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Six Steps to Successfully Executing a Strategic Plan

A strategic planning process (SPP) provides a systematic way of mapping the handful of key decisions that an organization must get right in order to survive—and thrive—during the next several years.

By definition:

Strategic = gaining a competitive advantage, long term

Planning = preparation for certainty

Process = systematic approach to a conclusion

The proposed annual six-step strategic planning process, shown in Exhibit 1 on the following page, may prove essential for those working in most corporations. It provides an opportunity for senior leaders to assist in formulating a company's strategic plan, implementing the strategic plan and connecting strategy and implementation to a rewards system.

If you want to accomplish a strategy, agree to focus on it, and then plan ahead to make it an ongoing process.

First, before starting the process, secure the commitment of the leadership team up front—or *quickly abort*. Bring the right people together. Those who carry out strategy should develop it. And remember, if you want to accomplish a strategy, agree to focus on it, and then plan ahead to make it an ongoing process.

The Six Steps of the Strategic Planning Process Steps 1-3, Strategy Formulation: Looking Within, Looking Around, Looking Ahead

Step #1 in the process consists of conducting an internal strategic audit—or critically *looking within* your own organization—to answer *where are we now?*

- Determine your competitive strengths—measurable attributes that make you better than your competition
- Determine your competitive weaknesses—what prevents you from achieving better results; identify recurring weaknesses

- Determine people opportunities, challenges and concerns
- Determine if you can finance the future

Takeaway: Never state a critical weakness unless you make a commitment to fix it.

Step #2 requires you to conduct an external strategic audit to identify trends—or critically *look around*—outside of your organization. Identify favorable and unfavorable trends and your largest single threat regarding:

- Customers and customer demand
- Products and technologies
- Competitors
- Economics
- Government policy (healthcare reform, regulatory, reimbursement, compliance, quality systems, etc.)

Takeaways:

- *Never select a future trend that is not supported by an existing one.*
- *When identifying the most favorable trend, determine how you can capitalize on it—and track it—over the next three years.*
- *For key favorable and unfavorable trends, ensure that you monitor and confirm a “trigger,” a pre-determined level that causes you to take action or make a change in strategy.*

Step #3 proposes that you identify critical planning assumptions, including opportunities and threats—by *looking ahead*:

Determine opportunities and threats related to:

- Market assumptions
- Key customers or repeat business
- Costs
- Key competitor analysis
- Line items (cash flow, P&L, balance sheet)
- Key technological improvements and forecasts

- Government policy assumptions and interactions
- People planning assumptions

Takeaway: Critically identify and openly discuss which opportunities and threats will have the greatest impact on future business performance.

The initial three steps—*looking within, around and ahead*—are the building blocks to develop the strategic plan. The next three steps will allow you to implement the strategic plan.

Steps 4-6, Strategy Implementation: Answering “The How,” “The What” and “Keeping Score”

Step #4 of the SPP consists of putting together measurable performance objectives (See the sidebar, 2013 Measurable Performance Objectives, on the following page), and answers *how*

