Strategic Planning Process

A Guide for Sustainable Entrepreneurs

SUSTAINABLE ENTREPRENEURSHIP PROJECT

Dr. Alan S. Gutterman

Strategic Planning Process: A Guide for Sustainable Entrepreneurs

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change. Each of the Libraries include various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts.

About the Author

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project and the Founding Director of the Business Counselor Institute (www.businesscounselorinstitute.org), which distributes Dr. Gutterman's widely-recognized portfolio of timely and practical legal and business information for attorneys, other professionals and executives in the form of books, online content, webinars, videos, podcasts, newsletters and training programs. Dr. Gutterman has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Dr. Gutterman, his publications, the Sustainable Entrepreneurship Project or the Business Counselor Institute, please contact him directly at alangutterman@gmail.com.

Strategic Planning Process

Setting the Stage

Even though the evidence is strong that the likelihood of success for a new business increases when the members of the management team embrace some sort of formal planning process from the outset, it is still tempting for entrepreneurs to charge bravely into the fray in pursuit of their dreams of a successful new product or service that will immediately attract the interest of thousands or even millions of customers. Certainly their examples of "instant successes" where companies seemingly appear from nowhere, create new markets and enjoy staggering levels of early growth. However, the more prudent course for successful and sustainable entrepreneurship is the time-consuming, and admittedly sometimes tedious, process of collecting information relevant to the proposed business and developing clear ideas about how the company's product or service will be positioned, marketed and distributed in the marketplace that appears to be best suited for early acceptance of the product or service. The process has been analogized to an architect creating a blue print for a new building before construction begins—in the case of a new business or an existing business looking to expand significant, that blue print is the strategic business plan. While the primary goal of the strategic planning process is the end product—the tangible business planning document—the journey itself provides the participants with an invaluable opportunity to collect information and knowledge about the proposed business and grapple with and resolve the fundamental issues that need to be addressed in order to determine the best way for the company to operate and compete in its chosen markets.

Key Topics Covered

Key topics covered in this chapter include the following:

- The importance of strategic planning and business plan preparation
- Collecting and analyzing information for use in the strategic planning process
- Processes for developing a business strategy
- Business plan preparation and elements of a solid business plan
- Implementation and monitoring of the business strategy
- Using the "business model canvass" method to define the business model
- Developing and implementing sustainability strategies and commitments

Learning Objectives

After reading this chapter, you should be able to:

1. Understand why participation in the business planning process if important.
2. Explain the key steps in designing, implementing and administering a strategic planning process.
3. Explain the process of collecting and analyzing information needed to develop a strategic plan.
4. Understand the steps necessary for developing a strategy.
5. Understand the recommended elements of a solid business plan.
6. Understand the key operational and management issues that should be part of strategic planning.
7. Understand how to ensure that the strategy is effectively implemented.
8. Understand how to use the "business model canvass" method to define the business model.
9. Understand the steps to develop and implement sustainability strategies and commitments.

§1 Introduction

Even though the evidence is strong that the likelihood of success for a new business increases when the members of the management team embrace some sort of formal planning process from the outset it is still tempting for entrepreneurs to charge bravely into the fray in pursuit of their dreams of a successful new product or service that will immediately attract the interest of thousands or even millions of customers. Certainly their examples of "instant successes" where companies seemingly appear from nowhere, create new markets and enjoy staggering levels of early growth. However, the more prudent course for successful and sustainable entrepreneurship is the time-consuming, and sometimes tedious, process of collecting information relevant to the proposed business and developing clear ideas about how the company's product or service will be positioned, marketed and distributed in the marketplace that appears to be best suited for early acceptance of the product or service. This means sifting through mountains of data, traveling to trade shows and to meet prospective customers and seeking out the opinions of others with relevant experience. The process has been analogized to an architect creating a blue print for a new building before construction begins—in the case of a new business or an existing business looking to expand significant, that blue print is the strategic business plan.

As a general rule, small firms do not have the resources needed to create and maintain a separate strategic planning function. Instead, the planning process will usually be handled by the founders and other senior managers. Obviously these people are typically overwhelmed with "doing," as opposed to "planning," and there will be a strong temptation to put off preparation of a formal business plan, even a short one, or outsource the project to a consultant or other outside party (e.g., a lawyer or an accountant). However, it would be a serious mistake for the founders and senior managers to avoid becoming personally involved and invested in creating the initial business plan for their company. While the primary goal of the business planning process is the end product—the tangible business planning document—the journey itself provides the participants with an invaluable opportunity to collect information and knowledge about the proposed business and grapple with and resolve the fundamental issues that need to be addressed in order to determine the best way for the company to operate and compete in its chosen markets. In fact, the process of drafting the business plan is the time to make sure that all of the members of the start-up group are convinced about the validity of the business concept and fully committed to becoming the initial "investors" in the company ready to devote their full time and effort to executing the plan. Participation in the business planning process is also important for the following reasons:

- The business plan will become the primary means of communication to potential investors, banks, advisors and other potential strategic partners who will be asked to provide some level of support to the new business. As such, it is essential for the founders and senior managers to devote the necessary time and effort to ensure that the plan is clear, complete and accurate and that it conveys the right message to obtain the needed support.
- The process should lead to clear and specific goals relating to the operation and development of the business. While the ultimate dream of the start-up group may be

to create a multi-billion dollar global company the journey must begin with smaller incremental steps that will keep the company and its employees focused on what is needed right now to keep the business rolling and progressing. The planners should include near-term goals that are realistic and achievable and reach agreement on an objective basis for measuring progress toward those goals.

- By compiling, analyzing and documenting the information needed for the initial business plan, the members of the start-up group will get a good feel for the elements that need to be included in their permanent strategic planning function once the company grows to the size where it can afford to create and maintain a dedicated planning business unit. Put another way, the process should uncover the key data points for monitoring the business and the company can begin to take steps to make sure that the necessary data is continuously collected by the company's information systems.
- The lessons learned in the business planning process can be applied to other important activities and thus provide the founders and senior managers will tools that can be used to make informed business decisions about new projects and investment opportunities. For example, before aggressively courting a new customer the management team should prepare a "mini-business plan," often referred to as a "business case," for the proposed business arrangement that documents and analyzes the rewards and costs of doing business with the customer and evaluate the burdens placed on all departments with respect to servicing the customer. The business case can then be evaluated against the larger goals of the company laid out in the business plan and, if accepted, can be used as a guide for evaluating the customer relationship once it begins.

While the optimal situation, for the reasons listed above, is for some form of business plan to be in place when the company is formally launched, the reality tends to be that the strategies of many firms tend to emerge as the business develops. Even if that is the case the leaders of the company must at least have some general frame of reference regarding the issues that will need to be considered when determining which activities of the small start-up team must take priority. Absent a formal plan the soundest approach may be to follow the process outlined above—continuous analysis and evaluation of the environmental forces that will influence the scope and design of the company's "organizational domain" and the strategies that the company will need to adopt to manage and mitigate these forces. At some point, however, attention will need to be paid to the basic elements of the formal strategic plan and related processes, which include not only a written business plan but also incorporates training and recruitment plans, external communications, relationships with customers (i.e., product and service plans) and other key business partners, and internal rules and procedures to ensure compliance with applicable laws and regulations and monitoring of activities against budgets and milestones that may be established during the planning process.

This chapter covers the key steps in designing, implementing and administering a formal strategic planning process. Strategic planning begins with identifying and defining the purposes, goals and objectives of the company including the products to be created and distributed by the company, the target markets that the firm will seek to penetrate, the measures that will be used to evaluate the performance of the firm and its chosen strategy, and the specific tactics in various functional areas that will be used in order to efficiently execute the strategy. In addition, however, strategic planning processes are implemented by effective leaders that understand the importance of continuously being proactive about the unforeseen changes in the company's business environment that will ultimately create new opportunities and threats for the company that will challenge its managers to make difficult decisions regarding the direction of the firm, its goals and objectives and how it is organized and led. The chapter describes the fundamental elements of the planning process and desired outputs of that process—a mission statement, a strategy statement, strategic goals and objectives, and tactical and operational plans—and discusses how internal and external environmental forces impact the strategic planning process. Other sections in the chapter cover key steps in the strategic planning process including collecting and analyzing information, strategy development using "situation" analysis, preparation of the mission and strategy statements, establishing strategic goals and objectives, preparation of a strategic plan and implementation and monitoring of the company's strategic plan.

§2 Collecting and analyzing information

When putting together a business plan companies and their managers must begin by analyzing a series of essential questions and issues. This analysis serves as the background for the overall planning process and provides the working group with an opportunity to focus on how various alternative strategies will impact the business of the company and the markets in which it is active over the planning period. In order for this preliminary work to be useful, substantial amounts of information will need to be collected and the parties involved in the planning process must be prepared to set aside sufficient time and resources to evaluate the data and critically debate the viability of various alternatives that might be considered for inclusion in the company's strategy.

The background work for formulating a strategic plan should be done systematically. The working group should begin with a survey of each industry in which the company is active and then proceed with a detailed evaluation of specific markets that might be most suited for the successful offering of the company's products and services. The next step is conventional competitive analysis to identify the resources, relationships and strategies necessary for the company to survive and flourish in what has now become a truly global marketplace. At this point the company can identify assets and skills already in place that can be used to slow the progress of competitors, such as intellectual property rights and exclusive distribution or manufacturing agreements, as well as needs that can be satisfied by new initiatives such as looking to foreign markets for access to low-cost labor and/or raw materials for the manufacturing process. Competitive analysis should be accompanied by organizational analysis to determine what structural changes may be needed to implement the company's expanded activities. In addition, specialists in the working group with a financial/accounting background should be responsible for putting together income statement, balance sheet and cash flow forecasts for the planning period based on assumptions regarding the strategies that will be adopted and events in the external environment over the period. Finally, the working group should be prepared to engage in some form of overall risk analysis before finalizing the recommendations in the business to ensure that all of the key assumptions regarding markets, products, technology and availability of resources (i.e., capital, equipment and personnel) have been thoroughly tested for validity and accuracy.

It should be clearly understood that strategic planning, including the initial selection of a strategy and monitoring its effectiveness, requires a solid information system that continuously gathers, screens, analyzes and distributes information that is important to the business of the company and the ability of its managers and employees to carry out their duties and responsibilities. When companies are first launched they often rely on primitive and informal methods for collecting, storing and sharing important information. Many times documents containing important information are strewn around the office on desks and in drawers and the primary means for sharing information is a chance meeting in the hall as managers and employees scurry to complete their work. Senior managers may fail to appreciate the need to keep others informed and may view an investment in an information system as an unnecessary expense at a time when resources are likely to be scarce. As the business grows, however, the need for an effective information system should become more apparent. Information is needed to understand the company's business environment and set and monitor the company's goals and objectives. Information is also required to assist the managers and employees of the company in making good decisions and to track and evaluate their performance.

The first step in creating an information system is determining what kind of information is needed and how much of it should be collected and analyzed. Collecting the wrong information is of no use to decision makers and the value of the system will also be reduced if so much information is taken in that it is impossible for users to discern what is relevant. Inputs should be solicited from all levels of the company since employees are ultimately the best sources for determining the information that they need to feel comfortable that they are fully informed when carrying out their duties. If information selection is left to top management they may miss crucial data that is essential to a particular business unit or department. The most important information emerges from the actual day-to-day activities of the business—sales reports, production information, customer service logs and cash receipts and disbursements—and should be quickly compiled in formats that can be easily accessed. Information regarding the industry and business environment can and should be collected from periodicals, newspapers, books and experts. This process can be eased by identifying and subscribing to services that sift through information in advance and pull out only those items that the company identifies as being most relevant. After the information has been collected the system must have the capability to categorize, condense and analyze the data and generate reports that can easily and quickly be used by managers and employees to make decisions and by the company as a whole to comply with the requirements of outside parties such as suppliers, banks, investors and regulators. The information system should also allow for cost-effective storage of information so that it can be retrieved as necessary in the future to use and analyze if necessary in order to address unforeseen issues. The efficacy of the information system should be revisited continuously and modifications should be made in order to accommodate changes in the company's activities and business environment that will inevitably impact the type and volume of information that is crucial to its then-current situation.

§3 Strategy development

The time and effort expended on the thorough analysis of the company's position within its specific industry and in the broader business environment provides the foundation for developing the company's overall strategic plan—the roadmap that the company will be following over the planning period to survive and thrive in spite of the challenges and uncertainties that it will be facing from its environment. While there is no generally accepted model of the optimal process for strategy development a widely-known tool used by many companies is "situation" analysis, which focuses the planners on the strengths and weaknesses of the company and opportunities and threats in the company's environment as a means for uncovering strategies that effectively leverage the company's core competencies. The formal outputs of this analysis are the company's mission and strategy statements and a clear set of strategic goals and objectives. Once those goals and objectives have been identified, and initial operational plans have been finalized, management must also have reliable systems and procedures for monitoring performance and continuously evaluating the validity of the goals.

