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Factors Contributing To the Importance of Strategic Dimension to Management

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ABSTRACT: This paper reviews the role of strategic management, how critical it is in the organization into today's operations organization , how strategies works and how it can help see the organization in a different dimension of strategic position in turn see the increasing of the customer expectation. The paper also continues to see how strategies may see the organization have competition and improve the the organization wants to its self be in future. The paper focuses on the processes on how strategies may be implemented in the organization, expanding on the mission, visions and discussing on how the strategic development and coming up with the systems that may bring the analytical way and come up with the solutions to the challenges the organizations may be faced with. The paper in addition discusses the incremental view of the strategies that may be used in the organization. This paper also describes the trends in the organizations, challenges faced by people in the organizations, new ways of operating, new relationship, and how strategies can add value to the organization. The paper will be discussing how the strategies becomes routine and how it may be complexes and how strategies may addressed problems and in turn come with solutions to the problem.

Keywords: Management challenges, increased customers expectation, increased competition, improved consumers' rights, strategic decision, level of strategy, mission, vision, policy systematic planning and strategic development, and organizational capabilities.

FACTORS CONTRIBUTING TO THE IMPORTANCE OF STRATEGIC DIEMNSION TO MANAGEMENT:

- increased customer expectations especially in terms of the quality and range of consumer goods and personal services
- the rapid advance of microelectronic technology, which has revolutionized many after processes by which goods services are made available.
- increased competition in domestic and world market
- greater concern worldwide for the protection of the environment. Leading to government and intentional action against certain industries (e.g timber, coal-mining,) heavy chemicals, oil production, fishing).
- Vast improvements in world wide communication systems, enabling faster flow of information
- Greater emphasis on consumer's rights (e.g in terms of safety, reliability, better information).

- Increased supra-national laws and regulations affecting business as a result of decisions made by the groups such as the EU, GATT, The General Agreement on Trade and Tariffs) and OPEC (Oil Producing and Exploring countries).
- Changing political situations in major markets (especially the opening up of the former soviet union).

LIMITATIONS FOR STRATEGIC MANAGEMENT

i. it is based largely on modernly the real world
ii. it is highly technical and may not be afforded mainly most of the organization
iii. Sometimes it fairs to consider cultural and political in the organization.
iv. It may be for detailed to list a real problems

CHARACTERISTICS OF STRATEGIC DECISION

i. strategic decisions a likely to be concerned with or affect the long-term direction of the organization
ii. Strategic decision is normally about trying to achieve some advantage of the organization. i.e. over competition
iii. Strategic decisions are likely to be concerned with the scope of an organization activities. These issues are fundamental to the decision because it concerns the way in which those responsible for managing the organization conceive its boundaries.
iv. Strategic can be seen as a matching of the activities of an organization to the environment to which it operates
v. Strategic can also be seen as building on our stretching an organization resources and completeness to create the opportunities and capitalized on them
vi. Strategic often require major resources change for an organization.
vii. Strategic decisions affect operational decisions
viii. Strategic decisions will be affected not only at the environment forces and resources availability but also by the valves of the expectation of those who has power in the organization.
ix. Strategy decision can involve a high degree of continuously any certainty
x. Strategy decisions demand an integrated approach to merging the organization
xi. Strategy decision usually involve major change in organizations

LEVELS OF STRATEGY

Will concern ourselves with strategy in an organization

1. Corporate Level:

The main issues here are about overall purpose and scope of the organization. This may involve consideration of such things as diversification, acquisition and how the organization is generally in structural and financial terms. The corporate level strategy will be the basis of the other strategic decision.

2. COMPETITIVE OR BUSINESS UNIT STRATEGY LEVEL

Here the strategy is about how to compete successfully in a particular market. The concerns are therefore, about how advantage over competitiveness can be achieved, and new opportunities can be adequately or created in markets, which products should be developed in which markets, and the external to which these to meet consumer in such a way you achieve the objectives of the organization.

A strategic business unit (SBU) is a unit of operations within the overall organization for which has an external market goods or services adequate from another (SBU). Hence, an SBU is not always defined in terms of an organization i.e division of a large company. SBU can also be in terms of markets segments sales.

OPERATIONAL STRATEGIES

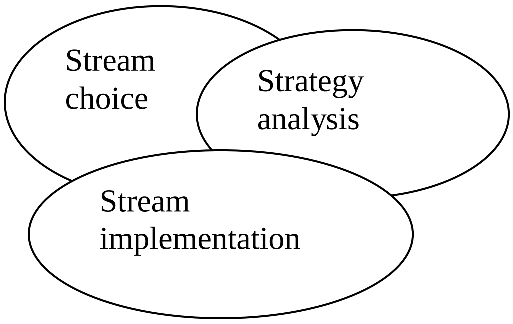
Here the strategies which are concerned with how a common component parts of the organization in terms of resources processes and people are put together organization strategic architecture which will effectively deliver the overall strategic decision.

