TOPIC TWO: STRATEGIC PLANNING

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.

It can also be defined as planning for making and implementing strategies to achieve organizational goals. It starts by asking oneself simple questions like : What are we doing, should we continue to do it or change our product line or the way of working, what is the impact of social, political, technological and other environmental factors on our operations, are we prepared to accept these changes etc.

Strategic planning helps in knowing where we are and where we want to go so that environmental threats and opportunities can be exploited, given the strengths and weaknesses of the organization. Strategic planning is "a thorough self-examination regarding the goals and means of their accomplishment so that the enterprise is given both direction and cohesion."

Strategic planning is planning for long periods of time for effective and efficient attainment of organizational goals. Strategic planning is based on extensive environmental scanning. It is a projection into environmental threats and opportunities and an effort to match them with organizational strengths and weaknesses.

Fundamental questions to ask.

- ✓ Where are we now? (Situational analysis/ Assessment)
- ✓ Where do we want to be? (Vision/objectives)
- ✓ How do we get there? (Strategy)
- ✓ What is stopping us? (Constraints analysis)
- ✓ Implementation.

Characteristics of a good strategic plan

- ✓ It should address critical performance issues
- ✓ It should create the right balance between what the organization is capable of doing versus what the organization would like to do.
- ✓ It should cover a sufficient time period to close the performance gap
- ✓ It should be visionary i.e. convey a desired future end state
- ✓ It should be flexible i.e. allow and accommodate change
- ✓ It should guide decision making at lower levels i.e. operational, tactical and individual.

Benefits of strategic planning

1. Financial benefits:

Firms that make strategic plans have good sales, low costs, and high profits. Firms have financial benefits if they make strategic plans.

2. Guide to organizational activities:

Strategic planning guides members towards organizational goals. It unifies organizational activities and efforts towards the long-term goals. It guides members to become what they want to become and do what they want to do. It focuses on specific goals making it clear for members to know the direction towards which they have to move.

3. Competitive advantage:

In the world of globalization, firms which have competitive advantage (capacity to deal with competitive forces) have better sales and financial performance. This is possible if they foresee the future. Future can be predicted through strategic planning. It enables managers to anticipate problems before they arise and solve them before they become worse.

4. Minimize risk:

Strategic planning provides information to assess risk and frame strategies to minimize risk and invest in safe business opportunities. Chances of making mistakes and choosing wrong objectives and strategies, thus, get reduced.

6. Promotes motivation and innovation:

Strategic planning involves managers at top levels. They are not only committed to objectives and strategies but also think of new ideas for implementation of strategies. This promotes motivation and innovation. It also provides motivation to people at lower levels when they know their efforts are contributing towards organizational goals.

Satisfied workforce is the strength of the organization. It saves huge costs on reducing absenteeism, labour turnover, role conflicts etc. It promotes discipline in the organization and enhances human resource effectiveness and also organizational effectiveness.

7. Optimum utilization of resources:

Strategic planning makes best use of resources to achieve maximum output. Resources are scarce and strategic planning helps in their use in the areas where they are required most.

Limitations of Strategic Planning:

1. Lack of knowledge:

Strategic planning requires lot of knowledge, training and experience. Managers should have high conceptual skills and abilities to make strategic plans. If they do not have the knowledge and skill to prepare strategic plans, the desired results will not be achieved. It will also result in huge financial losses for the organization. This limitation can be overcome by training managers to make strategic plans.

2. Interdependence of units:

If business units at different levels (corporate level, business level and functional level) are not coordinated, it can create problems for effective implementation of strategic plans.

3. Financial considerations:

Strategic planning requires huge amount of time, money and energy. Managers may be constrained by these considerations in making effective strategic plans.

Strategic planning process

In the simplest terms, the strategic planning process is the method that organizations use to develop plans to achieve overall, long-term goals.

The below 8 steps give you an overall view of the general actions that should be followed when putting together any strategic plan.

