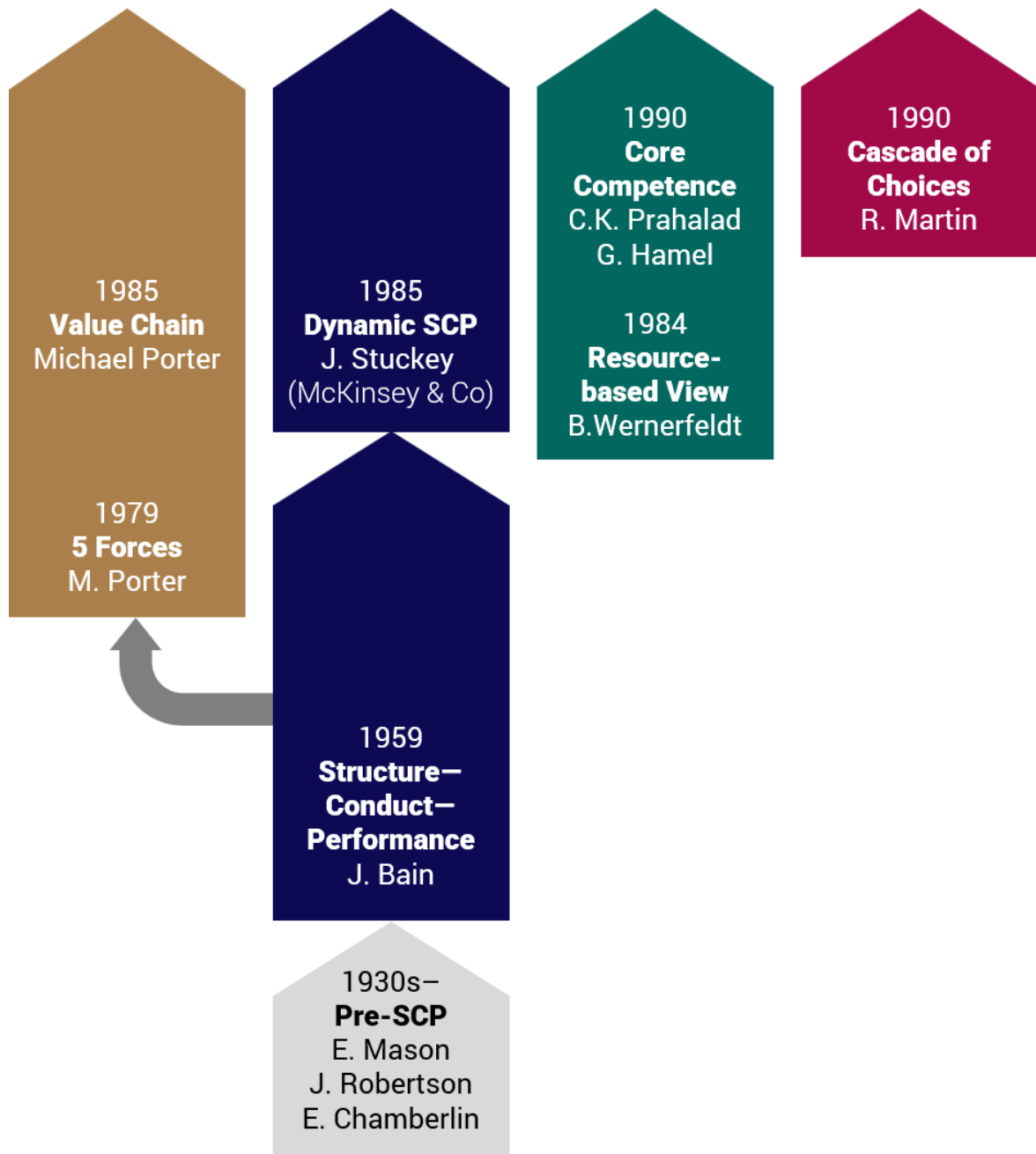
- Strategy development and strategic planning are often seen as the same thing. They are not. Strategy development is a truly intellectual exercise performed on an ad hoc basis. It seeks high level answers for where the company should be heading.
- Strategic planning is somewhere between strategy development and budgeting. It is programmatic (annual, templates) and defines what line managers should achieve over the next few years.
- Strategic plans are not extended financial budgets. They focus on the operating realities that in turn feed into budgets.

Strategy Evolution

How has the definition of strategy evolved over the years?

There are four strands of thinking, depicted in the graph below, that today form the core of strategy thinking.

EVOLUTION OF STRATEGIC THINKING



Any strategy framework must incorporate most elements from the four frameworks. The next chapter reconciles them, starting with an overview of each.

STRATEGIC PLANNING FRAMEWORKS

In contrast to the classical static frameworks, Tellusant has developed a dynamic framework where important trends are switched in and out over time. This is then overlaid on our synthesis of the classical frameworks. In a way, the framework makes itself obsolete occasionally and is then refreshed.

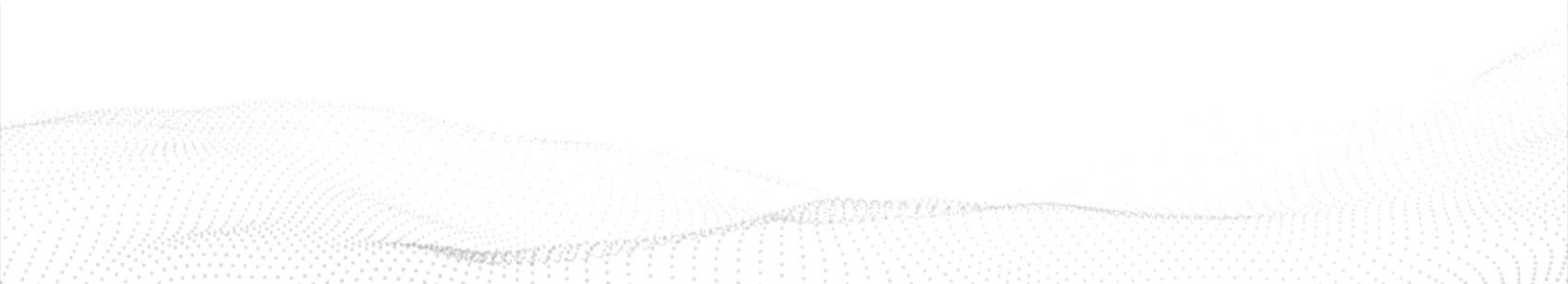
This is arguably a revolutionary idea: a dynamic, ever-changing framework of its time. Apart from being practical, it is also interesting since humans like novelty. This approach will always feel fresh. Thus, the framework is divided into two components:

1. A static component called EMIO that is anchored in the micro-economic frameworks discussed below.
2. A dynamic, trends-based, component that captures the issues of the day.

