

ESSENTIALS OF STRATEGIC PLANNING IN RETAIL CORPORATIONS

by

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## Abstract

Many of the thriving retailers today have established their accomplishments through years of successful strategic business plans. However, now in the twenty-first century, technology has changed the dynamics of the market place and once-strong retailing companies are now fading into the background, with only the strongest companies standing in this new economy. This paper will examine strategic planning ideas of successful companies and discuss opportunities that today's retail manager may want to explore.

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## Introduction

Undoubtedly, time has proven that in order to learn to be the best, one must study the best. This certainly is true when it comes to understanding the dynamics of strategic planning. This paper will unveil some of the strategies of planning that takes place behind the scenes of some of the world's greatest corporations. The information herein is for the purpose of describing ways that leaders in retail corporations can make better decisions with the planning processes within his or her organization. Strategic planning components discussed in this paper include leading change, benefits of strategic planning, key elements of successful strategies, customer service, supply, getting the right market, competition analysis and leadership.

### Learn From the Best

A name that goes down in history, as one of the greatest AMERICAN CEO's is Jack Welch of General Electric (GE). Jack Welch shares a wealth of information on strategic planning in many forms. Welch has been studied and written about in nearly every business periodical and by every author in the business world. Welch's best seller, *Jack Welch and the GE way* (1999), describes key management techniques for leaders concerned with creating strategic plans that are innovative and effective.

Jack Welch tells readers that strategic planning must come from a leader. He says about himself, that he is not running the company, but leading it. Welch's formula to leadership can be broken down into several parts: simplifying, spreading the word and being real.

Welch tells readers that when creating a strategic plan and vision, they must be simple. Big, but simple. His big idea was to be number one or two in the market. Part of making the strategic plan work is promoting the vision at every opportunity. Welch explains, "Every GE employee at every level should be able to identify, as well as commit to the company's plan."

Jack Welch believes that leaders must face reality about situations, products and people, then act quickly and decisively on that reality. This translates into knowing that the world is increasingly competitive and if you make a mistake, admit to it and learn from it.

Companies, like Jack Welch's GE, know that strategic planning involves an evaluation process of deciding what your company does best and then doing it better. Another strategic planning idea is to make sure your work force is at its peak level of efficiency. GE had to cut its work force and reshape it (Slater, 1999). Welch is the innovator the idea of "company slimming." A slimmer company means elimination of group managers, and delaying the company so that communications can be improved and information is gets to where it needs to go more quickly. The result of improved communication is getting the products to market quicker.

Many retail leaders may need to look at the boundaries their company may have. Boundaries are the layers of walls that lay between divisions, organizations, clients and suppliers. Boundaries must be eliminated as much as possible. Jack Welch believes that barriers create waste. Boundarylessness opens channels of information and gives opportunities to contribute ideas that benefit the whole organization (Slater, 1999). A bonus benefit of creating a boundaryless organization, it creates an environment that fosters self-confidence. When GE tore down the barriers, all of their employees had a greater voice.

Jack Welch recommends that strategic planning also include initiatives that make quality a priority. GE's six-sigma team of specialists uses four steps in this process. They, 1. Measure the defects generated by a key process, 2. Analyze what variables cause the defects, 3. Improve the process by determining the maximum acceptable range of these variables, 4. Control by making sure the variables stay within this range. The result of this process at GE was improved

customer relations. Welch emphasizes that a focus on service is an excellent growth strategy for businesses.

One last strategic planning idea Jack Welch is famous for is setting goals that seem almost out of reach. Welch calls this strategy, “stretching.” Strategic planning should include setting the goals a little higher than what is expected (Slater, 1999). Retail leaders making plans to strengthen parts of their business should take note of former GE CEO Jack Welch and his advice for strategic planning.

Another expert on strategic planning is Evan M. Dudik, president of Evan M. Dudik & associates, Inc., a management consulting firm in Vancouver, Washington. Dudik’s book, *Strategic Renaissance*, describes four key elements of a successful strategy that retail leaders may take note on (2000, pp.23-50).

#### Strategic Guidelines

Although, Dudik admits there are no cookbooks for strategies, there are many variables that need to be examined and that these four guidelines may be helpful in developing a strategic plan. The first guideline for leaders to consider is to create a strategic hypothesis about something vital or crucial and or central to the company. He recommends considering and deciding whether it is truly vital to the company or not. If it is, decide what would be even more crucial to the company. When this is done enough, then a winning strategy can be created.

