

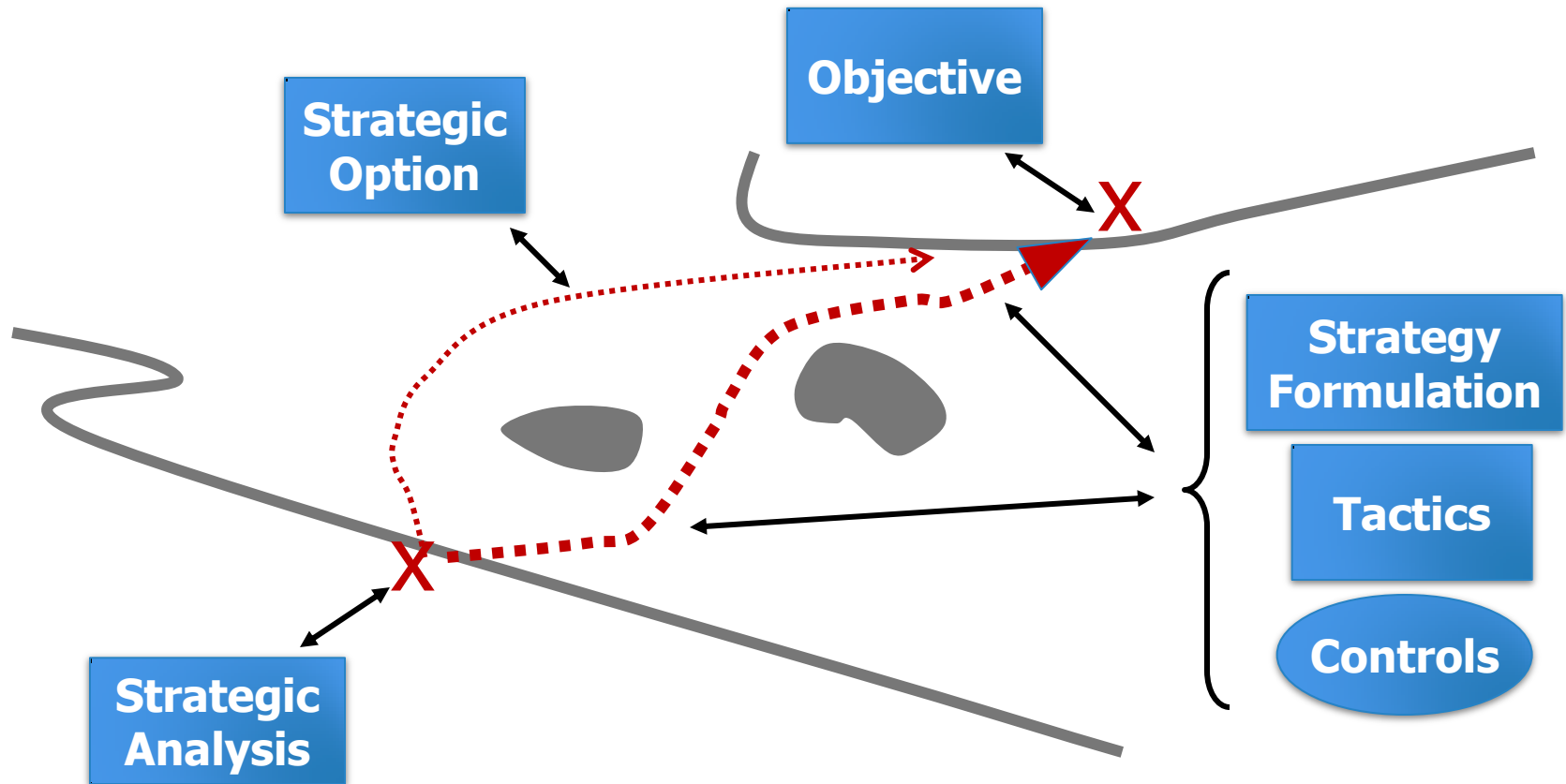
The following presentation was prepared by Dominique Garval, Professor at the Reims Management School in Reims, France. It follows the logic and content of his chapter on strategic planning in the textbook, *The Management of Strategy in the Marketplace*, edited by Cadotte and Bruce. (See chapter 3.)

The lecture fits nicely at the start of the *Marketplace* exercise when the teams are beginning to formulate their strategic direction or during the quarter when the marketing plan is being prepared.

Strategy Formulation

What is Strategy ?