This is discussed in the rest of the chapter.

Overview of Classical Strategy Frameworks

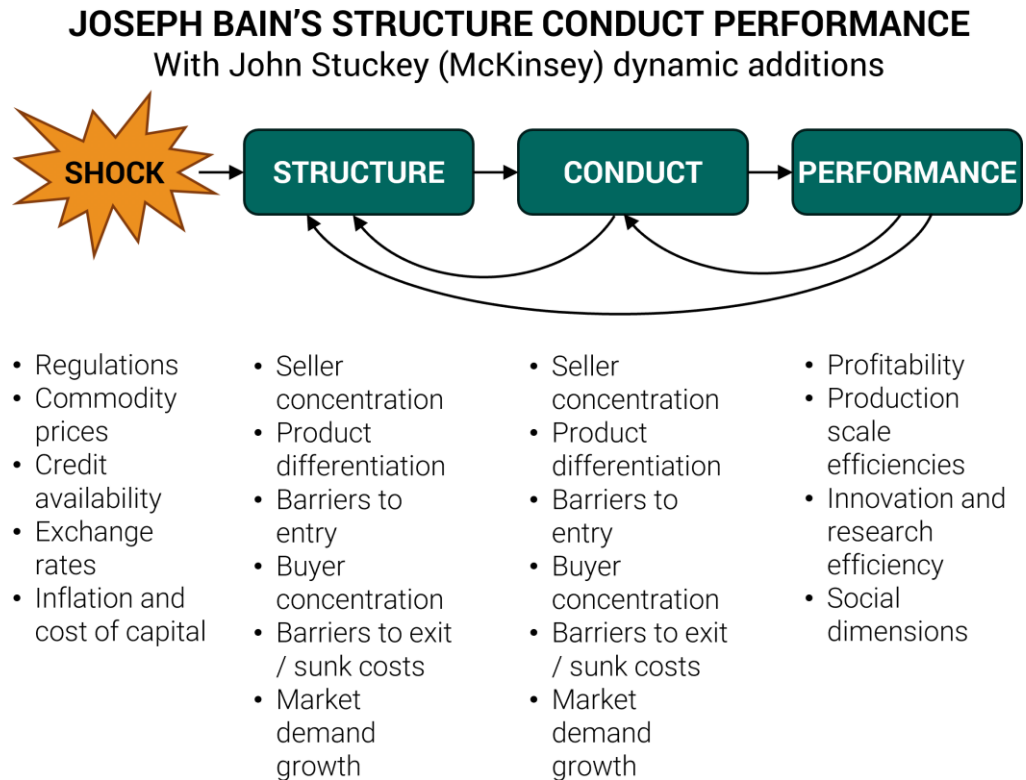
Strategy frameworks were first introduced in the late 1950s and have been enhanced and expanded on till this day. Tellusant's framework aims to incorporate these frameworks.



Structure—Conduct—Performance (SCP)

Strategy as a distinct discipline arguably started with Prof. Joseph Bain's² book *Industrial Organization*. In it he described the SCP paradigm. Even today, it is the dominant strategic framework in academia, and thousands of companies have applied it over the years.

The graph below shows the elements of SCP.³



McKinsey & Co updated the framework in the 1980s with a dynamic component.⁴ Industries tend to experience shocks such as a pandemic, recessions, inflation, technology shifts, and more. Such shocks lead to changes in market structures, impacting player conduct in those markets, and resulting in altered performance levels.

² No relation to Bain & Company

³ J. Bain ([1959] 1968): *Industrial Organization*, 2 ed. John Wiley & Sons

⁴ J. Stuckey (2008): Enduring Ideas: The SCP Framework. Retrieved from mck.co/3E8aipN

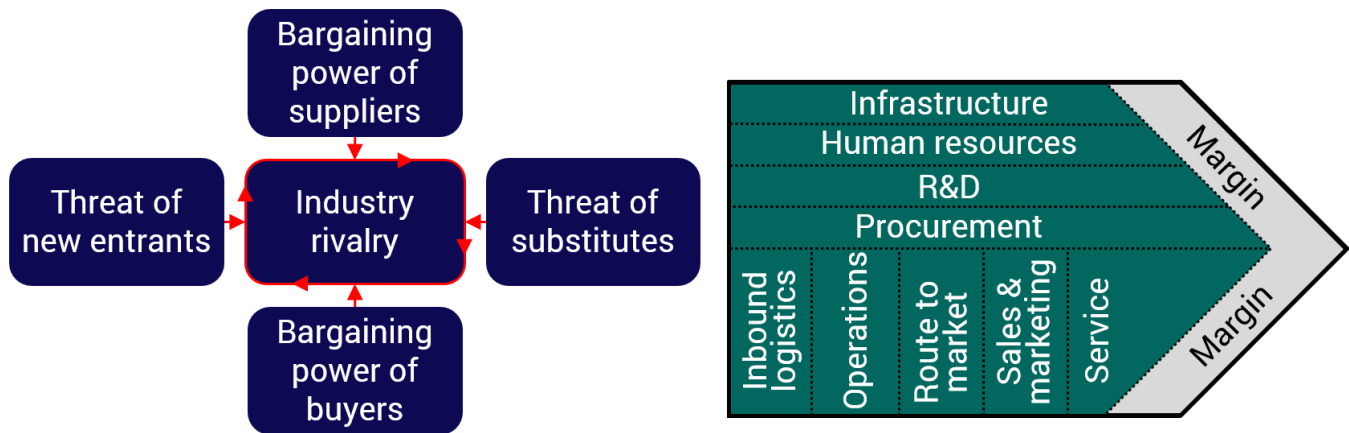
Strategies are revised to adjust to these new conditions, leading to continuous renewal for those that are quick to recognize changes.

