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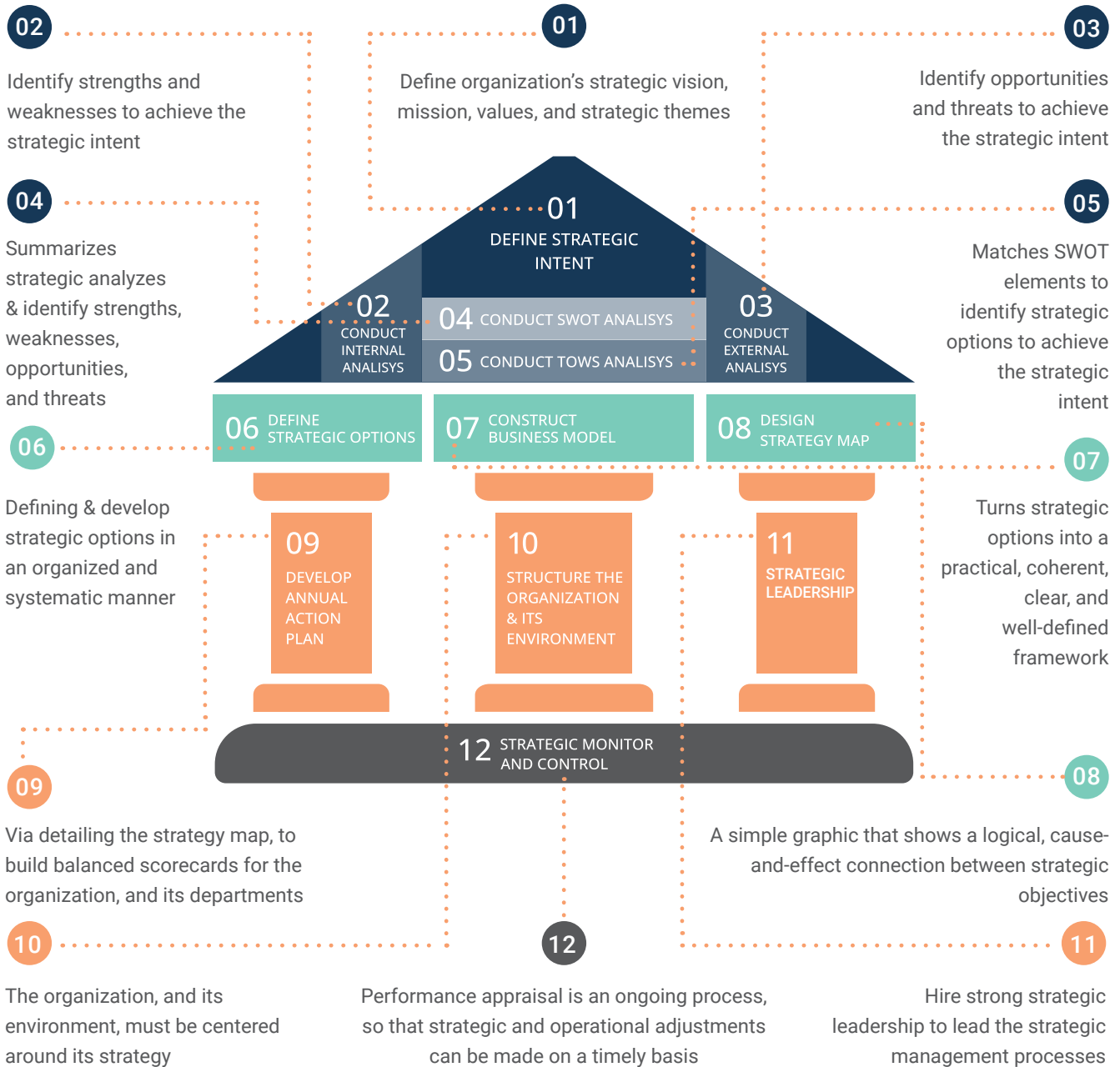
STRATEGIC MANAGEMENT PROCESS

HOW TO ASSESS, FORMULATE, IMPLEMENT & CONTROL YOUR STRATEGY

Abbas Al-Humaid

Foreword by Alan D. Whitman, Chairman
Baker Tilly International Board

STRATEGIC MANAGEMENT PROCESS MODEL



STRATEGIC MANAGEMENT PROCESS

**HOW TO ASSESS, FORMULATE,
IMPLEMENT & CONTROL YOUR STRATEGY**

Recognized by the Chartered Management Institute (CMI), UK

Abbas Al-Humaid

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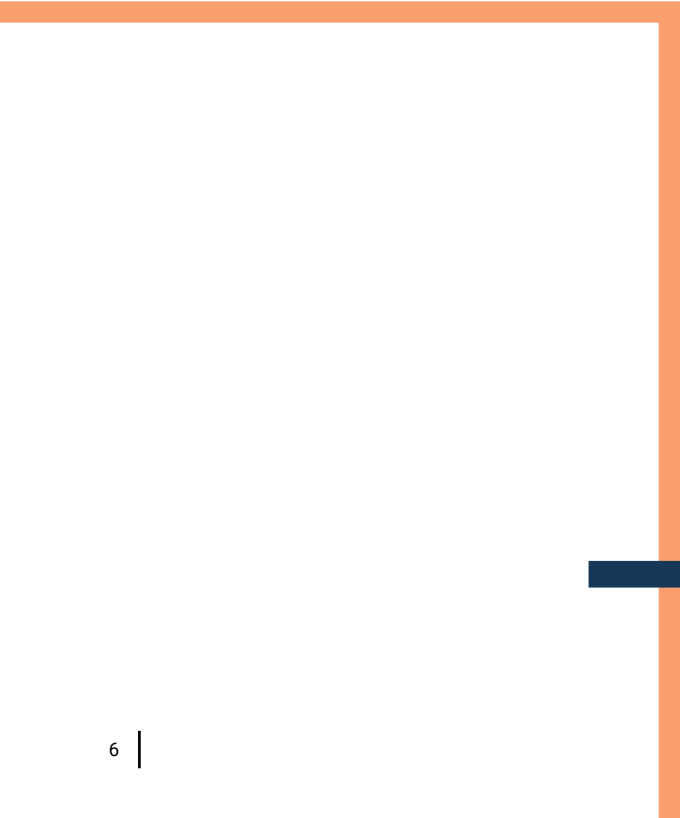
I'm Abbas Al-Humaid. As a strategist, management consultant, and author, my passion is helping people and businesses unlock their fullest potential.

Each of us has unique strengths and dreams. My books, especially this one on "Strategic Management Process", aim to guide you towards them. The good news? All my books are free to download. Just find the QR code and give it a scan or click.

But I want this book to be more than just a guide for your career or business. I hope it enriches your entire life. That's why your feedback is so crucial to me. I genuinely want to hear about your experiences, insights, and any benefits you've derived.

Want to share feedback, get professional advice, or learn about our development programs? Please reach out. You can email me directly at abbas.alhumaid@gmail.com or drop a message on WhatsApp at 00968 9538 5151. I eagerly await your thoughts.

Warmly,
Abbas Al-Humaid.



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FOREWORD

By Alan. D. Whitman, Chairman, Baker Tilly International Board

The world in which we live is increasingly complex. Hyperconnected. Unexpected. There is an inherent tension between today's decisions and actions and how those impact and shape tomorrow. Organizations must navigate uncertainty and make sense of ambiguity – all while running a business and reinventing it at the same time.

Abbas Al-Humaid understands these dynamics better than most. In *Strategic Management Process: How to Assess, Formulate, Implement, & Control Your Strategy*, Abbas Al-Humaid captures his extensive experience and astute insight in a comprehensive and practical guide to strategy formulation, implementation and execution.

From business schools to leading consulting firms, there is no shortage of strategy concepts and techniques. Abbas cuts through the confusion in a coherent and cohesive way with a step-by-step approach and relatable examples that are far from theorizing. He does this all in the context of today's fast-paced environment.

Abbas points out that strategic intent is where strategy formulation begins. This is a powerful reminder that strategy is all about choices. Those choices become clearer when leaders understand and agree on an organization's purpose and ambitions. Too often, organizations get mired in competing priorities, making it difficult to determine the best way to allocate resources. Abbas patiently walks through a process with activities and assessments to uncover strategic intent in a thought-provoking and constructive way.

Strategic Management Process: How to Assess, Formulate, Implement, & Control Your Strategy can be read and applied from cover to cover or as an invaluable go-to guide for critical thinking and problem-solving.

Alan. D. Whitman
Baker Tilly US, LLP
Chairman, Baker Tilly International Board



TESTIMONIALS

"Abbas has acquired a considerable educational background which provides him with the necessary academic and theoretical knowledge of strategic management to be authoritative in his views. He is well versed in the theory of strategy and strategy formulation – working in a large corporate organization has provided him with the knowledge and experience to work effectively in such environments. He is also creative and has written on the subject of strategy and the need for better strategic thinking across the corporate world.

He has also obtained considerable experience in resolving the difficulties and challenges of implementing strategy effectively in large corporations.

He has the unique experience of working in a corporate strategy department where the executive management has been seeking to build a framework through which new strategic directions can be set. The need to be highly skilled in building trust and confidence between the corporate strategy team and other senior executives has been essential and Abbas has shown himself to be extremely proficient in this area. He has the ability to see the whole picture while recognizing the need to pay attention to the details. His overall management capabilities are well developed".



Dr. Nick Clifford, PhD, MBA, MCMI, FRSA
Senior Fellow, Manchester Business School

"Abbas has a unique blend of entrepreneurial instinct and capability, combined with "blue chip" consulting" skills and experience. Abbas approaches all his projects with great energy and enthusiasm.



Richard Lobley, Ex. Vice President, Strategy, Projects & Controls, Emirates Nuclear Energy Corporation

"I spent my weekend reading and admiring your wonderful book. The way you have captured the complex strategy formulation, execution, and control process in such simple terms is masterful and a pleasure to read."



**Zulfiqar Hamadani,
the CEO of Tammiah Food Group, Saudi Arabia**

"I have read through the book more than once and feel that Abbas has put the book in a most simplified manner giving illustrations and practical examples and, in this way, he has made the most complex subject of strategic planning and its implementation very simple for the reader to understand and then implement. His walk through approach is really commendable, and I wish you, the readers, good luck in formulating your Strategic Intent Goals and its implementation, taking input from Abbas' book".



**Mago JB Singh
Group Managing Partner
Baker Tilly Middle East & Baker Tilly JFC Group**

BEFORE YOU START READING!



"You've got to think about big things while you're doing small things so that all the small things go in the right direction." – Alvin Toffler

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A close-up photograph of a person's hands interacting with a tablet. The person is wearing a dark sweater. The tablet screen displays a webpage with text and images. The right side of the image is overlaid with a teal color and a white diamond shape in the upper right corner. The text '90% OF COMPANIES FAIL TO ACHIEVE THEIR STRATEGIC OBJECTIVES' is overlaid in white on the bottom left.

90% OF
COMPANIES
FAIL TO ACHIEVE
THEIR STRATEGIC
OBJECTIVES

According to research published in the Harvard Business Review, 90% of companies fail to achieve their strategic objectives because nearly 95% of corporate employees do not understand their companies' strategy and 85% of executive leadership teams spend less than one hour per month discussing strategy, while 50% spend no time at all discussing strategy! ¹

This is very noticeable in our daily life, despite the obviousness of the importance of strategic planning and the wide circulation of strategy-related terms on people's tongues. However, they often do not know what they mean, as many people find it difficult to think and implement strategically.

The reasons for this problem are: (1) there is much confusion surrounding the understanding of strategic concepts and techniques in work environments; (2) even if a proper understanding of strategic concepts and techniques exists, there still remains a lack of proficiency regarding these concepts and techniques and the inability to spontaneously and professionally apply them in daily life.

This is one of the biggest issues in our organizations, and it is directly reflected on any organization's outcomes and is, in turn, reflected individually on us, the employees, and stakeholders of these organizations.

To strive and work – whether in your personal life or the management of your organization or project, whatever it may be – without being armed with strategic thinking and execution ability is confusion at best; to the point that your efforts and spending are nothing more than waste and ruin, dispersion of resources, and detachment from success.

1 Why Is Strategic Planning Important? Catherine Cote, Harvard Business School Online
<https://online.hbs.edu/blog/post/why-is-strategic-planning-important>.

What makes the problem more critical and has a worse impact is that strategy development is an ongoing process; the strategic change that occurs in the present time is the situation that will exist in the future, and therefore strategic management must be capable of expecting and confronting change.

If our surrounding environment were fixed, then we would be able to look ahead and know what the future holds. Resultantly, we would need only one plan and the power to commit to it without changing the manner of work.

However, we live in a constantly changing world. If we observe the changes that have occurred in the past twenty or so years and continue to occur continuously with no sign of stopping, we will judge all such changes as being quite important and influential, in a big way, on the political and economic scene.

If we consider the world of technology and communications, we will see that the rate of change is extraordinary and genuinely stupefying – with all the meaning that that word contains.

The same is true of social, legal, and cultural matters.



These continuous, radical, and dramatic changes have led to the undermining of many old assumptions and practices and have changed the rules of the game for all companies. Therefore, regular and continual reviews of strategy and one's business model have become a vital mission for companies and institutions, both large and small. Those who fail to do so will find themselves practically outside the game, not to mention the greatness of their primary capabilities for success.

As a result, "A recent study by McKinsey found that the average life span of companies listed in Standard & Poor's 500 was 61 years in 1958. Today, it is less than 18 years. McKinsey believes that, in 2027, 75% of the companies currently quoted on the S&P 500 will have disappeared."²

In such a rapidly changing environment, institutions inevitably need a model for strategic planning that allows them to anticipate the future, analyze the stakeholders, the strengths and weaknesses, and the opportunities and threats that loom before them in order to specify the strategic issues at stake and to develop a vision and a flexible strategic plan that allows them to confront transformations that cannot be predicted to realize its vision and strategic objectives.

The capacity of strategic management simply means having the capability to plan strategically and to put your plan into practice in order to achieve the intended results.

2 Why you will probably live longer than most big companies, December 2016, Professor Stéphane Garelli, <https://www.imd.org/research-knowledge/articles/why-you-will-probably-live-longer-than-most-big-companies/>.

Strategic management is concerned with answering questions: where do we want to be? Where are we now? Moreover, how will we proceed from where we actually are to where we want to be within the framework of our values and in light of the changes occurring internally and externally?

The strategic management model has four phases, consisting of 12 strategic steps, as follows: The first phase is **STRATEGIC ASSESSMENT**, and it consists of these steps: identifying the organization's strategic intent, analyzing the organization and the external environment strategically, conducting SWOT Analysis, and lastly conducting TOWS Analysis, in order to uncover the strategic options. The second phase is **STRATEGY FORMULATION**, and its steps are as follows: identifying strategic options, designing the organization's business model based on its strategic options, and lastly, designing the strategic map based upon its business model and strategic options. The third phase is **STRATEGIC IMPLEMENTATION**, and it consists of developing the annual procedural work plan, forming organizational structures, establishing internal environments, and appointing a strategic leadership for the organization. The last phase is **STRATEGIC MONITOR AND CONTROL**, during the implementation process.

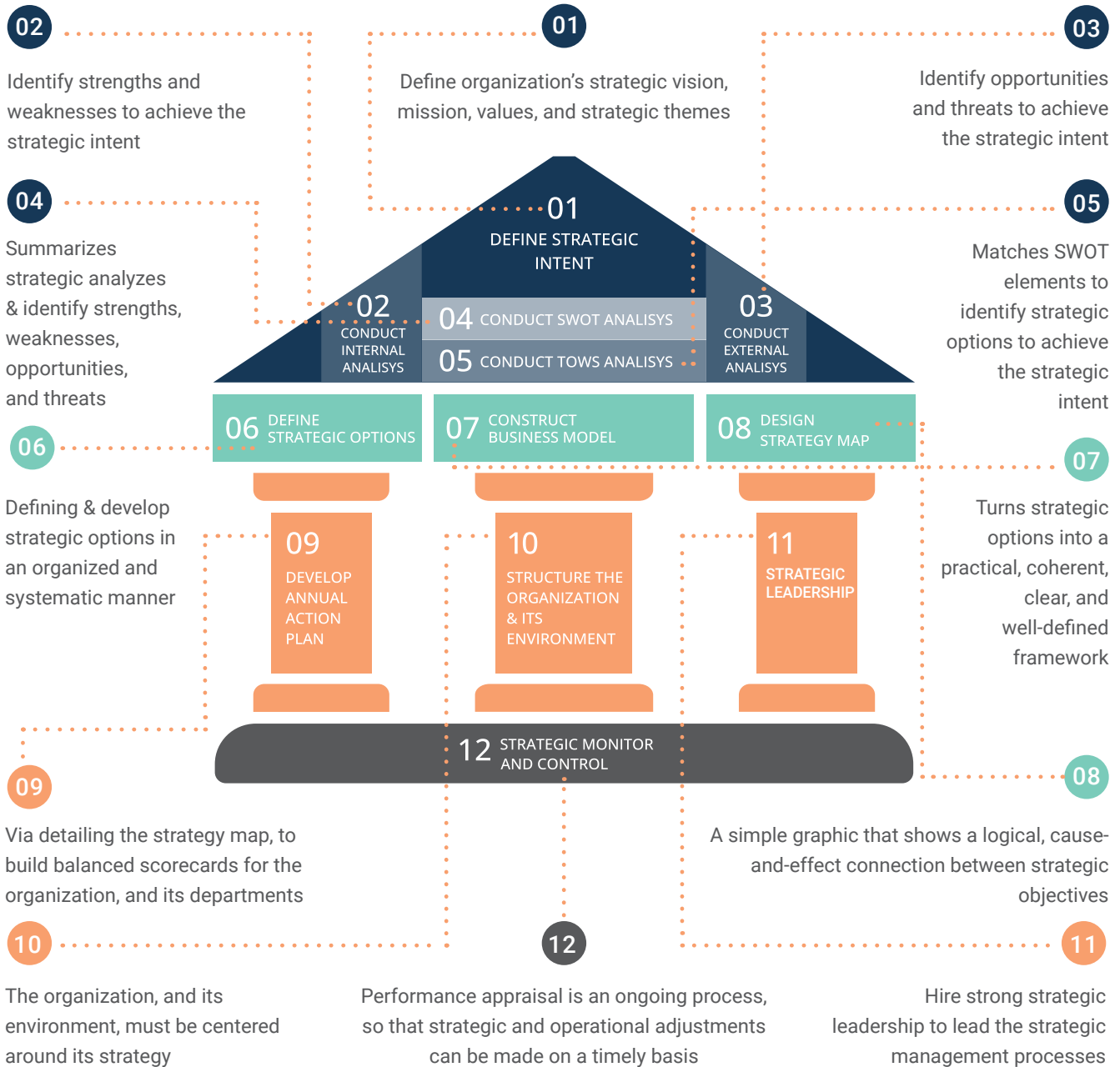


Watch Video

Why the "Strategic Management Process" Program?

3:56

STRATEGIC MANAGEMENT PROCESS MODEL



I have read hundreds of recently published articles on strategic thinking and strategic implementation I also watched dozens of courses and educational videos to assess the content that the reader/trainee needs to acquire the capability of strategic management. During this stage, I observed that there is a lot of ambiguity in presenting many strategic concepts and techniques and that these concepts and techniques are presented in an unrelated manner. And when they are presented coherently, some fundamental and logical steps that link the different strategic phases together are completely ignored.

In addition, the examples contained are either from large international corporations, which are very difficult to keep pace with or simple examples that do not reflect the difficulty and complexity of external reality. I also saw that the examples change from one concept to another, as there is no single example to build upon or apply all the presented strategic concepts until the completion of the development of the relevant strategic plan. Therefore, a reader/trainee would not be able to build an integrated, coherent, and unified picture of these strategic concepts and techniques.

That is what prompted me to write this guide on strategic management – to help the reader and enable him or her to understand the process of strategic management in a language that is simultaneously easy, flexible and practical, and far from theorizing.

This book covers all the steps and phases contained in the above-mentioned Strategic Management Model in a practical manner, and it aims to enable the reader to develop his or her professional capabilities to mastermind and implement strategic plans and to translate them into an effective daily procedural reality and control them – all practically and smoothly.

In addition to giving some small examples here and there, I gave a real-life example from a small organization. I applied strategic concepts and procedures to that organization to design its complete strategic plan. I also was attentive to support the book with a range of educational videos, and many models and charts for the strategic concepts and techniques under review, to make them understandable and manageable to the reader.

To get the most out of this book, try implementing what you learn in your organization, step by step.

Moreover, I'd like to emphasize that the belief that strategic planning relates only to managing organizations is one of the most common mistakes. Instead, it is related to managing your life as well as managing projects and organizations. The idea is that strategic management should not be limited to a practice we merely undertake during the management of organizations but rather a lifestyle, a characterizing talent to which we act spontaneously and naturally in our lives, and this is what the book aims to help you achieve.

The book is mapped by the Chartered Management Institute (CMI), UK and recognized in relation to management and leadership against their professional standards and has been approved as a training programme, under which CMI awards a certificate of completion to graduates of the programme.

The CMI is the only Chartered professional body in the UK dedicated to promoting the highest standards in management and leadership excellence and they are the only organisation that can award Chartered Manager status, the highest accolade for managers and leaders.



In this book, I share the theoretical knowledge and practical experience I have gained from a 30-year career in various areas related to strategies, the leadership of comprehensive change processes, and distinctive aspects of business management.

This included training hundreds of managers and CEOs over several years for the Strategic Management & Leadership Diploma of the Chartered Management Institute (CMI), UK, and assisting many of them to earn the title of Chartered Manager (CMgr) by the Institute.

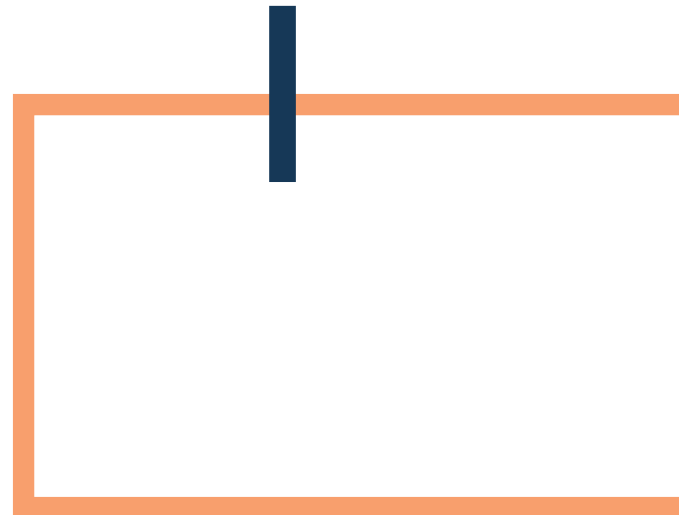
I hope this publication goes beyond assisting you in managing your enterprise or career and that you find it to be beneficial for your life as a whole.

Abbas Al-Humaid

ACTIVITIES

Activity 1 (15 minutes)

Think hard about the components of strategic planning for your institution without doing an in-depth study. Try to define those components. What are the components that you can define for your institution? Does your institution take these components into account during its strategic planning?



SECTION ONE: STRATEGIC ASSESSMENT

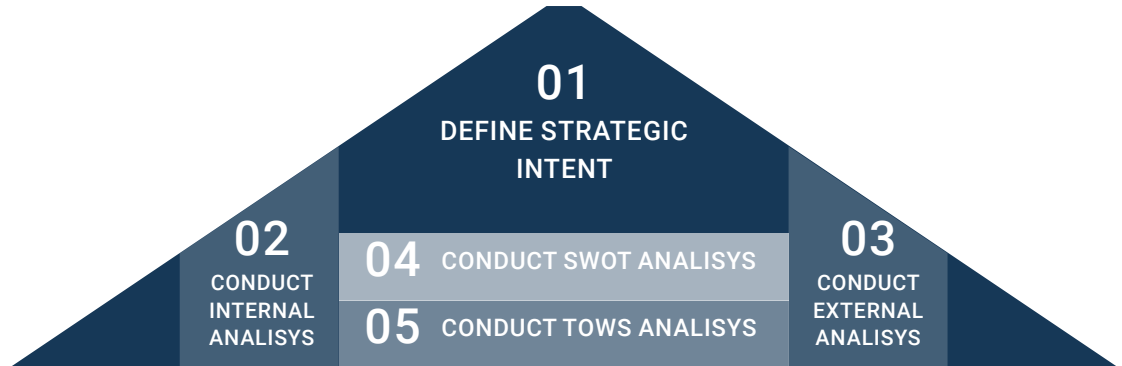
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- 3 TRANSITION FROM ANALYSIS
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STRATEGIC ASSESSMENT

DEFINING THE STRATEGIC INTENT

● Strategic Assessment



● Strategy Formulation



● Strategic Implementation



● Strategic Control



DEFINING THE STRATEGIC INTENT



"The person who works without insight is like someone walking without a route; walking faster just gets him farther away." – Ja'far al-Sadiq

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**STRATEGIC
INTENT IS OUR
END GOAL**

DEFINING THE **STRATEGIC INTENT**

The first step in the strategic management process is to define the elements of strategic intent. Strategic intent is the goal and purpose of strategy and the existence of the entity to be planned for. Without the knowledge of where you are headed, there is no reason to move from where you are in the first place.

Strategic intent is our end goal; therefore, it is the basis on which (along with knowing where we are – our strategic position –

which will be discussed within the next steps) the appropriate path we should take is determined (that is strategic plan).

After completing the strategic analysis process (second and third steps of strategic assessment), we review the strategic intent that was determined in the first step to verify if it is valid and realistic and whether it is necessary to modify it in light of the results we concluded from the processes of strategic analysis.



To make it easier, we have the following example to which we will apply the strategic procedures presented in this book during the next sections. We will aim to develop its strategic plan.

The Training Institute is a traditional training institute providing some short professional programs in addition to hosting training courses on accredited international professional qualifications.

The Institute used to make good profits and had a flourishing business. However, about two years ago, from the time of the outbreak of the COVID-19 pandemic and the subsequent technical, social, behavioral and economic changes, the Institute started to suffer a sharp recession due to health measures on the one hand, and because people preferred online training to meet their training needs, on the other hand.

As a response, the Institute decided to change its business model to provide online training services, reducing its operational expenses and increasing its revenues by targeting new markets which the Institute could not reach in the past, and consequently, it was renamed the Virtual Training Institute.

DEFINING THE **STRATEGIC INTENT**

VISION

1

Simply put, the vision is an aesthetic, attractive image of the institution as we want it to be in the future when it succeeds in realizing its mission.

Vision is assumed to grant the employees an incredible feeling of purpose for which the institution was founded; so that they as employees see themselves “building something” instead of merely stacking rocks

Therefore, the “vision” must be formed in such a way that it creates a powerful, vital image in people’s minds, evokes their emotions and feelings, ignites in their excitement and the desire to resist and challenge, and drives them to positive, constructive participation in the company to achieve the vision.

Furthermore, the expression by which we formulate the vision of the institution must be clear and inspiring, just as it’s commendable for that vision to be characterized as succinctly as possible.

However, you should be aware that defining your strategic vision depends on your real inherent purpose for establishing your organization. So, you should be honest and clear with yourself when you document your strategic vision because it is the real objective you are pursuing. This vision should always be in your mind and in the mind of any person you hire to achieve the vision because the vision will play the most important role in defining your strategy and its components.



VISION IS ASSUMED TO
GRANT THE EMPLOYEES AN
INCREDIBLE FEELING OF
PURPOSE FOR WHICH THE
INSTITUTION WAS FOUNDED

DEFINING THE **STRATEGIC INTENT**

2

In the example – Virtual Training Institute – there are several options as to what your strategic vision may be like. I will introduce some of these options, and you will notice a significant difference between them:

First option: “To be the best and most inclusive virtual training institute in the Middle East.”

Second option: “Helping the peoples of the MENA region to have a better life through professional development.”

Third option: “To be the pioneering provider for accredited professional qualifications, to enhance individuals’ capacities and promote their career development in the MENA (Middle East and North Africa) region.”

To be able to complete our strategic plan for this Institute, we should first define our strategic vision. Accordingly, I will opt for the second option to complete the remaining components, which states: “Helping the peoples of the MENA region to have a better life through professional development.”

MISSION

The mission of the institution is the reason for its existence. In other words, it is the task the institution must achieve or completely fulfill to realize its vision in the future.

To clarify the matter, we may consider the “mission” the strategic path the institution needs to follow to realize its vision.

Furthermore, if the institution wants to remain effective and active and capable of realizing its strategic vision, it must review its mission and refine it periodically – once every few years.

The mission of the institution answers the question: What business are we in?

The mistake that many people make when formulating the mission, is making it overly complex and complicated such that it’s difficult to understand. Therefore, when formulating the mission of your institution, you must take care to simultaneously make it clear, precise and inspiring.

STRATEGIC ASSESSMENT

In our example, Virtual Training Institute, we can for example design our strategic mission as: "To be a reliable virtual training center, providing internationally certified professional qualifications in business in the form of interactive electronic content, in both Arabic and English, for our individual and corporate customers in the MENA region."



The mission of the institution is the reason for its existence. In other words, it is the task the institution must achieve or completely fulfill to realize its vision in the future.

DEFINING THE **STRATEGIC INTENT**

Below are examples of the visions and missions of some international institutions:

ORGANIZATION	MISSION	VISION
TESLA	<ul style="list-style-type: none">▪ To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.	<ul style="list-style-type: none">▪ To accelerate the world's transition to sustainable energy.
NIKE	<ul style="list-style-type: none">▪ Create groundbreaking sports innovations, make our products sustainably, build a creative and diverse global team, and make a positive impact in communities where we live and work.	<ul style="list-style-type: none">▪ Bring inspiration and innovation to every athlete in the world.
IKEA	<ul style="list-style-type: none">▪ Offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.	<ul style="list-style-type: none">▪ To create a better everyday life for many people.
AMAZON	<ul style="list-style-type: none">▪ We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience.	<ul style="list-style-type: none">▪ To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online.

3

ORGANIZATIONAL VALUES

Values are the principles or basic norms that influence the manner of work in institutions and their cultures. Values provide a justification for behavior, and they, therefore, have a great influence on decisions. They thus form the basis of the management style of any institution, and one can observe values in all that the institution does.

The institution's values and culture represent a great and driving power when they accord with the institution's strategy. However, they can represent a dangerous threat if they weaken the institution's power to confront the challenges of competition or to adapt to the changing circumstances surrounding it. In that case, those values push the institution to a state of rigidity and failure.

Therefore, the culture of an institution can be a great help or an obstacle in its path. It can positively or negatively affect the institution's progress and its performance development when confronting obstacles in the road or important changes – depending on the nature of values and widely held views and beliefs.

There are no wrong answers or right answers when you set out your system of values. The system of values is actually a set of values believed by the owners, which they strongly desire to see reflected through the organization. To be more precise, they desire that the work in the organization runs through these values and that these values are taken into consideration whether when defining the details of the organization's strategy or when defining its practices and procedures.

DEFINING THE **STRATEGIC INTENT**

Using our example, the Virtual Training Institute, and in light of the Institute's vision and mission, we can assume that the Institute's values are as follows:

- **EMPOWERMENT:** *To empower our customers to fulfill their jobs in an efficient and professional manner.*
- **FLEXIBILITY:** *We are flexible to meet our customers' needs, whether in terms of our programs' times and durations, fees and payment methods, or products and product variety.*
- **PROFESSIONALISM:** *We adopt professionalism through our credibility, stability, and sense of responsibility, and by providing our programs in accordance with the accepted quality standards and within the agreed time frames.*
- **INTEGRITY:** *We commit to integrity, honesty, and straightforwardness in all our practices – no matter what the consequences are.*



STRATEGIC ASSESSMENT

Here I would like to present an example of determining the strategic intent from the Islamic heritage.

Upon appointing Malik al-Ashtar the ruler of Egypt (in the 7th century), the Imam 'Ali charged him with – and this may be considered the first professional strategic document known to history, insofar as it begins with defining the strategic intent, starting with the strategic mission: “Taxing its lands; making war on its enemies; rehabilitating its people; and building up the country.”

Then, 'Ali turns directly to the core values, and he specifies them as three: piety, God's help, and the voluntary, ascetic renunciation of the world.

Ali then proceeds to mention a large number of strategic actions that can achieve the strategic mission, along with the reasons and the logic behind each of them.



4 **STRATEGIC FOCUS AREAS (STRATEGIC THEMES)**

Before beginning to lay out a strategic plan to realize the mission of your institution, you must first translate this mission into a group of strategic focus areas, in view of your organizational values. The focus areas usually comprise three to six defined areas; focusing on them and succeeding in them lead to the success of the institution in the realization of its strategic mission.

This step is necessary to define your strategic objectives and additionally the activities that the institution must undertake. Any activity undertaken by the institution that does not fit within that framework must be ceased unless, of course, undertaking it is an exceptional necessity.

While formulating strategic focus areas, focus on the results that must be achieved on a general level with the goal of realizing

the institution's mission. Therefore, refrain from using definite, objective measurements on this level, and make sure the employed expressions are focused and short (it is favorable not to have more than six words per area). Avoid using terms and words that are too broad or generic.

In establishing strategic focus areas, the fundamental goal is the realization of the strategic vision. Ask yourself the question if you will achieve your mission and vision in their entirety if you succeed in realizing every focus area that you have defined?

If your answer is in the negative – given the reality of your experience and understanding – then you have two options. Either reexamine the focus areas or reexamine the statement of your strategic vision and/or mission.

If your focus areas encompass all you think your institution can achieve realistically, and despite that, if they do not allow you to achieve your strategic mission and vision, then that means they are not realistic, and therefore, you must take a step backward to adjust your strategic vision and/or mission.

STRATEGIC ASSESSMENT

Example: Management Consulting Company:

Let us take the example of a local management consulting company whose strategic mission is to be the consulting company with the highest reputation in the country.

In this situation, the company's strategic focus areas could be as follows:

- Keeping pace with the market: Adapting our services in a changing marketplace to meet the needs of all our stakeholders.
- Being commercial: In the development of our company, the development of models of service delivery, and the development of our employees to ensure sustainable work in the future.
- The digitization of our business: Improving our skills and capabilities to keep pace with the world's development toward digitization.
- Inspiring our employees: Providing an environment where diversity is valued, where transformation and staying up-to-date is first and foremost, and where our employees enjoy opportunities for growth and development.
- Greater societal goal: Participating in strengthening our country's development and growth.

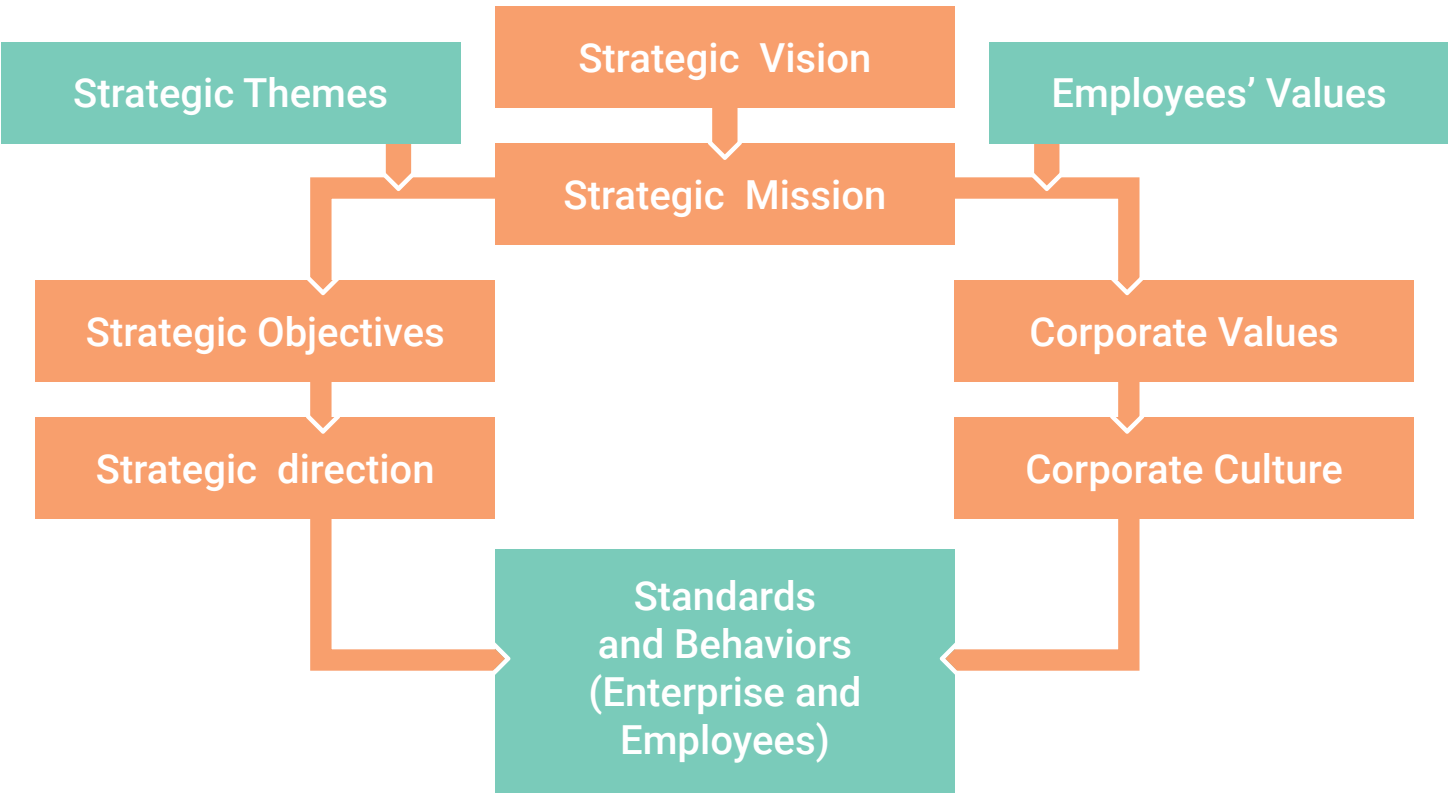


DEFINING THE **STRATEGIC INTENT**

Now let's use our example, the Virtual Training Institute; we can, in light of the Institute's vision, mission and values assume that the Institute's strategic contexts (Institute's strategic focus areas) are as follows:

- *Maximizing the value of the organization (profitability)*
- *Customer management and innovative and distinctive marketing (customers)*
- *Professional and innovative online training products (products)*
- *Resource development and effective, efficient and financially viable strategic partnerships (resources).*





THE PARTICIPATION OF THE INSTITUTION'S EMPLOYEES

5

Including the principal members of your team in the process of forming your vision and mission and values, strategic focus areas, and your strategic objectives is extremely favorable. The higher the number of people participating in this process, the greater their power to share in the realization of the strategy.

There are many ways to involve and include the members of your team, starting with establishing focus groups, issuing opinion polls, and responding positively, on the whole, to the ideas and suggestions by their mere appearance as part of the company's regular work. The significance of these methods is to generate a culture of open and honest communication such that these discussions occur naturally as a result of people's pride in and passion for the institution and the work it does.



ACTIVITIES

Activity 2 (15 minutes)

Consider the vision of your institution, its mission and values. How do they influence the way work is performed in your institution? Are they taken into consideration during the process of strategic planning? Why?

Activity 3 (30 minutes)

Reformulate the vision of your institution and its mission. Suggest necessary changes to the values – assuming that the board of directors asked you for that – to improve the institution’s strategic performance and mentioning the justifications for those changes.

Activity 4 (40 minutes)

Based on your answer in Activity (3), define the strategic focus areas to realize the assumed strategic mission.



SECTION ONE: STRATEGIC ASSESSMENT

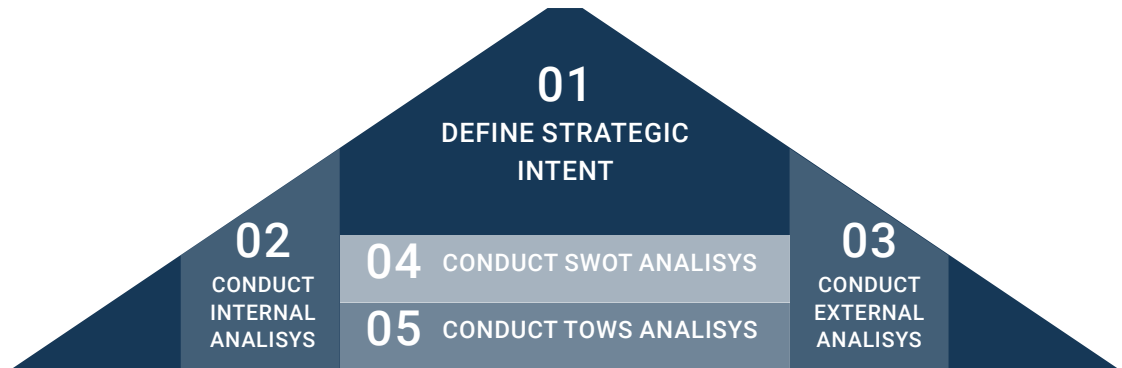
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STRATEGIC ASSESSMENT

STRATEGIC ANALYSIS OF THE ORGANIZATION
AND ITS EXTERNAL ENVIRONMENT

● Strategic Assessment



● Strategy Formulation



● Strategic Implementation



● Strategic Control



STRATEGIC ANALYSIS OF THE ORGANIZATION AND ITS EXTERNAL ENVIRONMENT

"Analysis is the critical starting point of strategic thinking." – Kenichi Ohmae



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THE PROCESS OF STRATEGIC ANALYSIS IS CONSIDERED A FOUNDATION THAT THE PROCESS OF STRATEGIC PLANNING DEPENDS ON.

STRATEGIC ANALYSIS OF THE ORGANIZATION

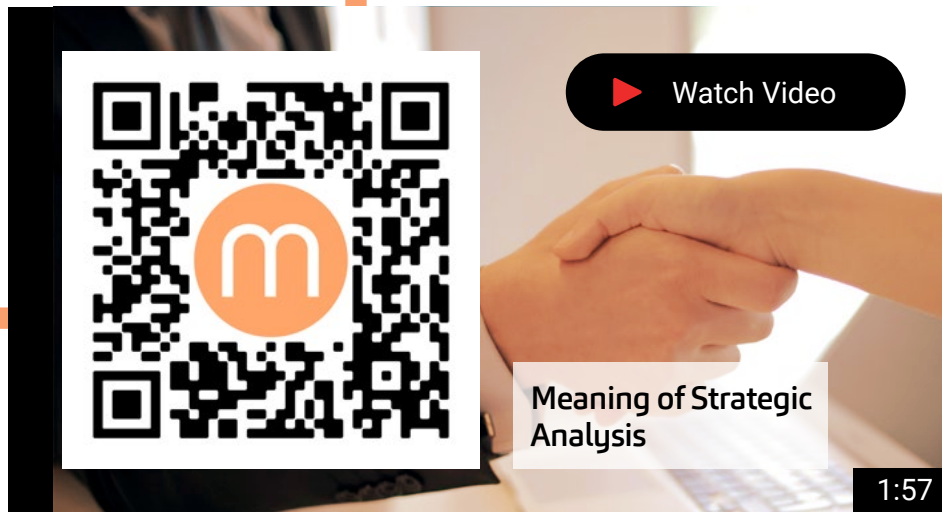
INTRODUCTION

1

After defining the strategic intent, the next step is to conduct the strategic analysis. Strategic analysis is a process that involves researching an organization and its business environment to ensure the accuracy and realism of the strategic intent and arrive at sound decisions regarding both strategic options chosen and the formation of strategy, intending to achieve the defined strategic intent.

