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Principles of Strategic Planning

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By:

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Introducing myself

When I was a child, I had lots of cars, trains, ships and robot toys. I was so interested in playing, taking apart and fixing them.

Besides this, while playing with my friends, I was the one who took over the role of the story teller of the game who told the others the content of the play and managed to give the others their role. When growing up, I chose Physics, Mathematics and Informatics as my major subjects at High School where I became the best pupil at class, school and local region.

Afterwards, I chose to study Engineering in the field of Computer Hardware. The undergraduate program at Shahid Beheshti University (SBU) is a well-rounded program. It did not only help me to build a solid foundation of Computer Engineering fundamentals, but also helped me to develop an overall perspective of the vast field of Engineering.

I have striven to perform well in all courses. My Bachelor thesis topic was “Designing an Intelligent Systems for Marketing of Oil Products for Iran Petrochemical Commercial Company” and I was interested in Neural Nets, Genetic Algorithms, Modelling and Simulation and I was interested in Industries and Energy so, I chose the numerical simulation of activity around a transportation system, Management, as my final thesis. Additionally, I was the coordinator of a team which developed Mathematics and Statistical Modelling for Robocop.

From 1996 until 2000 and again from 2011 until 2013, I was researcher at the School of Cognitive Sciences in IPM (Institute for Research in Fundamental Sciences). IPM is the biggest research institute in the field of Fundamental Sciences of Iran. Here, I was involved in various different projects, such as ‘’International Market Intelligence for Branding Hyper Performance Computing (HPC)’’.

As I pursued the Bachelor I found it would be best to combine my Engineering background with Management. So I chose to become an Industrial Engineer with Major in Productivity and System Management.

Due to my studies I became familiar with well-known people such as Professor Michael Porter, Pierre Omidyar, Frederick Winslow Taylor, Elvin Toffler and Peter Drucker who had a great impact on me.

In Iran, the requirement for entering the field of Management as an Engineer is to have at least three years of experience in Management of Industrial units. I had six years of experience in Optimization Management of logistics and transportation. During my Master studies, I specialized in Numerical Simulation, Modelling, Productivity and Optimization by passing related courses. My second Master Thesis subject was “A Study of Models for Productivity Measurement and Selection of an appropriate model for Pars Oil and Gas Company (P.O.G.C)”. That time I was working for one of the most famous and biggest Gas and Oil companies of Iran and worldwide: Pars Oil and Gas Company (P.O.G.C.) which coordinates 17 % of the entire world gas resources. My position at P.O.G.C. was Manager of Logistic and Procurement of Plans and Projects and Executive Adviser of the CEO. During my time at P.O.G.C. I optimized the plan for sea transportation, shipping, maritime and helicopter transport via real time service and maintenance of these logistics at the Persian Gulf and the mission areas.

From 2008 until 2012 I was a consultant at the Ministry of Industry, Mine and Trade with several duties in the field of status quo in technology and others.

Besides many articles, since 2008 I have published more than 16 scientific books in Iran.

From 2009 – 2012 I awarded a doctorate in Business Administration (DBA) with Major in Strategic Planning.

During the time of my education in Iran, I have participated in some energy projects such as solar, wind and biomass projects. For instance, I cooperated in fixing and re-operation of the NRI solar concentrated Stirling dish. In another project I was responsible for performing the development activities of the project of bio-gas extraction from Shiraz landfill in Iran.

After that, my interest to work on an international level has grown. So I decided to move to Denmark in autumn 2012. Ever since, I have collected various practical experiences in different Danish companies that are working on international projects. Nowadays, I still have partner projects running with Danish companies, especially, one company in renewable energy, waste and waste water management.

2015 I moved to Germany where I have started my career at University of Applied Sciences-Fachhochschule des Mittelstands (FHM) as a lecturer and researcher. Presently, FHM is processing the vocation of professorship in the field of „International Business Management “for me. Besides this, in January 2016 I founded my own

International Bridging Businesses Management Company named ‘’DOOST INTERNATIONAL’’. Furthermore, since 2017, I am an external lecturer at TU Berlin for the Master program in Sustainability Building and Energy Management.

Having published several books in Persian language, before, however, this is my first book in English language and shall open the doors to an international, sustainable (business) world.

Introduction on Strategic Planning

When I was 22nd years old and a Computer Engineer, I became the Consultant for the Deputy Minister of Interior; Dr. Gholam Hossein Bolandian who involved me in a National Strategic Planning project called: “A Study of Tehran's Potential Earthquake Effects on HistoEcoGeoSocioPolitical factors with Security Approach and Giving an Appropriate Strategic Planning Model with QSPM Matrix Solution”. That was my start up in Strategy. Afterwards, when starting my second Master degree, as I was very strong in Strategy, I founded one group on Strategic Management with my classmate and tried to combine and use strategical methods and Fuzzy Logic to forecast the Parliament election.

Strategic planning is recognized to be vital to the effective Management of all organizations. Normally, it is applied to the highest level and progressively applied throughout all levels of the best run organizations. This overview introduces some of the broad concepts underlying Strategic Planning to outline the important foundation on which Strategy Re-engineering is based.

Strategic planning is very much a management activity, carried out at all levels of the organization. As an organization moves more into using computers as an integral part of its operations, its data processing hardware and software resources need to be closely aligned to its corporate plan. This has been difficult to achieve and is recognized as the greatest concern of management in organizations today.

Strategic planning has its drawbacks, however. It takes up enormous amounts of senior management time. It requires not just the involvement but the commitment of those managers. It requires exhaustive analysis to identify gaps and opportunities, strengths and weaknesses. And most importantly it must remain flexible enough to be changed quickly as market forces change to enable management to be proactive in their chosen markets.

Extensive research has shown that information is the key to a successful strategic plan. Information is the core element around which all aspects of the strategic plan revolve. And a vital component of the strategic plan and its information requirements is the identification of that information needed to ascertain whether or not the strategic plan is working - the strategic planning feedback.

In this book we have following chapters:

- ✓ Understanding Planning and strategic Planning
    - Concept, history and purposes
- ✓ Strategic Management
    - Pattern, formulation, implementation and evaluation
- ✓ Mission, Vision and Value
    - Mission and vision statement, goals, objectives, policies and value statement
- ✓ External & Internal Elements
    - EFE & IFE Matrix and external and internal forces
- ✓ Classical Types of strategic Planning (Examples)
    - Integration, intensive, diversification and defensive strategies
- ✓ Other Types of strategic Planning
    - Combination, competitive, generic, innovation and branding strategies
- ✓ Military Strategies and Tactics
    - The historical and theoretical development of strategy and tactics
- ✓ Applications of strategic Planning
    - Case studies

I would like to say special thanks to Prof. Dr. habil Torsten Fischer, Dr. Gholam Hossein Bolandian, Prof. Dr. Mohammad Mahdavi Mazdeh and my Master students: Qing Zhao, Jinzhong LI, Haoru Zhao, Boting Gao, Mingxing LI.

Dr. Hamid Doost Mohammadian
6.06.2017 Berlin, Germany

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1. Introduction

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2. Literature

1) Planning：

A basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

The planning process

① identifies the goals or objectives to be achieved.
② formulates strategies to achieve them.
③ arranges or creates the means required.
④ implements, directs, andmonitors all steps in their proper sequence.

The planning 's function

① helps assure that an organization remains relevant and responsive to the needs of its community and contributes to organizational stability and growth.
② provides a basis for monitoring progress and assessing results and impacts.
③ facilitates new program development.
④ enables an organization to look into the future in an orderly and systematic way. From a governance perspective, it enables the Board to set policies and goals to guide the organization, and provides a clear focus to the Executive Director and staff for program implementation and agency management.

2) Forecasting:

A planning tool that helps management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends. Similar to " foreseeing".

Forecasting starts with certain assumptions based on the management's experience, knowledge, and judgment. These estimates are projected into the coming months or years using one or more techniques such as Box-Jenkins models, Delphi method, exponential smoothing, moving averages, regression analysis, and trend projection. Since any error in the assumptions will result in a similar or magnified error in forecasting, the technique of sensitivity analysis is used which assigns a range of values to the uncertain factors (variables).

3) Prediction:

A statement about the way things will happen in the future, often but not always based on experience or knowledge.

4) Strategos:

Ancient Greek word, used in Greek to mean military general. In the Hellenistic world and the Byzantine Empire the term was also used to describe a military governor. In the modern Hellenic Army it is the highest officer rank.

Strategy is taken from the word “Strategos” and means “the art and science of directing military forces”.

5) Strategy:

The term is derived from the Greek word for generalship or leading an army. At first, it was only used in military but after the second world war also used in economics and business field.

Strategy is a high level plan to achieve one or more goals under conditions of uncertainty. In the sense of the "art of the general", which included several subsets of skills including "tactics", siege craft, logistics etc., the term came into use in the 6th century C.E. in East Roman terminology, and was translated into Western vernacular languages only in the 18th century. From then until the 20th century, the word "strategy" came to denote "a comprehensive way to try to pursue political ends, including the threat or actual use of force, in a dialectic of wills" in a military conflict, in which both adversaries interact.

Strategy is important because the resources available to achieve these goals are usually limited. Strategy generally involves setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions. A strategy describes how the ends (goals) will be achieved by the means (resources). This is generally tasked with determining strategy. Strategy can be intended or can emerge as a pattern of activity as the organization adapts to its environment or competes. It involves activities such as strategic planning and strategic thinking.

Henry Mintzberg from McGill University defines strategy as "a pattern in a stream of decisions" to contrast with a view of strategy as planning, while Max McKeown (2011) argues that "strategy is about shaping the future" and is the human attempt to get to "desirable ends with available means". Dr. Vladimir Kvint defines strategy as "a system of finding, formulating, and developing a doctrine that will ensure long-term success if followed faithfully."

<u>Strategies in military theory:</u>

In military theory, strategy is "the utilization during both peace and war, of all the nation's forces, through large scale, long-range planning and development, to ensure security and victory" (Random House Dictionary).

The father of Western modern strategic study, Carl von Clausewitz, defines military strategy as "the employment of battles to gain the end of war." B. H. Liddell Hart's definition puts less emphasis on battles, defining strategy as "the art of distributing and applying military means to fulfill the ends of policy". Hence, both gave the preeminence to political aims over military goals. U.S. Naval War College instructor Andrew Wilson defined strategy as the "process by which political purpose is translated into military action." Eastern military philosophy dates back much further, with examples such as “The Art of War” by Sun Tzu dated around 500 B.C.

Strategies in game theory:

In game theory, a strategy refers to the rules that a player uses to choose between the available actionable options. Every player in a non-trivial game has a set of possible strategies to use when choosing what moves to make.

A strategy may recursively look ahead and consider what actions can happen in each contingent state of the game—e.g. if the player takes action 1, then that presents the opponent with a certain situation, which might be good or bad, whereas if the player takes action 2 then the opponents will be presented with a different situation, and in each case the choices they make will determine their own future situation.

6) Strategic Planning:

Strategic planning is an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to a changing environment. It is a disciplined effort that produces fundamental decisions and actions that shape and guide what an organization is, who it serves, what it does, and why it does it, with a focus on the future. Effective strategic planning articulates not only where an organization is going and the actions needed to make progress, but also how it will know if it is successful.

7) Management:

The art of getting work done by others to achieve goals. In businesses and organizations is the function that coordinates the efforts of people to accomplish goals and objectives by using available resources efficiently and effectively. The functions of management consist of five basic activities: planning, organizing, motivating, staffing, and controlling.

Function	Description	Stage of Strategic-Management Process When Most Important
Planning	Planning consists of all those managerial activities related to preparing for the future. Specific tasks include forecasting, establishing objectives, devising strategies, developing policies, and setting goals.	Strategy Formulation
Organizing	Organizing includes all those managerial activities that result in a structure of task and authority relationships. Specific areas include organizational design, job specialization, job descriptions, job specifications, span of control, unity of command, coordination, job design, and job analysis.	Strategy Implementation
Motivating	Motivating involves efforts directed toward shaping human behavior. Specific topics include leadership, communication, work groups, behavior modification, delegation of authority, job enrichment, job satisfaction, needs fulfillment, organizational change, employee morale, and managerial morale.	Strategy Implementation
Staffing	Staffing activities are centered on personnel or human resource management. Included are wage and salary administration, employee benefits, interviewing, hiring, firing, training, management development, employee safety, affirmative action, equal employment opportunity, union relations, career development, personnel research, discipline policies, grievance procedures, and public relations.	Strategy Implementation
Controlling	Controlling refers to all those managerial activities directed toward ensuring that actual results are consistent with planned results. Key areas of concern include quality control, financial control, sales control, inventory control, expense control, analysis of variances, rewards, and sanctions.	Strategy Evaluation

8) Strategic Management:

Strategic management is the comprehensive collection of ongoing activities and processes that organizations use to systematically coordinate and align resources and actions with mission, vision and strategy throughout an organization. Strategic management activities transform the static plan into a system that provides strategic performance feedback to decision-making and enables the plan to evolve and grow as requirements and other circumstances change.

9) Mission Statement:

A written declaration of an organization's core purpose and focus that normally remains unchanged over time.

Properly crafted mission statements

(1) serve as filters to separate what is important from what is not

(2) clearly state which markets will be served and how

(3) communicate a sense of intended direction to the entire organization.

10) Vision Statement:

An aspirational description of what an organization would like to achieve or accomplish in the mid-term or long-term future. It is intended to serve as a clear guide for choosing current and future courses of action.

11) Value:

Some people think Value means only money but we try to talk about risk before value. Risk is the potential of gaining or losing something of value. Values (such as physical health, social status, emotional well-being or financial wealth) can be gained or lost when taking risk resulting from a given action or inaction, foreseen or unforeseen.

<u>From the perspective of ethics:</u>

Value denotes something's degree of importance, with the aim of determining what action of life is best to do or live (deontology), or to describe the significance of different actions (axiology). It may be described as treating actions themselves as abstract objects, putting value to them. It deals with right conduct and good life, in the sense that a highly, or at least relatively highly, valuable action may be regarded as ethically "good" (adjective sense), and an action of low, or at least relatively low, value may be regarded as "bad".

Values clarification differs from cognitive moral education:

- Value clarification consists of "helping people clarify what their lives are for and what is worth working for. It encourages students to define their own values and to understand others' values."
- Cognitive moral education builds on the belief that students should learn to value things like democracy and justice as their moral reasoning develops.

A value system is a set of consistent ethic values and measures used for the purpose of ethical or ideological integrity. A well-defined value system is a moral code.

<u>From the perspective of individual:</u>

Personal values provide an internal reference for what is good, beneficial, important, useful, beautiful, desirable and constructive. Values generate behavior and influence the choices made by an individual.

Individual cultures emphasize values which their members broadly share. One can often identify the values of a society by noting which people receive honor or respect. In the United States of America, for example, professional athletes at the top levels in some sports receive more honor (measured in terms of monetary payment) than university professors. Surveys show that voters in the United States would not willingly elect an atheist as president, suggesting belief in a God as a generally shared value.

From the perspective of economics:

The worth of all the benefits and rights arising from ownership.

Two types of economic value:

(1) the utility of a good or service

(2) power of a good or service to command other goods, services, or money, in voluntary exchange.

For example, in the area of marketing, the extent to which a good or service is perceived by its customer to meet his or her needs or wants, measured by customer's willingness to pay for it. It commonly depends more on the customer's perception of the worth of the product than on its intrinsic value.

Relation between economic and philosophic value:

Philosophical value is distinguished from economic value, since it is independent on some other desired condition or commodity. The economic value of an object may rise when the exchangeable desired condition or commodity, e.g. money, become high in supply, and vice versa when supply of money becomes low. Nevertheless, economic value may be regarded as a result of philosophical value. In the subjective theory of value, the personal philosophic value a person puts in possessing something is reflected in what economic value this person puts on it. The limit where a person considers to purchase something may be regarded as the point where the personal philosophic value of possessing something exceeds the personal philosophic value of what is given up in exchange for it, e.g. money. In this light, everything can be said to have a "personal economic value" in contrast to its "societal economic value."

12) Tactic / Model:

A way of doing things so as to be at an advantage.

13) Technique:

Similar to deeds, work or business. It’s in the operation level.

14) Theory:

A set of assumptions or accepted facts that attempts to provide a plausible or rational explanation of cause-and-effect (causal) relationships among a group of observed phenomenon. It’s in the level of strategy.

15) Operation:

Jobs or tasks consisting of one or more elements or sub tasks, performed typically in one location. Operations transform resource or data inputs into desired goods, services, or results, and create and deliver value to the customers. Two or more connected operations constitute a process.

16) Implementation:

The activity performed according to a plan in order to achieve an overall goal. For example, strategic implementation within a business context might involve developing and then executing a new marketing plan to help increase sales of the company's products to consumers. It's the bridge between plan and operation. That's the reason why most problems occur during the process of implementation

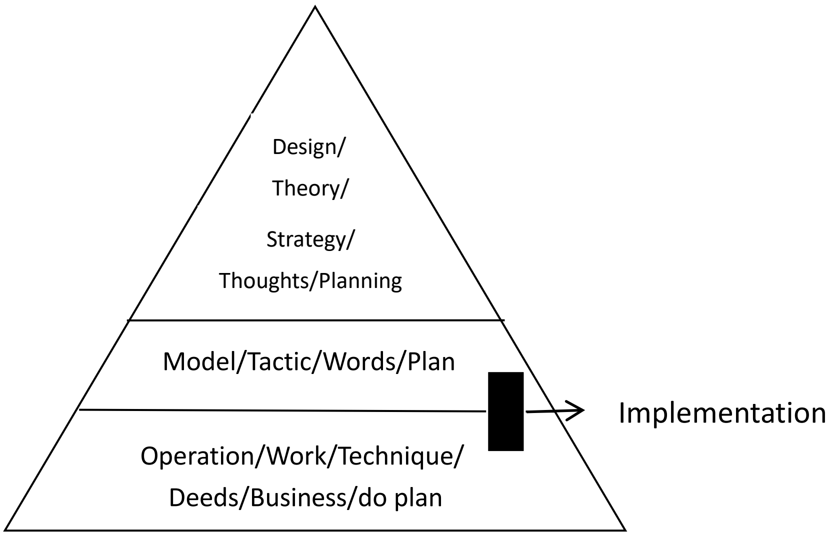


Figure 1: Levels about Methodology

3. Understanding Planning and strategic Planning (History and Concept)

3.1 Concepts of Planning

3.1.1 Overview

- Planning is one of the executive functions of the brain, encompassing the neurological processes involved in the formulation, evaluation and selection of a sequence of thoughts and actions to achieve a desired goal.
- Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal.
- There are even a couple of tests to measure someone's capability of planning well. As such, planning is a fundamental property of intelligent behavior.

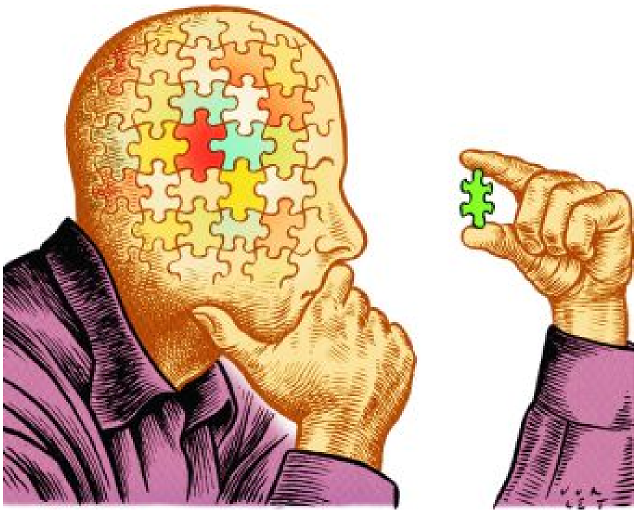


Figure 2: Concepts of Planning

- In each field there are different types of plans that help companies achieve efficiency and effectiveness.
- An important, but often ignored aspect of planning, is the relationship it holds to forecasting.
- Forecasting can be described as predicting what the future will look like, whereas planning predicts what the future should look like for multiple scenarios.
- Planning increases the efficiency of an organization. It reduces the risks involved in modern business activities. It facilitates bring the available time and resources.

The concept of planning is to identify what the organization wants to do by using the four questions which are:

- Where are we today in terms of our business or strategy planning?
- Where are we going?
- Where do we want to go?
- How are we going to get there?

Patrick Montana and Bruce Charnovoutline a three-step result-oriented process for planning:

1) Choosing a destination
2) Evaluating alternative routes
3) Deciding the specific course of your plan

Dr. Hamid Doost Mohammadian: Four-step result-oriented process for planning:

1) Explain and identify the current status (situation)
2) Goal(s) setting and design the desired situation
3) Finding and creating way(s) and means that provides to achieve the goal(s)
4) Getting feedback

Planning means thinking ahead; experts from multiple angles to plan offered numerous definitions, some of which are as follows:

1) Goal setting, finding the way to achieve it
2) Decisions about how and which things should be done
3) Visualize and design the favorable situation in the future and then finding and creating ways and means that provides to achieve that.
4) Operational design that can change an object or subject, based on a predefined way.

Figure 3: Planning Process

3.1.2 Common Characteristics

- It is associated with forecast, and before doing anything we can identify which type and how.
- It is a decision-making process of what should be done in the future
- To adjust the executive plans to achieve the goals in the future.
- They focus on the desired results can be achieved in the future.
- It is a device to supply the main objectives of the organization at the desired time.

3.1.3 Forecasting and Prediction

3.1.3.1 Forecasting:

➢ **Definition**

- Forecasting is the process of making predictions of the future based on past and present data and analysis of trends.
- To estimate and guess what is going to happen in the future.
- If we estimate the event in the future, based on a process that has been in the past.
- However, if this estimation is based on factors that didn't exist in the past and we think that will occur in the future and affects on our issue, that is prediction.

Figure 4: Weather Forecast

- **Methods:**
- Statistical and computing techniques
- Theoretical methods
- Experts are responsible about the forecasts
- The forecast person has to have comprehensive knowledge about the forecast subject and also political, social and economic factors.

3.1.3.2 Prediction:

A prediction is a statement about the way things will happen in the future, often but not always based on experience or knowledge.

Figure 5: Prediction

3.1.3.3 Differences between Forecasting and Prediction

While there is much overlap between prediction and forecasting, a prediction may be a statement that some outcome is expected, while forecasting is more specific, and may cover a range of possible outcomes.
For example, an activity of a manufacturing (production) unit is according to production planning and the key point in production planning is forecasting of sales value.

Planning and forecasting has been done, the possibility of the following :

- Planning and production planning
- Purchase and storage of raw materials
- Estimate staffing needs
- Investments necessary
- The necessary budget

3.1.4 Purposes of Planning

- The protective purpose of planning is to minimize risk by reducing the uncertainties surrounding business conditions and clarifying the consequences of related management actions.
- The affirmative purpose is to increase the degree of organizational success.
- The fundamental purpose of planning, however, is to help the organization reach its objectives.

Figure 6: Purposes of Planning

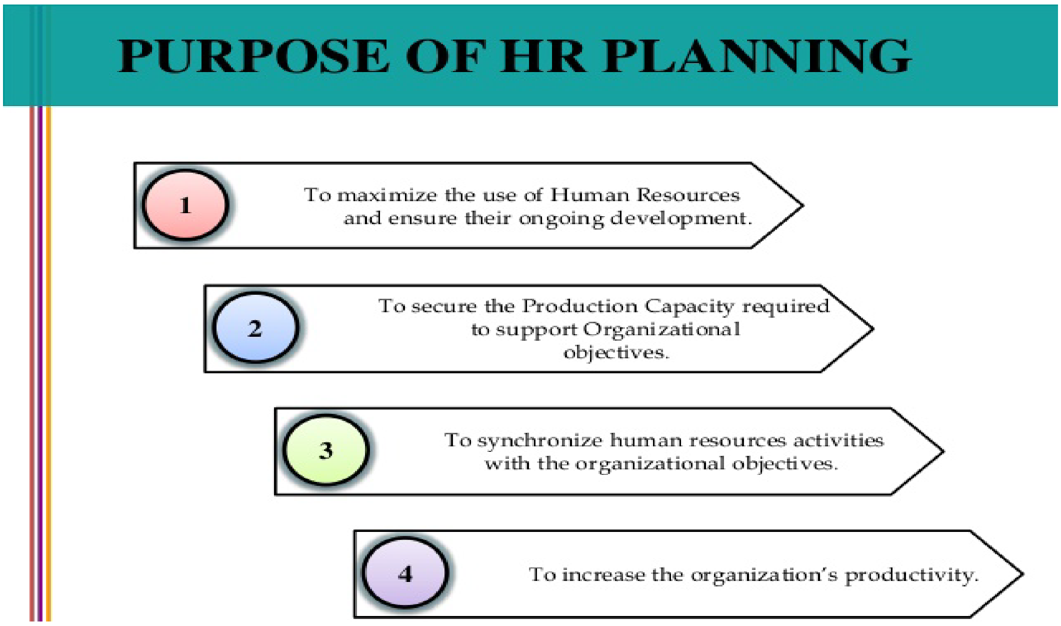


Figure 7: Purpose of HR Planning

3.1.5 Types of Planning

There are three main types of planning that a manager will use in his or her pursuit of company goals, which include operational, tactical and strategic. If you think about these three types of planning as stepping stones, you can see how their relationship to one another aids in the achievement of organizational goals. Operational planning is necessary to attain tactical planning and tactical planning leads to the achievement of strategic planning.

There is another way to divide the types of planning, which is long termed planning and short term planning.

3.1.5.1 Strategic Planning

Strategic planning is designed with the entire organization in mind and begins with an organization's mission. Top-level managers, such as CEOs or presidents, will design and execute strategic plans to paint a picture of the desired future and long-term goals of the organization. Essentially, strategic planning looks ahead to where the organization wants to be in three, five, even ten years. Strategic planning, provided by top-level managers, serve as the framework for lower-level planning.

3.1.5.2 Tactical Planning

Tactical planning supports strategic plans by translating them into specific plans relevant to a distinct area of the organization. Tactical plans are concerned with the responsibility and functionality of lower-level departments to fulfill their parts of the strategic plan.

3.1.5.3 Operational Planning

Operational planning sits at the bottom of the totem pole; they are the plans that are made by front line, or low-level managers. All operational plans are focused on the specific procedures and processes that occur within the lowest levels of the organization. Managers must plan the routine tasks of the department using a high level of detail.

3.2 History and Concepts of the Word--Strategy

3.2.1 History

- Strategy is taken from the ancient Greek word “Strategos” and means “the art and science of directing military forces”.
- Strategos, plural strategoi, (Greek: στρατηγός, pl. στρατηγοί; Doric Greek: στραταγός, stratagos; literally meaning "army leader") is used in Greek to mean military general. In the Hellenistic world and the Byzantine Empire the term was also used to describe a military governor. In the modern Hellenic Army it is the highest officer rank.

Figure 8: Strategos

- *Themistocles, Aristides and Cimon* were early examples of strategoi who were politicians as well as generals. *Pericles* was a strategos very often throughout his career; from 443 until 429 BC. *Cleon, Nicias and Alcibiades* were also strategoi. But at the end of the 5th century, with the collapse of the military power of Athens, and later because of an increasing tendency to specialization, military office ceased to be a means of acquiring political influence.

- Maybe *Sun Tzu*, Chinese philosopher 400 years before Christianity was the first person that wrote a text named" The art of war". It is commonly thought of as a definitive work on military strategy and tactics. It was placed at the head of China's Seven Military Classics upon the collection's creation in 1080 by Emperor Shenzong of Song, and has long been the most influential strategy text in East Asia. It has had an influence on Eastern and Western military thinking, business tactics, legal strategy and beyond.

"Strategy without tactics is the noise before defeat"
"If you know the enemy and yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."

----*Sun Tzu*

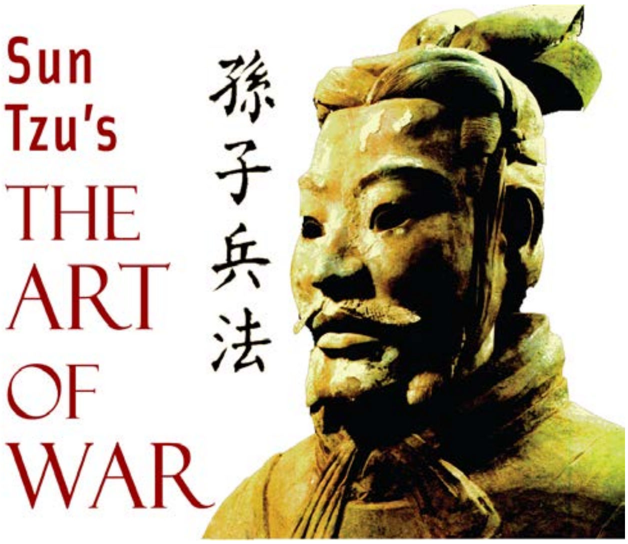


Figure 9: The Art of War

- In many East Asian countries, The Art of War was part of the syllabus for potential candidates of military service examinations. During the Sengoku era in Japan, a daimyo named Takeda Shingen (1521–1573) is said to have become almost invincible in all battles without relying on guns, because he studied The Art of War. The book even gave him the inspiration for his famous battle standard "Fūrinkazan" (Wind, Forest, Fire and Mountain), meaning fast as the wind, silent as a forest, ferocious as fire and immovable as a mountain.
- During the Vietnam War, some Vietcong officers studied The Art of War and reportedly could recite entire passages from memory. General Vo Nguyen

Giap successfully implemented tactics described in The Art of War during the Battle of Dien Bien Phu ending major French involvement in Indochina and leading to the accords which partitioned Vietnam into North and South. General Vo, later the main PVA military commander in the Vietnam War, was an avid student and practitioner of Sun Tzu's ideas. America's defeat there, more than any other event, brought Sun Tzu to the attention of leaders of American military theory.

- *Clau Zuwitsin Napoleon*'s time, says "Strategy is the skill of directing of force and coordinating forces in achieving the goals of the war"

  "You must not fight too often with one enemy, or you will teach him all your art of the wars" -----*Napoleon Bonaparte*

Figure 10:Napoleon Bonaparte

Figure 11: Igor Ansoff

- Industrial revolution, social transformations, the interweaving of politics, war and technological advances (especially in the telecommunications and transport) gradually, have changed the concept of strategy in the field of military.
- *Igor Ansoff* was one of the first people who published a book on trade issues named "Corporate Strategy".

3.2.2 Concepts of Strategy

- *Peter Johnson* says: "Strategy is a style of thinking, a conscious and deliberate process, an intensive implementation system, the science of insuring future success."
- Strategy is like art: when you see it, it's easy to recognize but when you try to define and explain it, that seems very difficult.
- A plan of action to achieve the long term or overall aim. (Oxford dictionary)

- The art of planning and directing overall military operations and movements in a war or battle. Often contrasted with tactics. (Oxford dictionary)
- *Fred R. David* says: “Strategy is the art and science of codification for implementation and evaluation of multifunctional decisions which enables the organization to achieve its long term goals.”
- *Dessler* says: “Strategy is one type of plan that can show the main purpose and intent of the organization, in terms of service to society.”
- *Normann, R. and Ramirez, R.* Say: ” Strategy is the art of creating value. It provides the intellectual frameworks, conceptual models, and governing ideas that allow a company’s managers to identify opportunities for bringing value to customers and for delivering that value at a profit. In this respect, strategy is the way a company defines its business and links together the only resources that really matter in today’s economy: knowledge and relationships or an organization’s competencies and customers.”
- *Mintzberg* says: “Offered five definitions for strategy and then reviewed their ties and solidarity, these five definitions are:

- Strategy as a Plan：strategy is an integrated plan and outcome of the deliberate process
- Strategy as a Ploy：strategy as a maneuver to overcome your opponents or competitors
- Strategy as a Pattern：strategy as a pattern in decisions and actions
- Strategy as a Position：strategy as a mediator between internal and external environments
- Strategy as a Perspective：strategy as an internal view on the organization

Figure 12: 5Ps of Strategy

- *Strategy and Leadership*
  “Leadership is a potent combination of strategy and character. But if you must be without one, be without the strategy.”
  ----*Norman Schwarzkopf*
- *Strategy and right goal*
  “Sound strategy starts with having the right goal.”
  ----*Michael Porter*

3.2.3 Components of Strategy

Professor Richard P. Rumelt described strategy as a type of problem solving. He wrote in 2011 that three important aspects of strategy include "premeditation, the anticipation of others' behavior, and the purposeful design of coordinated actions." He described strategy as solving a design problem, with trade-offs among various elements that must be arranged, adjusted and coordinated, rather than a plan or choice. He wrote that good strategy has an underlying structure he called a kernel. The kernel has three parts:

1) A diagnosis that defines or explains the nature of the challenge;
2) A guiding policy for dealing with the challenge;
3) Coherent actions designed to carry out the guiding policy.