Five Forces and Value Chain

Porter's Five Forces framework⁵ is a direct outgrowth from SCP. Its main value added is that it explains the concepts of SCP in a more accessible way. Like SCP, it is mainly concerned with the external world although the application of the framework also touches on what companies could do strategically.

An example is the pursuit of scale versus the pursuit of differentiation, and how hard it is to do both.

MICHAEL PORTER'S FIVE FORCES / VALUE CHAIN



The Value Chain concept⁶ takes an internal view of strategy. Where in the elements of the value chain and their combination lie a company's competitive advantage? This perspective transcends SCP.

The Five Forces together with the Value Chain create a somewhat complete strategic framework. But not fully. This is where the resource-based view adds to strategic thinking.

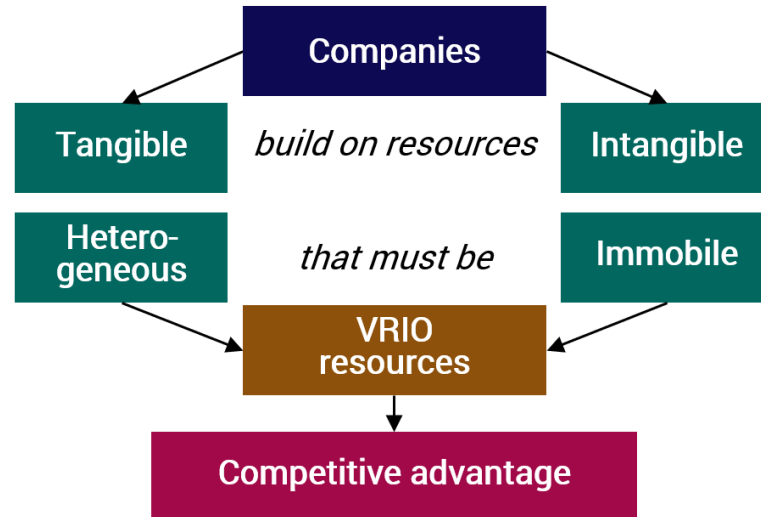
⁵ M. Porter (1980): *Competitive Strategy*. Free Press

⁶ M. Porter (1985): *Competitive Advantage*. Free Press

Resource-based View (RBV)

Prof. Wernerfelt took a radically different view of what makes companies distinct. His RBV framework⁷ focuses on the resources a company can marshal rather than what the external environment looks like.

BIRGER WERNERFELT'S RESOURCE-BASED VIEW



The underlying thesis is that companies succeed when they focus on what they do best, rather than trying to adapt to the environment in a reactive fashion.

Key to the framework are resources that are valuable, rare, inimitable, and organized (VRIO). Such resources can be tangible like a warehouse in an optimal location where no competitor can find space, or intangible such as industry leadership through intellectual prowess.

It is important that the resources are heterogeneous (such that the mix of resources cannot be replicated), and they are not easily moved to other companies (e.g., patents).

Prof. Prahalad and Hamel further enhanced RBV and made it more accessible to a broader audience with the Core Competence framework.⁸

⁷ B. Wernerfelt (1984): A Resource-based View of the Firm. *Strateg. Manag. J.*

O. Jurevicius (2021): Resource-based View. Retrieved from bit.ly/3lk4zpi

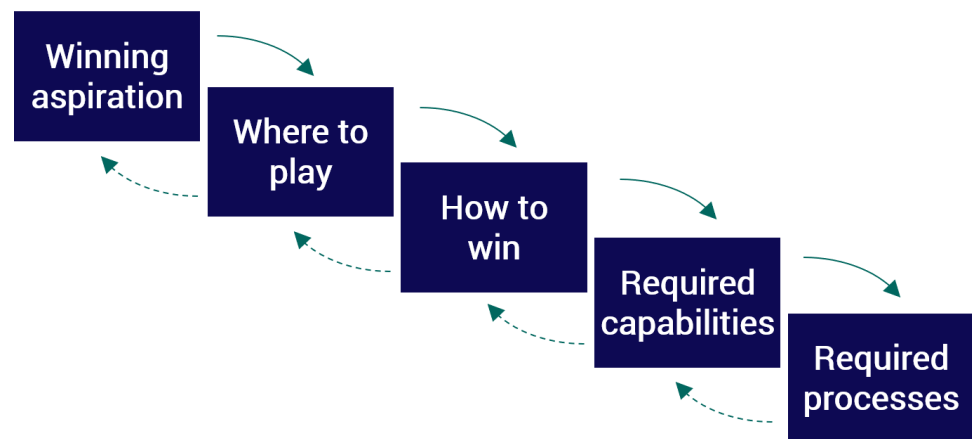
⁸ C.K. Prahalad and Hamel, G. (1990): The Core Competence of the Corporation. *Harv. Bus. Rev.*

Cascade of Choices

Martin developed the Cascade of Choices framework⁹ while at the strategy consulting Monitor Company and refined it while Dean of the Rothman School of Management.

Most executives are familiar with *where to play* and *how to win* paradigm but may not know the origin of it.

ROGER MARTIN'S CASCADE OF CHOICES



Cascade of Choices is as much about process as it is about substance. It is a process through which executives in several steps move from aspiration to what is required to succeed.

“If you are entirely comfortable with your strategy, there is a strong chance it isn’t very good...True strategy is about placing bets and making hard choices. The objective is not to eliminate risk but to increase the odds of success.

—Roger Martin

⁹ R. Martin (2017): Strategic Choices Need to Be Made Simultaneously, Not Sequentially. *Harv. Bus. Rev.*

A New Framework: EMIO

Based on the classical frameworks a new synthesis is created: the Environment—Market—Initiatives—Outcomes (EMIO) framework shown in the graph below.

