

SMOCK♦STERLING

Strategic Management Consultants

FOCUS - OUR STRATEGIC PLANNING METHODOLOGY

FOCUS is a distinct, flexible, and industry leading approach to strategic planning and management used by Smock♦Sterling Strategic Management Consultants (Smock♦Sterling) in virtually all of its strategic and marketing planning assignments. The following sections discuss the history of the methodology, the process itself, the common strategic planning problems the methodology addresses, and why it is so effective.

HISTORY OF THE FOCUS METHODOLOGY

The FOCUS concept was originally developed in the early 1980's by John Smock (Smock♦Sterling Strategic Management Consultants' President) and a partner of his at Arthur Young (now Ernst & Young) for Arthur Young's international strategic planning practice. We believed then that two criteria were essential to the success of any methodology we would develop - first, the process had to actively involve client management in making strategic decisions and second, the plans resulting from the methodology had to be simple enough to be easily communicated and implemented within client organizations. We felt that this simplicity should be expressed and documented in a "*one-page plan*."

After successful tests of the initial elements of the methodology (i.e. - client involvement and the one-page plan), a decision was made to "*internationalize*" the methodology. A Swiss professor affiliated with Arthur Young in Europe, Cuno Pumpin, made an important contribution that proved to be a central theoretical element of FOCUS. As Dr. Pumpin correctly explained, for nearly every organization there are a handful of core positions or goals that are absolutely essential to the ongoing success of the organization - these are the key elements that enable the organization to achieve competitive advantage, satisfy major stakeholders, and achieve long term growth and profitability. In turn, all of an organization's objectives, strategies, and day-to-day management should be organized around and driven by these few key goals. Dr. Pumpin called these core goals "*strategic excellence positions*." We now refer to them as "*primary excellence goals*" or PEGs.

With the addition of Dr. Pumpin's primary excellence goal concept, the major elements of the methodology were fused into a single theoretical principle.

- The need to address both internal and external factors in successfully managing a business strategically was reflected in the Primary Excellence Goal concept. Primary Excellence Goals, properly developed and applied, address both internal and external issues.
- The desire to keep plans simple was now firmly grounded in a well researched business principle. Primary Excellence Goals provide an intellectual and visual framework for completing one-page plans.
- Finally, and most importantly, Primary Excellence Goals provide the critical link between the future vision our clients identify and agree to and the strategies and implementation tactics designed to achieve that vision.

With all the critical elements in place, Arthur Young invested in training other professionals and assigned "*product managers*" to formally manage the ongoing development of the methodology. John Sterling, now a Vice President with Smock♦Sterling, was the first "*product manager*" assigned by Arthur Young - in the firm's Chicago office. On a worldwide basis, that Chicago consulting practice of Arthur Young, headed by John Smock, implemented the process most often with the most clients.

In 1989, John Smock elected to leave Arthur Young and founded Smock♦Sterling. John Sterling joined Smock♦Sterling shortly thereafter. Since our founding, Smock♦Sterling has specialized in management consulting assignments that result in the development and implementation of strategy. The FOCUS methodology has been continually and consistently revised and refined by Smock♦Sterling to meet changing market needs, although the general managerial premises on which the methodology was built have well stood the test of time.

THE FOCUS METHODOLOGY

FOCUS is a process that begins with the effective analysis of the internal and external environment an organization faces. Based on that analysis, senior company managers define the long term direction and major goals of the firm. In turn, the management group uses that long term direction to set nearer term strategies and action plans to ensure both an effective response to the environment and the stated and agreed upon long term direction. The process combines analysis, active consultation, and effective workshop facilitation. It relies on the senior management of the client organization to make key planning decisions in a workshop environment led by experienced Smock•Sterling consultants. It emphasizes agreement, consensus, commitment, and the art of strategic thinking.

The process in its most generic form involves three phases - Foundation, Strategy Development, and Implementation Planning - although we tailor the specifics of the methodology to meet the particular needs of each client.

Foundation

The Foundation phase begins with an effective analysis of the internal and external environment facing the organization. That analysis is based on the principle of *"sufficiency of information."* That is, sufficient information is gathered concerning the internal issues facing the organization, external market considerations, and competitors' positions and likely strategies in order to make informed and intelligent planning decisions. Care is taken to avoid the *"paralysis of analysis"* that comes from trying to develop perfect information in an imperfect world.

The results of this internal and external assessment are channeled into a *"foundation"* planning workshop where the organization's mission and Primary Excellence Goals are developed.

