

# The Strategy Process – The 6 Steps. A Balanced Scorecard Approach

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1. No one model for Strategic Planning
2. 5 Principles of Strategy
3. A Unified Strategy Framework
4. The Strategy Management System – 6 Step Process
5. The Top Level Steps Explained
6. The Sub-Steps Summary



There is no one perfect strategic planning process, or model, to use the same way all the time with every organization.

Each organization should customize the best approach to suit the culture of its stakeholders, the current situation in and around the organization, and the purpose of its planning.

Common Models include:

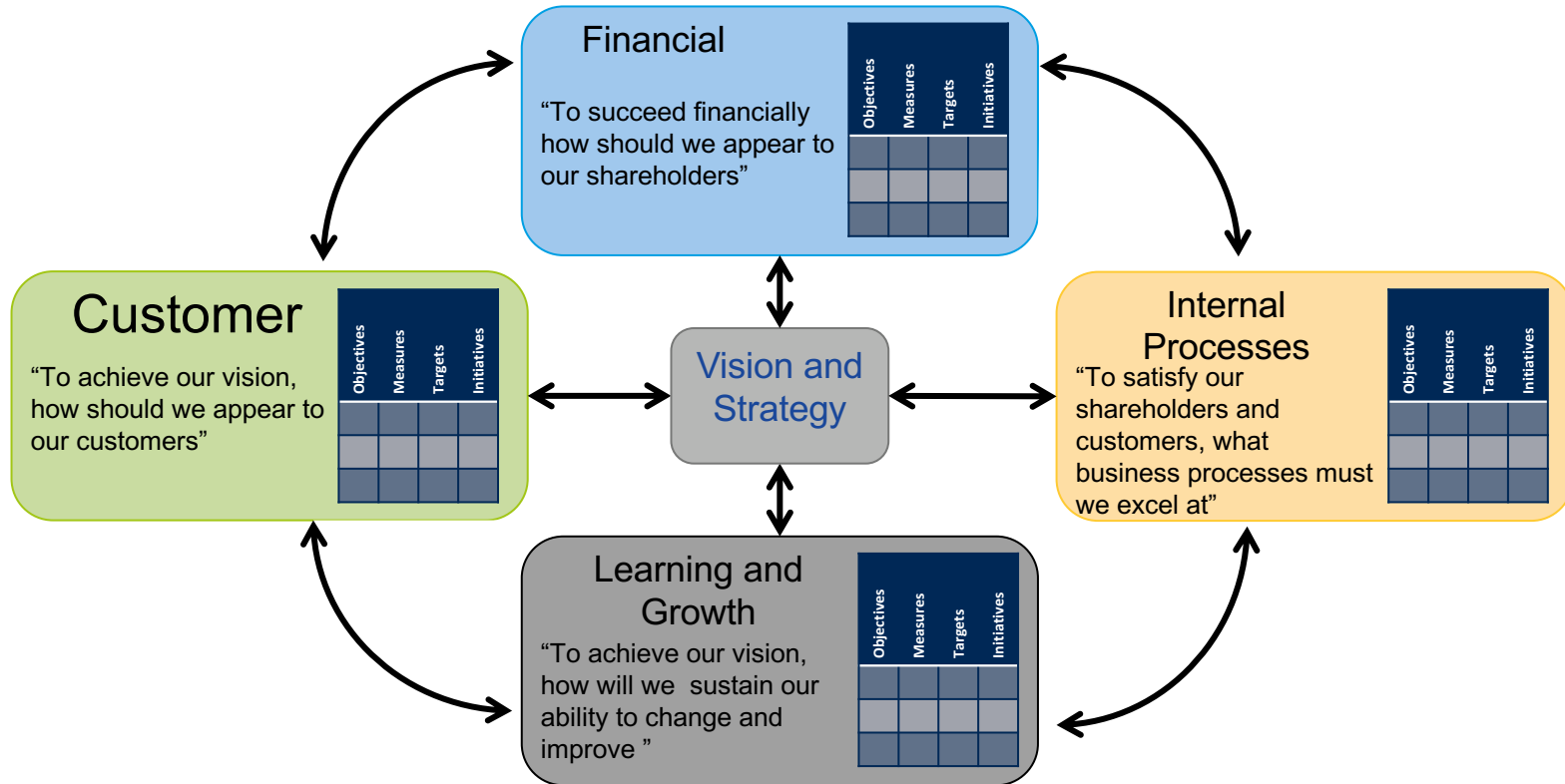
1. Conventional Strategic Planning
2. Issues-Based Strategic Planning
3. Organic Strategic Planning
4. Real-Time Strategic Planning
5. Alignment Model of Strategic Planning
6. Inspirational Model of Strategic Planning



- 1) Translate the Strategy to Operational Terms\*;
- 2) Align the Organisation to the Strategy;
- 3) Motivate employees to make Strategy everyone's everyday job;
- 4) Govern to Make Strategy a Continual Process;
- 5) Mobilise change through executive Leadership.

