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MANAGEMENT CONSULTING

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The Significance of Goal Setting and Strategic Planning in Organisations

Antoine de Saint- Exupery, once said, “A goal without a plan is just a wish”. He postulated this based on the principle of life being a playing field for making plans designed to provide a tactical advantage and then working to ensure those plans come to fruition.

Goal Setting involves defining specific objectives that an organisation aims to achieve within a certain timeframe. These goals provide clarity, direction, and a sense of purpose for the individual and employees, helping them understand what they are working towards.

Effective Goal Setting and Strategic planning has many benefits; it forces organisations to stay aware of the future state of opportunities and challenges.

Strategic Planning goes beyond goal setting because it involves outlining the broader approach an individual or organisation will take to achieve set goals. It involves analysing the organisation’s strengths, weaknesses, opportunities, and threats; and then formulating tactics to leverage the strengths, address the weaknesses, seize the opportunities, and mitigate the threats. It helps in allocating resources effectively, making informed decisions, and adapting to changes in the business environment. It also ensures that everyone in the organisation is aligned towards a common vision and works together cohesively. In essence, while goal setting sets specific targets, strategic planning defines how the organisation will navigate its journey toward those targets, almost the establishment of operational systems and processes towards the goals to ensure the principle of Kaizen (continuous improvement).

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Why is Strategic Planning Important?

Businesses need direction and measurable organisational goals to work towards. Strategic Planning offers that type of guidance. It provides a roadmap that propels a business to its set goals. Without such guidance, there is no way to tell whether a business is on track to success or rolling downhill to failure.

The following four aspects of strategy development are worth attention:

1

THE MISSION

Strategic planning starts with a mission that offers a company a sense of purpose and direction. The organisation's mission statement describes who it is, what it does, and where it wants to go. Missions are typically broad but actionable. For example, a business in the education industry might seek to be a leader in online virtual educational tools and services. This goes beyond your ‘fixed’ organisation’s mission but certainly draws from it to break activities into smaller manageable goals for a financial year.

2

THE GOALS

Strategic planning involves selecting goals; most planning requires the use of the SMART goal metric (Specific, Measurable, Achievable, Realistic, and Time-bound or other objectively measurable goals. Measurable goals are important because they enable business leaders to determine how well the business is performing against its overall mission. For example, Goal setting for educational business might include releasing the first version of a virtual classroom platform within the first quarter of a financial year or increasing sales of an existing tool by 30% quarter on quarter.

3

ALIGNMENT WITH SHORT-TERM GOALS

It relates directly to short-term, tactical business planning and can help business leaders with everyday decision-making that better aligns their goals with their strategy. For example, for an educational business, leaders might choose to make strategic investments in communication and collaboration technologies, such as a learning management system or virtual classroom software.

4

EVALUATION AND REVISION

There must be an iterative process in every endeavour. In these very dynamic times, businesses must be agile and periodically evaluate progress against the plan and make changes or adjustments in response to changing conditions on the go. For example, a business may seek a global presence, but legal and regulatory restrictions could emerge that affect its ability to operate in certain geographic regions. As a result, business leaders might have to revise the strategic plan to either collaborate with local entities within those jurisdictions, redefine objectives or change progress metrics all together to match possibilities.

What are the steps in the Strategic Planning process?

There is a myriad of different ways to approach strategic planning, and this depends on the type of business and the granularity required. Most strategic planning cycles irrespective of sector and scale can, however, be summarised in these five steps:

STEP 01

IDENTIFY

A strategic planning cycle starts with the determination of a business's current strategic position. This is where stakeholders use the existing strategic plan - including the mission statement and long-term strategic goals - to assess the business and its environment. These can include a needs assessment or a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to understand the state of the business and the path ahead. These are internal and external assessments that help a company with clarity regarding its strategic options and they are driven largely by a realistic understanding of a business's performance status vis-à-vis its larger operating environment.

STEP 02

PRIORITISE

Next, strategic planners set objectives and initiatives that line up with the company's mission and goals and will move the business toward achieving its goals. There may be many potential goals, so planning prioritises the most important, relevant, and urgent ones. Goals may include a consideration of resource requirements - such as budgets and equipment - and they often involve setting timelines and business metrics or KPIs to measure progress.

STEP 03

DEVELOP

This is the main thrust of strategic planning in which stakeholders collaborate to formulate the steps or tactics necessary to attain a set strategic objective. This may involve creating numerous short-term tactical business plans that fit into the overarching strategy. Stakeholders involved in this development will typically employ tools such as a constellation value map to help see how value truly flows within the sector and where best to play, a heat map could also be used to give you insights into where to compete geographically, as well as generate insights along other dimensions of granularity, amongst others. Developing the plan may involve cost and opportunity trade-offs that reflect business priorities.

STEP 04

IMPLEMENT

Once the strategic plan is developed, it is then time to activate it. This requires clear communication across the organisation to set responsibilities, make investments, adjust policies and processes, and establish measurement and reporting mechanisms. Implementation typically includes strategic management with regular reviews to ensure that plans stay on track.

STEP 05

UPDATE

A strategic plan is periodically reviewed and revised to adjust priorities and re-evaluate goals as business conditions change and new opportunities emerge. Quick reviews of metrics can happen quarterly or even monthly, depending on the granularity of expectations, and adjustments to the plan can occur accordingly. Stakeholders may use performance management tools such as the balanced scorecard to assess performance against goals.

