

Unit 7: Business Strategy

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**THE PROCESS OF STRATEGIC PLANNING
PREPARED BY NADINE QUARRIE**

WEEK TWO

Objectives

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- By the end of this lesson you should be able to:
- analyze the factors that have to be considered when formulating strategic plans

Overview

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- Any company that decides to do a strategic plan does it with the intention of that plan succeeding. With this in mind a number of factors have been established that should be considered when writing a strategic plan.

Analysis

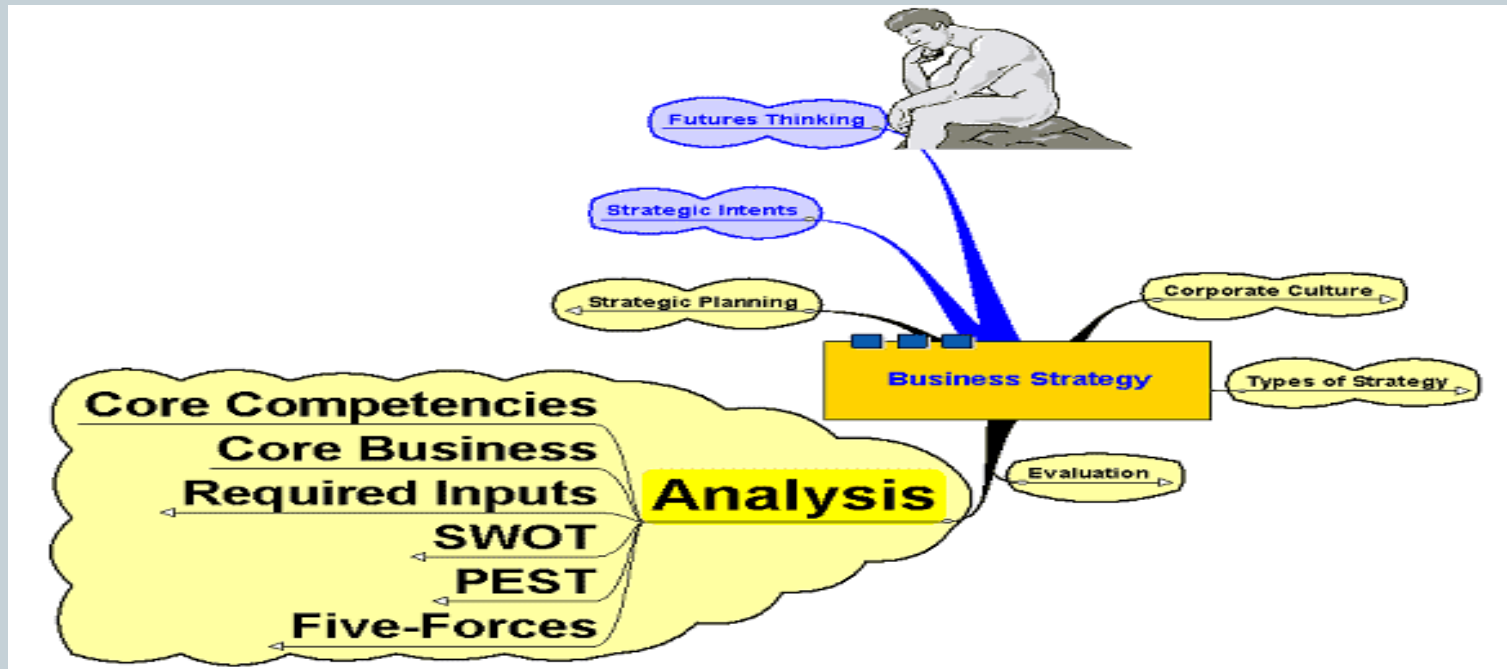
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- In the previous lesson we looked at the factors/concepts that inform strategic planning.
- That lesson highlighted the fact that a strategic plan must have objectives etc. After establishing those objectives the next step is to analyze a number of key factors.

Analysis

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Leoisaac.com, (n.d.).



Factors

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- The factors can either be external or internal to the company.
- The External factors could include the threats and opportunities that the company faces and the internal factors includes the weaknesses and strengths. Some of these are highlighted on the proceeding page.