President Kennedy illustrated these three elements of strategy in his Cuban Missile Crisis Address to the Nation of 22 October 1962:

1) Diagnosis: "This Government, as promised, has maintained the closest surveillance of the Soviet military buildup on the island of Cuba. Within the past week, unmistakable evidence has established the fact that a series of offensive missile sites are now in preparation on that imprisoned island. The purpose of these bases can be none other than to provide a nuclear strike capability against the Western Hemisphere."
2) Guiding Policy: "Our unswerving objective, therefore, must be to prevent the use of these missiles against this or any other country, and to secure their withdrawal or elimination from the Western Hemisphere."
3) Action Plans: First among seven numbered steps was the following: "To halt this offensive buildup a strict quarantine on all offensive military equipment under shipment to Cuba is being initiated. All ships of any kind bound for Cuba from whatever nation or port will, if found to contain cargoes of offensive weapons, be turned back."

3.2.4 Formulation and Implementation of Strategy

Strategy typically involves two major processes: formulation and implementation. Formulation involves analyzing the environment or situation, making a diagnosis, and developing guiding policies. It includes such activities as strategic planning and strategic thinking. Implementation refers to the action plans taken to achieve the goals established by the guiding policy.

Bruce Henderson wrote in 1981 that: "Strategy depends upon the ability to foresee future consequences of present initiatives." He wrote that the basic requirements for strategy development include, among other factors:

1) Extensive knowledge about the environment, market and competitors;
2) Ability to examine this knowledge as an interactive dynamic system;
3) The imagination and logic to choose between specific alternatives.

3.2.5 Levels of strategic Activities

Strategic activities can be formulated on three different levels -corporate level, business unit level, and functional or departmental level. The strategy changes based on the levels of strategy.

3.2.5.1 Corporate Level Strategy

Corporate level strategy occupies the highest level of strategic decision-making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs for optimal performance. Top management of the organization makes such decisions. The nature of strategic decisions tends to be value-oriented, conceptual and less concrete than decisions at the business or functional level.

3.2.5.2 Business Unit Level Strategy.

Business unit level strategy is applicable in those organizations, which have different businesses and each business is treated as strategic business unit (SBU). The fundamental concept in SBU is to identify the discrete independent product/market segments served by an organization. Since each product/market segment has a distinct environment, a SBU is created for each such segment. For example, Reliance Industries Limited operates in textile fabrics, yarns, fibers, and a variety of petrochemical products. For each product group, the nature of market in terms of customers, competition, and marketing channel differs.

Therefore, it requires different strategies for its different product groups. Thus, where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) given the environment it faces. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and coordination between them for making optimal contribution to the achievement of corporate level objectives.

3.2.5.3 Functional Level Strategy.

Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations. Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination between them for optimal contribution to the achievement of the SBU and corporate level objectives. Below the functional level strategy, there may be operations level strategies as each function may be dividend into several sub functions. For example, marketing strategy, a functional strategy, can be subdivided into promotion, sales, distribution, pricing strategies with each sub function strategy contributing to functional strategy.

3.3 Concepts of Strategic Planning

3.3.1 The Benefits of Strategic Planning

The organization, work units, managers, supervisors and employees can profit from having a good strategic planning process. Here are some benefits that may occur as a result of strategic planning.

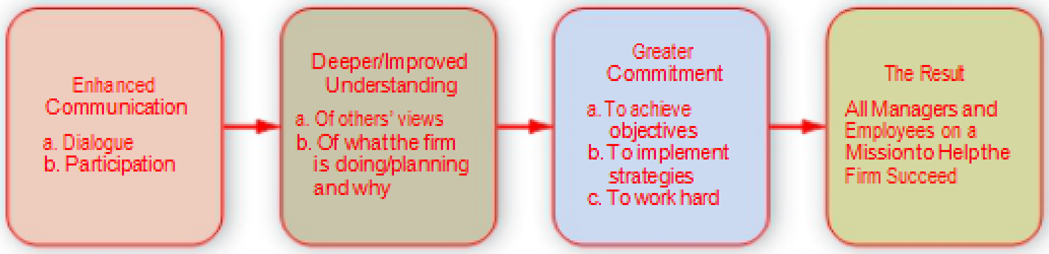


Figure 13: Benefits to a firm that does Strategic Planning

Greenley stated that strategic planning offers the following benefits:

- It allows for identification, prioritization, and exploitation of opportunities.
- It provides an objective view of management problems.
- It represents a framework for improved coordination and control of activities.
- It minimizes the effects of adverse conditions and changes.
- It allows major decisions to better support established objectives.
- It allows more effective allocation of time and resources to identified opportunities.
- It allows fewer resources and less time to be devoted to correcting erroneous or too quickly make decisions.
- It creates a framework for internal communication among personnel.
- It helps integrate the behavior of individuals into a total effort.
- It provides a basis for clarifying individual responsibilities.
- It encourages forward thinking.

- It provides a cooperative, integrated, and enthusiastic approach to tackling problems and opportunities.
- It encourages a favorable attitude toward change.
- It gives a degree of discipline and formality to the management of a business.

3.3.2 Differences between Strategic Planning & Long Term Planning

Strategic planning is normally conducted by an organization's most senior executives, with emphasis placed on determining the companies' mission, vision and overarching strategy. Strategic planning is also an ongoing process, where management continuously re-appropriate resources to initiatives that need to be prioritized.

Long term planning is about setting the process by which the strategic plan will be achieved. It's about aligning your project to fit in with your strategic goals and coordinating departments so that they're in sync and ready to hit the organizations' targets. In contrast to Strategic planning, Long term planning is normally given a time frame, often over five years depending on the strategic objective it is trying to accomplish.

Above all, strategic planning is about defining policy and a mission that the company wants to promote, like sustainability for example. Strategic Planning is about allocating resources to meet these demands. Both strategies are imperative, and both aid growth and profitability, so it's important that companies get them right.

4 Strategic Management

4.1 Pattern of Strategic Management

The strategic-management process can best be studied and applied using a model. Every model represents some kind of process. The framework is a widely accepted, comprehensive model of the strategic-management process. This model doesn’t guarantee success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies. Relationships among major components of the strategic-management process are shown in the model, which appears in all subsequent chapters with appropriate areas shaped to show the particular focus of each chapter.

These are three important questions to answer in developing a strategic plan:

- Where are we now?
- Where do we want to go?
- How are we going to get there?

Identifying an organization's existing vision, mission, objectives, and strategies is the logical starting point for strategic management because a firm's present situation and condition may preclude certain strategies and may even dictate a particular course of action.

Every organization has a vision, mission, objectives, and strategy, even if these elements are not consciously designed, written, or communicated. The answer to where an organization is going can be determined largely by where the organization has been! The strategic-management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components. For instance, a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission. Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semiannually. The strategic-management process never really ends.

A Comprehensive Strategic-Management Model

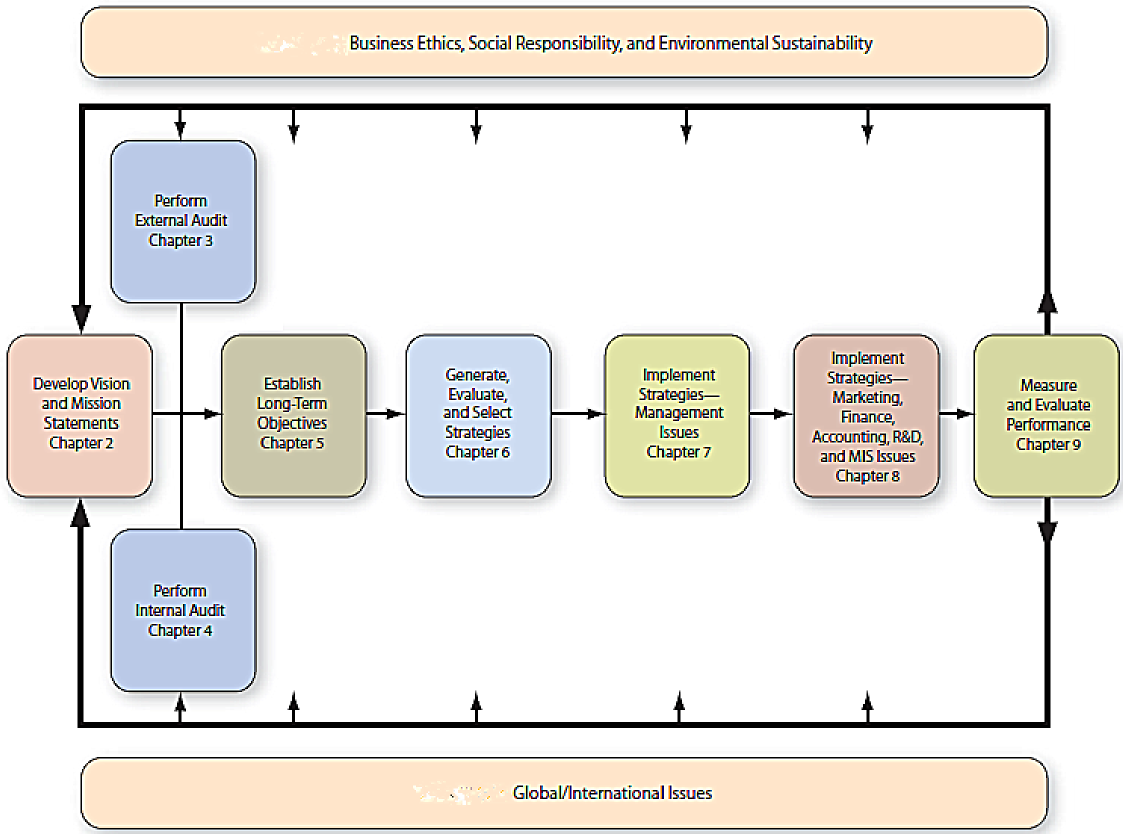


Figure 14: A comprehensive Strategic-Management Model

The strategic-management process is not as cleanly divided and neatly performed in practice as the strategic-management model suggests. Strategists do not go through the process in lockstep fashion. Generally, there is give-and-take among hierarchical levels of an organization. Many organizations semiannually conduct formal meetings to discuss and update the firm's vision/mission, opportunities/threats, strengths/weaknesses, strategies, objectives, policies, and performance. These meetings are commonly held off-premises and are called retreats. The rationale for periodically conducting strategic-management meetings away from the work site is to encourage more creativity and candor from participants. Good communication and feedback are needed throughout the strategic-management process.

Application of the strategic-management process is typically more formal in larger and well-established organizations. Formality refers to the extent that participants, responsibilities, authority, duties, and approach are specified. Smaller businesses tend to be less formal. Firms that compete in complex, rapidly changing environments, such as technology companies, tend to be more formal in strategic planning. Firms that have many divisions, products, markets and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic-management process is usually positively associated with the cost, accuracy and success of planning across all types and sizes of organizations.

4.2 Formulation of Strategic Management

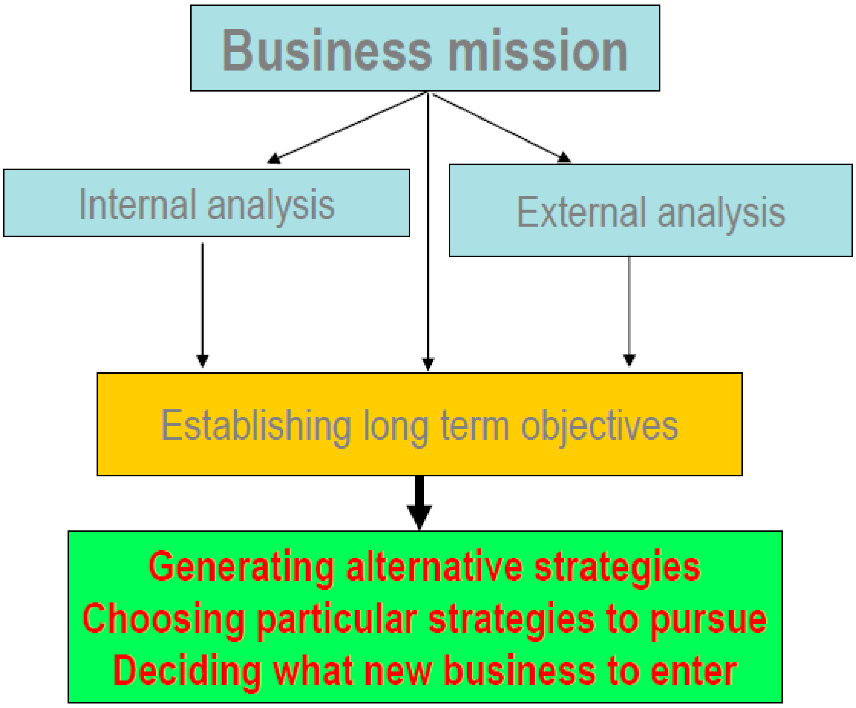


Figure 15: Formulation of Strategic Management

There are three main stages to formulate the strategic management:

<table>
<tr><td colspan="5">STAGE 1: The input stage</td></tr>
<tr><td colspan="2">External factor Evaluation (EFE) Matrix</td><td>Competitive Profile Matrix (CPM)</td><td colspan="2">Internal Factor Evaluation (IFE) Matrix</td></tr>
<tr><td colspan="5">STAGE 2: The matching stage</td></tr>
<tr><td>SWOT Matrix</td><td>Strategic Position and Action Evaluation (SPACE) Matrix</td><td>Boston Consulting Group (BCG) Matrix</td><td>Internal-External (IE) Matrix</td><td>Grand Strategy Matrix (GSM)</td></tr>
<tr><td colspan="5">STAGE 3: The decision stage</td></tr>
<tr><td colspan="5">Quantitative Strategic Planning Matrix (QSPM)</td></tr>
</table>

Figure 16: Three Stages of Strategy Formulation

4.2.1 The Input Stage

Input stage is the process of input the external and internal information. The tools used to analyze data in this stage are Internal Factor Evaluation (IFE) Matrix and External Factor Evaluation (EFE) Matrix. The steps of these tools are quite same. The difference is only at the rating determination. The steps are followed as:

- List the internal (strengths and weaknesses) and external (opportunities and threats) factors of company.
- Assign the weight by filling number in range of 0.0– 1.0 for each factor. It represents the importance of factor can influence the company's success. The sum should be equal to 1.
- Assign the rating of each factor.
- For internal factor, the rating represents:

  1 = major weakness
  2 = minor weakness
  3 = minor strength
  4 = major strength

  For external factor, the rating represents:

  1 = response is below average
  2 = response is average
  3 = response is above average
  4 = response is superior
- Multiply the weight and rating of each factor and put the result in weighted score column.
- Sum all the weighted score to get the total weighted score of internal/external factors.

4.2.1.1 External Factor Evaluation Matrix (EFE)

Strategy Analysis Input stage

Key external factors	Weight	Rating	Weighted score
Opportunities			
1. Demand for prepared food increasing 10 % annually	0,07	4	0,28
2. Packaging technology offers 15 % annual cost savings	0,03	2	0,06
3 . >>>>.....9 or 10 items			
Threats			
1. Increasing governmental regulation in the industry	0,04	2	0,08
2. Leading rival firms are more fully integrated	0,07	1	0,07
3. >>>>9 or 10 key items			
Total	1,00		Σ (1 to 4)

Figure 17: An Example about EFE Matrix

4.2.1.2 Competitive Profile Matrix (CPM)

Strategy Analysis Input stage

Internal and External		AVON		Procter&Gamble	
Critical Success Factors	Weight	Rating	Score	Rating	Score
Advertising	0,20	1	0,2	3	0,60
Product quality	0,10	4	0,4	3	0,30
Price competitiveness	0,10	3	0,3	4	0,40
Management	0,10	4	0,4	3	0,30
Financial position	0,15	4	0,6	3	0,45
Customer loyalty	0,10	4	0,4	2	0,20
Global expansion	0,20	4	0,8	2	0,40
Market share	0,05	1	0,05	3	0,15
TOTAL	**1,00**		**3,15**		**2,80**

Figure 18: An Example about CPM

4.2.1.3 Internal Factor Evaluation Matrix (IFE)

Strategy Analysis Input stage

Key internal factors	Weight	Rating	Weighted score
Strengths			
1. Our company provide 24-hour, 7 day services	0,08	3	0,24
2. Our company has 50 subsidiary in Europe and Asia	0,06	4	0,24
3 . >>>>.....9 or 10 items			
Weaknesses			
1. Our company total dept to equity ratio is 0,36 compared to the industry average of 0,9	0,03	2	0,06
2. 86 % of the trade revenues come from Europe	0,07	1	0,07
3. >>>>9 or 10 key items			
Total	1,00		Σ (1 to 4)

Figure 19: An Example about IFE Matrix

4.2.2 The Matching Stage

4.2.2.1 SWOT Analysis

What is SWOT Analysis?

- Acronym for Strengths, Weaknesses, Opportunities and Threats.
- Technique is credited to Albert Humphrey who led a research project at Stanford University in the 1960s and 1970s.
- Planning tool used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- Used as framework for organizing and using data and information gained from situation analysis of internal and external environment.
- Technique that enables a group / individual to move from traditional strategies to a fresh perspective.

Figure 20: SWOT Analysis

➢ **Strengths**

- Characteristics of the business or a team that give it an advantage over others in the industry.
- Positive tangible and intangible attributes, internal to an organization.
- Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- **Examples** - Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.

➢ **Opportunities**

- Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.
- Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.
- **Examples**- Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product.

➢ **Weaknesses**

- Characteristics that place the firm at a disadvantage relative to others.
- Detract the organization from its ability to attain the core goal and influence its growth.
- Weaknesses are the factors which do not meet the standards we feel they should meet. However, weaknesses are controllable. They must be minimized and eliminated.
- **Examples** - Limited financial resources, Weak spending on R & D, Very narrow product line, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills, Under-trained employees.

➢ **Threats**

- External elements in the environment that could cause trouble for the business - External factors, beyond an organization's control, which could place the organization's mission or operation at risk.
- Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- Compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake.
- **Examples** - Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.

Aim of SWOT Analysis

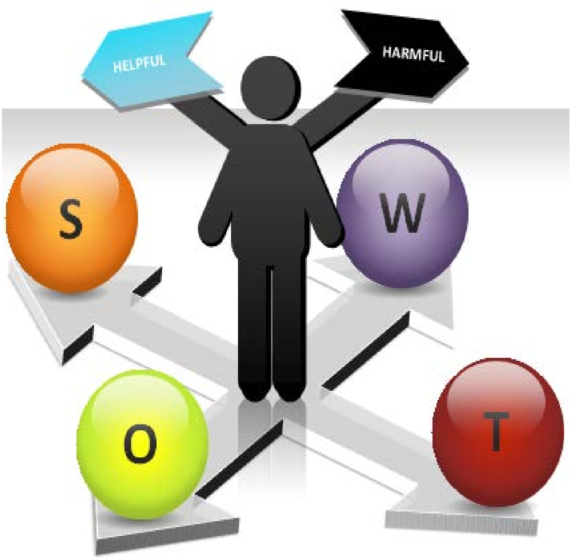


Figure 21: Aim of SWOT Analysis

- To help decision makers share and compare ideas.
- To bring a clearer common purpose and understanding of factors for success.
- To organize the important factors linked to success and failure in the business world.
- To analyze issues that have led to failure in the past.
- To provide linearity to the decision-making process allowing complex ideas to be presented systematically.

Who needs SWOT Analysis?

- **Job Holder**
  - ✓ When supervisor has issues with work output
  - ✓ Assigned to a new job
  - ✓ New financial year – fresh targets
  - ✓ Job holder seeks to improve performance on the job
- **Business Unit**
  - ✓ When the team has not met its targets
  - ✓ Customer service can be better
  - ✓ Launching a new business unit to pursue a new business
  - ✓ New team leader is appointed
- **Company**
  - ✓ When revenue, cost & expense targets are not being achieved
  - ✓ Market share is declining
  - ✓ Industry conditions are unfavorable
  - ✓ Launching a new business venture

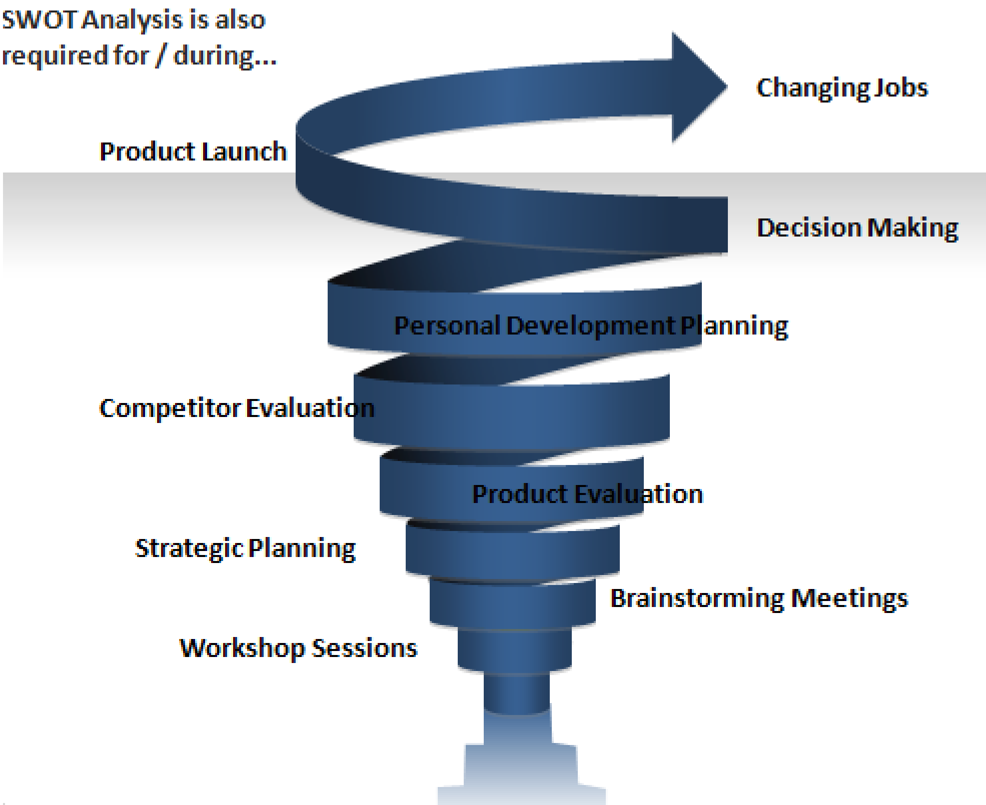


Figure 22: Applications of SWOT Analysis

How to conduct SWOT Analysis?

Step 1: Analysis of Internal & External Environment

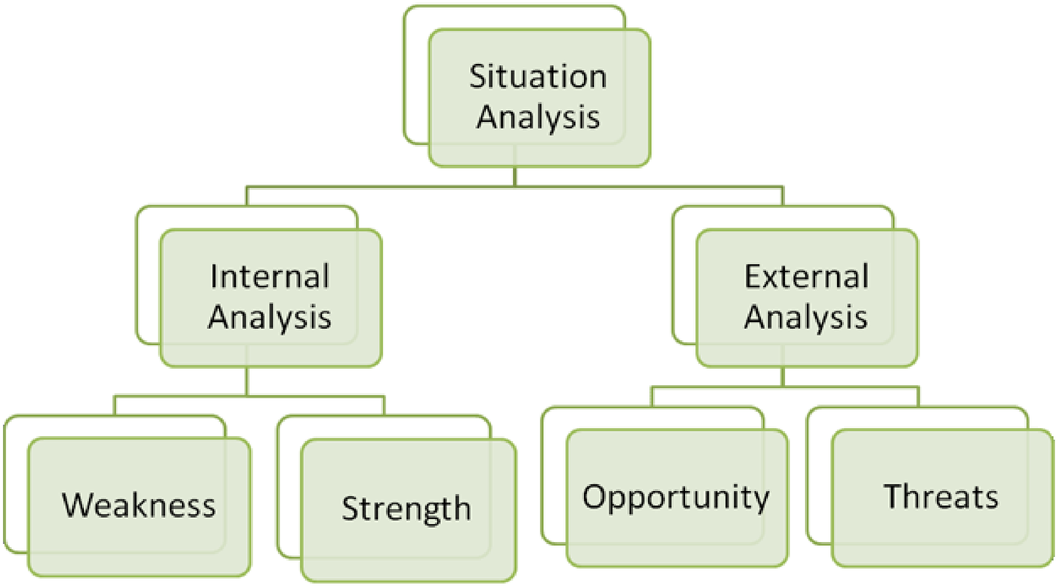


Figure 23: Analysis of Internal & External Environment

Step 2: Perform SWOT Analysis & Document

- **Establish the objectives** – Purpose of conducting a SWOT may be wide / narrow, general / specific.
- **Select contributors** – Expert opinion may be required for SWOT
- **Allocate research & information gathering tasks** – Background preparation can be carried out in two stages – Exploratory and Detailed. Information on Strengths & Weaknesses should focus on the internal factors & information on Opportunities & Threats should focus on the external factors.
- **Create a workshop environment** – Encourage an atmosphere conducive to the free flow of information.
- **List Strengths, Weaknesses, Opportunities, & threats**
- **Evaluate listed ideas against Objectives** – With the lists compiled, sort and group facts and ideas in relation to the objectives.
- **Carry your findings forward** – Make sure that the SWOT analysis is used in subsequent planning. Revisit your findings at suitable time intervals.

Step 3: Prepare Action Plan

Once the SWOT analysis has been completed, mark each point with:

- Things that must be addressed immediately
- Things that can be handled now
- Things that should be researched further
- Things that should be planned for the future

Benefits & Pitfalls of SWOT Analysis

- **Benefits of SWOT Analysis**

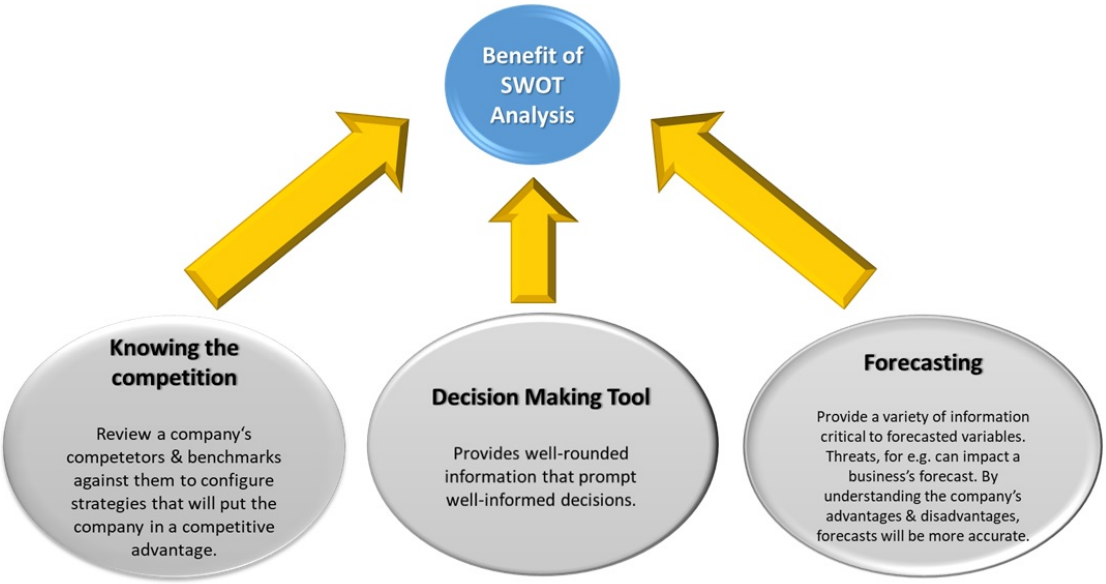


Figure 24: Benefits of SWOT Analysis

Besides the above benefits, here are few more benefits of conducting SWOT Analysis:

- Helps in setting of objectives for strategic planning
- Provides a framework for identifying & analyzing strengths, weaknesses, opportunities & threats
- Provides an impetus to analyze a situation & develop suitable strategies and tactics
- Basis for assessing core capabilities & competencies
- Evidence for, and cultural key to, change
- Provides a stimulus to participation in a group experience

- **Pitfalls of SWOT Analysis**
  - Can be very subjective. Two people rarely come up with the same final version of a SWOT. Use it as a guide and not as a prescription.
  - May cause organizations to view circumstances as very simple due to which certain key strategic contact may be overlooked.
  - Categorizing aspects as strengths, weaknesses, opportunities & threats might be very subjective as there is great degree of uncertainty in market.

- To be effective, SWOT needs to be conducted regularly. The pace of change makes it difficult to anticipate developments.
- The data used in the analysis may be based on assumptions that subsequently prove to be unfounded [good and bad].
- It lacks detailed structure, so key elements may get missed.

Brainstorming & Prioritization in SWOT Analysis

- Output from Brainstorming exercise is Prioritized
- Begin brainstorming by asking the following questions:
  - What opportunities exist in our external environment?
  - What threats to the institution exist in our external environment?
  - What are the strengths of our institution?
  - What are the weaknesses of our institution?
- At the end of the Brainstorming exercise:
  - Reduce the list of strengths & weaknesses to no more than five distinctive competencies and debilitating weaknesses
  - Strengths that are distinctive competencies
  - Weaknesses that are debilitating
  - Reduce threats and opportunities to the five most critically important of each.

Suggestions for SWOT Analysis

- When conducting a SWOT analysis, designate a leader or group facilitator and invite someone to brainstorm with you.
- Keep your SWOT short and simple, but remember to include important details. For example, if you think your communication skills is your strength, include specific details, such as verbal / written communication.
- When you finish your SWOT analysis, prioritize the results by listing them in order of the most significant factors that affect your business to the least.
- Get multiple perspectives on your business for your SWOT analysis. Ask for input from your employees, colleagues, friends, suppliers, customers and partners. Be willing to breakaway from traditional methods.
- Apply your SWOT analysis to a specific issue, such as a goal you would like to achieve or a problem you need to solve. You can then conduct separate SWOT analyses on individual issues and combine them.

Examples of SWOT Analysis

➢ McDonald's SWOT Analysis

Figure 25: Example--McDonald's

Strengths

- Ranks very high on the Fortune Magazine's most admired list
- Community oriented
- Global operations all over the world
- Cultural diversity in the foods
- Excellent location
- Assembly line operations.
- Use of top quality products

Weaknesses

- Failing pizza test market thus limiting the ability to compete with pizza providers.
- High training costs due to high turnover.
- Minimal concentration on organic foods.
- Not much variation in seasonal products.
- Quality concerns due to franchised operations.
- Focus on burgers / fried foods not on healthier options for their customers

Opportunities

- Opening more joint ventures.
- Being more responsive to healthier options.
- Advertising WiFi services in the branches.
- Expanding on the advertising on being more socially responsible
- Expansions of business into newly developed parts of the world.
- Open products up to allergen free options such as peanut free.