TELLUSANT'S EMIO FRAMEWORK

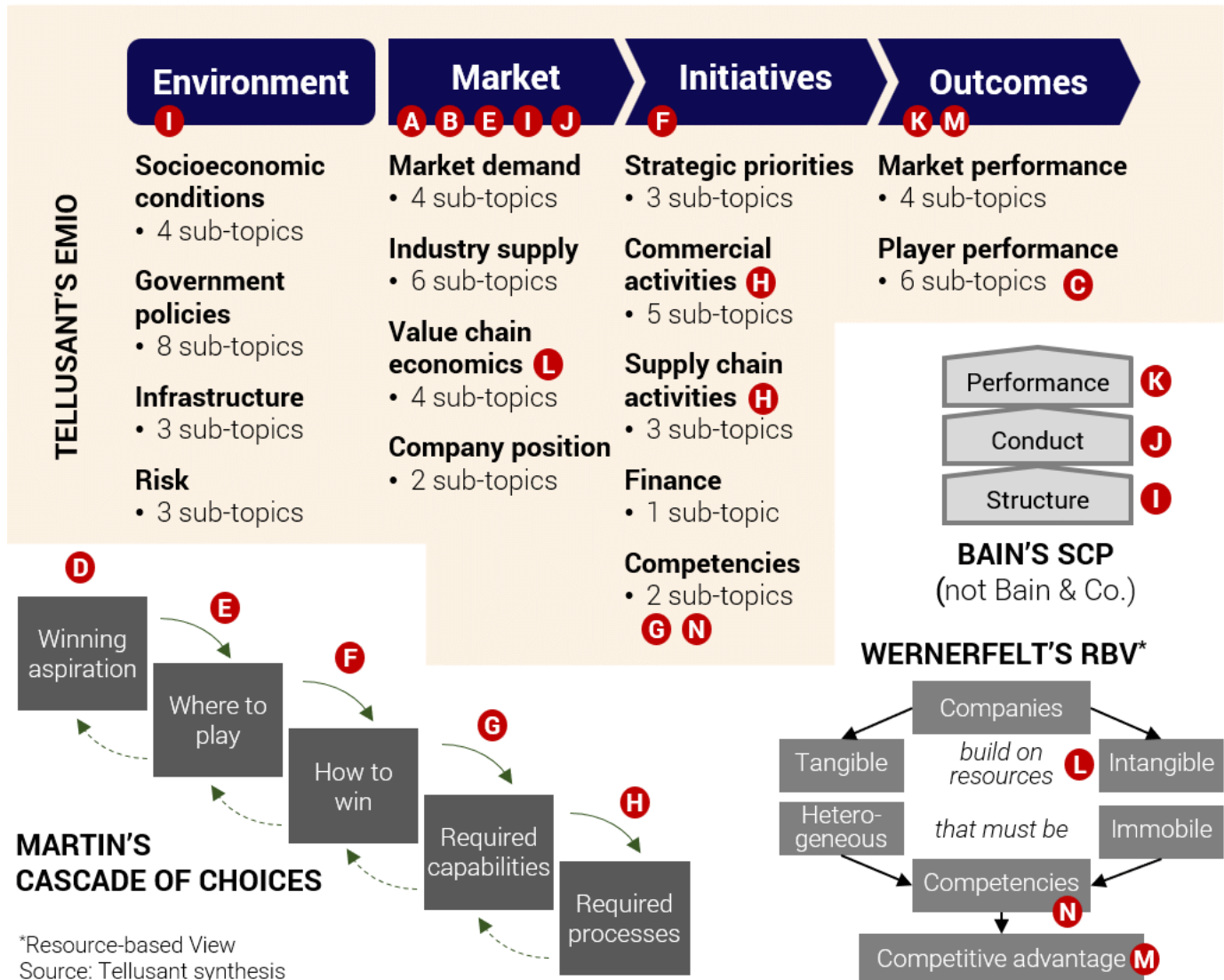
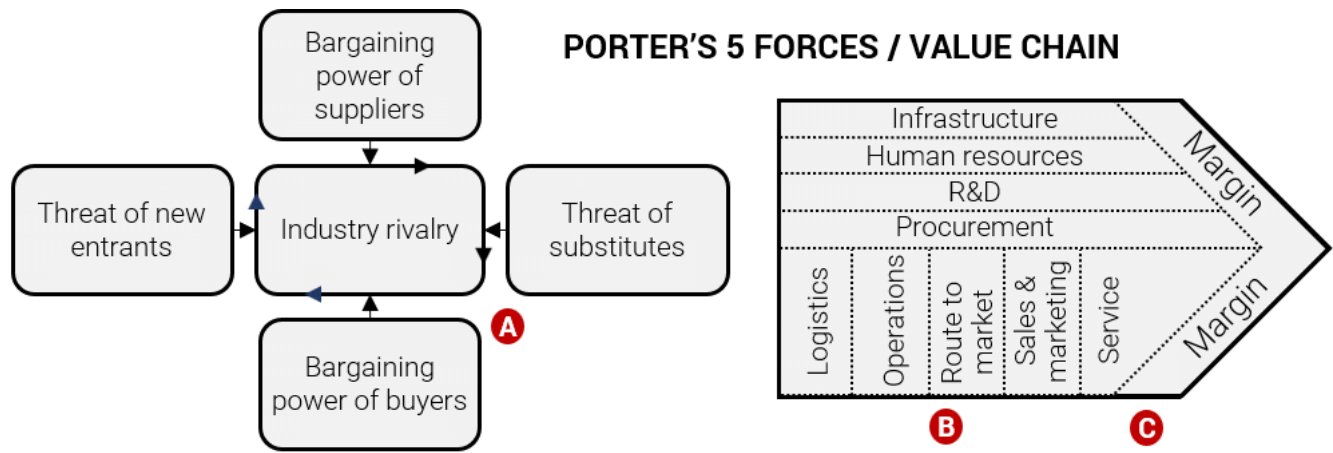
ENVIRONMENT	MARKET	INITIATIVES	OUTCOMES
Socioeconomic conditions <ul style="list-style-type: none"> • Economic growth • Demographic trends • Socioeconomic class composition • Urbanization Government policies <ul style="list-style-type: none"> • Fiscal / monetary policy • Taxes & subsidies • Regulations • Investment incentives • Trade rules • Antitrust policy • Corruption Infrastructure <ul style="list-style-type: none"> • Information & communications technology (ICT) • Transport and logistics • Education Risk <ul style="list-style-type: none"> • Economic • Political • Technological 	Market demand <ul style="list-style-type: none"> • Category dynamics • Growth drivers • Substitutes • Price & income elasticity Industry supply <ul style="list-style-type: none"> • Level of competition • Product differentiation • Brand power • Barriers to entry • Efficiency • Capacity utilization Value chain economics <ul style="list-style-type: none"> • Economies of scale / scope • Supplier economics • Marketing effectiveness • Distribution economics Company position <ul style="list-style-type: none"> • Competitive advantage • Resource base • Societal standing 	Strategic priorities <ul style="list-style-type: none"> • Market breadth • Geographic reach • Vertical depth Commercial activities <ul style="list-style-type: none"> • Product portfolio • Pricing • Marketing spending • Route-to-market / channels • New product development / innovation Supply chain activities <ul style="list-style-type: none"> • Production processes • Procurement • R&D priorities Finance <ul style="list-style-type: none"> • Funding gaps • Capital spending priorities Resources <ul style="list-style-type: none"> • Resource acquisition • Competence building 	Market performance <ul style="list-style-type: none"> • Market growth • Price trends • Share relative to substitutes • Industry value & profit pools Player performance <ul style="list-style-type: none"> • Productivity • Organizational effectiveness • Growth • Relative market shares • Profitability • Cost of capital • Share of profit pool

