3. Conceiving
Strategic analysis

- It is important to <u>*first review*</u> the environmental analysis <u>*you conducted*</u> on the organisation.

- In particular, you will need to review the **<u>*opportunities*</u>** and **<u>*threats*</u>** (from the **external environment**) and the **<u>*strengths*</u>** and **<u>*weaknesses*</u>** (from the **internal environment**).

- You are trying to find relationships between the elements of the <u>*SWOT analysis (i.e., strengths, weaknesses, opportunities, threats)*</u> so that they can be grouped together.

Debre Birhan Polytech. College
Sector: Economic Infrastructure
Sub Sector: Information Communication Technology

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- Unit of Competency: **Match IT Needs With the Strategic Direction of the Enterprise**
  - LO1: Evaluate current business strategy
  - LO2: Evaluate impact of changes
  - LO3:Develop action plans

Jan, 2017

LO1: Evaluate current business strategy

What is strategy?

- A strategy is a *plan for action* that sets out to achieve *a goal* or *several goals*.

What is strategic planning?

- Determining *long–term objectives* by analysing the *strengths* and *weaknesses* of an organisation, studying *opportunities* and *threats* in the business environment, predicting future trends, and projecting the *need for new products and services*.' Source: Schwalbe (2002, p544).

Cont....

- ***Strategic planning*** is the process of *identifying long term organisational goals*, **strategies**, and **resources**.

- Strategic planning looks *beyond day–to–day activities* and focuses on a *horizon that is three, five, ten, or twenty years into the future*.' Source: Shelly and Cashman, et al. (2001, p2.2).

- Strategic planning is the *use of strategies* to develop a plan of action.' Source: Viljoen and Dann (2000, p618).

Cont....

- Strategic planning is *a task that all organisations perform.* For smaller businesses, this may be a very informal process. The manager or owner of the business may decide the goals and objectives of the business.

Example:

- The owner of a business may decide that the business needs to _update its computer hardware over the next ten months.....informal process_

- The manager may decide that their organisation needs to have _a presence on the internet_,
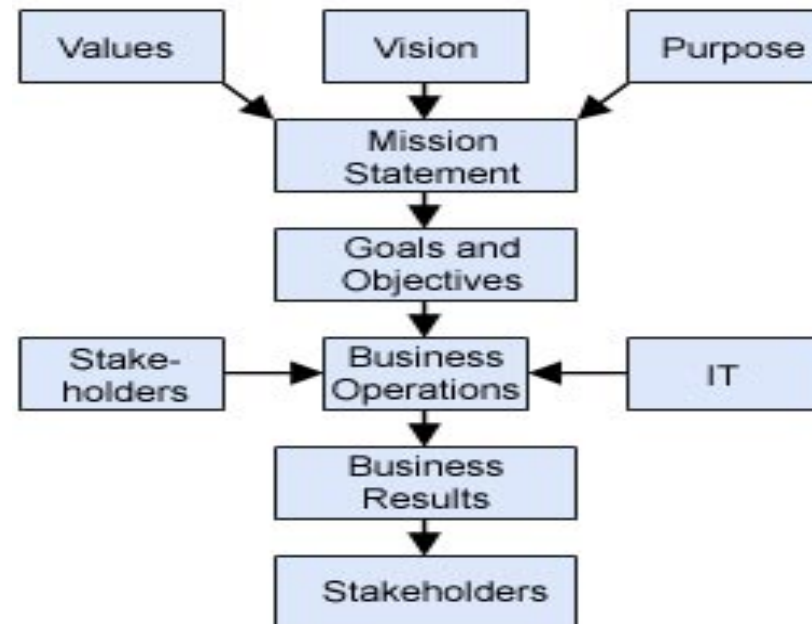
Strategic planning

Strategic planning means _being prepared_ to respond to the circumstances of the organisation's operating environment.

Being strategic means

- being clear about the organisation's objectives
- being aware of the organisation's resources
- incorporating both into being responsive to a dynamic environment

- In the **strategic planning process**, an organisation's *purpose, vision and values* shape its *mission statement*, which leads to *goals, objectives, business operations, and results* that affect the *stakeholders* of the organisation. Source: Shelley and Cashman, et al., (2003: pg 49)

pitfalls in strategic planning

Inability to activate new strategy

- Implementing a new strategy usually requires the organisation to change *its management systems, culture, skills, resources or structure*.

- If all of these had to be changed at the same time, many managers might be unable to cope with the complexity of the situation.

  - This might lead to them not implementing the strategy.

Cont....

Inability to develop a strategic response

- In some cases, even if the organisation is aware of the trend, it may not be able to respond appropriately. This may be due to an inability or an unwillingness to change the **managerial approach** of the organisation. It may also be the result of structural or organisational inflexibility.