Many of the ideas discussed below are part of the common practice of larger companies with respect to their strategic planning processes. For new ventures with limited time and resources strategic planning may need to begin with a simple business strategy checklist that includes questions relating to business planning and strategy for the venture (see Table 3.1) as well as a checklist with additional specific questions pertaining to the marketing strategy for the venture's initial products and services (see Table 3.2). The worksheet should focus the entrepreneur on creating a mission statement, identifying the target market and customer requirements, assessing the potential strengths and weaknesses of the company's business concept, identifying and articulating the company's competitive advantage and core competencies, identifying opportunities and threats with respect to the business, analyzing competitors and defining specific strategies and tactics for product development, procurement, manufacturing, sales, marketing, finance and human resources. The strategic planning process should be customized to the particular activities and marketplace competition challenges confronting the organization, a point illustrated by the checklist for a law firm strategic planning process that appears as Table 3.3 below.

§4 --Situation analysis

Once the company has collected and screened all the relevant information about its external environment and its own internal resources a thorough analysis should be undertaken to match the strengths of the company to opportunities in the business environment and identify weaknesses that are likely to create challenges to the company's efforts to execute its strategies and attain its goals and objectives. One well-known and useful tool for this process is SWOT, sometimes referred to as "situation," analysis, so named because it calls for systematic review of the company's Strengths and

Weaknesses and the Opportunities and Threats in the company's business environment. SWOT analysis involves the following five steps:

- The analyst should begin by scanning the company's external environment in order to develop an overall point of reference for the analysis of opportunities and threats that will follow. There are a number of potential sources of information such as business partners, including internal and external customers, suppliers and distributors; governmental entities (local, state, federal and international); professional or trade associations (conventions and exhibitions); and journals and reports, including scientific and professional journals that include information on relevant technologies.
- The second step is identifying and evaluating the company's strengths with an eye toward determining just what attributes and resources might provide the company with a sustainable competitive advantage. Strengths might include "world class" manufacturing capabilities, a strong intellectual property portfolio, skilled and talented employees, significant market share in a key market, access to capital and/or strong goodwill and reputation among customers and other business partners.
- The third step is identifying and evaluating the company's weaknesses with an eye toward identifying issues that might materially impair the ability of the company to achieve its strategic goals and objectives and compete effectively in its chosen markets. Weaknesses are generally defined in relation to recognizable strengths of competitors and may crop in the form of inadequate facilities and/or an outdated and weak intellectual property portfolio.
- While the second and third steps—identification of strengths and weaknesses—are based primarily on an internal assessment, the fourth step of identifying opportunities calls for a full and creative exploration of the company's external environment. Opportunities generally include emerging markets and technologies as well as existing markets where competitors are failing to satisfy the needs of customers or which are expected to grow sufficiently to comfortably allow new entrants.
- The final step is identifying characteristics of the company's external environment that are likely to threaten the company's competitive position in the future. Of particular interest would be events that would threaten the company's existing customer relationships such as new competitors, changing customer requirements and development and introduction of substitute products. Threats may also emerge from new regulations, input shortages or development of new technologies.

While all the steps in the SWOT analysis is important the most crucial questions generally relate to whether or not the company is able to identify resources and other factors that can offer it a sustainable and reasonably protect able competitive advantage. An identifiable tangible or intangible asset, such as a patent or exclusive licensing arrangement, is certainly a good source of competitive advantage; however, it is important to think broadly at this stage to consider other possibilities that may be difficult to quantify. For example, a small emerging company often has an advantage over larger firms because of its ability to respond more quickly to opportunities in the marketplace. This "flexibility" advantage can and should be leveraged in a way that allows the company to quickly and efficiently introduce new products and services. Many emerging companies also derive a competitive advantage from the people that they attract to work for them and senior management should not ignore the role that the human resources function can play in creating and executing an effective strategy.

Weaknesses identified during the SWOT analysis should also be taken seriously and companies must be prepared to identify and implement significant changes to their strategy rather than continuing down a road that will ultimately be unsuccessful in light of the entrenched position of competitors or significant hurdles in the company's external environment. Assume, for example, that the SWOT analysis indicates that a large competitor has been able to build a significant cost advantage based on proprietary technology that the competitor introduced after several years of development. Assuming that the company's intellectual property position with the technology is strong it would make no sense for the company to attempt to compete on the basis of price or undertake a lengthy and expensive research and development program to create its own technology that would threaten the competitor's position. In that situation the weakness in relation to the competitor dictates that the company should look elsewhere for its strategic initiatives. One possibility would be concentrating on new product lines where the competitor's technological lead is not relevant and in which the company's own competitive advantages can be fully exploited.

The value of SWOT analysis to the strategic planning process is that it forces senior management to fully understand the company's external environment and critically evaluate the company's own internal strengths and weaknesses. While companies often choose to leverage their strengths in areas where of the external environment where competition is sparse there may also be situations where the information in the SWOT analysis clarifies that the company's strengths are adequate to allow for head-to-head competition with other businesses for a piece of what is clearly the most profitable market available to the company at that time. SWOT analysis should also disclose opportunities for the company to make changes in its external environment that will make it easier to exploit its strengths. For example, the company may decide it is in its interest to proactively lobby for changes in applicable laws and regulations in a way that will open new market opportunities that fit well with the company competitive advantages. Before any strategy is set, however, the information from the analysis should be used to sketch out several alternative scenarios that can be evaluated and compared side-by-side.

Obviously SWOT analysis can contribute to the developing the most appropriate overall strategy for the company—one that aligns the company's strengths (i.e., competitive advantages) to the most promising opportunities in the company's external environment. The information collected during the SWOT analysis can also be quite valuable to the company for other reasons. For example, as the company learns more about its competitors it can begin to establish benchmarks to compare its performance and resources in key areas against that of other firms. This provides opportunities for companies to learn and absorb best practices from other firms with regard to functional activities that can become the basis for a competitive advantage. In situations where the gap between the company and its competitors is extreme an important part of the company's overall strategic goals and objectives may well be acquiring and deploying the resources necessary to close that gap. Benchmarking itself is a complicated mix of art and science and performance measures should be identified with respect to the efficiency of particular processes and the results obtained by the firm from using those processes.

§5 --Mission statement

As discussed above, the mission statement is a short and concise pronouncement of the fundamental reasons for the current existence of the company (i.e., the contribution that the company hopes to make to society through execution of its business activities). Examples of some of the concepts that often appear in mission statements include maximization of shareholder value, providing exceptional value to customers, offering opportunities to employees to engage in fulfilling activities, and respecting the environment and the communities in which the company conducts its business. Mission statements are generally accompanied a set of ethical values that managers and employees are expected to follow so that their behavior while acting on behalf of the company is consistent with the mission statement.

The process of developing the mission statement forces the founders and other members of the senior management team to carefully evaluate the resources of the business, their own personal goals and objectives and the function that the company's product and services may serve in the marketplace. The mission statement should not be confused with operational aims such as achieving profitability or accumulating wealth for investors—the statement should educate customers, employees, business partners, regulators and members of the general public about the social function that the company intends to serve (i.e., the value that the company will create in the marketplace). A statement of purpose creates an identity for the business and also helps guide decisions about key issues such as what products and services to offer and how they should be positioned and marketed. The mission statement also become a rallying point for the company's human resources and plays a strong role in how and where the company seeks capital to fund its operations.

The process of creating a mission statement forces companies to address a fundamental question that is often deceptively difficult to answer—just what business is the company engaged in? While it is typical for companies to define their business by reference to the specific products and services that they offer the better approach is to focus on the value associated with the output of the company's business activities and the core competencies that the company has developed in order to generate that value. By taking this approach companies can avoid defining their businesses too narrowly and thus missing out on opportunities for positive that may be created by unforeseen future events such as new technologies and competitors. For example, the launch of a new company may be based on development and commercialization of a specific device to provide greater protection against theft at the homes and offices of customers. While the particular product may be sufficient to sustain the company in the short-term, the ultimate survival of the business will likely depend on the continuous development and introduction of a suite of security-related products and services. In fact, this will be crucial given that competitors may soon duplicate the original device and drive down prices and margins. In that situation the company must embrace a mission statement that institutionalizes a broader goal of offering value in the form of superior security products and services and acquiring the resources necessary for creating and sustaining the necessary core competencies to developed value-added outputs.

Although the mission statement should be short, often no more than a single sentence, it can take days or months to emerge and once the statement has been drafted there is still more work to do—the founders and other members of the management team must identify the basic philosophical tenants of the firm that will support the mission statement and serve as the foundation for the appropriate corporate culture. There is obviously a vast array of issues and questions that might be considered when crafting a company's basic philosophy and organizational culture has become an important sub-discipline within the broader field of organizational studies and theory. In any case, serious thought needs to be given to fundamental questions such as the level of risk that is appropriate in making decisions about new products, services and business relationships and the best ways for the company to interact with its external environment (e.g., customers, suppliers, competitors and regulators). The answers will determine how the business operates and the decisions by managers and employees that are considered appropriate. For example, if the firm philosophy is relative "risk averse" the sales team may shy away from aggressive credit policies for new customers and the product development group will be more likely to select projects that incrementally improve on current offerings as opposed to pursuing ideas that may lead to true innovations but also carry much higher levels of uncertainty.

§6 --Strategy statement

When asked for a statement of their strategy companies often incorrectly point to their mission statement. While a mission statement, and the ethical values associated with it, is certainly important in describing the place that the firm wishes to occupy in its broader environment it does not provide the needed specific guidance to managers and employees about the actions that need to be taken in order for the company to survive and thrive over the planning period, nor does it does it describe the specific goals and objectives that the company has set in order to fulfill the purposes described in the mission statement. For example, a common theme in many corporate mission statements is "maximizing shareholder value" and this is obviously an important purpose of any profit-making enterprise; however, the company also needs a clear and precise "strategy statement" that is familiar to everyone in the company and can serve as the first resource for guidance when managers and employees are making decisions during the course of their day-to-day activities that will actually lead to maximization of shareholder value. The ideal strategy statement will be brief—no more than 35 words or so—and will include each of the following three essential elements[1]:

- A precise statement of the single most important strategic goal or objective (e.g., increase market share, grow revenues or build profits margins through development

[1] D. Collis and M. Rukstad. "Can You Say What Your Strategy Is?", Harvard Business Review, April 2008, 82-90, 82-84.

and sale of differentiated high value products) that the company seeks to obtain through execution of its strategy by the end of a specific period;

- A description of the "scope" of the proposed activities of the company during the period covered by the strategy statement, which should address three dimensions—customers or offerings (i.e., products and services), geographic location, and vertical integration; and
- A definition of the competitive advantage that the company intends to use in order to achieves it objectives, which should include a statement of the company's customer value proposition and a description of the activities that the company intends to undertake in order to deliver that proposition.

Properly crafted a strategy statement can provide managers and employees with a much better idea about how they should act when confronted with basic questions about whether or not to pursue certain opportunities that are identified from time-to-time. A salesperson should be able to use the strategy statement as a guide on what types of customers and markets should be pursued and whether or not pricing should be reduced to grow the customer base at the expense of improving profitability. The strategy statement should also provide information to everyone in the company about what types of product development or marketing initiatives are likely to be supported so that managers and employees do not waste time creating and championing proposals that will ultimately be rejected for "strategic reasons." Finally, a strategy statement reduces the risk that departments will make internal operational decisions that conflict with those made by groups in other areas of the firm. For example, if rapid fulfillment of orders is part of the competitive advantage included in the strategy statement the manufacturing department should know not to undercut the pitch of the sales team by investment in equipment and technology that is best suited to long production runs.[2]

The first element of a strategy statement is a clear description of the single most important strategic objective for the company over the period covered by the statement. The objective must be clear and unambiguous, measurable and must include a specific time frame for achievement. For example, if a company selects "growth" as it objective the strategy statement should define what type of "growth," so that progress toward the objective can be measured, and include targets for the selected growth dimension: increase revenues from to $5 million with five years. If the objective is "market share" the strategy statement might specify that the company is targeting capture of at least 30% of a specified market within three years. When selecting an objective care must be taken not to create conflicts for managers and employees in interpreting what is expected. This means avoiding an objective such as "growing profitably" which, while certainly a desirable outcome, does not help the sales team when decisions need to be made about pricing a deal because they aren't sure whether they should slash margins to grow revenues or hold the line at a certain price to retain profitability even though the particular sale might be lost.[3]

---

[2] Id. at 84.
[3] Id. at 86.

