Strategic Thinking and Planning Toolkit

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Strategic Thinking and Planning Overview

This toolkit is designed to provide an outline of how to facilitate strategic thinking and planning including the development of goals and objectives. My Guide to Strategic Thinking provides the detail steps in the process and takes you through the process of asking questions, using the outlines, and checklists.

It is important to understand that strategic planning doesn’t translate into strategic thinking. They are different processes. Planning is not necessarily thinking. Strategic thinking is a process of thoughts developed through the qualitative aspects of the issues the business is facing. You will gain insight on dealing with the variety of economic challenges and opportunities which are present.

Strategic thinking starts with a vision for the future. It involves a process where management evaluates its qualitative options and decides on a common and shared vision for the future. This vision will then drive the strategy of the organization. This toolkit is designed to provide the steps to help businesses achieve this objective.

While strategic thinking begins with some vision for the future there typically isn’t a formal process for strategic thinking. It is a look of the organization at some point in the future. It represents what is going on in the mind of the business owner and entrepreneur and on how to shape and clarify the organization’s strategic profile.

Strategy begins with a vision and needs to be based on a sound rationale that becomes a process of strategic thinking. The toolkit provides the steps to ask the right questions in developing a sound strategic vision. It is a step by step process of helping the business draw a picture of what they think the direction and composition of the business should become in the future. This picture becomes what we call a strategic profile and a framework for developing both the strategic and operational plans. The strategic plan represents what the business wants to do and an operational plan for how to accomplish it.

The Strategic Thinking and Planning Toolkit will help businesses navigate the process of developing a clear profile of what they want to become and how to achieve it. It is a template and roadmap for how to manage by clearly thinking about where you want to go and then developing focused objectives and tactical action plans for getting the job done. The roadmap helps businesses create an explicit strategic vision together with an operationally competent set
of action plans. The toolkit provides a roadmap to determine where the business is going and what it is going to look like down the road.

The toolkit will help produce the following information:
- A list of products (current and future)
- The people and skills management are attempting to build
- The markets it will serve
- A list of key competitors
- A customer list
- A supplier list
- Market segments
- A Research & Development budget
- A facility plan

The toolkit outline helps to clarify the business strategy, its direction, and what it will look in the future. The process provides guidance on where to place its emphasis relative to the following four categories:
1. Nature of products or services
2. The nature of its customers
3. The nature of its market segments
4. The nature of the geographic areas it services

The process will lead to determining which products and services to offer and which ones to exclude. Likewise, a decision about the selection of customers can be made in addition to which customers will not be served. Which market segments will be selected? The business now has a basis to determine those market segments that will not be selected and an outline for establishing the strategic profile.

The Strategic Thinking and Planning Toolkit is also a guide for tactical planning. Guidelines for determining key results areas or categories of results essential to effective performance are spelled out. The steps for identification of critical issues are described together with how to select key performance indicators.

A primary feature of the toolkit is establishment of goals and objectives. This becomes the foundation of the businesses’ action plans. Action plan guidelines are spelled out together with a process for reviewing and modifying these plans.
The toolkit contains a SWOT (Strengths, Weaknesses, Opportunities, and Threats) or SLOT (Strengths, Limitations, Opportunities, and Threats). This is a tool for the business owners to evaluate the organization relative to all areas on their ability to respond to industry conditions and the business environment.

Finally, the Strategy Deployment Checklist is a review of key areas to make sure those strategies and action plans are on target and pulling together the strategic thinking processes. Remember the toolkit is an outline for strategic thinking and planning and not a complete guide for strategic planning.
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Strategic Thinking Checklist

Considerations

- How does your business establish Strategic Objectives?
- What are the key steps?
- Who are the key participants?
- What are the long-term planning horizons?
- What are the short-term planning horizons?
- How does the Strategic Planning Process address these horizons?

Vision

A strategic vision is a roadmap of future direction of a business, the business position it intends to stake out, and the capabilities it plans to develop.

What is the strategic vision for your business? Summarize this vision into a written statement. The statement should include the following:

- A definition of the business the company is in.
- The long-term strategic course the company will pursue.
- Communication of the vision in clear, exciting, and in an inspiring manner.

