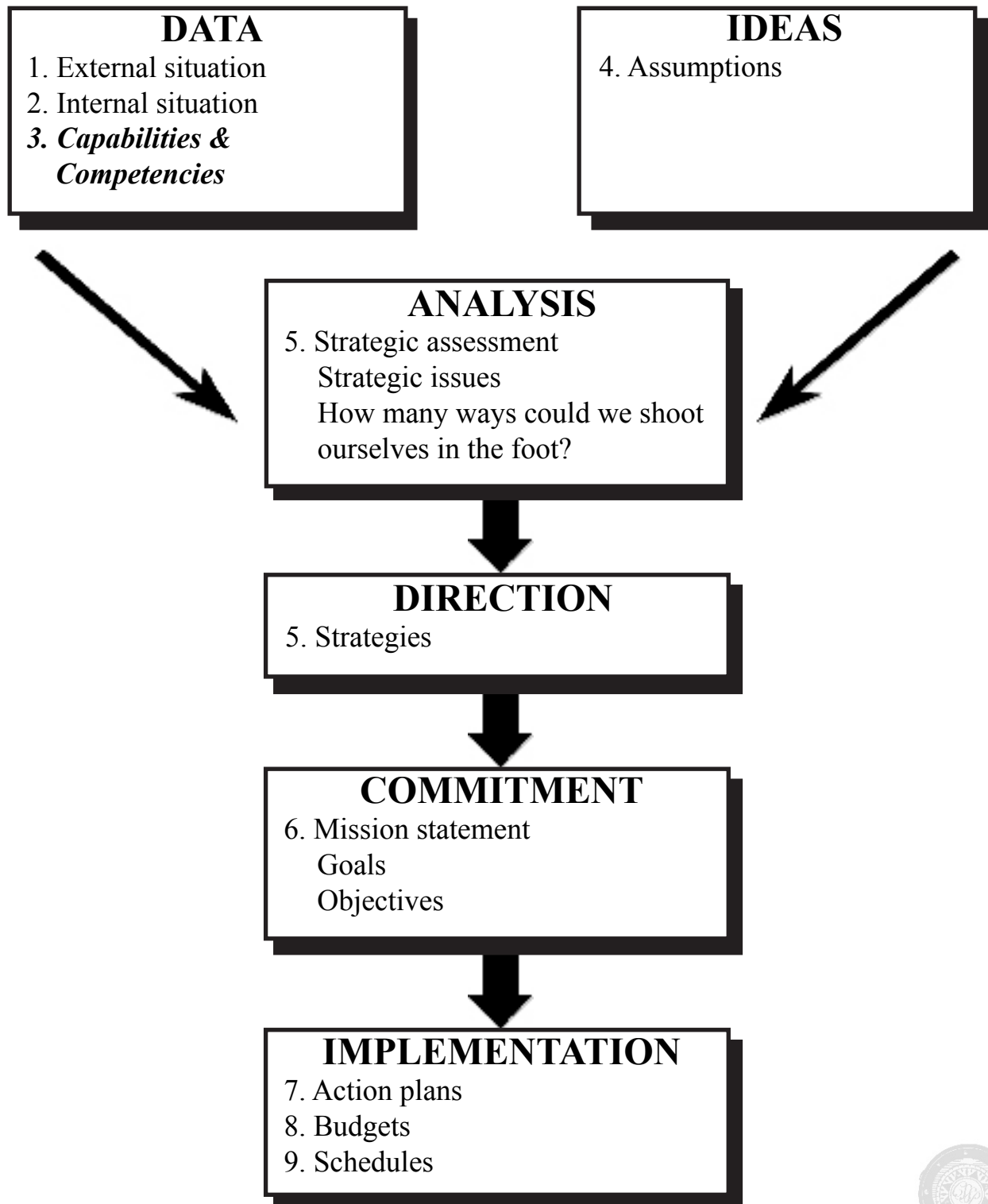


# SIMPLIFIED STRATEGIC PLANNING PROCESS FLOW





Your capabilities and your competencies are of central importance in determining what you should be doing or considering as opportunities. The capabilities assessment will help you to concentrate on your strengths and avoid your weaknesses. Identifying competencies will help you understand the intellectual underpinnings of your sustainable competitive advantage. Consideration of both capabilities and competencies should provide significant input to the formulation of strategy.