The choices made by senior management with respect to the main strategic objective of the firm can and should have a major impact on how the company operates and how each of the functional departments and business units select their activities and interact with their external environments. For example, if profitability is chosen over growth as the company's primary objective the sales group will become more selective in the customers that it pursues and manufacturing operations will be restructured in order to identify and pursue opportunities to maintain and build profit margins based on controlling costs and increasing efficiencies. On the other hand, if a company decides that it needs growth more than profitability during the planning period it will look for new initiatives will increase market share in existing markets and allow the firm to enter new markets and build relationship with customers that were not familiar with the company's products or services. Among other things a company focusing on growth may reduce prices on existing products and/or add new features to existing products without increasing the price to make them more attractive to customers. Entry into new markets may be accomplished by differentiating existing products or using existing proprietary technology to develop completely new products.[4]

The second element of a strategy statement establishes the scope of the domain in which the company is willing to conduct its business activities. Scope is generally defined by reference to one or more of the following dimensions: customer or offering, geographic location, and degree of vertical integration. As with the statement of objective, the scope should clearly delineate the boundaries of the applicable domain so that managers and employees know exactly where they should concentrate their efforts and, just as importantly, which areas should be avoided. This type of specificity facilitates more focused use of scarce resources and decreases the likelihood that a lot of time will be wasted on ideas that are ultimately rejected due to lack of a "strategic fit." However, defining the scope of the company's acceptable domains in the strategy statement should not be an attempt to micro-manage day-to-day activities and managers and employees should be given the freedom to use their initiative and creativity so long as their actions are consistent with strategic objectives and leverage the firm's competitive advantages. It is not necessary that each of the dimensions have equal importance and the strategy statement should make it clear which one has priority when decisions must be made.[5]

The third and probably most important element of a strategy statement is a statement of the competitive advantages that managers and employees are expected to leverage in pursuing the strategic objectives in the appropriate domains. A competitive advantage is what distinguishes a firm from its actual and prospective competitors and allows the firm to offer products and services that customers perceive as having "value" to them. The strategy statement should provide answers to two fundamental questions—first, why should customers do business with the company and purchase its products or services (this is the "customer value proposition"); and second, what are the distinctive features of the company's activities and resources that will allow it to deliver the customer value proposition in ways that are unique in relation to competitors. In order to identify ways in which the company's value proposition is different from competitors a chart should be

---

[4] Id.
[5] Id.

prepared that lists eight to ten key criteria that customers in the company's target market use in deciding on a vendor and ranks how well the company and its main competitors perform with respect to each criterion on a scale ranging from "poor" to "excellent".[6]

The customer value proposition certainly includes basic elements such as price and quality; however, the concept should be thought of broadly enough to include other aspects of the customer's total experience in interacting with the firm during before, during and after the sale of the products and services. For example, while it is well-known that customers are drawn to retailing giant Wal-Mart because it offers "everyday low prices," Wal-Mart also has made affirmative choices to create a unique and distinguishable customer experience in other ways such as by providing customers with a wide selection across categories, setting up in convenient geographic locations and making sure that items are always in stock and ready for purchase at reliable prices. Of course, Wal-Mart, like other companies, has decided not to emphasize other factors that might be of considerable value to certain customers. For example, a Wal-Mart store does not have the ambience offered by small local merchants; however, Wal-Mart believes that most customers will ignore deficiencies in this area because the cost savings to Wal-Mart are passed on to customers in the form of lower prices.[7]

Firms must be able to effectively integrate their customer value propositions with unique methods of organizing activities for delivery of such value and must also be prepared to provide employees with adequate support for the activities required in order for them to effectively deliver the value. For example, Merrill Lynch, a major brokerage firm, decided that its value proposition would be to provide high-net-worth customers with all of their financial needs through retirement—brokerage, insurance, annuities and banking. This decision distinguished Merrill from other firms since the customary emphasis of services in this area was limited to providing customers with guidance on pre-retirement asset accumulation. In order to be successful, however, Merrill needed to implement new strategies to support delivery of it value proposition. Among the steps that were taken was to encourage brokers to become certified financial planners so that they could provide a broader scope of advice to customers and expand the range of products available to customers to include insurance, annuities, hedge funds and banking services. In addition, Merrill recruited more specialists to be available to explain how complex financial products work and revamped its compensation system to encourage the creation of advisory teams for customers and reward brokers for referrals to other business units that provided specialized services.[8]

The alignment of internal activities and resources to support the customer value proposition is further illustrated by the strategies adopted by Edward Jones, another brokerage firm, and Wells Fargo Bank. The strategy statement embraced by Edward Jones focused on "offering trusted and convenient face-to-face financial advice . . . through a national network of one-financial-adviser offices." The key elements of the customer value proposition, which defined the foundation for the relationship between

---

[6] Id. at 87.
[7] Id.
[8] Id. at 89.

customers and their brokers, were personal face-to-face contact, convenience, and access to trusted financial advisors located in one advisor offices. In order to be successful with this strategy Edward Jones made a number of decisions as to how its activities would be organized and managed:

- The headquarters office assumed responsibility for real estate issues and focused on setting up small offices in rural and suburban locations that would be most convenient to the targeted customers;
- Each office had only one financial advisor and a branch-office assistant, which was consistent providing face-to-face advice and building tight community-based relationships;
- Brokers were selected for their entrepreneurial tendencies and skills, as opposed to industry experience, and provided with extensive internal training and support tools;
- Each office and financial advisor was treated as a distinct profit-and-loss center and compensation for advisors was closely linked to their individual performance as opposed to the overall health of the company; and
- Marketing strategies emphasized local activities including mailings, door-to-door sales and extensive involvement in community service companies.

With regard to Wells Fargo, its strategy to increase profits-per-customer through cross-selling of services and it set a specific goal of selling at least eight different products to each customer. In contrast to the Edward Jones customer value proposition of "personal" service, Wells Fargo focused on "personalized" service by taking advantage of it huge database of information on all of its customers. Using information obtained when a customer first purchased a Wells Fargo product, such as a mortgage, multiple Wells Fargo business units could approach customers with offerings of various financial products. By investing in its information technology system Wells Fargo could offer customers convenient tools that would allow them to consolidate all aspects of their financial affairs—banking, credit cards, mortgages, car loans and brokerage services. Limited information about each customer would be available to every Wells Fargo representative that interacted with the customer, which allowed the representative to communicate more intelligently with the customer and on a more personal level.[9]

In order to ensure that each of the elements of the final strategy statement are clear and unambiguous it is useful to prepare and disseminate a set of annotations of key terms in the statement to that everyone in the company understands the intent of senior management in selecting the words used in the statement. One of the main purposes of the annotation is to clarify the priorities and boundaries that are being established in the strategy statement and thus guide employees as to how the statement should be applied in day-to-day practice. For example, when the strategy statement prepared by brokerage firm Edward Jones referred to giving financial advice to "individual investors" senior management prepared annotations that made it clear that the use of the word "individual" precluded providing advice to institutions or companies and that the selection of the term "investors" was to emphasize that investment advice, as opposed to other types of

[9] Id.

financial services, was the primary focus of the firm's network of individual advisors. Final distribution of the strategy statement should be accompanied by an appropriate version of the value proposition chart prepared during the process of developing the strategy statement. In addition, support and background for the decisions made regarding delivery of the customer value proposition should be provided in the form of an "activity-system map" that highlights specific value propositions and illustrates how various activities conducted by the firm will be organized in order to support efficient delivery of the value proposition to targeted customers.[10]

§7 --Strategic goals and objectives

One of the first outputs of the strategic planning process should be a set of overall goals and objectives for the entire firm that become the focus of the company-wide strategic plan and the more tactical and operational plans that are created and executed by business units and functional departments. A goal is generally defined quite broadly and is an expression of an ideal condition for the company's business at some point in the future. For example, a service-provider might have the following goal: "Become the leading provider of [*description of services*] in the [*location*] metropolitan area by [*target date*]." Objectives are a set of key interim milestones that must be achieved in order for the company to accomplish the goal to which the objectives are related. It is essential that objectives be clear, concise and attainable; measurable; be assigned a target completion date; prioritized; and accompanied by assignment of responsibility for execution and completion. An illustrative objective for the above-stated goal that meets these criteria might read as follows: Have [*responsible person*] develop and implement a distribution structure that is capable to delivering the [*description of services*] to at least [*percent*] of the [*type of customers*] within [*description of proximity (e.g., 10 miles)*] of the center of [*name of city*] on or before [*target date*]. These high-level objectives will generally have one or more subsidiary objectives that must be accomplished in order to be successful (e.g., recruit and train salespersons experienced with the particular services and target area). Main and subsidiary objectives must be prioritized into a hierarchy of objectives as part of the planning process.

Goals serve as a roadmap for pursuing and achieving the higher purposes incorporated into the company's mission statement. In addition, goals are extremely useful with respect to each of the following:

- Justifying and legitimizing the activities of the firm and its members (i.e., managers, employees and agents);
- Establishing a set of limitations and constraints on the activities of members that can guide them as they make decisions while carrying out their day-to-day work responsibilities;
- Further defining the nature and purpose of the firm, in more detail than the mission statement, and elicit commitment to the purposes and goals from members;

---

[10] Id. at 90. See also M. Porter, "What is Strategy?" Harvard Business Review, November-December, 1996, 61-78.

- Reducing uncertainty among members by clarifying the direction and purpose of the company;
- Supporting the efforts of the company and its members to learn and adapt to change in the business environment by providing objective measures against which actual performance can be measured;
- Providing a foundation for establishing standards against which the performance of members can be assessed; and
- Providing a basis for making decisions about the design of the organizational structure of the company.

Goals are not useful unless they provide clear guidance to the members of the firm and their basis is fully understood and perceived as legitimate. Goal-setting should be a collaborative process that starts with direction from the top of the company—the founders and the other members of the management team—and includes inputs from other members of the company whose support and understanding will be needed in order for the goals that are eventually selected to be attainable. Some have referred to this as a goal-bargaining process that generally involves a significant amount of time and must back-and-forth as the concerns of all involved parties are uncovered, vetted and hopefully resolved. While there will certainly be times when the senior executives wish that they could announce the goals by fiat and expect everyone to comply, they must realize that this is simply a recipe for failure and that the somewhat complex process suggested above will ultimately improve everyone's understanding of the business and build commitment within the firm. A relatively straightforward approach to the goal-setting process is to begin with several brainstorming sessions involving a relatively small group—senior executives and other key employees—during which an initial consensus can be reached on where the business should be heading. These sessions should also produce a proposed set of major goals that would fit logically with the selected long-term direction of the company. These goals should then be discussed with other employees who should be asked to provide their suggestions on specific objectives and tactical and operational strategies. After these meetings the initial goals should be reviewed and modified as necessary to fit with the concerns and ideas of all involved employees. The end result is a list of goals that are shared, supported and understood by everyone within the firm, business unit or department.

As noted above, objectives must be tightly written, clear and unambiguous since they serve as the guidelines for very specific tactical and operational plans that will provide direction for managers and employees in their day-to-day activities. The timetable for many goals can extend well into the future—three to five year—and objectives serve as the less distant lights that hopefully can be achieved to maintain commitment and provide validation for the goals themselves. When setting and defining objectives strategic planners should bear the following in mind:

- Each objective must be directly related to one or more of the goals established by the company. Ignoring this fundamental principle causes the company to dissipate scarce resources and may ultimately lead to disappointment for those pursuing the objectives if and when they hear that their efforts are unappreciated because they are not synchronized with the company's higher level management goals.

- Make sure that each objective includes targets for results that can be objectively quantified and easily measured or verified without conflict or confusion.
- Make sure that each objective is both reasonably attainable and sufficiently challenging to stretch and build the talents of those involved in the activities necessary to achieve the objective. When setting objectives ensure that there will adequate resources to meet the targets; otherwise the attempt is doomed from the beginning and will only lead to morale problems.
- Each objective should be accompanied by a clear set of milestones and reporting procedures that allows management to monitor the progress that responsible parties are making toward attaining of the objectives.
- Concentrate on a limited number of objectives that are essential to successfully attaining the goals to which they are related. Managers and employees may have trouble establishing priorities if they are involved in working on too many objectives and this may result in confusion and waste of scarce resources.
- Review each objective to make sure that it is consistent with all of the other objectives and that they mutually support the collective effort to achieve the related goals. Conflicting objectives create unnecessary stress for managers and employees and impair the company's ability to act quickly and collaboratively.
- Continuously review the list of objectives and make appropriate modifications to take into account changing conditions and priorities and new information about the goals to which the objectives are related. If the objectives are no longer relevant they should be abandoned.

While management is charting out objectives for the firm, it should also determine the important measures of performance associated with those objectives. Performance indicators allow the firm to measure and track how it is currently performing each of its basic activities and to set targets for future improvement. Of course, once the procedures for measuring performance are in place, managing can track the progress of the firm, identify any ongoing shortcomings, and take corrective action. The ability to collect and evaluate information about the firm's performance in selected areas is essential to establishing realistic goals and objectives. Without information on the firm's current performance, managers have no way to determine whether or not the new goals and objectives, perhaps derived from an evaluation of competitors, can indeed be achieved within the desired timeframe. Monitoring and evaluation is a multi-stage process that includes identifying the processes and results that need to be measured, establishing measurement standards, creating methods for accurate and timely measurement, comparing the results to appropriate criteria or benchmarks, and developing and implementing corrective action if performance falls outside tolerable variances.

In many cases, a basis for measurement is incorporated into the goal itself, such as when the firm is looking to sell a certain number of units or establish a business presence in identified geographic markets. Other objectives will require further definition. For example, while the firm may strive to provide competitive and high quality service to customers, there must be a way to measure performance in this area. Similarly, if a company seeks to be a good community employer, management will need to set specific targets for the number of local employees and the training and development assistance provided to those employees to allow them to become self-sufficient in the labor market.

Managers should also establish objectives that are realistic and that can be attained within a specific period of time. For example, it is clearly unrealistic to expect that employees will have perfect attendance, particularly if managers have identified chronic absenteeism as a problem. Instead, the better approach is to set a goal of reducing absenteeism to less than a fixed percentage over a 12-month period. Also, when establishing training goals, it makes better sense to focus on increasing the number of workers with certifications or licenses in a particular skill area to an agreed number on or before a set date. Obviously, it is also important for managers to consider whether the firm has the necessary resources to achieve the goals and objectives. If not, resource acquisition itself must become one of the overall objectives for the firm.

