

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

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Strategic analysis is a process which is based on three stages: analysis, planning and management. We can divide it into two types: function sense, and tool sense. In case of the function sense strategic analysis is a set of actions which diagnose both. the organisation and its environment, and thus enable build strategic plan and its development. When it comes to the tool sense, strategic analysis is a set of analysis methods which help examine, assess, and predict the future states of selected company’s elements and its environments in order to make it survive and develop on the market. Every manager in the corporation must think strategically. The idea of strategic thinking is to create a long-term plan and vision of the company, by understanding the situation, analyzing the chances, setting the goals and rules to use resources. What’s more, it requires the use of different techniques and analysis and synthesis methods which will help realise these goals and gain all the needed information. Strategic thinking is characterised by the constant need of changing areas and forms of the company’s actions in accordance with its vision and its environments condition.

There are different types of analysis in the company, however, what differs strategic analysis from the others are two characteristics:

1. Two ways of perceiving management and information resources: researching the environment and company at the same time, and then confronting all results. This way has its roots in the art of war, and is opposite to traditional company’s analysis
2. Use of the qualitative and quantitative methods, from the different fields: economy, finance, sociology, psychology, statistics, and marketing

Strategic management development had a strong influence on the strategic analysis. Since 50s and 60s there has been a rising instability and complexity of the world that surrounds the company, and thus caused scientists to create methods which could help it adapt to all changes by rational and planned manners. Long-term planning was the first issue that came into existence, but it was changed into the strategic planning term. Since 80s we can talk about the strategic management development. New concepts were made when the old ones did not work, and therefore helped companies be effective on the market.

While developing the strategic management idea, there was a big pressure put on the rules and techniques of formulating the strategy. After that scientists were focusing the empirical researches, and basing on them they were classifying. In the last stage, the final characteristics of the researches and analysis are as follows: organisation strategy multi-dimensional treatment, strategic thinking focus, and trying to create strategic management concept.

Strategic management development helps understand the evolution of methods and strategic analysis techniques, changes in the way of its use in the company’s management, and treating the moment of the strategic analysis creation as a separate analysis category. There is a big increase in demand for these types of practices, which help assess the current and future situation of the company and then predict the future conditions of its functioning. It’s connected with the increase of the environmental complexity, and then putting into practice long-term, and then strategic planning. Strategic planning, mainly in the global corporation, required more effort and thus analysis of the competitive environment, macro-environment, and measurement of the company’s strategic position.

The main factors that forced people get deeply into the strategic analysis and strategic planning were tough times of the sudden changes in the global economy, technology development, and worse economic factors. Companies improve their strategic analysis, because they face repeating organisation crises, worse internal development, lower market shares, or change of the target market. What’s interesting, these changes are very often influenced by the management board changes, or new strategy development and its implementation.

According to Richard Koch (1998) there are two consulting companies, which implemented the strategy analysis into their businesses and thus became successful in the early 50s: Boston Consulting Group and McKinsey.

Until the end of 70s, there were created seven school of the strategic thinking, which were connected with the two important management paradigms: strategic rationality ( Harvard School, Strategic Planning School, Matrix Positioning School, and Quantitative school ) and strategic behaviours ( Behavioural school, System School, Incrementalists school ) .

First paradigm describes ” strategy’s technical-economical dimension, normative approach, which create rational patterns of behaviours, assessments and way of acting” ( Gierszewska et al, 2007). The first group of schools is described below:

* + Harvard school – is characterised as a will to analyse the company and its competitive position against the environment, and to search for both positive and negative factors connected with functioning of the company in the different markets and its strengths and weaknesses. There are three best known strategic analysis models created by this school:
  + LCAG model ( developed by E. P. Learned, H. K. Christensen, K. R. Andrews, W. D. Guth ). The idea of this model is to describe the search and research of the influence on the strategic choices of the company’s strengths and weaknesses, and opportunities and threats that are connected with the environment. It has been used by the specialists in the field of management, until there were developed a better methods of the strategic analysis
  + Contingency model ( A. D. Chandler, P. R. Lawrence, J. W. Lorsch )

This model permits to implement different solutions to the strategic problems. These solutions differ according to the situation of the company

* + Industry analysis model ( M. Porter )

Michael Porter suggests to assess the company’s situation that concentrates on the competitive environment. Additionally, it leads to the assessment of the sector attractiveness extent, in which company would like to operate

