Four Phases Of Strategy

Idea In Short

Strategic planning is a crucial part of any business's future. In today's agile world, all the organization are going under drastically changes due to fast-paced changes in consumer's demand. All the business leaders need to foresee the future and develop strategy that helps them to not only stay in business but also helps them to become competitive. Four Phases of Strategy framework helps the organization to successfully implement the strategy as per the objectives set for achieving the result.

For any organization, strategic planning is important to achieve its goals, Four Phases of Strategy helps organization achieve its end goals through a proper process of planning, execution, and evaluation. The value of a strategy is relevant to managers in order to prepare and plan the activities of the organization over a longer period. This includes responding to any changes that may occur in the external environment and within the organization. All companies operating in the marketplace, regardless of their size, type of activity or competitive position, must develop the perfect strategy. With a well-designed strategy, a company can not only gain a competitive advantage, but also become a market leader. Strategy is the foundation of a company's success. It must be developed, implemented, and continuously improved to keep up with the changing environment.

Four Phases of Strategy

Strategy formulation is the core of any business to thrive in future. It depicts the future of any organization and how it is going to perform in current agile world. The 4 phases of strategy consist 4 major steps as shown below:

1. Business Environment Scanning
2. Strategy Formulation
3. Implementation of strategy
4. Evaluation and Control

The environmental scanning for the respective business defines major objectives that are needed to be achieved. This phase of strategy not only visualizes outcome but also helps in understanding the external environment surrounding your business. Business environment scanning is a pathway to signify the organization''s objectives. Usually the term – objectives is interchanged with purpose and mission. These terms show the end goals for any business that wants to achieve in nearby future. Organizations in this phase, emphasizes on setting up objectives for various verticals like marketing, finance, human resources, technology and equipment, and operations. All this department works together to determine the ultimate goal required to achieve.

Business Environment Scanning

Importance of Business Environment Scanning

Goal Accomplishment

Organizational goals can only be achieved by adapting to changes in the environment. Strategies need to be adapted to meet the changing demands of the environment.

Threats and Weakness Identification

As an organization grows, it needs to mitigate threats and identify vulnerabilities. This is possible with the help of environmental scans that can be used to develop better strategies.

Future Prognosis

Changes in the environment are often unpredictable. Organizations cannot predict every event in the future, but they can make better strategic decisions in the future based on their analysis. Therefore, environmental analysis helps predict the outlook for the company.

Market Awareness

All organizations need to be aware of the ongoing changes in the market. Goals cannot be achieved if strategic changes are not considered due to changing requirements.

Identifying Opportunities

By analyzing the current environment, organizations can identify possible opportunities and take the necessary steps. Many organizations use multiple frameworks like SWOT, VRIO and Ansoff Matrix for identification of opportunities and its implementation.

Limitations of Environmental Scanning

Information overload can sometimes lead to indecisiveness. Therefore, it cannot be completely trusted. It does not predict the future or eliminate uncertainty. Unexpected events may occur to your organization. However, environmental scans should aim to minimize these threats to the business. This often makes the organization prudent and delays decision making. It is recommended to take a strategic approach by analyzing the environment and taking timely decisions or actions. Organizations may deviate from their desired results if they rely entirely on the analyzed information without the validity and accuracy of the data.

Strategy Formulation

This phase defines the process of choosing the most appropriate approach for the cognizance of organizational goals and objectives and thereby achieving the organizational mission and vision. This phase also determines to set the long-term targets that help an organization utilise its strengths by 100% and grab the opportunities that are present in the environment. There is a serious and conscious attempt to focus attention on what the firm can do better than its competitors. To attain this, a company seeks to figure out what it can do best. Once the strengths are known, opportunities to be exploited are identified post which a future plan is built out for focusing resources and effort on particular tasks. This phase consists of 6 main steps that helps in formulating the best strategy suited for any organization,

Establishing Organizational Objectives

It is well known that strategy is generally a means of achieving an organization's goals. Goals emphasize being there, and strategies emphasize the process of getting there. Strategies include both setting goals and the means to achieve those goals. Therefore, strategy is a broader term that believes in how resources are used to achieve goals. When setting goals for your organization, you need to analyze the factors that influence your choice of goals before you choose them. Once you have established the goals and factors that influence your strategic decision, it is easy to make a strategic decision.

Analysis of Organizational Environment

This involves using multiple frameworks like SWOT analysis, VRIO analysis etc., meaning identifying the company`s strengths and weaknesses and keeping vigilance over competitors` actions to understand opportunities and threats. Strengths and weaknesses are internal factors which the company has control over. Opportunities and threats, on the other hand, are external factors over which the company has no control. A successful organization builds on its strengths, overcomes its weakness, identifies new opportunities and protects against external threats.

Forming quantitative goals

At this step, the organization must actually establish quantitative goals for some of the organization's goals. The idea behind this is to evaluate the potential contributions made by different product areas or specialized departments compared to long-term customers.

Objectives in context with divisional plans

In this step, you identify the contributions of each department, department, or product category within your organization and make strategic plans for each subunit accordingly. This requires careful analysis of macroeconomic trends.

Performance Analysis

Performance analysis involves finding and analyzing the gap between planned and desired outcomes. A critical evaluation of the organization's performance under past, present and desired future conditions should be undertaken by the organization. This critical assessment determines the extent of the remaining gap between actual reality and the organization's long-term aspirations. Organizations attempt to assess a possible future state if current trends continue.

