

STRATEGIC AND BUSINESS PLANNING CONCEPTS

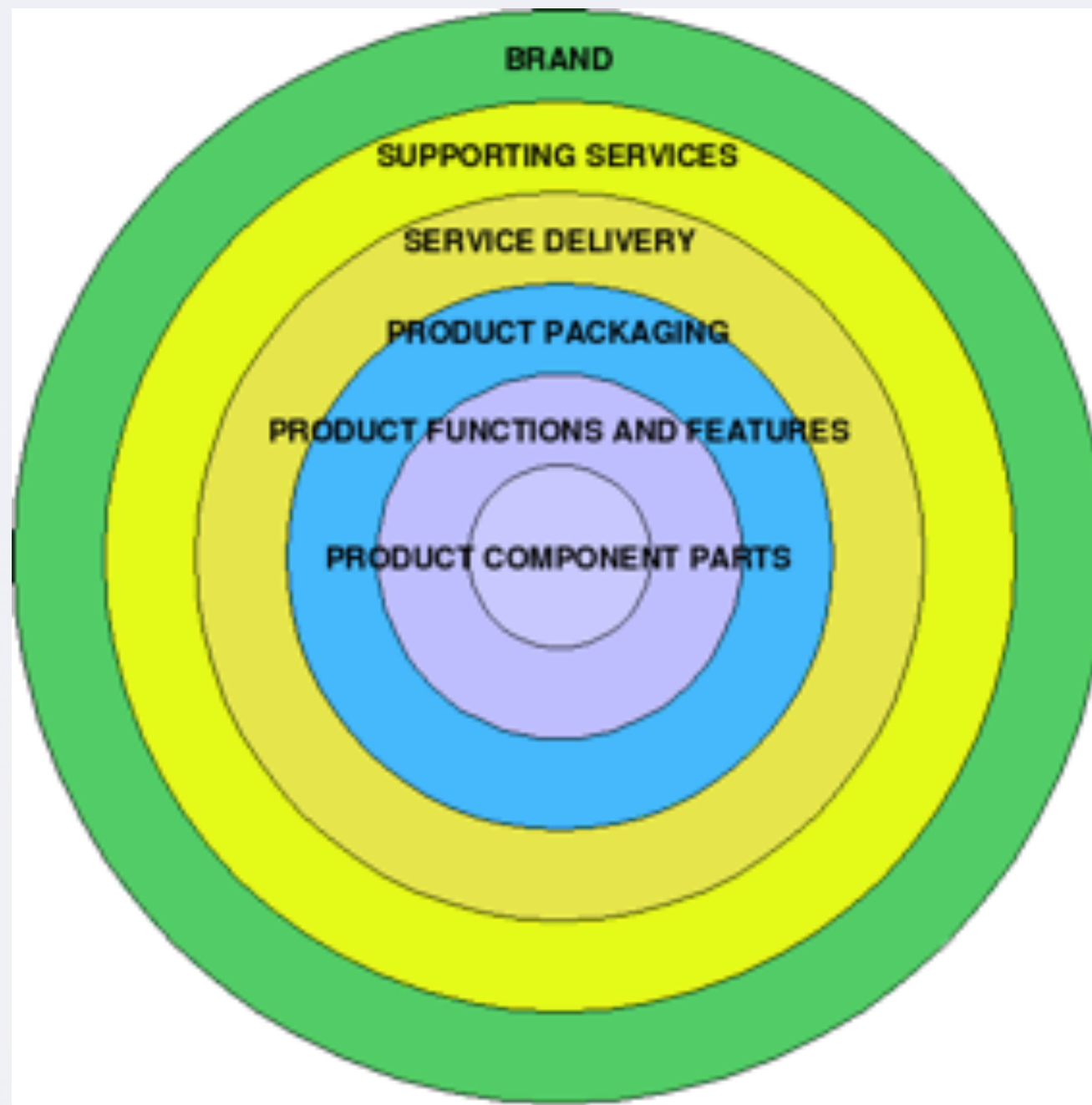
Strategic plans versus business plans

- A strategic plan is a long-term statement of direction, with short-term initiatives as necessary - strategic decisions made in the present about the future
- A business plan is an abstract of a strategic plan aimed specifically at raising capital from third-party investors - commonly used for early stage entrepreneurial enterprises, but can be used for later stage enterprises for external capital, and also for funding internal projects
- This material addresses strategic plans

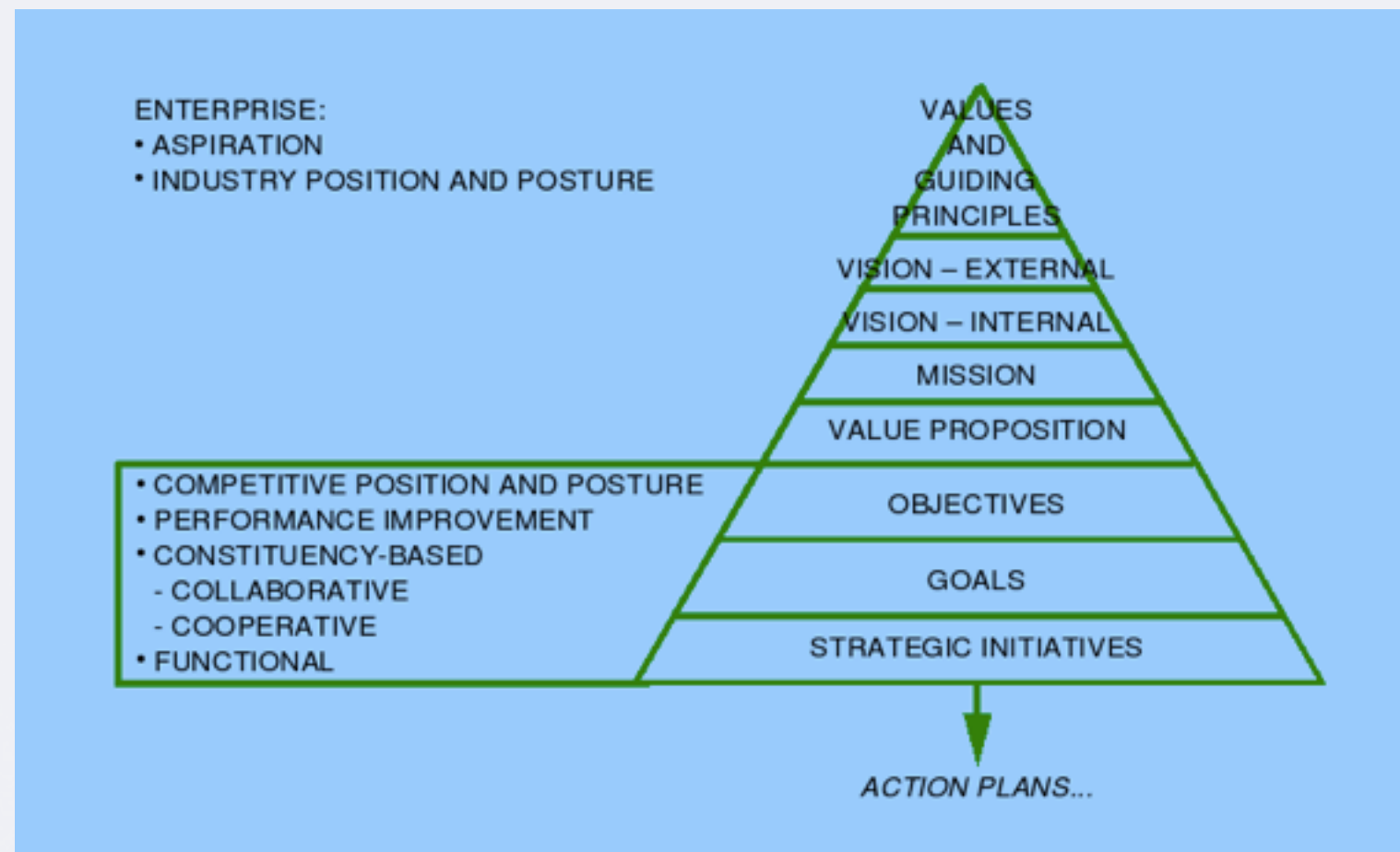
Enterprises and entities

- An enterprise is group of activities (and related juristic persons) intended to produce income organized:
 - For profit as a business of any size of type
 - Not-for-profit association
 - Government agency
- An entity is something in real form: either an individual or a corporation
- A business entity is an accounting and tax business structure
- An individual is a natural person
- Taxable person - an individual, trust, estate, partnership, or corporation
- Juristic person - a group of individuals, trust, estate, partnership, or corporation that has rights and duties

