

A strategy focused planning system beyond traditional budgeting



**Africa Financial Controllers Conference
25 and 26th May 2009**

Dr James Robertson PrEng

Building bridges



Engineers do NOT design bridges to stand up



They design them NOT to fall down



Engineer against failure

A critical principle for success Engineer against failure



How a client saw it (after a successful project outcome)



Vision



Angus Struan Robertson

Experiencing failure



Experiencing failure



Experiencing failure



Epidemic



- **90% of strategic plans fail to deliver**
- **Corporate budgeting is seldom if ever strategically aligned**
- **How do we achieve strategic outcomes?**
- **What is the role of finance?**
- **How do we budget strategically?**



Strategic governance



Governance = Care!

Mervyn King

There is a need for a new approach



Success = getting to "NOT failure"

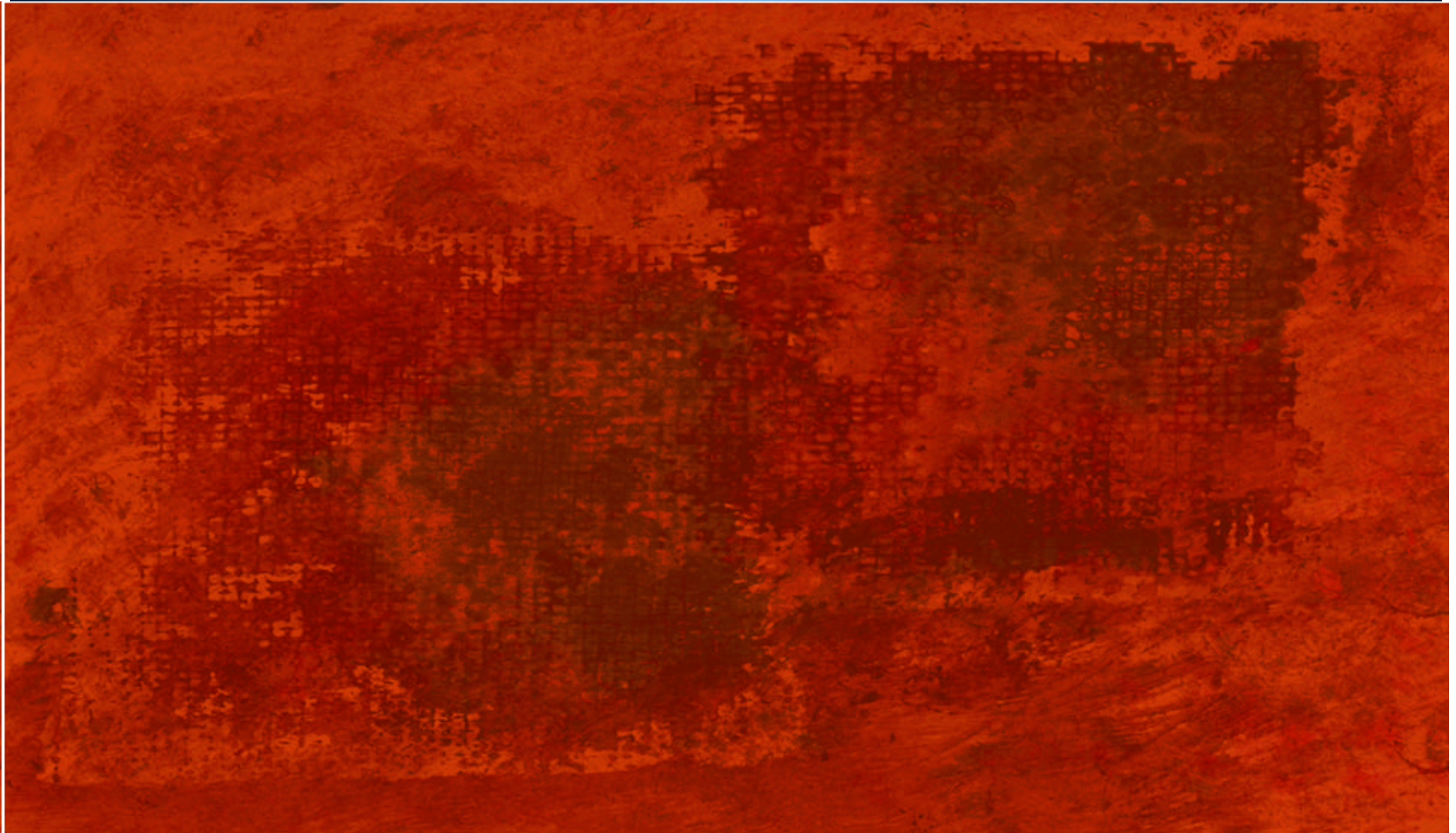
What is NOT an engineering approach?



What is NOT an engineering approach?



What is NOT an engineering approach?



What is NOT an engineering approach?



Context

Essential / critical questions



**If one asks the wrong questions one will
get the wrong answers**

What is strategy?