**\* The biggest issue with strategy is the gap with operations**

# Balanced Scorecard and Strategic Perspectives





The process of strategic planning is not a simple process, but a complex phase of strategic management, which depends above all of the information that is at the disposal on the planning team as well as the organizational capacities. In this process are frequently made crucial mistakes by the teams for strategic and operational planning for their focus on the financial perspective of the organization, taking no account of the rest of the important perspectives:

- **Users** ( refers to the amount of value, which according to the perception of users, was created by the services of the organization);
- **Working process** (with focus on the different professional processes which create customer's satisfaction)
- **Learning and growth** (connected with the organization's efforts to create a climate which will support the change, the innovation and the growth)

Together the:

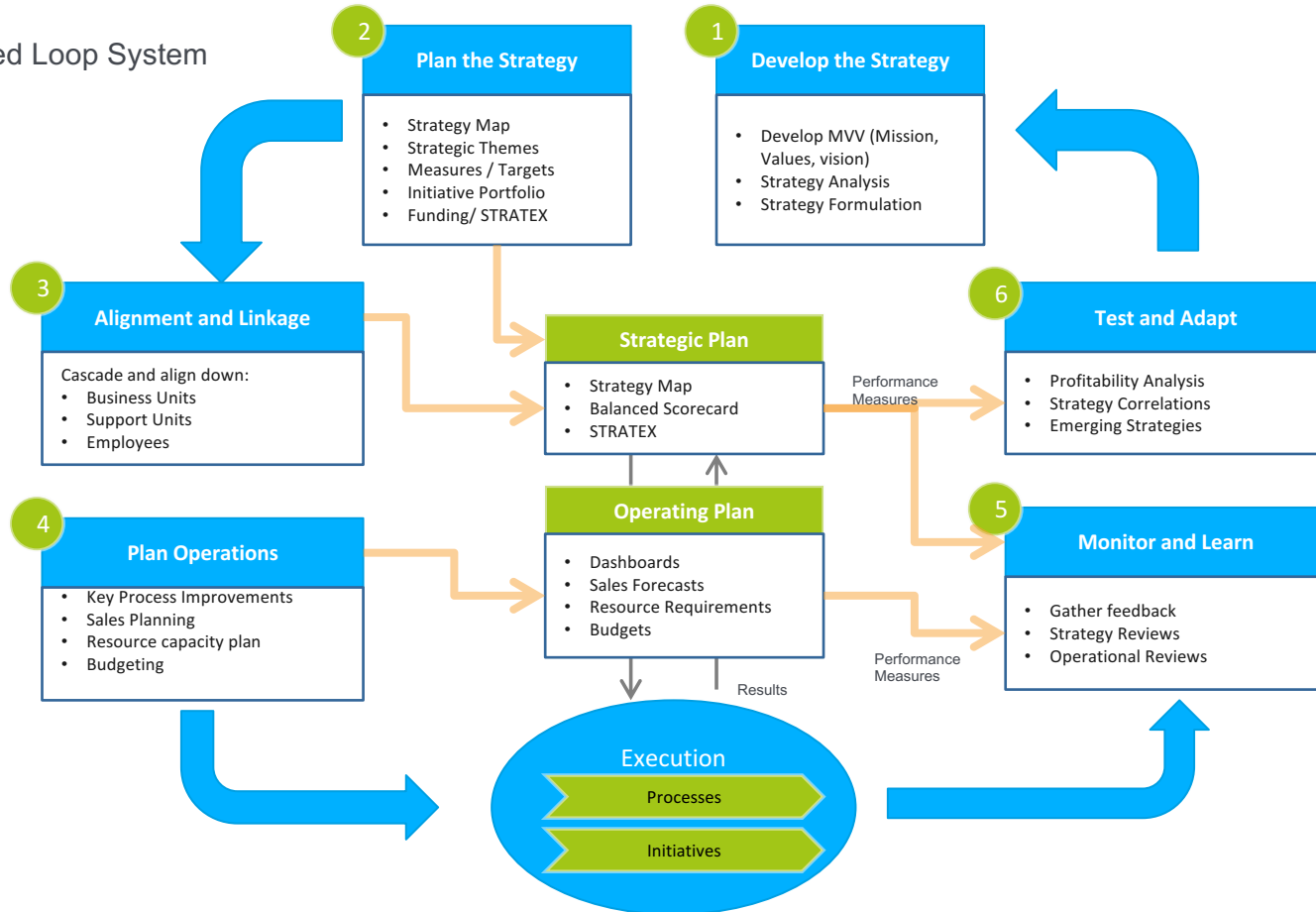
- **Balanced Scorecard** provides equilibrium between multiple perspectives that will enable the organization to develop equally all of its organizational capacities.
- **Strategy Maps** provides an effective way to analyse strategic goals from four perspectives to explain and better the strategy, the causes and the consequences.