CHARACTERISTIC OF TACTICAL DECISIONS

Tactical decisions are operational management decisions and have the following characteristics.

1. they are routine
2. they are specific
3. they are short-term or have a short term implications
4. these are in contrast with strategic decisions when generally they have the following characteristics.

1. Ambiguous
2. complex
3. org-wide
4. fundamental
5. have long-term implications



COMMON STRATEGIC MANAGEMENT- TERM

1. MISSION-

Overriding purpose in line with the values or expectations of stake holders

2. Vision – (strategic intent)

- desired future state say in terms of quality, size or competencies

3. Goal- General statement of man or purpose
4. Objective- quantifications (if possible) or more precise statement of the goal
5 Core – competences – resources processes or skills which provide competitive advantage
6. Strategy – this is a plan that is unified comprehensively integrated and computable relating to strategic and the advantages of the firm to challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved.
7. Strategic architecture

Combination of resources processes and competences to put strategy into effect.

DEFINING THE BUSINESS

Defining the business generally involves setting a mission of the business ie the main purpose of the business existence the purpose of the business existence or its mission may be stated in terms of what product or services the business will offer or provide to its consumer and the stakeholders; or stated in terms of needs of its customers and the least of the other stakeholders it will satisfy. Hence in terms of production or services, you may have statements such as “we are in the business manufacturing personal computers” or” we are in the business of textile manufacturing “or “we are in Agricultural food processing company”.

In terms of customer need satisfaction these businesses may be defined as: we are in the business of offering fast solution to problems” or “we are in the business that need to such as bread etc.

Definition of the business items of customers satisfaction is preferred by most organization because it helps the organization see the way in which it can differeciate itself from a competition.

The marketing department particularly, benefit from a corporate definition which is in terms of satisfying customer need because marketing strategies can early be derived from the corporate strategy.

RELATION OF POLICY TO STRATEGY

A policy is a standing plan. It is used over and over to guide specific actions, for example if a company adopts a policy to sell only for cash all employees give a constant answer to any customer asking for a credit. Every company needs policy covering many aspects of its operations in order to come to a decision making and to give credibility and consistence to action taken different times at different managers in addition to policy serves a key role in spell out certifying and testing strategy, frequencilly strategy is stated in such a general terms that its interpretation can be validated.

A carefully, selected policy sharpens the meaning of the strategy and guide specific decisions in a direction that supports a strategy.

Policies will encompass all areas of company activity including the following many areas:-

Marketing, production, purchasing, HRM, Finance etc. with the marketing policy for instance every enterprise needs general guideline with respect to say:-

1. Production line
2. Customers, pricing, and other elements of marketing mixing.

The major production policies may involve:-

i selecting the general processes to be used in production
ii A policy in setting total capacity and balance
iii. guide for maintenance and replacement
iv. resolving, make-or- buy decisions

A procurement policy may give guidance a selection of suppliers.

1. Human Resources policy will give guidelines of the selection, training compensation etc

The financial policy will guide on such things as investment pontification gearing ration and dividends requirements

The development of policies will be influenced by the following factors:-

1. The degree of formality in the organization in the bureauric organization for instance, management would like to formulate as many as possible to leave little room for initiative. In a feasible organization on the other hand management may act for only policies in selective areas to leave room in management initiative decision.
2. The need to certify the responsibilities of every employee
3. the state to which policies can be written, written policies are likely to be more reachable and longer lasting than all written policies.
4. Effective policies and policy making have the following characteristics.

1. Clear policies
2. written policies
3. loyalty and enthusiasm among employees
4. consistence solutions to similar problems

ASSIGNMENT

Identify and explain three reasons for setting a corporate goals or objectives

Conditions

1. Bonus marks will be awarded for examples from live organizations
2. Not more than two pages of answer
3. indicate bibliography on a separate page
4. Due date is 19th February, 2003

PROCESESSES FOR STRATEGIC DEVELOPMENT

a Strategy development as managerial intent
 (i) the formal systematic planning new
 (ii) the command view
 (iii) the logical incremental view

b strategy development as the outcome of cultural and political processes
c the cultural view the organizational policies and networks
d imposed strategy choice
e enforced choice the environment as constraints

FORMAL SYSTEMATIC PLANNING VIEW

In the 1960s and 70s books were written about strategy which took the view not only that strategy could, but that it came about through highly systematic forms of planning . These are diverted the setting up of the planning department and prescribed tools and techniques that should be used. These include the settling of objectives, or goals the analysis of the environment and resources of the organization, so as to match environment opportunities and threats with resource-based and weaknesses. The generation of option and their evaluation and the planning of the implementation through resources allocation processes, the restructuring of the organization, and the design of the control systems. However, the evidence of extent to which the formalized per such systematic approach result into the organization performing better than others is however questionable- not at least because it is difficult to isolate formal planning as the dominator determining effect on performance.