Strategy



Doing the right things

Tactics



Doing things right

The relationship between strategy and tactics



Tactics -- things right

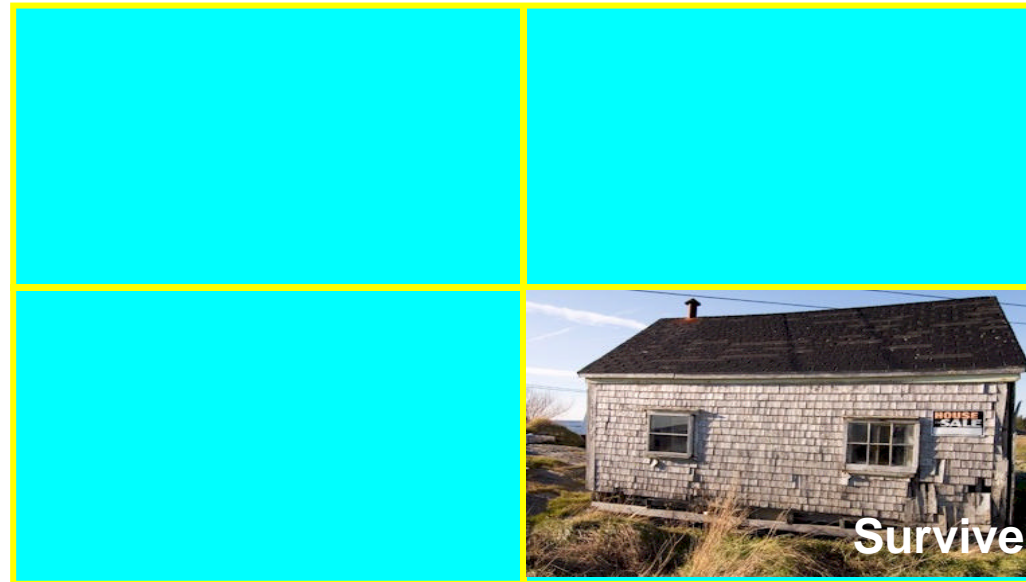


Strategy -- doing the right things

The relationship between strategy and tactics



Tactics -- things right

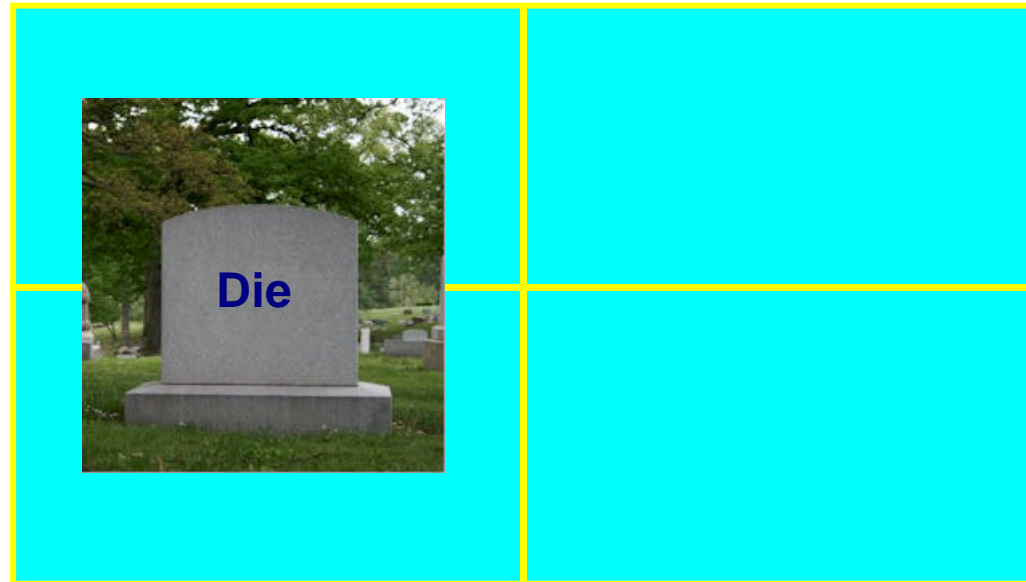


Strategy -- doing the right things

The relationship between strategy and tactics



Tactics -- things right



Strategy -- doing the right things

The relationship between strategy and tactics



Tactics -- things right



Strategy -- doing the right things

The relationship between strategy and tactics



Tactics -- things right



Strategy -- doing the right things

The essence of strategy

Create Competitive Advantage



The essence of strategy is integration - the ability to see in a complex holistic way

Michel Robert on strategic driving force




1. Product
2. User
3. Market
4. Technology / Know-How
5. Production Capacity or Production Capability
6. Sales / Marketing Method
7. Distribution
8. Natural Resources
9. Size / Growth
10. Profit

Michel Robert

Robert states that every organization should have **ONLY ONE** of these as driving force, the others are managed within the context of the strategic driving force

Essential components of strategy



1. Core economic driver 
2. Core human resource driver
3. Core market differentiator / value proposition / sales or marketing method
4. Core customer / market / user
5. Core asset / product / natural resource / size / growth
6. Core technology / capability / know-how / distribution
7. Essential reason the organisation exists (generally NOT profit)
8. Core values
9. Other

Compare:
Pick 'n Pay
Edgars
Woolworths

Identify the critical factors using relative weight contribution to corporate value creation

What is strategy?

