STRATEGIC MANAGEMENT

Unit 4

By

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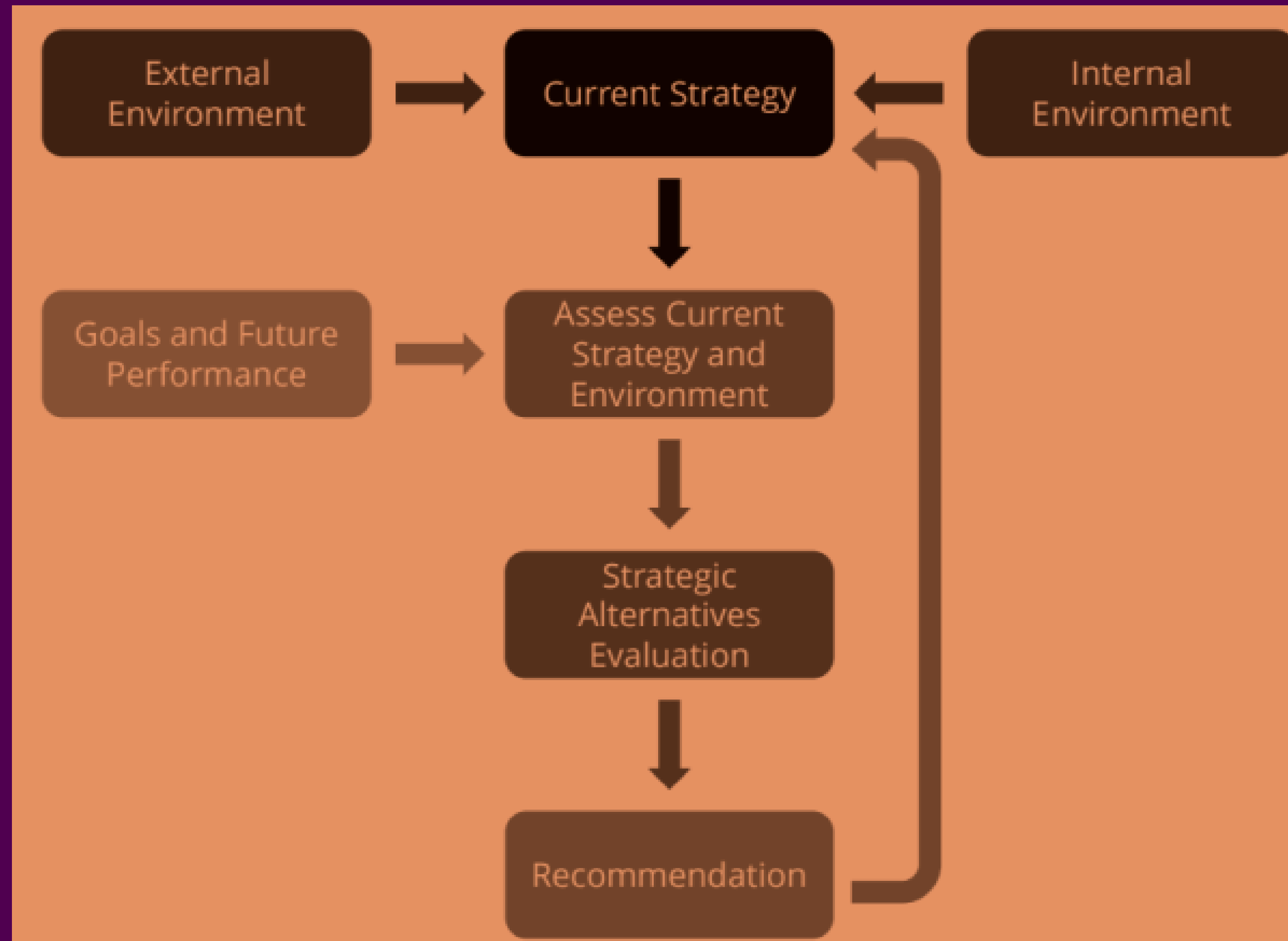
Strategy Analysis process



Levels of Strategy

- Corporate-Level
- Business-Level
- Functional-Level

Analyzing Strategic Alternative and Evaluating and Choosing Among Strategic Alternative

1. Identifying Goals: Clearly defining what you want to achieve.
2. Generating Options: Coming up with different ways to reach your goals.
3. Evaluating Options: Assessing each option's pros and cons.
4. Selecting the Best: Choosing the option that best aligns with your goals and resources.
5. Implementing: Putting the chosen plan into action.
6. Monitoring: Keeping an eye on progress and making adjustments as needed.
7. Adapting: Being flexible and willing to change strategies if circumstances change.

Tools & Techniques of strategic Analysis

1. **VMOST:** This stands for Vision, Mission, Objectives, Strategy, and Tactical. : Success in an organization happens with top-down or bottom-up alignment. I was recently reminded of is when working with a client who stated that their tactical is not connected to the strategy. VMOST analysis is meant to help make that connection.
2. **SWOT:** The standard analysis tool, defined as Strengths, Weaknesses, Opportunities, and Threats. Strengths and weaknesses are internal to the organization, opportunities and threats are external. SWOT requires you to be candid and provide an honest assessment of the state of things. It forces you to create a dialogue with stakeholders to get different viewpoints. Eventually, you focus in on the key issues.