When selecting performance indicators, an attempt should always be made to gather a consensus among managers in different functional areas. While reference to practices of other companies in the same industry is useful, it is important to take into account the unique aspects of the product development and manufacturing process in the firm. The chosen indicators should be relatively easy to measure and the measurements should be clear and objective. In some cases, information is already being collected elsewhere in the company. If not, management must establish systems that can easily and quickly collect the needed information. Management should also select performance measures that can be aggregated into groups to provide a good overall assessment of how the firm is doing from time to time. For example, an effort should be made to identify performance measures that relate to production, service, productivity, and the financial condition of the firm. Care should be taken to prioritize the performance measures and identify a handful of indicators that are the most important in quickly assessing the performance of the firm.

Managers should be prepared to devote sufficient time and resources to creating clear goals and objectives. This is often quite challenging given the day-to-day requirements of the business and the need to involve a number of people at all levels within the company in the process. However, goals and objectives are the foundation for the company's entire strategic planning process and will hopefully serve as guidelines for making decisions and keep track of the progress of the company toward achieving the state of being described in its mission and strategy statements.

§8 --Scenario planning

Another important step in developing and finalizing a strategic plan is engaging in some sort of "scenario planning" to test the assumptions underlying the plan regarding current and future environmental factors and focus planners on understanding the nature and impact of unforeseen events. Many believe that scenario planning is based on make predictions about the future; however, the real idea is to question fixed assumption in a way that leads to deeper knowledge of the company's business and the risks associated with pursuing specific goals and objectives. Scenario planning begins by identifying the key issues that must be decided in relation to the strategic plan and the primary environmental forces (i.e., social, economic, political and technological) that will come into play in determining whether a particular decision is the best one under the circumstances. Each of these force should be ranked according to their importance and the level of future uncertainty and the two most important should be subjected to scenario planning, which involves developing various diverging stories based on possible future events. The task for the planners is to carefully consider how a particular decision about strategy, goals and objectives will hold up if and when the various scenarios actually occur. One strategy cannot overcome all possible future risks and there may be scenarios that simply cannot be guarded against without prohibitive costs or completely avoiding pursuit of attractive opportunities. In order scenario planning to be most effective there must be active participation by all concerned parties preferably in face-to-face communications that tap into creative juices and encourage imaginative thinking.

§9 --Final pre-implementation strategy review

It is clear that the strategic planning process can be time-consuming and requires a substantial amount of managerial resources. Once the mission and strategy statements have been completed, and the goals and objectives have been established, the senior managers of the relevant business unit (or the firm as a whole in the case of corporate-level strategies) will obviously be eager to push forward. Before proceeding, however, it is wise to have an objective, independent group composed of members that have not been involved in the strategy formulation process conduct a final pre-implementation strategy review. This type of approach, which can also be used for specific "bet-the-company" transactions, introduces a "devil's advocate" to the process in order to ensure that full consideration is given to the tough questions that need to be recognized and answered before the firm commits its resources to a particular strategy.[11] While it is not surprising that the strategy developers will often resist this approach, their cooperation and understanding can be solicited by assuring them that the members of the group are not interested in managing their business but rather are looking to gain a better understanding of how decisions have been made and the assumptions that are being used in developing the strategies. The personal agendas of the reviewers and the strategy developers should not be allowed to interfere with the review process and the focus should remain on determining whether the proposed strategy is the best of all feasible alternatives even if it includes risks and minor defects that can only be recognized and not totally overcome.

The review group should always be led by someone who has no direct stake in the outcome of the review and is not part of the management hierarchy involved with creating and executing the strategy. In this case of a review of a business unit strategy this means that the group leader should be a senior manager of another business unit. Corporate-level strategies should be reviewed by groups overseen by an independent member of the board of directors with proven experience in strategy development who understands the overall company of the company. Group members should have a knack

[11] The discussion in this section is based on P. Carroll and C. Mui. "7 Ways to Fail Big" Harvard Business Review, September 2008, 82-91, 86-87.

for being able to pose questions that focus specifically on the assumptions used in developing the proposed strategy since it is important to ensure that a wide range of possible scenarios have been considered. Group members should also be reminded that it is not their role to come to conclusions and advocate their own answers to the questions that they raise, nor should they seek to develop their own alternative strategies.

The questions posed by the review group will obviously depend on the particular strategy under consideration; however, questions that probably should be asked in almost every instance include the following[12]:

- Is the strategy realistic and is it likely to produce long-term success for the business unit and/or the firm as a whole?
- Is the strategy constructed in a way that it will withstand public scrutiny and reasonably anticipated turbulence in the relevant business environment?
- Have the developers of the strategy taken past experiences and failures into account in assessing the likelihood of future success for the strategy?
- Does it appear that the members of management hierarchy involved with creating and executing the strategy have had access to all relevant information, including dissenting views?
- Has consideration been given to the impact that the strategy will have on existing businesses?
- Have the strategy developers considered all reasonable options before settling on the specific strategy under consideration?
- Do the advocates of the strategy demonstrate sufficient confidence in its likelihood of success and would they be willing to risk their personal resources on the ultimate outcome of the strategy?

The work of the review group should be respected and the managers associated with the development and execution of the particular strategy should be required to prepare some sort of formal response to the review even if it is ultimately decided to move forward with the strategy in essentially the form it was originally presented for review without significant modification to take into account the findings of the review group.

§10 Business plan preparation

The suggested analyses of products, competition, financial matters, risks and environmental factors are some of the most important elements of the broader exercise of preparing a business plan for an emerging company.[13] A business plan is the first step toward creating the discipline necessary in order to launch, operate, and grow a successful business and should be a clear and well organized written record that describes the elements of the strategy that the company intends to follow in pursuit of its overall mission and the strategic goals and objectives that have been selected by the senior

[12] P. Carroll and C. Mui. "7 Ways to Fail Big" Harvard Business Review, September 2008, 82-91, 89.

[13] For detailed discussion of the steps that should be taken to prepare an effective business plan, see the chapter on "Business Plan Preparation" in "Strategic Planning: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

management of the company during the planning process. Some entrepreneurs are so excited about the technology or the product that they simply want to press forward without deliberation. When told that they need to do a business plan for potential investors and lenders, the first attempt is often quite rushed and incomplete. The consequences, however, of failing to take the planning process seriously can be dire. Not only is an opportunity lost to demonstrate the credentials of the proposed venture to potential business partners, the momentum of the enterprise itself will soon begin to diminish due to the lack of interim goals and milestones that keep the business and the founders moving in the right direction.

While the business plan can and should refer to the information collected and analyzed regarding the company's external environment and internal resources the content should focus primarily on the key goals and objectives and describe the tactical and operational plans that the company expected to implement in relation thereto. The analytical information should not be discarded, however, and it summaries thereof would need to be added to the strategic portion of the plan if the document is to be converted into a disclosure document that would be used to raise capital for the company or forge relationships with strategic business partners.

A business plan should be prepared at the time that the company is launched and should be thoroughly revised whenever the company embarks upon a major change in its strategic direction (i.e., entering new product and/or geographic markets). When the company is just being formed a business plan serves several important purposes—forcing the founders and other members of the management team to critically evaluate the business concepts that are motivating them to form the company; providing guidance to everyone in the company about how their activities should be organized and the direction in which the company is heading; and creating a tool that can be used to raise capital and garner the interest of other prospective business partners including suppliers, customers, distributors and potential members of the executive team. The founders should make every effort to follow a disciplined approach to preparing the business plan (see Table 1), taking care to ensure that they go through each of the steps necessary for effective strategic planning—creating a mission statement, identifying the target market and customer requirements, assessing the potential strengths and weaknesses of the company's business concept, identifying and articulating the company's competitive advantage and core competencies, identifying opportunities and threats with respect to the business and analyzing competitors.

Table 1
Business Planning and Strategy

- Have you prepared a comprehensive business plan for your business?
- Have you defined the core values that will guide your business?
- Have you prepared a well-articulated and meaningful mission statement for your business? Have you prepared a clear and comprehensive description of your target market?
- Have you identified specific characteristics of key customers in the target market including their requirements and their current buying patterns with respect to comparable products and services?
- Have you done a full assessment of the potential strengths and weaknesses of your business? Have you identified the key opportunities and threats facing your business?

- Have you identified and completely defined the distinctive core competencies for your business and incorporated strategies for maintaining and exploiting those competencies into your business plan?
- Have you analyzed your actual and potential competitors well enough to understand their strengths and weaknesses?
- Have you defined meaningful goals and objectives for your company?
- Have you formulated a clear, coherent strategy that will serve as your company's "game plan"?
  Have you created specific tactics including policies and procedures to implement the strategy that you have selected in the marketplace?
- Have you compiled a complete list of the raw inputs necessary for manufacturing your products?
- Have you compiled a comprehensive list of all of the major suppliers of the raw inputs necessary for manufacturing your products including a description of the key terms of business engagement with those suppliers (e.g., pricing, credit terms, warranties, logistics, etc.)?
- Have you established accurate control systems that will give you feedback on how well your strategy is working and how well your business is doing?
- Do you have processes and procedures for continuously seeking to identify potential opportunities for growing your business including new products, new markets, or new locations?
- Do you have systems and processes in place to continuously scan your business environment to identify trends and economic, social, political and technological changes that might have a material impact on your business?

In addition to the above-described elements of the strategic planning process, the business plan should describe specific strategies and tactics with respect to each of the key stages in the product development and commercialization process (i.e., research and development, procurement, manufacturing, sales and marketing) and essential functions such as finance and human resources. Marketing strategy (see Table 2) is particularly important for new ventures since it is essential for them to be able to generate revenues from the sale of products and services as soon as possible. Accordingly, the business plan should demonstrate that the founders have carefully defined the target market, determined how to differentiate and position the company’s products and services, created strong and recognizable customer service advantages, and selected the proper mix of pricing and promotion.

Table 2
Marketing Strategy

- Have you developed a marketing strategy that is customer-focused along with specific tactics to implement this strategy?
- Have you developed a marketing strategy that will produce a quality product or service for your customers along with specific tactics to implement this strategy?
- Have you developed a marketing strategy that is focused on providing customer convenience along with specific tactics to implement this strategy?
- Have you developed a marketing strategy that will generate innovations in your product or service over time along with specific tactics to implement this strategy?
- Have you developed a marketing strategy that exploits speed as a competitive advantage along with specific tactics to implement this strategy?
- Have you developed a marketing strategy that is built on customer service along with specific tactics to implement this strategy?
- Do you know what stage of the product life cycle your product or service is in?
- Have you identified the channels of distribution you will use to get your product or service to your

target customers?

- Have you established a price that will be reasonable to customers, profitable for your business, and will create the image you want in the marketplace?
- Have you determined which advertising media will be most effective in reaching your target audience?
- Have you identified the unique selling position that you will build your advertising messages around?
- Are your marketing and sales strategies and tactics closely coordinated with activities in other departments such as production planning and scheduling?
- Is there sufficient flexibility in your pricing strategy to permit adjustments as needed in order to respond to competitive conditions?

It is inevitable that incremental changes will need to be made to the business plan as the company becomes more involved in its operational activities and actual experience uncovers the need for adjustments to its strategy and related goals and objectives. In addition, even if the business plan appears to be "working" senior management should schedule a formal review of the then-existing plan no less frequently than annually as part of preparing budgets and forecasts for the next annual planning period. Review of the business plan should be facilitated by including targets and milestones in the plan that can be referenced regularly to determine whether appropriate progress is being made.

The format that is used for organizing the presentation of information in a business plan will vary depending on the type of business, the intended audience and the preferences of those involved in the drafting process. There are a variety of methods that might be used to put together a solid business plan; however, a relatively typical format would include the following sections and topics:

- A brief executive summary, which should be written after the rest of the plan is finalized. The executive summary is most relevant when the plan is being presented to outside audiences, such as prospective investors, and should be a clear succinct statement of the major elements of the plan that peaks the interest of readers and convinces them to explore the content further.
- An analysis of the industry (and any key markets within that industry) in which the company is or intends to be active. This information provides the reader with sufficient context to understand the strategy that will be explained later in the plan and should be culled from the data collected during the strategic planning process. The reader should be able to gain a good understand of competitive factors in the company's target markets.
- A description of the proposed business activities, including the products and services to be offered by the company that flows easily and quickly into a detailed discussion of the company's proposed marketing plans and strategies (i.e., the way in which the company intends to reach its target markets). The marketing plan is essential since it drives so much of the strategy to be described in the plan—market entry, positioning, pricing, distribution, promotion, etc. In turn, the choices made in the marketing area will impact the financial requirements of the company, production strategies, organizational design and human resources.
- A description of the organizational plans for the business that identifies the skills and talents that will be needed to attain the strategic goals and objectives and the important projects and activities that will be undertaken in pursuit of those goals and

objectives. In developing the organizational plan attention should be paid to gaps between required skills and what can be found within the company's current group of managers and employees and the plan should address how those gaps will be bridged.

