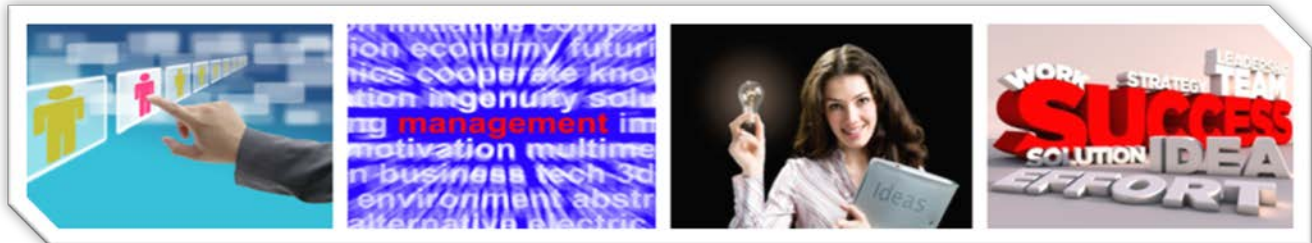


# Strategy and Planning



**A guide to help you look to the medium and longer term future and take concrete steps to ensure that the envisaged future actually materialises**

Strategy and Planning form an important component in Strategic Management (see Strategic Management Guide) and are designed to ensure that, first, your business is looking to the medium and longer term future and, second, that you are taking concrete steps to ensure that the envisaged future actually materialises. It is a filter-down process whereby the strategic plans are developed and then implemented through your annual plan; it is important to emphasise that strategic and annual planning is not about ‘hitting and hoping’, but is based on making decisions about the future direction for your business following a comprehensive research and analysis phase.