Mission

- What business (es) are we in?
- What business (es) could we be in?
- What business (es) should we be in?
- What business (es) should we not be in?
- Why do we exist? What is our basic purpose?
- What is unique or distinctive about our organization?
- Who are or should be our principal customers?
- What are or should be our principal products/services, present and future?
- How is our business different than it was 3 to 5 years ago?
- What is likely to be different about our business 3 to 5 years in the future?
- What are or should be our principal economic concerns and how are they measured?
- What philosophical issues, values, and priorities are or should be important to our organization’s future?
- What special considerations do we have in regard to the following stakeholders (as applicable):
  - Owners, stockholders, investors
  - Board of Directors
  - Parent Organization
  - Legislative/regulatory bodies
  - Employees
  - Customers, clients, users
  - Strategic alliance partners
Communities in which we function
General Public
The Strategic Thinking Process Outline

The fourteen elements of the Strategic Thinking Process:

**Strategic Thinking**
1. Values
2. Mission
3. Vision
4. Strategy

**Long Range Planning**
1. Key Strategic Areas
2. Critical Issue Analysis
3. Long-Term Objectives
4. Strategic Action Plans

**Tactical Planning**
1. Key Results Areas
2. Critical Issue Analysis
3. Key Performance Indicators
4. Objectives
5. Action Plans
6. Plan Review

**Process Steps**

**Strategic Thinking**
1. **Values**
   Assessment of Strategic Values
   Attempt to reach consensus on 8-10 strategic values to use for the rest of the strategic thinking process.

2. **Develop the Business Mission**
   Use Strategic Values to Develop Mission Statement for the business. The following questions at a minimum should be addressed:
   - What business(es) are we in?
   - What business(es) could we be in?
   - What business(es) should we be in?
   - What business(es) should we not be in?
   - Why do we exist (What is our basic purpose)?
   - What is unique or distinctive about our organization?
   - Who are or should be our principal customers?
   - What are or should be our principal market segments?
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- What are or should be our principal products/services, present and future?
- What are or should be our principal outlets or distribution channels, present and future?
- How is our business different from what it was 3 to 5 years ago?
- What is likely to be different about our business 3 to 5 years in the future?
- What are or should be our principal economic concerns and how are they measured?
- What philosophical issues, values, and priorities are or should be important to our organizations’ future?
- What special considerations exist relative to the following stakeholders (as applicable)?
  i. Owners, stockholders, investors
  ii. Board of Directors
  iii. Parent Organization
  iv. Legislative/regulatory bodies
  v. Employees
  vi. Customers, clients, users
  vii. Strategic alliance partners
  viii. Suppliers
  ix. Communities in which we function
  x. General Public
  xi. Others (specify)

Develop a Vision and a Mission:
- Brief, preferably under 10 words, catchy, easy to remember.
- Inspiring and a challenge for future achievement.
- Believable and consistent with strategic values and mission.
- Serves as a rallying point with all important stakeholders.
- Clearly state the essence of what the business must become.
- Allow for flexibility and creativity in execution.

Questions Management needs to answer to create the vision:
- What do we see as the key to the future for our business?
- What unique contribution should we be making in the future?
- What would make me excited about being a part of this business in the future?
- What values need to be stressed?
- What are or should be the core competencies for our business?
- What should be our position on issues such as customers, markets, profitability, growth, technology, quality, employees, and so on?
- What do I see as the greatest opportunity for growth for our business?
3. **Strategy Formulation:**

Here is the 5-step Process to Formulating Strategy

**A) Defining and determining your strategic factors**

The following are the **Primary Factors** used to develop Strategy:

- Products Offered
- Market Needs
- Return and Profit
- Size and Growth
- Technology
- Human Resources

**Other Potential Factors**

- Services Offered
- Customer Needs
- Service Capability
- Production Capability
- Method of Sale and Distribution
- Natural Resources
- Organizational Image

**B) Establish your strategic factors in priority order**

**C) Determine organization’s driving force**

The number one item ranked should be the organizations driving force with the next 3-4 items representing major decision influencers.

**D) Identify Changes that must take place if a new direction is indicated**

**E) Formulate a strategy statement that establishes a clear direction for the organization**

Combine Values, Vision, Mission, and Strategy into one 1-page document or a one page single comprehensive mission statement and then share it with the team member of the business. Consider soliciting input and including it in the document. Proceed with long range planning.
Long Range Planning

1. Determine Key Strategic Areas
   A) Identify the 5 to 8 major categories within which the business or unit must establish future positions to be pursued.
   B) These categories should include both financial and non-financial issues.
   C) The categories should be focused on issues and future positions that require effort over multiple years.
   D) These categories should directly or indirectly support the mission, vision, and strategy statements for the business.
   E) Determination of key strategic areas will generally require cross-functional effort.
   F) Key strategic areas should be limited to two or three words and should not be measurable as stated but should contain factors leading to future achievements.