The process of strategic analysis is considered a foundation that the process of strategic planning depends on. Unfortunately, we find that some institutions do not look beyond the bounds of an analysis of the internal situation of the institution and undertake only a small measure of external analysis or do not undertake it at all. This diminishes their chances for survival in light of competition and the free market.

In contrast, those institutions that look outward, study the external environment, use that knowledge to formulate future strategy and organize themselves efficiently to achieve their strategic plans are largely capable of responding to their environment and challenging the changes that occur to remain in existence and achieve success.



The appropriate strategic analysis tools enable us to gather and analyze information necessary for understanding the institution, its strengths, weaknesses, and its business environment, defining the opportunities and threats that it poses.

We go about summarizing the results of these analyses in a SWOT analysis, which we rely on to undertake a TOWS analysis to arrive at appropriate strategic options. TOWS is what moves us from the Strategic Assessment stage to the next stage in the process of strategic management, i.e., Strategy Formulation.

2

STRATEGIC ANALYSIS TOOLS

Strategic analysis of an organization comprises of three types of analyses:



SWOT ANALYSIS

We go about summarizing the results of these analyses in SWOT analysis.



TOWS ANALYSIS

We rely on SWOT analysis to undertake TOWS analysis, to arrive at appropriate strategic options, that moves us from Strategic Assessment stage to the next stage i.e., Strategy Formulation.

STRATEGIC ANALYSIS OF THE ORGANIZATION AND ITS ENVIRONMENT

The appropriate strategic analysis tools enable us to gather and analyze information necessary for understanding the institution, its strengths, weaknesses, and its business environment, defining the opportunities and threats that it poses.

2.1 ANALYSIS OF INTERNAL ENVIRONMENT:

Following analysis can be done internally of an organization to assess its resources, assets, characteristics, competencies, capabilities, etc., to identify its strengths and weaknesses.

- *ORGANIZATIONAL CULTURE ANALYSIS*
- *STAKEHOLDER ANALYSIS*
- *COMPETENCE AUDIT*
- *RESOURCES AUDIT*
- *GAP ANALYSIS*
- *VALUE CHAIN ANALYSIS*

2.2 ANALYSIS OF EXTERNAL ENVIRONMENT:

These tools examine the external environment of the organization and how its factors and influences affect or might affect the organization, positively (opportunities) or negatively (threats) in achieving its strategic intent.



STRATEGIC ANALYSIS OF THE ORGANIZATION

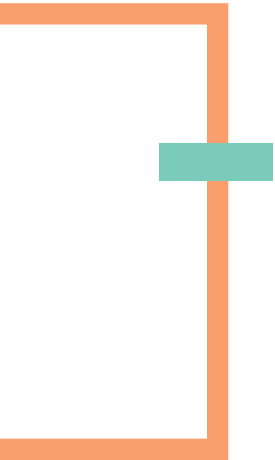
The main difference between the external environment of an organization and its internal environment embodies the fact that the organization has a small amount of control over the external environment, while it generally has total control over the internal environment.

The external environment comprises of two types:

- The microenvironment: it directly impacts the organization, and consists of factors such as suppliers, customers, regulatory bodies and financiers, public perceptions and the macroenvironment.
- The macroenvironment: it consists of general factors that organizations typically have no control over, such as economic, sociocultural, political, legal, technical, and environmental factors. The success of an organization merely relies on its ability to adapt to changes.

Below are some examples of those tools:

- *PESTEL ANALYSIS*
- *5 FORCES ANALYSIS*
- *PORTFOLIO ANALYSIS*



2.3 SITUATION ANALYSIS TOOLS:

The situation analysis is the process of gathering relevant information on the internal and external environments to assess an organization's strategic position and its current strengths, weaknesses, opportunities, and threats in order to achieve its strategic intent.

The two most important of these tools are:

- *5 CS ANALYSIS*
- *SWOT ANALYSIS*

Later in this chapter of the book, we will discuss in detail about these tools.

2.4 HOW TO SELECT APPROPRIATE TOOLS OF ANALYSIS?

The nature of the strategic analysis, its depth, and the types of analysis tools implemented differ depending on the nature of the organization or the entity that is being planned for, the nature of its activities, the environment in which it operates, and the goal for which planning is desired.

Planning for managing a country, a society, a governmental institution, a holding company, a large corporation, a small institution, a non-profit organization, a specific project, or even your personal life will differ depending on the context; each requires a different strategic analysis.



STRATEGIC ANALYSIS OF THE ORGANIZATION

There is no specific rule that treats this issue; rather, it is conditional upon the range of your intellectual capability, intelligence, experience, understanding of the issue, and professionalism in strategic thinking. However, in what follows are some instructions that will facilitate the process for you and aid you in making decisions aptly regarding the nature of the strategic analysis that you perform, the extent of its depth, the tools of analysis that you will use, and the reports that you will examine.

1 - FIRST

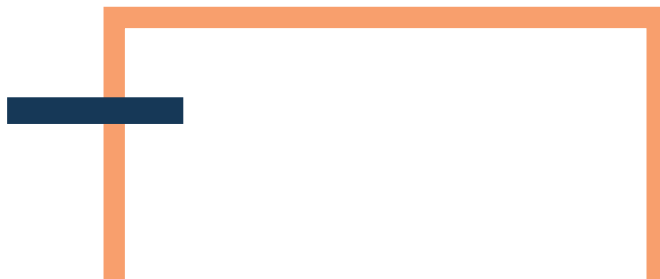
Before starting the process of strategic analysis and using the various tools, you must understand well what you are planning for and what the goal of your analysis is. What are the nature and the level of the strategic results you wish to arrive at?

2 - SECOND

Your knowledge of the above will help you identify the information you need, even if in a general and slightly obscure manner, in order to arrive at those strategic results, you are aiming for and the decisions you have to make.

3 - THIRD

The definition of the tools of analysis you will need to use and the reports you will need to study and examine to gain that information. At this stage, reviewing the tools of analysis that are generally available and examining the purpose of each tool may help you greatly. By its very nature that will stimulate your mind and guide you to the correct tools. And your understanding of the information you need to make strategic decisions will mature and accordingly the data you need.



STRATEGIC ASSESSMENT

4 - FOURTH

Specify the data you need to find, based on the tools of analysis you decided to use, and accordingly the inputs and data you need to use these tools.

5 - FIFTH

It should be expected that during your study and reading of the various reports related to reaching the necessary data and information, you will discover your need for other related information or tools of analysis. This will deepen your research and make your strategic decisions more sensible.



In our example, the Virtual Training Institute, and given my situation and the change of my business model which I planned, and given the analysis tools, I see that the analysis tools I need most are:

- *Competence Audit*
- *Resources Audit*
- *Gap Analysis*
- *PESTEL Analysis*
- *The 5 Forces Analysis*
- *Situation Analysis (5C)*

After conducting these strategic analyses, I will sum up the findings in the SWOT Analysis in order to translate it to a TOWS Analysis, aiming to define my strategic options.

In this book, I do not intend to discuss the intricacies of the above-mentioned analyses on our example. However, I will assume that they are understood by the readers and will directly carry out SWOT Analysis on the example in the adequate section.

STRATEGIC ANALYSIS OF THE ORGANIZATION



2.5 SHARING THE PRINCIPAL RESULTS:

Upon completion of the process of research, the analysis of the different internal and external factors, and the extraction of the principal results, it is important to communicate those results to the strategic management team. It is probable you will not have done the entire analysis by yourself. Perhaps, for example, you will have analyzed the gap, while another member of the team has surveyed the external environment, and another member has completed an analysis of the system of values. Each team member has a particular portion of information, but no one has the whole picture.

The preparation of a defined location where all can access the data, information, reports, and completed analyses should be your first step. But matters don't need to stop there; you should convene a strategic meeting to review all the principal results the members of your team arrived at and to ensure that everyone is on the same page concerning the institution and its external environment.



3

THE CULTURAL WEB

The cultural web is a useful means for defining potential defective areas in the reigning culture, just as it can be an effective tool to entrench the desired culture.

Despite the existence of many elements of the cultural web, one can sometimes sum up the essence of the institution's culture in only one sentence.

3.1 STORIES

Stories endow the institution and its members with a sense of history and shine the light on key events and personalities with respect to the institutional culture. They are typically related to success and failure and inform those new and foreign to the institution about what is important and why they do things in a certain way.

3.2 SYMBOLS

Symbols send powerful messages about the nature of the institution. Symbols are things like official dress, slogans, job titles, company cars, office sizes, office designs, and the language which are used within the institution. Jargon or terminology – such as referring to personnel as “staff” and human resources as “human capital” or “human assets” (or anything else) – reflects an implicit group of assumptions about them that will influence current or future strategy.

STRATEGIC ANALYSIS OF THE ORGANIZATION

3.3 STRUCTURES OF POWER (AUTHORITY)

These are related to the extent of influence that any given group practices within an institution. In hospitals, for example, it is routine for high-order doctors like surgeons and consulting physicians to set strategies.

3.4 ORGANIZATIONAL STRUCTURES

Organizational structures are usually a reflection of power structures (authority), where they emphasize essential functional responsibilities and relationships.

Official hierarchical chains of command usually tend to entrench the centrality of strategic thinking and planning.



3.5 CONTROL SYSTEMS

Control systems influence the institutional culture in a big way. For example, public-sector institutions are distinguished by the direction of their attention towards control regarding spending at the expense of the quality of services offered to customers. That is because of the high level of auditing and regulation undertaken in the public sector.

3.6 ROUTINE ACTIVITIES AND CEREMONIES

Routine activities are the actions, measures, and activities that always occur in the same way; they are the everyday activities that form “the reigning culture of the institution.”

Rituals, however, are special events that express how the institution views itself. They could be occasions such as reward ceremonies, yearly holidays, or even promoting or hiring new employees, and others.

The following table contains a set of questions that may help with understanding the cultural web components and documenting them for any organization.



STRATEGIC ANALYSIS OF THE ORGANIZATION

Structures of Power (Authority)

These are related to the size of influence that any given group within an institution practice.



Organizational Structures

Organizational structures are usually a reflection of power structures.

Symbols

Symbols send powerful messages about the nature of the institution.



Routine Activities and Ceremonies

Routine activities are the actions, measures and activities that always occur in the same way.



Stories

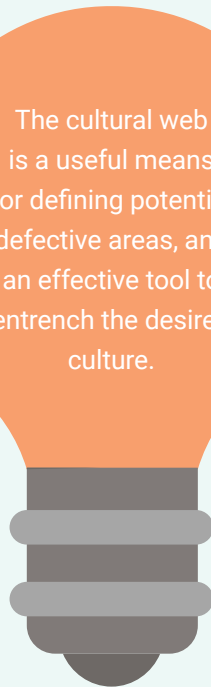
Stories endow the institution and its members with a sense of history and shine the light on key events and personalities with respect to the institutional culture.



Control Systems

Control systems influence the institutional culture in a big way.

The cultural web is a useful means for defining potential defective areas, and an effective tool to entrench the desired culture.



- What routine activities are highlighted or emphasized?
- Which activities would seem strange or out of place if changed?
- What kind of behavior do the routine activities encourage?
- What are the essential ceremonies?
- What are the essential beliefs that they reflect?
- What do the training programs emphasize?
- How easy is it to change the ceremonies/routine activities?

ROUTINE ACTIVITIES AND CEREMONIES

- What language or jargon is used?
- How clear or easy is it?
- What are those aspects of strategy emphasized in advertising?
- What are the present symbols of the situation?
- Are there particular symbols that refer to the institution?

SYMBOLS

- To what extent are the structures mechanical/organic?
- To what extent are the structures egalitarian/hierarchical?
- To what extent are the structures official/unofficial?
- Do the structures encourage cooperation or competition?
- What kind of power structures (authorities) do they support?

ORGANIZATIONAL STRUCTURE

- What is supervised/controlled?
- Is the emphasis on reward or punishment?
- Are control measures linked to history or current strategies?
- Are there many or few control measures?

CONTROL SYSTEMS

- What are the essential beliefs of the leadership?
- How attached are they to these beliefs?
- How is power (authority) distributed within the institution?
- What are the primary obstacles that stand before change?

POWER STRUCTURES (AUTHORITIES)

- What are the foundational beliefs that the stories reflect?
- How widespread are these beliefs?
- Are the stories related to strong points, weak points, success, failure, harmony, or dissidents?
- Who are the heroes and the villains?
- What are the principles and rules which the dissidents stray from or disobey?

STORIES

STRATEGIC ANALYSIS OF THE ORGANIZATION

ACTIVITIES

Activity 5 (40 minutes)

Identify the aspects of your organization's cultural web.





4

STAKEHOLDER ANALYSIS

By stakeholders, we mean those persons or institutions who have a direct interest or stake in the work of the institution or who are affected by it, including the owner of the institution, the employees, the lenders, the customers, the suppliers, the government, the competitors, the press, related civil institutions, and others.

Each institution has internal and external demands. Stakeholders have different concerns within and regarding the institution. These concerns might vary greatly. For example, it is easy to notice this variation between the interests of the employees who want job security and higher incomes, on the one hand, and other shareholders who want to reduce those costs in the short term to strengthen the stock's share in disposable dividends, on the other hand.



STRATEGIC ASSESSMENT

The culture of the institution, its structure, and its control systems define the manner of solving conflicts. Usually, each group of stakeholders enjoys some kind of influence.

The institution's internal power structures reflect the interests of those stakeholders who control the institution, but at the same time, those structures must guarantee the interests of a group of other stakeholders as much as possible.

For example, educational institutions have extremely limited budgets to work with, and the budgets must be spent within the government's outlines without forgetting the employees and the interests of those being educated.

Some interests of the stakeholders are protected by law; the owner and the shareholders, for example, are protected by property law and corporate law, while the interests of other stakeholders are usually protected by implementing regulations or the assessment of the administration.

In general, stakeholders can influence the strategic management of the institution on all levels:

- In the primary or original formulation of the vision, values, mission and objectives.
- In selecting the strategic options that the institution takes.
- In laying out a strategic plan to execute the strategic options.
- In executing the strategic plan.

STRATEGIC ANALYSIS OF THE ORGANIZATION

Therefore, it is important to take into consideration the interests and expectations of the principal stakeholders in the process of defining strategic objectives, strategic planning in light of their ability to cause the strategy of the institution to succeed or fail, and the extent of their concern with the institution's success or failure.

It is, therefore, necessary to do a comprehensive analysis of the stakeholders as a part of the strategic planning process.

The stakeholders differ according to the power of the influence they wield within the institution and the potential level of concern they will employ in supporting a particular strategy.

MENDELOW'S MATRIX



ACTIVITIES

Activity 6 (40 minutes)

Conduct an analysis of the stakeholders viewing the current strategy of your institution or its expected, hypothetical strategy (in case one does not actually exist).

Then organize them into A, B, C, and D according to their interest level and the power of their influence on the institution and its strategy.

Define the expectations particular to each stakeholder from groups A and B and the mechanisms of dealing with them.

STAKEHOLDER	GROUP CATEGORY	ITS EXPECTATIONS	HOW TO DEAL WITH HIM

CORE COMPETENCY ANALYSIS

5



Core competencies are the capabilities considered necessary for the institution to achieve a competitive advantage over others.

These necessary core competencies are not fixed; rather, they change from time to time in response to the changing conditions in the institution's internal and external environments. Hence, what is considered a core competency at a certain time for a certain institution may not be considered so for a certain other competing institution at the same time or in the same external environment just as it may not be so even for the same institution at another time or in a different competitive environment.

Therefore, core competencies for any institution must be analyzed and studied periodically. Whenever the external and internal circumstances change for the institution, so also changes the map of opportunities, the threats and dangers that the institution faces.

STRATEGIC ASSESSMENT

Here we must take heed; not every central competency for the operations of commercial work is considered a core competency. Rather, it must be exceptional in some way such that imitating it or obtaining it is difficult; then it can be considered a core competency.

It follows from this that the standard resources, or those easily disposable cannot create a competitive advantage for the institution.

C. K. Prahalad and G. Hamel proposed three factors that help in determining the core competencies in any commercial enterprise:

1. The availability of potential entry into a wide variety of markets to enable the institution to offer new goods and services. Example: The core competencies that allowed the company Saga to establish strong leadership in offering financial services (like insurance) and vacations for the elderly are represented in:

- Clearly displaying a mark of distinction that addresses a group of specific customers in a concentrated way.
- Pioneering skills of direct marketing, administering data rules, direct mail campaigns, and call center sales.
- Skills in managing customer relationships.



STRATEGIC ANALYSIS OF THE ORGANIZATION



2. The skills that allow offering an added basic benefit for customers. The question is: “Why would the customer wish to pay more for a particular good or service?”

3. The difficulty of imitation for the competitors. Example: Why does the company Dell have such a powerful place in the personal computer market? The core competencies difficult for competitors to imitate are:

- The service of special assistance for customers on the internet (bespoke) for each computer manufactured.
- The reduction of the capital operative in the production process to the lowest possible level.
- High quality of production and distribution, and products that buyers depend upon at affordable prices.



01

Does it provide consumer benefits?

- ✓ Will the consumer benefit from the core competency of the company?
- ✓ E.g.: Consumers get great services at cheaper prices



02

Is it difficult to imitate?

- ✓ Ensure that your competency is such that no competitor can imitate the same
- ✓ E.g.: It's very difficult to produce products with great services at very low prices. Even if a competitor could match, it wouldn't be able to match it on price



03

Can it be leveraged widely?

- ✓ Always ensure that you leverage from your competency
- ✓ E.g.: Your service expertise could be used to attract customers for other products as well

STRATEGIC ANALYSIS OF THE ORGANIZATION

6

RESOURCE AUDITING



For an institution to be able to achieve its strategy, it must own the required resources. For example, how could a transportation company start its particular strategy of moving goods without it having an abundance of trucks and equipment particular to transportation as well as skilled truck drivers, among other things?

In general, resources can be categorized in the following categories:

6.1 Financial Resources

The analysis of the institution's ability to finance its chosen strategy, whether that financing occurs with the institution's own resources, the owner's resources, or through lending and borrowing in its various forms.

The institution's ability to attract the necessary financing is influenced by a number of factors, such as:

- The relative strength of the management team and its reputation
- The strength of relationships with the current investors and lenders.

STRATEGIC ASSESSMENT

- The attractiveness of the market in which the institution operates (i.e., is it an attractive market for investment, generally speaking?).
- Inclusion in a specific stock market. Does that possibility exist?

6.2 Human Resources

These are related to the institution's skills base. What are the skills the institution possesses? Are they sufficient to meet the needs of the chosen strategy? Can the skills base be amended or extended to meet the new requirements? The auditing of human resources will consist of evaluating the following factors:

💡 Employees' Current Resources

- Number of employees by job, location, rank, experience, qualifications, and salary.
- Average of employee turnover ("natural turnover").
- The total level of training and definite training standards in the principal roles.
- Evaluation of the "intangible resources" such as morale and work culture.

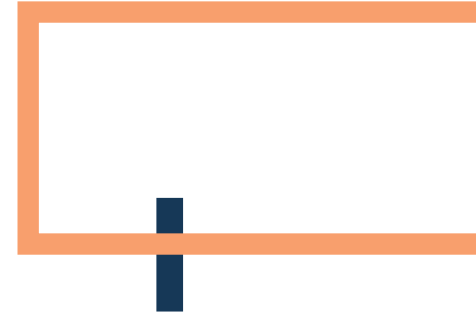


STRATEGIC ANALYSIS OF THE ORGANIZATION

💡 Required Changes in Resources

- What are the changes to the institution's organization promoted in the strategy (such as change of location, new locations, and new resources)?
- How many additional human resources are required? How can they be obtained? (They include the alternatives: employment, obtaining them from external sources, joint ventures, etc.)





6.3 Material Resources

The category of material resources covers a wide variety of operational resources related to the material capability to execute the strategy, and it comprises:

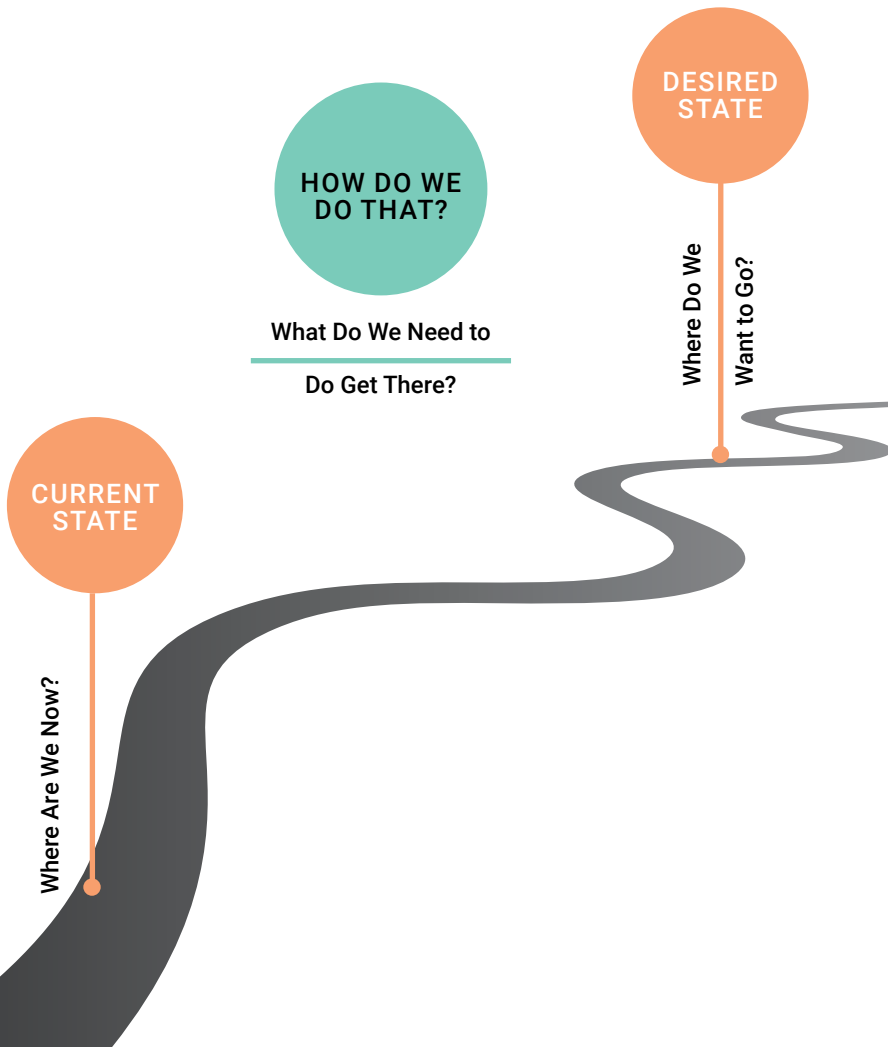
- Production facilities
- Marketing facilities
- Information technology

6.4 Intangible Resources

Intangible resources play a vital role in making the institution successful and enabling it to achieve its strategy, and they consist of the following: goodwill, reputation, trademarks, intellectual property, and others.

ANALYSIS OF STRATEGIC GAPS

7



Human Resources

Strategic gap analysis is considered a wonderful internal analysis tool that helps you identify the gaps in your organization that are hindering your progress towards your objectives and vision, according to how they have been planned. Analysis grants you a process to compare the current state of your organization with the desired future state, to identify the gaps that exist, so that you can accordingly take a set of actions that will fill the identified gap.

Strategic gap analysis is one of the methods used to help organizations determine if they are getting the best return on their resources. It identifies the gaps between the current situation and the best possible outcome, areas targeted for improvement, and the resources required to achieve its strategic objectives.

Strategic gap analysis arises from a diverse group of performance evaluations, most notably benchmarking and drawing comparisons when the level of performance of a similar industry or project is known. This criterion can be used to measure whether the company's performance is acceptable or needs improvement.

Starting from gap analysis, an organization can identify the set of resources – such as money, time, and personnel – necessary to achieve a better outcome.



VALUE CHAIN ANALYSIS

8



In 1985, Michael Porter, in his book *Competitive Advantage*, introduced the concept of the value chain.

He hypothesized that the activities of the institution can add value to the service and products it produces, and these activities must be carried out at the maximum level if the enterprise is to gain a real competitive advantage.

If carried out effectively, the value obtained (the price customers pay) should exceed the costs of doing it; that is, customers must return to the institution and deal with it freely and willingly. Porter used the word “margin” to differentiate between the total value or price the customer was willing to pay and the cost of doing the activities.

Therefore, it is important for the organization to gauge the effectiveness of its internal activities and the value they add to the service or product. If it is not effective or does not add value (contribute to the quality of the overall customer experience), it will be a burden on resources and reduce the total margin, which in turn affects profitability and competitiveness.

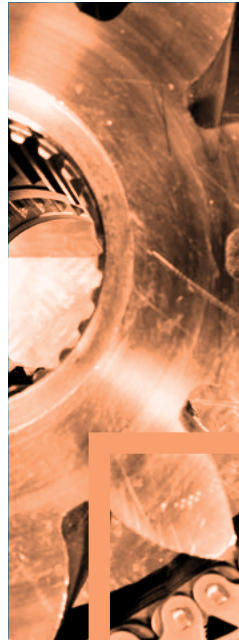
8.1 Organization's Activities:

Porter proposed dividing the institution into “primary activities” and “support activities.”

💡 Primary Activities

These basic activities are directly related to production and the processes of getting the product into the hands of customers, from marketing to distribution.

- **Inbound Logistics:** This refers to the goods obtained from the supplying institutions and ready for use in the production of the final product.
- **Operations:** Manufacture of raw materials and goods obtained into the final product. Value is added to the product at this stage as it moves through the production line.
- **Outbound Logistics:** Once manufactured, products are ready for transportation to distribution centers, wholesalers, retailers or customers.
- **Marketing and Sales:** It must be ensured that the product is directed or sent to the correct group of customers and that the marketing mix is used to create an effective strategy to clearly communicate competitive advantage to the target group using the promotional mix.
- **Services:** This is represented in the support provided by the institution after the sale of the product or service. This may be in the form of after-sales training, warranties, and guarantees.



STRATEGIC ANALYSIS OF THE ORGANIZATION

💡 Secondary Activities

Support activities assist the primary activities in helping an organization achieve its competitive advantage, and they include:

- **Procurement:** This department has to obtain the raw materials for the enterprise and get the best price to do so. As for the price, it has to get the best possible quality.
- **Research and Development:** The use of technology to gain a competitive advantage within the institution. This is very important in today's technology-driven environment, where technology can be used in production to reduce cost and thus add value; or in research and development to develop new products; or by using the Internet to enable customers to have access to online facilities.
- **Human Resource Management:** The organization must recruit, train and develop the right employees if it is to succeed in its goals. The employees must be motivated and must be paid a "market rate" if their tenure with the institution is necessary for adding value to it during their tenure. In the service sector such as airlines, "employees" provide the competitive advantage required in the field.

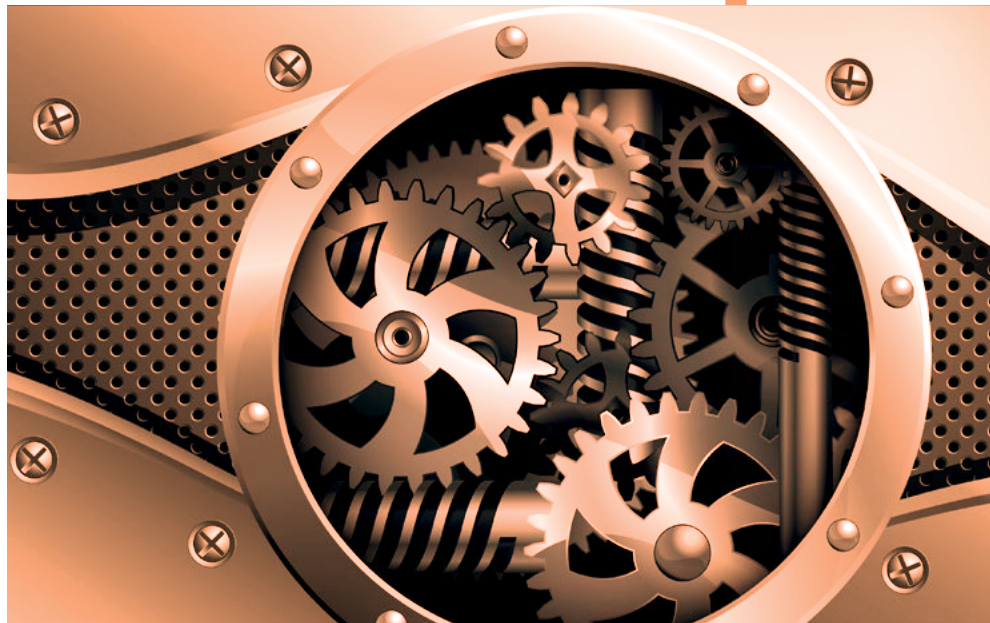


STRATEGIC ASSESSMENT

- **Firm Infrastructure:** Every organization needs to ensure that its financial resources and legal and management structures operate effectively and help move the organization forward.

As we can see, the value chain encompasses the whole of the organization and considers how the primary activities, their work, and the support activities are effectively linked to each other to help gain a highly competitive advantage for the organization.

“Interconnected states” refers to the flow of information, goods, and services, as well as systems and processes for controlling and regulating activities.



STRATEGIC ANALYSIS OF THE ORGANIZATION

Its importance can be better illustrated by a few simple examples:

The Supply Department will only be able to order the necessary materials for the correct date if the Marketing and Sales function provides the sales forecast for the upcoming period to all other departments in a timely and reliable manner. In the same way, Operations will only be able to schedule production in a way that ensures timely and efficient delivery of products if the Supply Department is doing a good job and forwards the order information to Incoming Logistics.

Essentially, the interconnected states relate to a continuous and coordinated cooperation and flow of information between the activities of the value chain in the same way, and it is vital that the activities carried out are purposeful and effective; otherwise, they reduce the margin.

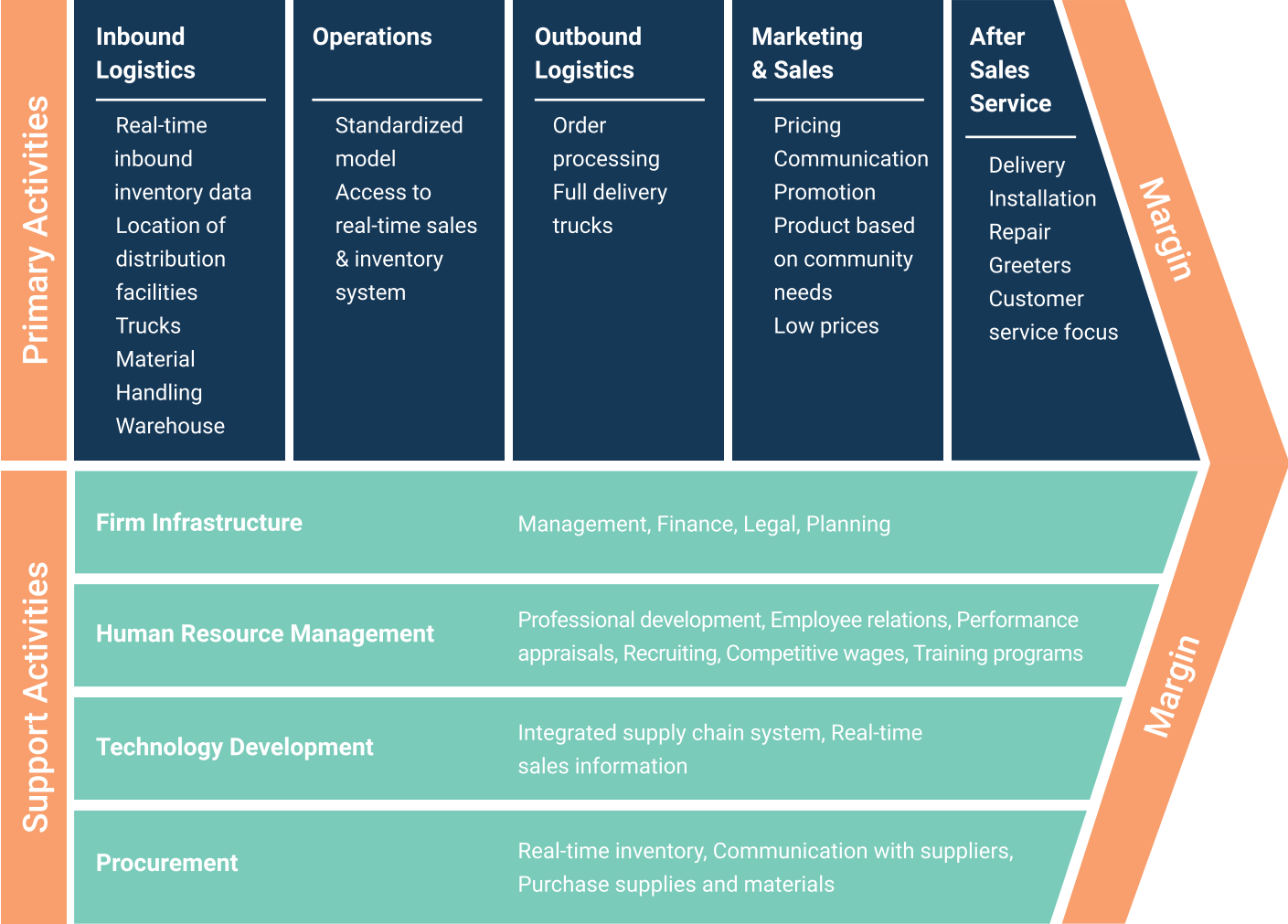
In most industries, it is unusual for a single company to undertake by itself all the activities ranging from product design, component production, and final assembly to delivery to the end user. In most cases, organizations represent components of a

value system or supply chain; therefore, value chain analysis must cover the entire value system in which the organization operates.

Within each value system, there is a specific value for the profit margin, which is the difference in the final price paid by the customer and the value of all costs incurred in producing the product or service (such as raw materials, energy, etc.) and delivering it. Based on the structure of the value system, the distribution of this margin is determined between the suppliers, producers, distributors, customers and other elements of the value system.

Each member of the system will use its market position and bargaining power to obtain a higher percentage of this margin. Despite this, the members of the value system can cooperate to improve their effectiveness and reduce their costs to achieve a higher gross margin for the benefit of all (for example, by reducing inventory in the “Just-in-Time System”).

STRATEGIC ASSESSMENT



STRATEGIC ANALYSIS OF THE ORGANIZATION

8.2 Analysis Methods

There are two methods to conduct an analysis, and both depend on the type of competitive advantage the organization desires to create:

Cost Advantage

This method is used when the organization's competitive advantage is focused on reducing costs. Thus, the organization seeks to understand the sources of cost advantage, its defects or the factors driving these costs.

- **First step:** Define each activity (primary and supporting), and this requires sufficient knowledge of the company's operations because value chain activities are not organized in the same way the company organizes itself.
- **Second step:** Determine the relative importance of each activity in the product's total cost. Total costs are divided in the production of the product or service and allocated for each activity. The activity-based costing approach is used to calculate costs for each operation. Initially, the activities that are considered primary sources for cost or those that are done inefficiently and uneconomically (when assessed in comparison with competitors) should be addressed.
- **Third step:** Define the factors affecting the cost for each activity. For example, labor-intensive activities are determined by the number of working hours, work pace, work completed per hour, wage rates, etc.
- **Fourth step:** Determine how activities costs are interrelated. Reducing costs in one activity may result in more cost reduction in the subsequent activities. Understanding this sequence leads to a better understanding of how cost improvements affect the entire value chain.
- **Fifth step:** Identify and plan possible opportunities for cost reduction through knowledge from the previous steps, of inefficient activities, the factors affecting the cost, to enable planning for methods of improvement.

- ☑ The total costs of producing a product or service must be broken down and assigned to each activity. Activity-based costing is used to calculate costs for each process.
- ☑ Activities that are the major sources of cost or done inefficiently (when benchmarked against competitors) must be addressed first.

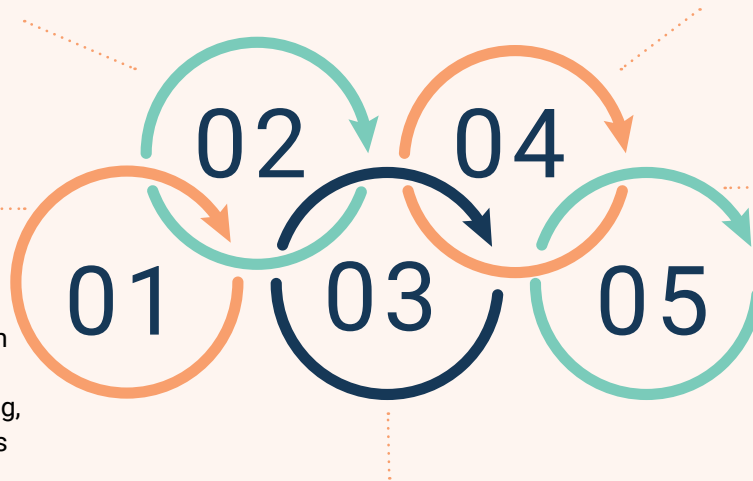
- ☑ Reduction of costs in one activity may lead to further cost reductions in subsequent activities.
- ☑ Identifying the links between activities will lead to better understanding how cost improvements would affect the whole value chain.

ACTIVITY-BASED COSTING

IDENTIFY LINKS BETWEEN ACTIVITIES

IDENTIFY THE FIRM'S ACTIVITIES

OPPORTUNITIES FOR REDUCING COSTS



- ☑ All the activities (from receiving and storing materials to marketing, selling and after sales support) that are undertaken to produce goods or services must be clearly identified and separated from each other.
- ☑ This requires an adequate knowledge of company's operations because value chain activities are not organized in the same way as the company itself.

IDENTIFY COST DRIVERS FOR EACH ACTIVITY

- ☑ Only by understanding what factors drive the costs, managers can focus on improving them.
- ☑ Costs for labor-intensive activities will be driven by work hours, work speed, wage rate, etc.

- ☑ When the company knows its inefficient activities and cost drivers, it can plan on how to improve them.
- ☑ Too high wage rates can be dealt with by increasing production speed, outsourcing jobs to low wage countries or installing more automated processes.

STRATEGIC ANALYSIS OF THE ORGANIZATION

💡 Differentiation Advantage

Organizations seeking to provide superior products or services use a differentiation advantage approach.

- **First step:** Identify activities that create value for customers. After defining all the value chain activities, you must focus on the activities that significantly contribute to creating value for customers.
- **Second step:** Assess possible differentiation strategies to enhance the value provided to customers. Examples of these strategies are:
 - ▶ Add more product features
 - ▶ Focus on customer service and respond to their needs
 - ▶ Increase customization
 - ▶ Provide supplemental products.
- **Third step:** Identify the best sustainable differentiation. Superior differentiation and customer value are typically the result of several interrelated and adopted activities and strategies, and the best combination of these factors should be used to achieve sustainable differentiation advantage.

Managers can use the following strategies to increase product differentiation and customer value:

- ① Add more product features
- ② Focus on customer service & responsiveness
- ③ Increase customization
- ④ Offer complementary products.



STEP 1

IDENTIFY THE CUSTOMERS' VALUE-CREATING ACTIVITIES

After identifying all value chain activities, managers must focus on those activities that contribute the most to creating customer value.

EVALUATE THE DIFFERENTIATION STRATEGIES FOR IMPROVING CUSTOMER VALUE

STEP 2



STEP 3

IDENTIFY THE BEST SUSTAINABLE DIFFERENTIATION

Usually, superior differentiation and customer value will be the result of many interrelated activities and strategies used. The best combination of them should be used to pursue sustainable differentiation advantage.

STRATEGIC ANALYSIS OF THE ORGANIZATION

PESTEL ANALYSIS 9

Here we analyze the macroenvironment surrounding the organization, and the various major social, economic, technical, technological, environmental, political, legal, and ethical external factors that affect the organization and its ability to achieve its strategic objectives.

Political

Government, stability, government policies (such as taxes), relations with foreign trading partners, foreign trade regulations and policies, social and educational policies (such as pensions, maternity/paternity leave, smoking bans, government training initiatives, etc.).

Economy

The general performance of the economy (which includes stock prices, public sector borrowing rates, etc.), gross domestic product (GDP), interest rates, inflation rates, unemployment numbers and trends, levels of taxation, disposable income.

Social

Demographic factors, income distribution, social transformations, lifestyle changes, work/leisure attitudes, education levels

Technological

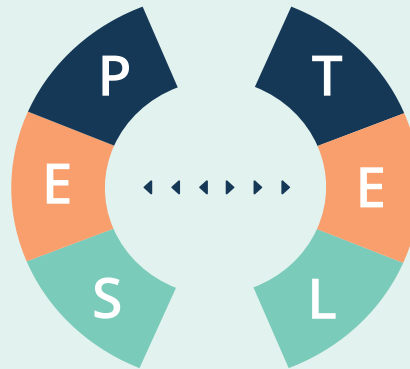
Levels of research, focus on creativity, new discoveries or developments, expiration of a given technology, attitudes towards rates of acceptance of new ideas by the public.

Environment

Environmental protection law and regulations, public attitude about waste/environmental issues, energy prices, consumption, and supply.

Legal

Competition law, health and safety law, environmental law, product safety, consumer protection law.