Behind each topic is a method for quantitatively or qualitatively analyzing it.

The goal is to have a framework that fits strategic planning rather than strategy development (see distinction earlier):

- Explicitly covers the external environment and the resource side.
- Spells out the required initiatives so that implementation plans (operations and tactics) can be built.
- Highlights the outcomes in a multi-faceted way including and beyond financial results.

The graph below shows how the elements of the four classical frameworks are incorporated in EMIO. As intended, the classical frameworks are exhaustively covered in EMIO.



• • •

With this, the first part of the cube is populated.

TELLUSANT'S STRATEGIC PLANNING FRAMEWORK



Emerging Trends

Turning to emerging trends—the themes of the day, so to speak. These are of importance because companies do not operate in a micro-economic vacuum. There are always major shifts in what is important. Some of them are short-term and do not belong in a strategy. Others are medium- or long-term and must be considered in a strategic plan.

This explicit focus on trends is new to strategy frameworks.

Based on discussions with executives and experts, these are current trends that impact strategic planning. The list will differ by industry and geography, but this list of seven trends serves as a starting point.

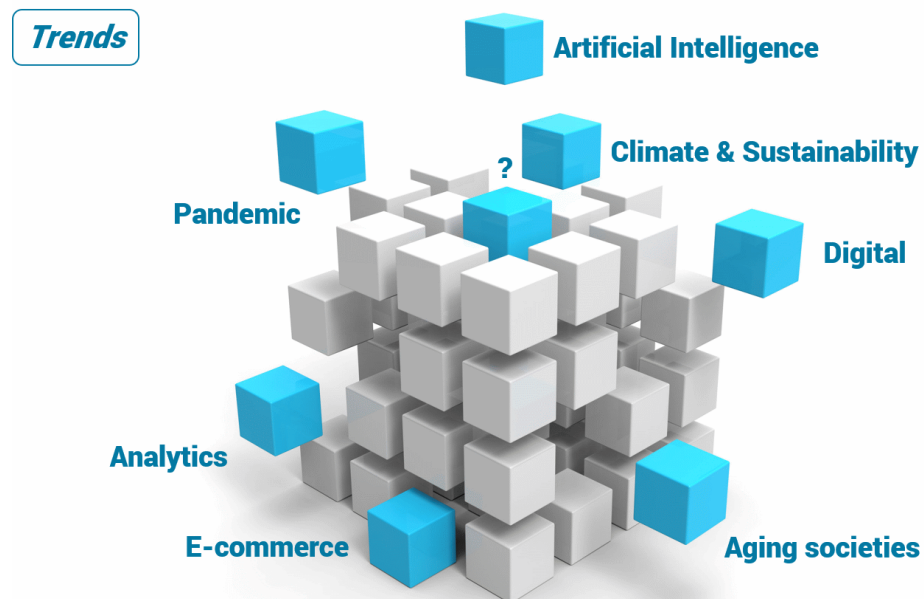
- *Artificial intelligence:* This theme is likely to be central over the next several decades. Every aspect of a business will be affected by AI (and its sub-field ML). For now, AI is primitive, but this will change soon.
- *Climate & Sustainability:* This encompasses environmental (e.g., climate change, green issues), social (diversity, work practices), and economic

(e.g., business vitality, equality) sustainability. This is theme for many years to come and climate change is likely the defining theme of the 21st century.

- *Digital*: In this context, digital are all the new methods for communicating with customers, suppliers, and society at large. This theme may be peaking now with perhaps 10 years remaining of innovative developments.
- *Aging societies*: According to the UN and others, this will be an important trend for the rest of the century. Product and service offerings are likely to be fundamentally reshaped.
- *Pandemic*: Covid (and perhaps later pandemics) are fundamentally changing societal patterns. Industries are reshaped (e.g., travel, hospitality, education). Distribution changes. Products and services evolve. It currently looks like these are permanent changes, but maybe things go back to fully normal. For now, it must be part of any solid strategic plan.
- *Analytics*: Until AI is more sophisticated, the evolving field of analytics will touch on most aspects of a business. Analytics are still at their infancy and can be expected to continue evolve and grow for decades.
- *E-commerce*: The pandemic has supercharged e-commerce. The theme—a fundamental shift of distribution channels and capabilities—can be expected to continue apace long after the pandemic ends (if it does).

The second part of the cube is now populated, as seen below. The question mark in the graph could for example be supply chain or inflation.

