AILERON'S APPROACH TO

STRATEGIC PLANNING

Aileron®

Why Do We Plan?

It is not enough to do more of the same in the future and expect to succeed.

Planning pulls the entire organization together around a single game plan for execution. It helps to establish what you will accomplish in the future and forces you to make choices on what you will do and what you will not do as an enterprise.

The definition of planning is rather simple. It is the rational determination of:

- Where you are now
- How you got there
- Where you want to go
- How you will get there
- When you will arrive
- How much it will cost in time, people, and money

Said another way, planning is a decision-making process by which organizations create focus by setting objectives and employing strategies and action plans to achieve them. The process emphasizes present-day decisions that will have a significant impact in the future.

OVERVIEW OF A PLANNING PROCESS

ANY PLANNING PROCESS WILL WORK – if management teams would just stick with the one they choose. Planning is a change process, and it takes time to be accepted as a useful tool for running the business. Regardless of the process you choose, the goal is to create focus for the business.

Said simply, strategic planning is the process of evaluating all of the things an organization could do – and then narrowing it down to the few areas where there is competency and business fit.

The model below and following explanation describes Aileron's approach to strategic planning.

Courtesy of Shamrock Group

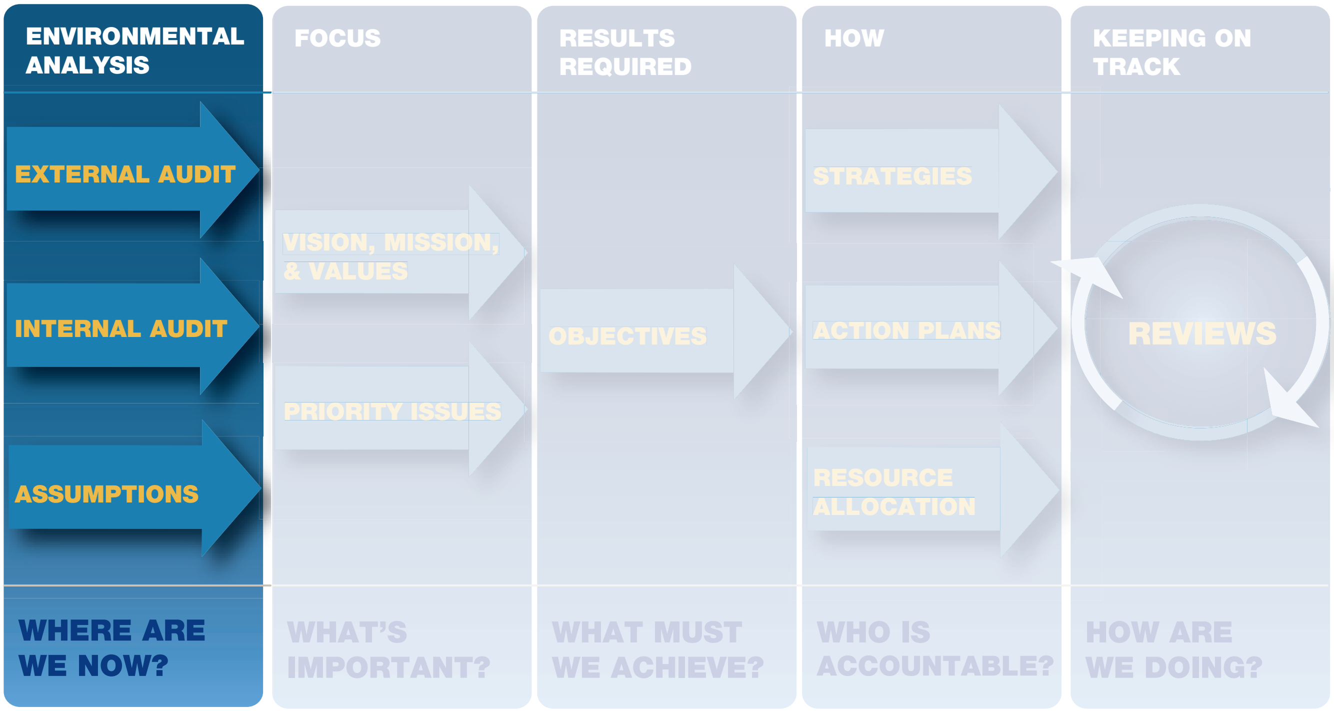
ENVIRONMENTAL ANALYSIS

The first column in the planning process is the most difficult to address. It requires an organization to collect and analyze data, without bias, in order to paint a picture of reality. Once these data are translated into meaningful information concerning the marketplace, competitive environment, and the organization's competency, assumptions are made as a basis for planning.

