

A close-up photograph of a person's hands typing on a laptop. The person is wearing a tan, textured sweater, a black watch, and several gold-colored bracelets. The laptop is open on a wooden desk. The background is slightly blurred, showing a window with a view of a city.

# Strategic Planning and Budgeting Essentials

**2019 Step-by-Step Guide for  
Customer Service & Support**

**Part 1 of 3**

## Part 1

# Strategic Planning and Budgeting Foundations

This is part one of a three-part strategic planning and budgeting guide.

Part one provides a foundational level-set for functional leaders as they embark on strategic planning.

Parts two and three provide hands-on tools, templates and guidance on how to set and measure objectives, assess capabilities, allocate resources, measure progress and execute the plan.

**Contact our team to discover Gartner's full suite of insights, templates and peer examples to help you develop and drive your functional strategy.**

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## How to use this guide

This three-part guide offers a roadmap for strategic planning at the functional level.

It provides guidance, tools, templates and lessons learned from practitioners on how functional leaders can tackle the essentials of a successful functional strategic plan.

### Part 1

- Verify your mandate.
- Define how enterprise strategy could and should change your function's priorities.
- Commit to being strategic in how your function supports and drives enterprise ambitions for innovation, growth and competitive advantage.

### Part 2

- Identify and assess critical capabilities.
- Define your function's objectives and know how to measure success.
- (Re)prioritize the allocation of budget, resources and capacity.

### Part 3

- Distill the strategy down to one simple, coherent page.
- Embed the plan in your function and enterprise.
- Know when and how to revisit and adjust the plan as conditions change.

## Resource key



Keep track of your progress



How-to guide: Tactical tool or template, developed from Gartner's experience with clients



Create your own: Populate your own template based on our example (some forms are interactive in e-books)



Peer example: Sample approach, developed from Gartner's work with one or more practitioners



Stop and check that you have what you need from this step



Designates a live link in the digital e-book

## Find relevant resources and tools at the end of each step.



Discover how Gartner can help you with your strategic planning and budgeting.

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## Mission: Map How to Win

“60% of corporate strategists cite slow strategy execution as their biggest challenge for 2019.”

2019 Gartner Strategy Agenda Poll

### Keep the “strategy” in strategic planning

This strategic planning guide offers a roadmap for functional leaders who must identify and prioritize initiatives at a functional level to support and drive the enterprise strategy for innovation, growth and competitive advantage.

As enterprise strategy evolves, functional leaders are challenged to reset priorities, manage trade-off decisions and minimize the costs of change in a way that effectively prioritizes the successful execution of critical initiatives.

To succeed, functional leaders need a strategic mindset; otherwise, the functional strategic planning process gets hijacked by short-termism, tactical-execution plans and other “check the box” activities. This mandate is critical whether functional strategic planning takes place on a calendar basis, or is more of an ongoing reassessment of priorities.

All too often, concerns about meeting short-term targets, fear of failure and a preoccupation with operational issues overwhelm aspiration. But the crux of functional strategic planning is to align with enterprise goals for growth, despite changing and often unpredictable business conditions.

In 2019, uncertainty and volatility are everywhere:

- **Significant execution risk** is being created as businesses enter new markets, launch new products or otherwise change business models, often to meet the demands of digitalization.
- **Pressure to maintain and boost competitiveness** is unyielding, especially as markets transform.
- **External disruptions**, including major shifts in the competitive and economic landscapes, and exogenous disruptions such as escalating trade wars, geopolitical turmoil and Brexit, are just a few of the issues with the potential to upend strategic plans.
- **Macroeconomic uncertainty** constrains resources and presents obstacles to future planning. The possibility of a recession, whether it arrives or not, is at best a distraction and at worst (if it should unfold) a major challenge. Accelerated strategy execution needed to compensate for slowing economic growth.