For formalized planning can however be useful to various ways.

i it can provide a structure, mains of analysis and thinking about a strategic problems requiring managers to questionnaire challenging what they take for created.
ii it can be used as a way of involving people in strategy development, therefore, helping to create strategy and contributing coordination of resources to put into effect.
iii strategic planning may also help to communicate intended strategy
iv it can be used as a mains of control by regularly reviewing performance and progress against target agreed

DANGERS IN THE FORMALISATION OF STRATEGIC PLANNING INCLUDE:-

1 strategies are more less successfully implemented through people are influenced by culture and political dimensions. But formal planning process are not designed to take into account culture and political dimensions.

2 the strategy resulting from deliberations of corporate planning department or senior management team may not be owned more widely in the organization.

3 The managers responsible for the complementation of the strategies usually line-managers may be so busy with day –day operations of the business that they give responsibility for strategic issues to specialists. However, the specialists do not have power in the organization to make things happen. The result can be that, strategic planning becomes intellectual exercise cooperation.

4. The process of strategic planning may also be cumbersome that the groups of individuals in the organization might contribute to only part of it and not understand the whole issue. This is particularly problematic in very large organizations.

5 There is a danger that strategy becomes though of as a plan managers may see themselves as managing the strategy because they are going through in the processes of planning. Strategic management must be distinguished from mere planning.

6 formal strategic planning can become over detailed in its approach, concentrating on extensive analysis, which, while sound themselves may miss the major strategic issues facing the organization. The results can be information over load with no clear outcome.

7 Planning can become obsessed with the search for absolute determinates of the performance, (e.g a set of economic indicators) or a definitely right strategy. It is a very unlikely that a right strategy will come show naturally fore out for the running processes.

2. THE COMMAND VIEW

Here strategy is seen as the outcome of the influence of the individual or small group. At the extreme strategy could be the product of an autocratic leader who does not argue as seen other managers as then to implement this decision- less extreme but more common is the situation a denominate leader which has become personally associated strategy development of the organization. It could be that this individual tends to round the business in terns of difficult and as such personified the successful of the organization. An individual may also be central with strategy because he is the owner or founder of the business.

In the public sector organization officials or Civil Servants are meant to work to the direction their political master which at least in the theory is the command or "will of the people"

3. THE LOGICAL INCREMENTAL VIEW

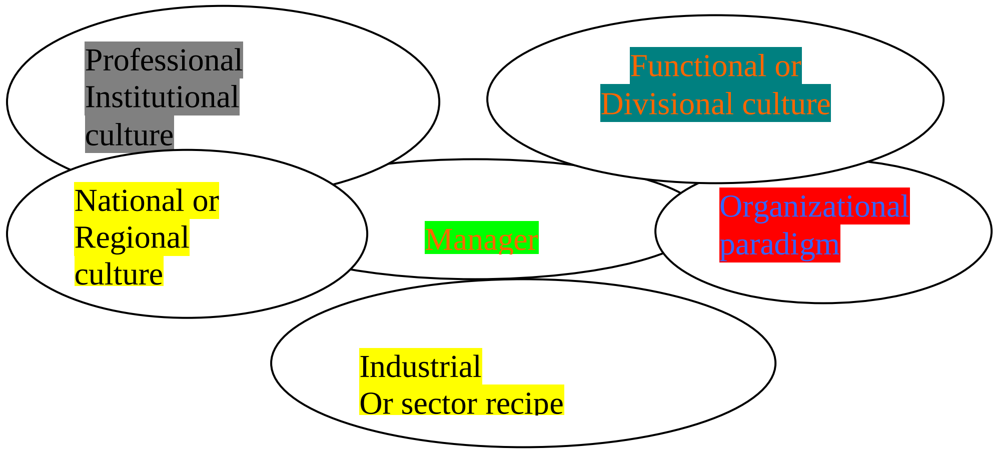
This view hold that managers have a view of where they wants of the organization to be in years to come and try to move towards this [position in an evolulisary way. They do this by attending to ensuring the success and development of a strong but flexible core business, built, core business on the experience gained in that business. Such managers accept uncertainty of their environment because they realized that they can not do away with this uncertainty. They try to be sensitive to the environment signals through constant scanning and by testing changes in strategy in small scale steps.

The incremental way in which managers strategy is intentional i.e they consciously seek to experiment and make small scale changes.

