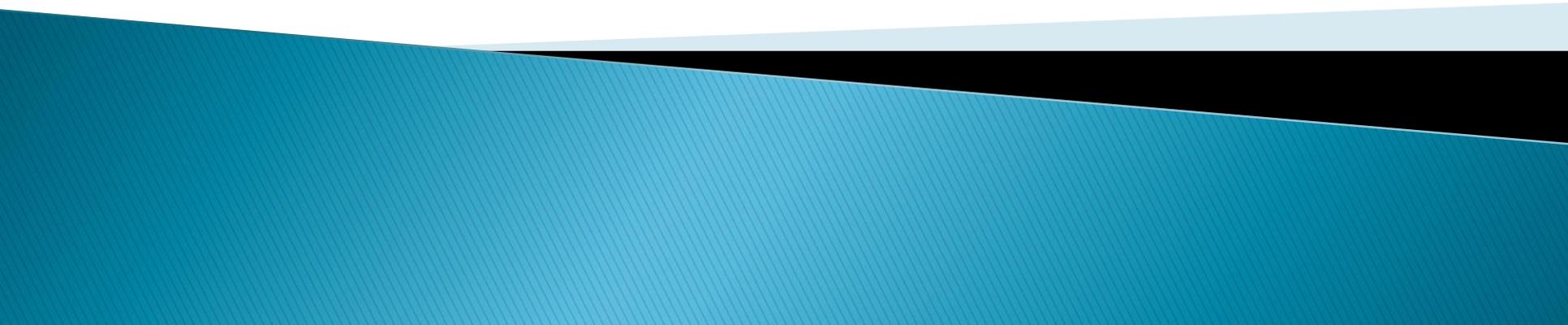


Unit 12: Strategic Planning

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Content

- ▶ Learning Objectives:
- ▶ **Ac. 5** Be able to examine factors affecting an organisational strategy plan
 - 5.1 compare core organisational values (ethical, cultural, environmental, social and business) with the current business objectives of an organisation
 - 5.2 develop appropriate vision and mission statements for an organisation
 - 5.3 produce agreed future management objectives for an organisation
 - 5.4 develop measures for evaluating a strategy plan

In This Lesson

- ▶ Learning Objectives:
 - ▶ LO. 5 Be able to examine factors affecting an organisational strategy plan
 - AC 5.3 produce agreed future management objectives for an organisation
 - AC 5.4 develop measures for evaluating a strategy plan
 - ▶ Assessment Criteria
 - ▶ Further Readings
 - ▶ References
- 

5.3 Produce agreed future
management objectives
for an organisation

Setting Objectives

Thompson et. al (2005)

▶ *Purpose of setting objectives*

- Converts vision into specific performance targets
- Creates yardsticks to track performance
- Pushes firm to be inventive, intentional, and focused in its actions

▶ *Setting challenging, achievable objectives guards against*

- Complacency
- Internal confusion
- Status quo performance



Characteristics of Objectives

- ▶ Represent commitment to achieve *specific performance targets*
- ▶ Spell-out *how much* of *what kind* of performance *by when*
- ▶ Well-stated objectives are
 - *Quantifiable*
 - *Measurable*
 - Contain a *deadline* for achievement

Establishing objectives *converts* the *vision* into *concrete performance outcomes!*

Types of Objectives Required

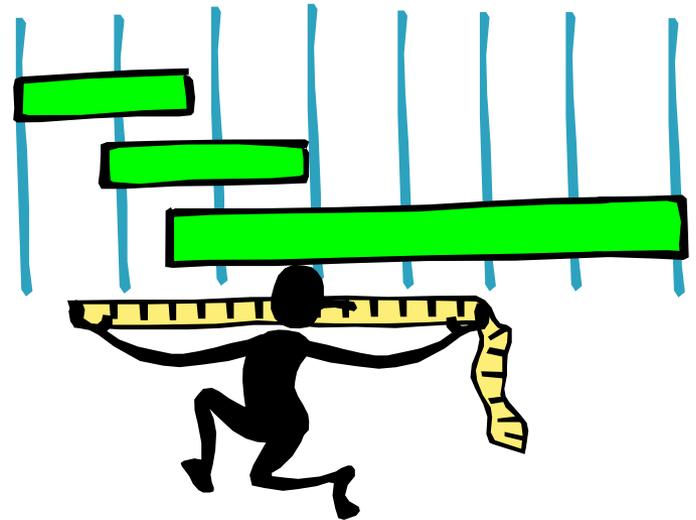
Financial Objectives

Outcomes focused on improving *financial performance*



Strategic Objectives

Outcomes focused on improving *long-term competitive business position*



Strategic Performance Fosters Better Financial Performance

- ▶ A company's achievement of satisfactory *financial performance*, by itself, *is not enough*
 - Financial performance measures are "*lagging indicators*" reflecting results of past decisions and actions
- ▶ Of equal or greater importance is a company's performance on measures of its *strategic well-being* — its *competitiveness* and *market position*
 - Strategic performance measures are "*leading indicators*" of a company's future financial performance and business prospects
 - Achievement of strategic performance targets
 - Signals growing competitiveness
 - Signals growing strength in the marketplace