External Audit – The external audit requires you to think about important trends or activities in the external environment that may either help or hinder your organization in your planning period. You are trying to define operating reality, so the information gathered must be factual. It is either happening currently or has a high probability of occurrence in the future. Consider trends in these seven factors: social, economic, political, technological, legislative, markets / customers, and competition.

Internal Audit – The internal audit requires you to think about the current status of your organization. In other words, what are your organization's current capabilities? An important tool needed to do this is a SWOT Analysis. This analysis is critical to helping an organization define its competitive advantage, identify vulnerabilities to be overcome, and prepare to take advantage of opportunities to grow and prosper in the future.

Assumptions – These are the key planning assumptions that will impact your organization over the planning period. Said differently, these are the key environmental factors upon which the success of the plan rests. Your external and internal audit will help you identify these factors, which may include future market conditions, size, growth rate, pricing, competitive situation, people competency, and the cost of key resources such as people, materials, and capital.



Courtesy of Shamrock Group

FOCUS

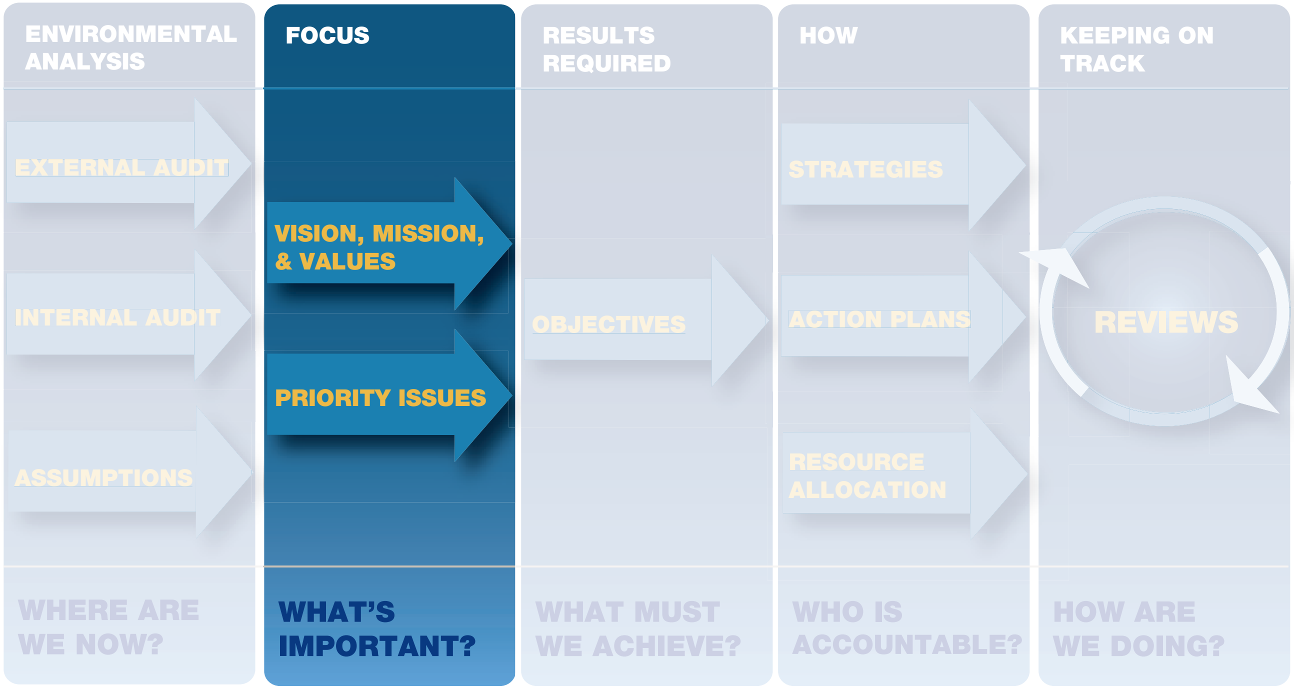
The second column focuses on where you want to take your organization over time. It sets the direction of the enterprise over the long term and clearly defines the mission (markets, customers, products, etc.) and vision (conceptualization of what your organization's future should or could be). From this analysis, we arrive at the priority issues or the focus of the plan.