Examples of Organizational Key Strategic Areas:
- Financial projections
- Growth/diversification
- Capital expansion
- Future production capacities
- R&D
- Future products/services
- Future supplier development
- Market penetration
- Process Improvement
- Productivity
- Technology

2. Identify & Analyze Critical Strategic Issues

Use SLOT or SWOT Analysis. SLOT stands for Strengths, Limitations, Opportunities, and Threats. SWOT stands for Strengths, Limitations, Opportunities, and Threats.

A) Identify potential strategic issues:
1. What are the 5-10 most critical opportunities or challenges our organization (unit) needs to address over the next 5 years? What impact do these have on carrying out our mission, vision, and strategy?
2. What issues are likely to have the greatest effect on our long-term growth and profitability?
3. What are the future positions related to markets, customers, industry/government, competition, technology, human competencies, process capabilities, products/services, or financial requirements that need to be addressed?
B) Prioritizing issues:
- List potential issues under appropriate Key Strategic Area (SLOT)
- Have each team member assign a weighting of A, B, or C to each. A items must be addressed; B items are where more information is needed,
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and C issues could be referred to a specific department or deferred, or dropped.

- Record the individual selections under each weighting factor.
- Make sure that consensus is reached on each Key Strategic Area.
- Ensure team agreement on tentative priorities and set a time for the next meeting to finish resolving issues.

C) Analyzing Issues:

- Write down each potential/perceived issue.
- Identify specific information or data to validate issues above.
- Assess why this might be an issue.
  Draw one or two conclusions to focus on future positions you want to attain.
- Explore several approaches to address each issue.
- Identify the ‘champion’ of this issue.

C) Summarizing Issues:

- Determine which conclusions and alternatives have the greatest potential for effectively addressing the critical issues.

3. Determining Long Term Objectives:

- Long Term Objectives (LOTS) describe what the organization wants to have or become in the future, usually within 3 to 5 years. Long Term Objectives represent future positions to be attained; Short Term Objectives (STOPS) specify measurable results to be accomplished within the time span of the Tactical Plan.
  1) Identify 6 to 8 Key Strategic Areas (KEAS) that require LOTS to carry out the organization’s mission, vision, and strategy.
  2) Identify within each KSA the potential positions that will move the organization closer to fulfilling its mission, vision, and strategy. These are potential LOTS.
  3) Select the 6 to 8 LOTS that will have the greatest impact on the organization’s future. Write them as “to have (or become) [future position] by [year].” As an example;
### Key Strategic Area

<table>
<thead>
<tr>
<th>Financial Projections</th>
<th>Long Term Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To achieve $100 million in total revenue by [year]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future Market Positions</th>
<th>Long Term Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To become the dominant supplier of [designated products, services] to the [designated] market by [year].</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future Products/Services</th>
<th>Long Term Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To have at least 20% of sales from new products/services by [year].</td>
</tr>
</tbody>
</table>

- **Validating LTO’s:**
  1) Is it measurable or verifiable?
  2) Is it achievable or feasible?
  3) Is it flexible or adaptable?
  4) Is it consistent with the rest of your strategic plan?

- Summarize the Critical Issue Analysis and Plan and formulate the Long Term Issues.

#### 4) Prepare Strategic Action Plans

- **Strategic Action Plans (SAPs)** identify the major events, phases, or accomplishments that have to take place if the organization is to attain its LTOs. **SAPs** identify major milestones while Tactical Plans deal with specific short-term activities or events. The format of a **SAP** has the following columns across the top of the page:
  1) Major events, phases, accomplishments – What has to happen to stay on track toward reaching the LTO?
  2) Primary and supporting accountability – An individual person, department, or unit needs to be charged with the responsibility of seeing that each step in the **SAP** is carried out.
  3) Schedule – When the particular step must be started, completed, or both.
  4) Resources – Capital resources for acquisitions, equipment, etc. Insure that there are operating resources to support this action step. Make sure that there are human resources to support the step.
  5) Feedback mechanisms – Identify how the person with the primary responsibility will keep others who need to know informed of progress.
  6) Review and modify **SAPs** as you go forward. Don’t change long-range plan, but you can change the **SAPs**.
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7) Develop a **Strategic Planning Assessment**.
8) Develop a Strategic Plan Calendar.

**Tactical Planning**

1. **Determine your unit’s Key Results Areas:**
   
   **Key Result Areas (KRAs)** are areas or categories of results that are essential to effective performance in the organization.
   
   The guidelines for determining KRAs are:
   
   1. Identify those five to eight major areas within your unit which your unit must achieve meaningful results during the next year.
   2. Identify both financial and non-financial areas.
   3. Choose areas that directly or indirectly support your organization’s strategic plan and other higher level plans.
   4. Don’t expect you unit’s KRAs to cover your unit’s entire output; instead, identify the vital few areas where priority efforts should be directed.
   5. Realize that many KRAs will require cross-functional effort.
   6. Each KRA should be limited generally to two or three words and should not be measurable as stated but should contain factors that could be made measurable.