Dudik’s second guideline for developing a successful strategy is using “if-then” statements. Strategies are conditional and if then statements help decision-makers see possible results quicker. The “if” parts of the strategic hypothesis sets the conditions for the expected result. The “then” part sets out the results, or possible result (pp. 26-31). An example retail leaders may consider using an if-then statement is, “If we add 5% more labor to our stores then

we will increase the service our customers get, then customers will be more apt to return and purchase more products.”

Dudik’s third guideline is the “pivot and the hammer.” The place where leaders decide to concentrate their effort and play offense with competitors is the hammer. The hammer depends on the pivot. The pivot is where strategic planners play defense, the strong place that holds the line, while resources are directed to the hammer. Dudik tells strategic planners that armies use the hammer and pivot to pull forces from their defensive positions (the pivot) to their offensive position (the hammer) and strike with overwhelming force. Retail organizations can do the same. Microsoft used this methodology by playing defense (the pivot) with its operating system, while playing offense (the hammer) with in their software businesses (Dudik, 71).

The forth guideline is “complementarity.” This term coined by Dudik means that elements of the strategy must complement what the company already does. Costco, for example, sells larger orders to their customers than their competitors. This practice is complemented by purchasing larger quantities at lower prices from their suppliers (pp.48-49).

Above all, strategic planning needs to assist in beating the competition. Dudik says that the keys to doing this is be intellectually productive and produce many hypotheses, have a broad range of strategic hypotheses, and get those hypotheses from the right sources. The key to creativity is to begin with many ideas and use the right tools and taking a winning strategy and expanding on it (Dudik, pp. 90-100).

UPS exemplified taking a winning strategy and expanded on it. UPS took its winning strategy of being the most efficient in the business expanded on it by doing rapid air delivery, nationally and over seas (Dudik, pp.169-172). Strategic planners call this expanding sideways and going deeper on adjacent opportunities. Compaq did the same as it leaped from computers

to transportable to entertainment-oriented systems (pp.168-169). The bottom line of Dudik's strategic planning philosophy is very similar to Jack Welch's-- create an apparently impossible target in market share, profitability, product, features, productivity or cost, while challenging teams to stretch ideas to the breaking point.

It takes strong leadership, no matter what type of strategic planning is involved to make any retail business plan successful in this competitive age. Peter Drucker discusses leadership challenges in his book; *Management challenges for the 21<sup>st</sup> century* (1999). Drucker tells readers that there are a few new certainties that leaders need to considered when strategic planning. One of which is a collapsing birthrate. Birthrates have fallen as low of 0.8 children per woman in Japan, and 1.5 in Northern and Western Europe. In the United States, less than two per female. In order to maintain populations at the present level, birthrates would have to increase over to 2.1. Along with these lower birthrates, are increased life expectancies. What this translates to, according to Drucker, is that companies can profit from this--as China has. In China, because each family has only one child, they spend more disposable income on him or her (Drucker, pp. 49-50). Retail leaders of all industries should see how they could benefit from this observation, analyze what they are doing now, and gradually create strategic marketing plans accordingly.

### Strategic Vision

Leaders must also understand how to create a workable vision. Octavius Black, tells how in the June 2002 edition of *Management Magazine* as he shares the following "Recipe for a vision."

1. Inspire your people with a vision (what we want to achieve) or mission (what we are her to do). Targets may motivate but rarely produce the zest and determination that brings about extraordinary performance.

2. Make your mission powerful. Inspirational visions may be about revolution (shaking up the monoliths in your industry) or doing something worthwhile (making people's dreams come true).
3. Make the vision bold. Great visions can be impossible to achieve: "Within an arm's reach of desire' (Coca-Cola); A computer on every desk and in every home' (Microsoft). Better resonant and bold than realistic.
4. Use your vision/mission as a touchstone. If an option or decision doesn't help the vision, don't follow it.
5. Be single-minded. Your vision should not be up for debate. This will demonstrate determination and passion and proved a clear focus to rally disparate employees.
6. Give each team its own mission consistent with the company aim but a lot more specific.
7. Involve colleagues in developing the vision. Make sure they raise their sights above 'being number one in our chosen markets.' Instead ask: 'Will this mission make me keen to jump out of bed on a rainy Monday morning in two years' time?'
8. Create a tale about your business future. Imagining what clients, competitors, graduates and gurus will be thinking about you in five years will help the vision come to life. Include criticisms to give credibility.
9. Make sure your vision makes sound business sense rather than the result of excessive away-day exuberance before you go public. A vision is a communication too; not a strategic management quick fix.