Government, stability, government policies (such as taxes), relations with foreign trading partners, foreign trade regulations and policies, social and educational policies (such as pensions, maternity/paternity leave, smoking bans, government training initiatives, etc.).	POLITICAL
The general performance of the economy (which includes stock prices, public sector borrowing rates, etc.), gross domestic product (GDP), interest rates, inflation rates, unemployment numbers and trends, levels of taxation, disposable income.	ECONOMIC
Demographic factors, income distribution, social transformations, lifestyle changes, work/leisure attitudes, education levels.	SOCIAL
Levels of research, focus on creativity, new discoveries or developments, expiration of a given technology, attitudes towards rates of acceptance of new ideas by the public.	TECHNICAL
Environmental protection law and regulations, public attitude about waste/environmental issues, energy prices, consumption and supply.	ENVIRONMENTAL
Competition law, health and safety law, environmental law, product safety, consumer protection law.	LEGAL

ACTIVITIES

Activity 7 (40 minutes)

Think about your organization's performance over the last two years, and try to identify the main social, economic, technical, technological, environmental, political, legal, and ethical factors that have affected your organization.

FIVE FORCES ANALYSIS

10

Porter's Five Forces analyze the field and the competitive environment in which organizations operate and show us a picture of the current environment in which they compete, which reflects the overall picture. In light of it, strategies are developed that lead to effective decisions that strengthen the company's chances of competition.

Porter states that five forces determine the attractiveness and long-term profitability of an industry:

10.1 Threat of new entrants

Your competitive strength is affected by the extent to which new competitors can enter the field you work in, as new competitors weaken your competitive position.

The entry of new competitors raises the level of competition and thus lowers the attractiveness of the sector. The threat of new entrants is highly dependent on barriers to entry. There are high barriers to entry in some industries (such as shipbuilding), while it is very easy to enter other industries (such as real estate agencies, and restaurants).



The main barriers to entry include:

- Economies of scale.
- Capital/investment requirements.
- Customer turnover costs.
- Access to the distribution channels of the industry (sector).
- Possibility of retaliation by current industry players.

10.2 Threat of substitute

Your competitive strength is affected by your customers' ability to create a different way to fulfill the benefit and value that your services and products offer them. For example, SMS, WhatsApp messages and social networking are a good alternative to phone calls, and e-learning is a good alternative to traditional learning.

Substitute products reduce the attractiveness and profitability of the industry (sector) because they limit price levels. The threat of substitute products depends on:

- The buyer's desire for replacement.
- The relative price and performance of alternatives.
- Costs of switching to alternatives.



STRATEGIC ANALYSIS OF THE ORGANIZATION

10.3 Bargaining power of buyers

Buyers are the people or institutions who create demand in an industry. The bargaining power of buyers is greatest when:

- The number of dominant buyers decreases, and the number of sellers increases in the industry.
- Products are standardized.
- Buyers threaten to withdraw from the industry.

10.4 Bargaining power of suppliers

Suppliers are companies that supply materials and other products to the industry. The cost of items purchased from suppliers (raw materials, and components) can create a significant impact on the company's profitability. If the suppliers have high bargaining power over the company, then in theory the company's industry is less attractive. The bargaining power of suppliers is high when:

- There are many buyers and few dominant suppliers.
- There are undistinguished and highly rated products.
- Suppliers threaten industry integration (e.g., brand manufacturers threaten to set up their own retail outlets).
- The sector does not constitute a major customer group for suppliers.



10.5 Intensity of competition (dominant prices and such)

The most important thing here is the number and competitiveness of your competitors. If you have a lot of competitors and they offer equally attractive products and services, your competitive power will be minimal. If suppliers and buyers do not get a good deal from you, they will turn to one of your competitors. Conversely, if you have no competitor who can deliver and do what you are doing, your competitive power and bargaining power will be high.

The intensity of competition between competitors in any industry depends on:

- **Structure of competition:** Competition is more intense when there are many small or equally sized competitors. Competition is less when an industry has a clear market leader.
- **Industry cost structure:** Industries with high fixed costs encourage competitors to fill underutilized capacity by lowering prices.
- **Degree of excellence:** In industries where products are commodities (such as steel and coal), competition is intense, while in industries where competitors can distinguish their products, competition is less.
- **Transformation costs:** Competition decreases when buyers have high transition costs. In other words, there is a significant cost involved in the decision to purchase a product from an alternative supplier.
- **Strategic objectives:** When competitors practice strong and rapid growth strategies, competition is more intense; when competitors bring in profits in a full-fledged industry, the degree of competition is less.
- **Barriers to exit:** When the barriers to leaving an industry are high (e.g., the cost of closing factories), competitors tend to show greater competition.

POTENTIAL ENTRANTS

The entry of new competitors raises the level of competition and thus lowers the attractiveness of the sector. The threat of new entrants is highly dependent on barriers to entry. There are high barriers to entry in some industries (such as shipbuilding), while it is very easy to enter other industries (such as: real estate agencies, restaurants).

BUYERS

Buyers are the people – or institutions – who create demand in an industry. The bargaining power of buyers is greatest when:

- The number of dominant buyers decreases, and the number of sellers increases in the industry.
- Products are standardized.
- Buyers threaten to withdraw from the industry.

SUPPLIERS

Suppliers are companies that supply materials and other products to the industry. The cost of items purchased from suppliers (raw materials, components) can create a significant impact on the company's profitability. If the suppliers have high bargaining power over the company, then in theory the company's industry is less attractive.

SUBSTITUTES

Your competitive strength is affected by your customers' ability to create a different way to fulfill the benefit and value that your services and products offer them. For example, SMS, WhatsApp messages and social networking are a good alternative to phone calls, and e-learning is a good alternative to traditional learning.



ACTIVITIES **ACTIVITY 8 (40 minutes)**

Think about your organization and make notes on the strengths of buyers and suppliers and the threats of substitutes and new entrants. To what extent does that make the competition intense?

PORTFOLIO ANALYSIS

11



Portfolio analysis shows the overall balance of the strategic units of any enterprise.

Most companies have operations in more than one sector, often in different geographic markets. Large and diversified groups often have many divisions (each containing a number of strategic units) operating in well-differentiated industries.

Business portfolio analysis enables business units to be strategically balanced in terms of their competitive position and the growth of their respective market, and this enables them to choose the appropriate combination of strategic units.

This is important as any company should always look for the most attractive market and business units that have the potential to gain an advantage in the most attractive market.

STRATEGIC ANALYSIS OF THE ORGANIZATION

Boston Matrix

An effective tool in portfolio analysis is the Boston Matrix. The origin of the Boston Matrix comes from the Boston Consulting Group. The matrix was devised in the early 1970s as a clear and simple way to help companies identify the parts needed to allocate available cash. After the credit crunch, this was considered important in some sectors due to the limited credit available. The Boston Matrix is a good tool for thinking about how to apply other limited resources such as people, time, and equipment.



💡 Dog: Low Market Share & Low Market Growth

In this box, your market presence is weak, so it takes a lot of hard work to become noticeable. You will not enjoy the economics of the big actor's standard, so it is difficult to make a profit. Because of low market growth, you will have to invest a lot of hard work and resources to improve your situation.

For the sake of all this, the most ideal strategy, in this case, may be to get rid of the strategic unit at issue in the absence of other strategic reasons that call for something quite different.

💡 Question Mark: Low Market Share & High Market Growth

The question mark represents opportunities that a person does not know how to deal with. It does not generate more revenue at the moment because you lack a large market share, but it promises a high-growth market, and thus good revenue potential. A "question mark" may become a "star" and eventually turn into a "cash cow." But until then, it may require a lot of effort and resources with little return. So, those opportunities require serious thought about whether the extra investment is guaranteed or not. It is also possible for the "question mark" to turn into a "dog," so the relative risk to investment is high.



STRATEGIC ANALYSIS OF THE ORGANIZATION

💡 Star: High Market Share & High Market Growth

These are products in high-growth markets with a relatively high market share. Stars tend to produce a high income. Portfolio strategies must seek to preserve and build Stars because the relative risk in doing so is low.

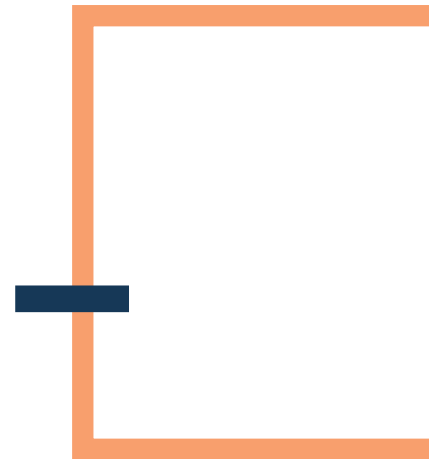
💡 Cash Cow

In this box, the financial return is high, and the risks are relatively limited. Maintaining the situation requires only some effort, given the lack of market growth and the low likelihood of the entry of new competitors.

On the other hand, your chances of increasing your market share are also limited and may require a high investment that is not worthwhile.

In this case, you can continue to milk the cow, as you can when you do not need its constant cash flow, and in the absence of other strategic obstacles, you can sell it (to get its profits up front), and then invest in products that fall into the Star field.

There is a need to creating some balance within the product portfolio; organizations generally tend to avoid having any Dog products.

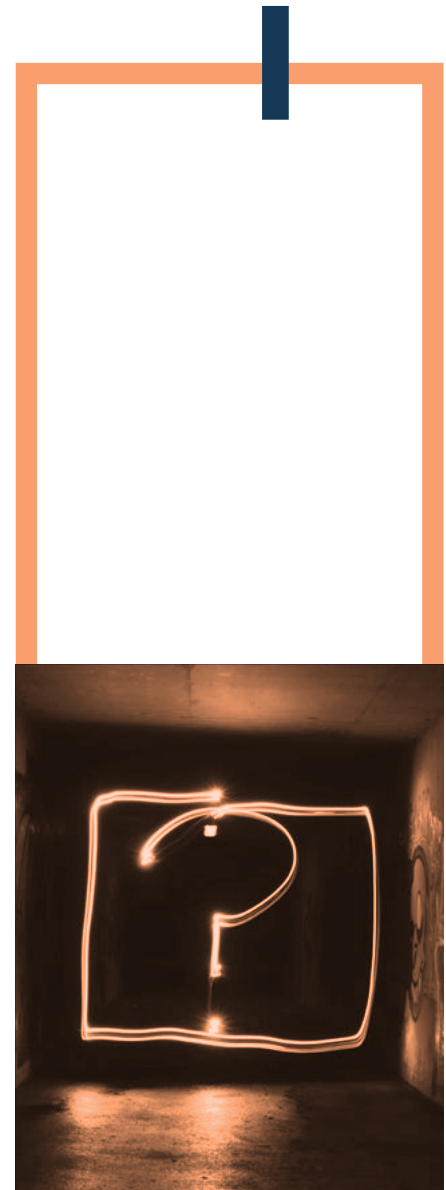


STRATEGIC ASSESSMENT

At the same time, the institutions need to keep the products of the Cash Cow, Question Mark, and Star fields in a kind of balance, as they use the money generated by the products of a Cash Cow to transform the products of the Question Marks into Stars that could eventually turn into Cash Cows.

However, some of the Question Marks will turn into Dogs, meaning that they will need a greater contribution from successful products to make up for the failures.

One of the problems with the Boston Matrix is the assumption that higher rates of profit are directly related to higher rates of market share. This situation may not always be the case; when Boeing introduces a new aircraft it may gain a high market share quickly, but it still has to cover extremely high development costs.



**SITUATION
ANALYSIS
(5CS)**

12



The 5Cs analysis technique is very commonly used. The 5C Situation Analysis addresses five key elements: the company, customers, competitors, collaborators, and climate (the surrounding environment). This analysis will help you assess the most important factors facing your business. It is similar to a business health check by focusing on the most important parts of your business and determining if they are doing well or not.

5Cs analysis is one of the most popular situation analysis models due to its effectiveness and simplicity. It is an excellent choice for small to medium-sized businesses. We recommend conducting a 5C analysis at least once a year. It does not take much time, and in return, it will help you refresh your understanding and awareness of the biggest and most important factors that affect your business.

STRATEGIC ASSESSMENT

COMPANY

- ▶ Weaknesses and strengths
- ▶ Organizational culture
- ▶ Short- and long-term goals

ENVIRONMENT

- ▶ Government regulations
- ▶ Social and cultural environment
- ▶ Legal environment

COMPETITORS

- ▶ Competitors' status
- ▶ Strength and weakness
- ▶ Opportunities and threats

COLLABORATORS

- ▶ Distributors
- ▶ Suppliers
- ▶ Partners

CUSTOMERS

- ▶ Market segments
- ▶ Market size
- ▶ Buying habits



STRATEGIC ANALYSIS OF THE ORGANIZATION

How to Conduct a 5Cs Analysis: Questions to Ask to Understand Each Element:

Company

- What does my company sell? List the main product lines and types.
- Are our products different from those of competitors? If so, how?
- What is the competitive advantage of my company?
- What makes my brand unique or unforgettable?
- What does my business do better than others?
- What does my business do worse than others?
- How do customers see my business?
- Suppose I suddenly win \$100,000 to invest in my business. Where would I invest it?
- Conversely, suppose I suddenly had to cut my budget by 10%. Where would I make those cuts?
- What are my objectives for the next year, for the next three years, and the next five years for this company?

It's important to be upfront and honest when answering these questions, especially about your weaknesses and your competitors' edge. After you have answered these questions, think to yourself: how do you feel about these answers? Would you have liked your answer to some of these questions to have been different? If so, jot down the ideal answers you wish were correct. This is a great way to create short- and long-term goals for your company.

Collaborators

Include any person or organization your business collaborates with or could collaborate with in your operations. Consider it a manual or your company's phone book. For example, when a supplier is late on an order, you could refer to this guide to see whom you need to contact to remedy the situation. Write down each collaborator's primary contact, email address, phone number, and other relevant information.

Here are some questions you could ask about the collaborators your company deals with:

- Who runs the company's daily operations?
- Do I have a partner who helps me run the company?
- Do I have investors or shareholders?
- Who are the suppliers?
- Who processes my credit card payments?
- Who provides my e-commerce platform?
- Who did I register my website's domain with?
- Do I have a professional to help me build my website?
- Do I have someone to write product descriptions or other marketing content for me?
- Do I have someone helping me in marketing and advertising?
- Do I have someone who distributes or sells my products?
- Do I have someone who manages my social media accounts?
- Do I work with any freelancers or contractors?
- Is there anyone else I work with on a regular basis?

STRATEGIC ANALYSIS OF THE ORGANIZATION

After filling out the Collaborators section, you'll likely realize that it takes more people (or services) to operate your business than you initially realized. Listing all your collaborators here will help you keep track of who is in charge of each task and give you a starting point when looking to make your business more productive and efficient. You may realize you have a contractor on your payroll who hasn't emailed you in months.

Customers

Customers are the most important elements of a business in so far as they buy your products and services. Through an in-depth knowledge of your customers and what they expect from you and the extent to which your products and services meet their needs, you will be more effective in providing the products and services your customers want to buy. That will improve your marketing and promotional capabilities, not only to your existing customers but your potential customers as well.

Here are some questions you can ask about your customers. If you target multiple market segments, you may want to answer these questions for each segment of customers:



STRATEGIC ASSESSMENT

- What does the ideal customer for my products look like? Who is my target audience? What are its characteristics in terms of gender, culture, work, study, hobbies and other characteristics?
- Who currently buys my products?
- What kinds of products sell a lot? What kinds of products rarely sell?
- Which products get very good reviews? Which ones have bad reviews or no comments?
- How do my clients behave on my website? What pages do they visit most often?
- How do my customers find my site or products?
- Is my audience generally increasing or shrinking?
- How many repeat purchases do my customers make? How important are repeat purchases for my business model?
- What promotions or campaigns have been most effective in increasing sales in the past?
- Are my sales regular? Are there special trends in customer purchases?
- Do customers conduct careful research before buying?
- What motivates my customers to buy? (Price, quality, convenience, or unique features of the product?)
- Where does my customer go to get information about my products?
- What are the channels of communication between my clients and me?
- What sources of customer feedback do I have?
- What are the most common complaints or problems my customers have?
- What are the most common positive reactions?

STRATEGIC ANALYSIS OF THE ORGANIZATION

The goal of these questions is to document accurate and in-depth knowledge of your customers, their behaviors, and the motivations behind their decisions.

If you are having difficulties with this section, you are not alone. The most difficult and important component of marketing is understanding the customer correctly. Your correct understanding of your customers gives you a competitive advantage difficult for your competitors to beat.

To answer these questions, use all of your customer feedback sources. Be sure to review customer analysis frequently as you learn more about them or a change in your target audience.

Competitors

Understanding your competitors is just as important as understanding your own business. Answer the following questions about your competitors:

- Who are your direct competitors?
- Who are my competitors? Who are my new or emerging competitors?
- What can competitors offer? What can they not offer, compared to me?
- What are the main strengths of each of my competitors?
- What are the main weaknesses of my competitors?
- What strategies do competitors use to gain customers?
- Is there something competitors are doing that I can't do? Current competitors
- Points of strength and weakness
- Opportunities and threats
- Is there something I can do that my competitors can't do?
- What audience are the competitors targeting?
- To what extent are my competitors present on social media?

STRATEGIC ASSESSMENT

Knowing the general position of your competitors in the market and their strengths and weaknesses will give you a significant competitive advantage.

Climate:

By this, we mean the search for external factors that may positively or negatively affect the way you work, including industry trends, societal trends, legal trends, new or evolving technologies, and more.

You can usually resort to PESTEL analysis to understand the external environment in greater depth and understand the opportunities and threats it creates.

In this part of the analysis, you can ask yourself:

- Are there new or proposed laws or regulations that could affect my work? If so, how do I plan to deal with them?
- Are there social trends that could affect the services/products that people buy?
- Are there economic trends that may affect the shopping behavior of customers?
- Are there new or emerging technologies that could change the way my clients behave or the way my business is run?
- What things have become popular or unpopular?

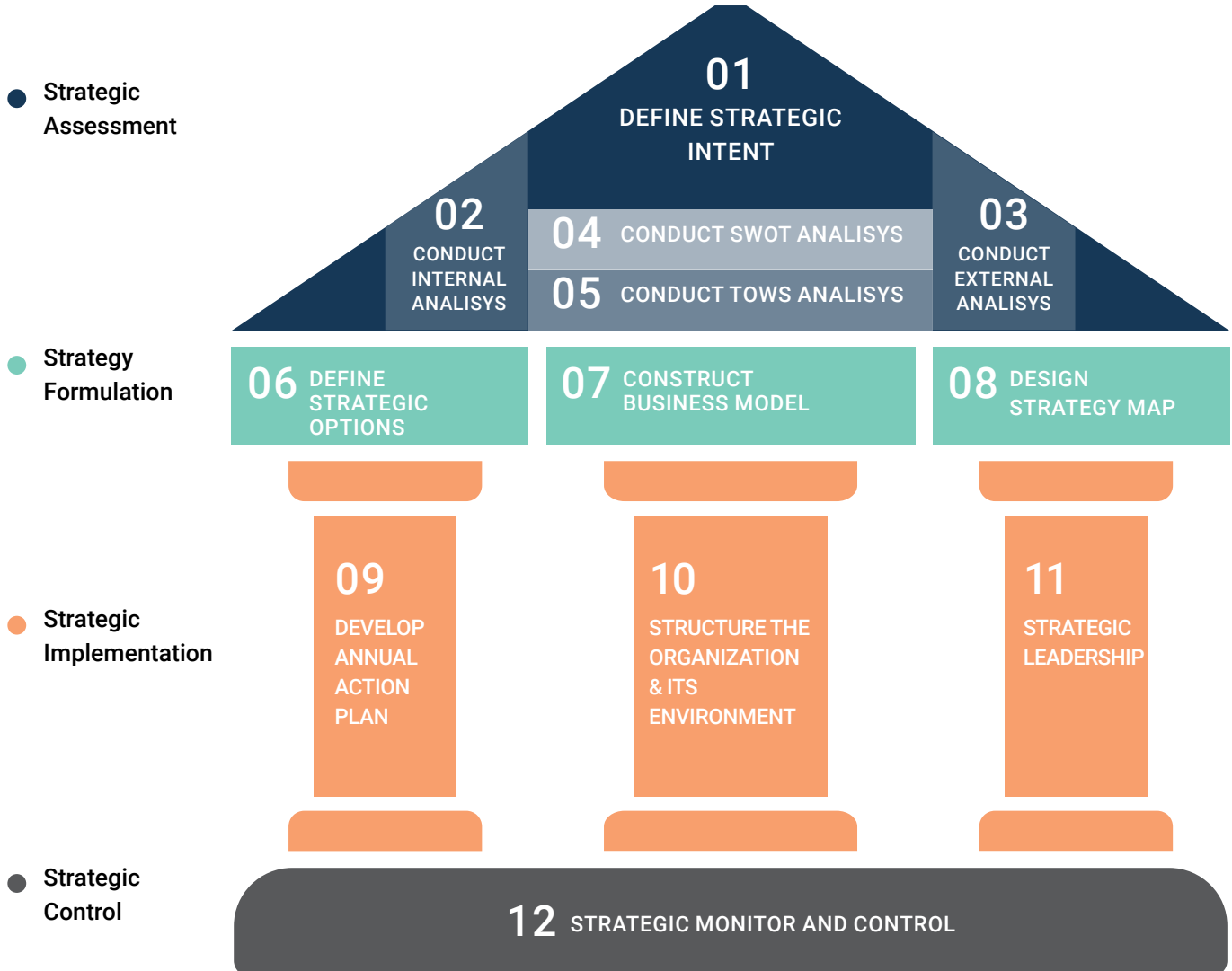
SECTION ONE: STRATEGIC ASSESSMENT

- 1 DEFINING THE STRATEGIC INTENT
- 2 STRATEGIC ANALYSIS OF THE ORGANIZATION
AND ITS EXTERNAL ENVIRONMENT
- 3 TRANSITION FROM ANALYSIS
TO STRATEGIC OPTIONS**

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STRATEGIC ASSESSMENT

TRANSITION FROM ANALYSIS TO STRATEGIC OPTIONS




TRANSITION FROM ANALYSIS TO STRATEGIC OPTIONS



"It doesn't matter which side of the fence you get off on sometimes. What matters most is getting off. You cannot make progress without making decisions." – Jim Rohn

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WE SUM UP
THE ANALYSIS
FINDINGS
IN A SWOT
ANALYSIS ON
WHICH WE RELY
TO CONDUCT
THE TOWS
ANALYSIS,
WHICH
DETERMINES
THE
APPROPRIATE
STRATEGIC
OPTIONS.



TRANSITION FROM ANALYSIS TO STRATEGIC OPTIONS

As mentioned at the beginning of the Strategic Analysis section, the appropriate tools of strategic analysis can enable us to collect and analyze the required information as well as analyzing its strengths and weaknesses on one hand and understanding the external environment surrounding the organization on the other hand, besides identifying the entailing opportunities and threats. We already discussed some of these tools within their three types in the previous section.

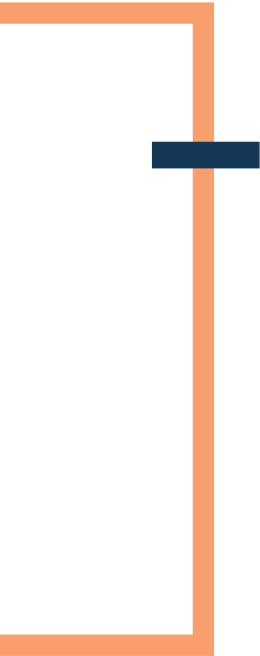
In this section, we will sum up the analysis findings we concluded in a SWOT Analysis on which we rely to conduct the TOWS Analysis. The TOWS Analysis, in turn, determines the appropriate strategic options, and this takes us to the next section in strategic management, namely, Strategy Formulation.

However, before we summarize the findings in the SWOT Analysis, we will review the components of strategic intent that we determined in the first step of the strategic management process, to verify it is valid and realistic and whether it is necessary to modify it in light of the results we concluded from the strategic analysis processes.



SWOT ANALYSIS (STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS)

1



SWOT analysis is used to collect information and analyses about the internal and external factors that affect the organization and its strategic objectives in one place. It does this by identifying the most important strengths and weaknesses of the organization on the one hand, and the most important opportunities and threats generated by the external environment on the other hand.

The analysis of strengths, weaknesses, opportunities and threats is an important tool for auditing the overall strategic position of any business and its environment.

Weaknesses and strengths are internal factors. For example, your strength could be represented in your niche marketing expertise, and your weakness could be the lack of a new product.

Opportunities and threats, however, are external factors. Opportunity could be an evolving distribution channel such as the Internet or changing customer lifestyles that are likely to increase demand for any company's products. Threat could be an important existing market or a technological change likely to render existing products obsolete.

TRANSITION FROM **ANALYSIS** TO **STRATEGIC OPTIONS**

It should be noted that the analysis of strengths, weaknesses, opportunities and threats can be largely subjective. Rarely do two people reach the same conclusion from the analysis of strengths, weaknesses, opportunities and threats. Therefore, SWOT analysis is better used as a strategic tool only after using other analytic tools. In this way, it can act as a bridge that connects internal and external information and the extraction of data on clearly focused issues.



STRATEGIC ASSESSMENT

Helpful
To achieving the objective

Harmful
To achieving the objective

Internal Origin
Attributes of the
Organisation



External Origin
Attributes of the
Environment



TRANSITION FROM **ANALYSIS** TO **STRATEGIC OPTIONS**

In our example, the Virtual Training Institute, we will assume that we have conducted the needed analyses which we referred to in the strategic analysis section, and accordingly we reached the following findings:

STRENGTHS

- *Highly efficient training and administrative staff*
- *Professionally certified to grant a range of international professional qualifications*
- *Good experience in hosting internationally certified professional programs in both Arabic and English*
- *A good reputation in providing internationally certified professional training courses.*

WEAKNESSES

- *A static and unsuitable website*
- *Absence of pages and accounts on social networking channels*
- *Lack of experience in e-learning and e-training*
- *Lack of experience in digital marketing*
- *Increased significant operational expenses (e.g., Institute's building rent, large staff).*

OPPORTUNITIES

- *An increasing significant shortage of skilled employees worldwide, particularly in the region*
- *Lack of internationally certified professional programs in Arabic, neither traditional nor online*
- *Significant increase in population in Arab countries*
- *Unemployment rate among Arab youth is the highest rate worldwide (approx. 28%)*
- *Middle and high classes in Arab societies represent about 53.4% of the total population*
- *86% of Arabs consider education as a very important factor in addressing unemployment*
- *Constant increase in expenditure by companies worldwide on training*
- *E-learning is one of the best promising and fastest-growing markets in the education industry*
- *The best, cheapest and most flexible labor is found in the gig economy*
- *Availability of the best short professional training programs at competitive prices online.*

TRANSITION FROM **ANALYSIS** TO **STRATEGIC OPTIONS**



THREATS

- *Accelerating competition in e-learning and e-training*
- *Poor financial capacity to buy training programs in the region*
- *Constant accelerated change in e-training tools, technologies and materials*
- *Technical and technological risks, such as failure to maintain satisfactory performance, credibility, or security for our electronic network and platform.*



ACTIVITIES

Activity 9 (60 minutes)

Drawing on the findings from the internal and external environment analyses you previously conducted, conduct a SWOT Analysis for your organization.



TOWS ANALYSIS 2

TOWS analysis is an extension of the SWOT analysis framework. It is concerned with matching strengths with opportunities and matching threats with weaknesses, thus enabling you to learn the actions needed to turn your strategic analyses into an action plan.

Components of TOWS Analysis

The main purpose of TOWS analysis is to reduce threats, take advantage of opportunities, make optimal use of the strengths you possess, and finally, remove your weaknesses by taking advantage of the opportunities available according to the following breakdown:

💡 Strengths of Opportunity (S-O):

S-O focuses on leveraging your strengths to seize potential market opportunities.

💡 Strengths against Threats (S-T):

S-T examines how to leverage your strengths to mitigate or eliminate potential threats or turn them into opportunities.

💡 Weaknesses of Opportunity (W-O):

W-O examines how to take advantage of opportunities available to you to eliminate your weaknesses.

💡 Weaknesses before Threats (W-T):

W-T highlights how your weaknesses can create, develop or enhance threats to you.



STRATEGIC ASSESSMENT

OPPORTUNITIES (External, Positive)

THREATS (External, Negative)

STRENGTHS
(Internal, Positive)

STRENGTH – OPPORTUNITY STRATEGIES

Which of the company's strengths can be used to maximize the opportunities you identified?

STRENGTH – THREATS STRATEGIES

How can you use the company's strengths to minimize the threats you identified?

WEAKNESS
(Internal, Negative)

WEAKNESS – OPPORTUNITY STRATEGIES

What actions can you take to minimize the company's weaknesses using the opportunities you identified?

WEAKNESS – THREATS STRATEGIES

How can you minimize the company's weaknesses to avoid the threats you identified?

TRANSITION FROM ANALYSIS TO STRATEGIC OPTIONS



How to Use the TOWS Model

First: Perform your SWOT analysis as detailed above.

Second: Based on the results of your SWOT analysis, create a TOWS matrix.

Third: Analyze your strategic options within your TOWS matrix and choose one or two promising strategies from each box.

Fourth: Arrange your strategic options in order of priority. Determine the priority of strategic actions according to the expected benefits of each strategy, the extent to which they are easy to implement, the (low) cost of their implementation, the extent to which they overlap with other selected strategies, and the extent to which they are compatible with the culture of the organization. The implementation of those easy strategies with great benefits should begin.

You often find that there are easy strategies that require limited resources, yet whose benefit and added value to the organization are very high. Start with them first.



STRATEGIC ASSESSMENT



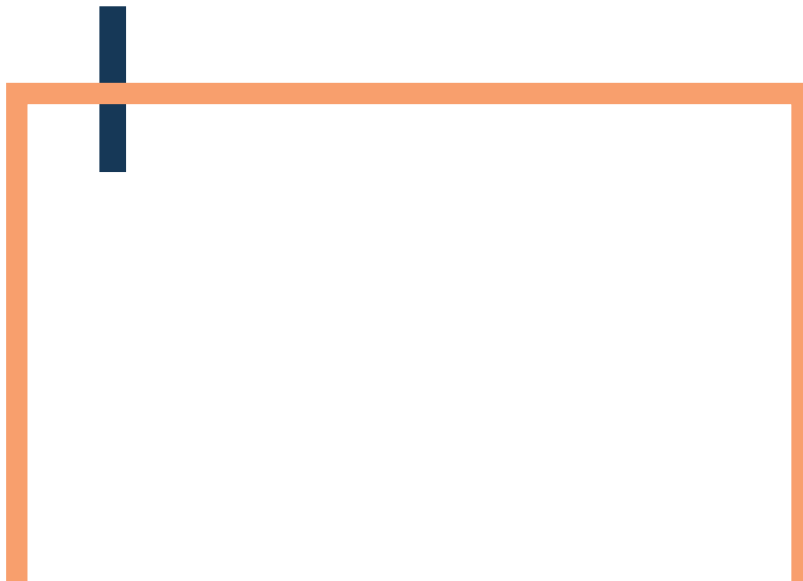
In our example, the Virtual Training Institute, we will determine a group of strategic options by establishing a TOWS matrix based on a SWOT Analysis, as follows:

	OPPORTUNITIES	THREATS
STRENGTHS	<ul style="list-style-type: none"> ▶ Provide internationally certified professional qualifications for residents of the MENA region in both English and Arabic ▶ Manage and expand the internationally certified professional institutes network; hence, the available professional qualifications list ▶ Provide professional training programs that are highly flexible in terms of time, duration, program length, registration timing, location, system quality, by cooperation between the Institute's staff and the gig economy ▶ Cooperation between the Institute's staff and the gig economy on developing attractive and interactive videos and e-training materials. 	<ul style="list-style-type: none"> ▶ Competition on the basis of both advantage and cost, by offering a lot of value for customers in terms of qualifications, platform, training materials, and professionally provided programs on the one hand, and offering significantly competitive prices with high flexibility to meet customers' needs and budgets.
WEAKNESSES	<ul style="list-style-type: none"> ▶ Develop a fully virtual platform, in both English and Arabic, utilizing the gig economy ▶ Improve the capabilities of the employees in the expertise in e-training and e-marketing through e-training ▶ Develop and manage social media pages and accounts by cooperation between the Institute's staff and the gig economy ▶ Target the middle and high classes of the region's peoples ▶ Reduce fixed and changing operating expenses by adopting automation, and the available human resources from the gig economy ▶ Manage and expand independent trainer network. 	<ul style="list-style-type: none"> ▶ Enter into strategic partnership for the management of the Institute's platform, and for all other technical needs, using the gig economy ▶ Enter into strategic partnerships with referral partners and sales agents via the online system of the platform, in order to increase sales across the region.

ACTIVITIES

Activity 10 (60 minutes)

Drawing on the findings of the SWOT Analysis you carried out in Activity 9, create a TOWS matrix, and define your strategic options accordingly.



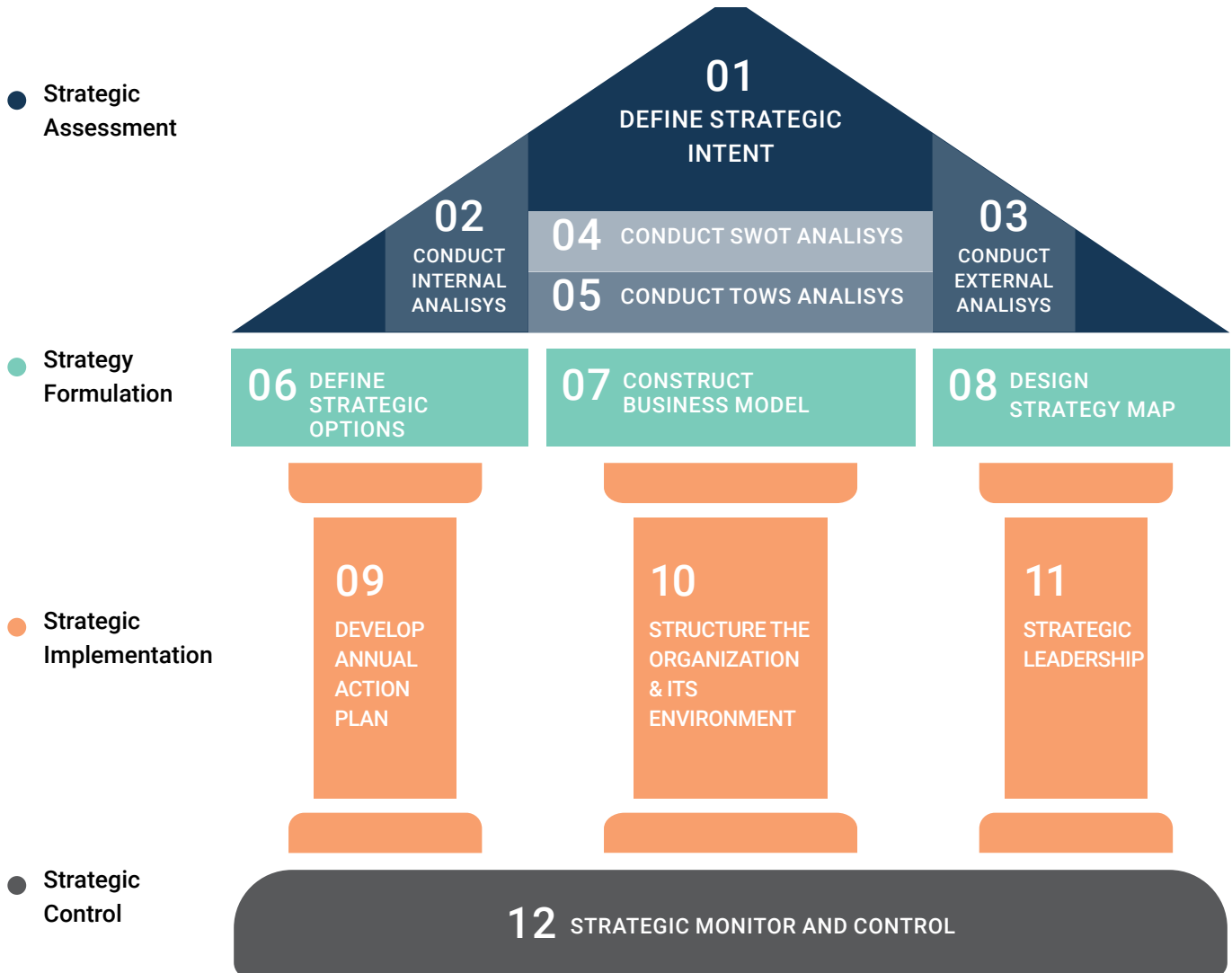
SECTION TWO: STRATEGIC FORMULATION

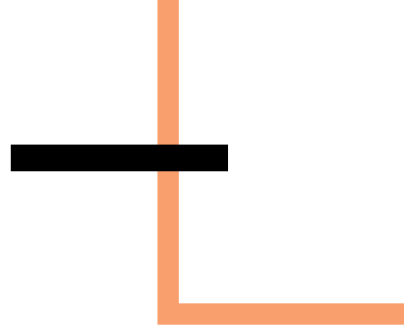
- 1 DEFINING STRATEGIC OPTIONS
- 2 BUSINESS MODEL DEVELOPMENT
- 3 DESIGNING OF THE STRATEGY MAP

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STRATEGY FORMULATION

DEFINING STRATEGIC OPTIONS





“There is nothing so useless as doing efficiently that which should not be done at all.”

– Peter Drucker

DEFINING STRATEGIC OPTIONS

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STRATEGIC
OPTIONS ARE
THE STRATEGIC
PROCEDURES
THAT ENABLE US
TO REALIZE THE
ORGANIZATION'S
STRATEGIC
INTENT

DEFINING STRATEGIC OPTIONS

Strategic options are the strategic procedures that enable us to realize the organization's strategic intent.

As seen in the previous section, we produced a good number of strategic options for the Virtual Training Institute by creating a TOWS matrix, based on an in-depth study of the organization, its strengths and weaknesses, its external environment and the opportunities and threats created by this environment.

In this section, I will present some models developed to define the strategic options in an organized and systematic manner and I will review the strategic options we listed for the Virtual Training Institute in light of these models, in order to enhance, modify, exclude some of or add other options to our strategic options.



STRATEGIC ASSESSMENT



ANSOFF'S FOUR STRATEGIC OPTIONS

It analyzes the strategic options available to achieve more growth while considering the potential risks of each option.



PORTER'S GENERIC COMPETITIVE STRATEGIES

The competitive position of the organization compared to the rest of the institutions in any field of business is what determines whether its profitability is above or below the average



STRATEGIC CHOICES BUILT ON INTERNAL FOUNDATIONS

A strategic option is usually chosen with an internal focus when the organization's resources are not performing as they should



BLUE OCEAN STRATEGY

The true competitiveness of the process of excellence and innovation lies in the creation of new capabilities that competitors cannot easily copy or imitate

DEFINING STRATEGIC OPTIONS



ANSOFF'S FOUR STRATEGIC OPTIONS

1

The Ansoff Matrix, also known as the Ansoff Product/Market Growth Matrix, is a strategic planning tool used to analyze and create four alternative directions for the strategic development of a business or a company. In short, it analyzes the strategic options available to achieve more growth while taking into account the potential risks of each option.

These strategic options are determined in four broad directions: 1) Market penetration, 2) Product development, 3) Market development, and 4) Diversification.

As we can see in the Ansoff Matrix, there are four main categories for selection: existing markets, new markets, existing products, and new products. These main categories give rise to four general strategic options, which we present as follows:

STRATEGIC ASSESSMENT



DEFINING STRATEGIC OPTIONS

1.1 Market Penetration

In this strategy, the company uses its products in the current market. In other words, the company aims to increase its market share through the market penetration strategy.

The market penetration strategy can be implemented in several ways such as:

- Reducing prices to attract new customers.
- Increase promotion and distribution efforts.
- Buying out a competitor in the same market.

For example, telecom companies meet the needs of the market itself and use a market penetration strategy by offering introductory rates and increasing promotion and distribution efforts.

On the other hand, management could decide to withdraw from certain markets and/or products to focus resources on the most profitable markets and/or products. In this regard, the Boston Matrix analysis should be used to determine which products are likely to provide the best return and opportunities to maintain market share.



1.2 Market Development

When the current market is saturated and opportunities to gain more market share are limited or costly, organizations should strive to introduce the same products to new markets.

A market development strategy is more successful if: 1) the company has proprietary technology that it can leverage in new markets, 2) the potential consumers have purchasing power in the new market, and 3) consumer behavior in new markets has not deviated much from that of consumers in existing markets.

The market development strategy may include one of the following methods:

- Presenting the product to a different segment of customers.
- Entering a new local market (regional expansion).
- Entry into a foreign market (international expansion).

For example, sporting goods companies such as Nike and Adidas have recently entered the Chinese market for expansion, with both companies offering roughly the same existing products to a new demographic.



DEFINING STRATEGIC OPTIONS

1.3 Product Development

New products are necessary for survival. At the same time, they are risky, expensive and possibly unprofitable – yet they are a must. Existing products may be outdated and replaced by new technologies or outside of customers' needs and expectations.

In a product development strategy, a company develops new products to meet current market needs. This step usually involves extensive research and development.

A product development strategy is typically used when a company has a solid understanding of its current market and is able to provide innovative solutions to meet current market needs.

This strategy can be implemented in several ways, including:

- Investing in research to develop new products to meet current market needs.
- Acquiring a competitive product and integrating resources to create a new product that better meets current market needs.

An example of this type of strategy is the electric cars that car companies are manufacturing to meet the changing needs of their current markets.



1.4 Diversification

In the diversification strategy, the company enters a new market with a new product. This strategy is the riskiest. Therefore, it is not recommended unless there are strong strategic reasons that call for it. The risks of this strategy can be mitigated to some extent by resorting to the related diversification strategy.

There are two types of diversification strategies:

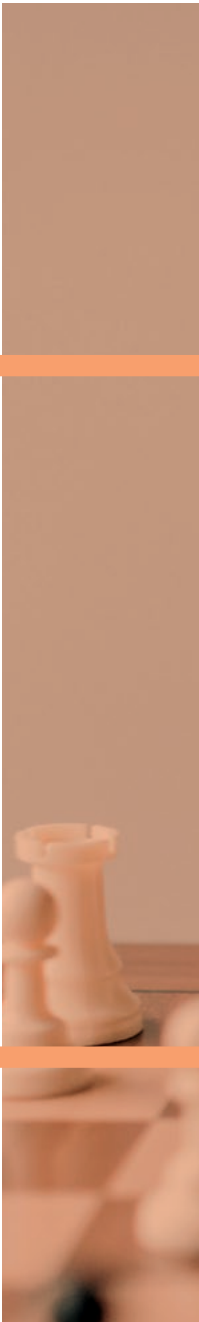
- Concentrate diversification: this is where potential synergies can be achieved between the existing business and the new business. For example, leather shoe producers manufacturing a range of leather wallets or accessories.
- Conglomerate diversification: this is where there are no potential synergies that can be achieved between existing business and new business. For example, leather shoe producers manufacturing phones.



