

Strategic Management

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What is Strategic Planning

- Strategic Planning is a management tool.
- Used to help organizations in ensuring that the members of the organization are working towards the same goals
- To assess and adjust the organization's direction in response to the changing world.

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Strategic Planning requires...

- Setting goals
- Developing an approach to achieving the goals
- Keeping the organization focused on the objectives
- Anticipating the future but making decisions in the present

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Meaning of Strategy

- The word 'strategy' is derived from the Greek word *stratēgos*, which derives from two words:
 - stratos* (army) and
 - ago* (leading).

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What is Strategy

Strategy is a long term plan of action designed to achieve a particular goal.

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Strategic Planning

Strategic planning determines where an **organization is going** over the next x number of years, **how it's going to get** there and how it will know if it **got there or not**.

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Strategic Plans development

- Strategic plan depends on
 - the nature of the organization's leadership
 - culture of the organization
 - complexity of the organization's environment
 - size of the organization
 - expertise of planners, etc.

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How to Form a Strategic Plan

1. Vision
2. Business Strategy
3. Strategic Plan

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Vision

Corporate Strategy begins with a Vision

- ❑ 1920 Ford – Car in every home
- ❑ 1980 Apple – Computer in every home
- ❑ 1990 Bill Gates – Computer in every home running on Microsoft Software

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Strategic Planning Tools

- ❑ PEST analyses
- ❑ SWOT analyses

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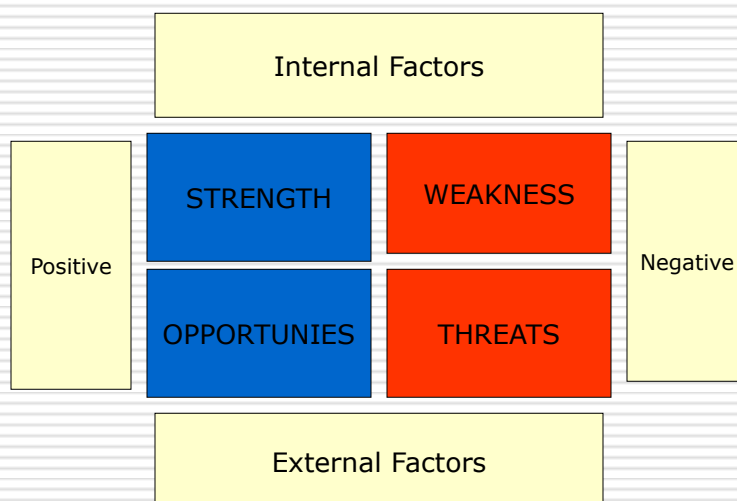
PEST Analyses

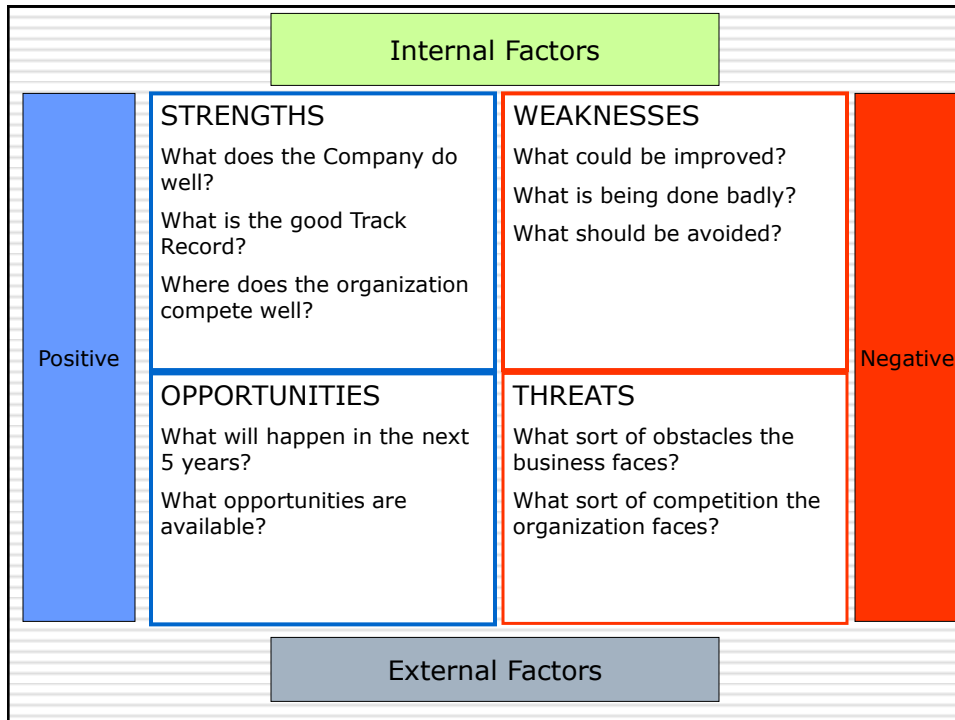
PEST analysis is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations and to determine if a certain business move is viable.

