**CHAPTER 2፡ STRATEGIC PLANNING**

**2.1, INTRODUCTION**

Projects are critical to the success of any organization. They are the activities that result in new or changed products and services. Projects increase profits, reduce costs, improve quality and customer satisfaction, enhance the work environment, and result in many other benefits. Good project management methodologies allow work to be accomplished in less time, at lower cost, with fewer resources, and without any sacrifice in quality.

Strategic planning for project management, combined with a good project management, can minimize the gaps on time, cost, and quality. Strategic planning is vital for every project. Effective strategic planning can mean the difference between long-term success and failure. Strategic planning for excellence in project management needs to consider all aspects of the company: from the working relationships among employees and managers and between staff and to the company’s corporate structure and culture.

**2.2, WHAT IS STRATEGIC PLANNING**

Strategic planning is the process of formulating decisions about an organization’s future direction. This process is vital to every organization’s survival because it is the process by which the organization adapts to its ever-changing environment. . All organizations must be effective and responsive to their environments to survive in the long run. And the process is applicable to all management levels and all types of organizations

Strategic planning for project management is **the development of a standard methodology** that can be used for achieving the project’s objectives. Altogether, this is a simple process that can be applied to each and every project. Without this process, subunits tend to drift off in their own direction without regard to their role as a subsystem in a project.

**2.3, IMPORTANCE OF STRATEGIC PLAN**

Strategic project plan serves as a vehicle for the communication of project objectives to all levels of management in an organization and gives all levels an opportunity to participate. It affords the potential of a vertical feedback loop from top to bottom, bottom to top, and functional unit to functional unit. The process of communication and reduce resistance to change. Although it is extremely difficult to achieve commitment to change when employees do not understand its purpose. Below there are some benefits of a written plan.

* A written plan will Form the basis for decisions on allocation of resources (financial and human)
* A written plan is an important tool to guide the activities of a project.
* A written plan will help to ensure that everyone is working towards the same ideals for the future so it is important to spend some time reflecting on and defining the objectives of a project.

**2.4, FORMULATION OF STRATEGIC PLAN**

The formulation of a strategic plan is performed at the top levels of the organization. Formulation process of Strategic plan is the process of deciding where you want to go, what decisions must be made, and when they must be made in order to get there.

The outcome of successful formulation results in the organization doing the right thing in the right way (i.e., it results in project management) by producing goods or services for which there is a demand or need in the external or internal environment. There are 8 steps to developing a strategic plan. It is important to document the outcomes and discussions of each step carefully to provide a basis for the written strategic plan. Here are eight steps to strategic planning

* STEP 1.Prepare to plan
* STEP 2.Identification of a project’s vision mission goals and project goals
* STEP 3.Analyze the internal and external environment
* STEP 4. Identify the strategic issues
* STEP 5.Define the strategic aims
* STEP 6. Identify the resources required to achieve the strategic aims
* STEP 7.Draw up an internal capacity building plan
* STEP 8.Cost the plan

**STEP 1: PREPARING TO PLAN**

This step builds **consensus** around some of the questions listed below.

* Who will be involved in the process? What will their precise roles be? Who will be involved from outside the organization? What kind of external perspectives and experiences will help in planning?
* How much time will be set aside for strategic planning? And over what period of time? How much time will different members of the team allocate to strategic planning? What is the timetable?
* Planning will be quicker and easier if relevant documents are collected in advance. Who will be responsible for collecting the relevant documents?

The time an organization invests in preparing to plan can yield huge dividends in the quality of the final product, so preparation deserves dedicated time and careful thought. Below are some tips for successful strategic planning.

**Tips for success**

* Make a list of who might be involved in the process
* Consider what particular skills and experience each person can bring to the process.
* Allocate precise tasks to individuals in a work plan and timetable.
* Agree on what external inputs you might need for different parts of the process and invite the relevant people.

**STEP 2: IDENTIFICATION OF A PROJECT’S VISION AND MISSION: PROJECT GOALS**

At this step we are going to identify and define what mission, vision and goal the project has.

1. **Mission Statement**: - A projects mission statement describes its reason for existence in general terms that capture its unique purpose and functions. It typically describes the organization, what it does, why it does it, and for whom.
2. **Vision Statement**: - The vision statement is a brief, forceful statement describing the project at its most effective, or as it will be when it achieves its desired goals and outcomes. Vision examples:
3. Great people, great service, excellence every time.
4. The department is recognized as a progressive, innovative leader as we promote economic vitality, safeguard the environment, provide world-class customer service and embrace change.
5. **Goals**: **-** Goals are broad, high-level, issue-oriented statements of outcomes that an organization will strive to achieve. They should fit well with the mission statement and values, and answer the question, "What must we do to accomplish our mission or achieve a result?"
6. **Objectives**: **-** Objectives break down goals into smaller, more specific pieces. They describe measurable results a project expects to accomplish within a given time period. A good objective statement will provide an operational way to know if your strategies are successfully moving toward your goal. Try to start each objective sentence with one of these words: increase, decrease, or maintain.

