

2.1 Strategy Development

Purpose

This item asks how you establish a strategy to address your organization's challenges and leverage its advantages and how you make decisions about key work systems and core competencies. It also asks about your key strategic objectives and their related goals. The aim is to strengthen your overall performance, competitiveness, and future success.

Commentary

A context for strategy development. This item calls for basic information on the planning process and for information on all key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions—taking as long term a view as appropriate and possible from the perspectives of your organization and your industry or marketplace. This approach is intended to provide a thorough and realistic context for developing a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

A future-oriented basis for action. This item is intended to cover all types of businesses, for-profit, and nonprofit (including government) organizations, competitive situations, strategic issues, planning approaches, and plans. The

questions explicitly call for a future-oriented basis for action. Even if your organization is seeking to create an entirely new business, you still need to set and test the objectives that define and guide critical actions and performance.

Competitive leadership. This item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which you compete but also how you compete. How to compete presents many options. Deciding how to compete requires that you understand your and your competitors' strengths and weaknesses and also involves decisions on taking intelligent risks in order to gain or retain market leadership. Although no specific time horizons are included, the thrust of this item is sustained competitive leadership.

Data and information for strategic planning. Data and information may come from a variety of internal and external sources and in a variety of forms, and they are available in increasingly greater volumes and at greater speeds. The ability to capitalize on data and information, including large datasets ("big data"), is based on the ability to analyze the data, draw conclusions, and pursue actions, including intelligent risks.

Blind spots. Blind spots arise from incorrect, incomplete, obsolete, or biased assumptions or conclusions that cause gaps, vulnerabilities, risks, or weaknesses in your understanding of the competitive environment and strategic challenges your organization faces. Blind spots may arise from new or replacement offerings or business models coming from inside or outside your industry.

Managing strategic risk. Your decisions about addressing strategic challenges, changes in your regulatory and external business environment, blind spots in your strategic planning, and gaps in your ability to execute the strategic plan may give rise to organizational risk. Analysis of these factors is the basis for managing strategic risk in your organization.

Work systems. Efficient and effective work systems require

- effective design;
- a prevention orientation;
- linkage to customers, suppliers, partners, and collaborators;
- a focus on value creation for all key stakeholders; operational performance improvement; cycle time reduction; and evaluation, continuous improvement, innovation, and organizational learning; and
- regular review to evaluate the need for fundamental changes in the way work is accomplished.

Work systems must also be designed in a way that allows your organization to be agile and protect intellectual property. In the simplest terms, agility is the ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your strategy and markets, agility might mean the ability to change rapidly from one product to another, respond rapidly to changing demands or market conditions, or produce a wide range of customized services. Agility and protection of intellectual property also increasingly involve decisions to outsource, agreements with key suppliers, and novel partnering arrangements.

Work systems and ecosystems. Organizations should view the ecosystem strategically. They need to be open to new partnership arrangements, consortia, value webs, and business models that support the organization's vision and goals. The organization's growth may depend on the collective growth of the ecosystem and its ability to prepare for the future. And as competition comes from organizations in different industries, organizations may be able to stand out from their competitors through new and novel offerings, possibly through the ecosystem. Your strategy should take into account your role and your desired role within the ecosystem (as a partner, collaborator, supplier, competitor, or customer—or several of these).

Strategic objectives. Strategic objectives might address product and service quality enhancements, workforce capability and capacity, rapid response, customization, co-location with major customers or partners, specific joint ventures, virtual manufacturing, rapid or market-changing innovation, ISO quality or environmental systems registration, and societal contribution actions or leadership.

SOURCE: 2019–2020 Baldrige Performance Excellence Framework Criteria Commentary - This commentary provides brief summaries of the Baldrige Criteria for Performance Excellence categories and items. It also includes examples and guidance to supplement the notes that follow each Criteria item in the Baldrige Excellence Framework booklet. For additional free content, and to purchase the booklet, see www.nist.gov/baldrige/publications.