Vision – The vision is an ideal state and should describe where you want to go. It is written in the future tense, and describes exactly, and with total clarity, what you want the business to become. It's the ideal state of the business and is intended for internal use, so that every employee knows exactly where the business is headed. The vision should provide a clear finish line, serve as a unifying focal point of effort, and engage and motivate people. It should be attainable, believable, easily understood, and worth stretching for.

Mission – The mission is the company's purpose in life – why it exists. It's a brief statement that summarizes its reason for existence. It's typically written in the present tense, focusing on your current business and precisely defining what you do.

Ideally, the mission conveys the unique nature of your organization and the role it plays that differentiates you from others, explaining the basic needs that you fulfill while capturing the soul of the organization. The mission reflects people's idealistic motivations for doing the company's work, and it inspires change – although, it does not change itself.

Values – A company's values should explain how you do things. They are the principles that guide the organization. This includes providing direction for internal conduct as well as for the organization's relationship with the external world. As part of the culture, values should apply to the entire company providing the underlying framework for making decisions, solving problems, and servicing customers. Your beliefs and values are closely related in that beliefs are what your values are based on. Thus, what you believe determines what you deem valuable. A company-wide understanding of your values and beliefs promotes effective decision making and a consistent way of doing things.



Courtesy of Shamrock Group

FOCUS (continued)

Priority Issues – This is the starting point of the process or the focus of the plan. By definition, priority issues are those issues so significant to the overall well being of the enterprise that they require the full and immediate attention of the entire management team. These are the make-or-break issues – either limited windows of opportunity or significant problems. Understanding what your SWOTs and assumptions are telling you will better enable you to understand those make-or-break windows of opportunity or significant problems in a complex operating environment.

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RULE OF THREE

When you do the analysis properly, you end up with no more than three strengths, three weaknesses, three opportunities, and three threats. We do the rule of three because we want you to focus on things that matter.

RESULTS REQUIRED

The third column defines the expected outcomes (objectives) that clearly state what must be achieved to address the priority issues.

Objectives – Simply stated, objectives are what you intend to accomplish and are measurable in terms of time, quantity, and / or dollars. Said more emphatically, objectives are the minimum acceptable standard of performance for an organization. It is not enough to give your best effort; objectives must be achieved within the defined planning period.

One way to ensure the appropriate specificity of objectives is to use the following SMART-O acronym as a guide:

- **S** – Specific (be precise about what you're going to achieve)
- **M** – Measurable (quantify – i.e., time, people employed, money invested, profit, etc.)
- **A** – Achievable (without attempting too much, still requires the organization to stretch)
- **R** – Realistic (make sure you have the resources, and the organization must believe it can be accomplished)
- **T** – Time sensitive (must be accomplished within the planning horizon)
- **O** – Outcome-based (focus on making the objective based on an outcome)

In developing strategic objectives, only set objectives if you are prepared to commit the necessary resources to achieve them. While this may sound obvious, it is often a difficult task for organizations to address because they are being asked to provide resources today for an outcome that may not be realized for several years.

