Strategic Management

Section Seven

Learner Support Handbook

Contents:

Introduction

In any competitive environment the difference between winning and losing is often the quality of planning. The GB Cycling Team is renowned for the meticulous planning of its director David Brailsford. The team has been so successful since he took over that there have been dark mutterings by other counties about the use of drugs and even tiny motors in the hubs of wheels. The French in particular couldn't believe that Britain's improvement was down to exceptional preparation and planning, and at a meeting with David one of the French team pressed him hard to reveal the secret of Britain's success. Fed up with the incessant questioning David looked over his shoulder, leaned forward and whispered, 'The truth is we use really round wheels'. It seemed to satisfy the Frenchman.

People find it hard to believe that good planning can significantly improve performance. Yet the same people are happy to subscribe to the belief that 'poor planning produces p*** poor performance'. There is clearly an inconsistency in people's logic.

Don't get me wrong, strategic planning won't solve all your problems. Planning can never be entirely accurate because it involves prediction and no one can tell you what's going to happen tomorrow let alone next year. However, the act of planning requires you to think about the future and consider what might happen and how you will deal with different eventualities should they arise. That in itself is valuable. Planning also provides you with a road map of where you want to go. Yes, events may require you to make a detour and road closures and traffic jams may disrupt your journey. But if you know your final destination you can constantly update your route even if that means you have to go via Cardiff to get to London from Birmingham (if the M6 road works don't end soon this may be the quickest route).

There are two types of plan that you will almost certainly be involved in, namely business and strategic. A business plan usually covers a period of one year whereas a rolling strategic plan may cover three to five years. Personally I think any plan over three years contains more conjecture and wishful thinking than useful information. If you don't think that you are involved in strategic or business planning then I bet you either control or work to a budget. Well, a budget is a business plan with a price ticket on it. And if it isn't then it's not a very good budget. Too often, the budget drives the business plan when what you really require is a realistic business plan which, when costed, becomes the budget.

The theories discussed in this part will help you understand and contribute to either the business or strategic planning cycle in your organisation. Depending on your level in the organisation some will be more useful to you than others. However, all of them will provide you with different ways of looking at your organisation. The knowledge and understanding gained from this will make you a better manager and prepare you for further promotion.

If it's not already obvious from the above, having an effective operational strategy will ensure that the day-to-day decisions you make regarding your customers, competitors, people and products/services are in the best long-term interests of your organisation. This knowledge will help you to make strategic decisions that are both defensible and economically attractive for your organisation.

Finally, to be effective a good strategy should encourage everyone in the organisation to work together to achieve a common aim. Therefore it should not be imposed on staff. Rather, staff at all levels should be able to contribute to it and in doing so own it.

