

***STRATEGIC BUSINESS PLAN***

**for**

**(company name)**

**for Period**

**January 2002 to December 2005**

**(dates are examples only)**

**Approved by (name), (position), on (date)**

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### ***Some Thoughts on Writing this Plan before We Start***

- Clearly identify the readers of this document. Then write the plan in a style that is easily understood by readers
- Remember that this plan is a working document that has the clear purpose of initiating focussed action and generating clear and measurable results. Avoid the excessive use of descriptive adjectives to 'pad' or over-sell the plan. Flowery, highly descriptive language can cloud key issues, blur the plan's focus and slow/confuse its implementation
- Keep the plan 'tight'; ensure it remains concise, balanced, clear and logical. Where possible use quantitative rather than qualitative information. Remember the KISS approach to planning; keep it simple, short and specific. Interlink all Sections, with the Market Analysis providing a clear focus for all subsequent sections.
- Focus on facts and information from credible and reputable sources. Where possible avoid critical dependencies on one source of information. Build redundancy in to information sources. Validate, validate, validate all key information used in the plan

- Always remember that faulty assumptions and faulty logic are some of the greatest hazards to business performance and business planning. Also remember that a good plan implemented today will always beat an excellent plan implemented some time in the future. So, get the plan completed and in to action as soon as is practicable. Also, plans must be adaptive to changing circumstances. If the plan is not performing be prepared to complete 'major surgery' on it.

### ***Some Thoughts on a Format for Each Section***

The following is a simple, but effective planning format that will fit many of the sections in this plan.

The format is not rigid and should be adapted to the requirements of individual Sections as applicable.

The four sub-sections that comprise the format are as follows:

- **Current Situation**

Clearly and concisely present the current situation with any contributing history, and any trends, cycles, changes or future developments that are relevant

- **Key Issues**

Clearly define the most urgent and important issues as they relate to the current situation for this Section, and the overall purpose of this plan and the company's Mission. Key issues are usually those strengths, weaknesses, opportunities, threats, capability gaps and impediments that impact on business performance

### **Strategies to Address the Key Issues**

Formulate strategies using the SMAAART acronym to address the key issues. SMAAART - Specific, Measurable, Action-orientated, Achievable, Affordable, Relevant and Time-bound

- **Key Performance Measures and Targets**

Establish key performance measures/indicators, performance targets and time lines in conjunction with the strategies to assess and improve performance

*Some Thoughts on Writing this Plan before We Start Continued*

***Five Tests for a Good Strategic Business Plan***

- **Comprehension**

Am I satisfied that all readers of this plan will clearly understand it?

- **Appropriateness**

Am I satisfied that the strategic/business directions proposed are aligned with the company's constitution?

- **Sustainability**

Am I satisfied that the strategic/business directions proposed are of a nature and quality that should ensure the future?

- **Feasibility**

Am I satisfied that:

- \* All company implications of the strategic/business directions proposed have been considered thoroughly,

- \* Implementation is possible, and

\* All supporting goals, objectives and strategies are realistic, practically achievable, affordable and comprehensive?

- **Accountability**

Am I satisfied that:

\* Management accountability is clearly defined,

\* Management is adequately resourced and well prepared to implement this plan,

\* Effective remedial action has been planned in the event a management shortcoming occurs with plan implementation?

## **EXECUTIVE SUMMARY**

The Executive Summary is the last section written. It should be restricted to two to three pages in length. In essence the Executive Summary is a very effective distillation of the overall business plan into a 'hard hitting' summary of key performance initiatives and performance targets. Typically it would include the following:

- The Business Opportunity
- The Product
- The Market Strategy

- The Management Team
- Profit and Cash Projections
- Investment Needs
- Returns to Investors

## **SECTION ONE**

### **STRATEGIC FOCUS**

#### **The Aim of this Plan**

What do we wish to achieve with this plan?...start, grow, consolidate, downsize or exit.

#### **Our Mission**

**A Mission Statement clearly defines the primary purpose or reasons for our existence. It is heavily focused on Customer Value. It is also vital to achieving organisational alignment**

A mission statement typically provides clear and concise answers to the following questions:

- What products and services do we deliver?
- Where and when do we deliver our products and services?