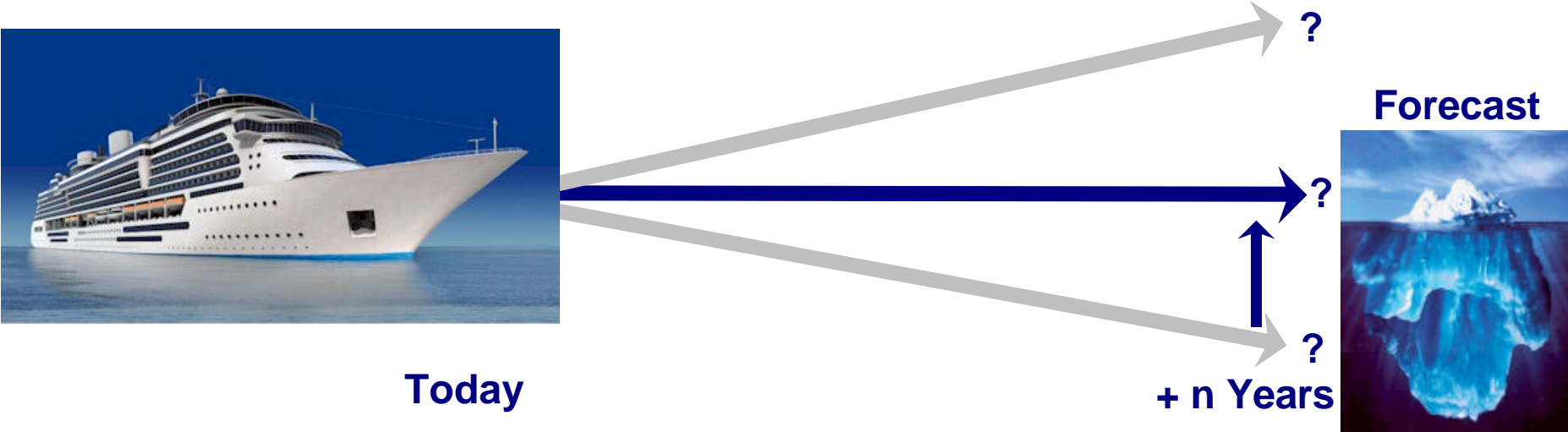


The essence of why an organization exists and how it thrives

The time dependency of strategy



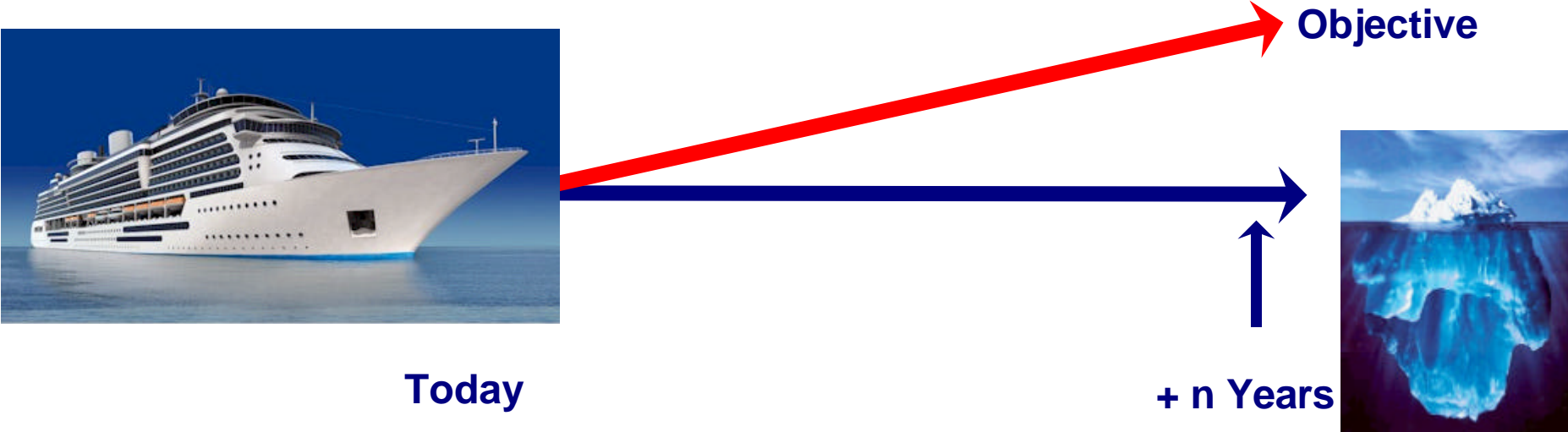
Not a forecast



The time dependency of strategy



Not an objective



The time dependency of strategy



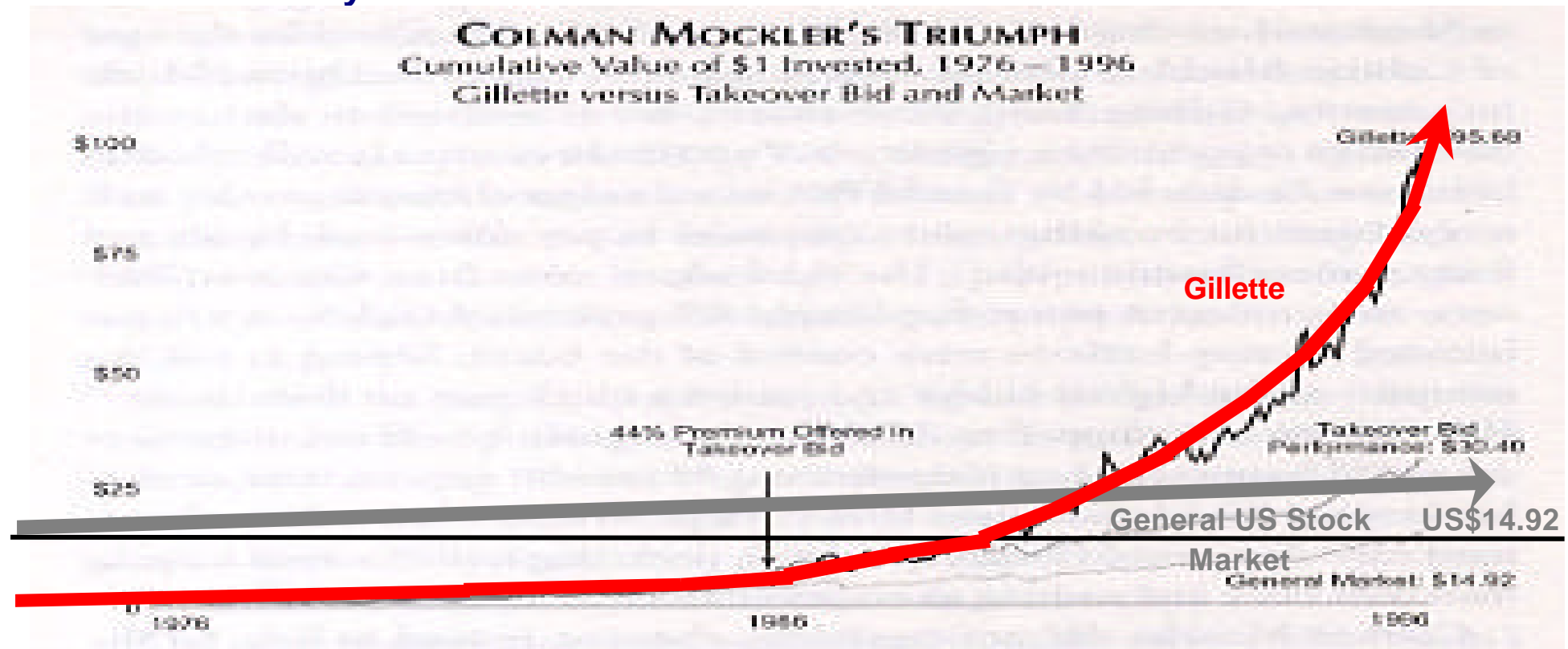
Strategic plan -- the path to competitive advantage -- plan I.T. for the future



The trajectory from good to great



Gillette case study



↑
1975
Colman Mockler Appointed
CEO

↑
1986
Hostile takeover thwarted

↑
1991
Mockler
retires

↑
1996
End Study

Historical Differentiators



- 60's Production
- 70's Sales
- 80's Finance
- The 90's and 2000's
 - Excess supply
 - Single division cannot solve
 - A boom is unlikely!!
- Strategic Issues are Vital



**Implies a Holistic, Integrated Business Approach
Including Effective I.T.**

Differentiation



Competitive Advantage

THE KEY DIFFERENTIATORS IN 2000 AND BEYOND

- Market Focused Strategy
- Utilization of the Human Resource
- Effective Management Decision Making

**World Competitiveness Report; McDonald & Others
Requires Information To Make The Right Decisions**

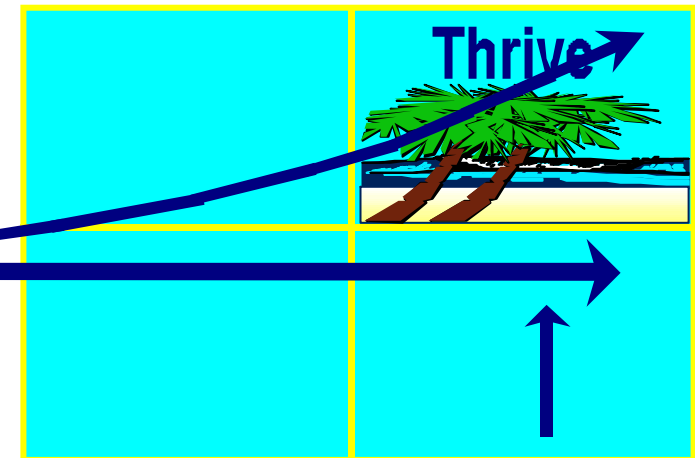
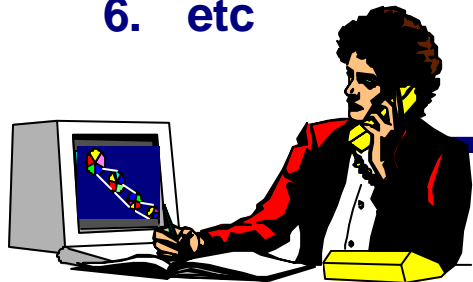


Beneficial business impact

Measures of strategic delivery



1. Increased competitiveness
2. Increased market share and resulting turnover
3. Increased profit margins
4. Increased earnings
5. Increased shareholder value
6. etc



Value



1. Experienced / defined by people
2. Intuitive / gut feel
3. Transaction = exchange of value between recipient and provider
4. NOT money / cash / finance
Money = medium of exchange / proxy / surrogate for value



Mercedes-Benz



= MEANS OF MEASUREMENT

therefore easy to measure



Economic value



1. **Money is medium of exchange**
 - Convert value into money to finance I.T. investment
2. **Economic value is essential component of value proposition**
 - Derived from other sources of value
3. **The business must use I.T. as a means to create economic value to finance the I.T. investment**



Find ways to measure the value that REALLY generates money

Developing robust strategic budget

What is required for a valuable outcome



1. **Add value**
 - to customer who is willing to pay
2. **Materially and sustainably reduce operating costs**
 - AND does NOT destroy value in another way (e.g. morale or loyalty)
3. **Enable the creation of a product or service that currently does not exist**
 - for a customer who is willing to pay
4. **Defend, extend or create competitive advantage**
 - for a customer who is willing to pay

Can you relate your requirement to a customer?

