



The Strategic Planning Process

The Origin of Projects in
Organizational Objectives

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Lesson Summary

- In this lesson unit we will explore:
 - Setting project objectives in the context of an organization's strategic plan
 - The tools and processes of strategic planning
 - Porter's Five Force Model
 - The Transformation process
 - The Value Chain
 - The Ansoff Matrix and the Boston Consulting Group Matrix.





Purpose of the Strategic Management Process

- Put into context the organization's capabilities and the forces acting upon it
- Determine the factors that influence the organization's strategic scope and direction, otherwise known as its strategic position.





Why Does Strategy Matter?

- Understand and respond to the dynamics of the complex environment in which it operates
- Focus its goals and harness the creative energy of its people
- Identify and understand its capabilities
- How to secure competitive advantage
- Monitoring progress and deviation from the plan for effective/timely decision making
- Means of illustrating the organization's direction to stakeholders, (and shareholders)





What is Strategy?

- Strategy is the process by which an organization manages its internal resources and capabilities to take advantage of the opportunities in the external environment, whilst addressing the threats that are likely to impact on the organization.





Strategic Management Process

- Strategic Management Process
Answers the questions:
 - What are we?
 - What do we intend to be?
 - How are we going to get there?





Three Levels of Strategy

- Corporate
- Business
- Operational
- Private Sector
- Not-for-profit Sector
- Charitable Sector





Understanding Strategy

- **M**ission
- **O**bjectives
- **S**trategies
- **T**actics



The Internal/The External

- **P**olitical
- **E**conomic
- **S**ocietal
- **T**echnological



The
Environmental
Influences or
Context





Stakeholders

- Who has an interest in your organization?
- Can they influence your organization?
- Is their influence strong, moderate or weak?



Porter's Five Force Model

Threat of new entrants

- Economies of scale
- Product differentiation
- Capital requirements
- Switching costs
- Access to distribution channels
- Expected retaliation



Bargaining power of suppliers

- Volume of purchases
- Importance of input to buyer
- Switching costs



Intensity of Competitive Rivalry

- Industry growth
- Number & balance of competitors
- Diverse competition
- Exit barriers
- Strategic stakes