- Which customer groups are our primary groups?
- Where are our primary customers
- What tangible value do our products and services deliver to customers?
- What is our competitive advantage?
- What additional community and environmental benefits do we generate?

Answers to the above questions provide a start-point for preparing a statement that clearly positions the company in the minds of key stakeholders and customers

### **Core Organisational Competencies**

Which core organisational skills and competencies are vital to achieving our mission

### **Organisational Values**

What core organisational values must be imbedded in our organisation to establish a culture capable of achieving our Mission?

## Highest Priority Goals

List up to six of your highest priority goals in order of priority. These goals are formulated at Section 17. Section 17 shows how to use the SMAAART acronym to write clear, concise action-oriented goal statements. SMAAART Goals - are Specific, Measurable, Action-oriented, Achievable, Affordable, Time-bound. An example of a SMAAART Goal: *By 30 June 2002 to construct and commission a world-standard production and delivery facility capable of producing two 20 metre road bridges per month for direct installation in to Australia's public road system.*

In essence strategic goals progressively take the company to its next level of performance and keep it there.

- **Goal One.**
- **Goal Two**
- **Goal Three**
- **Goal Four**

## Performance Objectives

The performance objectives below, in combination, form a performance scorecard for easily tracking the performance improvements generated by this plan. Section 17 provides the inputs for this scorecard. The planning team determines the composition of the performance scorecard.

Performance Area	Performance Measures	Target	Time Frame
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<b>Financial Performance</b>			
<b>Customer and Market Performance</b>			
<b>Internal Efficiency and Effectiveness</b>			
<b>Long Term Development and Innovation</b>			

## **SECTION TWO**

### **THE BUSINESS**

Provide a concise overview of the business. Areas for consideration when preparing this section to include:

Owners/Directors/Shareholders/Shareholdings

A brief history of the business

Corporate and business cultures

Nature of the business and its main activities

Location

Current stage in its life cycle

Past performance and key achievements

Key business advisors - Solicitor, Banker, Accountant, and Consultants

Relationships with key stakeholders

Competitive strengths and weaknesses

## **SECTION THREE**

### **MARKET ANALYSIS**

Conduct a detailed analysis across each of the following areas to identify and quantify key market opportunities/gaps, barriers to market entry, threats, compliance requirements, risks, performance multipliers, critical success factors etc that must be considered when developing high priority product development, marketing and business strategies. All budgetary and financial constraints must be factored in to this planning.

- **Global/National Trends, Developments, Cycles and Changes of Relevance**
- **Macro-environment** (eg, political, economic, legal, social/cultural, demographics, technology)
- **Industry**
- **Markets, Customers and Suppliers**
- **Competitors and their Products**

**Questions typically asked during the analysis would include:**

- What are the industry's economics, critical success factors, key risks, competitiveness, compliance and standards requirements, emerging trends and key technologies?
- Who are the key customers and major competitors in each target markets?
- What are the sizes of the target markets? Are they growing? If yes, at what rate?
- What market share does each major competitor hold in your primary markets
- What are the strengths and weaknesses of major competitors and their products?
- What are the competitive price points for products in each market?
- What competitive advantages must your products have to successfully enter and compete in target markets? How will you differentiate your products and add more-customer-value than competitors?
- Key questions about your primary customers:

- \* Specifically what need or problem does your product target?
  - \* Who will make the decision to purchase your products?
  - \* What are their decision criteria?
  - \* Where are the products bought?
  - \* How are the products bought?
  - \* When are the products bought?
  - \* Why are the products bought?
- How well do you know your primary customers and key competitors?
  - How strong are your relationships with key customers and key stakeholders. How do you involve them in product development? What factors will be critical to building strong and enduring brands with them?
  - What levels of demand for your products are realistic across your primary markets?
  - In order of priority what are your primary markets? Why?
  - How will your primary competitors react when you enter their markets, now and over the next two years? What are you going to do about their responses?
  - What are the major barriers to market entry?
  - What are the critical success factors for each market?
  - What key product distribution, product support and customer service issues must be considered?
  - Which companies and products are likely to become competitors in the future?
  - What new or emerging technologies and substitute products are likely to become threats in the future?