The time dependency of strategy

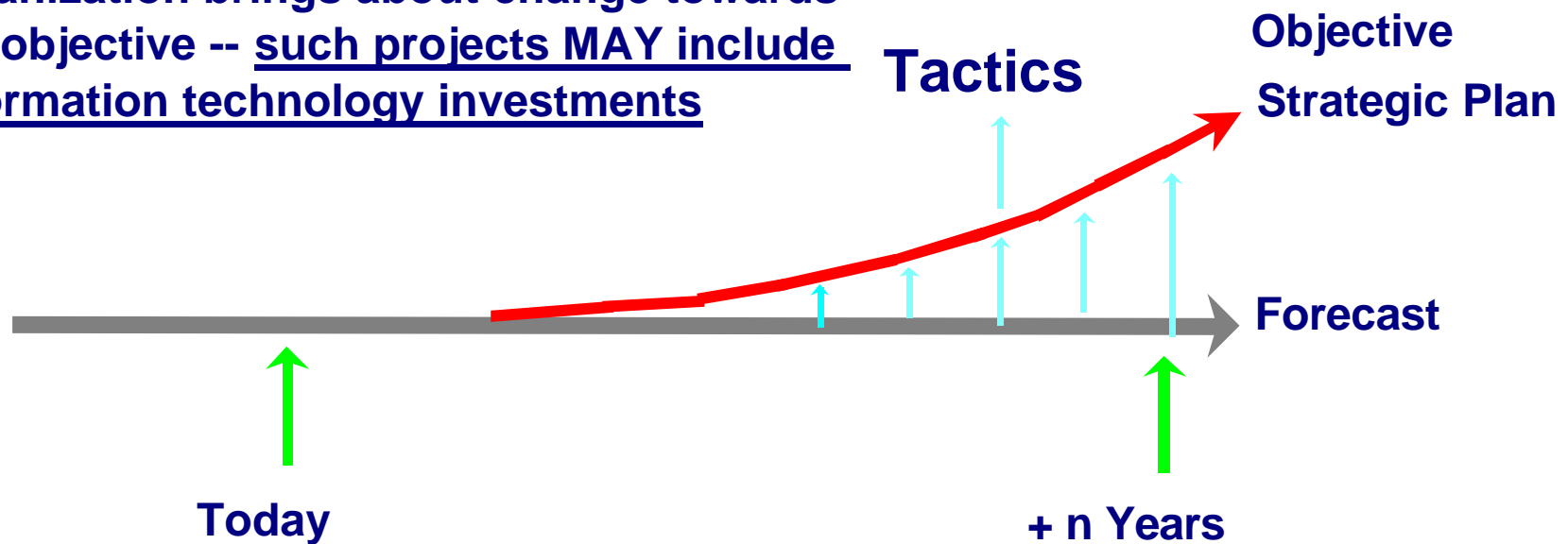
after Professor Malcolm McDonald



Strategic plans must be future focused

Design your budget for the future - NOT the past

Projects are the mechanism whereby an organization brings about change towards the objective -- such projects MAY include information technology investments

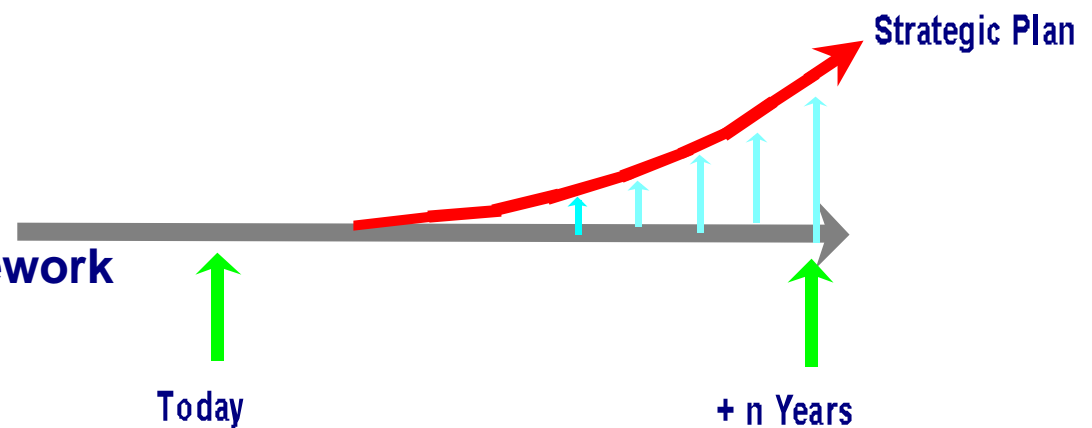


Analysis and design for doable plans

How to determine the right things?