Good luck

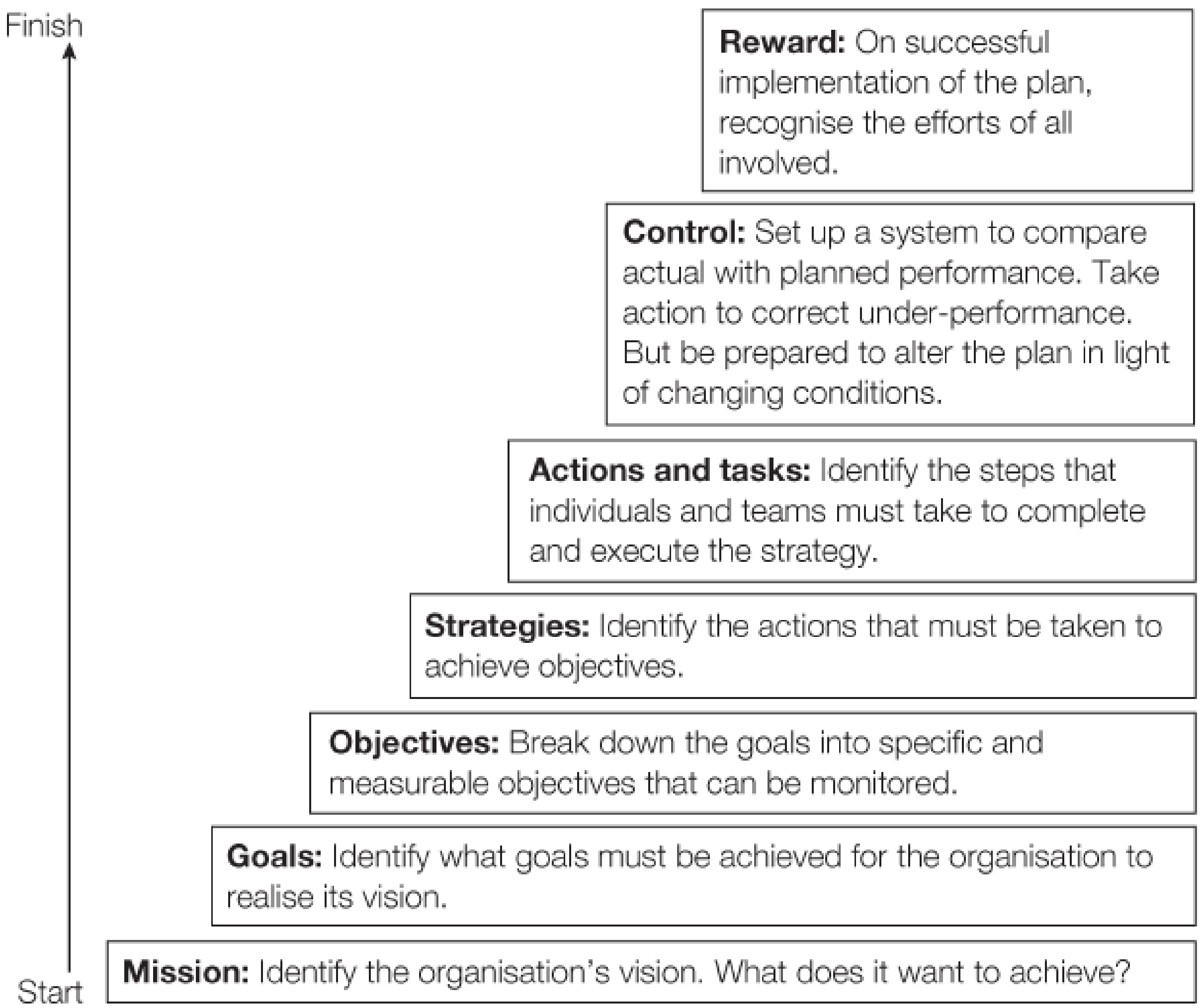
Theory Fifty Six

Johnson and Schole's Seven Stages of Strategic Planning

Use as a summary of the major stages in any planning process.

Gerry Johnson and Kevan Scholes suggest that there are seven stages in any planning process.

These are:



How to Use It

- Use the seven-stage approach as a valuable overview of the stages that you need to go through if you are to produce a comprehensive and well-thought-out plan.
- Different writers define the terms' aims, goals and objectives differently and others use the terms interchangeably. Always make certain that in any conversation or meeting you have that everyone shares a common set of definitions.
- Identify which planning approach your organisation favours – top down or bottom up. Based on this identify the role management expects you to play *(see Theories 57–59).*
- Top-down approaches involve senior managers and a few 'planning experts' locking themselves away for a week and developing a plan with little reference to anyone else. In this case the role of middle manager is to accept what has been produced and implement it without question. If this is your organisation's approach your job is to sell the plan to staff, even if you don't personally support the plan.
- Bottom-up approaches involve collecting data from staff at every level and senior managers and planners using this to draw up the strategic plan. The role of the middle manager is to collect, analyse and summarise the most useful data before reporting it to the planning team. There will be more work for you in terms of feeding into the plan but implementation will be easier as staff will feel that their views were listened to.
- Whatever your role, use one or two trusted staff to help you provide information/implement the plan.

Questions to Ask

- Do I prefer top-down or bottom-up approaches to planning?
- Are there any differences between the organisation's preferred approach and mine?
- If so, how am I going to resolve them?

Theory Fifty Seven

Ansoff's Modernist Approach to Strategic Management

Use if you find yourself in an organisation that believes in top-down planning.

It is important to realise that Igor Ansoff's approach to strategic management was developed in the 1960s after nearly two decades of growth and stability in the USA.

It was based upon the belief that by scientific analysis of available information, it was possible to identify the future strategic direction of the company and plan for it accordingly.

The modernist approach to strategic management suggests that:

- Senior management, supported by specialist planners, are responsible for the analysis of the current and future prospects of the organisation and the development of a strategic plan.
- The results of the planning process can be accurate over a three- to ten-year cycle but that accuracy declines as the planning horizon is extended further.
- When unexpected events occur, management must react quickly and update the strategic plan as required. It is to guard against the danger of the unknown that Ansoff argues that all organisations should have as an aim the ability to remain flexible.
- Staff will accept and implement the plan that is passed down to them and that implementation will be achieved without difficulty.

How to Use It

- Identify which planning paradigm your organisation favours *(see Theories 58 and 59).*
- If you work in a modernist paradigm consider how you can ensure that information you and your staff hold is passed on to the planners and not ignored by those who ‘think they know best’. This will improve the quality of information available to the planners and protect your team against bad decisions made because of poor information.
- Knowing that senior management think that the implementation of the finalised plan is non-problematic, devise an implementation strategy that will motivate and support your staff during the plan’s roll-out *(see Section 3).*
- Devise an early warning system that will alert you to the need to change the plan because of changes in the internal or external environment *(see Theories 65–67).*
- Have in place a reporting system that will allow you to report your concerns to those responsible for amending the plan. Be prepared to argue your case. Planners are often loath to admit that they got it wrong.

Questions to Ask

- Am I part of the ‘planning elite’?
- If so, how am I going to gain staff commitment to the plan?
- If I’m not a part of the ‘planning elite’ how can I influence their decisions?