- The **mission** is the central guide for the future development of the company and has three basic components - vision (what the company ultimately hopes to be in the future), values (the shared beliefs embraced by the company), and purposes (the overall direction the company takes in meeting the needs of its primary stakeholders).
- **Primary Excellence Goals**, as discussed above, are key differentiating elements of the FOCUS process. PEGs are those few goals that all activities must be organized around to ensure superior performance in those areas critical to future success and to achieving competitive advantage.

Strategy Development

The Strategy Development phase is designed to enable the firm to set specific, measurable objectives and the strategies to achieve them. Market priorities are generally sorted out in this phase. As such, this is the most difficult and most critical phase in the FOCUS process. Meaningful objectives that truly measure progress toward achieving Primary Excellence Goals must be defined and agreed to. Fundamentally sound and creative strategies that answer the question, *"what needs to be done to achieve the Primary Excellence Goals,"* must be developed. Further, the peculiarities and sensitivities of key markets must be considered and addressed in this phase.

The end result of this phase is the one-page strategic plan mentioned previously. The last page of this document presents a sample version of such a framework for a fictitious company.

Implementation Planning

The Implementation Planning phase involves placing the results of the prior planning efforts into an implementation context. Implementation planning involves using direct means (such as action plans, organizational changes, automated monitoring systems, and the like), indirect means (communications and symbolic actions), and time related activities (doing things in the proper sequence and prioritizing activities from a timing perspective) to achieve implementation of each of the strategies.

Given these broad constructs, we have been able to customize the FOCUS methodology for a wide variety of companies in industries such as chemicals, healthcare, food processing, high technology, legal and professional services, financial services, and distribution. Also, we have worked with a number of our clients in applying this methodology to the specific planning needs of their business units and divisions.

FOCUS SUCCESSFULLY ADDRESSES STRATEGIC PLANNING'S COMMON PROBLEMS

The motivation behind FOCUS, then and now, has been to address and correct the following common problems in the strategic planning process.

Lack of Company/Client Top Management Involvement in the Strategic Planning Process

It had been our experience that strategic plans were being developed without the input and involvement of top management - the people with direct responsibility for planning and decision making. FOCUS involves these senior managers directly in the planning and decision making process.

Overreliance on Management Consultants/Internal Staffs to Prepare the Plan

There has historically been an overreliance on consultants, or designated corporate staff, to prepare plans. Naturally, the resulting documents enjoyed little buy-in and agreement from senior management, despite often elegant analysis and sound conclusions. With FOCUS, the consultant plays a key (and, in most cases, a necessary) role in facilitating the process, but the plan itself is the company's, not the consultant's, as planning decisions throughout are made by senior management.

Size of Plan Associated with Competence/Effectiveness

In the past, it was thought that the thicker the strategic plan, the better and more comprehensive it was. That was and is not true. The whole idea of effective strategic planning and management is one of simplicity. Certainly complex issues must be considered and addressed, however, the resulting product (i.e. - the plan itself) must be widely understood and capable of being implemented within the constraints of the resources available to an organization. FOCUS results in a clearly presented and understood one-page strategic plan.

No Relationship Between Strategic Planning and Day-to-Day Management

Even when a strategic plan is considered a "good one," day-to-day decisions and activities often bear little relationship to that overall plan. In fact, research has shown that strategic plans seldom influence day-to-day decision making. This reality contrasts sharply with what strategic management is intended to do - namely, to guide day-to-day management decision making on the basis of overall corporate direction. Our process takes the strategic direction set by the company and brings that direction back through the day-to-day management decision making process.

