

MANAGEMENT OUTLOOK



VOLUME 4, ISSUE 3

MANAGEMENT MAGAZINE

STRATEGIC PLANNING ASSISTS BENCHMARKING & PERFORMANCE MONITORING

Effect not Equal to Cause when Planning Strategy

When reviewing a business it is essential to cut through the symptoms of problems and reach the underlying causes. Questions which can assist in revealing the real causes include the following:

"What stopped the business from?"

"What caused the cause of?"

"Why didn't the business achieve a 25% return?"

By way of an example consider why this company may be unable to increase its market share:

Because it cannot penetrate major customers because its product range is too narrow because the company doesn't have the capability to produce additional products because of shortcomings in R & D because of a lack of expertise and resource because R & D is not an immediate priority because of a lack of profits because of a high interest burden because the company is over-reliant on borrowings because the shareholders won't/can't raise additional permanent capital.

The moral in this case is that there are no major customers due to under-capitalization !

SWOTs - Keys to Business Strategies

Having built up a picture of the company's past aims and achievements, the all-important SWOT (strengths, weaknesses, opportunities and threats) analysis can commence.

Strengths & Weaknesses

Strengths and weaknesses are essentially **internal to the organization and relate to matters concerning resources, programs and organization in key areas.** These include:

Sales - marketing - distribution - promotion - support;

Management - systems - expertise - resources;
Operations - efficiency - capacity - processes;
Products - services - quality - pricing - features - range - competitiveness;
Finances - resources - performance;
R&D - effort - direction - resources;
Costs - productivity - purchasing;
Systems - organization - structures.

If a startup is being planned, the strengths and weaknesses are related mainly to the promoter(s) - their experience, expertise and management abilities - rather than to the project.

The objective is to build up a picture of the outstanding good and bad points, achievements and failures and other critical features within the company.

Threats & Opportunities

The **external threats and opportunities confronting a company, can exist or develop** in the following areas:

The company's own industry where structural changes may be occurring (Size and segmentation; growth patterns and maturity; established patterns and relationships, emergence/contraction of niches; international dimensions; relative attractiveness of segments)

The marketplace which may be altering due to economic or social factors (Customers; distribution channels; economic factors, social/demographic issues; political & environmental factors)

Competition which may be creating new threats or opportunities (Identities, performances, market shares, likely plans, aggressiveness, strengths & weaknesses)

New technologies which may be causing fundamental changes in products, processes, etc. (Substitute products, alternative solutions, shifting channels, cost savings etc.)

SEND YOUR FEEDBACK AT sheena.manchanda@jimsindia.org

Against an uncertain and shifting background, the objective must be to identify and prioritize the key SWOTs in a *one-handed* manner (Don't say "on the one handbut on the other hand.....").

Develop Business Strategies

Once the SWOT review is complete, the future strategy may be readily apparent or, as is more likely the case, a series of strategies or combinations of tactics will suggest themselves. Use the SWOTs to help identify possible strategies as follows:

- Build** on strengths
- Resolve** weaknesses
- Exploit** opportunities
- Avoid** threats

The resulting strategies can then be filtered and moulded to form the basis of a realistic strategic plan

Simple & Short Strategic Plans

Notwithstanding that "battles are often lost for want of nails", a company rarely succeeds or fails for minor or trivial reasons. The causes are usually substantial and are often self-evident, at least to an outsider. For example, the business was completely over-borrowed; management was weak; a major new product opportunity was identified; legislation changed; a major competitor went bust or expanded; the company never reinvested. It should be possible in the course of a few pages to set down the main elements of a business's vision, mission, values, objectives, goals, strategies, SWOTs etc. The compilation of a short report along these lines is likely to prove much more difficult than a lengthy dissertation which mixes up details and principles, and confuses the broad picture.

Contents of the Strategic Plan

1. **Assess the business's EXISTING strengths, weaknesses, threats and opportunities:** (Strengths & Weaknesses are internal to the business and Opportunities & Threats are external. All SWOTs should be 'one-handed' - something is either a Strength or a Weakness but cannot be both. Enter up to six items under each heading and then rank them in order of importance. If you are planning a new business, consider the project's and its promoters' existing SWOTs)

Internal Strengths

Internal Weaknesses

External Threats

External Opportunities

2. Vision of business in 3/4 years time:

(What will the business look like? If a visitor from Mars dropped in what would be seen and evident. Write in future tense. Maximum of 150 words)

3. Mission/purpose statement for business to cover next 3/4 years:

(What will the business *really, really* be doing? What activities will it perform, where, how etc.? What makes the business special/competitive? Every noun, adjective and verb in the statement is important and must be justified. Maximum of 150 words)

4. Statement of corporate values and beliefs:

(Covers employees, customers, environment etc. etc. Maximum of 150 words)

5. Set out key long-term objectives:

(These are the primary underlying reasons for being involved in the business, and are not specific targets - these come later)

6. Identify key strategies for business and major functional areas:

(Build on strengths, resolve threats, exploit opportunities and avoid threats. Add any new dimensions revealed by Vision and Mission. List and prioritize up to ten or so major strategies.

7. Assess possible FUTURE strengths, weaknesses, threats and opportunities:

(Do the foregoing strategies improve the initial SWOTs? If they don't, then they should have done so)

8. Review your vision, mission, values and objectives:

(Refine and revise/restate key strategies to deal with the perceived FUTURE SWOTs)

9. Specify major goals achievable over the next 3/4 years:

(Quantify in terms of sales, market shares, finances, operations etc.)

10. Define strategic action programs:

(Indicate who, what, where, when, how etc. Set targets and prioritize)

5a Shareholders

5b Management (If different from shareholders)

5c Business (Relative to competitors etc.)