

Annual Strategic Review & Update

The Systems Thinking Approach[®]

By Stephen Haines, Founder and CEO of the Haines Centre for Strategic Management[®]

It's one thing to have an organization-wide strategic plan or a three-year business plan for your strategic business units and major functional areas. It is another to keep them from becoming a one-year, one-hit wonder. When left alone, strategic plans become subject to the SPOTS Syndrome, which is your "Strategic Plan on the Top Shelf" gathering dust.

To persist in implementing your strategic plan and keep it running successfully as a Strategic Management System— even after the newness has worn off— you need to conduct a yearly follow-up to diagnose the overall success of your implementation. At this time, you can also recycle and update your strategic plan and its annual priorities, continuing to improve toward your Ideal Vision as you go. Envision this process as the Continuous

Thinking is easy. Acting is difficult. To put one's thoughts into action is the most difficult thing in the world.

— Goethe

Improvement Helix shown below. By conducting strategic reviews annually, you will continue to cycle through your strategic plan implementation, becoming a high performing organization and ultimately creating customer value year after year.

Conducting an Annual Strategic Review and Update is a key step in our Reinventing Strategic Planning model.

THE FIRST STEP: YEARLY ASSESSMENT

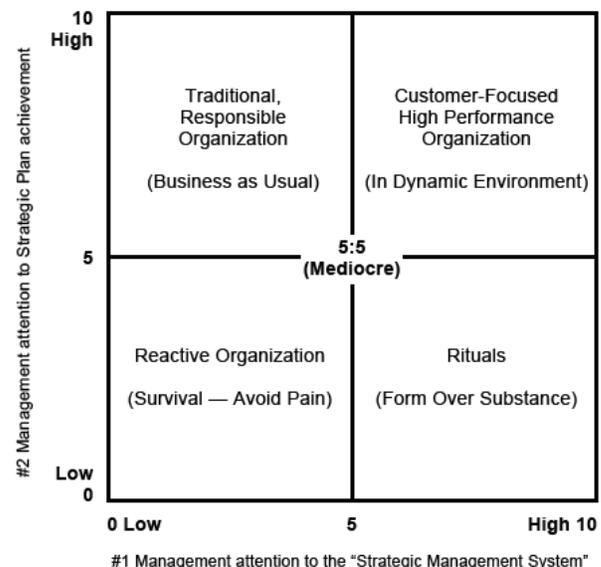
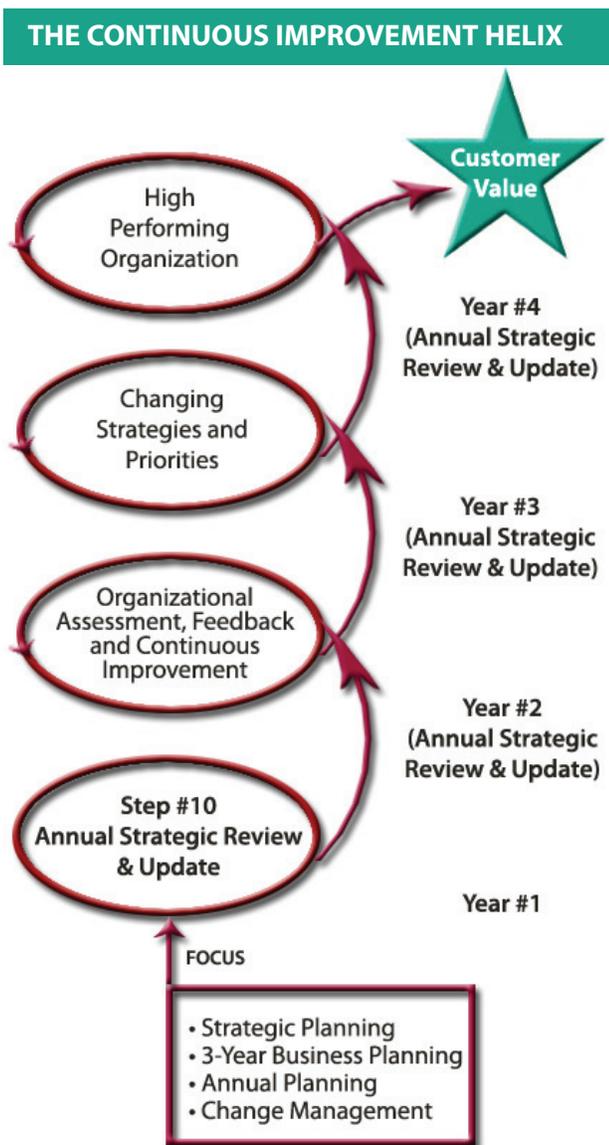
Each year, every organization conducts an independent financial audit. However, a yearly independent Strategic IQ audit is usually not even on the radar screens of the collective management or Board of Directors, much less present in the organization's literature and practice.

