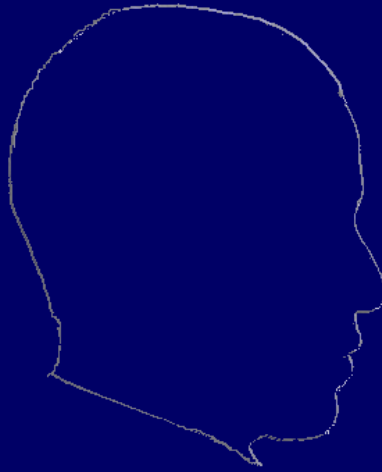


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STRATEGY BUILDER



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STRATEGY BUILDER

A practical guide to develop strategies.

Abstract

This document provides practical step-by-step guidance for the development and formulation of strategies in organisations of any size. The target audience is senior management, i.e. managers and executives.

The realistic outcome of strategies developed with the help of this guide are strategies, that are practical and implementable, because they are based on the relevant and prevailing facts in the organisation and because they are accepted and supported by the key actors.

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Document Information and Version History

Item	Info
Author	Ingo Rheinbay,
Custodian	new mind pty ltd
File Size	
Create Date	

Version	Date	Amendment
1.01	3.5.2009	Reformatted for download

1 The Strategy Builder

The Strategy Builder is a tool that guides you in creating and building strategies that you need to have in order to meet your organisation's long term objectives. The strategies that you will be able to come up with through The Strategy Builder are typically executed by one or more parts of the organisation - the **Strategy Area(s)** - for the whole or parts of the organisation.

The Strategy Builder can be very useful in creating strategies in addressing problems and concerns of your organisation's different departments, may it be a private organisation such as business or professional association or may it be a public office or in the public sector. Organisations' areas (the **Strategy Areas**) where strategies are needed most are marketing, purchasing, production, finance, ICT and human resources.

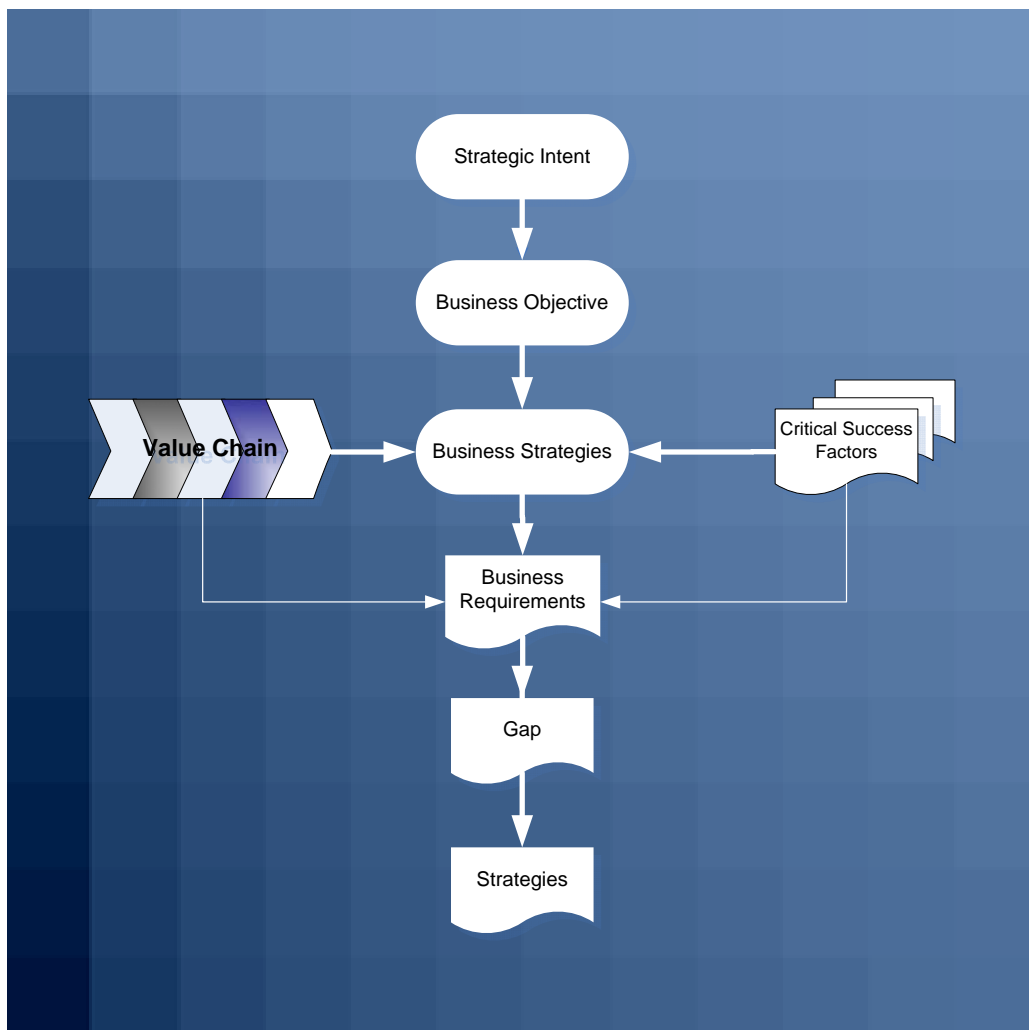
Concrete examples of these strategy areas are below:

Organisation's Section / Department	Concerns That May Need Strategies
Marketing Department	A distribution strategy, defining the way to distribute goods to the points of sale.
Purchasing Department	A materials' acquisition strategy defining the way to purchase materials for the production areas.
Production Department	A process strategy defining how to increase production at the least possible cost
Customer Service	An IT strategy, defining the way to provide IT services to a new business areas.
Finance	A finance strategy defining the areas of investment to maximise additional capitalisation
Human Resource	A human resource strategy defining how to continuously boost employees' morale

A full statement of a strategy defines the organisation's vision, strategies and tactics that will enable the organisation reach its objectives, the resources required, the milestones, the people responsible in each step and the risks and external factors that are anticipated to affect the operations.⁴ All these are detailed in the following chapters.

2 Principles of Strategy Building

Below is an illustration of the Principles of Strategy Building where the process of creating the necessary and needed strategies is shown in a diagram to picture the connection of its different components. Its components are the strategic intent, business objectives, business strategies, value chain, critical success factors, business requirements of the area, gap (actual vs. requirement) and the strategies.



3 Strategic Intent

Strategic Intent is the statement that could also be called 'Mission Statement' of the project (not the organisation). It contains the high-level, often strategic objectives of the business for this project. The Strategic Intent is usually forward looking and has a positive meaning.

This strategic intent requires building emotional energy and developing a compelling vision among the people involved in it. It makes them decide to embrace it enthusiastically primarily because it is worthy of their attention and that it challenges them to grow.³

Using the organisation's departments mentioned above, here are some examples of strategic intent:

Organisation's Section / Department	Strategic Intent
Marketing Department	Improved mutual understanding of the Marketing and Logistics business units.
Purchasing Department	Effective means of bringing in supplies for the production of goods and materials.
Production Department	Efficient way of maximising labour and materials for the production of high quality products.
Customer Service	Providing the highest possible satisfaction to customers through the use of information technology for better services.
Finance	Sound understanding on how to prioritise areas of investment.
Human Resource	Morally uplifted workforce who is at the same time highly productive.

The statement of strategic intent should be brief, yet unambiguous and convey the correct message to all levels of staff in the organisation. It often serves as the source for ideas to name the project.

The Strategic Intent should be agreed upon by all executives and top managers, particularly by those affected by it and those involved in the project and the consultant / project manager which comprise the planning team.

The planning team should collectively identify and obtain all the necessary resources that will enable the strategy and this necessitates a very strong commitment of mid-level managers.³

The level of commitment of each concerned individual should be clearly stated and be made visible in the form shown in Appendices A and B.

The statement of the strategic intent should communicate a vision, the essence of the strategy, enthusiasm and excitement that can rally the team to action.³

The strategic intent can surface through a collaboration of those who are involved in the project. Such collaboration can be done successfully by going through a process of (1) identifying and stating the purpose of the strategic intent; (2) having a working agreement among the person involve in the strategy building during a meeting; (3) identify and write down the names the persons involved together with their involvement in it, their level of agreement, the date and event they made the decision to get involved. All these are summarised in the Procedure for Strategic Intent Form found in Appendix A.

