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## **STRATEGIC PLANNING IS CRITICAL TO BUSINESS SUSTAINABILITY**

**Johannesburg**

26 November 2015

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Do you have your finger on the 'pulse' of your business? Is your organisation equipped to survive the pressures in a changing business and global environment? These are critical questions which should be asked and answered by board members and senior executives alike.

The accelerating rate of socio-economic change makes it imperative for organisations to be able to adopt new business models and manage non-traditional competition, new technologies, expanding markets, new products and the like. If an organisation is not agile, it will not be able to keep up with its competition and it will soon lose its market position. Underpinning this agility is the development of a comprehensive business strategy that outlines decisions and actions pertaining to all business resources, thereby providing a benchmark against which to measure the organisation's performance.

### **Strategic leadership is key in creating and maintaining a successful business**

Business strategy should always be driven by a strategic leader; the visionary force who will help to permeate a culture of learning and innovation throughout the organisation. Strategic leaders are renowned for embracing risk-for-profit models and they usually adopt a dynamic approach in managing the organisation. These leaders have embraced technology which they have used not only to revolutionise their business, but also to extend their business models beyond their traditional business boundaries.

The world has moved on from the era of industrialisation and mass production, to a global market fuelled by 'always-on' connectivity. While this new business world offers many opportunities, it also brings with it new challenges, and many organisations have failed to adapt their business strategy accordingly.

*"Strategy is not the consequence of planning, but the opposite: its starting point."*

**Professor Henry Mintzberg**  
**(McGill University)**

In the wake of the volatile market dynamics and on-going economic turbulence, creating long-term sustainability for an organisation is critical. Whether an organisation is gearing for growth or battling for survival, strategic leadership is essential in developing the agility and sound decision-making capability which is required to build and maintain a competitive edge.

### **Unlimited global choices**

The creation of a global, connected, 'always-on' world, driven by the rapid and constant evolution of technology, has created a business environment in which consumers are far more enlightened than in previous times. In addition, consumers can now obtain products and solutions tailored to their precise needs from virtually anywhere in the world, thanks to the explosion of eCommerce and the Internet. In a world where consumers have unlimited choices of products and services on virtual shelf spaces, differentiating a business has become increasingly difficult. The same approach that proved successful in the world of standardised products and limited choices is no longer viable, and clinging to these outmoded strategies leads to a downward spiral in profitability and ultimately sustainability. If you cannot adequately satisfy the needs of the consumer, it is highly likely that they will take their business elsewhere.

Compounding this challenge are multiple economic, political, social and legislative pressures. A turbulent economy and fluctuating exchange rates can cripple cash flow, making corrective action difficult when things go wrong. In addition, legacy business structures and management strategies often result in poor information gathering and a

reactive approach to change. The ability to make sound business decisions is often delayed by a lack of relevant information and this can paralyse decision-making, such that it may also lead to reluctance of accepting responsibility for any form of action (or corrective action). The speed with which change occurs can also be overwhelming, and an inability to adapt to the changing environment will inevitably result in a decline of business. A robust Corporate Governance Framework® can provide board members (in particular non-executives) and senior management with the information they need to be able to quickly assess those areas of the business which require immediate attention.

Sustainable organisations are not only focussed on profit; they also recognise the importance of properly managing people and the environment (planet). Consumers are more socially aware than ever, and they use their purchasing power to communicate their opinions about labour practices and working conditions. Poor working environments thus not only result in high staff turnover, which negatively impacts productivity, they also often lead to eroded brand equity and reduced profitability. Moreover, the sustainability of the planet is becoming a priority, as global resources are decreasing while populations continue to increase. Organisations therefore need to be responsible in considering their environmental footprint, and devise business strategies that will help to preserve natural resources. In fact, many organisations are now required to comment on these strategies in their annual integrated reports.

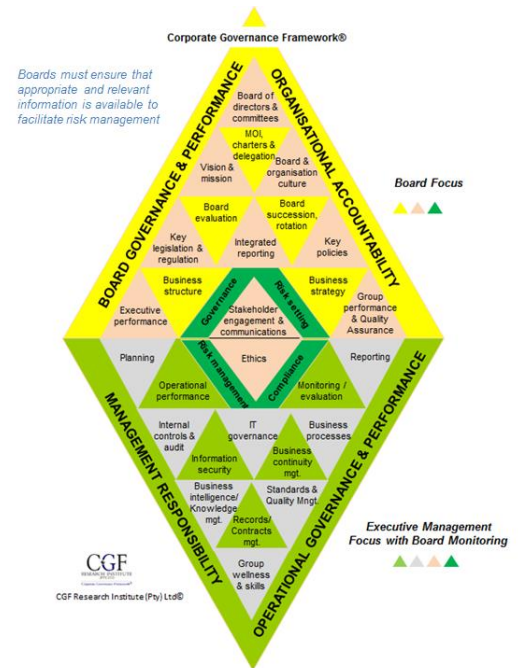
Creating and maintaining a sustainable organisation that preserves people and planet, while keeping pace with the speed of change and meeting demands from consumers -- who no longer need to compromise -- requires a level of agility and dynamism that simply cannot be supported by old, outdated business models.