**Purpose of Capabilities Assessment**

Businesses succeed because they capitalize on their strengths. The purpose of capabilities assessment is **not** to see where you are OK and where you need remedial action. Of course, **critical** weaknesses must be corrected, but you should not seek perfection in all things. Perfection is not necessary, desirable or possible. One of the most common business errors is to concentrate on weaknesses and problems – thereby using up limited resources which should be focused on strengths and opportunities.

**Capabilities Assessment****Page 3.1**

The Planning team should determine items to be listed as strengths and weaknesses. Seek balanced and objective input from the entire group. Strengths and weaknesses should be expressed in neutral terms (e.g., “Customer service” rather than “Bad customer service”) to avoid a problem with double negatives when rating weaknesses. Six to ten strengths and six to ten weaknesses are usually sufficient.

For strengths and weaknesses listed, rate the importance of each to the future success of the business using the “Importance” scale at the bottom of the page. Then rate your performance in each using the “Performance” scale at the bottom of the page. Objectivity is essential. Self-delusion here will lead to misguided decisions later on. Above all, don’t fall into the ego trap of identifying some weakness as a strength. When rating items, try to develop a group consensus rather than mathematically averaging scores. The discussion resulting from consensus building is often most beneficial for a true and objective understanding of your capabilities.

Strengths with importance of 3 or better and performance ratings of 3 or better are **CRITICAL STRENGTHS**. Weaknesses with importance of 3 or better and performance ratings of 7 or worse are **CRITICAL WEAKNESSES**. These should be highlighted to draw the team’s attention to them. In the course of strategy formulation you should seek to build on your **CRITICAL STRENGTHS** and mitigate the impact of **CRITICAL WEAKNESSES** by correcting them or avoiding them in competitive situations.

As a result of your assessments, a number of potential actions will come to mind. While it is acceptable to take some sensible action at this point, it is important to understand that some actions could have adverse impact on strategies which are yet to be developed. In most cases it is more prudent to resist the temptation to undertake major programs at this stage. It is the hallmark of good strategic planning that major strategies and programs are carefully established rather than plunged into as a reaction to isolated bits of information or insights. There is much more to consider.

**Strategic Competency****Page 3.2**

This worksheet provides a methodology for identifying the unique **STRATEGIC COMPETENCY** of the firm from a set of components that underlie it. It is important to understand that the Strategic Competency provides the distinctive and sustainable basis for competitive advantage and will strongly influence your decisions concerning Opportunities, Strategic Focus, Strategies and other significant aspects of the strategic plan.

**Definition:**

A Strategic Competency is a unique combination of skills, processes and knowledge that creates significant value for customers, differentiates the company from the competition and is difficult to copy.

**Concept:**

It is important to understand that competencies stem from the intellectual attributes of a company, **not** its present position or assets. Assets generally have a finite life span and are consumed with use. A Strategic Competency, derived from a combination of skills, processes and knowledge, can sustain a company indefinitely and generally improve or become more valuable as they are used.

For example, a leadership product is not a strategic competency. It may be a source of competitive advantage today, but there will come a time when it reaches the end of its life and is diminished in value. The skills to develop new inventions, combined with the knowledge of appropriate technologies, and an internal process to successfully commercialize these inventions do form the basis of a Strategic Competency in product development. Similarly, your employees are not a strategic competency, but your ability to recruit the best, train them and retain them may form the basis for a Strategic Competency in human resource management.

A Strategic Competency is formed when a set of skills, processes and knowledge is combined within a company to create a unique basis for sustainable competitive advantage. Other companies may have a *similar* strategic competency (i.e., more than one company could have a strategic competency in product development), but since it is derived from a different set of intellectual skills and knowledge, the two will have distinct characteristics that will differentiate them in the market. It is the uniqueness of the combination that makes the Strategic Competency difficult to copy.

Not every competency will be a Strategic Competency. Being world class at something does not make it a Strategic Competency; it must be valued by the customer. Though a company might be excellent at writing internal memos, it would be unlikely that it could claim significant customer value in that capability and therefore use it as a Strategic Competency.

A Strategic Competency is a formidable competitive weapon. It is selected, nurtured and developed by a company. It is not dictated by the environment or imposed by existing conditions. It can be enhanced through effort or diminished by neglect. Developing an effective Strategic Competency typically takes years of effort, and it must be continually renewed to sustain its effectiveness. Since Strategic Competencies require such high effort and attention, it is unlikely for a company to succeed with more than one.

