

Strategic planning tools to maximise your profit potential

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Just how much profit do you want to make, and when do you want to make it?

If you are like most Australian business leaders, then you are in business to make a profit. Whether you make a profit for yourself, shareholders, or other stakeholders, you should use whole-of-business thinking in your strategic planning process.

So what is whole-of-business thinking? First, try this quick exercise.

Take a minute to draw a map of the city you work in. If you live in Brisbane, draw a map of Brisbane. If you are in Sydney, draw a map of Sydney – you get the picture.

Now pick up your map, wander over to the person at the desk or office next to you, and without showing them your map, ask them to draw a map of the city you work in.

Compare the maps. Now, here's a question for you – are the two maps 100% exactly the same? Most likely they won't be.

Now, why is that? Without getting into too much detail, different people have had different experiences of the city you work and those experiences will influence how different people draw their map of the city. Make sense? It is the same in business.

Different people have different perspectives of your business

In business, we generally each have a different “map” of how the business operates.

- Accountants – see the business from a Financial perspective.
- Marketing people – see the business from Marketing and Customer perspective.
- Operations people – have an Operational systems and process map.

- Human Resources – have a Recruitment, Learning and Growth map.

Combining these perspectives helps you to use a whole-of-business approach in your strategic planning process.

Think of the benefits of whole-of-business thinking

- Strategies your people can understand. Eliminate the confusion and anxiety associated with change, and create focus on important strategic initiatives.
- Strategies your people can effectively implement to achieve your performance goals.
- Strategies to maximise your profit potential. Align your people, resources, and systems to deliver what your customers value and pay for.
- Strategies to streamline operational processes – decrease costs.
- Strategies to meet shareholder and stakeholder expectations – deliver on your corporate, social and environmental promises and create a business that is respected and admired.

Clearly, whole-of-business thinking enables you to increase the profit potential of your business.

So, how can you act now to adopt a whole-of-business approach?

Strategic Thinking Tool #1: The Balanced Scorecard

You have probably heard of the Balanced Scorecard – a strategic thinking model developed by Kaplan and Norton in 1996. If you haven't, the Balanced Scorecard enables you to combine different perspectives to create a balanced, whole-of-business view of your organisation.

Consider the **Balanced Scorecard (1)** diagram below.



1) Kaplan R S and Norton D P (1996) *The Balanced Scorecard*. Harvard Business School Press

By answering the questions in the diagram's boxes, you can use whole-of-business thinking to:

- create long term strategic goals;
- identify organisational strengths and weaknesses;
- align your people, resources, and systems to deliver what your customers value; and
- develop focussed, action-oriented implementation plans.

Effectively communicating the strategic plan is essential to maximise profit potential

As any effective business leader knows, your strategic plan must be easy to understand by anyone in the organisation, to increase the probability of success.

Research indicates that roughly 30% of organisations who fail to achieve their goals do so due to poor execution of the plan. The number one reason for poor execution is that the strategic plan was poorly communicated, or worse still, mis-communicated to employees.

Poor communication results in anxiety and confusion amongst employees. People become uncertain as to what they need to do and consequently do not perform to your expectations.

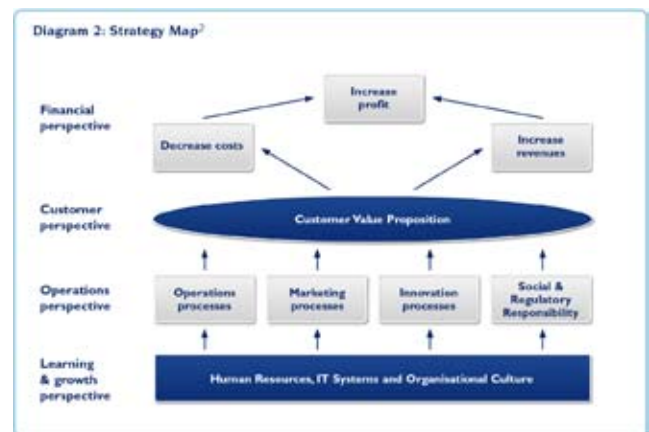
So, how can you effectively communicate your strategic plan in a way that everyone in the organisation understands so they know what they need to do?

Strategic Thinking Tool #2: Strategy Mapping

Most people find diagrams useful for understanding complex concepts. After all, a picture says a thousand words.

In 2004, Kaplan and Norton evolved Balanced Scorecard thinking to include visual maps of the strategy – Strategy Maps (2).

Kaplan and Norton found that with Strategy Maps employees are far more likely to understand strategy, and most importantly – employees understand how their activities contribute to the strategy. This results in effective strategy execution and significant performance improvement.



2) Kaplan R S and Norton D P (2004) *Strategy Maps: converting intangible assets into tangible outcomes*. Harvard Business School Publishing Corporation.

Here's how to read the Strategy Map above:

Financial perspective – The purpose of business is to make a profit. You increase profit by either increasing revenues and/or decreasing costs.

Customer perspective – To increase revenues, the organisation must create value for customers.

Operations perspective – To deliver value to customers

and to decrease costs, the organisation must focus on critical operational, marketing, innovation, and social and regulatory processes.

Learning and growth perspective – To support processes in the operations perspective, the right attitudes, skills, knowledge, IT systems, and organisational culture must exist.

(See why it's easier to use Strategy Maps rather than words to explain the strategy?)

What Balanced Scorecard and Strategy Mapping means for your organisation

Used together, Balanced Scorecard and Strategy Mapping helps you to take action and:

- effectively communicate your strategy to your employees – eliminating confusion and anxiety, enabling you to create focus on what is important to achieve your strategic goals;

- identify gaps in organisational skills, knowledge, systems and processes;
- maximise your profit potential. Align your people, resources, and systems to deliver customer value; and
- meet shareholder and stakeholder expectations – deliver on your corporate, social and environmental promises and create a business that is respected and admired.

Next time you do your strategic planning, consider using Balanced Scorecard and Strategy Mapping.

If you want to act now to effectively implement Balanced Scorecard and Strategy Mapping techniques in your business, speak with a BDO Kendalls Performance Improvement Consulting team member or visit or website at www.bdo.com.au to find out how BDO Kendalls can assist your Strategic Planning.