DEFINING STRATEGIC OPTIONS

It is very clear that in our example, the Virtual Training Institute, we used the related diversification strategy, which involves entering new markets (MENA countries) with new products (virtual training), that are, however, strongly connected to our typical traditional training products. This strategy is too risky, but our current business model (traditional training) is unsustainable due to its increased costs, operational difficulties, and a smaller market, along with the alternatives being unsuccessful. We should follow the “related diversification” strategy. However, we should do so very carefully by taking the following actions:

- *Providing the professional e-training services in a gradual manner, for example, by initially focusing on only one qualification until we acquire adequate experience and knowledge in e-training and in how to handle it and build its tools and products.*
- *Not starting to offer our services until we make sure all our new systems and sources are operating properly, without any issues or obstacles, and conduct limited initial tests before launching the program and selling it.*
- *Start in only one market (domestic) for a pilot period (approx. 6 months – 1 year) before launching the product in the broader market.*





2

PORTER'S GENERIC COMPETITIVE STRATEGIES (WAYS OF COMPETING)

When you book a flight to travel to another country, do you choose a cheap airline or a more expensive airline with great service levels?

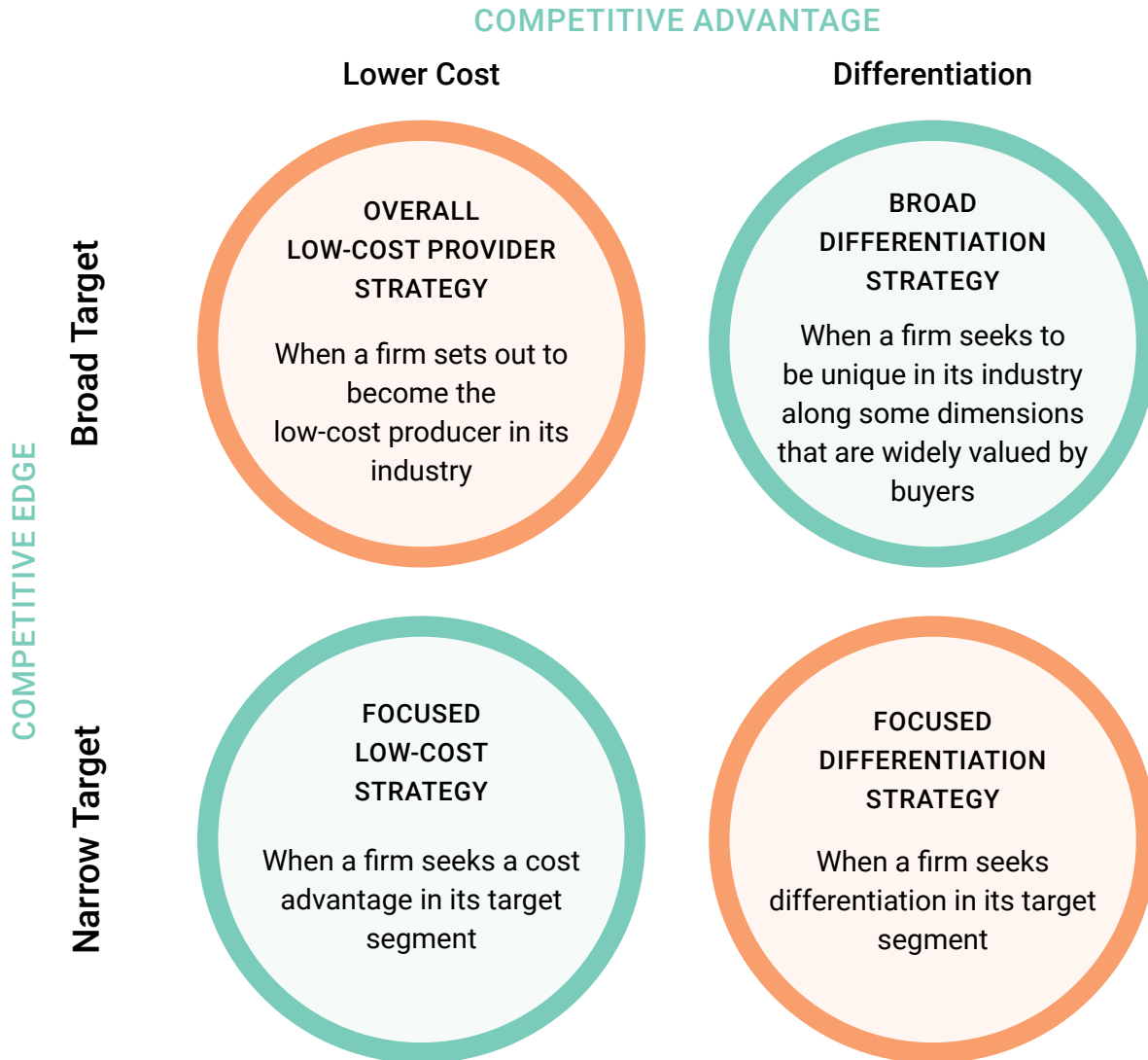
The difference between airlines in these respects is in fact due to the different competitive strategies that they have adopted to achieve a competitive advantage in a competitive market. This is illustrated by Porter's Generic Competitive Strategies.

The competitive position of the organization compared to the rest of the institutions in any field of business is what determines whether its profitability is above or below the average. The basic rule for achieving above-average profitability in the long term is the existence of a sustainable competitive advantage for the organization.

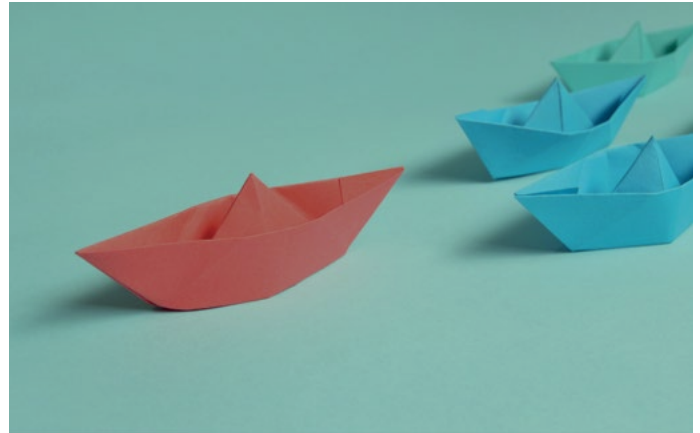
There are two basic types of competitive advantage that a company can possess: low cost, and differentiation. These two basic types of competitive advantage, combined with the scope of activities that the organization undertakes and seeks to achieve, lead to three general strategies for achieving above-average performance in industrial organizations: cost leadership, differentiation, and focus.

The focus strategy has two options: focus with cost leadership and focus with product/service differentiation.

STRATEGIC ASSESSMENT



DEFINING STRATEGIC OPTIONS



2.1 Cost Leadership Strategy

Cost leadership strategy can be achieved through:

- Increasing profits by cutting costs while charging average industry prices.
- Increasing market share by charging lower prices, while still making a reasonable profit on each sale due to lower costs.

A cost leadership strategy consists of being the cost leader in your industry or market. It is not enough to be one of the least expensive producers, for, in this case, you are vulnerable to attack by other low-cost producers who may lower their prices and thus hinder your attempts to increase your market share.

Therefore, you must be confident that you can achieve and maintain the highest cost reduction so that your competitors cannot match you.

STRATEGIC ASSESSMENT

The sources of cost advantage are diverse, depend on the structure of the organization, and include striving for economies of scale, proprietary technology, preferential access to raw materials, and other factors. Companies that succeed in achieving cost leadership typically have advantages, including:

- Access to the capital needed to invest in technology that will reduce costs.
- Highly efficient logistics.
- Low-cost base (labor, materials, and facilities) and a way to reduce costs more sustainably than other competitors.

The biggest danger in pursuing a cost leadership strategy is that your sources of cost reduction are not unique to you. It's only a matter of time before your competitors copy your cost reduction strategies, so you have to be constantly on the lookout for new ways to reduce your cost.



DEFINING STRATEGIC OPTIONS

2.2 Differentiation Leadership Strategy

Through the strategy of differentiation, the organization seeks to be unique among its peers in those aspects widely appreciated by buyers.

The institution chooses some characteristics that the majority of buyers find important to them, and thus puts itself in a privileged or differentiated position in terms of meeting those needs. It rewards this distinction by setting relatively high prices.

To ensure the success of the differentiation strategy, the organization needs:

- Good research, development and innovation.
- The ability to provide high-quality products or services.
- Effective selling and marketing so that the market understands the benefits presented by the various offerings.

Large organizations that pursue a differentiation strategy need to maintain flexibility in their new product development processes, otherwise, they risk losing their competitive position as a result of competitors' differentiation strategies.



2.3 Cost Focus Strategy

Organizations that use focus strategies focus on niche markets. By understanding the dynamics of this or that market and the unique needs of customers within it, they develop low-cost or very specific products for the market. Because they uniquely serve the customers in their market, they tend to build strong brand loyalty among their customers. This makes its market segment less attractive to competitors.

2.4 Differentiation Focus Strategy

The Differentiation Focus Strategy is an evolution of the Differentiation Strategy which concentrates on a particular buyer group, product line group, or geographic market. Its target segments have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. A company that focuses its efforts can serve its narrow strategic target more effectively than competitors.

As with broad market strategies, you must decide whether to adopt a cost leadership strategy or a differentiation strategy.



DEFINING STRATEGIC OPTIONS

Whether you use a cost leadership strategy or a differentiation strategy, the key to the success of the overall focus strategy lies in ensuring that you add something as a result of serving only this niche market. It is simply not enough to focus on just one market segment just because your organization is small; you would thereby not enjoy any competitive advantage compared to your competitors.

That extra something that you add can help in reducing costs (through your knowledge of specialized suppliers, for example) or increasing differentiation (stemming from your deep understanding of the needs of the customers. in the segment you focus on).

2.5 Choosing the Correct Generic Strategy

Choosing any one of Porter's Generic Strategies affects the overall strategic decisions you will make later on, so you should be careful and take the time to make the right decision about the generic competitive strategy you will follow.

Of course, you cannot follow more than one of these strategies. Each one of these options requires a different structure, resources, competencies, procedures, and policies to implement. They, therefore, cannot be confused.

As a result, when you adopt any of these generic strategies, it is essential that you take into consideration your organization's competencies and strengths.



STRATEGIC ASSESSMENT

The following are the steps that enable you to choose the most appropriate strategic option for your organization:

Step 1: Use the Five Forces Analysis to understand the nature of the industry in which you operate.

Step 2: Conduct a SWOT analysis of your strengths and weaknesses, and the opportunities and threats you might face if you adopt any of the generic strategies.

This step enables you to identify the strategies that do not fit your organization and may even help you to determine the most appropriate strategy.

Step 3: Compare SWOT analyses of appropriate strategic options with the results of the Five Forces Analysis. For each strategic option, specify how to use this strategy to:

- Reduce suppliers' bargaining power over you.
- Reduce buyers' bargaining power over you.
- Reach the top of the competitive pyramid.
- Reduce or remove the risk of replacement.
- Reduce or remove the risk of new products' entry.
- Determine the generic strategy that gives you the strongest set of options.

Obviously, the strategy we adopt in our example (the Virtual Training Institute) does not fall in any of the boxes of Porter's Generic Competitive Strategies matrix, because our strategic option is combining differentiation advantage and low-cost advantage. This means that we adopt the blue ocean strategy, not the red ocean strategy as described below.

3

BLUE OCEAN STRATEGY



The strategic gains demonstrated in the above models can help improve traditional means of strategic performance. However, according to Mauborgne and Kim, the true competitiveness of the process of excellence and innovation lies in the creation of new capabilities that competitors cannot easily copy or imitate (Blue Ocean Strategy, W. Chan Kim & Renee Mauborgne, Harvard Business Review Press, 2004).

Based on the study of 150 strategic moves over more than 100 years in 30 business sectors, the authors say that lasting success does not come from fighting competitors but from creating a blue ocean. That is, a new, untapped market ripe for growth.

“Organizational leaders often accept and act on two fundamental assumptions. One is that market boundaries and industry conditions are given. You cannot change them. You have to build your strategy based on them. The other is that, to succeed within these environmental constraints, an organization must make a strategic choice between differentiation and low cost. Either it can deliver greater value to customers at a greater cost and hence a higher price, or it can deliver reasonable value at a lower cost. But it can’t do both. Hence, the essence of strategy is seen as making a value-cost trade-off.

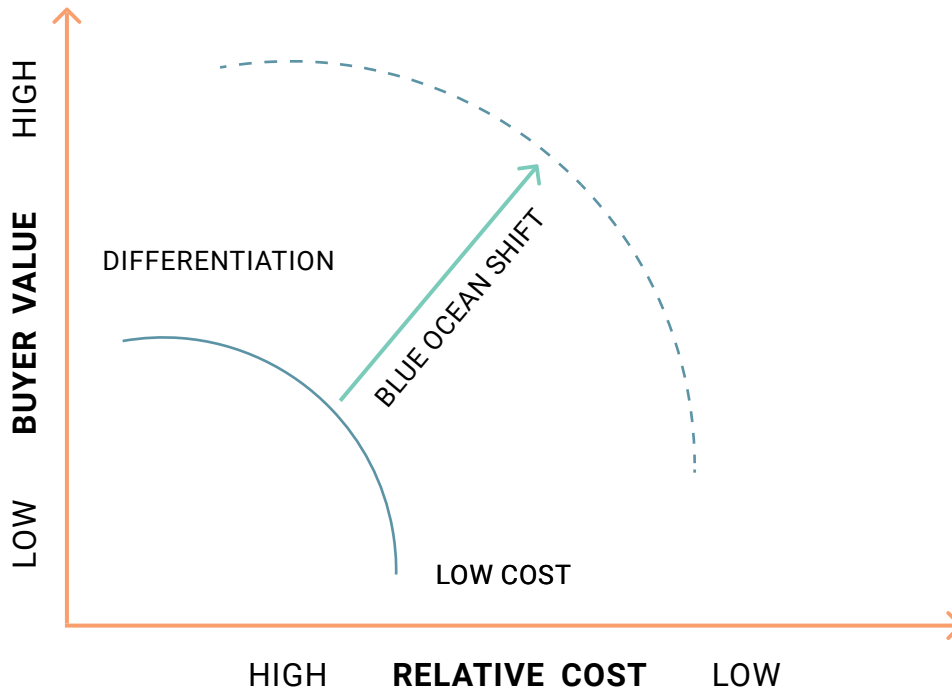
STRATEGIC ASSESSMENT

The figure captures this dynamic visually. The solid curve shows the productivity frontier which defines the existing boundary of an industry, the sum total of all its best practices. The curve represents the highest levels of value and the corresponding costs an organization can achieve, given currently available technology and business best practices. As such, the frontier is the edge at which strategy in an existing market space, or red ocean, takes place. On this edge, all industry players have equal productivity – the ratio of value to cost. Hence changes in buyer value and cost are positively related: More of one necessarily means more of the other. What this means is that for a market-competing or red ocean strategy to succeed, an organization has to make a value-cost trade-off: It can stand out either in value, which is called differentiation, or in low cost. But it cannot stand out in both. If an organization's offering is positioned behind its industry's productivity frontier it will inevitably be outperformed by its competitors positioned on the frontier. Hence, the strategic focus is on how to compete and win in existing market space.



DEFINING STRATEGIC OPTIONS

A successful blue ocean shift occurs only when unprecedented buyer value is created by opening up a value-cost frontier that didn't exist before. It happens by opening up a new value-cost frontier through a step change in the kind and degree of value offered. This is how new market space is created. The dashed curve in the curve captures this alternate dynamic. Here strategy is in pursuit of both differentiation and low cost. By opening up a new value-cost frontier that is a leap beyond the existing industry productivity curve, a blue ocean is created and competition on the existing frontier is made irrelevant.”³



³ Blue Ocean Strategy & Shift Tools, Blue Ocean, <https://www.blueoceanstrategy.com/tools/competing-to-creating/>.

Red Ocean Strategy

Compete in existing market space.
Beat the competition.
Exploit existing demand.
Make the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost.

VS

Blue Ocean Strategy

Create uncontested market space.
Make the competition irrelevant.
Create and capture new demand.
Break the value-cost trade-off.
Align the whole system of a firm's activities in pursuit of differentiation or low cost.

You can create a blue ocean within a red ocean. The best example in the field of aviation is Virgin Atlantic Airlines, which targeted high-class customers and businessmen who wanted to get more than Economy Class offered and who could pay a higher price. Virgin Atlantic has reformulated the concept of business-class and first-class travel. The thinking at the time held that merely transporting the customer from airport A to airport B is not enough to attract him; the experience that passengers go through from when they leave their homes until they reach their destination includes ground transportation and other options, such as showering upon arrival or a mid-flight massage.

The Canadian corporation Cirque du Soleil is another example of a Blue Ocean company. It has transformed the traditional concept of a circus into a set of street performances and style of stupendous, Vegas-style theatrical entertainment.

The fundamental issue that requires attention when following the Blue Ocean strategy is that it is actually not the most important thing to be the first in the market but instead to be the first in the mindset of the market. That battle is won by the companies with the most effective marketing plan.

DEFINING STRATEGIC OPTIONS

The strategic option we adopted in our example, the Virtual Training Institute, is a blue ocean strategy, by breaking the value-cost trade-off and adopting both differentiation and low cost.

The risk in adopting this strategic option lies in that our model quickly proves to be successful, and that will urge many competitors to imitate our strategies and tactics within 3 to 5 years, and nothing would prevent new competitors from doing so.

To address this risk, we should follow the following strategic actions:

- 1. Work to recover the total investment we will spend on developing our new business model, as well as total profits we pursue to make from this investment within four years after we start selling our services and programs.*
- 2. Continue working actively, effectively and hard on developing business, markets and products, product innovation and the methods of communication with customers to satisfy and retain them.*
- 3. Watch competitors closely to know about their development, value provided to customers, prices, updates to products and platforms and methods of communication with customers, in order to choose the best practices and imitate or develop them.*

STRATEGIC ASSESSMENT



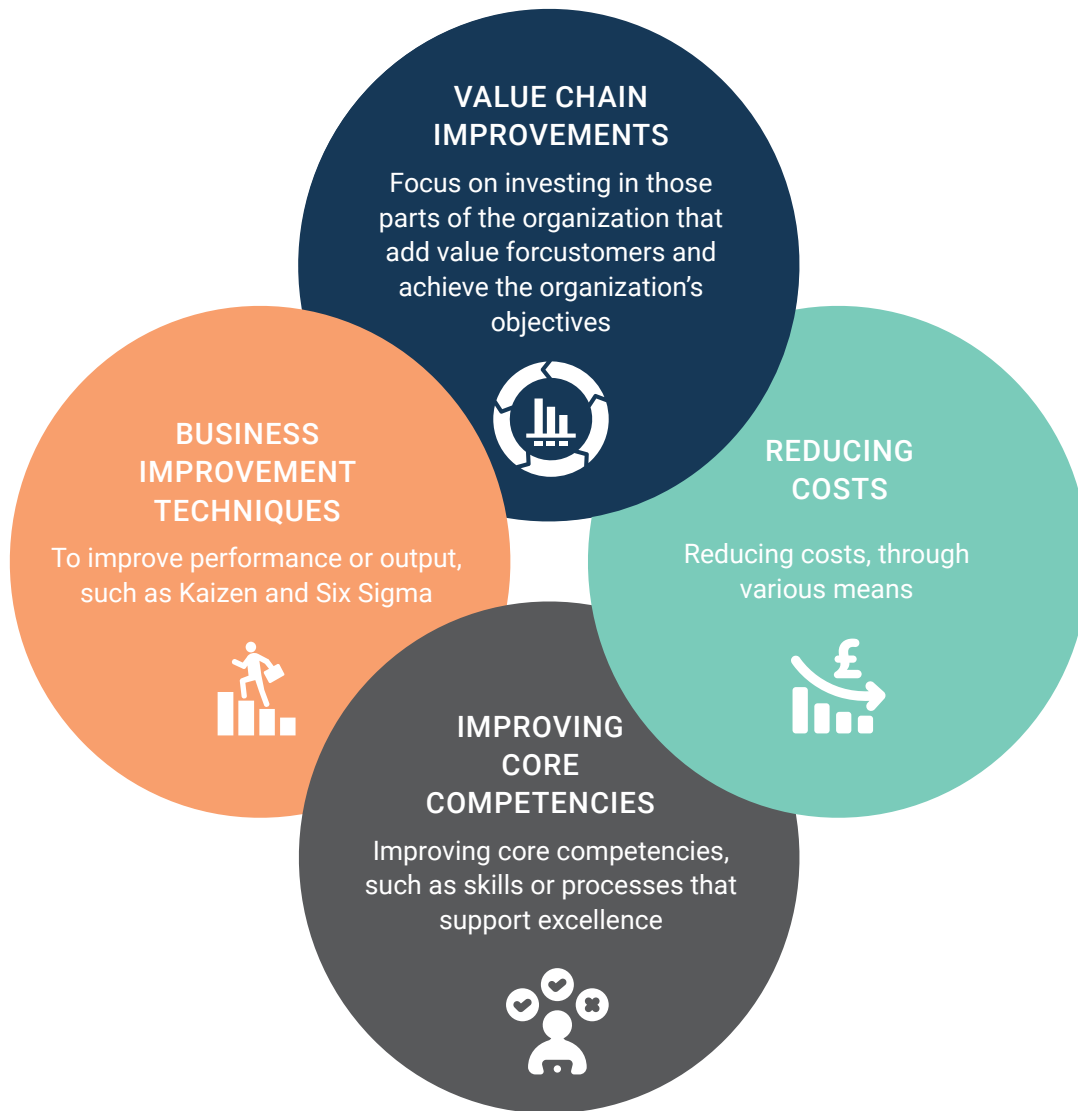
4

STRATEGIC CHOICES BUILT ON INTERNAL FOUNDATIONS



A strategic option is usually chosen with an internal focus when the organization's resources are not performing as they should. One of the following techniques is used to determine the optimal combination of strategic options:

- Value Chain Improvements: Focus on investing in those parts of the organization that add value for customers and achieve the organization's objectives.
- Business improvement techniques to improve performance or output, such as Kaizen and Six Sigma.
- Reducing costs, through various means.
- Improving core competencies, such as skills or processes that support excellence.



DEFINING STRATEGIC OPTIONS

In our example, the Virtual Training Institute, and since we adopt both diversification and blue ocean strategies, we also undoubtedly have to adopt strategic options built upon improvements in the value chain and improve the core competencies and reduce our costs.

Note:

Strategic planning is not a strict mathematical equation or a purely objective process; rather, it involves a lot of intuition, understanding and personal estimations. It is significantly dependent on the experience, deep thought, skill and intelligence of the person undertaking the planning as well as their competence and expertise in strategic thinking. This is what you will clearly notice in our final formulation of the Virtual Training Institute's strategic options, building on the strategic options we extracted in this section and from our TOWS matrix.

Before the final definition of your strategic choices according to this mechanism, you should ask yourself: how well do the results match your personal judgment? Is quantitative analysis aligned with your emotional intuition? If not, what accounts for the difference?

Using a structured approach helps reduce the risk of making a poor decision. However, you should not underestimate your intuition; your accumulated knowledge and experience regarding this option may trouble you.

So if you feel negative about making a certain strategic choice, it may be better to spend more time analyzing your strategic position and reconsidering the assumptions and foundations on which you built your previous analysis.



THE VIRTUAL TRAINING INSTITUTE 5

Now, we are going to reformulate the Virtual Training Institute's strategic options and rearrange them coherently, building on the strategic options we produced in this section and those produced from creating the TOWS matrix in the previous section.

For the purpose of explaining, in the following sections I will make the **strategic objectives in bold**, and after each objective, I will insert, in parentheses, the strategic theme under which the objective falls. You will notice that a single strategic objective may fall under more than one strategic theme.



5.1 Related Diversification Strategy

For the Institute, we will **adopt the related diversification strategy by entry into new markets** (customers), namely the MENA region market, with **new products** (products), namely a wide list of internationally certified professional qualifications, which we will provide through e-training.

This strategy will be reflected in each of the following strategic actions:

- **Target** middle-and higher-income individuals who seek professional development or job change and the organizations desiring to improve the skills of their employees in the **MENA region** (customers), in both English and Arabic.
- **Offer a wide list of internationally certified professional qualifications** (products, resources).

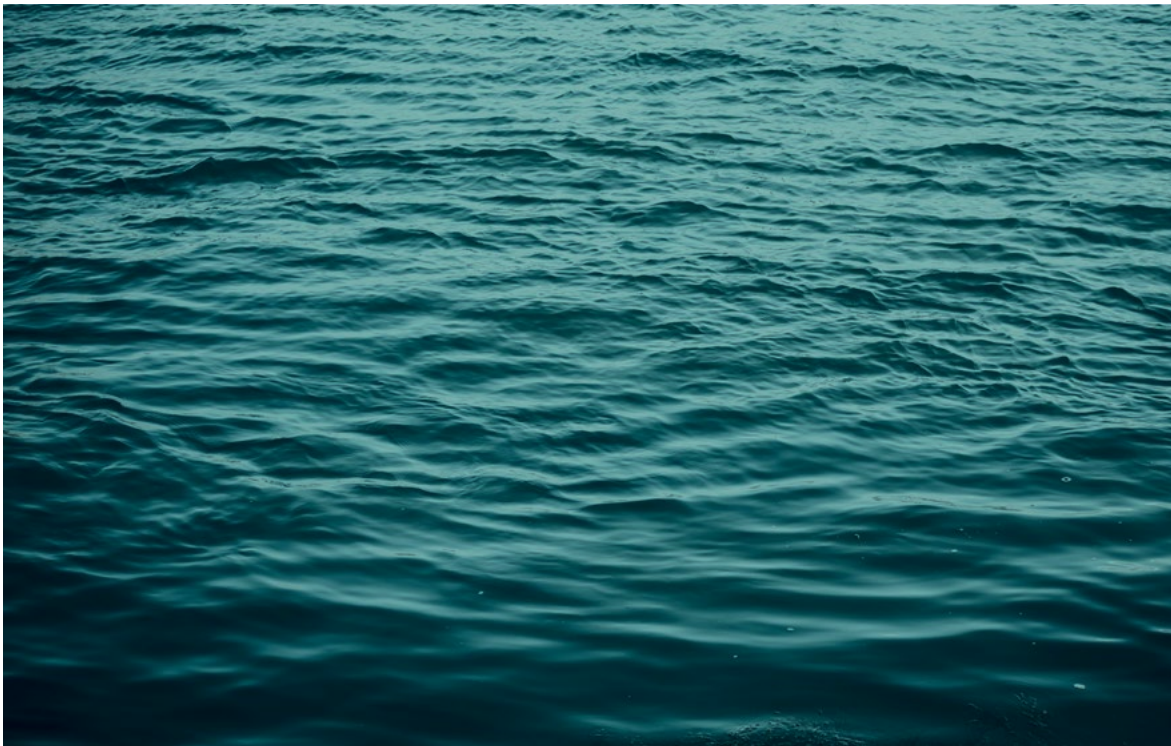
DEFINING STRATEGIC OPTIONS

This strategy is too risky, but our current business model (traditional training) is unsustainable due to its increased costs, operational difficulties, and reduced market, apart from the alternatives being unsuccessful. We should approach the “related diversification” strategy. However, we should do so very carefully by taking the following actions:

- **Providing the professional e-training services in a gradual manner** (products), for example, by initially focusing on only one qualification until we acquire the adequate experience and knowledge in e-training and in how to handle it and build its tools and products.
- **Not starting to offer our services until we make sure all our new systems and sources are properly operating** without any issues or obstacles and conduct limited initial tests before launching the program for sale (resources).
- We are not adequately efficient in the technical aspect, and this is a great risk. Therefore, we will depend on outsourcing for the development and management of the Institute’s online platform, including all the Institute’s electronic systems and technical needs, **by partnering with one of the reliable companies** (resources, profit) in this field.

5.2 Blue Ocean Strategy

Regarding competition, we will adopt the blue ocean strategy in our example (the Institute) through the elimination of the value-cost trade-off and **adopting both differentiation and low cost**, by offering a lot of value for customers in terms of qualifications, platform, training materials, and professionally provided programs (products, customers) on the one hand, and offering significantly competitive prices with high flexibility to meet customers' needs and budgets (products, customers, profit).



DEFINING STRATEGIC OPTIONS

We will achieve this strategy through the following strategic actions:

- **Develop professional training programs** (products, resources) that are highly flexible in terms of time, duration, program length, registration timing, location and system quality, in both English and Arabic.
- **Develop attractive and interactive videos and e-training materials** (products, resources) in both English and Arabic.
- **Develop an attractive and easy-to-use fully virtual platform** (customers, resources) in both English and Arabic. In developing the platform, we will aim to reduce the changing administrative costs to almost zero.
- **Improve the abilities of the employees** (resources) in the fields of e-learning and e-training through e-training.
- **Manage and expand independent trainer network** (resources, profit) in English and Arabic.

The risk in going for this strategic option lies in that our model quickly proves to be successful, and that will urge many competitors to imitate our strategies and tactics within 3 to 5 years, and nothing would prevent new competitors from doing so.



STRATEGIC ASSESSMENT

To address this risk, we should follow the following strategic actions:

- **Continuously develop business and e-marketing diligently, carefully and aggressively** (customers, profit) through developing markets and products, and through innovation in the products and the methods of communication with customers to satisfy and retain them and expand to more and more customer segments.
- Below are the strategic actions we will carry out to achieve this objective:
 - ▶ **Develop and manage professional and attractive social media pages** and accounts (customers, resources) in English and Arabic.
 - ▶ **Enter into strategic partnerships with an open number of referral partners and sales agents** (customers, resources) via the online system of the platform, in order to increase sales across the region.



DEFINING STRATEGIC OPTIONS

- ▶ **Improve the capabilities of the employees** (resources) in the expertise in e-training and e-marketing through e-training.
- ▶ **Watch competitors closely** to know about their development, value provided to customers, prices, updates to their products and platforms, and methods of communication with their customers, in order to enhance our strategies and tactics to remain at the top of the market.
- **Maximize the value of the organization** (profit) and recover the total investment incurred for developing our new business model, as well as total profits we pursue to make from this investment within four years after the start of offering our services and programs for sale, through the following actions:
 - ▶ **Manage and expand independent trainer network** (resources, profit) in English and Arabic.
 - ▶ **Adopt outsourcing for the development and management of the Institute's online platform**, including all the Institute's electronic systems and technical needs (resources, profit) by partnering with one of the reliable companies in this field.
 - ▶ Effectively hire and **employ gig economy individuals** (profit) to perform the Institute's work and implement its projects.
 - ▶ **Reduce operational expenses** (profit) by adopting automation and the available human resources from the gig economy.
 - ▶ **Get rid of current excess expenses** (profit) such as office rent, excess staff, etc.

ACTIVITIES

Activity 11 (60 minutes)

Discuss the strategic options you uncovered from the TOWS matrix created in Activity (10) through the models of strategic options outlined in the strategic options section.



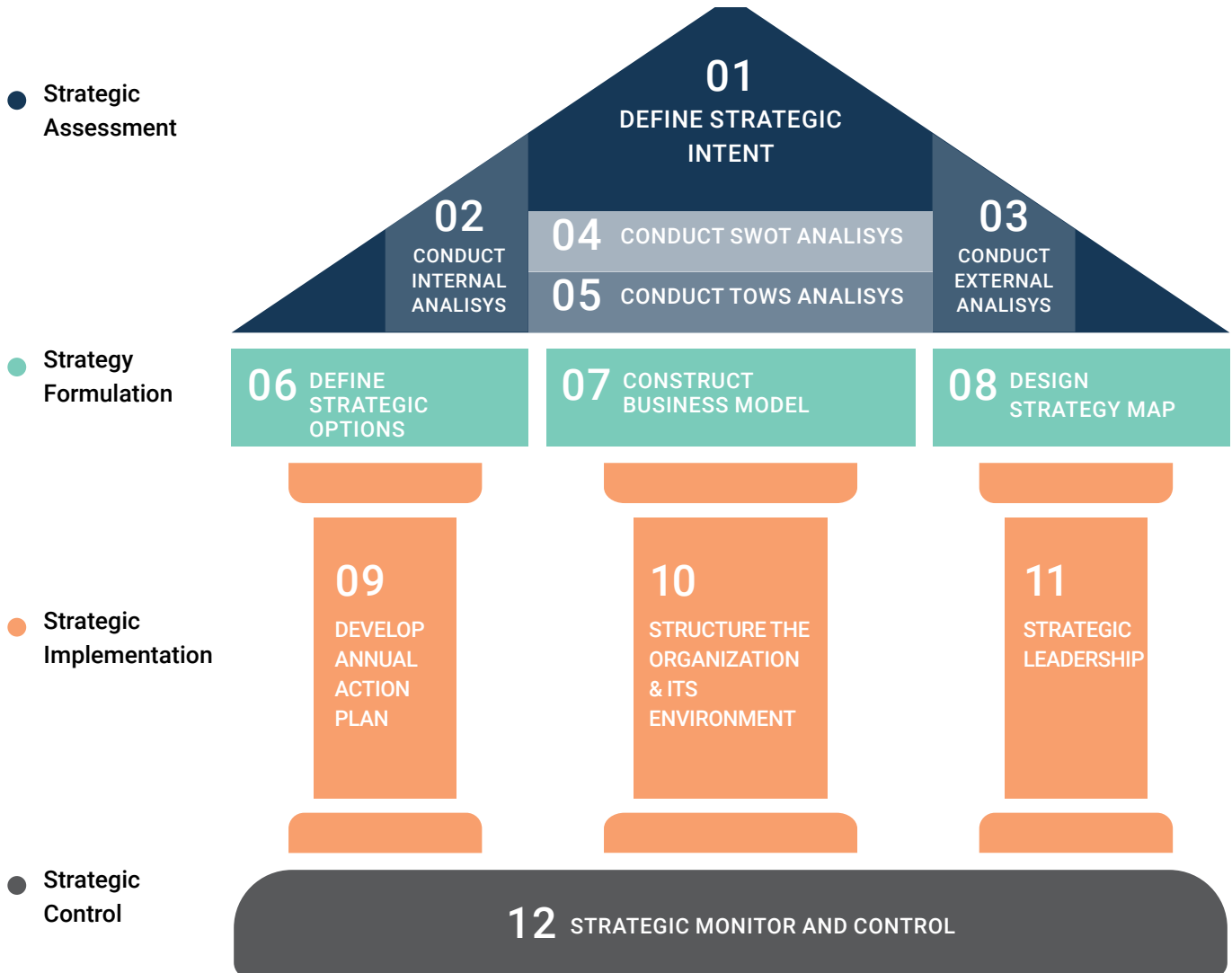
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STRATEGY FORMULATION

BUSINESS MODEL DEVELOPMENT



BUSINESS MODEL DEVELOPMENT



"The ability to simplify means to eliminate the unnecessary so that the necessary may speak." –
Hans Hoffmann

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THE BUSINESS
MODEL IS A
FRAMEWORK
USED TO
DESIGN
HOW THE
ORGANIZATION
WILL CREATE
AND ACQUIRE
VALUE.



BUSINESS MODEL DEVELOPMENT

The organization's business model links the strategic plan with the procedural action plan for its implementation. It transforms the strategy into a practical, coherent, clear, and well-defined framework and thus serves as the center and basis of the procedural action plan (operating plan) to implement the strategy.

The business model is a framework used to design how the organization will create and acquire value, while the procedural action plan translates this model into a plan of detailed and time-bound actions in which it addresses the management of each of the three pillars of the organization (staff, operations, and policies) through a professional organizational structure.

The business model is the company's plan of generating revenue and making a profit; it describes the value that the organization provides to customers, just as it describes the capabilities and partners required to create, market, and deliver that value and solidify the relationship. The business model forms a blueprint for implementing strategy through organizational structure, processes, and systems.

The drastic and rapid changes in the business environment and the rules of the game render many of the current business models invalid despite the existence of great potential for business success. Therefore, the periodic review and update of the business model in a clear and coherent manner is imperative for the success of any business in the competitive global market.



STRATEGIC ASSESSMENT

One of the most important methods of documenting the business model is known as the Business Model Canvas, or the “The Nine Building Blocks Method,” presented by Alexander Osterwalder in his dissertation in 2004.

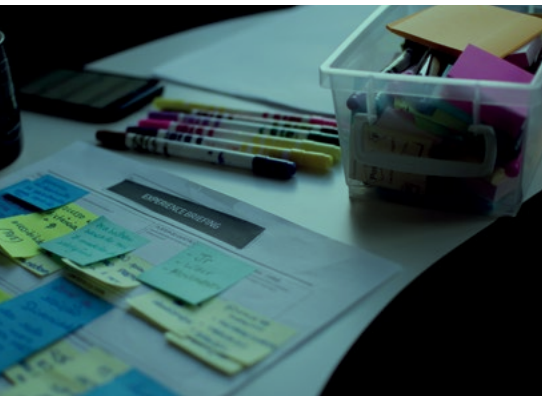


BUSINESS MODEL CANVAS: “THE NINE BUILDING BLOCKS METHOD”

1

The method of the Business Model Canvas is used by millions of people in companies of all sizes to describe, design, challenge and pivot their business model. It works in conjunction with the value proposition and other tools and processes of implementation and strategic management.

The Business Model Canvas has two integrated important roles. First, it breaks the strategic options produced in the previous section into nine interrelated building blocks, which together constitute a meaningful story about your business and all its commercial and operational aspects and how your business succeeds. Second, it makes sure that the strategic options you selected address and cover all the commercial and operational aspects of your business and that you are not neglecting any aspect.



These nine building blocks are:

Customer Segments

Who do we create value for? Who are our most important customers? The Customer Segments building block identifies the different groups of people or organizations that an organization aims to reach and serve.

Keep in mind that our customers are the people who make the decisions and pay for our products and services and should not be confused with end users and beneficiaries of our products.

Companies usually classify their clients into distinct segments, each of which shares needs, characteristics, and behavior, in order to be able to add the highest value to each segment of clients according to its characteristics and requirements.



BUSINESS MODEL DEVELOPMENT

💡 Value Proposition

What value do we add to the customer? What customer problems do we help to solve? Which customer requirements do we meet? What product and service packages do we offer for each customer segment?

The value proposition is the reason customers head to a particular organization and not others. The value proposition represents a set of benefits that the organization provides for its customers.

Value proposition might be distinguished by innovation and represent an offer of a new service or new product. They may be similar to existing commercial offers but with additional characteristics and qualities.



Distribution Channels

Through which channel can we reach our customer segments? How do we currently reach them? Are our channels well integrated? Which ones work best? Which ones are more cost-efficient? How are we integrating them with our customer routines?

The channels of communication, distribution, and sales form the link between the organization and its customers. These channels represent the face of the organization that customers interact with and play an important role in the customer experience. Channels perform multiple functions, including:

- Raising the level of customers' knowledge of the organization's products and services.
- Assisting customers in evaluating the values provided by the organization.
- Giving customers the opportunity to purchase specific products or services.
- Making sure the values provided reach customers.
- Providing after-sales support to customers.



BUSINESS MODEL DEVELOPMENT

💡 Customer Relationships

What kind of relationship does each of our customer segments expect us to maintain? What relationships have we actually established? How much have they cost us? How can they be integrated into the remaining parts of the business model that we've adopted?

The organization should indicate the type of relationships it wants to establish with each customer segment. The relationships may range from personal to automated.

💡 Revenue Streams

What price can our customers pay for the value offered to them? What are they currently paying for the value provided? How do they pay? What payment methods do they prefer? To what extent does each revenue source contribute to the total revenue?

💡 Key Resources

What key resources do we need to deliver value to our customers, enable us to enter markets, maintain relationships with different customer segments, and enable us to earn revenue? The Key Resources building block describes the most important assets needed for a successful business model.



Key Activities

What are the key activities we need to do to deliver a value proposition to our customers, enable us to enter the markets, maintain relationships with customers of all segments, and enable us to earn revenue? This block describes the most important core activities necessary for a successful business model.

Key Partnerships

Who are our key partners? Who are our key suppliers? What are the key resources we obtain from our partners? What are the key activities that those partners practice? The Key Partners building block defines the network of suppliers and partners that help make the business model a success.

Cost Structure

What are the most important costs in our business model? What are the most expensive key resources? What are the most expensive key activities? The cost structure shows all the costs incurred in operating a particular business model.

This building block describes the most important costs that arise while operating under a particular business model. Creating and delivering value, maintaining customer relationships, and generating revenue are activities that entail costs, and these costs are easy to calculate – to some extent – after identifying the key resources, key activities, and key partnerships.



EXAMPLES OF BUSINESS MODELS

2



Business Model Canvas of UBER

“Uber is an on-demand marketplace for transportation service which has brought a revolution in the taxi industry all across the world. The business model has made it possible for people to simply tap their smartphone and have a cab arrive at their location in the minimum possible time, leaving a lot of budding startups yearning for an App like Uber.”⁴ According to Rajat Kumar, Uber’s business model is as follows:

⁴ How Uber Works: Business & Revenue Model, 21st February 2018, Rajat Kumar, <https://jungleworks.com/how-uber-works-insights-business-model/>.