Threats

- Marketing strategies that entice people from small children to adults.
- Lawsuits for offering unhealthy foods.
- Contamination risks that include the threat of e-coli containment.
- The vast amount of fast food restaurants that are open as competition.
- Focus on healthier dieting by consumers.
- Down turn in economy affecting the ability to eat that much.

➢ Apple Inc's SWOT Analysis

Strengths

- Globally recognized brand
- Research and Development

- Reputation for innovation
- Healthy financial performance
- Customer loyalty
- Economies of scale
- Diverse distribution avenues
- Design, manufacturing and marketing expertise
- Entrepreneurial culture

Weaknesses

- High retail prices
- Slowing innovation
- Competition from major firms
- Subject to supply shortages and price increases
- Difficulty controlling outsourcing processes
- Accusations of infringement upon patents of other organizations

Figure 26: Example--Apple Inc

Opportunities

- Sales growth in emerging economies
- iWatch and Mac Pro: demonstrating continued Apple innovation.
- Growing demand from education, enterprise and government
- Good relationship through joint venture with other big companies coupled to bring out new “hits”.
- Increasing demand of online music and other applications like cloud based services.

Threats

- Stiff competition
- Product imitations
- Potential saturation of mobile market
- Rapid technological changes
- Patent/Copyright violation
- Outsourcing manufacturing

Summary

Analysis and intuition provide a basis for making strategy-formulation decisions. The matching techniques just discussed reveal feasible alternative strategies. Many of these strategies will likely have been proposed by managers and employees participating in the strategy analysis and choice activity. Any additional strategies resulting from the matching analyses could be discussed and added to the list of feasible alternative options. As indicated earlier in this chapter, participants could rate these strategies on a 1 to 4 scale so that a prioritized list of the best strategies could be achieved.

4.2.2.2 The Strategic Position and Action Evaluation Matrix (SPACE)

The Strategic Position & Action Evaluation Matrix (SPACE Matrix) is a strategic management tool that focuses on strategy formulation especially as related to the competitive position of an organization.

What is the SPACE Matrix?

To explain how the SPACE Matrix works, it is best to reverse-engineer it. First, let's take a look at what the outcome of a SPACE Matrix analysis can be, take a look at the picture below. The SPACE matrix is broken down to four quadrants where each quadrant suggests a different type or a nature of a strategy:

- Aggressive
- Conservative
- Defensive
- Competitive

This is what a completed SPACE Matrix looks like:

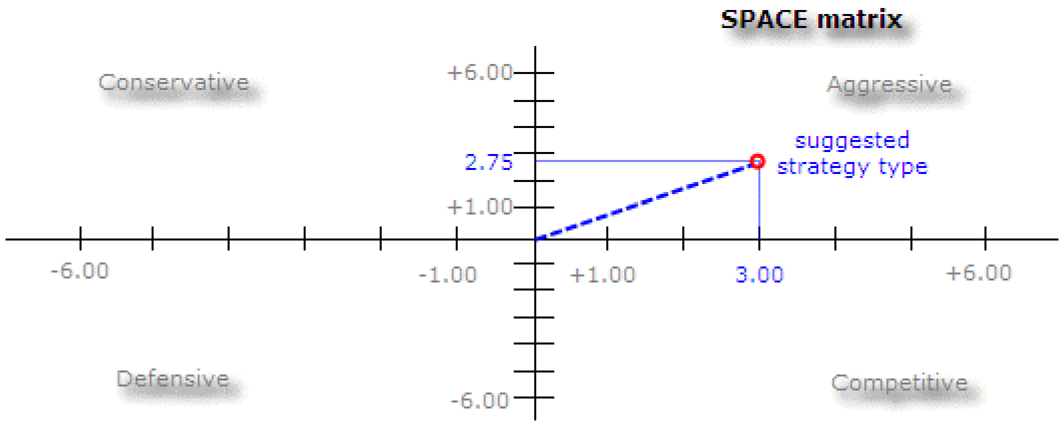


Figure 27: SPACE Matrix

This particular SPACE Matrix tells us that the company should pursue an aggressive strategy. The company has a strong competitive position in the market with rapid growth. It needs to use its internal strengths to develop a market penetration and market development strategy. This can include product development, integration with other companies, acquisition of competitors, and so on.

Now, how do we get to the possible outcomes shown in the SPACE Matrix? The SPACE Matrix analysis functions upon two internal and two external strategic dimensions in order to determine the organization's strategic posture in the industry. The SPACE Matrix is based on four areas of analysis.

- Internal strategic dimensions:

- ➢ Financial strength (FS)
- ➢ Competitive advantage (CA)

- External strategic dimensions:

- ➢ Environmental stability (ES)
- ➢ Industry strength (IS)

There are many SPACE Matrix factors under the internal strategic dimension. These factors analyze a business internal strategic position. The financial strength factors often come from company accounting. These SPACE Matrix factors can include for example return on investment, leverage, turnover, liquidity, working capital, cash flow, and others. Competitive advantage factors include for example the speed of innovation by the company, market niche position, customer loyalty, product quality, market share, product life cycle, and others.

Every business is also affected by the environment in which it operates. SPACE Matrix factors related to business external strategic dimension are for example overall economic condition, GDP growth, inflation, price elasticity, technology, barriers to entry, competitive pressures, industry growth potential, and others. These factors can be well analyzed using the Michael Porter's Five Forces model.

The SPACE Matrix calculates the importance of each of these dimensions and places them on a Cartesian graph with X and Y coordinates.

The following are a few model technical assumptions:

By definition, the CA and IS values in the SPACE Matrix are plotted on the X axis.

- ➢ CA values can range from -1 to -6.
- ➢ IS values can take +1 to +6.

The FS and ES dimensions of the model are plotted on the Y axis.

- ➢ ES values can be between -1 and -6.
- ➢ FS values range from +1 to +6.

How to construct a SPACE Matrix?

The SPACE Matrix is constructed by plotting calculated values for the competitive advantage (CA) and industry strength (IS) dimensions on the X axis. The Y axis is based on the environmental stability (ES) and financial strength (FS) dimensions. The SPACE Matrix can be created using the following five steps:

1) Select variables to define FS, CA , ES, and IS.

2) Assign to each variable ranging from **+1 (worst) to +6 (best)** to **FS and IS** quadrant. Assign to each variable ranging from **-1 (best) to -6 (worst) to CA and ES** quadrant. On the **FS-CA** axes make **comparison to competitors**, **IS-ES** make **comparison to other industries.**
3) Compute each quadrant average. ES-CA negative, IS-FS positive.
4) Add two scores respectively to determine directional vector of x-axis and y-axis. CA+IS and ES + FS.
5) Find intersection of your X and Y points. Draw a line from the center of the SPACE matrix to your point. This line reveals the type of strategy the company should pursue: aggressive, competitive, defensive, or conservative.

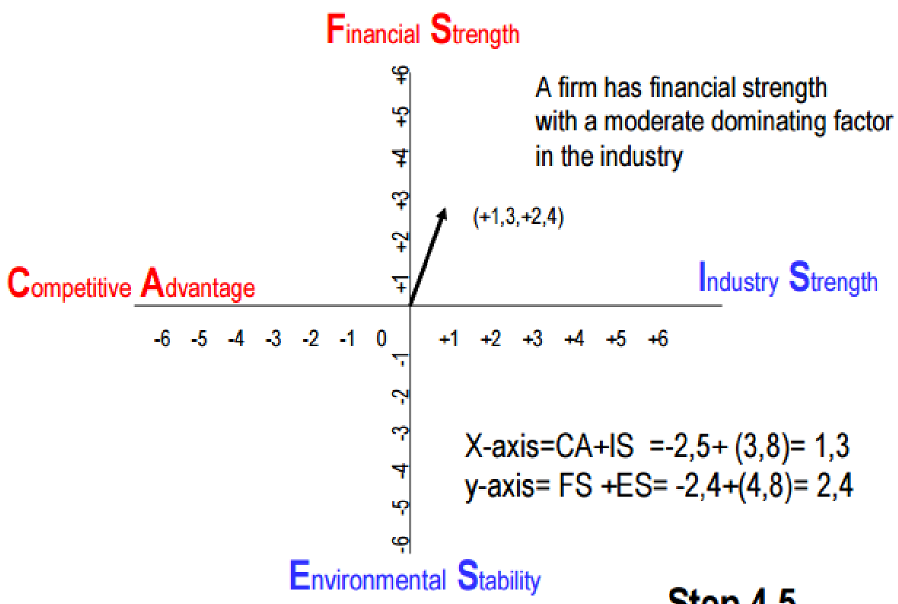
The Figures are as followed:

INTERNAL STATEGIC POSITION	EXTERNAL STRATEGIC POSITION
Financial Strength (FS) Return on investment Leverage Liquidity Working Capital Cash flow +1...+6	**Environmental Stability (ES)** Technological change Rate of inflation Demand variability Price range of competing products Barriers to entry market Risk involved in business Easy of exit market -1...-6
Competitive Advantage (CA) Market share Product quality Product life cycle Consumer royalty Technological know how Control over suppliers and distributors -1...-6	**Industry strengths (IS)** Growth potential Profit potential Financial stability Resource utilization Easy of entry into market Productivity, capacity +1...+6

Step 1

INTERNAL STATEGIC POSITION		EXTERNAL STRATEGIC POSITION	
Financial Strength (FS)		**Environmental Stability (ES)**	
Rate		**R**	
Return on investment	4	Technological change	-2
Leverage	5	Rate of inflation	-1
Liquidity	6	Demand variability	-3
Working Capital	4	Price range of competing products	-6
Cash flow	5	Barriers to entry market	-3
		Risk involved in business	-1
		Easy of exit market	-1
AVERAGE	**4,8**	**AVERAGE**	**-2,4**
Competitive Advantage (CA)		**Industry strengths (IS)**	
Rate		**R**	
Market share	-4	Growth potential	4
Product quality	-1	Profit potential	5
Product life cycle	-2	Financial stability	1
Consumer royalty	-2	Resource utilization	4
Technological know how	-1	Easy of entry into market	6
Control over suppliers and distributors	-5	Productivity, capacity	3
AVERAGE	**-2,5**	**AVERAGE**	**3,8**

Step 2, 3



Step 4,5

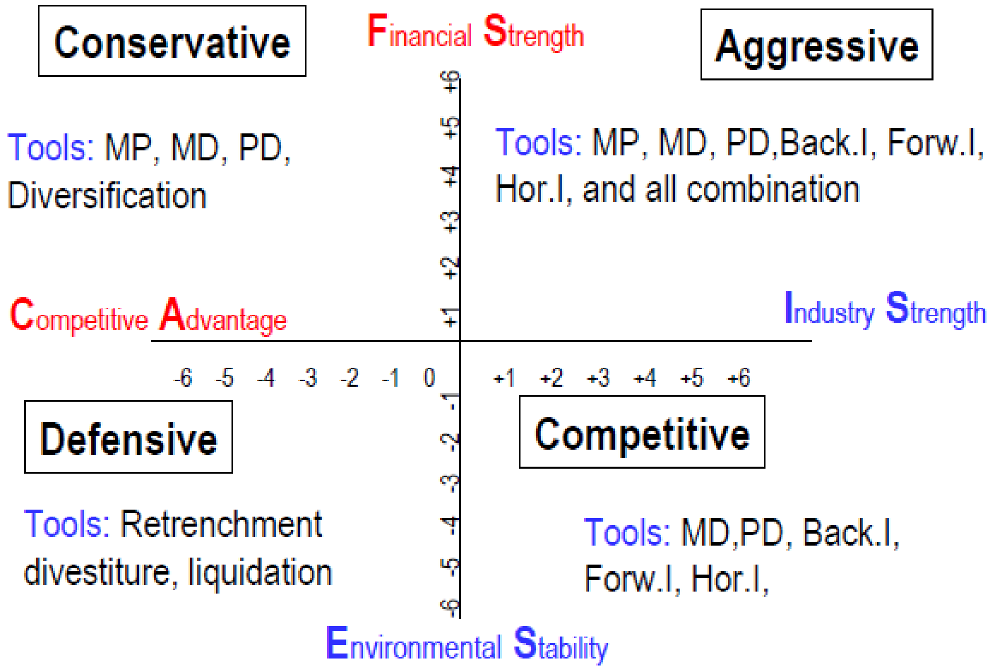


Figure 28: Overview of the SPACE Matrix

4.2.2.3 BCG Matrix

BOSTON CONSULTING GROUP (BCG) Matrix is developed by *Bruce Henderson* of the BOSTON CONSULTING GROUP in the early 1970s.

According to this technique, businesses or products are classified as low or high performers depending upon their market growth rate and relative market share. To understand the Boston Matrix you need to understand how market share and market growth interrelate.

<u>The Formation of BCG Matrix</u>

- **Relative Market Share**

  Market share is the percentage of the total market that is being serviced by your company, measured either in revenue terms or unit volume terms.

$$\boxed{\text{RMS} = \frac{\text{Business unit sales this year}}{\text{Leading rival sales this year}}}$$

The higher your market share, the higher proportion of the market you control.

- **Market Growth Rate**

  Market growth is used as a measure of a market's attractiveness.

$$MGR = \frac{\text{Individual sales this year} \;-\!-\; \text{individual sales last year}}{\text{Individual sales last year}}$$

Markets experiencing high growth are ones where the total market share available is expanding, and there's plenty of opportunity for everyone to make money.

- **The BCG Growth-Share Matrix**

  It is a portfolio planning model which is based on the observation that a company's business units can be classified in to four categories:

  - ➢ **Stars**
  - ➢ **Question marks**
  - ➢ **Cash cows**
  - ➢ **Dogs**

  It is based on the combination of market growth and market share relative to the next best competitor.

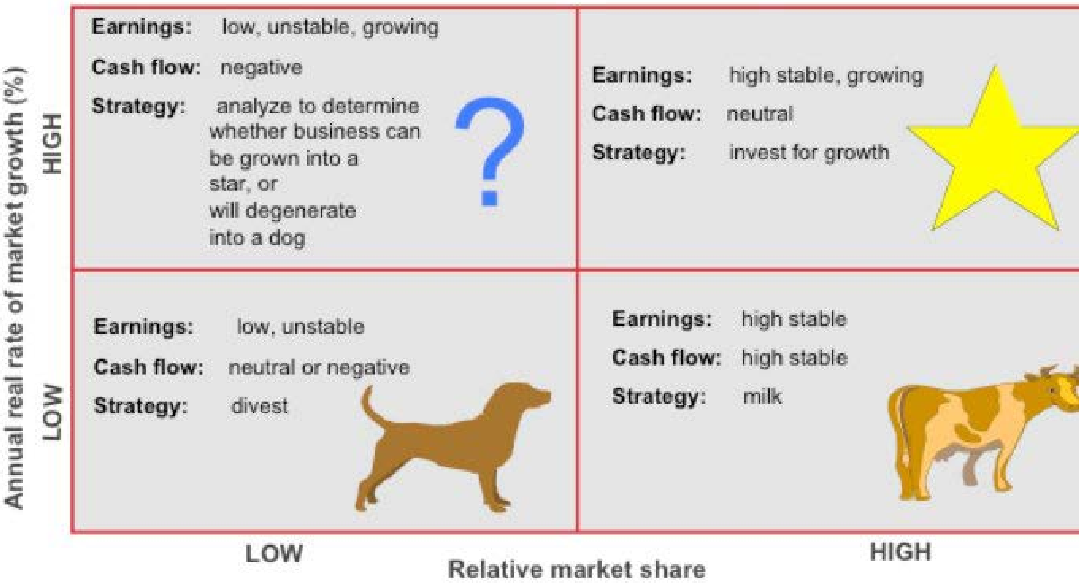


Figure 29: BCG Matrix

- **Stars**

High growth, high market share.

Stars are leaders in business. They also require heavy investment to maintain its large market share. It leads to large amount of cash consumption and cash generation. Attempts should be made to hold the market share otherwise the star will become a Cash cow.

- **Cash cows**

Low growth, high market share.

They are foundation of the company and often the stars of yesterday. They generate more cash than required, extract the profits by investing as little cash as possible and are located in an industry that is mature, not growing or declining.

- **Dogs**

Low growth, low market share

Dogs are the cash traps. They do not have potential to bring in much cash. Number of dogs in the company should be minimized. Business is situated at a declining stage.

- **Question marks**

High growth, low market share

Most businesses start of as question marks. They will absorb great amounts of cash if the market share remains unchanged. Question marks have potential to become star and eventually cash cow but can also become a dog. Investments should be high for question marks.

Main Steps of BCG Matrix

- Identifying and dividing a company into SBU.(strategic Business Unit)
- Assessing and comparing the prospects of each SBU according to two criteria :

1. SBU'S relative market share.
2. Growth rate of SBU's industry.

- Classifying the SBU's on the basis of BCG matrix.
- Developing strategic objectives for each SBU.

The Function of BCG Matrix

- **To assess :**

- Profiles of products/businesses
- The cash demands of products
- The development cycles of products
- Resource allocation and divestment decisions

➢ **Benefits**

- BCG matrix is simple and easy to understand.
- It helps you to quickly and simply screen the opportunities open to you and helps you think about how you can make the most of them.
- It is used to identify how corporate cash resources can best be used to maximize a company's future growth and profitability.

➢ **Limitations**

- BCG matrix uses only two dimensions: Relative market share and market growth rate.
- Problems of getting data on market share and market growth.
- High market share does not mean profits all the time.
- Business with low market share can be profitable too.

An Example about Application of BCG Matrix

Example: Apple Inc

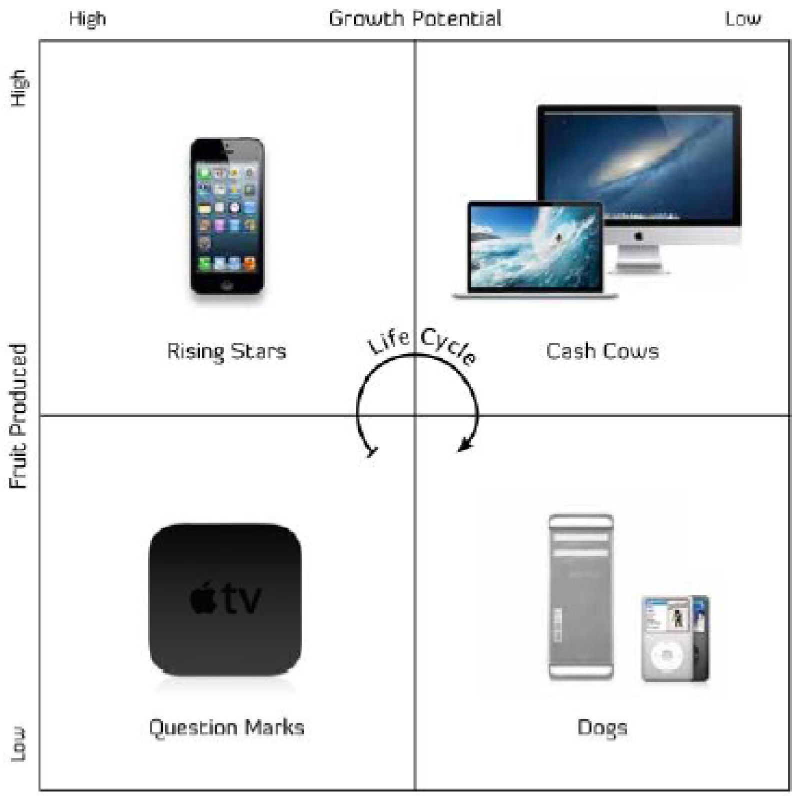


Figure 30: Apple BCG Matrix

Table 1: Apple BCG Matrix

Rising stars • Increasing market share in a growing market • Apple iPhone recorded record sales in 2015 fourth quarter. • iPhone sales revenue increased by 28% from 2014 fourth quarter (Apple Inc, 2015)	Cash cows • High market share in a mature market • Apple Mac computers as of 3Q15 have a 14.8% market share with no decline experienced year on year. • 2.5 million shipments coming in at 3rd place for 2015 amongst PC vendors (Campbell, 2015)
Question marks • Growing market, medium market share • Apple t.v – Apple devices make up 62% of all pay for t.v video streaming views • Apple t.v has doubled from 5% to 10% in premium video viewing QoQ. • Potential to increase market share with the growth in online video streaming increasing (Abramovich, 2015)	Dogs • Low share in a declining market • iPod sale declining due to the music capability being integrated into the iPhone • 2008 iPod unit sale at 54.83 million declining year on year to 2014 at 14 million units sold. (Statista, n.d.)

4.2.2.4 IE Matrix

The Internal-External (IE) Matrix is another strategic management tool used to analyze working conditions and strategic position of a business. The IE Matrix is based on an analysis of internal and external business factors which are combined into one suggestive model. It is a continuation of the EFE Matrix and IFE Matrix models.

How does the Internal-External IE Matrix work?

The IE Matrix belongs to the group of strategic portfolio management tools. In a similar manner like the BCG Matrix, the IE Matrix positions an organization into a nine cell matrix.

The IE Matrix is based on the following two criteria:

1) Score from the EFE Matrix --plotted on the y-axis
2) Score from the IFE Matrix -- plotted on the x-axis

The IE Matrix works in a way that you plot the total weighted score from the EFE Matrix on the y-axis and draw a horizontal line across the plane. Then you take the score calculated in the IFE Matrix, plot it on the x-axis, and draw a vertical line across the plane. The point where your horizontal line meets your vertical line is the determinant of your strategy. This point shows the strategy that your company should follow.

On the x-axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position. A score of 2.0 to 2.99 is considered average. A score of 3.0 to 4.0 is strong.

On the y-axis, an EFE total weighted score of 1.0 to 1.99 is considered low. A score of 2.0 to 2.99 is medium. A score of 3.0 to 4.0 is high.

The total IFE weighted scores

The total EFE weighted Scores

	Strong *3,0 to 4,0*	*Average* *2,0 to 2,99*	*Weak* *1,0 to 1,99*
High *3,0, to 4*			
Medium *2,0 to 2,99*			
Low *1,0 to 1,99*			

Figure 31: Weighted Scores of IE Matrix

Let's take a look at an example. We calculated IFE Matrix for an anonymous company on the IFE Matrix page. The total weighted score calculated on this page is 2.79 which points at a company with an above-average internal strength.

We also calculated the EFE Matrix for the same company on the EFE Matrix page. The total weighted score calculated for the EFE Matrix is 2.46 which suggests a slightly less than average ability to respond to external factors.

Now we plot these values on axes in the IE Matrix.

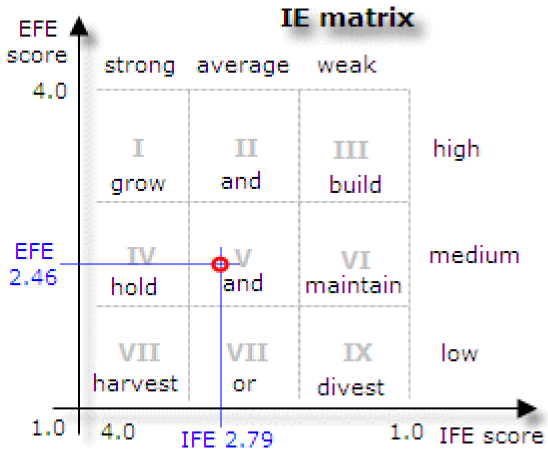


Figure 32: An Example of IE Matrix

This IE Matrix tells us that this company should hold and maintain its position. The company should pursue strategies focused on increasing market penetration and product development.

What does the IE Matrix reveal?

Horizontal and vertical lines meet in one of the nine cells in the IE matrix. You should follow a strategy depending on in which cell those lines intersect. The IE Matrix can be divided into three major regions that have different strategy implications.

- Cells I, II, and III suggest the grow and build strategy. This means intensive and aggressive tactical strategies. Your strategies should focus on market penetration, market development, and product development. From the operational perspective, a backward integration, forward integration, and horizontal integration should also be considered.
- Cells IV, V, and VI suggest the hold and maintain strategy. In this case, your tactical strategies should focus on market penetration and product development.
- Cells VII, VIII, and IX are characterized with the harvest or exit strategy. If costs for rejuvenating the business are low, then it should be attempted to revitalize the business. In other cases, aggressive cost management is a way to play the end game.

4.2.2.5 Grand Strategy Matrix (GSM)

Grand Strategy Matrix is very useful instrument for creating different and alternative strategies for an organization. GSM has four quadrants, each quadrant contains different sets of strategies and the entire firms along with their respective divisions must fall in one of the quadrant. This matrix has two dimensions(competitive position and market growth). Suitable set of strategies for each quadrant are given below:

Quadrant I:

Companies positioned in this quadrant have very strong strategic position. These firms focus on their established competitive advantage (CA) and take advantage of it as long as it allows them. These companies must concentrate on the existing market by adopting the set of product development, market development and market penetration strategies. Organizations that fall in quadrant 1 have focus on a single product and can go for related diversification strategy to minimize the risk related to limited product line. If these organizations have higher resources they can go for horizontal, backward and forward set of strategies. These firms can take risks being an aggressive and can afford to obtain advantage of opportunities in numerous ways.

Quadrant II:

Firms laying in this quadrant have the rapid growing industry but can not fight competently. They must evaluate their existing approach in the market place, need to know why they are ineffective in the market and must come up with a strategy to improve their strategic position. Due to the growth of the industry, firms in this quadrant use intensive strategy as a first strategic option. If companies do not have competitive advantage, horizontal integration is more advantageous option. Last but not the least strategic option is the liquidation which provides fund needed for other Strategic Business Unit (SBU) or to acquire other businesses.

Quadrant III:

All those firms which fall in this quadrant have slow growth market and have relatively weak position. Firms have to make noticeable modifications to sustain their position. Retrenchment strategy has priority in this quadrant followed by diversification to transfer resource to another growing business. Last strategic option available for the firms positioned in this quadrant is liquidation or divestiture of the business.

Quadrant IV:

Companies competing in this quadrant have slow growth industry but have a strong competitive position. These firms can diversify into different untapped businesses by utilizing their existing resource. These firms face restricted internal growth and have high cash flow intensity which allows them to practice related and unrelated diversifications effectively. Finally these firms can go for joint ventures to fulfill their internal growth needs.

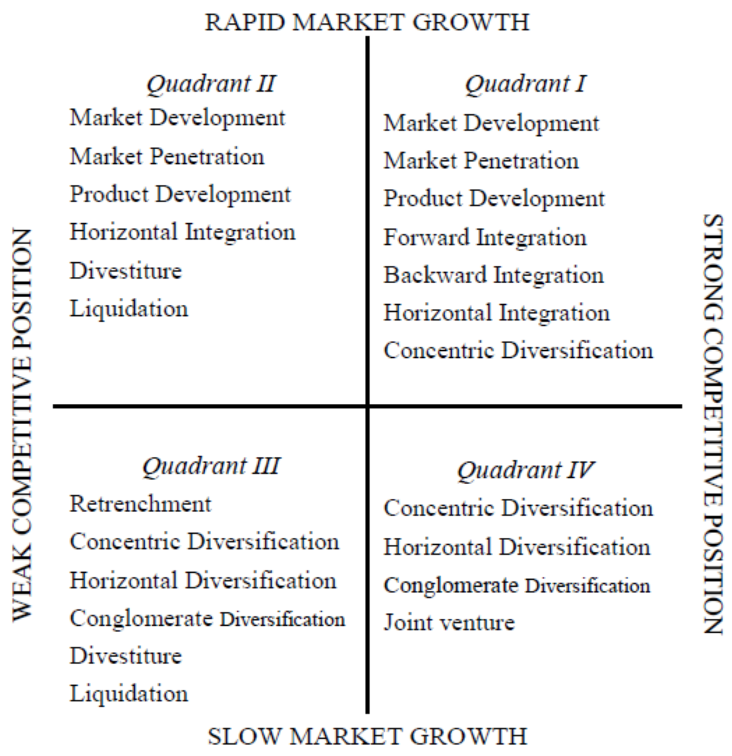


Figure 33 : Grand Strategy Matrix

In this figure each quadrant shows the different strategic options available for the firms which are positioned in different quadrants. Below is the equation to know the company position in Grand Strategy Matrix.
The coordinate indicates the point where company lies.

$$\frac{\text{Strength-Weakness}}{2} \quad ; \quad \frac{\text{Opportunity-Threat}}{2}$$

$$(x \quad ; \quad y)$$

where,
strength = subtotal strengths score
weakness = subtotal internal weakness score
opportunity = subtotal opportunity score
threat = subtotal threat score

4.2.3 The Decision Stage

This is the final stage of strategy formulation to decide the most appropriate strategy. Decision stage requires Quantitative Strategic Planning Matrix (QSPM) to define the alternative strategy.

Alternative means the other strategy beside the strategy has been resulted in matching stage. In QSPM, the strategy and its alternative should be related each other.

		STRATEGIC ALTERNATIVES			
		Strategy 1		Strategy 2	
Key Factors	W	AS	TAS	AS	TAS
Strengths					
1	…	…	…	…	…
2	…	…	…	…	…
Weaknesses					
1	…	…	…	…	…
2	…	…	…	…	…
	1				
Opportunities					
1	…	…	…	…	…
2	…	…	…	…	…
Threats					
1	…	…	…	…	…
2	…	…	…	…	…
	1				

Figure 34 : Quantitative Strategic Planning Matrix

Six steps to develop a QSPM:

- **Step 1: Make a list of the firm's key external opportunities/threats and internal strengths/weaknesses in the left column of the QSPM.** They are derived from IFE and EFE Matrix.
- **Step 2: Assign weights to each key external and internal factor.** These weights are identical to those in the EFE Matrix and the IFE Matrix.
- **Step 3: Identify alternative strategies received from analysis in SWOT Matrix and Grand Strategy Matrix.**
- **Step 4: Determine the Attractiveness Scores (AS),** defines how attractive the factor affects the strategy. The range is from 1 to 4.
  1 = not attractive,
  2 = somewhat attractive,
  3 = reasonably attractive,
  4 = highly attractive.
- **Step 5: Compute the Total Attractiveness Scores (TAS)** by multiplying the weight and AS. TAS indicates the relative attractiveness of each strategy. The higher TAS, the more attractive the strategy will be.
- **Step 6: Compute the Sum Total Attractiveness Score (TAS).** The highest score represents the most attractive strategy considering all relevant external and internal factors that could affect the strategy decision.

The QSPM is a tool that allows strategists to evaluate alternative strategies objectively, based on previously identified external and internal critical success factors. Like other strategy-formulation analytical tools, the QSPM requires good intuitive judgement.

An Example about Application of QSPM[1]

The tables below are the SWOT of PT Pamapersada Nusantara which is arranged based on the company internal information and external information.

Table 2: External Factors of PAMA

No.	Opportunities	Threats
1.	World demand for coal	Coal price trend
2.	Amount of Indonesia coal reserved	Nature destruction issue
3.	Indonesia as the largest coal exporter	Entrance of new player
4.	Heavy equipment availability	

Table 3: Internal Factors of PAMA

No.	Strengths	Weaknesses
1.	Exemplary management system	Focused in coal mining construction
2.	High competency of manpower	High rate of staff turn-over
3.	Top of Mind Awareness company	

They are analyzed using IFE and EFE Matrix to get the number of internal factor and external factor. Those numbers will be used to define the company position and its strategy in the following step. These two following figures show the analysis of internal and external factors.