   Examples of Unit **KRAs** are: Unit production/output, Cost control/management, Productivity, Product/service design, Vendor/supplier relations.

   Examples of Business **KRAs** are: Revenue/sales, Return/profit, Growth/diversification, Customer service, Operating Results, Employee development, New market development.

2. **Identifying and Analyzing Your Critical Issues:**
   
   Critical Issue Analysis begins with your assessment of your unit’s performance and the major issues that need to be addressed during the period of your tactical plan. It also provides a key link between your strategic and tactical plans.

   There are four steps in Critical Issue Analysis:
   
   1. Identify perceived Issues - Validate them through the analysis process.
   2. Prioritize Issues - Determine the four to eight most important perceived issues, those that are likely to have the greatest impact.
   3. Analyze Issues – Validate a particular issue and develop effective ways for addressing it.
   4. Summarize Issues – Summarize specific conclusions and courses of action in a way that will make it easy to prepare your objectives and action plans.
3. **Select your Key Performance Indicators:**

   **Key Performance Indicators (KPIs)** are measurable, but are not absolute measures. They only suggest the probability of worthwhile results. The focus is on the results you intend to produce, not on the effort required to produce them.

   What are the guidelines for Identifying Key Performance Indicators?

   1. They should be measurable factors, falling logically within a given **KRA**, on which objectives may be set.
   2. They may be selected from any or all of the following types:
      - **Hard Numbers** such as sales, units of production, products shipped, and clients served.
      - **Percentages** such as profit margins, market share, sales to new customers, repeat business, and productivity increases.
      - **Significant achievements** such as major project completions (or milestones), certifications, new service capability, and performance awards.
      - **Service Factors** such as response time, frequency of contact, and customer acceptance.
      - **Problems to be overcome** such as excess inventory, schedule slippages, quality deficiencies, and cost overruns.
      - **Soft or indirect indicators** which may suggest effectiveness in subjective areas such as turnover, absenteeism, and survey results, such as related to customer service.
   3. They should identify what will be measured, not how much or in what direction.
   4. They should represent factors that can be tracked on an ongoing basis to the extent possible.
   5. The cost of identifying and monitoring KPIs should not exceed the value of the information.

   **Examples of KPIs for selected KRAs are:**

<table>
<thead>
<tr>
<th>Key Result Areas</th>
<th>Key Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return/Profit</td>
<td>Return on Investment</td>
</tr>
<tr>
<td></td>
<td>Percentage of return on sales</td>
</tr>
<tr>
<td></td>
<td>Net Profit before taxes</td>
</tr>
<tr>
<td>Productivity</td>
<td>Dollars of sales per employee</td>
</tr>
<tr>
<td></td>
<td>Units per month</td>
</tr>
<tr>
<td></td>
<td>Output per work hour</td>
</tr>
</tbody>
</table>

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4. **Establishing your Objectives and Standards:**

Objectives are statements of measurable results to be accomplished within the time frame of your plan, usually a year. A standard of performance represents a level of achievement to be reached and then maintained on an ongoing basis.

<table>
<thead>
<tr>
<th>Key Result Area</th>
<th>Standard of Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>Minimum gross margin of 35%</td>
</tr>
<tr>
<td>Unit Output</td>
<td>1000 units per shift</td>
</tr>
<tr>
<td>Product Quality</td>
<td>Maximum three rejects per 1000 units</td>
</tr>
<tr>
<td>Safety</td>
<td>No lost time accidents</td>
</tr>
</tbody>
</table>

What are the guidelines in writing your objectives?

1. An objective should start with the word “to” followed by an action or accomplishment verb.
2. An objective should specify a single measurable result to be accomplished.
3. An objective should specify a target date or time span for completion.
4. An objective should specify maximum cost factors.
5. An objective should be as specific and quantitative (and hence measurable and verifiable) as possible.
6. An objective should specify only the what and the when. It should avoid venturing into the why and the how.
7. An objective should be in direct support of, or comparable with, the organization’s strategic and other high level plans.
8. An objective should be realistic and attainable, but still represent a significant challenge.
Examples of good objectives are:

- To improve gross margins in each major product line by a minimum of 10% by year-end within the existing budget.
- To acquire the capability of producing proven products (with minimum annual sales of $2,000,000) that supports our service business by the end of the third quarter at a capital investment not to exceed $2,500,000.
- To complete the ABC project by December 31 at cost not to exceed $50,000 and five hundred work-hours.
- To reduce the average turnaround time on service requests from eight to six hours by July 31 at an implementation cost of forty work-hours.

