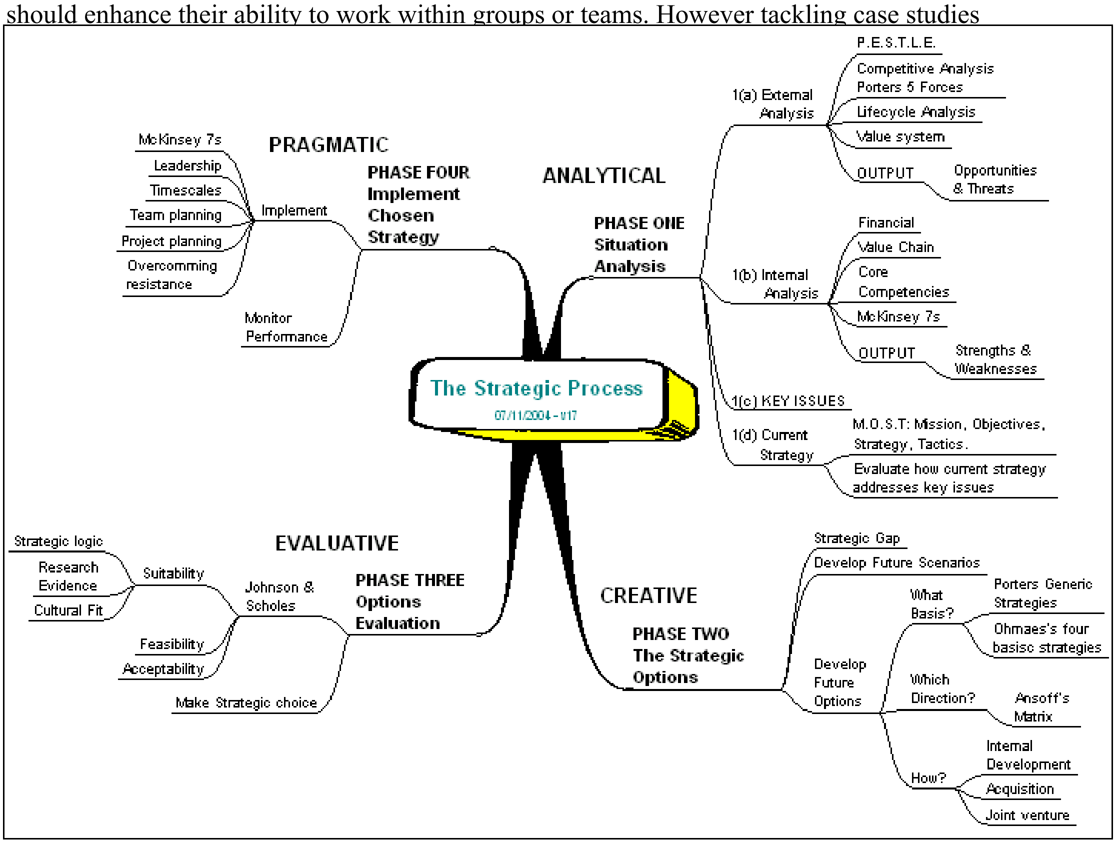
A Strategic Process Guide

Article relevant to Professional 1 Management & Strategy
Author: Fergus McDermott **MMII MBA, current Examiner.**

The use of case studies in business studies education is a well-accepted way of bridging the gap between business theory and the practice. It provides students with the opportunity to apply the business concepts they have learnt and to bring into play the important thinking skills necessary to maximise the benefits of the strategic process i.e. the analytical, creative, evaluative and the pragmatic decision making mindsets[1].

In developing these essential skills an understanding of the business models, frameworks and concepts are achieved. Also in making decisions about case studies it is important to approach the task in an ordered logical way. The diagram below describes such a process and the models and concepts suggested are offered as a guide.

Working together in groups is a standard method for learning from case studies as it attempts to replicate as closely as possible real world business situations. It enables participants to develop important additional skills of learning to cope with a variety of views and opinions of colleagues that should enhance their ability to work within groups or teams. However tackling case studies



The process is divided into four parts.

Phase One: Situation Analysis

This section sets out to understand the external environment with a view to establishing the key drivers of change in the world and within the industry and related industries. From this will fall a list of opportunities and threats facing the business.

It also sets out to understand the company's internal environment, clearly defining its strengths and weaknesses.
From this 'SWOT' analysis an identification and prioritisation of the key issues facing the business can then be assessed.

An analysis of the current strategy can then be carried out with a view to establishing how well it addresses the key issues identified for the business.

Key tools in this area include:

- P.E.S.T.L.E Analysis:
  What is happening in the world economy set the context for businesses but economic developments are influenced by political, social, technological, legal and environmental factors. The objective of carrying out such an analysis is to determine the key environmental influences on that company and to examine the impact of external influences.

