

STRATEGY FORMULATION

Strategic Management

→ Strategic management involves formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes.

Learning Objectives:

- Introducing the two stages of strategic management;
- Definition of Strategy Formulation;
- Discuss the three factors considered when determining the overall Competitive Strategy;
- Discuss the six steps of Strategy Formulation;

About Strategic Management



- The systematic analysis of the factors associated with:
 - customers and competitors (**the external environment**) and
 - the organization itself (**the internal environment**) to provide the basis for maintaining optimum management practices.

The objective of strategic managements to achieve better alignment of corporate policies and strategic priorities.
- Its provides overall direction to the enterprise and involves direction to the enterprise and involves specifying the organization's objectives, developing policies and plans designed to achieve these objectives, and the allocating resources to implement the plans.

Strategy Formulation

- **Strategy**

 is a broad plan developed by an organization to take it from where it is to where it wants to be. A well-designed strategy will help an organization reach its maximum level of effectiveness in reaching its goals while constantly allowing it to monitor its environment to adapt the strategy as necessary.

- **Strategy Formulation**

 is the process of developing the strategy. And the process by which an organization chooses the most appropriate courses of action to achieve its defined goals. This process is essential to an organization's success, because it provides a framework for the actions that lead to the **anticipated results.**

Sometimes Strategic Formulation called “Strategic Planning”

- A strategic plan also enables an organization to evaluate its resources, allocate budgets, and determine the most effective plan for maximizing **ROI** (return on investment).
- A company that has not taken the time to develop a strategic plan will not be able to provide its employees with direction or focus.

Strategy Formulation requires a defined set of six steps for effective implementation.

1. Define the organization,
2. Define the strategic mission,
3. Define the strategic objectives,
4. Define the competitive strategy,
5. Implement strategies, and
6. Evaluate progress.

Step 1. Define the Organization

➔ defining an organization is to identify the company's customers. Without a strong customer base, whose needs are being filled, an organization will not be successful. A company must identify the factors that are valued by its customers. Is the value based on a superior product or service relative to the competition? Are your customers buying your products for your low prices? Do you produce products meet image needs of your customers?

Let's review some of the ways in which companies can define themselves

1. End Benefits

Organizations must remember that people are buying benefits not features.

2. Target Market

Companies can become successful by identifying themselves with a particular target group. This focus should not be limited only to demographic segmentation (i.e., age, income, education, gender, income, family life-cycle, culture) but also by psychographic indicators.

3. Technology

Computer companies, medical research companies, and other companies that identify themselves with the tech world will find that they must be able to quickly adapt to changes in the marketplace. New products, services, and inventions are frequently introduced, making this a very difficult and challenging business environment in which to operate.

Step 2. Define the Strategic Mission

An organization's strategic mission offers **a long-range perspective** of what the organization strives for going forward. A clearly stated mission will provide the organization with a guide for carrying out its plans.

Elements of a strong strategic mission statement should include the values that the organization holds the nature of the business, special abilities or position the organization holds in the marketplace, and the organization's vision for where it wants to be in the future.

How to write Strategic Mission?

- Ask "What do we do?"; "How do we do it?"; and "For whom do we do it,"
- Create a draft mission statement describing how the company uniquely answers these questions. Touch on the organization's current operations and the industry it is in.
- Look at competitors in the industry and use their mission statements for research. Ask yourself what works and what does not work. Revise your mission statement as needed.
- Get feedback from other members of the organization once the statement is drafted.

Step 3. Define the Strategic Objectives

- This third step in the strategic formulation process requires an organization to identify the performance targets needed to reach clearly stated objectives.
- These objectives may include:
 - market position relative to the competition,
 - production of goods and services,
 - desired market share, improved customer services,
 - corporation expansion, advances in technology, and sales increases.

- Strategic objectives must be communicated with all employees and stakeholders in order to ensure success. All members of the organization must be made aware of their role in the process and how their efforts contribute to meeting the organization's objectives. Additionally, members of the organization should have their own set of objectives and performance targets for their individual roles.

Step 4. Define the Competitive Strategy

- It requires an organization to determine where it fits into the marketplace. This applies not only to the organization as a whole, but to each individual unit and department throughout the enterprise. Each area must be aware of its role within the company and how those roles enable the organization to maintain its competitive position.

- **Three factors** must be considered when determining the overall competitive strategy: the industry and marketplace, the company's position relative to the competition, and the company's internal strengths and weaknesses.

- The Industry

- The Competition

- Strengths & Weaknesses

The three factors

1. The Industry

→ When evaluating the overall industry, factors to be looked at include:

- size of the market,
- past and potential market growth,
- Competitive profitability,
- new market entries, and
- industry threats.

2. The Competition

An organization cannot be successful unless it has a full understanding of the other players in marketplace. A company must be able to identify the strengths and weaknesses of the competition and analyze the ways in which the competition's products or services meet the needs of its customer base.

3. Strengths & Weaknesses

→SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. Opportunities and threats are external factors; strengths and weaknesses are internal factors.

Step 5. Implement Strategies

- Developing a strategy is only effective if it is put into place. An organization may take all the necessary steps to understand the marketplace, define itself, and identify the competition. However, without implementing the strategy, the organization's work will be of little to no value.
- The methods employed for implementing strategies are known as tactics. These individual actions enable an organization to build a foundation for implementation. Companies are able to identify which of their efforts are more successful than others and will uncover new methods of implementation, if necessary.

Step 6. Evaluate Progress

- As in any plan, a regular evaluation of processes and results is vital to ongoing success. An organization must keep track of the progress it is making as defined by its strategic plan.
- An organization should consider the following questions on a continuous basis in order to evaluate progress:
 - Have market conditions changed that may require a change in corporate direction?
 - Are there new entries in the marketplace to pose a competitive threat?
 - Has the organization been successful in translating their strategy into actionable steps?

An organization will be able to successfully implement its strategy both now and in the future through evaluating feedback.

CONCLUSION

A strategic plan is a living document that changes and grows as the conditions around it change. If an organization recognizes that it must constantly be aware of the business world around it and must be flexible to the changes that will inevitably occur, then it will be in a position to adapt and modify its plans to achieve maximum success.

THANK YOU FOR LISTENING!!!