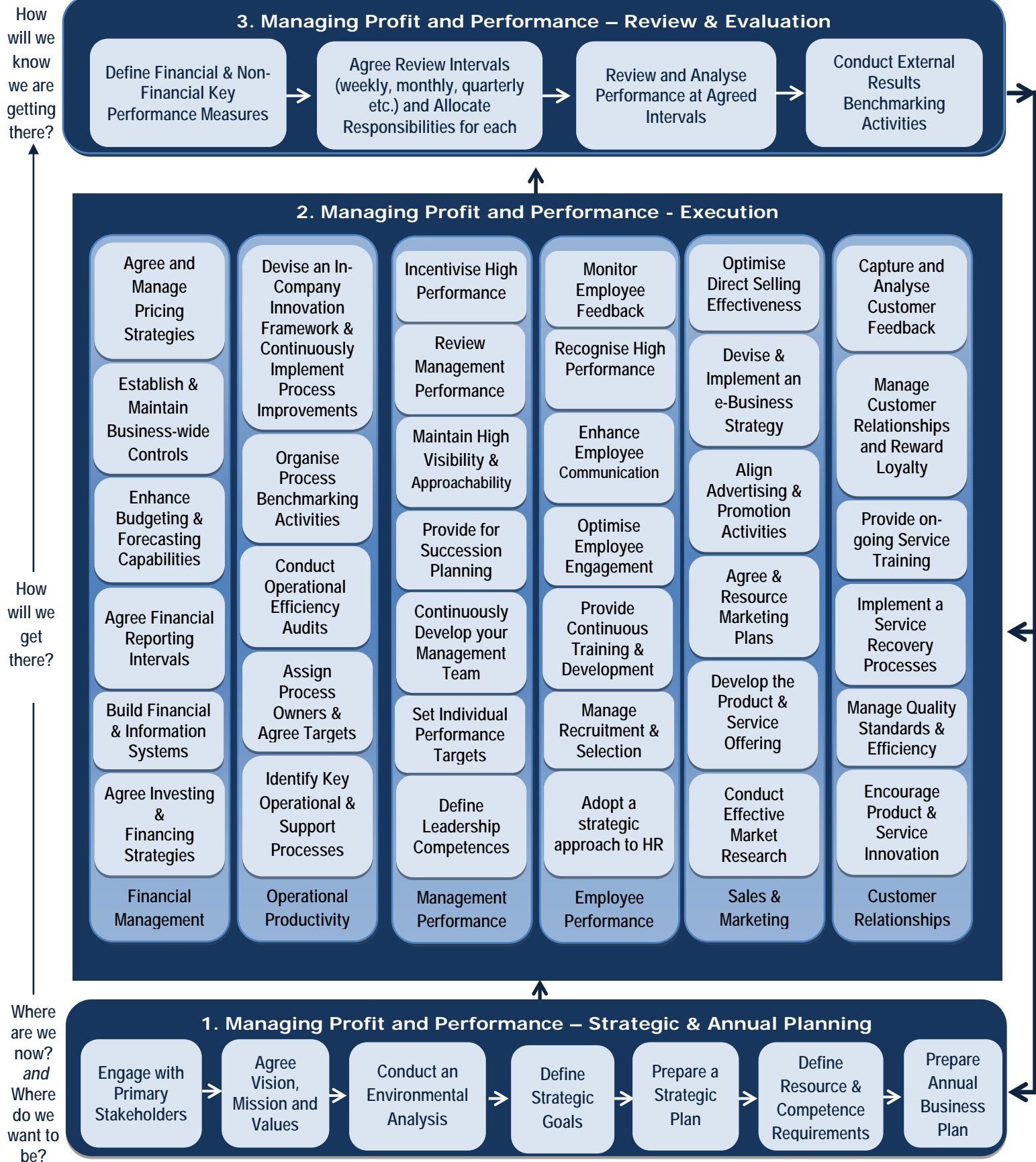
# Strategy and Planning Guide

Every tourism business plans ahead to some degree, but historically the greater focus has been on short-term or operational planning, which is of course important but is never enough. Operational planning can help to ensure that you 'do things right' in the sense that you manage the business day to day, week to week, in an effective way. But, you also need to ensure that you 'do the right things' with regard to moving the business in the right direction, and this is where strategy and planning comes in. This guide covers the following information:

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# The Phases in Strategic and Annual Planning



As outlined in the [Understanding Strategic Management guide](#), Strategic Management is an all-encompassing activity with your business. One of the reasons why strategic and annual planning hasn't been as widely applied within tourism as it might have been is that from a distance it can seem like a very unwieldy and complicated process. But it doesn't need to be, and when you understand the strategic management process presented above, you quickly recognise just how important strategic and annual planning is as part of that and this guide will primarily focus on that aspect of the Strategic Management model.

## 1 Managing Profit and Performance – Strategic & Annual Planning

In laying the foundation for your strategic and annual planning efforts you should address a number of issues here:

### 1.1 Engage with Primary Stakeholders

Stakeholder Engagement means engaging with your key stakeholders to better understand their needs and expectations and to plan accordingly. A separate guide on [Stakeholder Engagement](#) is available on Business Tools. Some questions to help you here include:

- ❑ What do your owners/investors/lenders expect? How supportive of you are they? What do they think about issues like service quality and employee engagement?
- ❑ Who are your customers? Can you divide them into different key segments? What are your customers' needs by segment? Are you meeting and more importantly exceeding them? What do your customers think about you at present? How do you know? When customers do give you feedback, how often does the word 'excellent' feature?
- ❑ Are your employees competent, committed and motivated? Do they play an active or passive role in day to day decision-making?

### 1.2 Agree Vision, Mission and Values statements

As a result of engaging with your primary stakeholders you will have a clearer understanding of their needs and expectations. Truly having a stakeholder focused business means that you should develop, or revise your Vision, Mission and Values statements to capture what you are seeking to deliver for your key stakeholders. Details on how to do so can be found in the [Leading your Organisation online guide](#).

Many businesses pay lip-service to the issue of stakeholder focus but best in class companies have Vision, Mission and Values statements which genuinely guide business activities and serve as the foundation to all strategic and annual planning efforts.

### 1.3 Conduct an Environmental Analysis

Like any decision-making process, which planning at all levels essentially is, you need facts to guide you so strategic planning begins with a research phase.

It is often assumed that strategic planning is only the concern of senior management but everyone in the business has a role to play in the process, appropriate to their level of course. In essence, you and your senior

management team must drive the strategic planning process and there should be an agreed structure and timeframe for when the planning takes place.

For example, you need to be very clear as to how (and who) will undertake the research and analysis required, who will be involved in formulating the strategic plan, how it will be executed and so on. A clear, efficient framework for guiding strategic planning is therefore vital. Other managers and staff can be involved in providing information to support decision-making, and clearly they all need to understand the general strategies agreed so that they 'get' the direction the business is heading in and how they can contribute.