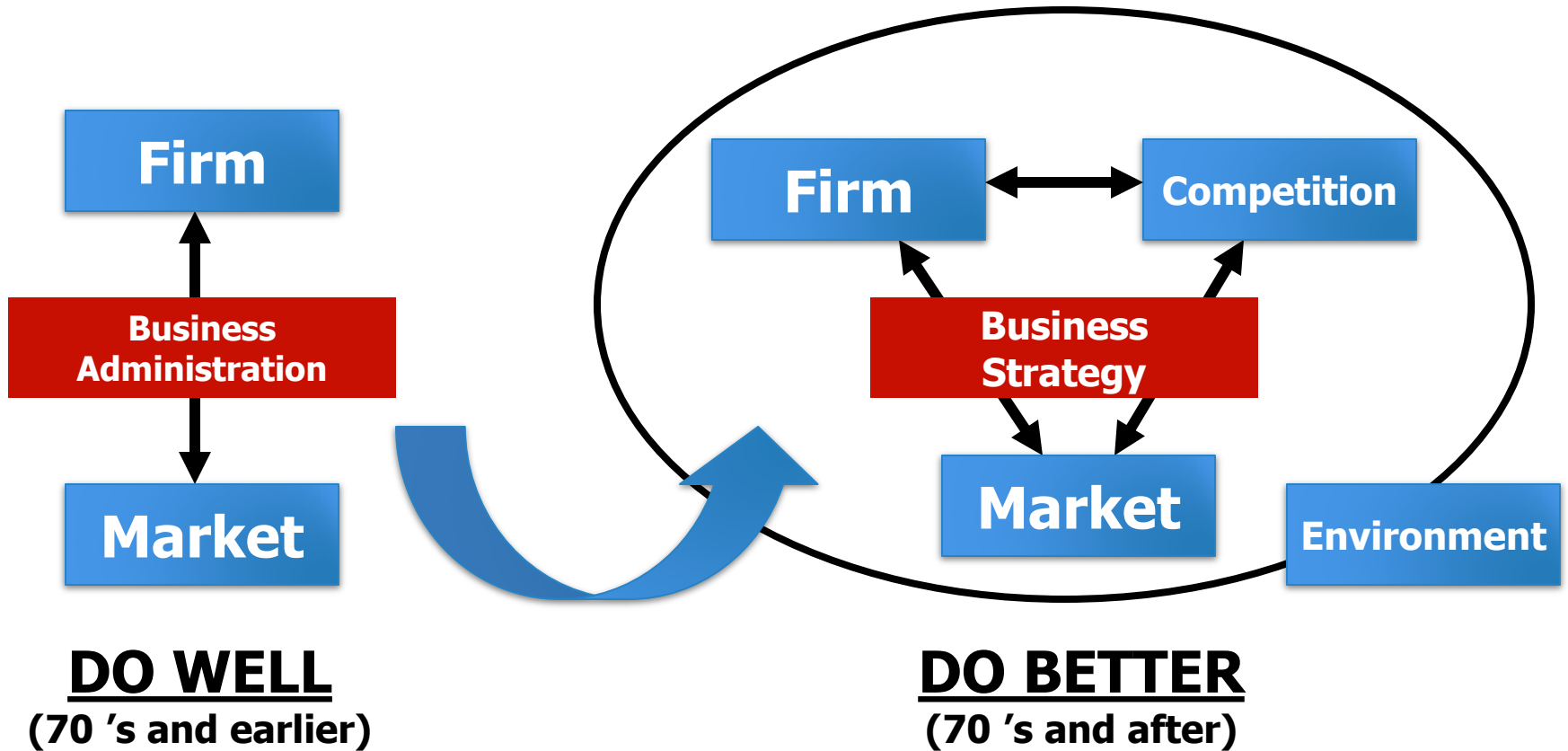
A Voyage on the Ocean

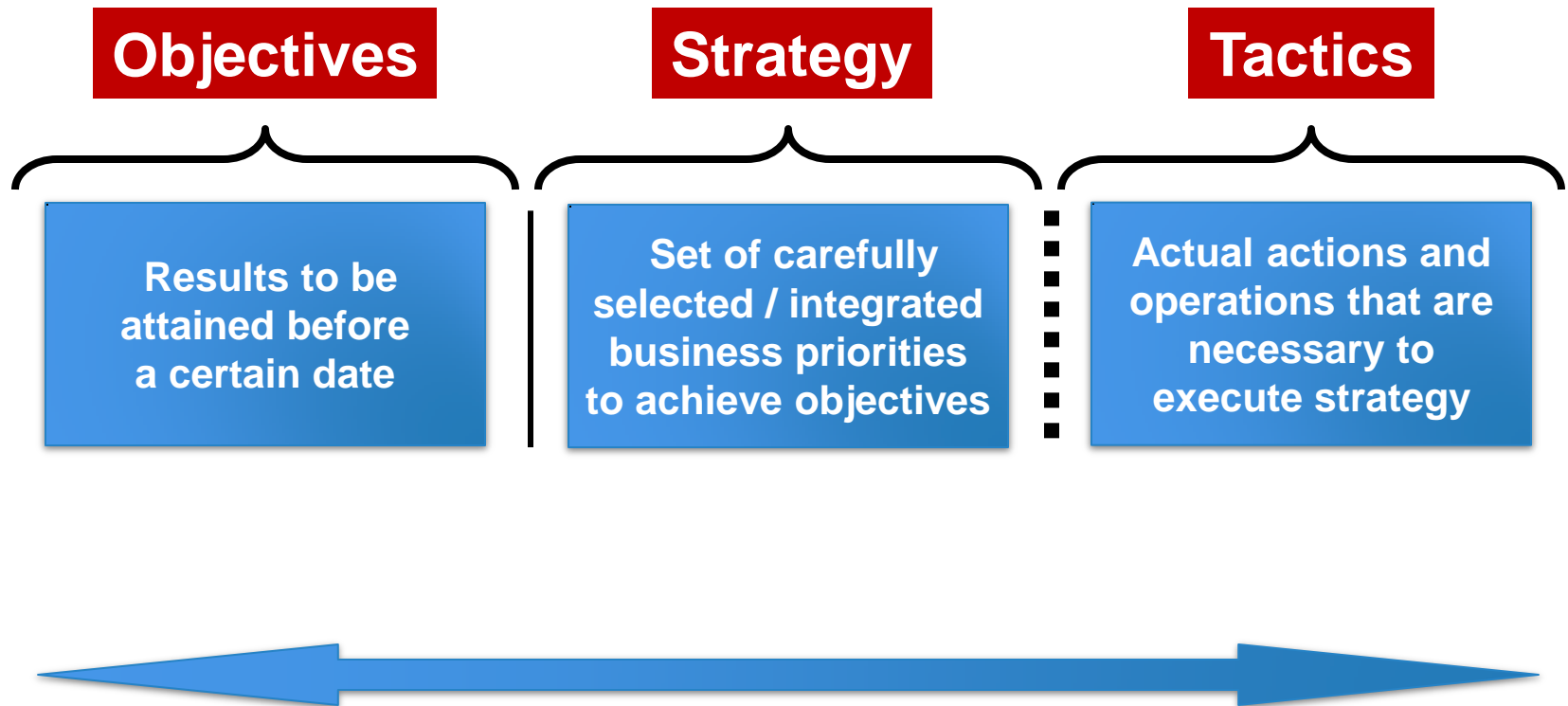


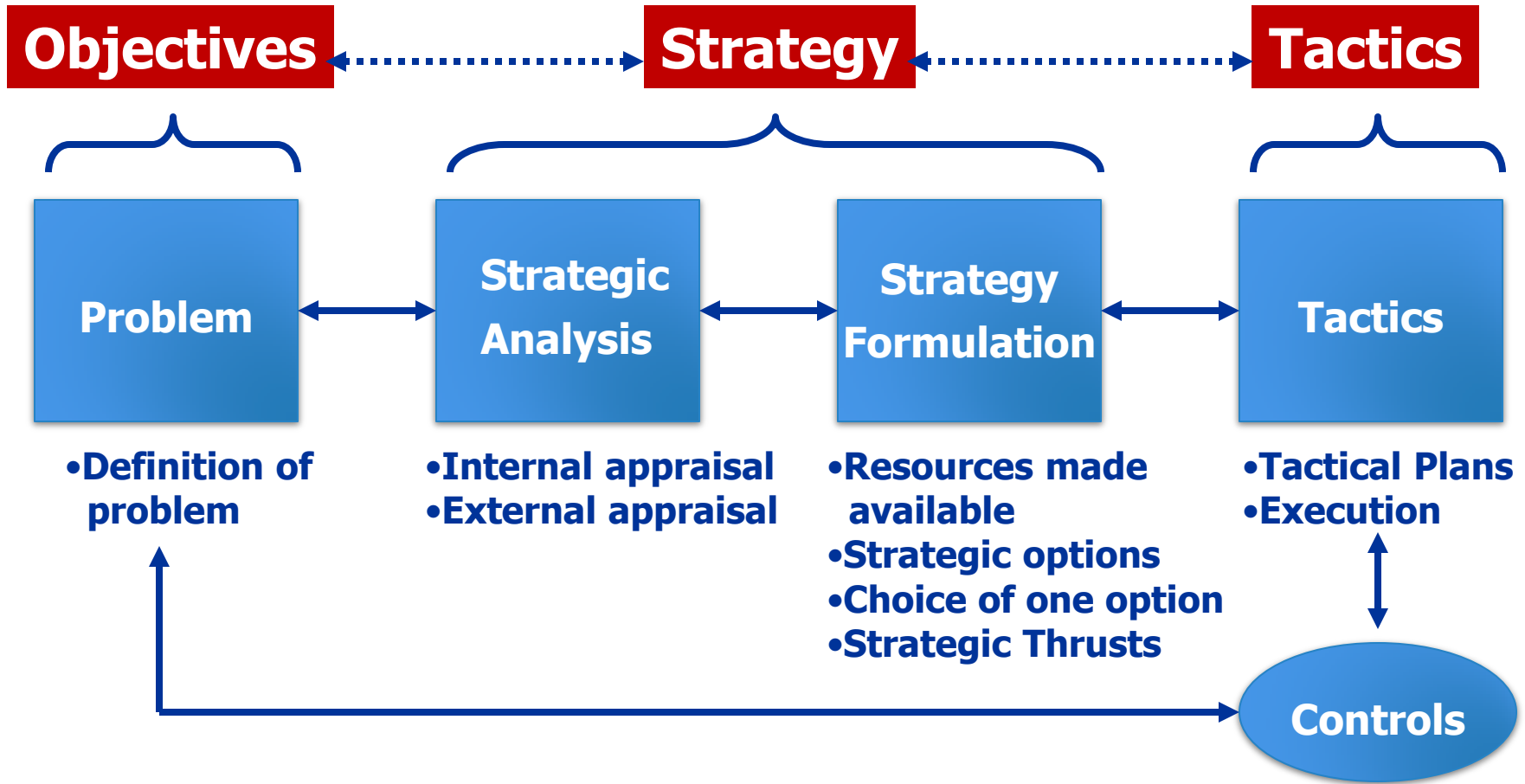
- **Objective** :
To get from Copenhagen to Helsingborg as fast as possible and as cheaply as possible
- **Strategic Analysis**
Departure point / Prices / Weather conditions / Sea conditions / Traffic conditions / Departure times / Duration of journey
- **Allocated Resources**
Business Expenses
- **Strategic Options** :
Bus? Rental car? Taxi? Helicopter shuttle? Boat?
- **Strategy** :
Take the helicopter shuttle
- **Tactics** :
Choose departure time / Prepare luggage / Buy ticket / Take ear plugs / Board the helicopter / Fasten seat belt

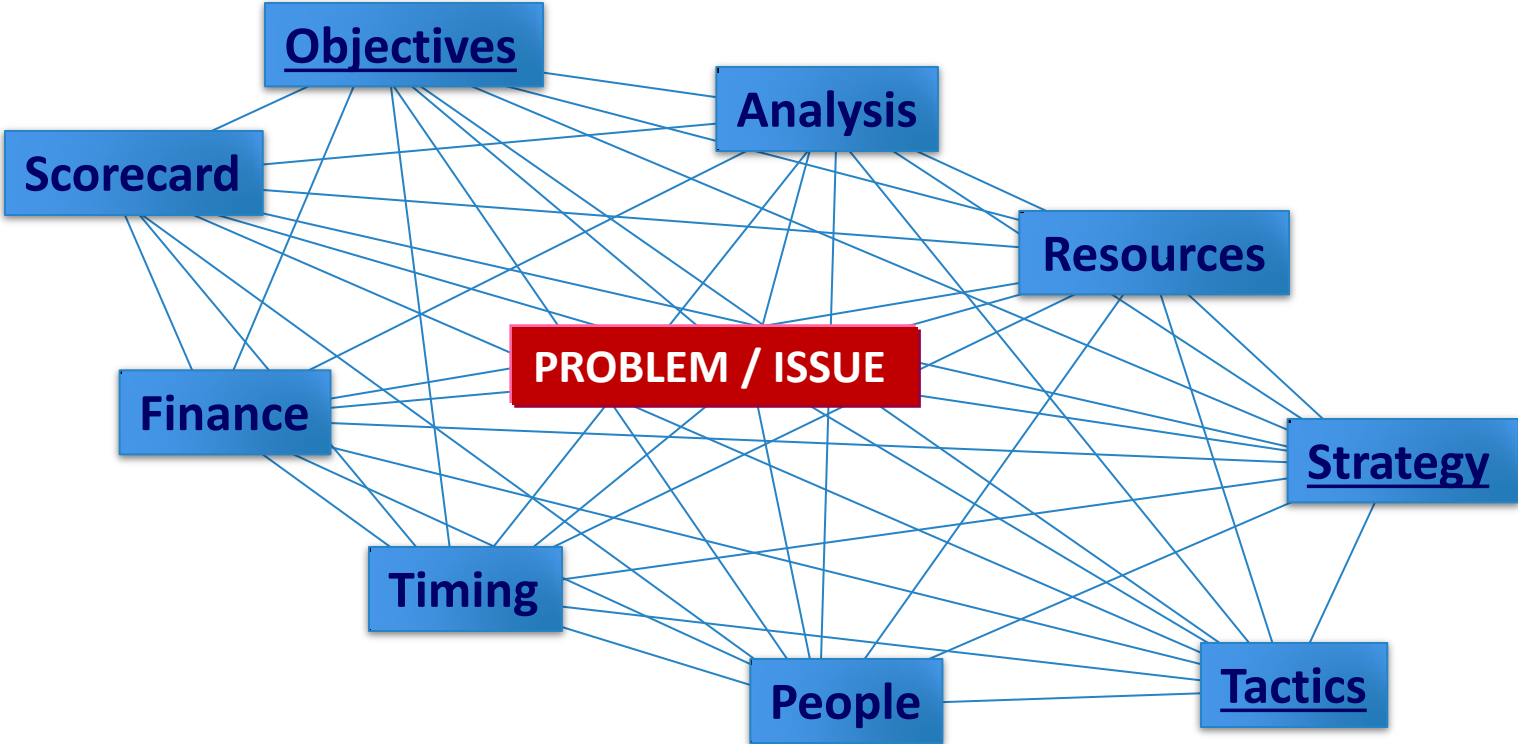
	OBJECTIVES	STRATEGY	TACTICS
PURPOSE	Set ultimate objectives	Meet ultimate objectives	Meet contributing sub-objectives
ACTIVITY	Think / Doubt	Think / Doubt	Act / Believe
TIME HORIZON	Longer term	Long term	Short term
MAGNITUDE OF EFFECTS	Larger amplitude	Large amplitude	Small amplitude
EXAMPLE (ONE STRATEGIC THRUST)	<ul style="list-style-type: none"> • Improve profitability • ... 	<ul style="list-style-type: none"> • Gaining a competitive advantage based on lower production cost • 	<ul style="list-style-type: none"> • Partnering for economies of scale • Acquiring new manufacturing technology • Improving change-over costs • ...

