Strategic Planning in the Age of Digital Transformation

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Strategic Planning is the bedrock of every successful organisation. In the rapidly changing business environment, organisations must systematically progress towards their overall goals and objectives. Hypergene, with its innovative solutions for Planning and Performance Management, offers new possibilities within Strategic Planning, bringing a new paradigm to decision-making processes and guiding organisations towards achieving their targets.

In this white paper, you will find definitions of Corporate Performance Management (CPM), Strategic Planning and examples of management models and key concepts, with a deep dive into Objectives and Key Results.

What is Corporate Performance Management?

First, let's define CPM: It includes all the actions taken by management at different levels to achieve a particular result. This includes leading, managing, and developing your business to ensure your resources are used as effectively as possible in achieving your goals. Management can be viewed as a cycle with three components: Planning, implementation, and monitoring.

Given the risks of inefficient management, it's not surprising that most companies and public organisations strive to improve and develop their CPM. It may seem obvious that employees need to be aware of the goals of their activities, how things are progressing, and the preconditions they must work with.

Similarly, business leaders must be confident that their strategies and plans are implemented and followed. Poor management can lead to operational work drifting away from business goals and strategy. Good management helps to bridge the gap.

Effective Decision-Making Processes

Good CPM requires an effective approach to planning and investment in resources. There are many aspects to consider in the work, and often, dependencies involve many parts of the business. Given this context, it's critical to have access to KPIs and information from a wide range of sources. Decision-makers at different organisational levels can then consider which improvements will deliver the best results.

To ensure a good basis for decision-making, information needs to be processed, compiled, and presented in a way that facilitates business management. Unfortunately, many organisations struggle with extensive manual work, poor data quality, and system support that doesn't meet the needs of the business.

CPM also involves connecting different management processes. Managers at different levels must combine Business Planning with Financial Planning and align business activities with goals and strategies. Communication, processes, and system support play a role here.

The choice of control model is also important in this context. Examples of control models include OKR, Balanced Scorecard, Trust-Based Management, Total Quality Management, and Lean. In practice, it's common for organisations to have control models that have been developed in-house to some extent – influenced by established models but also by other companies' practices and employees' experience.

Corporate Performance Management vs. Financial Management
CPM has evolved from Financial Management's narrower focus on budgets and financial information. Some critics of Financial Management have argued that its KPIs, with their historical data, can lead to overly reactive behaviour. There's a risk of missing other crucial perspectives, such as customer satisfaction, innovation, quality, and human resources development.

The financial perspective can also be perceived as abstract, making it difficult for employees to see the links between the financial metrics and their own business. The risk is that management will not receive early warning signals of business and industry changes. For this reason, more and more companies are choosing to work with driver-based and operation-based budget models rather than account-based ones.

Another difference between CPM and Financial Management is who can access the information. In CPM, information is directed not just to managers but also to employees. The content is also more value-oriented, i.e., it contains more than just budget/actual outcome. In addition, information

is made available on demand rather than being pushed out at regular intervals. The aim is to promote proactive rather than reactive action orientation.

However, it can be argued that Financial Management still has a crucial role in modern CPM. It is, therefore, not a question of choosing one or the other. Instead, we can see effective Financial Management as critical to the functioning of Business Management.

Strategy, Goals and Plans

An organisation's strategy is its overall direction and most important priorities. Here, it is essential to think in terms of the bigger picture. When you get down to plans and goals, you should discuss the tactical and operational perspectives instead.

The business plan and operational plan should be seen as strategic work in practice, while the strategic plan should be seen as the organisation's most crucial management document. Plans are made to lead the organisation in the right direction.

Different parts of an organisation set strategies for their respective areas and work towards their goals. However, these strategies, plans, and goals must be compatible with the overall perspective. They must also work effectively throughout the organisation's different levels – from both the top-down and bottom-up perspective (from management to operational and operational to management).

An approach focused on achieving goals is often known as 'Management by Objectives'. This approach is like Strategic Planning but with more focus on achieving goals. Business plans and operational plans should also be closely linked to Financial Planning. They are interdependent and should be included in the same planning and management processes.

Budgeting and forecasting are central to an organisation's planning processes. They are usually done annually or over a rolling 12-month period. Through effective processes and accurate financial planning monitoring, you can enable management and decision-makers at all levels to navigate the business forward efficiently and flexibly. This is often done using tools such as Hypergene.

What is Strategic Planning?