Short-Term vs. Long-Term Objectives

▶ *Short-term objectives*

- Targets to be achieved soon
- Milestones or stair steps for reaching long-range performance

▶ *Long-term objectives*

- Targets to be achieved within 3 to 5 years
- Prompt actions now that will permit reaching targeted long-range performance later



AC 5.4 develop measures
for evaluating a strategy
plan

Developing Measures

- ▶ Creating good, solid measures is the first step to developing your performance scorecard. According to Olsen (2016) measures are quantifiable performance statements, and they must follow certain guidelines.
- ▶ Measures should be (Olsen, 2016):
 - Relevant to the goal and strategy
 - Placed in context of a target to be reached in an identified time frame
 - Capable of being tracked period after period
 - Owned by the person who's responsible for the goal

Different Types of Measures

- ▶ Olsen, 2016 identify the following types of measures:
 - **Efficiency measures:** These measures are productivity and cost effectiveness measured as ratio of outputs per inputs. Examples of efficiency measures include turnaround time per application processed and number of students graduating to number of students enrolled.
 - **Outcomes measures:** These measures are the end result of whether services meet proposed targets or standards and demonstrate impact and benefit of activities. Examples include the percent increase in internships and the application to enrolled yield rate.
 - **Quality measures:** These measures gauge effectiveness of expectations and generally show improvement in accuracy, reliability, courtesy, competence, responsiveness, and compliance. Examples of quality measures include number of audits with no findings or within a range of accuracy.
 - **Project measures:** These measures show progress against an initiative that has a terminus. The measure is usually stated as the percent complete.

Balanced Scorecard Approach – Strategic *and* Financial Objectives

- ▶ *Balanced scorecard approach* for measuring company performance *requires both* –
 - Financial objectives
 - Strategic objectives
- ▶ *Emphasis* on *financial performance* may *assess* *priority* over strategic performance *when* company's
 - Financial performance is dismal *and*
 - Survival is threatened
- ▶ *Otherwise*, management is advised to put more *emphasis* on achieving *strategic objectives*



The surest *path* to *sustained future profitability* year after year is to relentlessly *pursue strategic outcomes* that strengthen a company's business position and give it a growing *competitive advantage* over rivals!

Questions to Ask Yourself

- ▶ What causes this goal to occur?
 - ▶ What causes increased sales?
 - ▶ What causes operations to improve?
 - ▶ What causes an increase in market share?
 - ▶ What causes customer satisfaction?
 - ▶ What causes employee satisfaction?
- 

Possible Measures

Financial	Customer	Internal Business Processes	Employee & Learning
<ul style="list-style-type: none"> • Net sales (dollar growth and percent increase) • Gross profit margin • Pretax earnings (dollar growth and percent increase) • Operating expenses (SGA) as a percent of sales • Receivables turnover • Inventory turnover • Debt-to-equity ratio • Total equity dollars • Operating cash flow • Investing cash flow • Financing cash flow • Ending cash • Earnings per share • ROI, ROE, ROA 	<ul style="list-style-type: none"> • Improving image/reputation • Number of customer complaints • Percentage market share • Number of customers retained • Customer satisfaction • Dollars per account • Time spent with customer • Revenue per customer • Number of transactions per unit time • Average sales dollars per transaction • Customer satisfaction index • Number of customers • Number of new customers • Ratio of new to existing customers • Average sales per customer 	<ul style="list-style-type: none"> • Percentage operating costs • Billable efficiency • Quality of product/service • Defects ratio • New product success rate • Cycle time to deliver • Project turnaround time • Number of defects or returns • Delivery times • Delivery response time to customer • Number of test market trials • Relative product quality • Number of new products • Number of products produced • Average cost per product • Number of products sold 	<ul style="list-style-type: none"> • Employee retention • Employee satisfaction • Number of quality resumes on hand • Employee turnover • Number of ideas in the pipeline • Number of employee suggestions • Percentage of employees who are systems efficient • Average sales per employee • Number of net new positions • Number of relevant trainings attended

Source: KPI Library Website

Assessment Criteria

- ▶ Class Discussion:
 - ▶ For AC5.3

 - ▶ For AC5.4
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Further Reading

1. http://socrates.berkeley.edu/~pbd/pdfs/Strategic_Planning.pdf
2. <http://www.subr.edu/assets/StrategicInitiatives/ORSI/StrategicPlanFrameworkandTemplate-SouthernUniversityandA&MCollege.pdf>
3. <http://smhp.psych.ucla.edu/pdfdocs/partnership/scpart4.pdf>
4. <http://kpilibrary.com/>

References

- ▶ Youth Net Strategic Plan 2013–2016 retrieved from <http://www.diycommitteeguide.org/resource/example-strategic-plans>
- ▶ Olsen, Erica (2016) Strategic Planning Kit For Dummies, 2nd Edition retrieved from <http://www.dummies.com/how-to/content/how-to-measure-your-strategic-plans-success.html>
- ▶ Thompson, Arthur, Strickland A.J, Gamble, John (2005) Crafting and Executing Strategy: The Quest for Competitive Advantage, Concepts and Cases, 14th ed. McGraw–Hill/Irwin Company