- A description of the specific plan for producing the company's products, including details as to whether the company's manufacturing activities will be done "in-house" or outsourced to third parties. Costs of production should be determined and plans for procurement of equipment and raw materials should be outlined.
- A description of the company's plans and programs relating to recruiting, training and compensating the human resources needed for successful execution of the strategic plan. As mentioned above, gaps in managerial and employee skills should be identified and plans made to deal with those issues. Planned investment in resources that will improve the productivity of the company's workers should also be outlined.
- A detailed analysis of the costs associated with launching and operating the company's proposed business and a strategy of how the company intends to obtain the capital required to pay these costs (including initial capital contributions and long-term financing requirements).
- A presentation of the current and projected financial situation of the company including forecasted sales and related expenses (i.e., budgets) and projected cash flow and balance sheet information.

Depending on the circumstances the plan may also include detailed coverage of some or all of the following topics: the operating plan for the business, including an analysis of how the company will manage the core functions of the business (e.g., manufacturing, human resources, sales, accounting, etc.); the managerial infrastructure of the business, including the mechanisms to be used for management and control of the business, and each of the persons who will be filling management positions within the business; the plans and strategies for recruiting non-executive employees, including cash and equity incentive arrangements; the company's property and facilities requirements, including any specific leasing arrangements; the legal and regulatory environment for the company's business, including strategies for perfecting and maintaining intellectual property rights and business permits; and a summary of any plans for acquiring any needed resources or further capabilities.

A business plan typically includes additional materials in one or more exhibits or appendices. This is the section to include information that supports the content in the body of the business plan that the reader can consult without undue distraction from the flow of the presentation and arguments in the plan. The exhibits and appendices often include more detailed financial information as well as product descriptions, price lists, economic forecasts, demographic data and market analyses. Care should be taken to include only such information that will be of immediate assistance to the particular reader since the idea is to capture attention and garner interest in pursuing more detailed discussions and due diligence.

§11 Implementation of the strategy

While most of the issues relating to the actual implementation of the strategy come into play once the strategic plan is finalized it is important for those involved in the preparation of the strategy to identify and resolve the practical problems that are likely to arise when actual pursuit of the goals and objectives begins. In some cases senior management may find that it is best to reject, or make a significant modification to, a particular goal or objective due to concerns that it will just be too difficult to deploy the resources needed to be successful. For example, what appears to be the preferred strategy with respect to manufacturing or marketing may be beyond the financial resources available to the company during the planning period.

Effective implementation of the strategic plan requires careful attention to communications, scheduling and establishing control systems. In order for the implementation process to be effective, and for the company to be able to quickly make any needed corrections, a small group of senior managers should be given the task of directing, coordinating, and reviewing the planning process. This group must be held accountable for making sure that the action plans are carried out. In fact, for growing companies, the process of planning and attempting to implement the plan is almost as important in and of itself even if the plan fails or must be changed. In any event, the coordination team should establish a schedule of regular meetings to review the progress of the plan against performance targets. This schedule can be used as the basis for setting deadlines for collection of information from the coordinators for each plan.

§12 --Communications

With respect to communication it is essential that every employee understand the company's mission statement and related goals and objectives and, as mentioned above, the preferred approach to developing the plan in the first place is to solicit the opinions of all the employee groups who are essential to successful implementation of the plan. If the employees understand and accept the goals and objectives established by senior management they are more likely to accept instructions and conscientiously carry out their duties and responsibilities. Moreover, they will be motivated to contribute to effective execution of the strategy and make suggestion about how to make necessary projects flow more smoothly.

Communications can include the distribution of information about plans, business operations, competitors and the overall business environment in which the company operates, and can take the form of meetings, written reports, newsletters, leaflets, informal conversations during the workday, and multi-media presentations. In addition to their role in educating employees, communications can also provide a basis for collecting feedback from throughout the organization and motivating employees to pursue higher performance objectives that they have had a hand in setting. Finally, communications skills can be used to develop trusting relationships between managers and employees, particularly when managers are communicating with employees regarding his or her performance.

Managers must be mindful of the different channels of communication that normally co-exist in any company. For example, vertical communication, which usually goes up and down the organizational structure through formal reporting procedures, is the way that managers communicate assignment, feedback on prior performance, and information about the company to subordinates. In turn, subordinates use vertical communication channels to deliver requests and suggestions, as well as responses to communications that have previously been delivered from above, often in the form of reports. In contrast, horizontal communications are those that occur among and between managers and other employees at the same general level in the organizational hierarchy. Using written reports and meetings, horizontal communications generally focus on coordination of responses to vertical communications from above and on building teams and groups across various organizational lines.

Managers should, and often do, spend significant amounts of time on creating and improving formal communication systems within the company. For example, it is important to have systems in place that will provide managers with regular reports on the status of the selected control points in the organizational structure. In addition, formal feedback methods, including suggestions systems and questionnaires, are a good way to begin to institutionalize a more participatory and decentralized style of management. However, managers should also not overlook the importance of informal communications. Managers should look for opportunities to mingle with employees at their workstations and can useful informal meetings as an opportunity to gauge the acceptability of ideas that the manager might be considering for formal implementation.

Some of the problems that might arise during the communication process include the following:

- Avoidance and lack of opportunities for face-to-face communications can lead to misunderstandings as messages get garbled and confused as they pass through a long line of intermediaries.
- Prejudice or distrust among the communicators can also hamper communications, since the participants either lack respect for the other party or feel that the communication is not reliable.
- Communications are often made to the wrong audience which means that the proper recipients here the information from an inappropriate source and often receive it in an inaccurate form.
- Senior managers sometimes deliver directives to subordinates in a disrespectful, often humiliating fashion, thereby creating an unpleasant environment for understand the actual communication.
- Communications may be less effective because managers fail to include all responsible parties in the original delivery of the message, such as when a meeting is held without all the necessary personnel.
- Communication pessimism, and frustration, can arise from the failure of a party to participate in a timely dialogue on important issues, as happens when suggestions or requests go unanswered or unacknowledged for lengthy periods of time.

Managers must carefully examine their organizations with an eye toward identifying any of the potential communications problems listed above, or other factors that may lead to situations where it is clear that important messages and information are not understood. The next task is to devise and implement effective solutions to these problems, including scheduling of meetings with opportunities for questions and discussion of directives and ideas, team building, regular and timely reports of performance and other information that are generally and consistently available to all employees, and suggestion systems. In some cases, managers may implement training programs focusing on communications skills, not only for managers but also for others throughout the organization. Training should cover a variety of skills, including listening, writing, conducting meetings, public speaking, and negotiating.

Managers must also make an effort to prepare to make communications that are effective, accurate, timely, and directed to the proper audience. This requires careful planning of meetings and other presentations and make sure that the information is packaged in a way that is meaningful to the audience. When discussing problems, the manager should also be prepared to describe solutions or secure feedback from the audience if the purpose of the presentation is brainstorming or collection of suggestions. Finally, choice of media is important, with sensitive matters best handled verbally with appropriate written follow-up if necessary.

§13 --Scheduling

The importance of scheduling with respect to implementing a strategic plan comes from the fact that the company is generally making significant transitions in the way in which it conducts business and that it should be expected that major changes will be disruptive and that if things are done too quickly the company may begin missing milestones in the plan leading to doubts about the efficacy of the plan. Missed milestones are to be expected and, if possible, slack should be building into the implementation schedule; however, in dynamic environments time is of the essence and problems caused by failure to create realistic yet aggressive schedules may cause the company to miss the opportunities that were uncovered during the evaluation of the business environment. Delays can also be disastrous when the company is working on thin margins and sales and cost reduction goals are not attained at the times laid out in the strategic plan. Planners must prepare and accept schedules that factor in the need to train employees about new methods and procedures and the likelihood of initial hiccups in the production process (i.e., more errors and production line stoppages to work out issues with new equipment and technology). Schedules should also integrate formal progress reviews on set dates to evaluate how realistic the schedule has been and determine if changes are necessary in order to stay on track with respect to the goals and objectives to which the schedules pertain. However, the interval for reviews should be carefully considered—while information technology makes it feasible to continuously monitor progress and make changes literally every minute of the day the costs associated with this type of sensitivity can be prohibitive and create too much uncertain among workers.

§14 --Control systems

Even though all managers and employees have been involved in the development of the strategic plan it would be foolish to rely solely on their good intentions for assurance that the plan will be effectively implemented. The goals and objectives of the company are not always the same as those of the individual employees and it thus necessary for the planning to create, maintain and respect formal control systems that can be used to track progress toward the goals and objectives included in the strategic plan. Effective control systems share certain basic characteristics. First, they are based on clear and measurable goals, all of which should been developed during the planning process. Second, they include quantifiable measures for tracking performance. The best examples of these types of measures are specific targets for revenues, profits, market share, and production units. Problems arise in attempting to evaluate how effective managers have been in leading their groups since there is no quantitative measure of management effectiveness that can be tracked until the time that an identifiable output from the group emerges. Finally, the control system must create a bridge between performance gaps and corrective measures. This is not easy because there usually is no single answer for a particular problem. While one individual or group may be "blamed" for an issue it is likely that other groups and departments are involved in some way since most goals and objectives demand collaboration across functional boundaries.

In order to design and launch an effective control system consideration must be given several important issues. First, a determination should be made as to whether the controls will focus on outputs or behaviors. Outputs are easier to analyze since they are generally related to clear and quantifiable measures incorporated into the goals and objectives—manufacture and/or sale of a specified number of units. In some cases, however, work activities are only indirectly related to specific outputs and measures of performance are hard to define. This is the case with managers and employees involved in the customer service area. Second, the controls should be versatile enough to measure all key performance aspects of a particular task. The best control systems include multiple measures of the performance of a particular employee or group/department. However, creating too many measures makes the control system more complex and raises the possibility that managers and employees will be confused about how they are expected to go about their work. Third, the controls should be properly scoped so that they focus on, and measure, the activities of all groups/departments necessary for pursuing and achieving a specific goal or objective. If a measure focuses on one individual or department it may miss issues in other parts of the company that are contributing to poor performance measures for those subject to the controls. Finally, to the extent that the control system relies on information processing systems and budgeting software, it is important to invest carefully and ensure that all hardware and software is customized to the specific way in which the company operates. Also, when establishing a formal budget system attention should be paid to training and educating all of the managers who will be involved in the budgeting process and to creating appropriate incentives for managers to make sure that they accept and use the budgeting systems.

Care should be taken in evaluating the information that comes out of the control systems. For example, if the company is not meeting the stated goals and objectives the reason may not simply be that the employees are not trying hard enough. In fact, gaps between goals and performance may be caused by a failure of senior management to be realistic and reasonable at the time that the goals were established. Mistakes may have been made in evaluating the resources and capabilities of the company or the strength of competitors. Another question that needs to be asked is whether there has been an intervening change in the company's business environment, such as deterioration in the overall state of the economy, which has changed the external opportunities and threats. If the goals are being missed because of senior management errors or miscalculations they need to be fixed or employees will begin to lose trust and their motivation will wither. A related issue is the rules and procedures built into the controls with respect to how positive and negative variations from performance targets should be handled. While some companies do not "reward" employees or groups/departments for meeting their targets—apparently thinking that they are just doing their job and that's what they should be doing—consideration should be given to a reward system since building incentives for compliance into the control system will ultimately reduce the costs that must be incurred to monitor and control workplace activities. As for negative controls—punishment systems—for failure to meet target, they should be used with caution. They are difficult to administer and there is a high risk of destroying morale if employees believe that punishments are being imposed unfairly. This can be particularly problematic when one group/department is penalized while believing that they have been undercut by another part of the company.

§15 --Continuous assessment of underlying assumptions

In addition to control systems, companies and their managers must continuously test the assumptions underlying the chosen strategic goals and objectives and evaluate whether or not the actions of the company are appropriate in light of the changing environmental factors in which it is operating. As noted above, companies must develop plan and procedures for collecting relevant information on environmental factors on a continuous basis and analyzing the collected information to identify and forecast major forthcoming environmental changes. Special emphasis should be placed on changes that will either create new opportunities for, or significant threats to, the company and this information should be exposed to SWOT analysis at regular intervals. The conclusions reached from this analysis should be used to modify the company's mission and strategy statements, and accompanying strategic goals and objectives, to address required changes in the firm's strengths and weaknesses to cope with new environmental factors.

Table 3
Checklist for Formulating and Implementing a Law Firm Strategic Plan

The following checklist lays out a structured approach to formulating and implementing a strategic plan for a law firm which can be adapted for use by law firm leaders and members of law firm strategic planning groups:

- Create an internal group, often called a Strategic Planning Committee ("SPC"), to lead the strategic planning effort, facilitate the process and formulate the strategy. Membership on the SPC should be offered to key players within the firm to achieve buy-in, ease the process of collecting data and motivate them to proactively implement the plan once it is completed.