Why Business Strategy ?









1. What is the problem to be solved? (Objectives)
 2. What is the relevant information?
(internal / external assessment) (Strategic Analysis)
 3. Which of all our available resources
do we allocate to this particular problem? (Strategic Plan)
 4. What are the options? (Strategic Plan)
 5. Which option to select and for which reasons? (Strategic Plan)
 6. What are the strategic thrusts? (Strategic Plan)
 7. How to implement the chosen solution? (Tactical plans)
- followed by:
8. Implementation of chosen solution and controls (Tactical execution)

JOHNSON SCREENS : FROM SAINT PAUL TO WARSAW

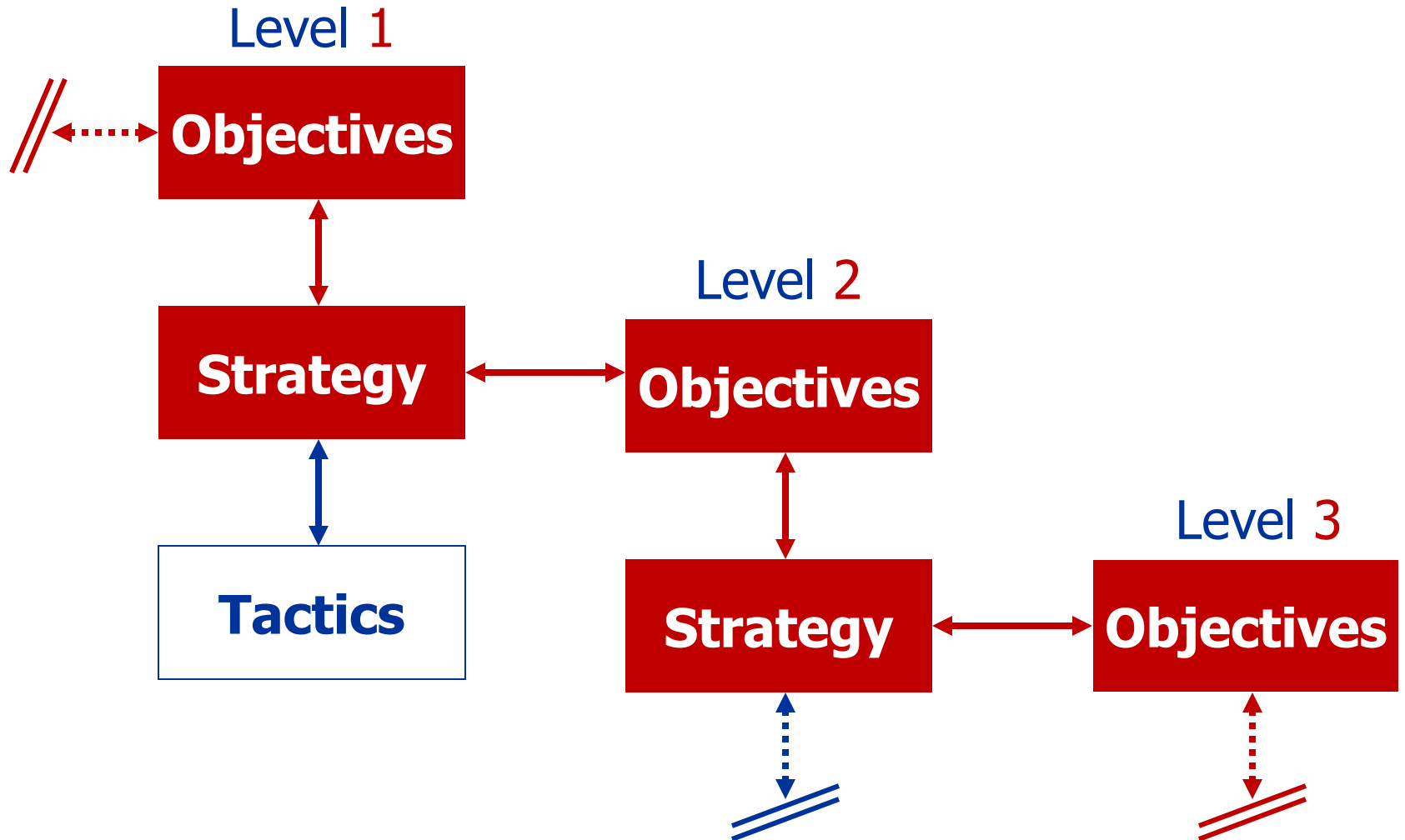
	Level 1	Level 2	Level 3
	Worldwide Operations	European Operations	Poland Operations
Objectives	Saint Paul Increase Sales	London Geographical Expansion	London Polish Market Entry
Strategy	Geographical Expansion	Polish Market Entry...	Polish Marketing Strategy

The diagram illustrates the vertical perspective of strategic planning. It shows a 3x3 grid of objectives and strategies across three levels of operations. Red arrows indicate the following relationships:

- An upward arrow from 'Geographical Expansion' (Strategy, Level 1) to 'Saint Paul Increase Sales' (Objectives, Level 1).
- A downward arrow from 'Saint Paul Increase Sales' (Objectives, Level 1) to 'Geographical Expansion' (Strategy, Level 1).
- An upward arrow from 'Polish Market Entry...' (Strategy, Level 2) to 'London Geographical Expansion' (Objectives, Level 2).
- A downward arrow from 'London Geographical Expansion' (Objectives, Level 2) to 'Polish Market Entry...' (Strategy, Level 2).
- An upward arrow from 'Polish Marketing Strategy' (Strategy, Level 3) to 'London Polish Market Entry' (Objectives, Level 3).
- A downward arrow from 'London Polish Market Entry' (Objectives, Level 3) to 'Polish Marketing Strategy' (Strategy, Level 3).

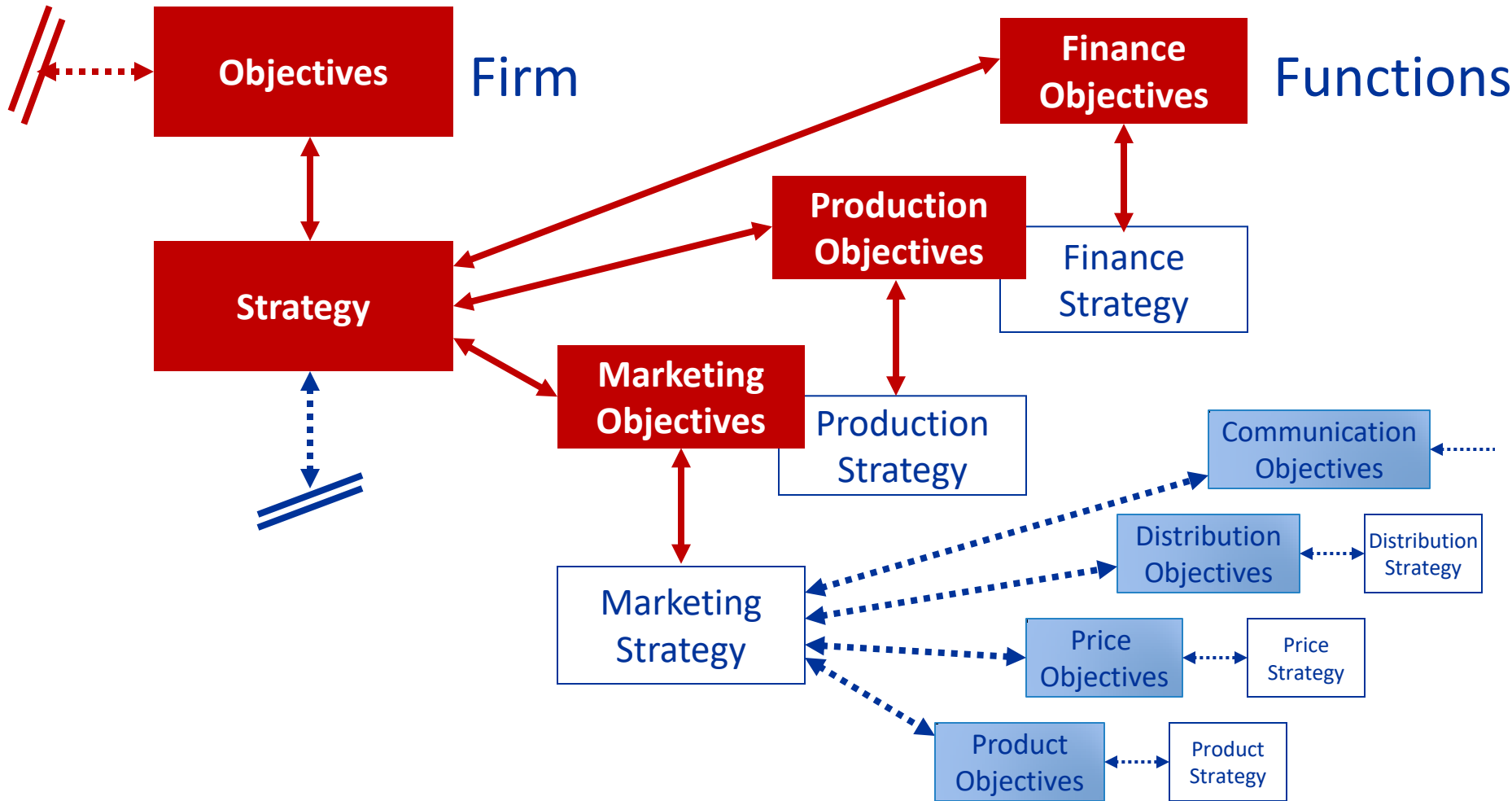
Strategy Formulation :

