

Strategic Planning and Identification of Projects

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Purpose

To review some basic concepts of strategic planning to use in delivering value in the form of projects.

Agenda

- What's going on?
- Where do projects come from?
- Strategic planning concepts
- Project identification
- Questions
- Adjourn

What's going on?

Characteristics of the Future

Speed – the rate of change will accelerate

Complexity – continuously increasing

Risk – new and higher risks

Change – radical changes will force faster adaptation

Surprise – will become a daily feature of life

Source: Dr. James Canton

We live in
exponential times!

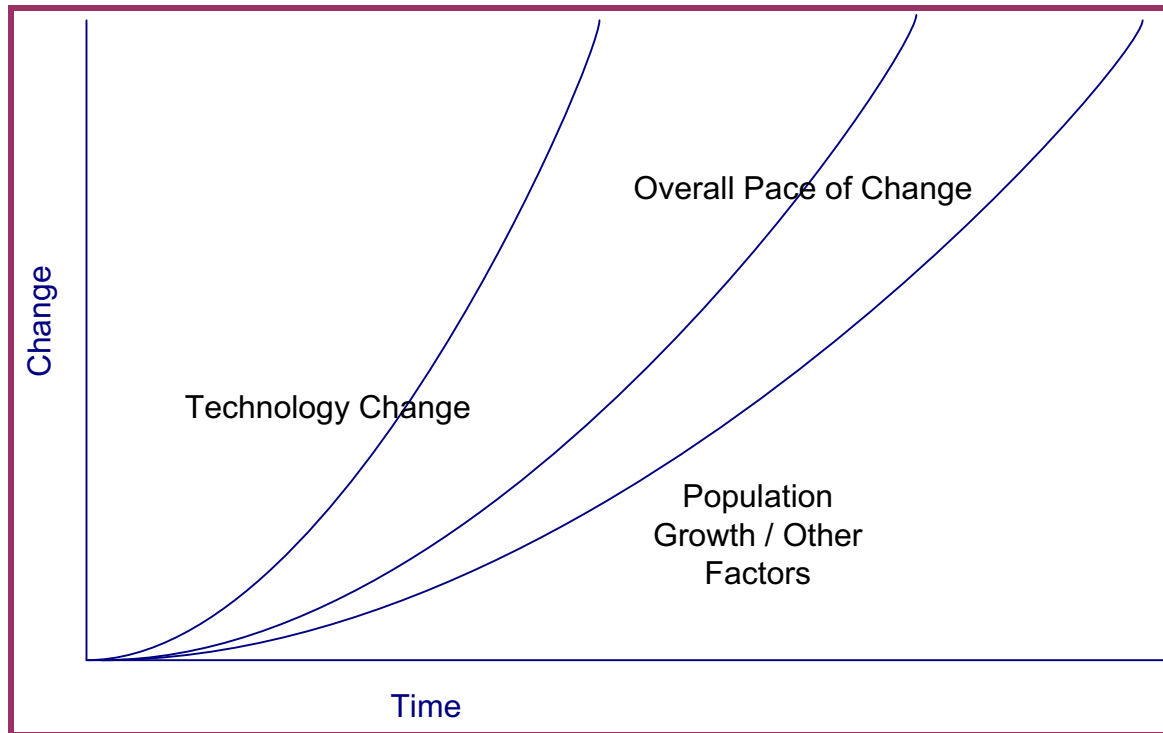
We live in exponential times!



Exponential Curve

Pace of Change

Exponential Growth



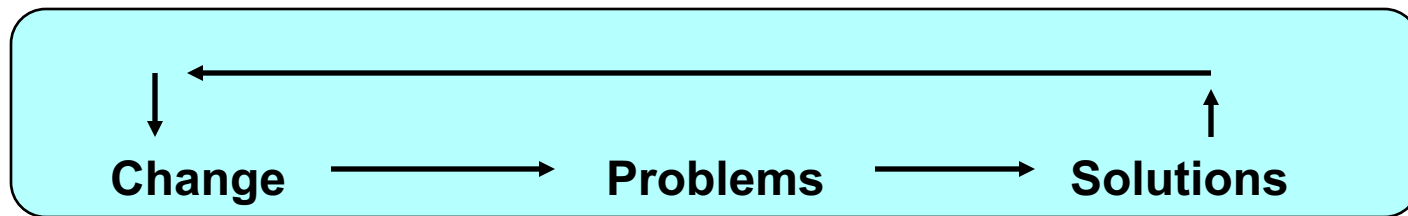
Contributing Factors

1. Population Growth
2. Process Improvement
3. Innovation
4. Product Combinatorics
5. Market Demand
6. Globalization
7. Cost Reductions