Product definition

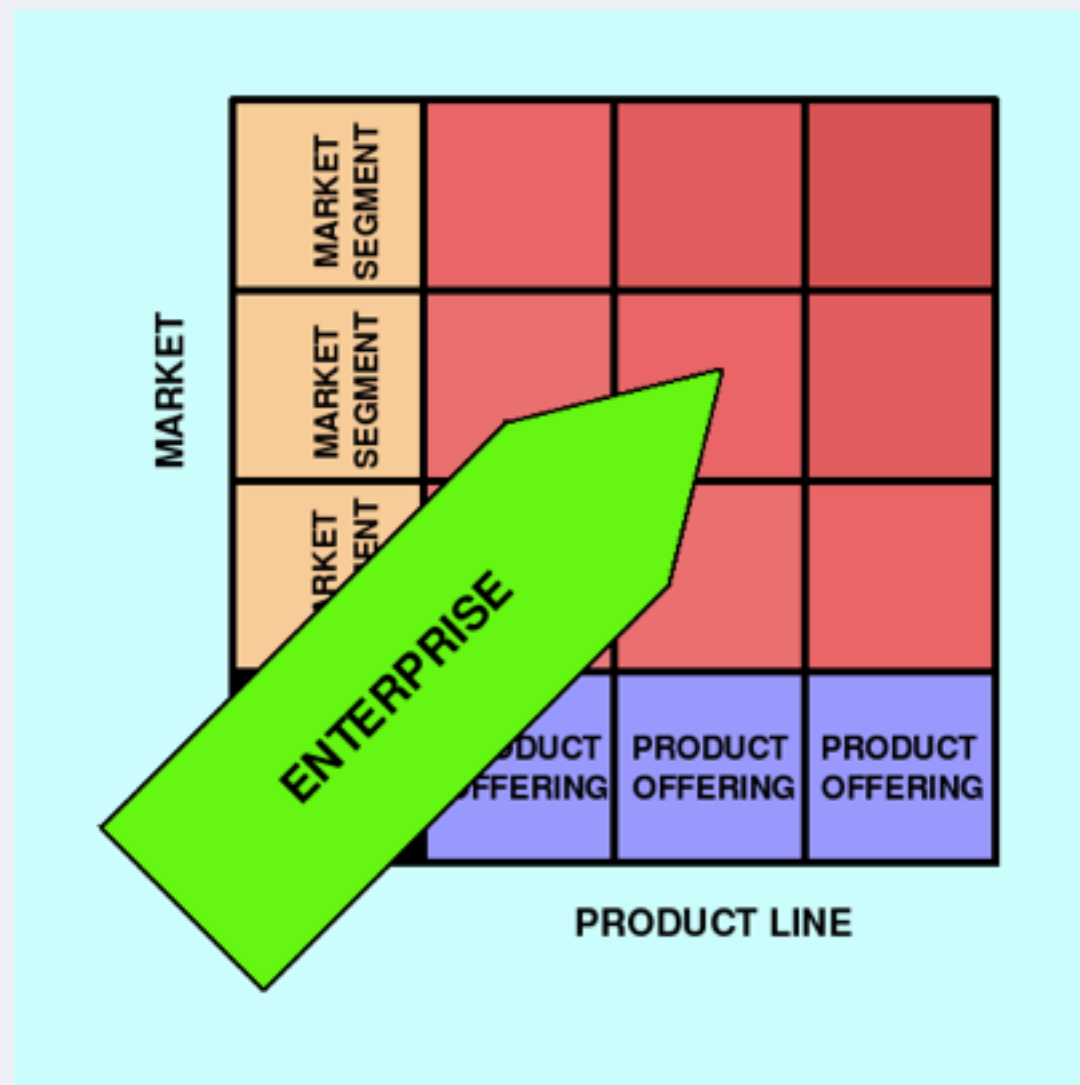


Strategic positioning



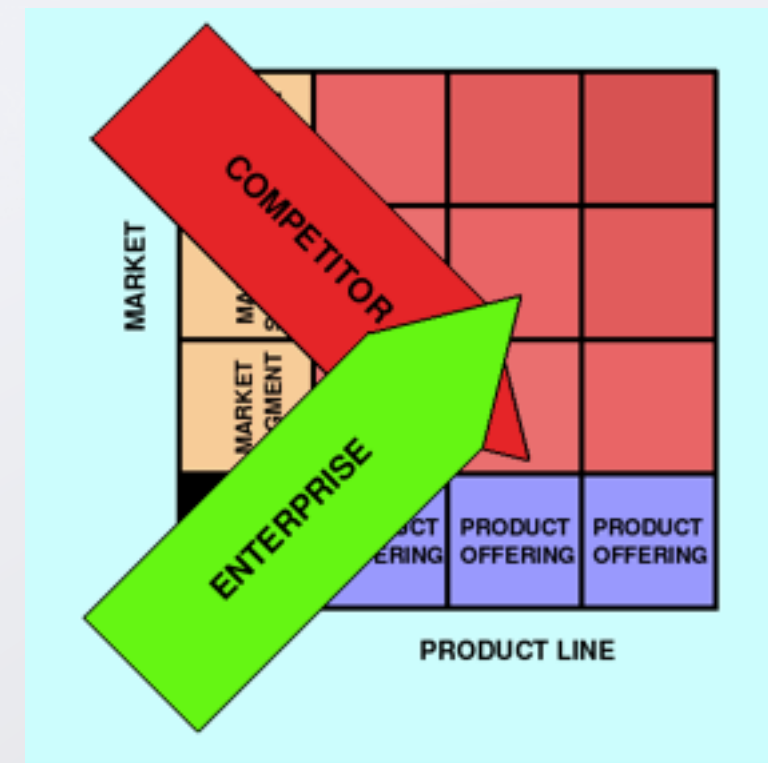
In entrepreneurial enterprises, vision will usually precede mission;
in institutional enterprises, mission will usually precede vision

Positioning of products in markets and posture against competitors



Positioning in the marketplace:

- Which markets?
- Which products (and/or services)?



Posture against competitors:

- Offensive or defensive?
- Leader or follower

Aspiration

- An aspiration is a dream of a future state - may be hard or impossible to achieve from the current state of affairs without higher order effects kicking in - higher order effects:
 - Events or situations that could not have been envisioned or anticipated at the beginning of an endeavor, but become apparent as an activity proceeds - providing additional opportunities or threats
 - May make it possible to achieve an aspiration after some activity that seemed unachievable when the activity started - conversely, higher order effects can destroy any aspiration from ever being achieved
- Aspirational statement - long-term direction supported by near-term vision
- Inspirational statement - highly descriptive and compelling message that impacts mind, body and soul
- Motivational statement - motion for action through association, incentives (such as rewards and recognition), opportunity for gain, and threat or fear of loss

Mission and vision (why and what)

- Mission - an aspirational and inspirational statement of purpose, supported by a strategy and a set of high-level objectives that leverage core competencies
- Vision - inspirational statement of a future state (reasonably achievable) within the context of a longer-term aspiration
 - External - what a community (local-to-global) can become as a consequence of the enterprise's activities, and the products and/or services that it offers
 - Internal - what the enterprise itself can become
 - Short-term - what can be achieved in a short-period of time (2 - 3 years)
 - Longer-term - what should be achieved over a longer-period of time (3 - 5 years) and closer to an aspiration

Value, values, guiding principles, and value proposition

- Value - something of worth or usefulness
- Values form a system of beliefs that:
 - Sets expectations for behavior
 - Establishes positions and priorities
 - Provides a framework for decision making
- Guiding principles - standards of behavior and directives supporting the values
- Value proposition - a statement of benefits and differentiating features for an enterprise and its products and/or/services
- Value added - additional value above the cost at each stage of development
- Value chain - value adding activities within an enterprise from supplier to customer
- Value earned - budgeted cost of work performed
- Quality - perceived value

Illustrative values

- Enterprise:
 - Maintaining an environment of trust and integrity
 - Being a good citizen in the community and industry
 - Striving continually for innovation, quality, and continuous improvement
 - Avoiding conflict of interest
- Constituencies:
 - Developing employees as teams
 - Listening to customers
 - Treating suppliers as partners
 - Complying rigorously with laws, regulations, and agreements
 - Encouraging healthy competition
- Ecosystem:
 - Being environmentally responsible
 - Being economically responsible
 - Being socially responsible

Competencies

- Knowledge and skills (personal and professional)
- Domain - the specific *functional* knowledge and technical skills that are required to perform and activity - found within subject areas such as:
 - Legal
 - Finance and accounting
 - Human resources
 - Information technology
 - Research and development (program management and engineering)
 - Business development (marketing, sales, and service)
 - Operations
- Core - activities done well that can give the enterprise a competitive advantage
- Capabilities - capacity and ability of individuals and enterprises to realize value

Constituencies

The parties with whom an enterprise has relationships:

- Primary:
 - Employees
 - Customers
 - Suppliers
 - Investors
- Secondary:
 - Regulators
 - Competitors
- Community-at-large (or people-at-large):
 - Geographic - local, regional, national, continental, and global
 - Demographic
 - Psychographic (behavioral)
 - Civic - municipal or city

Personality

- External characteristics of an individual that determine:
 - Values
 - Attitudes
 - Beliefs
 - Behaviors
- Internal characteristics:
 - Intra-personal (self)
 - Inter-personal (relationships with others)
- Styles:
 - Challengers - energy and excitement; action and adventure
 - Causals - peace and harmony; creativity and relationships
 - Stabilizers - law and order; safety and security
 - Visionaries - ideas and analysis; innovation and understanding

People

Groups of individuals, either unorganized or organized into teams, organizational units, enterprises, families, households, constituencies, or the community-at-large:

- Individuals on their own account
- Individuals as representatives (constituents) of one or more enterprises (employees, independent contractors, and members of the board of directors)

Situation, trend and gap analysis

Situation analysis: the situation, the complication, the problem, and the intended solution

