

# [Strategic audit](https://assignbuster.com/strategic-audit/)

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Very simply put, strategic planning identifies where the organization wants to be at some point in the future and how it is going to get there.

The “ strategic” part of this planning process is the continual attention to current changes in the organization and its external environment, and how this effects the future of the organization. Skills in strategic planning are critical to the long-term success of your organization.

This form of planning includes: a) Taking a wide look around at what’s going on outside the organization and how it might effect the organization (an environmental scan) b) Taking a hard look at what’s going on inside the organization, including its strengths, weaknesses, opportunities and threats (a SWOT analysis) c) Establishing statements of mission, vision and values ) Establishing goals to accomplish over the next (usually) three years or so, as a result of what’s going on inside and outside the organization e) Identifying how those goals will be reached (strategies, objectives, responsibilities and timelines) Strategic planning determines the overall direction and goals of the organization.

Consequently, strategic planning influences numerous aspects of the organization, including what: a) Products and services will be provided by the business and how those products and services will be designed b) Organizational design and roles are needed by the organization c) Performance goals are established for positions throughout the business d) Resources are needed to reach those goals, and consequently, how much money is needed to procure those resources — ultimately, the goals determine the content of various budgets The scheduling for the strategic planning process depends on the nature and needs of the organization and the its immediate external environment.

For example, planning should be carried out frequently in an organization whose products and services are in an industry that is changing rapidly Consider the following guidelines: 1. Strategic planning should be done when an organization is just getting started.

(The strategic plan is usually part of an overall business plan, along with a marketing plan, financial plan and operational/management plan. ) 2. Strategic planning should also be done in preparation for a new major venture, for example, developing a new department, division, major new product or line of products, etc. 3. Strategic planning should also be conducted at least once a year in order to be ready for the coming fiscal year (the financial management of an organization is usually based on a year-to-year, or fiscal year, basis).

In this case, strategic planning should be conducted in time to identify the organizational goals to be achieved at least over the coming fiscal year, resources needed to achieve those goals, and funded needed to obtain the resources. These funds are included in budget planning for the coming fiscal year. However, not all phases of strategic planning need be fully completed each year. The full strategic planning process should be conducted at least once every three years. As noted above, these activities should be conducted every year if the organization is experiencing tremendous change.

4. Each year, action plans should be updated. 5. Note that, during implementation of the plan, the progress of the implementation should be reviewed at least on a quarterly basis by the board.

Again, the frequency of review depends on the extent of the rate of change in and around the organization.

The process of conducting a strategic audit can be summarized into the following stages: (1) Resource Audit: The resource audit identifies the resources available to a business. Some of these can be owned (e. g. plant and machinery, trademarks, retail outlets) whereas other resources can be obtained through partnerships, joint ventures or simply supplier arrangements with other businesses. You can read more about resources here. (2) Value Chain Analysis: Value Chain Analysis describes the activities that take place in a business and relates them to an analysis of the competitive strength of the business.

Influential work by Michael Porter suggested that the activities of a business could be grouped under two headings: (1) Primary Activities – those that are directly concerned with creating and delivering a product (e. g. component assembly); and (2) Support Activities, which whilst they are not directly involved in production, may increase effectiveness or efficiency (e. g. human resource management). It is rare for a business to undertake all primary and support activities.

Value Chain Analysis is one way of identifying which activities are best undertaken by a business and which are best provided by others (“ outsourced”). You can read more about Value Chain Analysis here. (3) Core Competence Analysis: Core competencies are those capabilities that are critical to a business achieving competitive advantage.

The starting point for analysing core competencies is recognising that competition between businesses is as much a race for competence mastery as it is for market position and market power. Senior management cannot focus on all activities of a business and the competencies required to undertake them. So the goal is for management to focus attention on competencies that really affect competitive advantage.

You can read more about the concept of Core Competencies here. (4) Performance Analysis The resource audit, value chain analysis and core competence analysis help to define the strategic capabilities of a business. After completing such analysis, questions that can be asked that evaluate the overall performance of the business.

These questions include: – How have the resources deployed in the business changed over time; this is “ historical analysis” – How do the resources and capabilities of the business compare with others in the industry – “ industry norm analysis” – How do the resources and capabilities of the business compare with “ best-in-class” – wherever that is to be found- “ benchmarking” – How has the financial performance of the business changed over time and how does it compare with key competitors and the industry as a whole? – “ ratio analysis” (5) Portfolio Analysis: Portfolio Analysis analyses the overall balance of the strategic business units of a business. Most large businesses have operations in more than one market segment, and often in different geographical markets. Larger, diversified groups often have several divisions (each containing many business units) operating in quite distinct industries.

An important objective of a strategic audit is to ensure that the business portfolio is strong and that business units requiring investment and management attention are highlighted.

This is important – a business should always consider which markets are most attractive and which business units have the potential to achieve advantage in the most attractive markets. Traditionally, two analytical models have been widely used to undertake portfolio analysis: – The Boston Consulting Group Portfolio Matrix (the “ Boston Box”); – TheMckinsey/General Electric Growth Share Matrix (6) SWOT Analysis: SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. SWOT analysis is an important tool for auditing the overall strategic position of a business and its environment.

Read more about it here. Advantages Strategic planning serves a variety of purposes in organization, including to: 1.

Clearly define the purpose of the organization and to establish realistic goals and objectives consistent with that mission in a defined time frame within the organization’s capacity for implementation. 2. Communicate those goals and objectives to the organization’s constituents.

3. Develop a sense of ownership of the plan. 4. Ensure the most effective use is made of the organization’s resources by focusing the resources on the key priorities. 5. Provide a base from which progress can be measured and establish a mechanism for informed change when needed.

6. Bring together of everyone’s best and most reasoned efforts have important value in building a consensus about where an organization is going. Other reasons include that strategic planning: 7.

Provides clearer focus of organization, producing more efficiency and effectiveness 8. Bridges staff and board of directors (in the case of corporations) 9. Builds strong teams in the board and the staff (in the case of corporations) 10.

Provides the glue that keeps the board together (in the case of corporations) 11. Produces great satisfaction among planners around a common vision 12. Increases productivity from increased efficiency and effectiveness 13. Solves major problems Model One – “ Basic” Strategic Planning 1. Identify your purpose (mission statement) 2. Select the goals your organization must reach if it is to accomplish your mission 3.

Identify specific approaches or strategies that must be implemented to reach each goal 4. Identify specific action plans to implement each strategy 5. Monitor and update the plan Model Two – Issue-Based (or Goal-Based) Planning . External/internal assessment to identify “ SWOT” (Strengths and Weaknesses and Opportunities and Threats) 2. Strategic analysis to identify and prioritize major issues/goals 3. Design major strategies (or programs) to address issues/goals 4.

Design/update vision, mission and values(some organizations may do this first in planning) 5. Establish action plans (objectives, resource needs, roles and responsibilities for implementation) 6.

Record issues, goals, strategies/programs, updated mission and vision, and action plans in a Strategic Plan document, and attach SWOT, etc. 7. Develop the yearly Operating Plan document(from year one of the multi-year strategic plan) 8. Develop and authorize Budget for year one(allocation of funds needed to fund year one) 9.

Conduct the organization’s year-one operations 10. Monitor/review/evaluate/update Strategic Plan document Model Three – Alignment Model 1. The planning group outlines the organization’s mission, programs, resources, and needed support. 2. Identify what’s working well and what needs adjustment.

3. Identify how these adjustments should be made.