1. Getting prepared.
Decide on the team who will be involved in the planning process , gather all needed information ensuring all information is up to date and as accurate as possible which is very important to ensure sound decisions results from this whole process. Identify any specific issues that needs to be addressed.

2. Clarify the mission and vision statements.
Identify, clarify and reach consensus on the company's mission and vision statements, corporate values and culture, the main goal of why the company exists and create an image of what success looks like for your company.

3. Identify your current and future market position. (Perform a SWOT analysis)
Gather up-to-date information on internal strengths and weaknesses and external opportunities and threats so you can develop an understanding of all critical issues. Use the SWOT tool to organize your information (see SWOT analysis article on a detailed description of this crucial strategic planning tool).

4. Agree on priorities.
As in any planning process, all priorities need to be set and agreed as well as broad strategies for handling critical issues and what outcomes are to be sought. It is important that you and your planning team agree on all major and key priorities.

5. Put the plan together.

In this step you should start putting all the bits and pieces of your plan together (in one document) to facilitate implementation and constant review.

6. Distribute tasks and assign actions

Now that your plan has been placed together in one document, it's time to start assigning specific tasks to each specific team, department or individual.

7. Roll-out the plan.

Now your plan needs to be communicated and circulated to everyone in your organization to ensure alignment. Now this is very important, to ensure that everyone is aligned and all the energy and efforts of each individual are on the same direction, successful companies make sure their strategic plan is not only communicated to department heads or the most obvious stakeholders but each and every person in the company needs to be aware and buy into the plan.

8. Hold everyone accountable.

The plan will not be effective without processes and metrics that ensures everyone is doing their part. The plan needs to be constantly monitored and performance needs to be measured through either monthly or quarterly strategy staff meetings. To hold people accountable and making sure that the plan activities are actually happening and corrective actions and adjustments can be taken to rectify, tweak and effectively manage performance in light of the strategic plan.

Elements of a Strategic Plan

The five elements comprising a strategic plan include;

- ✓ Define mission, vision, activities and values
- ✓ Scan the environment using a SWOT analysis
- ✓ Identify and prioritize strategic issues
- ✓ Define strategic goals and objectives
- ✓ Establish an implementation plan and schedule

Define Vision, Mission, Activities and Values

The foundation of the strategic plan is the vision, mission, activities and values of the organization. When articulated in formal statements, they provide the framework for identifying strategic goals. The statements provide a vision or target goal for the organization to achieve and define what the organization does and why. They should be created or reviewed as the first step in formulating the organization's strategic plan.

A vision statement tells everyone the type of community or world the organization envisions for its constituency as a result of the work of the organization.

A mission statement describes what the organization will do, who it will do it for and how it will achieve the vision. The mission statement is often the only statement many people will read about an organization.

An activities statement describes the business or general activities you will use to achieve the organization's mission.

A value statement describes the principles and beliefs that guide the operations of the organization.

These statements provide a filter through which important decisions for the organization and the standards for evaluating the effectiveness of your programs and activities can be screened.

TOOLS USED IN ENVIRONMNTAL SCANNING/ ANALYSIS

Refers to the process of monitoring the organizational environment to identify both the present and future threats and opportunities that may influence the firm's ability to reach its goals.

Environmental scanning can also be defined as a process that systematically surveys and interprets relevant data to identify external opportunities and threats. An organization gathers information about the external world, its competitors and itself. The company should then respond to the information gathered by changing its strategies and plans when the need arises.

The organizational environment is a set of all the factors within and without the organization that affect the progress of an organization towards attaining those goals.

The success of an organization is determined by the effort of how management is able to constantly gather and consider the implication of the data from the environment.

The future of an organization can be affected if the management of an organization is not keen on its operating environment.

The business world is becoming more complex and more dependent on the environment. Modern organizations are open rather than closed system and this enables them to scan and analyze the environment and eventually they are able to survive through the dynamic changing environment. Organizations with close systems are eliminated along the way.

