

Business Strategy

Process of strategic planning

1

WEEK THREE
LECTURER: N. QUARRIE

Objective

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- By the end of this lesson you should be able to
1.3 evaluate the effectiveness of techniques used
when developing strategic business plans

Overview

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- There are a number of tools that have been used when developing strategic business plans:
- Some of these methods include:
 1. Critical question analysis.
 2. BCG Matrix
 3. GE Multi factor Portfolio matrix
 4. PESTLE Analysis
 5. SWOT Analysis
 6. Balanced Scorecard
 7. VRIO Analysis
 8. Mintzberg's 5 P's of strategy
 9. Porter's five force model

BCG Matrix

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- The abbreviation BCG stands for Boston Consulting Group.
- This consulting group was started by Bruce D. Henderson in 1963. It has grown over the years and now has over 81 branches across the globe. (<http://www.bcg.com/>, n.d.)

BCG Matrix

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- BCG developed a matrix that is used in strategic management/planning.
- This matrix highlights four categories into which a company can be placed using a combination of market growth rate and relative market share.

BCG Matrix

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STAR

High market
Share
High Growth



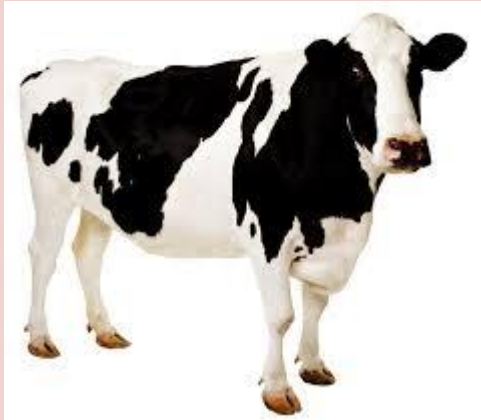
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High growth
Low market
share



CASH COWS

High market
Share
Low growth



DOGS

Low market
Share
Low growth



BCG Matrix

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- Assumptions:
- 1. A firm that experience an increase in market share will have an increase in the generation of cash.
(<http://www.bcg.com/>, n.d.)
- 2. A firm that is growing will spend a lot of money on expansion and thus it is assumed that that firm is consuming a lot of cash-(cash usage)-
(<http://www.bcg.com/>, n.d.)

Critical question analysis

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Critical question analysis “is a strategy development tool that consists of answering basic questions about the present purposes and objectives of the organization, its present direction and environment, and actions that can be taken to achieve organizational objectives in the future.” (Certo, 2000)

Critical question analysis

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- It involves answering a few questions:
- (Introduction-to-management.24xls.com, n.d.): “*
What are the purpose(s) and objectives of the organization? The answer to this question states where the organization wants to go.
- (Introduction-to-management.24xls.com, n.d.): *
Where is the organization presently going? The answer to this question can tell managers if an organization is achieving organizational goals and, if so, whether or not the level of such progress is satisfactory.”

Critical question analysis

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- (Introduction-to-management.24xls.com, n.d.): “***Is what kind of environment does the organization now exist?** Both internal and external environments are covered in this question.
- (Introduction-to-management.24xls.com, n.d.): *** What can be done to better achieve organizational objectives in the future?** The answer to this question actually results in the strategy of the organization.”

GE Multi factor Portfolio matrix

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- This is based on the strength of the company and the attractiveness of the market.
- The strength of the business is based on the following:
 - The financial status of the company
 - The use of technology
 - Its bargaining power as it relates to suppliers.

GE Multi factor Portfolio matrix

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- The attractiveness of the business if based on the following:
- The competitiveness of the market: Strength of competitors
- The growth rate of the industry
- The number of firms/competitors in the market.

PESTLE Analysis

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- This abbreviations stands for
- P-Political environment-This captures the political environment in which the company operates. This includes government regulations; consumer protection, advertising standards etc
- E-Environmental-This is related to the economics of the business. So it captures the impact of the exchange rate, inflation, economic growth etc

PESTLE Analysis

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- S-Social- This deals with what is happening socially. It includes crime and violence, standard of living, health care, education etc.
- T-Technology- This includes access to the internet, energy cost, the amount of money the government spends on improvement in technology etc.
- L-Legal- The laws of the land-employment laws, trade barriers, company laws and regulations etc

PESTLE Analysis

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- E-Environmental- People's attitude towards the protection of the environment.

