

IMPLEMENTING STRATEGIC PLANNING IN

THE NIGERIAN ENVIRONMENT

MR. CHAIRMAN, FELLOW GENERAL MANAGERS:

Today's topic deals with a powerful tool which is highly valued and widely applied by the most successful and best managed organizations throughout the world.

Our workshop raises two basic questions -

- (1) does strategic planning work in Nigeria? and
- (2) if so, how can it be successfully implemented?

These questions raise a healthy scepticism as to whether proven management techniques can be used effectively in Nigeria - given the high degree of uncertainty and the constant change which all of us general managers face today in our respective organizations.

1-1  
My topic is designed to set the stage for our next two speakers and the subsequent discussion sessions. I will do this by a brief review of how strategic planning is done and how it must be tailored to the unique Nigerian environment. The slides you are about to see are from a two day course which spells out the methodology we use for helping clients implement strategic planning effectively in thier organizations - both in the public and private sector.

1-6  
Lets start our discussion with a question - "What is Strategic Planning ?"

1-7  
A very simple, straightforward answer is - "the formal process of determining long-range objectives and how to achieve them."

Book  
Perhaps a more comprehensive definition provides the flavor for Chief Executive Officers such as today's audience. I would like to quote a distinguished HBS Professor Kenneth R. Andrews in his book - The Concept of Corporate Strategy:

"The highest function of the (Chief) Executive is still seen as leading the continuous process of determining the nature of the enterprise and setting, revising, and achieving its goals." (p.iii)

He calls this central function - corporate strategy - and defines it thusly - "Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and

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the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities."

"Corporate strategy defines the businesses in which a company will compete, preferably in a way that focuses resources to convert distinctive competence into competitive advantage." (p.18)

1-8 In actual practice, strategic planning deals with five separate tasks, as follows:

- (1) Determine long term direction of the company
- (2) Assess competitive position
- (3) Establish overall goals and strategies
- (4) Determine resource requirements
- (5) Establish foundation for tactical plan and programs

1-9 As can be seen from this slide, strategic planning is the focal point for all planning and reporting in a modern organization. It is particularly linked to market studies, capital spending, and contingency planning as well as the annual profit plan (or budget).

1-10 A number of stakeholders must be considered while developing strategic plans, such as -

- . shareholders - dividends, capital gains
- . managers - salaries, job satisfaction
- . employees - wages, security
- . customers - good products, service
- . suppliers - orders, steady demand
- . lenders - interest, security
- . society and government - taxes, corporate responsibility

1-19 Lets now turn to - How is Strategic Planning done?

1-20 There is a specific process, or methodology, involved which is normally segmented into seven distinct phases -

- I. Organization (including current strategy audit)
- II. Environmental Analysis and Forecast
- III. Internal Analysis and Position Assessment
- IV. Objectives and Goals Development
- V. Strategy Development
- VI. Plan Development
- VII. Implementation

You will note that the process involves a step by step, systematic approach which starts out from the very beginning with the focus on implementation.

1-22 The standard methodology works for every organization but obviously industry variations cause adaptations to be made. For example -



- . Planning horizon - trading activities may be a year or so ahead, while NEPA must plan for 10-15 years.
- . Competitive analysis - obviously NITEL as a monopoly would omit this step.
- . Functional analysis - consumer products companies are very marketing oriented.
- . Regulatory concerns - some industries are more affected than others.
- . Economic sensitivity - locally sourced companies may be less sensitive than importers.
- . Technological trends - can vary widely by industry and country.

1-30  
Before getting into the planning process itself, lets briefly recap the benefits of planning -

- . facilitates and is vital to company growth
- . leads a company to act rather than react
- . helps a company to capitalize on opportunities
- . provides early indication of financial needs
- . insures the setting and the acceptance of common goals
- . provides a basis for measuring performance
- . trains managers to think ahead

2-1  
Lets start with the organization phase. This phase structures the entire planning process and defines the key participants, major objectives and tasks, and the time table. (I)

2-3  
There are four key elements to accomplish -

- . Establish management commitment (management and project team)
- . Organize planning efforts (work program)
- . Define corporate objectives (strategy audit if first time)
- . Identify data requirements

2-6  
Management commitment can best be secured by getting senior management from all major functions actively involved in planning. We normally suggest a management planning committee headed by the CEO.

2-7  
This planning committee has the following responsibilities -

- . Establish corporate and planning objectives and agree on the work programs for the planning process.
- . Identify major, strategic issues.
- . Formulate mission, objectives, goals and strategies.
- . Reconcile the planning gap between SBU (Strategic Business Unit) and Corporate Plans.