3 **PEST:** This is a great tool to use in tandem with SWOT. The acronym stands for Political, Economic, Social and Technology.

4 **SOAR:** This stands for Strengths, Opportunities, Aspirations, and Results. This is a great tool if you have a strategic plan completed, and you need to focus on a specific impact zone.

Strategic Choice

1. **Identification of Strategic Issues:** Recognizing the important challenges and opportunities facing the organization.
2. **Generating Strategic Alternatives:** Developing different strategies or courses of action to address the identified issues.
3. **Evaluation of Alternatives:** Assessing each alternative's feasibility, potential benefits, and risks. This often involves using tools like SWOT analysis (Strengths, Weaknesses, Opportunities, Threats).
4. **Selection of a Strategy:** Choosing the most suitable strategy from the alternatives based on the evaluation.
5. **Implementation:** Putting the selected strategy into action, which may involve making changes in the organization's structure, processes, or resources.
6. **Monitoring and Control:** Continuously tracking the progress of the implemented strategy and making adjustments as needed to ensure it aligns with the organization's goals.
7. **Review and Feedback:** Periodically reviewing the strategy's effectiveness and gathering feedback to make improvements or changes if necessary.
8. **Adaptation:** Being flexible and willing to adapt the chosen strategy if external factors or circumstances change.

BCG Matrix

1. **Stars:** High-growth, high-market-share products or units that have the potential to become future cash cows.
2. **Cash Cows:** Low-growth, high-market-share products or units that generate steady profits and cash flow, typically used to support other areas of the business.
3. **Question Marks (or Problem Children):** High-growth, low-market-share products or units that require additional investment to determine if they can become stars or should be phased out.
4. **Dogs:** Low-growth, low-market-share products or units that may not be generating significant profits and may need to be considered for divestment.

BCG Growth Share Matrix
LOW
HIGH
Market Share
LOW
Market Growth
HIGH
DOGS
LOW- Market Share
LOW- Market Growth
CASH COWS
HIGH- Market Share
LOW- Market Growth
QUESTION MARKS
LOW- Market Share
HIGH- Market Growth
STARS
HIGH- Market Share
HIGH- Market Growth

Ansoff Grid

- The Ansoff Matrix, also known as the Ansoff Growth Matrix, is a strategic tool used to help businesses identify growth strategies for their products and services. It consists of four growth strategies:

1. **Market Penetration:** This strategy focuses on selling existing products or services to existing customers in the current market. The goal is to increase market share, often through tactics like marketing campaigns, promotions, or improving customer retention.
2. **Market Development:** In this strategy, a company seeks to expand into new markets or customer segments while still offering existing products or services. This can involve geographic expansion, targeting new customer demographics, or exploring different distribution channels.
3. **Product Development:** Here, the emphasis is on creating new products or services to serve existing markets and customers. Companies innovate and introduce new offerings to meet evolving customer needs and preferences.
4. **Diversification:** Diversification involves both creating new products or services and entering new markets that the company has not been involved in before. It can be risky but can also lead to new revenue streams and reduced dependence on a single market or product.

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

INCREASING RISK

INCREASING RISK

The GE (General Electric) Nine Cell Planning Matrix

1. **High Market Attractiveness, Strong Competitive Position (Top Right):** These are the most favorable business units or products. They have a strong competitive position in attractive markets and are typically the company's top performers.
2. **Medium Market Attractiveness, Strong Competitive Position (Middle Right):** These units are also performing well, but they are in markets that may not be as attractive as those in the top-right quadrant.
3. **Low Market Attractiveness, Strong Competitive Position (Bottom Right):** These units have a strong competitive position but operate in markets that are not very attractive. Companies need to consider whether to invest in these or divest.
4. **High Market Attractiveness, Average Competitive Position (Top Middle):** These units operate in attractive markets but have only an average competitive position. They may require strategic investments to strengthen their position.
5. **Medium Market Attractiveness, Average Competitive Position (Middle Middle):** These units are in moderate markets with an average competitive position. Decisions need to be made on whether to invest, divest, or maintain the status quo.
6. **Low Market Attractiveness, Average Competitive Position (Bottom Middle):** These units are in unattractive markets with an average competitive position, making them candidates for divestment or restructuring.
7. **High Market Attractiveness, Weak Competitive Position (Top Left):** These units operate in highly attractive markets but have a weak competitive position. They require strategic actions to improve their position or consider partnerships.
8. **Medium Market Attractiveness, Weak Competitive Position (Middle Left):** These units are in moderately attractive markets but have a weak competitive position. Decisions may involve restructuring or partnerships.
9. **Low Market Attractiveness, Weak Competitive Position (Bottom Left):** These are the least favorable units, operating in unattractive markets with a weak competitive position. Companies may consider divestment or other drastic actions.

GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	Average	Weak
High	*Grow*	*Grow*	*Hold*
Medium	*Grow*	*Hold*	*Harvest*
Low	*Hold*	*Harvest*	*Harvest*

Hofer’s Product Market Evolution Matrix

- Hofer matrix is one of the tools used to determine the assessment of the Competitive position of the company, as determined by its internal and external factors.
- 15 squares matrix was created by Ch.W. Hofer. It is a development of the ADL and McKinsey matrices and is especially useful when analysing strategically diversified entity.
- Matrix is created on the basis of two criteria: the maturity of the product in the industry sector, divided into 5 phases and the competitive position of companies in that industry sector into 3 phases. This circles are placed in the appropriate cell, where represent different areas of activity in the company, and the size of the circle is proportional to size of the sector. Sometimes segments could be added to the circle, which reflect the market share of company in the secto

HOFER'S PRODUCT MARKET EVOLUTION MATRIX

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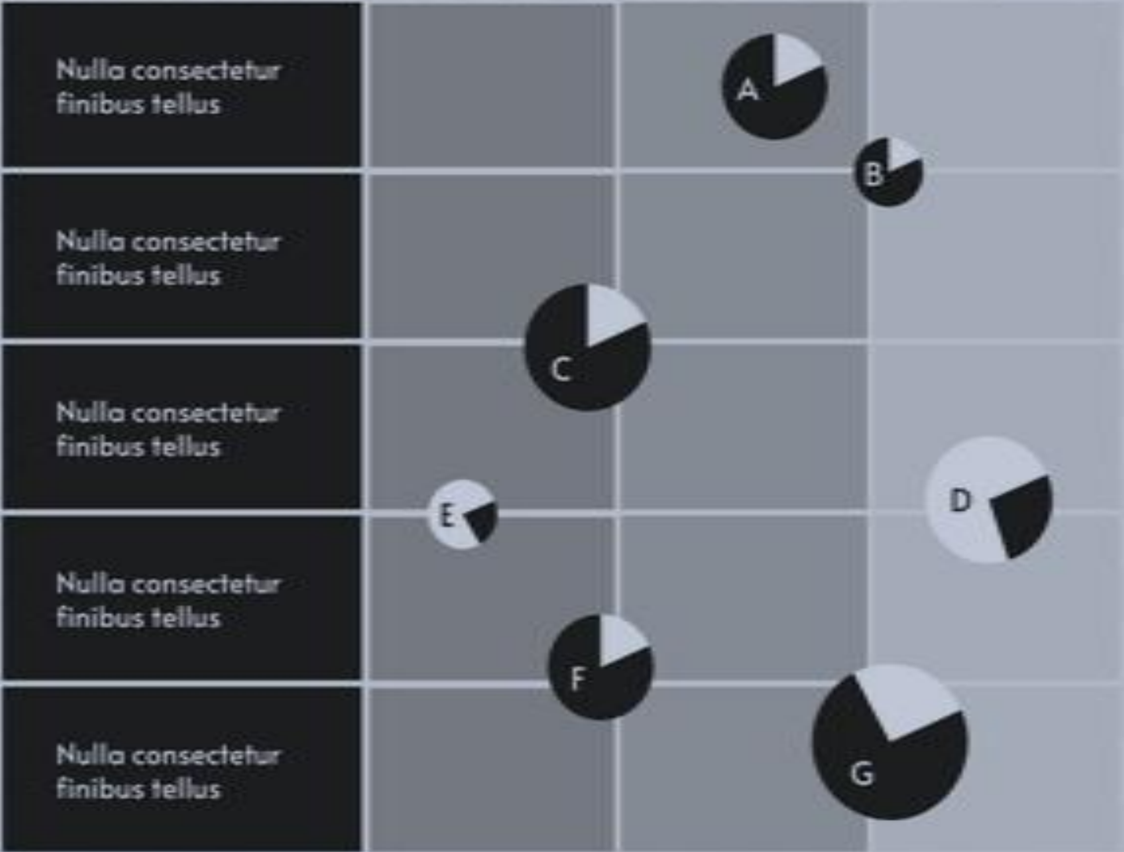
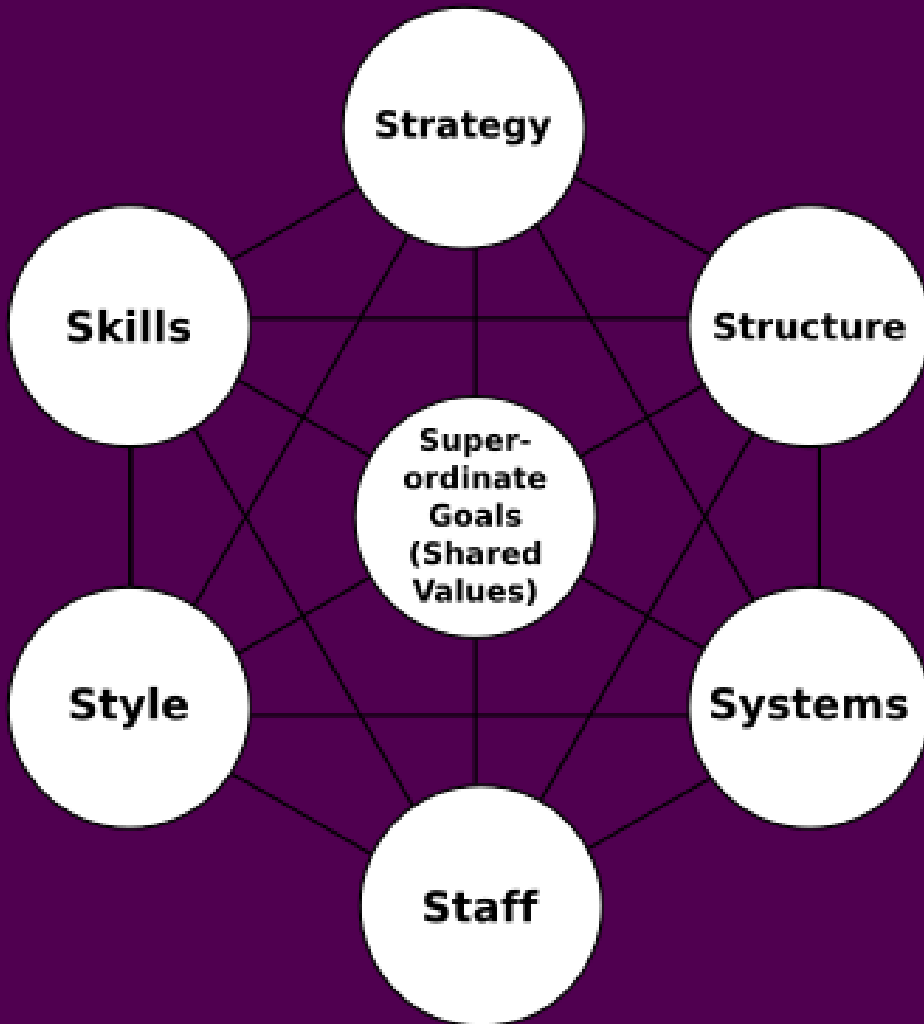