Now that we understand the context let's dive into Strategic Planning, a critical component of CPM, encompassing the essential actions management takes to achieve desired outcomes. By effectively leading, managing, and developing the business, resources are optimised, goals are pursued, and risks associated with inefficient management are mitigated, ensuring alignment between operational work and strategic objectives.

Strategic Planning forms the basis for setting goals and priorities and ensuring that an organisation's plans go in the right direction. When the plans of different departments are unified and in line with the overall goals, the company has established a common direction.

The points of departure for strategic work are business goals, market analyses, and insights into the business environment, customers, and business operations. The types of planning that subsequently bring the objectives, activities and KPIs together are generally called Strategic Planning.

It is also easier to work with Strategic Planning if goals can be broken down into sub-goals and linked to KPIs that can be tracked over time. This creates continuity between strategy, goals, sub-goals and continuous performance measurement. This process is sometimes referred to as Corporate Performance Management (CPM), which can also include Financial Management.

Examples of Management Models and Key Concepts

Despite the diversity and popularity of various models, it is common for organisations to develop their management models. They are often inspired by one or more already established models. Countless governance models are more or less well-known. They have developed and increased over time. Some of them, several of which are interrelated, are briefly described below.

"Empowerment" is a common term in the management industry that represents the belief that participation and transparency in management and follow-up strengthen the business and work environment and lead to good results. The concept aims to empower individuals in an organisation, state, or group to feel power over their situation, tasks, or environment.

Hoshin Kanri is a Japanese seven-step process used in Strategic Planning. Professor Yoji Akao introduced the methodology in the 1950s, and means "compass control/direction". Hoshin Kanri simplifies resource prioritisation, provides managers with insights into performance, communicates the strategy clearly and widely, and provides a clear understanding of the current situation. There are clear links between Hoshin Kanri and 'the Deming Cycle'.

Balanced Scorecard (BSC) is a model for measuring more than just financial metrics (hence the "balance"). The Balanced Scorecard contains finance, process, customer, and learning and development dimensions.

TQM – Total Quality Management is a philosophy that focuses on quality in everything the company does, from processes to products. It was established in the United States in the 1980s with Japanese inspiration.

ISO – International Organisation for Standardization is an international standardisation organisation, represented by national standardisation institutions that work with industrial and commercial standardisation, several significant ones within the management, quality, and environmental areas (ISO 9000 and ISO 14000).

Just-In-Time (JIT) is an idea to limit inventory to a minimum. Of course, it requires a lot of BI and internal communication. It was established at Ford in the 1920s.

Activity-Based Costing (ABC) is a method for identifying the relationship between costs and activities in an organisation to determine the actual costs. One point is to transfer indirect costs to direct costs. It was established in the late 1980s with origins from the 1970s.

Business Process Reengineering (BPR) is an efficiency method that starts from processes (end-to-end) rather than functions in the organisation. Wants to cut out all work that does not add value to the customer (established in 1990).

LEAN – Lean Production is a philosophy on how to manage resources. Lean aims to identify and eliminate all factors in a production process that do not create value for the end customer. Simply put, it's about "more value for less work". The basic principles of Lean Production are rooted in ideas from, among others, Frederick Winslow Taylor, who, with Scientific Management, inspired Henry Ford to create a production system for mass production.

Investors in People (IIP) is an internationally recognised standard for quality development. The focus is on employees' competence and how it is utilised in the organisation, which are crucial for its attractiveness and competitiveness. The purpose of the standard is to ensure that: (1) Competence development coincides with and supports the purpose and goals of the business. (2) Managers take a holistic approach to employee development. (3) Employees feel engaged in developing the business and their colleagues.

Objectives and Key Results (OKR) is a popular goal management framework that helps companies implement and execute their strategy. The focus is collaboration, tracking progress, making adaptations, and encouraging engagement around measurable goals. The benefits of OKR include a higher focus on significant results, increased transparency, and better strategic direction.

A Deep Dive into OKR

Objective and Key Results is a compelling goal-setting paradigm that effectively aligns teams with an organisation's larger strategic objectives. The approach utilises interconnected 'Objectives' and 'Key Results' to underscore the importance of tracking progress, focusing efforts, and achieving set goals.

The two parts should be seen as interconnected since they depend on each other. For each goal, measurement and follow-up are linked. 'O' should be seen as a desired state and 'KR' as the measurable result.

OKR thus clarifies what is important, focuses efforts, and shows how far the company has come together with the combined efforts of its employees. When the OKR method is implemented correctly, everyone can influence their work, their team's and department's goals, and thus the company's goals.