Key Partners

- ▶ Drivers with their cars
- ▶ Payment processors
- ▶ Map API providers

Key Activities

- ▶ Product Development & Management
- ▶ Marketing & Customer Acquisition
- ▶ Hiring drivers
- ▶ Managing drivers payouts
- ▶ Customer support

Key Resources

- ▶ Technological Platform
- ▶ Skilled drivers

Value Proposition

Users:

- ▶ Minimum waiting time
- ▶ Prices lesser than the normal taxi fares
- ▶ Cashless ride
- ▶ Can see the Eta and track the cab on map

Derivers:

- ▶ Additional source of income
- ▶ Flexible working schedules and can work part time
- ▶ Drivers get paid to be paid online, even without any request

Customers Relationship

- ▶ Social media
- ▶ Customer support
- ▶ Review rating &
- ▶ Feedback system

Channels

- ▶ Website,
- ▶ Mobile App for Android,
- ▶ Mobile App for IOS,

Customers Segments

Users:

- ▶ Those who do not own a car
- ▶ Those who do want to drive Themselves
- ▶ Those who want
- ▶ a cost-efficient cab at their doorstep

Drivers:

- ▶ People who own a car and want to earn money
- ▶ People who love to drive
- ▶ Those who wish to be called partners instead of drivers

Cost Structure

- ▶ Technological infrastructure
- ▶ Salaries to permanent employees
- ▶ Launch events & marketing expenditures

Revenue Streams

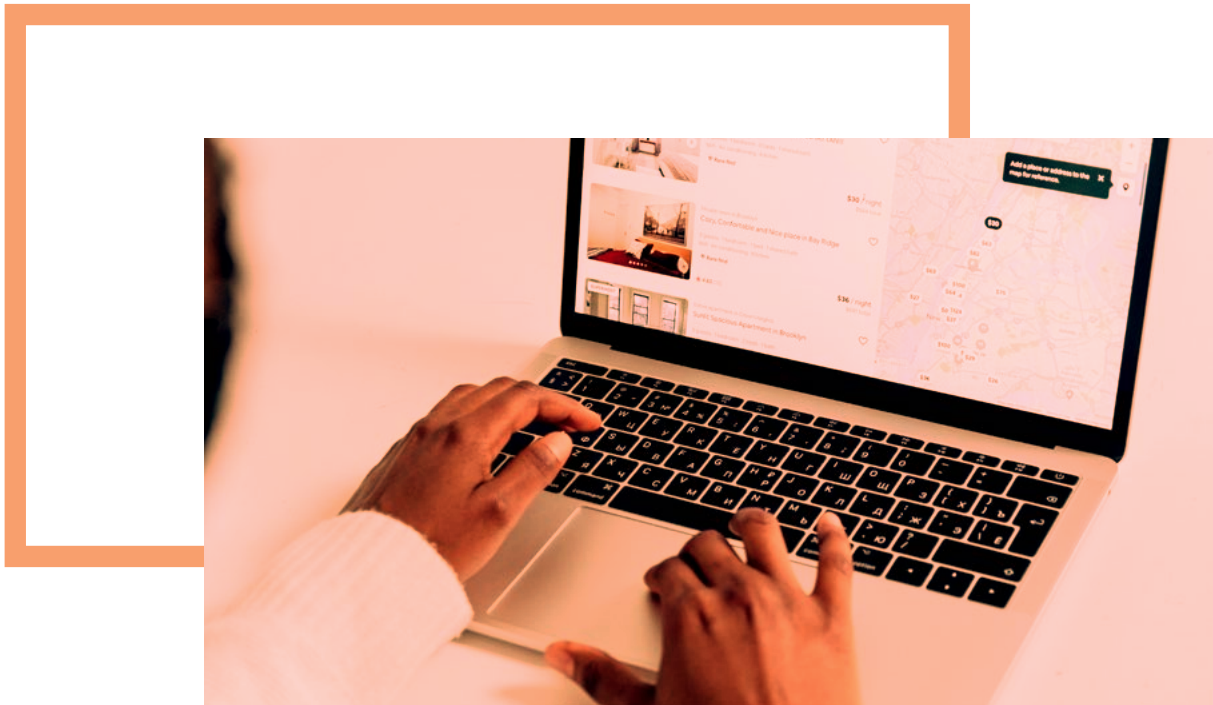
- ▶ Car rides on per KM/Mile basis
- ▶ Surge pricing
- ▶ UberX, Uber Taxi etc.
- ▶ Uber cargo, Uber Rideshare etc.

BUSINESS MODEL DEVELOPMENT

Business Model Canvas of Airbnb

“Airbnb is an online marketplace connecting travelers with local hosts. On one side, the platform enables people to list their available space and earn extra income in the form of rent. On the other, Airbnb enables travelers to book unique home stays from local hosts, saving them money and giving them a chance to interact with locals. Catering to the on-demand travel industry, Airbnb is present in over 190 countries across the world.”⁵

According to Samriddhie Taneja, Airbnb’s business model is as follows:



5 How Airbnb works: Insights about Business Model, Logistics & Revenue, 21st February 2018, Samriddhie Taneja, <https://jungleworks.com/airbnb-businessmodel-logistics-revenue-app/>.

Key Partners

- ▶ Hosts (People who rent their space)
- ▶ Guests (People who book spaces)
- ▶ Photographers
- ▶ (Freelance)
- ▶ Investors
- ▶ Payment Processors

Key Activities

- ▶ Product Development
- ▶ & Management
- ▶ Building host network and Managing hosts
- ▶ Building travelers network and managing guests

Key Resources

- ▶ Local hosts
- ▶ Skilled Employees
- ▶ Technology

Value Proposition

Hosts:

- ▶ Hosts can earn money by renting their space.
- ▶ Airbnb offers insurance to house owners
- ▶ Free photo shoots for property listing through photographers

Guests:

- ▶ Guests can book a homestay instead a hotel
- ▶ Prices are often less as compared to hotels request

Customers Relationship

- ▶ Customer services
- ▶ Social Media
- ▶ Promotional Offers
- ▶ Home Insurance

Channels

- ▶ Website,
- ▶ Mobile App for Android,
- ▶ Mobile App for IOS,

Customers Segments

Hosts:

- ▶ People who own a house and want to earn extra money
- ▶ People who want to meet new people

Guests:

- ▶ People who love to travel
- ▶ People who want to stay comfortably at a cheap price

Cost Structure

- ▶ Technological set up & running tools
- ▶ Salaries to permanent employees
- ▶ Payments to freelance photographers

Revenue Streams

- ▶ Commission from Hosts upon every booking
- ▶ Commission from Guests upon every booking

BUSINESS MODEL DEVELOPMENT

Business Model Canvas of Virtual Training Institute

To create the institute's business model, we will convert our strategic options into the business model canvas according to the nine building blocks methodology that we discussed earlier as follows:





ACTIVITIES

Activity (12) (90 minutes)

Based on the strategic options you previously produced for your organization and drawing on what you know about them, design your organization's business model according to the Nine Building Blocks methodology.

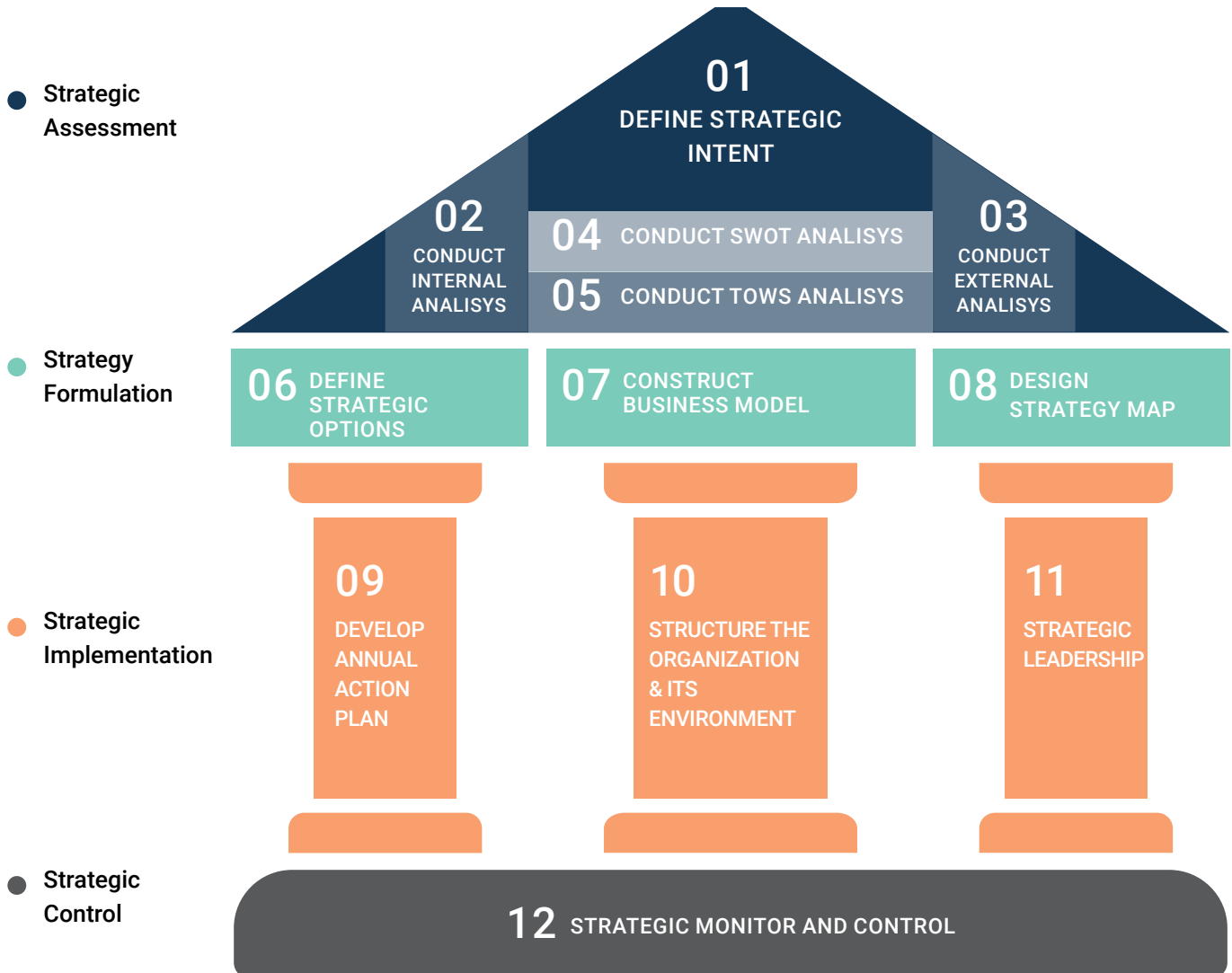
SECTION TWO: STRATEGIC FORMULATION

- 1 DEFINING STRATEGIC OPTIONS
- 2 BUSINESS MODEL DEVELOPMENT
- 3 DESIGNING OF THE STRATEGY MAP**

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STRATEGY FORMULATION

DESIGNING OF THE STRATEGY MAP



DESIGNING OF THE STRATEGY MAP



"Blessed by God is he who knows from where, in where, and to where." – Imam Ali

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**DESIGNING THE
STRATEGY MAP
IS THE LAST
STEP OF THE
STRATEGIC PLAN.**



DEFINING OF THE **STRATEGY MAP**

Designing the strategy map is the last step of the strategic plan. From there, we set off towards the strategic implementation phase, starting from designing the action plan (operational plan) necessary to implement the strategic plan.

The “strategy map” was created by Kaplan & Norton ⁶ in their book *The Strategy-Focused Organization* in 2001, where they introduced the “strategy map” as an integral part of the “balanced scorecard,” turning it into a strategic management and performance system.



⁶ Dr. Robert S. Kaplan and Dr. David P. Norton created the “balanced scorecard” approach and are the authors of “*The Balanced Scorecard: Translating Strategy into Action*”, published by Harvard Business School Publishing, 1996.

STRATEGIC ASSESSMENT

The strategy map is a diagram that describes how a company or organization creates strategic value by linking strategic objectives in a cause-and-effect relationship, through the four perspectives of the balanced scorecard: finance, customer, internal processes and organizational capacity.

The strategy map translates your business model, its primary components and your strategic options into a scheme that is implementable in your organization. It allows you to image cause-and-effect relationships which you think exist between the components of your business model, and then test whether they work as you expect.

The strategy map is a diagram that shows your organization's strategy on one page, enabling communicating the objectives of the overall image of the strategic plan in a timely manner to every individual in the organization. By a well-designed strategy map, each employee can learn the organization's general strategy, where their role exists, and how their job affects the organization's strategic objectives.

Before showing how to design the strategy map, we need to highlight its most important component, namely the strategic objectives.



1

STRATEGIC OBJECTIVES

The strategic objectives stem from strategic focus areas (strategic contexts) and are set out based on our strategic options, such that every strategic objective works to participate in realizing at least one of the strategic focus areas, as we saw in the previous section when we discussed the Virtual Training Institute example.

The strategic objectives are high-level short statements that precisely define what you want to achieve. They can be measured objectively within a defined time frame, and they represent the bridge linking your vision and strategic intent from one side and the annual operational goals from the other side, so, their term is typically 3–5 years. The person responsible for achieving and following up with one or more objectives is also determined.

When formulating the strategic objectives, simplicity is important, since the objectives must be clear, understandable, and easy to remember. This means avoiding using complicated terminology as much as possible. Likewise, it is preferred that the objectives length does not exceed one sentence, and this sentence should be short and direct. You may add more details to explain the objective, of course, but not in the same objective statement; you can add details in a subsequent description; in other words, the objective is formulated as if it is a heading.

STRATEGIC ASSESSMENT

Concerning the number of strategic objectives that must be set out, there is no defined rule in that regard, the number changes from organization to organization and case by case. In general, every strategic objective may participate in achieving one or more focus areas; in return, every focus area may need, on average, between three and six strategic objectives to be achieved.

It is better to reduce the number of strategic objectives as much as possible, because the higher the number of objectives, the more difficult it will be to understand the strategy and communicate it to the concerned persons, and consequently, their implementation will be more difficult.

These objectives should be effectively communicated down to the level of relevant individuals, and the organization's performance management systems should be updated accordingly. This is what the strategy map helps us to achieve.



2

THE STRATEGY MAP

In the strategy map, the organization's strategic objectives are represented in oval or rectangular shapes. They are usually distributed on four different rows; each row represents a different perspective. The four perspectives for for-profit organizations are as follows, arranged from top to bottom:

- **Financial:** Presents the strategic objectives concerning the organization's financial performance and utilization of financial resources.
- **Customers:** Presents the strategic objectives concerning the organization's institutional performance from the perspective of customers or key stakeholders who the organization was established to serve and provide value. In other words: what should we achieve regarding our customers and market to be able to realize the financial objectives set out in the finance perspective?
- **Internal Operations:** Presents the strategic objectives concerning the organization's performance quality and efficiency regarding products, services or other key business processes; in other words: what should we achieve regarding our internal processes to be able to realize the marketing objectives set out in the customers perspective?



- **Organizational capacity (learning and growth):** This perspective presents the strategic objectives concerning human capital, infrastructure, technology, organizational culture, governance and other capacities that are key capacities that achieve excellent organizational performance; in other words: what are the resources we need, and how should they be to achieve our objectives regarding internal processes?

The two top perspectives (financial and customer) represent the end goal, which are the objectives we seek to realize, while the two bottom perspectives (internal processes and organizational capacity) represent the means, which is the objective we seek to realize, and through which we can achieve the objectives of the two top perspectives (financial and customer).

These strategic objectives are linked by arrows to show the cause-and-effect sequence. By tracking the sequence of the arrows, you can see how the objectives of the two bottom perspectives lead to the realization of the objectives of the two top perspectives.

For example, if you trained your employees and built a culture of information sharing (organizational capacity perspective), they would make the organization run more seamlessly (internal processes perspective).



DEFINING OF THE **STRATEGY MAP**



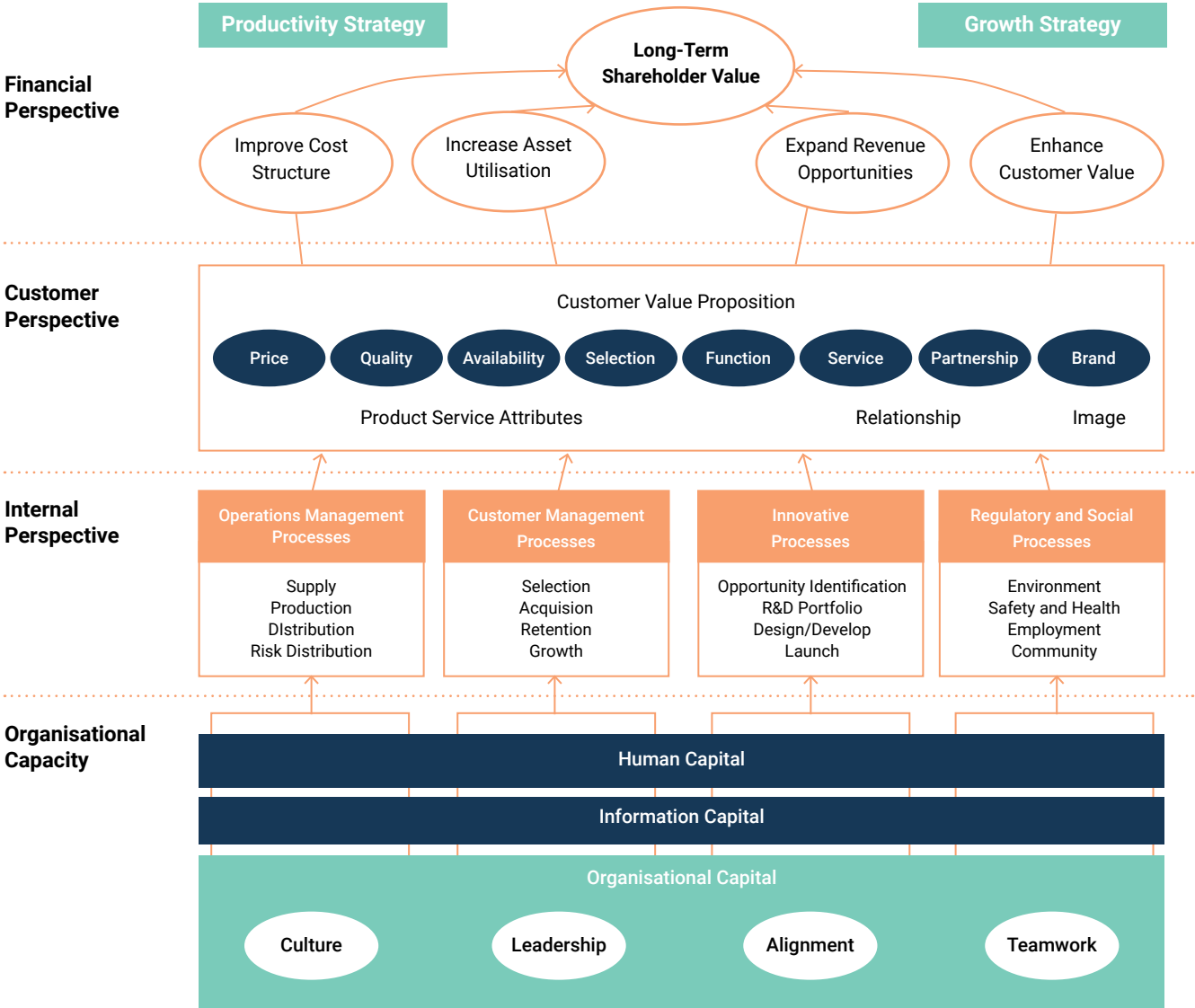
Consequently, the smoothness of internal work is supposed to be reflected positively on customer management and the quality provided to customers, and probably on reduction of its cost (customer perspective). This, in turn, is reflected positively with increased sales and cost reduction, leading to more profit (financial perspective).

The above order of the four perspectives is for for-profit organizations. At non-profit organizations (including government service organizations), the customer perspective (stakeholders) is at the top and is the end goal, and the financial perspective typically lies either directly under the customer perspective or under the organizational capacity perspective, depending on the organization's business model.

An example of a general strategy map can be seen below.⁷

⁷ What is a Strategy Map? Intrafocus Guide, www.intrafocus.com.

STRATEGIC ASSESSMENT



Design of the Strategy Map

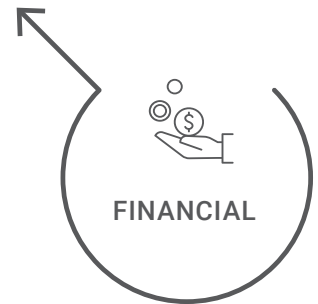
As mentioned, planning is not a strict mathematical equation, it is subject to understanding, intuition, experience, personality, knowledge of the matter under planning and capacity and expertise in the strategic planning and implementation. The approach we will discuss here will help you to objectivize the way you think to produce a high-quality strategy map as a key phase of the strategic planning process.

The first step: Design the strategy map using the Nine Building Blocks forming the business model as follows:

- **Financial perspective:** Presents the objectives concerning the planned revenue flows and how you can benefit from them to realize the targeted business profit, as well as the objectives of the cost structure that means making optimal use of the company's assets to realize the targeted business profit.
- **Customer perspective:** Presents the objectives concerning the targeted customer segments, the value provided to the customers, customer relations, and the way you would want to deal with customers as part of the value proposition provided to them.
- **Internal operations perspective:** Presents the objectives concerning the main activities and distribution channels, and it also includes the cost structure objectives, meaning the objectives that determine how your main activities and channels operate to support the cost structure required to make the business profit. It also includes presenting the objectives of key partnerships, which determine how you need to work with your suppliers and partners to implement your main activities, through determining distribution channels according to the targeted cost structure in ways that support achieving the value provided to the customers.
- **Organizational capacity perspective:** Includes the main resources required for the organization to successfully realize its strategy, how to secure resources, and how you will use them in ways that support achieving the value provided to the customers while maintaining the cost required to achieve the business profit.

Financial Objectives

The objectives concerning the planned revenue flows and the objectives for cost structure



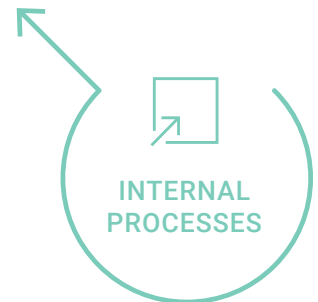
Strategic Objectives for the Market and Customers

The objectives concerning the targeted customer segments, the value provided to the customers, and customer relations



Strategic Objectives for Internal Processes

The objectives concerning the main activities, distribution channels, and the cost structure objectives, meaning the objectives that determine how your main activities and channels operate to support the cost structure required to make the business profit. It also includes presenting the objectives of key partnerships.



Strategic Objectives for Organizational Capacity

Includes the main resources required for the organization to successfully realize its strategy and how to secure resources.



DEFINING OF THE **STRATEGY MAP**



The second step: Review the strategy map produced in the first step with the strategic objectives we highlighted in strategic options, in order to make sure that the strategy map includes all the strategic objectives and that we properly linked the strategic objectives together.

The third step: Display the organization's vision, mission and strategic contexts in three separate rows at the top of the strategy map and display a row for the organization's values at the bottom.

By doing this, you should have completed the full strategic map on one page, containing all its components as shown in our example (the Virtual Training Institute).

The Virtual Training Institute Example

Now let's go back to our Virtual Training Institute example to create the strategy map building on the Institute's business model and the strategic options we previously produced:



Helping the peoples of the MENA region to have a better life through professional development

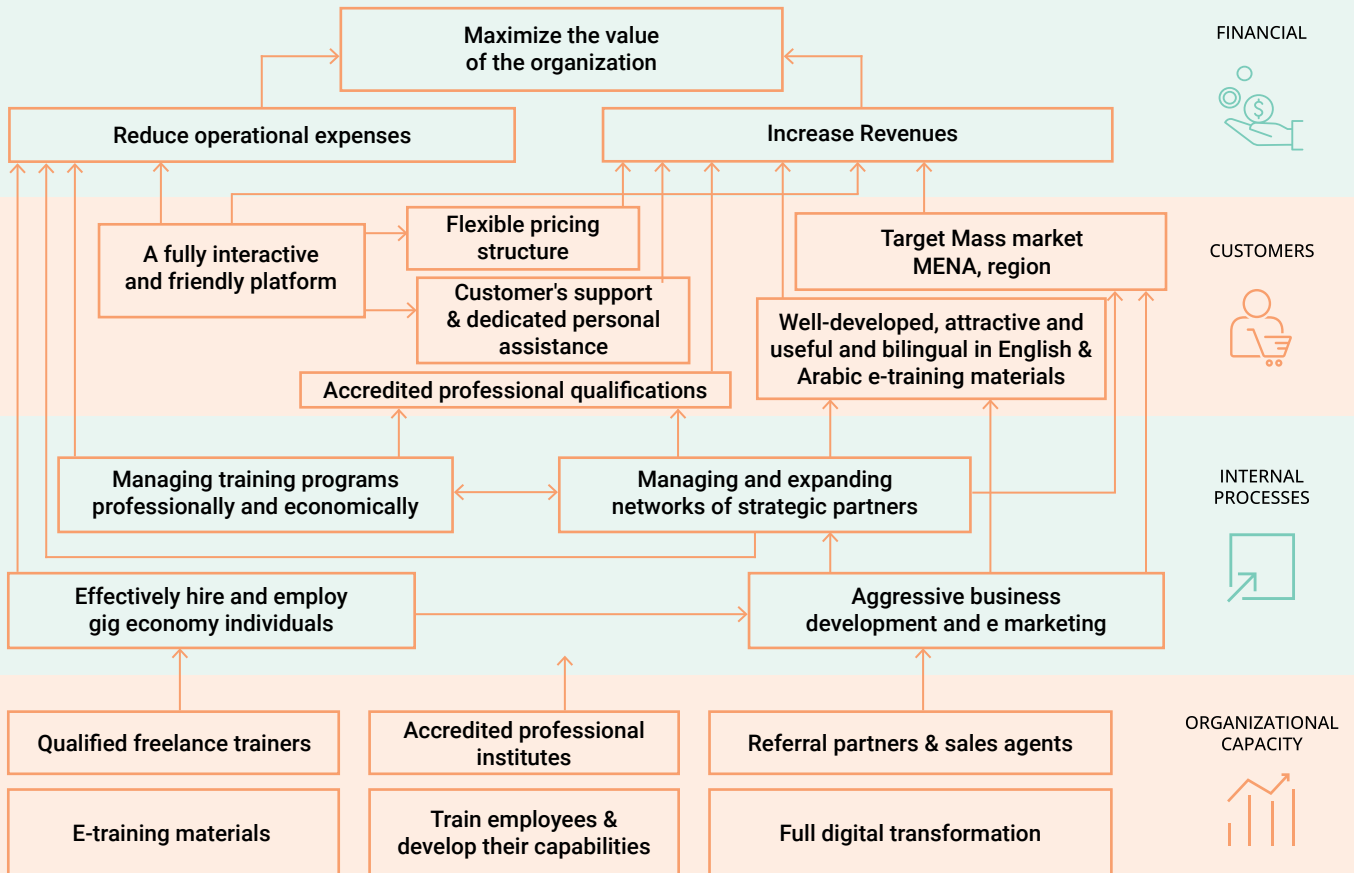
To be a reliable virtual training center, providing internationally certified professional qualifications in business in the form of interactive electronic content, in both Arabic and English, for our individual and corporate customers in the MENA region

Vital strategic partnerships and resource

Professional and innovative online training

Innovative and distinctive marketing

Maximizing the value of the organization



Empowerment – Flexibility – Professionalism – Integrity

DEFINING OF THE **STRATEGY MAP**

ACTIVITIES

Activity (13) (90 minutes)

Building on the business model you designed for your organization in Activity 12 and on the strategic options your organization produced, design the strategy map for your organization.



STRATEGIC ASSESSMENT



SECTION THREE:

STRATEGIC IMPLEMENTATION

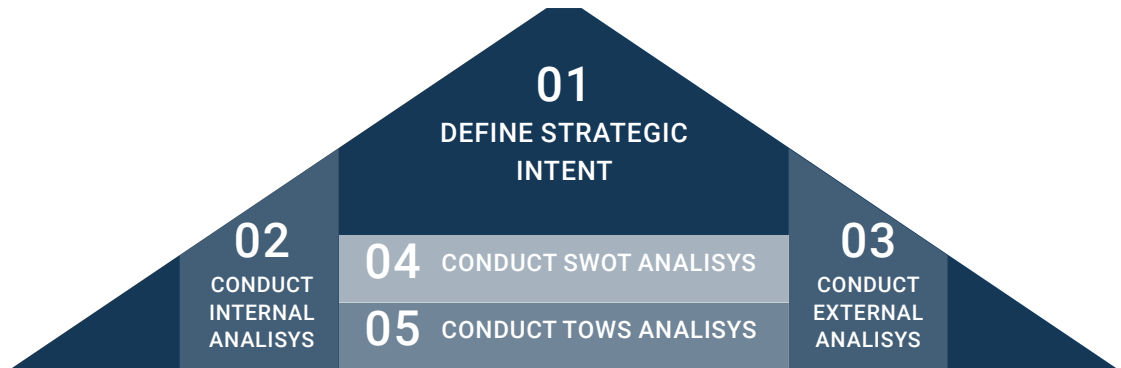
- 1 STRATEGIC IMPLEMENTATION**
- 2 DEVELOPMENT OF THE ANNUAL ACTION PLAN**
- 3 FORMING THE ORGANIZATION'S STRUCTURE AND ENVIRONMENT**
- 4 STRATEGIC LEADERSHIP**

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STRATEGIC IMPLEMENTATION

STRATEGIC IMPLEMENTATION

● Strategic Assessment



● Strategy Formulation



● Strategic Implementation



● Strategic Control



STRATEGIC IMPLEMENTATION

"Success doesn't necessarily come from breakthrough innovation, but from flawless execution." – Naveen Jain



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**STRATEGIC
IMPLEMENTATION
MEANS
TRANSFORMING
THE STRATEGIC
PLAN FROM THE
THEORETICAL
CONCEPT INTO
PRACTICAL
IMPLEMENTATION**

STRATEGIC IMPLEMENTATION

Strategic implementation means transforming the strategic plan – formulated based on the mechanisms we presented in the previous sections – from the theoretical concept into practical implementation, in order to be vibrant and successfully achieve the strategic objectives.

No doubt that the implementation of a strategic plan is not a fixed process. On the contrary, it requires continuous follow-up and review to deal with any obstacles or roadblocks that may hinder the implementation process. It also needs the support, backing, and endorsement of the employees – especially the key and influential ones.

It is very important to keep the strategic plan on everyone's mind, to reprint it in organizational newsletters, to publish it on the organization's website and the internet, and to refer to it often in different ways. This will help in building and maintaining momentum.

Regular communication by those responsible for the plan with others in the organization positively enhances the success of the plan, motivates employees, and provides them with enthusiasm and drive to achieve the strategic plan.



STRATEGIC IMPLEMENTATION



Potential barriers to strategic implementation must be identified where systems, people, processes, philosophies, and other factors can negatively affect the implementation of the plan. These obstacles may require the operational plan to be dealt with in such a way as to allow the implementation to move forward, even if at a slower rate than required.

Below is a list of the key factors affecting the strategic implementation, both negatively and positively:

STRATEGIC IMPLEMENTATION

KEY ENABLING FACTORS FOR THE STRATEGIC IMPLEMENTATION	MAIN OBSTACLES TO THE STRATEGIC IMPLEMENTATION
Understanding customers' needs and demands.	Lack of resources.
Workforce capacity.	Government regulations.
Technological changes.	Lack of follow-up.
Internal creativity/innovation or renewal.	Competitive pressures.
Organizational flexibility.	Insufficient communication.
Employee attitudes and behaviors.	Not linking performance management to results.
Clear corporate identity.	Inability of culture to change.
Shared sense of commitment.	Inadequate economic conditions.
Responsiveness of the management.	Confusion surrounding goals and expectations.
Employees' confidence in leadership.	Conflicting accountability.

Before we move further, and to understand the elements we need for the strategic implementation, let's look at the following example:

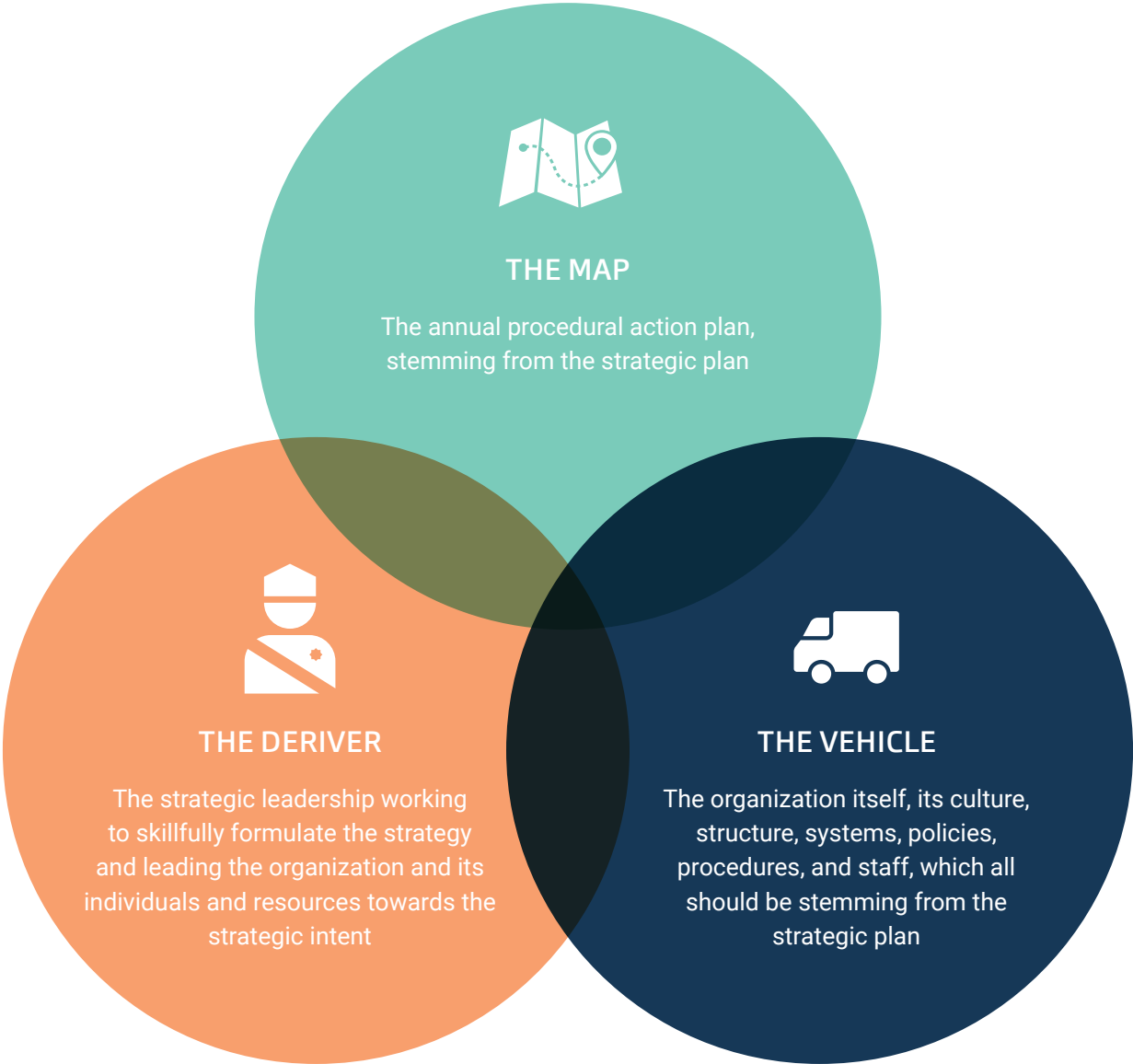
STRATEGIC IMPLEMENTATION

Imagine you planned to reach a specific place. To be able to implement your plan and reach that place (the strategic intent), you need three key elements: a map – with which you can identify your detailed path; a vehicle – to take you to the place of your planned destination (it can be a boat for example, if you planned to reach an island, or a car, an aircraft, etc.); lastly the leader – you will need a competent leader who is capable of leading the vehicle and reading the map.

This is strategic implementation in action; to succeed and achieve the strategic plan and reach the strategic intent you defined in your plan; three elements must be combined:

- **The map:** The annual procedural action plan, stemming from the strategic plan, which we will cover in the next section.
- **The vehicle:** The organization itself, its culture, structure, systems, policies, procedures, and staff, which all should be focused on and stemming from the strategic plan – to be covered in the section after the next section.
- **The leader:** The strategic leadership, an efficient and strong management and leadership of the organization working to skillfully formulate the strategy, explain and communicate this strategy to the entire staff, keep the organization focused on its strategy in the long term, and leading the organization and its individuals and resources towards the strategic intent.

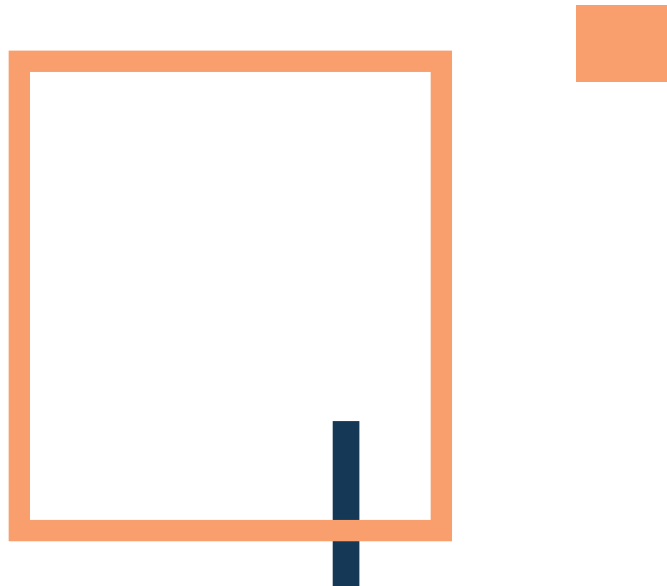
STRATEGIC IMPLEMENTATION



ACTIVITIES

Activity 14 (15 minutes)

Based on your knowledge of your organization and the strategic analyses you carried out, what are the three main obstacles that hinder the strategic implementation in your organization? And what are the three key enabling factors that support it? Why?



SECTION THREE: STRATEGIC IMPLEMENTATION

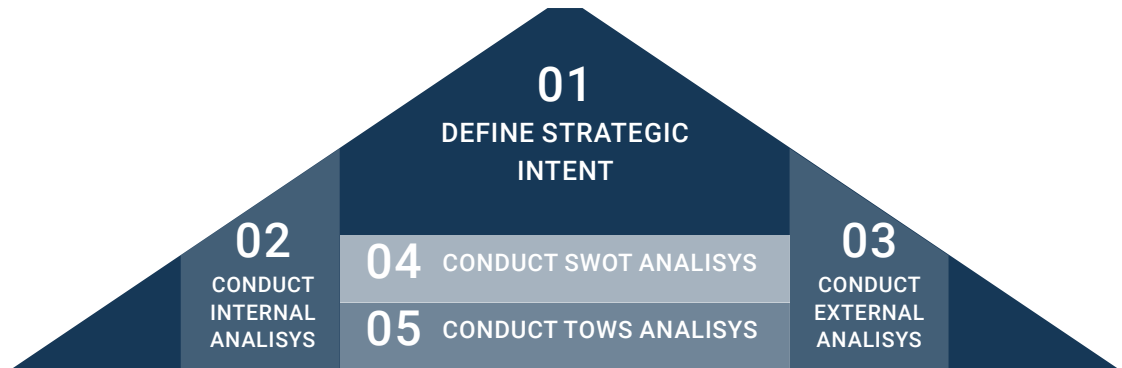
- 1 STRATEGIC IMPLEMENTATION
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STRATEGIC IMPLEMENTATION

DEVELOPMENT OF THE ANNUAL ACTION PLAN

● Strategic Assessment



● Strategy Formulation



● Strategic Implementation



● Strategic Control



DEVELOPMENT OF THE ANNUAL ACTION PLAN



"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage." – Jack Welch

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THE
ANNUAL
ACTION
PLAN
IS THE
DETAILED
STRATEGY
MAP

2017-2018
TWO YEAR
PLANNER

DEVELOPMENT OF THE **ANNUAL ACTION PLAN**



The strategic implementation phase starts with developing the annual action plan by designing the balanced scorecards for the organization, its administration, and its employees or teams. Moreover, this is through providing the detailed quantifiable time-bound strategy map that we designed in the previous phase, then communicating it to the different divisions of the organization down to the level of individual employees, to address the management of each of the three pillars of the organization (staff, operations, and policies) through a professional organizational structure. This is what we address in this section.

The annual action plan is the detailed map in light of which the management and the employees implement the strategy on the ground in a kind of symphony shared between them. This creates meaning for their movement, inspires them, and raises the level of their performance.

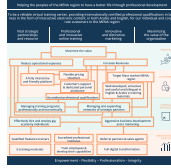
Thus, it is different from the “business plan” presented by owners of enterprises at the phase where they search for funding for their enterprises. It is focused on external stakeholders such as investors, lenders, and strategic partners. It usually covers the next three to five years and represents the time frame in which stakeholders can expect to achieve returns on their investments.



Our discussion is limited to the internally focused action plan (or operational plan; it can also be called a procedural action plan). This plan's attention is focused on the goals of the organization's operational performance and the procedural action plans set to achieve those goals, thus ensuring the optimal achievement of the organization's objectives. It also includes the organization's operating budget. This plan is usually short-term and lasts for one year.

We will discuss the steps to develop the annual procedural action plan through the balanced scorecards – both for the organization and its management and employees:

Strategy Map



CREATE BALANCED SCORECARD

Detail the strategy map and define it in a quantifiable and time-bound manner to develop the organization's balanced scorecard

CASCADE THE BALANCED SCORECARD

Bring the organization's balanced scorecard to the lower levels of the organization, starting from the affiliate organizations and the supporting functional departments to the level of individuals, employees and teams.

DEVELOP THE OPERATIONAL PLANS

Develop the operational plans at the level of the organization's departments



Annual Action Plan

1 CREATE ORGANIZATION'S BALANCED SCORECARD:

Detail the strategy map and define it in a quantifiable and time-bound manner to develop the organization's balanced scorecard.

The first step of formulating the procedural action plan starts from the strategy map you designed at the end of the previous phase. In this step, we detail the strategic objectives set out in the strategy map with quantifiable and time-bound statements.

Detailing the strategic objectives includes defining the following points for each objective:

- **Description of the strategic objective:** Describe the objective in a clear and understandable manner.
- **Standardization of measurement:** Define how to measure the strategic objective quantitatively and objectively. The measurement standard must be appropriate, quantifiable, practical and balanced in terms of using all of the standards that measure the same procedure causing the effect and the standards that measure the achieved results. The number of standards used to measure each strategic objective is not supposed to be less than two (cause and effect/objective and estimated).

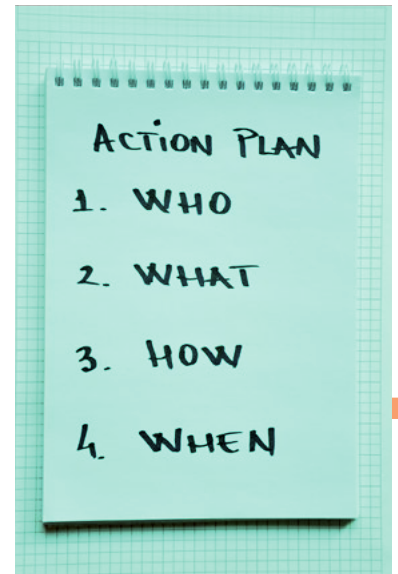


DEVELOPMENT OF THE **ANNUAL ACTION PLAN**

- **Setting up Targeted result:** To define the targeted result through the time for each standard. The target result should be better than the current performance and be achievable.
- **Initiatives/projects:** Define the procedure/project/initiative that enables achieving the targeted result. The number of initiatives/projects adopted to achieve each objective is not supposed to be more than two.