**STEP 3: INTERNAL AND EXTERNAL ENVIRONMENT ANALYSIS**

1. ***Assessment of external challenges and opportunities***

A good strategic plan will describe important external factors that affect the ability to achieve goals and performance targets. Organization should consider changes in these kinds of factors in their analysis and whether they affect the project upon whom you heavily depend:

• Related markets or industries

• The law or regulatory environment

• The natural environment

1. ***Assessment of internal capacity and financial health***

The strategic planning process also provides a good opportunity for an organization to take stock of its strengths and weaknesses, and to examine internal organizational factors that can impact its ability to accomplish the mission, goals, and objectives. For example:

• What are key workforce issues that affect projects performance?

• What workforce issues must be addressed to achieve project goals?

• Will your strategies require an increase in staff and, thus, a need for more space?

• What technology will be necessary (and in what time frame) to achieve goals?

Here are some key questions to guide internal environment analysis.

What human and financial resources and capacity are available?

What are the organization’s weaknesses and strengths?

Identifying the human and financial **resources** and **capacity** available to the project means looking at:

The skills, experience, knowledge and expertise of current staff as well as their roles and responsibilities

Overall income trends, including present and projected financial resources.

Analyzing strengths, weaknesses, opportunities and constraints

A common technique that combines internal and external assessment is “SWOT analysis,” short for Strengths, Weaknesses, Opportunities, and Threats. Under SWOT analysis, an organization explicitly identifies internal factors (strengths and weaknesses) and external factors (opportunities and threats) that may impact its ability to achieve results. This analysis can be used to develop strategies to capitalize on positive factors (strengths and opportunities) and mitigate adverse factors (weaknesses, risks, and threats.)The analysis of the **external** and **internal environment** in which an organization is operating can be helped by using a SWOT matrix.

**STEP 4: IDENTIFYING STRATEGIC ISSUES**

This step draws together and builds on the work completed in the previous steps. It is designed to help answer the question: **What are the key strategic issues that the organization wants to address?** It is important to identify the strategic issues that have emerged from the analysis so far because this helps to:

Focus attention on really important issues

Identify the major choices facing the organization

Highlight areas needing change

Provide insights about how to resolve the issues.

What are strategic issues?

Strategic issues are best stated and written down as **questions** because this will help highlight areas where the organization needs to make choices and decisions. They may relate either to the **aims** of the organization, or to its **mandate,** or to the analysis of the external and internal **Environment** and the results of the **SWOT** analysis. They will thus comprise a combination of program and organizational capacity issues. To test whether or not an issue is really strategic, examine each issue in terms of the questions below.

Is it possible to explain why it is a burning issue?

Can the organization do anything about the issue?

Does the issue have significant implications for financial or human resources?

Will there be negative consequences if this issue is NOT addressed?

If the answer to most of these questions is ‘yes’, it is likely that the issue is strategic. It is likely that many strategic issues will remain on the list even after those which fail this test have been eliminated. The next step is to prioritize the remaining strategic issues, group them and synthesize them into strategic aims.

**STEP 5: DEFINING STRATEGIC AIMS AND DEVELOP STRATEGIES**

In this step the purpose is to identify three or four strategic aims to guide the project and identify what strategies should be used to achieve this strategic aims.

**1.** What is a strategic aim?

A strategic aim states clearly and precisely what the organization wants to achieve from the project during this time and how it intends to achieve it.

**2.** What are strategies?

Strategies are statements of methods to achieve an objective. While goals and objectives state **what** the organization wants to achieve, strategies state **how** goals and objectives will be achieved Strategies are the paths that the organization will follow as it works towards achieving the identified strategic aims. For maximum impact, it is advisable to select a combination of strategies for each strategic aim. The key questions to ask in this step are:

What are the strategic aims of a project?

Which strategic aims should be prioritized?

**STEP 6: IDENTIFYING RESOURCE NEEDS**

Once the strategies have been defined, it is necessary to work out what **human and financial resources** will be needed to achieve the aims of the strategic plan. Through this step it is needed to answer the following questions

What financial resources are currently available, for which aspects of the work planned?

What human resources are currently available for the project (analyze staff skills and experiences)?

What are the gaps between what is available and what is needed?

How might these gaps best be filled? For example, consider the merits of staff development and training, the employment of new staff.

This analysis will provide the basis of both the **internal capacity building plan** and the **costing of the strategic plan**.

**STEP 7: INTERNAL CAPACITY BUILDING PLAN**

During the strategic planning process a significant number of strategic issues will have been identified that relate organizational capacity, its strengths or weaknesses directly to the final strategic aims, it is important to link them to the strategies for achieving those aims. However, some issues will be broader and are best addressed by developing an internal capacity building plan. This will help to ensure that the organization successfully builds on the strengths it has identified and minimizes or overcomes its weaknesses. The internal capacity building plan should specify what areas of capacity need to be addressed and how they will be addressed.

**STEP 8: COSTING THE STRATEGIC PLAN**

This step concerns the resources that will be needed to implement the strategic plan. In other words it will need to cover the strategies identified for each Strategic aim and the internal capacity building plan. At this stage it is sufficient to have an estimate of project costs. Below are some factors to consider when costing.

**COSTING: FACTORS TO CONSIDER**

**Identify the inputs**: -required to implement each strategy in terms of people, equipment, services and materials. Distinguish between the essential and less essential components, in case it is necessary to prioritize later.

**Categorize the costs of inputs**: -One way of doing this is to distinguish between indirect and direct costs