When used with a **Closed Loop Management System Process** provide a Unified Framework.

# Strategy Management System – Process Steps



A Closed Loop System



# Step 1 – Develop Strategy – SubSteps:



In this stage the teams for strategic planning develop the strategy. The process starts with the use of various tools for strategic analysis and defining the strategy.

## 1. What business are we in and why ?

- Clarify the Mission, Values, Vision (MVV)

## 2. What are the key Issues ?

- Conduct Strategic Analysis
- Review competitive and operational environments, changes since last cycle
- PESTEL Analysis (Political, Economic, Social, Technological, Environmental, and Legal)
- SWOT Analysis
- Porters Five forces, competitive positioning framework, the resource-based view of strategy, and blue ocean strategies
- scenario planning, dynamic simulations, and war-gaming.

## 3. How can we best Compete

- Formulate the Strategy
- Understand customer value proposition
- Find niches
- What key processes create differentiation ?
- What technology are enablers of strategy ?



## Step 2 – Plan the Strategy – SubSteps:



In this stage, the planning of the strategy should be based on the use of Strategic maps and Balanced Scorecard (actions and targets).

1. How do we describe our strategy
  - Create Balanced Scorecard and Strategy Maps
  - Describe the Strategic Themes that support the vision
  - Develop Strategic Objectives that support the Themes
  - Allocate Objectives to themes and Strategy Map
  - Understand the links between Objectives, these will be analysed later for correlation.
2. How do we measure our strategy ?
  - For each Objective define: Measures, Targets and Gaps
  - Aim is by executing strategy the gaps are closed
3. Choose Strategic Initiatives:
  - Create programs and portfolio
  - Each Objective has allocated Initiatives.
4. How do we fund out initiatives
  - The portfolio of Initiatives has to be executed simultaneously and coordinated.
  - Budgets that will ultimately guide action and resource allocation
  - Establish STRATEX
  - Initiatives that are cross functions and business units is removed from Operational Budgets
  - Use STRATEX to fund these
5. Who will lead the execution of the strategy ?
  - Create Theme teams
  - These are funded via STRATEX

## Step 3 – Align the Organisation – SubSteps:



In this stage we harmonise the organisation with the strategy. Use the cascade connections of strategic maps and BSC for all organization units. In this way, we have smooth implementation of the strategy and we avoid the “silo effect” on certain working units.

1. Link company strategy to the strategies of individual business units while both aligning and motivating employees to optimise strategy execution.
2. Ensure all the organisational units are on the same page.
  - Strategy is defined at individual business unit level
  - Corporate strategy defined by a strategy map that identifies synergies:
  - Managers cascade this map vertically, whose strategies reflect:
    - Objectives related to local strategies
    - Objectives that integrate with the corporate strategy and strategies of other business units
3. Align support units with business units and corporate strategies
  - Support units are not discretionary expense areas.
  - Support units should negotiate SLAs with business units to define the set of services they will provide
4. Motivate Employees to help execute the strategy
  - Employees must understand the strategy and how they fit in to execute it;
  - Align personal objectives and incentives with business units and company strategic objectives

## Step 4 – Plan Operations – SubSteps:



The integrated management system provides explicit connection between the strategy and the daily operations. In this stage, it is necessary to use various concepts as quality management, reengineering, process of control boards, prediction, resources capacity planning, dynamic budgets etc.

