Unit 7 Strategic planning process.

strategic planning is a stream of decisions and actions that lead to achievement of organisational goals. strategic planning is an indispensable task in ever changing business environment. It provides a road map for the corporation. It ensures that the enterprise keeps moving in the right direction It serves as a defence machanism which helps a firm avoid costly mistakes.

Advantages:-

1. It shows the way to achieve the goal. (2) It enables long-term decision making (3) Ensures optimum utilisation of resources (4) prepares the firm to face the future (5) It helps to acquire competitive advantage

Steps in the strategic planning process:-

I Clarifying the mission:- It is the first and foremost task in the strategic planning process. The mission is the expression of the corporate intent. It tells what the corporation stands for. It carries the grand ... of the firm. It also represents the corporation's ... principles. It helps to formulate growth plan

F8 ex: When AT&T stated its mission was "to give a telephone to every American", it set the pace of its growth. It has invested heavily and grew rapidly. Later it has defined its mission as one of connecting people 'anytime, anywhere'. This became the guiding principle and growth plans, investment plans and technology plans were all now focussed towards the mission. It intended to give global telecom network, to achieve its mission.

II. Defining the business:- Defining the business is the next task. * It is the prerequisite for selecting the right opportunities and steering the firm on the correct path. Without defining the business correctly, the firm can not fix its corporate objective in a proper manner.

* It is a clear cut statement of the business the firm is engaged in or is planning to pursue

Defining the business is a crucial task, because of the fast changing market boundaries. Fast changes taking place in the realms of technology, products and customer preferences makes the task more complicated.

Requisites of a good business definition:-

1. It must be related to the function of the product and not to the product. (2) It must be wide enough to absorb new opportunities.

(3) It must be related to basic capabilities and limitations of the organisation.

III **Surveying the external environment** :- It is the central task of strategic planning. For a business firm all its opportunities and threats are hidden in the environment. So it forms a vital part of strategic planning. It analyses the macro as well as micro environmental factors.

Developing O.T profile :- After analysing all the aspects relating to the environment, the firm prepares O-T profile. O-T profile means making out a gist of opportunities & threats ~~available~~ in the environment from standpoint of the firm. It presents the information in such way that one can readily understand the impact of environment on the firm.

SWOT

IV **Internal appraisal of the firm** :-

After surveying the environment, the firm attempts an internal appraisal and takes a close look at its strengths, weaknesses and competitive advantages.

(a) **Strength - Weaknesses analysis** :-

The firm has to assess carefully its capabilities in the various areas such as marketing, finance human resources, operation R&D etc. Both qualitative and quantitative evaluations form part of this appraisal. Aspects to be covered in S-W analysis in the marketing area:-

(1) overall market growth, (2) firm's market share, (3) Competitors' share (4) firm's production capacity (5) The life cycles stage of its various products (6) Brand equity (7) product quality, technology etc (8) Customer perception & Satisfaction level (9) profitability, prices, margins etc.

<u>Techniques for analysing S-W in mkg</u>:-

(1) Marketing audit, (2) CVP analysis (3) Mkg cost analysis. (4) product line profit analysis (5) Consumer Satisfaction index. (6) perception mapping and multi-dimensional scaling.

(b) <u>Acessing Competitive advantage</u>:- The firm has to examine which of its strength actually constitute competitive advantage. It <u>has to compare itself against competition</u> and <u>develop its competitive advantage profile</u>.

A competitive advantage is essentially a <u>position of superiority on the part of the firm in some function, activity / product</u> in relation to its competitor. With the help of this, the firm carve out a comfortable position for itself in the industry.

V <u>Setting Corporate Objectives</u>:-

After the firm has clarified its mission, defined its business and scanned its environment and internal capabilities, it is ready to set its objectives. The main task here is to decide the extent of business growth, the firm wants to achieve.

Balancing the ~~objectives~~ opportunities with the org's capabilities and ambitions, the firm figures out its growth objective. Usually firms set objectives in all key areas, like, sales, profits, asset formation, market share, corporate image etc.

The objectives have to be set in clear and specific terms so that they can guide performance. They have also to be stated in a measurable and time-bound manner. It is a complex one involving a series of assessments.

VI Formulating the corporate ~~objective~~: Strategy:-

Objectives clarify where the firm wants to reach the strategy provides the design ~~for~~ getting there. Corporate strategy has to specify through which business of what kind of product market it aims to achieve its objective.

~~Consumer behaviour & steps~~

Stages of the buying decision process:- The consumer passes through five stages while buying a product. They are, problem recognition, information search, evaluation of alternatives purchase decisions and post purchase behaviour.

I problem recognition:- The buying process starts when the buyer recognizes a problem or need. Marketers need to identify the circumstances that trigger a particular need. They they can develop strategies that trigger consumer interest.

II Information Search:- An aroused need motivates the people to buy a product. At this level consumer tries to gather information about a product. He enters into active information search. Reading material, phoning friends, visiting stores etc

Through gathering information, the consumer learns about competing brands and their features.

III Evaluation of alternatives:- The next step in the purchasing process is evaluation of available alternative brands. The consumer develops a set of brand beliefs about each brand basing on the attributes. Most buyers consider several attributes in their purchase decision.

IV purchase decision:- After evaluating various brands and their attributes, the consumer forms an intention to buy the most preferred brand. In executing a purchase intention, the consumer may make up to five purchase sub-decisions. a brand decision, vendor decision, quantity decision, timing decision and payment method etc. After finalising these decisions the consumer will buy the product. He takes the delivery of product.

V

post purchase behaviour:- After purchasing the product, the consumer will experience some level of satisfaction or dissatisfaction. The marketers job does not end when the product is bought. Marketers must monitor post purchase satisfaction, post purchase products uses etc.

What determines the customer satisfaction. It is the difference between the buyer's expectations about the product and actual benefit received from it. If actual benefit is more it results in satisfaction and vice versa.

post purchas actions:- If the consumer is satisfied, he will buy the product again. Dissatisfied customers abandon the product or return it. marketers can and should take steps to minimize the amount of consumer post purchase dissatisfaction. Mkters should also monitor how the buyers use and dispose of the product and steps to should be taken to minimise this kind of dissatisfaction of throwing off the product.

SWOT Analysis

SWOT analysis is an overall rational evaluation of a firm's own strengths, weaknesses, opportunities & threats at a given point of time. All of these are likely to affect the firm's strategic choice.

Internal Environment

Strengths (S)	Weaknesses (W)
→ Strong presence in the local market	→ Insular & inflexible organisational culture
→ Well established customer base	→ Worn out plant & equipment
→ Good financial performance	→ Inadequate systems & controls
→ Availability of skilled workforce	→ Dependence on automotive end users
→ Backing from financial institutions	→ Inadequate knowledge of appropriate technology

External Environment

Opportunities (O)	Threats (T)
→ Large potential of exports	→ Dominance of the small sector
→ India's emergence as a source base.	→ Customer's emphasis on just-in-time delivery
→ Access to new manufacturing process & technology	→ Absence of entry barriers into industry
→ Realignment in the auto-supplier industry	→ Demand fluctuations in the domestic market
→ Encouragement from the Govt in terms of subsidies, lower taxes & others	→ High rate of labour turnover.