### Among corporate strategists

**70%** express low confidence in their ability to translate strategy into action

**92%** cite resource allocation as a significant barrier to effective strategy

**82%** cite complexity of change initiatives as a key barrier to effective execution

Unlocking capacity is 50% more effective than any other approach in enhancing the quality and speed of strategy execution

Source: 2019 Gartner Strategy Agenda Poll

Functional leaders feel the impact from resultant changes in operating models — from business priorities to structures and processes and capabilities needs:

- The number of enterprisewide change initiatives keeps growing in response to greater complexity in strategy, particularly as a result of digital disruption. With increased cross-silo coordination, things are more likely to go wrong. Capacity bottlenecks are harder to spot, and misalignments can erase expected benefits.
- Demands are growing for stronger cross-enterprise capabilities and cross-functional collaboration to accommodate those transformational enterprisewide initiatives. Many organizations, especially those with long records of decentralization and bottom-up decision making, are ill-equipped for the coordination necessary to drive strategic investments forward.
- All sizes and types of organizations need more digital capabilities, which permeate all aspects of business and operating models and reshape how companies and functions generate value. Leaders face an increasing amount and diversity of job responsibilities, forcing them to rely more on the expertise of others to get their jobs done.



The mission for strategy leaders at the corporate, business-line and functional levels is to respond to these evolving and competitive conditions, identify and commit to critical new growth initiatives, find ways to accelerate the execution of those initiatives — and unlock the capacity (time, budget, talent and technology) needed to fuel them.

Moreover, their plans must be able to respond to change — without veering off track with every surprise. Disciplined execution of the plan is especially critical during fast-changing conditions, so it's important to have early-warning systems to identify events that require an adjustment vs. those that threaten to derail the plan entirely.

Processes are also needed to help functions make the right choices when surprises do appear and to reprioritize initiatives to keep them aligned with business imperatives when necessary.

Strategic planning and execution are always challenging, but most companies are now pursuing strategies that have a greater risk of failure, and often involve business model change that creates a complex set of coordinated changes across the business. Success requires business and functional leaders to be laser-focused on actions that will enable the enterprise to drive innovation and growth.



## Step 1

Be Strategic on Costs and Budgeting

# Step 1: Be Strategic on Costs and Budgeting

“For new initiatives, we check early for resource availability and capability fit to enable smooth execution.”

Head of strategy, technology company

## Look to promote innovation, growth and productivity

Before you even start your functional planning process, make a commitment to take a strategic approach to cost management and budgeting, wherever and whenever you must decide which initiatives to pursue and fund.

The ability to allocate resources to the right opportunities — funding innovation and growth even when under pressure to cut costs — often separates winners from losers.

As you develop your functional strategic plan, make sure to think less about cutting costs and more about cost optimization — taking a business-focused, continuous approach to cost management that is focused on preserving funding for innovation and critical growth initiatives, even when costs must be stripped from the bottom line.

This strategic approach to cost management protects key sources of business value. As you evaluate your own function’s costs, work with other stakeholders to identify where and how to optimize costs without undermining strategic objectives.

Don’t allot spend to non-value-added activities over high-value investments. That type of misalignment will undermine performance and long-term growth. Prioritize cost reductions strategically — for example, by retiring/shutting down the highest-budget items that provide the least value and aren’t vital to support your business goals.

To validate your cost allocation plans, be prepared to evaluate the upside of each opportunity and ask if the opportunity is worth the effort for categorizing cost optimization initiatives. Actively re-evaluate cost optimization decisions as conditions change.

## Purpose-driven budgeting

The budgeting process itself can support — or undermine — your attempts to be strategic about resource allocation.

“Instead of merely providing information regarding the resources that each business needs, our new budgets answer the question, ‘How are we helping the business unit achieve its goals?’ This is what you want to know, and why you need budgets,” says one senior executive at a food and beverage company.