* + Strategic Planning School – as a term says, it is about the strategic planning, however it doesn’t bring any models nor strategic analysis methods which help in the strategic management. It proves, that the rationality of the actions is a good plan.
  + Matrix positioning school – used qualitative and quantitative analysis tools, and helps gain precise techniques of the company’s competitive position measurement. Presents the company’s product portfolio and compares the dynamics of change between past and the future
  + Quantitative School – methods and techniques that are strongly connected with the multi-criteria and statistics analysis. It is based on the econometric modelling.
  + Second paradigm is defined as ” exposing of the socio-political strategy dimensions and strategic analysis ” ( Gierszewska et al, 2007 ). Basing on this paradigm, there were created three schools of the strategic thinking. They are as follows:
  + Behavioural.
  + It has four fathers: H. A. Simon, J. G. March, R. M. Cyert, and H. Mintzberg. The idea of this school are the real processes of formulating and implementing the company’s strategy, without any information background, how to make strategic decisions
  + System
  + D. Katz, R. L Kahn and M. Crozier are the founders of this school. This case describes the role of the person in the formulating strategy process, relations between participants, and ” highlights the social background of the organisation ”
  + Incrementalists school

C. E. Lindblom, T. J. Peters, and R. H. Waterman –

This school represents the pragmatic management approach. The only way to improve the quality of management is to follow already proved patterns implemented in the business by the successful companies. What’s more, motivation of the participants in the management process and example of the other successful corporations plays here a very important role. It is the basis of the further future success ( Giermaszewska, 2007 ).

As we can observe, these schools provide us with the different approaches to the analysis methods improvement and strategic management. According to Giermaszewska ( 2007 ), and……., schools based on the paradigm of the strategic rationality are more valuable than schools based on paradigm of the strategic behaviours. Harvard and positioning matrix schools bring more concretes and details, and thus bring and require more practical approach. The other schools focus the theoretical analysis methods and strategy creating.

French scientists divided the strategic analysis models and put them on the continuum. They begin from the sociological models ( which are general and synthetic ) to the microeconomic models ( more complex, and bring more concrete analysis tools and techniques ).

Sociologic models                        Macro-economic models

LCAG-ANSOFF-PORTER-McKINSEY-ADL-BCG

These classifications, schools evaluation, and strategic analysis models indicate the direction of the analysis evolution. New classifications ignore the latest schools and methodology propositions. M. F. Gouillart has chronologically ordered best known strategic analysis schools, and thus presented nine of them. He began from the early 60s, and ended on the 90s.

Strategic analysis development, according to M. F. Gouillart:

1. SWOT Analysis – 1965
2. Portfolio analysis – 1970
3. Japanese influence – the role of quality, production and technology – 1975
4. Shareholders benefits analysis – 1980
5. Porters Model ( Porter’s 5 forces ) – 1985
6. Price of perfection – 1990
7. TIme-based competition
8. Goal and strategic skills
9. Strategic change

Stage one presents LCAG analysis from the harvard school, portfolio analysis corresponds to the matrix positioning school, Porter model stands for the industry analysis model, and “ price of perfection” stage represents the incrementalists school. However, M. F. Gouillart has enriched this group with two models more. They are as follows: analysis of the shareholders benefits, and Japanese influence. He adds also three issues that occurred in the early 90s: time-based competition, goal, strategic skills, and strategic changes.

Analysis of the shareholders benefits – type of the company’s position assessment. It comes together with the financial analysis signification increase, and capital market forecasts. Moreover, it focuses shares value increase as a main goal of the company, and implementation of the financial analysis into the strategy formulation

and its development

Japanese influence – this term was created in the 70s, when Japanese economy became very successful and was admired by the western companies. “ Just-in-time” inventory strategy describes well the idea of this school, which puts pressure on the precision and punctuality, one of the main key success factors.

Time-based competition – time advanced companies have a serious advantage over the competition. Main tools used in this stage are techniques which help elaborate the “ dynamics of the given phenomenon, processes, and organisation” ( Gierszewska, 2007 ). Time is one of the main factors which influence the result of the rivalry between companies.

Goal and strategic skills – the main role of the organisation is to define the mission and most important goals of the company. Basis of the success lays in the ability to use the company’s strategic skills.

Strategic change – it describes the problem of the company’s and executives adaptation to the changes in the environment and in the organisation. If there is too much attention put on the changes, the goal of the strategic management is lost from the horizon. This means, that “ elaboration and implementation of the strategy development” are not taken into consideration  ( Gierszewska, 2007 )

All these methods do not go out, while the more attractive ones are being implemented. “ Useless methods are rejected, useful just improved and adjusted to the needs of the company, and technical and information capabilities ” ( Gierszewska, 2007 ). What’s more, the older methods from 50s and 60s are still being used in the consulting companies and business schools. LCAG method, product life-cycle, and BCG matrix are invaluable help for the beginning analysts.