Theory Fifty Eight

Peter's and Waterman's Post-Modernist approach to Strategic Management

Use this if your organisation believes that it is impossible to plan for the future and that the manager's job is to prepare staff to react quickly to constant change.

Unlike Ansoff, Tom Peters and Robert Waterman were writing in the 1980s.

The 1970s' economic upheaval caused by two oil crises, a changing political landscape and the arrival of new technologies ushered in an era of constant change.

The post-modernist approach to strategic management suggests that:

- It's impossible to predict the future. No longer can change be extrapolated from past events. According to them, change has become discontinuous and unpredictable and planning has to reflect this new reality.
- Planning now involves the identification of new ideas and trends as they occur and quickly mobilising the resources required to capitalise upon such opportunities.
- The role of senior managers is to support, develop and run with the ideas of middle managers and frontline staff because only they are in a position to know what the customer wants and predict the latest market trends.
- As unexpected chance events are now the norm, organisations have to be willing to turn on a dime to deal with the ever-changing demands of customers. To achieve this, staff need to exhibit flexibility, spontaneity and creativity when reacting to customers' demands and changing market circumstances.

How to Use It

- Identify which planning paradigm your organisation favours (see Theories 57 and 59).
- If your organisation believes in the discontinuous nature of change and that traditional planning is useless then create some certainty for yourself and your team by planning for possible changes in advance (see Theories 65–67).
- Talk to frontline staff, customers, suppliers and competitors to stay abreast of what's 'bubbling under' in the marketplace (see Theory 8).
- Use scenario planning (see Theory 67) to briefly outline what you will do when an issue 'boils over'.
- To deal with truly unpredictable events train and develop your staff to show flexibility, spontaneity and creativity when reacting to changing circumstances.
- Record the actions and strategies you use to reduce the effect of uncertainty on your staff. Report these to the senior management as a way of disseminating good practice in the organisation (see Section 6).

Questions to Ask

- Are the changes I face now really greater than those faced by managers between 1914 and 1945?
- What training do I need to provide to staff?
- Will traditional management training work or do I need to think about creativity training and the use of role play and simulation?

Theory Fifty Nine

Quinn, Hamel and Prahalad: The New Modernist Approach

Use this if your organisation adopts a middle-of-the-road approach to strategic planning.

T

The apparent chaos that post-modernist planning implied was challenged by a number of writers in the 1990s.

Quinn, Hamel and Prahalad suggested that what was required was an amalgam of the modernist and post-modernist approaches.

The new modernist approach to strategic management suggests that:

- Senior management is responsible for intellectual leadership. They collect ideas from staff and combine them with foresight, small-scale experiments and customer feedback to identify the best way forward. They recognise that all plans are based upon inadequate information and therefore they will have to be updated to reflect changing realities.
- Management must recognise that because staff have their own agenda they must be fully engaged with the implementation of any plan and an incrementalist approach is adopted during implementation.
- Each change is broken down into a series of smaller changes and management monitor how each small change has gone before implementing the next. This allows corrections to be made as required.
- The foundational belief of the new modernist approach is that organisations have to be ready for whatever comes and be committed to dealing with it. This philosophy leads to the situation where chance events are seen as opportunities which the organisation can build on.

How to Use It

- Identify which planning paradigm your organisation favours (see Theories 57 and 58).

- If your organisation has adopted Quinn's 'middle-of-the-road' approach then ensure you fully understand the long-term aims of the numerous incremental changes that you have to implement.

- Talk to frontline staff, customers, suppliers and competitors to stay abreast of what's 'bubbling under' in the marketplace (see Theory 8).

- Use your knowledge of the intended incremental changes to plot a route that will make the journey easier for you and your staff.

- To deal with the 20% of truly unpredictable (see Theory 81) events train and develop your staff to show flexibility, spontaneity and creativity when reacting to customers' demands and changing market circumstances. Use simulations and role play for this.

- As you work with the organisation's planning process, identify any weaknesses and try to resolve them – while making sure you get the credit for your efforts.

- If you are in a position to choose a planning approach for your organisation then adopt the new modernism model as the best representation of reality. Even in today's world of change there are some things that we can predict with near 100% accuracy, such as England always losing on penalties to Germany.

Questions to Ask

- How can I equip my staff to deal with uncertainty, change and the opportunities that they offer?

- To what extent are 80% of changes predictable and 20% unpredictable *(see Theory 81)* in my organisation?