Bargaining power of buyers

- Volume of purchases
- % of total costs
- Switching costs
- Profitability



Threat of substitution

- Existence of close substitutes
- Price relationship



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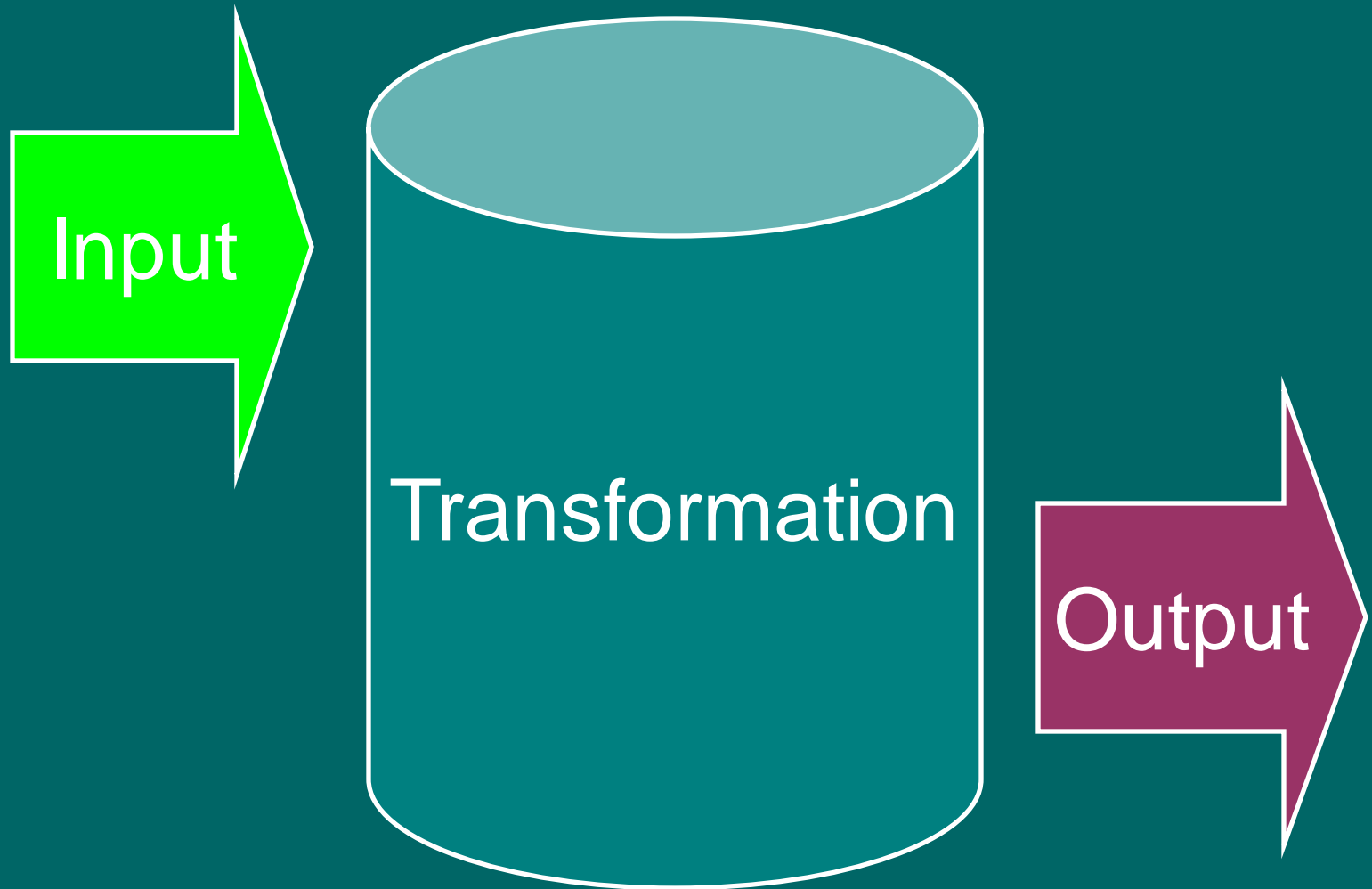