After going through the process mentioned above, the concerned individuals should be able to come up with a well defined strategic intent together with their specific depth of involvement in the project. Example of which can be found in Appendix A.

4 Business Objective

The Business Objective is derived from the Strategic Intent. It is specific and should be measurable and should name concrete results to be achieved by the project. Ideally, quantities, dates and areas of the business are named in the Business Objective.

Here is an example of a business objective:

Starting September, reduce customer complaints by 3% every month for 18 months through customer oriented cooperation between the business units.

The definition should be brief, yet unambiguous and convey the right message to all levels of staff in the client organisation, particularly in the areas concerned.

The Business Objective statement may contain more than one objective such as:

- 1. Starting September reduce customer complaints by 3% every month for 18 months through customer oriented cooperation between the business units.***
- 2. Starting October increase repeat orders (from satisfied customers) by 1% every month for 18 month. Possibly by way of money-back guarantee.***
- 3. Transfer 2 Customer Service staff to sales department within 18 months.***

Lists of objectives are often the case for technical, eg. IT projects.

A potential danger arises when the objectives are too detailed and prescriptive, leaving the steering committee/owner and the project team insufficient space to manoeuvre during the course of the project. This is the reason why it is important for everyone of those who are involved in the project, from the CEO to the project implementer, to have an acceptable level of agreement in the objectives that they set.

The Business Objective is ideally signed off by the top management of the areas concerned, which would ideally mean that the staffs in the areas concerned have agreed to cooperate and support the attainment of the Business Objective.

The consultant / project manager is usually closely involved in the formulation of the Business Objective and it is paramount that he agrees with it.

You can use a Business Objective Form (Appendix B) in creating a concrete business objective where the type and level of commitment of the persons involved in it are stated.

In using the Business Objective Form, you need to go through a simple process of coming up with an agreed upon business objective. This process involves (1) identifying the business objective, (2) obtain and document the business objective to be achieved, (3) getting the agreement of the top management with the objective set during a meeting and (4) identifying the name, type of involvement and level of agreement of the people involved. This process is further illustrated in Appendix B.

As the persons involved in the project go through the above-mentioned process, they are expected to come up with an attainable and measurable business objective. Along with it is their statement of commitment and involvement to its attainment. Its illustration can be found in Appendix B.

Getting the support and involvement of the people concerned in a project, from the project implementer to the CEO, through the simple form illustrated above is of paramount importance in setting the objectives and achieving the same.

People support what they help build and when there is openness and involvement from the start, strategic goal linkage and alignment from top to bottom of the organisation becomes properly put in placed.¹

5 Business Strategies

Business strategies are developed by formulating, implementing and evaluating business decisions for the organisation to achieve its long term objectives.

Business strategies are directly influenced by the business' value chain and critical success factors which are clearly identified.

Values are those high level concepts that you pour your life into that define you and your business, like honesty and integrity. Such values are come hand in hand with beliefs, attitudes and capabilities¹.

In consideration of the business' value chain and clearly defined critical factors, the process of building business strategies goes through three important phases which are:

1. Identifying the business requirements of the area, including
Establish the business perspective and
Establish the actual 'as is' perspective
2. Calculating the gap
3. Developing the strategies

6 Business Requirements

6.1 The Business Perspective

Establish the Business Perspective before embarking on researching and documenting the “As Is” situation. It would be dangerous to narrowly focus on a single set of issues, such as technology, a competitor or quality.

In establishing the business perspective, the following should be considered:

- the strategic intent of the business
- the intentions relevant to the Strategy Area
- the strategy to be built
- the business objectives that lead to
 - The Business Strategies to attain the above Business Objectives
 - The Value Chain, ie. Business Processes executed under these strategies
 - The Critical Success Factors, required to successfully execute the strategies

Establishing the business perspective also means identifying where your organisation or business is in right now which is directed towards answering the following questions:

- Where are you going?
- How will you get there?
- How will you know that you have arrived?