The Vertical Perspective



The Vertical Perspective

(Marketplace)



Strategic Toolbox

The impossible dream

McDonald 's vision is to dominate the global food service industry. Global dominance means setting the performance for customer satisfaction while increasing market share and profitability through our convenience, value and execution strategies.

**The definition of the boundaries of
acceptable activities**

The Mission Statement

(McDonald 's)

Serving a limited number of hot, tasty, food quickly in a clean, friendly restaurant for a good value to a broad base of fast food customers worldwide.

- **What a company believes in and stands for ...**

- **Frugality**
- **Hard work**
- **Constant improvement**
- **Dedication to customers**
- **Genuine care for employees**

- **Internal analysis**
 - The firm itself
- **External analysis**
 - The market
 - The competition
 - The environment



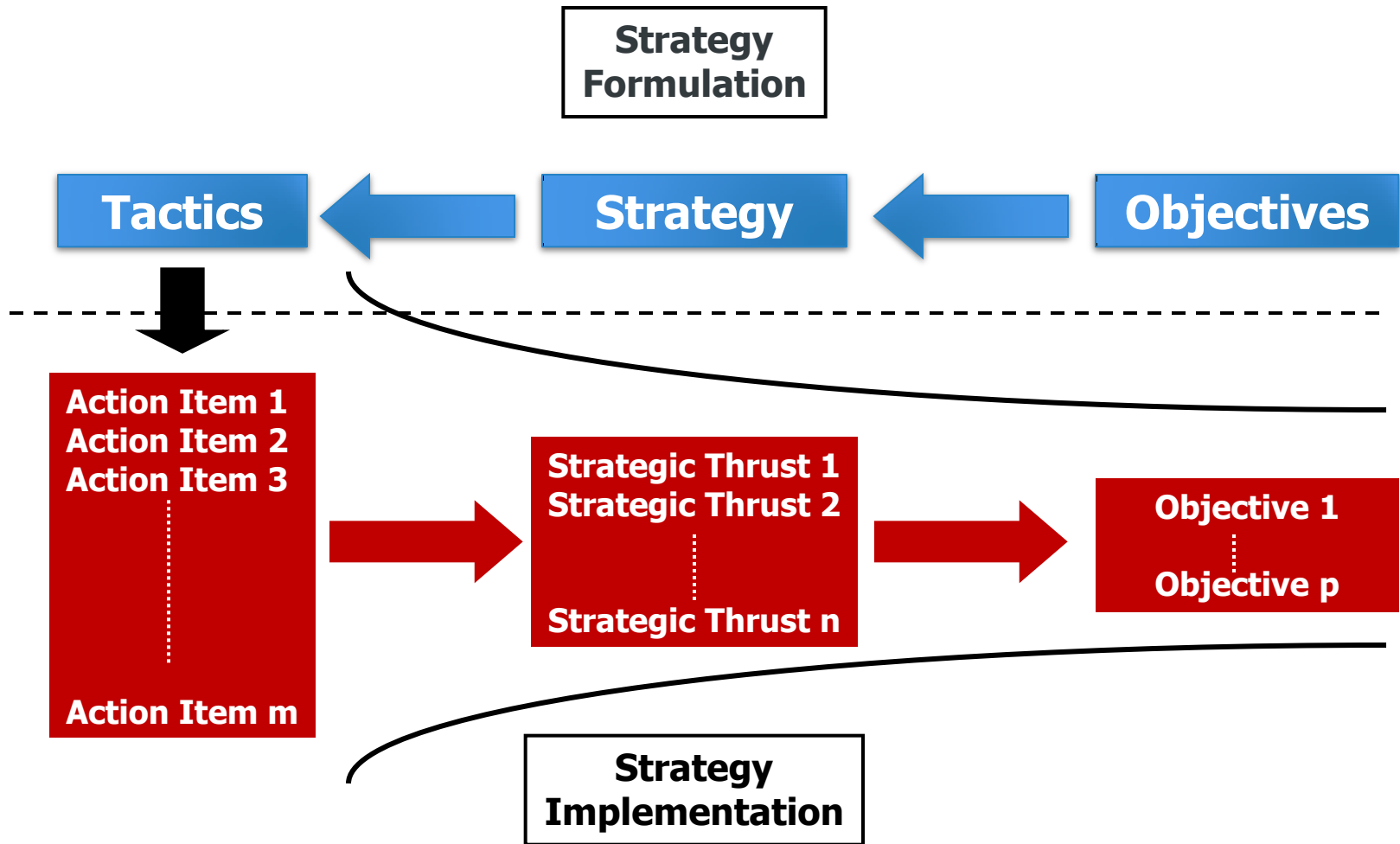
What makes a good strategic analysis?

- **A process of distillation**
- **Interpretation: different people = different conclusions**
- **Critical question : So what ?**
- **Fact based - no wishful thinking**
- **Necessary assumptions --> contingency plans**
- **SWOT = basis for strategic options**

Given your vision, mission and values :

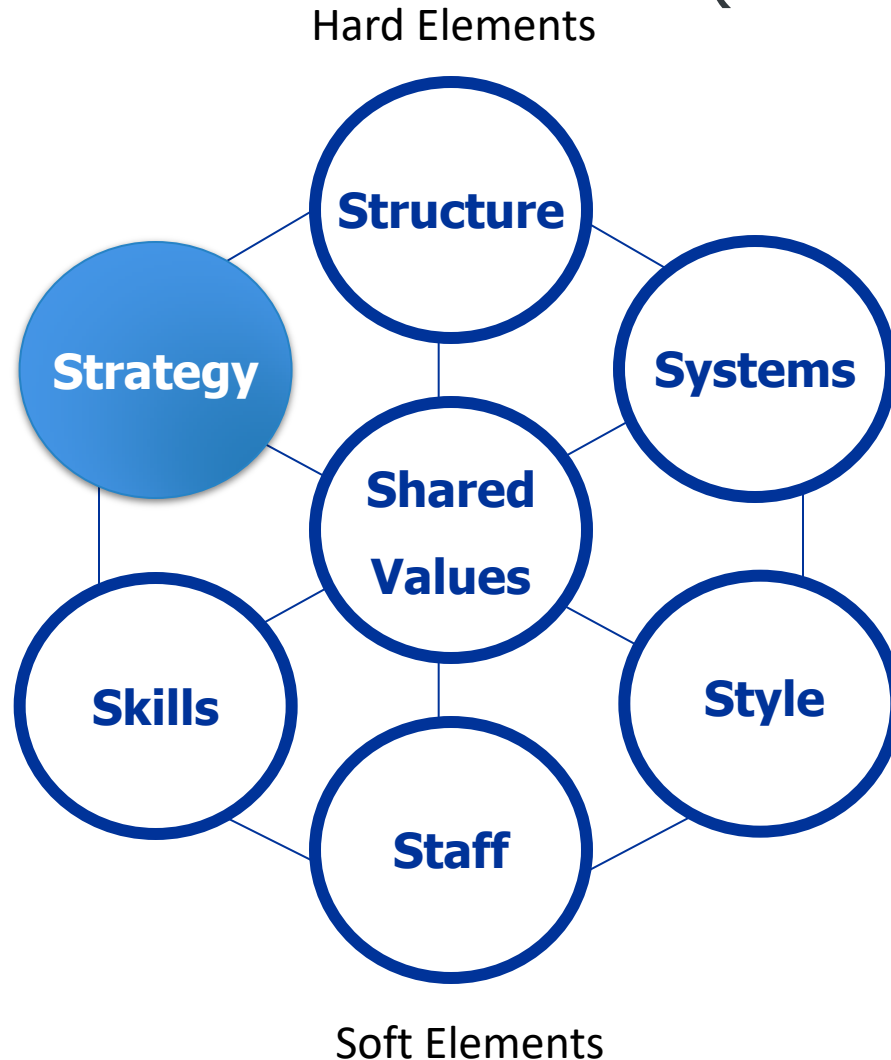
1. List the objective(s) to be met,
2. Perform a SWOT,
3. Identify the resources available,
4. Build strategic options – select one,
5. List the resulting strategic thrusts,
6. List the resulting action items,
7. Prepare a formal plan