Key Internal Factors	W	R	WS
Opportunities			
1.World demand for coal	0.13	3	0.39
2. Amount of Indonesia coal reserved	0.15	3	0.45
3. Indonesia as the largest exporter	0.1	2	0.2
4. Heavy equipment availability	0.2	4	0.8
Threats			
1.Coal price	0.2	2	0.4
2. Nature destruction issue	0.12	3	0.36
3. Entrance of new player	0.1	2	0.2
TOTAL	**1.00**		**2.80**

Figure 35: EFE Matrix for PAMA

[1] Corporate Planning and System Development., 2012 Annual Report., PT Pamapersada Nusantara,Jakarta, 2012

Key Internal Factors	W	R	WS
Strengths			
1. Strong fundamental management system	0.25	4	1
2. High competency of manpower	0.25	4	1
3. Top of Mind Awareness company	0.2	3	0.6
Weaknesses			
1. Focused in coal mining	0.18	2	0.36
2. High turn-over rate	0.12	1	0.12
TOTAL	**1**		**3.08**

Figure 36 : IFE Matrix for PAMA

It can be seen from the matrix above, the score of external factor is 2.80 and the details are 1,84 for opportunities and 1.24 for threats. The internal factor is 3.08 and the details are 2.08 for strengths and 0.83 for weaknesses. These numbers are used as input for equation of Grand Strategy Matrix. The equation will be:

$$\frac{strength-weakness}{2}; \frac{opportunities-threats}{2} = (x,y)$$

$$\frac{2,60-0,48}{2} ; \frac{1,84-0,96}{2} = (1,06 ; 0,88)$$

The result of calculation is the coordinate point to show the position of company. Thus, it is known that the company is in point (1,06 ; 0,88) at Quadrant 1. It means the company has an excellent strategic position. The strategies can be conducted are Market Penetration, Market Development, Product Development, Integration Strategy, and Diversification Strategy.

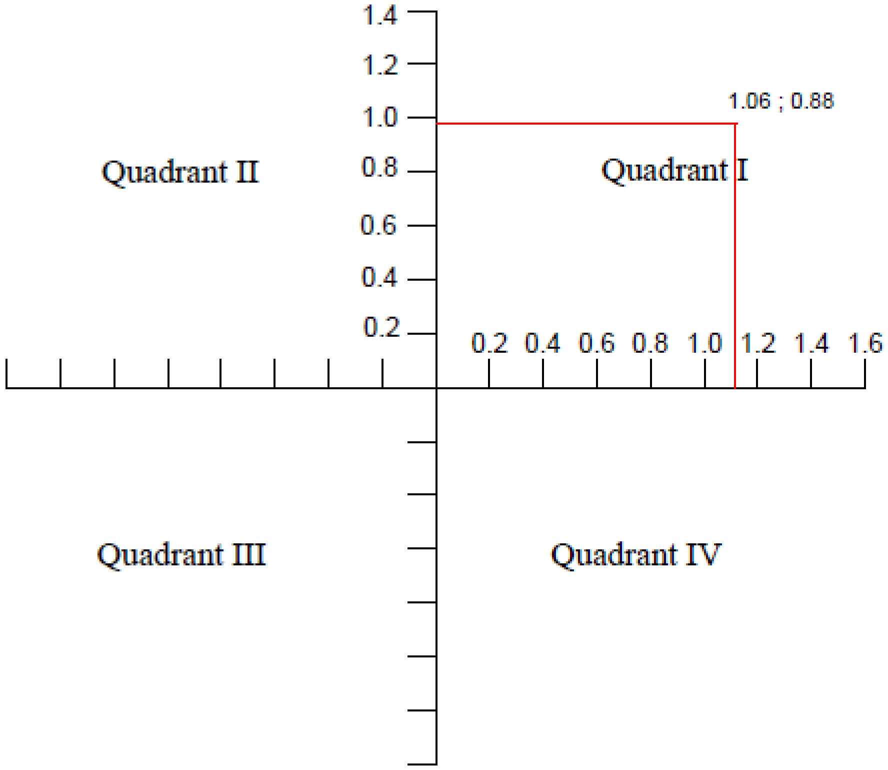


Figure 37: Grand Strategy Matrix for PAMA

PAMA takes the diversification strategy since it only focuses as a coal mining contractor. Diversification strategy is appropriate for company that only focuses in one business. The diversification will be entering the mineral processing business, power plant construction, or mining infrastructure. Those three strategies will be analyzed using QSPM to know which strategy is the most attractive.

		STRATEGIC ALTERNATIVES					
		Mineral Processing		Power Plant Construction		Mining Infrastructure	
Key Factors	W	AS	TAS	AS	TAS	AS	TAS
Opportunities							
1. World demand for coal	0.13	1	0.13	2	0.26	2	0.26
2. Amount of Indonesia coal reserved	0.15	1	0.15	4	0.6	2	0.3
3. Indonesia as the largest exporter	0.1	-	-	-	-	-	-
4. Heavy equipment availability	0.2	4	0.8	4	0.8	4	0.8
Threats							
1. Coal price	0.12	1	0.12	3	0.36	2	0.24
2. Natural destruction issue	0.2	3	0.6	2	0.4	1	0.2
3. Entrance of new player	0.1	-	-	-	-	-	-
	1						
Strengths							
1. Strong-fundamental management system	0.25	4	1	3	0.75	4	1
2. High competency of manpower	0.25	3	0.75	3	0.75	2	0.5
3. Top of Mind Awareness company	0.2	4	0.8	3	0.6	2	0.4
Weaknesses							
1. Focused in coal mining	0.18	2	0.36	4	0.72	1	0.18
2. High staff turn-over rate	0.12	-	-	-	-	-	-
TOTAL	1		**4.55**		**5.32**		**3.96**

Figure 38: Quantitative Strategic Planning Matrix for PAMA

Opportunity has 4 key factors that may influence the new strategies. In QSPM, we can see that world demand for coal is not attractive for mineral processing construction because this strategy considers other mineral more than coal. So, the attractiveness score is 1. World demand for coal is somewhat attractive for power plant construction and mining infrastructure. The amount of Indonesia coal reserved is highly attractive for the power plant construction, somewhat attractive for mining infrastructure, but still not attractive for the mineral processing construction. Then, heavy equipment availability is highly attractive for all strategy alternatives since PAMA is the subsidiary of United Tractor.

There are 3 key factors of threat but only 2 key factors influence the strategy alternatives. Coal price is not attractive for mineral processing construction, somewhat attractive for mining infrastructure, and reasonably attractive for power plant construction. It is reasonably attractive because the power plant will need coal as its source of energy. Then, the nature destruction issue is reasonably attractive for mineral processing. This factor is somewhat attractive for power plant construction and not attractive for mining infrastructure. Next, the strengths that may affect the new strategy are; strong-fundamental management system is highly attractive for each strategy alternatives, high competency of manpower is reasonably attractive for mineral processing and power plant construction but somewhat attractive for mining infrastructure, and

Top of Mind Awareness Company is highly attractive for mineral processing business, reasonably attractive for power plant construction, and somewhat attractive for mining infrastructure.

Instead of imposing the company, the weaknesses can be attractive for the strategy alternatives. The weakness of only focused in coal mining is exactly highly attractive for power plant construction because this strategy still related closely to coal. But, it is not attractive for mining infrastructure. Then, the weakness of high rate of turn-over does not influence for those three businesses. So, it has not been given weight and rating

Now, QSPM has given the result which alternative is appropriate for PAMA. Actually, those strategies are appropriate to be implemented but only 1 strategy is chosen. The Sum Total Attractiveness Score indicates the attractiveness of strategy. So, the second strategy which is entering the field of power plant construction is the most attractive strategy. Its score is 5.32, the biggest score among other strategy, 4.55 for mineral processing business and 3.96 for mining infrastructure business.

Positive Features and Limitations of QSPM

- **Positive features:**
- Strategies can be examined sequentially or simultaneously. For example, corporate-level strategies could be evaluated first, followed by division-level strategies, and then function-level strategies. There is no limit to the number of strategies that can be evaluated or the number of sets of strategies that can be examined at once using the QSPM.
- It requires strategists to integrate pertinent external and internal factors into the decision process. Developing a QSPM makes it less likely that key factors will be overlooked or weighted inappropriately. A QSPM draws attention to important relationships that affect strategy decisions.
- Although developing a QSPM requires a number of subjective decisions, making small decisions along the way enhances the probability that the final strategic decisions will be best for the organization. A QSPM can be adapted for use by small and large for-profit and nonprofit organizations so can be applied to virtually any type of organization.
- A QSPM can especially enhance strategic choice in multinational firms because many key factors and strategies can be considered at once. It also has been applied successfully by a number of small businesses.

- **Limitations:**
- It always requires intuitive judgments and educated assumptions. The ratings and attractiveness scores require judgmental decisions, even though they should be based on objective information. Discussion among strategists, managers, and employees throughout the strategy-formulation process, including development of a QSPM, is constructive and improves strategic decisions. Constructive discussion during strategy analysis and choice may

arise because of genuine differences of interpretation of information and varying opinions.

- It can be only as good as the prerequisite information and matching analyses upon which it is based.

4.3 Implementation of strategic Management

Strategy implementation is the translation of chosen strategy into organizational action to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

Following are the main steps in implementing a strategy:

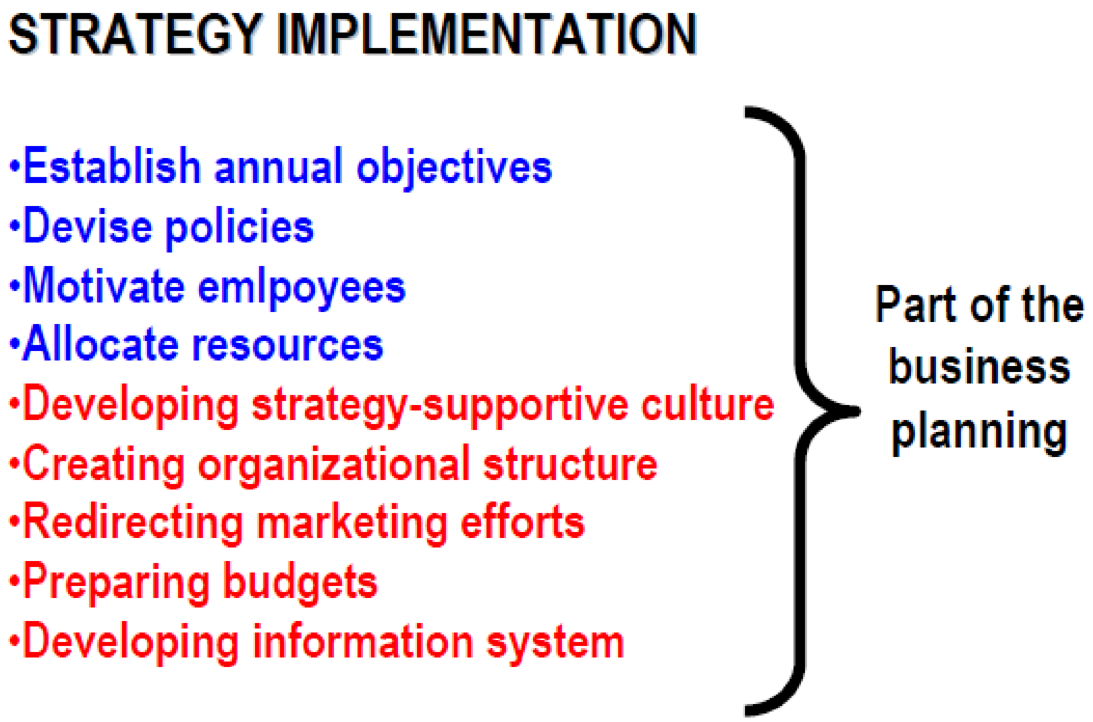


Figure 39: Strategy Implementation

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal as well as informal) are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behaviour.

4.4 Evaluation of strategic Management

The final stage in strategic management is strategy evaluation and control. All strategies are subject to future modification because internal and external factors are constantly changing. In the strategy evaluation and control process managers determine whether the chosen strategy is achieving the organization's objectives.

The fundamental strategy evaluation and control activities are:

- Reviewing external and internal factors
- Measuring performance
- Taking corrective actions

5. Mission, Vision and Value

A company without finance can borrow; a company with bad location can move; a company without mission and vision can only fail.

5.1 Strategist

Strategists are the individuals who are most responsible for the success or failure of an organization. Strategists have various job titles, such as chief executive officer, president, owner, chair of the board, executive director, chancellor, dean, or entrepreneur. Jay Conger, professor of organizational behavior at the London Business School and author of Building Leaders, says, “All strategists have to be chief learning officers. We are in an extended period of change. If our leaders aren’t highly adaptive and great models during this period, then our companies won’t adapt either, because ultimately leadership is about being a role model.”

Strategists help an organization gather, analyze, and organize information. They track industry and competitive trends, develop forecasting models and scenario analyses, evaluate corporate and divisional performance, spot emerging market opportunities, identify business threats, and develop creative action plans. Strategic planners usually serve in a support or staff role. Usually found in higher levels of management, they typically have considerable authority for decision-making in the firm. The CEO is the most visible and critical strategic manager. Any manager who has responsibility for a unit or division, responsibility for profit and loss outcomes, or direct authority over a major piece of the business is a strategic manager (strategist). In the last five years, the position of chief strategy officer (CSO) has emerged as a new addition to the top management ranks of many organizations, including Sun Microsystems, Network Associates, Clarus, Lante, Marimba, Sapient, Commerce One, BBDO, Cadbury Schweppes, General Motors, Ellie Mae, Cendant, Charles Schwab, Tyco, Campbell Soup, Morgan Stanley, and Reed-Elsevier. This new corporate officer title represents recognition of the growing importance of strategic planning in the business world.

Strategists differ as much as organizations themselves, and these differences must be considered in the formulation, implementation, and evaluation of strategies. Some strategists will not consider some types of strategies because of their personal philosophies. Strategists differ in their attitudes, values, ethics, willingness to take risks, concern for social responsibility, concern for profitability, concern for short-run versus long-run aims, and management style. The founder of Hershey Foods, Milton Hershey, built the company to manage an orphanage. From corporate profits, Hershey Foods today cares for over a thousand boys and girls in its School for Orphans.

5.2 Mission Statement

5.2.1 Definition

- A mission expresses the organization's:
  - Purpose — the needs we exist to address
  - Business — what are we doing to address these
  - Values — what principles or beliefs guide our work
- Many organizations today develop a vision statement that answers the question "What do we want to become?" Developing a vision statement is often considered the first step in strategic planning, preceding even development of a mission statement. Many vision statements are a single sentence. For example, the vision statement of Stokes Eye Clinic in Florence, South Carolina, is "Our vision is to take care of your vision."
- Mission statement=what's wrong with the world and how you intend to fix it.

- "A business is not defined by its name, statutes, or articles of incorporation. It is defined by the business mission. Only a clear definition of the mission and purpose of the organization makes possible clear and realistic business objectives."
- "A business mission is the foundation for priorities, strategies, plans, and work assignments. It is the starting point for the design of managerial jobs and, above all, for the design of managerial structures. Nothing may seem simpler or more obvious than to know what a company's business is. A steel mill makes steel, a railroad runs trains carrying freight and passengers, an insurance company underwrites fire risks, and a bank lends money. Actually, "What is our business?" is almost always a difficult question and the right answer is usually anything but obvious. The answer to this question is the first responsibility of strategists. Only strategists can make sure that this

question receives the attention it deserves and that the answer makes sense and enables the business to plot its course and set its objectives."

—Peter Drucker

5.2.2 Components of Mission

Mission statements can and do vary in length, content, format, and specificity. Most practitioners and academicians of strategic management feel that an effective statement should include nine components. Because a mission statement is often the most visible and public part of the strategic-management process.

Here are the nine essential components of a Mission Statement with examples:

1) Customers

We believe our first responsibility is to the doctors, nurses, patients, mothers, and all others who use our products and services. (Johnson & Johnson)

To earn our customers' loyalty, we listen to them, anticipate their needs, and act to create value in their eyes. (Lexmark International)

2) Products or Services

AMAX's principal products are molybdenum, coal, iron ore, copper, lead, zinc, petroleum and natural gas, potash, phosphates, nickel, tungsten, silver, gold, and magnesium. (AMAX Engineering Company)

Standard Oil Company (Indiana) is in business to find and produce crude oil, natural gas, and natural gas liquids; to manufacture high-quality products useful to society from these raw materials; and to distribute and market those products and to provide dependable related services to the consuming public at reasonable prices. (Standard Oil Company)

3) Markets

We are dedicated to the total success of Corning Glass Works as a worldwide competitor. (Corning Glass Works)

Our emphasis is on North American markets, although global opportunities will be explored. (Block way)

4) Technology

Control Data is in the business of applying micro-electronics and computer technology in two general areas: computer-related hardware; and computing -enhancing services, which include computation, information, education, and finance. (Control Data)

We will continually strive to meet the preferences of adult smokers by developing technologies that have the potential to reduce the health risks associated with smoking. (RJ Reynolds)

5) Concern for Survival, Growth, and Profitability

In this respect, the company will conduct its operations prudently and will provide the profits and growth which will assure Hoover's ultimate success. (Hoover Universal)

To serve the worldwide need for knowledge at a fair profit by adhering, evaluating, producing, and distributing valuable information in a way that benefits our customers, employees, other investors, and our society. (McGraw-Hill)

6) Philosophy

Our world-class leadership is dedicated to a management philosophy that holds people above profits. (Kellogg)

It's all part of the Mary Kay philosophy—a philosophy based on the golden rule. A spirit of sharing and caring where people give cheerfully of their time, knowledge, and experience. (Mary Kay Cosmetics)

7) Self-Concept

Crown Zellerbach is committed to leapfrogging ongoing competition within 1,000 days by unleashing the constructive and creative abilities and energies of each of its employees. (Crown Zellerbach)

8) Concern for Public Image

To share the world's obligation for the protection of the environment. (Dow Chemical)

To contribute to the economic strength of society and function as a good corporate citizen on a local, state, and national basis in all countries in which we do business. (Pfizer)

9) Concern for Employees

To recruit, develop, motivate, reward, and retain personnel of exceptional ability, character, and dedication by providing good working conditions, superior leadership, compensation on the basis of performance, an attractive benefit program, opportunity for growth, and a high degree of employment security. (The Wachovia Corporation)

To compensate its employees with remuneration and fringe benefits competitive with other employment opportunities in its geographical area and commensurate with their contributions toward efficient corporate operations. (Public Service Electric & Gas Company)

5.2.3 Benefits of Mission Statement

- To ensure unanimity of purpose within the organization
- To provide a basis, or standard, for allocating organizational resources
- To establish a general tone or organizational climate
- To serve as a focal point for individuals to identify with the organization's purpose and direction, and to deter those who cannot from participating further in the organization's activities
- To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization
- To specify organizational purposes and then to translate these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.

5.2.4 Characteristics of Mission Statement

1) It should be feasible

A mission should always aim high but it should not be an impossible statement. It should be realistic and achievable its followers must find it to be credible. But feasibility depends on the resources available to work towards a mission. In the sixties, the US National Aeronautics and Space Administration (NASA) had a mission to land on the moon. It was a feasible mission that was ultimately realized.

2) It should be precise.

A mission statement should not be so narrow as to restrict the organization's activities nor should it be too broad to make itself meaningless. For instance, 'Manufacturing bicycles' is a narrow mission statement since it severely limits the organization's activities, while mobility business' is too broad a term, as it does not define the reasonable contour within which the organization could operate.

3) It should be clear.

A mission should be clear enough to lead to action. It should not be a high-sounding set of platitudes meant for publicity purposes. Many organizations do adopt such statements but probably they do so for emphasizing their identity and character. For example, Asian Paints stresses leadership through excellence', while India Today see itself as 'the complete news magazine'. The Administrative Staff College of India considers itself as 'the college for practicing managers' and Bajaj Auto believes in 'Providing, value for money ,for years'. To be useful, a mission statement should be clear enough to lead to action. The ITC's stated corporate philosophy of aligning its organizational activities with national priorities helps it in choosing areas for diversification like the hotel, paper and agro-industry.

4) It should be motivating.

A mission statement should be motivating for members of the organization and of society, and they should feel it worthwhile working for such an organization or being its customers. A bank, which lays great emphasis on customer service, is likely to motivate its employees to serve its customers well and to attract clients. Customer service, therefore is an important purpose for a banking institution.

5) It should be distinctive.

A mission statement, which is indiscriminate, is likely to have little impact. If all scooter manufacturers defined their mission in a similar fashion, there would not be much of a difference among them. But if one defines it as providing scooters that would provide 'value for money, for years' it will create an important distinction in the public mind.

5.2.5 The Hierarchy of Needs

If we want to make a good mission statement, we need to understand the hierarchy of needs:

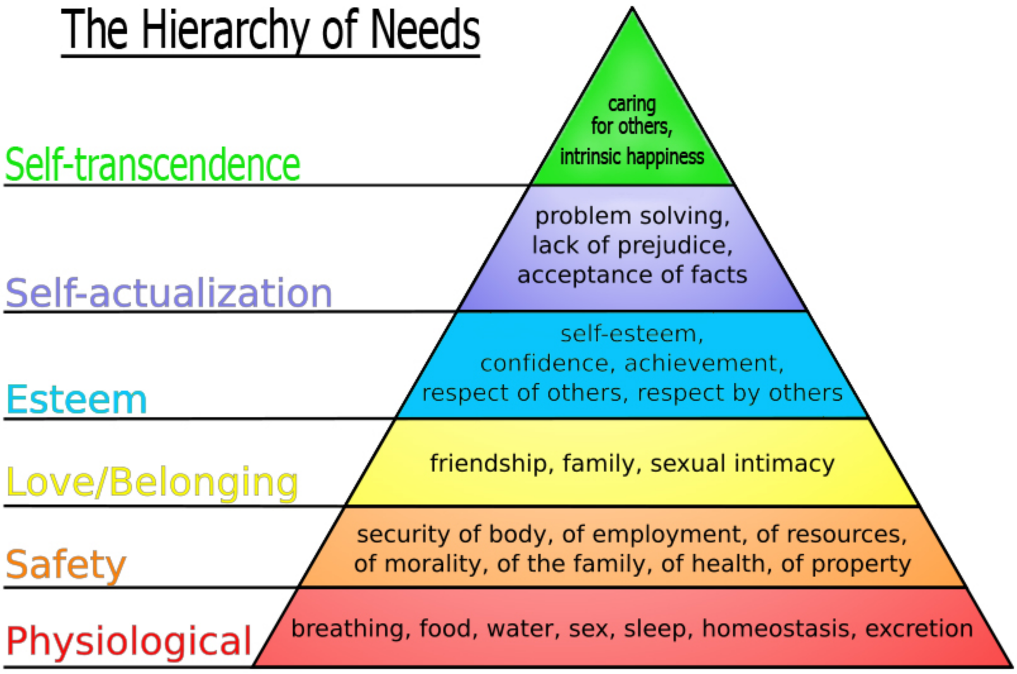


Figure 40: The Hierarchy of Needs

5.3 Vision Statement

5.3.1 Definition

- A vision statement tells people:
  - Where we want to go
  - What we want to become
  - What we want to accomplish
  - Why it is important
- Mission addresses the basic question that faces all strategists: “What is our business?” A clear mission statement describes the values and priorities of an organization. Developing a mission statement compels strategists to think about the nature and scope of present operations and to assess the potential attractiveness of future markets and activities. A mission statement broadly charts the future direction of an organization. A mission statement is a constant reminder to its employees of why the organization exists and what the founders envisioned when they put their fame and fortune at risk to breathe life into their dreams.
- Vision statement=what the world looks like after you’ve finished changing it.
- "A corporate vision can focus, direct, motivate, unify, and even excite a business into superior performance. The job of a strategist is to identify and project a clear vision."

—John Keane

5.3.2 Components and Characteristics of Vision Statement

- It is written in the present, not future tense. They describe what we will feel, hear, think, say and do as if we had reached our vision now.

- It is summarized with a powerful phrase. That phrase forms the first paragraph of the vision statement. The powerful phrase is repeated in whatever communication mediums you have to trigger memory of the longer statement. It is not a brand strap-line.
- It describes an outcome, the best outcome we can achieve. It does not confuse vision with the business goal and objectives for a particular period of time. A vision statement, therefore, does not provide numeric measures of success.
- It uses unequivocal language. It does not use business speak or words like maximize or minimize.
- It evokes emotion. It is obviously and unashamedly passionate. However, it separates the hard aspect of vision in what we see, hear and do from the soft aspect of vision in what we think and feel.
- It helps build a picture, the same picture, in people's minds.

5.3.3 The Process of Developing Vision and Mission Statements

A widely used approach to developing a vision and mission statement is first to select several articles about these statements and ask all managers to read these as background information. Then ask managers themselves to prepare a vision and mission statement for the organization. A facilitator, or committee of top managers, should then merge these statements into a single document and distribute the draft statements to all managers. A request for modifications, additions, and deletions is needed next, along with a meeting to revise the document. To the extent that all managers have input into and support the final documents, organizations can more easily obtain managers' support for other strategy formulation, implementation, and evaluation activities. Thus, the process of developing a vision and mission statement represents a great opportunity for strategists to obtain needed support from all managers in the firm.

During the process of developing vision and mission statements, some organizations use discussion groups of managers to develop and modify existing statements. Some organizations hire an outside consultant or facilitator to manage the process and help draft the language. Sometimes an outside person with expertise in developing such statements, who has unbiased views, can manage the process more effectively than an internal group or committee of managers. Decisions on how best to communicate the vision and mission to all managers, employees, and external constituencies of an organization are needed when the documents are in final form. Some organizations even develop a videotape to explain the statements, and how they were developed.

An article by *Campbell and Yeung* emphasizes that the process of developing a mission statement should create an “emotional bond” and “sense of mission” between the organization and its employees. Commitment to a company’s strategy and intellectual agreement on the strategies to be pursued do not necessarily translate into an emotional bond; hence, strategies that have been formulated may not be implemented. These researchers stress that an emotional bond comes when an individual personally identifies with the underlying values and behavior of a firm, thus turning intellectual agreement and commitment to strategy into a sense of mission. *Campbell and Yeung* also differentiate between the terms vision and mission, saying that vision is “a possible and desirable future state of an organization” that includes specific goals, whereas mission is more associated with behavior and the present.

5.3.4 Differences between Vision and Mission

- **Vision- The Future**
- Definition: The way in which one sees or conceives something; a mental image; an overall statement of the goal of the organization.
- Vision should describe what will be achieved in the wider sphere if the organization and others are successful in achieving their individual missions.

- **Mission- The Present**
- Definition: An assignment one is sent to carry out; a self-imposed duty. A mission statement identifies the reason for the existence of the organization. The statement should be linked to the overall operations and business of the organization.
- A Mission statement is more specific to what the enterprise can achieve itself.

Table 4: Differences between a Mission Statement and a Vision Statement

	Mission Statement	Vision Statement
About	• A Mission statement talks about HOW you will get to where you want to be. • Defines the purpose and primary objectives related to your customer needs and team values.	• A Vision statement outlines WHERE you want to be. • Communicates both the purpose and values of your business.
Answer	• It answers the question, "What do we do? What makes us different?"	• It answers the question, "Where do we aim to be?"
Time	• A mission statement talks about the present leading to its future.	• A vision statement talks about your future.
Function	• It lists the broad goals for which the organization is formed. Its prime function is internal; to define the key measure or measures of the organization's success and its prime audience is the leadership, team and stockholders.	• It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why you are working here.
Change	• Your mission statement may change, but it should still tie back to your core values, customer needs and vision.	• It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why you are working here.
Developing a statement	• What do we do today? For whom do we do it? What is the benefit? In other words, Why we do what we do? What, For Whom and Why?	• Where do we want to be going forward? When do we want to reach that stage? How do we want to do it?
Features of an effective statement	• Purpose and values of the organization: Who are the organization's primary "clients" (stakeholders)? What are the responsibilities of the organization towards the clients?	• Clarity and lack of ambiguity: Describing a bright future (hope); Memorable and engaging expression; realistic aspirations, achievable; alignment with organizational values and culture.

5.4 Goals, Objectives and Policies

- **Goals:**

A goal is a specific target, an end result or something to be desired. It is a major step in achieving the vision of the organization.

In the strategic planning context a goal is a place where the organization wants to be, in other words a destination. For example, a goal for a sporting organization might be to have 50 qualified and active coaches. An organization may set several goals that will outline a path to achieving the vision. The goal of attaining 50 qualified and active coaches will be an important step in achieving the vision of becoming most dynamic, most respected and best achieved club in the district league.

Table 5: Examples of Goals

Key Result Area	Example Goals
Membership	To attain 1000 members
Club Development	To attain 30 clubs, each properly constituted.
Facilities	To own and operate a national standard training facility
Funding and Finance	To attain self-funding capability and financial independence
Administration	To achieve a standards of administration that are commensurate with the association's vision.

- **Objectives:**

A measure of change in order to bring about the achievement of the goal. The attainment of each goal may require a number of objectives to be reached.

There is often much confusion between goals and objectives. Whereas as a goal is a description of a destination, an objective is a measure of the progress that is needed to get to the destination. The following table serves to illustrate the difference between goals and objectives.

Table 6: Differences between Goals and Objectives

Example Goal	Example Objectives
To attain 1000 members	Increase membership in metropolitan area of Brisbane by 20% by 2005
	Increase membership in North Queensland by 50% by 2005
	To increase membership in over 35 category by 20% by 2005
	To reduce member loss between ages of 18 and 25 by 20% by 2001

- **Policies:**

In years past it was common practice to title courses and books in the strategic management areas as "Business policy," if one wished to take up broader range of organizations. In one sense, what has happened is that word “strategy” has replaced policy. But there is another sense in which the term policy is used that differentiates it from strategy, and from tactics as well. In this view, policies are the means by which objectives will be achieved. Policies are guide to action. They include how resources are to be allocated and how tasks assigned to the organization might be accomplished... Policies include guidelines, procedures, rules, programs, and budgets established to support efforts to achieve stated objectives. Therefore, policies become important management tools for implementing them.

At this stage, the mission of the organization is specified and the internal and external factors are evaluated to determine the opportunities, threats, strengths, and weaknesses of the organization and to enable the organization to determine the objectives and goals in different levels. The policies of the organization are determined according to the missions of the company and then the resources are allocated based on the objectives and policies.

5.5 Value statement

Value statements are declarations about how the organization wants to value their customers, suppliers and be valued within their own internal community. These value statements explicitly define how people will behave with each other in the organization. When values are internalized by the people in the organization, they have meaning and impact on the behaviors:

- Values guide every decision that is made.
- These organizational values help each person establish priorities in their daily work life. Priorities and actions are grounded in the organization’s values.
- Adoption of the values and behaviors are integrated into the regular performance feedback cycle.
- Rewards and recognition within the organization are structured to recognize those people whose work embodies the values.
- The organization hires and promotes individuals whose outlook and actions are congruent with the organization’s values.
- Value statement=what do we stand for. Such as Principles, ethics, beliefs.

Figure 41: Mission, Vision and Value

5.6 Core Values

Core values are what support the vision, shape the culture and reflect what the company values. They are the essence of the company's identity--the principles, beliefs or philosophy of values. Many companies focus mostly on the technical competencies but often forget what are the underlying competencies that make their companies run smoothly--core values. Establishing strong core values provides both internal and external advantages to the company:

- Core values help companies in the decision-making processes. For example, if one of your core values is to stand behind the quality of your products, any products not reaching the satisfactory standard are automatically eliminated.
- Core values educate clients and potential customers about what the company is about and clarify the identity of the company. Especially in this competitive world, having a set of specific core values that speak to the public is definitely a competitive advantage.
- Core values are becoming primary recruiting and retention tools. With the ease of researching companies, job seekers are doing their homework on the identities of the companies they are applying for and weighing whether these companies hold the values that the job seekers consider as important.