Societal knowledge doubles every 8 – 10 years: Ray Kurzweil

Processing speed doubles every 12 – 18 months: Moore's Law

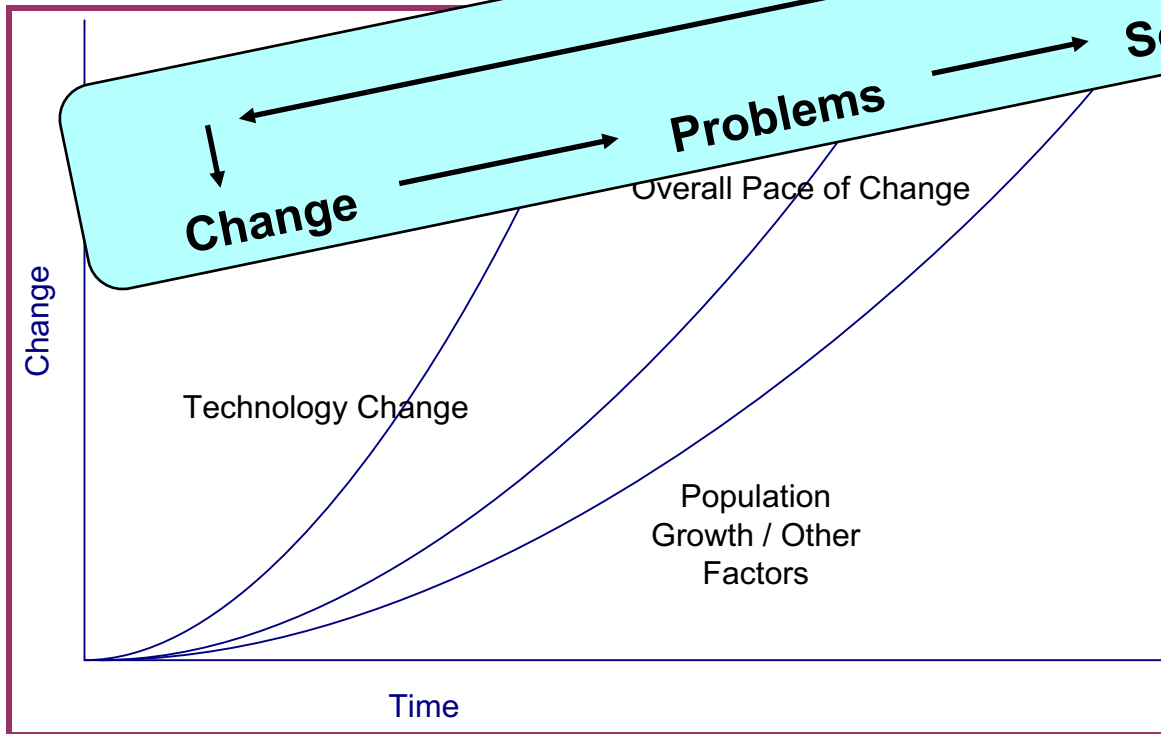
Cycle of Change



\$ Implications: A full employment act for project managers! \$

Pace of Change

Exponential Growth

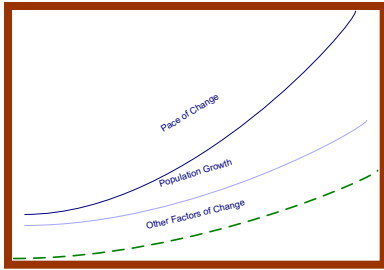


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Pace of Change

Force Field

Driving Change



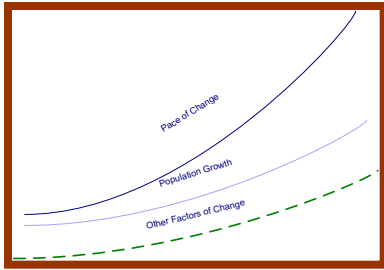
Impeding Change



Economic growth
Technology
Market Demand
Social Change
Globalization
Competition
Population Growth
R&D / Innovation
Education

Conflict (War, crime, ..)
Authority
Tradition
Disasters (Economic, ecological ..)
Monopoly
Apathy

Not all change is good; not all resistance to change is bad.



