

Business Strategy

How to formulate a new strategy



WEEK FOUR
LECTURER: N. QUARRIE

Objective



- By the end of this lesson you should be able to:
- 2.1 analyze the strategic positioning of a given organization by carrying out an organizational audit

Overview



- The positioning of any organization is very important. The strategic position of an organization can be found out by doing an organizational audit.
- For the rest of this lesson we will try to understand strategic positioning by doing an organizational audit.

Strategic Positioning



- According to the website Dean.com strategic positioning of a company is the “the essence of how it competes and serves customers in its markets.”
- The way in which a company competes and serves its customers is influenced by a number of factors. The analysis and evaluation of these factors influences the strategic position of the company.

Definition



- “The strategic position is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders.”
- Johnson and Scholes, 2005

Strategic Positioning



- It is important to note that the strategic position of the company will be influenced by the external factors which we explored last week.

Factors that influence strategic positioning



- The factors that are said to influence strategic positioning are:
- the external environment
- the organisation's strategic capability in terms of its resources and competences
- the culture and ethical values of the organisation and stakeholder influences.

The external environment



- The external environment- Same as the factors discussed in previous lesson. Briefly remind of them please?
- Discussion!

The organization's strategic capability in terms of its resources and competences



- “This considers what customers value in terms of product and service features.” Lees & Technical Information Service (2008)
- Companies must determine and analyze the main aspects/features of their product that lures customers to them. After identifying and understanding what this/these feature(s) is/are, the company must then try to gain/maintain a competitive edge in the industry. One way to do this is to analyze its resources and competences.

The organization's strategic capability in terms of its resources and competences



- Resources include but are not limited to:
 - physical resources such as plant, machinery and buildings
 - human resources
 - financial resources
 - intangible resources such as knowledge and intellectual capital, brands and reputation.

Lees & Technical Information Service (2008)

The organisation's strategic capability in terms of its resources and competences



| Status of organisation's resources and competences | Same as competitors or easy to imitate | Better than competitors and difficult to imitate |
|---|---|---|
| Resources | Threshold resources | Unique resources |
| Competencies | Threshold competences | Core Competencies |

- Johnson and Scholes, 2005

The organization's strategic capability in terms of its resources and competences



- “Organizations will obtain competitive advantage by using resources effectively to create competences. Unique resources include talented individuals such as a top footballer.” Lees & Technical Information Service (2008)

The culture and ethical values of the organization and stakeholder influences.



- Factors to consider when looking at the culture and ethical values of the organization and stakeholder influences:
- The corporate governance and regulatory framework
- Organizational stakeholders: Customers? Suppliers? Etc the company will have to decide who they consider to be there key stakeholders.

The culture and ethical values of the organization and stakeholder influences.



- Factors to consider when looking at the culture and ethical values of the organization and stakeholder influences:
- Ethical considerations: The ethical stance of the company must also be considered. It must be that the company review the ethical stance they will be taking regarding different issues.

Organizational Audit



- An overall position audit is defined as: 'Part of the planning process which examines the current state of the entity in respect of: resources of tangible and intangible assets and finance; products, brands and markets; operating systems such as production and distribution; internal organization; current results; and returns to stockholders.' CIMA Official Terminology, 2005

Organizational Audit



- The organizational audit will require the company to do some amount of analyzing.
- It provides information about how the company is seen by the outside world/the current status of the company.
- This can be done from an internal and external perspective and includes an evaluation of all three factors explained earlier.

Current Status of the company



- **Internal Audits** – uses data and information generated from within the business

Internal audits may be carried out through recruitment of an outside consultant to look at how the business works and offer an ‘independent’ viewpoint

- **External Audits** – uses information and data from outside the business – such information may be outside of the business’s control but has to be factored into decision making
- Source: www.bized.co.uk

Video



- To review a few keys points regarding organizational audit:
<https://www.youtube.com/watch?v=BsVxQm1Y1Yw>

Review Questions



- 1. What is meant by the term “strategic planning”?
- 2. What are the three key factors to consider when evaluating the strategic position of a company
- 3. Explain any of the factors highlighted in question 2 above
- What is a position/organizational audit?

References



- Johnson, G. and Scholes, K. (2005). Exploring corporate strategy: text and cases. 7th ed. Harlow: Financial Times Prentice Hall.
- Lees & Technical Information Service (2008), Strategic Position: The Chartered Institute of Management Accountants-UK:
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