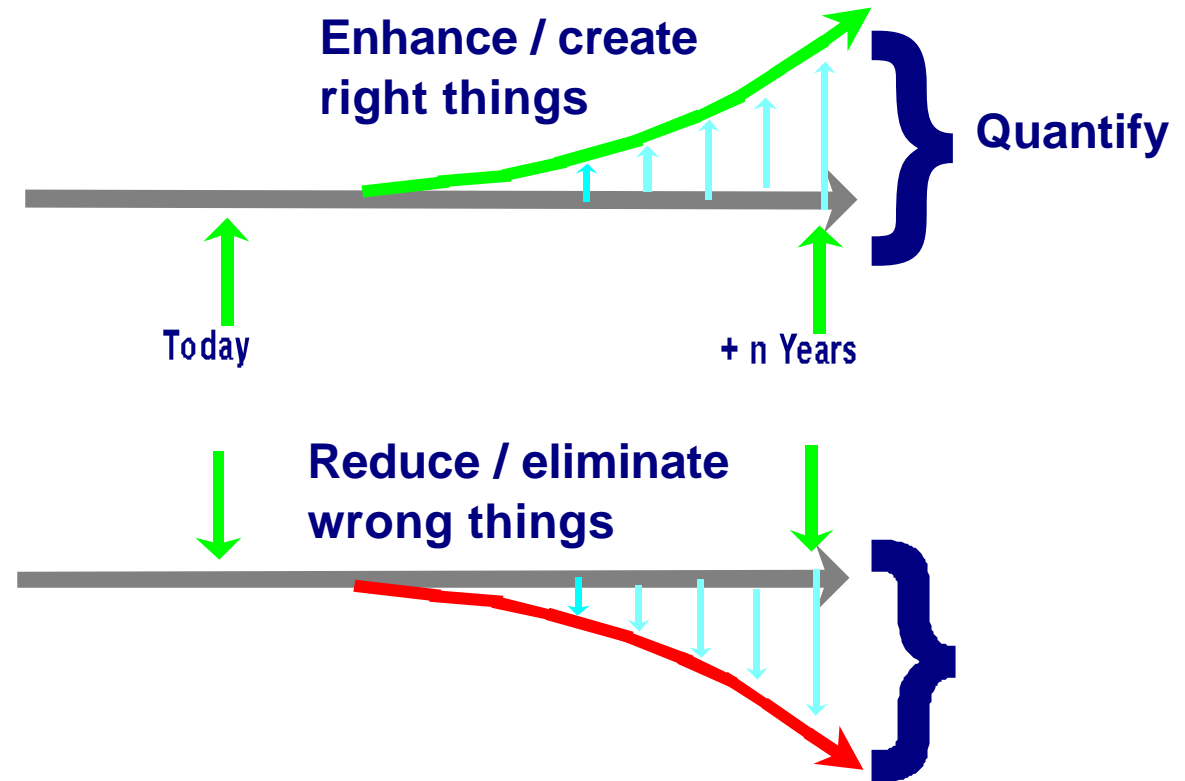
1. Analysis of Strategic Environment, Context, Requirements, Benefits, Value, etc
2. Strategic Gap Analysis
3. Strategic Design
4. Strategic Governance Framework
5. Strategic Action Plan
6. Strategic Project Management
7. Strategic Plan Business Outcome Auditing, Monitoring, Performance Measurement and Incentives
8. Continuous Strategic Improvement



Analysis -- determine the right and wrong things



1. All factors that impact significantly on the business
2. The critical factors = the right factors = the strategic factors
3. Prioritised and quantified to support decision making
4. Ask the "right questions" in order to obtain the "right" answers



Strategic SnapShots[©]

Strategic Scenarios



-
1. **Comprehensive strategic capability** ← **Recommended**
 - Structured analysis of strategic drivers
 - Clearly defined and quantified strategic objectives (value)
 - Structured analysis of strategic context (strategic map)
 - Comprehensive plans
 - Effective and reliable implementation that does NOT fail
 - Culture of continuous strategic improvement
 - I.T. projects are a natural outflow of the plans

 2. **Commitment to, and plans for, comprehensive strategic capability**
 - Creating strategic context together with defining I.T. projects

 3. **No structured strategic analysis, design and implementation capability**
 - I.T. projects must do the best they can to fit strategically

"gut feel"