6.2 Establish the Actual 'As Is' Perspective

In establishing the actual ‘as is’ perspective, the following are clearly identified:

- The support required from each Strategy Area which is derived from the Business Perspective
- The actual support provided by each Strategy Area to the Business Strategies, Processes and CSFs
- Support and related business practices regarded as Best Practice as researched and known by those who are involved in the project

In establishing the actual 'as is' perspective, it is also important to understand where the organisation is positioned in terms of its external environment. The relationship of the organisation with its clients, suppliers, government, competitors, other service providers should also be clearly defined. Awareness of emerging technologies and other trends that affect your organisation is also important. This is the same as asking the question "Where are we today?".

7 Gap Calculation

Calculating the gap is simply measuring the difference between what is ideal (in the business as required to attain the Strategic Intent the Business Objective) and what is actually and currently happening. Thus, a clear identification of the two should be done and agreed upon by those who are involved in it.

The gap can be further and more effectively identified by understanding and identifying three critical factors which are (1) the business requirements, (2) the best business practice and (3) the actual support provided by each of the strategy areas. Such is illustrated below.

Business' requirements	-	Actual support by each Strategy Area	=	- Actual local Gap
Best Practice	-	Actual support by each Strategy Area	=	+ Best Practice Gap -----
			=	Total Gap =====

The gaps that are identified become the bases of the desired targets that reflect your best judgment of how to close the gap and your level of ambition of what to achieve. At this stage relevant data is gathered through research, analysis and benchmarking, and collected and refined.

8 Developing the Strategies

The development of the strategies follows the definition that a strategy is the way to attain an objective. After identifying the gap, the goal is to close the identified gaps.

The plan and process of how to close the gaps take into great consideration the strengths, weaknesses, opportunities and threats (SWOT) of the organisation. It requires sharp mind for what is being dealt with, expertise in planning and a very strong process facilitation.³

Closing the identified gaps can be achieved by working on the business' critical success and value chain in the formulation of appropriate strategies. This process facilitation can be done through a matrix. Below is a matrix that illustrates the strategies that have been formulated in consideration of the business' critical success factors and the gaps that were identified.

Critical Success Factor	GAP
Agility to modify product catalogue	<ul style="list-style-type: none"> • Small changes to existing catalogue are possible, but time consuming. • Additions to catalogue and significant changes to existing products require external software development.
Single Customer account	<ul style="list-style-type: none"> • Current means of transferring customer information between databases require manual intervention and are time consuming. • Number of databases makes it a prohibitive effort.
Business Strategy	GAP
Growth through decentralisation	<ul style="list-style-type: none"> • Technology strategy and expansion strategy are not aligned
Growth through CRM	<ul style="list-style-type: none"> • No apparent strategy to use customer information for growth through on selling, up selling or cross-selling • No One Customer view across BUs • Business growth strategy is not aligned with IT support plan

Interpretations of these strategies usually differ depending on who is looking at it from different perspectives. This happens because of the realities of several factors such as information technology, knowledge workers, learning organisation, empowered employees and network organisations³. With this, it becomes important the people involved in it review and resolve their different views and interpretations of the strategies for its successful implementation.²

Here is another example of business strategy illustrated in the same matrix form. The entirety of the strategy is focused on the following identified Business Objectives:

- Return on Equity of 10.50% after tax
- EBITDA in 2009 of \$80 million
- Focus the organisation on product development.

Critical Success Factor	Strategy
<p>Agility to modify product catalogue</p>	<ul style="list-style-type: none"> • Establish and implement single point of responsibility for entire life cycle of products catalogue and entries. • Define requirements for agile product catalogue: <ul style="list-style-type: none"> ○ Viewing static and dynamic data ○ Additions ○ Retirement and End-of-life of catalogue entries • Consider Corporate Strategies • Develop Management process for catalogue. • Develop and prove concept. • Develop and implement.
<p>Single Customer account</p>	<ul style="list-style-type: none"> • Establish and implement Business Process Management, including responsibility for single customer account.
Business Strategy re Business Objectives	Strategy
<p>Growth through decentralisation</p>	<ul style="list-style-type: none"> • Establish and implement regular communications with technology and support areas regarding decentralisation plans and progress. • Document business growth strategy & plans by : <ul style="list-style-type: none"> ○ Distribution channels ○ Geography ○ Market segments (incl. products for x-sell and up-sell) • This serves early gauging of extraordinary volumes and sizing to estimate impact on support processes and technology.
<p>Growth through product diversity</p>	<ul style="list-style-type: none"> • Establish and implement a process development of different products. • Establish single point of responsibility for this process. • Establish regular communication of growth plans with this process.