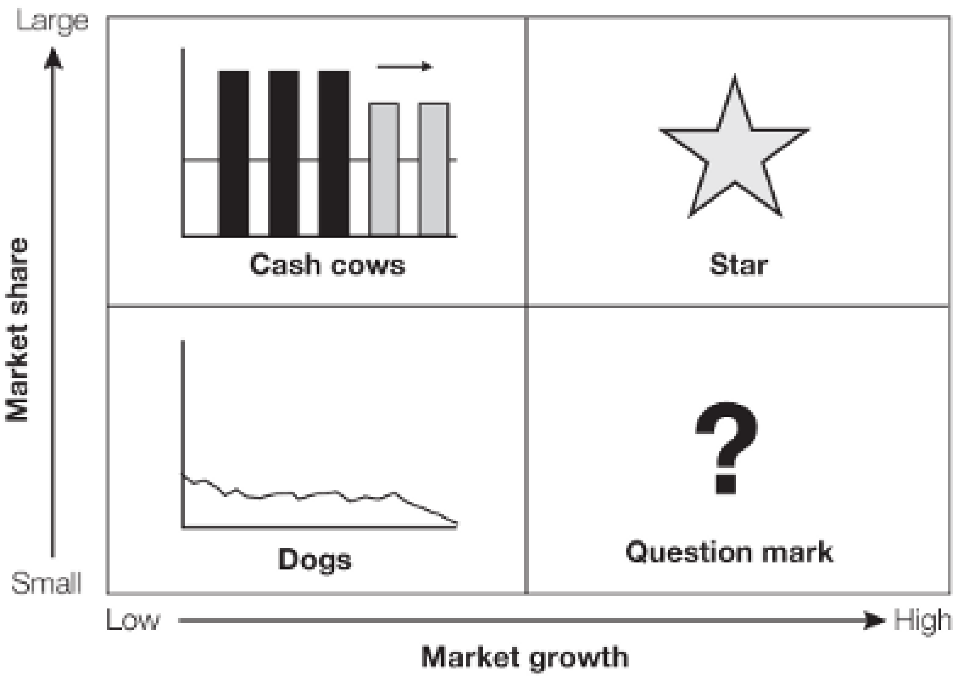
Theory Sixty

The Boston Consulting Group Matrix Model

Use this model to identify specific strategies you can use when considering the value of products and services to your organisation.

The Boston Consulting Group (BCG) created a matrix to assist organisations in deciding how to allocate investment among their products or services.

By dividing the matrix into quadrants, four groups of products can be identified using as descriptors their position relative to market share and market growth rate.



When faced with the findings from a BCG matrix there are four possible strategies that organisations can adopt:

- ***Build share:*** Invest to increase market share, for example turning a question mark into a star or a dog into a cash cow.
- ***Hold:*** Invest just enough to keep the product in its present position.
- ***Harvest:*** Reduce the amount of investment in the product in order to maximise its short-term cash flows and profits.
- ***Divest:*** Get rid of a product by selling or phasing it out. Question marks and dogs are the most likely to be sold off and the funds used to invest in question marks and stars.

How to Use It

- Use the Pareto principle *(see Theory 81)* to identify the products and services that are the most and least profitable.

- **Stars** are high-growth products or services competing in markets where they are relatively strong compared with the competition. Stars are the most important category because they are your future. You need to invest heavily in them to maintain their growth and maximise returns.

- **Cash cows** consist of low-growth products or services with a relatively high market share. These are mature, successful products with relatively little need for investment. Milk your cash cows but also look after them and don't take them or their customers for granted.

- **Question marks** are products or services with low market share but which operate in high-growth markets. They may have potential, but will require substantial investment in order to increase market share. It's with question marks that you really earn your money. You have to decide which to back and which to abandon.

- **Dogs** refers to products that have a low relative share in a low-growth market. Dogs may generate enough cash to break even, but they are rarely worth investing in. If you work solely on a product which is classified as a dog then either get out or increase the product's market share. If you are responsible for deciding which products and units to keep you will have to decide which dogs to put down.

Questions to Ask

- Do I know which of my products are stars, cash cows, question marks and dogs?

- Am I emotionally attached to a particular product or service, e.g. the first product I developed?

- Does my attachment cloud my judgement?

Theory Sixty One

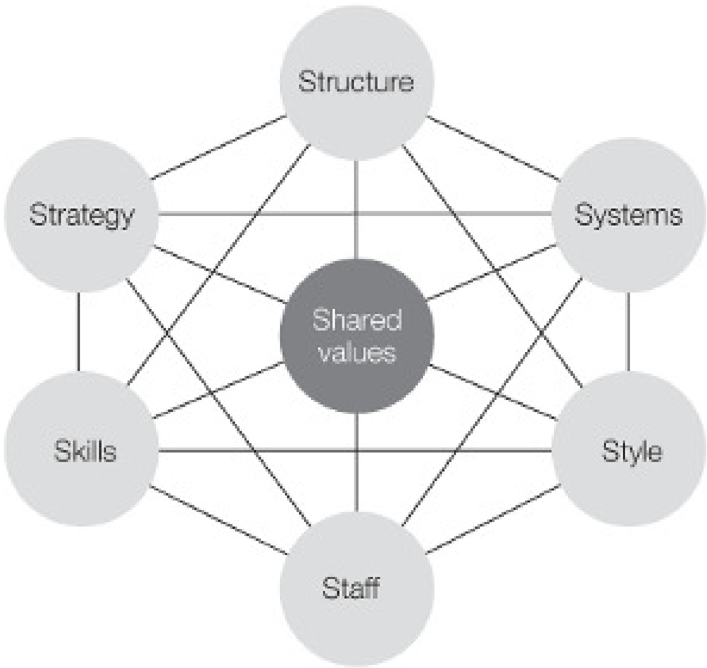
The McKinsey 7-S Framework Model

Use this as a checklist to define and analyse the key dimensions in your organisation.