2-8

While the planning committee is responsible for strategic planning, a day to day coordinator is needed. The "Planning Officer" is the catalyst and coordinator to make sure the plan is done and implemented. His role is to -

- . plan the planning process
- . coordinate the planning activities
- . provide assistance
- . consolidate the plans
- . monitor and implement the plan.

2-9

The key point is that corporate objectives are set by top management and not by the planner. A few brief points are worth mentioning -

- (1) Corporate objectives describe what is to be accomplished during the plan period.
- (2) They are supported by specific financial goals, which quantify how much and by when.
- (3) They are initially high level guidelines which provide general direction for lower management.
- (4) They are developed by top management.

2-19

The key to successful implementation is advanced planning - thorough organization of the planning effort. There are five key tasks -

- . prepare a detailed work program
- . identify manpower requirements
- . identify specific outputs
- . establish milestone dates
- . determine completion deadlines

2-20

Another key to successful implementation is early identification of data requirements - both external and internal. External data normally concerns markets, industry and competitor trends, supplier analyses, and the overall outlook for the economy and political/regulatory developments. Internal data generally involves sales, profitability, costs, capacity, capabilities, product changes, and human resources.

3-1

Lets now turn briefly to "Environmental Analysis and Forecast". This is the phase which assures we anticipate future developments, rather than reacting when it is too late. In Peter Drucker's words, it distinguishes between three types of companies -

- (1) those that make things happen
- (2) those that watch things happen
- (3) those that wonder what happened

3-2  
This phase therefore separates the men from the boys among companies and institutions. It performs the vital management function of scanning the general environmental outlook and sorting out those factors critical to a particular organization's success. This selection process starts with the overall environment, examines the market, identifies specific opportunities and threats, and finally reaches the relevant forecast for the specific SBU (Strategic Business Unit).

3-3  
This phase specifically addresses Professor Andrew's concern of defining the business, specifically -

- . which customers are we serving?
- . which customer needs should be satisfied?
- . what technologies are to be used to satisfy customer needs?

3-6  
What is the "Environment"? There are many environmental factors that directly or indirectly impact a particular business, such as -

- Demographics
- Cultural
- Economic
- Natural
- Technological
- Political and Regulatory
- Market

A brief look at each environmental factor illustrates the importance in the planning process -

- 3-7
- Demographic environment
    - aging of population
    - geographical population shifts
    - population growth
    - better educated populace
- 3-9
- Cultural environment
    - status of women & minorities
    - changes in family life styles
    - shifts to less work and more leisure
    - improved living standards
    - declines in traditional values
- 3-11
- Economic environment
    - GNP
    - personal income
    - employment/unemployment
    - inflation
    - government spending
    - capital availability
    - interest rates



3-13

- Natural environment
  - pollution levels
  - natural resource management
  - increased cost of energy
  - availability of raw materials

3-15

- Technological environment
  - impact of new technology?
  - competitor advances in technology?

3-17

- Political/regulatory environment
  - international trade (BOP)
  - investment incentives/controls
  - fiscal/monetary policies
  - industrial policies
  - agriculture policies
  - consumer policies
  - labor policies
  - regional policies

3-19

Lastly, and probably most importantly we look at the market:

- our market share
- buyer behaviour
- customer concentration
- product life cycles
- and above all - the competition

3-22

Generally, a company goes after a market segment rather than the entire market.

3-24

Effective market segmentation divides the market into pieces that are

- identifiable
- accessible to specialized market approaches
- substantial enough to be profitable
- defensible against competition

3-34

The end product of this phase is generally a separate strategy for each separate market segment (or SBU). You are all familiar with the BCG (Boston Consulting Group) matrix - which categorizes as Stars, Cash Cows, Question Marks, and Dogs. This leads to separate strategies for each SBU such as build, harvest, rehabilitate, divest, etc.

3-42

The External Forecast also identifies Opportunities and Threats which can be illustrated as follows -

### Opportunities

- high growth rate in served market
- government legislation which increases need for your product
- new raw material that can enhance quality of your product
- weak competitor in a served market.

### Threats

- new technology that obsoletes your products
- industry over capacity which increases price competition
- legislation causing major operating changes
- aggressive price competition in a served market.

4-1 Lets now turn to the third phase - Internal Analysis and Position Assessment. This phase requires an honest evaluation of strengths and weaknesses relative to competition. (III)

4-2 The tasks in this phase are as follows -

- (1) analyze position in industry
- (2) determine key success factors in industry
- (3) identify strengths and weaknesses
- (4) summarize position in industry
- (5) assess competitive position.

4-3 The first task answers the three questions -

- where are we now?
- where have we been?
- where are we going?

We concentrate on the past and present in order to identify strengths and weaknesses, so we can look ahead in developing objectives, goals, and strategies.