At times, given our general preference for 'doing' in this industry, the research and analysis phase in the planning process can be somewhat unstructured

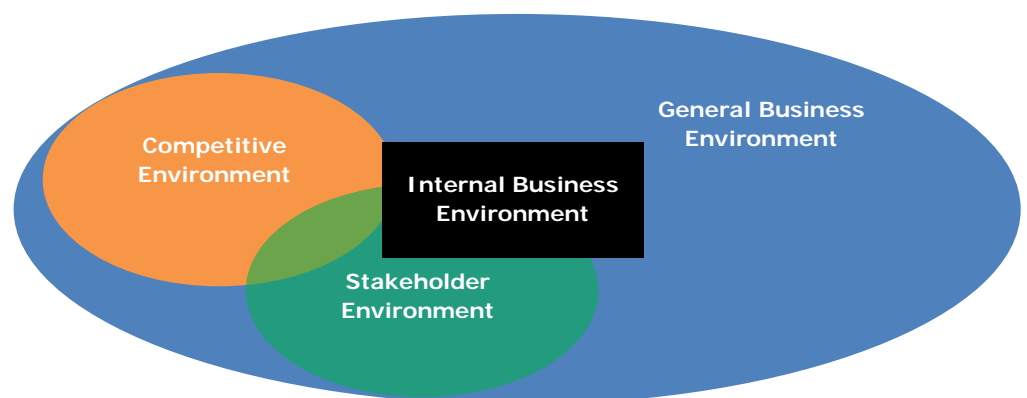
and end up looking like this:

*Senior managers meet, armed with bundles of financial data, and some general 'research' about industry and market trends. Then, through a series of discussions an agreed strategy or set of strategies evolve and by a process of elimination a chosen route forward is agreed.*

Now, one of the dangers in this approach is that, beyond concrete financial data, the decisions are largely based upon opinion not fact, or it is primarily gut-feeling which steers the choices made. That is not to say that gut feeling is bad, but it should never be the sole decision driver, nor should opinions replace solid evidence. Effective decision-making is always based on fact; and for that, you need to do research, or in more technical terms, you need to conduct an environmental analysis.

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Your business is influenced by a number of environments:



In seeking to provide a foundation for meaningful strategic planning you need to gather as many facts as possible on the trends, issues, challenges, opportunities and indeed threats which can impact upon your business.

## Internal Business Environment

The internal environment means analysing everything that happens within your business so that you can pinpoint your strengths and weaknesses in comparison to your competitors and indeed industry leaders. There is an important point to note here: a strength is only a strength when it is something that you can demonstrably prove you do better than others! Questions that might help you here include:

- ✖ How is your business performing financially? How does that compare to other similar businesses and industry norms?
- ✖ How does your product and service offering compare with that of your competitors? Where are the current gaps in what you offer? What do customers say they like/prefer about you?
- ✖ What operational processes have you mastered? What ones do you struggle with? What about business-wide processes like innovation, or environmental management? How good are you in those areas?
- ✖ Are you maximising the use of information technology in your business?

## Competitive Environment

Analysing the competitive environment means truly understanding the dynamics of the sector and markets you operate in so that you can master those dynamics and identify opportunities for your business. Some questions to help here include:

- ✖ What are the key trends in the sector you operate in? What are the overall projections for the sector in your region?
- ✖ Are you operating in a mass market, or do you offer a specialist or niche experience?
- ✖ Is overall demand growing, or subsiding in your region?
- ✖ Is it easy to set up a business in your area, or are there barriers to entry such as restrictions on similar product developments?
- ✖ What drives the market(s) that you are in? Price, quality or both? What trends are you seeing in your markets? Are you increasing market share or losing it in your key markets?
- ✖ How does the market operate? Do customers buy directly, online or through intermediaries, or all three? Who are these intermediaries and what relationships do you have with them? How is technology affecting the market dynamics?
- ✖ Do you have a lot of competitors, or only a few? (Remember competitors are not just those who are located close by)
- ✖ Is your business considered a leader amongst your competitive set?
- ✖ What supports are available for enterprises such as yours? Are you maximising your usage of those supports?
- ✖ Who are the main business associations? Do you have a productive relationship with them?

## General Business Environment

The external business environment for tourism enterprises includes all factors that currently affect, or may affect, how you do business and indeed what potential there is for you to do business. Yes, most of these external factors are beyond your control, but being aware of the opportunities and threats out there can help you to prepare for them, or at least confront them more proactively. One well known tool for analysing the external environment is PEST which relates to:

- ☐ Political / Legal
- ☐ Economic
- ☐ Social / Cultural
- ☐ Technological

Some questions to help here include:

- ☐ Are there any regulations on the horizon which might have implications for the operation of your business? What do you need to do to get ready for any such legislation/regulations?
- ☐ What is the general economic outlook like for the short and medium term? What is it like in the places where your customers come from?
- ☐ How are consumers' habits/needs changing? What implications might such changes have for you in the short, medium and longer term? What are the environmental issues that you need to respond to?
- ☐ What are the future technology developments which will impact on tourism enterprises generally? How might they impact your business?

