

LECTURE 03

BRIEF OVERVIEW OF STRATEGIC PLANNING

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OUTLINE

- ① ORGANIZATION ENVIRONMENT ANALYSIS
- ② STRATEGIC PLANNING WITH SWOT
- ③ STRATEGIC PLANNING WITH PORTER'S FIVE FORCES
- ④ MISCELLANEOUS AND INTERESTING TOPICS IN STRATEGIC PLANNING

source: General references [?, ?, ?, ?]

WHAT IS STRATEGIC MANAGEMENT?

STRATEGIC MANAGEMENT A managerial process aimed at formulating and implementing **effective strategies**—a comprehensive plan for achieving organization **goals**, justifying its **purpose**, and **directing** business opportunities and challenges.

PURPOSES OF STRATEGIC MANAGEMENT

- Proving **direction** and momentum/ setting priority
- Encouraging **new idea** or new paradigm (BCG)
- Developing and fostering **competitive advantage**

WHY IT DO MATTER TO ME?

AS AN ENGINEER, YOU HAVE TO

- participate in the strategic planning meeting
- answer the related strategic questions. For example,
 - Which new products should the company offer?
 - What core technology/activity should the company maintain, develop, acquire, or utilize?
 - Which performance metrics should be used?
- understand top **management's intension** and convey expectation to teams
 - **Mission:** evolving reasons for existing of organization
 - **Vision:** long-term mental image of organization
 - **Goals & Objective:** topic of engineering assignment
- develop **critical thinking** for managerial roles

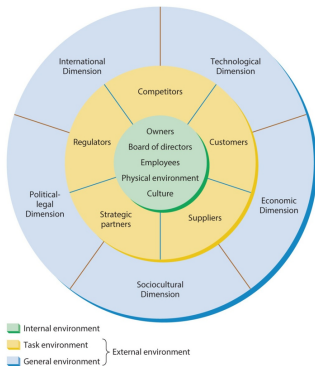
HOW A COMPANY COMPETE WITH OTHERS?

- **Price** : Wal-mart, Big Cola, Daiso
- **Agility & Responsive**: Zara, Dell, JAL (on time), JIB
- **Superb Quality**: Leica, Louis Vuitton
- **Innovation & Flexibility**: Apple, Intel
- **Convenience & Presence**: 7-Eleven, Starbucks, McDonald
- **Service & Coverage**: 3M, AIS, Facebook, CitiBank, IG

What are environment lead to the company decision on its strategy to compete?

FRAMEWORK OF ORGANIZATION ENVIRONMENT

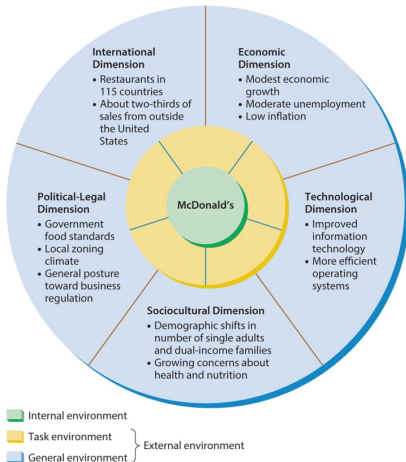
- **Internal Environment:** conditions and forces within an organization.
- **External Environment:** everything outside the boundary that may affect an organization



- **General Environment:** forces surroundings organization that create its overall context, i.e., Political, Economic, Sociocultural, Technological, Environmental, Legal, (International) → **PESTEL**
- **Task Environment:** specific groups that influence an organization, i.e., Competitors, Customers, Suppliers, Allies, Regulator, Interest group

EXAMPLE: MC DONALD'S ENVIRONMENT

General Environment



Task Environment



PESTEL ANALYSIS

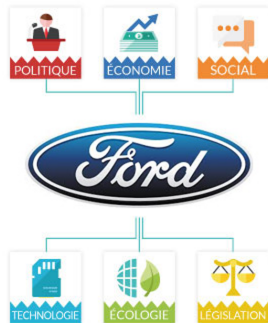


- P** **Political:** stability, support (BOI), war
- E** **Economics:** economic cycle, trade, interest rate
- S** **Social:** demographic, culture, opportunity
- T** **Technology:** new/obsolete tech,
- E** **Environment:** pollution, carbon credit, NGO's pressure
- L** **Legal:** ant-trust law, employee law, enforcement

PURPOSE

How these factors affecting an organization (positive-neutral-negative)?

