

ENGG5001

Management for Engineers

Strategic Planning



Definitions

- Strategic planning sets the goals, purpose and direction of a company
- Strategic planning focuses on identifying worthwhile future activities
- Strategic planning assures that the company applies its resources effectively to achieve the short- and long-term goals of the company

(Chang,p.22-3)



Strategic planning addresses:

- A company's mission, vision and value system
- What business the company should be in
- Does the company need to change its products, markets, production?
- What specific goals should the company pursue
- What business networks should the company pursue
- What core technologies should the company pursue?

(Chang,p.23)

Strategic planning is inexact

- “Strategic planning requires ... strategic thinking” (Chang, p.24)
- Strategy – a course of action intended to achieve a strategic objective
- Strategic – serving the ends of a strategy
- Strategic thinking involves synthesis that requires intuition and creativity



Strategic thinking is a necessary but over-rated element of business success. If you know how to design great motorcycle engines, I can teach you all you need to know about strategy in a few days. If you have a PhD in strategy, years of work is unlikely to produce a great motorbike.

(Richard Rumelt, CEO, Harley- Davison)



Assumptions underlying Strategic Planning

- Rationalist – the future can be planned
- Incrementalist – the world is too complex so we should be experimental



Strategy is actually very straightforward – Jack Welch

- First come up with a big ‘aha’ for your business about a smart sustainable way to gain a competitive advantage
- Then put the right people in the right jobs to drive it forward.
- While you are doing this relentlessly seek out best practices wherever you can, that can be adapted, improved and adopted.



Difficulties of Strategic Planning

- Prediction of the future – growth of the use of foresight techniques
- Applicable experience and insight – the specific knowledge of the company and the strategic planner(s)
- Uncertain process of strategy making – not a deductive science

(Chang, p.25-6)



Process of Strategic Plan Formulation

1. Business Purpose – vision and mission
2. Situation review – internal and external analysis (SWOT)
3. Formulation of business strategies
4. Implementation – communication, resource allocation, metrics

Stages in the Evolution of Strategic Planning

1. Financial planning to meet the budget
2. Forecast-based planning through multi-year budgets
3. Externally oriented planning through situation analysis, evaluation of strategic alternatives, to position for the future
4. Strategic management via a well defined but flexible strategy, with strong strategic thinking capability, to create the future



Tools for Strategic Planning

- Market research
- SWOT analysis
- Financial modelling
- Performance benchmarks
- Technology forecasting/foresighting – check Chang's examples
- Product life-cycle analysis

(Chang pp. 28-32)




Enhancing Strategic Management through Foresight

- Visions and Goals
- Analysis of the External Environment
- SWOT Analysis
- Strategic Intelligence
- Strategic Conversation



Four key attributes of strategic management

- is directed at organisational goals
 - includes multiple stakeholders in decision-making
 - incorporates short-term as well as long-term perspectives
 - recognises trade-offs between effectiveness (doing the right thing) and efficiency (doing things right)
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The Principal Benefits of Strategic Planning

- To formalise what is being informally thought
- To focus management on the longer-term
- To identify possible critical weaknesses
- To better address the challenges of a fast-moving future
- To achieve alignment of purpose among staff
- To check if you are going where you think you are