TELLUSANT'S STRATEGIC PLANNING FRAMEWORK

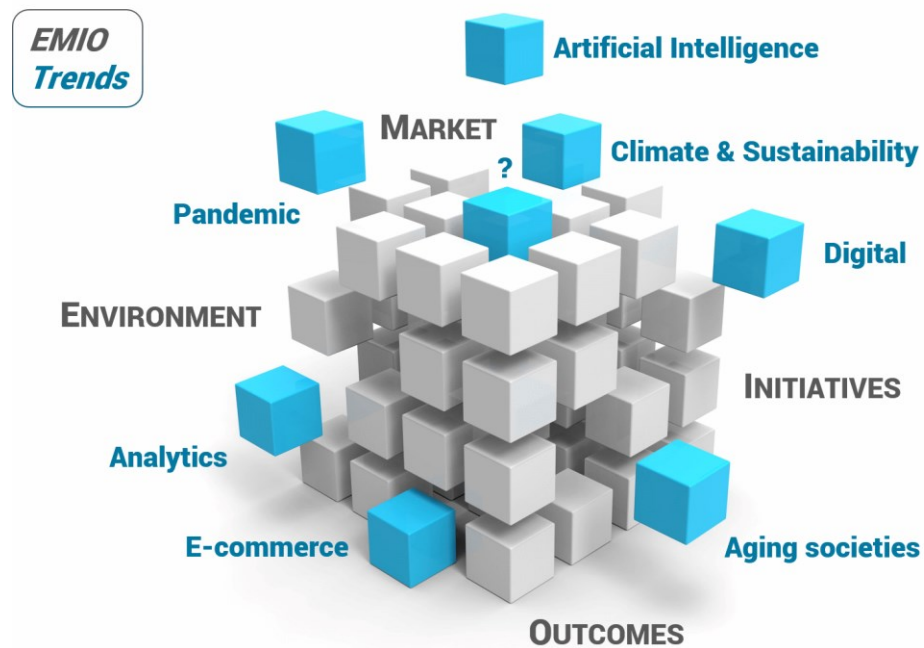


At the start of a strategic planning effort, relevant trends like the seven described above should be identified by the executive team.

Complete Strategy Cube

At this point the strategy cube is fully populated covering both the static micro-economic component and the dynamic trends components.

TELLUSANT'S STRATEGIC PLANNING FRAMEWORK



The cube is a visual reminder of what a strategic plan should contain. It is easy to remember and to refer to. As such, it simplifies one aspect of a complex topic.

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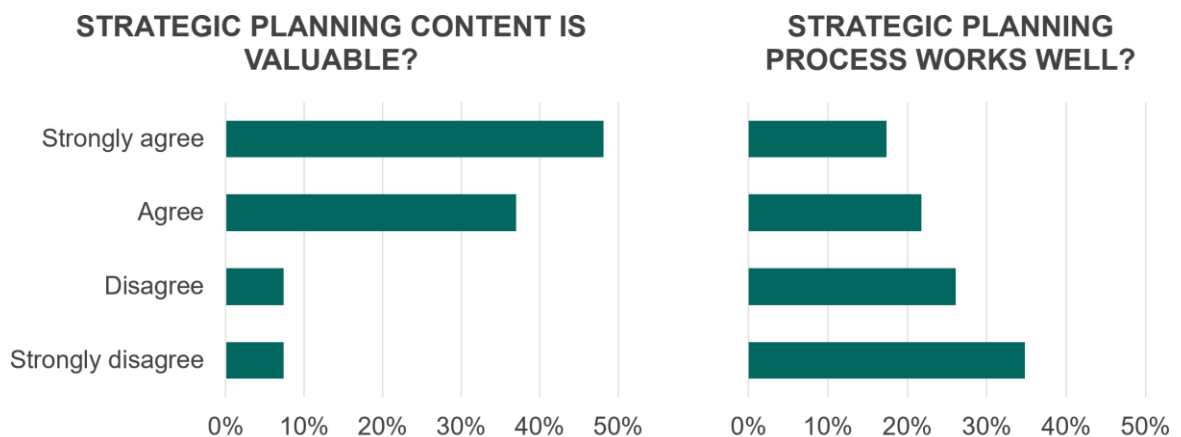
The next chapter turns to the practicalities of building a robust process for strategic planning. It starts with observations on why strategic planning is difficult.

A NEW STRATEGIC PLANNING PROCESS

The next step after completing the strategy cube is to develop a clear strategic planning process workflow. We have derived a method by reviewing the obstacles to efficient planning.

Strategic Planning Performance

Late in 2020, Tellusant conducted interviews with senior executives and carried out a survey to see what the views on strategic planning are. The graph below shows that executives find the strategic plans highly valuable. However, they hold a negative view on how the process to create such plans work.



Source: Tellusant surveys and interviews

Executives uniformly found the process inefficient, costly (especially considering opportunity costs) and old-fashioned. Verbatim quotes from those interviews make the point.

- “Most of executives’ time is spent on checking the analysts’ numbers rather than thinking about the issues”
- “I can't trust any data we have; it's ever changing. I can't trust anyone to do a correct analysis. Our planning is a joke!”
- “Every year new analysts join the planning process. They usually have no clue how to analyze our markets”
- “The current process takes 5 months. It is much too slow and labor intense”

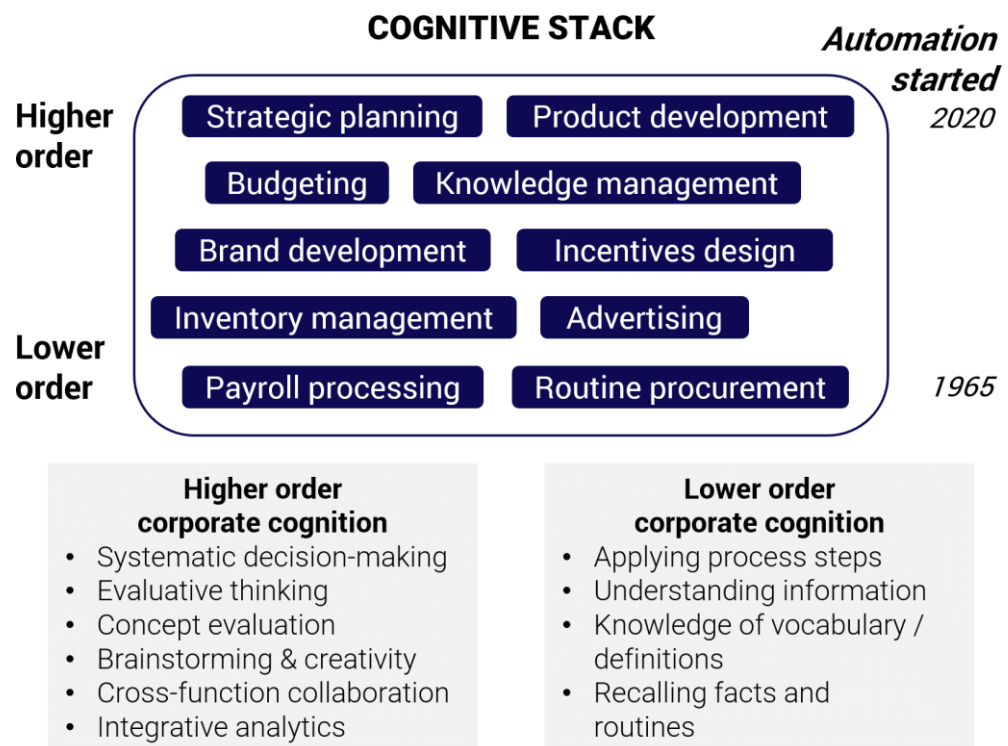
- “Current tools are Excel, PowerPoint, and email”
- “Having a platform with standardized and harmonized data would be great. Today each unit does it in a way that makes it look good. There is not one version of the truth”

It is evident that the process can and should be improved.