## **SECTION FOUR**

### **PRODUCTS**

Based on the findings of Section Three identify your product's key strengths and weaknesses as they relate to key market opportunities and threats. Then develop strategies to address each issue (eg, build on strengths and correct weaknesses) for each product in your product portfolio. When preparing this section consider the following framework for clustering key issues and related strategies. All budgetary and financial constraints must be factored in to this planning.

- **Describe your current and near-future products?**
- **What gives your products a clear competitive advantage?**
- **What are the benefits and value provided to customer as opposed to 'features'?**
- **What are the environmental and social impacts and implications?**
- **What regulations, standards and codes must be complied with?**
- **At what stage is each product in its life-cycle? For example:**
  - Research completed
  - Prototype completed
  - In-house testing
  - Customer testing
  - Market ready
  - First up-grade completed

Also consider conducting the product analysis and planning for this section across the following stages:

**Current Situation**

**Key Product and Market Issues**

**Key Strategies**

**Performance Measures and Targets**

## **SECTION FIVE**

### **MARKETING**

Based on discussions at previous sections develop a concise set of highly focussed marketing strategies for your most attractive and highest priority markets. These strategies will guide your market entry, market development, and brand building activities. Establish budgets for these activities. Set realistic and measurable performance targets and time lines for each market entry/development strategy. *These targets are critical to designing and building business and production capacities aligned with expected market demands on entry, and in to the future.*

In essence marketing strategies in combination create the well differentiated, high value and compelling proposition to customers that persuades them to purchase from you rather than a competitor. These strategies should build on the competitive strengths of the company while exploiting the weaknesses of key competitors. A highly competitive, high-value proposition to customers is typically created around the following drivers of competitive advantage:

- Product benefits highly valued by the customer
- Product distribution eg, simple, speedy and easy customer-access to the product
- Product promotion
- Customer communication, interaction and feedback

- Product support for the life of the product
- Customer service
- Product pricing and purchasing
- Product presentation and packaging
- Product compliance with all relevant legislation

## **SECTION SIX**

### **RESEARCH AND DEVELOPMENT**

Provide a background to current activities. Then identify key issues (strength, weakness, gaps, threats and opportunities) and develop related strategies for addressing each key issues. Link the R&D effort to your market research, product development and marketing activities discussed in previous sections. All budgetary and financial constraints must be factored in to this planning.

Areas to be analysed to include:

- **Sources of R&D**
  - Current and planned
  - Strategic alliances for R&D
  
- **Intellectual Property Protection**
  - Patents held plus the corporate entity that holds the patents
  - Shared intellectual property and its protection
  - Intellectual property being used, but not owned
  - Intellectual property protection currently being sort for new developments
  
- **Current and planned R&D activities**
  
- **Processes employed for the development and commercialisation of new products and technologies**

## **SECTION SEVEN**

### **PRODUCTION AND DELIVERY**

Provide a background to current activities. Then identify key issues - strengths, weaknesses, and gaps in production capacities and capabilities - as they relate to meeting the marketing requirements and targets, and R&D requirements developed in earlier sections. Then develop linked strategies with clear targets, time lines and budgets to develop and progressively expand production capabilities and capacities. All budgetary and financial constraints are factored in to this planning.

Key issues are typically identified following an evaluation of key production and delivery performance-drivers. Typical areas to be addressed during this evaluation include:

- Plant design, location, size and site requirements
- Access to key manufacturing technologies

- Production capacity and capability requirements
- Criteria for selecting contractors and suppliers
- In-house versus out-sourcing of manufacturing requirements
- The manufacturing and production standards, codes, regulations and OH&S requirements that must be complied with
- Equipment needs
- Inventory management
- Manufacturing processes - configurations and technologies
- Product and production costings
- Purchasing systems
- Quality control systems
- Manufacturing resources planning
- Material requirements planning
- Warehousing
- Scheduling and dispatch
- Material supplies and inventory
- Critical/key inputs to all manufacturing and production processes
- Risk management
- Key staffing and skills requirements
- Clear linkages to, and feedback loops with the company's marketing, product development, and R&D functions
- Work systems and teams for staff
- Designing, testing and improving all production and delivery systems to meet market demands and expected growth
- Key performance measures and targets for controlling and improving all production and delivery systems to increase production efficiencies and effectiveness.
- Benchmarking and best-practice