So, how do we get ahead of the curve?

And apply what
you have learned

The ability to learn faster than your competitors may be the only sustainable competitive advantage.

Arei P. De Geus

Where do projects
come from?

Where do projects come from?

Some are hatched!

Some are reactions
to change!

Some are identified
through a formal
process of planning

Strategic Planning Concepts

Why Plan?

Alice – Would you tell me please, which way I ought to go from here?

Cat – That depends a good deal on where you want to get to.

Alice – I don't much care where

Cat – Then it doesn't matter which way you go!

-- Lewis Carroll

Strategic Planning

- The set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives.
 - Source: Pearce & Robinson
- Benefits
 - Ability to prevent problems
 - "Buy-in" of participants
 - Better decisions
 - Clarification of roles
 - Reduced resistance to change
 - Lower risks

Strategic Planning Outline



What are the key strengths and weaknesses?

What are the key opportunities and threats?

Vision Statement

- A vision statement describes what our organization wants to do or be in the long term
- It is future focused
- Frequently combined with the mission statement
- Sometimes combined with a guiding philosophy
- Example
 - Lexmark – “customers for life”
 - Washington Mutual - To be the nation's leading retailer of financial services for consumers and small businesses

Mission Statement

- Answers the question, “what business are we in?”
- Components
 - Indicates basic product or service
 - Specifies primary market
 - Indicates principle technology
- Note: Varying ways to phrase a mission statement
- Example - Washington Mutual
 - To build strong, profitable relationships with a broad spectrum of consumers and businesses.
 - We will do this by delivering products and services that offer great value and friendly service, and by adhering to our core values of being fair, caring, human, dynamic, and driven.

Values

- Values are what the organization stands for and believes in.
- Values reflect the organizational culture and influence ways of thinking, believing, and acting.
- Think of values as guiding the way organizational members behave toward each other and approach their work.

SMART Goals

Thoughts on Goal Setting



Example: To increase the number of customers by 10% over the next 3 years.

Events

- An action in the external environment that will affect future decisions and actions
- Examples
 - Microsoft buys aQuantive for \$6 billion
 - Source: Seattle PI, May 19, 2007
 - Google subleases 60,000 square feet in Fremont
 - Source: Seattle PI, May 19, 2007
 - Seattle is America's smartest city
 - <http://bizjournal.com>, June 2006

Trends

- Behavior of a variable over time. A projected future behavior is a forecast
- Examples
 - 42% of Puget Sound Energy's workforce will be eligible to retire in the next 5 years
 - 5,000 / 21,000 or about 24% of the Machinists union in Puget Sound are 55 years or older
 - Source: Bill Virgin, Seattle PI, Tuesday, May 15, 2007
 - Talent has become the world's most sought-after commodity
 - Economist, 2006
 - Seattle-Tacoma population increased from 3,043,885 to 3,263,497 or 7.2% from 2000 to 2006
 - As reported in USA Today, April 2007
 - 51% of Washington companies in 2005, up from 45% in 2003, had significant trouble in finding qualified workers
 - As reported by Terry Corbell in the Seattle Times, February 2006
 - The number of US retirees is expected to increase from 35 million to 70 million by 2015
 - Eric Garland
 - Puget Sound population expected to increase by 50% over the next 30 years.
 - Source: Vision 2040 report.

Remote Environment

Economic Factors

- Concerned with the nature and direction of economy in which an organization operates
- Some examples of economic variables
 - General availability of credit
 - Level of disposable income
 - Propensity of people to spend
 - Prime interest rates
 - Mortgage rates
 - Cost of energy

Social / Cultural Factors

- Concerned with the beliefs, values, opinions, and lifestyles of people
- Some examples of social / cultural variables
 - Attitudes towards savings or investments
 - Attitudes towards home ownership
 - Fear for safety and security
 - Concerns over cost of living – health care, education, housing, retirement, and so on

Political / Legal / Government Factors

- Concerned with legal and regulatory parameters within which firms must operate
- Some examples of variables / forces / events
 - Minimum wage legislation
 - Pricing policies
 - Homeland security