The strategic objectives we defined in the strategy map are naturally not separated or independent, but are related, as shown on the strategy map. So, it is highly expected that their measurement standards are significantly interrelated and connected. One standard of measurement may be used for more than one objective. In addition, the source or mechanism of obtaining these standards may be the same.

Therefore, after determining the measurement standards and strategic initiatives for each objective, we must put all the selected measurement standards on one page and then holistically view them to ensure they are related and harmonized. We may also change or replace some of these standards or even remove the needless ones, provided that there are at least two standards for each objective.



STRATEGIC IMPLEMENTATION

It is also similar for strategic projects and the initiatives necessary to achieve the strategic objectives.

So, at this stage, it is preferable to hold a workshop that includes all the individuals concerned with these strategies and their implementation, as well as experts in the related fields, to discuss the findings concerning the strategic options and objectives, their measurement standards, and the proposed projects and initiatives.

There are two purposes for this workshop:

Firstly: Ripening the strategic findings and options produced, and of their methods of measurement and implementation on the ground.

Secondly: Facilitating the implementation through receiving approval, support and participation from the individuals concerned with the on-the-ground implementation.

Below is an example of what could be considered a balanced set of specified standards that can illustrate a complete image for the organizational performance. Each standard must be quantifiable to help the organization identify its progress against specified objective (e.g., increase the market share by 5%, reduction in costs by 10%).



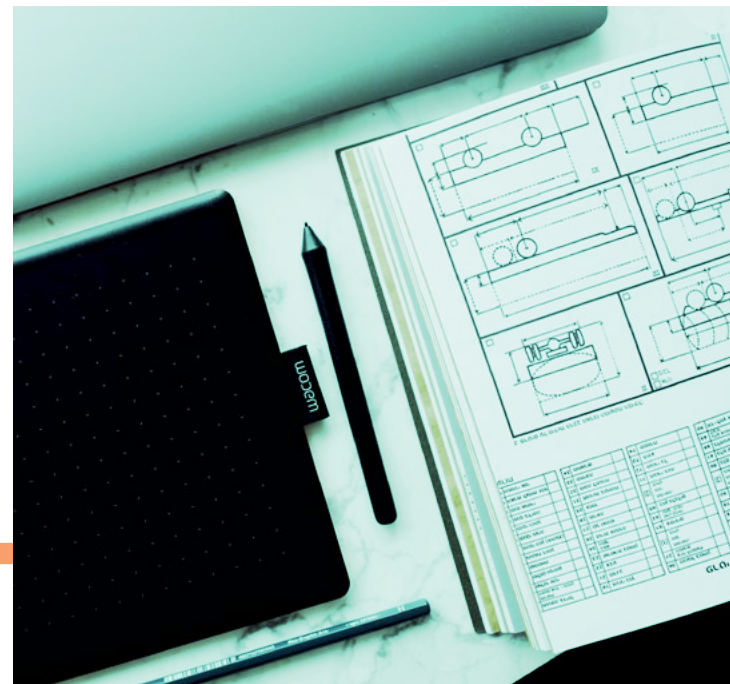
STRATEGIC OBJECTIVES	STRATEGIC MEASUREMENT INDICATORS
Financial Perspective	
Improve revenue	Return on investment
Diversify revenue sources	Revenue growth, revenue mix
Reduce cost structure	Change services cost
Customer Perspective	
Increase satisfaction with products and our staff	Market share, depth of customer relations
Increase after-sale satisfaction	Customer retention, survey on satisfaction level
Internal Processes Perspective	
Understand our customers	Customer satisfaction level
Innovate new products	New product revenue New product development cycle
Reduce operational problems	Service error rate
Responsive services	Fulfillment time request
Organizational Capacity Perspective	
Develop strategic skills	Strategic task coverage rate
Provide strategic information	Strategic information availability rate
Arrange personal objectives	Employee satisfaction Achieve personal objectives Rate of individual employee revenue

STRATEGIC IMPLEMENTATION

THE VIRTUAL TRAINING INSTITUTE EXAMPLE:

As an explanatory example, we detail the objective of “full digital transformation” which we defined in the Institute’s strategy map.

In the example, you will see that we defined a big number of measurement standards for this objective. The reason is that this objective is one of the most important strategic objectives in our plan, and it is almost the plan’s backbone. So, it is necessary to fully verify its success in achieving the results for which it is set out, otherwise, our entire strategic plan would fail.



DEVELOPMENT OF THE **ANNUAL ACTION PLAN**

<i>Strategic objective</i>	<i>Description</i>	<i>Measurement standard</i>	<i>Targeted result</i>	<i>Initiative</i>
<p><i>Full digital transformation</i></p>	<p><i>Redesign the business and fully digitize it to make optimal use of digital reality and minimize costs, to transform dealings with strategic partners, trainees and employees into electronic forms, online, (excluding exceptions)</i></p>	<ul style="list-style-type: none"> <i>Administrative time consumed with each independent trainer</i> ▪ <i>Administrative time consumed for each program</i> ▪ <i>Administrative time consumed with each sales partner</i> ▪ <i>Number of electronic issues facing our e-system</i> ▪ <i>User experience metrics</i> 	<ul style="list-style-type: none"> <i>One working hour per month during 2022</i> ▪ <i>One working hour, per each 30-hour program during 2022</i> ▪ <i>One working hour per month during 2022</i> ▪ <i>One issue every 3 months during 2022</i> 	<ul style="list-style-type: none"> <i>Hiring a reliable specialized company to perform the digital transformation, training employees on it, operating and performing maintenance for the system, under an annual contract</i> ▪ <i>Contract with another specialized company to test the project, and examine it before receiving it from the supplier</i>

STRATEGIC IMPLEMENTATION

Below is a list of the standards proposed to measure the Virtual Training Institute's strategic objectives:

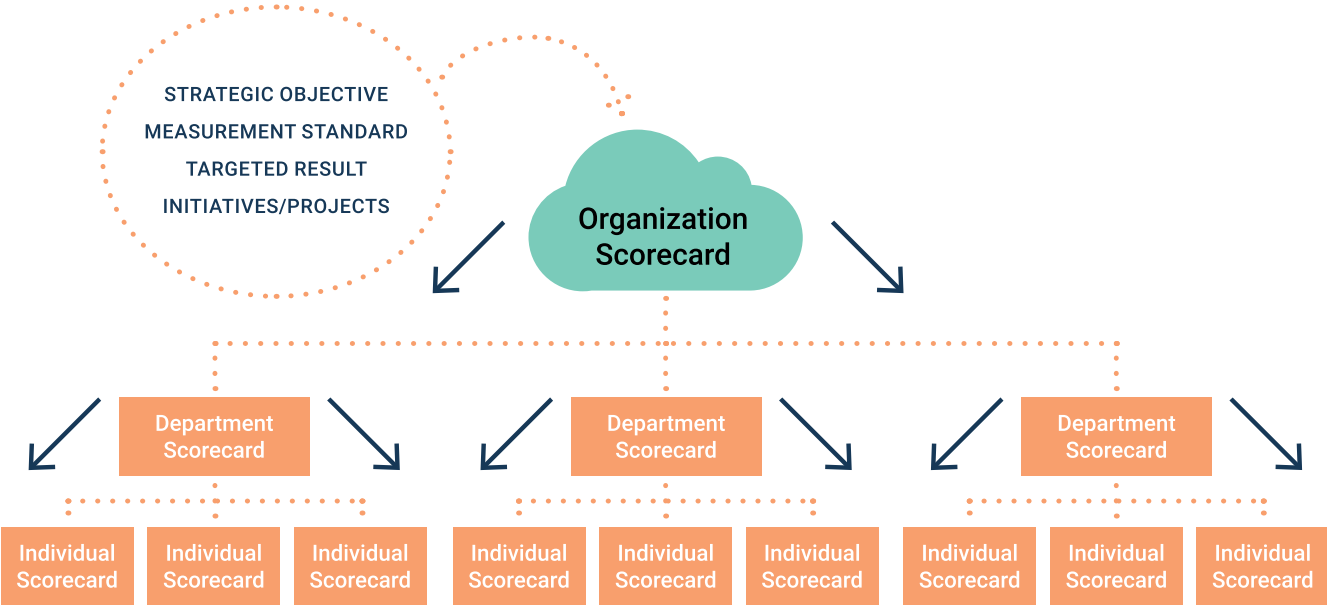
- *User experience metrics*
- *E-marketing metrics (conversion rate (site, campaign, social)), CPC, purchase visits, share of search, NPS, page views, bounce rate, CTR*
- *Administrative time consumed with each independent trainer*
- *Administrative time consumed for each program*
- *Administrative time consumed with each sales partner*
- *Number of issues in our e-system*
- *SEO metrics*
- *Total sales for each category of revenue flows*
- *Regular traffic on the site*
- *Size and quality of the referral partners and sales agents' network*
- *Geographical distribution of our sales, referral partners and sales agents, and customer base*
- *Number of qualifications we provide*
- *Number and sensitivity of the professional fields we cover*
- *Number and importance of the professional agencies we represent*
- *Sales of each qualification as a percentage of total sales for that qualification, regionwide/worldwide*
- *Change in profit margin by a change in the number of trainees*
- *Change in profit margin by a change in the number of programs*
- *Gross profit rate*
- *Net profit rate*
- *Trainee satisfaction*
- *Strategic partners' satisfaction.*

DEVELOPMENT OF THE ANNUAL ACTION PLAN

2 CASCADE THE BALANCED SCORECARD:

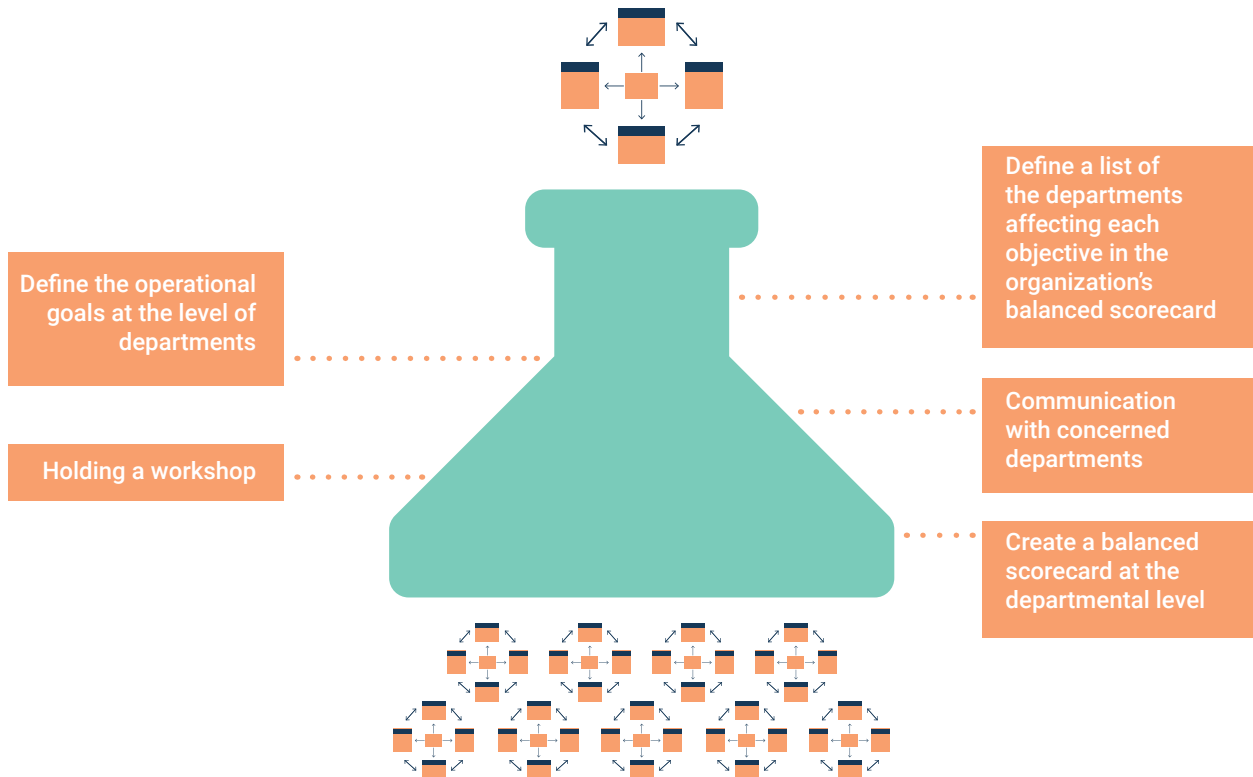
Bring the organization's balanced scorecard to the lower levels of the organization.

Bring the organization's balanced scorecard to the lower levels of the organization, starting from the affiliate organizations and the supporting functional departments such as human resources and financial departments and the like, to the level of individuals, employees, and teams, in a manner that links all the organization's parts together constituting an integrated unified frame. The management and all the employees will cooperate to implement the strategy in a kind of symphony, creating meaning for their movement, inspiring them, and raising the level of their performance.



STRATEGIC IMPLEMENTATION

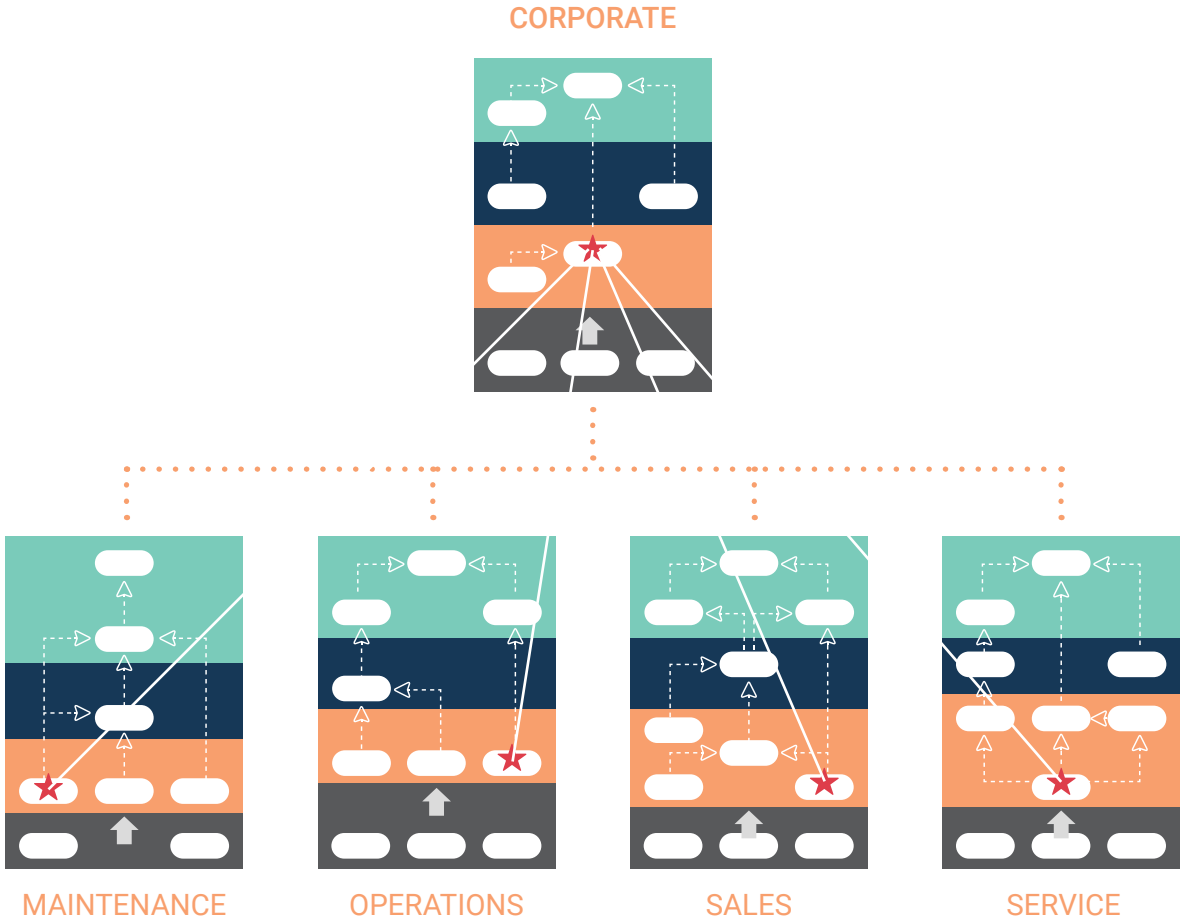
To bring the organization's balanced scorecard to the lower levels of the organization, we take the following actions:



DEVELOPMENT OF THE ANNUAL ACTION PLAN

Define a list of the departments affecting each objective:

We list the functional departments and sub-departments that influence the achievement of each of the strategic objectives set out in the organization’s strategy map as shown in the following chart:



STRATEGIC IMPLEMENTATION

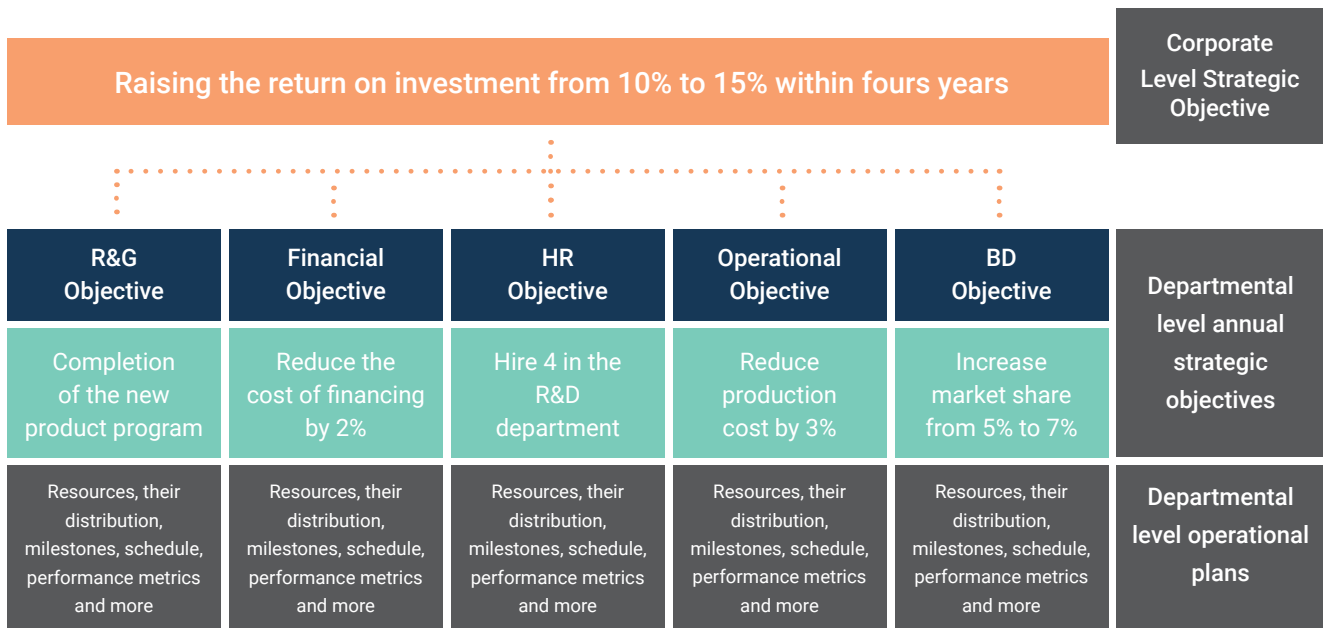
💡 Define the operational goals at the level of departments:

We define the strategic (operational) objectives for these functional departments and sub-departments defined in the previous procedure, based on your strategic analysis and understanding which you carried out for the organization and its external environment and strategic situation.

Different departments of the organization will have different operational goals. However, each of the operational goals must help the organization reach one or more strategic objectives.

Operational goals are varied; they are usually short or medium-term. Therefore, their time frame must be delineated with your organization's long-term objectives in mind.

Let's take a look at the following example:



DEVELOPMENT OF THE **ANNUAL ACTION PLAN**

Communication with concerned departments:

Communicate with each department concerned with the implementation to reach a mutual understanding and agreement on what is expected from these departments. If there is a gap between what a department is required to do and what it actually can achieve, then it is necessary to discuss the matter. And hence, you must also either provide the department with the materials and capacities required to be able to achieve the objectives assigned to it or identify the gap and discover how to address it and what department is responsible for it.

Holding a workshop:

It is preferred to hold a workshop that is attended by all the concerned managers and other key employees of these departments, aiming to discuss the results obtained above, and to determine the responsibilities, ripening the plan, communicating it to the persons concerned directly with its implementation and receiving their approval and support.



💡 Create a balanced scorecard at the departmental level:

Organize this information according to the type of department. Moreover, based on it, a balanced scorecard can be created for each department. These scorecards can be used as performance measurement cards for the managers and key personnel in these departments.



DEVELOPMENT OF THE ANNUAL ACTION PLAN

3 DEVELOP THE OPERATIONAL PLANS:

Develop the operational plans at the level of the organization's departments.



STRATEGIC IMPLEMENTATION

💡 Review the strategic plan

Each department manager (management) conducts an accurate and in-depth review of the strategic plan to define his/her department's initiatives and activities, in line with the objectives and goals that their department is required to achieve.

💡 Prepare a departmental list of initiatives and activities

The department manager reviews the current initiatives and activities carried out by their department, in light of the operational objectives set out for this department and the projects and activities which the manager is required to carry out, according to the department's balanced scorecard. This is to define the final list of initiatives and activities that the manager must work on:

- ▶ Identify the previous initiatives and activities that the manager should continue to work on
- ▶ Identify the previous initiatives and activities that the manager should stop working on
- ▶ Add the new initiatives and activities that the manager should start to work on.



DEVELOPMENT OF THE **ANNUAL ACTION PLAN**

💡 **Define the objectives of the initiatives and activities and their measurement standards**

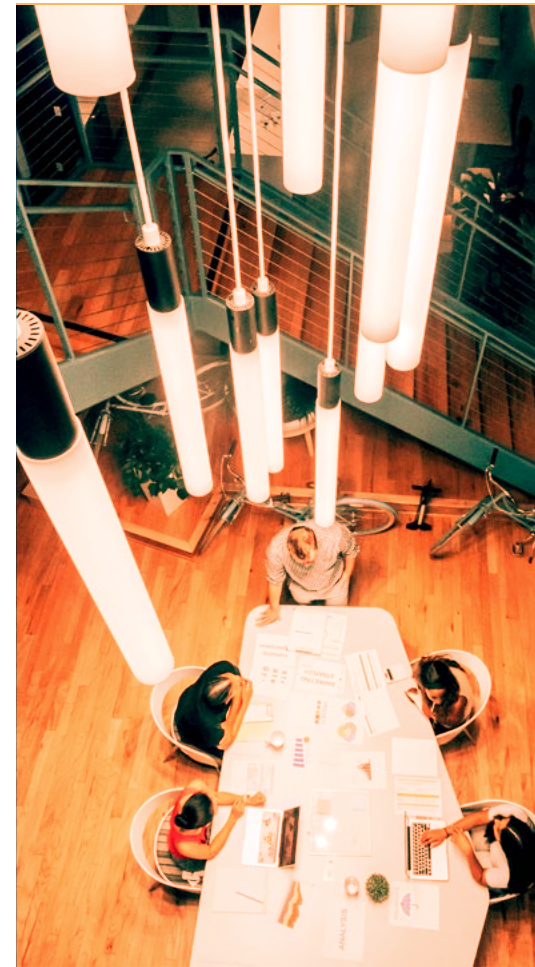
The manager forms a strategic task team, chaired by the manager and formed of the departmental leaders and key employees to define the objectives of the projects, initiatives, and activities and their measurement standards for each unit of their department, based on the new list of initiatives and activities identified in the above procedure.

💡 **Prepare the department's operational plans**

The strategic task team will prepare the detailed operational plans of the new list of initiatives and activities that the department is responsible for carrying out. This will include identifying the needed resources, how to distribute the resources, the milestones, time schedule, and performance metrics, etc. in view of the objectives and measurement standards defined in the above procedure.

💡 **Align Operational Plans with Budgets**

The manager of each department identifies the resources available and is required to implement the initiatives of the operational plan for his department. Then, he communicates budget adjustments to the finance department to update the budget accordingly.



ACTIVITIES

Activity 15 (180 minutes)

Building on the strategy map you drawn for your organization in Activity 13, design the balanced scorecard for your organization.



SECTION THREE: STRATEGIC IMPLEMENTATION

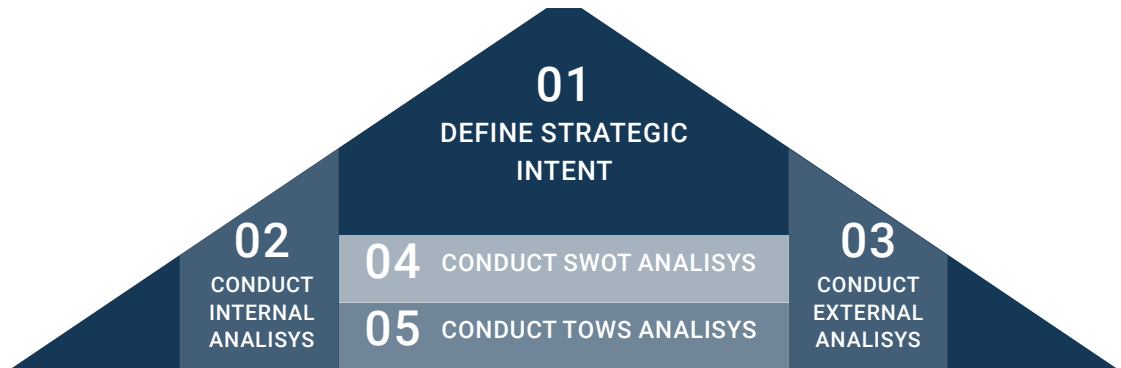
- 1 STRATEGIC IMPLEMENTATION
- 2 DEVELOPMENT OF THE ANNUAL ACTION PLAN
- 3 FORMING THE ORGANIZATION'S STRUCTURE AND ENVIRONMENT
- 4 STRATEGIC LEADERSHIP

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STRATEGIC IMPLEMENTATION

FORMING THE ORGANIZATION'S STRUCTURE
AND ENVIRONMENT

● Strategic Assessment



● Strategy Formulation



● Strategic Implementation



● Strategic Control



FORMING THE ORGANIZATION'S STRUCTURE AND ENVIRONMENT

"Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage. It's a discipline of its own" – Ram Charan

[↑ BACK TO CONTENTS](#)

IN THIS STEP, WE WILL DISCUSS THE KEY ELEMENTS AFFECTING THE ORGANIZATION'S STRUCTURING AND INTERNAL ENVIRONMENT THROUGH THE FOLLOWING HEADINGS:

- > ORGANIZATIONAL STRUCTURE**
- > RISK MANAGEMENT**
- > CORPORATE CULTURE**
- > STAFF TRAINING**
- > ORGANIZATION'S AGILITY AND FLEXIBILITY**
- > CHANGE MANAGEMENT**



ORGANIZATIONAL STRUCTURE

If your organization is new or emerging, you will undoubtedly need to design its organizational structure according to your strategic plan and business model. Just as well, if this is the first time you are strategically planning for your old organization, then you will most likely need to restructure your organization to match your strategic plan and business model.

However, as a general rule, you should not reformulate your institution's organizational structure every time you update your strategic plan, as that will depend on how many changes you make in your organization's business model.

If your organization's business model is the same or has changed slightly, then you most likely do not need to restructure your organization. But if it changes significantly, then you most likely need to restructure your organization urgently.

Below are the general procedures we follow to align the institution's organizational structure with its strategy and business model.



Regulatory Procedure Design

Procedures can be designed in different ways, but an important requirement when designing procedures is that they are actionable, strategically driven (supporting the achievement of the organization's objectives) and designed in light of the organization's risks. They must be effective, efficient, and economical.

When we design organizational procedures, we need to have a good understanding of what the expected organizational structure will look like, the people who will implement these organizational procedures, their competencies, their level of experience, and the location of these people within the organization.

Based on our analysis and comprehensive understanding of the organization, its environment, and its strategic position, in light of industry best practices and continuous feedback, we design procedures for each major activity.



FORMING THE **STRUCTURE AND ENVIRONMENT**

Designing Internal Control Procedures

Based on the analysis, description, assessment, and evaluation of the risks, we design appropriate internal control procedures to control these risks, which cannot be eliminated, according to the general guidelines mentioned in the risk management section.

Internal control procedures are integrated into the various organizational procedures of the organization at the root level so that risks are addressed in the best, least costly, and most effective way.

Designing the Organizational Structure of the Institution

The outputs of the previous two steps represent the key raw material we need to design the institution's organizational structure.

Designing an organizational structure is like solving a mathematical equation. The inputs to this equation are a set of factors such as the organizational procedures of the institution integrated into the internal control procedures, the characteristics of the organization, its strategy, the efficiency of employees, the interests of stakeholders, the institutional culture, the distribution of centers of influence and power in the institution, and others.



STRATEGIC IMPLEMENTATION

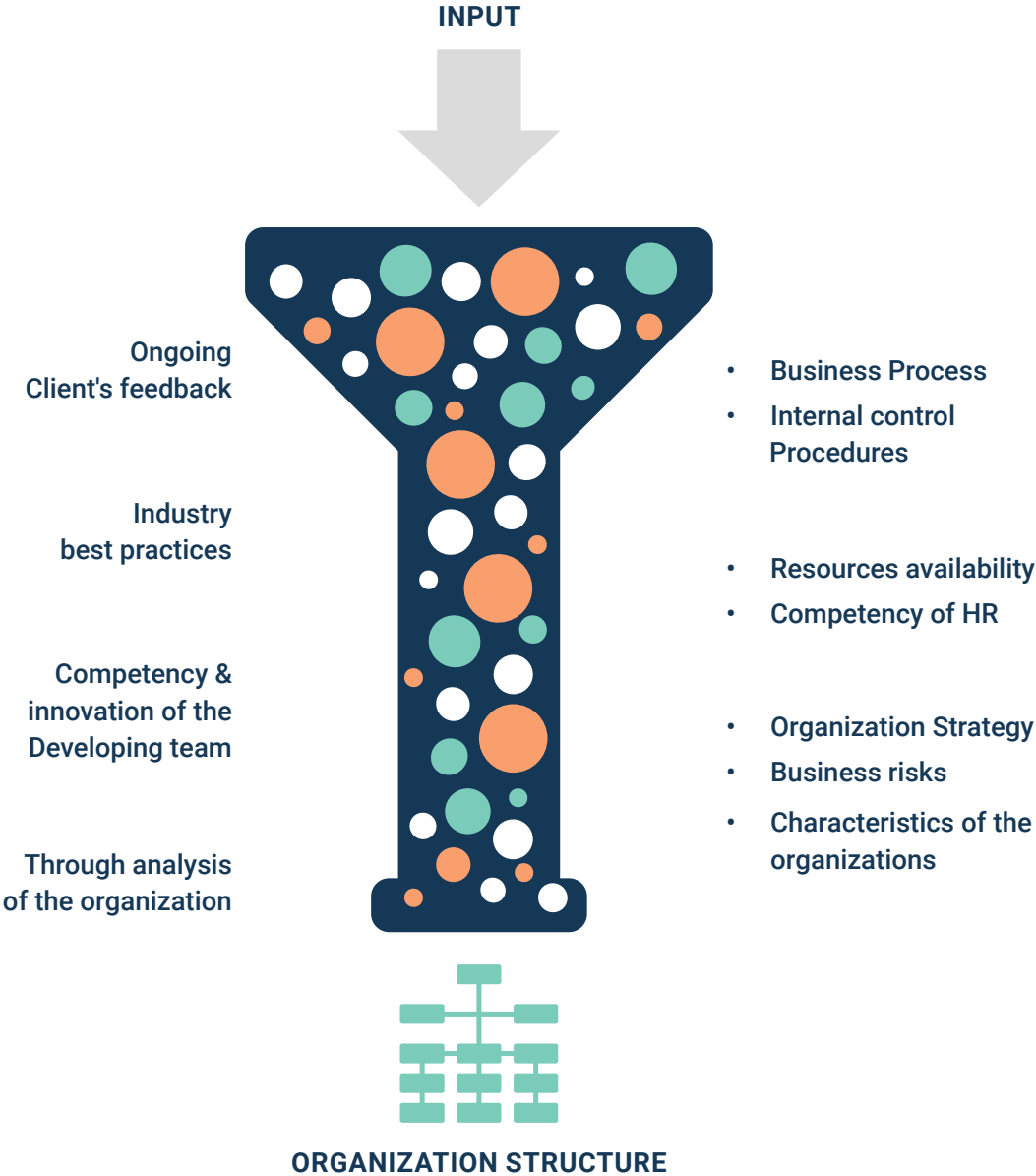
To manage these factors and have a suitable management structure, we need a team endowed with high intelligence, in-depth knowledge, many years of experience, and a thorough understanding of the organization.

Usually, industry best practices alone are not sufficient to design the best organizational structure; each institution has some characteristics unique to itself.

Finally, the design of the organizational structure must be flexible. It can be changed to adjust to any practical problems and needs that may arise during the implementation phase (e.g., unavailability of qualified staff to fill positions according to the management structure).



FORMING THE STRUCTURE AND ENVIRONMENT



RISK MANAGEMENT

Risk management is a key part of strategic management., This is represented in the procedures that organizations follow in an orderly manner to face the risks associated with their activities and initiatives in order to achieve the strategic objectives. Thus, risk management increases the opportunities for targeted strategic success.

To achieve the objectives of risk management, it must be integrated into the culture of the organization. Risk management must also be communicated down along with the strategy so that each manager and employee of the organization is responsible for managing risk as part of their job description.

Thus, the procedures and activities of different units under different departments forming the organization include two types: procedures for achieving the operational and strategic objectives, and procedures for risk deterrence and response.



FORMING THE STRUCTURE AND ENVIRONMENT



Risk management activities include:

Risk Identification

Risk identification aims to determine the company's exposure to uncertainty, and this requires a fundamental knowledge of the organization, the market in which it participates, and the legal, social, political, and cultural environment surrounding it. It also requires a sound understanding of the organization's strategic and operational goals.

Risk Classification

The process of identifying risks should be carried out in a systematic manner to ensure that all the important risks of the organization and its strategic and operational activities are defined and categorized according to their importance and likelihood. It should also identify the changes in those risks when changes occur in the organization and its activities.

Risk Assessment

When we describe the risks, we present the risks identified separately in a systematic manner using a table, for example, to facilitate risk description and to identify the nature of risks, the expected damage when they occur, how likely they may occur, the activities and goals affecting them, how to prevent or address these risks, and the bodies/departments responsible for addressing them.

STRATEGIC IMPLEMENTATION

Risk Analysis Methods and Techniques

There is a set of techniques that can be used to analyze risks in order to identify and estimate them, whether at the level of the organization as a whole (the strategic level), or the level of procedures and activities, whether they are strategic, operational, financial, knowledge management, or the extent of legal compliance.

Among these tools are SWOT analysis, strategic position analysis (5C), and techniques for review and internal auditing.

Risk Estimation

The risk can be estimated quantitatively, semi-quantitatively, or qualitatively in terms of:

- **Likelihood:** High, average, or low, and
- **Possible outcomes:** High, medium, or low, whether financially, strategically, operationally, or in terms of stakeholder interests.



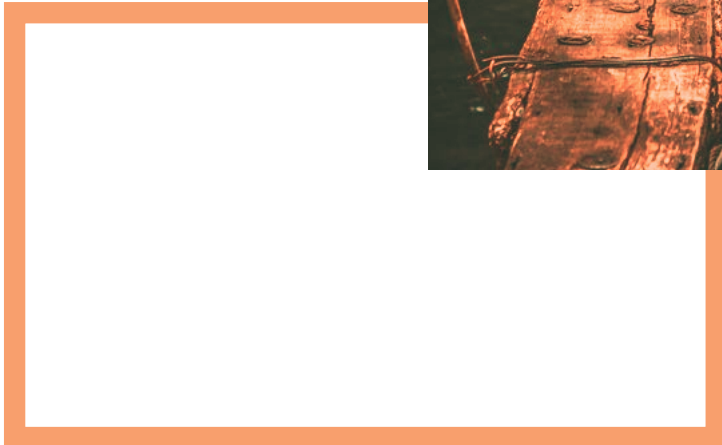
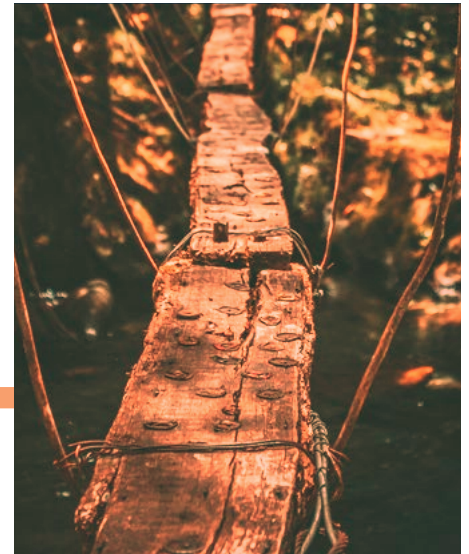
FORMING THE **STRUCTURE AND ENVIRONMENT**

Risk Controlling

After assessing the risks and categorizing the importance and likelihood of each risk as high, medium or low, each risk is plotted on the risk map below, within one of the nine boxes according to its rating in terms of importance and probability.

This technology helps guide the organization's management to the level of concern it should show, and the type of action it should take to address each risk. In general, each of these four categories – according to which the risks are distributed – requires a different type of treatment as follows:

As mentioned, the procedures for risk treatment are distributed across the concerned units and departments according to the nature of the risk and the recommended procedure.



STRATEGIC IMPLEMENTATION

- Preventive Risks
- Detect & Monitor Risks
- Monitor Risks
- Low Control Risks

SIGNIFICANCE ON BUSINESS STRATEGY

HIGH	B	A	A
MEDIUM	C	B	A
LOW	D	C	C
	LOW	MEDIUM	HIGH

LIKELIHOOD OF OCCURRENCE

FORMING THE **STRUCTURE AND ENVIRONMENT**

- **Risks that require preventative measures**

These risks are of high importance with high or medium probability, or medium importance with high probability (Group A). They are critical risks, and it is, therefore, preferable to address them by establishing proactive and preventive measures and controls to reduce or eliminate them. These risks must be subject to continuous evaluation and testing to ensure the smallest impact on the business.

- **Risks that require revelatory measures**

These are of high importance with a low probability, or medium importance with a medium probability (Group B). These risks have a lower priority than the risks of Group A, and they, therefore, do not require fully preventive measures. However, these risks should be closely monitored on an ongoing basis, and controls and procedures should be developed to reveal these risks before they occur.



- **Risks that require continuous monitoring**

These are risks of medium importance with low probability, or low importance with high or medium probability (Group C). These types of risks must be monitored to ensure that they are managed appropriately and that their importance to business strategy has not changed due to changing business conditions.

- **Risks that require minimal monitoring**

These are of low importance with low probability (Group D). These risks should not be worried about currently, and they require the minimum amount of monitoring and control unless subsequent risk assessments show that there has been a crucial change in the importance and likelihood of these risks.



FORMING THE STRUCTURE AND ENVIRONMENT

THE ORGANIZATIONAL CULTURE

In general, the institutional culture is a group of rules and guidelines within which individuals operate. It constitutes the manner in which employees behave amongst themselves and with the customers; it is the manner in which the employees' picture and understand matters, and according to which they make decisions.

Culture is defined as "the way we behave here." This concept of routine influences the strategy and processes of any institution.

Thus, whenever an institution speaks about the need for "new blood" or "a new approach," it is generally hinted that the current influence controlling the institution is inhibiting its strategic direction and limits its performance.

Challenging the regnant culture is considered an important part of strategic management. If it were not, then the institution could suffer from strategic drift – long periods of stability in which nothing changes radically, or in which changes occur gradually – which leads to the deterioration of institutional performance.



STRATEGIC IMPLEMENTATION

It is very likely that a concrete desired strategic change requires challenging the prominent cultural practices. That can be uncomfortable or, sometimes, threatening to a large extent. If there were a need to make a large strategic change in any organization – especially if that change challenges the acceptable corporate culture – that will not be accomplished – by convening a few meetings with employees or by changing the mission statement; there will be an urgent need to achieve a more basic behavioral change in employees' behavior, and possibly in stakeholders' behavior at large.

Furthermore, the behavior and beliefs accepted in any prevailing corporate culture could be a point of strength and could form a basis for a competitive advantage when this prevailing culture is committed to excellent focus on customers or high performance.



FORMING THE STRUCTURE AND ENVIRONMENT

Cultural Context

Organizational culture is formed through many different influences. In their book *Exploring Corporate Strategy*, Johnson, Scholes and Whittington used a simple schema to demonstrate what they call the four levels of culture:

- **Values:** These are generally recorded as statements within the framework of the strategic intent of the institution. They are generally very broad, such as “We believe that all our employees are equally valuable.”
- **Beliefs:** These are usually more specific. They could include issues such as ethical business practices or smoking in the workplace, or that innovation is important.
- **Behavior:** These are activities and daily routines, such as means of communication, or travel always by way of public transportation, for example. Behavior could become deeply rooted and become, suddenly, fundamental assumptions in the culture of the institution. For example, companies always using low-cost airlines when traveling on a business trip could take root and lead to the assumption that the cheapest option should always be chosen, instead of the best option.



STRATEGIC IMPLEMENTATION

- **Assumptions:** These are the essence of the institution's culture. It's probable that assumptions are the hardest part to define or explain to the employees because they represent a collective experience and become a deeply rooted part of the life of the institution. It is difficult to define them except by those who come from outside the institution, such as new employees, or customers, or visitors. These assumptions are referred to generally as a "cultural model."

How to Fortify the Values of Your Institution and Make Them a Culture?

- Values of an institution can be fortified and strengthened by many means; the company's slogan, an employees' honor roll, choosing the best worker, parties, leisure trips, regular meetings with workers, seizing the opportunity of holidays to gather the workers and their families and explain the institution's objectives – all of these are tools in the hands of higher management to shape the culture of the institution and its values. For without the occasions to express these things, values die. Organizational structures, quality control circles, and management will not realize their objectives as long as harmony does not exist between the workers through these values.

To know more about corporate culture, you can read "Organization's Values" in the section of "Defining the Strategic Intent" and "Cultural Web" in the section of "Strategic Analysis Tools."



STAFF TRAINING

Training is a process to enhance employees' skills, abilities, and knowledge to do a specific job. The training process shapes the employees' thinking and leads to the high quality of their performance. Training is, by its nature, a continuous process. It is imperative to organizational development and success and is fruitful for both employers and employees of the organization; employees become more efficient and productive if trained well.

Why Training?