The importance of environmental scanning:

1. Identification of strength:

Strength of the business firm means capacity of the firm to gain advantage over its competitors. Analysis of internal business environment helps to identify strength of the firm. After identifying the strength, the firm must try to consolidate or maximize its strength by further improvement in its existing plans, policies and resources.

2. Identification of weakness:

Weakness of the firm means limitations of the firm. Monitoring internal environment helps to identify not only the strength but also the weakness of the firm. A firm may be strong in certain areas but may be weak in some other areas. For further growth and expansion, the weakness should be identified so as to correct them as soon as possible.

3. Identification of opportunities:

Environmental analyses helps to identify the opportunities in the market. The firm should make every possible effort to grab the opportunities as and when they come.

4. Identification of threat:

Business is subject to threat from competitors and various factors. Environmental analyses help them to identify threat from the external environment. Early identification of threat is always beneficial as it helps to diffuse off some threat.

5. Optimum use of resources:

Proper environmental assessment helps to make optimum utilization of scare human, natural and capital resources. Systematic analyses of business environment helps the firm to reduce wastage and make optimum use of available resources, without understanding the internal and external environment resources cannot be used in an effective manner.

6. Survival and growth:

Systematic analyses of business environment help the firm to maximize their strength, minimize the weakness, grab the opportunities and diffuse threats. This enables the firm to survive and grow in the competitive business world.

7. To plan long-term business strategy:

A business organization has short term and long-term objectives. Proper analyses of environmental factors help the business firm to frame plans and policies that could help in easy accomplishment of those organizational objectives. Without undertaking environmental scanning, the firm cannot develop a strategy for business success.

8. Environmental scanning aids decision-making:

Decision-making is a process of selecting the best alternative from among various available alternatives. An environmental analysis is an extremely important tool in understanding and decision making in all situation of the business. Success of the firm depends upon the precise decision making ability. Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.

The following are the tools used to scan or analyze the environment

- ✓ PESTEL
- ✓ SWOT
- ✓ BCG
- ✓ Porter's Five Forces Model
- ✓ Ansoff's Matrix

PESTEL Analysis

Businesses are influenced by the environment that they're in and all the situational factors that determine circumstances from day to day. It is because of this, that businesses need to keep a check and constantly analyze the environment within which they run their trade and within which the market lays.

A detailed analysis of the macro-environment or the environment as a whole is called PESTEL analysis. The PESTEL analysis ascertains for the managers and the strategy builders as to where their market currently stands and where it will head off in the future.

PESTEL analysis consists of components that influence the business environment and each letter in the acronym denotes a set of factors that directly or indirectly affect every industry. The letters denote the following:

P for Political factors: These factors take into account the political situation of a country and the world in relation to the country. For example, what sort of government leadership is affecting what decisions of a country? All the policies, all the taxes laws and every tariff that a government levies over a trade falls under this category of factors.

E for Economic factors: Economic factors include all the determinants of an economy and its condition. The inflation rate, the interest rates, the monetary or fiscal policies, the foreign exchange rates that affect imports and exports, all these determine the direction in which an economy might move, therefore businesses analyze this factor based on their environment so as to build strategies that fall in line with all the changes that are about to occur.

S for Social factors: It describes characteristics of the society in which the organization exists. Its looks at the literacy rates, educational levels, customs and beliefs, values, lifestyles, age, geographical distribution and mobility of distribution. Managers should realize that changes in the attribute of a society may come either slowly or quickly but what is sure is changes are inevitable. Therefore, a business should study the social composition in the environment into which it is operating and also the cultural aspects of the environment.

T for Technological factors: Technology greatly influence a business, therefore PESTEL analysis is conducted upon these factors too. Technology changes every minute and therefore companies need to stay connected along the way and integrate as and when needed. Technology includes new approaches to producing goods and services, new procedures as well as new equipment.

