



**KAW Consulting**

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*Consultants in Human Resources*

## **White Paper**

Introduction to Effective Strategic Thinking and  
Planning

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## **Strategic Thinking and Planning**

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**Note:** This White Paper is for evaluation purposes only. It provides an introduction to the basic concepts and principles of the process of effective Strategic Thinking and Planning. For assistance with design and facilitation of an effective Strategic Planning process for your organization contact **KAW Consulting** directly.

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Good strategic thinking and planning are essential to an organization's success. This guide gives you a quick "short course" in the essentials of strategic thinking and planning so you can apply them to your particular work situation. A flowchart that shows you the various steps is attached in the Appendix.

### **What is Strategic Thinking and Planning?**

*Strategic Thinking* is the process whereby key decision makers think about where they want to organization to go--the organization's desired future. In *strategic planning* they determine the necessary strategies and actions to achieve these desired results.

The process usually uses a structured framework to help Managers focus their thoughts on some essential elements. Items focused on include:

- The impact of the external environmental (competition, economic climate, trends, etc.) and internal factors (core competencies, technological capabilities, human resource capabilities, etc.) on the organization's ability to achieve the desired future.
- How best to capitalize on the organization's strengths and minimize its weaknesses.

A well done plan not only envisions the ultimate goals, but also includes the principal strategies the organization will use to achieve these goals.

Most strategic thinking and planning approaches include the following common elements.

- The Organization's *Vision* and *Mission*
- Analysis of the organization's *Strengths* and *Weaknesses*, and external environmental *Opportunities* and *Threats* (SWOT)
- *Principal Strategies*
- A *Performance* and *Gap* Analysis of present vs. needed capabilities
- *Key Tactics* to execute the various *Strategies*
- *Contingency* plans to cope with unlikely but potential threats, and take advantage of unexpected opportunities

Following is a brief description of what's involved with each of the elements.

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### Vision

The *Vision* provides a description of the organization's desirable future state. It is the end/ultimate goal of what the organization is trying to accomplish. Good *Vision* statements are usually short, clear and concise, and provide a compelling "finish line" that can serve as a rallying point for the entire organization.

An example of a famous vision statement was President Kennedy's *Vision* in 1961 of landing a man on the moon and returning him safely by the end of the decade.

To determine a Vision, a Manager needs to ask questions like:

- What do want this organization to be?
- What's the ideal state we want to achieve?

If the organization is a Division the *Vision* and *Mission* (discussed below) need to align with the Department's and/or Parent Organization's *Vision and Mission*.

### Mission

The Mission provides a concise statement of the nature and direction of the organization. It describes "how" the organization intends to achieve its Vision.

The Mission answers these types of basic questions:

- Why does this organization exist?
- What is our main role?
- What are the organization's main functions?
- Who do we perform these functions for?
- How does the organization fulfill its role?
- What are our main goals?
- What are our important underlying philosophies and core values?

*Examples:*

- **A Hospital:** We are dedicated to improving the health of all the people in the communities we serve through our health care, education and community outreach services.
- **A Food Manufacturer:** We seek to become the dominate player in our market by providing healthy nutritious food products that are the best tasting, of superior quality and are affordable.

### Overall Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

*SWOT* analysis focuses on identifying the organization's overall relevant internal *strengths* and *weaknesses*, and *opportunities* and *threats* provided by the external environment. It's usually easier to do the external analysis first and identify relevant *opportunities* and *threats*, and then the internal analysis to identify relevant organizational *strengths*, *distinctive competencies* and *weaknesses*.

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### External Analysis

External Analysis concentrates on the key factors influencing the organization's overall business environment and industry to determine relevant *opportunities* and *threats*.

*Key Environmental factors* that are often examined include items such as the overall macro-economic trend and forecast, relevant global issues (war, terrorism, political shifts, etc.) technological trends, demographic and social trends.

*Industry specific factors* focus on the key *driving forces* impacting the industry and can include items such as industry growth patterns, industry specific technological changes, changes in distribution channels/methods, changes in retail practices, product changes and life cycles, nature of competition within the industry (aggressive or peaceful, number of players, etc.), supplier dependency and vulnerability, and changes in customer tastes and preferences.

### Internal Analysis

*Internal Analysis* concentrates on identifying the key *strengths* and *distinctive competencies* the organization possesses that will help it capitalize on the *opportunities* identified above to achieve its goals, and areas of *weakness* that could prevent it from making the desired progress, or defend against identified *threats*. In terms of strengths and weaknesses, five major areas are usually examined. These are:

- Distinctive Competencies (see discussion below)
- Financial capabilities and performance
- Marketing Expertise
- Operations (Organization Structure and Changes, Technology, Cross Functional Coordination, etc)
- Human Resources (Presence of required Competencies, Knowledge and Skills, Culture, and Morale)

### Distinctive Competencies

*Distinctive Competencies* are those activities the organization does *better than its competitors* that give it a distinctive competitive edge. They can include items such as:

- Products or service
- Processes
- Quality
- Customer focus
- Peoples' capabilities and expertise
- Flexibility and adaptability
- Location
- Market niche

In identifying distinctive competencies, key questions to ask are:

- What makes this organization distinctive?
- What gives us an advantage over others?
- What are we really good at?

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- How can we use these capabilities to the maximum advantage?
- How can we grow these capabilities?

### Examples:

- **Fed-Ex's distinctive competence** in package routing and delivery that provides customers with the benefit of on time delivery.
- **Wal-Mart's distinctive competence** in logistics that provides customers with a wide variety of valued product choices.
- **Sony's distinctive competence** in miniaturization that led to products like the Walkman, portable CD players, and portable televisions.

### Strategies

Strategies are the overall high level steps and actions that the organization will pursue to capitalize on its *opportunities*, and accomplish its *Mission*. When developing *strategies* areas that are focused on include:

- Desired *Lines of Business* (distinct products or services directed at different markets).
- *Critical Success Factors* such as needed new technology, people development, etc., that needs to be in place to successfully implement the *strategies*.
- *Major Performance Indicators* that will be used to measure progress
- Required *Organizational Culture* to support the *strategies*

### Performance and Gap Analysis

After identifying the key strategies, the organization should do a *performance* and *gap analysis* that compares existing organizational capabilities against those required by the strategic plan, and identifies any gaps. Any gaps are *critical success factors* and need to be reflected as part of the *strategies* discussed above.

### Tactics

Tactics are the various operational tasks and activities needed to implement the *strategies* identified above. Tactical plans are more short term—about a year. As part of the tactical planning process, the plans of each of the organization's units need to be properly coordinated, and any resource or priority conflicts resolved so they are in alignment with the needs of the overall strategic goals.

### Contingency Planning

The final stage of strategic planning involves planning how to respond to potential *contingent internal and external threats* and *unexpected opportunities* that may arise. Examples of potential but *contingent threats* could include factors such as failure of a key computer system. Examples of *unexpected opportunities* are a sudden need for new services, or the impact of reorganization, change of leadership, etc.

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