

Environment Analysis & Strategic Position

Part 5

Chartered Accountancy Strategic Level

Strategic Management & Leadership (SML)

Mathisha Hewavitharana

MBA (Col), BBA (Col), Dip in Marketing (UK), MCIM. (UK), Practicing Marketer (SL), ACMA, CGMA,
DBF (IBSL), AIB (IBSL), MSLIM



JMC Jayasekera Management Centre (Pvt) Ltd
Pioneers in Professional Education

65/2A, Chittampalam Gardiner Mawatha, Colombo 02 | T: +94 112 430451 | E: info@jmc.lk | F: +94 115 377917

STRATEGIC MANAGEMENT

&

LEADERSHIP

CA - STRATEGIC LEVEL



Environment Analysis & Strategic Position (05)

By:

Mathisha Hewavitharana

MBA (Colombo), BBA (Colombo), Dip In Mktng (UK),
MCIM (UK), Chartered Marketer (UK), Practicing Marketer (SL)
ACMA, CGMA (CIMA), DBF (IBSL),
AIB (IBSL), MSLIM,

Environment Analysis & Strategic Position – (10%)

TUTE 06

<u>CONTENT</u>	
<u>1</u>	SWOT Analysis
<u>2</u>	TOWS Matrix
<u>3</u>	Critical Success Factors (CSF)
<u>4</u>	Key Performance Indicators (KPI's)

INTRODUCTION

In this chapter we consider Strategic Positioning tools such as SWOT analysis and the TOWS matrix to be developed based on SWOT. Further core factors behind success of business organizations will be focused on coupled with the key indicators to measure business success.



1.0 SWOT Analysis

SWOT analysis is simply an analysis of the results of environmental scanning, and the review of resources and competences, to identify:

- In what areas is the organisation strong, and where is it weak?
- What are the main threats to the organisation and its business, and what business opportunities might exist?

Strengths



Weaknesses

Opportunities

Threats

Having identified strengths weaknesses, opportunities and threats, the organisation can take strategic planning to the next stage:

- What strategic options are available to exploit the strengths of the organisation in order to achieve its objectives?
- What strategic options should be considered to remedy the major weaknesses of the organisation in order to improve its chances of achieving its objectives?
- What strategic options are available to exploit opportunities in the market place?
- What strategic options should be considered to protect the organisation against the major threats it faces?

2.0 TOWS Matrix

SWOT analysis is simply an analysis of the results of environmental scanning, and the review of resources and competences, to identify:

Weihrich (1982), one of the earliest writers on corporate appraisal, originally spoke in terms of a TOWS matrix in order to emphasize the importance of threats and opportunities. This is therefore an inherently positioning approach to strategy. A further important element of Weihrich's discussion was his categorization of strategic options:

- SO strategies employ strengths to seize opportunities
- ST strategies employ strengths to counter or avoid threats
- WO strategies address weaknesses so as to be able to exploit opportunities
- WT strategies are defensive, aiming to avoid threats and the impact of weaknesses

2.1 SWOT Analysis & the Strategies Available through TOWS

1) Matching

Organization can capitalize on opportunities in the market by using a strength they already have.

Eg:

2) Converting

Converting can be in two forms.

- 1) Converting a weakness into a strength
- 2) Converting a threat to an opportunity

Converting Weakness into a Strength

Here organization follows a strategy of creating strengths by focusing on a particular weakness they have.

Eg:

Converting Threat to an Opportunity

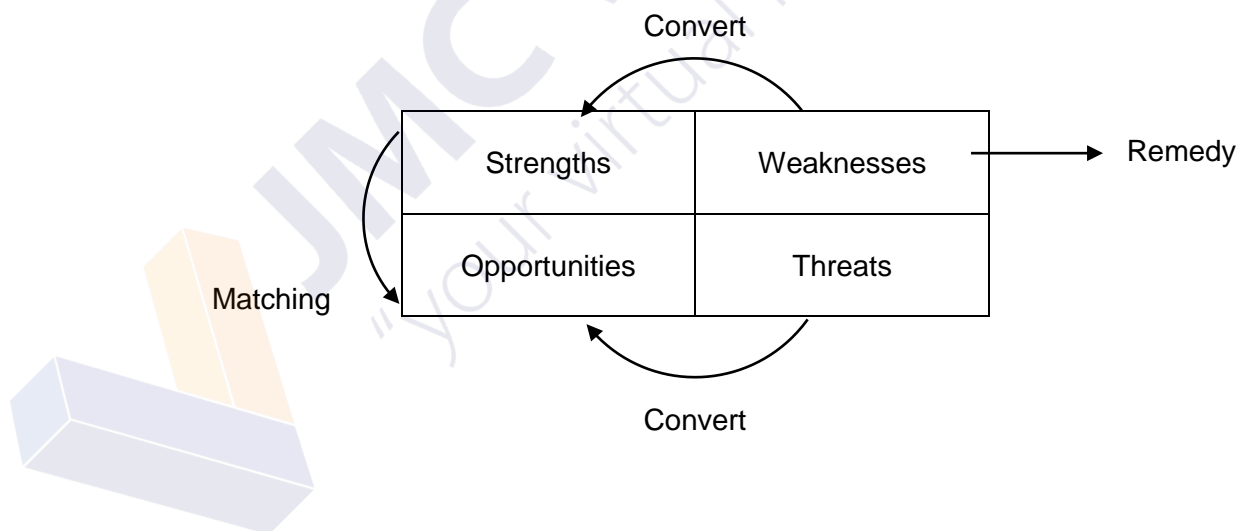
In this strategy organization is trying to create an opportunity by Properly addressing an existing threat.

Eg:

3) Remedy

In this strategy organization will eliminate their weakness in order to focus on strengths.

Eg:



3.0 Critical Success Factors (CSF)

Critical success factors (CSFs) are those actions that must be performed well in order for the goals and objectives established by an organisation to be met successfully.

Johnson, Scholes and Whittington (JS&W) define CSFs as: 'those components of strategy where the organisation must excel to outperform competition. These are underpinned by competences which ensure this success'.

The consistent factor across these and other definitions is that to 'qualify' as a CSF the item must be essential to an organisation achieving success. Common examples of CSFs include product quality, brand awareness, customer satisfaction and employee satisfaction.

Remember though that the environment, and an organisation's goals, change over time. Therefore, an organisation's critical success factors are also likely to change over time.

JS & W describes a six stage process for using CSFs for operational and functional strategies.

Identify the CSFs	
Identify the Underlying Competencies	
Check for Competitive Advantage	
Develop Performance Standard for Each CSF	
Review Competitors	

Monitor Competitors Responses	

4.0 Key Performance Indicators (KPI's)

An important measure of a critically important aspects of performance, for which a target is set and actual performance is measured.

Having identified which areas an organisation needs to perform well in, its performance in those areas also needs to be measured. Therefore, one or more **key performance indicators** (KPIs) have to be established for each CSF. The purpose of KPIs is to enable management to measure and control progress in each of the CSFs.

Critical success factors are not limited to financial factors. Indeed many of the most important KPIs, like quality and customer satisfaction, are not financial measures. Organisations have to perform well across a range of activities to succeed strategically. Therefore CSFs and KPIs should focus on key value chain processes and supply chain processes, as well as on financial performance.

Having identified the areas where organization needs to perform well under CSFs, it's vital to measure performance of each of those areas by setting related KPIs. Following provides a framework for same;

Activity	CSF	KPIs
Marketing & Sales	Sales Growth	Sales Volume Market Share
Production	Reducing Production Cost	Number of Defects Variable Cost of Production

KPIs should follow the SMART approach and each indicator should be:

- Specific
- Measurable
- Achievable/agreed

- Relevant
- Time-limited

It is important to appreciate the relationship between, and the difference between, objectives, CSFs and KPIs.

Objectives	An aim that the organisation wants to achieve within the strategic planning period.
CSF	A factor that will be critical to success in achieving that objective.
KPI	A measure for the CSF and comparing actual results against the strategic requirement and target. KPIs give a measurable quantity to a CSF.