Depending on where an organization has been established, new technology might be embraced or rejected e.g. In countries with very high population like India or most African countries introduction of new technology leads to redundancy of most employees this is made with a lot of opposition by individuals or even the government. Hence before purchasing expensive equipment you need to know whether they will be accepted in the environment in which you are operating.

Generally most organizations operating in countries where customers are always looking for the latest technology, in such environments the best strategy to adopt is being a market leader in buying and installing the latest technology so that by the time your competitors are getting to you have already recovered the money used. Technology goes beyond equipment, you also need to study the experts that you have to operate the new machines. In countries where education lags behind is a challenge in introducing new technology.

E for Environmental factors: The location of countries influence on the trades that businesses do. Adding to that, many climatic changes alter the trade of industries. Geographical location, the climate, weather and other such factors that are not just limited to climatic conditions. These in particular affect the agri-businesses, farming sectors etc.

L for Legal factors: Legislative changes occur from time to time and many of them affect the business environment. For example, if a regulatory body would set up a regulation for the industries, then that law would impact all the industries and business that strife in that economy, therefore businesses also analyze the legal developments happening in their environment. Such laws encompass but not limited to discrimination laws, employment laws, consumer protection laws, copyright and patent laws, and health and safety laws.

SWOT Analysis

The SWOT analysis is one of the very useful tool for understanding and decision-making for all sorts of situations in business and organizations. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. A scan of the internal and external environment is a crucial part of the strategic planning process, which is being covered by SWOT analysis. It is used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. Strengths, Weaknesses are considered to be internal to the corporation or organization whereas Opportunities, and Threats are part of the external environment. The analysis involves identifying the purpose of the business venture or project and recognizing the internal and external factors that are favorable and unfavorable to achieve that goal.

Strengths

These are those things you do well, the high value or performance points. Strengths can be tangible e.g. loyal customers, efficient distribution channels, very high quality products, excellent financial condition. Strengths can also be intangible e.g. Good leadership, strategic insights, customer intelligence, solid reputation, and high skilled workforce often considered 'core competencies'.

Weaknesses

Refers to those things that prevent you from doing what you really need to do. Since weaknesses are internal, they are within your control. Weaknesses include; bad leadership, unskilled workforce, insufficient resources, poor product quality, slow distribution and delivery channels, outdated technologies, lack of planning etc.

Opportunities

Refers to a chance for a firm to grow or progress due to a favorable juncture of circumstances in the business environment. Opportunities can be a potential areas for growth and higher performance. The possible opportunities include; Emerging customer needs, Quality improvements, Expanding global markets, Vertical integration etc.

Threats

A threat is a factor in your company's external environment that poses a danger to its well-being. It considered to be challenges confronting the organization, external in nature. The possible threats include; New entry by competitors, changing demographics or shifting demand, emergence of cheaper technologies, regulatory requirements etc.

Threats can also take a wide range of bad press coverage, shifts in consumer behavior, Substitute products, and new regulations.

Positive	**Negative**
Strength (Internal)	**Weakness (Internal)**

✓ Technological skills ✓ Leading brands ✓ Distribution channels ✓ Customer relationship and Loyalty ✓ Management	✓ Absence of employee skill ✓ Unreliable product ✓ Poor access to distribution ✓ Low customer retention ✓ Poor management
Opportunities (External):	**Threats (External):**
✓ Changing & unfulfilled customer need ✓ Technological advances ✓ Favorable change in government policies ✓ Liberalization of market	✓ Changing customer taste & emergence of substitute product. ✓ Arrival of new technologies ✓ Unfavorable change in government policies ✓ Closing of market

BOSTON CONSULTING GROUP (BCG)/ GROWTH SHARE MATRIX

The Boston Consulting Group matrix is a tool that is used to assess the organization's market position relative to its competitors in terms of its product or service range.

