# A Formal Strategic Planning Process

## The Three Perspectives of Strategy

- The *corporate strategy* deals with the decisions that, by their nature, should be addressed with the fullest scope encompassing the overall firm
- Business strategy aims at obtaining superior financial performance by seeking a competitive positioning that allows the business to have a sustainable advantage over the firm's competitors.
- Functional strategies not only consolidate the functional requirements demanded by the corporate and business strategies, but also constitute the depositories of the ultimate capabilities needed to develop the unique competencies of the firm.

### The Fundamental Elements of the Definition of <del>C</del>orporate Strategy— Central Focus of Corporate Strategy The Firm Corporate Environmental Corporate Internal Scrutiny Scan Economic outlook Mission of the firm Analysis of critical · Business segmentation geographical locations and Horizontal strategy industrial sectors Vertical integration Technological, human Corporate philosophy resources, political, social, and legal trends Definition of Strengths and Identification of opportunities Weaknesses and threats Strategic Posture of the Firm Strategic Thrusts Corporate Performance Objectives **Resource Allocation** Portfolio Management Managerial Infrastructure Organizational Structure and Administrative Systems **Human Resources**

Management of Key Personnel

The Fundamental Elements of the Definition of a Business Strategy

#### The Mission of the Business

- Definition of business scope: products, markets, and geographies
- Identification of unique competencies

### Internal Scrutiny at the Business Level

(Past performance and future projections)

- Identification of internal critical factors to achieve competitive advantage
- Overall assessment of competitive position

Definition of basic strengths and weaknesses

## Environmental Scan at the Business Level

(Past performance and future projections)

- Identification of external factors contributing to industry attractiveness
- Overall assessment of industry attractiveness

Identification of opportunities and threats

#### Formulation of the Business Strategy

A set of multiyear broad action programs

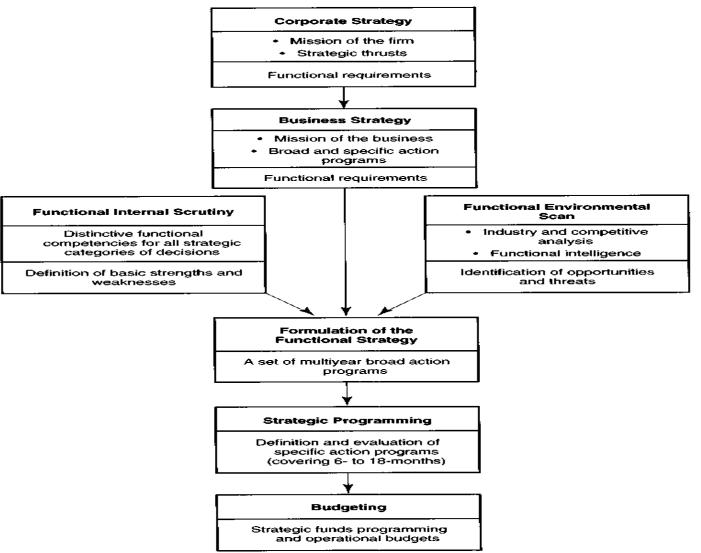
#### Strategic Programming

Definition and evaluation of specific action programs (covering 6- to 18-months)

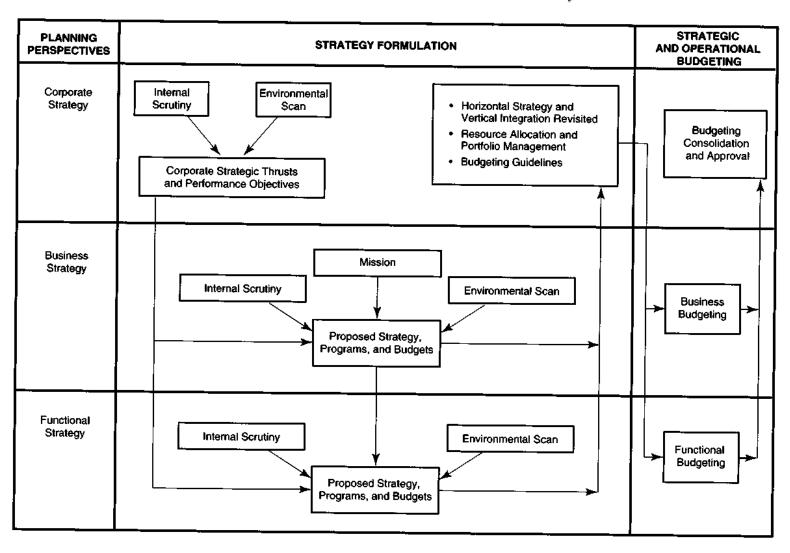
#### **Budgeting**

Strategic funds programming and operational budgets

# The Fundamental Elements of the Definition of a Functional Strategy



# The Three Perspectives of Strategy: Corporate, Business, and Functional



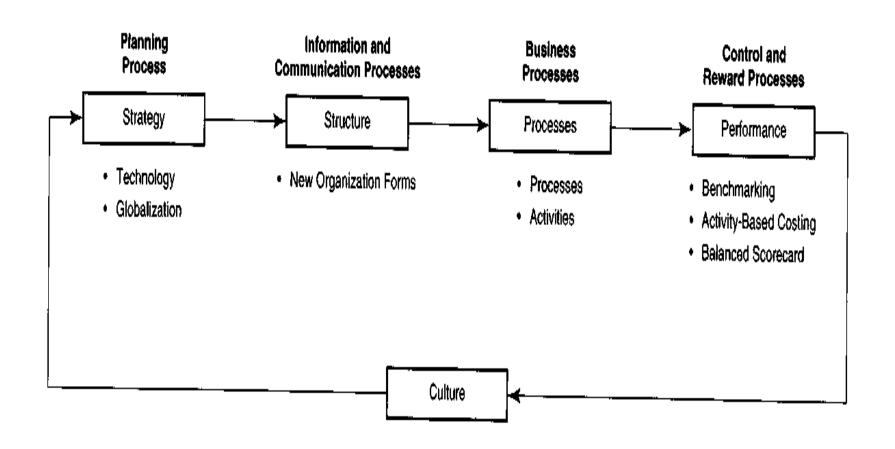
## The Merits of Formal Strategic Planning

- The planning process helps to unify corporate directions
- The segmentation of the firm is greatly improved
- The planning process introduces a discipline for long-term thinking in the firm
- The planning process is an educational device and an opportunity for multiple personal interactions and negotiations at all levels

## Avoiding the Limitations of Formal Strategic Planning

- RISK OF EXCESSIVE BUREAUCRATIZATION
- PLANNERS DO NOT PLAN: MANAGERS DO
- GRAND DESIGN VERSUS LOGICAL INCREMENTALISM
- FORMAL PLANNING VERSUS OPPORTUNISTIC PLANNING
- HIERARCHIES SHOULD NOT BE AN OBSTACLE FOR THE DEVELOPMENT OF STRATEGIC CAPABILITIES

## Strategic Management Framework



## Managing by Strategy

- People Are the Greatest Assets of the Firm
- Integration of Strategy, Structure, Business Processes, Performance, and Culture
- The Important Coexistence of Formal and Informal Managerial Processes and Systems