1. Link long-term strategy with day-to-day operations.
2. Which business process improvements are most critical for executing the strategy?
  - Focus on the process perspective, examine the core processes:
    - Customer Management Processes
    - Operational Management Processes
    - **Innovation Processes – see separate pack.**
    - Regulatory and Social Processes
  - Focus on the critical processes to improve
3. How do we link strategy with operational plans and budgets ?
  - Sales Forecast
  - Rollouts or Expansion Plans
  - Resource Capacity Plans
  - Operating and capital budget
4. Plan Operations
  - uses tools such as quality and process management, reengineering, process dashboards, rolling forecasts, activity-based costing, resource capacity planning, and dynamic budgeting

## Step 5 – Monitor and Learn– SubSteps:



This stage is extremely important in the control process of the operational plans, how to discover and solve the problems of the operating managers during the process of strategic implementation, as well as control on the strategies, whether they are done properly.

1. Monitor performance results once a strategy has been developed planned and implemented, enabling you to determine if the strategy is being properly executed

1. Are our operations under control ?

- Operational Review Meetings

2. Are we executing our Strategy Well ??

- Strategy Review Meetings

## Step 6 – Test and Adapt the Strategy – SubSteps:



### 1. Is our strategy working ?

- Test the hypotheses underlying our strategy
- PESTEL Analysis – examine the current external conditions and competitive environment
- SWOT Analysis – review

### 2. Correlation Analysis.

- Look at the objectives measures and the data collected
- Statistical Analysis, Determine the correlation amongst objectives expected are found
- These associations validate and quantify the links amongst strategic metrics.
- Understand why they don't
  - Are Tactical changes to operations

### 3. Strategic Change

- Are new strategies emerging
- If so update strategy

Thus launches a new cycle of integrated strategy planning and operational execution.

# Step 1 & 2 Sub-Processes



<b>1</b>	<b>Develop The Strategy</b>
1.1	Affirm Mission, Values and Quantify the Vision
1.2	Perform Strategic Analysis
1.3	Formulate Strategy
1.4	Define Value gap
1.5	Implement Planning Cycle
<b>2</b>	<b>Plan the Strategy</b>
2.1	Describe the Strategic Themes that support the vision
2.2	Design Strategy Maps with linked Objectives
2.3	Define Measures
2.4	Define Targets
2.5	Define and Prioritise Initiatives
2.6	Authorise and Protect Strategic Funding
2.7	Assign Accountability
2.8	Identify Risk Indicators

## Step 3 & 4 Sub-Processes



<b>3</b>	<b>Align the Organisation</b>
3.1	Align the organisation to Corporate Priorities
3.2	Align support units
3.3	Communicate Strategy
3.4	Align Individual Goals
3.5	Align Key Customers
3.6	Align Key Suppliers
3.7	Align Board
<b>4</b>	<b>Plan Operations</b>
2.1	Set Priorities for Strategic processes
2.2	Integrate Financial and Resource Planning with Strategy
2.3	Define/Use Process Model changes
2.4	Develop Risk Mitigation Initiatives
2.5	Create Operational Dashboards
2.6	Establish Core Business Teams

## Step 5 & 6 Sub-Processes



<b>5</b>	<b>Monitor and Learn</b>
5.1	Conduct Operational Review Meetings
5.2	Conduct Strategy Review Meetings
5.3	Manage Initiatives
5.4	Review Risk Mngt Plans and Processes
<b>6</b>	<b>Test and Adapt</b>
6.1	Test the Strategy Cause and Effect Relationships – Objective Correlations
6.2	Test Robustness of Strategy
6.3	Use Decision Analysis Models





# Appendix

# Balanced Scorecard Based Approach - 4 Step Process



- The first process—*translating the vision*—helps managers build a consensus concerning a company's strategy and express it in terms that can guide action at the local level.
- The second—*communicating and linking*—calls for communicating a strategy at all levels of the organization and linking it with unit and individual goals.
- The third—*business planning*—enables companies to integrate their business plans with their financial plans.
- The fourth—*feedback and learning*—gives companies the capacity for strategic learning, which consists of gathering feedback, testing the hypotheses on which a strategy is based, and making necessary adjustments.

