Techniques for Strategic Thinking and Planning

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January 2021

A Few Notes...

• Recording
  – We are recording this webinar and will email you the link to view the replay within 48 hours.

• Handout of the Webinar
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• Questions during the webinar
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  – We will answer as many questions as time permits at the end of the webinar.
When your organization gathers to discuss the coming year’s strategic plan, often the review team defaults to the typical tools used year after year to conduct the annual strategy review. While that process may have carried the organization’s strategy in the past, there are more than enough signals that the organization has to widen their view and understanding of drivers of change on the organization.

Current pandemic and economic times have forced to the forefront the need for organizations to employ additional techniques to identify possible strategic directions through likely scenarios the organization might face, how the periphery is providing challenges to the firm’s current business model through technological and social changes and what might the future bring into the organization’s landscape periphery of where it conducts business and how it conducts business.

Does the organization need to get in an offensive or defensive position in order to survive into the future?
The problem with the future is that it is different, if you are unable to think differently, the future will always arrive as a surprise.

Gary Hamel
Textbook Definitions

Scenario Planning

Scenario planning is a powerful tool for anticipating and managing change on an industry level or environmental level, and scenario thinking is the strategic perspective necessary in today’s turbulent business environment.

Scenario thinking incorporated into scenario planning is useful in almost any strategic question in today’s businesses.

Scenario planning is clearly the link between futures thinking and strategic action, between creative, innovative and imaginative futurizing and the more hands-on strategic planning. And strategic planning, or strategizing, without scenario thinking is more or less pointless.


Strategic Foresight Analysis

Foresight is thinking about the future to inform decision making today. Using foresight allows us to take a forward view to identify possible, plausible and probable futures and then to develop a preferred future.

The future is characterized by uncertainty, complexity and much that we simply cannot yet know. More significantly, we do not know what we do not know. Foresight has value because it allows us to acknowledge uncertainty and seek to better understand it, not try to explain it away with predictions.

Conventional strategic planning processes have become tired, formulaic and rarely produce truly innovative and futures ready strategy.

**Textbook Definitions**

**Inflection Point Analysis**

A strategic inflection point is a time in the life of a business when its fundamentals are about to change. That change can mean an opportunity to rise to new heights. But it may just as likely signal the beginning of the end. An inflection point occurs where the old strategic picture dissolves and gives way to the new, allowing the business to ascend to new heights. However, if you don’t navigate your way through an inflection point, you go through a peak and after the peak the business declines. 


An inflection point is a change in the business environment that dramatically shifts some element of your activities, throwing certain taken-for-granted assumptions into question.


**Needed Base Elements to Use the Techniques for Strategic Thinking and Planning**

- **Mission**: Purpose: what we do
- **Vision**: Picture of the future
- **Perspectives**: Different view of organizational performance
- **Strategic Goals/Priorities/Themes and Results**: Main focus areas (pillars of excellence): driving key results
- **Strategic Objectives and Strategy Maps**: Key strategy components connected to tell a cause-and-effect value creation story
- **Key Performance Indicators - Measures and Targets**: Captures whether an organization is performing at the desired level or not
- **Strategic Projects/Initiatives**: Projects and action plans that drive results
Tools to Develop the Base Elements in Order to Use the Techniques for Strategic Thinking and Planning

Customers / Stakeholders Groups

<table>
<thead>
<tr>
<th>Customer Value Proposition</th>
<th>Needs</th>
<th>Attributes</th>
<th>Image</th>
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<tbody>
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<td>Customers</td>
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<td>Stakeholders</td>
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Product (Service) Attributes

- Function
- Quality
- Timeliness
- Economics

Image

Relationship

Tools to Develop the Base Elements in Order to Use the Techniques for Strategic Thinking and Planning
The Horizons of Strategic Innovation

Horizon 1
- Extend and defend core businesses
- Core – innovation in existing operations and markets

Horizon 2
- Build emerging businesses
- Adjacent – innovation in new but related areas of business and markets

Horizon 3
- Create viable options for new businesses
- Transformative – innovation to create new businesses and markets

Profit Performance vs. Time (years)

Source: Adapted from The Alchemy of Growth, Baghai, Coley, White (1999)

Start by Asking These Questions

1. How could we increase sales and services to the same customers or constituents with the same product or services mix?
2. How could we extend the business by selling existing products or services to new customers or constituents?
3. How could we grow by introducing new products and services?
4. How could we expand sales by developing better delivery systems for customers?
5. How and where could we expand into new geographies?
6. How much could we grow by changing the industry structure through acquisitions or alliances?
7. What opportunities are there outside existing industry or our structure boundaries?

Source: Adapted from The Alchemy of Growth, Baghai, Coley, White (1999)
The Horizons of Strategic Innovation

Horizon 1
- Core – innovation in delivery of existing operations, and programs and services

Horizon 2
- Improve the cost-effectiveness of existing programs and services

Horizon 3
- Transformative – innovation to solve problems with new solutions and/or new partners

Program and Service Reach and Effectiveness vs. Time (years)

Start by Asking These Questions

7. How can we improve the cost-effectiveness of our programming to “do more with less”?
6. How much could we expand our services’ reach by building partnerships with other stakeholder groups?
5. How can we expand into new service areas or localities not currently served?
4. How could we expand services by developing better delivery systems or improving current delivery systems for our stakeholders?
3. How could we involve other stakeholder groups to reach more constituents?
2. How could we extend program reach by offering services to new stakeholders?
1. Do we have a clear understanding of stakeholders’ needs, and the available programs and services to satisfy those needs?