- New candidates who join the institution are trained to familiarize themselves with the institution's mission, vision, rules, systems, and working conditions.
- Existing employees are trained to update and enhance their knowledge and skills.
- In the event of any updates or modifications in technology, training can keep pace with these changes. For example, when purchasing new equipment in production technology, employees are trained in the use of this equipment and in methods of working with it.
- Training is an essential requirement for promotion and career growth to prepare employees to share higher job responsibilities.



STRATEGIC IMPLEMENTATION

Training Benefits

- **Improve the morality of employees.** Training gives them job security and satisfaction, and thus raises their morale, increases their contributions to success, and reduces their absenteeism and resignation.
- **Reduce supervision.** A well-trained employee is familiar with the job and needs less supervision, so there is no waste of time and effort.
- **Lessen accidents.** Mistakes are more likely to occur if employees lack the knowledge and skills necessary for a particular job. The more trained the employee is the fewer accidents they have, and the more efficient they are.
- **Promote opportunities.** Employees gain skills and competency during training to become more qualified for promotion.
- **Increase productivity and performance.** Training improves employee efficiency and productivity. Well-trained employees perform better in terms of quantity and quality and waste less time, money and fewer resources if trained properly.



FORMING THE STRUCTURE AND ENVIRONMENT



Training Methods

- **On-the-job training.** Where training is provided to employees in the framework of the daily work that concerns them. This is a simple and cost-effective training method, and competent employees as well as semi-competent employees can be trained in an actual job scenario. The byword of this kind of training is “learning by doing.” Examples of on-the-job training methods are job rotation, training, temporary promotions, and others.
- **Off-the-job training.** Where training is provided away from the actual working conditions, especially with new employees. Examples of off-the-job training methods are workshops, seminars, conferences, etc. This method is expensive and effective if the number of employees trained is large within a short period of time.

E-Learning

The classic method of training employees across training classes is not as feasible as it used to be in the Industrial Age; the most important thing in this era is not the skills and capabilities that individuals possess but rather those skills and capabilities that they are able to acquire. The economy and the capabilities and skills it requires are constantly and rapidly changing.

STRATEGIC IMPLEMENTATION

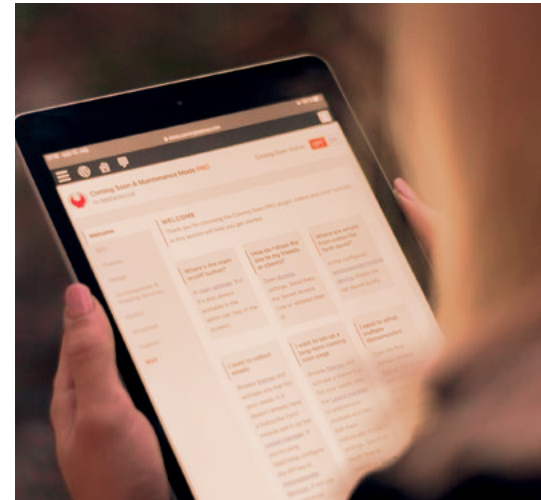
This is all not to mention the operational and administrative difficulties and the great costs (direct and indirect) required to train employees.

With the development of internet speeds and e-learning program systems, a wide range of e-learning platforms has appeared that continuously provide the latest training and development programs necessary for the jobs needed by institutions at low costs and sometimes for free.

In this way, we can develop our human resources with very few administrative and operational costs and effort and, at the same time, with great effectiveness and sustainability by taking advantage of e-learning platforms.

Many statistics and studies indicate that the effectiveness of e-learning by far exceeds that of classroom training, as published by the company Pluralsight:

- I. Companies that provide the best e-training and on-the-job training services produce an increase in revenue valued at 26% per employee.
- II. Companies that use e-learning tools increase their efficiency by 50%.



FORMING THE STRUCTURE AND ENVIRONMENT

Watch Video

Your employees, your partners

6:36

Watch Video

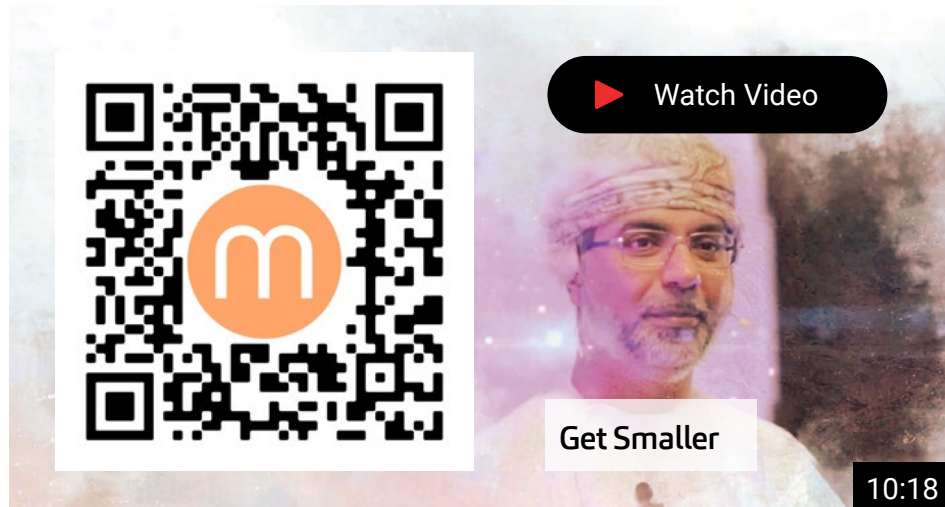
e-Learning

4:38

ORGANIZATION AGILITY AND FLEXIBILITY

If you have undertaken all the previous procedures in strategic planning, ending with preparing the operational plan professionally and with the necessary care, and if your plan does not entail a significant change from the current state of your organization and what your employees are familiar with – if all of that is the case – then your plan likely has no reason to fail during implementation.

But this era is distinguished from past eras by the continuity of change at all levels. That continuous change demands that institutions constantly change their strategies, business models, operational plans and products to keep pace with the various changes around them. And the most important is keeping pace with customers, their priorities, their tastes, ways of communicating with them, changing technology, and the business environment.



FORMING THE **STRUCTURE AND ENVIRONMENT**

Constant changes hence also require the development of the capabilities and skills of an organization's employees to be able to keep pace with changes occurring in the business environment.

However, processes of change often fail even though the plan is excellent and has been prepared with great professionalism and the availability of the necessary resources. According to research published in the Harvard Business Review, 90% of companies fail to achieve their strategic objectives. This failure is attributed to a number of factors of which the most important are:

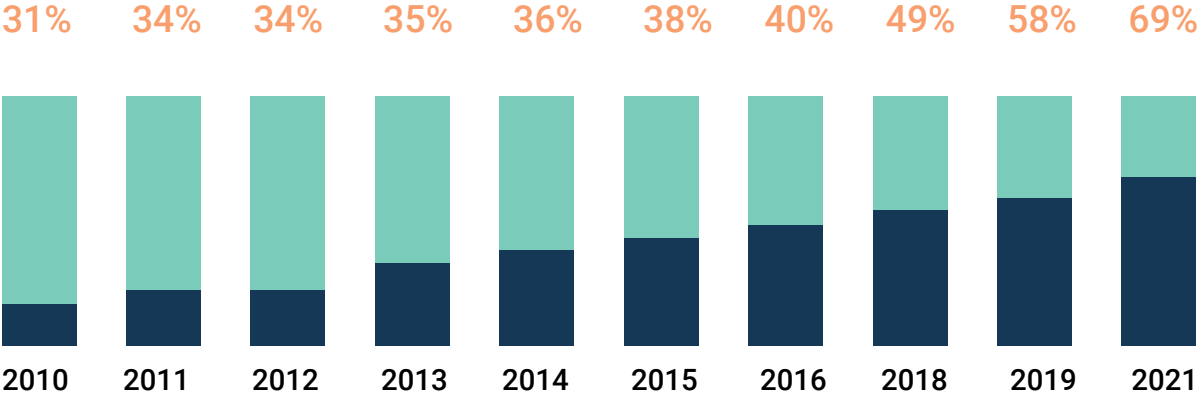
- Resistance to change on the part of the employees.
- A wide gap between those who make the plans and understand them (senior management) and those who implement them (the employees), who usually do not know anything about the organization's strategic plan and do not care about it. According to research published in the Harvard Business Review, nearly 95% of corporate employees do not understand their companies' strategies.⁸
- The extreme difficulty in constantly changing the capabilities and skills of employees, especially since there is practically a worldwide war raging to attract talent and human capabilities, and since the shortage of skilled labor is increasing in the whole world year after year.

8 Why Is Strategic Planning Important? Catherine Cote, Harvard Business School Online
<https://online.hbs.edu/blog/post/why-is-strategic-planning-important>

STRATEGIC IMPLEMENTATION

Despite the impact of the pandemic on global unemployment, companies around the globe face more challenges than ever to attract and retain skilled workers. Nearly 7 in 10 (69%) of companies have reported talent shortages and difficulty hiring⁹ – a 15-year high.

69% OF EMPLOYERS ARE HAVING DIFFICULTY FILLING JOBS



These reasons are among the most important for the decline in the life span of very large American companies during the last eighty years, from more than 67 years to around 15 years today.

In fact, this forces us between a rock and a hard place. On the one hand, organizations must constantly change to be able to withstand and survive in today's world, and on the other hand, they must avoid – as much as possible – the processes of change; change has many costs, direct and indirect, and it could lead to the failure of the organization!

⁹ Manpower Group's 2021 Talent Shortage Survey, <https://go.manpowergroup.com/talent-shortage>.

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The best an organization can do to address these challenges and be in a better position to implement its strategic plans effectively, efficiently, and successfully and handle any changes required is to reduce its size as much as possible – the dynamic that provides it with a high degree of flexibility to maneuver and succeed.

The characteristics of the era of the knowledge economy in which we live (compared to the previous era of the industrial economy) mean that competitive advantage – at this time and in the following decades for individual, small and perhaps medium enterprises, unlike large and giant institutions that lack by their nature the flexibility and speed necessary to face changes.

STRATEGIC IMPLEMENTATION

John Nisbett (2004) says: “Small companies, even those with one person, can defeat large bureaucratic corporations ten times out of ten. It is small businesses that create the global economy, and small and medium-sized businesses will dominate the global economy in the twenty-first century.”

Contrary to what is common in the culture of some business environments, the smaller the size of the organization (with other factors being constant such as quality and profitability), the more proof there is of its health and power, and not the other way around.

This is because the skeleton of any institution and its main driver towards performance and achievement is its human resources. Therefore, if these human resources do not possess the desire, skills and capabilities required by the continuous processes of change (which seems almost impossible), the inevitable result will be the confusion of the institution and its inability to keep pace with changes occurring and therefore eventual failure.

The problem becomes more complicated when we realize that these changes are constantly occurring and nonstop. Therefore, the skills and capabilities required of employees to keep pace with change must be constantly changing, and this adds a new dimension of complexity.



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For this reason, the larger the size of the organization and the greater the number of its employees, the greater the complexity of managing change, and vice versa.

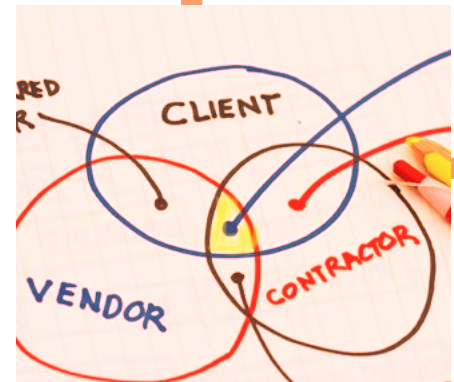
This leads us to the fundamental question: how can we reduce the size of our institutions to increase their chances of growth and success?

To answer this question, we must first point out that there are three general areas/themes that represent the activities of any institution:

- **First Area:** Customer management.
- **Second Area:** Product/service delivery management.
- **Third Area:** Ancillary activities such as accounting, technology management, website management, and the like.

To reduce the size of the institution and increase its maneuverability, we use several methods including:

- **Outsourcing**, especially in the third area of the above activities.
- **Lean management** is concerned with the continuous improvement of business processes, goals, and people as it improves efficiency, effectiveness, and economy at all levels of the organization's hierarchy.



STRATEGIC IMPLEMENTATION

- **Automating processes** and procedures to reduce – as much as possible – the volume and quality required of human resources of all activities and areas.
- **Using a flat management structure** instead of a hierarchical one.
- **Employing the gig economy** to reduce the size of the staff and personnel to the extent possible.

One should resort to these methods according to the needs of the institution, its nature, the nature of its mission, its strategic vision, and strategic considerations – the most important of which are competitiveness, quality, and profitability.

These outputs represent the organization's strategy and business model. Thus, the functions of strategic management, human resource management, operations management, and the computing partners for any organization are intertwined to determine the organization's strategy, business model and operating plans.

We will discuss these five methods in detail below.



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STRATEGIC IMPLEMENTATION



A video player thumbnail showing a woman in a headset and a man in a white shirt. A black button with a red play icon and the text "Watch Video" is in the top left. A grey box in the bottom left contains the text "HR Strategic Management" and "6:02". A large QR code with an orange 'm' logo in the center is overlaid on the right side of the video frame.



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1. OUTSOURCING

Outsourcing takes place when an organization assigns another organization the “service provider” to perform tasks, handle operations, or provide services to the assigning organization, regardless of the location of where these works are carried out.

Organizations can outsource many tasks or services such as IT services (which include, for example, programming, application development, technical support, customer service, and manufacturing operations), human resources tasks (such as recruitment, and training, etc.), and financial functions (e.g., bookkeeping and payroll processing). Organizations can outsource entire departments, such as the entire IT department, or some parts of a specific department.

Organizations typically outsource to reduce costs, improve competencies, and gain speed. Organizations that decide to outsource rely on the expertise of the service provider in performing outsourcing tasks and the economies of scale to obtain these benefits.



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With the increasing strategic challenges, the change in economic activity and the accelerated changes in the business environment, outsourcing is increasingly used now as a strategic tool for organizations, besides its operational advantages.

Leading organizations realize that outsourcing some functions can help them gain a competitive advantage by allowing them to access expertise or innovative technologies that they do not have in-house, by helping them to deliver products or services quicker, or enabling them to move resources into the most important areas of work. Outsourcing provides cost efficiency and increased flexibility in workload.

For a company to effectively outsource responsibilities, it is important to focus on the business partnership as much as it does on logistics. It is a partnership, not a procurement venture, and maintaining and securing a reliable relationship is essential in outsourcing efforts.

Also, more focus should be given to the exit clause of the service contract. It is important for companies to know when the contractual agreement will definitely expire and to ensure that the parties involved meet and abide by their obligations until the contract expires.



FORMING THE STRUCTURE AND ENVIRONMENT

OVERCOMING THE OUTSOURCING CHALLENGES

Undoubtedly outsourcing is very beneficial, but it can produce challenges and disadvantages for organizations, including:

- Sometimes you may find that the resources devoted to managing outsourcing activities are approximately the same of those required to do these outsourced activities.
- Some organizations may lose control of the aspects of tasks or services they outsource. An organization may lose control over the quality of customer service provided when it outsources the function of call centers. Even if the organization's contract with the provider stipulates certain quality standards, the organization may find it more difficult to correct an external provider than an internal team.

In both cases, you should look for service providers that are more efficient, economical and effective. You should also revise your contracts and continuous relationships with service providers properly to ensure outsourcing is a success. It may be very helpful to go out of your local setting and search on the internet for suitable service providers worldwide.



2. LEAN MANAGEMENT

The lean management approach involves the continual improvement of business operations, goals, and individuals. It involves enhancing capacity, effectiveness, and economy at all levels of the organization's hierarchy.

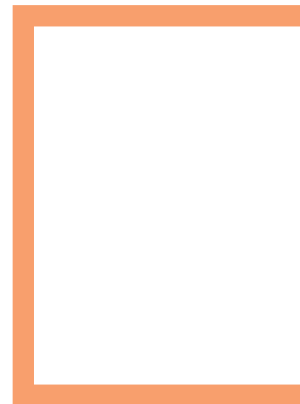
This approach adds a lot of value to businesses through eliminating waste and improving productivity, capacity and the "mixed pull" system which enables you to provide work only when there is actual demand, and therefore you use your resources more efficiently.

All this enables you to be more flexible and to meet your customer needs quicker.

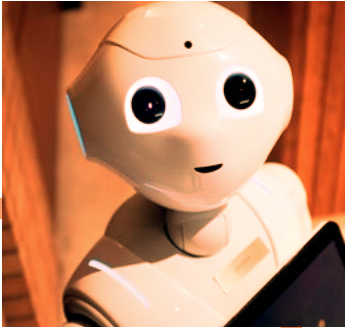
Lean management establishes a stable and continuously evolving organization by identifying the actual issues and addressing them.

In addition, among the main purposes of lean management is creating value for customers by optimizing your resources and establishing a stable workflow at the actual request of the customer.

Continuous improvement is a main part of lean management, as it ensures that every employee participates in the improvement process at all levels of the organization's hierarchy.



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3. BUSINESS AUTOMATION

Business automation strategies are becoming more popular in many organizations due to their benefits of saving time and money on manual tasks. Automation is more accurate and faster in completing simple tasks in the organization.

Business automation means updating processes from manual, paper-based ones to technology-driven ones. This gives employees more time to complete the most difficult, complex, and most valuable projects in the organization.

BENEFITS OF BUSINESS AUTOMATION

Achieve Better Transparency and Control

Automation brings all parts of a workflow together on a single dashboard so that you can always see your processes and operations in their current stages, and that you can control the process by managing task reviews, approvals, and schedules. By simplifying the information and data collected in each step of the workflow, automation allows you to make informed decisions and provide clear timelines for stakeholders so that you know who is performing each task, when it will be completed, and what the next step is.

💡 Speed Up Operations and Reduce Manual Errors

Automated work replaces manual, administrative, and paper-based tasks. Transcription, signature collection, document transfer, and paperwork processing are important but redundant business needs; they consume time and energy, and even minor errors in workflows can be costly, forcing organizations to waste time and resources repeating tasks and putting stakeholders on hold. Automation, on the other hand, reduces human error and saves time by centralizing the process.

💡 Make Room for Relationship Building and Creative Output

Automation allows you to speed up and simplify your routine operations, freeing up more time and energy to respond to customer needs, grow relationships, and work on the things that matter most.

💡 Create New Work Opportunities

Today's IT focus has shifted from just serving internal needs – such as efficiency and cost control by streamlining operations – to dealing with external customers and creating new business opportunities. Organizations need to develop new strategies to automate their own business. Building these strategies and applications requires that business and IT leaders share their experiences to unlock new areas of opportunity.



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4. USING A FLAT MANAGEMENT STRUCTURE

Flat management structures in organizations are distinguished by fewer levels of management and a group of managers with greater responsibility and control, unlike organizations that have multiple layers of management with a CEO who exercises a great deal of control over the organization's operations and decisions.

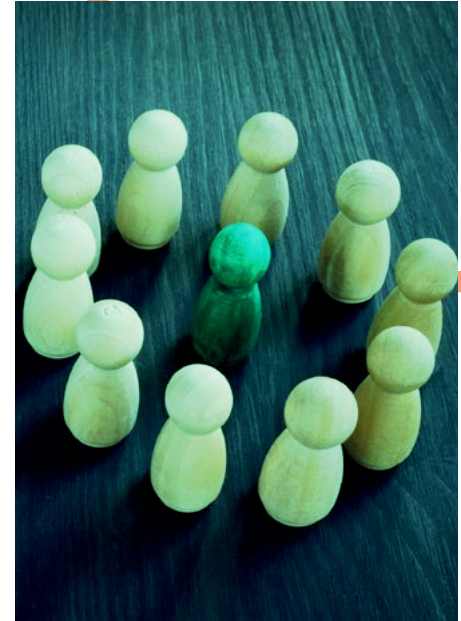
Strategically, and considering the characteristics of our era, using a flat management structure is advisable where possible, owing to its strategic advantages. Below are some of the advantages of flat management structure:

💡 Flexibility

A flat management structure provides less bureaucracy than a hierarchical one as lower-level managers have more decision-making power, enabling the organization to make changes and respond to changing customer demands with competence and speed.

💡 Better interaction between higher management and employees

There exists a close connection between Higher-level management and employees in a flat management structure because of not having any partition between layers of



STRATEGIC IMPLEMENTATION

management. In other words, the planners, decision-makers and implementers sit in one boat, which enables direct communication and continuous positive interaction between each other. Thus, your managers participating in the organization's operations and business, and in return, employees taking a greater role in decision-making, which creates a better environment for communication, motivates workers, reduces employee turnover, and increases productivity.

Cost Effective

Eliminating a range of management layers in a flat management structure saves costs for salaries, rent, and other expenses; it cuts costs in hiring and training new workers (thanks to a lower employee turnover), the same as improvements in efficiency and productivity reduce direct costs.

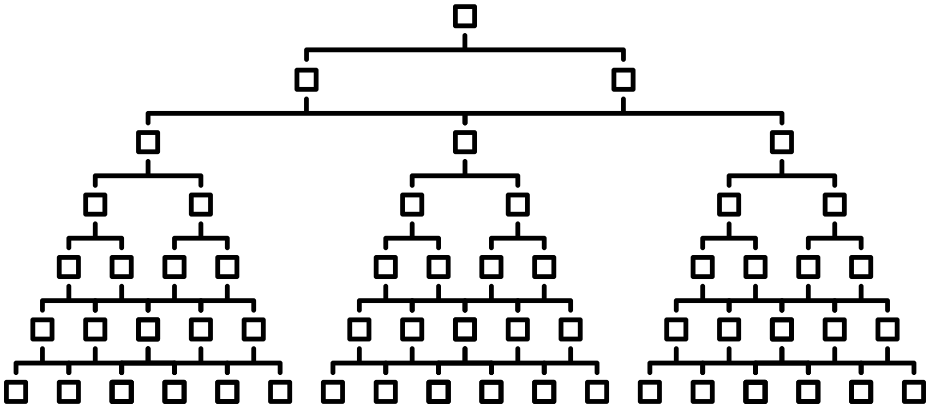
While these are the advantages, few disadvantages can prevent the full adoption of a flat management structure and force us to adopt a hierarchy structure. However, even in such cases, management layers can be reduced, and managers can be granted more decision-making powers. These challenges are:

- I. The difficulty of applying flat structuring in large organizations.
- II. Because managers in a flat management structure take on greater responsibilities, workers could report to more than one manager.
- III. It sometimes causes the inappropriate distribution of roles.
- IV. Employees take decisions that can sometimes be bad for the organization because of their lack of experience or because they have more power to make decisions compared to a hierarchical structure.

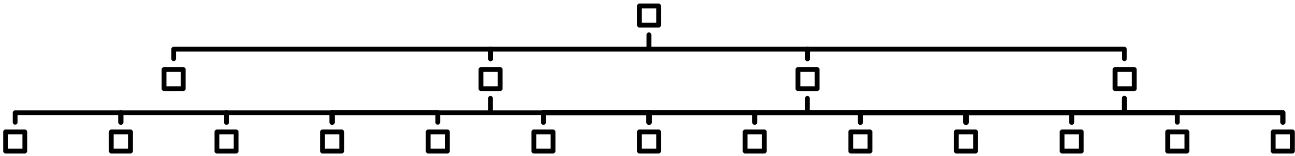
FORMING THE STRUCTURE AND ENVIRONMENT

A video player interface is shown against a background of abstract, textured brushstrokes in shades of teal and grey. On the left side of the player is a large QR code with a white background and a central orange circle containing a white lowercase letter 'm'. To the right of the QR code is a black rounded rectangular button with a white play icon and the text 'Watch Video'. Below the QR code, the video title 'Leadership and a Flat Organizational Structure' is displayed in a white box. In the bottom right corner of the video player, the duration '13:48' is shown in white text on a black background. A thick orange L-shaped line is positioned to the right and bottom of the video player, suggesting a continuation or a next step in a process.

A TALL ORGANIZATION



A FLAT ORGANIZATION



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5. EMPLOYING A GIG ECONOMY

The gig economy is an electronic, digital economic environment that relies on temporary jobs and assignments in which business owners – both institutions and individuals – contract with independent employees hired for short-term contracts via digital platforms.

These platforms connect business owners with job seekers – individuals or institutions from different disciplines and sectors, from different backgrounds and classes, and all parts of the world – in an amazing organizational and administrative manner that transcends political, geographical, temporal, and spatial obstacles by way of an astonishing control mechanism.

This means that independent contractors can choose temporary jobs and projects all over the world. With a good track record of performing across digital platforms, they can create their own business agencies to provide services globally, thereby threatening traditional competition.



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In 2004, Charles Handy wrote:

“We have to remember that the concept of real work is changing because work usually means getting a job with an employer, but today this concept increasingly means doing the work by oneself and for oneself. In the near future, more than half of the workforce in the developed world will exist outside its organizations. Traditional institutions currently employ only 55% of the workforce on a full-time basis, and the remaining percentage works on a temporary, part-time or contract basis. Our portfolios will increasingly contain groups of different businesses for various clients.”

Here are some numbers that show the growing importance of the independent services economy:

- I. A McKinsey study estimated that by 2030 50% of the US workforce will be self-employed. ¹⁰
- II. American freelancers contributed \$1.28 trillion to the US economy in 2018. ¹¹
- III. In 2018, freelance workers in the United States spent 1 billion hours per week freelancing.
- IV. The gig economy contributes about 40% of Egypt’s GDP, according to Egypt Today in 2018. ¹²



10 https://www.ioe-emp.org/fileadmin/ioe_documents/publications/Policy%20Areas/future_of_Work/EN/20171206_Mckinsey_Global_Institute_Jobs-Lost-Jobs-Gained-Executive-Summary.pdf

11 <https://www.smallbizgenius.net/by-the-numbers/gig-economy-statistics/#gref>

12 <https://www.egypttoday.com/Article/3/53981/Analysis-Why-employees-are-turning-to-freelancing>

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- V. 64% of HR leaders in the UAE see the independent services economy as a way to reduce “the long-term costs associated with recruitment and training.”
- VI. 48% of HR leaders in the UAE believe that the gig economy will enable them to “develop a broader and more specialized set of skills.”

From here, it becomes clear that the independent services economy (gigeconomy) poses a real big threat to organizations because it creates a huge number of competitors that are more efficient, more flexible and less expensive.

At the same time, however, it represents a great opportunity for organizations to control costs, improve quality or accelerate growth; it also means that business owners can select freelancers for specific jobs around the world based on specific skills and the desired budget with the least amount of risk.

Below are some of the benefits that organizations can achieve by employing them for most of their employee-related needs by way of the gig economy:



Strategic Level benefits

- I. Giving the institution the flexibility necessary to keep up with the required changes in line with the changes that are made to the organization's strategic plans.
- II. Expanding markets in terms of adding new product and service lines (opportunities) that the organization would not have been able to access without using the human capabilities available in the virtual space.
- III. Opening new geographic markets that could not have been accessed without the use of human resources available through the virtual space.

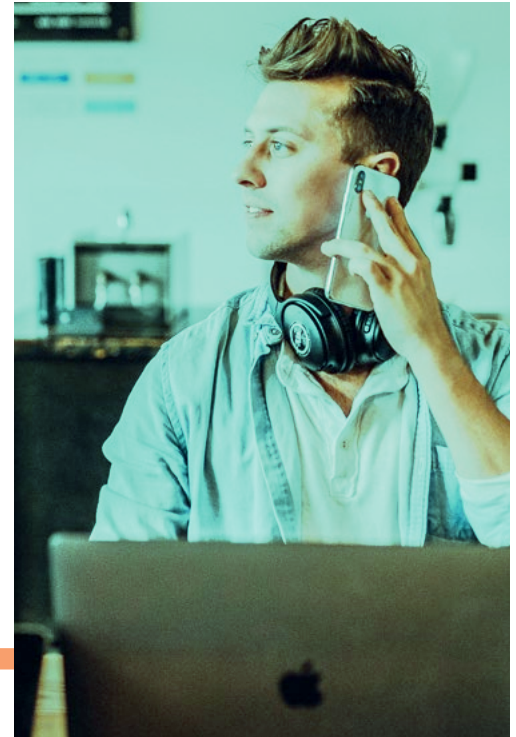


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Operational Level benefits

- I. Lowering costs significantly.
- II. Having a wide base of specialized and talented workers to choose from according to your need, your budget, the period of need, or the tasks you want to perform.
- III. An effective system for monitoring the performance of hired employees that goes far beyond the control systems organizations usually have over their permanent employees.
- IV. The work done by employees hired through the gig economy is usually prompt, accurate and of high quality.

If you want to learn more about how to benefit from the independent services economy, you can watch the following two videos:



STRATEGIC IMPLEMENTATION



▶ Watch Video

The Gig economy for corporations

7:43

This video thumbnail features a QR code with an orange 'm' logo in the center. The background is a close-up of a US dollar bill, showing the word 'TRUST' and some decorative patterns. A black play button icon and the text 'Watch Video' are in the top right. The title 'The Gig economy for corporations' is in a white box at the bottom, and the duration '7:43' is in a black box at the bottom right.



▶ Watch Video

Start your business and go global

10:50

This video thumbnail features a QR code with an orange 'm' logo in the center. The background is a starry night sky with light trails from stars. A black play button icon and the text 'Watch Video' are in the top right. The title 'Start your business and go global' is in a white box at the bottom, and the duration '10:50' is in a black box at the bottom right.

FORMING THE STRUCTURE AND ENVIRONMENT

CHANGE MANAGEMENT

Even after reducing your organization's size and enhancing its agility, effectiveness, and flexibility, change is still an inevitable process. Change should be made at least once every few years, and this puts the organization in a difficult situation. Failure to manage the change process may destroy the business.

A recent McKinsey study showed that the ten least successful companies lacked adequate change management practices. In contrast, the top ten successful companies had adopted excellent change management practices.

1. KOTTER'S CHANGE MODEL

John Kotter, professor of leadership and change management at Harvard Business School, created an 8-step change model in 1995 aiming to enable change in organizations in the right manner and to maximize the opportunities to make change efforts a success.



- **Step 1: Create an urgency**

Kotter estimates that achieving change requires a driving force of around 75% of the company's management. This move creates the "need" for change rather than merely a "desire" for change. The difference is very important when it comes to potential support and eventual success for the change.

If you can create a corporate environment where the employees are aware of a serious problem that threatens the organization's success, making change necessary, they will most likely be more supportive of change towards the solution which they believe will achieve success.

The best way to address this is to start a sincere and true dialogue with employees/managers about the market conditions and competitors, as well as discussing the organization's key issues and problems and their potential solutions.

So, a change leader must try harder to start a real process of change and must spend a long time and a lot of energy to develop a feeling of urgency to change, before proceeding with the next steps.



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- **Step 2: Build a team**

It is difficult to lead the entire change process on your own. It is important to build an alliance that helps you lead the process of change and guide others. The alliance should consist of a group of people with skills and experiences in different areas of the business to maximize its effectiveness, in addition to the key and influential persons and the organization's employees. However, the alliance should not be large, it should be formed of a few individuals who have a high level of responsibility and who believe in the necessity to change.

- **Step 3: Define a vision**

A change initiative can be very complex and difficult to understand, especially for employees at the lower end of the hierarchy. For this reason, it is important to formulate an easily understandable vision that crystallizes the overall goal of generating support for the entire organization. This vision should be simple, understandable, and inspiring to achieve the greatest effect.



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- **Step 4: Communicate the vision**

It is not enough to formulate the vision to devote support to it; the vision must be communicated and promoted throughout the organization. This is an excellent opportunity to benefit from the alliance that has been created as the members of the alliance are likely to have communication networks in every area of work within the organization. It is important to communicate this message and promote it continuously as it is likely that differing visions will be spread.

It is very important that others see you are enthusiastic and keen to realize the vision as a leader; actions speak louder than words. What you do is more important than what you say, so, you should show the behaviors and practices that you want others to follow. And lastly, the organization's vision should be shared with customers, suppliers and employees through all the effective communication channels.



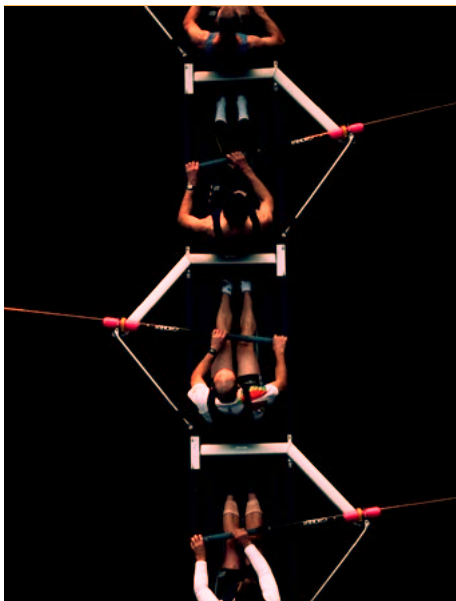
FORMING THE STRUCTURE AND ENVIRONMENT

- **Step 5: Eliminating obstacles**

Undoubtedly, despite all the previous steps that you will follow, change is encountered by resistance from those who desire to prevent change. In addition, the organization's policies, procedures and administrative structures may hinder the change process. Other obstacles could be traditions, legislation or financial constraints. You must identify such obstacles as soon as possible and depend on the available resources to address these obstacles without disrupting other business areas.

- **Step 6: Generate short-term wins**

The change process usually requires some time before its benefits can be reaped, which may cause support for it to decrease. You have to set out short-term realizable goals along with a long-term goal. The change team may have to work hard to reach these short-term goals, but it is highly necessary to achieve success within short time periods to motivate the employees and establish the belief in change, and hence continue to support the change process and follow positive behaviors towards change.



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- **Step 7: Monitor the progress**

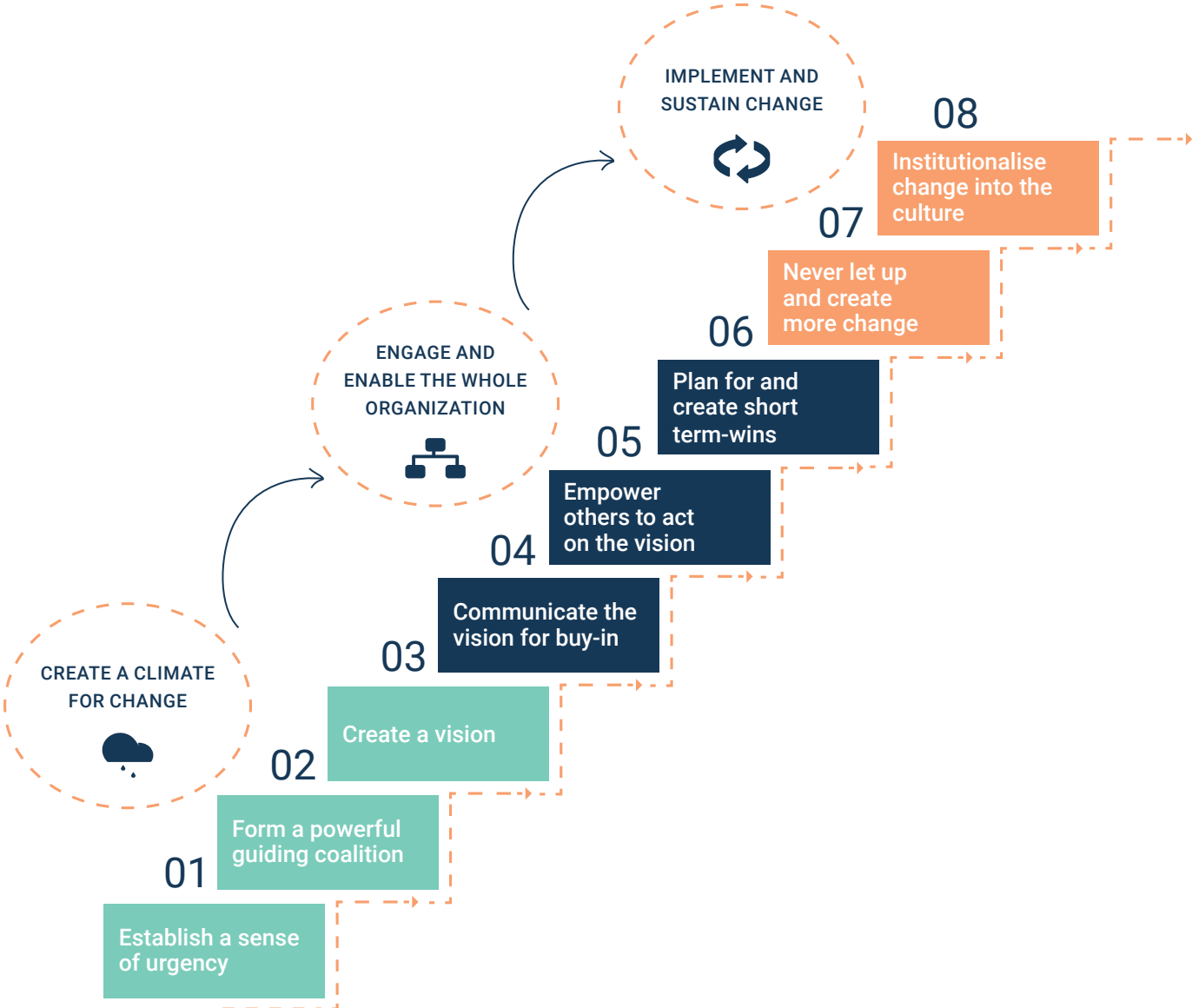
Kotter finds that many change projects fail because of announcing success early, while the real change is a deep process and needs a long time and a lot of effort. Therefore, it is important to keep employees enthusiastic every time an achievement is made until fulfilling the final result.

- **Step 8: Strengthen the changes**

Change should be an essential part of the organization's daily culture to have a constant effect. So, keeping key stakeholders updated, encouraging new employees to adopt changes, and encouraging the individuals who adopt change are necessary to turn change into a culture and habit in the organization.



FORMING THE STRUCTURE AND ENVIRONMENT



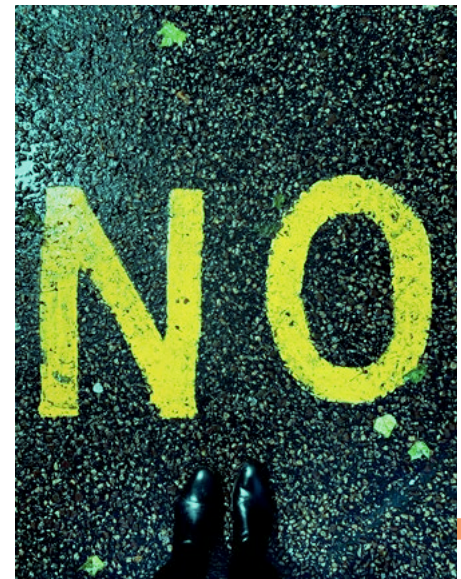
2. MANAGING RESISTANCE TO CHANGE

The resistance itself can take various forms, ranging from the covert undermining of change-related initiatives and the withholding of information to active resistance such as strikes.

There are many reasons for employees to resist the processes of change, including employees' discontent with change, or their fear of what is to come. Therefore, it is important to diagnose the cause of employees' resistance because that helps in focusing efforts and trying to reduce or eliminate the effects of the problem.

There are a number of approaches that can be followed to deal with resistance, ranging from the gentler ones to that least kind approach based on the nature of the employees, the reasons for resistance to change, and the behavior they follow in their resistance.

It is important to realize that all of these methods are acceptable if used appropriately as sometimes there is a need to adopt a strict approach when there is no other option, especially in times of financial crisis, and when making changes in response to changing legislation.



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- **Teaching Technique**

When the reason for resistance from employees is their lack of conviction about the necessity or feasibility of the change, it may be easy to convince the employees of the reasons that call for change to remove the resistance. On the other hand, if there is a need for new skills, they can be provided through a focused educational course.

- **Participation Technique**

When employees do not participate physically or intellectually in the process of change, they are less likely to participate emotionally. Therefore, one of the best ways to bring about change may be to win over, engage, and involve employees in the process of change.

- **Negotiation Technique**

When the other person cannot be persuaded to cooperate with you, you may need to relent to win their support. Speak with them and ask them what they are looking for; find out what they want and what they won't accept and settle on a mutually acceptable solution.



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- **Manipulation Technique**

Manipulation means controlling the environment of the resistant person. This can be a tempting but morally unpleasant solution, and if employees sense what you are up to, it may lead to a violent response from them. Consider this approach only when change is necessary for the short term and all other approaches have been exhausted.

- **Coercion Technique**

Explicit coercion means threatening employees with, for example, dismissal or punishment if they do not comply with the process of change. This method is more extreme than covert manipulation, and this method should only be used when it is necessary to make the change as quickly as possible or when the other person takes actions that are harmful to the process of change.

ACTIVITIES

Activity 16 (120 minutes)

Analyze to what extent your organization's structure and internal environment (organizational structure, risk management, corporate culture, employee training, organization's agility and flexibility, change management) are suitable for carrying out the strategic implementation efficiently and effectively in 500 words or more.

SECTION THREE:

STRATEGIC IMPLEMENTATION

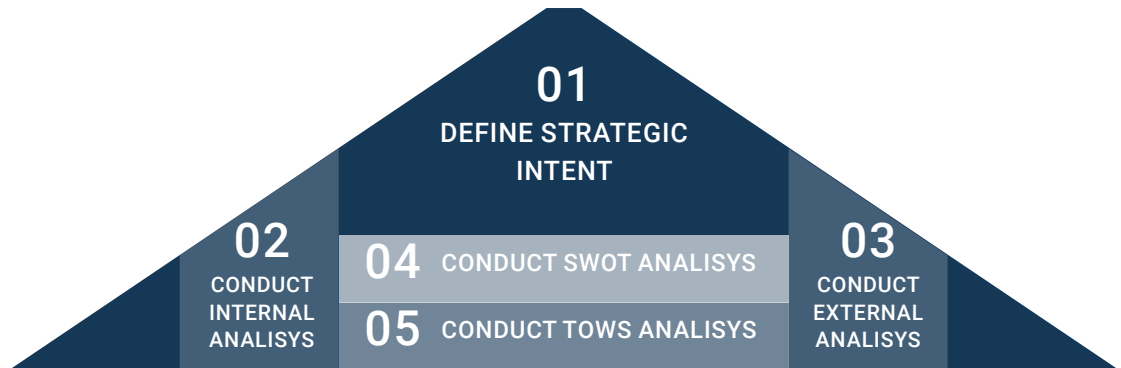
- 1 STRATEGIC IMPLEMENTATION
- 2 DEVELOPMENT OF THE ANNUAL ACTION PLAN
- 3 FORMING THE ORGANIZATION'S STRUCTURE AND ENVIRONMENT
- 4 STRATEGIC LEADERSHIP**

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STRATEGIC IMPLEMENTATION

STRATEGIC LEADERSHIP

● Strategic Assessment



● Strategy Formulation



● Strategic Implementation



● Strategic Control



STRATEGIC LEADERSHIP



“Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.” – Jack Welch

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**STRATEGIC
LEADERSHIP
LEADS THE
ORGANIZATION
AND ITS
INDIVIDUALS
TOWARDS
CHANGE AND
TO PROPERLY
COPING WITH
ITS WORK
ENVIRONMENT**

STRATEGIC LEADERSHIP

Strategic leadership leads the organization and its individuals towards change and to properly coping with its work environment and continuing to compete in a constantly changing economic and technological world. Strategic leaders are distinguished from other leaders in that they adopt strategy in managing the staff and the organization towards the strategic vision and have the ability to affect the organization's members and implement organizational change, by motivating employees, promoting the feeling of unity and directing and supporting them towards implementing the change in their departments and units.