4. THE CULTURAL VIEW

There are many cultural frames of reference which influence managers as shown in the sketch below.:-

Liberalization economy
The risks of the cultural
Strategy not in the line with what is going on in the environment



5. ORGANISATIONAL POLITICS AND NETWORKS

A powerful internal and external interest graphs in organizations can influence difference inputs into decisions. Powerful individuals, managers, graphs of managers' ands share-holders may influence a sort of information that seems to be important. There may also seem to be influence in the identification of key issue, the objectives of the organization and may also be seen to work in a basis of social networks. Hence the organization are not depicted as hierarchs or power growling but as different interest groups or operations which need to cooperate to each other, negotiate what should be done and find ways of accommodating views. A perceptive on decision-making whether seen as political or none to do with networks suggest that strategies may merge through processes of bargain and negotiation.

6. ENFORCE CHOICE

Government may dedicate a particular course of direction. For in the public sector or where it exercises extensively regulation over an industry or choose to regulate or privatize the organization. A multinational seeing to develop business in some parts of the world may be subject to government requirements to do this, in certain ways e.g. joined ventures or local allowances. An operating business within a multidivisional organization may regard the overall corporate strategy direction of its parent company has an enforce choice or a subside company may have strategies empowered from the corporate office.

7. THE ENVIRONMENT AS CONSTRAINT

Another view on how strategies can be developed is that the environment is suiting a dominate influence that at most organization are available to influence their operating environment. There are, different ways in which the environment has to organize in the form of its government or parent today may exercise significant influence such that degrees, altitude are several reduced.

CONFIGURATIONS FOR STRATEGY DEVELOPMENT PROCESSES

It is likely that the various processes of strategy development will be found in all organizations to greater or lesser extent. Difference processes accounting for the development of the strategy and the mixing of such processes is likely to differeciate by the organizational context, forming configuration of strategy development.

It is difficult to rotate these configurations to organizational performance. The suggestion is that one particular configuration is better and another is questionable because of what might be based for a small manufacturing company for example might be in appropriate for a law firm. The overall lesson is that there is a one way in which strategies are developed.

MANIFESTATIONS OF CULTURE

The following are the main common of manufacturing of culture.

1. The Routines

Ways that members of the organization behave together or with each other and together outside the organization makeup the way we do things around here. The routines may provide a distinctive and beneficial organizational competence. However, it can also represent a taken-for-granted dress about how things show and happen which is extremely difficult to change.

2. Rituals

These are special events through which the organization emphasizes what is particularly important.

3. The stories

The stories told by the members of the organization to each other, to outsiders to new recruits etc, embed the presents in its organization history and also flood important events flag up, and paralysis. They typically know how to do with successes, disasters, I heard and villains who deviate from the norm. They distil the issuance of the organization's past reformalised such of behave and devices for telling people what is important in the organization.

4. Symptoms

Symptoms such as logos offices cars and titles, the type of language, and terminology commonly used, become a representative of nature of the organization.

5 Power of Structures

The most powerful managerial grows within the organization likely to be closing associated with the sets of core assumption and beliefs.

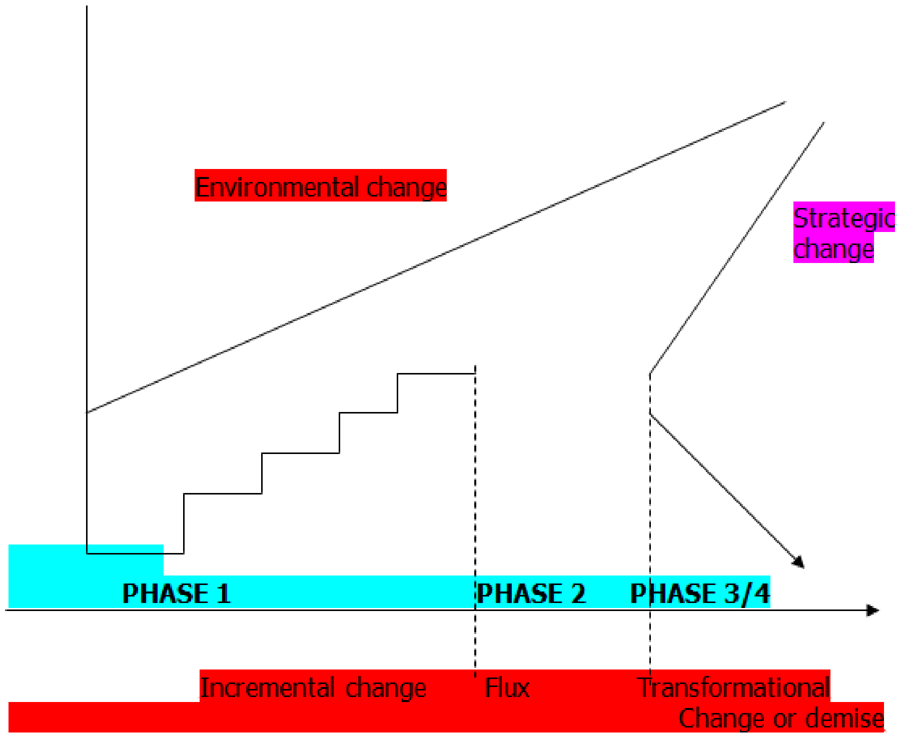
6. The control systems:-

Measurements and rewards systems emphasis what is important to monitor the organization and to focus the attention and activity up on.

