

Strategic planning for business growth



1

Strategic planning

- Is about determining the direction in which you want to take your business.
- *Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.*

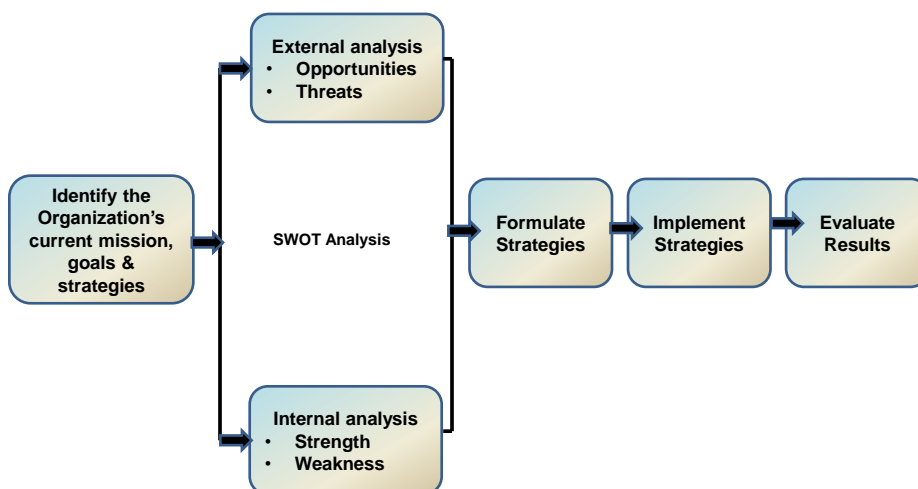
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Three key elements of strategic planning

- Where is your business now?
- Where do you want to take it?
- What do you need to do to get there?

3

Strategic Management Process



4

Strategic Management Process

- Initial Assessment
- Situation Analysis
- Strategy Formulation
- Strategy Implementation
- Strategy Monitoring

5

Initial Assessment

- Vision: What does an organization want to become?
- Mission: Why Firm exist? What is the business? What it Should be?

6

Vision vs Mission

- | Vision | Mission |
|--|---|
| <ul style="list-style-type: none"> • Category of intensions are broad, all inclusive & FWD thinking | <ul style="list-style-type: none"> • Mission is the purpose for which an organization exists |
| <ul style="list-style-type: none"> • States aspiration for the firm without stating the means of achieve them | <ul style="list-style-type: none"> • States how it would be achieve the vision of the firm |
| <ul style="list-style-type: none"> • Dream & intangible | <ul style="list-style-type: none"> • Shows present business |
| <ul style="list-style-type: none"> • Provide Guidelines for formulate the mission | <ul style="list-style-type: none"> • Guide Formulation on Business Goal, objectives & strategies |
| <ul style="list-style-type: none"> • Futuristic in nature | <ul style="list-style-type: none"> • Current in nature |

7

- **Situation Analysis-**
External environment analysis
- Macro Environment Analysis-PESTEL
represent all the macro environment factors that influence the organization in the global environment.
- Micro Environment Analysis- Porter's 5 Forces,

Company in its industry.

8

Michael Porter's 5 Forces,

“An industry’s profit potential is largely determined by the intensity of competitive rivalry within that industry.”



9

Internal environment analysis

- Process of evaluating an organizations resources & capabilities.
 - Company’s resources, core competencies and activities. An organization holds both tangible resources: capital, land, equipment, and intangible resources: culture, brand equity, knowledge, patents, copyrights and trademarks.
- Core competences-
 - Set of skills, activities, & resources that together deliver customer value & differentiate a business from its competitors.

