



New Economic Conditions Require New Strategies for Family Business: Creating a Strategic Plan that Will Work

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Often times when an organization begins to contemplate strategic planning, its members start by using some common models, using the traditional concept of strategy that presumes that you know where you want to go and offers various devices to get there.

Some of the traditional plans that you may be familiar with include:

S.W.O.T. – an analysis of an organization's Strengths, Weaknesses, Opportunities, and Threats that starts with defining a desired end state or objective. This approach seeks the best fit between an organization's strengths and limitations and the external environment.

Competitive Strategy – an approach developed by Michael Porter that focuses on industries, competitors and customers. This strategy analyzes five forces (bargaining power of suppliers, bargaining power of customers, threat of new entrants, threat of substitute products and competitive rivalry within an industry) to shape a company's approach to the marketplace.

The "Lily Pad Approach" or Logical Incremental Planning – This approach mimics the movements of a frog leaping from one lily pad to another and then evaluating the world from its new vantage point before deciding what to do next. Using this type of approach, a company makes elaborate plans but only acts on some of the initial recommendations. Management then re-evaluates the situation before making its next move.

Common frustrations with traditional strategic planning:

- Plans are developed but end up shelved or never used
- Plans become outdated due to unanticipated events which make them useless
- Company executive are not always good at predicting unanticipated events

A new approach, "Scenario Planning":

When you are planning for your organization's future it is important to take into account that the future is constantly changing, being shaped by people and events. The future is not a single idea. It encompasses: the possible future – what may happen, the plausible future – what could happen, the probable future – what is likely to happen, and the preferable future – what we want to happen. The challenge is to find a way to stop looking at the future as a single point or idea and to see it as a set of many uncertain possibilities. This perspective allows you to take into account the forces that are critical to the success of your business.

Scenario planning is a way to look at and think about the future using a wider angled lens. With scenario planning the goal is not to predict the future but to anticipate more than one possible future. Using scenario planning allows you to direct your attention to possibilities that you might otherwise overlook. The benefits of scenario planning include encouraging creative and flexible thinking in staff members, instilling a planning mindset in participants, allowing junior members to develop a strategic perspective, providing an opportunity to test current strategies, and building consensus and buy-in from employees.

Step One: Identify the focal issue

Start by asking yourself some questions to determine the focal issue that you want or need to explore. The focal issue is the primary strategic concern of your business expressed in the form of a clear decision, for example, to build or not. It is important to get input and gain consensus on whether you are considering the right issue. The more precise you are in determining your focal issue the more successful you will be in the outcome of your scenario planning efforts. An example of a focal issue is, "Should we buy goods from China rather than manufacturing them here?"

The two questions to ask yourself are "What are one or two critical strategic decisions my business faces now or in the immediate future?" and "What is known and what is not known in the answer to this question?"

Step Two: List key factors and environmental forces

The next step is to evaluate known factors that may affect your organization, including social, technological, economic, environmental and political issues.

Step Three: Rank critical uncertainties

You also need to take into consideration key uncertainties. Think about what events, whose outcomes are uncertain, could significantly affect your business. Consider items such as changing regulatory climates, possible government intervention, and policy changes that may have an impact on your industry.

Step Four: Flesh out scenarios

Once you've identified key trends and uncertainties, you have the main ingredients for constructing scenarios. Your next step will be to create two axes from which to develop your stories/scenarios. A simple way to do this is to identify extreme alternatives by putting all positive outcomes in one and all negative outcomes at the other end.

For example, when trying to determine the services to be offered by a retirement home the planning team created their scenarios based on two primary axes: differences in values and expectations of prospective residents vs. types of services offered on-site and technological and off-site services. Participants worked together to list out as many possible scenarios as they could think of taking into consideration these key factors as they evaluated day care and outreach services vs. expanded housing options and on-site services.

Step Five: Explore implications

Next, create separate teams to draft a more thorough and detailed exploration of each scenario and look at the implications and the impact that it may have on the business. Finally, have the entire planning team discuss each scenario and its wider implications on the business.

Step Six: Action

The final step is moving from scenarios to executive action and is what makes this process worthwhile. While scenarios do not provide absolute and exhaustive answers to future

uncertainties, they do provide the tools for improved executive decision making. And they will help your team clarify future possibilities and bring the many forces that go into decision making into sharper focus.

Presentation Materials Available

For question and comments about Dr. O'Brien's presentation on Strategic Planning, please contact him at: O'Brien & Associates, 50 West 3rd Avenue, Columbus, OH 43201, 614-299-4076.