McKinney 7's Framework



McKinsey 7s model is a tool that analyzes firm's organizational design by looking at 7 key internal elements: strategy, structure, systems, shared values, style, staff and skills, in order to identify if they are effectively aligned and allow organization to achieve its objectives.

The goal of the model was to show how 7 elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively.

Strategy Developing Programs, Budget and Procedures

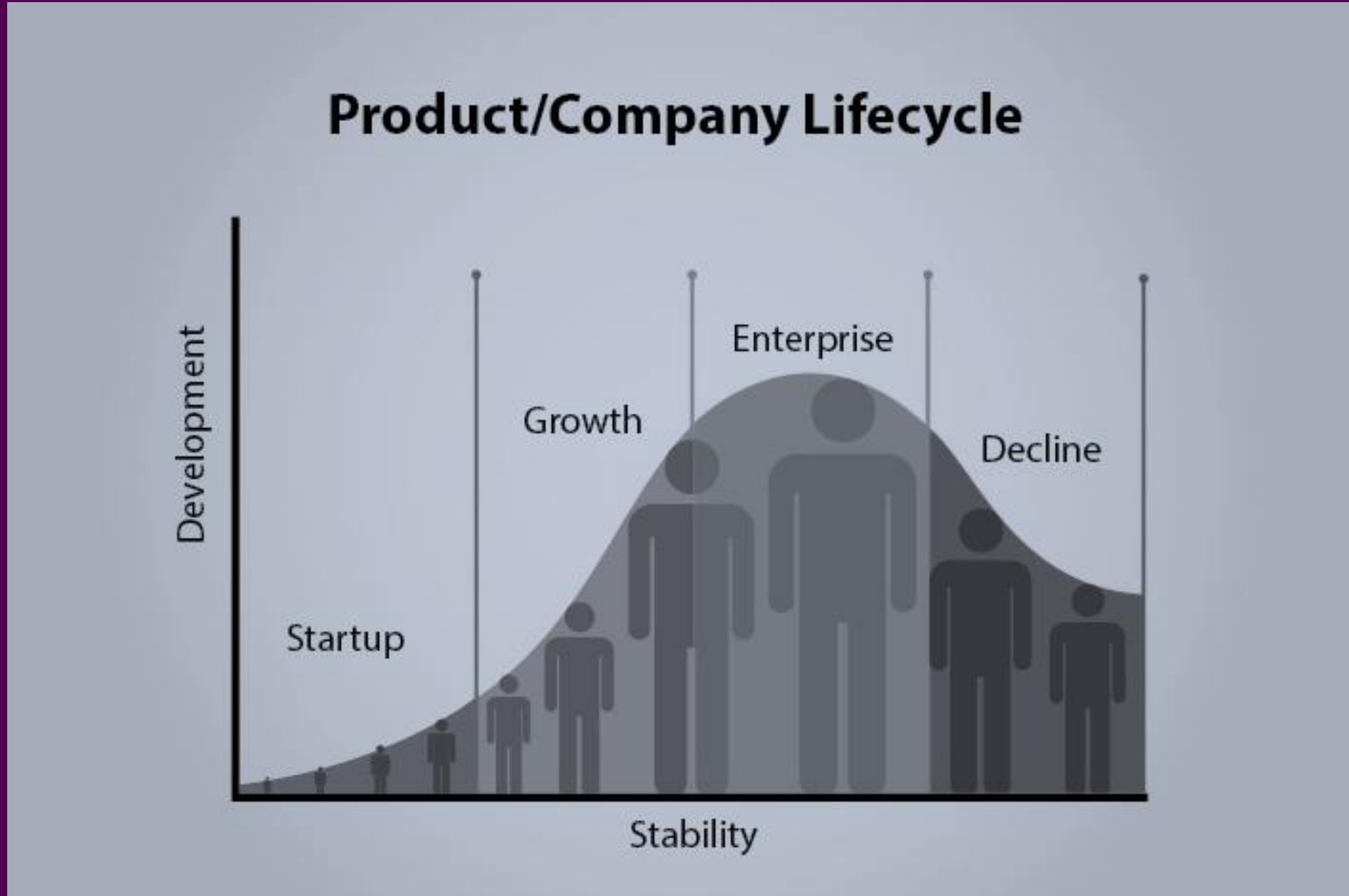
- **Strategy Development:**
  - **Vision and Mission:** Clearly define your organization's long-term vision and mission statement. This sets the foundation for your strategy.
  - **SWOT Analysis:** Analyze your Strengths, Weaknesses, Opportunities, and Threats to gain insights into your internal and external environment.
  - **Goals and Objectives:** Establish specific, measurable, achievable, relevant, and time-bound (SMART) goals and objectives that align with your mission and address the identified issues.
  - **Strategic Alternatives:** Generate various strategies or approaches to achieve your goals.
- **Programs:**
  - **Strategic Initiatives:** Identify and plan the specific projects, initiatives, or actions required to implement your chosen strategies.
  - **Resource Allocation:** Allocate resources (financial, human, and technological) to support these initiatives effectively.
  - **Timeline:** Develop a timeline or roadmap outlining when each initiative will begin and end.
- **Budget:**
  - **Financial Planning:** Estimate the costs associated with each strategic initiative, including capital expenses, operational costs, and any potential revenue generation.
  - **Budget Allocation:** Allocate a budget to each initiative based on its priority and expected impact on achieving your strategic objectives.
  - **Monitoring:** Regularly track and manage your budget to ensure that resources are used efficiently.