Objectives

Objectives should be clear, ambitious, concrete, and long-term goals that promote action. They are intended to foster creativity and set a high level of ambition.

Objectives are thus what should be achieved. The goals are set jointly between the manager and the employee and are public within the company so that everyone can see their colleagues and the company's priorities. This, in turn, should lead to improved focus and communication.

What is required and by whom is clarified, making the goals easier to achieve and follow up on. The goals should be linked to the strategy and inspirational.

Key Results

A limited number of objectives (3–5) and key results (3–5) lead to focus. Key results make goals measurable and correctable during the journey toward the goals. They should also contribute to being able to answer how to achieve your objective.

Key results should not be too dependent on each other, should be time-bound, and should be measurable. A goal is long-term and long-lasting (think one year), while key results are developed with work effort. When all key results are achieved, the goal is achieved. Measurability and verifiability are important and something to strive for in both key results and goal setting in general. The key results linked to a goal tell you how to reach the goal, help you grade how well the goal has been achieved, and make you think about improvement suggestions. The measurement is intended to lead to adjustments and changes to the goal.

Goal Setting Using OKR

The first step in goal setting within OKR is determining what overall result you want to achieve – which is often defined by company management. The overall result is then broken down into 3–5 objectives, just like all objectives within OKR.

The company goals are often broken down quarterly and are the most important and ambitious. Imagine that you can only collectively achieve three goals to define these goals. What would those be?

Google allows employees to set 60 per cent of their goals to ensure a "bottom-up" and freedom regarding creativity and problem-solving. It is also possible to integrate individual and team goals and work more "top-down" with OKR to ensure direction and a shared focus throughout the business.

There are different ways to roll out goals in the organisation; here is an example:
An objective is divided into 3–5 key results, defining the most important sub-goals to achieve each objective. Each key result is then distributed to underlying operations, where each should not receive more than three key results.

These key results then become the operations' objectives. In addition to the three assigned objectives they have been given, they can define an additional 1–2 objectives to provide a bottom-up perspective. Then, the procedure starts again, where objectives are broken down into key results for units further away from the organisation's core.

Long-Term SMART Goals
Good objectives can be described as 'stretch goals' (long-term) and are almost unachievable to encourage continued development. If management or a manager can't give sufficient authority to fulfil the goal, the goal is not sufficiently broken down.

Short-term goals are best linked to activities, and long-term goals should be linked to results. There are similarities between Agile Project Management (such as SCRUM methodology) and Objectives and Key Results, but they are different methodologies.

Agile Project Management and agile project management tools manage activities and are inherently short-term in their goal formulation. OKR, however, aligns well with the SMART goal formulation (Specific, Measurable, Assignable, Realistic, and Time-related).

Hypergene: Enabling Your Strategic Planning

Hypergene's solutions offer new possibilities within Strategic Planning by integrating digital tools that ensure organisation-wide strategic efficiency. These solutions are designed to empower employees at all levels of the organisation, promoting a decentralised decision-making approach. Every action, activity, and decision aligns with the organisation's overarching goals by connecting strategic initiatives with individual tasks.

In practice, the Strategic Planning process is often complex, with managers and staff lacking a clear and relevant overall picture of strategies, targets, direction, and status. By integrating Hypergene's Solutions, the intricate components of Strategic Planning can be efficiently managed, providing a coherent understanding of the organisational plan and enabling employees to contribute effectively.

Hypergene's suite consists of five interactive and user-friendly modules: Strategic Planning, Budgeting & Forecasting, Analysis & Insight, Performance Reporting, and KPI Tracking. While each of these modules enhances performance and efficiency in key areas, together, they create new possibilities for taking Performance Management to higher levels.

A selection of Strategic Planning applications that Hypergene can help you with:

- Strategic Management
- Business plans
- Operational plans
- Balanced Scorecard
- Management by Objectives
- Risk Analyses
- Quality plans
- Internal control

Overall, Hypergene's Strategic Planning solutions provide an effective and complete package for managing and tracking organisational goals, facilitating clear communication, and empowering employees at all levels.

HYPERGENE
ENABLING BETTER PERFORMANCE

ENABLING BETTER PERFORMANCE. Hypergene is a tech company in the Business Intelligence and Performance Management market – with a cloud-based product for planning, reporting and analysis. With Hypergene you can streamline your budget and forecasting processes, follow up on operations using advanced analysis and reporting functionality, and work better with strategic management.