It can also be defined as a planning tool that uses graphical representations of a company's products and services in an effort to help the company decide what it should keep, sell or invest more in. The matrix plots a company's offerings in a four square matrix, with the y-axis representing rate of market growth and the x-axis representing market share.

The BCG growth share matrix breaks down products into four categories: Question marks/Problem child, Stars, Cash cows, and dogs.

	High Market Share	Low Market Share
High Market Growth	Stars	Question Marks/ Problem child
Low market Growth	Cash Cows	Dogs

Characteristics of Each Quadrant

Question marks:

Question marks have a low relative market share and a high growth rate, meaning they have the potential to grow rapidly if you invest large amounts of cash into them. At the moment though, they are returning very little compared to the investment you're making. Ultimately, a question mark will go one of two ways:

- ✓ It will become a dog and lose money, in which case you should probably abandon this product; or,
- ✓ It will turn into a star, and then into a cash cow as market share grows.

Question marks require careful analysis to decide if they are worth the further investment. Products with growth potential may warrant a cash injection; dead-in-the-water products do not.

Stars:

Products that are in high growth markets and that make up a sizable portion of that market are considered "stars" and should be invested in more. In the upper left quadrant are stars, which generate high income but also consume large amounts of company cash. If a star can remain a market leader, it eventually becomes a cash cow when the market's overall growth rate declines.

Cash cows:

Products that are in low growth areas but for which the company has a relative large market share are considered "cash cows," thus, the company should milk the cash cow for as long as it can. Cash cows, seen in the lower left quadrant, are typically leading products in markets that are mature. Generally, these products generate returns that are higher than the market's growth rate and sustain themselves from a cash flow perspective. In effect, low-growth, high-share cash cows should be milked for cash to reinvest in high-growth, high-share "stars" with high future potential.

Dogs:

If a company's product has low market share and is in a low rate of growth market, it is considered a "dog" and should be sold, liquidated, or repositioned. Dogs, found in the lower right quadrant of the grid, don't generate much cash for the company since they have low market share and little to no growth. Because of this, dogs can turn out to be cash traps, tying up company funds for long periods of time. For this reason, they are prime candidates for divestiture.

Divestiture The act of selling an asset, a business, or a part of a business:

Liquidation The process of closing a business, so that its assets can be sold to pay its debts

How to Use the BCG Matrix in Marketing Strategy

The BCG matrix is an analysis tool; the idea is to give yourself a clear picture of where your products currently sit so you can decide what to do with them. Some of the tactics you might adopt include:

- ✓ **Hold:** Leave the product where it is in its current quadrant. This option is viable for cash cows and when the marketing budget is small.
- ✓ **Build:** Invest more money in a product's marketing to boost its market share. A strong marketing campaign has the potential to move question marks into the star quadrant and stars into cash cows.
- ✓ **Harvest:** For cash cows, it may be sensible to cut your investment and harvest the maximum revenues from the product. This increases its overall profitability.
- ✓ **Dispose:** Divest the business of failing products (dogs) and release the money that's tied up in them.

Advantages of the BCG Growth Share Matrix

- ✓ BCG matrix is easy to understand i.e. you don't need to bring in experts or perform complicated statistical analysis to get value from it. Plotting your products visually means it's easy for anyone to deduce which products are your stars and cash cows and which products you should try to divest due to the risks involved in those quadrants.
- ✓ BCG model helps you to remove the weak areas of your business in favor of the higher-value opportunities that might be available to you. Removing the question marks and dogs frees up cash and leaves you with the products that have a high scope for growth (and investment). Whether you choose focus on stars or cash cows depends on your risk appetite and cash reserves.