- Strengths - internal - leverage
- Weaknesses - internal - monitor
- Opportunities - external - pursue
- Threats - external - address

Trend analysis:

- Competitive
- Economic
- Environmental
- Regulatory/political
- Social
- Technological

Gap analysis - the difference between where an enterprise is and where it wants to be with respect to its constituencies

Strategy (how, who, when, and where)

The beneficial positioning of an enterprise in the marketplace so as to deliver value over time

- Enterprise - aspiration and industry position and posture
- Competitive - position and posture (leader or follower) in both broad and narrow markets
- Constituency-based - narrowing the gap between where the enterprise is and where it wants to be with respect to each of its constituencies
 - Collaborative: partnership with a common mission
 - Cooperative: partnership with a similar mission
- Performance improvement
- Functional disciplines

Strategy - components

- Plans - proposed statements of direction and course of action to achieve a desired result
- Policies - guides to decision making and actions
- Projects - a set of activities to produce and deliver a product and/or service
- Programs - a group of projects

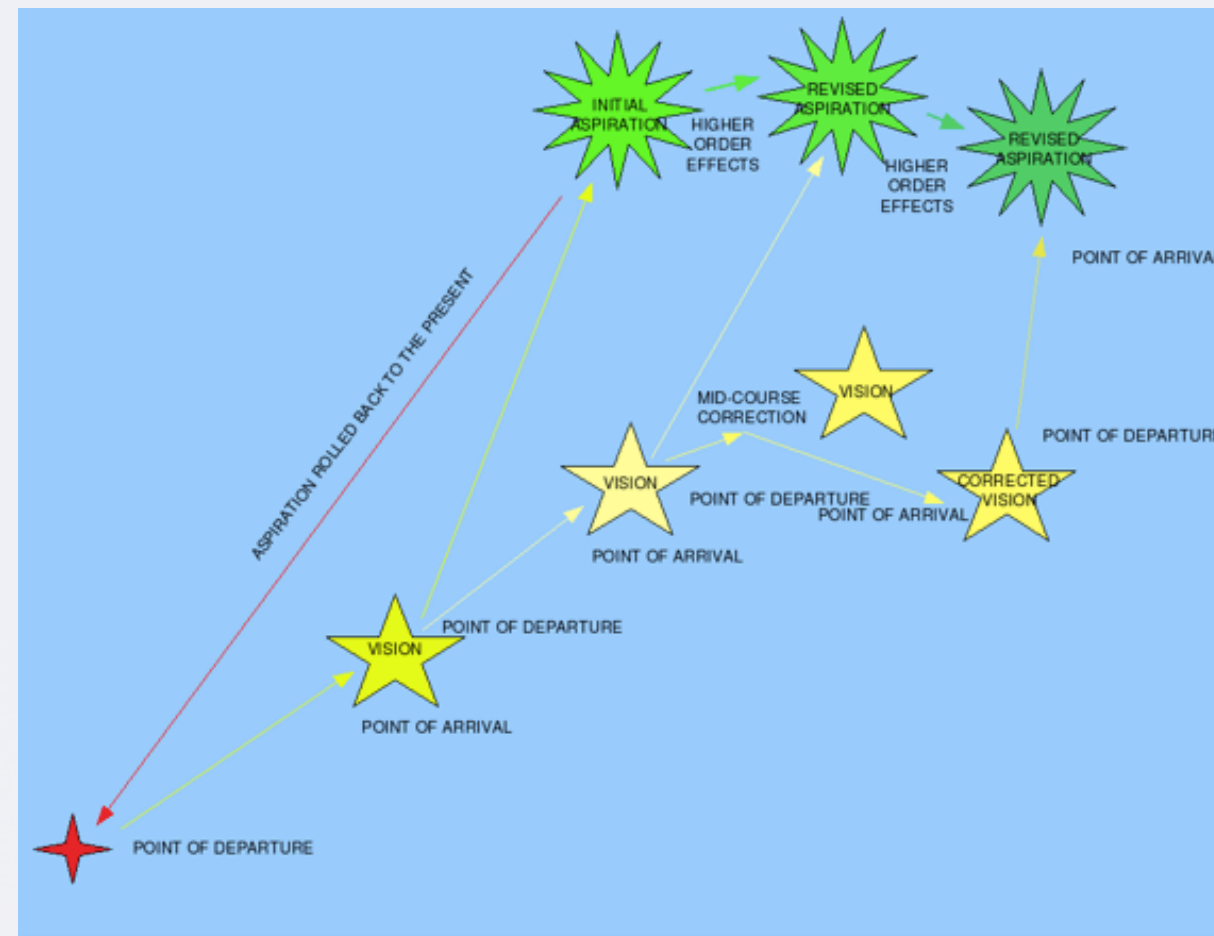
Strategic statements

- Objectives - specific realistic statements of direction and intended results in accordance with values, vision, mission, and value proposition
- Goals - quantifiable measures of achievement - the 'target' is the final goal
- SMART goals
 - Specific - why, what, how, when, where, and who
 - Measurable
 - Actionable, achievable, and agreed to
 - Realistic
 - Tangible and time specific
- Stretch goals - more aggressive plans at a minimum of 115% of the base goal
- Strategic initiatives - action plans to achieve goals
- Strategic imperatives - high priority strategic initiatives

Plans

- Strategic plans - long-term statements of direction
 - Point of arrival typically three-to-five years out or more, with short-term initiatives from the point-of-departure to one-to-three years out
 - Decisions made in the present about the future
- Tactical action plans
 - Deployment and execution of strategy in short-term steps with short-term improvements
 - Decisions made in the present about the present
- Operational plans - achieving objectives, goals, and targets (subdivides into functional plans)
- Financial plan - translation of tactical and operational plans into financial targets
- Budget - an annual financial plan at a working level of detail - translation of strategic plans, tactical plans, operational plans, and financial plans into specific period-based financial and non-financial goals

Point of departure to points of arrival



- An aspiration for the future state can be articulated, with plans “rolled back” to the present, aiming for a “first point of arrival” in about three to five years
- The first point of arrival is a near term vision within the context of a longer term aspiration
- The likelihood of success of achieving the near term vision is higher than aiming long-term without intermediate “milestones”
- The journey from the point of departure to the first point of arrival is a learning experience, in which higher order effects may appear – issues that could not have been foreseen or anticipated at the point of departure

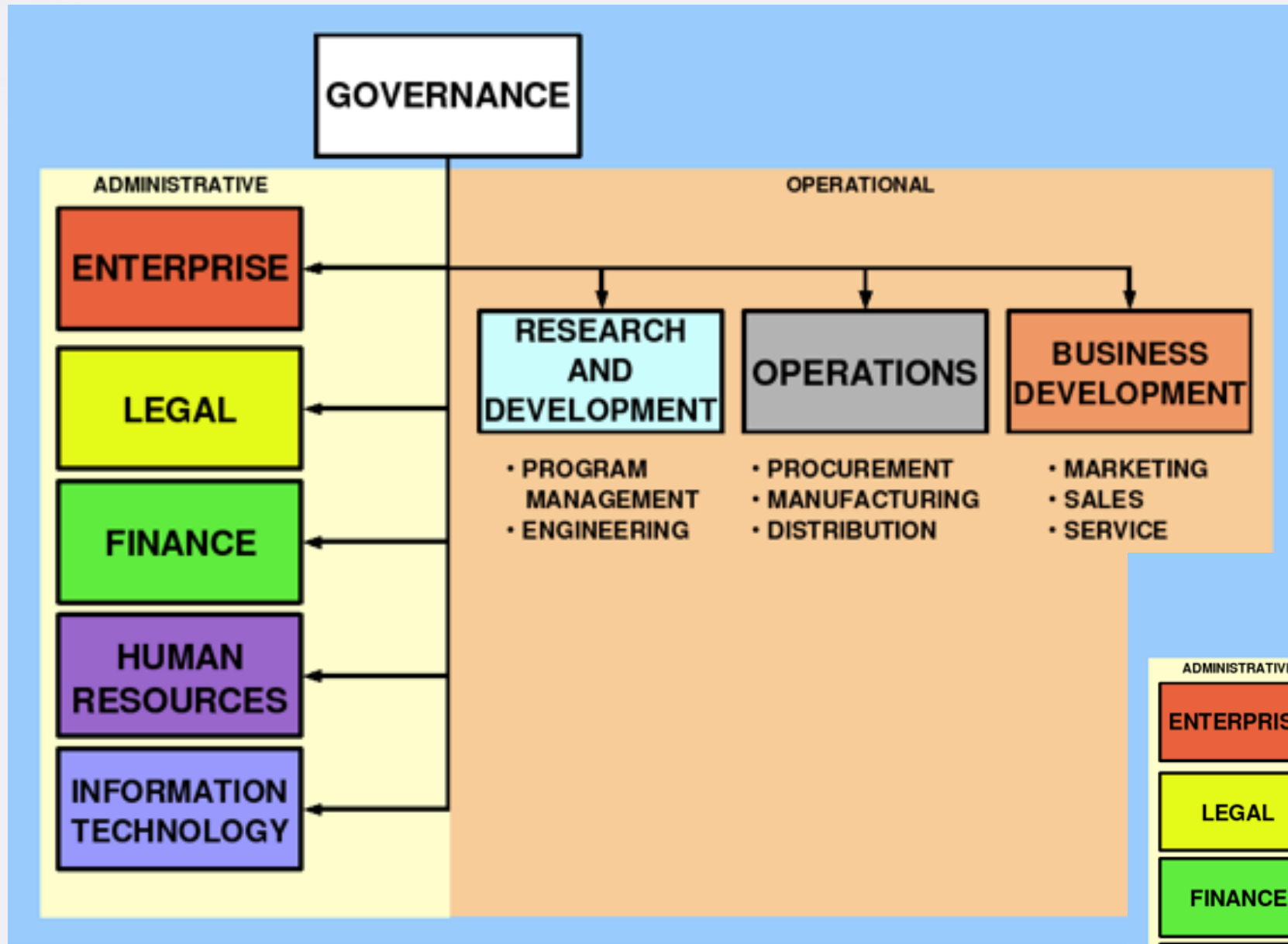
Plans by constituency, process/function, and product and/or service