The 7-S framework was developed by Robert Waterman, Tom Peters and Julian Philips, whilst working at the McKinsey Group.

The model suggests that the strength/well-being of any organisation can be described using seven interrelated elements.

These are usually depicted as:



- **Structure:** The way the organisation's units relate to each other: centralised, functional divisions (top-down); decentralised; matrix; or network.
- **Systems:** The procedures, processes and routines used to undertake important work. They include the systems for: finances, hiring, firing, promotion and performance appraisal systems and information systems etc.
- **Style:** The cultural style of the organisation and how key managers behave in achieving the organisation's goals.
- **Staff:** The numbers and types of personnel within the organisation.
- **Skills:** The distinctive capabilities of individuals or of the organisation as a whole.

- **Strategy:** A detailed plan for the allocation of a firm's scarce resources, over time, to reach identified goals.

- **Shared values:** The interconnecting centre of McKinsey's model is shared values. This is what the organisation stands for and what it believes in. It's the organisation's central beliefs and attitudes.

How to Use It

- This is a complex model. Start by identifying what factors are contained in each element. Go into as much detail as you can. Use mind maps or lists for this (see Theory 72). Your results will give you an invaluable insight into the many elements that are at play in your organisation.

- Study how the elements identified interact and react with the other elements. Some of the reactions may be quite subtle, others will be obvious. For example, introducing new systems will certainly affect skills, and may well affect structure, style and staff. It could even have an impact on strategy. Use a mind map to trace these connections.

- As in a game of chess, every move you make will change the relative strengths and weaknesses of every other piece on the board. It is these changes that you must identify and take account of.

- Your aim is to maximise and run with improvements and take action to minimise any weaknesses that your actions cause. You can only do this if you have an appreciation of how the elements interact with each other.

- Use on a daily basis to keep an eye on how the organisation is doing or use to predict/evaluate the impact that proposed changes may have on the organisation.

Questions to Ask

- Do I know enough about the business to predict the effect that a change in one element will have on another?

- What can I do to gain even greater insights into the business?