4-4 Again, we ask the basic question - what is your business? The methodology for a private sector manufacturing company would involve analysis of competitors, product lines, and functional areas. Let me briefly illustrate.

4-5 An analysis of key competitors would ask -

- who are they?
- what are their resources?
- who are their customers?
- why are they successful?

4-7

We seek to know how competitors will react to our strategies. For example -

- . how will they respond to market changes?
- . how will they respond to specific competitive moves?
- . where are they most vulnerable?
- . where are they strongest?
- . where is the most appropriate battleground to fight them on and how?

4-9

We also need to analyze our product lines, particularly as to performance trends in selling prices, material and labor costs, gross profit, and contribution.

4-10

Lastly, we need to analyze ourselves by functional area - somewhat like going to a doctor for an annual check up. Again, using a manufacturing example, the key functional areas would be -

- Marketing
- Engineering (design and production)
- Manufacturing
- Finance
- Human Resources

A very brief look at each will illustrate the kinds of questions asked.

4-11

- Marketing
- sales practices
  - product differentiation
  - pricing practices
  - sales promotion tools

4-12

- Engineering
- technological leadership
  - product development
  - manufacturing processes
  - engineering costs

4-13

- Manufacturing
- nature of process (and production cycle)
  - production facilities
  - direct costs - material and labor
  - overhead

4-14

- Financial
- investment (fixed and working capital)
  - historical performance
  - financial projections

4-15

- Human Resources
- organization (efficiencies/inefficiencies)
  - staffing
  - management development
  - recruiting



4-16  
The end product of this phase is to identify strengths and weaknesses. Examples of each follow.

4-18  
STRENGTHS:

- leader in innovative product design
- exceptional employer/employee communication and understanding
- highest level of automated production in the industry
- highly motivated field sales force
- superior product quality

4-19  
WEAKNESSES:

- antiquated manufacturing and office facilities
- present information systems minimal and reaction time too long
- cash flow difficulties
- limited supplies of some materials
- limited management depth.

4-28  
The outputs of this phase are therefore -

- . product line analysis
- . competitor profiles
- . functional analysis
- . key success factors
- . strengths and weaknesses
- . apparent objectives

5-1  
Now - lets move to Phase IV - Objectives and Goals Development - which actually takes place in parallel with Strategy Development (Phase V). At this point, we're done analyzing and we become entrepreneurs. This phase seeks to develop targets for the company's future. IV

5-2  
There are five major tasks -

- (1) Consolidate objectives from external and internal analysis.
- (2) Identify key (high priority) objectives.
- (3) Develop consistent and complete list of objectives
- (4) Develop quantitative goals for each objective.
- (5) Communicate objectives and goals. (This gets others involved. Targets should not be kept secret. Implementation requires effective communication.)

5-3 We can illustrate objectives and goals development best as a pyramid, which is influenced by three forces -

- External - management's assumptions about the future  
(Phase II - external threats and opportunities)
- Internal - management's assessment of capabilities  
(Phase III - internal strengths and weaknesses)
- Management Direction - entrepreneurial skills are the major force for the remainder of the strategic planning process.

Lets now look at the other terms.

5-4 A Business Mission broadly defines the primary business in terms of markets, product lines, geographic areas, and distribution channels. It describes the business purpose, or grand design for the future, in non-financial terms.

5-5 An example will suffice - which is short and to the point yet covers products, markets, and systems in only 34 words -

"To develop and merchandise the best styled and broadest line of decorative fabrics in the medium-to-upper price range through our own nationwide distribution network direct to retailers and home furnishings manufacturers."

5-6 For other companies, there are usually one or two driving forces which should be reflected in mission statements. For example -

- Products/markets - products offered  
- market needs
- Capabilities - product technology  
- production capability  
- selling methods  
- distribution methods  
- natural resources
- Results - size/growth  
- return/profit

5-7 Lets next define objectives and goals, as follows -

- Objectives - management's intentions toward pursuing and accomplishing its mission.
- Goals - Statement of specifics that quantify the objectives.

5-9

A simple illustration will suffice -

- Objectives
  - Maximize return on invested capital
- Goal
  - To achieve a 20% return by 1990 (currently 16%)

Objectives tell what is to be done, while goals are quantitative and identify how much and by when. Obviously there can be several goals per objective.

5-10

Objectives and goals normally address all areas of the company, including -

- Profitability
- Sales growth
- Market share
- Innovation
- Productivity
- Physical and financial resources
- Manager performance and development
- Public responsibility
- Risk

5-11

5-14

Generally, this phase involves brainstorming starting with the apparent objectives (and goals) that were identified during external and internal analysis.

6-1

Lets now turn to Phase V - Strategy Development - which builds directly on Phase IV and in fact is frequently done simultaneously.