- Conduct a comprehensive assessment of the current position of the firm. The assessment should include how the firm is positioned in the market, core practices and clients, economics ("how the firm makes money") and how the firm operates (i.e., culture, governance and management, behavior and other key practices). Assessment tools include internal and external interviews, financial review and analysis of current client base.
- Identify and analyze external factors that are relevant to the formulation and execution of the firm's strategic plan. These normally include competitor moves, client demand trends, new competitors, and political, economic and social trends, as well as available resources and technologies that can help the firm achieve its strategic goals.
- Reach agreement on the firm's current position. Through internal meetings and discussions, a consensus regarding the firm's current position should be achieved in order to create a shared understanding of where the firm is today and a shared vision of the future. The "current position" should include how the firm relates to the external world (i.e., Market Position, Image/Brand, Value Position, Core Clients, Core Services, Competitive Basis and Organizational Capabilities) and information internal to the firm that may have to change in order to achieve the new strategy goals (i.e., Behavior, Structure, Systems, Skills, Processes, Culture and Economics).
- Reach agreement on future market position and implications. The SPC, with partner input, should develop a tangible picture of the desired future position of the firm in the eyes of the external world including answers to the following questions: How would I want an informed outsider to describe my firm's market position and brand?; What type of client would make up our core (if we were in that position and with that image)?; What would be our core service focus, e.g., practice areas, industry focus, value focus?; What would be the primary source of our competitiveness?; What organizational capabilities would we have?; and How would partners spend their time?
- Reach agreement on how internal factors may have to change in order to achieve the desired future position of the firm outlined above. Changes may be required with respect to patterns of behavior, acceptable levels of profitability, size, organizational structure and the role of the partner). Potential should be identified by the SPC and discussed in meetings with groups of partners to test out basic concepts, provide the partners with an additional opportunity for input and build support and consensus for the strategy in advance of its completion.
- Identify and describe the factors the will be most critical to the success of the proposed strategy. These "critical success factors" should be used to monitor progress and measure accountability for achievement of the firm's goals. Critical success factors may include what size the firm must grow to and how that growth will be achieved (e.g., recruiting, acquisition or merger); development of primary and ancillary practices; business development and marketing; professional development; productivity; technology; knowledge management; support staffing capabilities and ratios; economic structure and partner compensation; and associate recruiting.
- Establish performance metrics that can be used to assess progress toward plan objectives. Metrics should be created for the following: firm performance, expense management, practice performance, partner performance, client development/market strength, and management and leadership.
- Seek and obtain final approval of the plan. Once the future strategic direction of the firm has been identified and plans and critical success factors have been charted, final approval by the partners should be solicited and obtain at a retreat that provides the partners with an opportunity to see the strategy laid out and offer additional suggestions before it is finalized. The retreat should focus on refining the critical success factors, implementation issues and priorities and attendees should be cautioned about the most common pitfalls to achieving success: insufficient partner buy-in and/or motivation to change; insufficient leadership attention; ineffective leadership; weak or inappropriate strategy; and resistance to change.
- Focus on implementation and execution of the plan. The following areas are essential to property execution of the firm's new strategy: communications; organizational structure; scheduling; control systems; alignment of management processes; continuous assessment of underlying assumptions; monitoring the environment; and comparison of results against performance metrics.

Sources: For further information on each of the steps outlined above, see J. Henning, "Chapter 2: Strategic Planning" in A. Gutterman (Editor), Hildebrandt Handbook of Law Firm Management (Eagan, MN: Thomson Reuters, 2016).

§16 A strategic planning alternative for startups: the business model canvass

Steve Blank, champion of the "customer development" and "lean startup" methods, explained that the traditional path for a startup has usually begun with the creation of a business plan, which Blank described as a static document that described the size of an opportunity, the problem to be solved, and the solution that the new venture would provide (and which typically included a five-year forecast for income, profits, and cash flow).[14] The business plan was used to convince investors to hand over their money to the business so that the startup could spend time and capital developing the product to hit a pre-determined launch date and hire sales and marketing teams to get ready for the big push once the product was ready. Noticeably missing from all this was any serious attempt to get substantial feedback from customers before the product was well on its way to finished development. As a result, many startups were crushed to find that after their enormous investment of human and financial resources the sales team came back with the disappointing news that the market did not need or want most of the features in the product that was developed to conform to the initial vision of the founders.

According to Blank, entrepreneurs were inevitably destined to discover that their business plans would rarely survive first contact with customers and that dreaming them up was almost always a waste of time and a futile attempt to forecast complete unknowns. Save for rare exceptions when the founders have a proven track record of success in previous projects, venture capitalists and other investors still cling to business plans as requirements for funding; however, in doing so they fail to recognize that startups are not smaller versions of larger companies with a track record that enables them to make a reasonable attempt at a master plan. Instead, startups are not yet ready to execute a business model, which is the primary job of existing companies, but must first engage in the challenging process of searching for their own repeatable and scalable business model which is based on validated information about how the company will be able to successfully create, deliver and capture value through the products and services it offers to its customers. Skipping this step, and remaining wedded to the very first idea that the founders had for the product or service, almost always leads to failure in the market, as does giving short shrift to designing a unique business model and simply relying on a model that is either common in the industry or a haphazard collection of poorly thought out systems and processes.

Every business model is different, and entrepreneurs all have their own ways of viewing and organizing their business models. In order to bring consistency and efficiency to the business model design process, a number of commentator have observed that it is useful to be able to refer to a uniform template to define and discuss the business model, a template that works not only for startups but could also be deployed by established businesses looking to gain a better understanding of where they are and where they need to go in the future to remain competitive. For Blank, the answer for startups was to use the "business model canvass" created by Alexander Osterwalder that consisted of nine

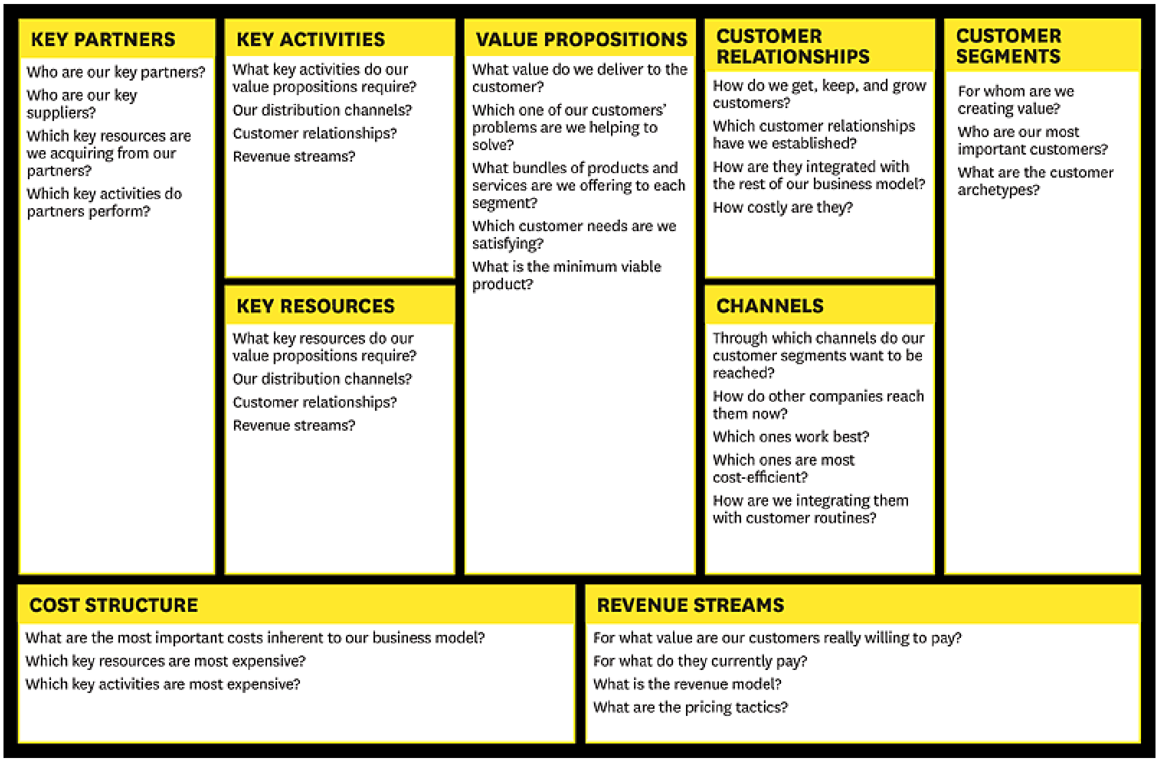
[14] For further discussion of the "customer development" and "lean startup" methods, see "Product Development and Commercialization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

categories of processes and internal activities of a business, each of which was a specific and valuable "building block" in the creation of the product or service of the startup.[15] These nine building blocks, which taken collectively represented the key aspects of a business (i.e., customers, offerings, operations, infrastructure and financial viability), included the following:

- Value proposition, which the startup offers (i.e., product/service, benefits)
- Customer segments, such as users, payers, parents or teenagers
- Distribution channels to reach customer segments and offer them the value proposition
- Customer relationship to create demand
- Revenue streams generated by the value proposition
- Resources needed to make the business model possible
- Activities necessary to implement the business model
- Partners who participate in the business and their motivations for doing so
- Cost structure associated with the business model

The beauty of the business model canvass is the way that it allows entrepreneurs and other strategic manager to create a visual representation of their current and projected business models that also provides a holistic view of the business as a whole and a technique for quickly seeing how a specific action or investment will impact each of the components of the business model. The business model canvass is depicted as a template with the following layout, which also includes the hypotheses for each category that Blank suggested need to be tested and validated during the customer development process that he championed:

[15] For further discussion, see the materials at http://alexosterwalder.com/.



In general, the business model canvass provides several important advantages for anyone engaged in designing a business model and make decisions relating to potential changes in one or more of the categories. For example, the business model canvass facilitates "visual thinking" about each of the major considerations impacting the business and the direction that the organization is taking through its current business model. Using a business model canvass also allows companies to iterate quickly through the ability to rapidly evaluate current and potential tweaks in the business model and their impact. Iteration, while time consuming and potential demoralizing, generally leads to a strong final version of the first product and lays the foundation for a sustainable business. In addition, the business model canvass makes it easier to understand how the building blocks relate to each other and the different ways these relationships can be changed to increase efficiency or effectiveness. The ability to identify, understand and postulate changes to relationships makes the canvass a powerful tool for spotting opportunities or innovations. Finally, the business model canvass is short and succinct, which encourages contributors to make short and simple suggestions that can be fit on post-it notes, and can be easily circulated and shared in order to give everyone access to the information and an opportunity to make comments and suggestions.

Blank argued that the business model canvass was well suited to helping startups to generate hypotheses that were not tested randomly, but rather could be tested using the methods of his customer development process. For Blank, the value of the business model canvass was that it focused the founders on the most basic and important questions surrounding their search for a viable business model: Are we on the right track? What's the right track? Do we have the right customers for the right features (i.e., product market fit)? Do we have the right distribution channel? Do we have the right revenue model? Are we pricing the product or service correctly? Do we really understand our cost structures? Do we have access to the partnering arrangement we will need to be successful? When applying the principals of customer development and the "lean startup", the business model canvass should be used as a scorecard that begins with the initial hypotheses and then is revised as those hypotheses are tested and necessary changes are identified. Hopefully the startup will eventually get to the point where the each box contains only hypotheses that have been validated by customers. As changes are made a new canvass can be drawn and posted to the wall in the startup's offices and a record of all the canvasses can be maintained to document how the business model evolved during the discovery and validation steps of the customer development process and serve as a record of what was learned during the process.[16]

§17 --Value propositions

The company's value proposition is a combination of the products and services it provides to its customers and in order for the company to be successful it must develop and sell product and service offerings that are unique and easily differentiated from those of competitors. Value propositions can be quantitative (i.e., based on the price and/or efficiency of the product or service) and qualitative (i.e., based on the experience and results that the customer enjoys from the use of the product or service). Common attributes of a value proposition include customization, performance, "getting the job done", brand/status, design, newness, price, cost and risk reduction, accessibility and convenience/usability.

Value propositions should be memorable: in other words, they should be the first thing comes to mind for a customer when he or she is asked about his or her experience with the product or service. Companies need to figure out what value they intend to deliver to their customers and which one of their customers' problems they are helping to solve. The company needs to determine what bundles of products and services it will be offering to each customer segment and what customer needs those offerings are satisfying. Existing products and services need to be analyzed to identify ways that the company can provide greater value than the company. Finally, the company needs to design a minimum viable product that can be used to effectively test hypotheses regarding value propositions. When approach definition of the value proposition for their company, the founders need to accept that it is not about their idea or product but rather about a solving a need a customer problem and satisfying a customer need.

§18 --Customer segments

While startups, and established businesses, obviously would like as many customers as possible, the best use of their initial limited resources is to identify the segments of the overall customer pie in which the proposed product or service will address a specific need. It is essential for the company to thoroughly understand the characteristics and needs of each of its target customer segment in order to ensure that the features of its

[16] Portions of the discussion below are adapted from Business Model Canvas: A Complete Guide, https://www.cleverism.com/business-model-canvas-complete-guide/

product or service are aligned with those needs. Understanding comes from asking and answering questions such as “for whom are we creating value”, “who are our most important customers”, “what is the customer archetype” and “why would they be buying”. Each of these questions drives the company to make a thorough assessment of potential customers and learn as much about them as possible. Once the information is collected, the company can prioritize which customers it wants to reach out to first in order to begin the difficult process of customer creation and retention. Various approaches to customer segmentation include the following:

- **Mass Market**: This is the widest pool of potential customers and is appropriate in cases where the company feels that its product or service satisfies a relevant need amongst the general population.
- **Niche Market**: This customer segment is based on highly specific needs and unique traits of its members.
- **Segmented**: The segmented approach is based on creating further segmentation in the main customer segment based on slight variations in the customer’s demographics that are material enough to cause there to be different needs.
- **Diversify**: Pursuit of a diversified market segment requires that the company be flexible in the iterations of its product or service so that it is able to tweak the product or service efficiently in order to suit the needs of segments with dissimilar needs or traits.
- **Multi-Sided Platform/Market**: This kind of segment serves customers who have a relationship to each other. For example, a blogging site needs both a large group of bloggers to create traffic that attracts advertisers and advertisers to create cash flow. Therefore, in order to be successful, the blogging site must make itself attractive to both “segments” (i.e., bloggers and advertisers).