7. Organization Structure

This is likely to reflect power structures and relationships and emphasizes what is important in the organization.

1. RISK OF STRATEGIC DRIFT



1. Faced with pressures for changes managers typically try to minimize the extent to which they have faced with aligning and in certainty, looking for what is familiar. This raises difficulties when managing strategic changes, because it may be that the action required is outside the scope of the diagram and the constraints of the cultural web, and that the members of the organization would therefore want to change substantively from their core assumptions and routines., managers are likely to attempt to deal with a situation by search for what they can understand and cope with in terms of existing paradigm.

2. For instance in a situation decrease performance, managers first seek means of improving the implementation of existing strategy. This could be through tighting controls and improving accepted ways of operating. If this is not effective a change which is in line with the existing paradigm, For example may seek to extend market for their business, but a that it will be similar to their existing market and therefore, set about managing the new entire market in much a way that is the same way as they have used to. There has been no change to the paradigm and they is not to be until this attempt to construct strategy in the image of existing paradigm also fails.

Overtime this way of management gives, rights to strategic drift in which the organizations strategy gradually moves away from addressing the forces at work in its environment. The pattern of drift maybe difficult to detect, and reverse because not only are changes being made in strategy ……………within the parameters of the paradigm) but since such changes are their application of the similar, they may achieve some term improvement in performance, so tending to eligibly the action taken, however, in time either the drift become ultimately of environmental change increases and performance is affected.

Strategy development is a very likely to go into a state of flux with no clear direction further damaging performance. Eventually, more transformation is likely to the demise of the organization is to be avoided.

3. LEARNING ORGANISATION

2. UNCERTAINTY AND THE LEARNING ORGANISATION

Q2 Part b.

Chaos thermos argues that the organizational world is so turbulent and quantic that is not possible to predict what will happen or when, so traditional approaches too, are simply not relevant. This means that strategy needs to be managed in a different way. The need is to build on a recognition of innate ability of managers to draw on their experience, but to develop a capacity for this to be used more flexibility and in questioning of learning organization rather than regarding experience as some things which is fixed and constraints on development managers need to develop organization in which they continuously challenge such experience from the world around them and from the different experiences of their colleagues. To do this they need to develop organizations which a ***pluralistic ,*** ideals which different even conflicting ideals an views are ***alcore/come***, in which such differed are sufficed and become the basis of debate, and in which the experimentation is the norm. The job of the management is to create this sort of an organization by binding teams that can work in such ways by allowing enough organizational stock to allow time for debate and challenge.

STRATEGIC MANAGEMENT AS A “FIT” OR “STRETCH”

This issue concerns the extend to which the emphasis to which the development strategy on the basis of “FIT” with the environment, or “stretching” the organization on the basis of resources and competences which can create opportunities for strategy development.

The notion of fit seems managers should know how to develop a strategy by identifying or been in sensitive to organizational environmental forces and developing the organization’s resources to address these. Here it will be seen as important to achieve the correct positioning of the organization e.g. in terms of the extending to which it meets clearly identified markets needs. Traditionally the emphasis in the text books on strategy has tended to be developoing strategies in this way.

However, may also result from developing strategies not so much on existing opportunities but on the basis of views of the future in which competitive unique to the organization provides advantage over competition or create new opportunities and even new markets. This stretch view of strategy development emphasis the need to be shapely aware of the special competencies of the organization, however these might be developed to give competitive advantage and the need to search opportunities on the basis of the competencies.

STRATEGIC ANALYSIS

Main areas of strategic analysis

1. Environmental Analysis
2. Strategic Capability (or internal) analysis
3. Culture and stakeholder analysis

1. ENVIRONMENATAL ANALYSIS

1. why environmental analysis

1. To find out customer need
2. Other opportunities
3. Any threats
4. To cope with the complex, dynamic turbulent and uncertainty, world
5. There are a lot of studies that show a link between environmental analysis an diagnosis and the success of companies.

STEPS IN ENVIRONMENTAL ANALYSIS

1. Assessment of the nature of the environment
2. Audit environmental influences or factors
3. identify key competitive forces through structural analysis
4. identify the companies strategic position
5. identify key opportunities and threats

1. Assessment of the nature of the environment

How uncertain is the environment?