6-3

This phase has three major tasks -

- (1) Formulate strategies (define key situations to exploit)
- (2) Evaluate proposed strategies (particularly as to feasibility, impact on goals, consistency, effective use of resources, and risk).
- (3) Document finalized strategies (integrate final set of strategies into overall plan)

6-4

Lets return to our pyramid chart to define strategies. Strategies describe how objectives and goals will be achieved.

6-5

An illustration will help relate objectives, goals, and strategies.



- Objective
  - Maximize return on invested capital.
- Goal
  - To achieve a 20% return by 1990 (currently 16%)
- Strategies
  - Introduce product X in 1986 and support with N3,000,000 initial promotion budget.
  - Implement a cost reduction program that will result in manufacturing savings of N3,000,000 in 1986 and more in each following year.
  - Hold the line on selling expenses at 11% of sales and reduce where and if possible.

6-6 Strategy development could be a seminar all by itself. In our course, we discuss -

- . Formulating strategies
  - types of corporate growth strategies
  - strategic analysis tools
  - specific attack and defense strategies applicable to all areas of a business.
- . Evaluating strategies
- . Finalizing the strategic plan

6-47 While time doesn't permit full coverage, it is important to note that in Nigeria we have found it very important to plan based on different scenarios. For example, with and without IMF loan, or at varying levels of inflation and devaluation, etc.

6-48 The end product is a comprehensive set of strategies, covering every area of the business, that -

- describe how objectives will be accomplished
- quantify resources required
- provide an acceptable level of risk

7-1 Our next phase is Plan Development - which pulls together the previous phases into the final plan. This normally is done by the Planning Coordinator, who also develops a monitoring system and obtains approval of the plan.

7-3 The final plan is a combination of assembly (of Environmental Analysis, Position Assessment, and Objectives, Goals and Strategies) and preparation of Executive Summary and Financial Projections. Financial projections (particularly in Nigeria) should be kept simple and use financial models to try out all possible conditions and major scenarios.

7-7 We believe the Monitoring System is particularly crucial in Nigeria and would encourage quarterly progress reporting. Monitoring should address three fundamental questions -

- (1) Is the strategic plan achieving the objectives, goals, and strategies?
- (2) Are the environmental assumptions correct?
- (3) Have key strategies been implemented and program milestones met?

7-8 There should be a progress report for each strategy which covers the following -

- . planned vs. actual resources
- . performance checkpoints
- . progress accomplished to date
- . strategy assumption discrepancies
- . corrective action planned.

7-10 Approval of the Final Plan should come from Senior Management and the Board of Directors. This simply recognizes that strategic planning is the key function of CEO's.

8-1 Finally, we arrive at the moment of truth - Phase VII - Implementation. If we've done our work in earlier phases, Implementation is not so difficult, yet it is always important to do thoroughly and effectively. VII

8-2 We should realize that implementation is a continuous process - plan, execute, control, plan, etc.

8-4 The right implementation perspective is crucial. There are six important tasks to perform -

- (1) determine responsibility areas and task force personnel.
- (2) assure availability of resources.
- (3) determine personal motivation and incentive systems.
- (4) assure proper degrees of participation.
- (5) adopt training programs as required.
- (6) assure continued managerial leadership.

Obviously, implementation can not be left to chance. It must receive the same thorough attention that we have required in earlier phases, if it is to be successful and produce meaningful results.

8-5

The focus for implementation is the annual plan - which should achieve the first year's objectives, goals and strategies of the Strategic Plan.

8-6

If one can picture a spreadsheet moving from left to right, it is easy to visualize the process of strategic planning - objectives, goals and strategies - being converted into annual goals, tactics, and specific action plans.

8-7

8-8

8-9

8-10

The monitoring system then takes over to assure the plan is implemented. It concentrates on key factors and measuring progress toward objectives and goals (by program, responsibility reporting, and exception reporting).

8-12

The biggest problems in implementation are people problems. Here are a few examples and proven solutions:

Problems

Solutions

- |                       |                                 |
|-----------------------|---------------------------------|
| . Parochial interests | . Facilitation and support      |
| . Mistrust            | . Participation and involvement |
| . Opposition          | . Coercion or negotiation       |
| . Misunderstanding    | . Information and communication |

8-13

8-14

One final point is that organization structure may need to be restructured to support the strategic plan. and systems may also need rework to support both the organization and the strategic plan.

In conclusion, I expect this review of planning methodology has raised a lot of questions. I hope it has also helped dispel the myth that you can't plan in Nigeria. In my view, the reality is that strategic planning is imperative for good management today in Nigeria. It addresses uncertainty, deals with constant change, and helps the CEO position his organization to take advantage of structural reform and the enormous potential which lies ahead.

- TEN COMMANDMENTS