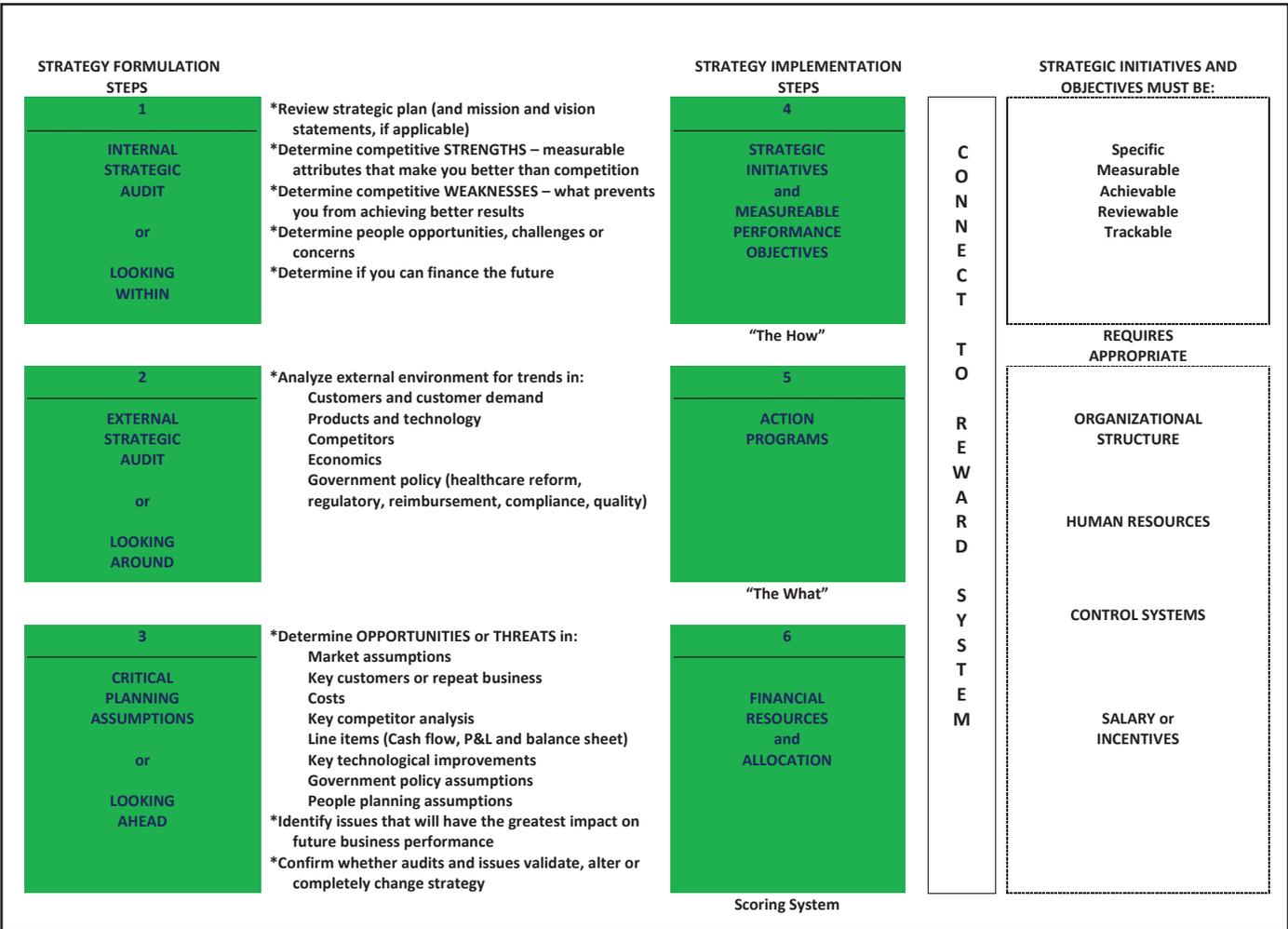
you can tell if your personnel are doing what will help the company be successful in achieving the agreed-to game plan.

Takeaways:

- If you have a plan, then have a system in place to measure and monitor performance.
- Ensure that objectives are SMART: *specific, measurable, achievable, reviewable and trackable.*
- Consider assigning accountability for objectives and making their progress transparent.

Steps #5 and #6 in the process consist of compiling action programs that answer *what* programs are needed to achieve the game plan, and then confirm the financial resources required to fund the action programs—how you will allocate resources to capitalize on opportunities and eliminate threats.

Exhibit 1: Strategic Planning Process Actions and Results



2013 MEASURABLE PERFORMANCE OBJECTIVES: A Sample

John Smith, Marketing & International Sales

1. **Objective:** Sales of key products: Achieve or support the achievement of 2013 budgeted sales of \$15.5 million (ABCD) and \$8.5 million (XYZ) products.

Measurement Criteria:

- Launch ABCD globally by end of 2Q13.
- Expand the ABCD marketing support package to monitor existing new competitors and meet emerging customer needs.
- Achieve international sales budgets of \$1.2MM (ABCD), \$1.1MM (XYZ), \$500K (EFG) and \$300K (MNO).

2. **Objective:** New product launches: Launch XYZ-LIGHT by 2Q13; EFG-LIGHT by 3Q13 and an outsourced generic by 4Q13.

Measurement Criteria:

- Achieve new product launches, with full clinical launch packages, on schedule.
- Achieve new product to sales ratio (2010-2013) of 20% in 2013.

3. **Objective:** Product phase outs: Review the current P&L by product line; identify phase-out candidates and achieve a reduction in inventory of \$150K at standard factory cost.

Measurement Criteria:

- Complete product line review by April 2013.
- Secure buy-in for phase-out products by May 2013.
- Achieve inventory reduction targets for phase-out products by December 2013.