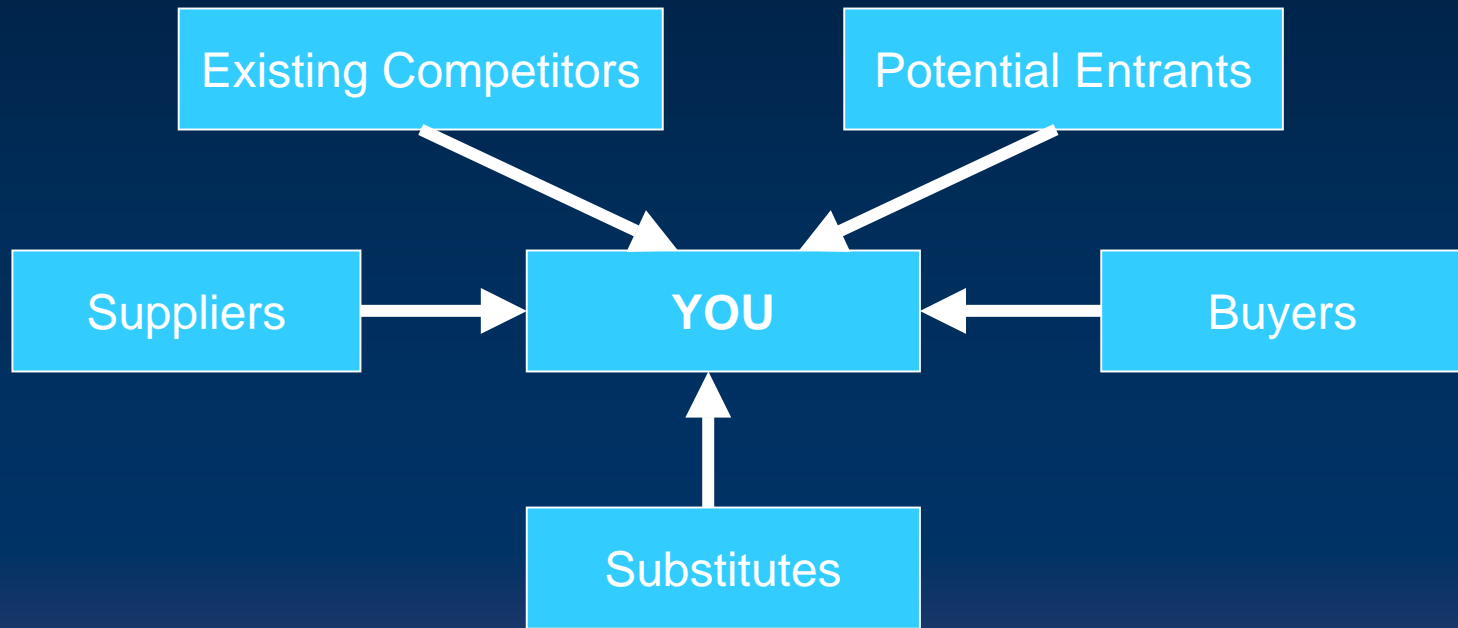
Causes of Failure in Strategic Plans

- Not thinking strategically – too narrow, too short-term
- Not identifying critical success factors
- Not having both an internal and external focus
- Lack of long-term commitment
- Reluctance to take hard decisions
- Insufficient flexibility
- Inadequate communication of the plan

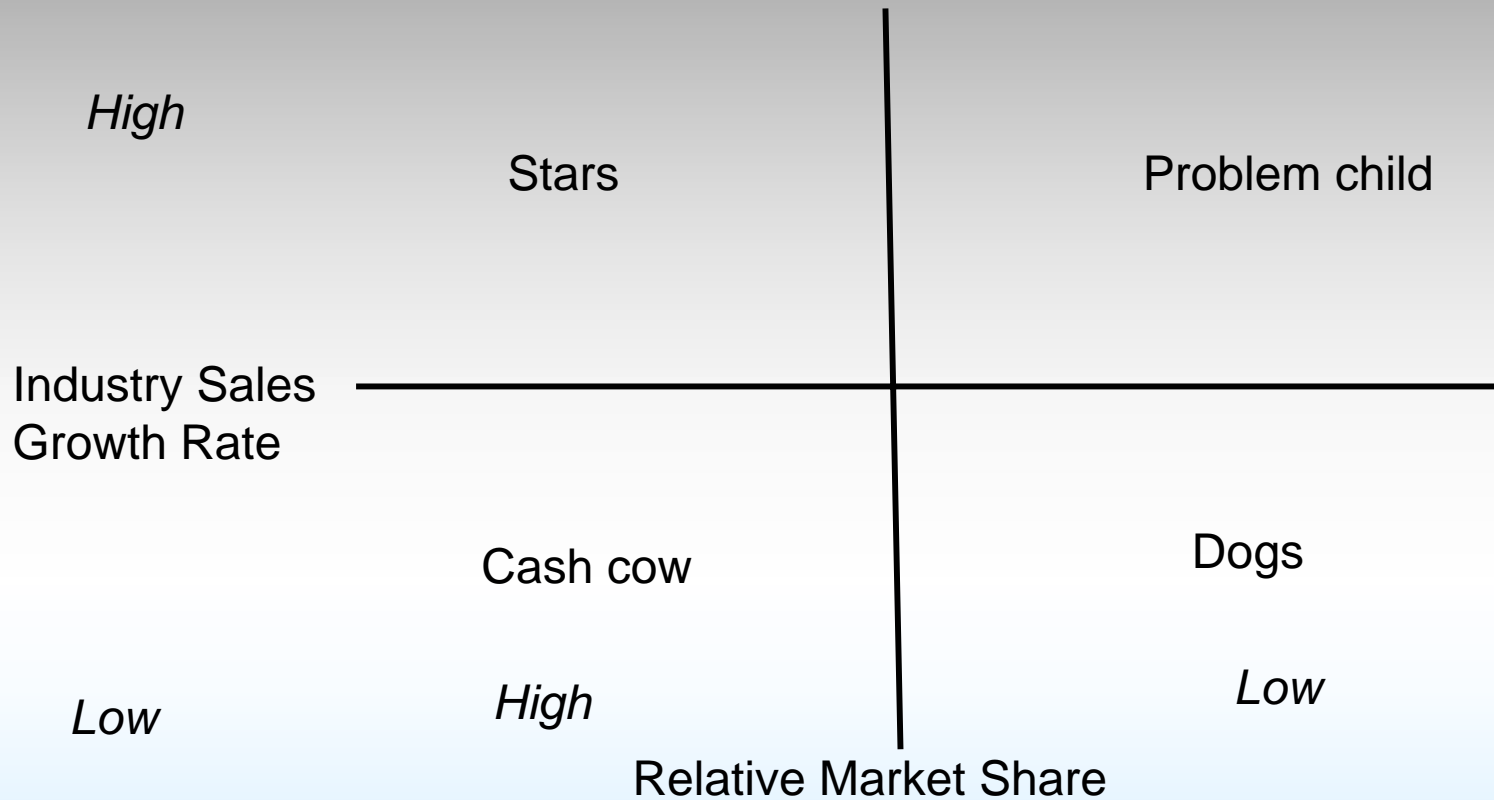
(Chang, p.26)



Porter's Strategic Framework



• Boston Consulting Group's Strategic Framework



New Rules of Global Enterprise

1. Product-centricity to customer-centricity
2. Mass production to mass customisation
3. Protracted value chains to speed-based competition
4. From a job to a contractual relationship
5. From value in material objects to value in knowledge and services