Higher-order Cognitive Processes

A key reason why the process is inefficient or even dysfunctional is that strategic planning is difficult. It belongs to a small group of efforts that can truly be described as higher-order cognitive processes.¹⁰

The graph below shows how various processes rank in a cognitive stack. It also shows when automation efforts approximately started at the different levels.



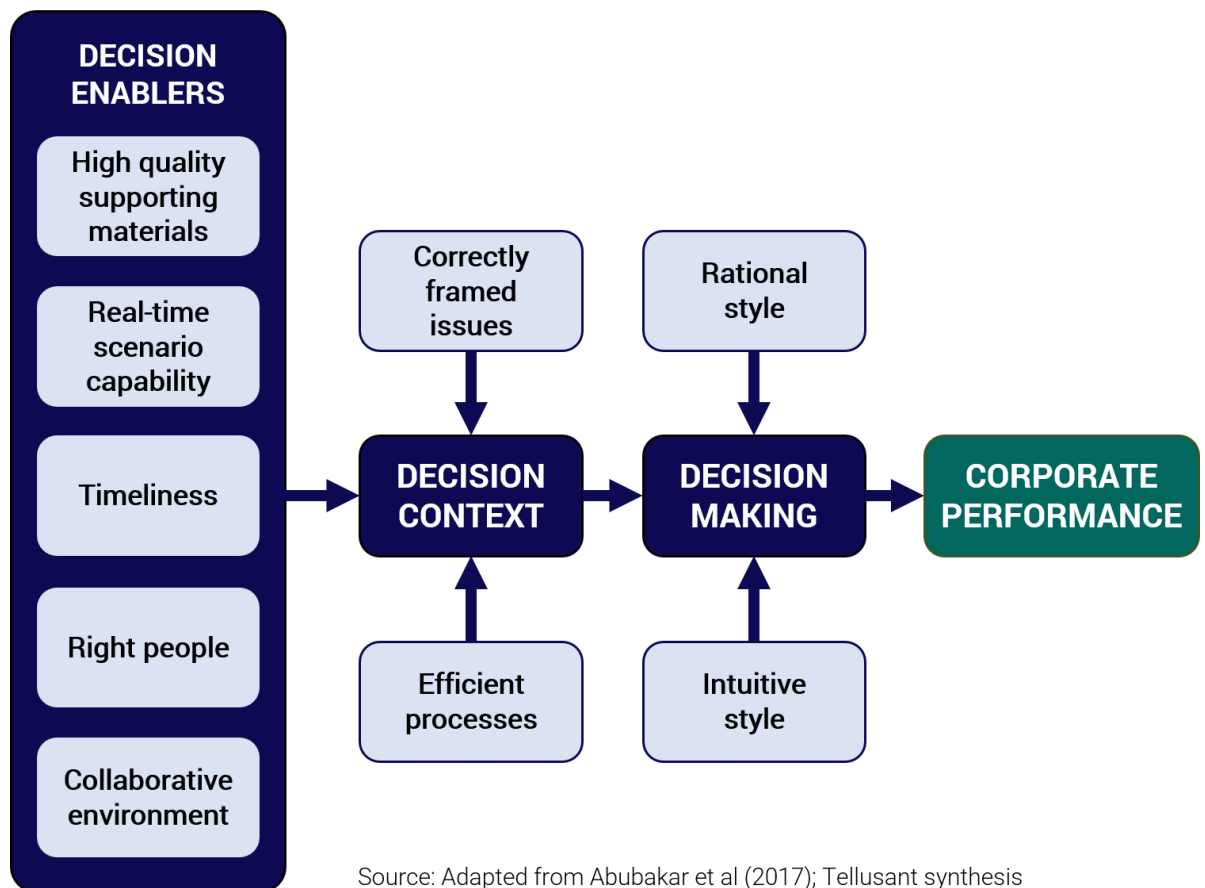
¹⁰ M.K. Smith (2013): Chris Argyris: Theories of Action, Double-loop Learning and Organizational Learning. Retrieved from bit.ly/3o6JY9R

By 2020, the highest-order cognitive processes see little automation and streamlining. This is in part why executives have a negative of how strategic plans are created. The plans are of solid quality and are important, but the effort to create them is massive given the lack of standards and automation.

Decision-Making Framework

Another important consideration is how decisions are made within organizations. It is not only a matter of going through a linear process. The graph below shows the elements that need to be aligned for the process to work.¹¹

CORPORATE DECISION-MAKING FRAMEWORK



Source: Adapted from Abubakar et al (2017); Tellusant synthesis

¹¹ A.M. Abubakar et al. (2018): Knowledge Management, Decision-making Style and Organizational Performance. *J. Innov. Knowl.*

Note that the rational style can take a company only so far. Rationality can be replicated, or in the terms of the RBV framework (discussed in the previous chapter), it is neither heterogeneous nor immobile. The intuitive style is what truly is unique to a company.

A well-functioning strategic planning process frees up to capacity to be intuitive and creative. By having a streamlined process of a) decision enablers, and b) decision context, decision making is allowed to find the right balance between rational and intuitive styles.

Optimizing the Strategic Planning Workflow

With this considered, Tellusant has developed a workflow to facilitate the process. It runs over 1-2 months instead of the usual 3-5 months (depending on the size and complexity of the company or business unit). It is predicated on using the automated version of the strategic planning cube described in the previous chapter.