Technological Factors

- Concerned with technological changes affecting industry
- Some examples of variables
 - Computer processing speed, bandwidth
 - Banking, financial, accounting applications
 - Mobil devices
 - Wireless technologies
 - Collaborative technologies
 - Video conferencing
 - Distance education

Ecological / Physical Factors

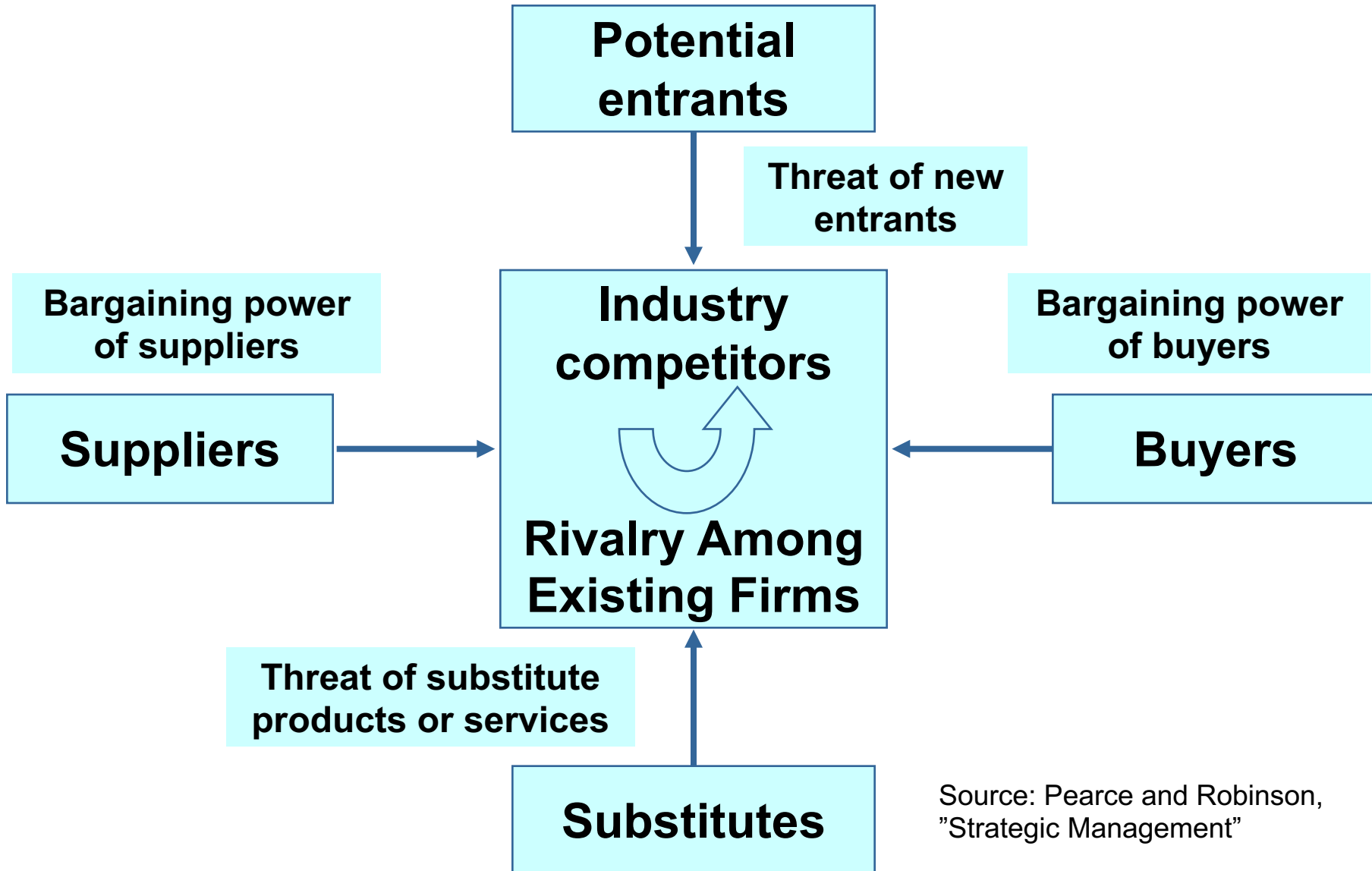
- Involves relationships among human beings and other living things and air, soil, and water
- Some examples of variables
 - Climate change
 - Traffic congestion / parking
 - Air, water, and land pollution