5. Preparing your Action Plans:

Action plans are specific means by which you accomplish your objectives. Action plans serve three purposes:

i. Clearly identify what has to take place.
ii. Test and validate your objective.
iii. Serve as a communications vehicle for others who need to contribute to or who will be affected by what takes place.

Action plans basically incorporate the following five factors:
1. The specific steps or actions that will be required.
2. The people who will be held accountable for seeing that each step or action is completed.
3. The timetable for carrying out the steps or actions.
4. The resources that will need to be allocated in order to carry them out.
5. The feedback mechanisms that will be used to monitor progress within each action step.

A columnar chart can be developed to lay out a meaningful action plan. After stating the objective at the top, the following columns are filled out:

1. **Objective:** The specific objective for which the action plan is being prepared.
2. **Action Steps:** The five to ten major actions or events required to achieve this objective.
3. **Accountability:** The specific individuals (or units) who will be held accountable for seeing that each action step is carried out. Primary represents the one who has ultimate accountability for completion of the step. Others represent anyone else with a key role to play in the particular step.
4. **Schedule:** The total time frame within which the action step is to be carried out using actual start and completion dates.
5. **Resources:** The total estimated costs for completing the action steps. Resources are broken into money and time.
6. **Feedback mechanisms:** The specific methods that are available (or need to be developed) for providing information required to track progress within each step.
The following is a final checklist to be used to check your action plans to see if any of these factors, which might affect your action plan, have been overlooked:

- **Strategic and/or tactical plan impact** – Are there other portions of your plans that might be positively or negatively impacted by what you do?
- **Financial Impact** – What are the capital or short-term cash flow implications?
- **Resource Availability** – Do you have or can you get the necessary personnel, materials, information, and other resources to support your plan?
- **State of the art** – Could changes in technology make your plan obsolete prematurely?
- **Environmental conditions** – Have you considered climate, weather, natural resources that may have a positive or negative impact on your plan?
- **Political sensitivities** – Are you able to shift your plans rapidly in order to respond to major political shifts in the locales where you operate?
- **Contractual requirements** – Are there customer or labor contracts that may require a different course of action?
- **Contingency plans** – Do you have a provision for contingency or backup plans in case something unexpected happens?

6. **Reviewing and Modifying Your Plans:**

   Focus monitoring efforts on the few vital factors that fall in four basic areas: **Times, Resources, Quality, and Quantity**. Focus on such things as:

   1. The small number of employees who can produce the greatest amount of high-quality work.
   2. The small number of employees who produce the largest number of errors.
   3. Certain operations that cause the biggest and most frequent bottlenecks.
   4. Equipment with the heaviest breakdown rates.
   5. Limited number of customers that produce the greatest profit.
   6. The limited number of customers that produce the greatest number of sales or service problems.
   7. The few products that generate the greatest volume of sales.
   8. The few products or services that produce the most customer dissatisfaction.

7. **What is likely to change?**

   Variances generally fall into four categories:

   1. **Uncertainties** are reasonable expectations that may periodically result in significant fluctuations. **Internal uncertainties** might include such things as absenteeism, workload, accidents, or errors. **External uncertainties** might include sales revenue, customer service requirements, customer changes, or market conditions.
2. Unexpected events are those impacting factors that may not be reasonable expectations but whose impact would be so great that contingency plans are necessary to deal with them. These events might include acts of nature, a state-of-the-art breakthrough, new competition, loss of a major supplier, death of an executive, or new government regulations.

3. Failures are stoppages or delays that are largely beyond our control. Examples include machine breakdowns, non receipt of critical inputs, and failure to get anticipated approvals.

4. Human error relates to human performance that is largely within our control and which include honest error and incompetence.

8. Feedback Mechanisms:
   1. Progress Reviews – Perform at least once a quarter and should include a formal assessment of actual performance versus total plan. Questions that should be asked include:
      - What is going right and what can you learn from that?
      - What is not going right and what are you doing to fix it?
      - What is different from what existed at the time the plan was created?
   2. Status Reports – Verbally, electronically, or in writing. Brief and in outline form.
   3. Visual Displays – Line graphs, milestone charts, updated regularly. They must show projections that reflect probable reality rather than straight line averaging and instantly highlight variances requiring corrective action without a complicated interpretation.
   4. Management by Exception – No news is good news and which requires a high level of trust. This methodology coupled with periodic progress reviews is a very effective way of maintaining control and accountability.