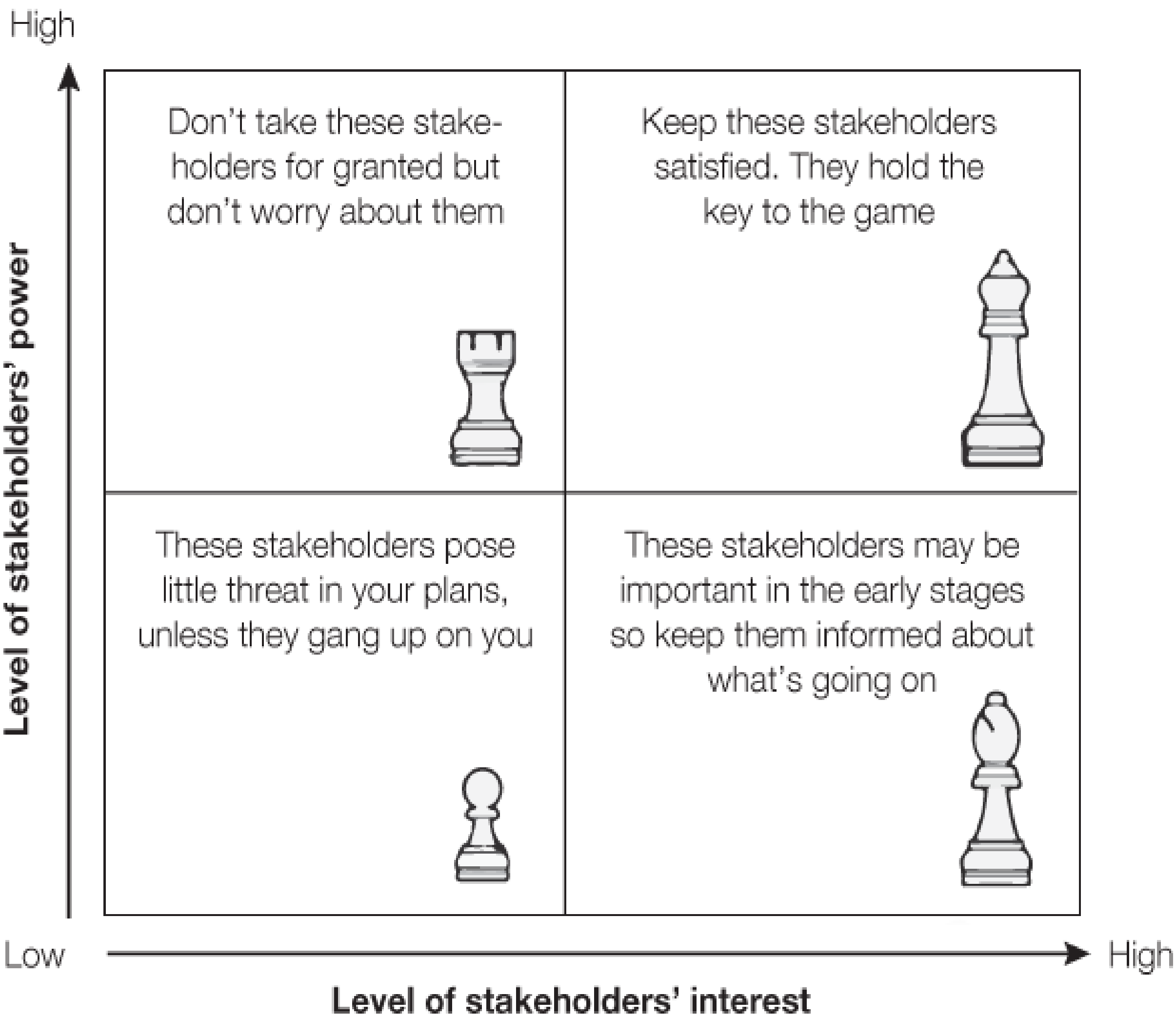
Theory Sixty Two

Johnson, Scholes and Wittingham's Stakeholder Mapping Theory

Use this to identify the internal and external stakeholders that can affect your plans.

Gerry Johnson, Kevan Scholes and Richard Wittingham argue that mapping stakeholders is a strategic business tool which identifies and assesses the effect of different individuals or groups of stakeholders on the organisation (see Theory 55*).*

Stakeholders are recorded on a graph which plots their level of interest in issues that affect the organisation against the power they possess to exercise those interests. The stakeholders in this way are broadly divided into four groups:



How to Use It

- Use in conjunction with Egan's shadow-side theory *(see Theory 55).*
- Identify your stakeholders and their level of interest in the organisation.
- Identify those most likely to affect and be affected by your decisions.
- Use the above information to map and analyse the different groups of stakeholder according to their level of interest and power. Then set about making yourself known to them and winning their confidence. Talk to them and get to know how they feel about you and your work. Find out what's likely to motivate them to either support or oppose you and what they expect from you.
- Keep a watchful eye on those stakeholders with little power and little interest (the pawns) but don't waste too much time communicating with them.
- Talk to the ones with little power but high interest (the bishops). They may lack power to influence decisions but may be useful when it comes to working up the detail on your project or convincing other stakeholders.
- Put just enough effort into the ones with high power but little interest (the rooks) in order to keep them satisfied, but accept they may not want to get involved in the detail.
- Focus your attention on the ones with high power and high interest (the queens). These are the people you need to fully engage with to get the job done.
- Remember the more active you are as a manager, the more people you affect. It is like a game of chess where the more pieces you win or lose affects how well you do. The odd sacrifice may also have a major effect on whether you win or lose.

Questions to Ask

- Do the key stakeholders even know that I exist?
- How am I going to raise my profile with all stakeholders?

Theory Sixty Three

Porter's Chain value theory

Use this to identify how you can improve organisational effectiveness by improving the quality of internal activities.

Michael Porter's value chain is a strategic business planning tool used to identify where competitive advantage arises in your business. It tracks the impact made on a product or service by every process from its start to delivery. The nine main stages of the value chain are grouped together as five primary activities and four support activities.

Primary activities

- ***Inbound logistics:*** Relationships with suppliers and activities required to receive, store and initially process inputs such as raw materials.
- ***Operations:*** The process of manufacturing or creating a product.
- ***Outbound logistics:*** Transportation, storage and distribution of product to the buyer.
- ***Marketing and sales:*** Creating and analysing customer awareness of the product and supplying goods.
- ***Service:*** Maintaining or updating and enhancing the product or service such as repairs or training after the product has been sold and delivered.

Support activities

- ***Infrastructure:*** Organisational hierarchy, strategic planning, financial and quality control systems.
- ***HR management:*** Recruitment, training and performance management.
- ***Technology development:*** The hardware, software, procedures and technical knowledge involved in all operational processes.
- ***Procurement:*** Acquiring materials and all resources.

How to Use It

- Your level of knowledge about each of these stages will depend on your past experience and seniority. To fill gaps in your knowledge form a team that has representatives from each of the nine activities listed in the value chain.

- Take each primary activity and identify which aspects of the activity create's value. Once you know where value lies, identify ways to maximise that value. But beware. Increases in one area may lead to decreases in another. For example, selling more products is great but if despatch can't handle the increased volume of traffic you may see a huge increase in complaints.

- Review each support activity. Ask questions such as: Do human resources add value by recruiting the right people at the right time? Does IT provide the right training and equipment? If you are brave you may ask: Does senior management add value to the organisation? For reasons of survival you may want to answer 'yes' in public.