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## Step 1

Be Strategic on Costs and Budgeting

To meet this need, some enterprises favor varied and dynamic budgeting processes for different businesses, regions and functions. This type of “purpose-driven” budgeting addresses three of the most common challenges of strategy execution:

**1 Funding the right projects.** Budgets are often set based on the prior year’s numbers, but if there is significant organizational or strategic change, the old budget may not be a good guidepost. With zero-based budgeting (ZBB), previous spending choices have no privileged position as the starting point for the current year’s budget. Equally, it’s not just a matter of erasing last year’s numbers to argue about this year’s. The ZBB approach transforms funding requests from “Do we have this in the budget?” to “How does this further our business objectives?”

**2 Gaming the budget.** Executives frequently complain that the budget process is riddled with politics. Moving toward a driver-based budgeting (DBB) model lets you eliminate unproductive debate and focus on the real changes in the business. The DBB model ties operational indicators to financial outcomes, with the first steps centered on key financial drivers (e.g., revenue), followed by examination of high-level operational indicators like head count, before evolving into true leading indicators of financial outcomes.

**3 A short shelf life.** By the time you’re halfway through your annual operating plan, the data underlying your original budget can be outdated or irrelevant, leaving midyear resourcing decisions relatively unsupported. Many companies are layering on scenario-based budgeting (SBB) to remedy this disconnect. SBB provides clarity regarding the resourcing decisions you’ll want to make under the different circumstances that could surface throughout the plan year.

These three process fixes are certainly not exhaustive; you may want to experiment with rolling budgets, strategy-driven budgets or various other models as well. Regardless of the particulars, you should knit together the right mix of models for the particular set of conditions your functional and business partners face.



### What to take away from step 1

- Commitment to view your function’s cost architecture through the lens of business value
- View cost optimization as a continuous discipline focused on directing resources (time, capabilities and budget) to strategic innovation and growth initiatives
- Clear understanding of the best budgeting approach(es) for your function’s needs, considering what type of purpose-driven budgeting best supports your strategy execution



## Step 2

Identify Key Peers,  
Influencers and  
Sign-Offs

## Step 2: Identify Key Peers, Influencers and Sign-Offs

“This has to be a collaborative effort that ensures our function contributes to the achievement of the organization’s strategic objectives.”

Senior functional executive, food and beverage company

### Win friends and influence people

From the outset of the functional strategic planning process, identify the key stakeholders who will be contributing to, reviewing and signing off on your plans. Think of them as representative of the dependencies within today’s complex and global organizations. Make sure each understands the role of the others in the planning process. Outline the responsibilities, process timelines and expected outcomes for each.

Why does this really matter? Strategy in the digital age requires more collaboration across functions and deeper technical knowledge than ever before. You may need cross-silo coordination or enterprise “gut checks” to keep your function’s focus aligned with the organization’s goals. You’ll also need to identify potential barriers to your decision making.



## Step 2

Identify Key Peers,  
Influencers and  
Sign-Offs

Working collaboratively with a range of stakeholders — many of whom may be new and unfamiliar — greatly improves your chances of planning and executing successfully in a way that delivers a meaningful contribution to enterprise goals.

A shared prism on strategy will also be key when it's time to allocate scarce resources to the most critical initiatives and growth investments, especially if you have to manage trade-offs with other functions.

### Resources for this step



**Peer example: Map Roles and Responsibilities:  
Customer Service & Support**



### What to take away from step 2

Clear understanding of:

- Your own responsibilities in the functional strategic planning and budgeting process, and where they may overlap with other functions
- Who to collaborate with to stay aligned with enterprise business strategy, sense-check your future plans and discuss resource-allocation decisions
- Who among the stakeholders will ultimately sign off on your strategy/budget plans



**Step 2**

Identify Key Peers,  
Influencers and  
Sign-Offs

## Map Roles and Responsibilities: Customer Service & Support

Establish the roles and responsibilities of different functional stakeholders from the start. Make sure to identify stakeholders who reflect the dependencies within your organization. Specify the responsibilities for each role.

Role	Responsibility
<b>Head of Service Organization</b>	Define and finalize the function's objectives and action plan.
<b>CEO/Executive Committee</b>	Approve the function's strategy and key investments.
<b>Business-Unit Leaders</b>	Provide input on business strategy and the function's performance.
<b>Direct Reports to Head of the Service Organization</b>	Build project proposals and estimate resource requirements.
<b>Service Organization Managers</b>	Conduct planning analyses and provide process- and activity-level input.



