## The Strategy Process

1. **Develop a Strategic “Vision”**
   - Review Mission Statement (product line definition, market scope, growth directions)

2. **Conduct a “SWOT” Analysis**
   - Internal Strengths and Weaknesses, external Opportunities and Threats
   - Identify critical weaknesses related to Key Success Factors
   - Identify critical threats to the firm’s continued success or existence

3. **Set Company Objectives** ("SMART” – Specific, Measurable, Attainable, Realistic with a Timetable)

4. **Craft a Corporate Strategy to Allocate Resources Among SBU’s** (use decision tools such as the BCG Growth-Share Matrix and/or the Industry Attractiveness-Competitive Strength Matrix)

5. **Craft Business-Level Strategies for each SBU within the Company** (use decisions tools such as the TOWS Matrix and Product-Market Matrix). *Choose one of the Porter’s generic strategies: overall low-cost leadership, broad differentiation, focused low-cost leadership, focused differentiation, or best cost*

6. **Forecast Sales and Profits**

7. **Implement Strategies**

8. **Monitor, Review, and Revise as Necessary!**
Setting Objectives

- **Purpose of setting objectives**
  - Converts mission into specific performance targets
  - Creates yardsticks to track performance

- **Well-stated objectives** are
  - Quantifiable
  - Measurable
  - Contain a **deadline** for achievement

- Spell-out **how much** of **what kind** of performance **by when**

- **Use the “SMART” Method of setting objectives!**
Setting Stretch Objectives

- **Objectives** should be set at levels that **stretch** an organization to:
  - Perform at its full potential, delivering the best possible results
  - Push firm to be more inventive
  - Exhibit **more urgency** to improve its business position
  - Be intentional and focused in its actions
Types of Objectives

Financial Objectives
Outcomes focused on improving *financial performance*

Strategic Objectives
Outcomes focused on improving *competitive vitality and future business position*
Examples:
Financial Objectives

- X % increase in annual revenues
- X % increase annually in after-tax profits
- X % increase annually in earnings per share
- Profit margins of X %
- Increased shareholder value by X %
- Stronger bond and/or credit ratings
Examples:
Strategic Objectives

- Winning an X % market share
- Overtaking key competitors on product performance or quality or customer service
- Achieving technological leadership
- Having better product selection than rivals
- Strengthening company’s brand name appeal
- Having stronger national or global sales and distribution capabilities than rivals
McDonald’s Financial and Strategic Objectives

- Place more emphasis on delivering an exceptional customer experience
- Add approximately 350 net new McDonald’s restaurants
- Reduce general and administrative spending as a percent of total revenues by at least 5% annually.
- Achieve system-wide sales and revenue growth of 3-5% per year over the next five years
- Achieve annual operating income growth of 6-7%
A Balanced Scorecard Approach – Setting Strategic and Financial Objectives

- A balanced scorecard for measuring company performance is optimal; it entails
  - Setting financial and strategic objectives
  - Placing balanced emphasis on achieving both types of objectives

(However, if a company’s financial performance is dismal or if its very survival is in doubt because of poor financial results, then stressing the achievement of the financial objectives and temporarily de-emphasizing the strategic objectives may be best!)

- Just tracking financial performance overlooks the importance of measuring whether a company is strengthening its competitiveness and market position.
Objectives Are Needed At All Levels

The process is more top-down than bottom up:

1. First, establish *organization-wide* objectives and performance targets

2. Next, set *business* and *product line* objectives

3. Then, establish *functional* and *departmental* objectives

4. *Individual* objectives are established last

- Use clear and concise language to effectively communicate key points.
- Ensure proper capitalization and formatting for emphasis and clarity.
- Utilize diagrams and bullet points to enhance understanding and engagement.
Finding a “Propitious Niche”

**Propitious niche** - where an organization can use its core competencies to take advantage of a particular market opportunity and the niche is large enough for one firm to satisfy its demand. From the SWOT analysis, this means matching your strengths to opportunities.

**Strategic sweet spot** - a company is able to satisfy customers’ needs in a way that rivals cannot match.

**Strategic window** - a unique market opportunity that is available for a particular time.
The Strategic Sweet Spot

The strategic sweet spot of a company is where it meets customers’ needs in a way that rivals can’t, given the context in which it competes.

CONTEXT
(technology, industry, demographics, regulation, and so on)

COMPETITORS’ offerings
CUSTOMERS’ needs
COMPANY’S capabilities
SWEET SPOT

Issues in Competitive Strategies

“Stuck in the Middle”
When a company has no competitive advantage and is doomed to below-average performance