

Strategic Planning - A Powerful Tool

The hotel and restaurant industries are among the most reactive of all business sectors. Companies often jump into this sector without doing the appropriate homework. Operators react to everything from new trends, to becoming involved in the Internet without carefully examining options. In many cases, opportunity is only assessed when it knocks on the door. Our industry is unique in that it has been growing for the last seven decades without incorporating the basic business strategies applied by almost every other industrial and retail sector. This reactive approach is one of the main reasons the restaurant industry has a 20 percent bankruptcy rate on an annualized basis, and why average industry profit levels are only five percent of gross sales.

Instead of being reactive, operators must realize that one of the most significant and powerful business tools available to the industry is strategic planning, a proactive methodology by which operators can determine future goals and growth strategies and then implement an action plan to achieve those goals.

Planning

The first step in any process is the planning stage, whereby operators determine how they will develop the strategic plan. Objectives at this point include ensuring senior management is committed to the strategic planning process and will implement the actions arising from the process; establishing a planning time frame; outlining the steps and actions needed to complete the strategic plan; identifying possible barriers and solutions; and targeting those employees involved in the strategic planning process. This should include the owner, manager, assistant managers and any key staff members.

Mission Statement, Goal Setting and Values

The mission statement is generally one sentence defining an operation's purpose within its own market. In developing the mission statement, many companies also define their goals and values. Goals are simply what the company hopes to achieve in terms of economic results, community participation, social responsibility and the elimination of certain problem areas within an organization.

Environmental Assessment

The external and internal environmental assessment is sometimes referred to as a strengths, weaknesses, opportunities and threats analysis (SWOT). The first part of any SWOT analysis is an assessment of a company's internal resources through a review of their strengths and weaknesses. Results could show, for example, that a restaurant's design and concept is strong and that menu items are unique, meaning the company has a superior edge within the marketplace. However, the analysis may also uncover weaknesses within the organization, ranging from product or service inconsistency, or high staff turnover, to poor street signage. Ultimately, the

analysis results allow operators to capitalize on their strengths and focus on improving weaker areas.

After the internal analysis comes the external environmental assessment. In this phase of the strategic plan, the operator reviews external factors affecting the business' growth and objectives, such as new government legislation. A company which does a proper opportunity and threat analysis will instead be able to identify future threats and meet them head on.

In addition to legislative threats, tourism companies should assess the competition, population trends and other external influences. These external factors can either threaten your organization by making it more difficult to increase sales, or they may provide new growth opportunities.

Strategic Objectives

Strategic objectives are the measurable outcomes to be achieved within a set time frame. They can have a variety of characteristics, ranging from taking the company to new heights, to advancing the business in the direction set out by the mission statement. During strategic objective sessions it's important to ensure that objectives can work within the framework of the mission, value and goal statements developed earlier in the planning process, and that the organization develops specific strategic measures or benchmarks to assess how well it does in obtaining its objectives.

Strategic Priorities

By developing strategic priorities companies can determine which items must be dealt with in the short-term, mid-term or long-term. This will help management and staff prioritize their efforts while budgeting time and money for the plan's implementation. Priority setting is important since resources are usually limited.

Strategic and Tactical Actions/Initiatives

Once the strategic objectives have been set and prioritized, operators must develop an implementation plan, whereby each objective is matched to a series of action steps. This implementation strategy also allows operators to assign responsibilities to specific people within the organization.

Performance Analysis

During the performance analysis segment of the strategic planning process, managers have the opportunity to review objectives and priorities, and assess how well they were implemented and how effective the actual outcomes were. This information is then used to improve future strategic plans. Progress can also be evaluated using the benchmark measures and strategic objectives; the outcome is "positive" if it outperforms the strategic objectives, or "negative" if performance falls short of the intended goal.

Facilitating the Planning Process

Conducting the strategic planning process requires the assistance of an outside facilitator, who can offer assistance and training expertise, while allowing management to participate in the planning process directly. A facilitator should also be involved in documenting the final strategic plan and all planning sessions. These ideas can then be reviewed during subsequent sessions in the planning cycle.

Benefits of Strategic Planning

Not only does strategic planning establish consensus among management and line employees by having each participant focus on the future direction of the company, it also enables organizations to define future objectives, prioritize goals, and assign responsibility to specific players within the company. The process also gives both management and staff collective "ownership" of the final strategic plan, something that should encourage employees to work hard to ensure that the outcomes are achieved.

The process of strategic planning also allows for team building at a high level within an organization. Senior management and line staff have the opportunity to learn how each other deals with certain situations, and how each views the future of the organization. As a result, each employee comes to understand and participate, as a team, in setting the plan for growth, thereby increasing interest, ownership and productivity. A strategic plan also enables the planning team to focus on strategic questions and place less emphasis on tactical issues, focusing on "why" the company takes certain actions or seeks specific goals. Once this has been decided upon, the tactical issues of "how" the team will accomplish these goals become much easier to deal with.

Because it is an ongoing process, operators should continually re-evaluate the strategic plan to ensure it keeps pace with corporate, economic and industry developments. Those few tourism companies which have already gone through the strategic planning process successfully have found that the results of their efforts have paid for themselves tenfold.