Lack of Implementation

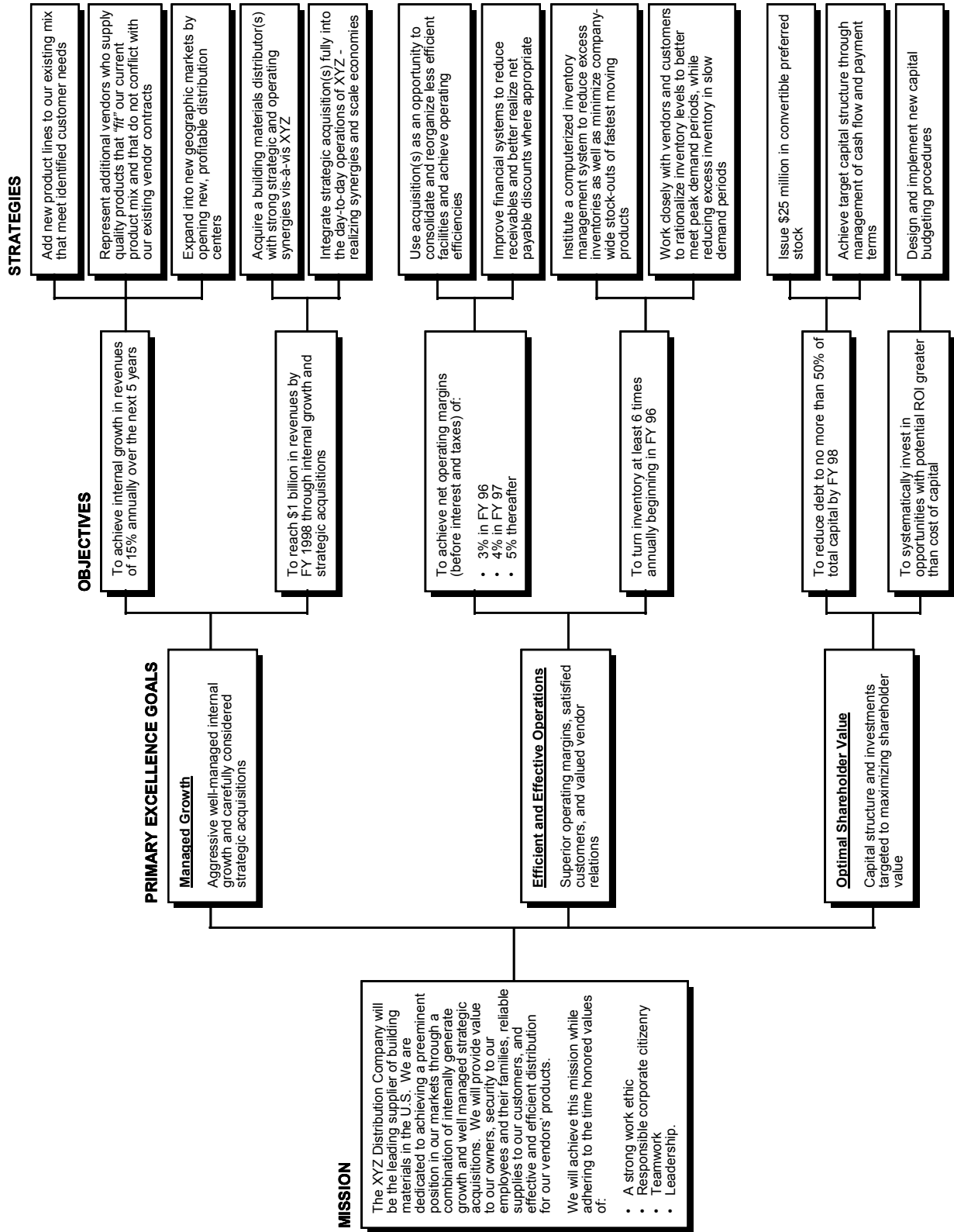
Perhaps the most critical flaw in strategic planning and management in the past has been the general lack of implementation that has characterized most strategic plans. Recognizing this weakness, we have tied effective implementation and monitoring to the simplicity of the plan itself and have developed and utilize systems that ensure that the developed strategies are carried out.

WHY IS FOCUS SO EFFECTIVE?

We believe there are a number of common reasons for FOCUS' unusual effectiveness.

- Simply, **the process works**. It is extremely effective in focusing attention on real issues, gaining consensus and agreeing on a direction, and spelling out what needs to be done to achieve that direction. Organizations that have followed the process report remarkable results from its use.
- The process involves **less time invested by senior management** than one would think to achieve a usable, understandable, and agreed upon plan. Although senior management is directly involved in the process, that involvement comes in a series of workshops, where their input is both meaningful and efficient.
- FOCUS **balances a "top down" statement of strategic direction and objectives with "bottom up/market based" strategic thinking and implementation**. Thus, it bridges a company's need to set overall direction, while developing detailed operational and market strategies for its business units.
- **Going through the process is an end in itself**, as managers have an opportunity in a positive and intellectual format (as opposed to an emotional one) to discuss key issues, set direction, and achieve a common consensus.

XYZ DISTRIBUTION COMPANY A HYPOTHETICAL EXAMPLE OF THE ONE-PAGE PLAN



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