#### Lecture 15

#### Hand Outs

#### [The Steps of Strategic Management Process](#_bookmark3) (Continuation)

Strategic management is a continuous process that consists of nine steps:

**Step 1.** Develop a clear vision and translate it into a meaningful mission statement.

**Step 2.** Assess the company’s strengths and weaknesses.

**Step 3.** Scan the environment for significant opportunities and threats facing the business.

**Step 4.** Identify the key factors for success in the business.

**Step 5.** Analyze the competition.

**Step 6.** Create company goals and objectives.

**Step 7.** Formulate strategic options and select the appropriate strategies.

**Step 8.** Translate strategic plans into action plans.

**Step 9.** Establish accurate controls.

The first three steps have been explained in previous lectures.

**Step 4: Identify Key Success Factors**

Every business is characterized by controllable variables that determinethe relative success of market participants. KSFs (also called key performance indicators) come in a variety of patterns, depending on the industry. Simply stated, these factors determine a company’s ability to compete successfully in an industry. Many of these sources of competitive advantages are based on cost factors. Some are less tangible and less obvious but are just as important, such as superior product quality, solid relationships with dependable suppliers, superior customer service, a highly trained and knowledgeable sales force, prime store locations, readily available customer credit, and many others.

For example, A restaurant owner identified the following KSFs: Experience in the industry, Sufficient start-up capital, Tight cost control, Accurate sales forecasting, which minimizes wasted food, Proper inventory control, Meticulous cash management, Choosing locations that maximize customer convenience, Cleanliness, High food quality, Friendly and attentive service from a well-trained wait staff, Consistency in quality and service overtime, Speed, particularly at lunch, when the restaurant attracts business people who must dine in quickly and get back towork. A clear definition of the restaurant’s distinctive concept—its food, decor, service, and ambiance

These controllable variables determine the ability of any restaurant in this market segment to compete. Restaurants lacking these KSFs are not likely to survive, but those that build their strategies with these factors in mind will prosper. However, before entrepreneurs can build a strategy.

**Common Types of KSFs**

* Technology
* Manufacturing Related
* Ability to Achieve Economies of Scale
* Quality Control
* High Utilization of Fixed Assets
* High Labor Productivity
* Distribution Related
* Strong Network of Wholesale Distributors/Dealers
* Strong Direct Sales Capabilities
* Ability to Secure Favorable Display Space on Retailers Shelves
* Marketing
* Brand Name
* Fast, Accurate Technical Assistance
* Accurate Filling of Buyer’s Orders
* Customer Guarantees
* Skills & Capability
* Talented Workforce
* Product Innovation Capabilities
* Short Delivery time Capabilities
* Strong E Commerce Capabilities
* Other
* Convenient Location

**Step 5: Analyze the Competitors:**

Most small business owners identify the greatest challenge their companies face is *competition.* The Internet and e-commerce have increased the ferocity and the scope of the competition entrepreneurs’ face and have forced many business owners to change completely the ways in which they do business.

The primary goals of a competitive intelligence program include the following:

* Conducting continuous rather than periodic analysis of competition
* Avoiding surprises from existing competitors’ new strategies and tactics
* Identifying potential new competitors
* Improving reaction time to competitors’ actions
* Anticipating rivals’ next strategic moves

Entrepreneurs can use the following low-cost competitive intelligence methods to collect information about the rivals:

* Read industry trade publications for announcements and news stories about competitors.
* Ask questions of customers and suppliers about what they hear competitors may be doing.
* Regularly debrief employees, especially sales representatives and purchasing agents.
* Attend industry “meet-ups” in your local community.
* Attend trade shows and collect competitors’ sales literature.
* Monitor social media for insights into your direct competitors.
* Watch for employment ads and job postings from competitors; knowing what types of workers they are hiring can tell you a great deal about their future plans.
* Conduct patent searches for patents competitors have filed. This gives important clues about new products they are developing.

Knowledge Management: The practice of gathering, organizing, and disseminating the collective wisdom and experience of a company’s employees for the purpose of strengthening its competitive position.

* Knowledge management involves:
  + Taking inventory of the special knowledge the people in the company possess.
  + Organizing that knowledge and disseminating it to those who need it.

**Step 6: Create Company Goals and Objectives:**

Before entrepreneurs can build a comprehensive set of strategies, they must first establish business goals and objectives, which give them targets to aim for and provide a basis for evaluating their companies’ performance. Without them, it is impossible to know where a business is going or how well it is performing.

Goals are broad, long-range attributes that a business seeks to accomplish; they tend to be general and sometimes abstract. **Objectives** are more specific targets of performance. Common objectives concern profitability, productivity, growth, efficiency, sales, financial resources, physical facilities, organizational structure, employee welfare, and social responsibility.

Well-written objectives have the following characteristics:

***They are specific.*** Objectives should be quantifiable and precise.

***They are measurable.*** Managers should be able to plot the organization’s progress toward its objectives.

***They are attainable.*** Unless an entrepreneur assigns responsibility for an objective to an individual, it is unlikely that the company will ever achieve it.

***They are realistic yet challenging.*** Objectives must be within the reach of the organization, or motivation will disappear.

***They are timely.*** Objectives must specify a time frame for achievement.

***They are written down.*** Writing down objectives makes them more concrete and makes it easy to communicate them to everyone in the company.

**Step 7: Formulate Strategies:**

A **strategy** is a road map of the actions an entrepreneur draws up to accomplish a company’s mission, goals, and objectives. In other words, the mission, goals, and objectives spell out the ends, and the strategy defines the means for reaching them. A strategy is the master plan that covers all the major parts of the organization and ties them together into a unified whole. The plan must be action oriented; it should breathe life into the entire planning process.

According to Michael Porter, the three basic types of strategies are;

1. Cost leadership: A strategy in which a company strives to be the low- cost producer relative to its competitors in the industry is known as cost leadership strategy.
2. Differentiation: A strategy in which a company seeks to build customer loyalty by positioning its goods or services in a unique or different fashion is called differentiation strategy.
3. Focus: A strategy in which a company selects one or more market segments; identifies customers’ special needs, wants, and interests; and approaches them with a good or service designed to excel in meeting those needs, wants, and interests is known as focus strategy.

**Step 8: Translate Strategies into Action Plans:**

No strategic plan is complete until it is put into action; planning a company’s strategy and implementing it go hand in hand. Entrepreneurs must convert strategic plans into operating plans that guide their companies on a daily basis and become a visible, active part of the business.

To make their strategic plans workable, entrepreneurs should divide them into projects, carefully defining each one by the following:

* ***Purpose.*** What is the project designed to accomplish?
* ***Scope.*** Which areas of the company will be involved in the project?
* ***Contribution.*** How does the project relate to other projects and to the overall strategic plan?
* ***Resource requirements.*** What human and financial resources are needed to complete the project successfully?
* ***Timing.*** Which schedules and deadlines will ensure project completion?

**Step 9: Establish Accurate Controls**

Planning without control has little operational value; therefore, a sound planning program requires a practical control process. The plans and objectives created in the strategic planning process become the standards against which actual performance is measured. It is important for everyone in the organization to understand and to be involved in the planning and controlling process. Unless entrepreneurs measure progress against the goals and objectives, their companies make little progress toward accomplishing them.

Controlling plans and projects and keeping them on schedule means that an entrepreneur must identify and track key performance indicators and if there is some discrepancy from the benchmark, the entrepreneur should take corrective actions accordingly.

**Reference:**

Essentials of Entrepreneurship and Small Business Management (Global Eighth Edition), Norman M. Scarborough & Jeffrey R. Cornwa