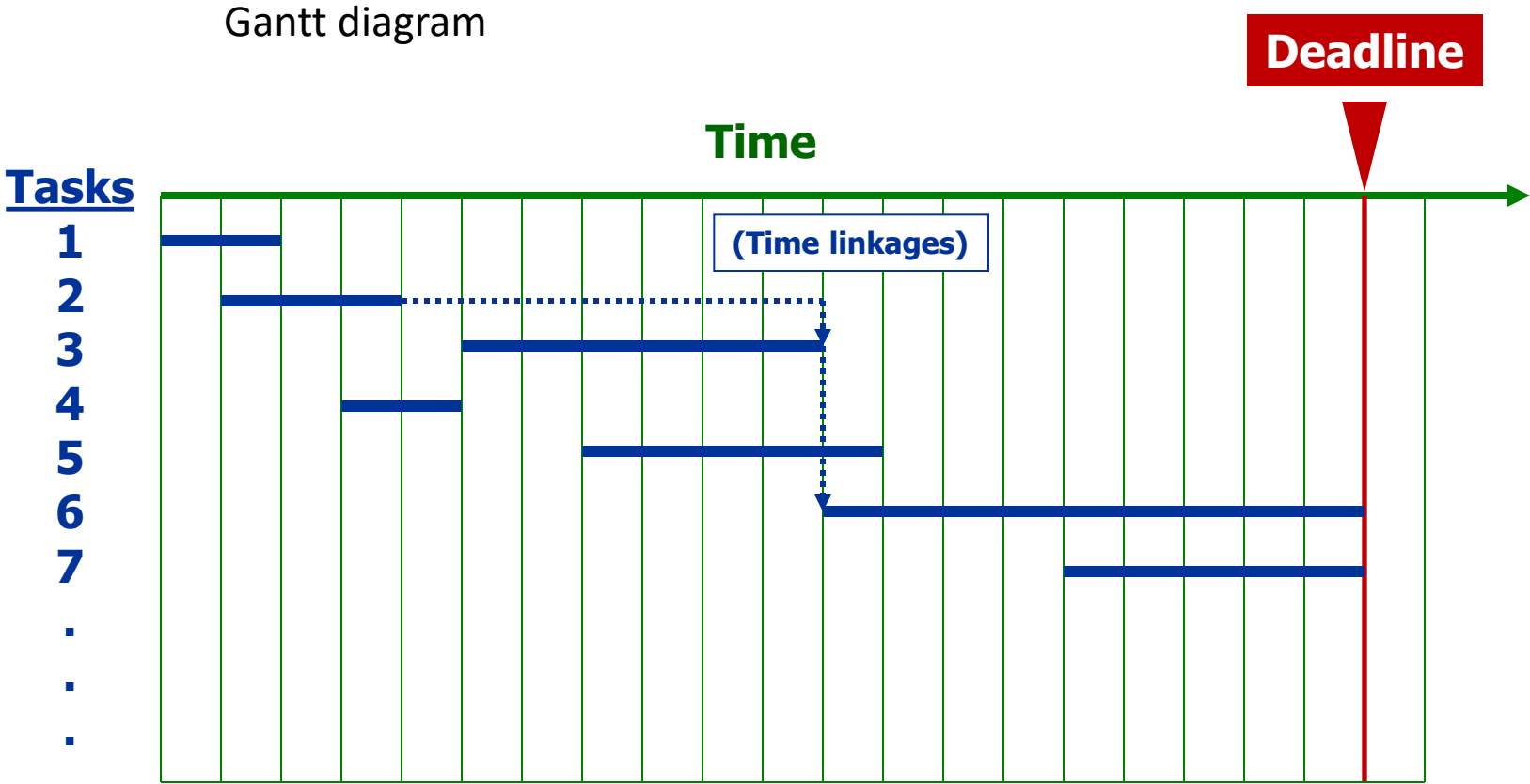
Strategy Implementation & Control



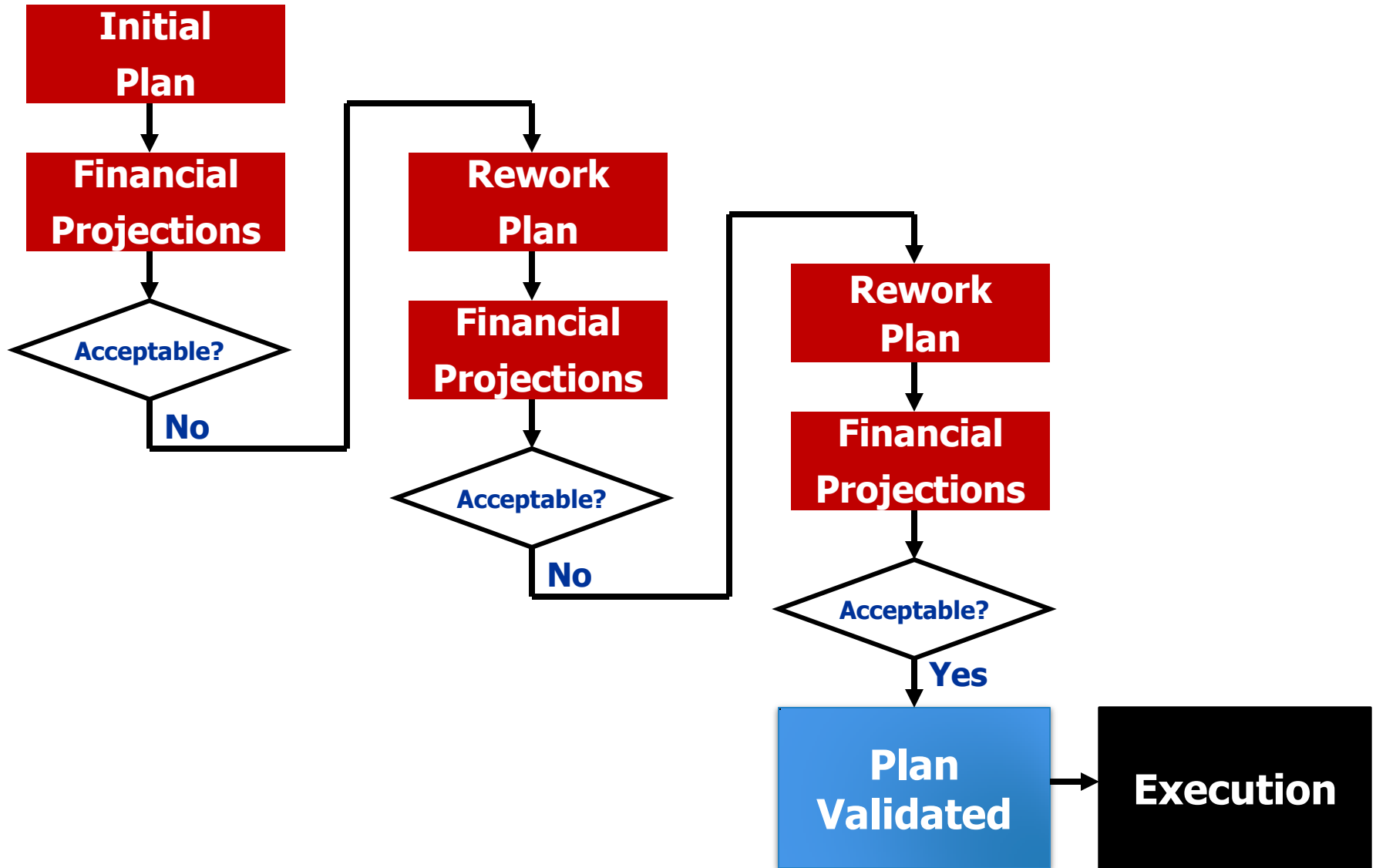
Organizational Aspects

(McKinsey 7S Model)





