

# The strategic planning process

Three levels of planning exist that must come together for a strategic plan to work correctly and in harmony.

*Corporate strategy* is the overall direction in terms of its general attitude toward growth and management of its various businesses and product-lines. Typically, corporate strategies fit within three main categories of stability, growth and retrenchment.

*Business strategy* occurs at the business unit or product level, and it emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market segment served by that business unit. Business strategies may fit within the two overall categories of competitive or cooperative strategies.

*Functional strategy* is an approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource

Within these three sets of strategies one must collectively find an ability to succeed measured by the goals and objectives of the

corporate stakeholders. They must mesh together in an understandable corporate goal "fit."

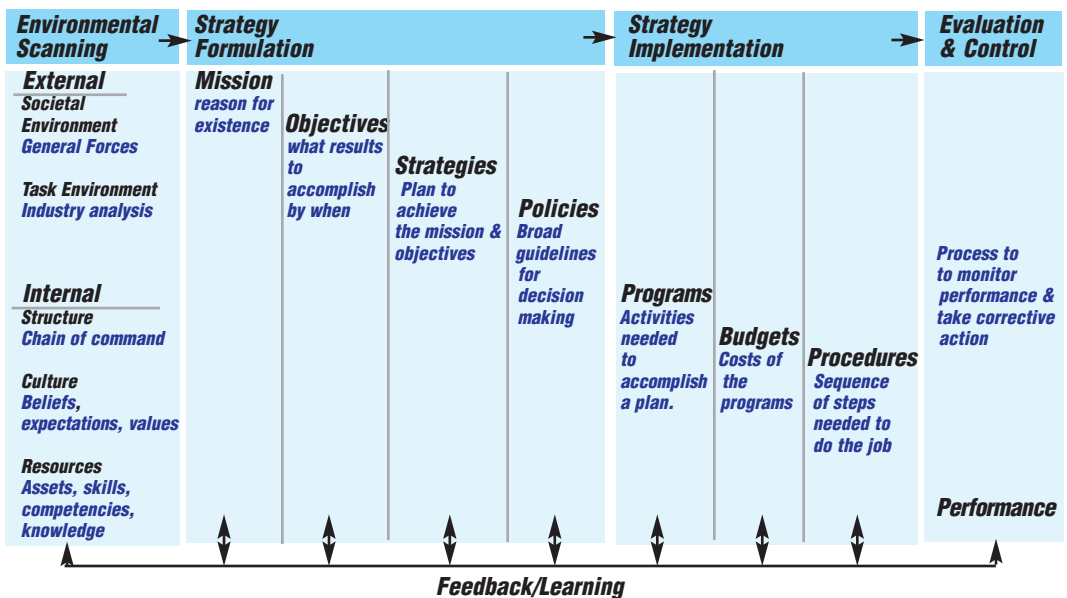
Therefore, part of the process necessitates a procedure for challenging the status quo and your collective judgment regarding the "fit" of these opportunities and how best to gain a disproportionate share of market value in the process.

The strategic plan process, therefore, is a guide for the development of the plan. Each step has a set of specific disciplines which must be sorted out and agreed upon during this process. There are four sectors that, taken together, encompass the planning process: environmental scanning, strategy formulation, strategy implementation and evaluation and control.

Environmental scanning is the monitoring, evaluating, and disseminating of information from external and internal environments to key persons within the corporation. Its purpose is to identify strategic factors—those external and internal elements that will

Three levels of planning must come together in order for a strategic plan to work. The first of a three-part series.

Chemark's Strategic Planning Model



determine the future of the corporation. The simplest method for conducting environmental scanning is through SWOT analysis. The external environment consists of variables (opportunities and threats) that are outside of the organization and not typically within the short-run control of management. These variables form the context within which the corporation exists.

As a company, you have varying degrees of control over external elements of the environment in which you operate. Although you should understand the economy, political, ecological, technological and sociological elements of your environment, you really have no over them. With regard to competitive rivalry, substitutes, buyer strength, supplier strength and entry barriers, you have indirect and only partial control at best. The only environment where you have some control leverage is in your value chain. Your value chain consists of competition, customers, suppliers, labor and creditors. The total of these three we call the value system.

### **BACKGROUND MUSIC**

The second portion of the environment scanning process is the internal environment. This portion deals with chain of command (organizational structure); beliefs and expectations of those persons who would carry out the strategy (culture); and finally, the various assets, human skills, competencies and combined knowledge (resources) that will fulfill the strategic plan objectives.

In summary, the environmental scanning portion of the strategic plan process represents the very important first step. It is the "background music" needed prior to considering and thoroughly analyzing the next portion of the plan—strategy formulation, which I will cover next month. **CW**

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