Selection of Strategy

This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

Implementation of Strategy

Strategy implementation is a procedure by which a company transforms its selected strategy into action plans and activities, which will govern the company in the direction defined by the strategy and enable the company to achieve its strategic purposes & objectives. Following are few practices that are to be followed while implementation of any strategy:

1. Ensure that plans are aligned with organizational mission, vision and values
2. Build an effective leadership team
3. Create an implementation plan
4. Allocate budgetary resources
5. Assign objectives and responsibilities
6. Review and report on progress
7. Make strategic adjustments as necessary
8. Evaluation and Control

The assessment of strategies used in the execution phase serve as feedback. Some organizations use a gap analysis to compare how the organization performed to set goals. Evaluating current state compared to future, identifies the dire need for novice services or products or additions to existing product mix. One example is a company comparing its anticipated consumer purchase response with the actual number of sales or comparing old shipping times to the delivery time-frame after new procedures were implemented.

Evaluation and Control

Evaluation

The need for a business strategy assessment stems from the fact that a strategy can go wrong during implementation and early corrective action needs to be taken based on a detailed assessment report. Decision makers are also interested in these evaluation reports for a reward in case the strategic plans perform well. Usually, the strategy evaluation consists of 3 basic steps that are considered before deploying control for them.

Fixing Benchmark of Performance

The performance indicator that identifies and best represents the specific requirements can then be identified for use in the assessment. An organization can use both quantitative and qualitative criteria to evaluate its overall performance. Quantitative criteria include determining net profit, return on investment, earnings per share, production costs, employee turnover rate, and more. Among the qualitative factors is a subjective assessment of factors such as - skills and competencies, risk-taking potential, flexibility, etc.

Measurement of Performance

Standard performance is a benchmark to compare actual performance. Reporting and communication systems help measure performance. If the right means of measuring performance are in place, and if the standards are set in the right way, it becomes easier to evaluate the strategy. The measurement must be done at the right time, otherwise the evaluation will not achieve the purpose. To measure performance, financial statements such as balance sheets, profit and loss accounts must be prepared annually.

Analyzing Deviation

When measuring actual performance and comparing it to standard performance, there may be deviations that need to be analyzed. The strategist should indicate the degree of tolerance that can tolerate deviations between the actual and standard indicators. A positive deviation indicates better performance, but consistently exceeding the target is somewhat unusual. Negative dispersion is problematic as it represents a performance hit. Therefore, in this case, the strategist must determine the cause of the churn and take corrective action to overcome it.

Taking corrective actions

If performance deviations are identified, it is important to plan corrective actions. If performance is consistently below the desired performance, the strategist must perform a detailed analysis of the factors responsible for that performance. When a strategist discovers that an organization's capabilities are not meeting its performance requirements, the standard must be lowered. Another rare and radical corrective action is a return to the strategic management process, a restructuring of the plan in line with new trends in resource allocation, and consequently a strategic restructuring that requires moving to the starting point of the strategic management process.

Control

Strategic control is defined as finding different ways to implement a strategic plan. He is unique in dealing with the unknown and tracking strategic execution and its consequences, and plans to deal with it. It mainly relates to helping you find and adapt to a variety of factors, including internal or external factors. The primary purpose of Strategic Controls is to ensure that the organization achieves an effective balance and fit with its internal and external environment. This is critical as we move forward to achieve our strategic goals.: Once a strategy is approved, it must be implemented over time to guide the organization and adapt to its internal and external environment. These strategies are usually based on management's assumptions about various events that have not yet occurred. They are forward-looking or visionary in nature.

Implementation Control

This type of control is a step-by-step evaluation of implementation activities. It focuses on the incremental activity and implementation phase of a strategy and tracks events and outcomes as they unfold. Are all activities or projects going as planned? Are the appropriate resources and funds allocated for each stage? This process continually challenges the main direction of the strategy to make sure it is right.

Special Alert Control

If something unexpected happens, special alarm control devices are activated. It is a reactive process designed to evaluate strategies quickly and thoroughly after an extreme event affecting an organization has occurred. Events can be anything from a natural disaster or product recall to a competitor acquisition. In some cases, ad hoc alarm control requires the formation of a crisis team, usually made up of members of the strategic planning and leadership team, while in other cases it simply means the activation of a predetermined contingency plan.

Strategic Surveillance Control

Strategic surveillance is a broader information scan. Its purpose is to identify overlooked factors both inside and outside the company that might impact your strategy. This process ideally covers any "ground" that might be missed by the more focused tactics of premise and implementation control. Your surveillance could encompass industry publications, online or social mentions, industry trends, conference activities, etc.

Summary

Strategic management provides overall direction by developing plans and policies designed to achieve objectives and then allocating resources to implement the plans. Ultimately, strategic management is for organizations to gain a competitive edge over their competitors. It improves business planning, guiding employees to think in a new and better way about the success of the organization and ensures that the future goals are accomplished. Four Phases of strategy not only helps to accomplish above mentioned goals, but also helps in a feedback mechanism to improve constantly and develop newer strategy in the current VUCA (Volatility, Uncertainty, Complexity and Ambiguity) world.