SWOT Analysis

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- This is an analysis of the company's strength and weaknesses and opportunities and threats.
- The strengths and weaknesses are usually viewed from an internal perspective while the opportunities and threats are usually viewed from an external perspective.
- Weaknesses and threats are harmful and strengths and opportunities are helpful

Balanced Scorecard

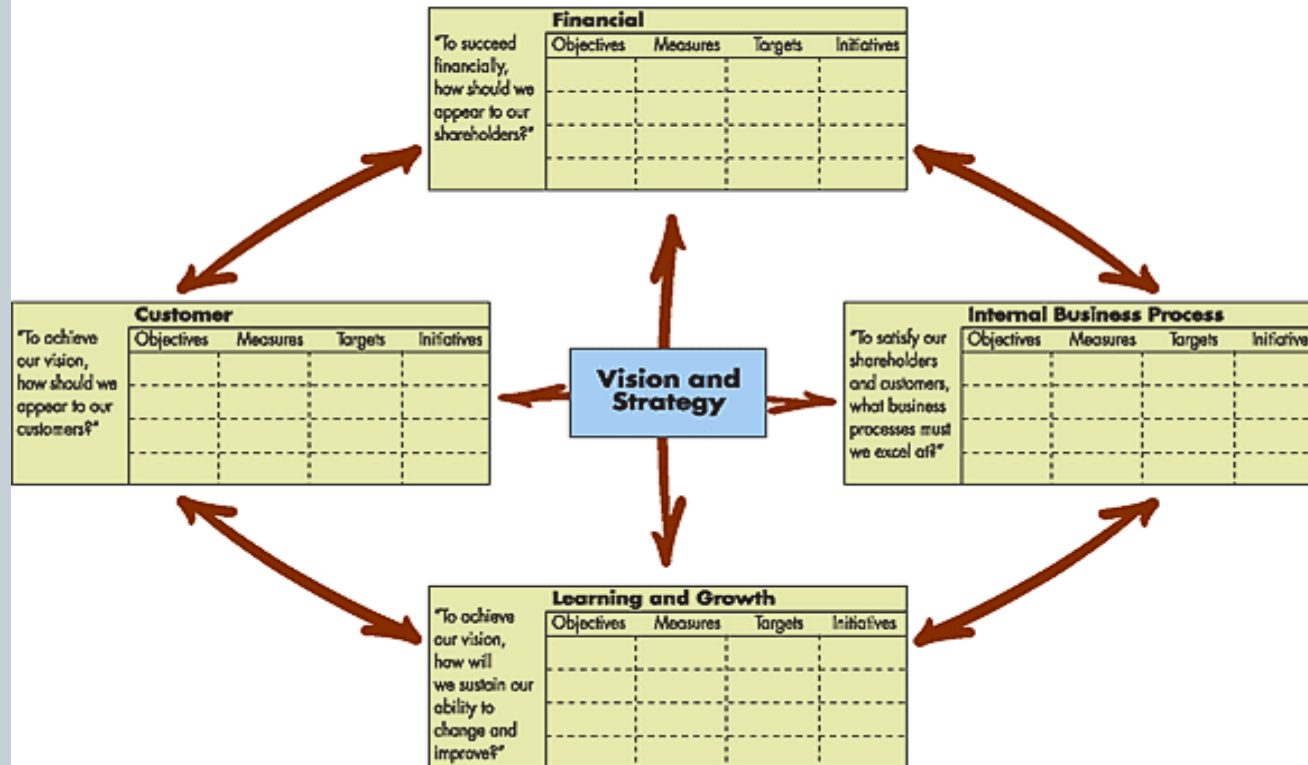
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- (Kaplan and Norton, 2007): “It enabled companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth. The scorecard wasn’t a replacement for financial measures; it was their complement.”

