

Everything you need to know about Strategy Formulation and Implementation

Author: Tatenda Sayenda . November 2020

“Any organization without an actionable and implantable strategy is like a ship without a radar”

Rich Horwarth

It that time of the year where organizations revisit and review their *strategic plans*, and make plans for the upcoming year. With the whole COVID 19 pandemic shifting how businesses operate globally, organizations are having to revisit and rethink their strategic plans. Every company needs a strategy. A focused *strategy* aligns decision making throughout the organization and helps establish a competitive edge in the marketplace. Set your company up for long-term success by having a concise strategy in place.

A company that has not taken the time to develop a *strategic plan* will not be able to provide its employees with direction or focus. Rather than being proactive in the face of business conditions, an organization that does not have a set strategy will find that it is being reactive; the organization will be addressing unanticipated pressures as they arise, and the organization will be at a competitive disadvantage.

What is Strategy Formulation?

Strategy formulation is the process by which an organization chooses the most appropriate courses of action to achieve its defined goals. This process is essential to an organization’s success because it provides a framework for the actions that will lead to the anticipated results. Strategic plans should be communicated to all employees so that they are aware of the organization’s objectives, mission, and purpose. *Strategy formulation* forces an organization to carefully look at the changing environment and to be prepared for the possible changes that may occur. A strategic plan enables an organization to evaluate its resources, allocate budgets, and determine the most effective plan for maximizing ROI (return on investment).

Strategy formulation requires a defined set of six steps for effective implementation. Those steps are:

1. Define the organization,
2. Define the strategic mission,
3. Define the strategic objectives,

4. Define the competitive strategy,

5. Implement strategies,

6. Evaluate progress.

Strategy Formulation Methodology

When formulating your organizational strategy it's important to first assess the environment that you are operating in and also understanding how your business intends to operate. Below are tools an organization can use to assess both the internal and external environment to come up with an effective strategy:

1. The Strategy Canvas

The strategy canvas is a central diagnostic tool and an action framework developed by W. Chan Kim and Renée Mauborgne for clarifying the current state of play in the market and helping a business assess how it can differentiate itself. It graphically captures, in one simple picture, the current strategic landscape and the future prospects for a business.

The strategy canvas serves two purposes:

- To capture the current state of play in the known market space, which allows users to clearly see the factors that the industry competes on and where the competition currently invests.
- To propel users to action by reorienting their focus from competitors to alternatives and from customers to non-customers of the industry.

The value curve or strategic profile is the basic component of the strategy canvas. It is a graphic depiction of a company's relative performance across its industry's factors of competition. A strong value curve has *focus*, *divergence* as well as a *compelling tagline*.

1. PESTEL Analysis

Through the PESTEL analysis an organization can analyze the macro-environmental (external marketing environment) factors that could impact the business by looking at the following key factors:

- **P**olitical
- **E**conomic
- **S**ocial
- **T**echnological
- **E**nvironment
- **L**egal

1. SOAR: Strategic Inquiry with an Appreciative Intent

Strategic planning should be more about collective wisdom building than top-down or bottom-up planning. It should be more conversational than solely documentation driven, and it should be more about building the big picture than about number-crunching exercises. It should have a creative component instead of being strictly analysis-driven, and it should be more motivational, invoking willing commitment, than bargaining-driven, producing negotiated commitment.

SOAR is a strategic planning framework with an approach that focuses on strengths and seeks to understand the whole system by including the voices of the relevant stakeholders. One way SOAR does this, is to reach beyond senior management to include others in the organization's actions. SOAR invites employees to have a strategic conversation that is grounded in values. As a result, rather than trying to convince people to buy- in, employees are motivated and inspired by the strategic initiatives that they helped create and that reflects their values. In SOAR, the focus is on our strength and opportunities, so that we can align and expand them until they lessen or manage our weaknesses and threats. Weaknesses and threats are not ignored. They will be re-framed and given the appropriate focus within the Opportunities and Results conversation.

1. Four Actions Framework

The Four Actions Framework is used to reconstruct buyer value elements in crafting a new value curve or strategic profile. To break the trade-off between differentiation and low cost in creating a new value curve, the framework poses four key questions, shown in the diagram below, to challenge an industry's strategic logic. The Four Action Framework is drawn from the Blue Ocean Strategy. The Blue Ocean Strategy is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. Blue Ocean Strategy challenges everything you thought you knew about strategic success and provides a systematic approach to making the competition irrelevant.

Strategy Implementation

For those businesses that have a plan in place, wasting time and energy on the planning process and then not implementing the plan is very discouraging. *Strategy implementation* is a fundamental business practice that's critical for any strategy to take hold. The strategic plan addresses the and why of activities, but implementation addresses the who, where, when, and how. Both *strategy formulation* and implementation are critical to success. Organizations can gain a competitive advantage through implementation if done effectively.

One effective mechanism that organizations can adopt when implementing their strategy is the Balanced Scorecard approach. The Balanced Scorecard is a *strategic planning* and management system that is useful to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor an organization's performance against strategic goals. It was originated as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance.

The Balanced Scorecard Approach is based on four main perspectives:

1. **Financial Perspective** (Voice of the Shareholder/Stakeholder)
2. **Customer Perspective** (Voice of the customer)
3. **Internal Business Processes Perspective** (Value Creation Processes)
4. **Learning and Growth Perspective** (Voice of the employees)

Organizations struggle to implement strategies because they do not have performance management systems that are linked directly to the strategy. Organizations that are very good at strategy implementation are those that link their performance management system to strategy.

If the role of *strategy* is to move you from your current state to your desired future, it needs to be part of your everyday life. At every meeting, with every decision, for every employee performance review, the strategy should be on the table. It should set the parameters, remember, the strategy is a framework (or a tool) that helps you make decisions that are congruent with where you want to go. This pandemic has taught businesses to be flexible and the importance of setting achievable and realistic strategies that match the environment. According to McKinsey ‘While workers around the globe are keeping essential services running, it is imperative for business leaders, particularly senior strategy executives, to reflect on the lasting implications of COVID-19 and what they can do to best position their people, their businesses, and society to recover and thrive in the long term.’

Tatenda Sayenda-Havire is a Consultant at Industrial Psychology Consultants (Pvt) Ltd, a management and human resources consulting firm. Phone +263 (242) 481946-48/4

<https://thehumancapitalhub.com/articles/Everything-You-Need-To-Know-About-Strategy-Formulation-And-Implementation>