BY CONSTITUENCY, PROCESS/FUNCTION, PRODUCT/SERVICE				
PRIORITY	OBJECTIVES FROM/TO	TARGETS MEASURES	GOALS 1/3/5 YEARS	STRATEGIC INITIATIVES

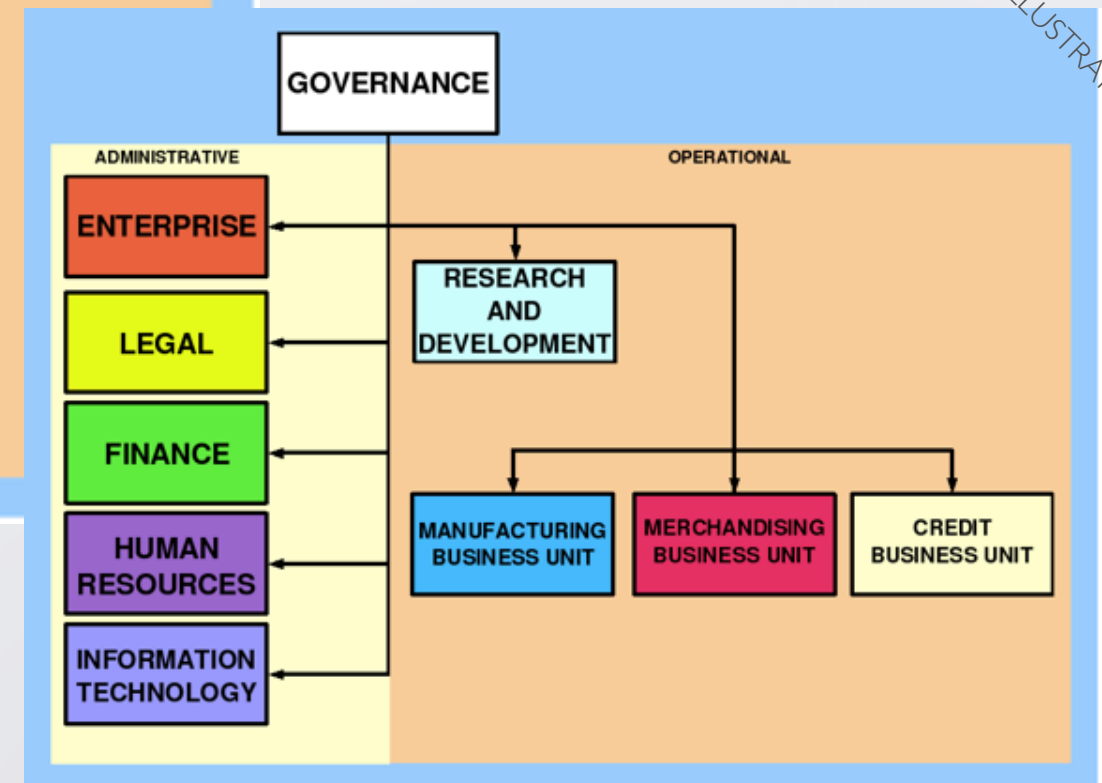
- Projections - estimates of future activity based upon predictive assumptions
- Forecast - estimated for future activity based upon current trends