Porter's five forces

Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation. These are briefed as under:

1. ***Supplier Power:***

Here we need to assess how easy it is for suppliers to drive up the prices. This is to determine how much pressure suppliers can place on a business. If one supplier has a large enough impact to affect a company's margins and volumes, then it holds substantial power. Here are a few reasons that suppliers might have power:

- ✓ There are very few suppliers of a particular product
- ✓ Uniqueness of their product or service i.e. there are no substitutes
- ✓ Switching to another (competitive) product is very costly
- ✓ The product is extremely important to buyers - can't do without it

2. ***Buyer Power:***

In this factor we need to analyze how easy it is for buyers to drive prices down. This is to determine how much pressure customers can place on a business. If one customer has a large enough impact to affect a company's margins and volumes, then the customer holds a substantial power. Here are a few reasons that customers might have power:

- ✓ Importance of each individual buyer to business
- ✓ Purchases large volumes
- ✓ Switching to another (competitive) product is simple
- ✓ The product is not extremely important to buyers; they can do without the product for a period of time
- ✓ Customers are price sensitive

3. ***Competitive Rivalry***

What is important here is the number and capability of competitors. If business we are operating in has many competitors, and they offer equally attractive products and services, then we most likely have little power in the situation, because suppliers and buyers will go elsewhere if they don't get a good deal. On the other hand, if no-one else can do what we do, then we can often have tremendous strength. Highly competitive industries generally earn low returns because the cost of competition is high. A highly competitive market might result from:

- ✓ Many players of about the same size; there is no dominant firm
- ✓ Little differentiation between competitors’ products and services
- ✓ A mature industry with very little growth; companies can only grow by stealing customers away from competitors.

4. ***Threat of Substitution:***

What is the likelihood that someone will switch to a competitive product or service? If the cost of switching is low, then this poses a serious threat. If substitution is easy and substitution is viable, then this weakens your power. Here are a few factors that can affect the threat of substitutes:

- ✓ The similarity of substitutes. For example, if the price of coffee rises substantially, a coffee drinker may switch over to a beverage like tea.
- ✓ If substitutes are similar, it can be viewed in the same light as a new entrant.

5. *Threat of New Entry*:

Power is also affected by the ability of people to enter the market. The easier it is for new companies to enter the industry, the more cutthroat competition there will be. Factors that can limit the threat of new entrants are known as barriers to entry. Some examples include:

- ✓ Existing loyalty to major brands
- ✓ Incentives for using a particular buyer (such as frequent shopper programs)
- ✓ High fixed costs
- ✓ Scarcity of resources
- ✓ High costs of switching companies
- ✓ Government restrictions or legislation

Ansoff's Matrix

Ansoff's Growth matrix helps a business to understand the business development and marketing strategy that it should use to enable growth. It may consider existing markets, or new markets in which to sell its products or services, or existing products or services, or new products or services to sell to customers.

		PRODUCTS	
		Existing	**New**
MARKETS	**Existing**	Market Penetration	Product Development
	Existing	Market Development	Diversification

1. Market Penetration Strategy:

This strategy seeks business growth through selling existing products in existing market(s). For this reason it is a low risk strategy, as the firm is not risking developing new products or venturing into new markets. The strategy works in a growing market, where simply maintaining market share will result in growth.

Monyancha Erick Master of Science in Procurement and Contract Management JKUAT: 0712339564.

Strategy employed

Sell more of your product to existing customers of that product. Attract customers from your competitors with new and improved features, a lower price, or increase in service.

2. Market Development:

In this strategy the business targets new markets, or new areas of the market, by selling more of the same product to a new customer audience. For example,

(a) Selling in different geographical areas (new countries/regions);

(b) Selling through different sales channels (e.g. on-line);

(c) Selling to different demographic groups (e.g. by age or gender). Options (a), (b) and (c) may be entirely new to the company and this poses a risk. However, if the company holds a large market-share for the specific product type, or has strong brand recognition, or a strong brand-range, then this strategy could work in its favor.

Strategy employed

Introduce your existing product or service to a completely new market or segment. This could include a new region, country, or demographic group.