- Don't get bogged down in the detail. Look at the big picture and identify where the links are and how you can enhance each activity so as to maximise the value to you and your customers.

- Remember the process can be applied organisation-wide or to just that part of the process which you manage.

Questions to Ask

- If I'm very familiar with one activity is there a risk that I may pay too much attention to it and not enough to the other eight?

- How will other managers react to my review of their area of work?

- What can I do to get them onside before I start?

Theory Sixty Four

Porter's Five Forces theory

Use this to summarise your current competitive situation.

Michael Porter's five forces theory is a framework for organisational analysis and business strategy development. Porter outlines five forces that determine competitive intensity and therefore the overall profitability of a service or product.

Porters Five Forces:

- ***Threat of new entrants:*** Profitable markets that yield high returns will attract new entrants. This will eventually decrease profitability for all organisations in that sector.
- ***Threat of substitute products or services:*** The existence of improved versions of your product and substitute, or near substitute, products increases the likelihood that customers will switch to alternatives – especially if they are cheaper or easier to access.
- ***Bargaining power of customers:*** The ability of customers to apply pressure on the organisation, including resistance to price rises, increases when organisations supply a small number of big customers.
- ***Bargaining power of suppliers:*** The ability of suppliers to charge excessive prices increases if there are a limited number of suppliers in the field.
- ***Competition within the sector:*** For most organisations, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry.

How to Use It

- Look at each of the forces and analyse the strength of your current competitive position and identify the position you would like to be in *(see Theories 65 and 66).*

- How easy is it for customers to move suppliers? Keep one step ahead of your competition by improving what you offer or lowering prices to make substitution uneconomic. Aim to give your customers what they don't know they need by listening to your frontline staff *(see Section 8 and Theory 71).*

- Do you have a few very large customers? How easy would it be for them to drive your prices down? If you deal with a few powerful customers, they can dictate terms to you, and you need to broaden your customer base.

- How easy is it for your suppliers to drive prices up? Can they hold you to ransom because they are sole suppliers of a product or service? Is it possible to switch suppliers? The fewer suppliers you have the more you are at their mercy. Find ways to broaden your supplier base. Start with the internet. Overseas suppliers are just a click away.

- How strong are your competitors? If you have many competitors, and they offer equally attractive products and services, then your customers will move if the competition can provide a better/cheaper service. Keep a close watch on the quality of your products and services *(see Section 8)* and prices *(see Theory 74)* to make sure you maintain your competitive edge.

Questions to Ask

- When was the last time I methodically reviewed my team's competitive position?

- How can I differentiate my products or services from those of my competitors?

Theory Sixty Five

SWOT Analysis: - See attached Template

Use this to summarise the strengths, weaknesses, opportunities and threats facing your organisation.

A SWOT analysis identifies the strengths, weaknesses, opportunities and threats facing your team or organisation. Strengths and weaknesses tend to emphasise internal factors while opportunities and threats concentrate on external matters. Often the same issue can be both a strength and a weakness or a threat and an opportunity.

All of the following examples can be seen as either:

Strengths and weaknesses

Include:

- Current finances
- customer loyalty
- product range, employees' skills
- the organisation's ability to react to changing circumstances
- its relationship with stakeholders and the quality of management.

Opportunities and threats

Include:

- Changes in competition
- economic conditions
- wider financial conditions
- customer demographics
- product range
- declining/expanding market share
- stakeholder relationships and technology.

Unfortunately 80% of all SWOT exercises are undermined by a lack of rigour. Too many contain overly optimistic statements about the organisation's current status and future prognosis. The worst offenders are senior managers who often see 'their' organisation through rose-tinted specs.

In addition, managers regularly fail to recognise that a strength is only a strength if it provides the organisation with a competitive advantage over its competitors. Good, committed staff are only a strength if your competitors have poor, uncommitted staff; while an opportunity only exists if the organisation has the commitment, resources and expertise required to take advantage of it.

How to Use It

- First, define the focus of your analysis. What do you want to find out? What timescale do you want the analysis to cover? Remember, the further you try to look into the future the less accurate you'll be.

- Once the objective is clear, select your group of participants. Choose six to eight people who have the experience, knowledge and skills to contribute to the process. Once selected don't allow the most senior person present to monopolise the meeting (even if that's you).

- Make it clear to everyone that creativity must precede critical evaluation. If you become critical too soon people will clam up. So ban criticism in the early stages of the process. Out of the most bizarre utterances can crawl a great idea.

- Brief the group as to the purpose of the meeting. Provide a list of headings that they might use to prompt discussion. Provide everyone with a supply of post-its on which to record their ideas.

- Summarise the main points from the post-it and use this summary and your own notes from the meeting to compile a single list of ideas. Then take each suggestion and subject it to critical analysis – e.g. what evidence is there that the issue exists? If it does exist how can we measure its effect on the organisation? What's the likelihood of the event occurring and what would be its impact if it did happen?

- Always examine opportunities for hidden threats and vice versa.