- **Procedures:**
  - **Implementation Plan:** Create a detailed plan for executing each initiative, specifying roles, responsibilities, and timelines.
  - **Communication:** Establish communication channels and procedures to keep all stakeholders informed about the strategy's progress.
  - **Performance Measurement:** Develop key performance indicators (KPIs) to assess the success of each initiative.
  - **Feedback and Evaluation:** Set up procedures for collecting feedback and evaluating the effectiveness of your strategy. Use this information to make adjustments as needed.
- **Risk Management:**
  - **Risk Assessment:** Identify potential risks and challenges that could hinder the execution of your strategy.
  - **Risk Mitigation:** Develop strategies to mitigate these risks and contingency plans to address unexpected setbacks.
- **Continuous Improvement:**
  - **Review and Adapt:** Regularly review your strategy's performance against your objectives. Adjust programs, budgets, and procedures as necessary to stay aligned with changing circumstances.
  - **Learning and Development:** Encourage a culture of learning and improvement within your organization. Share insights and lessons learned to inform future strategic planning.
- **Leadership and Accountability:**
  - Ensure that leaders and teams are accountable for their roles in executing the strategy. Establish a governance structure to oversee the strategy's implementation.

Stages of Corporate Development

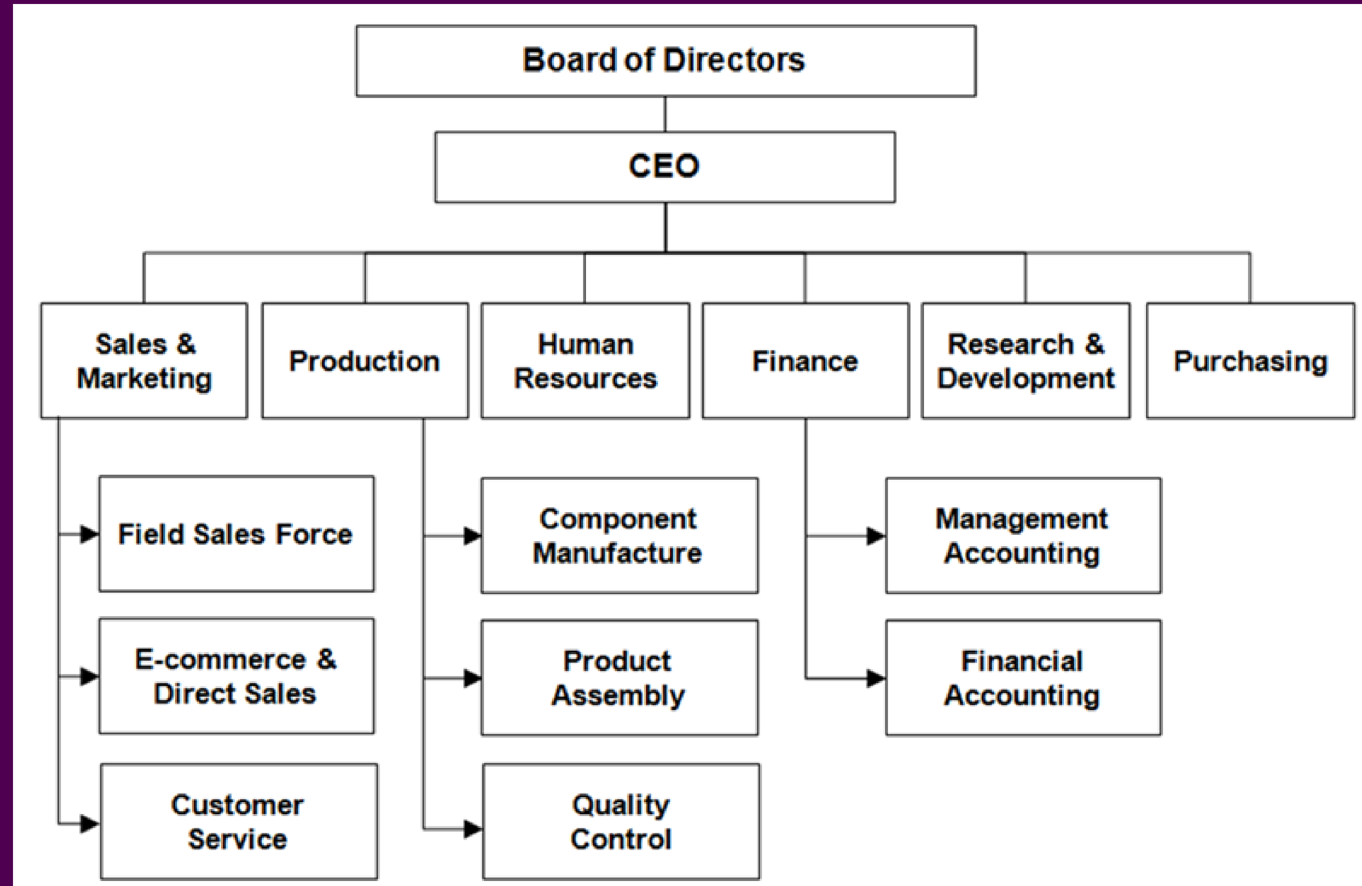
1. **Startup/Formation:** This is the initial stage where the company is founded and the business idea is conceptualized. During this stage, entrepreneurs secure funding, develop a business plan, and establish the company's legal structure. The focus is on product or service development and market validation.
2. **Early Growth:** In this stage, the company begins to gain traction in the market. Sales and customer acquisition increase, and the company may secure additional rounds of funding to support expansion. The focus is on building a customer base and refining operations.
3. **Expansion and Scaling:** During this stage, the company experiences rapid growth. It may enter new markets, expand product lines, and hire additional employees. Operational efficiency and scalability become crucial. Strategic partnerships and acquisitions may also be considered.
4. **Maturity:** At this stage, the company has established a strong market presence and a stable customer base. Growth rates stabilize, and the focus shifts to optimizing operations, maximizing profitability, and maintaining market leadership.
5. **Decline or Renewal:** Some companies may experience a decline in their market position due to changing customer preferences, increased competition, or other factors. At this point, they must decide whether to reinvent themselves through innovation, diversification, or restructuring, or gracefully exit the market.
6. **Reinvention or Decline:** Companies that choose to reinvent themselves embark on a transformation journey. This may involve launching new products or services, adopting new technologies, or entering new markets. Those that cannot adapt may continue to decline or exit the market.
7. **Exit:** This stage involves selling the company, either through an initial public offering (IPO), merger, acquisition, or liquidation. Exit strategies are often pursued when the founders or investors believe it is the right time to cash out on their investment.