Instead, your Annual Strategic Review and Update should include a review, assessment and feedback report with recommendations from an external, unbiased perspective on the status of your organization's strategy implementation. This Strategic IQ Assessment process concerns itself with two overall purposes or goals:

Goal #1: Assess the collective management's attention to the development and implementation of the Strategic Management System.

Goal #2: Assess the collective management's attention to actual results and achievements accomplished under the strategic plan.

Paying attention to only one of these two goals is not very effective, as the matrix below suggests:



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Based on the framework and goals of the matrix (#1 and #2), each organization needs to conduct an independent yearly follow-up and diagnosis on how they are performing. This is the key to learning to be a customer-focused, high performance organization.

This update should result in the following four outcomes:

1. Updating your strategic plan.
2. Clarifying your annual planning and strategic budgeting priorities for the next year.
3. Solving any issues raised in the assessment of either goal above.
4. Establishing next year's comprehensive map of implementation, annual plan and Strategic Change Management process (SCLSC, etc.) into a Strategic Management System.

There are many ways to collect the data for the Current State Assessment portion of the Annual Review. Some of these include:

- Interviewing senior management
- Interviewing with the internal support cadre
- Reviewing documents, records, agendas of all change and planning processes and meetings
- Conducting focus group meetings, possibly with the SSTs, middle management, first line supervisors and cross-functional teams of employees.
- Coordinating customer focus groups
- Interviewing key external stakeholders, board members, suppliers and customers

Conducting a Strategic IQ Audit accomplishes most of these at once. (For other ways and mechanisms to get specific feedback, see the back page of this article.)

STRATEGIC IQ™ AUDITS

As world leaders in the Systems Thinking Approach® to Strategic Management, the Haines Centre has created the only **Yearly Strategic IQ™ Audit and Certification** available. Beginning where the Baldrige Quality Award for Performance Excellence leaves off, our audit and certification has two goals:

- Assessing your strategic direction, customer focus, operational excellence and financial results versus best practices to achieve business excellence and superior results.
- Developing a yearly Strategic Management System and Cycle that is customer-focused and consistently generates these results each year.

The **Strategic IQ™ Audit** is a comprehensive, organization-wide audit that examines four areas of your organization:

1. Shared Direction and Clarity of Purpose

- Developing a strategic plan, clear marketplace positioning and customer-focus
- Developing “buy-in” and “stay-in” to the plan for best answers and ownership

2. Shared Core Strategies

- Conducting a Strategic Business Assessment and a consistent

overall strategic business design, productivity and efficiencies

- Cascading down department work plans, operations, budgets and accountability

3. Successful Implementation of Enterprise-Wide Change

- Assessing and enhancing performance of each leader and unit at all levels versus your strategic direction
- Installing follow-up change management structures and processes
- Significantly enhancing your financial growth, return on investment and long-term viability

4. The Foundation: Sustaining Capacity and Simplicity

- Developing the capacity for sustaining enterprise-wide change
- Achieving elegant simplicity and clarity of focus

The Centre offers several options for auditing your Strategic IQ™:

1. Have two Senior Executive Mastery Consultants and two more junior consultants come in-house and use this assessment to conduct a neutral, third-party diagnosis and assessment in only two days.
2. To build your own internal assessors, have the Centre jointly assess you with a specifically trained sub-group within your organization.
3. Conduct the Strategic IQ™ audit as a part of any strategic planning or change project, or make it a part of the yearly Annual Strategic Review and update of your strategic plan.

Additionally, you could conduct it to begin a strategic planning or change management project.