### Understanding Leadership

Author Jim Collins shares his thoughts on how to strengthen personal leadership skills. Retail strategic planners should head these skills as important. Collin's book, *Good to Great* (2001), describes five levels of leadership. Level one is the "highly capable individual." The first level leadership style is characterized by productive contributions through talent, knowledge, skills and good work habits. The second level is the "contributing team member." This kind of individual contributes to the achievement of the group objectives and works effectively with others in a group setting. The third level is the "competent manager." The competent manager organizes people and resources toward the effective and efficient pursuit of predetermined objectives. The "effective leader" is the fourth level. It is characterized by commitment to and the pursuit of a clear and compelling vision. He/she should stimulate higher performance standards. The fifth level, Collins calls the "executive." This top level of leadership style builds long-lasting greatness through a blend of personal humility and professional will.

Strong leadership is an essential ingredient and most important one, when it comes to strategic planning in retail and every industry. Management guru--Warren Bennis shares some basic guidelines to successful leadership in his book, *On Becoming a Leader* (1986). Bennis tells readers that these ten elements will form the basis for survival in the twenty-first century. The first element is "manage the dream." Bennis says this is done by communicating the vision to others, recruit meticulously, reward and restrain your people, and reorganize as circumstances dictate.

The second element is "embrace error." Creating an atmosphere that encourages your people to take risks does this. Bennis (1989) also tells readers that it is important to assure

workers that words and actions are both essential and the only true mistake is not doing anything. Retail leaders often get caught up in trying to “look good” to their bosses and often forget the best way to go anywhere is to take some risks and act upon ideas.

Warren Bennis’ third element of leadership success is, “encourage reflective back talk (1989).” This should be done in all aspects of a leader’s life, both personal and professional. Effective strategic planning works best when there are others involved that are highly trusted and will tell the truth. All portions of a strategic plan should be discussed with as many people as possible, especially those that are willing to be honest and forthcoming with opinions.

One may be surprised to learn that the fifth guideline suggested by Warren Bennis (1989) to successful leadership is the “encouragement of dissent.” Bennis suggests that leader should surround themselves with devil’s advocates who will tell you the difference between what you expect and what could really happen. This makes good sense from a strategic planning standpoint. One of the worst things that could happen when money is spent to implement strategic planning and everyone involved continues to agree with everything that has been said by the leader. A devil’s advocate will assist the leader and the planning group to see possible fatal errors and ways that the competition could take advantage of the situation.

Although a devil’s advocate does play an important role in retail strategic planning, the leader must always display optimism, faith and hope. Displaying optimism, faith and hope is the fifth guideline to Warren Bennis’ successful leadership strategy (1989). In the quickly evolving retail environment, it is easy to get caught up in the everyday grind and daily rituals. Very often, sales won’t increase, profits won’t always exist and employees will not always do what is expected of them. A truly successful strategic planner and leader knows that he or she has the power to set the mood in an organization and if a leader leads by example. The leader must

consistently show qualities of optimism, faith and know that hope will be contagious.

Subsequently, positive moods will be picked up and embraced. Conversely, leaders who display a poor or negative attitude could very well sabotage his or her own operation.

Warren Bennis (1989) suggests that leaders should always expect the best from his or her own people. This is the sixth element of successful leadership. When people are expected to give their best, they are encouraged to expand beyond their self-imposed or artificial limitations and excel in ways that may surprise themselves and leaders.

The seventh guideline to successful leadership is, “developing a sense of touch.” Bennis (1989) explains that leaders can cultivate the ability to discern where the external environment is heading and how the organization must change if it is to grow and flourish within a future setting. Retail leaders can look at the basics of the retail industry, product lines, clientele, store cleanliness, organization, location and all other elements that define the retail environment and use this guideline to stay ahead of their competition and create strategic plans that keep their organization moving forward.