Who does the strategic planning in a business?

When driven internally, in practice, a committee would typically be set up to lead the strategic planning process, and it is recommended that this committee include representatives from all areas within the enterprise who will work openly and collaboratively without the biases and personal agenda of own departments. The social side of strategy is a very key part of the strategy planning process and is responsible for the inaction and or failure of over 30% of initiatives across firms.

The committee researches and gathers the information needed to understand the organisation's current status and factors that will affect it in the future. The committee should solicit input and feedback to validate or challenge its assessment of the information rather than have people emphasise one set of facts while downplaying others for the purpose of validation of personal agendas. One of the most successful methods is to create teams within the committee and force leaders to choose preferred strategic options and contest their validation. It becomes immediately obvious what the real pros and cons of each option is beyond biases as everyone becomes forced to be guided by facts. With this as a great starting point for Choice, leaders can further opt to use one of many methodologies or strategic frameworks, analysis or assessments to further drill into the best line of action toward the organisation's strategic vision.

The committee creates benchmarks that will enable the organisation to determine how well it is performing against its goals as it implements the strategic plan. The planning process should also identify which executives are accountable for ensuring the benchmarking activities that will take place at planned times and how specific objectives will be met.

How often should strategic planning be done?

There are no uniform requirements to dictate the frequency of a strategic planning cycle. However, there are common approaches -

- Quarterly reviews. Once a quarter is usually a convenient timeframe to revisit assumptions made in the planning process and gauge progress by checking metrics against the plan.
- Annual reviews. A yearly review allows business leaders to assess metrics for the previous four quarters and make informed adjustments to the plan.

Timetables are always subject to change; timing should be flexible and tailored to the needs of a company. For example, a startup in a dynamic industry might revisit its strategic plan monthly, while a mature business in a well-established industry might opt to revisit the plan less frequently.

Now, let us look at a hypothetical case study for Goal Setting and Strategic Planning:

Case Study:
XYZ Corporation – Goal Setting and Strategic Planning

Background: XYZ Corporation is a mid-sized technology company, specialising in software development. Over the past few years, the company has experienced moderate growth, but the leadership team is eager to accelerate market presence. To accomplish this, they have decided to undertake a comprehensive goal-setting and strategic planning process.

Key Players:

1. CEO – Elizabeth Olaniyi
2. CFO – Chinemeke Alozie
3. CTO – Sarah Hassan
4. VP of Sales – Olaitan Folorunsho
5. HR Director – Peter Chukwu

Current Situation:
XYZ Corporation operates primarily in the domestic market with a limited international presence. The Company's products have received positive feedback, but there is room for improvement in customer retention and expansion into new markets. Financially, the company is stable but not achieving the desired growth rates.

Objectives:

1. Increase annual revenue by 25% within the next three years.
2. Expand into at least three new international markets.
3. Improve customer retention by 15%
4. Enhance product innovation and development processes.
5. Develop a diverse and skilled workforce to support growth.

Strategic Planning Process

Assessment
The leadership team must conduct a thorough analysis of the Company's strengths, weaknesses, opportunities, and threats (SWOT analysis) to gain a clear understanding of the internal and external factors impacting the business.

Goal Setting
Based on the assessment, the team will set specific, measurable, achievable, relevant, and time-bound (SMART) goals aligned with the objectives mentioned above.

Strategy Development
The team then has to devise strategies to aid the achievement of each goal. For instance, they plan market research, partnerships, and localisation efforts to expand into new international markets.

Resource Allocation
The CFO and CTO collaborate to allocate budget and resources effectively, ensuring that each strategic initiative has the necessary funding and talent.

Monitoring and Review
Regular performance metrics are established to monitor progress toward the goals. Monthly and quarterly reviews are to be held, to assess achievements and make adjustments as needed.

Employee Development
HR Director, Lisa Davies plays a critical role in developing employee training programs to enhance skills and promote diversity and inclusion.

Outcome:

1. Annual revenue increased by 30%
2. The Company expanded into five new international markets through local alliances and have established a partnership to roll-out local outlets in French speaking countries over the next 5 years.
3. Customer retention improved by 18%
4. The product innovation process became more efficient, resulting in the launch of two highly successful new products.
5. The workforce became more diverse and skilled, contributing to innovation and productivity.

XYZ Corporation's strategic planning and goal-setting process whilst rigorous and time consuming was designed to beat the market and take it to the upper quintile of the power curve. This was able to facilitate its ambitious growth drive and positioned the company as a competitive player in the global market. It is important to highlight that some opportunities can only be identified or invalidated through this thorough process, as you find that some opportunities that seemed obvious are in actual fact, not real bets and would cost more than they are worth. Similarly, some fewer known opportunities can turn out to be the big bet.

Conclusion

Effective Goal Setting and Strategic planning has many benefits; it forces organisations to stay aware of the future state of opportunities and challenges. It also forces them to anticipate risks and understand what resources will be needed to seize opportunities and overcome greater scale issues.

It also gives individuals a sense of direction and marshals them around a common mission, whilst creating standards and accountability. Strategic planning can enhance operational plans and efficiency and helps organisations limit the time spent on crisis management, where they are reacting to unexpected changes that they failed to anticipate and prepare for.

Goal Setting for businesses is typically an activity that occurs towards the start of a financial year following an assessment of the previous period's performance, so now is a great time to begin to make those assessments and plans towards a new financial year.

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