**What follows is relevant to all
of these scenarios**

Different views of the mountain

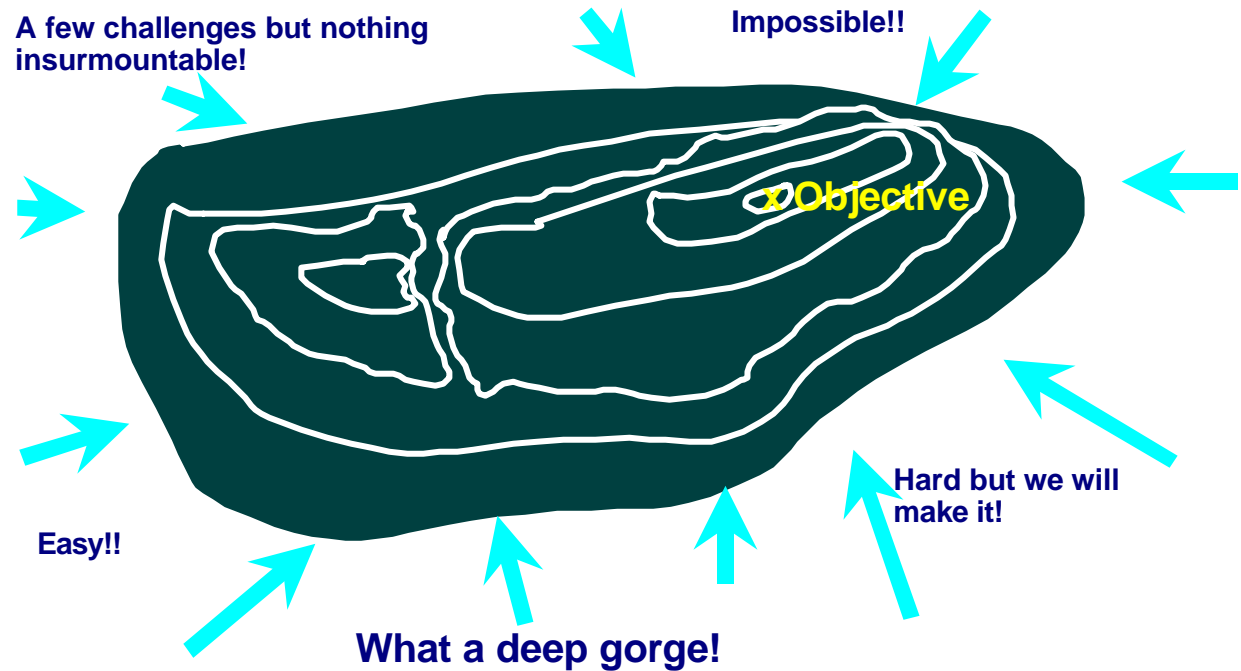


Determining the critical components



1. Everyone sees the problem and the solution differently

- Executive
- Production
- Operations
- Marketing
- Finance
- etc



2. Strategic clarity provides focus

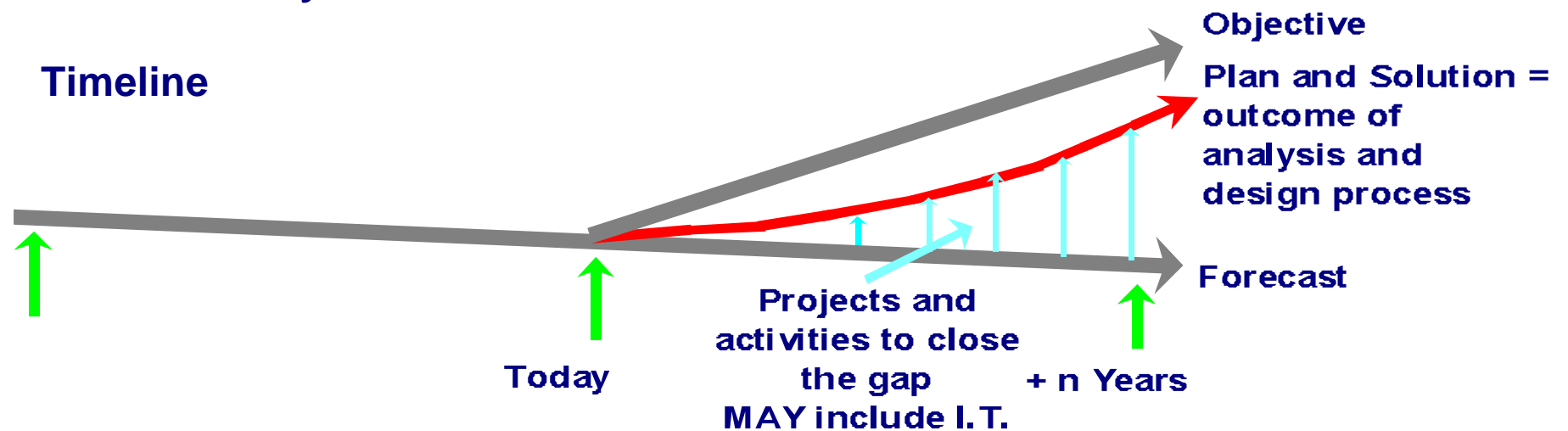
- Different perspectives remain valid and vital

Evaluation of requirements



Gap Analysis -- Projects / Activities / Components

1. What will be done?
2. How well are we doing it already?
3. Accountability
4. Timeline



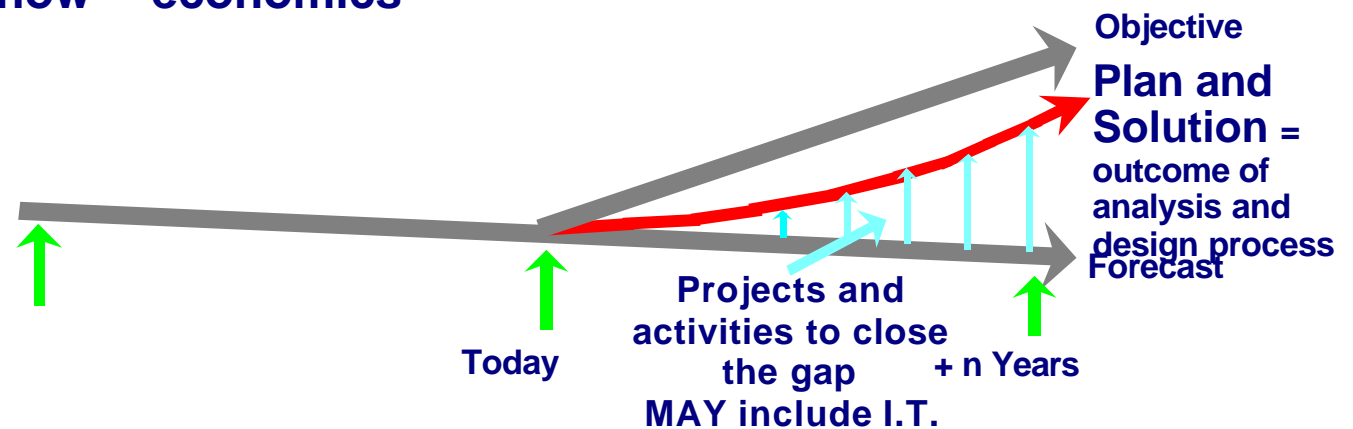
Evaluation of requirements



Gap Analysis -- Projects / Activities / Components

- 5. Resources (costs and constraints)
- 6. Risks
- 7. Customer impact
- 8. What value and how -- economics