Guideline eight of Warren Bennis’ (1989) list of elements for successful leadership is, “take the long view.” Goes along with thinking about the “bigger picture.” Too often in retail, leaders become too busy thinking about short-term or the bottom-line. Safeway grocery stores recently cut back on labor hours in their stores, with the hope of increasing profit because of reduced wage expenses. Hind site proved that by cutting labor in the area that directly dealt the customers, the “bread and butter” of the business. Customers had to wait in checkout lines longer, had fewer products on the shelf and got poorer customer service. Many customers decided to shop elsewhere and the plan of increasing profit by decreasing labor bit the Safeway Corporation badly in the bottom-line.

The ninth guideline is, “maintaining stakeholder symmetry.” This involves balancing competing claims of each internal and external group that has an interest in the organization. A good leader knows that it takes many people to sustain an organization. In retail, customers, employees, stockholders and suppliers must be considered in all parts of implementation of a strategic plan. When leaders find ways to balance the needs of each of these stakeholders, the company can move forward quicker and more efficiently.

Inline with finding balance with stakeholders is Bennis’ (1989) final guideline, “create strategic alliances and partnerships.” The most-successful retail organizations have found that this is essential to sustaining and growing business. Creating ties with other organizations can be as simple as sharing information with suppliers or potential suppliers. Retail leaders may build friendly relations with the union leadership of employees, making sure that the needs of workers are fulfilled. Hence, creating an atmosphere of employees that find greater job satisfaction (Maslow & Stephens, 1998).

Strategic planners can utilize the list of five levels of leadership as a guide to guide leaders to higher levels, thus increasing the strength of the organization—itsself. Good to great leaders, according to Collins (2001), need to understand three simple truths:

1. If you begin with the “whom,” rather than the “what,” you can more easily adapt to a changing world.
2. If you have the right people on the bus, the problem of how to motivate and manage people largely goes away.
3. When in doubt, don’t hire—keep looking.
4. When you know you need to make a people change, act.
5. Put your best people on your biggest opportunities, not your biggest problems.

6. Lead with questions, not answers.
7. Engage in dialogue and debate, not coercion.
8. Conduct autopsies, without blame. (Take an honest look at decisions.)
9. Build red flag mechanisms that turn information into information that cannot be ignored.

Becoming an effective change leader means instituting policies for the future, systematically look for and anticipate change, introduce change the right way, both inside and outside the organization. All change strategies must be balanced with continuity (Drucker, pp. 90-92). Everything must flow together as efficiently and stress free as possible.

### Change Strategy

Change leaders must be able to throw away the out-dated philosophies and not commit to resources that maintain products and services that no longer produce results (Drucker, pp. 74-82). Companies like Kmart could not give up past practices of brick and mortar retailing and invest in e-commerce properly, allowing for its largest competitor, Wal-Mart, to take a stronghold in the market, resulting in Kmart's demise in bankruptcy proceedings (Godin, 2002, p. 130).

Change leaders need to consider abandonment under these three conditions. If the consensus is the product, service, market or process "still has a few good years of life." If the product services, market or process is being kept around because it "is fully written off." If the product is declining or old and being maintained at the expense of a new and growing product (Drucker, pp. 73-74). Abandoning an old product should be done on a small test scale. Consider what happened in the early nineties--the beverage giant Coca-Cola abandoned their original recipe all together around the world. They had to later admit that it was a poor decision and

brought back the original recipe two months later. This poor decision of changing the recipe company-wide without using a test market proved to be a very costly mistake. One that could have been avoided if they tested it in smaller markets first.

Change leaders must organize improvement. Peter Drucker (1999) reminds strategic planners about the banking company that added more products and made their tellers introduce the new products to each customer in his or her line. Apparently, strategic planners at this bank did not consider that customer line-lengths would become longer and customers would be unsatisfied and eventually do business with other banks with quicker service (Drucker, p.81). Retail companies like Safeway have recently created a similar program in their Seattle division. Checking clerks have been asked by management to read product promotions from customer receipts. Safeway made contracts with some of its suppliers for word of mouth Extra Point of Sale promotion (EPOS). More labor hours have been committed to front-end activities in the stores to help accommodate the initiative. Time will tell if the EPOS program will prove to be a successful venture for Safeway.