The degree of uncertainty depends on the rate of change in the environment and the competitive of the environmental factor.

In situations of stability and low complex. It may be possible to identify reasons for environmental influences e.g. Public Service demographic data such as birth rates might be used as reacting marketers to determine to determine the required provision of schooling, healthcare, social service etc.

In dynamic conditions managers addressed themselves to considering the environment of the future not just the government of the future not just the government of the past. The boss involves identifying possible changing significant, alternatives views of the future based on these.

This is Scenario planning

Organization in complex situations may also face dynamic conditions.

With the growth and application of more and more sophisticated technology there is an increasing move to this condition of greatest uncertaininity. Most industries sectors are moving into dynamic – complex situation. This will also depend on experience on how the organization has been doing in the past. In Scenario planning there is no projections and use experience.

Other technique for dealing with complex is to model the environment. However, for most organization facing complexity, organizational responses are probably more useful than extensively model building. Such organizations may urge that since the environment can not be predicated expectation for short period what really matters is managers sensitivity to signal in the environment.

2. AUDIT ENVIRONMENTAL FACTORS

Range of factors that may impact on the organization.

1. customers
2. suppliers
3. the labour groups
4. pressure groups
5. private individuals
6. supra-natural bodies
7. the industry
8. technology
9. the social and cultural situation
10. the economic situation
11. the political situation
12. the business situation
13. government and the law
14. competitive environment
15. the organizations competitive position
16. stakeholders analysis

1. customers

Existing individuals and organizations who purchase the organization goods services. These stakeholders are especially ***cons*** if repeat holders are relied upon.

Prefrontal individual and organization newcomers to the markets or currently purchasing from competitors. You need to attract these through various strategies.

2. Suppliers

These need to be reliable and quality conscious as well as

- value for money
- how much power they exert depending on the nature of their product (e.g. standard product or highly specialized) the extent to which is available, its importance, to customers find product) e.g routine service or crucial component.), and the extent to which the customer can turn elsewhere i.e. to competition substitute).

- Leading companies tend to exert strong quality controls over their suppliers but threaten them fairly and pay them regularly

3. Labour Market

- Market for potential employee who either possess knowledge and skills to the organization or who are of the pool of the talent leaving the schools colleges and universities.
- The state of the labour market is very important tp the organization who need specialist knowledge and skills. It is less important for those requiring extra need individual.
- The labour market is becoming increasingly international especially in religion organizational groups. Multinational labour market.

4. Pressure Groups

- these are unofficial bodies which are usually concerned about the impact of the organization activities on the community. They take a narrow focus interest and pursue it with varying degrees of the intellectual and emotion vigor .

5. Private individuals

- The influence of private individuals may not generally vary great, hence the information pressing groups, But occurally and individual member of the public may for example sue a company and win substantial damages.

6. Supra-national Bodies

These are organizations which expertise their influence outside that of the national governments and sometime over rule the latter, examples include: EU, OPEC – GATT. ETC

7. The Industry.

This refers to the collective situation of all organizations providing identiable groups of goods or services to their public in the UK system of standard industrial classification (SIC) enables statistician to sort out the dividing line between the industrial classification and another.

What is important for our purposes is where the industrial placed in its life cycle. Some industry is in a new-born stage (e.g) silicon chip manufacture and satellite communication services) others are well into maturity (e.g. high street banking services production of beers etc): and others are in decline e.g. coal mining, type writer manufacturing). The position of industry of the life-cycle has major implications for the strategic future of its individual.

Constituency especially in terms of competitiveness and their prospective of their identification into industry groups. Another important aspect in the industry from strategic point of view is its attractiveness. This is mainly a question of size growth and whether it serves a profitable market where cost and prices are advantages

8 Technology

Organizations which want to maintain competitive advantages have to be ready to adopt and adapt technological developments, to their production and administrative procedure in order to step ahead.

9. Social and Cultural Situations

• skills levels	(a) numbers
• populations changes	(b) Birth rates

- spending patterns and social strategies (death rates and Age distribution
- Altitudes to work and leisure

10. Economic Situation
- interest rates
- employment
- inflation
- exchange rates
- public expenditure
- Terms of trade
- State of the US economy

11. Political situation
- legislation
- ideology
- taxation
- political changes in major markets

12. Business situation
- state of the industry
- the market
- current demand
- projected demand
- buyer behaviour
- market segments
- competitions
- markets share
- new comers
- mergers
- failures
- alternative products
- Suppliers
- Reliability
- Alternatives

13. Government and the Law
- sort of government you are dealing with, legal framework

14 Competitor Analysis and structure analysis of the Competitive environment

These are the organizations which are supplying similar products to a similar range of existing and potential buyers in the market place. As worlds economics move a way from large scale state own ship in favour of private entrepreneur competition in private institution is increasing.