## **SECTION EIGHT**

### **SUPPLY CHAINS**

Provide a background to current activities and list all key suppliers. Then identify key issues - strengths, weaknesses, and gaps in supply chain capacities and capabilities - as they relate to meeting the production and delivery requirements and targets developed at Section Seven. Then develop linked strategies with clear targets, time lines and budgets to develop and progressively improve supply chain capabilities and capacities. All budgetary and financial constraints must be factored in to this planning. Supply chains assessments to include out-sourcing. For example any R&D that is out-sourced should be included in this assessment.

Conduct the analysis and planning for this section across the following stages:

#### **Current Situation**

#### **Key Supply Chain Issues**

#### **Key Strategies**

#### **Performance Measures and Targets**

## **SECTION NINE**

### **BUSINESS SYSTEMS AND PROCESSES**

Based on the plans/strategies developed and performance targets established in sections One to Eight identify key issues - strengths, weaknesses and gaps - within the business systems and processes that drive business performance. Then develop strategies to address these issues.

Performance reviews to improve internal business systems and processes typically include an assessment of the following performance areas:

- **Quality Management (eg, ISO 9001 - Quality Standard, AS 4269 - Complaints Handling Standard)**
- **Risk Management (eg, AS/NZS, Risk Management Standard)**
- **Regulatory Compliance (eg, AS 3806, Compliance Program Standard)**
- **Information Management and Security (eg, Security Standard AS/NZS ISO/IEC 17799:2000)**
- **Financial management**
- **Managing the environmental and social impacts of business operations**
- **Performance improvement across the business, to include performance indicators and targets**
- **Future planning and ongoing innovation (eg, new product development & process innovation)**
- **Employee performance and morale**
- **Stakeholder relationships**
- **Board and management performance**

## **SECTION 10**

### **STAKEHOLDER RELATIONSHIPS AND ALLIANCES**

Describe the current situation and list those key stakeholders that currently contribute to business performance. Identify key issues - strengths, weaknesses and gaps - that relate to improving stakeholder relationships and alliances. Then develop strategies to address each key issue.

Stakeholder groups typically include customers, suppliers of good and services, employees, regulators, the environment, community, government departments and investors. Questions asked during the stakeholder analysis include:

Are all of our key stakeholders clearly identified?

Who will become key stakeholders in the near future?

Are their expectations and requirements clearly understood?

Are they regularly consulted?

Are they kept updated, and involved in those business decisions that will affect them?

**SECTION 11**

## ORGANISATIONAL AND MANAGEMENT

Section Seven provides clear production and delivery projections and targets for the company. Current organisational structures and human resource capabilities will most likely require improvement to meet these increasing business demands.

Conduct an analysis of the current situation and growth projections for the company to identify the key organisational and human resource issues that must be addressed if these growth projections are to be realised. Then develop strategies with key performance measures and targets to address these key issues.

Areas to be addressed typically include:

- Organisational Chart - show current structures and future structures
- The Management team with brief resumes - show the situation now and in to the future
- Staffing requirements - now and in to the future
- Job descriptions and work design for management and staff - now and in to the future
- Human performance standards, measurement and feedback - now and into the future
- Management and staff training and development - now and in to the future
- Recruitment and induction - now and in to the future
- Encouraging innovation across the company

- Providing leadership and building morale
- Training needs analysis - now and in to the future
- Occupational health and safety
- Industrial relations
- Wages and on-costs
- Other relevant human resource issues

## **SECTION 12**

### **ENVIRONMENTAL AND SOCIAL IMPACTS**

Conduct the analysis and planning for this section across the following stages:

#### **Current Situation**

#### **Key Environmental and Social Issues**

## **Key Strategies**

## **Performance Measures and Targets**

## **SECTION 13**

### **RISK FACTORS AND REGULATORY COMPLIANCE**

#### **Risk Management**

Establish key risks to the overall business and its performance by identifying high priority risks within each performance area represented by the sections of this plan. Quantify these risks by assessing the gravity of their impacts on the business should they be realised, and determining the probability that they will be realised.