3. Product Development:

Another strategy is to develop or 'acquire' a new product to sell in an existing market. The new product could be developed, or acquired through acquisition of another company. This may be a good strategy for a company that already has a strong market share of a particular market and wishes to diversify its product range. However, it would need a strong research and development capability. This strategy relates to new products and any problems that are encountered could damage the company's reputation. Hence extensive testing and piloting is recommended.

Strategy employed

Develop a new product for customers already loyal to your brand. This entails additional product development costs, but eliminates the cost of acquiring new customers.

4. Diversification:

Developing new products for new markets is the most risky strategy, as the company would be venturing into new areas for both, product and market. It is advisable to carry this strategy out as a supplement to the existing core business. Diversification may be organic or perhaps more usually results from an acquisition or merger. Diversification may be related to the industry in which the company is engaged or unrelated to it. Clearly, unrelated diversification normally carries more risk than related diversification.

Strategy employed

Enter a new market with a completely new offering. Doing this entails significant costs and risk, but can be extremely rewarding.

Porter's Generic Competitive Strategies

Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three generic strategies which include cost leadership, differentiation and focus.

A company chooses to pursue one of three types of competitive advantage, either through lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price.

A company also chooses either focus i.e. offering its products to selected segments of the market or industry-wide, offering its product across many market segments.

The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. The concept was described by Michael Porter in 1980.

1. Cost Leadership

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. if a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

2. Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

3. Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The individual selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

Strategy Formulation

Strategy is a broad plan developed by an organization to take it from where it is to where it wants to be. A well-designed strategy will help an organization reach its maximum level of effectiveness in reaching its goals while constantly allowing it to monitor its environment to adapt the strategy as necessary.

Strategy Formulation is the process of developing the strategy by an organization whereby it chooses the most appropriate courses of action to achieve its defined goals. This process is essential to an organization's success because it provides a framework for the actions that lead to the anticipated results.

Strategy Formulation requires a defined set of six steps for effective implementation.

1. Define the organization

2. Define the strategic mission and vision

3. Define the strategic objectives

4. Define the competitive strategy

5. Implement strategies

6. Evaluate progress.

1. Define the Organization

Defining an organization is to identify the company's customers. Without a strong customer base, whose needs are being filled, an organization will not be successful. A company must identify the factors that are valued by its customers. Is the value based on a superior product or service relative to the competition? Are your customers buying your products for your low prices? Do you produce products that meet the needs of your customers?

2. Define the Strategic Mission

An organization's **mission** is the purpose or the reason for the organization's existence. It gives the direction that is used to reach the destination. An organization's strategic mission offers a long-range perspective of what the organization strives for going forward. A clearly stated mission will provide the organization with a guide for carrying out its plans. Elements of a strong strategic mission statement should include the values that the organization holds the nature of the business, special abilities or position the organization holds in the marketplace, and the organization's vision for where it wants to be in the future.

An organization's **vision** is a long-term organizational policy that evokes powerful and compelling mental images of an organization. A vision may or may not succeed and the success of a vision is tied to strategies. Therefore an organization must develop powerful strategies in order to achieve the vision. Remember a vision without the right structures is like a dream never come through.

3. Define the Strategic Objectives

This third step in the strategic formulation process requires an organization to identify the performance targets needed to reach clearly stated objectives. These objectives may include:

market position relative to the competition, production of goods and services, desired market share, improved customer services, corporation expansion, advances in technology, and sales increases.

Strategic objectives must be communicated with all employees and stakeholders in order to ensure success. All members of the organization must be made aware of their role in the process and how their efforts contribute to meeting the organization's objectives. Additionally, members of the organization should have their own set of objectives and performance targets for their individual roles.

4. Define the Competitive Strategy

It requires an organization to determine where it fits into the marketplace. This applies not only to the organization as a whole, but to each individual unit and department throughout the enterprise. Each area must be aware of its role within the company and how those roles enable the organization to maintain its competitive position.