Threat of substitution

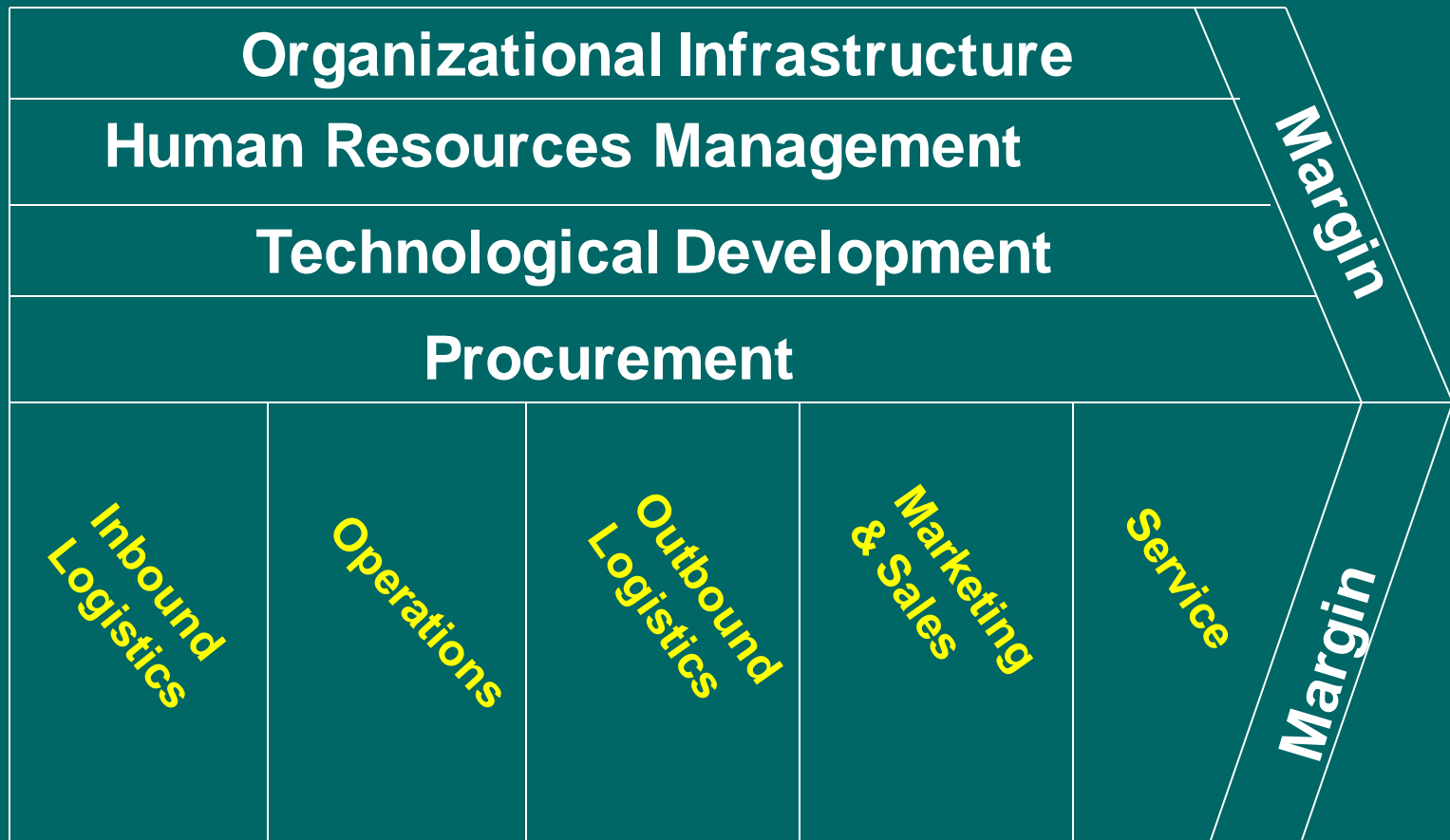
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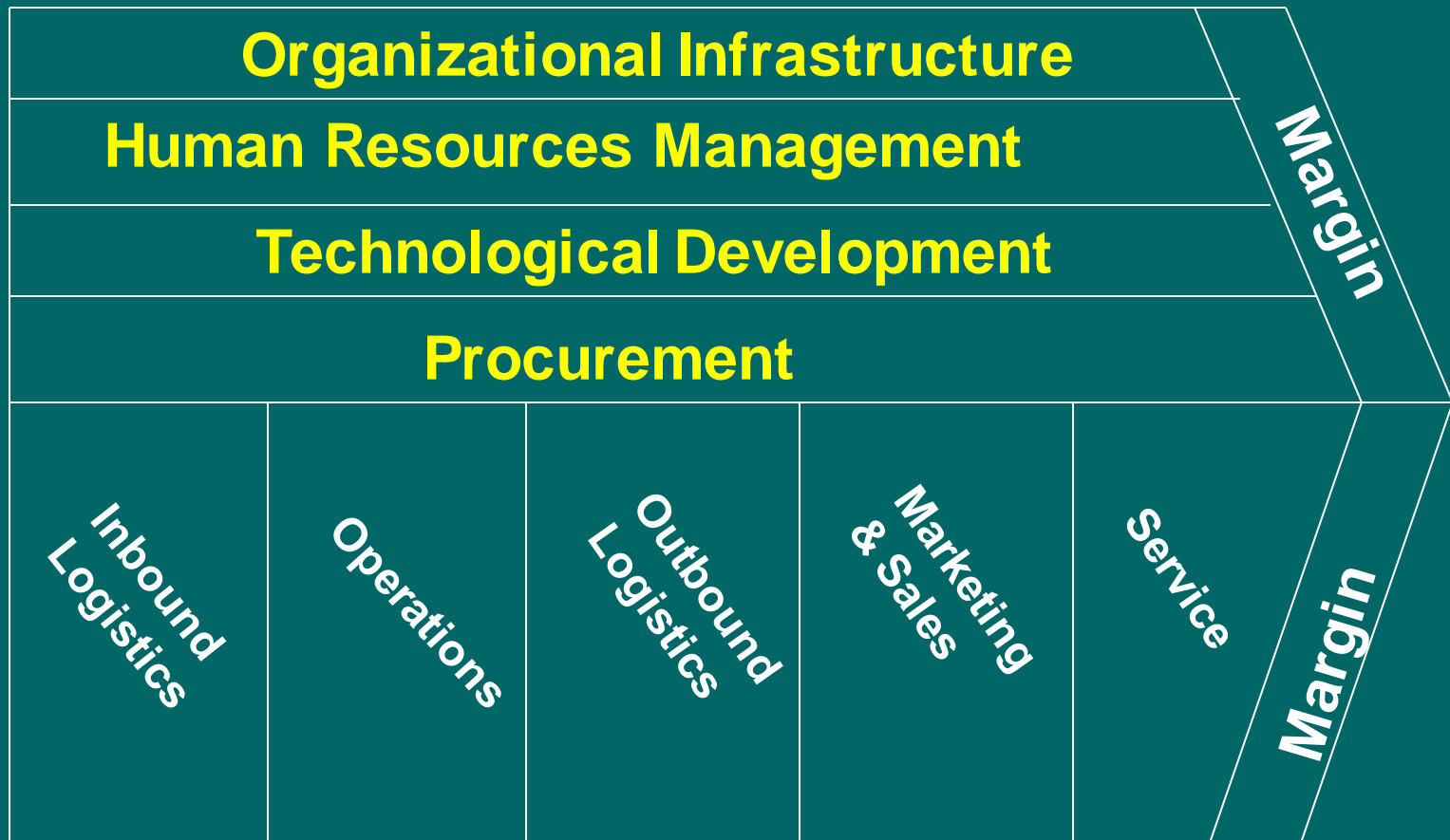
Creating Value - Operations