REPRESENTATIVE MODELS

Enterprise function and organizational models



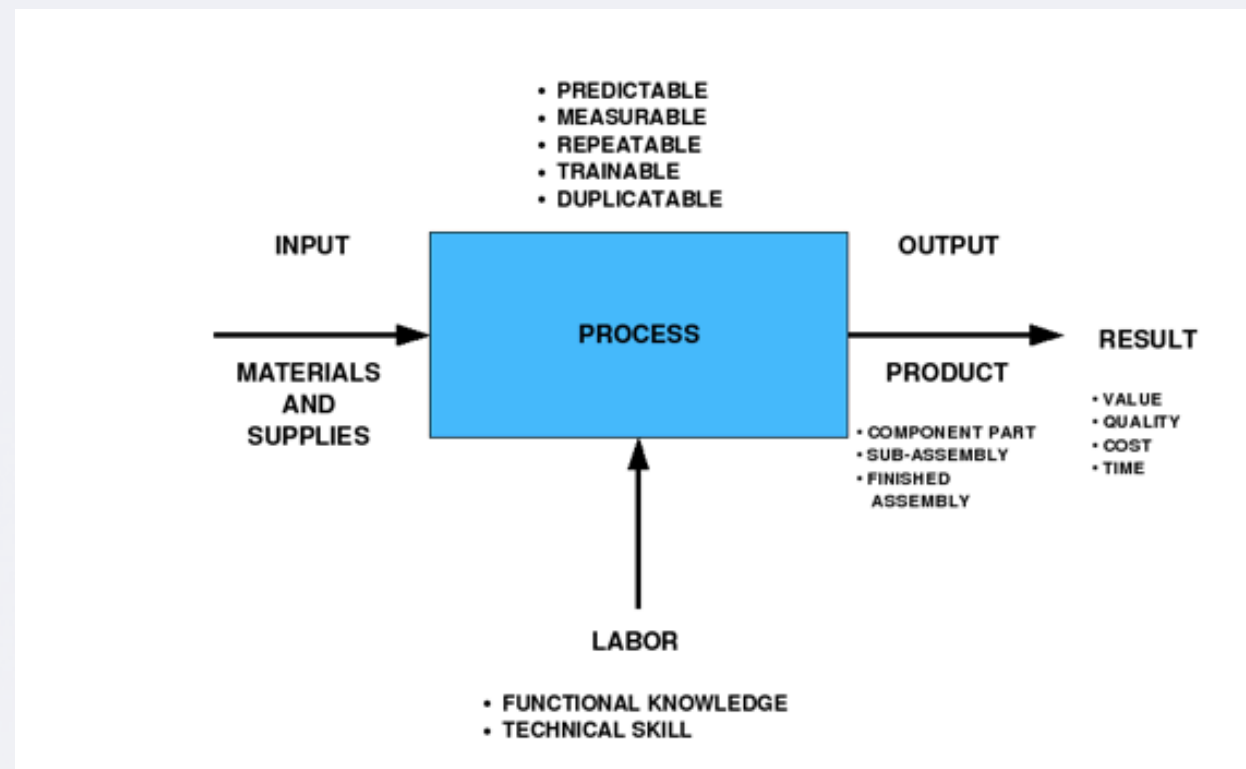
Enterprise Function Model



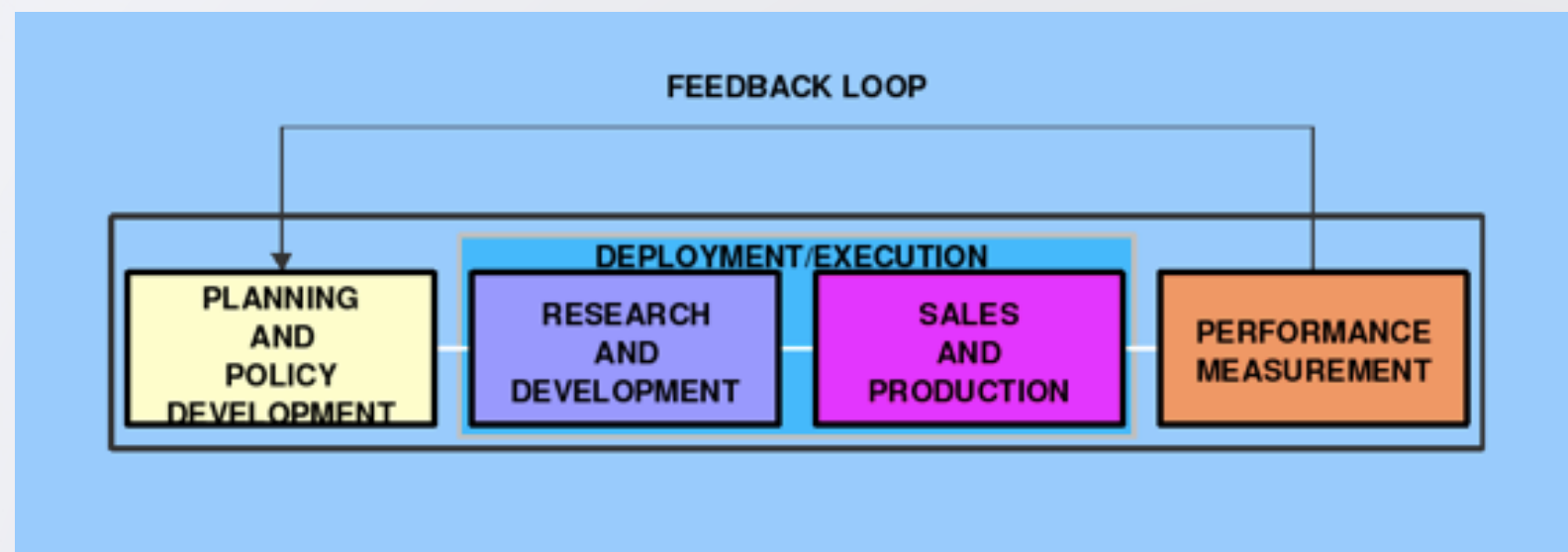
Enterprise Organizational Model

Process models

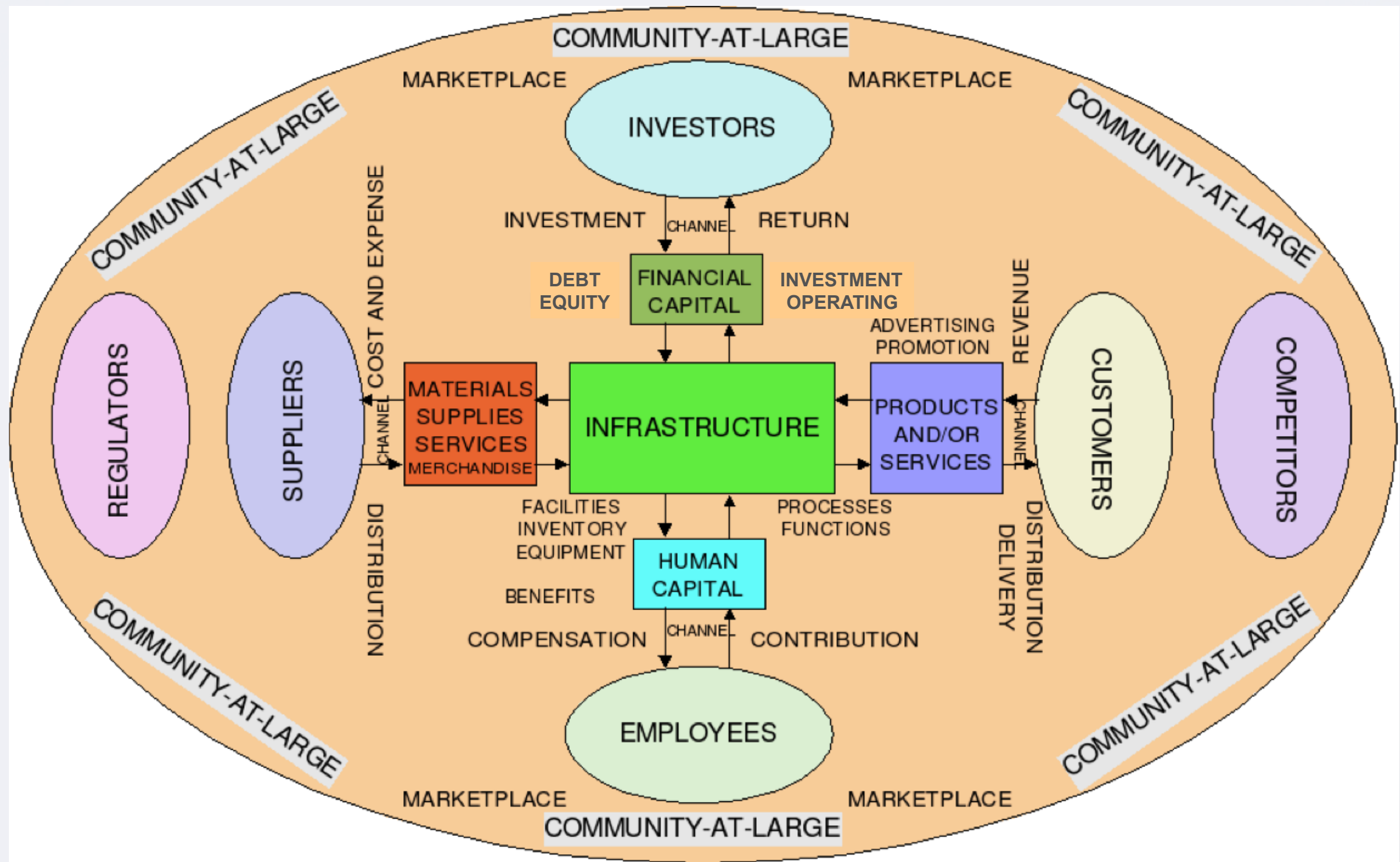
- Process - a group of activities that takes in one or more kinds of input and creates output that is of value - generic model:



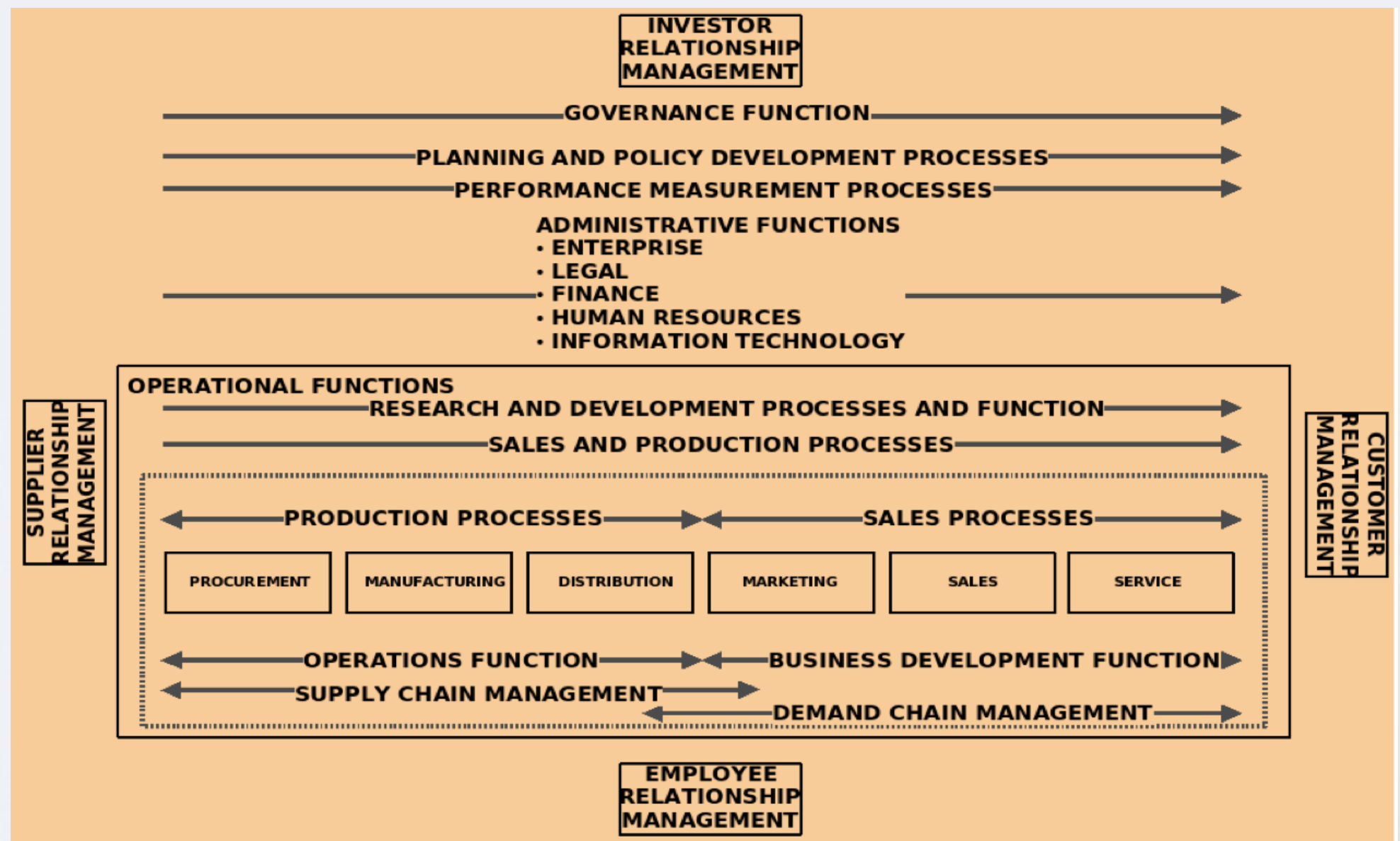
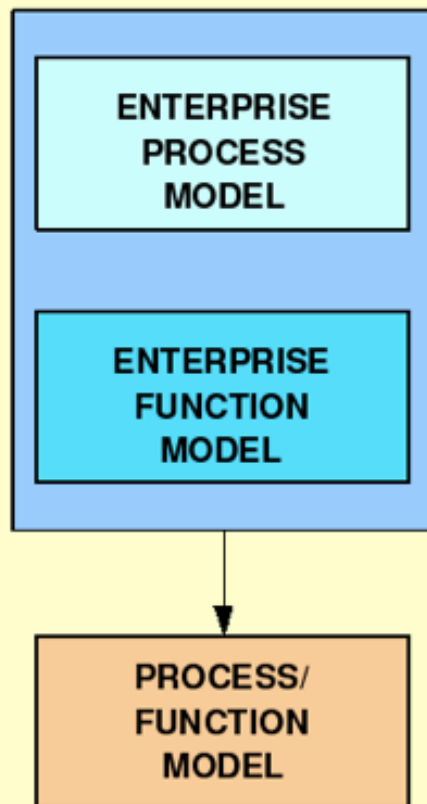
- Enterprise process model:



Business constituency model

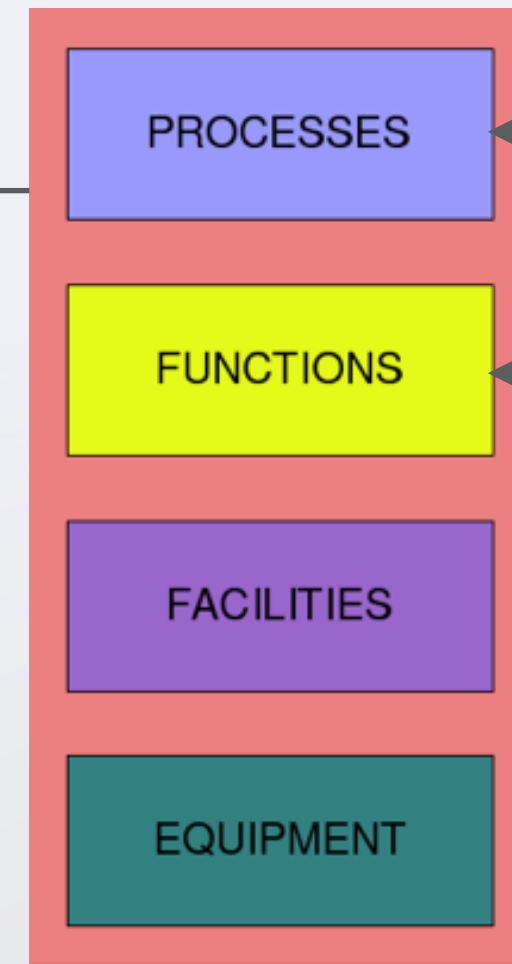
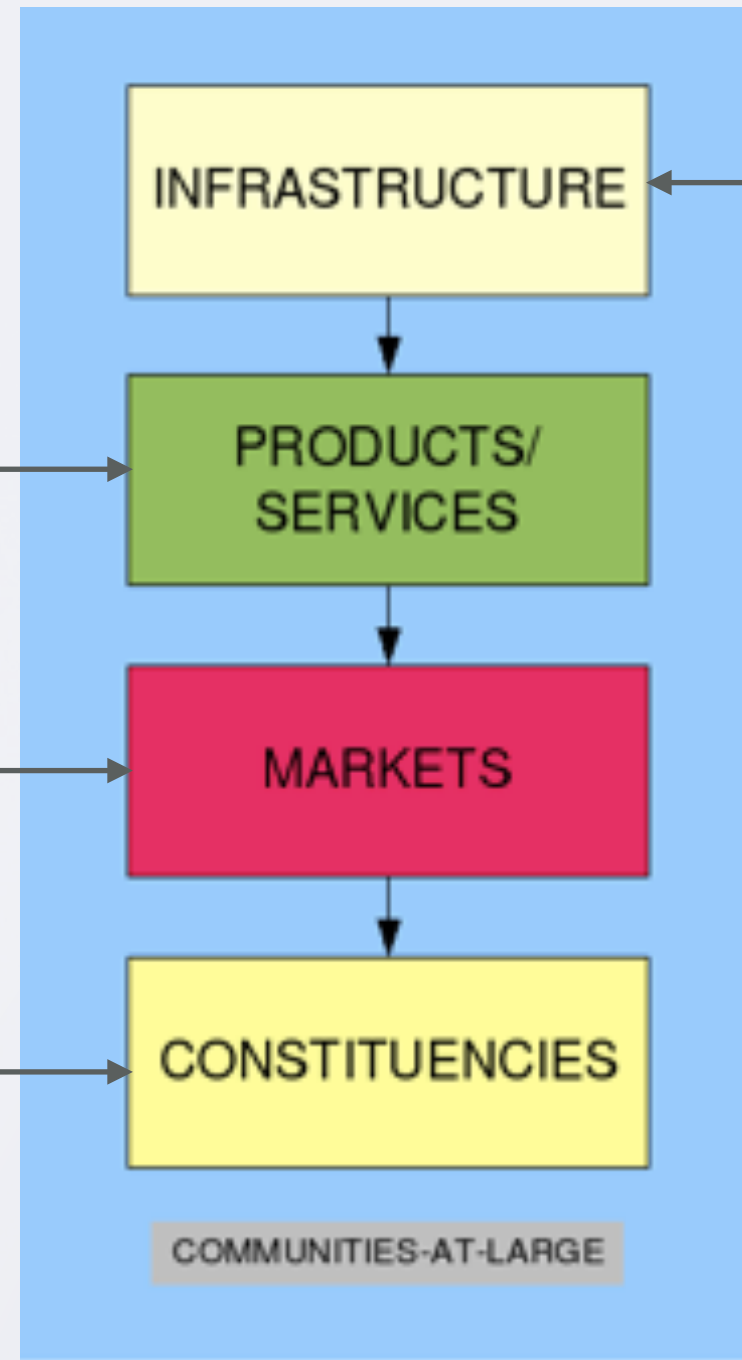
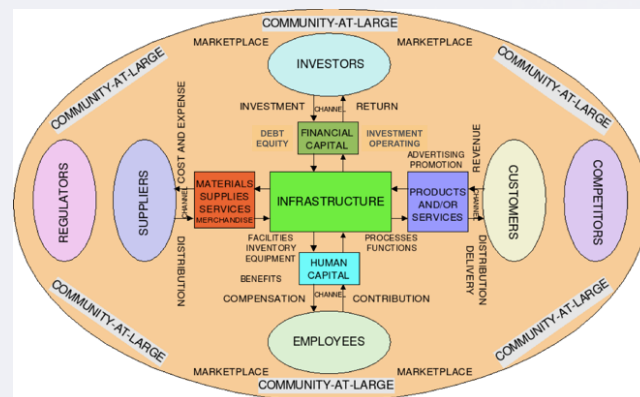
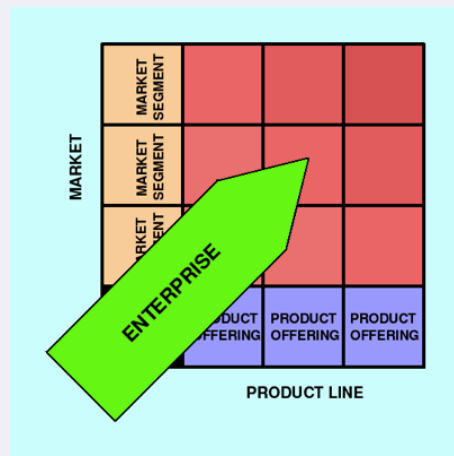
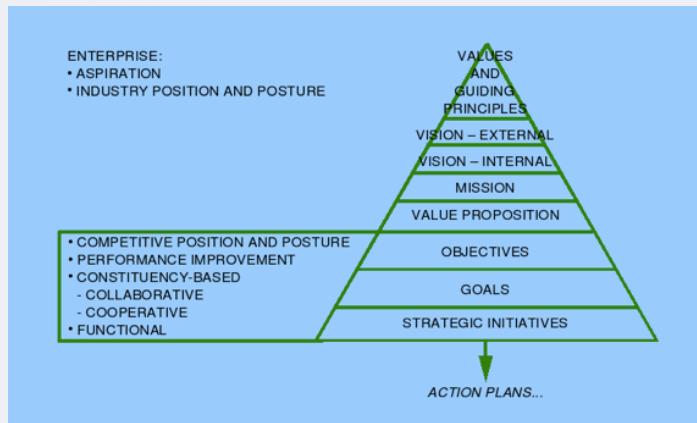


Process/function model

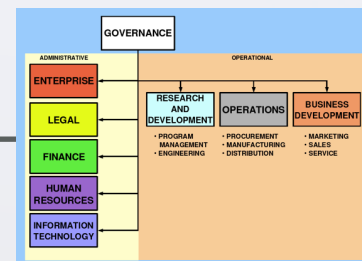
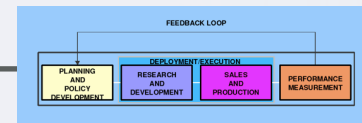