There is also increasing competition from over seas as international basics a gradually lowered and worldwide communication improve. The influence of competitor needs not to be negative, there action can be spur to the companies marketing and sales staff as well as senior management.
The structural analysis of the competitive of the …………basically involves analyzing and interpreting the situation.(The five forces approach).

1. The threats of the3 entry
2. the power of the buyers

3. the threat of substitutes
4. the bargaining power of suppliers -
5. competitive rivalry becoming enemies for business

15. identifying the Organization's Competitive position

* the following analysis are relevant here:-

Competitor's analysis
It is important to understand the strategic direction of the competitor is attempting to cope with the environment at faces the following question should be asked.

1. What are the objectives of the competitor and are they seeking group etc
2. What resource strength do competitors have and what are their weaknesses
3. What is the record of the performance of each competitor; financial analysis can be helpful here, what is the current strategy of the competitors
4. What are the assumptions underlined competitor approach to their strategic development? Organization paradigms are important.

2. Strategic group analysis
A company organization in the same industry is not fine enough. Its is better to compare organization on the basis of relevant characteristic e.g size, pricing policy, ownership distribution channels, marketing efforts, quality of product or service etc

3. Market Segmentation:

Bases:

1. geographical – area
2. demographic information – income grouping, lifestyles
3. men and women

iv Market share and Market growth Matrix

1. Boston Consultative Group's Business Portfolio Analysis (BCG).
This analysis leads to the development of a series of matrices for the purposes of analysis of multiple product companies:
These matrices allow their diagnostic decisions to be made so that the company can channel resources to the most productive product or service unit. The basic assumption of BCG analysis is that high market share in faster growing products or services normally leads to high profitability and stable competitive situations on the other hand if a company has products in slowly growing markets increasing market share is normally costly. So BCG recommends taking cash out of business even at the expense of market share. A company would choose a strategy of growth in market share if it has competitive strength, the funds to shift and the estimated costs of gaining the share.

STARS (*) are products which are growing rapidly, need large amounts of cash to maintain their position, and are leaders in their business and generate large amount of cash.

CASH Cows ($) are growth high market share products or divisions, because of the market share, there are low cost and generate cash. Since growth is slow, re-investment costs are low. Cash cows pay the overhead dividends and investment for the rest of the company. They are the foundation of the company.

QUESTION MARKS (?) are high growth, low market share products or divisions. Their conditions are the worst for their cash needs are high but cash generation is low. This if left in this cell becomes cash traps. Since growth is high market share should be easiest to get than dogs so these should be converted to stars then later to cash cows. This strategy will lead to a cash drain in the start run but positive flow in the long run. The other option is divestment.

DOGS: are products or divisions with low growth and low market share are therefore poor profits. The dogs should be minimized by divestment or liquidation.

The goal in BCG analysis is to develop a balanced portfolio of products services or divisions. It is desirable to have the large sales in cash cows and starts and only a few question marks and a very few dogs can be tolerated.

2. GENERAL ELECTRICS SPOTLIGHT STRATEGY

In the planning cycle each of GE'S 43 business is rated for GE'S business strengths and industry attractiveness. These factors are: GE's business strengths including size, growth rate, market share, profitability profit margins technology positions, image pollution and people.

Industry attractiveness referring to size, market growth pricing, market diversity, industry profitability, technology growth, competitive structure, and social, environmental legal and human factors.

This business is strong and the industry is very attractive. You can invest more or make it grow.

ANALYISING RESOURCES AND STRATEGIC CAPABILITY internal Analysis (SWOT)

A. RESOURCE AUDIT

- physical resources
- human resources
- financial resources
- intangible resources
- other resources that are not owned by the organization but are at its disposal e.g. network of contracts, customers e.t.c

B. VALUE CHAIN ANALYSIS (chain of activities involved in producing products

Micheal Porter identified the following value chain activities.

1. In bound chain activities
2. Operations to transform inputs into final products and services
3. Outbound logistics
4. Marketing and sales
5. services activities

Each of these groups of primary activities is linked to support activities. Support activities include:

(i) Procurement
(ii) Technology development
(iii) Human resource management
(iv) Infrastructure (or procedure systems) e.g Accounting systems or models

One of the features of most industries is that very rarely does a single organization undertake all the value activities from the product designed through to distribution to the final consumer. There is usually specialization or roles and so anyone organization is part of the wider value system which creates a product or service in understanding how value is created. It is therefore not sufficient to look at the organization internal position alone much of the value creation will occur in the supply and distribution chains ands this whole process needs to be analyzed and understood: For example, the quality of a motor car when it reaches the final purchaser is not only influenced by the activities which are undertaken within the manufacturing itself. It is also determined by the quality of the components and the performance of the distributors.