Balanced Scorecard

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Translating Vision and Strategy: Four Perspectives



- Source (Kaplan and Norton, 2007)

Balanced Scorecard

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- Source: (Kaplan and Norton, 2007)

VRIO Analysis

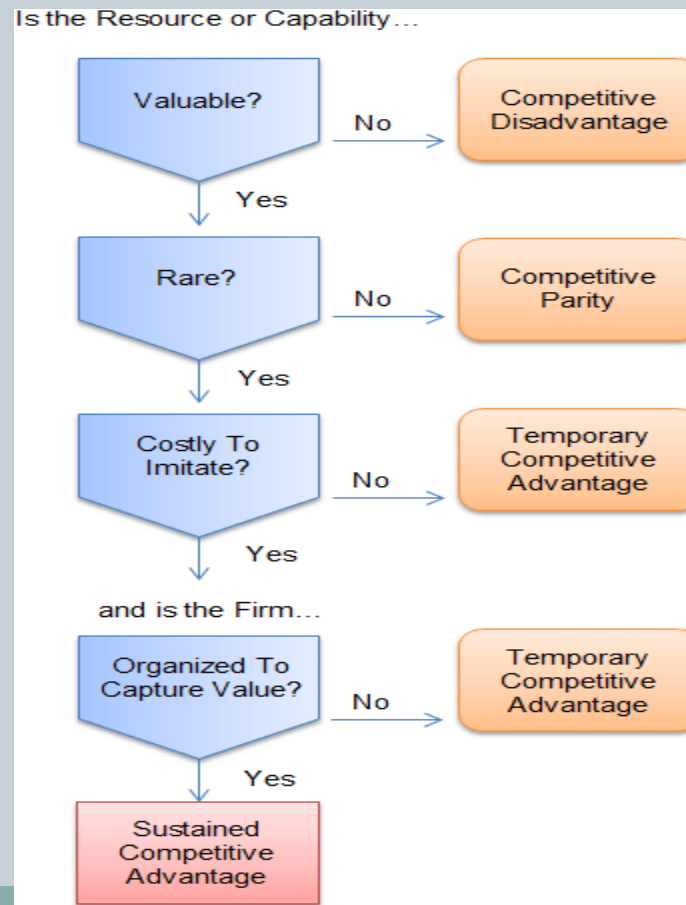
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- This means: Value, Rarity, Imitability, and organization.
- This is a method of evaluating/deciding whether or not your company has a competitive edge.

VRIO Analysis

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- Source: (Jurevicius, 2016)



Mintzberg's 5 P's of strategy

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- The P's stands for
- Plan.
- Ploy.
- Pattern.
- Position.
- Perspective.
- Please click on the link related the following reference in the reference list to read about the above P's: (Mindtools.com, 2016)

Porter's five force model

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- This model was developed by Michael Porter.



- Source: (Beta.tutor2u.net, 2016)

Review Questions

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- 1. List three types of tools used in strategic management?
- What is meant by critical questioning analysis?
- Give an example of a political and economic factor that may affect strategic planning
- Identify a goal that you would like to accomplish for a fictitious company and do an SWOT analysis for that company.

Reference/Additional Reading List

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Reference/Additional Reading List

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- 4. Introduction-to-management.24xls.com, (n.d.). *Strategic Management :: Strategic Management Tools And Techniques*. [online] Available at: <http://www.introduction-to-management.24xls.com/en237> [Accessed 14 Jan. 2016].
- 5. Jurevicius, O. (2016). *VRIO framework explained | Strategic Management Insight*. [online] Strategicmanagementinsight.com. Available at: <http://www.strategicmanagementinsight.com/tools/vrio.html> [Accessed 14 Jan. 2016].
- 6. Kaplan, R. and Norton, D. (2007). *Using the Balanced Scorecard as a Strategic Management System*. [online] Harvard Business Review. Available at: <https://hbr.org/2007/07/using-the-balanced-scorecard-as-a-strategic-management-system> [Accessed 14 Jan. 2016].
- 7. Mindtools.com, (2016). *Mintzberg's 5Ps of Strategy: Improving the Robustness of Your Strategy*. [online] Available at: <http://www.mindtools.com/pages/article/mintzberg-5ps.htm> [Accessed 14 Jan. 2016].