### Step 3

Determine the Impact of Business Strategy on Your Function

## Step 3: Determine the Impact of Business Strategy on Your Function

“We want to be able to consistently point to our impact on business performance.”

Functional executive, energy and utilities company

### Stay laser-focused on business strategy

Your functional strategic plan will map the key initiatives you'll pursue to drive enterprise ambitions. You'll need strategic focus and the confidence to act boldly and decisively to take advantage of opportunities and avoid risks created by pursuing enterprise imperatives.

The drivers of urgency behind your own planning derive directly from corporate objectives, external business conditions (competitive, economic, political, regulatory, customer and technological factors), and other key trends that may affect the organization or your function.

By the time you undertake your own functional planning, you should already be clear on your organization's mission (its reason for being), vision, future aspirations and underlying values. Still, verify exactly what the key business priorities mean for your function.

An effective tactic is to interview business leaders directly. Encourage them to:

- Describe the current and desired future state of the business.
- Lay out the goals and capabilities required to support and enable those business aspirations.
- Specify suitable metrics to gauge progress against those goals.

Also, drill down with line leaders into the implications of their business strategy for broad functional imperatives.

Keep the conversation strategic, not tactical.

“We identify expected changes in the size and complexity of the business and future business challenges. This helps us determine how business-level changes will impact the need for different types of support from our function,” says a senior leader at a global telecommunications company.

During this process, start to take note of what you'll need to de-emphasize or stop doing.



### Step 3

Determine the Impact of Business Strategy on Your Function

“As we look at the business objectives — new geographies, product lines or strategic initiatives — we have to consider what that means for our own staffing size, structure and skill requirements,” says a functional executive at a financial services company. “Then, just as important as identifying what we should do is identifying what we should stop doing.”

### Resources for this step



**How-to guide: Business Partner Interview Guide for Functional Leaders**



**Create your own: Business Strategy Summary**



**Peer example: Confirm Business-Unit Project Strategy**



### What to take away from step 3

Thorough understanding of the impact that business priorities and challenges have on:

- Your own function’s imperatives, opportunities and risks
- What you need to emphasize, de-emphasize or stop doing



# Business Partner Interview Guide for Functional Leaders

Conduct virtual or face-to-face meetings with key business-unit heads to enhance your understanding of business strategy and objectives. Questions such as these will help guide the conversation.

## 1. How would you describe the current state of the business?

- What are our primary sources of revenue and major cost categories?
- What are the few critical outputs/end results for which the business is accountable?
- What are the advantages or disadvantages of the business compared with its competitors?
- How do you think the business environment has changed over the course of the past year (e.g., market share and competition, customers and channels, production/service delivery cost, technology and regulatory changes)?
- What are the biggest challenges you are facing today as a business leader?

## 2. What is the long-term plan for our business?

- What are your key business goals for the next two to five years?
- What are the business' primary strategies to achieve the corporate goals? How do you plan to execute these strategies?

- What is the direction of the key product line, supply chain, service offerings, etc.?
- How will you know if the plan is successful? What metrics will you use to measure success?
- What are the key factors that will make or break the business' success in the long term?
- What major obstacles will the business face in achieving these objectives?

## 3. What does the business need in the mid- and long-term to support the strategy?

- What critical capabilities are needed for the business to succeed?
- How do you expect our function to enable your business goals?
- Which metrics would be the most useful to you to gauge how this function is progressing against the goals mentioned above?
- What are your top goals and associated metrics?
- What specific challenges need to be considered in the business' strategic plan to ensure its alignment with the corporate strategic plan?



# Business Strategy Summary: Implications of business goals for the function

After verifying the mission, vision and strategic goals of the business, functional leaders will be able to identify the implications of the business priorities and challenges for their own function. This template will help clarify the intent of the strategy and the needs of the business to help strengthen downstream execution.