10

Value Chain Analysis- VCA

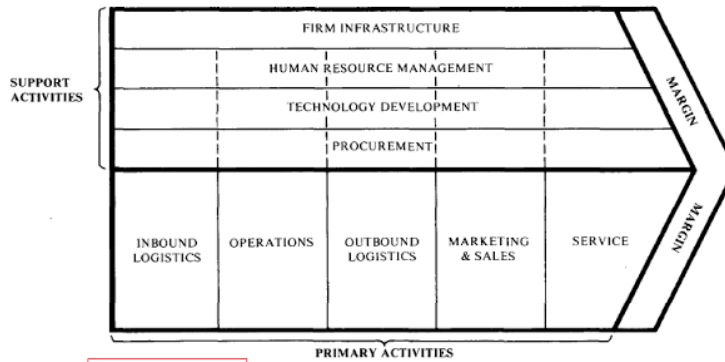


Figure 2-2. The Generic Value Chain

11

SWOT Analysis



12

Strategic Formulation

- Successful situation analysis is followed by creation of long-term objectives. Long-term objectives indicate goals that could improve the company's competitive position in the long run.
- In an organization, strategies are chosen at 3 different levels:
 - **Functional Level Strategy:**
 - is a response to operational level strategy. It advocates for the business to see its management decisions as specific to a functional area of the organization, such as marketing, human resources, finance, information management and public relations
 - **Business level strategy.**
 - This type of strategy is used when strategic business units (SBU), divisions or small and medium enterprises select strategies for only one product that is sold in only one market.

13

Strategic Formulation

- **Corporate level strategy.**
 - At this level, executives at top parent companies choose which products to sell, which market to enter and whether to acquire a competitor or merge with it. They select between integration, intensive, diversification and defensive strategies.

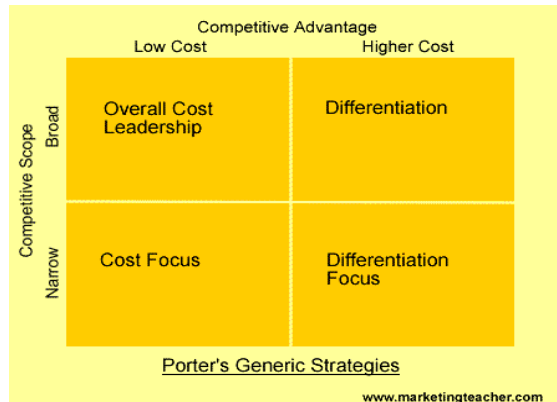
Also you can add fourth strategic Level

- **Global/International strategy.**
 - The main questions to answer: Which new markets to develop and how to enter them? How far to diversify?

14

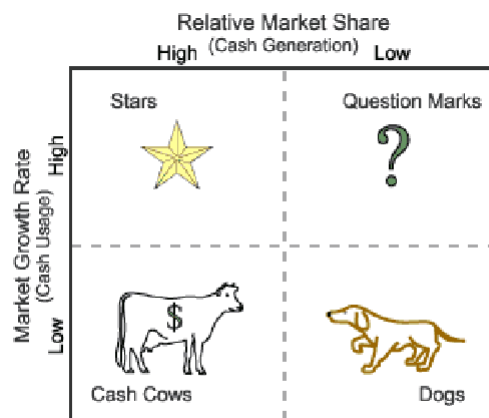
Strategic Formulation

- **Business level strategy.**
- **Porters Three Generic Strategies**



15

BCG Matrix



16

BCG Matrix

Stars – products in markets experiencing high growth rates with a high or increasing share of the market

- Potential for high revenue growth

Cash Cows:

- High market share
- Low growth markets – maturity stage of PLC
- Low cost support
- High cash revenue – positive cash flows

Dogs:

- Products in a low growth market
- Have low or declining market share (decline stage of PLC)
- Associated with negative cash flow
- May require large sums of money to support

Problem Child:

- Products having a low market share in a high growth market
- Need money spent to develop them
- May produce negative cash flow
- Potential for the future?

17

Some strategic choices that are in conformity with the BCG matrix could be:

1. Build strategy

Create a new brand and a new target audience by means of a Question Mark.

2. Hold strategy

Maintain this success and benefit from market growth by means of a Star.

3. Harvest strategy

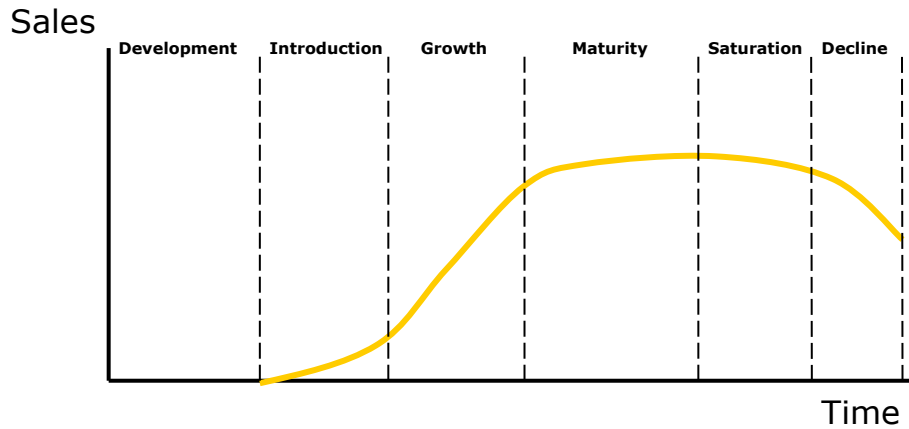
Make as much money as possible with the product by means of the Cash Cow. This can be achieved by improving or renewing the product or by manufacturing by-products.