Allowing corporate politics to dictate/state priorities

Individuals in the organisation may be aware of future trends, but the information may not be placed on the agenda because

- Managers may be **too busy with operational issues** to give time to significant trends.
- Managers may decide <u>not to give the information to the organisation as a whole</u> because they value the power of their knowledge over others.
- This type of internal politics <u>*can reduce the ability of the organisation to respond to environmental change.*</u>

Failure to <u>see</u> a strategic challenge

- Many organisations do not look at <u>their external environment carefully enough</u>, and thus are <u>unaware of significant trends</u> that will have an <u>impact on future operations.</u>
  - This can be caused by
    - introverted thinking from top management or
    - by focusing inwards too much to solve technical or organisational problems.
    - Such managers neglect to examine external environmental factors such as the <u>potential of new competitors.</u>

Failure to <u>understand</u> the challenge

- Although the organisation may identify the major trends in their environment, they <u>may not understand the magnitude of the issue</u> or <u>how to respond to it effectively.</u>

strategic planning model

- Many books and articles describe **how best to do strategic planning**. In this resource, we will be following a model that *has four basic steps:*
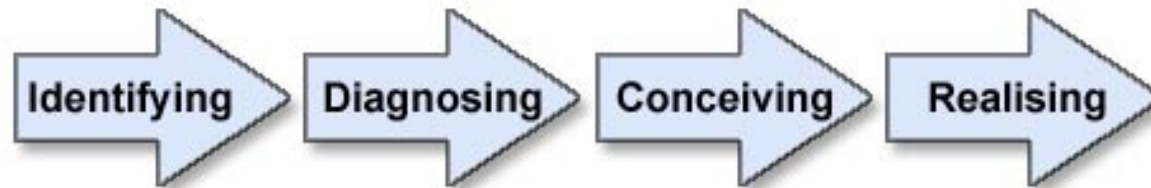
Identifying ➤ Diagnosing ➤ Conceiving ➤ Realising ➤

Figure 2: Strategic plan model

Identifying

- **Identifying** involves _looking at_ the organisation's _current mission and vision statements_ (if available) in order to _understand their core business._

Mission and vision

- A **mission statement** is like an introductory paragraph. It must _communicate the essence of the organisation to the reader_. An organisation's ability to articulate _its mission indicates its focus and purpose_.

Cont....

A mission statement typically *describes an organisation in terms of the following*:

- **Purpose** – why the *organisation exists,* and what it *seeks* to accomplish.

- **Business** – the *main method or activity* through which the organisation tries to *fulfil this purpose*.

- **Values** – the *principles* or *beliefs* that guide an organisation's members as they pursue the organisation's purpose.

Cont....

- The **mission statement** summarises
  - *what*, *how*, and *why* of an organisation's work,
- while a **vision statement** presents
  - an ***image*** *of what success will look like*,
    - such as how the organisation will effectively carry out its operations.
- **Vision** is a less specific type of aim which is usually defined **as**
  - a *desirable future state* where details have not yet been determined.
- The **vision statement** presents a description of
  - how the organisation will or should operate at ***some point*** in the future and
  - how the customers or clients will benefit from the organisation's products or services.

2. Diagnosing

Assessing the situation

- Once an organisation has committed to _why it exists_ and _what it does_, it must take a look at its current situation.

- Part of strategic planning is an _awareness of the resources available_ to the organisation and an _idea of future trends_ that may occur. This will enable the organisation to respond to _changes_ in its environment

Cont....

- ## Situation assessment means
  - obtaining current information about the organisation's *strengths, weaknesses, and performance (opportunities and threats)*.
    - This information *will highlight the critical issues* that the organisation faces and
    - that its strategic plan must address.

- ## *primary concerns* such as
  - funding issues,
  - new program opportunities,
  - changing regulations or changing needs in the client population,
  - changes in technology, problems with information systems, changing needs of customers, and so on.

- The point is to choose the most important issues to address. The strategic plan should focus on no more than *five to ten critical issues*.

- ***Environmental analysis***

  - the *method* used to perform situation assessment.

- The purpose of environmental analysis

  - to *identify significant characteristics* that exist within the industry environment to decide regarding *which of the areas will be critical to their future success.*

Here is an example:

- **Environmental analysis** consists of two major components:
  - The **external environment:** An *examination* of the external environment will determine *outside forces* that have an influence on the organisation.
  - The **internal environment:** An investigation of the internal environment will establish internal factors that influence organisation strategy and sources of *competitive advantage*.

- One of the major tools of environmental analysis is the *SWOT analysis*.

Role of SWOT analysis

A **SWOT analysis** helps to answer key questions and create a better organisational strategy by answering the following types of questions:

○ Does the organisation have internal ***strengths*** which an organisational strategy can be built on?

○ Which ***weaknesses*** does the organisational strategy need to correct?