Developing strategies is about understanding and taking advantage of the dynamics of “Cause and Effect Relationships” among business objectives and goals. Its framework is composed of the following¹:

Human capital - the people talent in the organisation that is directly supported by the systems and processes that make them become more productive which in a way define who they are.

Structural capital - the systems, structures and strategies that the organisation built for the purpose of producing value.

Customer capital - the relationship, reputation, satisfaction, loyalty and potential for referrals that the organisation is enjoying among its customers and clients.

Financial performance - the level of economic returns that the business operations provide to the organisation in relation to its investments.

Strategies are fuelled by a superior human capital that strengthens structural capital which creates a superior customer capital that results to superior financial performance.

Getting to the organisation’s desired future state is dependent upon knowing where the organisation is today and knowing how to get there. The activities that are successfully implemented in getting to the desired future state are known as strategies.

Over and above the visioning, forecasting and planning components of strategies is the issue of implementation which greatly requires analytical techniques to better understand the situation that leads to pushing the organisation towards its desired state.⁴ It is about reaching beyond what it can possibly do which requires superhuman efforts can made possible through teamwork and synergy.

9 References

- 1 http://www.hpstrategy.com/html/grand_strategy_steps.html
- 2 <http://www.metrus.com/products/strategy-mapping.html>
- 3 <http://www.birnbaumassociates.com/reinventing-planning.htm>
- 4 http://www.1000ventures.com/business_guide/business_strategy.html

10 Appendix A - Strategic Intent Documentation

Strategic Intent Form showing the level of commitment of those who are involved in the strategic efforts.

Strategic Intent																
Name	Involvement	Agreed	Date	Event												
<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 20px;"> <thead> <tr style="background-color: #ccc;"> <th style="width: 50%;"></th> <th style="width: 15%;">Original</th> <th style="width: 15%;">Revision 1</th> <th style="width: 20%;">Revision 2</th> </tr> </thead> <tbody> <tr> <td style="text-align: right; padding-right: 5px;">Date Approved</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right; padding-right: 5px;">Approved by</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						Original	Revision 1	Revision 2	Date Approved				Approved by			
	Original	Revision 1	Revision 2													
Date Approved																
Approved by																

Example

Strategic Intent				
Improved mutual understanding of Marketing and Logistics business units.				
Name	Involvement	Agreed	Date	Event
John Smith	Proposer	Yes	28.4.2008	Opening Meeting
Mary Hammer	Co-proposer	Yes	28.4.2008	Opening Meeting
Joan Twist	Supporter	Yes	28.4.2008	Opening Meeting
Mike Baird	Skeptic	Yes	4.5.2008	Exec Meeting
Carl Cook	Advisor	Yes	28.4.2008	Opening Meeting
		Original	Revision 1	Revision 2
Date Approved		1.5.08		
Approved by		John Smith		

Procedure for Strategic Intent	
Form/Template Name	Strategic Intent
Purpose	To obtain and document the strategic intent for the project.
Procedure for the Form	Obtain wording and agreement to the strategic intent for the project during a meeting with the relevant persons. The opening meeting would be an opportunity.
Procedure for each column	
- Name	Name of the person
- Involvement	The stake of the person in the strategic intent
- Agreed	Yes / No / Undecided
- Date	Date when dis-/agreement was obtained
- Event	At which occasion / event the dis-/agreement was obtained

Procedure for Business Objective	
Form (Template) Name	Business Objective
Purpose	To obtain and document the specific quantitative business objective to be achieved or to be supported by the project outcome. Constraints should be included, too.
Procedure for the Form	Obtain wording and agreement for the business objective during a meeting with the top management of the areas concerned. The opening meeting of the project would be an early opportunity.
Procedure for each column	
- Name	Name of the person
- Involvement	The stake of the person in the business objective and/or the area concerned.
- Agreed	Yes / No / Undecided
- Date	Date when dis-/agreement was obtained
- Event	At which occasion / event the dis-/agreement was obtained