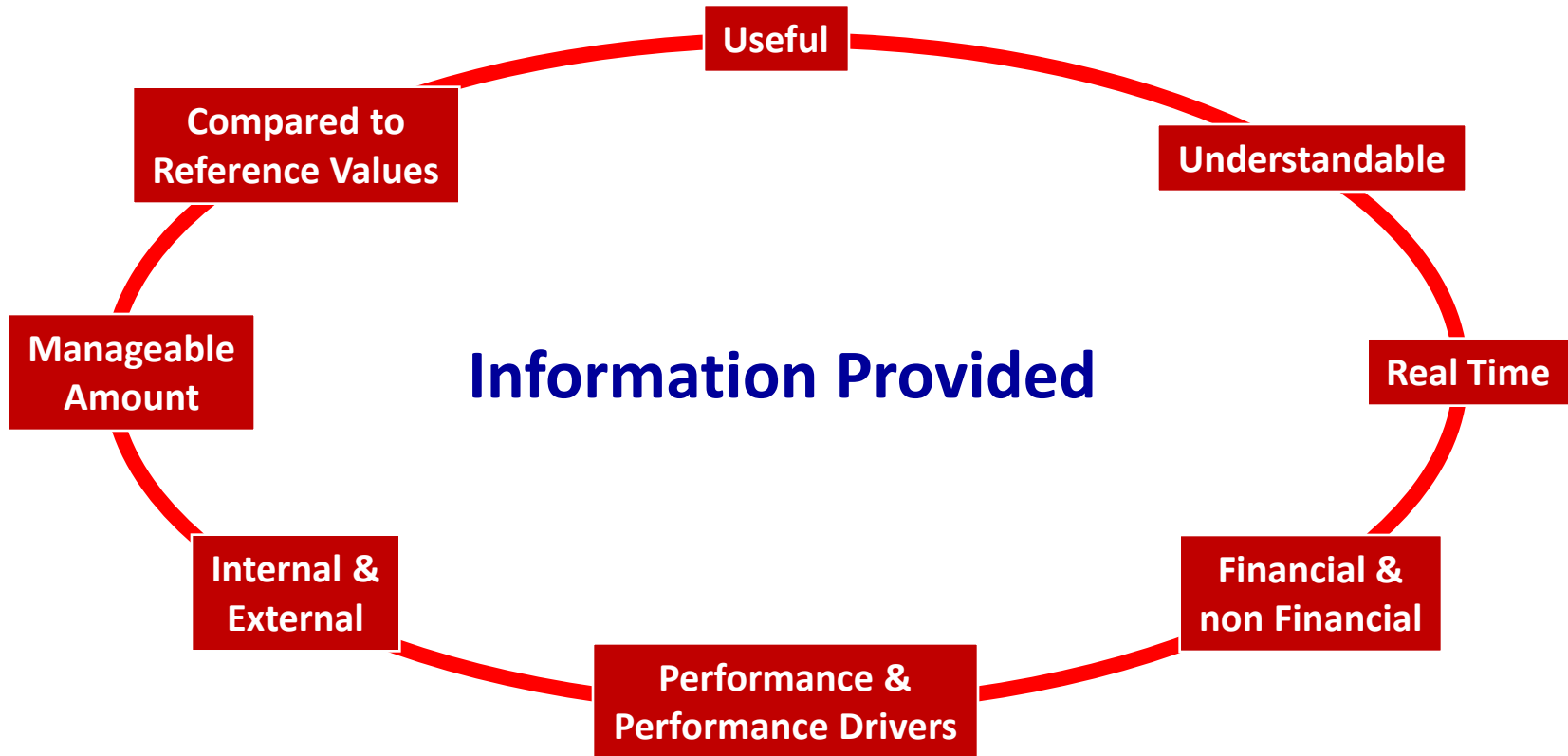
Financial Validation of the Plan



“What you do not measure,
You do not manage...”

Strategic Management Systems

Scorecards



Given a Strategy



Scorecard

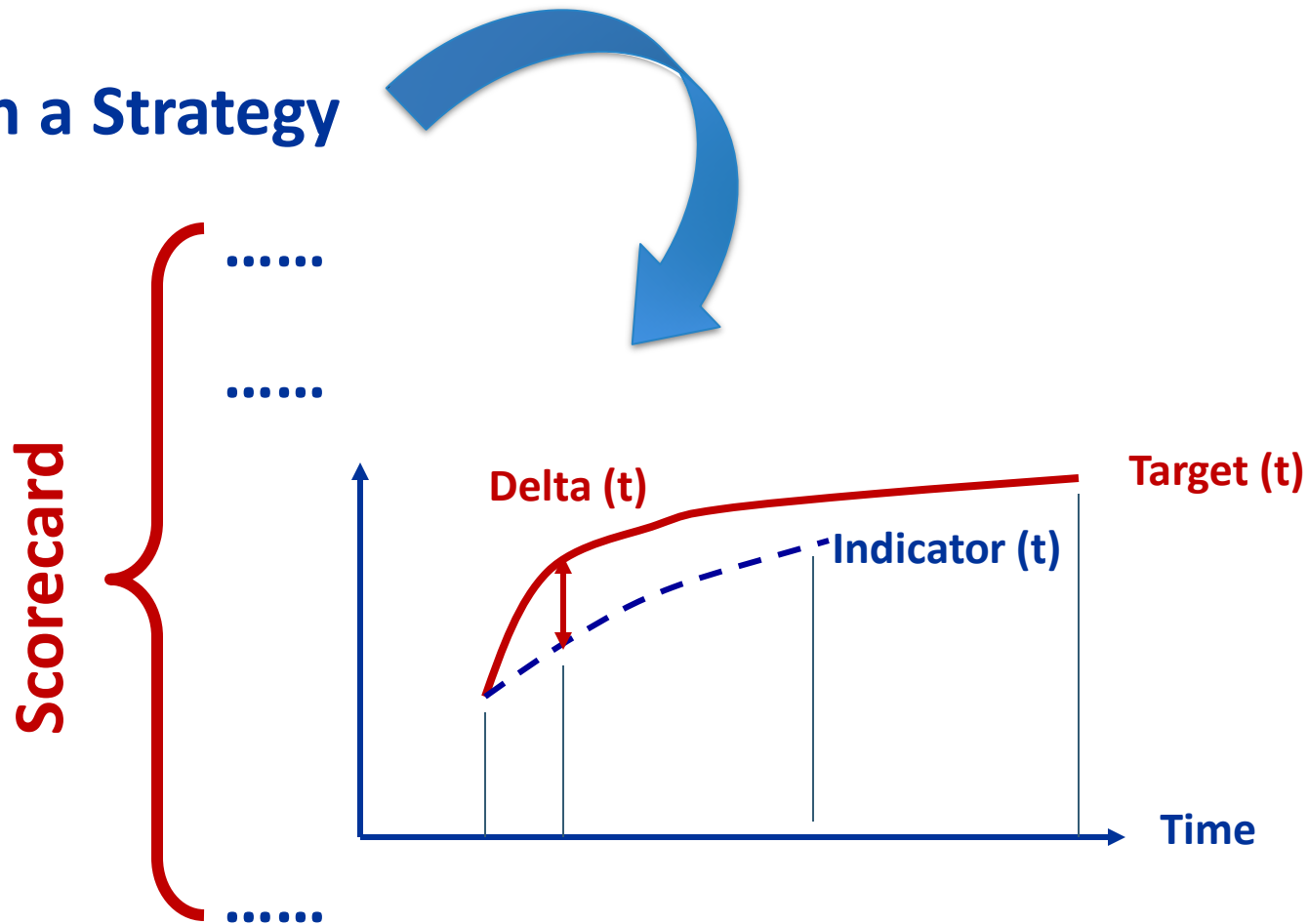
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$$\Delta (t) = \text{Measured Indicator (t)} - \text{Target (t)}$$

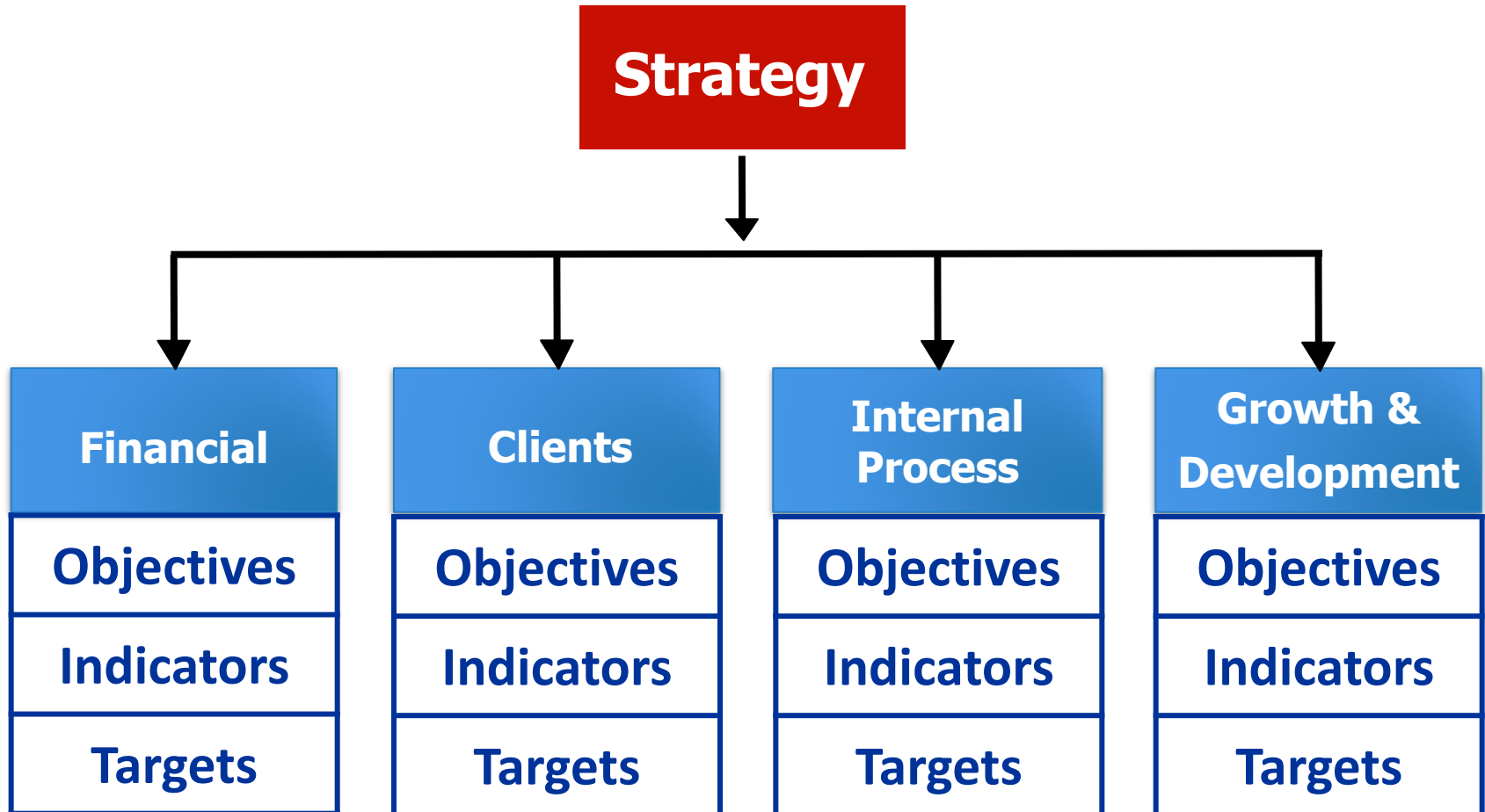
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Given a Strategy



Balanced Scorecard

(Norton & Kaplan)



Key Questions

Financial Perspective Indicators / Targets :

To succeed financially, how should we appear to our shareholders?

