

# Strategy Analysis

ABID SULTAN

# The Quality of Planning Statements

- ▶ What is our business?
- ▶ Who is the customer?
- ▶ Where is the customer located?
- ▶ What products or services does the customer want from us?
- ▶ What does the customer consider as value?
- ▶ What is the customer prepared to “pay”?
- ▶ What will the business be, in the future?
- ▶ What is the key strategic thrust?



# Using Strategy Analysis to Define the Future

# Step 1—Understand the Mission and Purpose

- ▶ Awareness of the environment.
- ▶ how the environment will change in the future.
- ▶ What the business is doing now.
- ▶ What the business is doing now.
- ▶ What is happening in the environment.
- ▶ What the business should be doing in the future.
- ▶ It should broadly indicate markets, customers, products and services.

# Step 2—Identify the Major Business Areas

- ▶ There will typically be 6 to 10 major nouns. These nouns should enable us to determine what parts of the business are involved
- ▶ For example:
- ▶ Develop, deliver, and support **products** and **services** which satisfy the **needs** of **customers** in **markets** where we can achieve a **return on investment** of at least 20% within two years of market entry.

NOUN	Involved Business Areas
Product	Production
Needs	Research and Development
Customer	Distribution
Market	Marketing
ROI	Finance

# Step 3—Determine What Has to Be Achieved

- ▶ Identifying goals.
- ▶ Refining Goals
- ▶ Policies
- ▶ valid goals
- ▶ internal rules or external rules
- ▶ Duration of strategy analysis

# Step 3—CONT

- ▶ Goals and objectives are measurable target
  - 1.Measure.
  - 2.Level.
  - 3.Time
- ▶ Asset growth
- ▶ Profitability:
- ▶ Market share:
- ▶ Market analysis:

# Step 4—Identify Issues Representing Opportunities or Problems

	HELPFUL	HARMFUL
internal	strengths	Weaknesses
external	OPPORTUNITIES	threats





# Step 5 —Determine What Will Achieve or Resolve the Issues

- ▶ Focus on strengths to achieve opportunities
- ▶ Take advantage of technologies
- ▶ Aggressive strategies that focus on competitive advantage
- ▶ What should we do to take advantage of the opportunities?
- ▶ What technologies are available to assist us?

# Step 5. CONT

- ▶ What strengths can we use to help us?
- ▶ What has to be done to resolve the problems?
- ▶ What should we do to protect ourselves from the threats?
- ▶ What should we do to correct our weaknesses?

# Step5. CONT

- ▶ Asset Disposal Strategy:
- ▶ Market Exit Strategy:
- ▶ Financial Reporting Strategy:
- ▶ Budget Control Strategy
- ▶ Market Survey Strategy:
- ▶ Product Range Strategy:
- ▶ Product Pricing Strategy:

# Step 6—Define Key Performance Indicators

- ▶ Achieve market share targets Market share depends not only on pricing, but also on advertising
- ▶ Manager allocate resources optimally, to achieve defined objectives
- ▶ Unit Market Share KPI
- ▶ Pricing Strategy

# Step 7—Identify the Current Functions That Exist

- ▶ Function.
- ▶ Corporate.
- ▶ Finance.
- ▶ **Forecasting** Marketing;
- ▶ Sales;
- ▶ Research and development;
- ▶ Production;
- ▶ Purchasing;



# Step 9—Define Job Role Responsibilities for Each Function

**Table 3.5 CFO Job Role Description and Tactical Business Plan for the Finance Department**

<i>Position:</i>	Chief financial officer
<i>Reports to:</i>	President and CEO
<i>Asset Growth</i>	Monitor performance of all aspects of our business so that each activity has a favorable effect, directly or indirectly, on our mission ROI.
<i>Issues</i>	Many investments in declining markets High market entry cost into marginal markets High debt levels for assets in sunset markets
<i>Asset Disposal Strategy</i>	Identify assets that cannot provide a return within 2 years consistent with the mission ROI, and dispose of them at the best possible price.
<i>Asset Disposal Objective</i>	Following Board approval, dispose of all nonperforming assets within 12 months.
<i>Profitability</i>	Monitor financial performance of all activities to ensure that profit and cash flow projections are achieved according to, or ahead of, plan.
<i>Issues</i>	Delayed financial reporting High interest costs Poor cash flow management
<i>Strengths</i>	Profitable Cash rich
<i>Weaknesses</i>	Poor financial reporting Poor budget control
<i>Financial Reporting Strategy</i>	Implement flexible financial reporting systems able to be introduced at any organizational level, and which can provide profit and loss statements for any defined reporting frequency, with associated balance sheet statements.
<i>Financial Reporting Objective</i>	Implement financial reporting systems within 6 months that provide profit and loss, balance sheet, and cash flow reporting within 1 day of the close of any defined financial period.
<i>Budget Control Strategy</i>	Establish and maintain strong budgetary controls for all expenditures, linked directly to revenue achievement. All financial statements must clearly show actual revenue and expenditure against budget, and indicate percentage change from the previous reporting level.
<i>Budget Control Objective</i>	Implement budget control systems directly linked to financial reports according to the budget control strategy, within 6 months.