- Porters Five Forces:
  Michael Porter claims that there are essentially five forces which dettermine the underlying structure of an industry i.e rivalry between existing players, the bargaining power of buyers, the bargaining power of suppliers, the threat of new entrants into the business and the threat of substitute products.
  Each can have a positive or negative effect on an industry structure by making the industry either more or less competitive. It is possible to determine the overall level of competition and therefore the overall attractiveness of the industry by examining each force and the balance between them. The collective strength of the forces determines the ultimate profit potential in the industry.

- The Lifecycle Analysis:
  An important part of analysis is to establish the stage an industry is at – birth, growth, maturity, or decline. A business can determine its position by exploring the features of each stage and comparing these with their own situation. The key skill here is to anticipate the oncoming stage in good time to as to influence the strategy of the business e.g. a company might be mature and drifting, and a reassessment of its direction needed to prevent further decline.

- Porters Value Chain:
  The value chain is a methodical approach to analysing and developing competitive advantage. The chain consists of a range of activities that create and build value. The output from this exercise is the total value delivered by the company. The 'margin' in the Porters Value Chain diagram is the added value. The company is shown split into 'primary activities' and 'support activities.'

- Core Competencies:
  These are the capabilities that are critical to a business achieving a competitive advantage. Key to the analysis here is recognising that competition between players is as much a contest for competence mastery as it is for market position and strength.

  Prahalad and Hammel suggest the following three factors that help recognize core competencies in a business, in terms of what the core competence should achieve.
  1) Provide potential to a wide variety of markets.
  2) Makes a significant contribution to the perceived customer benefits of the end product.
  3) Is difficult for competitors to replicate.

- The McKinsey 7s:
  The McKinsey organisation model identifies seven interrelated dimensions that determine an organisations effectiveness – strategy, structure, systems, skills, staff, style and super-ordinate goals. It is important to understand the strategic interplay between the elements. All of the seven S's are interconnected. As one is changed, it will have an influence on the others.
  For example, if the strategy of an organisation changes to adopt a much stronger customer service focused approach, this is likely to result in the need for further training of employees in developing skills required to achieve this. Equally it might impose a change in structure and systems to support the new strategy. It may even have an impact on the values and style of the organisation.

Phase Two: The Strategic Options

The first step here is to establish if the current strategy adequately addresses the key issues identified. Future scenarios should be developed with a view to establishing what the future might reasonably hold and have a reasonable probability of occurrence. This assists in ensuring that the business develops a reasoned strategy that is consistent with the current environment. One scenario is eventually chosen and should be the most likely and ideally the most desired.

Every company faces a huge number of options as to how it can deploy its resources to compete in the market place. There are three main types of strategic decision a firm has to make.

1) Generic strategy decisions. (Porters generic strategies)
   According to Porter, superior performance can be achieved by three generic strategies - cost leadership, differentiation, and focus. Failure to pursue a particular generic option, can result in an organisation being ‘stuck in the middle’. Firms in this position are likely to be the least profitable in the industry

2) Decisions covering alternative growth options/ directions. (Ansoff’s matrix).
   This useful tool outlines the options for a firm in terms of which market it intends to operate (the present or a new one) and whether, in terms of its products it will work with existing products or develop new ones.

		PRODUCT	
		Present	New
MARKET	Present	Market penetration Do nothing Withdrawal Consolidation	Product Development
	New	Market Development	Diversification

3) Decisions about alternative growth methods - internal development, acquisition and joint venture

Phase Three: Option Evaluation

Johnson & Scholes propose a two-stage process of strategic choice. First a shortlist of suitable strategic options should be drawn up. These options should then be screened for suitability and acceptability

- Suitability: How does the anticipated strategy fit the circumstances the business now faces? Does it make the most of its strengths or avoid weaknesses, while dealing with threats in the environment?
- Feasibility: From a practical and pragmatic point of view, how will this strategy work? Can it be implemented? Are their adequate resources available?
- Will implementing this strategy be acceptable, adequately profitable and deliver growth? What are the risk factors?

Phase 4: Implement the Chosen Strategy

This last step should be aimed to ensure that the chosen strategy can be implemented, will work and is as essential to case study learning as the analysis and choice of the best solution. Concepts that will help in this regards include:

- McKinsey 7s: As noted earlier all of the seven S’s are interconnected. As one is changed, it will have an influence on the others. And that if one of the S’s changes then each of the other S elements must change to some extent. What changes need to be made?
- Leadership planning and development within the organisation
- Timescales
- Managing change through projects. Offers a cross-functional approach and through the use of project management techniques will provide a manager with ready-made techniques.

- Team planning:

[1] Sondhai, Rakesh, "Total Strategy" Airworthy Publications, 1999