§19 --Channels

A company can have a great product and value proposition yet still not be successful unless it is able to identify and exploit the proper medium for providing its value proposition to its customer segments. In other words, the company needs to figure out how its product or service gets from the company to the customer. The mediums for delivering the value proposition are referred to as “channels” and the key is for the company to select the channels that offer the quickest and most efficient and cost-effective means for reaching customers. Companies can use their own channels, such as brick-and-mortar store fronts or a website, or partner channels such as distributors (who themselves may use physical and/or online channels). Companies can choose one of these channels or create some combination of both. In order to select the proper channel strategy, companies should look at how competitors are reaching customers now and assess which of those methods seem to work best. The best channel strategies are those that are integrated with customer routines and it is therefore important to develop a comprehensive customer archetype that allows the company to understand the details of how customers go about their day-to-day activities.

§20 --Customer relationships

Companies must not only find customers and offering them a viable value proposition, they must develop, maintain and grow relationships with those customers as a foundation for a sustainable business model. Companies can choose among a variety of methods for forging a customer relationship:

- **Personal Assistance**: Interaction with the customer occurs through direct contact from a company employee who provides the "human touch" by assisting the customer presale and during the sale, and even may provide after sales services.
- **Dedicated Personal Assistance**: Close and customized interaction between the customer and the company through a dedicated representative who is assigned a set of customers and is personally responsible for the entire experience those customers have with the company.
- **Self-Service**: Company provides customers with the tools necessary for them to serve themselves.
- **Automated Services**: Customized self-service relationships where the company uses technology that stores the historical preferences of the customer and uses the information to improve the customer's overall experience.
- **Communities**: Company uses technology to create and maintain communities of customers that allow the company to communicate directly with them and provides opportunities for customers to share their experiences with one another and collaborate on developing solutions to common problems associated with using the company product or service and on providing ideas to the company for improving customer experiences.
- **Co-creation**: Company provides customers with an opportunity to directly participate in the development of the product or service including input on features and aspects of the customer relationship experience.

Companies must select and execute the customer relationship strategy that provides the best return on investment as measured by the lifetime value of the customer relationship (i.e., the amount of revenue that the company is able to secure from the customer from the date of first sale to the end of the relationship with the customer). Ideally, a customer relationship will be enduring and will allow the company to expect a steady and predictable stream of revenues over a specific future planning period. Good customer relationships can also translate into new customers if existing customers are satisfied enough to recommend the company's products and services to their networks (i.e., growth occurs through a viral loop driven by existing satisfied customers).

§21 --Revenue streams

All businesses need revenues to survive, including paying current expenses, investing in future growth and returning money to their investors along with a mutually agreed return on their investment. As such, companies need to create a revenue stream using one or more of the following methods for each of its customer segments:

- **Asset Sale**: Company sells the right of ownership over the product to the customer.

- **Usage Fee**: Company retains ownership of the product or service and charges the customer a fee for the use of the product or service.
- **Subscription Fee**: Company charges the customer for the regular and consistent use of its product or service.
- **Lending/Leasing/Renting**: Customer pays the company an agreed amount for the right to exclusive access to the product for a time-bound period.
- **Licensing**: Company charges the customer for the use of the company's intellectual property while retaining ownership rights in the property.
- **Brokerage Fees**: Companies or individuals act as an intermediary between two parties and charge a brokerage fee to one or both of the parties for their services.
- **Advertising**: Company collects revenues from parties other than the end users for the right to advertise their own products to the company's end users while those users are using the company's product or service.

Key questions to be asked and answered with respect to revenue streams include:

- For what value are our customers really willing to pay?
- For what do they currently pay?
- What is the revenue model (i.e., the strategy for generating revenues)?
- What are the pricing principles (i.e., the tactics for implementing the strategy)?

Effective pricing is difficult and will generally require a series of iterative tests with members of the target customer segments. In many cases, companies will settle on multiple revenue stream strategies tailored to the needs of different customers.

§22 --Key resources

Companies need to identify the most important assets required to make their business model work and develop strategies for gaining access to those assets. According to Blank, the important questions with respect to key resources are as follows:

- What key resources do our value propositions require?
- What key resources do our distribution channels require?
- What key resources do our customer relationships require?
- What key resources do our revenue streams require?

Resources can be broken out into several categories including human (i.e., managerial and technical talent), financial (i.e., ability to raise capital and obtain lines of credit), physical (i.e., manufacturing facilities, machines and other equipment, vehicles etc.), and technology/intellectual property (i.e., patents, trade secrets, customer lists etc.). Companies need to have a good understanding of its intended final product or service so that it can compile a list of the resources that will be needed to deliver the desired value to customers. A list of needed resources also makes it easier to identify resources that are not needed, thereby avoiding wasteful investment. Companies may develop or purchase the resources on their own or rely on support from key partners, as discussed below.

§23 --Key partners

As mentioned above, companies should plan on relying on various partners for support in gaining access to the key resources needed for creating their value proposition and otherwise executing their business models. Important questions to be asked include:

- Who are the key partners needed to make the business model work?
- Who are the key suppliers needed to make the business model work?
- Which key resources are we acquiring from our partners?
- Which key activities do our partners perform?

Companies can engage with key partners through contracts, joint ventures and strategic alliances and should strike to develop and maintain a network of partners that complement each other in helping the company create its value proposition. Each partner relationship should be closely monitored and companies should continuously evaluate ways for improving and expanding their partnership network.

§24 --Key activities

The desired elements of the business model can only be achieved if the company identifies and executes the most important activities that must be completed in order to make the business model work. As such, business model design should address the following questions:

- What key activities do our value propositions require?
- What key activities do our distribution channels require?
- What key activities do our customer relationships require?
- What key activities do our revenue streams require?

While key activities are often fairly obvious to identify (e.g., production, problem solving, supply chain management etc.), companies should plan on testing their hypotheses about the importance and prioritization of activities by adding or removing some and measure the impact of the changes.

§25 --Cost structure

Eventually companies need to generate enough revenues to remain in business; however, during the early stages of the business the company will depend heavily on its ability to stretch capital received from investors to develop and launch the company's business model. During this crucial period it is essential for the company to have a good understanding of its cost structure, both fixed and variable costs, and develop plans for each of each of the most important costs inherent in the execution of its business model. The company also needs to take a hard look at its most expensive key resources and activities and see if they can be managed or reduced through economies of scale or scope or by other measures.

§26 Developing and implementing sustainability strategies and commitments

Sustainable entrepreneurship is no different than other forms of entrepreneurship: the business model needs to eventually generate sufficient profits for the company to survive and grow (i.e., to achieve the sustainability necessary for it to be around long enough to achieve its social and/or environmental goals as well as generate income for its investors, managers and employees). As such, sustainable companies still need to understand and apply the traditional business planning techniques described in this Guide; however, they also need to integrate their corporate social responsibility projects and initiatives into their strategic goals and business and operating plans. Hohnen and Potts noted that there is no "one-size-fits-all" method for pursuing a CSR initiative and that each company must consider its own unique characteristics and circumstances when implementing, expanding or modifying its CSR programs and policies.[17] Among other things, these characteristics and circumstances include the company's overall mission and purpose, organizational culture, external environment and risk profile, operating conditions and existing relationships with stakeholders.

Available resources for CSR activities are also an important constraint, although even when resources are scarce companies can take modest steps to integrate CSR concerns and principles into their core decision making, strategy, management processes and activities. However, notwithstanding the contextual contingencies of CSR, companies can take advantage of the extensive work that has gone into creating international instruments that provide a basic framework for designing and implementing an effective and comprehensive CSR initiative and which have been vetted and endorsed by governments and civil society alike. Sources to choose from include the following:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- The International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Core Labour Standards;
- The UN Global Compact Principles;
- The Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines;
- The International Organization for Standardization ("ISO") standards;
- The AccountAbility AA1000 Series; and
- The Social Accountability International SA8000 standard.[18]

Hohnen and Potts proposed a CSR implementation framework that begins with "planning", and the first step in this phase is conducting a CSR assessment by assembling a CSR leadership team; developing a working definition of CSR; identifying legal

[17] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 18.

[18] Id. at vii. Companies can also refer to guidelines prepared by local and regional governments which presumably were prepared with reference to specific local conditions and societal values and generally benefit from participation by representatives of business, government and labor (e.g., the Singapore Compact; the Thailand Labour Standard; the 2006 CSR Beijing Declaration; and the Confederation of Indian Industries). Id.

requirements; reviewing corporate documents, processes and activities and internal capacity; and identifying engaging key stakeholders.[19] Once the assessment is completed attention turns to developing a CSR strategy, a process which includes building support with CEO, senior management and employees; researching what others are doing, and assessing the value of recognized CSR instruments; preparing a matrix of proposed CSR actions; developing ideas for proceeding and the business case for them; and deciding on direction, approach, boundaries and focus areas.

Once the CSR strategy has been completed it is time to move forward with developing and implementing CSR commitment. Developing CSR commitments involves doing a scan of CSR commitments; holding discussions with major stakeholders; creating a working group to develop the commitments; preparing a preliminary draft; and consulting with the affected stakeholders. In order to implement the CSR commitments steps must be taken to develop an integrated CSR decision-making structure; prepare and implement a CSR business plan; set measurable targets and identify performance measures; engage employees and others to whom CSR commitments apply; design and conduct CSR training; establish mechanisms for addressing problematic behavior; create internal and external communications plans; and make commitments public. Once the company is actively engaged in implementing the CSR strategy it is essential to measure and assure performance, engage stakeholders and report on performance, both internally and externally. The CSR leadership team must evaluate performance, identifying opportunities for improvement and engage with stakeholders on implementing changes and improvements.

Taken together, the steps described above—which Hohnen and Potts called “plan”, “do”, “check” and “improve”—should be seen as a “cycle” of implementation that should be mastered and improved and repeated in line with a reasonable and appropriate schedule. Hohnen and Potts emphasized that companies should approach CSR as a process of continual improvement, being constantly alert to new issues and considerations. Their implementation framework, which they noted was based on well-known initiatives such as the quality and environmental management systems promulgated by the International Organization for Standardization (“ISO”), is intended to provide a path for companies to follow; however, flexibility should be exercised in order to be sure that the specific needs and circumstances of the firm are taken into account. The goal of the process is to create and maintain a CSR implementation framework that integrates economic, social and environmental decision making throughout the company, from the board of directors to front-line employees to supply chain partners, and thus enhances the overall corporate governance effectiveness of the company.[20]

Another framework was suggested by Willard, who recommended that companies engage in a multi-step process for ensuring effective implementation of sustainability initiatives

[19] Id. at 19.

[20] Id. at 19. For further discussion of the process of implementing a CSR strategy, see “Developing and Implementing CSR Strategy and Commitments” in “Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

that includes “wake up and decide”, “inspire visions”, “assess current realities”, “develop strategies”, “build case(s) for change”, “mobilize commitment” and “embed and align”.[21] He explained how this works as follows:

> “[A process that ensures a successful implementation of any significant sustainability change initiative] begins with sustainability champions deciding to make a difference on a pressing environmental or social issue that is relevant to the company. It could be reducing the company’s carbon footprint to avoid climate destabilization, mitigating the water or food crisis, or improving the wellbeing of the local community. With a few kindred spirits, they the sustainability champion crafts an inspiring shared vision of how great it would be if the company were a leader on that issue. Then they identify performance gaps between where the company is now on the chosen sustainability issue and where it could or should be. They engage appropriate internal and external stakeholders to map out strategies to close the performance gaps. The next "build case(s) for change" step is pivotal. Some progress can be made without senior management support, but to get real traction and mobilize sustained commitment to the desired sustainability initiative throughout the organization, the executive team needs to provide visible and active support. Only they have the position power to allocate appropriate resources and to make the necessary changes to the measurement, management, recognition, and reward systems to imbed any required new policies, processes, and behaviors into the company’s culture and DNA. It's time to craft a compelling business case.”[22]

While both of the frameworks suggested above are organized and described as an orderly continuum of steps, the reality is that developing and implementing a CSR initiative requires that a number of activities be carried out at once. One of the first things that should be done is to getting a good idea about what the company stands for and how it operates, a process which includes document review, interviews and observation. Concerns of internal stakeholders, such as employees, need to be identified and analyzed. At the same time, it is essential to determine who the company’s most important external stakeholders are and collect information on how those stakeholders have interacted with the company and what their expectations might be with respect to the company’s CSR programs. Community concerns are particularly noteworthy even though the company’s relationships with other stakeholders, such as investors, customers, lenders and supply chain partners, have a more direct impact on economic performance. Companies need to reach out to members of their communities through publications, open houses and workshops to develop and implement ideas about how the company can be a better community member. Finally, the interests and concerns of society-in-general and regulators should be monitored on a continuous basis and companies should establish and

---

[21] B. Willard, “Introduction” in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at http://sustainabilityadvantage.com/).