By conducting, or employing experts to conduct the required analysis, you will then have a bank of knowledge to guide your decisions. What next? Obviously you need to make sense of all the data you now have to hand and this is where another well-known tool, the SWOT matrix, can be helpful and it involves summarising:

- The current internal *strengths* and *weaknesses* of your business.
- The *opportunities* and *threats* you face in the business environment.



A fact-based SWOT will give you a clearer and more credible picture of your business and the environment within which you operate. More importantly, you will have the right information to help you make smarter choices as you set out to develop your strategic plan.



## 1.4 Define Goals and Prepare Strategies

An important starting point when setting out to build your plans is to first set some strategic goals. These are useful in that they tend to focus your thinking in priority areas and they will also set parameters for subsequent decisions. As explained in the [Leading your Organisation online guide](#), some of your strategic goals will be defined by converting the aspirations described in your Vision and Mission statements into concrete goals. Other goals you define will be influenced by factors such as the return on investment you need to generate (financial), or the markets you wish to grow (marketing), what customer targets you set (customer), what you want to do in terms of employee engagement (employees) what you want to do in areas like environmental management (processes) and so on.

There is no set approach to goal-setting because owners and managers define the goals based on their specific circumstances; however, all your goals should be SMART (Specific, Measurable, Achievable, Realistic, Time-bound).

With the goals in place, strategy formulation moves on to the design and selection of appropriate business strategies to realise those goals. As an example, for illustration purposes, imagine you had established a strategic goal '*to increase market share in the UK walking-holiday market by 20% within three years*'. How will you achieve this? What are the marketing, product, service, pricing, employee development implications of seeking to realise that goal?

In short, strategies are essentially choices you make, or options you take which are designed to help move you from your current position towards the goals you want to achieve. Strategies should also help you to play to your strengths, address your weaknesses, capitalise on opportunities and prepare for threats.

As you develop general strategies you must also think of the resource and competence implications for the business. There is no point having a strategy that you don't have the resources to implement, or that you lack the internal competences to achieve. These issues must be considered early in the process, not late.

## Goals



The **desired** results of your business plans and commits to achieve the end toward which effort is establishing specific, realistic time-targeted objectives.



## 1.5 Prepare Annual Business Plan

Naturally, it is not sufficient just to develop or formulate what you think are great strategies unless you actually do what is required to implement them.

This is where an annual plan comes in. An important early distinction to make here is that your financial budget is not an annual plan, although it will naturally be part of one. Budgets only focus on outcomes so they do not provide you with the necessary guidance on how to get there.

Planning of all kinds is essentially about discipline and our industry does present unique challenges in this regard. In a customer facing environment, it is harder to structure each day and as a result it's not that surprising that planning might not always be as effective as it could be.

Some tourism operators make the mistake in believing that because things are going reasonably well, then lack of planning is not a problem for them. You need to be careful with this kind of thinking.

It takes time to see the benefits of effective planning, just as it does to see the damage that arises from not planning. Just because things look good today doesn't mean that there aren't seeds growing which will produce problems later.

Your annual plan should therefore define the range of finance, marketing, human resources and operational actions necessary to implement your strategies in any given year. The approach you take to developing this plan will depend upon your specific circumstances but whatever process you adopt, it should be structured, organised and occur within a defined timeframe usually aligned to your financial year.



A *Five-Step* procedure for preparing and implementing your annual plan is suggested, based on a calendar financial year:

**September -  
Current Financial  
Year**



**December -  
Current Financial  
Year**

**Step 1** – You (in conjunction with any relevant owners/investors/partners) should identify the broad priorities and targets to be addressed in the annual plan for the following year - making the link from your goals and strategies.



**Step 2** – Meet with your key managers/employees and outline targets (financial and non-financial) for their area in the following year. These targets should again be related to achieving your overall goals and strategies.



**Step 3** – Key managers/employees should then draft action plans for their relevant areas based on the agreed targets. These action plans identify what needs to be done, by whom and by when.



**Step 4** – Finalise the annual business plan (a number of meetings may be required to achieve this). Summarise all financial, marketing, operational and human resource actions under one integrated plan.