One last strategic planning idea to consider from Peter Drucker (1999) to increase productivity through by identification of what each worker's tasks are. This is done most-successfully when workers are given work autonomy and allowed to manage themselves. Quality must be measured by quality, not quantity, and treated like an asset, not a cost (pp.163-195). The process of increasing productivity is a vital component that strategic planners must not overlook.

Another strategy that must not be overlooked is aligning; customer relationships with market strategies and business structures. Barbara A. Gutek and Theresa Welsh discuss customer service strategy in their book, *The Brave New Service Strategy* (2000). An enhanced

customer service strategy can take one of two forms. In the first, the customer is familiar with the organization through previous interactions, advertising or the reputation of the business. The other, the organization keeps data on what its customers purchased and uses the data to make the service experience faster and more convenient and to offer reward programs to frequent customer.

### Customer Service

Enhanced service strategies should have an emphasis on five essential qualities, according to Gutek and Welsh (2000). The first quality is trust. Trust develops naturally in relationships and must be built upon repeated positive experiences for the customer. The second is convenience. Retail locations should be open the maximum number of hours, with systems and processes that minimize any waiting time. The third, customized, not personalized service. Burger King will “hold the pickles and the lettuce,” but not cook the burger rare. Customers need to be provided with specialized service that builds a relationship. The fourth is “uniform but unique.” Successful businesses have an established theme and universal appeal. The fifth is in total agreement with Jack Welch’s (1999) philosophy of quality being a priority. Coffee can be purchased at any restaurant or grocery store. However, Starbucks coffee is consistently made of quality that people can taste and come back for.

Another strategy that retail leaders must consider is the approach and interactions within, between and outside the company. Service interactions happen throughout the organizations, not just with the customer. Strategic planning should also take into account that relationships need to also be maintained between companies and also internally.

All leaders need to be aware of whether they are providing relationships and not mere encounters. If they are providing encounters they should switch to relationships. Partnering

relationships should be built to create bonds throughout the organizations and those relationships needs are consistently being maintained (Guttek & Welsh, 2000).

Not only do strategic planners need to maintain relationships throughout the organization and outside of it too, but they should also be able to understand the external business environment. Alan P. Brache describes the necessary components in his book, *How Organizations Work* (2002). Brache tells readers that before focusing on internal variables, you must first assess and manage the external variable. His reasoning is that they need to understand the context in which the business operates. Brache compares this part of the strategic planning process with a psychologist. The psychologist must first assess the environment that the patient works in, responsibilities, family, and home life. Then he or she can get a better picture of what needs to be done to understand what is going on inside.

#### Value Chain

The value chain must first be identified of the industry. In retail this is the suppliers and the customers. Alan Brache (2002) recommends assessing the likely future steps in the value chain and identifying the critical success factors in each step of that future value chain. This process includes assessing the current and potential markets, customers and their needs; the customers' customers, their needs and whether the company can meet those needs directly; the suppliers and potential suppliers also need to be assessed. What is their level of influence on the effectiveness and efficiency of meeting the needs of the customers? Also, the supplier's suppliers need to be reflected upon. What are their strategies and status as potential competitors (Brache, 2002)?

Other external variables that should be identified are resource providers who do not provide tangible materials or components for products, but who provide money, work, and

technology and non-core functions. The competitors need to be identified, both direct and indirect. Shareholders and owners of the business must be included and identified. Their interests must be met. Government regulations and economy shifts have a share, as an external factor, as well as the community the organizations serves (Brache, 2002).

All external factors need to be monitored and tracked. Retail managers may find themselves putting money into new products that may later not meet government regulations or the community reacts negatively to it. Future external threats and opportunities need to be considered and worked into the strategic planning design.

#### Leading and Coaching Strategy

Leadership is a crucial element of strategic planning. All types of organizations need to identify the areas within that need leadership. Strategic planners must include the process of leadership evaluation when designing new systems. According to Alan Brache (2002), defining the organization's current leadership profile and identifying the needs of the organization is an initial step in this process. The following step is for closing any gaps between the leadership and the needs of the organization. This is done through promoting individuals who have demonstrated leadership in high-impact positions and recruiting leadership talent from the outside if necessary. Also, cultivating leadership abilities may be a viable approach. The process of coaching involves setting direction, organizing—bringing the right people together, making sure that they follow through, facilitating an atmosphere that encourages people to share diverse viewpoints without fear of criticism. Also, coaching includes summarizing, briefly repeating expectations and ideas shared. The process of coaching should be finalized with developing the skills of each individual as needed (Stone, 1999).