Questions to Ask

- How rigorous was the last SWOT exercise I ran?

- Did I accept suggested SWOT without adequate evaluation?

- Stick the post-it notes on the wall or board and group similar ideas together

Theory Sixty Six

PEST / PESTLE Analysis: - See attached Template

Use this to look at the external environments that may affect your business

The PEST process is forward-looking and is mainly concerned with the external environment in which the organisation exists.

It tries to predict future political, economic, social and technological trends that may impact on the organisation in the future.

In recent years PEST has become PESTLE (PEST plus legal and environmental). Typically a PEST/PESTLE process would include consideration of the following examples:

Issues considered in a pest/le review:

- Political, including changes in government following elections, financial and economic policies, legislation, health and safety regulations, employment law and European law/regulations.
- Economic changes such as marketing data, predictions for economic growth, un/employment levels, conditions in the home, Euro Zone, world markets and banking policies.
- Social trends, including an ageing population, changes in customer behaviour, impact of the web, social movements and changing social norms.
- Technological trends, including government spending on research, new discoveries and developments, speed of technology transfer, impact of changes in information technology.
- Legal issues, including changes in the law to employment, public liability, environmental, health and safety and working hours.
- Environmental issues and changing public opinion concerning climate change, new energy sources and pressure groups.

How to Use It

- Define the purpose of your PEST analysis. What do you want to find out? What timescale will the analysis cover? Remember the further you try to look into the future the less accurate you will be.

- Once you've confirmed the terms of reference, select a group of 6–8 people from senior, mid and frontline staff *(see Theory 8).* Those chosen must have a good knowledge of the organisation and the business sector it operates in and be capable of strategic thinking.

- Because the group will contain middle and senior managers you must guard against one or two powerful personalities hijacking the meeting. If you think that their position might inhibit your actions appoint an outside facilitator to run the show – and brief them fully.

- To avoid distractions hold the meeting away from work. Brief the group as to the purpose of the exercise and provide a list of headings that they can use as prompts. Provide everyone with a supply of post-it notes on which to record their ideas. At this stage suspend critical evaluation of even the daftest suggestion. Use the post-it notes and your own notes to compile a complete list of ideas.

- When the list has been finalised assess each idea against the following criteria. How likely is it to happen? What impact will it have on the organisation if it does happen? What strategies and/or resources are required to minimise harm or maximise benefits should the event occur?

Questions to Ask

- How am I going to deal with any overly optimistic senior managers in the group?

- How can I ensure that consideration is given to both quantitative and qualitative data during discussions *(see Theory 88)*

Theory Sixty Seven

Scenario Planning

Use this to identify possible futures for your organisation or team and plan for how to deal with them

Scenario planning is as old as humankind. It involves asking the 'What will happen if?' question. Of course no one can predict the future but that hasn't stopped people trying.

Change does not progress in a nice straight line. It occurs in fits and starts. That means it's impossible to extrapolate what the future will look like based upon what happened today.

In an attempt to get a handle on the future managers can use quantitative data (facts, figures, forecasts), qualitative data (people's opinions about what is going to happen) or a combination of both.

Most commentators recommend that forecasts use a combination of quantitative and qualitative data and that a process similar to the following be used.

Scenario planning process

Decide on a time horizon for the plan:

- Identify the key issues and variables that will have the greatest influence on the company.
- Agree a set of basic assumptions to be used in every scenario.
- Develop alternative scenarios for all key variables and possible events.
- List all combinations of the key variables.
- Reject scenarios that are implausible.
- Write up each of the remaining scenarios on a single side of paper.

How to use It

- Gather together a small group of people to consider what might happen in the future. It's not a bad idea here to include a few science fiction/games fans in the group *(see Theories 65 and 66).*

- Scenario planning is a time-consuming business; therefore focus on the key issues that are crucial to your team/organisation *(see Theories 60, 61, 63 and 81).*

- Take each issue and follow the process outlined on the theory page. But do as all good chess players do and don't spend time looking at all possible scenarios for each issue. Instead concentrate on the 20% *(see Theory 81)* that will have the most significant impact on you/your organisation should they happen.

- Now that you have a manageable number of scenarios to work with evaluate each one fully. Use a mixture of quantitative and qualitative data in your analysis and forecasts *(see Theory 88).*

- Remember that one very unlikely event, should it occur, can wipe you out. You must guard against such dangers. Toyota cars suffered a huge loss in production following the earthquake and tsunami in 2010. Toyota had planned for earthquakes but not for the effects of a tsunami.

Questions to Ask

- How good am I at forecasting possible futures?

- How am I going to evaluate and rank the likelihood of each scenario occurring?

SWOT Analysis- Looking at current strengths, weaknesses, opportunities and threats

Strengths:	Weaknesses:
Opportunities:	Threats:

PESTLE Analysis Template Version: Date:			
Factors – outside your control	**Level of Risk**	**Impact Level**	**Time-frame**
Political			
Economic			

Factors – outside your control	Level of Risk	Impact Level	Time-frame
Social			
Technological			