Organizational Life cycle

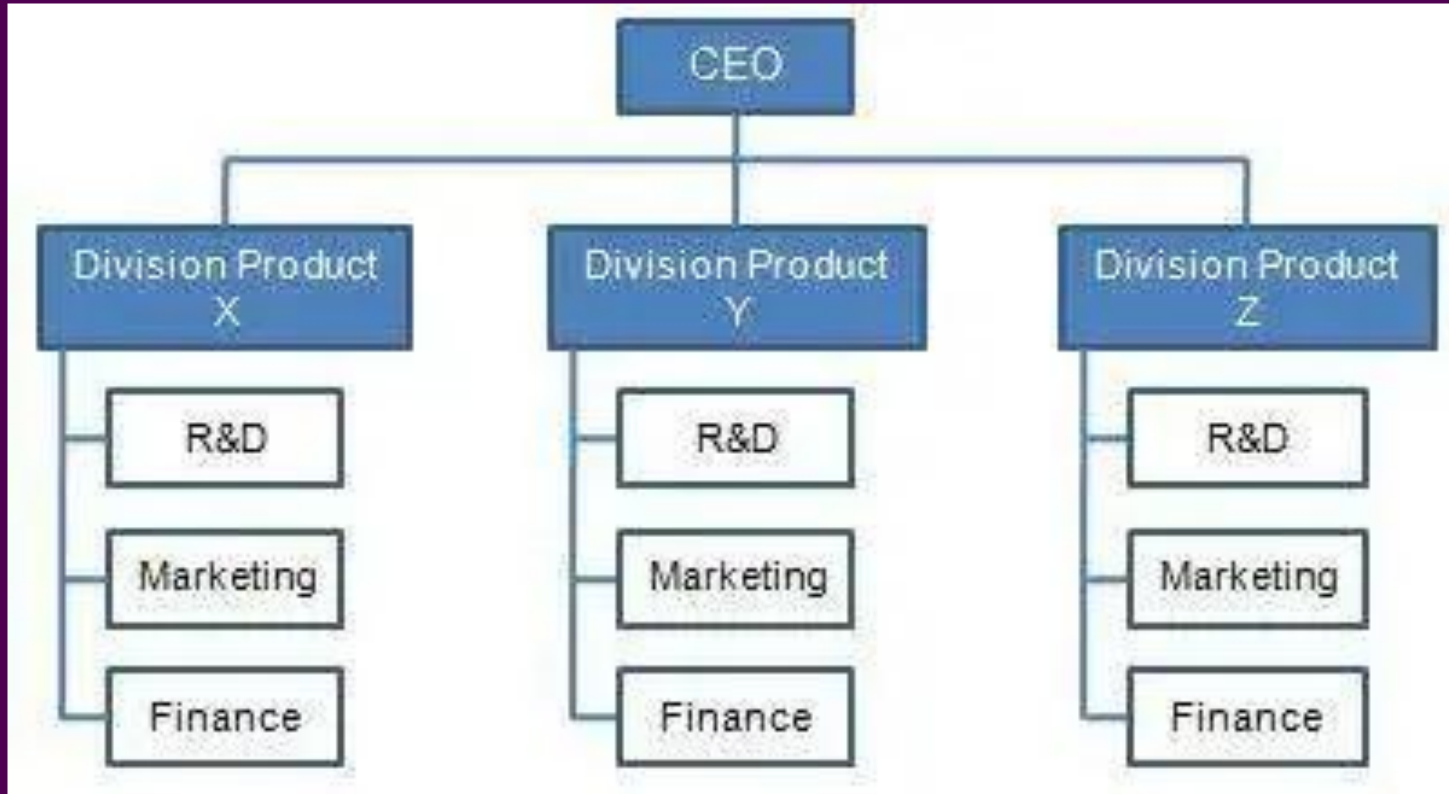


Types of Organizational Structures

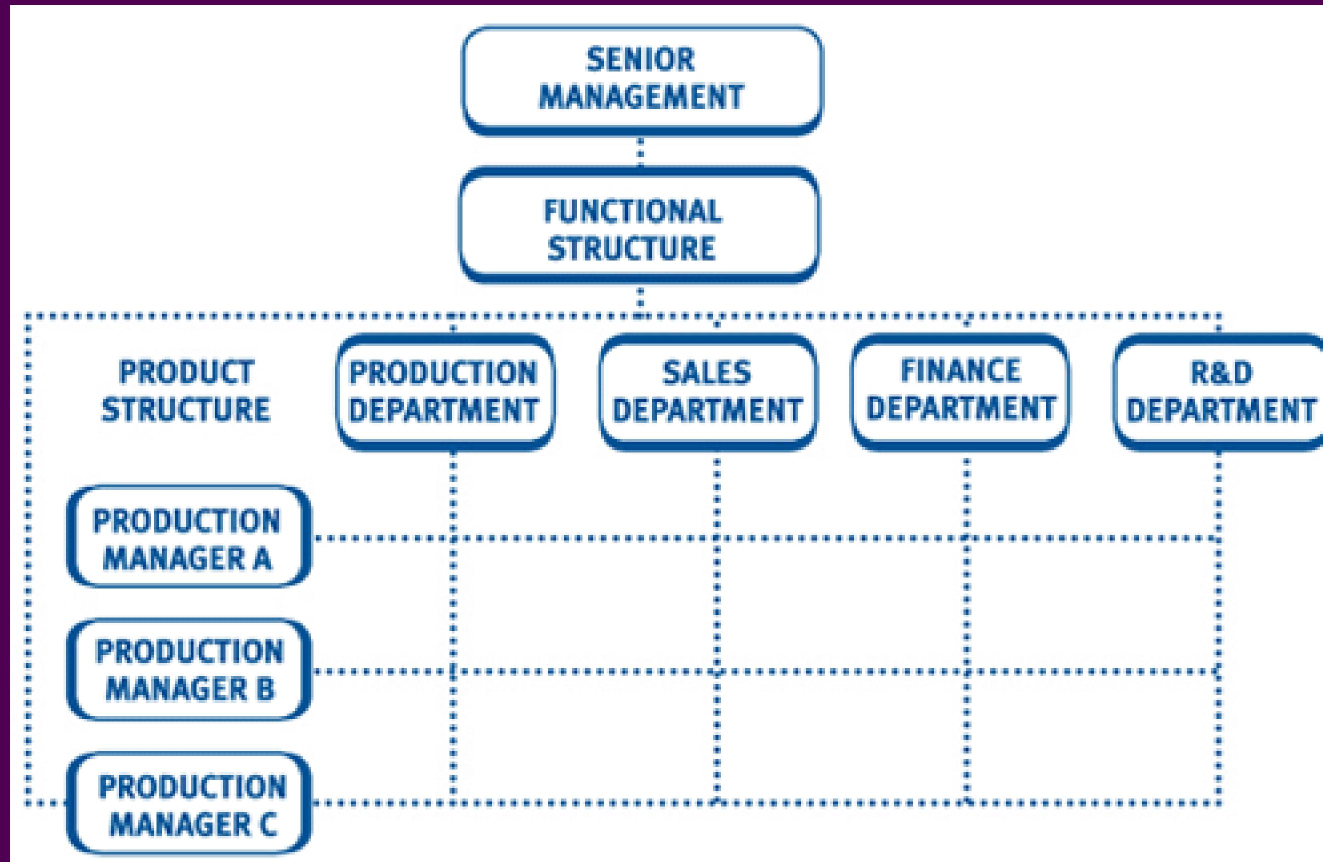
Functional



Divisional



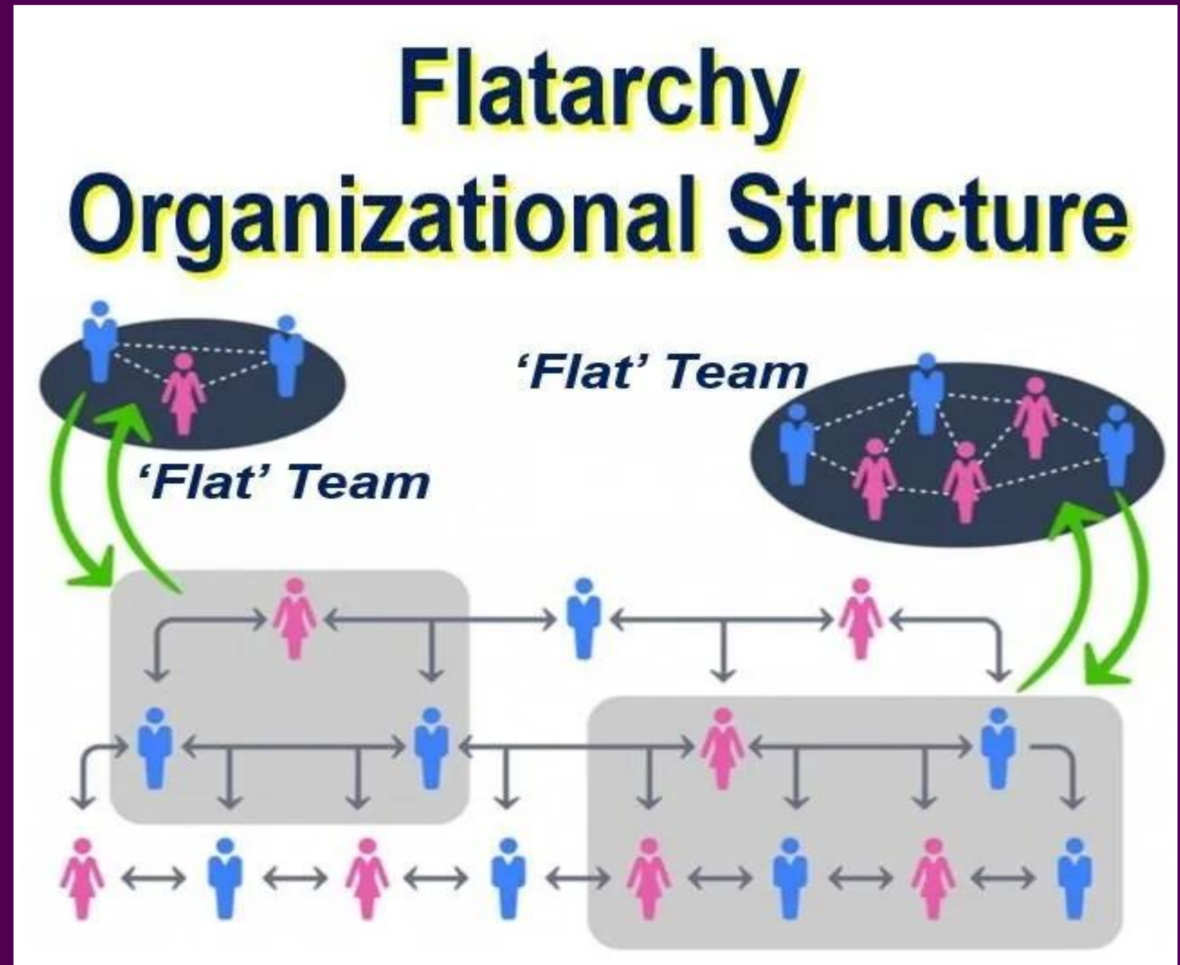
Matrix



Flatarchy

While the previous three types of organizational structures may work for some organizations, another hybrid organizational structure may be better for startups or small companies.

Blending a functional structure and a flat structure results in a flatarchy organizational structure, which allows for more decision making among the levels of an organization and, overall, flattens out the vertical appearance of a hierarchy.



Reengineering

- The Business Process Re-engineering or BPR is the analysis and redesign of core business processes to achieve the substantial improvements in its performance, productivity, and