**Process for Identifying Your Strategic Competency:**

Begin by identifying the organization's key successes. Look for the major accomplishments that significantly increased market position or customer mind-share rather than incremental product or service enhancements. Next determine the reasons for success in each one of the identified situations. Identify the skills, processes and knowledge that underpin each one of these successes. Capture these on the top half of 3.2.

Skills are any manual or mental activities that arise from talent, training or practice.

Processes are any manual or mental systematic series of actions that are directed toward some end. Include any significant “know-how” resident in your company.

Knowledge includes any information, data or understanding of facts or principles that is resident in your company.

Items listed at the top of page 3.2 are not competencies themselves. They are the building blocks of competencies.

Examine the list of skills, processes and knowledge and identify combinations of these that would support a single Strategic Competency. Identify each grouping with a letter and list the proposed Strategic Competency at the bottom of the page with the corresponding letter. Repeat this until up to five proposed competencies have been identified. Some skills, etc. may support more than one competency. Identifying competencies may stimulate thoughts of other skills, processes or knowledge, which may be added to the list at the top.

Screen the proposed competencies against the definition of a Strategic Competency by rating each as “high”, “medium” or “low” (H, M, L) in three columns at the bottom of page 3.2. A competency that has three “high” ratings is your Strategic Competency. It is not unusual for a company to discover that they do not have a strategic competency. If this is the case, the topic should be one of your most important strategic issues for consideration on page 5.2.



## CAPABILITIES ASSESSMENT

<b><u>Strengths</u></b>	<b><u>Importance</u></b>	<b><u>Performance</u></b>
Service levels	1	2
Top management is close to operations	6	1
Day-to-day management performance	4	3
Response time	3	1
Flexibility/Agility	3	2
Reputation in marketplace	2	2
Design technology	2	2
Customer packaging automation expertise	3	2

<b><u>Weaknesses</u></b>	<b><u>Importance</u></b>	<b><u>Performance</u></b>
Time for forward planning	2	8
Customer intimacy	2	6
Manufacturing costs	3	6
Innovative/entrepreneurial culture	2	5
Teamwork between departments (absence of silos)	3	6
Competency of family in key positions	2	5
Assured, competitive raw material supply	1	7

**Importance:**

- 1 Extremely Critical
- 2 Very Critical
- 3 Critical
- 4 Extremely Important
- 5 Very Important
- 6 Important
- 7 Extremely Beneficial
- 8 Very Beneficial
- 9 Beneficial

**Performance:**

- 1 Almost Perfect
- 2 Excellent
- 3 Good
- 4 Some Strength (on the balance)
- 5 Neutral
- 6 Some Weakness (on the balance)
- 7 Poor
- 8 Very Poor
- 9 Abysmal







## **STRATEGIC COMPETENCY DEFINITION**

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A Competency is a combination of

- skills
- processes
- knowledge

A Strategic Competency must

- create significant value for customers
- differentiate us from competition
- be difficult to copy





## STRATEGIC COMPETENCY

Skills, Processes, Knowledge	Element of Competency				
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
- package design engineering skills	X				X
- rapid response to customer problems		X			
- process engineering skills			X		
- empirical failure point database	X		X		X
- materials expertise for internal cushioning	X		X		X
- CAD process/tools for rapid design of special internal packaging materials	X	X			X
- processing of wide web materials			X		X
- package testing protocols					
- thermoforming skills			X		X
- tool engineering					
- ability to sell “fit” with customers					
- integrated system for capturing customer needs/desires and deliver packaging solutions	X				X
- package mfg. equipment design skills	X		X		X
- packaging automation				X	X
- low cost, high throughput coating process			X		X
- materials expertise for decorative artwork				X	X
- direct mail – knowledge of large customer database					
- artistic design skills for external packages				X	X
- rapid product development process	X	X			X
- know how and relationship to turn new 3M materials into packaging solutions	X				X
- JIT raw material program			X		X
- unique “look” with two color embossed foil exterior designs				X	X

### Strategic Competency Candidates

<u>Identified Competencies</u>	<u>Value to Customer</u>	<u>Differentiation from Competition</u>	<u>Difficulty to Copy</u>
A. Interior Packaging Design Expertise	H	H	M
B. Customer Service	H	L	M
C. Cost-Effective Mfg. of Wide Web Materials	H	M	H
D. Exterior Packaging Appearance	H	H	M
<b>E. Food Packaging Design and Mfg. Expertise</b>	<b>H</b>	<b>H</b>	<b>H</b>