Below is a list of 10 core values that are common across organizations in different industries:

- ✓ **Accountability:** Acknowledging and assuming responsibility for actions, products, decisions, and policies. It can be applied to both individual accountability on the part of employees and accountability of the company as a whole.
- ✓ **Balance:** Taking a proactive stand to create and maintain a healthy work-life balance for workers.
- ✓ **Commitment:** Committing to great product, service, and other initiatives that impact lives within and outside the organization.
- ✓ **Community:** Contributing to society and demonstrating corporate social responsibility.
- ✓ **Diversity:** Respecting the diversity and giving the best of composition. Establishing an employee equity program.
- ✓ **Empowerment:** Encouraging employees to take initiative and give the best. Adopting an error-embracing environment to empower employees to lead and make decisions.
- ✓ **Innovation:** Pursuing new creative ideas that have the potential to change the world.
- ✓ **Integrity:** Acting with honesty and honor without compromising the truth.
- ✓ **Ownership:** Taking care of the company and customers as they were one's own.
- ✓ **Safety:** Ensuring the health and safety of employees and going beyond the legal requirements to provide an accident-free workplace.

5.7 Examples: Mission, Vision, Value Statements and Objectives of famous Companies

5.7.1 Example of Coca-Cola company[2]

➢ **Mission of Coca-Cola company**

Our Road Map starts with our mission, which is enduring. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions.

- To refresh the world...
- To inspire moments of optimism and happiness...
- To create value and make a difference.

➢ **Vision of Coca-Cola company**

Our vision serves as the framework for our Road Map and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainable, quality growth.

People: Be a great place to work where people are inspired to be the best they can be.

Portfolio: Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.

Partners: Nurture a winning network of customers and suppliers, together we create mutual, enduring value.

Planet: Be a responsible citizen that makes a difference by helping build and support sustainable communities.

Profit: Maximize long-term return to share owners while being mindful of our overall responsibilities.

Productivity: Be a highly effective, lean and fast-moving organization.

➢ **Value of Coca-Cola company**

Our values serve as a compass for our actions and describe how we behave in the world.

Leadership: The courage to shape a better future
Collaboration: Leverage collective genius
Integrity: Be real
Accountability: If it is to be, it's up to me
Passion: Committed in heart and mind
Diversity: As inclusive as our brands
Quality: What we do, we do well

Figure 42: Example--Coca Cola

[2] Coca-Cola company: http://www.coca-colacompany.com/our-company/mission-vision-values/

5.7.2 Example of Pag-IBIG Fund[3]

➢ **Mission of Pag-IBIG Fund**

To generate more savings from more Filipino workers, to administer a sustainable Fund with integrity, sound financial principles, and with social responsibility, and to provide accessible funds for housing of every member.

Figure 43: Example -- Pag IBIG Fund

➢ **Vision of Pag-IBIG Fund**

For every Filipino worker to save with Pag-IBIG and to have decent shelter.

➢ **Value of Pag-IBIG Fund**

The governing values that will steer the Pag-IBIG Fund in pursuit of its vision include Integrity, Excellence, Professionalism, and Service.

5.7.3 Example of Apple Company

➢ **Mission of Apple Company**

- Apple designs Mac, the best personal computers in the world, along with iOS, iLife, iWork, and professional software.
- Apple leads the digital music revolution with its iPods and iTunes online store.
- Apple reinvented the mobile phone with its revolutionary iPhone and App Store and has recently introduced its magical iPad which is defining the future of mobile media and computing devices.

➢ **Vision of Apple Company**

We believe that we are on the face of the earth to make great products and that's not changing. We are constantly focusing on innovating. We believe in the simple not the complex. We believe that we need to own and control the primary technologies behind the products that we make, and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects, so that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others

[3] From homepage of Pag-IBIG Fund: http://www.pagibigfund.gov.ph/aboutus/pdf/vision%20mission%20values.jpg

cannot. And frankly, we don't settle for anything less than excellence in every group in the company, and we have the self- honesty to admit when we're wrong and the courage to change. And I think regardless of who is in what job those values are so embedded in this company that Apple will do extremely well.

➢ **Value of Apple Company**

Simplify, Perfect, Delight

Figure 44: Example--Apple Inc

Figure 45: Example--Volkswagen Group

5.7.4 Example of Volkswagen Group[4]

➢ **Mission of Volkswagen Group**

The six principles of its mission statement are:

- Business must serve the good of the people.
- Business that serves the good of the people requires competition.
- Business that serves the good of the people is based on merit.
- Business that serves the good of the people takes place globally.
- Business that serves the good of the people must be sustainable.
- Business that serves the good of the people demands responsible.

➢ **Vision of Volkswagen Group**

Focus on positioning the Volkswagen Group as a global economic and environmental leader among automobile manufacturers. Volkswagen's four goals that are intended to make Volkswagen the most successful, fascinating and sustainable automaker in the world by 2018.

➢ **Value of Volkswagen Group**

Our values: Responsibility and Sustainability.

Volkswagen is more than an employer. We are responsible for people, the economy, society and the environment. Employees in Volkswagen take on responsibility by becoming involved in voluntary work. Sustainable, collaborative and responsible thinking underlies everything we do.

[4] From homepage of Volkswagen Group
http://www.volkswagenag.com/content/vwcorp/content/en/the_group/strategy.html

5.7.5 Example of ZAMZAM

Example 46: ZAMZAM Group

➢ **Objectives of ZAMZAM Group**

- Superiority in quality
- Superiority in market share
- Superiority in diversity
- Developing presence in international markets
- Creating and maintaining competitive advantage
- Increasing the market share at home and overseas
- Leading market in drink industries of the country
- Developing the brand in international markets
- Updating the level of technology and technical knowledge
- Obtaining efficiency higher than the average of industry

5.7.6 Example of Harley-Davidson

➢ **Vision of Harley-Davidson Inc.:**

Harley-Davidson, Inc. is an action-oriented, international company, a leader in its commitment to continuously improve our mutually beneficial relationships with stakeholders (customers, suppliers, employees, shareholders, government, and society). Harley-Davidson believes the key to success is to balance stakeholders' interests through the empowerment of all employees to focus on value-added activities." The main components of Harley-Davidson's vision statement are:

- Action-oriented business
- International scope
- Leadership in stakeholder management
- Employee empowerment
- Value-added activities

Example 47：Harley-Davidson Inc.

➢ **Mission of Harley-Davidson Inc.:**

We fulfill dreams through the experiences of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments." The following are the components of Harley-Davidson's mission statement:

- Fulfilling dreams through motorcycling
- An expanding line of products and services
- Selected market segments

- **Value of Harley-Davidson Inc,:**
  - To be fair, honest and considerate.
  - To continually improve ourselves and educate others.

5.7.7 Example of Intel

- **Mission of Intel:**

Delight our customers, employees, and shareholders by relentlessly delivering the platform and technology advancements that become essential to the way we work and live.

- **Vision of Intel:**

Create a continuum of personal computing experiences based on Intel® architecture. This continuum would give consumers a set of secure, consistent, and personalized computing experiences with a variety of devices that connect to the Internet and each other.

- **Objectives of Intel:**
  - Extend our silicon technology and manufacturing leadership
  - Deliver unrivaled microprocessors and platforms
  - Grow profitability worldwide
  - Excel in customer orientation

- **Goal of Intel:**

Provide consistency and interoperability between devices that are connected seamlessly and require computing capability both locally and in cloud computing.

- **Value of Intel:**
  - Customer orientation
  - Results orientation
  - Risk taking
  - Great place to work
  - Quality
  - Discipline

Example 48: Example of Intel

6. External & Internal Elements

- Environmental analysis (external analysis):

Environmental analysis concerns the evaluation of key societal variables and forces in an attempt to judge their potential future impact on the organization.

- organizational assessment (internal analysis)

Strategy can only succeed if it is largely based upon the real strengths of the organization. organizational assessment is a comprehensive process through which organizations can assess their competencies and capabilities, the efficacy of services and supports delivered and the extent to which programmes are managed effectively.

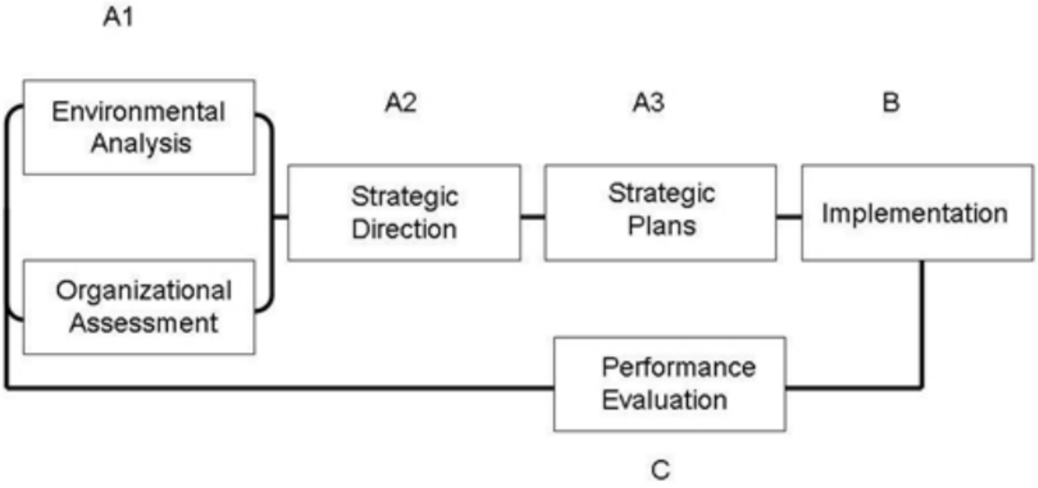


Figure 49: External & Internal Analysis

6.1 External Elements

6.1.1 External Forces

6.1.1.1 Economic Forces

Macroeconomics is the big picture view of an economy. Microeconomics looks at the market for a specific good, like cell phones or bicycles, but macroeconomics deals with all goods and services produced in an economy and the average price level of those goods. Macroeconomics is also concerned with inflation/recession, taxes, fiscal/monetary policies, and overall levels of unemployment.

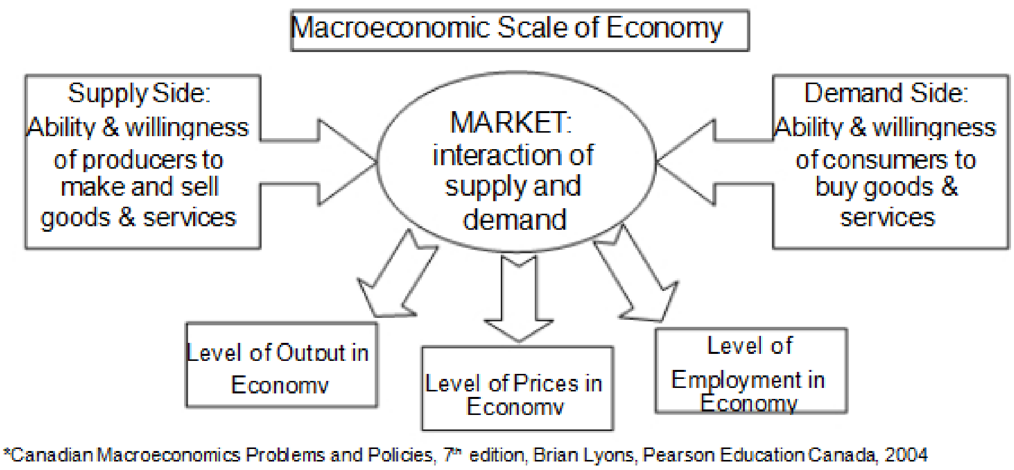


Figure 50: Macroeconomic Scale of Economy

Some economic forces are:

- Fiscal policy in different sectors
- Stock market trends
- Different tax rates on the product
- Analysis of the annual budget
- Trade and customs policy
- Inflation
- Changes of oil price, especially in the oil dependent countries
- Foreign exchange reserve
- Changes in exchange rates
- Economic growth or recession in other countries
- Unemployment rate
- Level of savings, investments, and capital spending
- Level of disposable income
- Import and export factors and barriers
- Product life cycle
- Government spending
- Industry properties
- Economies of scale
- Barriers to market entry
- Product differentiation
- The rate of economic growth (Economic Indicators)

Economic Indicators measure economic well-being and wealth. Money is the only measure of well-being recognized by conventional economies - the price of something is a measure of its value.

Indicator 1: GDP

When countries join the UN they have to subscribe to the System of National Accounts. These accounts are used to measure the GDP which ignores social and environmental costs of growth.

Gross Domestic Product (GDP) is the primary indicator or measure of economic production within a country (growth and development). It is the total dollar value of all the goods and services made and purchased within one year. Put another way, it is a tally of all the money spent by individuals and households (2/3), government and businesses. The global GDP in the mid 90s is $26 trillion. As a benchmark, a 2% growth in GDP is considered slow growth while a 4% annual growth is considered great. The GDP measures income, savings, credit purchases, commodity production and accumulation of capital.

<u>Differences between GDP and GNP:</u>

Gross domestic product(GDP) is the total value of all final goods and services produced within a country over a given year. Final goods are goods that are consumed and used as is (e.g. loaf of bread), as opposed to intermediate goods which are sold and used for some further stage of production (e.g. wheat, flour to make loaf of bread).

Gross national product(GNP) is the total value of income acquired by a country's citizens both domestically and abroad in a given year, no matter where business production occurs. It measures economic well-being of a country's citizens.

The circular flow model tells us that an economy's total spending will be equal to the income earned by its citizens. Because of this reason, GDP can be calculated two ways:

(1) Expenditure Approach: GDP is treated as the sum of goods & services bought by four sectors of the economy: household consumers, businesses, government, and foreign buyers.

Household consumption (C) is all consumer goods and services bought by individual households. Businesses spend money investing (I) in equipment, buildings, construction, and product inventory. Also includes the purchases of new homes.

Government (G) also purchases goods and services (like health care). Foreign buyers purchase exports (X) (goods produced domestically and sold abroad), but some of the purchased goods recorded in C, I, and G, are imports (produced abroad), so to accurately account for goods PRODUCED in a country, use the value of net exports: total exports (X) minus total imports (M).

$$GDP = C + I + G + (X - M)$$

(2) Income Approach: GDP is the sum of a country's wages, rent, corporate profit before tax, interest, depreciation, and indirect taxes less subsidies. When GDP is calculated using current prices, it is called money GDP or nominal GDP. It is the sum of each good's quantity (output) multiplied by the current price of the good.

$$\text{Money GDP} = \sum [\text{Output}_{\text{current}} \times \text{Prices}_{\text{current}}]$$

Nominal GDP depends on the current dollar, but the value of the dollar changes with time! Using nominal GDP to compare economic growth isn't helpful. If overall price levels have risen (inflation), GDP will appear to have increased even if the economy isn't actually producing a higher output of goods and services.

The real GDP (RGDP) is a measure of productivity that is NOT affected by rising prices (inflation). To calculate RGDP, take the sum of current output (quantity) evaluated at base year prices.

$$\text{Real GDP} = \sum [\text{Output}_{\text{current}} \times \text{Prices}_{\text{base year}}]$$

Indicator 2: GDP Deflator and CPI

To measure changes in price level (inflation/deflation) in an economy, two statistics can be used: the GDP deflator or the consumer price index (CPI). In both cases, a year of interest is compared to the base year to see how price levels have changed.

(1) GDP Deflator

The GDP Deflator is an index number that compares the nominal GDP to real GDP for a given year. It is more comprehensive than CPI since it includes all domestically produced goods and services in a country. Changes in consumer preference and the arrival of new goods/services in the market are also reflected in the GDP deflator.

(2) Consumer Price Index (CPI)

The CPI is another index number calculated using a specific set, or basket, of 600 retail goods and services. Each good in the basket is weighted according to the proportion of average household expenditure accounted for by that good. The CPI indicates the change in prices of the basket from the base year (which is normalized to 100) to the given year: a CPI of 98 indicates that price levels have decreased 2% from the base year.

To calculate CPI, take the ratio of the cost of the CPI basket at current prices to the CPI basket at base year prices.

Indicator 3: Inflation Rate

Inflation is an increase in the general level of prices of goods and services. Deflation is a decrease in the general level of prices of goods and services. From both an individual and government's point of view, inflation is a huge concern.

The CPI and GDP deflator tell us how high prices are relative to a base year, but the rate of inflation can be used to express the change in price level between 2 years when neither is the base year.

The rate of inflation is calculated by using the basic percentage change formula with either two CPI numbers or two GDP deflator numbers: (new – old)/old × 100.

6.1.1.2 Social, cultural, ecological and environmental Forces

Analysis of the population:

- identifying the culture and customs of the people and their social status;
- recognizing the specific needs of their population (ethnic groups, religious minorities);
- identifying the occupations, employment rate, divorce rate, migration etc. of the people;
- recognizing the literacy rate and educational levels of the people.
- Aging population
- - Percentage or one race to other races
- - Per capita income
- - Number and type of special interest groups
- - Widening gap between rich & poor
- - Number of marriages and/or divorces
- - Ethnic or racial minorities
- - Education
- - Trends in housing, shopping, careers, business

- - Number of births and/or deaths
- - Immigration & emigration rates

Indicator 4: Genuine Progress Indicator (GPI)

Attempts to shift prevailing definition of progress from economic growth to people's sense of quality of their lives. The GPI assigns value to the life-sustaining functions of households, communities and the natural environment so that the destruction of these, and their replacement with commoditized substitutes, no longer appears as growth and gain.

GPI accounts for:

1) Unpaid work (housework, parenting and care giving)
2) Crime
3) Family breakdown
4) Household work
5) Volunteer work
6) Income distribution
7) Resource depletion
8) Pollution
9) Defense expenditures
10) Long term environmental damage (wetlands, ozone, farmland,
11) Changes in leisure time
12) Life span of consumer durable and public infrastructure
13) Dependence on foreign assets
14) Services (highways, streets)
15) Loss of leisure time (to devote to community, self, hobbies, relaxation, spend with family)
16) Cost of auto accidents
17) Cost of under-employment
18) Cost of noise pollution and household pollution (sick house syndrome)

6.1.1.3 Political, governmental and legal Forces

- External relations at regional and international level
- Changes in national governmental systems
- Performance of legislative and judiciary branches and other influential institutions
- International conventions and agreements approved by government and parliament
- Globalization trends
- Government regulations and policies
- Worldwide trend toward similar consumption patterns
- Internet and communication technologies (e-commerce)
- Protection of rights (patents, trade marks, antitrust legislation)

- Level of government subsidies
- International trade regulations
- Taxation
- Terrorism and war
- Elections and political situation home and abroad

6.1.1.4 Technological Forces

According to *Alvin Toffler*, there are three waves that describe the changes of civilization:

- <u>Agricultural Society</u> - the First Wave, that started in 2,000 B.C.

People stayed in one place and developed a sense of cyclical times, it that it repeated itself with cycles of moons, crops, and seasons. Everyone worked on the farm and people were generalists that were able to do many things.

- <u>Industrial Society</u> - the Second Wave, starting in 1750 A.D.

Our tools progressed and we produced ships, railroads, and automobiles. To build all this, we invested in expensive equipment and people (labor).

- <u>Information Society</u> - the Third Wave, starting in 1950 A.D.

The industrial society brought huge companies and military organizations that needed to track what they had, what they were doing, and what they were spending. Information became abundant. This Information Society is more than just technology. It includes social, cultural, institutional, moral, and political dislocations during our transition from a brute force industry society to a brain force economy.

The Third Wave is creating a new civilization in our midst with its own jobs, lifestyles, work ethic, sexual attitudes, concepts of life, economic structures and political mind sets. It's challenging the power elite in both capitalist and socialist societies. It's more than a picture of tomorrow. It provides an analysis of the forces that are sharping our civilization. It shows how all of us can make a transition into a more democratic society.

6.1.1.5 Competitive Forces

Every business face's competition. Good businesses are aware of the competitive forces in their marketplace, and position themselves to take full advantage of their strengths and their competitor's weaknesses. Technology can sometimes be a key tool in maintaining competitive advantage.

Michael Porter described a concept that has become known as the "five forces model" to help understand how competition affects your business. This concept involves a relationship between competitors within an industry, potential competitors, suppliers, buyers and alternative solutions to the problem being addressed.

Porters five forces model can be used to compare the impact of competitive forces on your own organization with their impact on competitors. Competitors may have different options to react to changes in competitive forces – each business has a different combination of resources and competences.

- **Competitive Intensity:** A larger number of firms increases rivalry because more firms compete for the same customers and resources. This is our traditional concept of competition.
- **Threat of Substitutes:** In Porter's model, substitute products refer to products in other industries. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. The competition engendered by a Threat of Substitute comes from products outside the industry. Keeping an eye on industry trends will help spot innovations that could affect your industry.
- **Buyer Power:** Under such market conditions in which there are many suppliers and one buyer, the buyer sets the price. Buyers are powerful if buyers purchase a significant proportion of your product or service, or if it is standardized or regulated. Under these conditions it might be possible to become a preferred vendor by becoming more integrated with the buyer by automating the ordering and payment processes, and allowing the buyer partial access to your internal systems (an extra net).
- **Supplier Power:** Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry's profits. Information technology can change the nature of the relationship and balance of power among buyers and suppliers. This is the mirror of buyer power. In many industries suppliers offer technical links to their internal network which can give the buyer competitive advantage. Many industries have electronic pricing and ordering systems, which can be linked right into the business.
- **Barriers to Entry:** Barriers reduce the rate of entry of new firms, thus maintaining a level of profit for those already in the industry. From a strategic perspective, barriers can be created or exploited to enhance a firm's competitive advantage. To the extent that technology is being used already in the industry, it establishes a baseline of competency and efficiency which must be met to be competitive. Technology can often allow smaller companies to compete with much larger more established companies by evening out the playing field.

6.1.2 EFE Matrix

External Factor Evaluation (EFE) Matrix method is a strategic-management tool often used for assessment of current business conditions. The EFE Matrix is a good tool to visualize and prioritize the opportunities and threats that a business is facing.

How to create the EFE Matrix?

Developing an EFE Matrix is an intuitive process which works conceptually very much the same way like creating the IFE Matrix.

1) List factors: The first step is to gather a list of external factors. Divide factors into two groups: opportunities and threats.
2) Assign weights: Assign a weight to each factor. The value of each weight should be between 0 and 1 (or alternatively between 10 and 100 if you use the 10 to 100 scale). Zero means the factor is not important. One or hundred means that the factor is the most influential and critical one. The total value of all weights together should equal 1 or 100.
3) Rate factors: Assign a rating to each factor. Rating should be between 1 and 4. Rating indicates how effective the firm's current strategies respond to the factor.
   1 = the response is poor.
   2 = the response is below average.
   3 = above average.
   4 = superior.
   Weights are industry-specific. Ratings are company-specific.
4) Multiply weights by ratings: Multiply each factor weight with its rating. This will calculate the weighted score for each factor.
5) Total all weighted scores: Add all weighted scores for each factor. This will calculate the total weighted score for the company.

Opportunities	Weight	Rating	Weighted Score
1. Industry Consolidation	11 %	4	0.44
2. Increase in air travel in Mexico	12 %	3	0.36
3. Privatization in CE countries	10 %	2	0.20
4. Growth of low-cost sector	8 %	4	0.32
5. Increased demand in Chiana	16 %	3	0.48
Threats			
1. Declining margins	10 %	1	0.10
2. Government oversight	5 %	3	0.15
3. Climbing prices of key inputs	8 %	2	0.16
4. New security tax	5 %	2	0.10
5. Economic downturn	15 %	1	0.15
poor (1), below average (2), above average (3), superior (4)			
TOTAL WEIGHTED SCORE	100 %		**2.46**

Figure 51: Example of EFE Matrix

Total weighted score of 2.46 indicates that the business has slightly less than average ability to respond to external factors.

6.2 Internal Elements

6.2.1 Internal Forces

6.2.1.1 Management and organizational Structure

- **Planning:**
  - Forecasting
  - Short-term Objective
  - Long-term Objective
  - Policies
  - Strategies

- **Organizing:**
  - organizational Structure
  - Division of Responsibility
  - Business Integration
  - Delegation of Authority
  - Distribution of Resources

- **Leading**
  - Motivation
  - Coaching
  - Decision making
  - Problem solving
  - Working in Groups
  - Effective Communication
  - Trust building

- **Human Sourcing**
  - Payroll system
  - Employee benefits and welfare
  - Employment issues
  - Dismissal
  - Attendance System
  - Training of personnel
  - Job security

- **Controlling**

  - Measuring performance
  - Taking corrective actions

6.2.1.2 Marketing & Sales

- Identifying the customers' needs
- Selection and Management of suppliers
- Selling Products or providing Services
- Pricing
- Distribution Systems
- Marketing Research and environmental Analysis

6.2.1.3 Finance and Accounting

- Liquidity Ratios Analysis
- Leverage Ratios
- Activity Ratios
- Profitability Ratios Analysis
- Growth Ratios

6.2.1.4 Research and Development

- Development of new products or procedures
- Improvement of existing products or procedures

6.2.1.5 Manufacturing systems and technology

- Production Capacity
- Inventory Management
- Quality Controlling

6.2.1.6 Manpower

- Workforce Solutions
- Staffing
- Training

6.2.2 IFE Matrix

Internal Factor Evaluation (IFE) Matrix is a strategic management tool for auditing or evaluating major strengths and weaknesses in functional areas of a business.

<u>How to create the IFE Matrix?</u>

The IFE Matrix can be created using the following five steps:

1) Key internal factors

Conduct internal audit and identify both strengths and weaknesses in all your business areas. It is suggested you identify 10 to 20 internal factors, but the more you can provide for the IFE Matrix, the better. The number of factors has no effect on the range of total weighted scores (discussed below) because the weights always sum to 1.0, but it helps to diminish estimate errors resulting from subjective ratings. First, list strengths and then weaknesses. It is wise to be as specific and objective as possible. You can for example use percentages, ratios, and comparative numbers.

2) Weights

Having identified strengths and weaknesses, the core of the IFE Matrix, assign a weight that ranges from 0.00 to 1.00 to each factor. The weight assigned to a given factor indicates the relative importance of the factor. Zero means not important. One indicates very important. If you work with more than 10 factors in your IFE matrix, it can be easier to assign weights using the 0 to 100 scale instead of 0.00 to 1.00. Regardless of whether a key factor is an internal strength or weakness, factors with the greatest importance in your organizational performance should be assigned the highest weights. After you assign weight to individual factors, make sure the sum of all weights equals 1.00 (or 100 if using the 0 to 100 scale weights). The weight assigned to a given factor indicates the relative importance of the factor to being successful in the firm's industry. Weights are industry based.

3) Rating

Assign a 1 to X rating to each factor. Your rating scale can be per your preference. Practitioners usually use rating on the scale from 1 to 4. Rating captures whether the factor represents a major weakness (rating = 1), a minor weakness (rating = 2), a minor strength (rating = 3), or a major strength (rating = 4). If you use the rating scale 1 to 4, then strengths must receive a 4 or 3 rating and weaknesses must receive a 1 or 2 rating. Note, the weights determined in the previous step are industry based. Ratings are company based.

4) Multiply

Multiply each factor's weight by its rating. This will give you a weighted score for each factor.

5) Sum

The last step in constructing the IFE matrix is to sum the weighted scores for each factor. This provides the total weighted score for your business.

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Internal Strengths	Weight	Rating	Weighted Score
1. Largest manufacturer in the market	10 %	4	0.40
2. Supplies major airlines	12 %	4	0.48
3. Good reputation and image	4 %	3	0.12
4. Close proximity to the airport	8 %	4	0.32
5. Strong management team	4 %	3	0.12
6. Increasing cash flow	5 %	3	0.15
7. Loyal employees	4 %	3	0.12
8. Access to cheap and reliable financing	3 %	4	0.12
9. History of minimal service complaints	4 %	3	0.12
10. Financial ratios	5 %	4	0.20
Internal Weaknesses			
1. Saturated market	10 %	1	0.10
2. Sensitive to oil prices	15 %	2	0.30
3. Little diversification	8 %	2	0.16
4. Absence of strategic partner	4 %	1	0.04
5. Limited access to international markets	4 %	1	0.04
major weakness (1), minor weakness (2), minor strength (3), major strength (4)			
TOTAL WEIGHTED SCORE	100 %		**2.79**

Figure 52: Example of IFE Matrix

7. Classical Types of strategic Planning (Examples)

7.1 Integration Strategies

Before this strategy we need to know what is value chain?

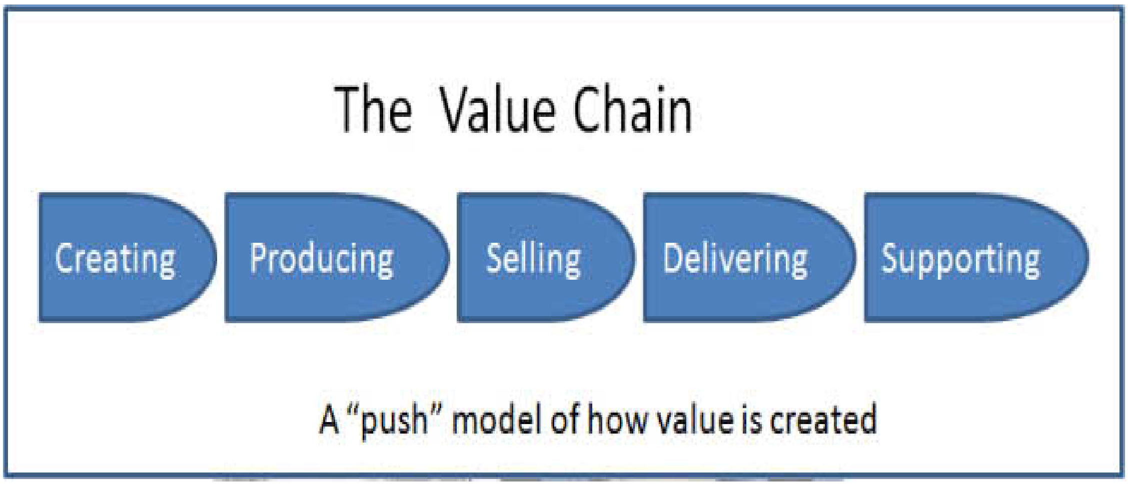


Figure 53: The Value Chain

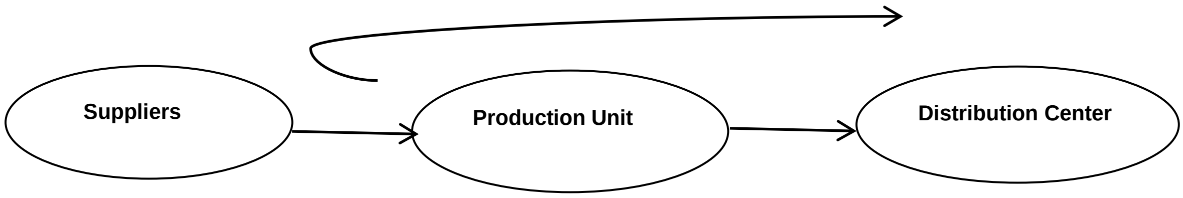
Integration Strategies include three categories :

- **Forward integration**
- **Backward integration**
- **Horizontal integration**

7.1.1 Forward Integration

Forward integration means it is integrating businesses toward the end customer.

For example, gaining ownership or increased control over distributors or retailers.



Under what conditions should this strategy be applied?

- Distributors with high gross profit.
- The production has a comparative advantage and high stability.
- Distributors are weak and for whatever reason can not meet the company's needs.
- The industry is growing and dominate the distribution system to stabilize the company's position.

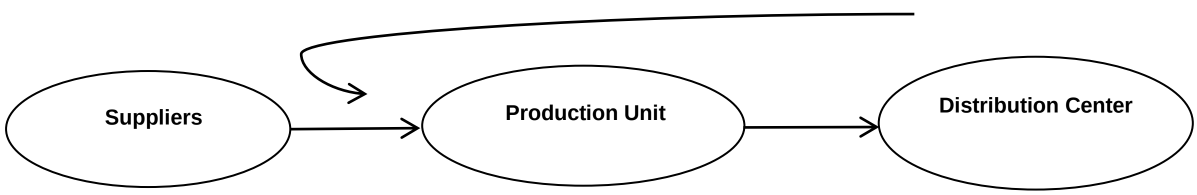
Example:

Many manufacturing companies has built their online stores and started selling their products directly to consumers, bypassing retailers.