Some of the main objectives of strategic leadership are simplifying operations, enhancing strategic productivity, promoting innovation, and creating an environment that encourages employees to be productive, independent, and driven forward by their own ideas – consequently transitioning naturally to a flat management structure.

A study conducted by PWC in 2015 on 6,000 senior CEOs found that there is a lack of strategic leaders in different economic fields and activities. Those CEOs were asked to answer a set of questions designed to discover their leadership preferences. The answers were analyzed to identify their leadership methods. It was found that only 8% of them are strategic leaders who are active in leading transformations.



THE STRATEGIC LEADER'S SKILLS AND CAPACITIES

Strategic leaders are capable of challenging the dominant points of view in a seamless and nice manner without annoying others, seeing the big picture and small picture simultaneously, coping with market changes, taking advantage of new opportunities, making difficult decisions, balancing between the analytic perspective and the human dimension in building the strategy, and advocating for and interacting with the employees.

A strategic leader must be able not only to formulate an effective strategy for the organization according to the professional rules we previously discussed, but also to understand, see and expect the current and potential changes in the business environment and the organization, and accordingly modify the organization's plans to adapt to changes, while taking advantage of opportunities and avoiding risks and threats.

A strategic leader must also be able to lead the organization towards its strategic intent, by effectively using their personal skills, their experience and knowledge in leading individuals, and their capacity in leading change processes.

The Chartered Management Institute in the UK (CMI, UK) – the only chartered professional organization for management and leadership in the UK authorized to certify the managers chartered to practice management and leadership and award the Chartered Manager status (CMgr) – defined these abilities as a set of 13 highly interrelated skills as we will see below. This is because it is difficult to put demarcation lines between different human abilities, especially when it is related to the same field.

STRATEGIC LEADERSHIP

First: The skills of leading individuals effectively towards the strategic intent:

- **Measuring objectives and key results: clarify the goal and the intent**

The ability to influence, persuade, and to express their strategic viewpoints and vision clearly and eagerly in an enthusiastic and inspiring manner, not only to their employees but to all other stakeholders as well. This becomes a component of the corporate culture, and as a result, the organization can benefit from the individuals' capacities, experience, and skills to achieve the targeted results.

- **Trust and reliability: Promote mutual trust and respect and other shared values**

The ability to develop relationships that promote and maintain trust and respect, achieve the positive results that are being sought by treating employees in a meaningful manner, use successful interactions to establish strategic and constructive communications, negotiate conflicted requirements to build an intact plan accepted by everyone, help others to settle conflicts or difficult issues, lead by example and take sufficient time to properly reward or distinguish successful individuals, and develop external relationships so that the organization can achieve its objectives.



STRATEGIC IMPLEMENTATION

- **Strong Communication: Communicate with others in a clear and concise manner**

Determine how people prefer to receive information and knowledge, and what the suitable media, languages, patterns, timing and pace are. Use a range of methods to gain and maintain people's attention. Provide the information in a confidential and clear manner without using unnecessary terminology. Listen carefully to others and show acceptance and interest in their points of view. Communicate clearly and persuasively, whether verbally or in writing. Explain your views consistently and briefly and defend them properly. Participate effectively in discussions. Use discussion, persuasion, dialogue and negotiation skills to achieve the objectives without annoying other people.

- **Collaboration: Provide training and support to employees**

The ability to improve performance by supporting and developing the employees, giving them the suitable opportunities to put their capacities developed in the workplace into practice, supporting them in learning activities, making the required resources available, making an effort to eliminate any obstacles to learning, knowing the employee strengths and ambitions and taking them into account when assigning roles, discussing with them their progress and preparedness to assume new roles and responsibilities, providing them with the support and mentoring they need, making sure they receive specific notes to enable them to improve their performance, and providing guidance or training to other individuals in the organization.



STRATEGIC LEADERSHIP

- **Strategic planning: Address problems, challenges, and conflicts and transform them into gains**

Identify conflicts between team members and other stakeholders and take precautional measures to avoid them. Encourage team members to mutually settle their problems and conflicts. Take actions to deal with conflict and conflict resolution when the concerned persons are unable to settle the disputes themselves. Show respect to others' feelings regarding disputes and try to control any negative feelings. Investigate impartially the reasons behind the dispute and give all parties the opportunity to present the facts and express their views concerning the dispute. Identify the concerned employees and agree with them on how to settle the dispute without blame. Ask for help from colleagues, specialists or other relevant people when necessary.

- **Awareness: Follow the leadership style taking into consideration the different situations you might face**

Understand that the leadership style should be flexible when dealing with different groups of people, and then adopt the appropriate leadership style according to the situation. Compare the impact that may be made by different leadership styles (such as the styles we presented for the management of resistance to change) on the achievement of results in your organization. Understand and manage others' impact on the organization's style and culture. Create a culture of trust, open dialogue, challenge and building.



STRATEGIC IMPLEMENTATION

- **Empathy: Promote employees' welfare and appreciate them**

Engage employees and other stakeholders in promoting employees' welfare. Develop a culture of welfare, welfare and occupational health procedures, job satisfaction, and stress management. Show commitment to an inclusive workplace, where diversity and differences between employees are appreciated and respected. Depending on the industry/sector, there may be specific regulatory requirements to promote employees' welfare. Measurement metrics may include attendance and job satisfaction surveys.

Second: The skills and abilities related to change management leadership

- **Innovative: Create an environment that enables creation, innovation, and the value of quality**

Encourage the employees to be creators and innovators and allow them to discuss ideas and issues and positively challenge these issues. Create and promote a proactive culture. Take the initiative to improve the existing operations and procedures. Appreciate and reward the employees who propose practical and feasible innovations and improvements. Fortify an environment where the employees feel "safe" when taking risks. Organize forums where team members share ideas and knowledge and discuss new ideas.



STRATEGIC LEADERSHIP

- **Strategic agility: The ability to grasp opportunities for change and development processes**

Look for opportunities to support achieving the organization's vision and objectives, to make a change and support others in change leadership. The ability to form, guide and implement a reasonable change plan with suitable objectives, resources, metrics, and review of mechanisms.

- **Passion & Commitment: Determine the scope of, plan for and lead the change process**

Support the opportunities to make a positive change, and actively search for ways to improve the operations. Identify the skills and capacities required to effectively make the needed change. Manage employees and key stakeholders in planning and implementing the change process. With key stakeholders, identify the operations, systems, structures, roles, or cultures that need change. Identify and assess the obstacles to change. You must be able to explain how you develop a detailed plan to achieve the required change effectively and efficiently. Maintain communication with the employees to motivate and inspire them to overcome the key obstacles to the achievement of the strategic vision and to making change. Be aware of the resources required for change management and implementation.



STRATEGIC IMPLEMENTATION

- **Management: Manage employees and stakeholders through the change process**

Develop individuals and teams' abilities and encourage participation in the change process. Encourage employees to embrace change and contribute to it. Make sure they are comfortable with the newly incorporated techniques and that they are motivated for fulfillment and achievement. Identify training needs for the people participating in the change process. Focus on opening and maintaining clear channels to communicate with the employees and other stakeholders for them to be aware of what is happening, how it will affect them, and what it means to them. Understand the importance of communication through the change process. What are the groups or individuals impacted by the change? And how are they impacted? How will the change be implemented? Consequently, provide support mechanisms to help those impacted by the change process to adapt, as well as taking on the responsibilities of the change process impact.



STRATEGIC LEADERSHIP

- **Strategic thinking: Keep thinking strategically during the change process**

The ability to have a wide and strategic view of your organization and its business environment. The ability to develop a clearly defined and focused work vision. Focus on the short, medium, and long term. The ability to see the broad big picture and the little details simultaneously. The ability to identify, define, and analyze the existing information, conditions, problems, and issues. The ability to transform the organization's priorities and objectives into strategic business plans in the appropriate manner. The ability to formulate the objectives and priorities and implement the plans in a manner that serves the interests of the organization's business in the long term. The abilities of funding opportunities, risk management, decision-making, priorities and objectives setting on the basis of the prospective future.

- **Diplomacy: Consider the interests of stakeholders**

The ability to identify the key stakeholders (internal and external), their interests, their abilities to affect the organization and its strategy, and the preferred mechanisms to deal with them. The ability to manage the stakeholders, especially the influential ones who may have different agendas. Effectively engage with the stakeholders to better understand their requirements, and work with them to produce a shared analysis and a cooperative work style, and consequently build and maintain support from and trust with the stakeholders.





ACTIVITIES

Activity 17 (120 minutes)

Do you think you are a strategic leader? Present a real quantitative (e.g., increase in sales, reducing costs, increase in products, etc.) or qualitative (rise in customer, employee, or other stakeholders' satisfaction, quality promotion, introducing systems facilitating business operation, etc.) development you have made in your organization or your own enterprise, building on your abilities of leading employees and change management. Discuss and explain at least three of the individuals' leading skills and three other skills and abilities of change management leadership skills you have used.

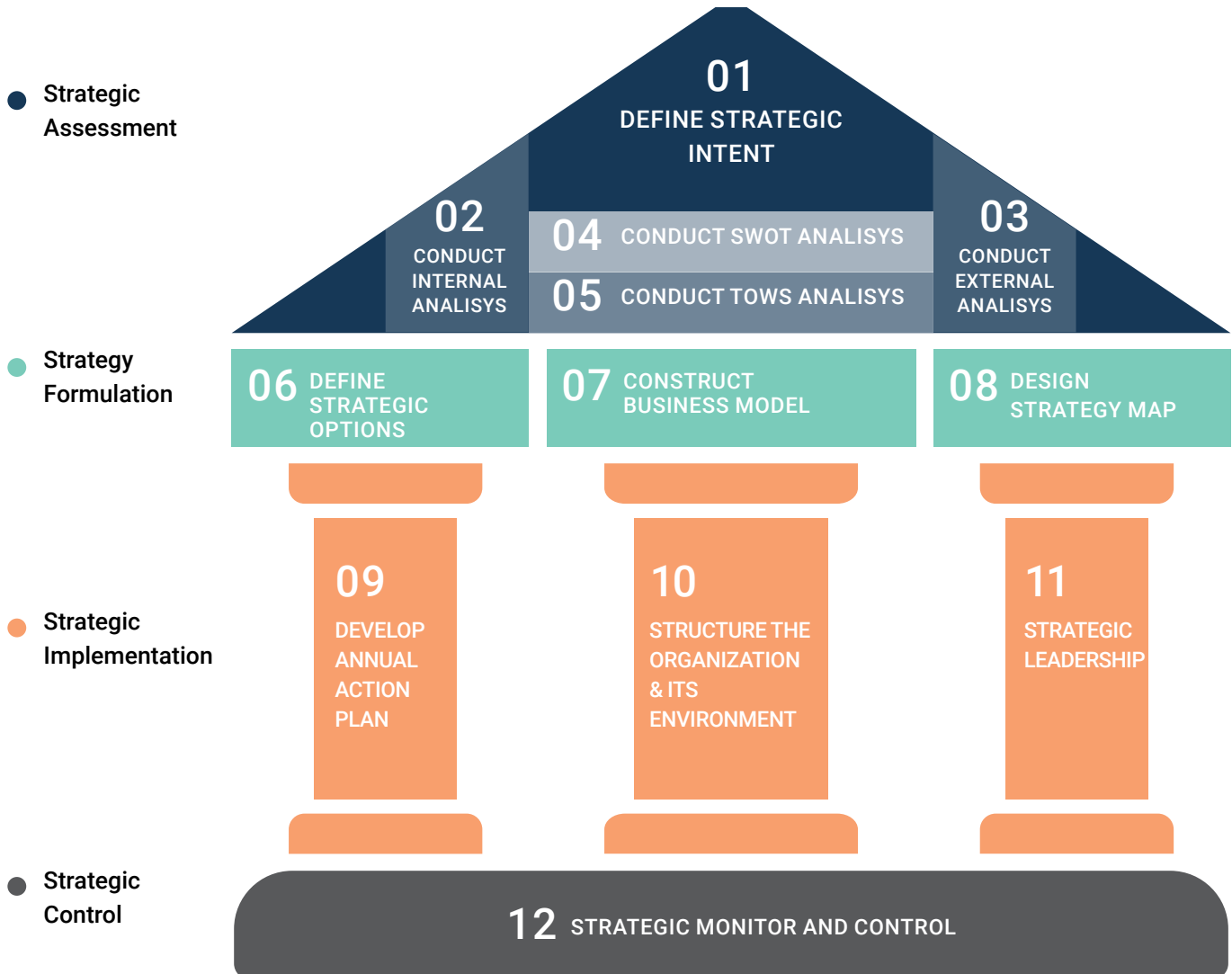
SECTION FOUR: STRATEGIC MONITORING AND CONTROL

1 STRATEGIC MONITORING AND CONTROL

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STRATEGIC MONITORING AND CONTROL

STRATEGIC MONITORING AND CONTROL



STRATEGIC MONITORING AND CONTROL

"The result of bad communication is a disconnection between strategy and execution." – Chuck Martin



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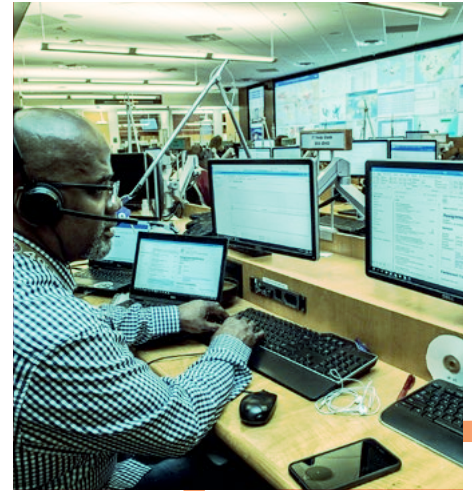
**STRATEGIC
MONITORING IS A
COMPLEX SYSTEM.
HOWEVER, IT IS
CRITICAL FOR
THE EFFECTIVE
IMPLEMENTATION
OF THE
ORGANIZATION'S
STRATEGY.**

STRATEGIC MONITORING AND CONTROL

Strategists usually focus their efforts only on the strategy formulation and implementation phases. They ignore the final phase of strategic management which is strategic monitoring and control. Consequently, the situation becomes serious, and it might grow out of control.

It is indispensable to establish a system for accountability and a mechanism to measure and follow up with the progress in strategy achievement, to monitor the obstacles (strategic monitoring) and address these obstacles in a timely manner, and to use the information collected during the implementation process and the feedback collected as a result of the implementation to revise the annual procedural action plan, or perhaps to modify the strategic plan itself where necessary (strategic control).

Strategic monitoring is a complex system. However, it is critical for the effective implementation of the organization's strategy. There is an urgent need to assess the seamless performance of the strategic decisions to achieve the organization's specific objectives. It is necessary to engage all the management individuals and cooperate with them on this process. So, all employees must understand that strategic monitoring is absolutely in the best interest of all stakeholders, and particularly the employees themselves.



STRATEGIC MONITORING AND CONTROL

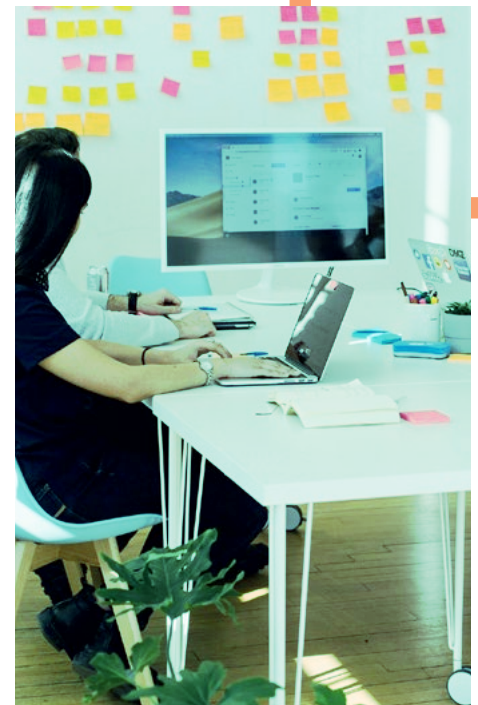
Why is the strategic monitoring and control system important?

Below are some of the reasons why the strategic monitoring and control system is critically important and why it is no less important than any other phase of strategic management:

- Strategic monitoring aims not only to measure the results but also to identify the right paths and directions towards achieving the targeted strategic objectives and to achieve the efficiency and effectiveness of business.
- Strategic monitoring provides the required feedback and information that provides the main inputs for future decisions and strategic plans and the organization's policies.
- The strategic monitoring process is considered a key component in the employee performance assessment system, and in the granting of rewards and appreciation that foster the morale of the employees and motivate them for better performance.

How often is strategic monitoring being performed?

Strategic planning is an ongoing process, so the entire plan should be evaluated at least once a year before new budgeting or resource allocation procedures.



STRATEGIC MONITORING AND CONTROL

The frequency of formal reviews of strategic plans depends on the nature of the organization and the environment in which it operates. Organizations undergoing rapid changes, internally or externally, may need to monitor the implementation of the plan every month, or perhaps less.

As a healthy practice, it is preferable to evaluate the progress of the implementation of the plan periodically and regularly not only to ensure that everything is proceeding as planned but also to ensure that there are no changes that need to be made due to internal or external emergencies.

The faster the deviations from the plan's path are identified, the more capably corrective actions can be rapidly taken before significant damage occurs. Therefore, a recurring time for planning and evaluation procedures must be determined in the strategic plan.

On the other hand, the management's periodic and continuous monitoring of its planning activities and the status of implementation and evaluation of the plan enable senior management to learn a great deal about the organization and how it is run.



STRATEGIC MONITORING AND CONTROL

What are we looking for by strategic monitoring?

The following essential questions should be asked during the review of the plan's implementation and the assessment of its status:

- Were the strategic objectives achieved or not? What objectives have been achieved?
- Will unfulfilled objectives still be achieved according to the timeline set out in the plan? If the answer is no, why?
- Should the completion deadline be changed? (Be careful when making these changes; try to understand why the efforts expended didn't succeed according to the timeline before making any changes.)
- Did the employees have the appropriate resources (money, equipment, facilities, training, etc.)?
- Are the objectives still realistic? Should they be changed?
- Should priorities change and focus more on achieving objectives?
- What can be learned from monitoring and evaluation to improve future planning activities and improve future monitoring and evaluation efforts?



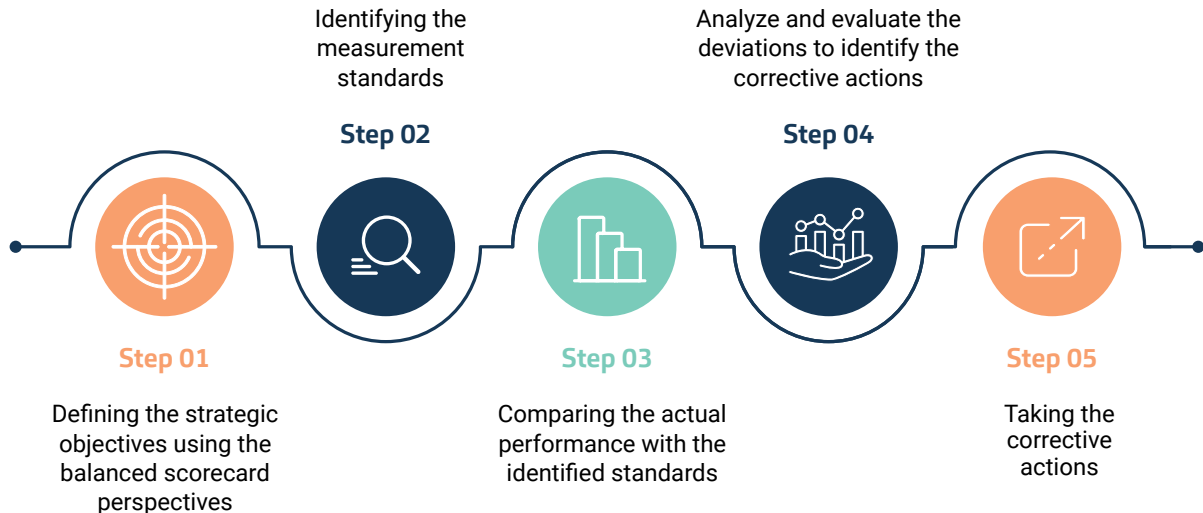
STRATEGIC MONITORING AND CONTROL

Strategic monitoring and control processes

There are different types of information management systems that support mechanisms for collecting and reporting the necessary data. These systems may be manual or computerized. However, wasting time in any of these systems is useless if clear objectives are not set and important performance indicators are not identified.

Important performance indicators are generally accepted quantitative measures that show the extent to which strategic objectives have been achieved.

One of the most popular performance measurement methods is the balanced scorecard method, which we explained in detail and discussed how to prepare it and how it works during the strategy formulation and strategy implementation phases.



STRATEGIC MONITORING AND CONTROL

💡 Defining the strategic objectives

Developing the basis of the strategic monitoring begins at the strategy formulation phase when defining the strategic goals and linking them together with the cause-and-effect relationship by using the balanced scorecards' four perspectives: financial, customers, internal process, and organizational capacity.

💡 Identifying the standard of measurement

In the strategy implementation phase, we detail the strategy map and outline it in terms of quantity and time, by identifying the measurement standards and the targeted results within determined time frames.

💡 Comparing the actual performance with the standards

The next step is the control of comparison of the actual performance to the performance previously defined in accordance with the identified standards.



STRATEGIC MONITORING AND CONTROL

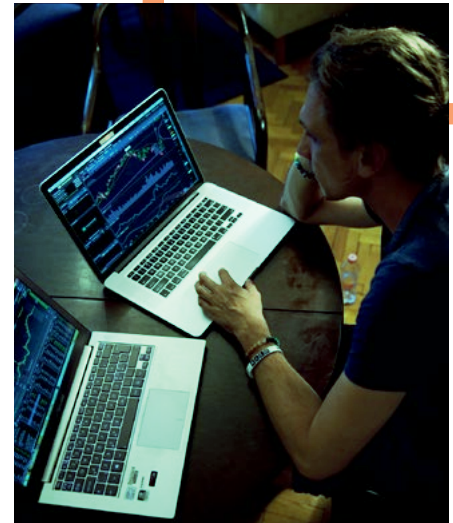
💡 Analyzing and evaluating the deviations to identify the corrective actions

The size and impact of deviations are assessed, and the level of analysis and treatment that each deviation requires are determined. Deviation analysis means the verification of deviation reasons, to ensure taking the precautional measures necessary to prevent deviation from recurrence when deviations are negative, as well as identifying how to address the current negative deviations and their impact on the strategic process as a whole.

The following guidelines must be considered when identifying the corrective actions (whether precautional and/or treatments):

- Treatments should be of a sustainable nature, and they should be focused on the root causes of the issue; they should not be interim or temporary or focused only on the visible signs.
- Treatments should be based on the organization's philosophy, rules, systems, principles and values, and be consistent with its internal and external business environment.

If those deviations were positive, such as achieving an objective earlier than scheduled with an actual cost less than



STRATEGIC MONITORING AND CONTROL

the planned cost, we must understand the reasons to draw upon in improving the corporate performance and build upon in planning for the future.

The corrective actions may be related to modifying the annual procedural action plan, and may require modifying the strategic plan or other modifications in the organization's structure, culture, and employees, etc. All this is determined when we determine the corrective actions. This is along with determining the department that is responsible for the corrective actions and who is responsible for reporting on the actions.

Taking the corrective actions

In this step, decisions of corrective actions are taken based on the previous step and reported to the concerned departments, be it for implementation or information.

ACTIVITIES

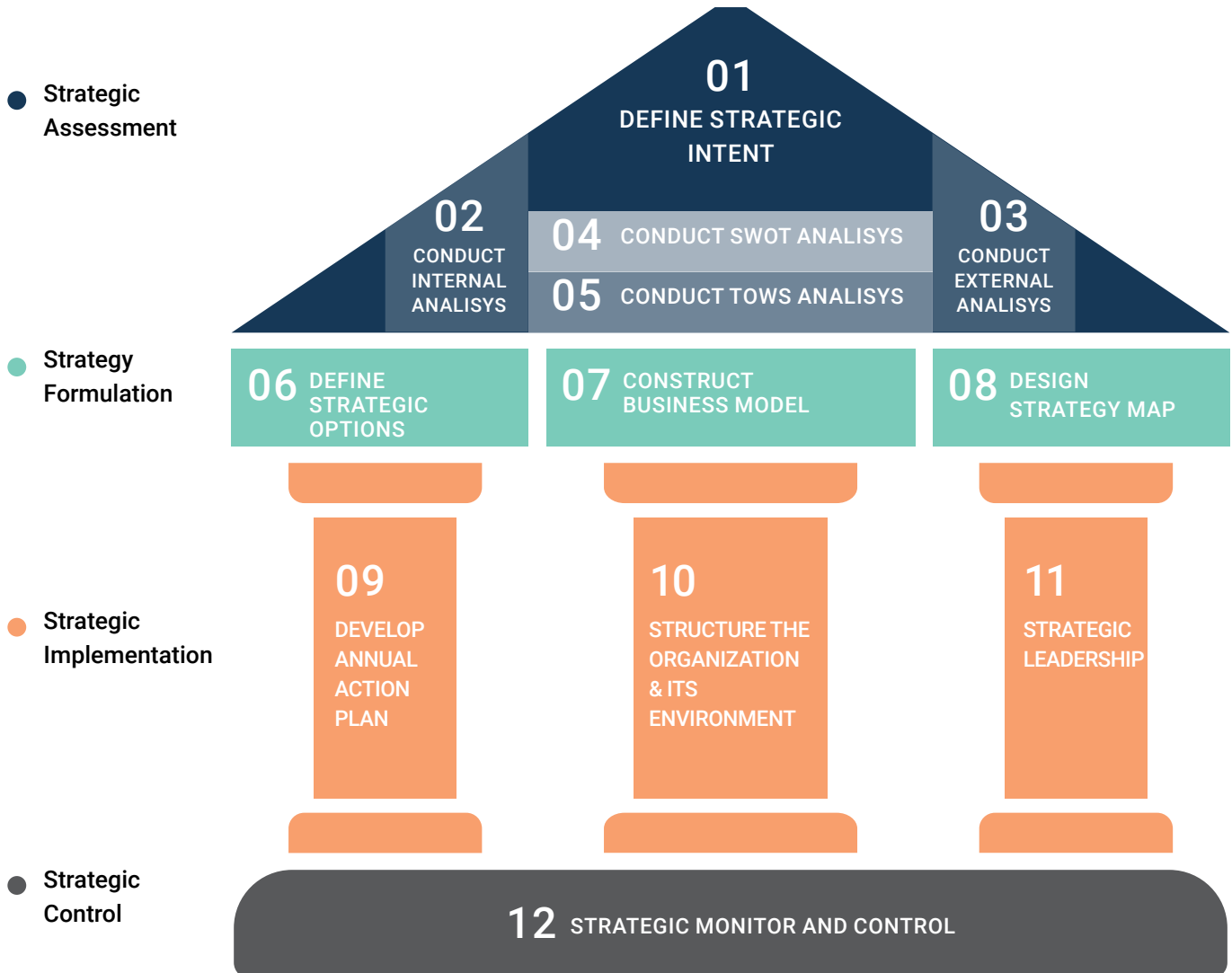
Activity 18 (120 minutes)

Assess the strategic monitoring and control processes at your organization. Identify its weaknesses and where it could improve. List down your recommendations to present it to decision makers in your organization.

IN SUMMARY

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IN SUMMARY



IN SUMMARY



“There is no action for which you do not need knowledge.” – Imam Ali



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THIS BOOK COVERED ALL THE STRATEGIC MANAGEMENT PROCESSES IN A PRACTICAL MANNER, AIMING TO ENABLE THE READER TO DEVELOP HIS OR HER PROFESSIONAL CAPABILITIES TO ASSESS THE STRATEGIC SITUATION, FORMULATE STRATEGIC PLANS AND TO TRANSLATE THEM INTO AN EFFECTIVE DAILY PROCEDURAL REALITY AND TO CONTROL THEM – PRACTICALLY AND SMOOTHLY.



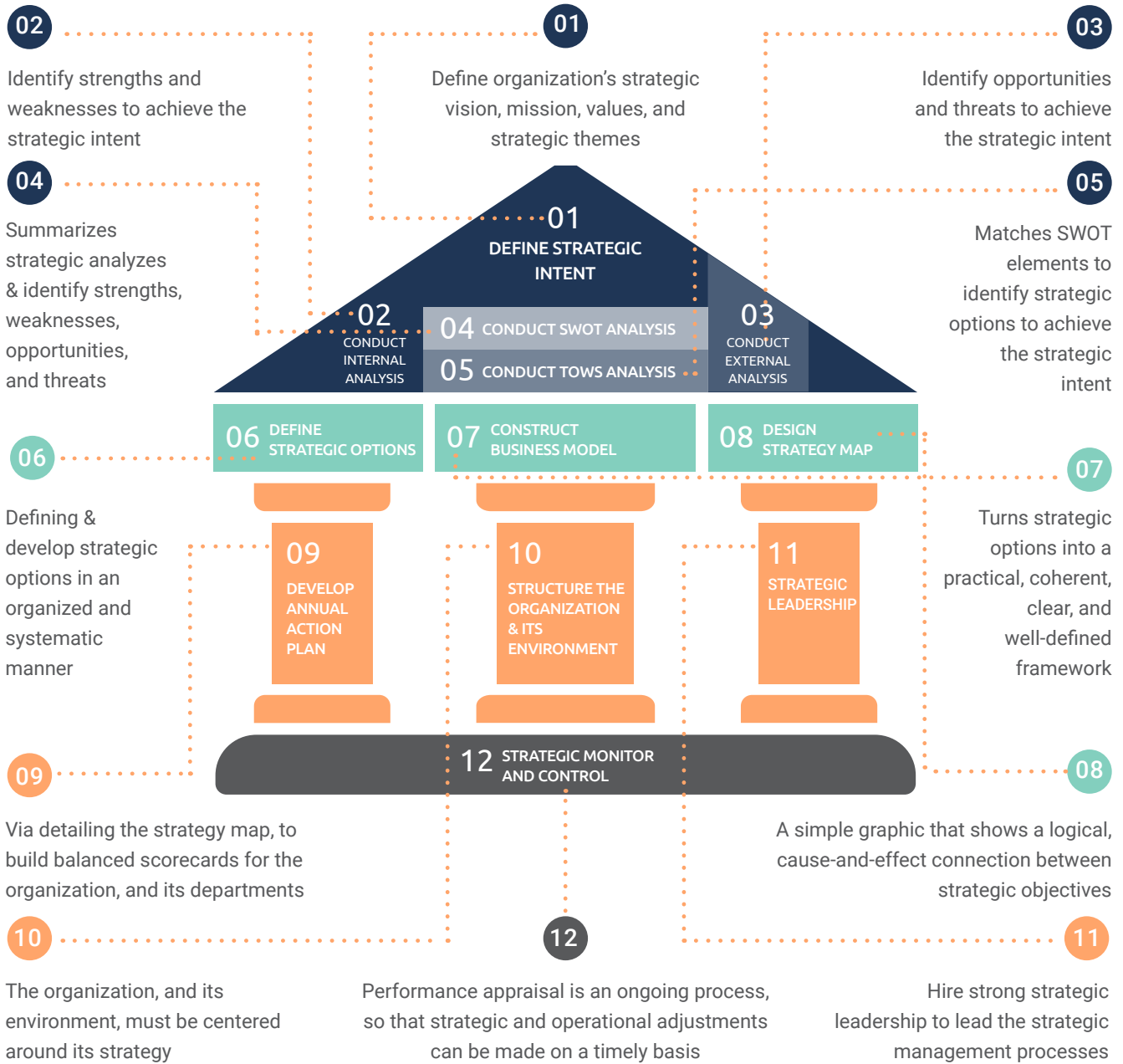
According to research published in the Harvard Business Review, 90% of companies fail to achieve their strategic objectives, because nearly 95% of corporate employees do not understand their companies' strategy.

This book covered all the strategic management processes in a practical manner, aiming to enable the reader to develop his or her professional capabilities to assess the strategic situation, formulate strategic plans and to translate them into an effective daily procedural reality and to control them – practically and smoothly.

The strategic management process consists of four stages: strategic assessment, strategy formulation, strategic implementation, and strategic control. Each of these four stages consists of a set of strategic steps as illustrated in the below Strategic Management Process Model.



SUMMARY





STAGE 1 – STRATEGIC ASSESSMENT

Step 1 – The Strategic Intent

Strategic intent is the purpose of strategies required to reach the vision of the institution or entity. Without the knowledge of where you are headed, there is no reason to move from where you are in the first place.

The definition of strategic intent comprises the following:

The Vision: What protects the advancement of the institution? What would we like to be? Or how will things appear after achieving our mission?

The Mission: Why do we exist? Or what must be done to achieve the vision?

The Values: The basic principles and assumptions that influence the procedures and steps the company takes and form the culture of the institution.

Strategic Themes: Offering an additional degree of clarification about the best ways of accomplishing your mission.

After choosing the strategic intent, it is important to clarify it in a way that can be communicated and understood so that in the end it can be measured for purposes of evaluation.





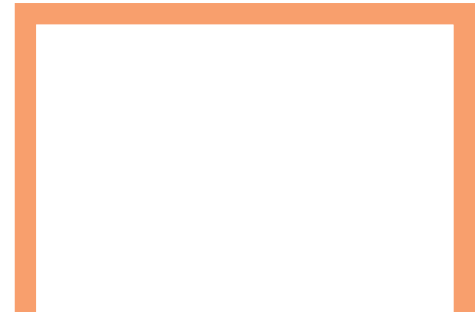
Step 2 & 3 – Strategic Internal & External Analysis

After specifying your strategic intent, the next step is the analysis of the internal and external strengths and scenarios aiming to achieve objectives and to fix the strategic intent for your business.

We operate in a rapidly changing environment. That fact has never been clearer than it is now. Every day brings another change or transformation in the state of the world economy.

Often it is difficult to step beyond the pale and look outside of our institution for changes and continuing to focus on the future to anticipate what could be different. But the institution that is able to undertake such work well is more successful and realizes gains for its partners and stakeholders. Therefore, we must run a strategic analysis.

The strategic analysis comprises each of the following: the analysis of the internal situation of the institution, or the entity being planned for; the analysis of the external environment surrounding it, whether that be the public, competitors, customers, suppliers, employees, stakeholders, or others.



Step 4 – SWOT Analysis

SWOT analysis is used to collect information and analyses about the internal and external factors that affect the organization and its strategic objectives in one place. It does this by identifying the most important strengths and weaknesses of the organization on the one hand, and the most important opportunities and threats generated by the external environment on the other hand.

Step 5 – TOWS Analysis

TOWS analysis is an extension of the SWOT analysis framework. It is concerned with matching strengths with opportunities and matching threats with weaknesses, thus enabling you to learn the actions needed to turn your strategic analyses into an action plan.

The main purpose of TOWS analysis is to reduce threats, take advantage of opportunities, make optimal use of the strengths you possess, and finally, remove your weaknesses by taking advantage of the opportunities available.



STAGE 2 – STRATEGY FORMULATION

Step 6 – Strategic Options

Strategic options are the strategic procedures that enable us to realize the organization's strategic intent. In this step, we review the strategic options we have arrived at with the help of the TOWS analysis via many strategic models that have been developed to determine strategic options in an organized and systematic manner.

Step 7 – Business Model

The organization's business model turns strategic options into a practical, coherent, clear, and well-defined framework. It also links the strategic plan with the procedural action plan for its implementation. It transforms the strategy into a practical, coherent, clear, and well-defined framework and thus serves as the center and basis of the procedural action plan (operating plan) to implement the strategy.

Step 8 – Strategy Map

Designing the strategy map is the last step of the strategic plan. we set off towards the strategic implementation phase, starting from designing the action plan (operational plan) necessary to implement the strategic plan.

The strategy map translates your business model, its primary components and your strategic options into a scheme that is implementable in your organization. It allows you to image cause-and-effect relationships which you think exist between the components of your business model, and to then test whether they work as you expect.



STAGE 3 – STRATEGIC IMPLEMENTATION

Strategic implementation means transforming the strategic plan – formulated based on the mechanisms we presented in the previous sections – from the theoretical concept into the practical implementation, to be vibrant and successfully achieve the strategic objectives.

To succeed and achieve the strategic plan and reach the strategic intent you defined in your plan, three elements must be combined:

- **The annual action plan**, stemming from the strategic plan.
- **The organization** itself, its culture, structure, systems, policies, procedures, and staff, which all should be focused on and stemming from the strategic plan.
- **The strategic leadership**, the efficient and robust management and leadership of the organization working to skillfully formulate the strategy, explain and communicate this strategy to the entire staff, keep the organization focused on its strategy in the long term, and lead the organization and its individuals and resources towards the strategic intent.



Step 9 – Action Plan

The strategic implementation phase starts with developing the annual action plan by designing the balanced scorecards for the organization, its administration, and its employees or teams. Moreover, this is through providing a detailed, quantifiable time-bound strategy map that we designed in the previous phase, then communicating it to the different divisions of the organization down to the level of individual employees, to address the management of each of the three pillars of the organization (staff, operations, and policies) through a professional organizational structure.

Step 10 – Organization’s Structure and Environment

The organization, and its internal environment with all its elements, must be centered and structured around its strategy. This includes organizational structure, risk management, corporate culture, staff training, organizations agility and flexibility, and change management.

Step 11 – Strategic Leadership

Strategic leadership is the leadership that leads the organization and its individuals towards change and to properly cope with its work environment and continue to compete in a constantly changing economic and technological world. Strategic leaders are distinguished from other leaders in that they adopt a strategy in managing the staff and the organization towards the strategic vision and have the ability to affect the organization’s members and implement organizational change by motivating employees, promoting the feeling of unity and directing and supporting them towards implementing the change in their departments and units.

STAGE 4 – STRATEGIC CONTROL

Step 12 – Strategic Monitor & Control

Strategists usually focus their efforts only on the strategy formulation and implementation phases. They ignore the final phase of strategic management, which is strategic monitoring and control. Consequently, the situation becomes serious, and it might grow out of control.

It is vital to establish a system for accountability and a mechanism to measure and follow up with the progress in strategy achievement, to monitor the obstacles (strategic monitoring) and address these obstacles promptly, and to use the information collected during the implementation process and the feedback collected as a result of the implementation to revise the annual procedural action plan, or perhaps to modify the strategic plan itself, where necessary (strategic control).





ABOUT THE AUTHOR

The CEO of Merit Academy, The Lead Partner of Strategic Consulting in Baker Tilly MEA and The Managing Partner of Baker Tilly Oman. An experienced C-level dynamic leader, visionary strategist, and tactician with a successful history of delivering unprecedented growth of around 30 years. He is recognized as a thought leader, innovator, and expert in defining, evolving and executing business strategies. A highly experienced consultant and global top-tier adviser aiding governments, public and private companies to realize their economic goals across a broad range of industries.

He successfully led two total comprehensive change assignments of two large governmental groups with total assets of billions of US dollars and successfully developed four startups.

The first Gulf States national and one of just a few thousand management consultants globally authorized by the International Council of Management Consulting Institutes (a UN-sanctioned nongovernment organization) to practice as a management consultant.

Bestowed with the title "Fellow" in management consultancy, the highest level of professional membership.

Abbas was one of the only two consultants outside of the UK who has been accredited by the Chartered Management Institute (CMI, UK), in Sep 2010, to assess candidates for the prestigious accreditation: Chartered Manager (CMgr) – the ultimate accolade for any practicing professional manager.

Led a number of major programs of developing the strategic and leadership skills of hundreds of managers and CEOs over several years based on the strategic management and leadership programs of the Chartered Management Institute (CMI, UK), and assessed tens of them for the Chartered Manager (CMgr) accreditation.

Led a major program of strategic reform commissioned by a large corporate group for senior executives across the corporation (50 businesses, in 6 sectors).

Supported and guided hundreds of individuals in developing and implementing their career planning and authored the How to Plan Your Career book, which was recognized and recommended by the Chartered Management Institute in the UK in 2009.

Abbas obtained a range of fellowships, academic and world professional qualifications such as “Certified Public Accountant” (CPA) from the USA, “Certified Management Consultant” (CMC) from the UK, “Chartered Manager” (CMgr) from the UK and “Certified Fraud Examiner” (CFE) from the USA. Abbas holds two B.A. degrees, one in accounting and the other in economy, in addition to a postgraduate degree in Business Administration from the Heriot-Watt University in the UK.

CHARTER YOUR **PATH** TO SUCCESS



Strategic Management Process: How to Assess, Formulate, Implement and Control Your Strategy by Abbas Al-Humaid is mapped by the **Chartered Management Institute (CMI), UK** and recognised in relation to management and leadership against the Professional Standards.

The CMI is the only Chartered professional body in the UK dedicated to promoting the highest standards in management and leadership excellence and they are the only organisation that can award **Chartered Manager status**, the highest accolade for managers and leaders.

In this book, **Author Abbas Al-Humaid** shares the theoretical knowledge and practical experience he has gained from a **30-year career** in various areas related to strategies, the leadership of comprehensive change processes, and distinctive aspects of business management.

This included training hundreds of managers and CEOs over several years for the **Strategic Management & Leadership Diploma of the Chartered Management Institute (CMI), UK**, and assisting many of them to earn the title of Chartered Manager (CMgr) by the Institute.

Strategic Management Process: How to Assess, Formulate, Implement and Control Your Strategy aims to enable you to mastermind and implement strategic plans and to translate them into an effective daily procedural reality and control them - all practically and smoothly. It will help you to protect yourself and your business, using the most up to date and established strategic models as well as real-life examples.

This publication and the program it is based on, goes beyond assisting you in managing your enterprise or career and you will find it to be beneficial for your life as a whole.

ISBN 978-99969-3-875-7



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