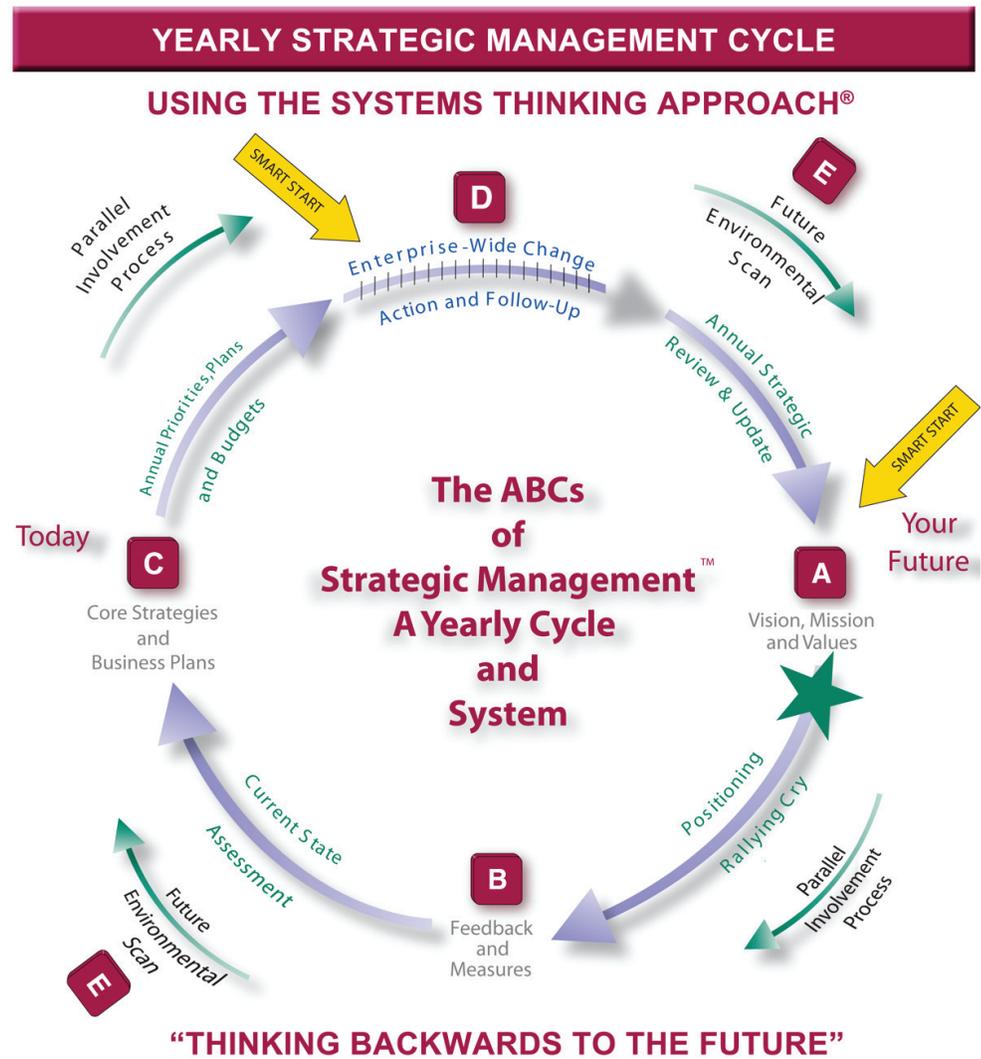
THE SECOND STEP: ANNUAL REVIEW MEETINGS

Once your assessment is completed, you should complete a yearly strategic update of your plan. You don't need to spend time on a brand new strategic plan each year, but you *do* need a refresher or annual update of the plan. This is much quicker than the actual planning process, but it *is* a must. Your yearly update should consist of completing the full A-B-C-D-E Reinventing Strategic Management model created by the Haines Centre, only in a much briefer fashion. The CEO should lead the update, with all senior management making up the majority of the Strategic Planning Team.

There are eight steps to updating your strategic plan:

1. Complete a brief Executive Briefing/ Plan-to-Plan as necessary.
2. Start with a two-day off-site meeting that includes the following tasks:
 - Conduct a Future Environmental Scan using the SKEPTIC Model and going out a minimum of three years.
 - Briefly recheck the vision, mission, values and Key Success Measures of your strategic plan to see if they are still relevant.

- Conduct the Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis, preceded by feedback of your independent Strategic Management System audit and assessment (**Strategic IQ Audit**)
 - Refine your core strategies. While core strategies pretty much stay the same each year, one or two may have changed or fallen off, while one or two others may have been added.
 - Reset your annual Strategic Action priorities and accountability. This task will represent the bulk of this off-site meeting's work.
3. Following the off-site meeting, conduct a Parallel Involvement Process for feedback from all key stakeholders (especially middle management and supervisors).
 4. Hold a one-day review meeting of your Strategic Planning Team to finalize your update strategic plan, especially the annual strategic action priorities for the next year.
 5. Then, require all your key department managers to develop their annual plans within the context of **your core strategies as the organizing principles and goals for every department**. This is very important!
 6. Following this, hold a one- to two-day large group collective management team Annual Plan Review Meeting to ensure all department plans are correct and in sync with each other. This is the best way we have ever seen to turn a silo-oriented, vertically-functioned organization into a strategy-oriented, integrated horizontal customer-focused organization.
 7. Develop strategic budgets.
 8. Re-energize the Strategic Change Leadership Team (CLT), Continuous Improvement Team



(CIT) and Strategy Sponsorship/ Project Teams.