Phillips Kotler (Management Consultant)

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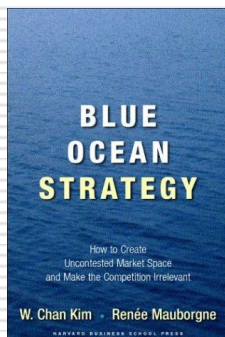
SWOT Analyses





'Blue Ocean Strategy'

by W.Chan Kim. Renee Mauborgne



Over 2 million copies sold

In 41 languages

www.blueoceanstrategy.com

Red Oceans and Blue Oceans

- Red oceans are all the known market places.
 - These markets are crowded
 - Prospects for growth are limited
 - There is cut throat competition
 - The competition makes the oceans bloody and hence 'red'

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Blue Oceans...

- Blue oceans are the industries that are not in existence.
 - The opportunity for growth are high
 - There is no competition
 - You create your own market and customers
- Blue ocean strategy provides a systematic approach to break out of the red ocean bloody competition and make the competition irrelevant by reconstructing marketing boundaries.

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Red Ocean Strategy	Blue Ocean Strategy
<input type="checkbox"/> Compete in existing market place	<input type="checkbox"/> Create uncontested market place
<input type="checkbox"/> Beat the competition	<input type="checkbox"/> Make the competition irrelevant
<input type="checkbox"/> Exploit existing demand	<input type="checkbox"/> Create and capture new demand
<input type="checkbox"/> Make the value-cost trade-off	<input type="checkbox"/> Break the value-cost trade-off

Ford Model T



- 1908 - Cars were made to order by highly skilled craftsmen – very costly
- Henry Ford introduced Model T (Black)
 - 1908 - \$850 (half the price of others)
 - 1909 - \$609
 - 1924 - \$290 (60% of market share)
- Ford created a blue ocean

1924 - General Motors

'A car for every purse and purpose'

- ❑ GM introduced cars that were colorful, and came out with new models every year
- ❑ From 1926 to 1950 sales of cars went up from 2 million to 7 million.
- ❑ GM share went up from 20% to 50%
- ❑ Ford share went down from 60% to 20%.

- ❑ Later Chrysler and Ford jumped into the blue ocean created by GM and it became red.

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1972 - Japanese cars

- ❑ Due to oil crisis Japanese manufacturers introduced compact fuel efficient cars in US market

- ❑ They have created a blue ocean which the American Car makers are still trying to enter.

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1980 – Apple computers

- ❑ Introduced the PC using Apple software
- ❑ Created a large blue ocean
- ❑ New customers were created
- ❑ Sold 200,000 PC in one year
- ❑ Became a fortune 500 company in 3 years
- ❑ 1982 IBM expanded the blue ocean of home computing by allowing other parties to write software for its computers
- ❑ This created many new blue oceans

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Other examples

- ❑ Nintendo – game box
- ❑ Sony Walkman
- ❑ Apple ipod
- ❑ Apple ipad
- ❑ Mobile phones
- ❑ Dell computer – direct order system
- ❑ Amazon.com
- ❑ E-bay
- ❑ Facebook

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How to find the Blue Ocean?