When teaching specific behaviors to individuals it may be helpful to understand what good leaders do. According to Peter Hall in *People Management* magazine (June, 2002, p. 57), leaders: express a vision, communicate regularly and clearly, trust people, and give praise. Praise is recognized as the most important management tool and is essential for employees to know when they are doing a good job. Good leaders always keep an eye open for talent and groom it. Also good leaders take responsibility, accepting responsibility, rather than blame someone else. According to Peter Hall the final characteristic of a good leader is they “walk the talk.” Leaders do not just ask their people to do something--they exemplify it themselves.

Richard Pascale, Mark Millemann and Linda Gioja of the *Harvard Business Review*, give insight on why leaders fail in implanting change and coaching (1997). They say that employees may not believe they can affect the organization’s performance and have the power to make things happen. Identity seems to have an impact also on weak leadership. Individuals may identify narrowly with their professions, working teams, or functional units. Also, members of the organization may not handle conflict properly and/or fail to confront and resolve conflict. Finally, leaders may not allow or recognize the way the organization learns and deals with new ideas. The studies conducted at Sears and Shell in assessing these conclusions about leadership should be reviewed and considered by leaders and planners in the retail industry.

Effective leadership is the single-most important part of creating and carrying out a strategic plan. Without effective leadership retail employees will not be in alignment and plans will not be thoroughly carried out or planned. Authors of *Primal Leaders*, Daniel Goleman, Richard Boyatzis and Annie McKee believe that great leadership works through the emotions (2002). They say, “the manner in which leaders act, not just what they do” is a fundamental key

to effective leadership because this is how the human brain works. People who feel good work at their best.

### Alignment

Brache (2002) recommends that leaders create strategic alignment, by creating a framework of choices that determine the nature and direction of the organization. The bottom-line is that a strategy must stand up to two reality checks: Will it work? Can it be implemented?

Brache's recommendation is to address the strategy variable through a five-phase process. The first phase is to collect and analyze information on the external and internal environment. This includes current strategy, performance information, culture, employee perception, and product/market successes and failures. Retail leaders may look at what products are sitting on their shelves that have little or no movement and are taking up valuable space, that could be bring higher returns if other product filled that space.

The second phase in addressing the strategy variable is to establish the time frame for the strategy and defining the values and to make some decisions about the products and services that will not offer a competitive advantage and about the criticalness of each.

The third phase is to develop a plan that communicates the strategies to lower levels of the organization, aligning culture and policies. Part of this process is deciding how to monitor the strategy's progress.

The forth phase is working at all levels of the organization to carry out the initiatives of phase three. This is the most expensive phase in the process. "It involves a great deal of time and money," according to Brache (2002).

The fifth phase involves monitoring the strategy according to viability, underpinnings and implementation. Retail leaders should look at the whole picture. How will customers and employees respond? Will the plan work with the rest of the corporation's processes and culture?

The basic strategic planning process can be defined as redesigning business processes. As times change and markets too, especially in this age of rapid-technological development, constant redesign needs is crucial to all organizations, especially in retail, as competition increases and those who do not consistently evaluate their business design get eaten up by those who do (Godin, 2002).

### Design and Redesign

The basic steps of strategy design and redesign are outlined in Alan Brache's latest book, *How Organizations Work* (2002). Step one is identifying the process to be improved. Step two is analyzing the structure improvement process. This is done by setting goals, identifying boundaries, and designating a process design team. The third step is to document and analyze the current process. The fourth, design the future process. The fifth develop process metrics and goals. Steps six and seven involve an implantation plan and putting the plan into effect. Finally, step eight--managing the process. The final step includes establishing process plans and budgets, building a measurement system around the process metrics, and conducting process reviews.