Customer Perspective Indicators / Targets :

To achieve our vision, how should we appear to our customers?

Internal Business Process Perspective Indicators / Targets :

To satisfy our shareholders and customers, what business processes should we excel at?

Learning and Growth Perspective Indicators / Targets :

To achieve our vision, how will we sustain our ability to change and improve?

Financial Perspective :

Share price, EVA, MVA, EPS, ROI, ROA, Contribution ...

Customer Perspective :

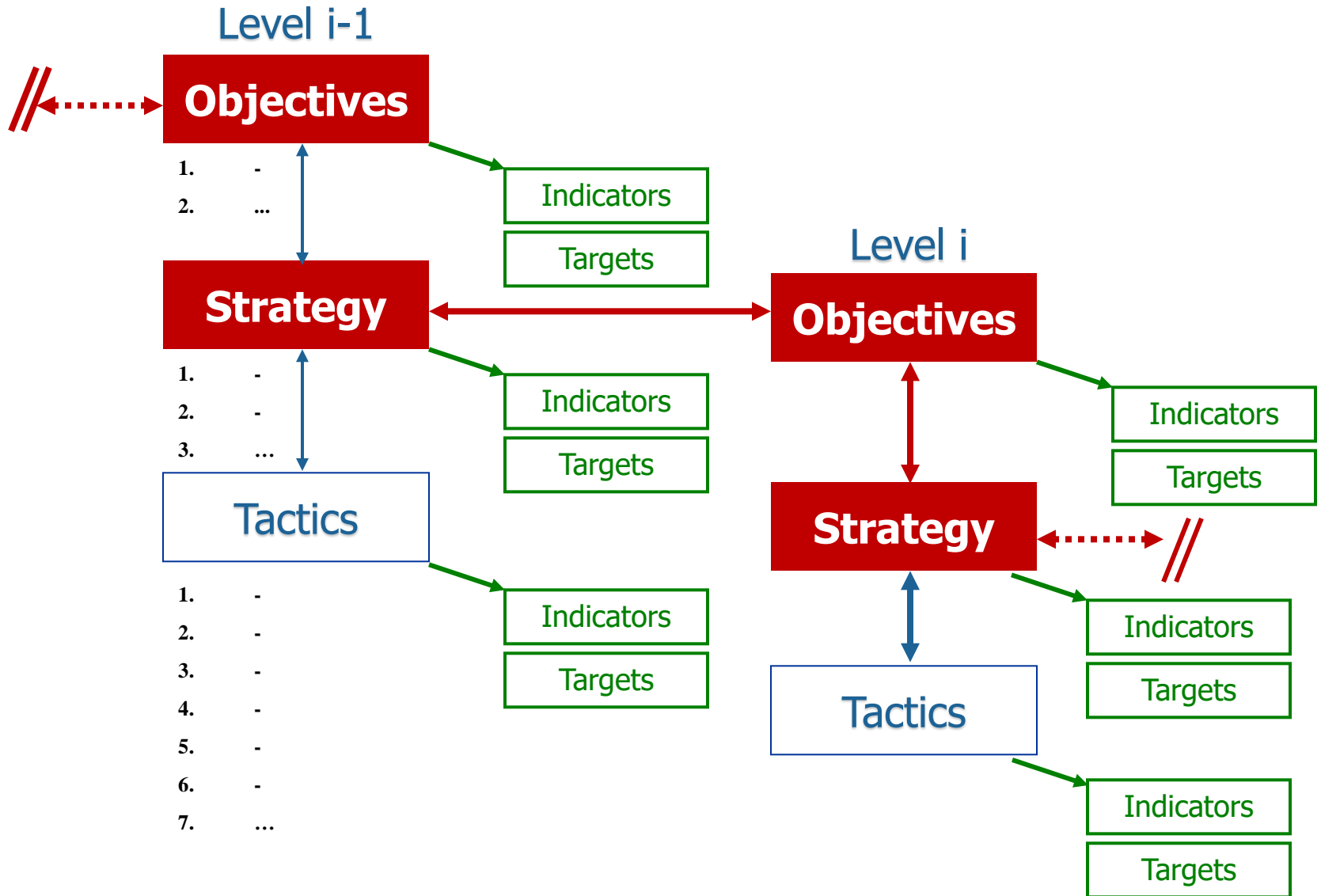
Share, Image, Awareness, Level, Loyalty Level, Satisfaction ...

Internal Business Process Perspective :

Time to Market, Quality Indicators, Productivity Indicators ...

Learning and Growth Perspective :

Employee Turnover, Social Climate, Employee Satisfaction, Skills ...

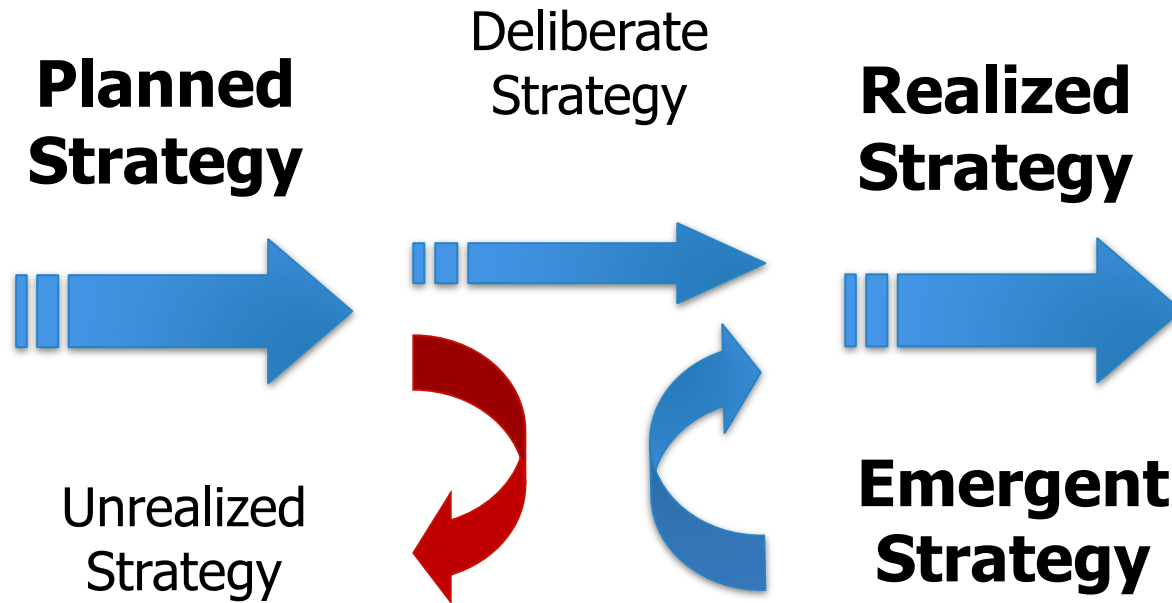


The Management of Strategy

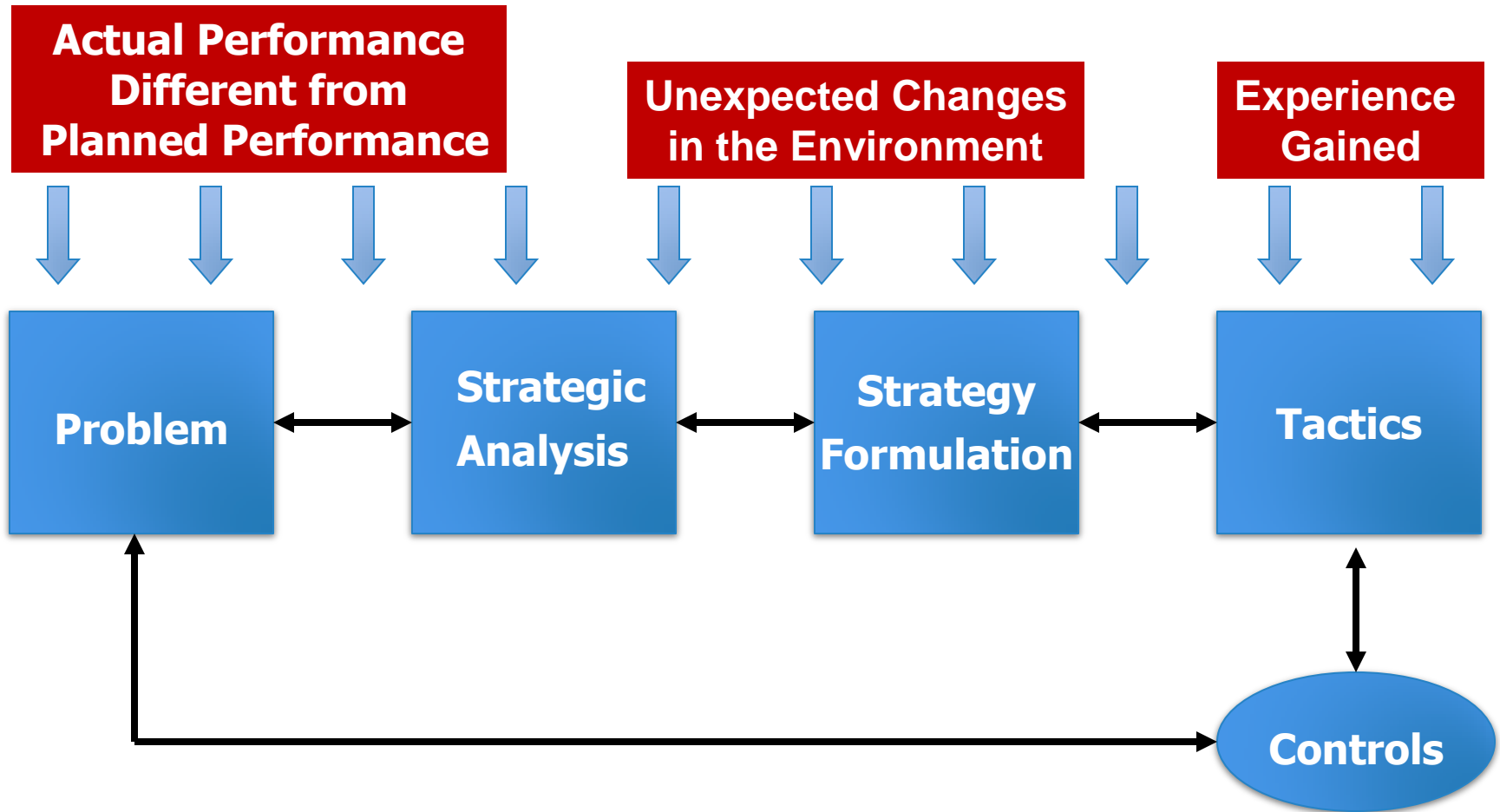
- Stated objectives vs. achieved results?
- Planning vs. plans?
- Success vs. luck?