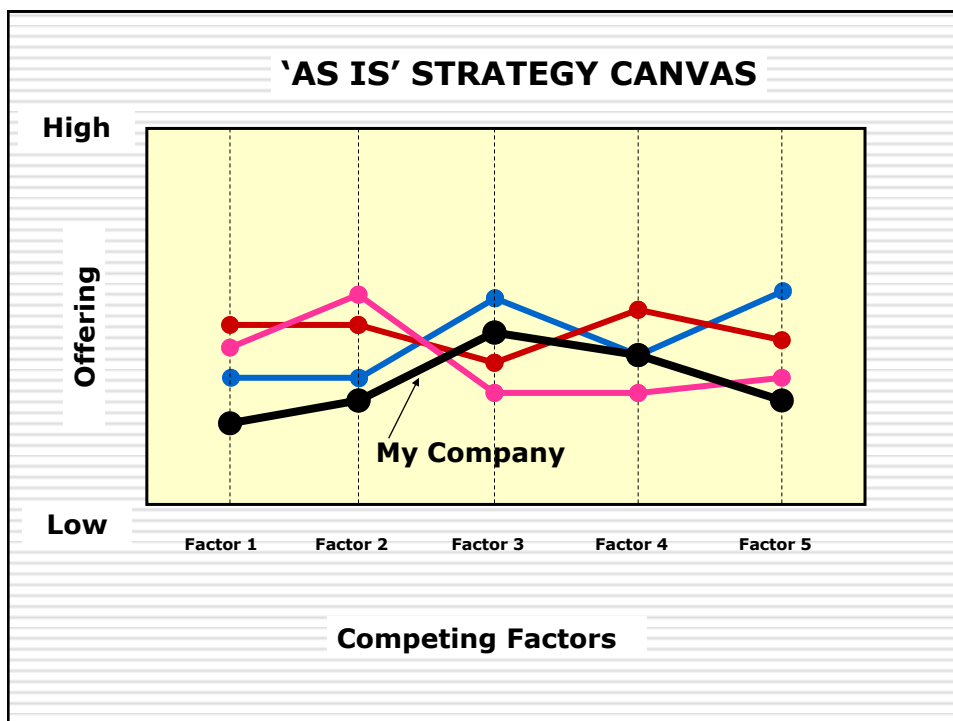
Using the Strategy Canvas

- The strategy canvas can be used for building a strategy.
- The horizontal axis captures the range of factors that the industry competes on and invests in
- The vertical axis captures the offering level that clients receive across all these key competing factors.
- This allows you to understand where the competition is currently investing and the factors that the industry competes on.

Step 1 – Determine where you are

- ❑ Compare your business with your competitors' by drawing your "as is" strategy canvas.
- ❑ Analyze to see where your strategy needs to change.

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Step 2 – Find out what to change?

Go out in the field:

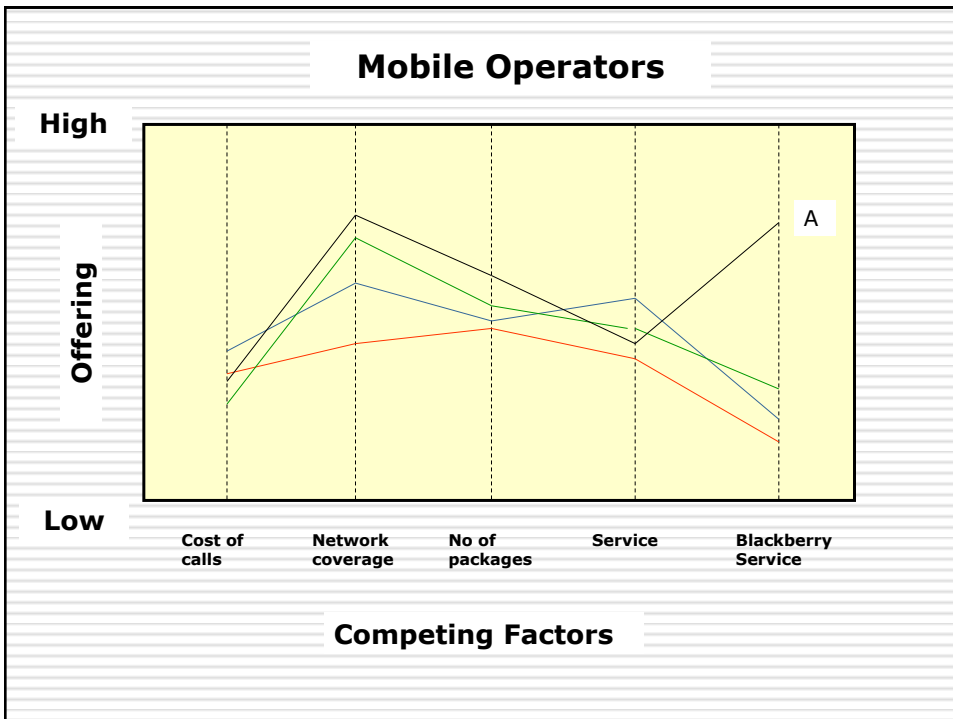
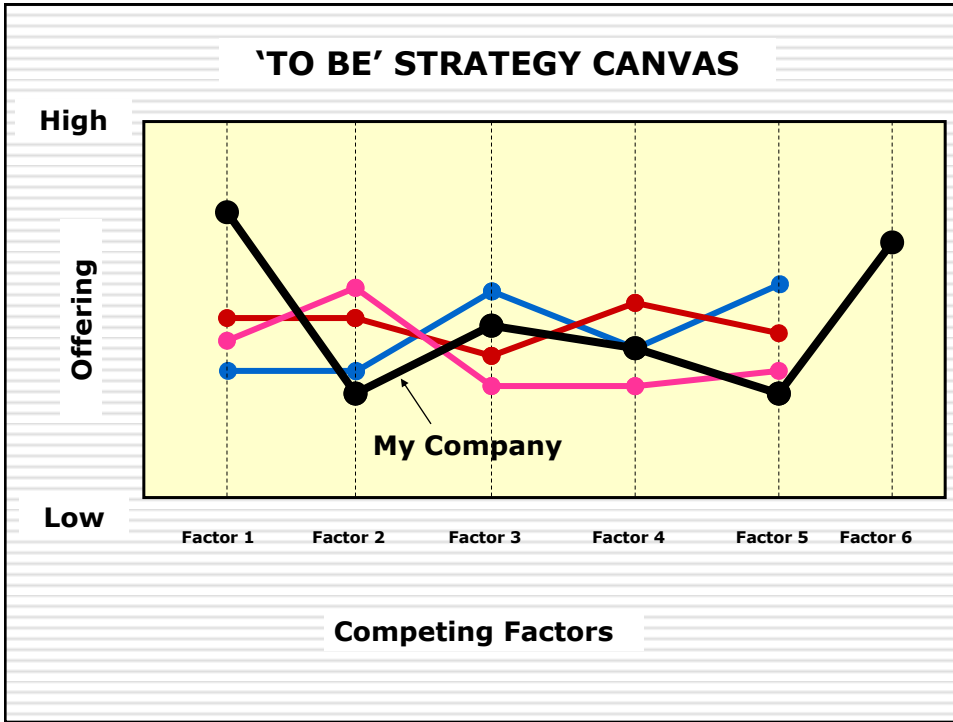
- Discover the hurdles for noncustomers.
- Observe the distinctive advantages of alternative products and services.
- See which factors you should eliminate, create, or change.