The Value Chain



The Value Chain



Generic Options for Strategic Planning

		Strategic Advantage	
		Lower cost	Differentiation
Competitive Scope	Broad target	Cost Leadership	Differentiation
	Narrow target	Cost Focus	Differentiation Focus

Porter, Michael E., *Competitive Advantage: Creating and Sustaining Superior Performance*, Simon and Schuster, 1985





Ansoff Matrix

		Product	
		Present	New
Market	Present	Do nothing Withdrawal Consolidation Market penetration	Product development
	New	Market development	Diversification





Competitor Analysis

- What is the competition's current strategy?
- What is the motivating goal of the competitor?
- What is the competitor capable of achieving?
- What assumptions has the competitor about the industry?
- What key factors is the competitor likely to respond to in the future?
- What are the competitor's key capabilities and vulnerabilities?

Stiles, Janine, ed., Foundations of Management: An Introduction to Strategic Management Henley Management College, 1997





Resources and Capabilities

- Can the organization sustain its strategic position with the resources and capabilities available?
- “Portfolio analysis” helps to balance resources:
 - Relative market share measures strength of the business and growth of the market
 - Are the products and resources balanced





The Boston Consulting Group Matrix for Portfolio Analysis

Relative Market Share

		Relative Market Share	
		High	Low
Market Growth	High	Star	Problem child/ questionable
	Low	Cash cow	Dog





SWOT Analysis

	Positive	Negative
Internal analysis	S trengths	W eaknesses
External analysis	O pportunities	T hreats





State Project Objectives or Goals

S	Specific
M	Measurable
A	Achievable (sometimes Assignable)
R	Realistic (sometimes Relevant)
T	Time Related
I	Involve the appropriate team members
E	Environmentally safe and acceptable
S	Success-oriented





Strategic Planning Process

External environment-
opportunities & threats

Internal environment-
strengths & weaknesses

How are we now?

Review/revise mission

New goals & objectives

What do we
intend to be?

Portfolio of
strategic choices

Strategy implementation

How are we going
to get there?

Project selection

Projects

Gray & Larson;
Project
Management: A
Managerial
Process,
Figure 2.1, Pg.
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