Demographic Factors

- Involves births, deaths, aging, migrations of populations
- Some current concerns
 - Aging
 - Migrations
 - Low childbirth rate
 - Regional and city growth

Competitive Environment

Forces Driving Industry Competition



Source: Pearce and Robinson, "Strategic Management"

Competitive Force: Threat of Entry

- Barriers to entry
 - Economies of scale
 - Product differentiation
 - Capital requirements
 - Cost disadvantages independent of size
 - Access to distribution channels
 - Government policy

Competitive Force: Suppliers

- A ***supplier*** group is ***powerful*** if:
 - It is dominated by a few companies and is more concentrated than industry it sells to
 - Its product is unique, or differentiated, or has built up switching costs

Competitive Force: Buyers

- A **buyer** group is **powerful** if:
 - It is concentrated or purchases in large volumes

Competitive Force: Substitute Products

- ***Relevance*** of substitutes
 - By placing a ceiling on prices charged, they limit profit potential of an industry

Competitive Force: Rivalry Among Existing Competitors

- Usually the ***most powerful*** of the forces
- ***Weapons*** of competitive rivalry
 - Price
 - Quality
 - Product introduction
 - Customer service
 - Advertising

Operating Environment

Operating Environment Factors

Customer Profiles

- A good understanding of customers is important in forecasting demand, knowing the size of the market, and what they want in products and services?
- Some questions to consider are:
 - What do our customers regard as value?
 - Which customer needs are not being met?
 - Are there new customers we could reach?
 - What changes may occur in our customer base?
 - What are our customers geographic, demographic, psychographic, and behavioral characteristics?

Operating Environment Factors

Labor Market

- There is currently a “war for talent” as intellectual capital is the primary means organizations can truly distinguish themselves and to stay competitive.
- Some questions to consider in this area are:
 - Are there any skills shortages in our industry?
 - Are schools and colleges graduating students with new skill demands?
 - Are talented people leaving our organization?
 - Is the labor pool growing or shrinking?

Opportunities and Threats

Review the identified trends, events, or forces in the external environment and select the top three or four primary trends, events, or forces that you consider to be opportunities and threats

Notes on Trends

Trends are not destiny

Forecasts are based on assumptions

Assumptions carry risk

Proceed with caution

Internal Analysis

Now to look inside the organization to determine strengths and weaknesses

Resource-Based View

- Tangible assets
 - Financial
 - Physical
 - Information
 - Applications
 - Technology
- Intangible assets
 - Human Capital
 - Structural Capital
 - Intellectual Property
 - Internal Relationship Capital
 - External Relationship Capital
- Organizational capabilities
 - Customer Service
 - Financial Analysis
 - Manufacturing
 - Marketing
 - Planning
 - R&D
 - Innovation