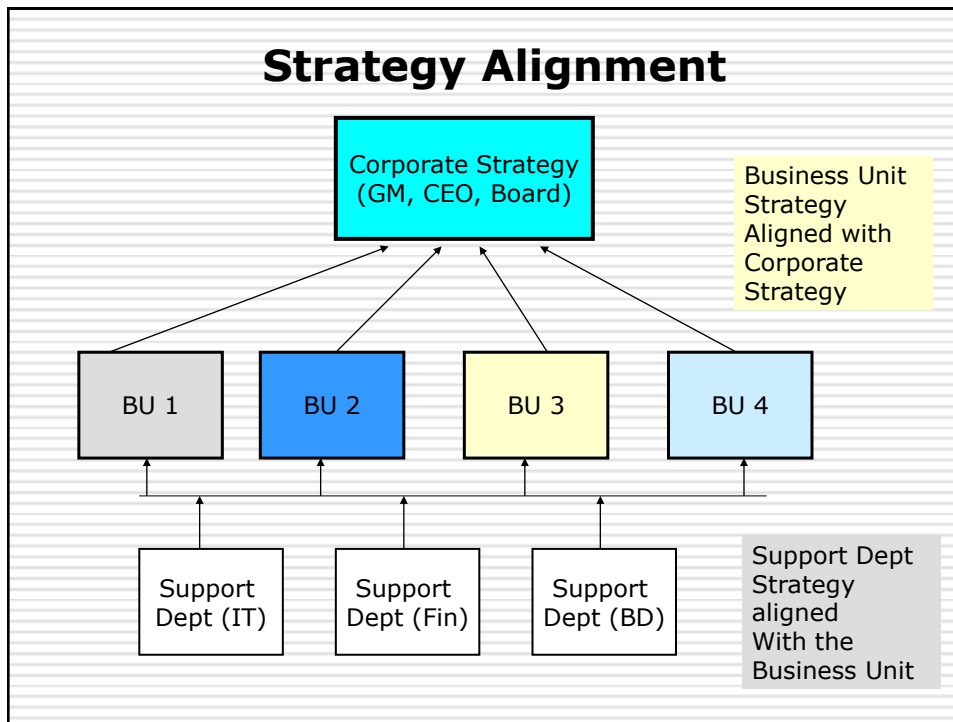
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Step 3 – Find out what to change?

- Draw your "to be" strategy canvases based on insights from field observations.
- Get feedback on alternative strategy pictures from customers, lost customers, competitors' customers, and noncustomers.
- Use feedback to build the best "to be" strategy.

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Balance Score Card

- To align business activities to the vision and strategy.
- Monitor organization performance against strategic goals.
- Align organization strategy with the work people do on a day-to-day basis

Balanced Scorecard - factors examples

Department	Areas
Finance	Return On Investment Cash Flow Return on Capital Employed Financial Results (Quarterly/Yearly)
Internal Business Processes	Number of activities per function Duplicate activities across functions Process alignment (is the right process in the right department?) Process bottlenecks Process automation
Learning & Growth	Is there the correct level of expertise for the job? Employee turnover Job satisfaction Training/Learning opportunities
Customer	Delivery performance to customer Quality performance for customer Customer satisfaction rate Customer percentage of market Customer retention rate

Strategic Plan – sum up

- Time-line based plan
- Goals to be achieved
- Target dates
- Key Performance indicators
- Basis for a business plan
- Monitoring the plan
- It should change with the changing conditions

Vision without action is a day dream

Action without vision is a nightmare

Japanese Proverb