An approach to evaluate the organizational design is described in the 2002 March edition of the *Harvard Business Review*. Authors Michael Goold and Andrew Campbell examine the question, "Do you have a well-designed organization?" Some of the questions retail strategic planners may want to evaluate of their organization are does the design of the market approach give sufficient management attention to sources of competitive advantage in each market? Does the design of the systems help the corporate parent and add value to the organization? Does the

design reflect the strengths, weaknesses, and motivations of the people of the organization? Has the design taken into account all the constraints that may impede implementation of the plan and is it feasible? Does the design protect units that need distinct cultures? Does the design provide coordination solutions for the unit-to-unit links that are likely to be problematic? Does the design have too many levels and units? Does the design support effective controls? Finally, does the design facilitate the development of new strategies and provide the flexibility required to adapt to change?

### Analyzing Strategy

Brache (2002) recommends using the following criteria for a good measurement system to be used in the process of strategic planning. The recommended measuring system should include: maximizing information accuracy, optimizing information value, maximizing usefulness as a performance management tool, maximizing timelines, maximizing ease of understanding, minimizing information collection cost and time. Finally, minimizing opportunities for beating the system. Retail leadership may want to use this as a checklist when developing new strategic plans.

Another checklist that strategic planners must consider is this one compiled by Andrew Campbell and Marcus Alexander for the November 1997 issue of the *Harvard Business Review*. Leaders should consider this information from article, "What's wrong with strategy?" Campbell and Alexander tell readers that most firms are unsuccessful in implementing efficient strategies through the use of formal planning processes. They say that planners misuse objectives, by failing to distinguish between what the organization exists to do and what the organization must do to survive. They say that these processes do not have enough direction.

The second reason strategies often do not work is that implementers get stuck and confused in the process. “Objectives are intertwined with strategy and implementation in a way that makes it difficult for an organization to decide where to start. Should managers set objective and develop strategies to achieve them? Or should they look for a winning strategy and then carve objectives out of their understanding of what is achievable? Such confusion about where to begin causes planning paralysis (Campbell & Alexander, p.42).”

The third reason is that strategists expect the planning process will lead to new and improved strategies. Campbell and Alexander (1997) believe that the “basic ingredient of a good strategy [is] insight into how to create value rarely emerges from planning meetings.” They go on to say, “...it originates in many varied and hard-to-control ways... Managers who focus on planning processes often create flat footed plans.” With this in mind strategic planners must not separate strategy formulation from implementation. Also, planners must build their strategies around discovering what will be best for future.

#### Eliminating and Minimizing Planning Problems

Goold and Campbell of the *Harvard Business Review*, discuss how to eliminate strategic planning problems (March 2002). They recommend that when problems are identified, planners must look for ways to fix them, without substantially altering the plan if possible. They came up with this process for resolving problems:

1. Refine the allocation of responsibilities (for example, clarify powers and responsibilities).
2. Refine lateral relationships and processes (for example, define new parenting propositions).

3. Refine lateral relationships and processes (for example, define coordination mechanisms).
4. Refine accountabilities (for example, define more appropriate performance measures).
5. Redefine skill requirements and incentives.
6. Modify criteria for selecting people.
7. Redefine skill development needs.
8. Develop incentives.
9. Shape informal context by clarifying the leadership style needed and define norms of behaviors, values or social context (p.124).

#### Strategic Alliances

Retail leaders who are looking for other methods of increasing the market share of the organization may want to consider what Wal-Mart and Amazon.com once considered—a strategic alliance. Strategic alliances are any relationship between companies involving a sharing of common destinies, accompanied by partnership agreements to share knowledge or resources that could be beneficial to all (Vyas, Shelburn, & Rogers, 2001).

There are two primary types of alliance: intra-industry alliance and inter-industry alliances. An example of an intra-industry alliance is a car-maker entering into a relationship with an electric battery maker to protect its turf (Vyas, Shelburn & Rogers). The inter-industry alliances can be used to combine expertise and create synergy. Retail leaders may consider an inter-industry relationship with suppliers for the purpose of increasing volume and possibly carrying a product that its competitors may have trouble finding. Thus, giving the retail

company an edge on its competition and the supplier a relationship that may increase volume depending on the volume the exclusive retailer may do in sales.

Retail leaders may consider forming an alliance with other companies to avoid barriers of entry or gain access to new markets. They may also do it to have a source of supply, reduce or share risk, as well as to pool a resource or share expertise. This strategic planning process should be highly considered. Building a strategic alliance can be difficult, very often problems occur. Therefore, systems, culture, products and employees should be included in the planning process.