○ Do the organisation's weaknesses disqualify it from pursuing certain ***opportunities***?

○ Which opportunities does the organisation have resources to pursue with a chance of success?

○ What ***threats*** should the organisation worry most about?

The internal environment

- What is happening within the organisation and what are the effects?
- Through an analysis of the ***internal environment***, an organisation can determine what it can do, or the actions that it can undertake based on the *resources*, *core competencies* and *capabilities available*.

Resources

- *inputs* from the organisation's production process. Examples of resources include the following:
  - *capital equipment*
  - *skills of individual employees*
  - *patents*
  - *finances*
  - *talented managers.*

Action plans take a number of forms, but generally may include the following *elements*:

Goal

○ What will be achieved by implementing the action?

Activities

• What are the activities, and in what *order* will the activities be completed?

Responsibilities

• Which staff members are responsible for the completion of each activity?

Cont….

Resources

- What resources will be allocated to each activity? Resources may include _funding, time, people and materials_.

Timeline

- When will each activity commence/start and finish?

Evidence of success

- How will you know if you are making progress? How will progress be measured?

Evaluation process

- How will you determine that the goal has been reached?

Action plans detail

- *the <u>activities</u> that need to be completed*
- *the <u>order</u> of the activities*
- *the person <u>responsible</u> for each activity*
- *the <u>resources</u> available*
- *the <u>timeline</u> for the activity.*

<u>Ensure action plans</u>

- When developing action plans, it is important to consider both *<u>internal and external factors</u>* and *<u>constraints.</u>*
  - Failure to take these factors into account may lead to *<u>poor implementation or problems with the action when it is implemented.</u>*

<u>Constraints and considerations</u>

- In order to implement action plans appropriately, it is important to *<u>consider all constraints</u>* and other relevant factors that may impact on them. These considerations may be both **internal** and **external** to the action.

Internal considerations

- **Internal considerations** will relate to factors within the organisation which will *affect the action plan.*

These include the following:

Operational

- The *structure* of the organisation can either help to *facilitate the action plan or prohibit the plan from proceeding.*
  - If the organisation is highly structured or complex and the action plan calls for creative thinking and development, the *culture* within the organisation may doom the plan to failure before it begins.
- Conversely, an action plan that fits in with this highly structured type of organisation has a greater chance of success.

Financial

- The organisation may not have the capital to invest in a new system or a system upgrade at the present time.
  - This may mean that the organisation must delay the *implementation* of the action plan until they can afford it.

Legal

- There may be legal reasons why the organisation may not implement a course of action.
  - For example, installing proprietary software on a number of computers is illegal without the appropriate multiple licenses.
- Likewise, there may be legislation that the organisation must follow when implementing particular actions.
  - For example, if the organisation is going to create and implement an e-commerce website, then elements of the Privacy Act must be considered and followed.

Human relations

- The implementation of an action plan may require extensive changes to <u>*the way people communicate within the organisation.*</u>

  - For example, if an email system is made available to employees in an organisation for the first time, those employees will need to know about email etiquette and acceptable use policies for the organisation.

Internal operating environment

- The internal operating environment of the organisation will include the <u>*platform, hardware and software*</u> that the organisation uses to perform operations.

  ○ If a new piece of software is being installed, then it must be compatible with the <u>*operating environment of the organisation.*</u>

- The internal operating environment may also include the following:

  ○ *the operating climate/culture, <u>existing</u> merchandise or service range of the organisation, possible <u>future</u> merchandise or service range, staff, management, and management information systems.*

External considerations

- **External considerations** will relate to factors outside the organisation which will affect the action plan.

The **external environment** may include the following:

External operating environment

The external operating environment may include the following:

- markets such as advertising/marketing target
- customers
- local culture/environment
- new or existing products and services, suppliers and technology.

Competitors

- Competitor considerations may include the competitor's product or service range, their pricing policies and their marketing policies.
  - If we decide to offer a similar product to that of our competitor, then *a similar pricing structure* must also be employed.

Government bodies

- Government and legislative bodies may affect employment conditions, staff, trade practices, consumer law, and occupational health and safety.

Table 1: Limited example of an action plan

Goal: Cut costs for customer in order to be more competitive

Activity	Responsibilities	Resources	Timeline
Review customer requests, complaints, feedback to determine service provision possibilities	Marketing staff	35 hours staff time x 3 marketing staff ($700)	Begin 22/3/04 9am, End 26/3/04 5 pm

Implement new pricing strategy			
Inform customers (existing and potential) of new pricing strategy through: ➢ mail out brochures ➢ television and radio advertising.			
Review status of pricing strategy periodically to determine success or failure.			

Evidence of success	
Increase in customer numbers by x%	
Evaluation process	
Review of customer feedback or survey to determine satisfaction of customers	

»End of UC!

»Thank you for your attention!!!