## Developing a comprehensive business strategy

The ultimate goal of an organisation is to create, capture and distribute wealth in a sustainable manner. Dealing with a rapidly changing business environment, that demands high levels of agility and flexibility, requires a comprehensive business strategy which is aligned with the challenges of today.

Strategy may be defined as “a plan of action designed to achieve a long-term goal or overall aim”. Strategy must therefore have an overall vision or goal in mind, and should outline the decisions and actions that need to be taken regarding all resources, including financial and human, as well as raw materials, products and services, markets, processes, distribution and more.

A robust strategy helps an organisation to maintain focus by providing direction to employees and acting as a benchmark against which progress and achievements can be measured. It also defines areas that are critical to success, and aids organisations in identifying whether they are on track with their strategic objectives or not. Good strategies will also highlight the changing circumstances, furthermore providing concrete solutions to address these circumstances and how the business will be required to adapt itself to such change. Strategy acts as a decision-making filter for the allocation of scarce resources within the organisation; if a product or market is not in line with the strategy, then resources should not be allocated to the project. A comprehensive strategy assists organisations with managing risks, enabling more effective anticipation of changes that could impact the organisation’s ability to create and distribute wealth. Without it, an organisation is gambling with every decision, which is hardly the recipe for good governance, success and sustainability.



Developing this strategy requires an intricate understanding of both the internal and external business environments, and populating the strategy demands answers to a number of questions. Who are your customers, stakeholders, competitors and regulators? What is your business model? What returns can you expect? What are your drivers for growth? Which legislation has (or will) impact your organisation and its business? How does technology impact your organisation? What controls are in place to mitigate risks and if these fail, who is accountable? All of these questions will inform the details contained within the organisation's strategy, as well as actions.

Arming business leadership with as much information as possible increases the likelihood that the correct course of action will be chosen with respect to vision, business models, products, services and market positioning. Pro-actively monitoring the environment will enable management to act early to changing variables, including adapting the organisation's strategic plan and risk management procedures.

### **Strategic leadership is essential**

Given the multiple challenges facing organisations today, and considering the fact that business variables change rapidly and constantly, a strategy alone is not sufficient to ensure success. Each and every member of the organisation needs to be motivated, persuaded and managed into sharing the same vision, which requires strong and consistent strategic leadership.

Strategic leaders keep the present circumstances in mind and pay attention to short-term financial stability, while maintaining an eye on the future and what needs to be achieved in the long-term. The focus of a strategic leader is to build an organisation's resources, capabilities and core competencies in order to derive a sustained competitive advantage in the face of changing circumstances and turbulent environments. These leaders create a culture of learning that recognises the critical role of human capital in driving innovation and sustainability.

Strategic leadership is essential in articulating a clear vision for an organisation; it is also important for implementing and managing any change that may be required on the journey towards enhanced sustainability. Behaviours that manifest success should always filter from the top down, and effective strategic leadership is thus vital for ensuring day-to-day decisions support long-term growth and sustainability while maintaining profitability.

### **Facilitating strategy that works for your business**

CGF offers an independent assessment of the current position of an organisation, along with its strengths and weaknesses, the environment within which it operates, and opportunities for growth and improvement. As a neutral party, we are able to provide an unbiased view of the circumstances facing the organisation and its business, and we can facilitate strategy development that will enable a real, sustainable competitive advantage.

Rather than offering uncontextualised information and a standard textbook-based consulting approach, our approach draws upon many years of real-world experience of managing businesses during turbulent times. This enables us to identify problems and challenges faced by both management and the board. Any solutions and advice we propose is based on tried and tested methodologies and approaches.

In order to ensure a consistent strategic vision, understanding and interpretation; we take care to document decisions and planned actions during strategic sessions and ensure that a common understanding is reached. Expectedly, this is premised on the basis of good governance, furthermore making use of a robust Corporate Governance Framework®. This pragmatic approach facilitates a robust strategy that encourages productive dialogue between the relevant stakeholders, whilst supporting the vision of the strategic leader.

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Words: 1,711



## About CGF

CGF was established in 2004 and the company specialises in a variety of governance, risk and compliance business solutions and services. The clientele comprises a number of the JSE listed companies and government organisations who make use of CGF's services. To find out more about CGF, our patrons and our associated services, access [www.cgf.co.za](http://www.cgf.co.za) or [www.corporategovernance.co.za](http://www.corporategovernance.co.za) or [www.governanceconnect.mobi](http://www.governanceconnect.mobi) or call +27 (11) 4768264 / 1/ 0