Some of the problems that occur in corporate alliances are a failure to understand and adapt to a new style of management. Failure is often attributed to not learning and understanding cultural differences, as well as a lack of commitment to succeed. Although problems can be minimized if retail leaders consider goal compatibility issues, synergy, value chain, and balance of partnership (Vyas, Shelburn & Rogers). Strategic alliance is very common among retailers and suppliers. These relationships should always be considered in retail strategic planning.

### Competitive Strategy

One example of a retail giant that utilizes a strategy that includes close relationships with its value chain is Wal-Mart. According to David Rogers of *Supermarket Business* magazine (January 15, 2001), "Wal-Mart is very organized and focused in its expansion strategy." Wal-Mart's strategy is to purchase products at the lowest cost from suppliers and mark it up at lower levels than competitors. According to Richard Willing of USA Today (July 27, 2002), in 1985 Wal-Mart had only 874 stores and to day nearly 4,300. Wal-Mart's profits from last year alone were over \$6.3 billion on \$191 billion in revenue.

Another component to Wal-Mart's strategy, according to Rogers (January 15, 2001) is to offer better selection and prices than its competitors in a one-stop shopping experience, while

offering quality products. This creates tough opposition for independent competitors, who often are forced out of business.

Retail leaders can learn from Wal-Mart's strategy of offering a large selection of quality products at lower prices. This strategy has proven quite effective, Rogers (January 15, 2001) predicts that over 300 of Wal-Mart's competitors will close per year due to the tough rivalry Wal-Mart presents.

Retail leaders competing with Wal-Mart can become more aggressive by turning Wal-Mart into an indirect competitor by focusing on service, perishables, community involvement, and the like. Also, retail leaders must focus on undoing Wal-Mart's core appeal by adjusting prices and converting into a limited assortment store format (Rogers, January 15, 2001). These practices are also viable for retail companies who are not competing with Wal-Mart too.

#### Supply Chain

Another strategic planning leader in retail is the Dell Computer Corporation. According to an article in the Business Week (May 14, 2001), "Dell's secret is its supply chain," according to Dick Hunter of Dell. Dell's build to order computer business model is backed by a super-efficient supply chain. Dick Hunter told Business Week (May, 14, 2001) that; "Dell focuses relentlessly on driving low-cost material from the supplier through the supply chain to our customers." Dell only carries about five days' worth of inventory compared to the 90 days' worth of its competitors. This means that there are fewer opportunities for shrink and waste caused by inventory-supply damage, theft or becoming out-dated.

#### Sustaining Company Growth

Improving process productivity is a major strategic planning process that also should be considered by retail leaders who want to get ahead and stay ahead. According to James B.

Hangstefer, in his book, *Creating and Sustaining Company Growth* (1997), there are seven major core processes. These processes include: sales order acquisition, order fulfillment, customer services, product development, strategy development, company management and administration. Hangstefer suggests that these processes be separated according to action priorities in two categories: the vital few and the secondary many. The vital few are the few actions that will make the most difference. They are the primary targets for breakthrough undertakings, which require important innovation. The secondary many, individually less important but collectively significant, become the targets of routine, everyday improvement efforts. Hangstefer refers to this as “big steps and small steps (p. 170).

Outsourcing and partnering may effective methods for companies to gain higher company productivity. Hanstefer (1997) suggests that managers review the company’s operations for outsourcing possibilities on a routine basis. Most retail leaders already depend on outside suppliers for products. Outsourcing for service can be very cost-saving and highly productive. It is important that managers realize how important it is to maintain friendly relationships with outside suppliers and service providers. When supply shortages occur, the friendly customers get priority.

### Conclusion

In conclusion, strategic planning in a retail corporation must start with effective leadership and effective managers. Having an understanding of what effective leadership looks like is a great start. Knowing what successful corporations consider and the processes included in strategic planning is key. The bottom-line in strategic planning is leaders must act in an educated fashion to create alignment with all facets of the corporation both internally and externally. Implementation of new practices, products and services should be done on a smaller-

test scale. Glitches should be worked out and customers, suppliers, employees, culture, processes, products and services must all be considered. Effective strategic planning in today's competitive retail world takes time and planning by teams of individuals who are willing to be objective and realistic. When this happens strategic planning can be maximized and a competitive edge can be derived.

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Appendix/Appendices (if used)