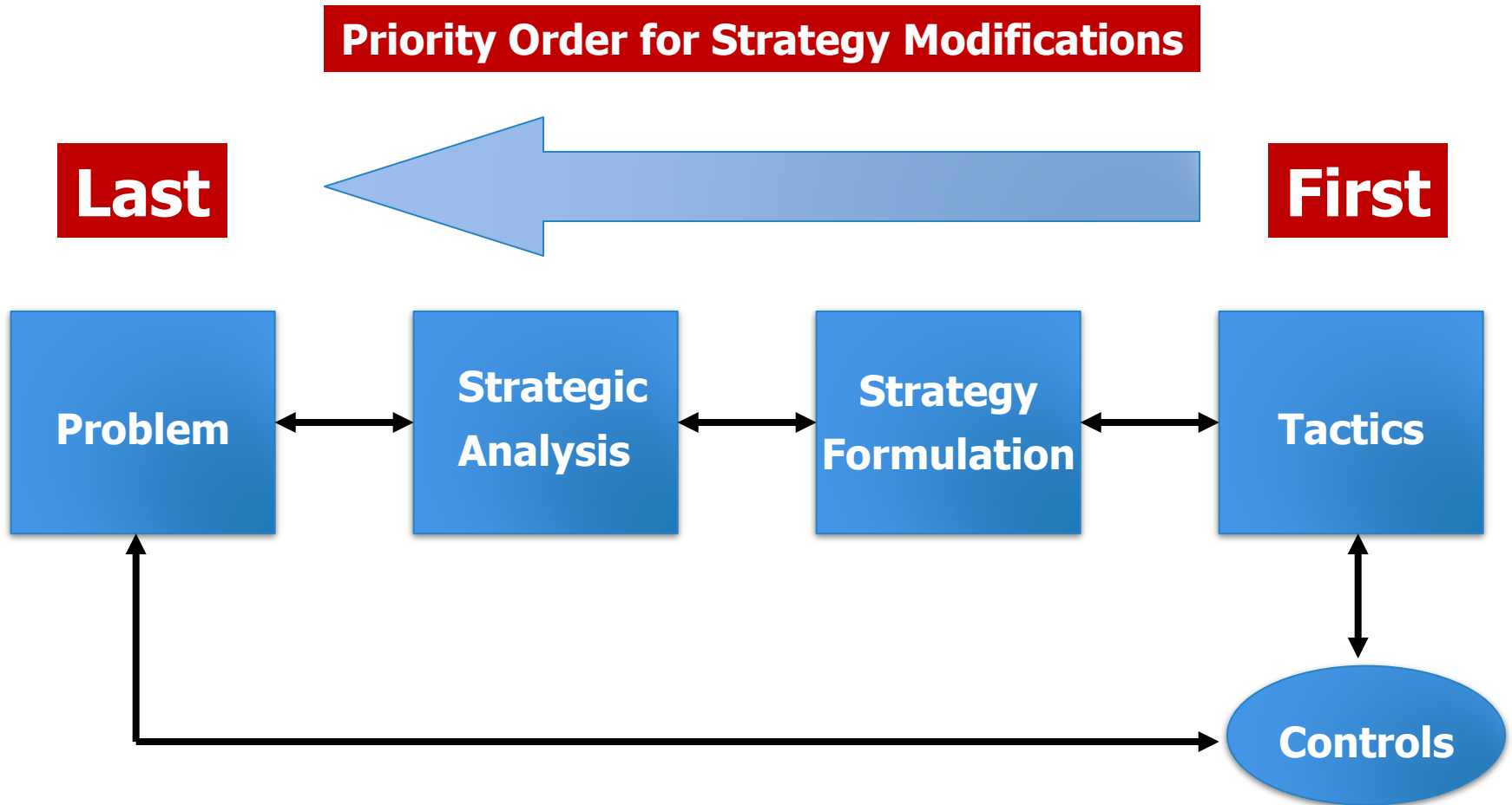
Planned & Emergent Strategy

(Mintzberg)

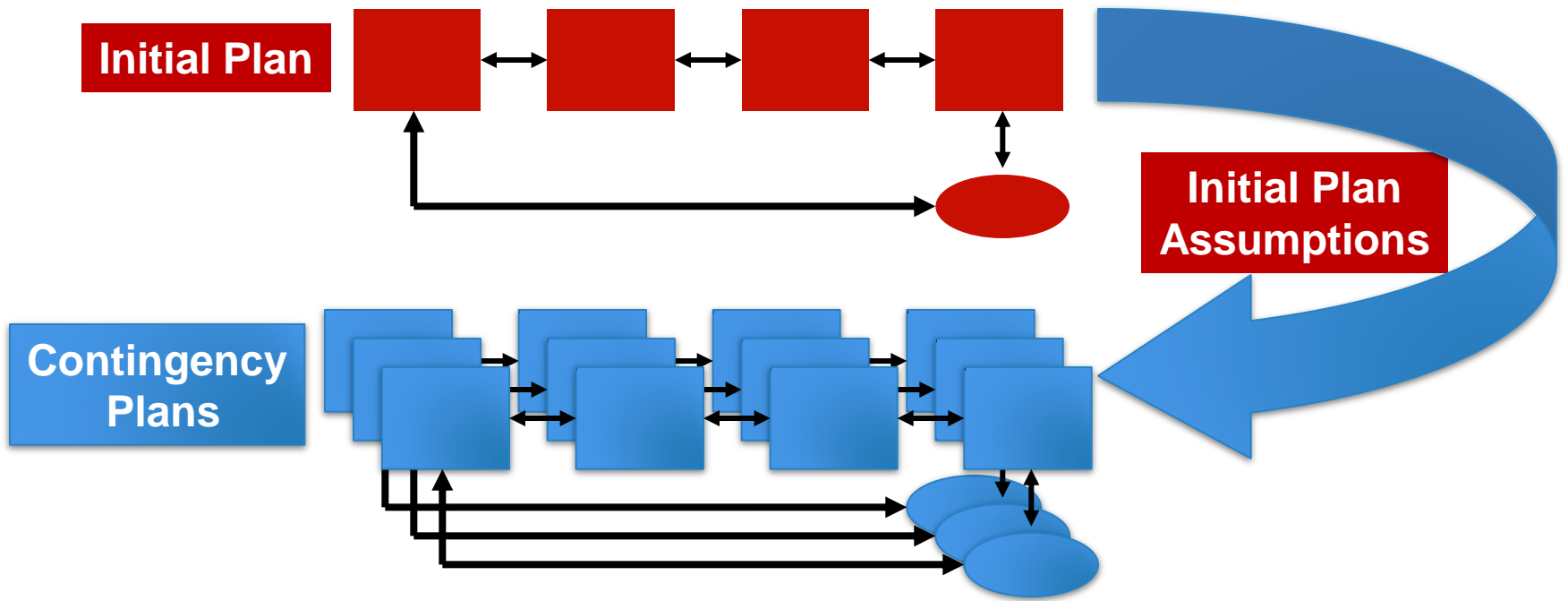


When to Modify a Strategy?





Contingency Plans : Dealing with Assumptions



Review & Key Strategic Lessons

**“ Plans are useless –
Planning is everything! ”**

Dwight Eisenhower

“ Are you lucky? ”

General Napoleon Bonaparte

“ Chance favors the prepared mind. ”

Louis Pasteur

- Strategy formulation is painful
- Not a single solution to business problems
- No pure analytical solutions to business problems

- Cannot believe models - but cannot afford to neglect them
- Extinction by instinct - paralysis by analysis

- An optimum long-term strategy is not a sequence of optimum short-term strategies
- Business continues during refurbishing

- In a turnaround situation, long-term is short-term and performance is cash
- A key resource is management time
- A good long-term strategy also requires a strong short-term financial position