We are often asked how often organizations should *completely* redo their strategic plans. Realistically, in today's changing world, we believe that a plan can last two to three years before it needs to be completely retooled. On the other hand, you should expect to draft a new plan— or revise your existing one— whenever your organization experiences a major change in its direction (new or changed goals), its environment (marketplace) or its senior leadership.

TIP: BE FLEXIBLE

The Annual Strategic Review and Update is *key to being a high performance learning organization with sustained superior performance*. Without a strict adherence to this part of the process, you won't need to worry about how long your change effort is taking because you simply won't have one. This yearly renewal process is based on the Systems Thinking Law of Entropy, which shows that as soon as the strategic plan is developed and implemented, its consequences and environmental changes quickly indicate a need for a redesign. Hence, the key concept of the strategic plan as a “living, breathing document” is crucial. *Rigidity to the plan is as bad as no plan at all*. The ideal Strategic Management System is an inexact, adaptive-learning, ideal seeking system. *Flexibility and agility are*

paramount.

The time commitment to complete this Annual Strategic Review depends on several circumstances:

1. Self-awareness and existing teamwork skills of the leader and senior management.
2. Conflict-management and problem-solving skills of the team.
3. Degree to which the key stakeholders have a harmonious view of the organization's future.
4. Availability of data required for the review.
5. Planning team composition, group size and strategic orientation (9-12 is the best size).
6. Priority of the update process itself— comprehensive, quick or low priority.
7. Amount of key stakeholder involvement and parallel process meetings.

SUMMARY

This article lists the ongoing key tasks for an effective Annual Strategic Review and Update. These tasks are crucial to keeping your plan fresh, up-to-date, relevant and focused on your desired future. They are key to building and sustaining a high performance organization year after year.

This will provide your organization with the necessary content, process and structure for successfully implementing and updating your strategic plan— making solid progress towards achieving your vision each year. After all, how did we first put a man on the moon? Step by step, task-by-task and year-by-year— just like any good strategic plan.

“How To” Action Checklist

1. Use an independent auditor for your Update to ensure it is an unbiased assessment.
2. Involve your people throughout this review, especially middle management, using the standard Parallel Process.
3. Have middle management help with the Future Environmental Scan and SWOT assessment for more input.
4. Republish your plan, tri-fold and other plaques and cards to reinforce your plan again.
5. Prioritize and manage the stress of change or it will manage you.
6. Manage the *processes* of change and update, making sure they are focused and effective.
7. Explicitly communicate your vision and values.

Questions to Ponder

1. Have you had an *independent audit* of both your organization's strategic management system and its results?
2. Are you communicating organization-wide with each planning update session?
3. Does your organization have a Strategic Change Leadership Team— led by the top— to guide and control the annual

SPECIFIC FEEDBACK AND RENEWAL MECHANISMS

- Environmental Scanning System
- Competitor analysis
- Financial reports (short-term and long-term)
- Industry financial comparisons
- Technology trends
- Socio-demographic trends
- Rewards— matching surveys, programs, diagnosis
- Administrative MIS reports
- Advertising, marketing ROI and research
- Management data, opinions, meetings
- Unfiltered upward feedback meetings
- Peer evaluations
- Off-site meetings, overnights, outward bound team experience
- Performance evaluation, including company values
- Strategic Change Leadership Steering Committee

review and update of your strategic plan?

4. Do you have an internal support cadre to manage your update?
5. Have you created a yearly map for the next year, showing a specific, “by the numbers” implementation plan? Have you allocated the proper resources for it?
6. Are there Strategic Sponsorship Teams in place for championing your core strategies for the next year?
7. Are you continually tracking progress on your Key Success Measures and Goals?
8. Did your organization's senior management lead this review and develop individual Personal Leadership Plans?
9. Are you building individual and team commitment to your plan with an effective performance and rewards system?
10. Is your organization firmly committed to an Annual Strategic Review and Update, just as it is for its yearly independent financial audit?

Another in the
Creating Customer Value™ Series.

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