7.1.2 Backward Integration

Backward integration means it is integrating in the direction away from the customer and going back to the source of raw materials. Backward vertical integration can be a part of a company's strategy due to the competitive benefits it provides.

For example, seeking ownership or increased control of a firm's suppliers



Under what conditions should this strategy be applied?

- The production has a comparative advantage and high stability.
- Suppliers of raw material or components are very expensive.

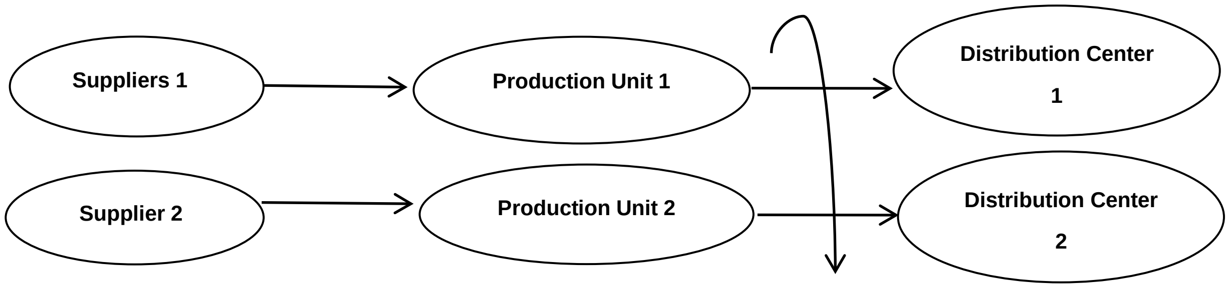
- Limited number of raw material suppliers or the number of competitors in the industry is high.
- The industry is growing and plan to dominate the raw material supplying system to stabilize the company's position.

Example:

An ice cream company that buys a dairy farm. The company requires milk to make ice cream and either can buy milk from a dairy farm or other milk supplier or could own the dairy farm itself. This ensures that it will have a steady supply of milk at its disposal and that it will pay a reasonable price. This can protect the ice cream maker in the event that there are several other buyers vying for the same milk supply.

7.1.3 Horizontal Integration

Seeking ownership or increased control over a firm’s competitors.



Under what conditions should this strategy be applied?

- The company is aimed at obtaining the utmost benefits in the industry, at least in one area.
- Competitors are weakness or lack of resources.

Example:

An example of horizontal integration in the food industry was the Heinz and Kraft Foods merger. On March 25th, 2015, Heinz and Kraft merged into one company. Both produce processed food for the consumer market. Sysco had planned to acquire US Foods before a federal ruling against the deal. This would have been horizontal integration as both distribute food to restaurants, healthcare and educational facilities.

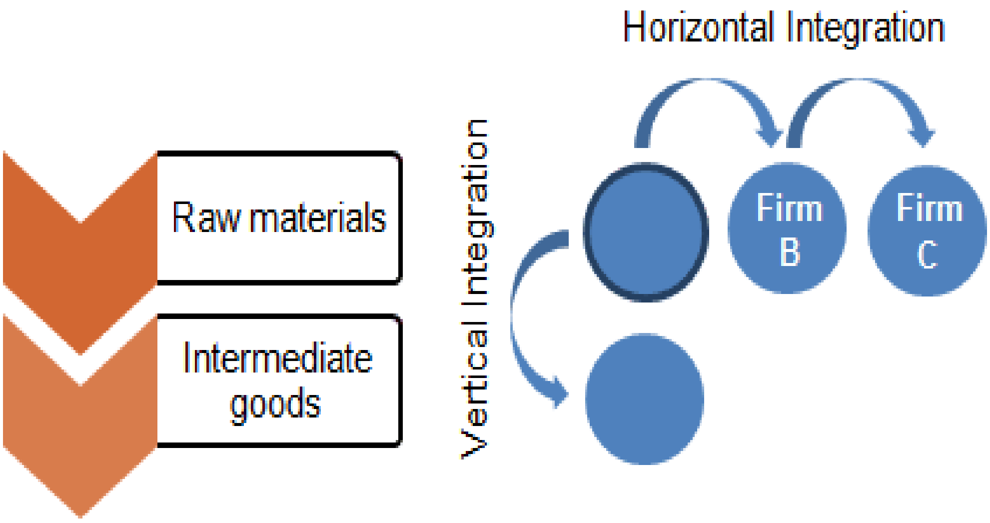


Figure 54: Vertical and Horizontal Integration

Here is how the Integration Strategies used in Car Industry.

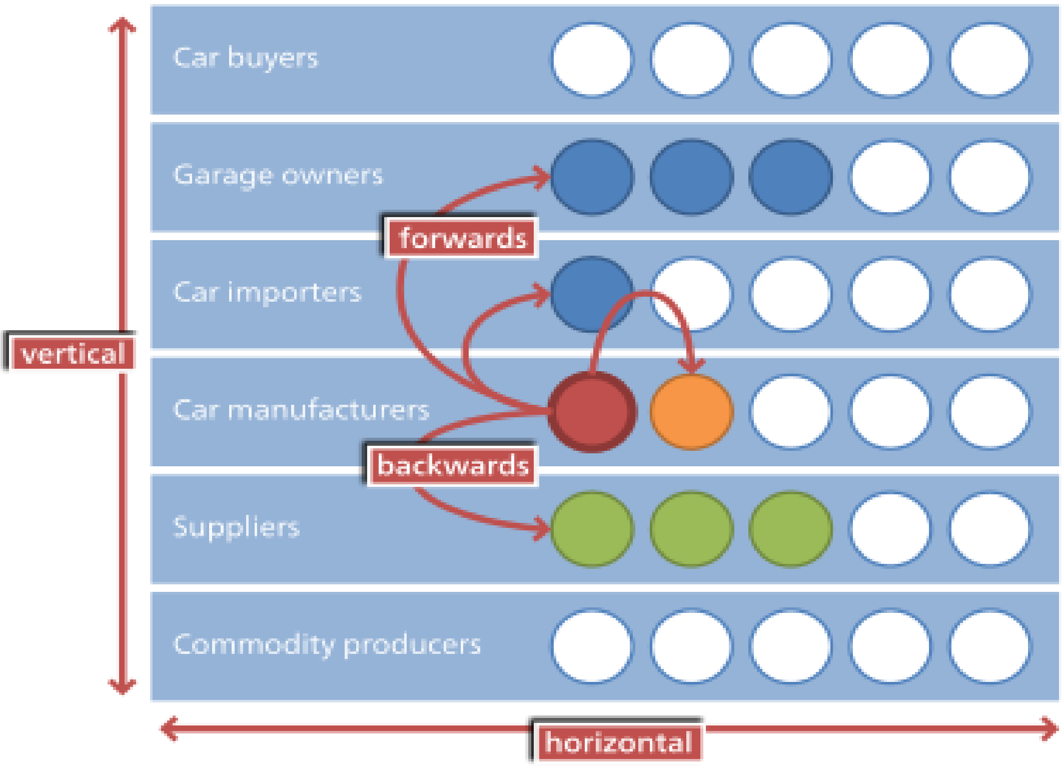


Figure 55: Integration Strategies in car industry

7.2 Intensive Strategies

include three categories :

- **Market Penetration**
- **Market Development**
- **Product Development**

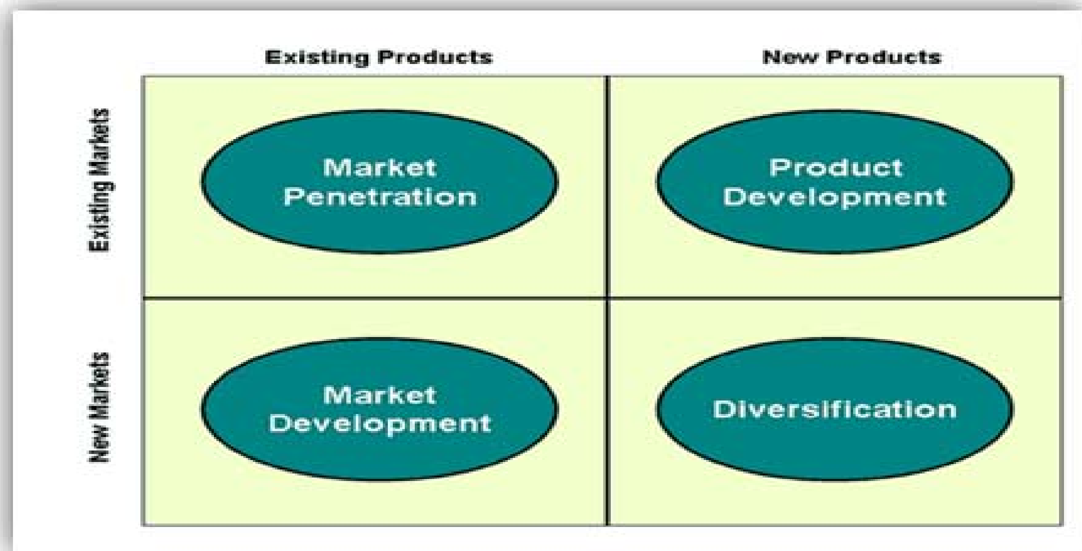


Figure 56: Intensive Strategies

Those three strategies are referred to as intensive strategies because they require intensive efforts if a firm's competitive position with existing products is to improve. The aim is to broaden the market share and to increase the profit by making the existing products more effective and by introducing new and various sets of products in order to increase the market share too.

7.2.1 Market Penetration

This strategy aims to seek increased sales of the present products in the present markets through more aggressive promotion and distribution. The firms try to penetrate deeper into the market to increase its market share. More money is spent on advertising and sale promotion to increase sale volume.

<u>Under what conditions should this strategy be applied?</u>

- ➢ The amount of competitive products is increasing.
- ➢ The correlation between sales, marketing and advertising is tight.

Example:

Coke spends millions on its new slogan “open happiness”

7.2.2 Market Development

This strategy aims to increase sales volume by selling the present products into the new markets. The existing products are pushed into new markets by changing its packaging or band name, etc.

Under what conditions should this strategy be applied?

- Activities of the company is very successful and forecast its development in other regions also to be successful.
- Capital and human resources are sufficient.
- New distribution channels reliable, with low cost and good quality
- The company has excessive capacity.
- Trend of globalization.

Example:

Time Warner purchased 30% of Central European Media Enterprise Ltd. in order to expand into Romania, Czech Republic, Ukraine and Bulgaria.

7.2.3 Product Development

Under this strategy, a business seeks to grow by developing improved products for the present markets. The current product maybe replaced or the new products maybe added.

Under what conditions should this strategy be applied?

- Products have reached saturation. Customers need to be attracted to other products.
- The technology industry is growing very fast.
- Products with higher quality offered by competing companies.
- Company has high ability in research and development.

Example:

News Corp's book publisher Harper Collins began producing audio books for download, such as Jeff Javis's "What would Google do?"

7.3 Diversification Strategies

include three categories:

- **Concentric Diversification**
- **Diversification Horizontal**
- **Diversification Conglomerate**

Diversification is a strategy for company's growth through starting up businesses outside the company's current products and markets. It can be implemented when basic industry of an organization is facing a downfall in annual sales and profit; an organization has the opportunity to purchase an unrelated business that looks like an attractive investment; there is a financial synergy between acquired and acquiring organizations or the existing markets are saturated by the organization's present products.

Types:

- Related diversification: this process takes place when a business expands its activities into product lines that are similar to those it currently offers.
- Unrelated diversification: this process takes place when a business adds new or unrelated products and penetrates new markets.

Motivations for Diversification:

- Growth and expansion
- Risk involved in single process strategy
- Contribute towards more profit margins
- Powerful brand name
- To meet the utmost competition in market

What does crafting a diversification strategy entail?

Step 1: Picking new industries to enter and deciding the means of entry

Step 2: Pursuing opportunities to leverage cross-business value chain relation-ships and strategic fit into competitive advantage.

Step 3: Establishing investment priorities and steering corporate resources into the most attractive business units.

Step 4: Initiating actions to boost the combined performance of the cooperation's collection of business.

This strategy involves developing new products to be sold in new markets

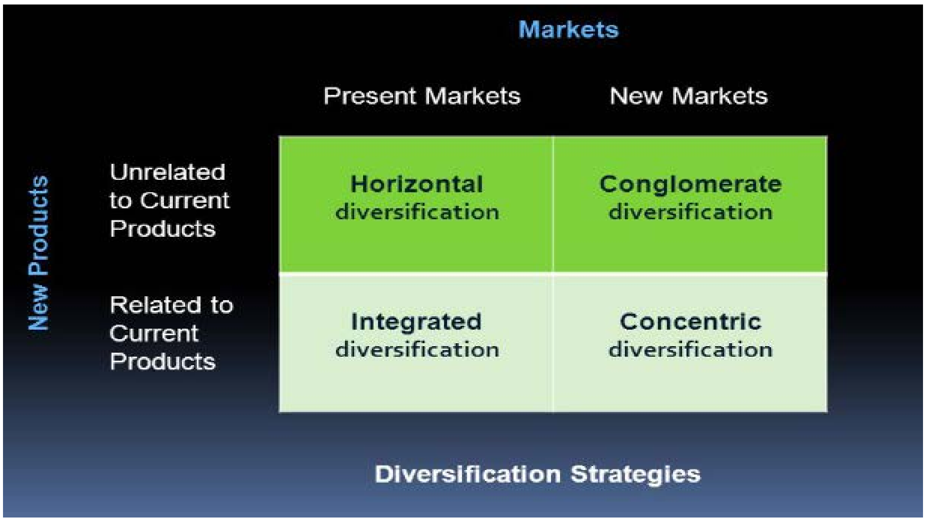


Figure 57: Diversification Strategies

7.3.1 Conglomerate Diversification

A growth strategy in which a company seeks to develop by adding totally unrelated products and markets to its existing business. It's best to be used when a firm operates in unattractive industry or lacks abilities or skills easily transferable to relate industry.

Under what conditions should this strategy be applied?

- Firms lack abilities or skills of easily transferring to related industry
- Basic industry of an organization is facing a downfall in the annual sales and profits
- There is a financial synergy between acquired and acquiring organizations.
- Existing markets are saturated by the organization's present products.

Example:

Gillette,a brand of men's safety razors and shaving supplies, diversified into manufacture of felt-tip pens

7.3.2 Horizontal Diversification

Adding new unrelated products or services for present customers.

Under what conditions should this strategy be applied?

- Introduction of new products could have a positive effect on sales of existing products.
- Current product is in the decline stage of the life cycle

Example:

Adidas sells sneakers as well as sports bags..

7.3.3 Concentric Diversification

Adding new but related products or services.
Apple Inc. moved from PC to mobile devices.

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7.4 Defensive strategies

include four categories:

- **Joint venture**
- **Retrenchment**
- **Divestiture**
- **Liquidation**

7.4.1 Joint venture

A popular strategy that occurs when two or more companies form a partnership for the purpose of capitalizing on some opportunities.
This strategy allows companies to improve communication and networking, to globalize operation and minimize risk.
While the participation (with a foreign company) can take advantage of local management and facilities.
<u>Under what conditions should this strategy be applied?</u>

- There is a synergy between the two companies.
- Two smaller companies need to compete with a larger rival company.

Example:

Joint Venture of Tata(73.3%) and DOCOMO(26.7%)

7.4.2 Retrenchment

Regrouping through cost and asset reduction to reverse declining sales and profit.

Example:

The world's largest steelmaker ArcelorMittal, shut down half of its plants and laid off thousands of employees even amid worker protests worldwide.

7.4.3 Divestiture

Selling a division or part of an organization.

Example:

The British Airport firm BAA Ltd. divested three UK airports.

7.4.4 Liquidation

Selling all of a company's assets, in parts, for their tangible worth.

Example:

Michigan newspapers such as the Ann Arbor News, Detroit Free Press liquidated hard-copy operations..

Defensive strategies are management tools that can be used to fend off an attack from a potential competitor. Incumbents try to shape the challengers' expectations about the industry's profitability and convince them that the ROI will be so low. They need to take timely action to discourage a challenger from making any substantial commitment.

Defensive strategies are marketing warfare strategies designed to protect:

- Company's market share
- Profitability
- Product's positioning
- Mind share

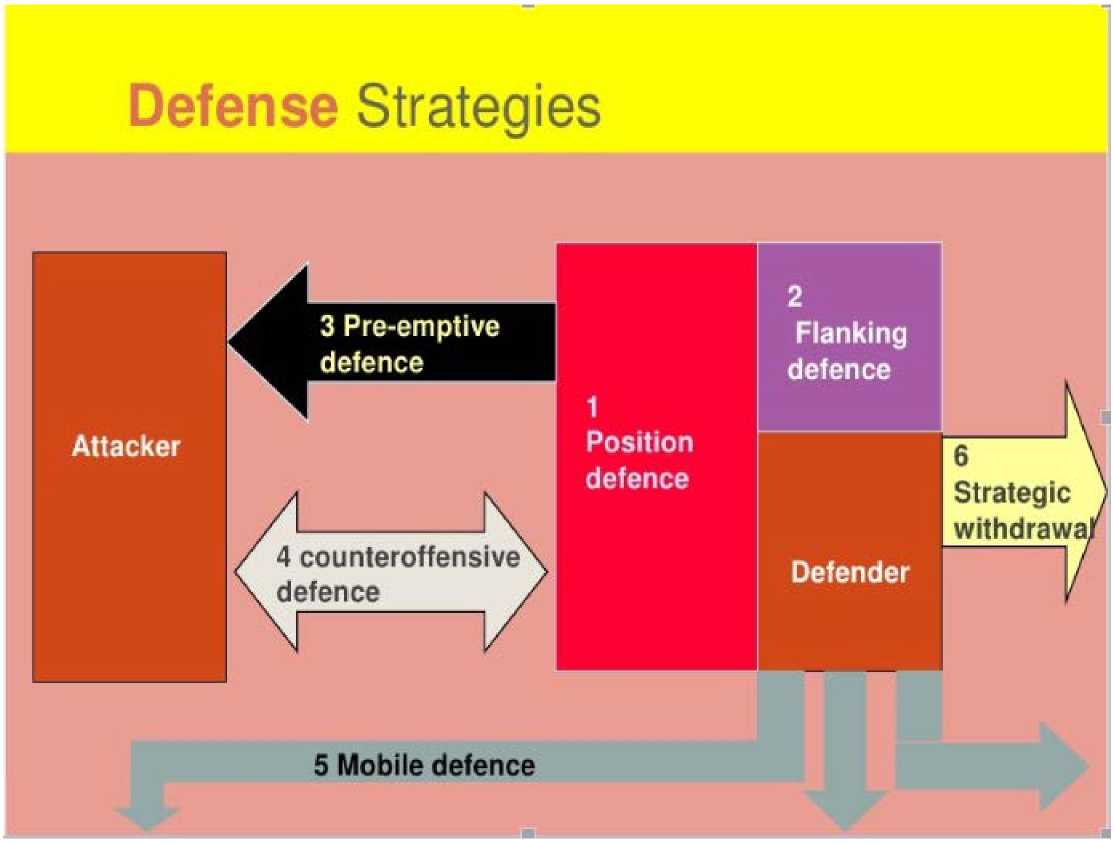

Figure 58: Defensive Strategies

Defensive strategy is a management approach designed to reduce the risk of loss. Primary purpose is to make possible attacks or discourage competitors.

1) **Position defense**: trying to hold your current position and continuing to invest in your current markets and attempting to build your brand name and customer loyalty. The problem with this strategy is that it can make you a target for new entrants to the market.
2) **Flanking defense**: giving a rapid response to a competitor. This strategy works well when the market is segmented and one of the segments is not well catered to by existing competitors. The danger of the flanking defense is that it can stretch your resources thin and pull attention away from your main focus.
3) **Preemptive defense**: attacking a competitor before you get attacked by it.
4) **Counter-offensive defense**: retaliatory strategy strike back with your own attack.(attacking your competitor at its weakest point when you are attacked.)
5) **Mobile defense**: constant changes for the penetration of niche markets. This can involve introducing new products, entering new markets or simply making changes to existing products. This constant moving between strategies requires a flexible business that can adjust to change.

6) **Strategic withdrawal**: least desirable involves retreat, redeploying resources into other areas.

8. Other Types of strategic Planning

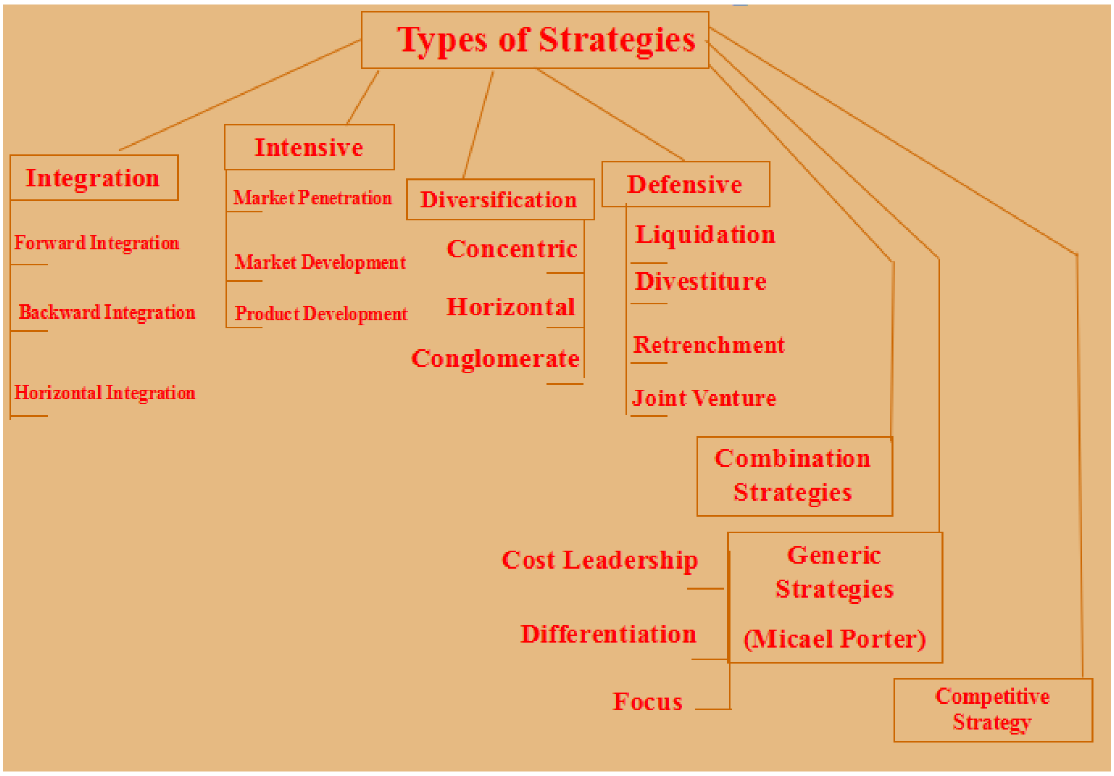

Figure 59: Types of Strategies

8.1 Combination Strategy

It's not an independent classification but a combination of different strategies--stability, growth, retrenchment--in various forms.

8.2 Competitive Strategy

➢ The factors that influence companies' competitiveness.

Figure 60: Factors that influence Competitiveness

- Context in which Competitive Strategy is formulated

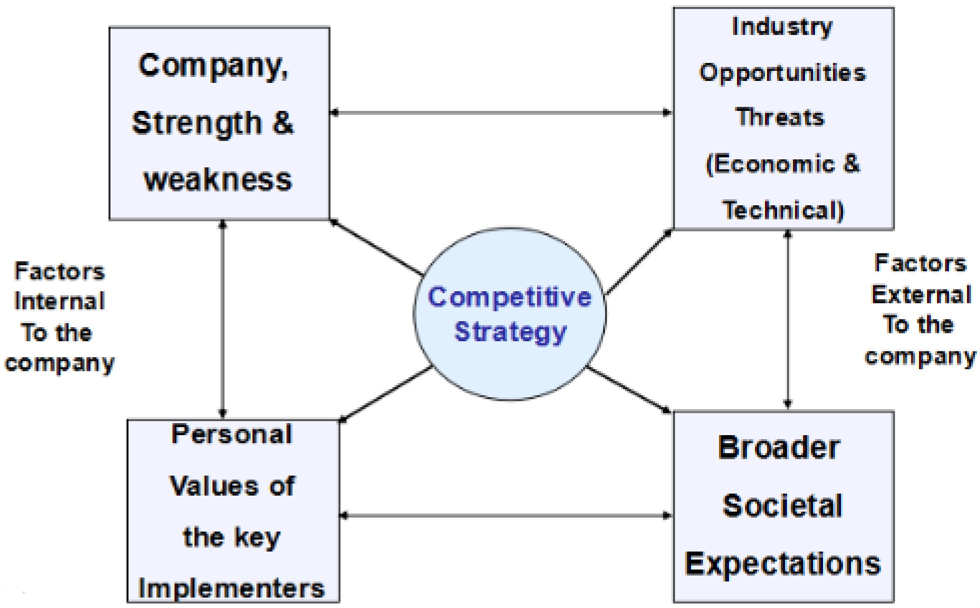

Figure 61: Competitive Strategy's Formulation

The competitive forces approach to strategy, developed by Michael Porter in the 1980s is an example of the view of strategy that places primary importance on external conditions faced by the firm. In this view, strategy is about the firm creating for itself a "market position" whereby it can defend itself from competitive forces and influence them in a way that places it at an advantage against its competitors and suppliers. Porter focuses on the effect of five industry-level forces impacting on strategy and performance: entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among industry incumbents.

➢ Forces driving industry competition

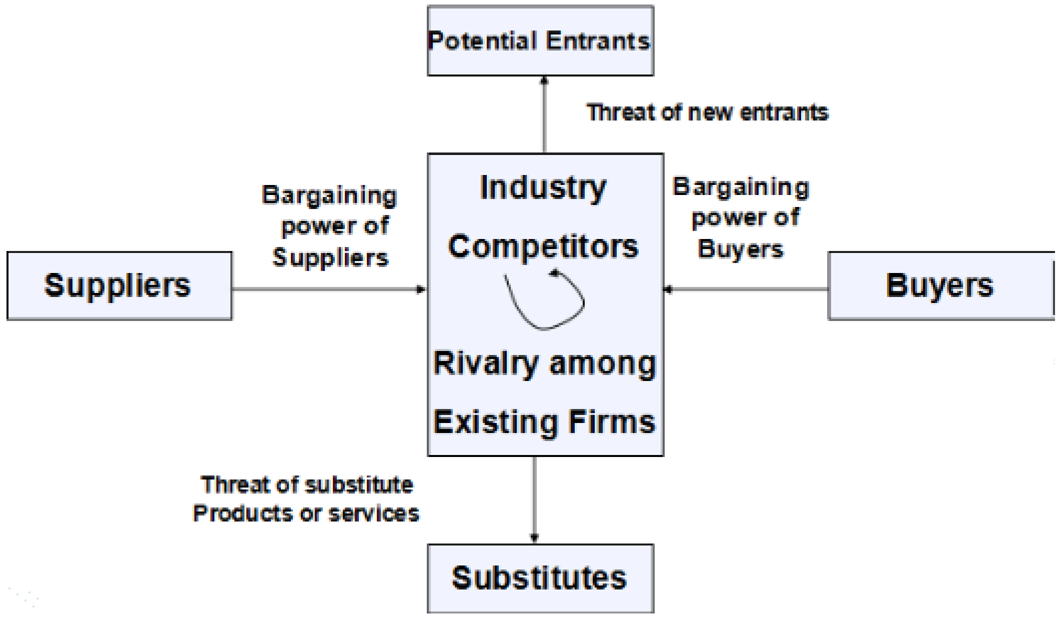

Figure 62: Forces driving industry Competition

8.3 Generic Strategies

Include three categories:

- **Cost leadership**
- **Differentiation**
- **Focus**

8.3.1 Cost Leadership

A company deliberately sets out to utilize all the resources at its disposal to make its products the most cost-effective. Such resources may include the utilization of cheaper labor through outsourcing or locating production plants in countries with cheap labor as well as a management of distribution costs through the identification of effective distribution channels. Reducing the operating expenditures pays off in terms of reduced costs to consumers. This type of strategy may help the company earn competitive profits, while still attracting customers due to its low price.

Example:

Wal-Mart Stores Inc. has been successful using its strategy of everyday low prices to attract customers. The idea of everyday low prices is to offer products at a cheaper rate than competitors on a consistent basis, rather than relying on sales. Wal-Mart is able to achieve this due to its large scale and efficient supply chain. They source products from cheap domestic suppliers and from low-wage foreign markets. This allows the company to sell their items at low prices and to profit off thin margins at a high volume.

8.3.2 Differentiation

This strategy involves a targeted effort by a business to make its product or service to be perceived as unique and innovative in a market that is full of similar products or services. Companies use various methods to confer this feeling or perception of uniqueness upon their own brand of a product, which already exists in different forms. Such methods include unique packaging, mystery ingredients, or clever promotions. The uniqueness of the product or service is the differentiating factor.

Specific Strategies include:

- Being the first to enter the market
- Owning a product attribute or quality in the mind of customers.
- Demonstrating product leadership.
- Utilizing an impressive company history or heritage.
- Supporting and demonstrating the differentiating ideas.
- Communicating the differences.

Example:

Amazon.com and Monster.com have successfully differentiated themselves.

8.3.3 Focus

It means the company selects a niche for concentration. Such a niche could be based on geographic considerations, or by identifying a particular segment in the market. For instance, a company that manufactures female apparel may choose to concentrate on the production of products aimed at teenage girls exclusively. The main reason for this segmentation is the belief that a company will perform more efficiently if it focuses all of its resources on just one market segment. Within the segment it attempts to achieve either a cost advantage or differentiation. A firm using focus strategy often enjoys a high degree of customer loyalty and this entrenched loyalty discourages other firms from competing directly.

Example:

Sara Lee Corp. is pursuing a focus strategy as it is trying to divest of its European household and personal-care business so the firm can focus on its core food and beverage business. The company is asking about $2 billion for its household business. Sara Lee sells Jimmy Dean sausages and Ball Park Franks and a mix of coffee and baked goods.

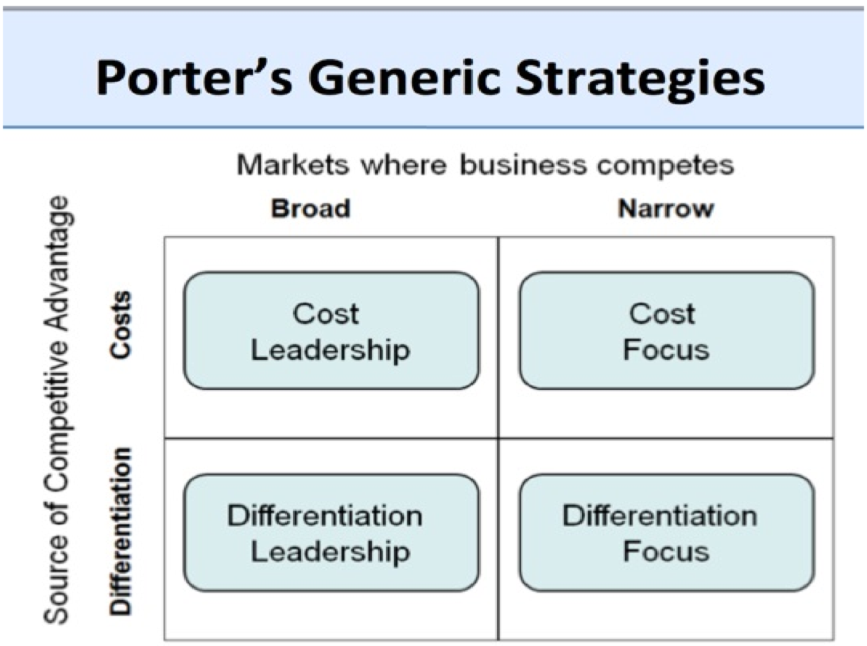

Figure 63: Porter's Generic Strategies

❖ <u>Lifecycle diagram of product or service:</u>

Business strategy and performance is affected to a great degree by life cycle stages of a product or service. Business priorities, budgeting, funding, production, distribution, marketing -- all these production aspects change depending on how long a product or a service has been in the market.