Process/Function Model

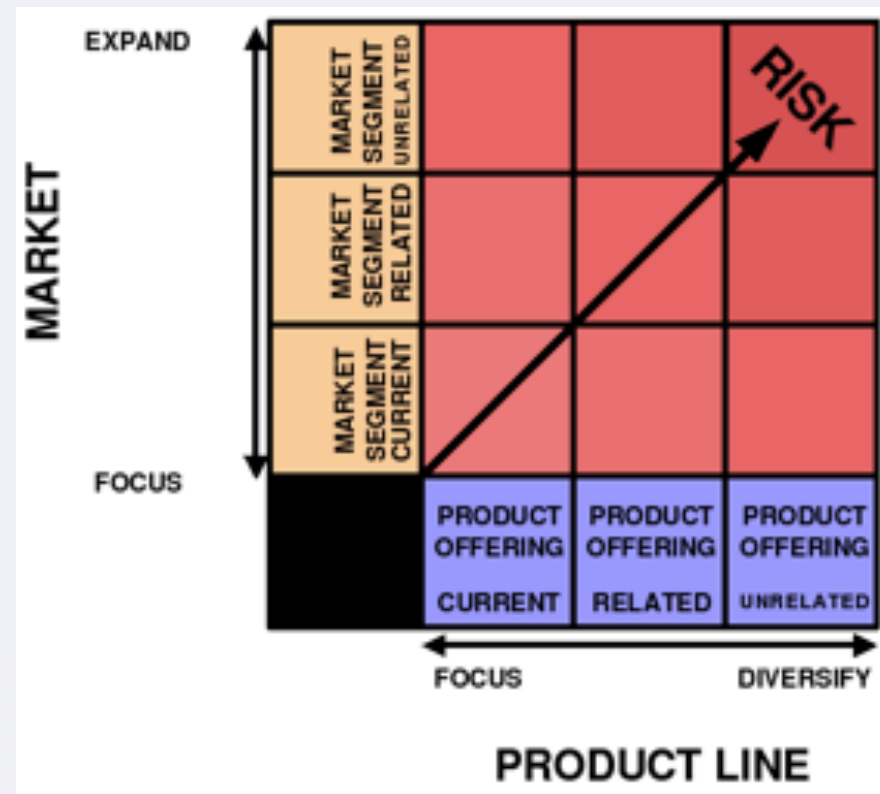
Business model



Infrastructure Model

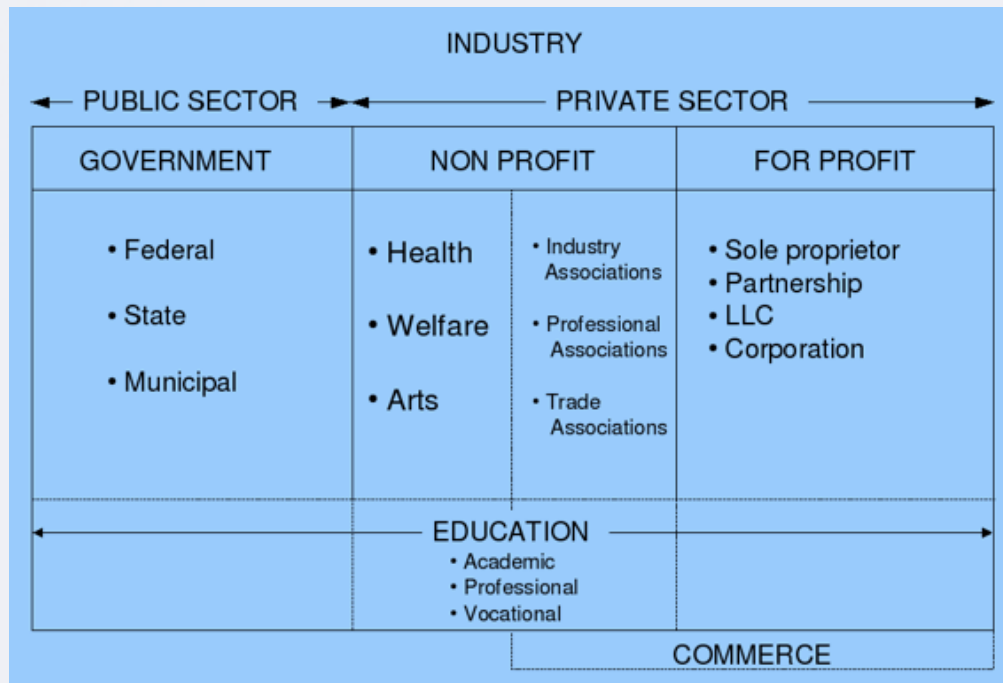


Risk/return profile



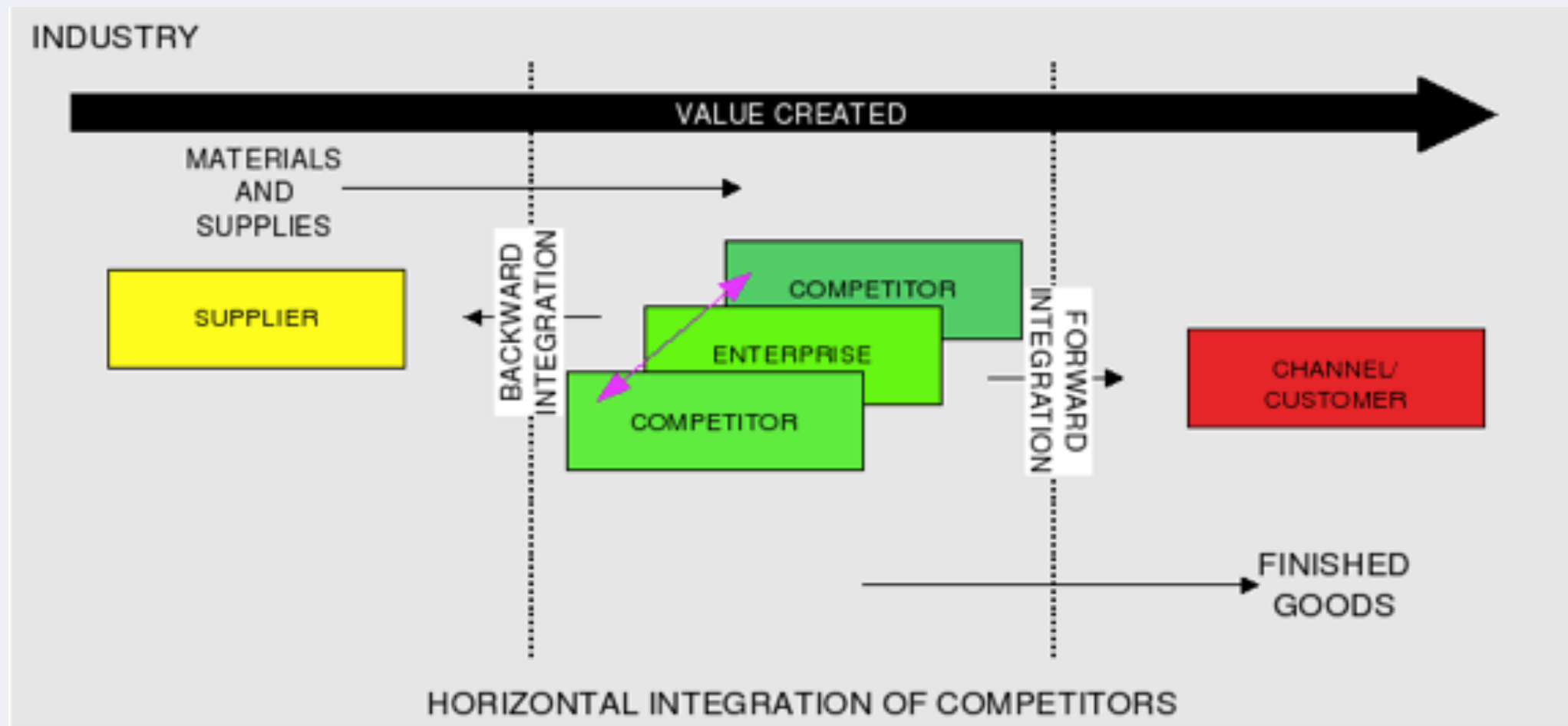
- Risk - the potential loss of capital
- Return - gain or loss on an investment over a period of time
- Risk/return profile - relationship between the risks associated with an investment and the potential return
- Note: unrelated market segments and product offerings have higher risk

Sectors



INDUSTRIES	
Manufacturing sector (products)	Service sector
<ul style="list-style-type: none"> • Agriculture • Mining, oil and gas • Utilities • Construction • Manufacturing • Wholesale merchandising • Retail merchandising • Transportation • Warehousing 	<ul style="list-style-type: none"> • Information • Finance and insurance • Real-estate, rental and leasing • Professional, scientific and technical services • Business management • Administrative support, waste management and remediation • Educational services • Health and social services • Arts, entertainment and recreation • Accommodation and food services • Public administration