Courtesy of Shamrock Group

HOW

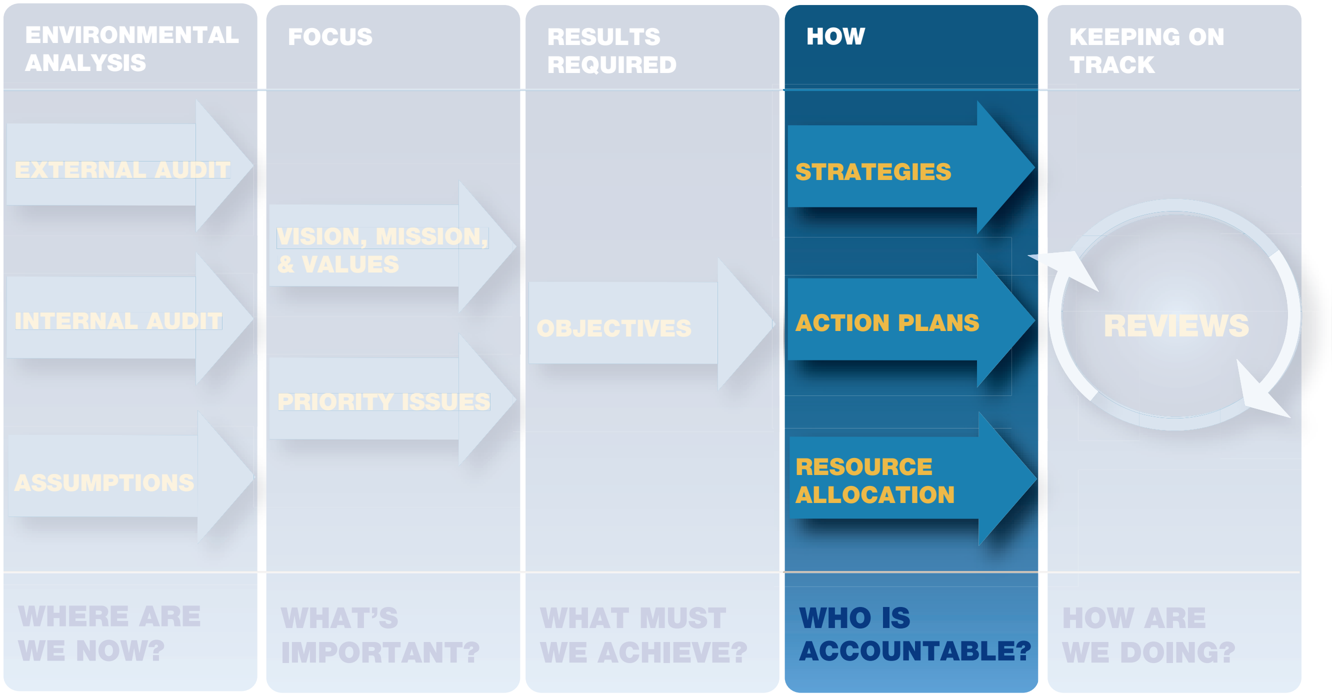
The "how" of the planning process is the logic of how you will implement your plan. The strategies, action plans, and budgets are all steps in the process that effectively communicate how time, people, and money will be spent to address the priority issues and achieve the defined objectives.

Strategies – Strategies are the means, the ways, the hows, and the detailed methods by which organizations accomplish their objectives. They are coordinated actions that lead to the accomplishment of the priority issues identified. Some strategies are very broad and grand and originate at the highest levels of the organization ("We will grow by acquiring other companies in our industry."). Or, they may be very narrow and originate at a department level ("We will install a new information system that will better track on-time delivery."). There are various types and levels of strategy throughout the organization. At the highest levels of the organization, the focus should be on direction. As strategy moves through functional and departmental levels of the business, the focus shifts from direction to execution.

Action Plans – The final step in the strategic management and planning process is to develop specific action plans that decide the "who, what, when, and how much" that is needed to accomplish the strategic programs identified. Action plans should include the expected impact (cost and gain) of the program, time and people resources required, and any coordination required between other groups or departments if this course of action is to be pursued. Action plans are where the "rubber meets the road" in the strategic management and planning process, and they're means for monitoring the effectiveness of your overall strategy.