[22] Id.

maintain contacts with NGOs, advocates for civil society, legislators and representatives of regulatory agencies with influence over topics that are relevant to the company.

A "Top 10" List of CSR Mistakes

Blok et al., who have consulted a wide range of companies on strategy and sustainability, argued that while growing numbers of companies appeared to be take social and environmental responsibility more seriously and announcing grand plans for corporate social responsibility ("CSR") initiatives, most of those companies were undertaking CSR projects without a firm idea of what corporate responsibility really meant for their businesses. As a result, they believed that many companies would ultimately need to unlearn the practices and activities that they believed to be socially responsible when it becomes clear that their CSR initiatives were not living up to the expectations of stakeholders and were actually eroding the value of their businesses. In an effort to get companies on the right path from the beginning of their journey toward social responsibility, Blok et al. outlined what they believed to be the ten most frequent areas where companies make CSR mistakes:

Lack of vision: Most companies place too much emphasis on the past when developing their CSR strategy. The recommended approach is to first ask "What does this company want to be in ten years' time?". This encourages the creative development of a vision for the company and its long-term role in the world. Once that question is answered, the company can return to "Where are we now?" and bridge the gap between the answers to the first two questions by brainstorming on "What and how do we need to change to bring about our vision?".

Poor understanding of the scope of required change: Most companies fail to realize and appreciate that effective implementation of CSR will require an enormous amount of organizational change and development based on completely new managerial perspectives. It is not sufficient for companies to selectively modify existing business practices, but rather they must be committed to finding and executing new, more responsible and smarter ways to create wealth.

Managing CSR at the sub-strategic level: In many cases, CSR is managed as a staff function, at a sub-strategic level, meaning that there is at best a loose connection to the overall strategy of the business, its core technologies and management know-how. While this approach can create an appearance of CSR commitment, it generally fails to adequately address the emerging social and environmental pressures that companies are facing. CSR needs to be recognized as a strategic imperative to be managed at the highest levels of the organization by board members and senior executives who are in a position to implement sweeping changes to incentive systems, the focus of decision-making, and management systems.

Unsophisticated view of CSR: Companies fails to recognize and adopt a strategic view of CSR and its role in protecting the value of current assets and creating new value. The preferred approach is selecting and implementing more responsible practices to protect the value of existing assets (i.e., management systems, performance indicators, reporting, adherence to codes and standards) and selecting and implementing activities where CSR plays a role in innovation and change that leads to creation of new value.

Inability to hear outside voices: While stakeholder engagement is a central premise for developing and implementing a CSR strategy, many companies fail to take the best advantage of stakeholder input because they are unable to engage stakeholders in appropriate ways, to ask them appropriate questions and to listen and understand their suggestions. For example, when seeking stakeholder input on a sustainability report companies need to pose focused questions so that stakeholders know what is expected of them (e.g., providing ideas for improving the report, suggesting ways to improve the relationship between the company and the stakeholder or identifying opportunities for innovation).

Sticking with old managerial competencies: Many companies cling to the traditional focus on "hard" analytical skills when selecting and training their managers; however, these skills, while still valuable, are not sufficient to effectively manage CSR initiatives that will require interactions with various stakeholders in product development and strategic planning. Companies pursuing CSR will need to modify their recruiting and training practices, as well as their organizational culture, to develop the managerial competencies appropriate for CSR initiatives.

One worldwide approach: Companies typically rush to adopt a single uniform worldwide approach to CSR, generally pursuing an agenda that is based on priorities and practices in their home countries. While this may be efficient and make it easier to launch a CSR initiative, it fails to take into account real differences among the CSR agendas across countries. For example, while Germans believe that environmental sustainability and good community relations should be prioritized, the Nordic countries are more concerned about how companies operate in developing economies.

Uneven approach: A number of companies make grand pronouncements about broad CSR initiatives; however, when it comes to implementation they focus their action on a limited set of divisions, localities and functional areas while continuing to ignore other problems, an approach that eventually brings the integrity and value of the entire program into question. For example, while it has become popular for companies to announce carbon-neutrality pledges to generate good publicity, many of them drag their feet in engaging in the hard work necessary to clean up the unsafe working conditions and use of child labor in their supply chains.

Non-participative management: While the board of directors and members of the senior management team need to be actively involved in CSR initiatives by setting the proper "tone at the top" and proactively developing a comprehensive CSR strategy and accompanying CSR commitments, the process should not be entirely top-down directives. Companies need to involve employees at all levels to make CSR part of company culture and procedures and identify internal "change champions". Ideas drawn from employees and put into practice build commitment to the initiative which can be leveraged in communications and other dealings with external stakeholders.

Failure to see corporate responsibility as innovation: Blok et al. felt that many of the mistakes mentioned above were part of a larger and more fundamental problem they observed at many companies: failure to see that adopting and practicing CSR is best based on a continuous innovation process that links corporate responsibility to the company's business model. They noted that while companies do recognize innovation as being important to creating and maintaining competitive advantage, they have been slow to acknowledge that CSR initiatives can and should be framed as innovative methods for protecting existing assets and value and creating new value that will make the company as a whole more sustainable.

Source: Adapted from M. Blok, V. Jennings, D. Leipziger and N. Roome, "A how-not-to guide: top ten corporate responsibility mistakes", Ethical Corporation (December 2006), 40.

Summing Up

1. The process of drafting the business plan is the time to make sure that all of the members of the start-up group are convinced about the validity of the business concept and fully committed to becoming the initial "investors" in the company ready to devote their full time and effort to executing the plan. Participation in the business planning process is also important because the end product, the "business plan" in whatever form it might take, will become the primary means of communication to potential investors, banks, advisors and other potential strategic partners who will be asked to provide some level of support to the new business. The process will also lead to clear and specific goals relating to the operation and development of the business. In addition, by compiling, analyzing and documenting the information needed for the initial business plan, the members of the start-up group will get a good feel for the elements that need to be included in their permanent strategic planning function once the company grows to the size where it can afford to create and maintain a dedicated planning business unit. Finally, the lessons learned in the business planning process can be applied to other important activities and thus provide the founders and senior managers will tools that can be used to make informed business decisions about new projects and investment opportunities.

2. Strategic planning begins with identifying and defining the purposes, goals and objectives of the company including the products to be created and distributed by the company, the target markets that the firm will seek to penetrate, the measures that will be used to evaluate the performance of the firm and its chosen strategy, and the specific tactics in various functional areas that will be used in order to efficiently execute the strategy. The key steps in the strategic planning process including collecting and analyzing information; strategy development using "situation" analysis; preparation of the mission and strategy statements; establishing strategic goals and objectives; preparation of a strategic plan; and establishing processes for implementation, monitoring and updating of the plan.

3. When putting together a strategic plan, companies and their managers must begin by analyzing a

series of essential questions and issues. This analysis serves as the background for the overall planning process and provides the working group with an opportunity to focus on how various alternative strategies will impact the business of the company and the markets in which it is active over the planning period. In order for this preliminary work to be useful, substantial amounts of information will need to be collected, analyzed and debated including information on each industry in which the company is active. The next steps include competitive analysis to identify the resources, relationships and strategies necessary for the company to survive and flourish in what has now become a truly global marketplace; organizational analysis to determine what structural changes may be needed to implement the company's expanded activities; and risk analysis to ensure that all of the key assumptions regarding markets, products, technology and availability of resources (i.e., capital, equipment and personnel) have been thoroughly tested for validity and accuracy.

4. While there is no generally accepted model of the optimal process for strategy development a widely-known tool used by many companies is "situation" analysis, which focuses the planners on the strengths and weaknesses of the company and opportunities and threats in the company's environment as a means for uncovering strategies that effectively leverage the company's core competencies. The formal outputs of this analysis are the company's mission and strategy statements and a clear set of strategic goals and objectives based on identifying and defining the target market and customer requirements, assessing the potential strengths and weaknesses of the company's business concept, identifying and articulating the company's competitive advantage and core competencies, identifying opportunities and threats with respect to the business, analyzing competitors and defining specific strategies and tactics for product development, procurement, manufacturing, sales, marketing, finance and human resources. Once those goals and objectives have been identified, and initial operational plans have been finalized, management must also have reliable systems and procedures for monitoring performance and continuously evaluating the validity of the goals.

5. There are a variety of methods that might be used to put together a solid business plan; however, a relatively typical format would include the following sections and topics: a brief executive summary, which should be written after the rest of the plan is finalized; an analysis of the industry (and any key markets within that industry) in which the company is or intends to be active and any special legal or regulatory issues associated with operating in a particular industry or market; a description of the proposed business activities, including the products and services to be offered by the company that flows easily and quickly into a detailed discussion of the company's proposed marketing plans and strategies (i.e., the way in which the company intends to reach its target markets); a description of the organizational plans for the business that identifies the skills and talents that will be needed to attain the strategic goals and objectives and the important projects and activities that will be undertaken in pursuit of those goals and objectives; a description of the specific plan for producing the company's products, including details as to whether the company's manufacturing activities will be done "in-house" or outsourced to third parties; a description of the company's plans and programs relating to recruiting, training and compensating the human resources needed for successful execution of the strategic plan; a detailed analysis of the costs associated with launching and operating the company's proposed business and a strategy of how the company intends to obtain the capital required to pay these costs (including initial capital contributions and long-term financing requirements); and a presentation of the current and projected financial situation of the company including forecasted sales and related expenses (i.e., budgets) and projected cash flow and balance sheet information.

6. When preparing the plan consideration must be given to the operating plan for the business, including an analysis of how the company will manage the core functions of the business (e.g., manufacturing, human resources, sales, accounting, etc.), and the managerial infrastructure of the business, including the mechanisms to be used for management and control of the business. Plans do not implement themselves and the founders and other senior executives should be able to explain how key management positions will be filled and their plans and strategies for recruiting non-executive employees, including cash and equity incentive arrangements.

7. Effective implementation of the strategic plan requires careful attention to communications, scheduling and establishing control systems. In order for the implementation process to be effective, and for the company to be able to quickly make any needed corrections, a small group of senior managers

should be given the task of directing, coordinating, and reviewing the planning process. This group must be held accountable for making sure that the action plans are carried out. In fact, for growing companies, the process of planning and attempting to implement the plan is almost as important in and of itself even if the plan fails or must be changed. In any event, the coordination team should establish a schedule of regular meetings to review the progress of the plan against performance targets. This schedule can be used as the basis for setting deadlines for collection of information from the coordinators for each plan. In addition, companies and their managers must continuously test the assumptions underlying the chosen strategic goals and objectives and evaluate whether or not the actions of the company are appropriate in light of the changing environmental factors in which it is operating.

8. Startups may lack the resources and patience for formal strategic planning processes, and their critical time horizon is generally no more than a few months; however, they still can benefit from using the "business model canvass" method to define and discuss the business model and gain a better understanding of where they are and where they need to go in the future to remain competitive. The "business model canvass" consists of nine categories of processes and internal activities of a business, each of which was a specific and valuable "building block" in the creation of the product or service of the startup. These nine building blocks, which taken collectively represented the key aspects of a business (i.e., customers, offerings, operations, infrastructure and financial viability), include value proposition, which the startup offers (i.e., product/service, benefits); customer segments, such as users, payers, parents or teenagers; distribution channels to reach customer segments and offer them the value proposition; customer relationship to create demand; revenue streams generated by the value proposition; resources needed to make the business model possible; activities necessary to implement the business model; partners who participate in the business and their motivations for doing so; and cost structure associated with the business model.

9. The business planning process for sustainable businesses must also take into account sustainability goals and commitments and this means following a deliberate path of "plan", "do", "check" and "improve". The first step is conducting a corporate social responsibility ("CSR") assessment by assembling a CSR leadership team; developing a working definition of CSR; identifying legal requirements; reviewing corporate documents, processes and activities and internal capacity; and identifying engaging key stakeholders. Once the assessment is completed attention turns to developing a CSR strategy, a process which includes building support with CEO, senior management and employees; researching what others are doing, and assessing the value of recognized CSR instruments; preparing a matrix of proposed CSR actions; developing ideas for proceeding and the business case for them; and deciding on direction, approach, boundaries and focus areas. Once the CSR strategy has been completed it is time to move forward with developing and implementing CSR commitments by doing a scan of CSR commitments; holding discussions with major stakeholders; creating a working group to develop the commitments; preparing a preliminary draft; and consulting with the affected stakeholders. In order to implement the CSR commitments steps must be taken to develop an integrated CSR decision-making structure; prepare and implement a CSR business plan; set measurable targets and identify performance measures; engage employees and others to whom CSR commitments apply; design and conduct CSR training; establish mechanisms for addressing problematic behavior; create internal and external communications plans; and make commitments public. Once the company is actively engaged in implementing the CSR strategy it is essential to measure and assure performance, engage stakeholders and report on performance, both internally and externally.

References and Resources

The Sustainable Entrepreneurship Project's Library of Resources for Sustainable Entrepreneurs relating to Strategic Planning is available at https://seproject.org/strategic-planning/ and includes materials relating to the subject matters of this Guide including various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts. Changes to the Library are made on a continuous basis and notifications of changes, as well as new versions of this Guide, will be provided to readers that enter their names on the Project mailing list by following the procedures on the Project's website.

10.2017