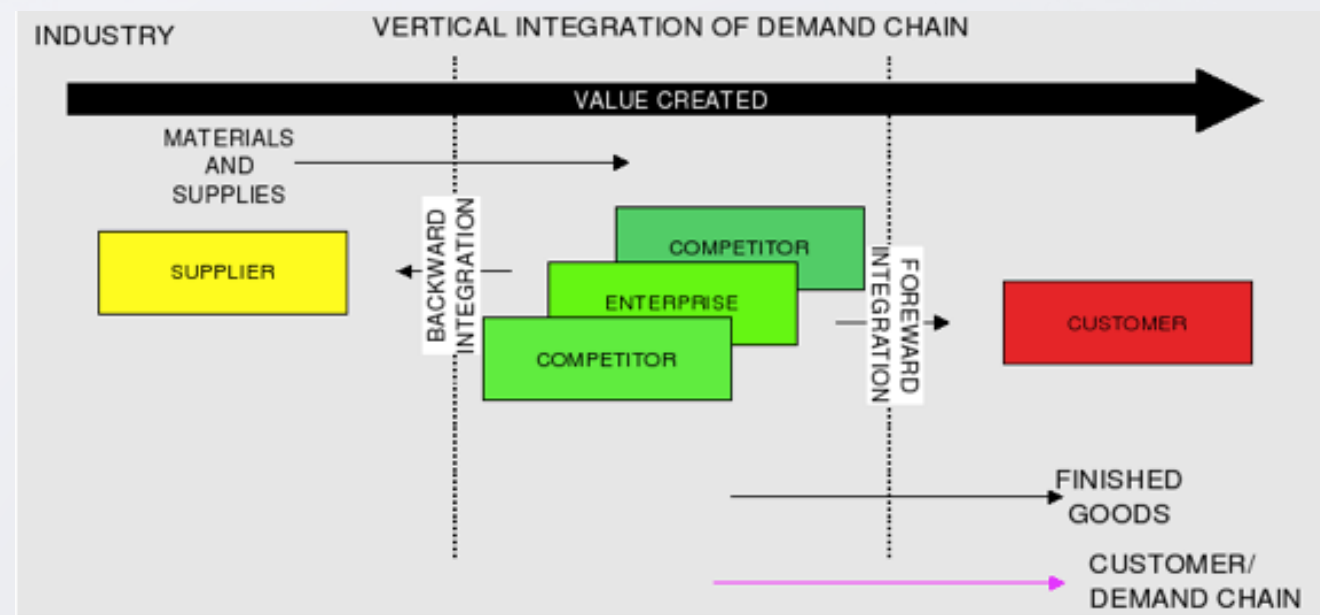
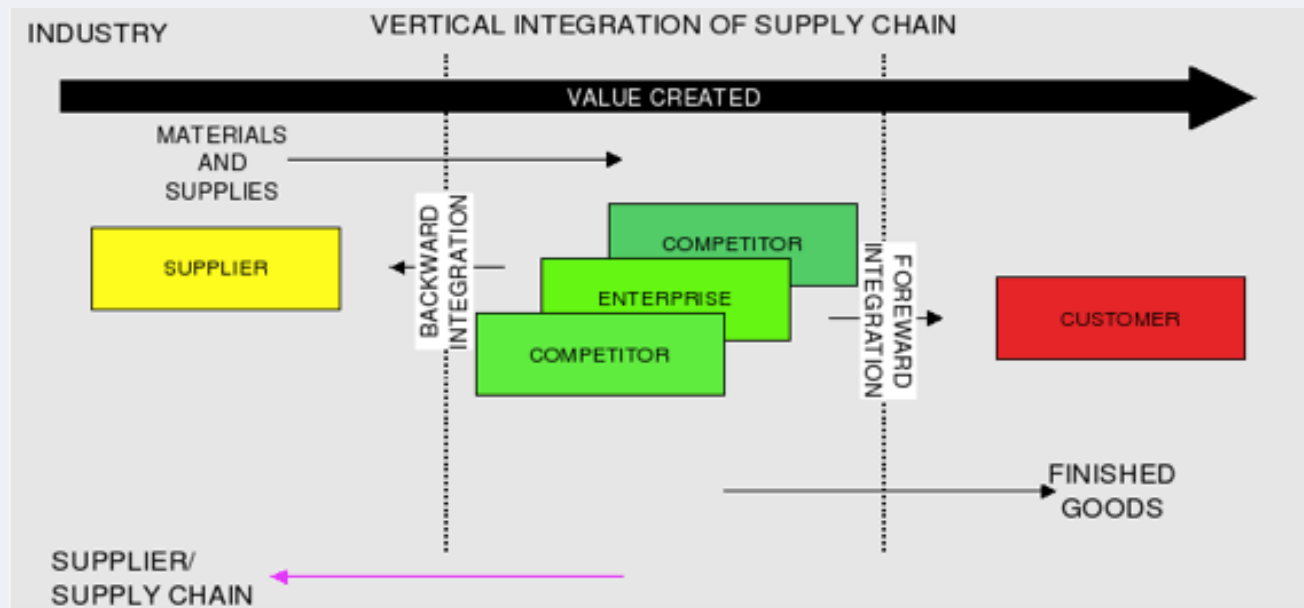
Horizontal integration



Horizontal integration – similar activities in the value system under the control of a single enterprise, although may be performed by different entities, such as subsidiaries focused on the same product in different markets, or different products in the same markets

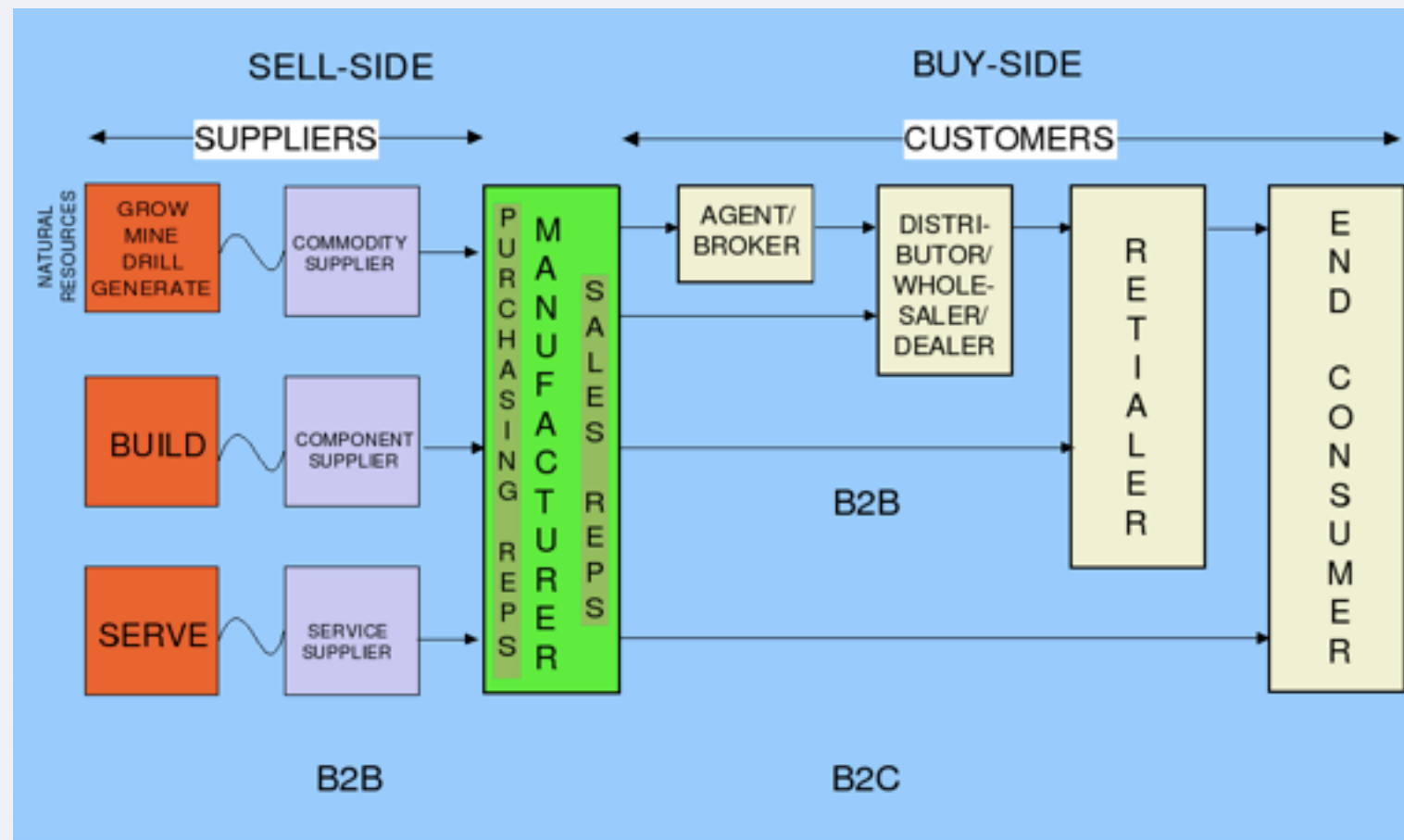
The value system is chain of supply and demand chains from raw material to ultimate end-customer
- there can be many enterprises in the value system

Vertical integration



Vertical integration – distinct activities in the value system under the control of a single enterprise, although may be performed by different entities such as subsidiaries

Distribution channel



Differentiation versus cost leadership

Premium products and/or services

MARKET SEGMENT			
MARKET SEGMENT	DIFFERENTIATION		
MARKET SEGMENT			
	PRODUCT OFFERING	PRODUCT OFFERING	PRODUCT OFFERING

INDUSTRY WIDE OR
SELECTED PRODUCTS AND/OR MARKET NICHES

For example: Acura

LOW-COST PROVIDER/ DISCOUNT PRODUCTS AND/OR SERVICES

MARKET SEGMENT			
MARKET SEGMENT	COST LEADERSHIP		
MARKET SEGMENT			
	PRODUCT OFFERING	PRODUCT OFFERING	PRODUCT OFFERING

INDUSTRY WIDE OR
SELECTED PRODUCTS AND/OR MARKET NICHES

For example: Honda

Price, cost, value, and quality

Quality = perceived value