Source: Adapted from The Alchemy of Growth, Baghai, Coley, White (1999)
Cycle of Enhanced Strategic Performance Review – Thinking – Planning

Strategic Performance Review

Quarterly Strategy Review
Annual Deep Dive of Corporate Strategy

Strategic Thinking and Planning

Scenario Planning
Corporate Strategy in Play
Inflection Point Analysis
Updated Corporate Strategy in Play
Strategic Foresight Analysis

Critical Success Factors For Long-Term Sustainability
AKA: How to Protect Your Investment in Your Strategy Plan

Engaged Leadership
Strategy Communications and Change Management Incorporated
Fact-based Decision Making
Strong Project Management Discipline
Long-term Commitment
Motivated Behaviors
Introduction to Scenario Planning
What is the Value of Scenario Planning? (The Why)

- **Rise in uncertainty and unpredictability** in the current environment favors flexibility found in scenario planning rather than forecasting.

- Allows policy makers to **explore possible future outcomes** by making and learning from mistakes without committing resources.

- “What if” analysis that **considers combinations of multiple uncertainties rather than limiting to one variable** as in traditional planning disciplines.

- **Leverage creativity and points of view from various personnel** across the company without significant time commitments.

- Cross-departmental **participants in the session can serve as ambassadors** to communicate key messages.

- Allows for **identification of “no regrets” activities** that can inform investment decisions.

Scenario Planning Sessions (The How)

- **Research**
  - Identify stakeholders and participants (CVP)
  - Review SWOT
  - Define key question

- **Scenario Components Identification**
  - Brainstorm and cluster external forces
  - Identify linkages, dependencies
  - Identify assumptions

- **Scenario Definition**
  - Enhance & develop scenario narratives
  - Analyze certainties and uncertainties

- **Scenario Implications**
  - Identify scenario indicators & implications
  - Determine strategic responses & tactics
  - Define initiatives supporting responses

- **Communication & Additional research**
  - Communicate session output
  - Identify areas for additional research
  - Define initiatives supporting responses

- **Action Planning Session**
  - Incorporate scenarios and additional research
  - Create action plan

**Scenario Analysis Session Results**

- Scenario narratives
- Scenario indicators implications
- Strategic responses
- Critical actions to support responses
Scenario Planning
When is Scenario Analysis Appropriate?

Scenario analysis can be used when the potential for big changes has been identified either within or outside a company.

- M&A activity
- Industry growth / consolidation
- Economic effects
- Changes in regulations
- New competitor
- Competitor strategic actions (i.e., mergers, divestitures or investments)
- Supply Chain disruption
- Supplier consolidation / expansion
- Increase / decrease in material costs
- Changing customer needs
- Changing market realities
- Shift in market dynamics (e.g., M&A activity)
- Replacement and alternative products and services
- Disruptive technologies
- Changing market realities
- Shift in market dynamics (e.g., M&A activity)

Scenario Planning Approach Characteristics

Scenario Planning...
- Challenges assumptions
- Identifies multiple plausible futures
- Welcomes creativity and imagination
- Can be applied to specific situation (e.g. competitor actions) or broader macro situations

Scenario Planning is NOT...
- An attempt to predict the future
- Contingency planning or a sensitivity analysis
- An alternative forecast
- Simple differences (good vs. bad, likely vs. unlikely)

Outside-in
- Environment
- Competitors/Industry
- Organization

Adapted from:
Scenario Planning
Scenario Analysis is NOT Forecasting!

Forecasting...
- Creates a single, official view of the future
- Limits contingencies to a narrow band of variation

Scenario Analysis...
- Prepares the organization for multiple, divergent futures
- Identifies extremes to minimize chance of surprises

Scenario Planning Sessions

1. Define the Key Question
Decide what you want to achieve and think about the time horizon you want to look at. This will be driven by the scale of the plans and scenarios that you want to test.

2. Gather Data
Next, identify the key factors, trends, and uncertainties that may affect the plan. If your plan is a large-scale one, you may find it helpful to do a SWOT, PESTLE or FIVE FORCES analysis of the context in which it will be implemented to identify political, economic, socio-cultural, and technological factors that could impact it.
3. Separate Certainties From Uncertainties
You may be confident in some of your assumptions, and you may be sure that certain trends will work through in a particular way. After challenging them appropriately, adopt these trends as your "certainties." Separate these from the "uncertainties" – trends that may or may not be important, and underlying factors that may or may not change. List these uncertainties in priority order, with the largest, most significant uncertainties at the top of the list.

4. Develop Scenarios
Now, starting with your top uncertainty, take a moderately good outcome and a moderately bad outcome, and develop a story of the future around each that fuses your certainties with the outcome you've chosen.

Then, do the same for your second most serious uncertainty.

Don't do too many scenarios in this step, or you may find yourself quickly hitting "diminishing returns."

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• Next webinars will continue with Scenario Planning wrap-up, cover Strategic Foresight Analysis and Inflection Point Analysis

• See Slide 27 to assess your Strategic Management Maturity. Very quick and insightful!

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Test Drive a Strategic Management Maturity Model™ Assessment

Once you have your SMMM Results, if you like, contact me to confirm a date/time for a conference call for a review and analysis of your results:

- San Jose, California Office: +1 408 826-4417
- Email: jdecarlo@strategymanage.com

Thank You!

Questions or further information contact:

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