

Strategy formulation process

Business



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The success of an organisation in an increasingly competitive environment is dependent on the strategy which will differentiate an organisation from its competitors. In this context it is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation and implementation. Strategic management is an ongoing process to develop and revise in future oriented strategies that allow an organisation to achieve its objectives, considering its capabilities constrained at the environment in which it operates.

Strategic diagnosis, more strategy formulation, includes: performing a situation analysis analysis of the internal environment of the organisation including identification and evaluation of current mission strategic objectives strategies and results plus major strengths and weaknesses analysing of the organisations external environment including major opportunities and threats and finally identifying the major critical issues which are a small set (typically 2 to 5) of the major problems, threats, weaknesses and opportunities that require particular high-priority attention of the management External analysis includes analyses of: customers, competitors, market and environment. The purpose of these analyses is to identify existing and emerging opportunities, threats, trends, strategic uncertainties and strategic options. Internal analysis includes performance appraisal and examination of: organisational strengths and weaknesses, problems constrained and strategic options. A business strategy specification includes:

The product marketscope the selection of a set of strategic options that include the value proposition, assets and confidences, and strategies for functional areas A selection should consider scenarios, ROI prospects,

sustainable competitive advantages, organisation's vision, strategy of feasibility and other than strategies. Strategy choice is the evaluation of alternate strategies and selection of the best alternative. Formulation, the important phase in the strategic management process produces a clear set of recommendations with supporting justification that revise as necessary permission and objectives of the organisation and supply the strategies for accomplishing them.

In formulation we're trying to modify the current objectives and strategies and ways to make the organisation more successful. Strategy implementation is the process by which strategies and policies are put into action through the development of programs. This might involve changes within the overall culture, structure and all management system of the entire organisation. Strategies are implemented through a set of programs, budgets and procedures. A strategic plan should be implemented through procedural implementation, proper resource allocation, structural implementation, functional implementation and behavioural implementation plans. The implementation of the strategy should be evaluated and controlled through strategic and operational control to realise the objectives and the permission of the organisation.

Once the manager has done the scanning of the external and internal environment the next key steps in the strategic management process is that SWOT analysis. This is where a detailed analysis of the external factors and internal resources is done. SWOT analysis is the assessment of comparative strengths and weaknesses of a firm in relation to its competitors and environmental opportunities and threats which a company may have to face

in the future. It should be based on logic and rational thinking such that a proper strategy improves an organisation's business strength and opportunities and at the same time reduces the weaknesses and threats.

We're looking at the external factors, the threats, negative and opportunities, positive that face the organisation are assessed. It is important to remember that what one organisation sees as a threat may be in fact an opportunity for another company. The next step in the process is to look at the internal resources to determine the strengths and weaknesses of those resources. From this the organisation will be able to identify its core competency, strengths, that will provide the company with a competitive edge.

The purpose of doing a SWOT analysis is align the company's strengths with the opportunities to find a particular niche to be successful in. It is the area where the organisation will want to focus its energies, where there is an overlap between resources and external factors. It is a step that the organisation reevaluates its missions and objectives and makes the necessary changes. Strategic options organisations should consider after doing SWOT analysis are: what are the value propositions?