**Step 5** – Annual Plan finalised and appropriately communicated to stakeholders with relevant points summarised.

Your annual plan again doesn't have to be a detailed document but simply well thought out with actions defined, implementation schedules and responsibilities agreed.

## 2 Managing Profit and Performance – Strategy Execution and Evaluation Phases

Of course, as in our earlier diagram, Strategic Management does not end after the Strategic and Annual Planning phases. Executing your annual plan also requires you focus on critical areas such as:

**Financial Management** - without an effective financial model for the business which helps to optimise profitability and delivers accurate and up-to-date information to support decision-making, you cannot execute your plans in a coherent manner.

**Operational Productivity** - delivering on what's in your strategies and plans also depends on having effective operational and supporting processes in place and these cover everything from front office operations to purchasing. You must constantly strive to maximise efficiency in all your process and in doing so you will improve overall business performance and ultimately move towards achieving your strategic goals. You can find helpful resources on maximising operational efficiency in the 'Processes' section of the Online Business Tools site.

**Management and Employee Performance** - Of course, it will be your people – managers and employees – that make the plans happen so you should ensure that not only are they very clear as to what is expected of them, but that they have the skills necessary to do what is required to a high standard. You will find plenty of guidance on developing the skills of your managers and employees in the 'People' section of the Online Business Tools site.

**Sales & Marketing** - promoting your business is clearly an important success factor and the key challenge here is to maximise the return on your marketing expenditure by adopting an integrated approach based on solid research and defined target markets.

**Customer Relationships** - it goes without saying that unless you deliver a high quality experience and build meaningful relationships with your customers, you will struggle to succeed, regardless of what your short and long-term goals might be.

Without optimising business performance across all these areas, you cannot fully execute your plans to the extent that they will lead to enhanced performance and ultimately to the realisation of strategic goals.

Once executed, you can only determine how effective your strategies and plans are by measuring progress, analysing the implications of the results you get and taking action to continuously improve. Continuous improvement is a feature of all excellent companies and is

only possible within a culture where there is genuine concern, dedication and a willingness among managers and employees to constantly get better at what they do. Hence, everyone in your business will have a role to play in the process, but you must naturally take the lead here.

Measuring progress in relation to your strategic map has two dimensions: *implementation* and *impact*. Measuring implementation is relatively straightforward and essentially means

that you ensure that the actions agreed in your annual plan are actually executed within the agreed timeframe through regular review during the year. In other words, did you actually take the action necessary to achieve the results you want?

Measuring impact is somewhat more complicated but more valuable in terms of what it can tell you about your progress towards your goals. This not only involves defining key financial and

non-financial performance measures which give you a holistic view of how the business is doing, but may also necessitate putting systems in place to gather the relevant data. It is such an important area that you should give it a lot of thought, so that you will have the information you need, when you need it later.

Additional support in this area is available in the 'Profit' section of the Online Business Tools site.

### Activity – Reflect upon your current approach to strategic and annual planning

#### Consider the following questions:

- ✓ What elements of the strategic planning process outlined here do you already have in place? Where do you excel at present and where do the gaps lie?
- ✓ Who are the primary stakeholders for your business? What are their specific needs? When was the last time you formally consulted with them on this issue?
- ✓ How effective and extensive is the research you currently undertake to guide strategic decision-making and planning? Where might the gaps lie and how could you bridge them?
- ✓ Do you already have strategic goals defined to guide your business? If not, why not?
- ✓ When you think back over the past five years, have you managed to stay focused on the medium-term, or have you just concentrated on the here and now?
- ✓ How effective is your current approach to annual planning? Is it primarily budget-driven?
- ✓ What key performance measures have you defined to track progress towards your goals? Do your existing information systems give you the information you need to produce these measures, when you need it?
- ✓ How might you improve what you are doing as regards the strategic planning process?

## Conclusion

Strategic and annual planning forms an important component of strategic management and has to some extent been overlooked within tourism in favour of a focus on the current year.

This is changing fast as companies recognise the benefits of improving their strategic capabilities by pushing out the planning horizon to three or even five years.

Short-term thinking isn't disappearing but day to day planning becomes more effective because decisions are taken in

the context of a strategic framework rather than in isolation.

Regardless of the nature of your business, having a strategic map to guide you is vital because without one you will likely suffer from 'drift' and in reality you will be more focused on following the direction taken by others rather than setting a clear path ahead for your own business. Strategic planning can seem daunting but as you build the in-house competences each year, like any activity you become more effective at it over time.



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BT-SP-C7-0913-4