quality. The business process refers to the set of interlinked tasks or activities performed to achieve a specified outcome.

- The business process re-engineering involves a series of steps. These are:
- Step 1: Define Objectives and Framework
- Step 2: Identify Customer Needs
- Step 3: Study the existing business process
- Step 4: Formulate a redesign business plan
- Step 5: Implement the Redesign Plan

Leadership and Corporate Culture

- Strategy implementation- Resource Allocation
- **Resource allocation**
- **Organization structure and systems in Strategy implementation**

Values, Ethics and Social Responsibility

- Values: Values are the core beliefs and principles that guide an organization's culture and define what it stands for. They influence how employees behave, make decisions, and interact with each other and stakeholders. Companies often articulate their values in a mission or values statement to communicate their ethical foundation.
- Ethics: Ethics refers to the moral principles and standards that govern behavior. It involves distinguishing right from wrong and making decisions that align with ethical guidelines. Ethical behavior in business ensures fair treatment of employees, honesty in dealings, and respect for laws and regulations.
- Social Responsibility: Social responsibility is a commitment to acting in ways that benefit society beyond profit generation. It encompasses environmental sustainability, philanthropy, ethical sourcing, and contributions to the well-being of communities. Companies engaging in social responsibility aim to make a positive impact on society while conducting their business ethically and sustainably.