Action plans put the life in strategy. They need to be developed for each strategic priority issue, any new elements of the mission and vision, strategic objectives, and overall strategic programs.

Resource Allocation – In order for this process to be successful, you will need to budget and prioritize how time, people, and money will be allocated to address the priority issues in order to achieve the defined objectives. It's helpful to schedule your strategic planning prior to updating annual budgets so you can adjust them to align with the strategic plan.

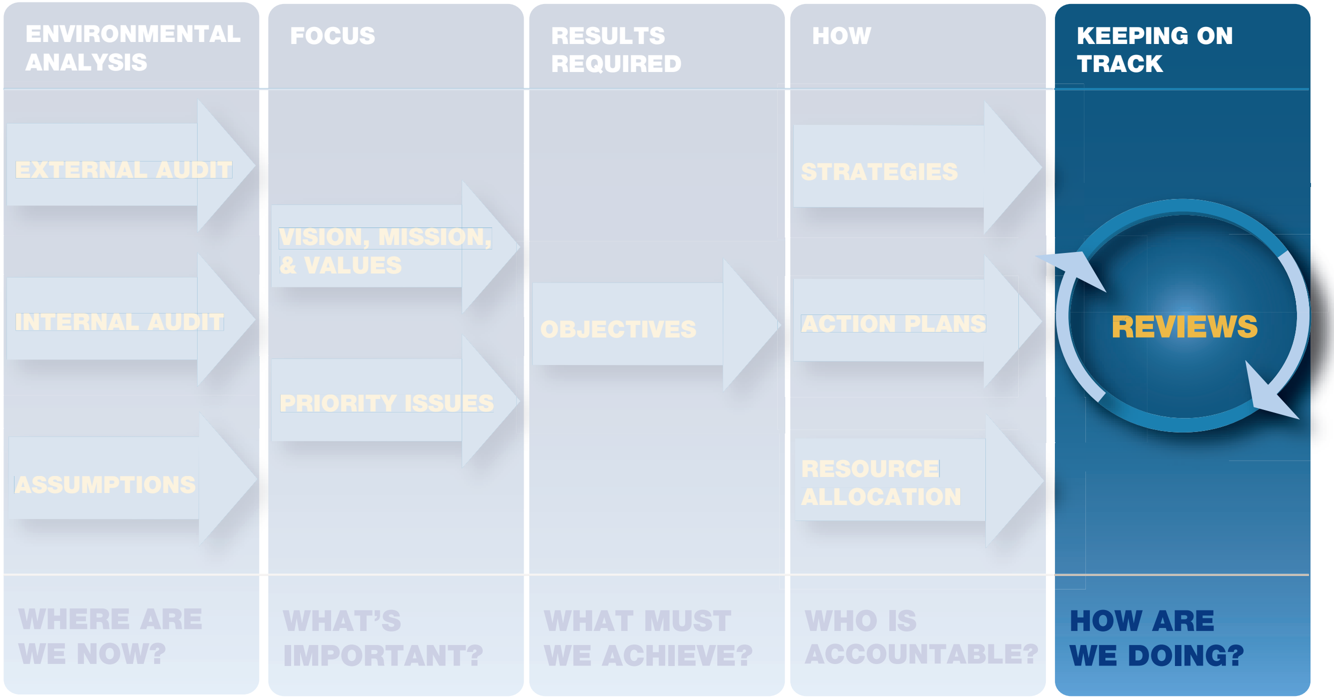


Courtesy of Shamrock Group

KEEPING ON TRACK

The fifth column is the final step. As you implement the plan, you need to monitor and keep it on track. In order to ensure that the plan performs as designed, it is important to hold regularly scheduled formal reviews. Aileron's belief is that these reviews should be held at least quarterly – ideally monthly. Each action plan needs to be reviewed until it is completed or until it is abandoned as an issue.