Business Goals	Business Priorities	Measures of Success	Potential Challenges	Implications for Your Function
<b>Example</b>				
Example: Drive top-line growth through higher share of wallet from key accounts	<ul style="list-style-type: none"> <li>Drive product innovation in surgical gown products</li> </ul>	<ul style="list-style-type: none"> <li>Become the first company to manufacture breathable surgical gown</li> </ul>	<ul style="list-style-type: none"> <li>Long-term innovation investments crowded out by short-term priorities</li> </ul>	Division A will need strong capital budgeting controls for protecting strategic R&D investments
	<ul style="list-style-type: none"> <li>Promote energy-saving products at low prices</li> </ul>	<ul style="list-style-type: none"> <li>Create products that are 25% more energy-efficient within three years</li> </ul>	<ul style="list-style-type: none"> <li>Unanticipated supply chain issues drive costs up and put margins under pressure</li> </ul>	
	<ul style="list-style-type: none"> <li>Expand medical devices business</li> </ul>	<ul style="list-style-type: none"> <li>Enter medical devices market in China by 2020</li> </ul>	<ul style="list-style-type: none"> <li>Compliance and regulatory issues delay launch timelines</li> </ul>	

## Your Company



Type in the light blue fields to complete the interactive form



**Step 3**

Determine the Impact of Business Strategy on Your Function

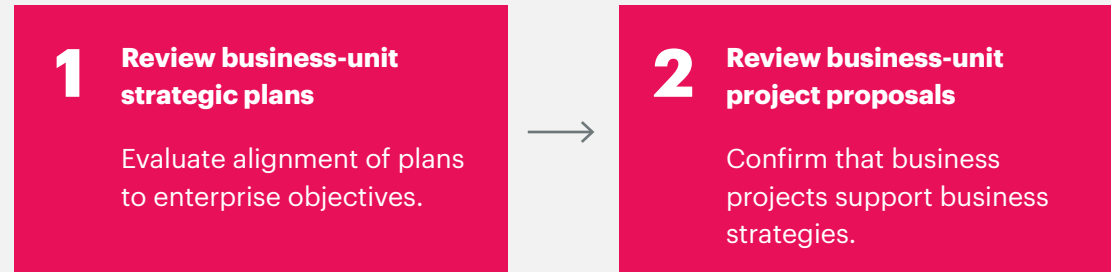
# Confirm Business-Unit Project Strategy

Gartner’s work with practitioners has surfaced key ways in which company, enterprise, business-unit and functional strategies must align. For your function, make sure to:

- Uncover assumptions in business plans and projects to identify and prioritize strategic customer service and support initiatives.
- Review all business project proposals.
- Clarify details of business strategic plans and projects, done through management interviews.
- Make sure to add business strategic plans and projects to the customer service and support plan if uncertainty or impact is high.

## Top-Down Planning Framework

### Business-unit strategic plans and project review process



**Identify risks and validate explicit assumptions**

Verify supporting information provided in plans or project proposal.

**Identify implicit assumptions**

Talk to management to understand other relevant assumptions and business drivers.

**Brainstorm other critical risks**

Use cross-functional perspective to identify other potential critical issues.

### Sample questions to evaluate assumptions in business-unit strategic plans and projects

**Enterprise level (aggregate level)**

- Can we tie the project to the company’s strategic objectives?
- Can we validate the supporting information?
- Were the principles used in determining this course of action appropriate?
- What is the impact to the market segment?
- Is there recognition of changes to external assumptions (economic, regulatory, political)?
- What other critical issues could derail the strategies?

**Business level (individual level)**

- What is the impact of initiative failures?
- What is the level of innovation involved?
- Is there recognition of changes to internal organizational factors (technical needs, social issues such as business readiness for change)?
- What other critical issues could derail the strategies?

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“Gartner has been very instrumental in providing data to allow me to get board approval on a growth and strategy plan.”

CxO, large consumer goods company

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