Executive management is often the most serious constraint
-- ask the RIGHT questions
-- what is REALLY required?



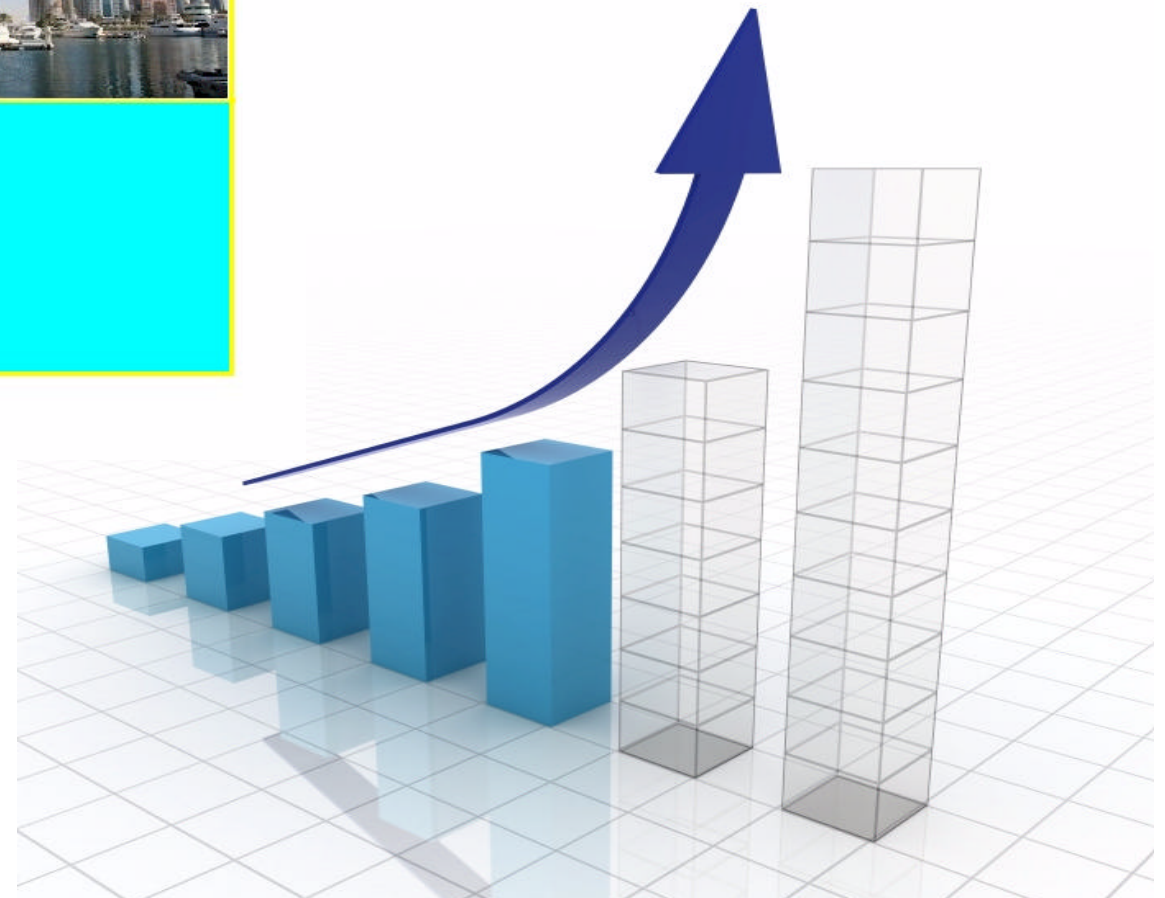
Identify your core strategic drivers and then strengthen them



Tactics -- things right



Strategy -- doing the right things



Summing up



1. Align your budget with the essence of why the organization exists and how it thrives -- strategy
2. Plan for future strategic growth
3. Design against failure in order to succeed
4. Structured strategic analysis and design
5. Structured strategic plans
6. Structured strategic budgets



Tactics -- things right



Strategy -- doing the right things

Call to action



1. What is your single most important insight from this presentation?
2. What is the single most practical action that you can take tomorrow to apply I.T. more effectively?



New insight that does not result in action within 48 hours is wasted

Design budgets NOT to fail



Psalm 136:5 "To Him who by wisdom made the heavens, for His mercy endures forever;"

Questions?



Acknowledgement and dedication

Clients, associates and staff

Father and mother Angus and Thelma

Children Alexandra and Struan

Fiona, Sandie, Ingrid, Teresa, Sandra, Helena, Julie and Maria

To the glory of the Eternal Creator

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Finding the missing pieces of your I.T. and strategy puzzles