Following quantification of the risks establish an order of priority for their control. Then develop risk management strategies - with performance measures, targets and time lines - that address the highest priority risks.

The Australian Risk Management Standard AS/NZS 4360 provides a good framework for conducting risk management activities within this sub-section

#### **Regulatory Compliance**

Conduct an audit of regulatory compliance requirements across each area of the business as represented by the sections of this plan. Develop strategies to address regulatory gaps and weaknesses. Australian Compliance Programs Standard AS 3806 provides a good framework for

developing an effective compliance management system.

A regulatory compliance audit would typically embrace:

- Corporate governance
- Taxation
- Superannuation
- Employing staff
- Health and safety
- Trade Practices
- Intellectual Property Rights
- Environmental Issues
- The Privacy Act

## **SECTION 14**

### **CORPORATE GOVERNANCE**

Areas to be addressed by this section typically would include:

**Corporate Structures**

**Company Constitution**

**Board of Directors - Size and Composition**

**Duties and Responsibilities of the Board**

**Board Performance**

**Advisors to the Board**

**Shareholder Agreements**

## **SECTION 15**

### **FINANCIALS**

Based on the strategies and plans formulated, costings calculated, and sales projected develop a set of financials for the duration of the plan. These financials should include cash flows, profit and loss, balance sheets, investment requirements, and key financial performance indicators and related performance targets.



## **SECTION 16**

### **APPLICATION OF INVESTMENT FUNDS**

This section should be linked to all prior planning and at minimum address the following:

- **What will be the total investment requirement across the duration of this plan - when and how much?**
- **Which investors will be involved; how much will they provide and when will they provide it?**
- **How will the funds be used at each round of investment?**
- **What will the capital structure and ownership be after each round of investment?**



## SECTION 17

### STRATEGIC ACTION PLAN

#### Primary Goals, Objectives and Strategies

The **Aim** of this section is to integrate all strategies developed across previous sections into a cohesive and balanced plan of highly focussed action that will achieve the overarching purpose of this Strategic Business Plan.

Firstly.....High-priority, clear, action-orientated, time-bound and practicably achievable goals are formulated around clusters of 'like' strategies developed across the previous sections. Goals mark a clear and well-marked pathway for achieving the aim of this plan. To ensure the plan has a sharp focus the number of key goals should be restricted to six or less when ever possible. A clear time frame and performance target should be integrated in to each goal statement. An example of a goal statement: *By 30 June 2002 to construct and commission a world-standard production and delivery facility capable of producing two 20 metre road bridges per month for direct installation in to Australia's public road system.*

After each goal has been clearly formulated develop a set of supporting objectives and strategies. Objectives define the best pathway for achieving each goal. Strategies define the pathway for achieving each objective. Objectives and strategies are also written using the SMAAART acronym - Specific, Measurable, Action-orientated, Affordable, Achievable, and Time-bound. The final step in developing an interacting hierarchy/network of focussed action is the Task plan. This plan allocates people and resources to completing those tasks required for achieving each strategy. Vital budget and resource considerations are integrated in to the overall planning process to ensure all planned actions are affordable.

The interacting hierarchy/network of action for achieving the aim of the plan is illustrated below. The hierarchy/network of focussed action is not a rigid structure and, where possible, should be adapted to

the each situation to ensure it provides fast, effective and relatively simple action pathways for delivering *results of significance*.

- **Key Strategic Goal**
- **Objectives** to achieve the strategic goal
- **Strategies** to achieve each objective
- **Task Plans** to achieve each strategy

## **Plan Implementation**

Typically management in consultation with staff and key stakeholders implements each Goal and its supporting objectives, strategies and action/task plans. Balanced teams can be effectively employed to implement strategies and supporting action/task plans.

## **SECTION 18**

### **PLAN IMPROVEMENT**

#### **Performance Measurement**

The plan's performance should be assessed against its effectiveness in achieving its high priority goals and performance targets.

#### **Plan Review and Up Date**

To ensure the plan continues to provide a sharp focus and remain responsive to change it should be formally reviewed and updated every six months, at the achievement of a Strategic Goal and at any other time deemed necessary. Implementation of this plan is to be a fixed agenda item at meetings of the Board of Directors.