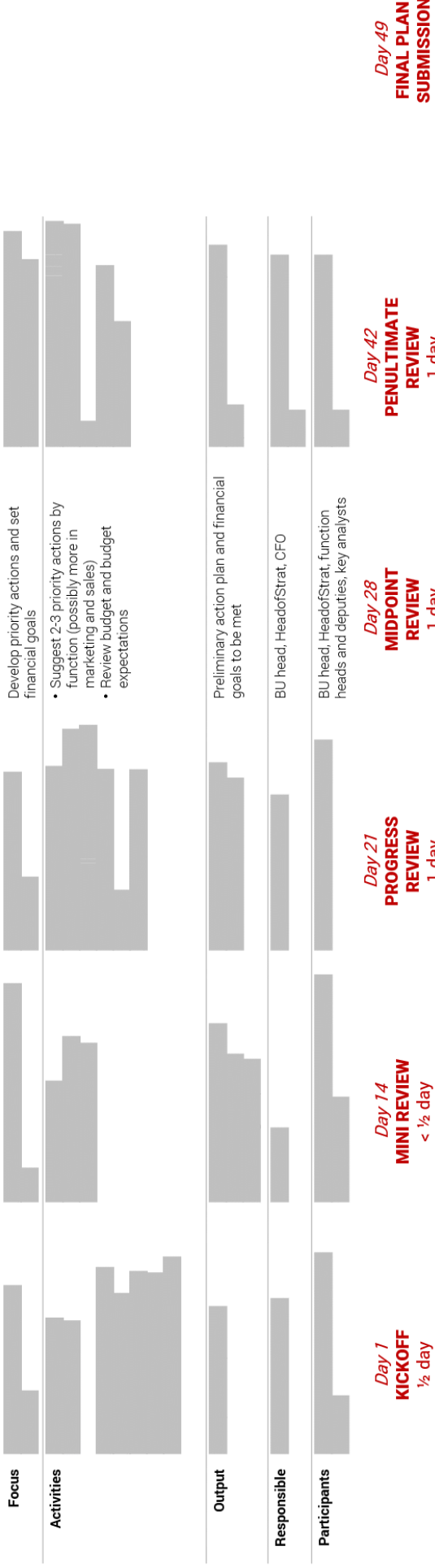
Below is an example of the process (here a two-month effort). Words are intentionally greyed out for the purpose of this guide.

The process captures all aspects of a modern strategic planning framework (the strategy cube) with the possibility to delete or add to it. It also captures the elements of the decision-making framework above by considering the decision enablers, the decision context, and the decision-making styles.

This introductory guide cannot cover all aspects of the workflow but provides a basis from which to develop a modern best-in-class strategic planning process. The workflow is implemented in the TelluPlan cloud-based SaaS platform as guidance for the people involved in the strategic planning effort.

“The process behind developing strategic plans is stuck in the 20th century. The tools for creating more precise, more democratized, more actionable plans, while spending less time and effort, exist today but are not widely used. It is high time to modernize.”

–Staffan Canback, Executive Chairman of Tellusant



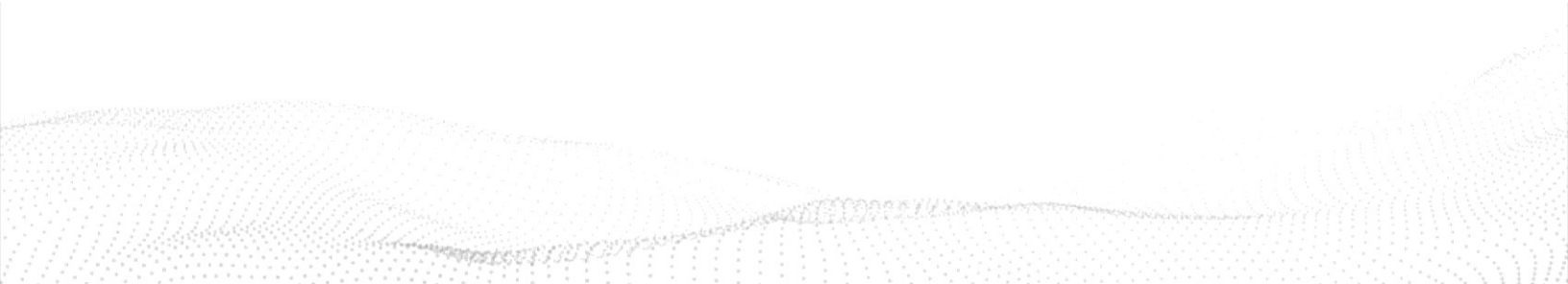


KEY TAKEAWAYS

This article is aimed at introducing a new way of thinking about strategic planning. There are several key insights:

1. The legacy of strategic thinking must still provide the blueprint for strategic planning. However, in today's fast-moving world, a new structure and framework that allows for flexibility is necessary to stay ahead
2. An ideal structure integrates the best learnings of historical strategic thinking and a consistently evolving framework. The strategy cube provides this foundation by combining EMIO (Environment-Market-Initiatives-Outcomes) with a dynamic component
3. Outside of the need to update frameworks, the process for strategic planning requires improvement. Companies must embrace the challenge of accelerating the process, which Tellusant recommends is done through more optimal workflows and increased automation.

Enhancing the strategic planning process is an imperative for all companies but is not a simple task. The path forward requires both changes in the underlying foundations and process. A company should embrace this need to change, either through internal development or partnering with a company such as Tellusant.



ABOUT TELLUSANT

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Tellusant® is streamlining strategic planning by creating a cloud-based SaaS platform that automates many of the quantitative parts of a strategic plan (and some qualitative parts). The platform allows executives, managers, and analysts to work more quickly and more collaboratively, with higher precision and less rework. This generates both quality and efficiency benefits.

The company's work is informed by decades of experience. It builds on a deep knowledge of how decisions are made during annual planning cycles, and how to create the supporting materials that are the foundation for decisions. This knowledge is codified in TelluPlanSM and TelluBaseSM, the company's interlinked SaaS offerings.

The Tellusant platform called TelluPlanSM does not replace decision making. The goal is to augment some of the quantitative aspects of strategic planning so that executives can spend more time on high value added tasks.

To learn more about Tellusant and TelluPlan, please contact us or visit our website www.tellusant.com.