The product life cycle method identifies the four distinct stages affecting sales of a product, from the product's inception until its retirement.

1) **Introduction**

In the Introduction stage of the product life cycle, a product or a service is introduced to the market. This stage involves focused and intense marketing effort designed to establish a clear identity and promote maximum awareness. Consumers are testing the product in this phase.

2) Growth

After a product is introduced in the market, consumers become more interested in it. This is called the Growth stage of the product life cycle. Sales are increasing and competitors are emerging as well. Products become more profitable and companies form alliances, joint ventures, and takeovers. Customers are accustomed to the product and are starting to purchase it repetitively. Marketing efforts and costs are still significant. Advertising costs are high. Market share tends to stabilize.

3) Maturity

The market has reached saturation. Some producers at a later stage of the Maturity stage of the product life cycle begin to leave the market due to poor profit margins. Sales dynamics is beginning to decrease. Sales volume reaches a steady state supported by loyal customers. Producers attempt to differentiate their products. Brands, trademarks, and image are key tools in this production life cycle stage. Price wars and intense competition are common.

4) Decline

Continuous decline in sales signals entry into the Decline stage of the production life cycle. Competition is taking over your market share at this point. Economic and production conditions are becoming unfavorable. Introduction of innovative products or a change in consumer tastes is common reason for a decline. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing and cutting other costs.

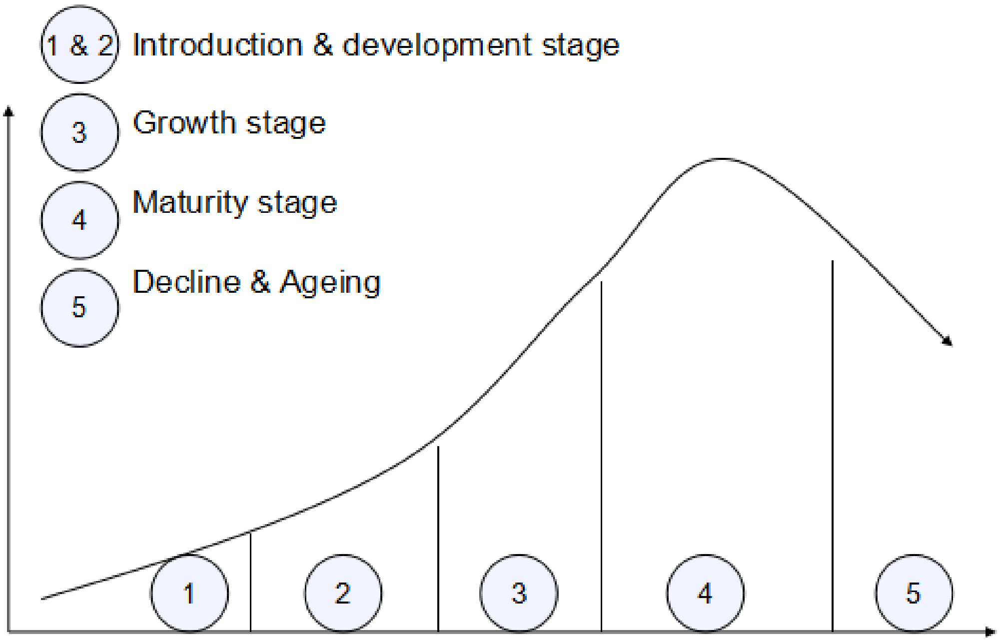

Figure 64: Lifecycle Diagram

8.4 Innovation Strategy

Global competition and a weak economy have made growth more challenging than ever. Yet some organizations such as Apple, Amazon, and Starbucks seem to defy the laws of economic gravity.

The most successful growth companies adopt at least four best practices:

a. Find the next S-curve
b. Lean on customers
c. Think like a designer
d. Lead the way

a. Find the next S-curve

Nothing grows forever. The best products, markets, and business models go through a predictable cycle of growth and maturity, often depicted as an S-curve.

Diminishing returns set in as the most attractive customers are reached, price competition emerges, the current product loses its luster, customer support challenges emerge, new operating skills are required, and so on.

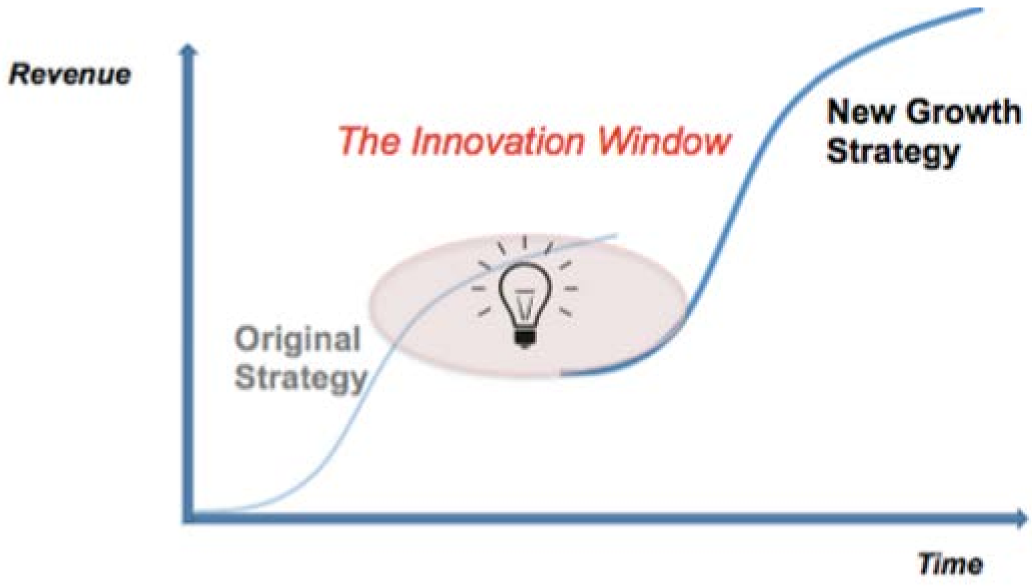

Figure 65: S-curve

Unfortunately, growth company leaders are often blinded-sided by this predictable speed bump. Once the reality of the S-curve becomes apparent, it may be too late to design the next growth strategy.

The time to innovate--"the innovation window" is when the first growth curve hits an inflection point. How do you know when you're hitting the inflection point? You never know. So the best companies are forever paranoid and make innovation a continuous process.

Steve Jobs understood this when he returned to Apple. In 2002, he challenged his company to break out of the mature computer industry where Apple had never garnered much more than 10 percent market share. He told Time Magazine in 2002, "I would rather compete with Sony than ... Microsoft."

Eight years later, after introducing the iPod, iPhone, iPad, and a game-changing retail channel, Jobs claimed victory and Apple Computer became Apple Inc. While introducing the iPod, Jobs said, "Apple is the largest mobile devices company in the world. Larger than the mobile devices businesses of Sony, Samsung, and Nokia."

b. Lean on customers

Successful growth companies have a deep understanding of their customers' problems. Many are embracing tools such as the customer empathy map to uncover new opportunities to create value. This customer insight is the foundation for their lean approach to product innovation: rapid prototyping, design partnerships with lead users, and pivoting to improve their product and business model.

During the turnaround of IBM, Lou Gerstner launched Operation Bear Hug to get the company back in touch with its customers. IBM's top 50 executives had to visit five customers per week and deliver a write-up to Gerstner.

c. Think like a designer

Managers are trained to make choices, but they don't always have good options. Innovation involves creating new options. This is where designers excel. Apple's exceptional user experiences were largely the creation of Jonathan Ive, a professional designer and Jobs' right hand man.

Design thinking requires a different set of tools. Growth company strategists have abandoned Porter's Five Forces Analysis because it assumes that markets have well-defined boundaries and competitors must fight for market share. Instead, they search for uncontested market space and make competition irrelevant using Blue Ocean Strategy and the Business Model Canvas.

d. Lead the way

Unless the CEO makes innovation a priority, it won't happen. Innovation requires a level of risk-taking and failure that's impossible without executive air cover. The best growth companies create a culture of innovation:

- Howard Schultz decided Starbucks had lost its way. He flew in every store manager from around the world to help redesign its café experience.
- Google encourages employees to spend a day per week on new ideas.
- P&G tracks the percentage of revenues from new products and services.
- Gray Advertising gives a Heroic Failure Award to the riskiest ideas ... that fail!

More important are innovative leaders as role models. Amazon founder Jeff Bezos has told both employees and shareholders that he cares less about profitability and more about planting seeds that are likely to pay off in five to seven years. He's so driven by vision that he's investing over $40 million of his own money in a product designed to last for 10,000 years.

To launch his successful Think Different campaign, Steve Jobs commissioned The Crazy Ones, a video that featured Einstein, Edison, Gandhi, Muhammad Ali, Hitchcock, Richard Branson, and other "trouble-makers" who changed the world. Every employee understood the CEO's views on risk-taking and innovation.

Adopting these four best practices can help any company drive innovation and growth.

8.5 Branding Strategy

Brand building may seem relatively unimportant when companies are still struggling to get the products to market or to find the product-market fit. But don't dismiss the power of brand building entirely.

Here are five powerful branding lessons can be learned from big brands:

a. Develop all-encompassing brand standards.

Coca-Cola has one of the clearest all-encompassing brand standards out there. Everything from the company's packaging, its social-media profiles to its television commercials draws on the same colors, fonts, motifs and experiences. None of that is by accident.

A big part of Coca-Cola's success comes from its ability to transmit feelings and expectations through its branded elements. When you see that red and white can, you know you're going to get a crisp, refreshing beverage, no matter where in the world you're buying it.

b. Dedicate a single person to guiding and enforcing brand standards.

After getting a set brand standard, make sure it's followed by appointing a single "brand czar" within the organization. New packaging and creation of any new marketing materials are included.

This brand ambassador might even get involved in training the customer-service reps if you make exceptional service a part of your standard.

No matter how branded elements play into your company's business processes, give this person the overarching authority to make changes -- even if they aren't convenient (or cheap).

Just like Coca-Cola wouldn't let purple colored can go down its assembly line, don't let anything interfere with the standards. Doing so will only create confusion and diminish the effectiveness of the efforts.

c. Embrace storytelling.

Want to see a great example of storytelling in action? Check out one of the "Find Your Greatness" campaign videos produced by Nike.

The video unfolds like a movie, features an unexpected protagonist and includes a moral lesson shared by an accented narrator. Basically, it's got all the hallmarks of a Hollywood movie, packed into a single minute of campaign footage.

d. Take advantage of big data.

"Big data" is one of marketing's latest buzzwords, but just because it's "big" doesn't mean it's unattainable for smaller brands.

There are already a number of programs producing data, from Google Analytics to the customer-relationship management system and more. Start by figuring out what metrics matter most for the company's success. Then, figure out how to extract reports from data sources that will measure the progress towards these key performance indicators.

Once a month (or more or less frequently, depending on the length of the sales cycle), run your reports, read through them and make at least three changes based on what you find.

Don’t overcomplicate things, and don’t get overwhelmed by the amount of data you have access to. Begin with this simple process, but refine your approach as you get more comfortable harnessing the power of data.

e. Get involved in the community.

At its core, branding should draw people in. People who observe the branded elements should feel as if they’re part of a community, that they have a shared bond with others in the same situation.

Some big brands choose to make this relationship more explicit, as in the case of Expedia’s “Find Yours” campaign:

The campaign encourages participants to share their travel stories, creating a powerful sense of community among those featured in the videos, as well as those who view them.

No matter how you approach it, find ways to encourage the customers to share their experiences with your brand. It’s a powerful approach to community-building that serves the dual-purpose of building brand exposure and awareness as well.

9. Military Strategies and Tactics

Military strategy and tactics are essential to the conduct of warfare. Broadly stated, strategy is the planning, coordination, and general direction of military operations to meet overall political and military objectives. Tactics implement strategy by short-term decisions on the movement of troops and employment of weapons on the field of battle. The great military theorist *Carl von Clausewitz* put it another way: "Tactics is the art of using troops in battle; strategy is the art of using battles to win the war." Strategy and tactics, however, have been viewed differently in almost every era of history. The change in the meaning of these terms over time has been basically one of scope as the nature of war and society has changed and as technology has changed. Strategy, for example, literally means "the art of the general" (from the Greek strategos) and originally signified the purely military planning of a campaign. Thus, until the 17th and 18th century's strategy included to varying degrees such problems as fortification, maneuver, and supply. In the 19th and 20th centuries, however, with the rise of mass ideologies, vast conscript armies, global alliances, and rapid technological change, military strategy became difficult to distinguish from national policy or "grand strategy," that is, the proper planning and utilization of the entire resources of a society--military, technological, economic, and political. The change in the scope and meaning of tactics over time has been largely due to enormous changes in technology. Tactics have always been difficult--and have become increasingly difficult--to distinguish in reality from strategy because the two are so interdependent. (Indeed, in the 20th century, tactics have been termed operational strategy.) Strategy is limited by what tactics are possible; given the size, training, and morale of forces, type and number of weapons available, terrain, weather, and quality and location of enemy forces, the tactics to be used are dependent on strategic considerations.

9.1 Strategic and Tactical Principles of Warfare

Military commanders and theorists throughout history have formulated what they considered to be the most important strategic and tactical principles of war. *Napoleon I*, for example, had 115 such principles. The Confederate general *Nathan Bedford Forrest* had but one: "Get there first with the most men." Some of the most commonly cited principles are the objective, the offensive, surprise, security, unity of command, economy of force, mass, and maneuver. Most are interdependent.

Military forces, whether large-scale or small-scale, must have a clear objective that is followed despite possible distractions. Only offensive operations--seizing and exploiting the initiative--however, will allow the choice of objectives; the offense also greatly increases the possibility of surprise (stealth and deception) and security (protection against being surprised or losing the possibility of surprising the enemy). Unity of command, or cooperation, is essential to the pursuit of objectives, the ability to use all forces effectively (economy of force), and the concentration of superior force at a critical point (mass). Maneuver consists of the various ways in which troops can be deployed and moved to obtain offensive, mass, and surprise. A famous example that illustrates most of these principles occurred during World War II when the Allied forces eventually agreed on the objective of defeating Germany first with a direct offensive against the European continent. Under a combined command headed by *Gen. Dwight D. Eisenhower*, they effectively massed their forces in England, deceived Germany regarding the point of invasion, collected intelligence on the disposition of German forces, and set the vast maneuver called Operation Overlord into motion.

Unthinking rigid attention to a principle of war, however, can be unfortunate. In the face of two Japanese naval forces, *Adm. William Halsey*'s decision at Leyte Gulf not to divide the fleet (the principle of mass) led to the pitting of the entire enormous American naval force against a decoy Japanese fleet. Division of the fleet (maneuver) would still have left Halsey superior to both Japanese forces.

9.2 Strategic and Tactical Maneuvers

Classification of actual military types of maneuvers and their variations have long been a part of military science. New technology and weapons have not drastically altered some of the classical types of offensive maneuver: penetration, envelopment, defensive-offensive maneuvers, and turning movements.

The penetration--one of the oldest maneuvers--is a main attack that attempts to pierce the enemy line while secondary attacks up and down the enemy line prevent the freeing of the enemy reserves. A favorite maneuver of the duke of Marlborough (early 18th century), it was also used by *Gen. Bernard Montgomery* at El Alamein (1942).

The envelopment is a maneuver in which a secondary attack attempts to hold the enemy's center while one (single envelopment) or both flanks (double envelopment) of the enemy are attacked or overlapped in a push to the enemy's rear in order to threaten the enemy's communications and line of retreat. This forces the enemy to fight in several directions and possibly be destroyed in position. New variations include vertical envelopment (Airborne Troops or air mobile troops) and amphibious envelopment. Noted single envelopment were accomplished by *Alexander the Great* at Arbela (or Gaugamela, 331 BC), *Robert E. Lee* at Chancellorsville (1863), and *Erwin Romme* at Gazala (1942; leading to the capture of Tobruk); famous double envelopment include those of Hannibal at the Battle of Cannae (216 BC), the American Revolutionary War Battle of Cowpens (1781), and the destruction of the 7th German Army at the Falaise Gap (1944).

Defensive-offensive maneuvers include attack from a strong defensive position after the attacking enemy has been sapped in strength, as in two battles of the Hundred Years' War, Crecy (1346) and Agincourt (1415), or feigned withdrawals that attempt to lure the enemy out of position as performed by *William the Conqueror* at the Battle of Hastings (1066) and by *Napoleon* at the Battle of Austerlitz (1805).

Turning maneuvers are indirect approaches that attempt to swing wide around an enemy's flank to so threaten an enemy's supply and communication lines that the enemy is forced to abandon a strong position or be cut off and encircled. *Napoleon* was a master of the turning movement, using it many times between 1796 and 1812. *Robert E. Lee* used the maneuver at the Second Battle of Bull Run (1862); the German drive to the French coast in 1940 was another example.

9.3 The Historical and Theoretical Development of Strategy and Tactics

The historical roots of strategy and tactics date back to the origins of human warfare and the development of large-scale government and empire. The dense tactical infantry formation of overlapping shields called the phalanx, for example, existed in an early form in ancient Sumar (c.3000 BC). The development of strategy and tactics parallels to some extent the growth, spread, and clash of civilizations; technological discoveries and refinements; and the evolution of modern state power, ideology, and nationalism.

9.3.1 Early Strategy and Tactics

The Mediterranean basin saw the dawn of modern military strategy and tactics. It was under such leaders as *Philip II* (382-336 BC) and *Alexander the Great* (356-323 BC) of Macedonia and Hannibal (247-183 BC) of Carthage that the first great strides were made in military science. *Philip* combined infantry, cavalry, and primitive artillery into a trained, organized, and maneuverable fighting force backed up by engineers and a rudimentary signaling system. His son *Alexander* became an accomplished strategist and tactician with his concern for planning, keeping open lines of communication and supply, security, relentless pursuit of foes, and the use of surprise. *Hannibal* was a supreme tactician whose crushing victories taught the Romans that the flexible attack tactics of their legions needed to be supplemented by unity of command and an improved cavalry. The Romans eventually replaced their citizen-soldiers with a paid professional army whose training, equipment, skill at fortification, road building, and siege warfare became legendary. The Byzantine emperors studied Roman strategy and tactics and wrote some of the first essays on the subject.

The Middle Ages saw a decline in the study and application of strategy--with the exception of the great Mongol conqueror *Genghis Khan*. Medieval tactics began with an emphasis on defensive fortifications, siege craft, and armored cavalry. The introduction, however, of such new developments as the crossbow, longbow, halberd, pike, and, above all, gunpowder began to revolutionize the conduct of war.

9.3.2 The Emergence of Modern Warfare

Gustav II Adolf, king of Sweden (r. 1611-32), has been called the father of modern tactics because he reintroduced maneuver into military science. His disciplined national standing army--differing from the common use of mercenaries--was organized into small, mobile units armed with highly superior, maneuverable firepower and supplemented by mounted dragoons (his creation) armed with carbine and saber. *Frederick II* (the Great) of Prussia (r. 1740-86), the master of initiative and mass, conducted war in an age of limited warfare--armies were small and expensive; road and supply systems were inadequate. In the Seven

Years' War (1756-63), *Frederick* faced a coalition whose various forces almost surrounded Prussia. Using a strategy of interior lines, *Frederick*--supported by a highly disciplined army and horse artillery (his creation)--would quickly maneuver, assemble a superior force at some decisive point along the line of encirclement, and, with massed howitzer fire, strike hard against an enemy flank before moving to another point.

With *Napoleon I*, however, the age of modern warfare was born. The French Revolution had produced a mass patriot army organized into loose divisional formations. *Napoleon* carefully planned his campaigns and quickly maneuvered his troops by forced marshes to a selected field of battle. His battles began with skirmishing and cannonading, followed by an overwhelming concentration of forces in shock bayonet attacks against enemy flanks in turning and enveloping movements designed to utterly destroy opposing forces. Because of the greater complexities of warfare, a rudimentary general staff began to emerge under *Napoleon*.

9.3.3 The 19th Century: Theory and Technological Change

Napoleonic strategy and tactics were closely studied by the first great theorists of war, the Prussian general *Carl von Clausewitz* (1780-1831) and the French general *Antoine Jomini* (1779-1869). Clausewitz's On War (1832-34; Eng. trans., 1908) emphasized the close relationship between war and national policy and the importance of the principles of mass, economy of force, and the destruction of enemy forces. *Jomini*, on the other hand, emphasized occupying enemy territory through carefully planned, rapid and precise geometric maneuvers. Whereas *Jomini*'s theories had influence in France and North America, *Clausewitz*'s teachings in particular were influential on the great Prussian military strategists of the 19th century, *Helmuth Karl Bernhard Moltke*--architect of victory in the Franco-Prussian War (1870)--and *Alfred von Schlieffen*--creator of the Schlieffen plan (defense against Russia and envelopment of France), which Germany applied in a modified form at the beginning of World War I.

The 19th century was an era of far-reaching technological change that vastly altered the scope of tactics and strategy, an alteration seen in what has been called the first total war, the U.S. Civil War. Railroads and steamships increased the volume, reach, and speed of mobilization and of conscription. The consistent support of war industry became critical. The growth in range and accuracy of rifle firepower created new tactical problems: artillery had to be placed further behind the lines, massed charges became ineffective if not disastrous, cavalry became limited to reconnaissance and skirmish, and troops began to fight from trenches and use grenades and land mines. Telegraph communications linked widening theaters of war and made large-scale strategy and tactics possible. During the U.S. Civil War the large-scale strategy of the North (blockade, division of the Confederacy, destruction of the Confederate armies and supplies) backed by superior industry and manpower were the key factors in its victory. The development of the machine gun late in the 19th century would have its most telling effect in World War I.

9.3.4 World Wars: Trench Tactics to Nuclear Strategy

World War I began with immense, rapid, national mobilizations and classical offensive maneuvers, but after mutual attempts at envelopment at and after the Battle of the Marne, stationary trench warfare ensued across a wide battlefront. A war of attrition set in that called for total national involvement in the war effort. Two key technological developments in the war were to fashion the strategic and tactical debates of the 1920s and 1930s. The use of air power was advocated by such theorists as *Giulio Douhet* (1869-1930), *Billy Mitchell*, *Henry ("Hap") ARNOLD*, and *Hugh Trenchard* (1873-1956). They insisted that air power alone could win wars, not only by striking at enemy forces but by strategic bombing--the massive attack on cities, industries, and lines of communication and supply that characterized part of allied strategy during World War II. The other World War I development was that of motorized armored vehicles such as the tank. The use of the tank as the new cavalry of the modern age was advocated by *B. H. Liddell Hart* (1895-1970), *Charles de Gaulle* (1890-1970), and *J. F. C. Fuller* (1878-1966) in the interwar period. The Germans were the first to effectively use the tactical offensive combination of air and tank power in the field of battle in the blitzkriegs, under such commanders as *Heinz Guderian* and *Erwin Rommel*, which conquered much of Europe in World War II.

Although a wide variety of tactics were used all over the world, the primary tactical advance in World War II may have been that of amphibious warfare. The principal significance of World War II, however, was in the first application of truly global strategies wielded by massive coalitions dedicated once again to the offensive. The development of nuclear weapons, which continued after the war, introduced the new science of nuclear strategy and tactics. The immense destructive nature of these weapons, however, meant that warfare of limited strategic goals, using conventional but constantly refined weapons and conventional (and sometimes unconventional) tactics, would predominate in the years after World War II. Strategies in the military fields are methods of arranging and maneuvering large bodies of military forces during armed conflicts.

10. Applications of strategic Planning

10.1 Application in Company

10.1.1 Example: McDonald’s Corporation

When most firms were struggling in 2008, McDonald’s increased its revenues from $22.7 billion in 2007 to $23.5 billion in 2008. Headquartered in Oak Brook, Illinois McDonald's net income nearly doubled during that time from $2.4 billion to $4.3 billion —quite impressive. Fortune magazine in 2009 rated McDonald's as their 16th "Most Admired Company in the World" in terms of their management and performance.

McDonald's added 650 new outlets in 2009 when many restaurants struggled to keep their doors open. McDonald's low prices and expanded menu items have attracted millions of new customers away from sit-down chains and independent eateries.

Jim Skinner, CEO of McDonald's, says, "We do so well because our strategies have been so well planned out." McDonald's served about 60 million customers every day in 2009, 2 million more than in 2008. Nearly 80 percent of McDonald's are run by franchisees(or affiliates).

McDonald's in 2009 spent $2.1 billion to remodel many of its 32,000 restaurants and build new ones at a more rapid pace than in recent years. This is in stark contrast to most restaurant chains that are struggling to survive, laying off employees, closing restaurants, and reducing expansion plans. McDonald's restaurants are in 120 countries. Going out to eat is one of the first activities that customers cut in tough times. A rising U.S. dollar is another external factor that hurts McDonald's. An internal weakness of McDonald's is that the firm now offers upscale coffee drinks like lattes and cappuccinos in over 7,000 locations just as budget-conscious consumers are cutting back on such extravagances.

About half of McDonald's 31,000 locations are outside the United States. But McDonald's top management team says everything the firm does is for the long term. McDonald's for several years referred to their strategic plan as "Plan to Win". This strategy has been to increase sales at existing locations by improving the menu, remodeling dining rooms, extending hours, and adding snacks. The company has avoided deep price cuts on its menu items. McDonald's was only one of three large U.S. firms that saw its stock price rise in 2008.

Other strategies being pursued currently by McDonald's include replacing gasoline-powered cars with energy-efficient cars, lowering advertising rates, halting building new outlets on street corners where nearby development shows signs of weakness, boosting the firm's coffee business, and improving the drive-through windows to increase sales and efficiency.

McDonald's receives nearly two-thirds of its revenues from outside the United States. The company has 14,000 U.S. outlets and 18,000 outlets outside the United States. McDonald's feeds 58 million customers every day. The company operates Hamburger University in suburban Chicago. McDonald's reported that first quarter 2009 profits rose 4 percent and same-store sales rose 4.3 percent across the globe. Same-store sales in the second quarter of 2009 were up another 4.8 percent.

10.1.2 Example: IBM Corporation

In 2006, the IBM Corporation uprooted the main offices for its global procurement services. It transferred them from Somers, N.Y., 20 miles north of corporate headquarters at Armonk, to Shenzhen in south China's Pearl River Delta, just across from Hong Kong. It was a notable moment: the first time one of IBM's most critical departments had moved its center from the United States. And it marked a significant milestone along the road toward making IBM a "globally integrated enterprise" running "truly global systems of production," as its CEO, *Sam Palmisano*, had written in Foreign Affairs the same year. IBM's executives knew, from many years of firsthand experience, that this region in southern China had become home to one of the biggest pools of procurement talent in the world. The company had arrived in 1993, manufacturing personal computers—a business it eventually sold in 2005, to Lenovo, a Chinese company. Over the years IBM had produced servers, retail store systems, storage devices, and printers in Shenzhen: first for overseas markets, and later, increasingly for the Chinese market. It had seen massive supply networks develop in the Pearl River Delta. Some suppliers made parts for toys, sports shoes, and other low-end products; others made components for sophisticated computing and telecommunications equipment. Still, others provided logistics and supporting technology. IBM had also seen the Chinese government invest in business-friendly infrastructure: economic zones, industrial parks, highways and container ports, universities and training colleges. By locating its global procurement headquarters in Shenzhen, IBM was not only strengthening its own supply base, but better positioning one of its core businesses: helping clients strengthen their supply chains.

The company has also invested in R&D in China. Its China Research Laboratory, one of eight flagship IBM labs around the world, is located in Zhongguancun Software Park, next to Beijing's main university district. Most of its more than 150 researchers hold doctorates or master's degrees from Beijing, Tsinghua, or other leading Chinese universities. The lab specializes in speech and language technologies, cross-border e-business solutions, and pervasive computing, which is the embedding of microprocessors in everyday objects. IBM opened another lab in Shanghai in 2008. In consulting, despite the global economic slowdown, IBM has been on a growth trajectory, doubling its business in 2009 because of Chinese demand. It plans to open four new offices in China, taking its total presence from six to 10. Moreover, IBM runs all its global growth businesses from Shanghai. This includes its businesses in Asia, Latin America, Russia, Eastern Europe, the Middle East, and Africa.

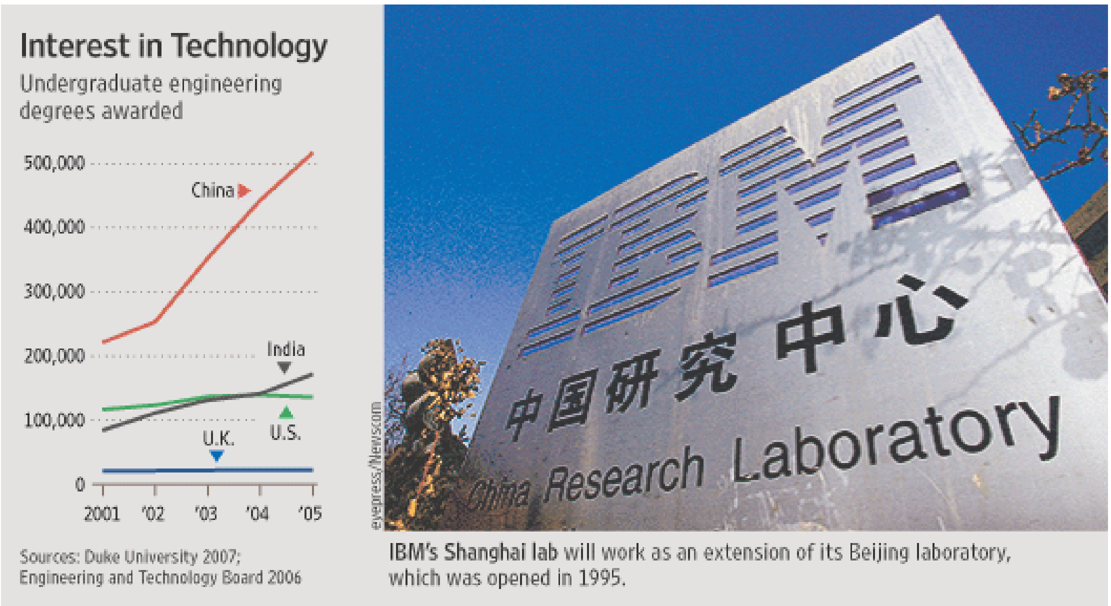

Figure 66: IBM China Research Laboratory

In short, IBM's presence in China is very different from what might have been envisioned a few years ago. It is defined not by an expanding consumer population or by low-wage labor, but by the integration of Chinese activity with its worldwide enterprise. Like a growing number of other companies—Coca-Cola, Honeywell, KFC, and Goodyear among the most prominent—IBM has a "one world"-oriented strategy for its operations in China. In addition to sourcing products in China and seeking out Chinese markets, it is investing dramatically in operations there and integrating them with the rest of IBM's global enterprise.