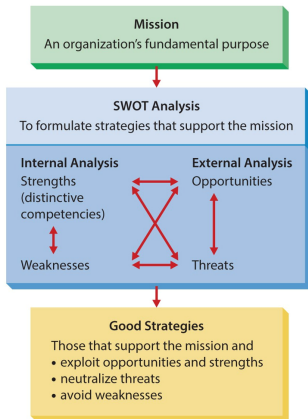
FORD COMPANY PESTEL ANALYSIS



- P Politic:** history of bill-out, tax rebate, eastEurope, NAFTA
- E Economics:** possible recession, oil price, international market
- S Social:** brand bias, lifestyle, driving side, COVID-19
- T Technology:** EV competition, self-driving, safety std.
- E Environment:** pollution, responsible SCM
- L Legal:** labor law, union

WHAT IS SWOT ANALYSIS?

SWOT situational analysis used for identify **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats related to competition



INTERNAL Strength & Weakness: market share, location, scope & scale, legacy, culture, workers, tech, network

EXTERNAL Opportunity & Threat: future growth, competitor, supplier, regulation, PESTEL

- What does an organization have now?
- Which direction should aim in future?
- How does an organization manage changes?

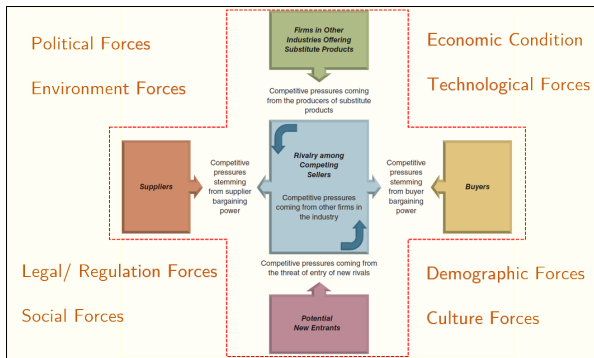
STRATEGY FROM TOWS

EXTERNAL FACTORS (EFAS)	INTERNAL FACTORS (IFAS)	Strengths (S) List 5 – 10 <i>internal</i> strengths here	Weaknesses (W) List 5 – 10 <i>internal</i> weaknesses here
Opportunities (O) List 5 – 10 <i>external</i> opportunities here		SO Strategies Generate strategies here that use strengths to take advantage of opportunities	WO Strategies Generate strategies here that take advantage of opportunities by overcoming weaknesses
Threats (T) List 5 – 10 <i>external</i> opportunities here		ST Strategies Generate strategies here that use strengths to avoid threats	WT Strategies Generate strategies here that minimize weaknesses and avoid threats

GENERIC STRATEGY

- **SO Group:** raising price, exploit sales & scope, chasing', barrier, milking
- **WO Group:** switching, collaborating, spinning-off, competing, buy-out
- **ST Group:** buy-out, M&A, partnership, outsourcing, leveraging
- **WT Group:** eliminating if possible, limit exposure,

PFF: EXTERNAL FACTORS



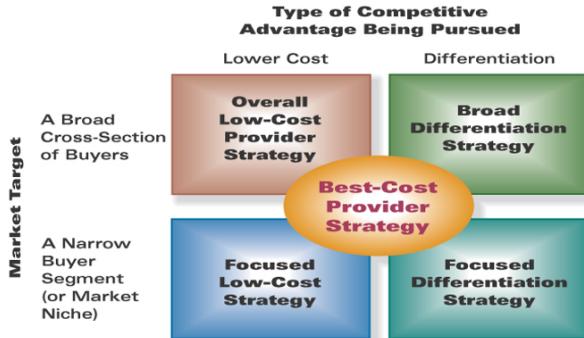
EXAMPLE

- **Power of supplier:** Intel,
- **Power of buyer:** weapon by DoD
- **Substitution:** internet
- **Barrier:** taxi

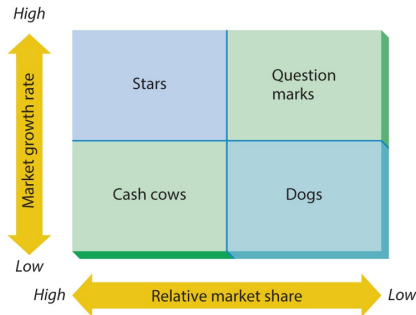
PFF: INTERNAL FACTORS



PFF: GENERIC STRATEGY



BCG MATRIX



Source: Adapted from the BCG Portfolio Matrix from the "Product Portfolio Matrix," © 1970, The Boston Consulting Group.

- **[Promising] Stars** focusing resources and dominate ASAP
- **Question marks:** selecting and identifying for "star" or diverting into "dogs"
- **Cash Cows:** milking to fund "star"
- **[Lame] Dogs:** liquidating or outsourcing to others

OKC'S NOTE ON STRATEGIC PLANNING

FAILURE IN STRATEGIC PLANNING

- **Not strategic planning:** focus on short term effect/ too much details
- **Forgot environment/ culture:** no external, coach
- **Fail to secure critical factors:** identify resources, technology
- **No Flexibility:**

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