Three factors must be considered when determining the overall competitive strategy: the industry and marketplace, the company's position relative to the competition, and the company's internal strengths and weaknesses. The Industry, the Competition, Strengths & Weaknesses

5. Implement Strategies

Developing a strategy is only effective if it is put into place. An organization may take all the necessary steps to understand the marketplace, define itself, and identify the competition. However, without implementing the strategy, the organization's work will be of little to no value. The methods employed for implementing strategies are known as tactics. These individual actions enable an organization to build a foundation for implementation. Companies are able to identify which of their efforts are more successful than others and will uncover new methods of implementation, if necessary.

6. Evaluate Progress

As in any plan, a regular evaluation of processes and results is vital to ongoing success. An organization must keep track of the progress it is making as defined by its strategic plan. An organization should consider the following questions on a continuous basis in order to evaluate progress: Have market conditions changed that may require a change in corporate direction? Are there new entries in the marketplace to pose a competitive threat? Has the organization been successful in translating their strategy into actionable steps? An organization will be able to successfully implement its strategy both now and in the future through evaluating feedback.

Factors needed to successfully implement the strategy

1. Commitment. Commitment starts at the top but it must not end there. Middle management and front line supervisors must have the commitment needed to communicate the plan and enroll the employees in the strategy. If they are not committed, the rest of the organization won't be either.

2. Ability and willingness to change. Strategy implementation requires change. Some organizations embrace change while others resist to the bitter end. GM has known for years what it needed to do to become more competitive. It simply was unable or unwilling to do it. Apple on the other hand has reinvented itself from a computer company into an entertainment and communications company. If you have been following the same strategy for 50 years, there is a good chance it is time to change.

3. An organizational structure that supports the strategy. One of the most powerful implementation tools available to a company is its organizational structure. A strategy's priorities are usually reflected in its organizational structure. A strategy may require centralized control or decentralized flexibility. It may be designed to encourage product development or generate efficiency through standardization. The organizational structure must be designed to support the priorities required by the strategy. A significant change in strategy almost certainly must be accompanied by a change in structure.

4. Ability to measure progress. Every implementation effort has an element of trial and error learning. However, the learning opportunity is missed if you cannot measure your results. A learning organization must be able to define success and measure its progress so it can learn what works and what doesn't.

5. A clear understanding of priorities. Management is often distracted from its strategy by opportunities that continually pop up. Opportunity driven is just another way of saying you have no focus. Resources are always limited and if you don't have clear priorities, you dilute resources chasing the unimportant.

Factors considered in strategy selection

- ✓ The stakeholder's expectations who include; Employees, Customers, Suppliers, Community, the Government etc.
- ✓ The product or service range to be offered by the organization
- ✓ The level of competition in the market
- ✓ The price of the organization relative to that of competitors
- ✓ Differentiation i.e. whether the organization decides to differentiate from its competitors
- ✓ Focus i.e. whether the organization decides to focus on a segment of market that has substantial benefits to the organization rather than serving the whole market

Factors considered in strategy implementation

- ✓ The organizational structure that is adopted by the organization i.e. whether it is centralized structure or decentralized structure
- ✓ The leadership that is in place i.e. the top leadership should offer support to the operational level so as to implement the strategy meaning without their support strategy cannot be implemented

- ✓ The resources i.e. adequate resources will be required for the implementation of strategy
- ✓ The policies and procedures in place i.e. the policies adopted by the management should be flexible enough to allow the strategy implemented.

Strategy evaluation and control

Strategic evaluation and control is the process of determining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective actions whenever required.

Importance of strategy evaluation and control

Reporting- It helps to report and communicate after measuring the performance of the organization and as result to that, it will help to take corrective actions.

Budgets- It helps to tell whether the resources of the organization are being utilized properly

Setting performance standards- The performance standards is a bench mark with which the actual performance is to be compared therefore it helps to compare what has actually obtained against the standards.

Benchmarking- It helps to determine the benchmark performance to be set which is essential to discover the special requirements for performing the main task.

Study question

1. Explain the strategy evaluation and control process (10 Marks)