The benefits of a one-world strategy in China have become obvious, and a growing number of multinational companies—or "foreign" companies, as the Chinese think of them—are ready to increase their presence. They may already market to some Chinese consumers, or draw from the country's labor pool, or outsource manufacturing there, but now they want more. China's rapid recovery from the global recession, bolstered by its reorganized banking sector and its emerging middle class, has attracted many companies to the Chinese economy.

10.2 Application in Project Management:

10.2.1 Example: "the 99 cent breakfast wrap" of the Dunkin' Brands, Inc.

Dunkin' Donuts and Baskin-Robbins are under one umbrella company named Dunkin' Brands, Inc. Doughnuts and ice cream go hand-in-hand at this company, which has more than 13,000 locations in more than 40 countries. With more than 7,900 shops in 30 countries (5,800 of which are in North America). Dunkin' Donuts is the world's leading chain of donut shops. *Baskin-Robbins* is a leading seller of ice cream and frozen snacks with its nearly 6,000 outlets (about half are located in the

United States). About 1,100 locations offer a combination of the company's brands.

In June 2009, Dunkin' Donuts introduced its first 99 cent breakfast wrap. Called the Wake-Up Wrap and supported by the advertising phrase "America Saves at Dunkin' ". Dunkin' launched fierce, frontal attacks on both McDonald and Starbucks as those two firms battled each other over fancy coffee drinks. Dunkin' Donuts' brand marketing officer Frances Allen said:" Starbucks can't do food and McDonald's can't do coffee. We view breakfast as a 'value' meal as noted in our ad 'Breakfast, NOT Brokefast.' " Dunkin' is presently test marketing a six-item breakfast value menu, all priced at 99 cents with any beverage purchase.

Figure 67: Dunkin' Donuts'

10.3 Application in City Management:

10.3.1 Example: City of Pierre, South Dakota

Mission, Vision, Values and SWOT Analysis

During the 2013 strategic planning session, the committee engaged in an environmental scan that included understanding the City's strengths, weaknesses, opportunities and threats. Strengths provide a solid base from which a city can develop; weaknesses are acknowledged and serve as constraints or areas for organizational growth and change; opportunities give insight into resources that can be brought to bear on existing problems and goals; finally, threats must be identified and managed proactively in order to remove the causes or cope with effects. The SWOT analysis produced by the committee included the following:

Strengths:

- Pierre has a proactive and highly educated community: Community members are generous with time, money and resources and came together during a time of crisis. City employees know the community, are committed to customer service and engage in planning in order to effectively solve community problems.

- The City and its citizens have access to abundant natural and man made resources: The Pierre area has a diverse range of youth and recreation opportunities including parks, the Missouri River, an improved municipal golf course, Expo center, the Cultural Heritage Center and the South Dakota Discovery Center and Aquarium. Residents have access to a diverse range of health care opportunities, improved highways, public transportation and commercial air service.
- Pierre is centrally located, is the state's capital and the City has a strong relationship with state government. Pierre has a low crime rate, steady economic growth and a great school system. Residents benefit from low utility rates and a low tax burden.

Weaknesses:

- Pierre is relatively remote, being two to three hours from other population centers and away from the interstate.
- The city is bounded by topographical constraints such as the Missouri River and rolling hills that can potentially limit growth.
- A lack of retail opportunities presents a challenge to economic growth.
- Limited higher education opportunities within Pierre which means many of our children leave for college and don't return.
- Limited affordable housing.
- Limited indoor recreation space and senior activities in the winter months.
- Pierre lacks concerts and events that attract young people.

Opportunities

Missouri River waterfront presents a variety of recreational opportunities. It has the potential to become a regional center for:

- Health care
- Shopping
- Concerts/entertainment
- Airport service
- Sporting events (central location)
- Meetings/conventions
- Diversified Agribusiness/events

Threats

- Budget crises at the state and federal level may have effects at the local level.
- Parts of the city infrastructure are aging and will need replacement in the near future.
- The agricultural sector could see a significant downturn.
- There is likely to be a continuing decline in the number of trained and qualified volunteer firefighters.
- The lack of affordable housing discourages labor force and limits economic

expansion.

- Our current tax structure could become inadequate to support the services desired by the population.
- Labor shortages.
- Decreasing rural population.

Table 7: Mission, Vision and Values of City Pierre

MISSION	
To provide services that promote a high quality of life for all citizens.	
VISION	
To create an environment which promotes economic development and our unique natural resources thereby creating an unmatched quality of life.	
VALUES	
Fellowship: The City of Pierre values a friendly community that works together to maintain a high quality of life for all its residents.	**Professionalism and Accountability:** The City of Pierre values professional, responsible service based on sound planning.
Leadership: The City of Pierre values a proactive approach that moves the community forward rather than reacting to emerging threats and changing times.	**Preservation of the land:** The City of Pierre values the beautiful natural environment that it inhabits and strives to ensure a healthy legacy for current and future generations.

Measures to be taken:

- Take greater advantage of local government (state, counties, schools and cities) cooperation for shared services in order to increase efficiency and reduce redundancies.
- Promote Pierre's unique historic heritage, Native American culture, potential for agricultural tourism and proximity to the river.
- Utilize state government experts.
- Collaborate with local employers to encourage them to promote the city to future employees & related businesses.
- Utilize technology and social media to promote the city and govern efficiently.
- Evaluate/review fiscal position related to financing opportunities.

10.4 Application in NGO:

Some NGOs have used portfolio analysis to analyze and classify their different programmes into four broad categories:

Table 8: Portfolio Analysis Matrix

Portfolio analysis matrix	
(1) **Stars** Strong projects or activities with real potential for growth: dynamic, popular and creative. Stars may become 'foundation stones' or become short-lived 'shooting stars'.	(2) **Question marks** New or innovative projects but not yet proven. They might become stars and move into Square 1. Alternatively, they may fail and move into Square 4; they need to be monitored closely.
(3) Cash cows Reliable, safe projects or activities that provide the NGO with a degree of financial security and/or credibility; they provide a solid base. They may start by being popular with funders but may become less attractive later as they are not seen as innovative.	(4) Dogs Take up management and financial resources and provide little or no added value for the effort required. Often organisations have problems dealing with such activities because they may be closely bound up with the organisation's earlier history.

In strategic planning it may be worth thinking:

1. How well balanced is the portfolio (between, for example, creative but risky projects and stable projects)?
2. How might each service or project move between boxes over the next year or so?
3. How could your "question marks" be turned into "stars"? Would it be worth the investment of time, effort and other resources?
4. What should happen to the activities in Square 4 (e.g. invest in them, hand them over, float them off, close them down)?
5. What are your NGO's current plans for developing new areas of activity? Any NGO should be thinking about the future as well as the present.

10.5 Application in Global Marketing

10.5.1 Example: Red Bull

Austrian company Red Bull does such a great job with global marketing that many Americans assume it's a local brand. How?

One of its most successful tactics is to host extreme sports events all over the world. From the Red Bull Indianapolis Grand Prix to the Red Bull Air Race in the United Kingdom to the Red Bull Soapbox Race in Jordan, the brand's powerful event marketing strategy takes them here, there, and everywhere.

Figure 68: Red Bull Air Race

Aside from events, Red Bull's packaging also plays a part in its global appeal.

"Red Bull really looks like a product from a global economy. It doesn't look like a traditional American soft drink -- it's not in a 12-ounce can, it's not sold in a bottle, and it doesn't have script lettering like Pepsi or Coke. It looks European. That matters," explains Harvard Business School professor *Nancy F. Koehn* in a 2001 article. Though it's since diversified its product selection since that article was published, the fact remains that Red Bull's consistent packaging has helped this brand go global.

10.5.2 Example: Airbnb

Airbnb, a community marketplace for people to list and book accommodations around the world, was founded in 2008 out of San Francisco, California.

Since then, Airbnb has grown to 1,500,000+ listings in 34,000+ cities worldwide. A large contributor to the company's explosive global success? Social media.

In January 2015, Airbnb launched a social media campaign around the hashtag #OneLessStranger. The company referred to the campaign as a "global, social experiment," in which Airbnb asked the community to perform random acts of hospitality for strangers, and then take a video or photo with the person and share it using the hashtag.

Figure 69: One Less Stranger by Airbnb

Just three weeks after the launch of the campaign, over 3,000,000 people worldwide engaged, created content, or were talking about the campaign.

10.5.3 Example: Pearse Trust

With offices in Dublin, London, Vancouver, Atlanta, and Wellington, Pearse Trust has grown to be an international authority on corporate and trust structures. But it takes more than offices all over the map to reach an international audience.

That's why Pearse Trust keeps content flowing on its Facebook pages that engages its various markets. In this screenshot below, you can see Pearse Trust posts lots of content featuring international affairs relating to the company's practice.

Figure 70: Pearse Trust

It also levels out external articles with Pearse Trust content, featuring news from places like Germany, Ireland (where it has a Dublin office), and the U.K. (where it has a London office). This is a great example of focusing on common interests shared among your company's various markets while also making the content related to customers by region.

10.5.4 Example: Coca-Cola

Coca-Cola is a great example of a brand using international marketing efforts. Though a large corporation, Coca-Cola focuses on small community programs and invests a lot of time and money in small-scale charity efforts.

For example, in Egypt, Coca-Cola has built 650 clean water installations in the rural village of Beni Suef and sponsors Ramadan meals for children across the Middle East. In India, the brand sponsors the Support My School initiative to improve facilities at local schools. Not to mention, the brand sticks with selling an emotion that can't get lost in translation: happiness.

Figure 71: Clean Water Installation by Coca Cola

10.5.5 Nike

Nike has been able to evolve its global presence through the careful selection of international sponsorship such as its previous long-standing relationship with Manchester United.

Although sponsorship spending can be fairly unpredictable -- demand costs tend to surge due to triggers like championships and tournaments -- these partnerships have certainly helped the brand capture the attention of a global audience.

Nike's NikeID co-creation platform serves as another strategy that the company is using to appeal to international markets.

By putting the power of design into the hands of the consumer, Nike is able to deliver customized products that align with different cultural preferences and styles.

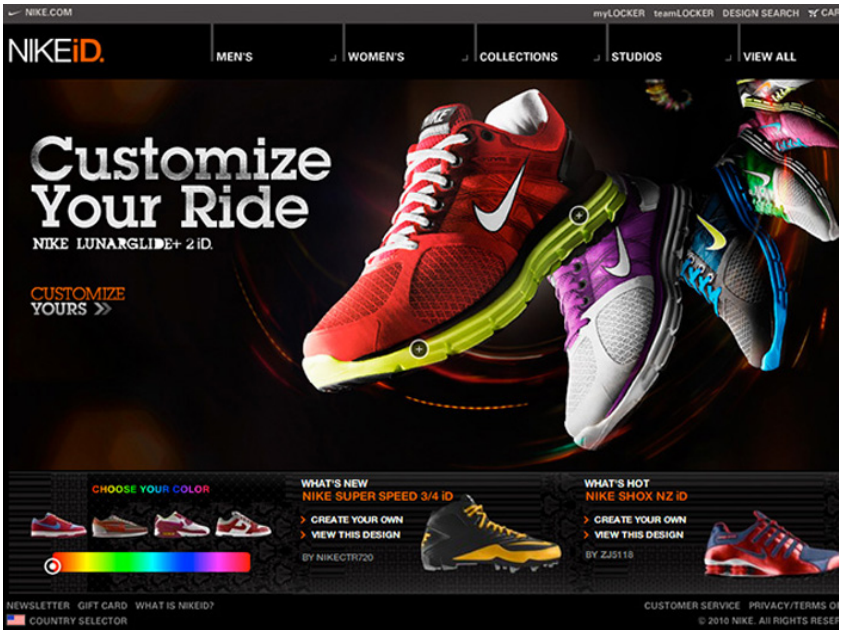

Figure 72: Nike ID

11. Vocabulary

Acquisition:
When one company, the acquirer, purchases and absorbs the operations of another, the acquired.

Action Plan:
A detailed description of the strategies and steps used to implement a strategic plan.

Adaptive Tension:
Where there is sufficient order in an organization to make things happen, but not such rigidity as to prevent innovation.

Barriers to Entry/Exit:
Economic or other characteristics of a marketplace that make it difficult for new firms to enter or exit. Examples include: economies of scale; product differentiation; capital requirements; cost disadvantages other than size; access to distribution channels; government policy; etc.

Baseline:
Base level of previous or current performance that can be used to set improvement goals and provide a basis for assessing future progress.

Benchmarking:
An analysis of competitor strengths and weaknesses; used to evaluate a firm's relative competitive position, opportunities or improving, and success/failure in achieving such improvement.

Best Practices:
The business methods and procedures utilized by firms considered the leader in an industry.

Business Model:
A company's business model is management's story line for how the strategy will be a money maker.

Buy-in:
Obtaining agreement from key stakeholders that the proposed plan is acceptable.

Capacity:
The development of an organization's core skills and capabilities, such as building leadership, management, finance and fund-raising, programs and evaluation, in order to build the organization's effectiveness and sustainability. The process of assisting an individual or group to identify and address issues and gain the insights, knowledge, and experience needed to solve problems and implement change. Capacity building is facilitated through the provision of technical support activities, including coaching, training, specific technical assistance, and resource networking.

Capital:
Assets that are available for ongoing business needs to produce income.

Capital Improvement:
Addition to an organization's fixed assets. Capital improvement is the result from an outlay of funds over a specific and finite period of time that results in a permanent addition to an organization's fixed assets.

Capital Plan:
A plan for maintaining assets to continue programs.
Case Study:
A study containing qualitative data (such as observations and information drawn from interviews) about one subject. These studies are typically based on what is termed anecdotal evidence. A series of case studies can provide useful information that something of significance is happening that may merit further study.
Client:
Anyone whose interests are served by an organization, or who receives or uses an organization's resources or services. Clients can be internal to an organization, for example one department may be the client of another department, or external to the organization.
Collaboration:
To work together sharing ideas and resources, especially in a joint intellectual effort.
Company Culture:
The mix of important assumptions shared by members of an organization; may be explicit or implicit, usually determined by the business environment of a firm's industry; the prior experience of employees in other firms, professions, communities, etc; and the experiences that the employees share in their everyday work environment within the firm.
Company Mission:
The unique purpose of a firm that sets it apart from firms of its type; identifies scope of operations including markets, customers, products, distribution, technology, etc. in manner that reflects values and priorities of the firm's strategies.
Compensation:
Money or another item of value given or received as payment or reparation for a service or loss.
Competitive Advantage:
Advantages that a firm has over its competitors. See also Sustainable Competitive Advantage.
Competitive Position:
The position that a firm has or wishes to achieve within its industry as measured against its competition.
Competitive Reaction:
Anticipated reaction of competition to a firm's strategic initiatives.
Constituency:
A group served by an organization or institution; a clientele.
Concentric Diversification:
A strategy of growing a firm by acquiring other firms which are similar to and synergistic with the acquiring firm in terms of markets, products, or technology.
Conglomerate Diversification:
A strategy of growing a firm by acquiring other firms for investment purposes; usually little or no anticipated synergy with the acquired firm.

Consolidation:
The merger of business units and/or property portfolios.
Core Competencies:
The competencies of a firm required to fulfill its value proposition with its customers; competencies may be competitively unique to an industry but not necessarily a single firm. See also Competencies, Non-Core Activities, Value Proposition.
Corporation:
A group of individuals legally empowered to transact business as one body.
Cost-benefit Analysis:
A management tool that involves calculating or estimating the monetary costs and potential benefits of a proposed course of action.
Cost Advantage (Disadvantage):
Operating advantage enjoyed by an entrenched firm, which would be difficult for entering firms to capture, regardless of size. May relates to patent protection, proprietary technology, learning curve, experience curve, government subsidies, favorable locations or access to key raw materials.
Crosswalk:
A research tool used to guide analysis and reporting, particularly when there are multiple data sources. A crosswalk does not present any of the findings or results, just the types of information that has been gathered from the different data sources.
Cultural Competence:
A set of values, behaviors, attitudes, and practices which enable people to work effectively across racial/ethnic and cultural lines.
Demographics:
The characteristics of human populations and population segments, especially when used to identify consumer markets.
Descriptive Statistics:
Numbers that describe or summarize information about a sample. Three basic descriptive statistics (generally known as measures of central tendencies), are the mode, median, and mean. The mode is the number, item, score or other value that occurs most often. It is the most frequent occurrence in the sample. The median is the middle or midpoint of a distribution. Therefore, it is the number, item, score, or other value that has 50 percent of the others above and 50 percent of the values below it. The mean, perhaps the most often used measure of central tendency, is the average number, item, score, or other value in the distribution.
Differentiation Strategy:
One of three generic strategies in which a firm strives to create and market unique products/services for various customer groups. See also Focus Strategy and Low Cost Strategy.
Diseconomy of Scale:
When a company has become so large that additional production creates reduced marginal revenue. See also Economy of Scale.
Distribution Channel:
The means by which products or services are moved from production to customer.

Distinctive Competence:

A competence that provides a firm with a competitive advantage in the marketplace.

Diversified Company:

A company that has enough different products so it does not depend on success of one product or type of product.

Divestiture:

The sale of all or major part of a firm.

Diversity:

Difference, distinctness, variety.

Driving Forces:

The most dominate forces because they have the biggest influence on what kinds of changes will take place in the industry's structure and competitive environment.

Dynamic Information:

Information that is characterized by continuous change, activity, or progress.

Early Entrants:

Firms entering new markets or developing new products before other firms. (Also known as "first mover") See also Late Entrants.

Economy of Scale:

A reduction in costs through larger operating units, spreading fixed costs over large numbers of items/units. See also Diseconomy of Scale.

Emerging Industry:

A newly formed or restructured industry growing faster than the overall economy. Usually created by changing customer needs, technological change or other socioeconomic conditions. See also Mature Industry.

Empowerment Evaluation:

An evaluation approach that includes collaborative and training functions within a goal of the empowerment of management and program staff to continuously assure quality of services.

External Environment:

The conditions and forces that define a firm's competitive position and influences its strategic options. Also, called Competitive Environment.

External Assessment:

Analysis of the elements or forces that affect the environment in which an organization functions—also called an "environmental scan."

Evaluation:

A study to determine the extent to which a program or project reached its goals.

Facilitator:

A person who makes it easier for other people to accomplish objectives by offering advice and assistance in solving problems, either with technical issues or with other people.

Feasibility:

Capable of being accomplished or brought about; possible.

Federal Mandates:

Any provision in a bill or joint resolution before Congress or in a proposed or final

Federal regulation that would impose a duty that is enforceable by administrative, civil, or criminal penalty or by injunction (other than a condition of the bill or joint resolution or implementing regulation).

Financial Objectives:

Concerned with the financial results and outcomes the management wants the organizations to receive. Ex: earnings/growth/stock price.

Five Competitive Forces:

A tool that helps diagnose the principle competitive forces in the market and assess how important each one is:

- The rivalry among competitive sellers in the industry
- The potential entry of new competitors
- The market attempts of companies in other industries to win customers to their own substitute products
- The competitive pressures from sellers
- The competitive pressure from buyers

Fiscal:

Related to finance or finances.

Flat organization:

An organizational structure in which most middle management functions are eliminated, allowing senior management to have greater exposure to customers and to those in the organization that deal with customers. See also Flat and Matrix organizations.

Focus Group:

A qualitative research process designed to elicit opinions, attitudes, beliefs, and perceptions from individuals to gain insights and information about a specific topic.

Focus Strategy:

One of three generic strategies in which a firm tries to appeal to one or more customer groups focusing on their cost or differentiation concerns. See also Low Cost Strategy and Differentiation Strategy.

Focused (Market Niche) Strategy Based on Lower Cost:

Concentrating on a narrow buyer segment and out competing rivals by serving niche members at lower cost than rivals.

Functional organization:

An organizational structure along functional lines (e.g. marketing, acquisition, asset management, development, finance and accounting, etc.) See also Flat and Matrix organizations.

Functional Strategies:

Strategies for each firm's function or division; integrates into Grand Strategy and ties to Long-Term Objectives. See Grand Strategy; Long-Term Objectives.

Gap Analysis:

The identification of the difference between the desired and current state.

Generic Strategies:

Three approaches to strategic planning based on different fundamental ideas about how to appeal to the customer. See Low Cost Strategy, Differentiation Strategy, and

Focus Strategy.

Goal:

A general aim in line with the mission.

Grand Strategy:

A firm's comprehensive plan of key actions by which it plans to achieve it Long-Term Objectives; usually considers factors such as market development, product development, innovation, horizontal and/or vertical integration, diversification, joint ventures and strategic alliances, turnaround, divestiture, liquidation, etc.

Grant:

A giving of funds for a specific purpose.

Growth Industry:

An industry growing at the same rate as the nation's economy.

Horizontal Integration:

The acquisition of similar firms operating at the same stage of the production/marketing chain as the acquiring firm. Utilized to expand into new markets and/or eliminate competition. See also Vertical Integration.

Impact Evaluation:

Evaluations that look specifically at whether the program achieved its goals and had its intended effect. An outcome or impact evaluation measures the final results of a program or initiative. (See also, Outcome Evaluation).

Inclusivity:

Broadness in orientation or scope (frequently used in terms of broadness of culture and ethnicity).

Inputs:

The "nouns" of projects; the resources that are used to make the project happen (such as people and equipment).

Instrument:

Research tool used to assess variables during an evaluation. Examples include surveys, questionnaires, telephone interview protocols, executive interview protocols, or focus group protocols.

Intended Strategy:

An expression of desired strategic direction deliberately formulated or planned by managers. See also 'realized strategy'.

Internal Assessment:

Analysis of an organization's position, performance, problems, and potential.

Interview:

A research process that obtains structured information from an individual or group of individuals, usually based upon an established set of questions and/or probes.

Joint Venture:

A third party commercial operation established by two or more firms to pursue a particular market, resource supply, or other business opportunity. Created and operated for the benefit of the co-owners.

Jurisdiction:

The limits or territory within which authority may be exercised.

Key Success Factors:

The product attributes, competencies, competitive capabilities and market achievements with the direct bearing on company profitability.

Late Entrants:

Firms entering new markets or developing new products after they have been established by other firms. Also, called Latecomers. See also Early Entrants.

Leapfrogging:

Establishing entirely new competitive space in which a firm is not only a leader but establishes most, if not all, of the standards by which other firms in its industry are measured.

Legislation:

A proposed or enacted law or group of laws.

Litmus Test:

A test that uses a single key indicator to prompt a decision.

Long-Term Objectives:

A firm's intended performance over a multi-year period of time; usually includes measures such as competitive position profitability, return on investment, technology leadership, productivity, employee relations and development, public responsibility. See also Short-Term Objectives.

Low Cost Strategy:

One of three generic strategies in which a firm attempts to establish itself as the cost leader in the industry. See also Focus Strategy and Differentiation Strategy.

Microenvironment:

All relevant forces outside company boundaries that are important enough to affect the company's business model strategies.

- The economy at large
- Legislation and regulations
- Population and demographics
- Societal values and lifestyles
- Technology
- Immediate industry and competitive environment

Market Leader:

The company that has control over a certain market.

Market Share:

The revenues generated by a firm as a percentage of total revenues; usually measured by industries, markets, or products.

Matrix organization:

An organizational structure which delegates power to independent operating units which then rely on centralized corporate facilities for functional support. See also Flat and Matrix organizations.

Mature Industry:

An industry growing slower than the overall economy or actually declining. See also Emerging Industry.

Merger:
Combination and pooling of equal companies, with the newly created company often taking on a new name.
Mission:
A brief, comprehensive statement of purpose of an agency statement or program.
Monitoring:
Assessing the inputs and activities of a project.
Needs Assessment:
A structured process to determine the needs of a designated survey field, i.e., individuals, an agency, a system, etc.
Objective:
Specific and measurable targets for accomplishing goals.
Operating Costs:
The day-to-day expenses incurred in running an organization or project, as opposed to costs associated with production.
Operational Definitions:
Definitions for terms and research variables specific to one program or project; a definition used within a program or project. Research variables must be clearly defined. For example, if the term “recidivism” is being used in a study, it should be defined, such as “committing another criminal or juvenile offense.” How these variables are measured has a great impact on the success of the study. For example, is “committing another offense” measured by arrest data, conviction data, or interviews that may identify additional violations?
organizational Culture:
The basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic, taken-for-granted fashion an organization’s view of itself and its environment.
organizational Fields:
Communities of organizations partaking in a common meaning system (i.e. jargon), whose participants interact more frequently with one another than with those outside the field.
Outsourcing:
Contracting and activity to another firm.
Outcomes:
The long-term end goals that are influenced by the project, but that usually have other influences affecting them as well. Outcomes reflect the actual results achieved, as well as the impact or benefit, of a program.
Outcome Evaluation:
Evaluations that look specifically at whether the program achieved its goals and had its intended effect. What were the “outcomes” of this program? An outcome or impact evaluation measures the final results of a program or initiative (see also, Impact Evaluation).
Output:
A type of performance measure that focuses on the level of activity in a particular

program.

Partnerships:

Entails forming a new corporate entity owned by partners that can be terminated whenever one of the partners choose.

Performance Measures:

Tools or information used to measure results and ensure accountability.

Pilot Study:

A “scaled down” version of a major effort conducted before a larger study to test feasibility. For example, a pilot test might test proposed measurement instruments, hone the research methodology, or see if there is a preliminary basis for supporting the hypothesis.

Portfolio Approach:

A method of looking at each of the “businesses” of a firm as elements in a total portfolio.

Product Life Cycle Analysis:

A forecasting technique which analyzes/predicts the performance of a product/service during each stage of its development.

Proactive:

Acting in advance to deal with an expected difficulty.

Process Evaluation:

Investigates issues regarding the program’s current operations or the implementation of new initiatives. Questions most often focus on what the program does, who does it, and how it is done.

Project Logic:

A model that arrays the resources, activities and goals of a project to allow the relationships to be clearly viewed and understood.

Punctuated Equilibrium:

The tendency for strategies to develop incrementally with periodic transformational change.

Qualitative Research:

Qualitative research is conducted in a more interpretive and contextual fashion and goes beyond the “facts and figures” gathered by objective measures. Qualitative research attempts to measure the complexity of a given topic and often involves narrative responses to questions, rather than categorical responses.

Quantitative Research :

Quantitative studies rely upon statistics and measures that can be expressed numerically. In order to make valid inferences from quantitative research, certain rules need to be followed in terms of the research design and sampling methods.

Quasi-experimental Research Design:

These research designs are very typical in field research and program evaluations

Questionnaire:

Written documents that contain a series of questions that are answered by respondents. Typically, some form of objective response is required, such as “true-false” or numerical scales (for example, “1 to 5” rankings)

Realized Strategy:
The strategy actually being followed by an organization in practice. In contrast to 'intended strategy'.
Request for Proposal (RFP):
A formal invitation containing a scope of work which seeks a formal response (proposal) describing both methodology and compensation to form the basis of a contract. An RFP is prepared by the customer to solicit proposals from potential providers.
Research Questions:
Questions that ask what variables can and will be manipulated and studied. For example, do restraining orders issued on stalkers reduce violence to victims? Does having a restraining order, the independent variable, result in a reduced likelihood of the stalker hurting the victim, the dependent variable? A research design is based on research questions.
Resource Allocation:
The determination and allotment of resources or assets necessary to carry out strategies and achieve objectives, within a priority framework.
Resource Plan:
Part of the definition statement stating how the program will be resource loaded and what supporting services, infrastructure, and third party services are required. Also, a component of the program definition statement stating how the program will be resourced, and specifying what supporting services, infrastructure and third party services are required.
Restitution:
The act of restoring to the rightful owner something that has been taken away, lost, or surrendered.
Results:
The "outputs" of the activities of a project, directly measurable and within the control and influence of the project.
Retrenchment Response:
In a turnaround situation, cost-cutting and asset reduction to improve a firm's fortunes.
Sample:
Some smaller part of a larger population that is being studied. One of the key aspects of a sample is whether it is truly representative of the larger population. To be representative, the methods of drawing the sample are critical.
Service Delivery:
The method used to provide services to a client.
Short-Term Objectives:
Usually one year objectives sometimes known as Annual Objectives. They often coincide with Long-Term Objectives; they usually indicate the speed at which management wants the organization to progress. See also Long-Term Objectives.
Stakeholder:
A person, group, or business that has an interest in the outcomes of a firm's operations. Those individuals or groups who depend on the organization to fulfill their

own goals and on whom the organization depends.

Strategic Advantage:

See Competitive Advantage.

Strategic Alliances:

Cooperative agreements between firms that go beyond normal company-to-company dealings but fall short of merger or full joint venture partnership with formal ownership ties.

Strategic Analysis:

Contrasts a firm's Company Profile with its External Environment to identify a range of possible strategic alternatives; screened against the Company Mission statement to determine desired opportunities.

Strategic Business Units:

The organization of a firm by "groups" of divisions that serve similar strategic interests of the firm. Utilized by larger firms with multiple divisions.

Strategic Decisions:

Management decisions related to the future of a firm's operations; made at the corporate, business, functional, and individual level.

Strategic Drift:

When the organization's strategy gradually moves away from relevance to the forces at work in its environment. An organization might also innovate and, in trying to create new market conditions, 'get ahead' of the environment.

Strategic Fit:

Developing strategy by identifying opportunities in the environment and adapting resources and competences to take advantage of these.

Strategic Groups:

organizations within an industry with similar strategic characteristics, following similar strategies or competing on similar bases.

Strategic Management- Consists of 5 Interrelated Managerial Tasks:

1. Develop a Strategic Vision
2. Set Objectives
3. Craft a Strategy
4. Implement and Execute the Strategy
5. Evaluate Performance, Monitoring New Development and Initiating Corrective Adjustments

Strategic Plan:

A practical, action-oriented guide based on an examination of internal and external factors that directs goal-setting and resource allocation to achieve meaningful results over time.

Strategic Vision:

The company's direction and future product/customer/market/technology focus.

Strength:

A skill, resource, or other advantage that a firm has relative to its competitors that is important to serving the needs of customers in its marketplace. See also Weakness.

Structural Drivers of Change:

Forces likely to affect the structure of an industry, sector or market.

Sustainable Competitive Advantage:

Competitive advantages that can be maintained over a fairly long period of time. See also Competitive Advantage.

Survey:

A study where data are collected by way of questionnaires or interviews. Surveys can either be observational, if no intervention or treatment occurred, or can be used as pretest and post-test measures before and after some intervention or treatment.

Survey Instrument:

The research tool used to conduct a survey-for example, a mailed questionnaire, a telephone script, etc.

Switching Costs:

The costs incurred by a customer in changing from one firm to another to meet their requirements.

SWOT Analysis:

An abbreviation used to denote analysis of an organization's internal Strengths and Weaknesses and external Opportunities and Threats. Also called an "internal/external assessment."

Tracking Systems:

Systems set up to monitor progress, compile management information, and keep goals on track.

Trend Extrapolation:

A forecasting technique utilizing linear or exponential smoothing or averaging of historical values.

Unique Resources:

Like 'core competences', the base for achieving strategic advantage.

Undeserved Populations:

Groups identified as potential clients who are not receiving the full extent of services an organization provides, often because of a history of exclusion due to race or ethnicity.

Value-Chain:

Separate activities, function and business processes that are performed in designing, producing, marketing, deliveries, and supporting a product or service.

Values Statement:

A narrative description that outlines an organization's beliefs and guiding principles.

Vertical Integration:

The acquisition of suppliers (backward integration) or distributors (forward integration). Utilized to expand operations, achieve greater market share, increase the efficiency of capital, and/or improve economies of scale. See also Horizontal Integration.

Vision (Strategic Intent):

Desired future state of organization.

Vision Statement:

A narrative description of a future state to help keep project teams focused. A concise statement of what needs to change, typically the promoter, sponsor, or leader's "agenda." A compelling, conceptual image of the desired future.

Weakness:

A limitation or lack of skills, resources, or capabilities that impedes a firm's effective performance. See also Strength.

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