4. Divest strategy

Abandon the investment in the product by means of a Dog; the market is saturated or there is no or little interest in the product.

18

Product Life Cycles



19

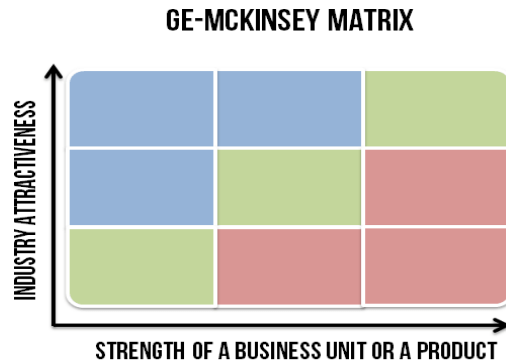
Product Life Cycle (PLC):

1. Each product may have a different life cycle
2. PLC determines revenue earned
3. Contributes to strategic marketing planning
4. May help the firm to identify when a product needs support, redesign, reinvigorating, withdrawal, etc.
5. May help in new product development planning
6. May help in forecasting and managing cash flow

20

GE-McKinsey

GE-McKinsey nine-box matrix is a strategy tool that offers a systematic approach for the multi business corporation to prioritize its investments among its business units



21

GE-McKinsey- Determine the industry Growth

- Long run growth rate
- Industry size
- Industry profitability: entry barriers, exit barriers, supplier power, buyer power, threat of substitutes and available complements (use Porter's Five Forces analysis to determine this)
- Industry structure (use Structure-Conduct-Performance framework to determine this)
- Product life cycle changes
- Changes in demand
- Trend of prices
- Macro environment factors (use PEST or PESTEL for this)
- Seasonality
- Availability of labor
- Market segmentation

22

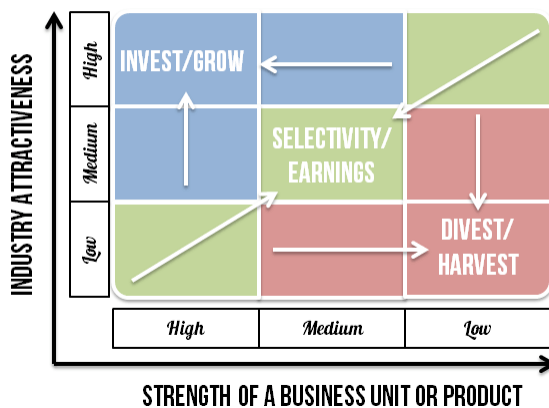
GE-McKinsey- Determine strength of a business unit or a product

- Total market share
- Market share growth compared to rivals
- Brand strength (use brand value for this)
- Profitability of the company
- Customer loyalty
- VRIO resources or capabilities (use VRIO framework to determine this)
- Your business unit strength in meeting industry's critical success factors (use Competitive Profile Matrix to determine this)
- Strength of a value chain (use Value Chain Analysis and Benchmarking to determine this)
- Level of product differentiation
- Production flexibility

23

Application-GE-McKinsey

GE-MCKINSEY MATRIX INVESTMENT IMPLICATIONS



24

Corporate level strategy.

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25

Ansoff Matrix

Successful leaders understand that if their organization is to grow in the long term, they can't stick with a "business as usual" mindset, even when things are going well. They need to find new ways to increase profits and reach new customers.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

26

Strategy Implementation

The best strategic plans must be implemented and only well executed strategies create competitive advantage for a company.

It following 6 steps:

Setting annual objectives;
Revising policies to meet the objectives;
Allocating resources to strategically important areas;
Changing organizational structure to meet new strategy;
Managing resistance to change;
Introducing new reward system for performance results if needed.

27

Strategy Monitoring

Implementation must be monitored to be successful. Due to constantly changing external and internal conditions managers must continuously review both environments as new strengths, weaknesses, opportunities and threats may arise. If new circumstances affect the company, managers must take corrective actions as soon as possible.

- Strategy Evaluation Framework,
- Balanced Scorecard,
- Benchmarking

28