SWOT

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- Strengths – identifying existing organisational strengths
- Weaknesses – identifying existing organisational weaknesses
- Opportunities – what market opportunities might there be for the organisation to exploit?
- Threats – where might the threats to the future success come from?
- Leoisaac.com, (n.d.).

PEST

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- Political: local, national and international political developments – how will they affect the organisation and in what way/s?
- Economic: what are the main economic issues – both nationally and internationally – that might affect the organisation?
- Social: what are the developing social trends that may impact on how the organisation operates and what will they mean for future planning? Source: Leoisaac.com, (n.d.).

PEST

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- **Technological:** changing technology can have on impact on competitive advantage very quickly!

Five Forces

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- Developed by Michael Porter: forces that shape and influence the industry or market the organisation operates in.
- Strength of Barriers to Entry - how easy is it for new rivals to enter the industry? Extent of rivalry between firms – how competitive is the existing market
- Extent of rivalry between firms – how competitive is the existing market? (Riley, n.d.)

Five Forces

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- Supplier power – the greater the power, the less control the organization has on the supply of its inputs.
- Buyer power – how much power do customers in the industry have?
- Threat from substitutes – what alternative products and services are there and what is the extent of the threat they pose? (Berry, 2010)

Required Input

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- Other important factors that must be considered when doing a strategic plan is the inputs required. Possible inputs include:
 - Land
 - Capital
 - Labour

Commitment, credibility, and communication.

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- While we sometimes focus on the more obvious factors external to the company it's important that we also focus on some often over sighted internal factors.
- Some of these easily ignored internal factors include: commitment, credibility, and communication.

Commitment

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- Up-front commitment by the leaders must include an adherence to the full and thorough process of strategic planning. There must also be a commitment to implementing the strategies recommended by the strategic planning committee. (Ahoy, 1998)

Communication

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Communication is very important in an organization. This should be considered when making strategic plans as it will help to determine how successful the plans are.

For example, if a plan is being carried out but the required tasks is not being communicated well with the persons working on strategic plan then there will definitely be confusion and arguments.

Credibility

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- (Ahoy, 1998). Credibility is created and maintained by following these three guidelines: representative participation, adherence to the complete process, and clear documentation.

Current Strategy

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- Another important factor that the company must consider is its current strategy.
- It makes absolutely no sense to formulate a new strategy without reviewing what the current strategy is?

Why do we need to evaluate current strategy?

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- Let's discuss

Summary and more!

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- (Leoisaac.com, n.d.)



Summary of factors plus others

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- Let discuss the following. (Leoisaac.com, n.d.)



Group activity

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- In groups of five assume that one of your strategic objective is one of the following:
- Increase production
- Increase the number of branches
- Improve customer service
- Using the PEST previously highlighted analyse your strategic objective.

Review Questions

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- 1. What is the difference between internal factors and external factors
- 2. Identify a strategic plan that a company may have and try to identify three external factors that may affect that plan and three internal factors.
- 3. What is meant by current strategy? Why is it important?
- 4. Why is it important to evaluate the factors highlighted in this lesson?

Additional Reading/References

1. Ahoy, C. (1998). *Strategic Planning*. [online] Fpm.iastate.edu. Available at: https://www.fpm.iastate.edu/worldclass/strategic_planning.asp [Accessed 8 Jan. 2016].
2. Berry, T. (2010). *Porter's Five Forces*. [online] Articles.bplans.co.uk. Available at: <http://articles.bplans.co.uk/marketing-a-business/porter%E2%80%99s-five-forces/328> [Accessed 8 Jan. 2016].
3. Leoisaac.com, (n.d.). *Strategic Planning: Environmental factors in strategic planning*. [online] Available at: <http://www.leoisaac.com/planning/strat016.htm> [Accessed 8 Jan. 2016].
4. Riley, J. (n.d.). *Porter's Model of Industry Rivalry (Five Forces) | Business | tutor2u*. [online] Tutor2u.net. Available at: <http://www.tutor2u.net/business/reference/porters-model-of-industry-rivalry-five-forces> [Accessed 8 Jan. 2016].