There is one more classification of the strategic management schools that has to be mentioned. One of the best known polish economists, Krzysztof Oblój, has named and described them as follows:

1. Traditional ( planning ) – first thing to be considered is a detailed environment, and second creation of the formalized strategy
2. Evolutionary – more behavioural and politics-focused. Strategy “ is an evolutionary seeking for the common pattern”. It is in the ” middle of the case and many organisational processes: tender for power, customer needs fulfilment, fixation of the activities routine “
3. Positional – idea of this school is achieving the competitive advantage. It assumes that the strategies are characterised by the product-market concept, and put the pressure on the situation of the company in the environmental sector
4. Resources and capabilities – company’s key capabilities and resources are the basis for its development strategies

Modern  strategic analysis is partially based on the methodology of science, such as sociology, psychology, economy, and management. This connection helps in listing the following characteristics of the strategy analysis approach:

* Use of the financial analysis
* Technology development has simplified complex methods of the financial analysis, and therefore it is more understandable for the specialists and the managers. Strategic financial analysis is used both, in the assessment of the company’s financial condition and the structure of the capital, and in the assessment of the competitive position of the organisation. Additionally, it helps estimate sector entry and exit barriers, and became a basis for the production portfolio estimation. What’s more, strategic costs, price strategy, and strategic alliances planning are also very important issues to consider.
* Quality factors
* The idea of quality factors is to make company be aware of its soft elements, such as “ culture, qualifications, and peoples motivations, strategic mission, ecological management aspect, and ethical side of the strategic analyses” ( Gierszewska, 2007 ). These elements relate especially to the information about the competition, which is used in making decision process.
* Situational approach
* Company focuses the correct approaching procedure, and capability to interpret the analysis results without already selected tools and imposing assessments. Analysis is a tool, used by the managers in their everyday job. Thus, strategic planning departments are liquidated, information is being decentralized, and moreover company creates special group which takes over this task.
* Ø Complex character
* Company takes into account both internal and external factors from all of it subsystems and environment. In this case it explores relationship between these two factors ( Gierszewska, 2007 ).

### 1. 7. 1 Strategic Planning Methodology

The purpose of this factor is to set information needs and methods of carrying on the strategic analysis  in the company. First issue that must be considered is the analysis of the environment, in which company operates, and its internal background, such as strengths and weaknesses, staff development, and its potential to develop the process of the new strategy. Knowledge about the past, presence, and capability to predict the company’s future and its environment, helps in building the strategy that will adapt to the reality. A good strategic plan helps the company use its potential and strengths to fight the threat and not to loose any opportunity offered by the market. Managers can just set “ the strategic goal and during implementing the chosen scenario change the ideas into the concrete plans” ( Gierszewska, 2007 ), but they may face some problems in the meantime, for example lack of precision in formulating the goals of the actions.

Strategic planning is based on determining the sequence of decisions that have been made earlier, but have to be put into practice.

Strategic management means, that the strategic decisions have to be put in the right order, “ findings in the different areas must be coordinated, and on the different levels of the management” ( Gierszewska, 2007 ). The following methods, presented by Grazyna Gierszewska and Maria Romanowska ( Gierszewska et al, 2007 ), are very helpful in putting the company’s strategy on the right track, plan different types of operations, and management functions.

Levels of the strategic management  ( Maria Romanowska, 2007 ) ( STR 32, Gierszewska )

Levels of the management                          Types of the strategy

Management Board  Company development strategy

### Section management

The most important decisions for the company come from the management board. Portfolio operations ” depend on the number and type of sectors of the future activity, type of technology, and geographical scope of sales ” ( Gierszewska et al, 2007 ). So, according to what is said the corporate strategy should be considered as a first step to the further internal solutions.

Strategy of the company is also responsible for the number of the ” different sectors, technologies, and markets, and investment priorities as well ” ( Gierszewska, 2007 ).

Sector strategy is divided into two sub-groups: suppliers strategy, and competition strategy. Strategy making process in all these cases is limited by the goals and hierarchy that was implemented in the company development process. If corporations that operate only in one sector, there are no two strategic planning levels. They are just treated by the management board as a one strategic plan. However, they appear only when company wants to enter a brand new sector

Last type of the strategy are the functional strategies. Their object is to ” evaluate the goals and ways of achieving them in the area of the financial management, marketing, personal policy, structure shaping, focusing the management procedures, and technology development” ( Gierszewska, 2007).

To conclude, the aim of the functional strategies is to oversee all strategic plans in the whole organisation.

### 1. 7. 2 Scope of the strategic analysis

Strategic management requires capability to differentiate internal and external events/phenomenons. Managers are able mainly to research internal problems of the company rather than external ( Gierszewska, 2007 ). External problems estimation needs help of the consultants, and thus managers fail to analyse the environment. Corporation which constantly observes the environment is prepared for the threat that may occur. Situation on the market helps the company prepare the good strategy and plan the future. tells what steps should be taken in order to therefore