OTHER USEFUL ANALYSES

1. RESOURCES UTILIZATION ANALYSIS

One of the key aspects of value chain analysis is the recognition that organization is much more than a random collection of machines and other resources. A resource analysis must therefore proceed beyond an audit of resources to an assessment of how these resources have been utilized. There are some value activities including those in the supply and distribution chain which under pin the production and delivery of the organizations products or services. It is important identify such value activities which critically underpin the organization's competitive position. For instance, for one organization, the low price of its products or services may be underpinned by the low cost supply and or the low markup in the supply organizations and distributor organizations respectively. The next step in resource utilization analysis is to identify those factors which sustain the competitiveness position through each of the critical factors.

These factors are called ***cost drivers*** or ***value drivers.*** For example the low cost supply situation might be related to the physical proximity of the suppliers (This is the cost driver) The cost driver could disappear with any geographical expansion which may leave suppliers are far distance.

Competitive advantage is also sustained by the linkages which have been between value activities and also within the wider value system of suppliers. Channels of customers. It is the planning of these linkages which can either provide distinctive cost advantages or become the basis on which the organizations products or services are differentiated from other products or services, whereas competitors can often initiator the separate activities of an organization. It is more difficult to copy linkages within and between value chains.

2. ANALYSING COST EFFECIENCY

Potential sources of cost efficiency may be found in the following areas.

(i) Economies of scale
(ii) Supply Cost
(iii) Product process design (experience gives (cost) reduced for the many years)
(iv) Experience

3. ANALYSING EFFECTIVENESS

The assessment of the effectiveness is essentially related to how well the organization is matching its products or services to the identified needs of its clients. This is important to apply to the activities which critically underpin competitive strategy and should be a means of clearly establishing the value drivers for each of these activities. For example, if product durability is the major source of competitive advantage, this could be underpinned by sourcing of components, product designed and maintenance arrangement in use. In turn the value –drivers for each of these activities might be supplied accreditation procedures, use of freelance designers and in house after-sales service reams.

4 CONTROL OF RESOURCES

Another criterion against which the company's capability need to be accessible to the extent of which the resources property control. For instance, are managers informed by the control system in timer effect their decision?

Do managers differentiate between the important and the trivial in the way they experience control?

Are performance measures related to the basis on which the organization competing or providing value for the organization?

For example a high level of stock may be disastrous for a company may be important to customer service.

5 FINANCIAL ANALYSIS

Using financial analysis as part of resources and analyses. broadly speaking the following areas may be assessed using the technique of ratio and lyses

(i) Safety (through the gearing ratio)
(ii) liquidity, and
(iii) profitability

6. COMPARATIVE ANALYSIS

It is also useful to analyze how they value system has changed and developed over the years as well as the assess of the performance of the value systems for the industry as a whole. A historical analysis looks at the development of the resources of an or organization by comparison of the previous years in order to identify in a figure changes. Comparison with industry norms helps to put the companies' resources and performances into perspective and reflect the fact that it is relatively position of a company which matters to assessing its capability. However, one danger of the industry norm analysis is that the company may, overlook the fact that the whole industry is performing badly and is loosing out the competitively to other countries with better resources.

The short comings of the industry norm analyses have encouraged many organizations to develop different approaches to attract industry comparisons. Rather than attempting establishing a norm, there is a search for best practice and the establishment of bench marks of the performance related to that best practice.

7 ASSESSING THE BALANCE OF RESOURCES

The important aspect of analysis is as follows:-

(i) Portfolio Analysis: this show extend to which the various activities and resources of the organization compliment each other as shown in the BCG and GE Matrix, analysis. Combination of activities to compliment each other.

(ii) The degree of balance of the people within the organization in terms of both individual skills and personality types.

(iii) Whether the degree of the flexibility in the organization resources is appropriate for the level of an certainty in the environment and the degree of risk, the company is prepared to take.

<u>CULTURE AND STAKEHOLDER EXPECTATION</u>

1. The culture context of strategy:

Externally culture analysis require an understanding of the dominant values of the society and the influence of the organized groups) i.e trade association, trade unions, churches etc) internally the culture context can be understood through analyzing a cultural web.

2. Stakeholder analysis

Stakeholders are groups or individuals who have a step in or an expectation of the organization performance, and include employees, managers investors, suppliers, customers and the community. Stakeholders may also be identified within the formal of the organization because they undertake the common task (e.g. functional departments) Stakeholders also arise as a result of specific events.

Since the expectation of the stakeholder are likely to differ, it is ***glue*** normal within the organization regarding the importance and the desirable of many aspects or strategy.

In most situation a compromiser will need to be reached between the expectation which can not be achieved simultaneously e.g growth and profitability, growth and control.

INFO

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