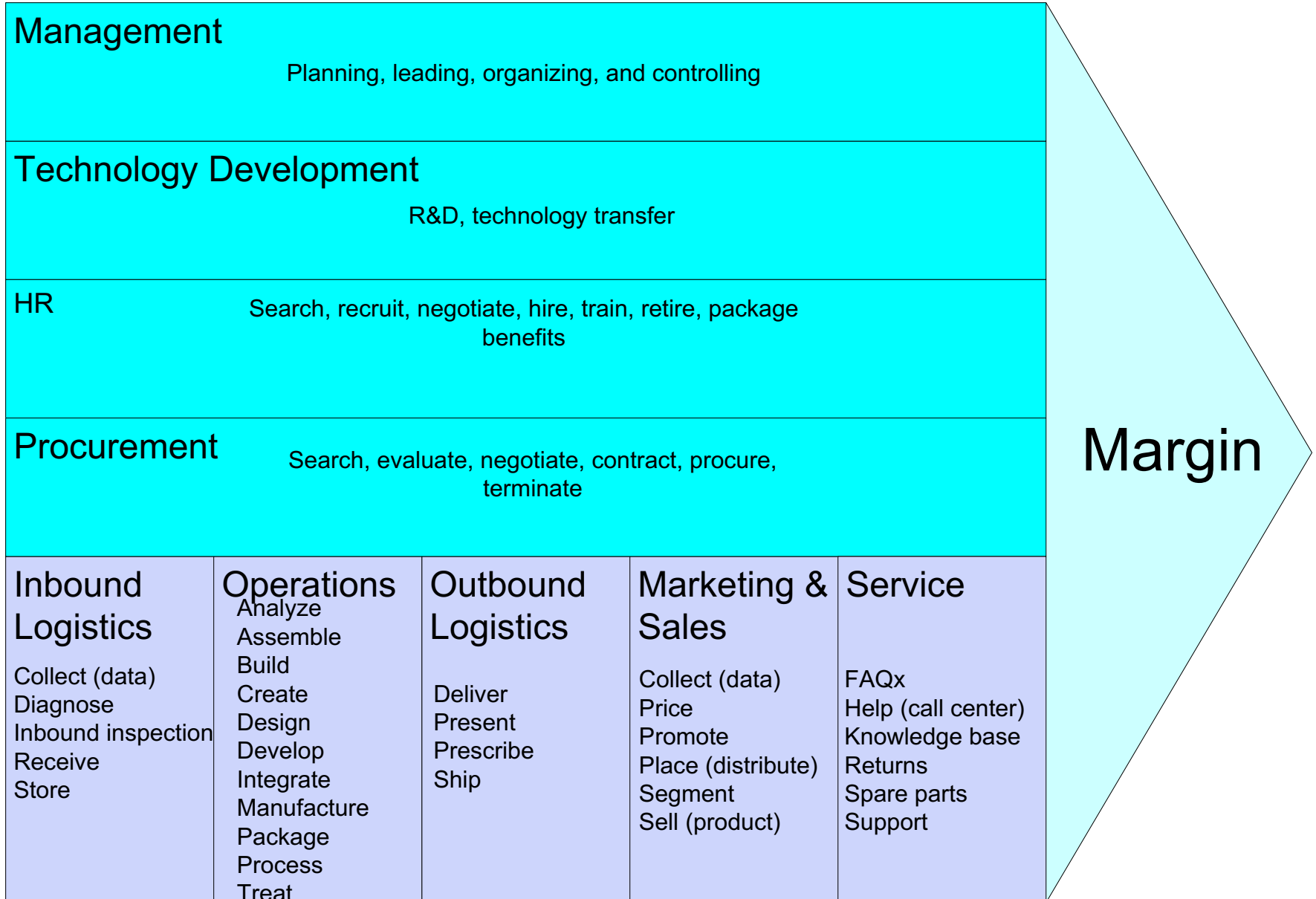
What are you good at?

What are you not so good at?

What is Value Chain Analysis?

- Focuses on how a business creates **customer value** by examining contributions of different internal activities to that value
- **Divides** a business into **sets of activities** within the business
 - Starts with inputs a firm receives
 - Finishes with firm's products or services and after-sales service to customers
- Allows **better identification** of a firm's **strengths and weaknesses** since the business is viewed as a **process**

Generic Value Chain



SWOT Analysis

- Compare key external opportunities and threats with internal strengths and weaknesses.
- Not particularly easy and requires good judgment

SWOT Analysis

	Strengths	Weaknesses
Opportunities	<u>SO Strategies *</u> Use strengths to leverage opportunities	<u>WO Strategies</u> Use opportunities to overcome weaknesses
Threats	<u>ST Strategies</u> Use strengths to avoid or overcome threats	<u>WT Strategies</u> Manage weaknesses and avoid threats

Project Identification

Project Selection

- From a planning perspective, select projects based on strategies at the intersections of
 - **Strengths and Opportunities**
 - Strengths and Threats
 - Weaknesses and Opportunities
 - Weaknesses and Threats
- Example – Develop new software products to address the emerging eldercare market.

Where do Projects come from?

PIECES

- P** the need to improve *performance*
- I** the need to improve *information* (and data)
- E** the need to improve *economics*, control costs, or increase profits
- C** the need to improve *control* or security
- E** the need to improve *efficiency* of people and processes
- S** the need to improve *service* to customers, suppliers, partners, employees, etc.

Source: Whitten, "Systems Analysis and Design Methods"

Sample Generic Projects

- Staff education and training
- Develop new products / services
- Initiate cost reductions
- Improve customer service
- Improve computer security
- Improve business processes

Every morning in Africa, a gazelle wakes up.

It knows it must run faster than the fastest lion or it will be killed.

Every morning a lion wakes up.

It knows it must outrun the slowest gazelle or it will starve to death.

It doesn't matter whether you are a lion or a gazelle.

When the sun comes up, you better start running.

-African Proverb

Someone has to implement something, right?

Thank you!

References

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