Takeaway: Appreciate the difference between planning and executing strategy. Strategy typically requires only a small group of top managers; it is carried out over a shorter period of time, and success is measured by a completed plan. Execution requires everyone in the organization; it is carried out over longer periods of time, and success is measured by results achieved.

Connect Strategy and Implementation to a Reward System

Upon completion of all six process steps, connect objectives, action programs and budgets to a reward system. Tying a manager's evaluation and compensation to progress and successful implementation of objectives and action programs has been a proven winner.

Takeaways:

- Consider complementing shorter- with longer-term performance targets.
- Having the appropriate organizational structure and control systems in place will help connect strategy and implementation to rewards.

Keep the Plan Simple for Employees

The strategy and resultant objectives, action programs and budgets must also be translated in extraordinarily simple terms into something the organization can understand.

Takeaways:

- Most employees don't read thick plans. Don't make the translation of the strategy, objectives and action programs more complex than they need to be.
- Employees execute the strategy. Make it everyone's job, but ensure that each person knows how he contributes.

SPP Off-Shoot: Projects-of-Influence

Example: After taking the leadership team of a small, privately-held, revenue-generating company through each step of the SPP, the CEO decided to focus on strategy implementation—specifically, action programs (Step 5) and resource requirements (Step 6).

The CEO elected to prioritize the company's top "must-do" action programs. Given his belief in having agreed-upon road maps, scorecards, rewards and consequences, he coined his action programs projects-of-influence (POI) and developed a POI template which his team agreed should include the following information:

- Project name
- Priority level
- Purpose
- Milestones
- Measurement criteria
- Support team
- Planning assumptions
- Short-term financial benefit

The sidebar at right illustrates a fictitious and generic project-of-influence example related to an ISO Certification program.

Summary of a POI:

Following a second-time through the annual SPP with the same privately-held company, the CEO bought-in and decided to make it his goal to create an environment in his company that consisted of:

- Strategically-focused executives, with clear directions and expectations
- Objective-focused managers and team members who can effectively link people and objectives horizontally and vertically to back up the strategic plan
- A reward-centered environment with honest communication and openness, in which high quality work is appreciated and rewarded and poor performance is simply not tolerated

During a recent phone conversation with the CEO, he admitted that one of his previous “biggest pressing problems”—integrating the work of all functions into a cohesive whole so that the full force of the business can be placed behind its major objectives—had become much less of an issue thanks to the strategic planning process.

In conclusion, following the six-step strategic planning process won’t guarantee that you’ll make the right decisions, or that your strategy will be executed flawlessly. However, following the proposed SPP will certainly improve your odds for success.

The author wishes to thank a former coach and mentor, Maurice Mascarenhas, for sharing insights over the years regarding the Strategic Planning Process. McKinsey & Company, *FORTUNE Magazine* and Sigma Breakthrough Technologies also deserve recognition for all their research and publications about Strategic Planning.

Don Urbanowicz, principal of Urbanowicz Consulting, LLC, has a 30-year track record in the healthcare industry with a deal-making focus over the past ten years. Don has held prior senior management/leadership positions at Stryker, Smith & Nephew, Sofamor Danek and Aircast. He has successfully developed and implemented strategic planning and business development transaction life cycle processes. Please contact Mr. Urbanowicz at urbanowicz@du-llc.com.

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**“A” PRIORITY:
 A Project-of-influence Example**

Project: ISO 9000 Certification

Purpose: To have the necessary quality processes and standards in place to ensure ISO Registration at the Puerto Rico and New Jersey facilities so that we can service international customers.

Remaining: 10/12—B.S.I. to complete pre-assessment audit

Milestones: 12/12—B.S.I. to complete final certification audit

Measurement Criteria: Obtain ISO Registration for the N.J. facility by 1Q13. Note: ISO approval for Puerto Rico facility is expected in December 2012.

Support Team: Front Line, Executive Committee, XX, XX, XX and all N.J. employees

Planning Assumptions: “Refinements” to our procedures, as identified by Registrar, will be minimal (not to exceed 15 revisions) and resolved within 30 days.

ISO registration will be granted within 90 days of final certification audit.

Total investment to secure ISO certification will not exceed \$XX.

Short-Term Financial Benefit: \$100K operating profit in first 12 months after receiving ISO Registration generated from ABCD product sales in the United Kingdom, Germany, Austria, Switzerland and France.