Reviews – During the review process, it is crucial to ensure that all strategies, action plans, and objectives continue to align with your vision, mission, and priorities. Review meetings should discuss what's working well, not working well, and evaluate what changes need to be made to the plan. You can review your plan in other ways, too, by implementing other business controls, such as dashboards. Regardless of your review method, as changes are made, continue to allocate and / or re-allocate strategic resources as needed. Changes also require maintaining clear communication on any / all changes made to the plan. Throughout the review process, continue to motivate and assess your teams and individuals for their progress and contribution. Finally, Aileron recommends reviewing your entire plan once a year, which means going through the strategic planning process on an annual basis.



Courtesy of Shamrock Group

Planning Is a Process

Patience, patience, patience!

Keep in mind that strategic management and planning is a change process. It takes time to develop and be assimilated into your business process. At the beginning, most organizations tend to focus more on short-term, "fix-it" issues than on long-term strategy. It often takes years before your process is fine-tuned and you reap major strategic results. Eventually, strategic planning will be an annual process that you continually improve. For the first few years, here's what changes to expect:

Year one: The first phase of planning is the phase when management teams decide it is time to do something about their strategic situation. While some progress is made in developing the mission and vision, agreeing on priority issues, and developing action plans, the results are modest at best. Why? Because the organization has not bought into it yet. Some will become believers, many will see it as an interesting educational experience, and others will sit on the fence waiting to see if anything changes. At this stage, there are often as many people anxious for it to work as there are those who are anxious for it to fail.

Years two and three: This is the point where more people become involved and where the planning process starts to become part of the organization's business process. As barriers to success decline, more people are willing to give it a try. It is easier to delegate responsibility and to install measures of performance. Nonproductive products, people, and business segments are replaced and overall results improve.

Years four and beyond: The process is fully installed throughout the organization. The business is experiencing significant strategic and operating results and is in a strong position against its competition. Strategic management is now a way of life, and the organization embraces constant strategic renewal as a normal process within the company. Top management's responsibility is to ensure that the process is not placed on autopilot. They must challenge the organization to constantly review changes – in both the inside and outside environments.

Why Plans Fail?

Remember that it takes time for any new process to become culturally accepted within an organization, and this is certainly true of any planning process. Things that will derail a planning process include:

- Organizations that pay lip service to planning and go through the motions because common sense says every good organization must have a plan
- Planning teams not paying attention to changes in the environment, not setting meaningful priorities, and not understanding the need to pursue end results
- Business owners, CEOs, presidents, and senior executives who are not fully committed or don't fully understand how a planning process may improve their enterprise
- People who are charged with executing the plan that have not been involved in the process of creating the plan
- Writing the plan and putting it on the shelf (If the plan is to be an effective management tool, it must be used and reviewed continually.)
- Your current business not being under control (The proceeds from your business should be the primary source of investment capital for the future. If it is not in control, strategy development is extremely difficult.)
- An unwillingness to change as market conditions change
- Organizations, especially smaller ones, with average people in key positions (Too often, the wrong people are in leverage positions, and management is either unable or unwilling to deal with the problem.)
- Ignoring marketplace reality, facts, and assumptions (Management cannot discount potential problems because they have not had an impact yet.)
- Not being tough enough once the plan is developed and resources are committed (There must be consequences for not delivering on the strategy.)
- Plans that lack focus (Too many goals, too many objectives and programs, and not enough resources to do the job)

By avoiding these pitfalls, you will create an effective planning process, build a realistic business direction for the future, and greatly improve the chances for successful implementation of your strategy.

Courtesy of Shamrock Group

GETTING STARTED

Do you need a trusted guide to assist you with the strategic planning process? Not to worry…Aileron is here to help! We offer different strategic planning services to choose from, depending on your unique needs. A business advisor will provide you with support and advice as you tackle key elements of planning. Please contact Aileron's client development team with questions or to learn more about our strategic planning services.

Aileron

8860 Wildcat Road Dayton, OH 45371
1-937-669-6500 or toll free 1-888-880-6139
www.Aileron.org