COVER PAGE AND DECLARATION

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Content

A strategic plan for Just Toyz

Introduction:

In the simplest terms, strategy is a unified idea that connects purpose and action. For De Wit and Meyer 1998, in a clever treatment of the subject, strategy is any course of action to achieve the purpose(s) of the organization. In the words of Alfred Chandler, the first theorist of modern business strategy, strategy in business is defined as: “Determining the basic long-term goals and objectives of the organization, adopting courses of action and allocating the necessary resources for those goals.” Ten deeply embedded, though narrow, concepts typically dominate current thinking on strategy. These range from the early Design and Planning schools to the more recent Learning, Cultural and Environmental Schools.

While academics and consultants keep focusing on these narrow perspectives, business managers will be better served if they strive to see the wider picture.2 Some of strategic management's greatest failings, in fact, occurred when one of these concepts was taken too seriously.

The widely accepted theory of corporate strategic planning is simple: using a time horizon of several years, top management reassesses its current strategy by looking for opportunities and threats in the environment and by analyzing the company’s resources to identify its strengths and weaknesses. Management may draw up several alternative strategic scenarios and appraise them against the long-term objectives of the organization. To begin implementing the selected strategy (or continue a revalidated one), management fleshes it out in terms of the actions to be taken in the near future to be applied for Just Toyz’s growth.

The purpose of strategic planning is to set your overall goals for your business and to develop a plan to achieve them. It involves stepping back from your day-to-day operations and asking where your business is headed and what its priorities should be.

A strategic plan to help Just Toyz, company continue to grow

Taking the decision actively to grow a business means embracing the risks that come with growth. Spending time on identifying exactly where you want to take your business – and how you will get there - should help you reduce and manage those risks.

As your **Just Toyz** becomes larger and more complex, so strategy formulation will need to become more sophisticated, both to sustain growth and to help **Just Toyz** muster the leadership and resources they need to keep business developing.

To do this, **Just Toyz** need to start collecting and analysing a wider range of information about business - both about how they operates internally and about how conditions are developing in their current and potential markets.

The **Just Toyz** must but in consideration the difference between strategic planning and business plan

The process of strategic planning is about determining the direction in which **Just Toyz** want to take business. It involves setting out overall goals for business. By contrast, the purpose of the business plan is to provide the detailed roadmap that will take **Just Toyz** in desired direction.

The three key elements of strategic planning for Just Toyz Company:

Developing a strategy for business growth requires to deepen understanding of the way business works and its position relative to other businesses in markets. As a starting point, **Just Toyz** needs to ask the following three questions:

Where is our business now? This involves understanding as much about business as possible, including how it operates internally, what drives its profitability, and how it compares with competitors. Keep review separate from day-to-day work and be realistic, detached and critical in distinguishing between the cause and effect of how business operates. should also write it down and review it periodically.

Where does **Just Toyz** want to take it? Here they need to set out top-level objectives. Work out your vision, mission, objectives, values, techniques and goals. Where do **Just Toyz** see their business in five or ten years? What do they want to be the focus of business and source of competitive advantage over rivals in the marketplace? This step should be the foundation for the final plan and motivate change.

What does **Just Toyz** need to do to get there? What changes will they need to make in order to deliver on strategic objectives? What is the best way of implementing those changes - what changes to the structure and financing of **Just Toyz** business will be required and what goals and deadlines will they need to set for their and others in the business? Think about the business as a whole, for example consider diversification, existing growth, acquisition plans, as well as functional matters in key areas.

While the second question - Where do you want to take it? - is at the heart of the strategic planning process, it can only be considered usefully in the context of the other two.

Just Toyz should balance their vision for the business against the practical realities of current position and changes, such as increased investment in capital and other resources that would be required to implement their vision. A strategic plan needs to be realistically achievable.

Getting started with strategic planning for Just Toyz:

As with any business activity, the strategic planning process itself needs to be carefully managed. Responsibilities and resources need to be assigned to the right people and **Just Toyz** need to keep on top of the process.

Who to involve

Try to find people who show the kind of analytical skills that successful strategic planning depends upon. Try to find a mix of creative thinkers and those with a solid grasp of operational detail.

A good rule of thumb is that you shouldn't try to do it all yourself. Take on board the opinions of other staff - key employees, accountants, department heads, board members - and those of external stakeholders, including customers, clients, advisors and consultants.

How to structure the process for Just Toyz

There is no right or wrong way to plan the process of strategic planning, but be clear in advance about how intending to proceed. Everyone involved should know what is expected of them and when.

For example, **Just Toyz** may decide to hold a series of weekly meetings with a strategy team before delegating the drafting of a strategy document to one of its members. Or might decide to block off a day or two for strategy brainstorming sessions - part of which might involve seeking contributions from a broader range of employees and even key customers.

Getting the planning document right for Just Toyz

The priority with strategic planning is to get the process right. But don't neglect the outcome - it's also important to make sure you capture the results in a strategic planning document that communicates clearly to everyone in your business what your top-level objectives are. Such a document should:

- Reflect the consensus of those involved in drafting it
- Be supported by key decision-makers, notably owners and investors
- Be acceptable to other stakeholders, such as your employees
- Build your plan on solid strategic analysis

Strategic planning is about positioning your business as effectively as possible in the marketplace. So you need to make sure that you conduct as thorough as possible an analysis of both your business and your market.

There is a range of strategic models that **Just Toyz** can use to help structure analysis. These models provide a simplified and abstract picture of the business environment. SWOT (strengths, weaknesses, opportunities and threats) analysis is probably the best-known model and is used by both smaller and bigger businesses in the for-profit and not-for-profit sectors alike. STEEPLE (social, technological, economic, environmental, political, legal, ethical) and Five Forces analysis are two other widely used models.

SWOT

A SWOT analysis involves identifying an objective of a business or project and then identifying the internal and external factors that are favourable and unfavourable to achieving that goal.

These factors are considered using four elements:

- Strengths - attributes of the business that can help in achieving the objective
- Weaknesses - attributes of the business that could be obstacles to achieving the objective
- Opportunities - external factors that could be helpful to achieving the objective
- Threats - external factors that could be obstacles to achieving the objective

STEEPLE

There are other models **Just Toyz** can use to assess strategic position. STEEPLE analysis, for example breaks the business environment down into the following components:

- Social –e.g. demographic trends or changing lifestyle patterns
- Technological – e.g. the emergence of competing technologies, or productivity-improving equipment for your business
- Economic – e.g. interest rates, inflation and changes in consumer demand
- Environmental – e.g. changing expectations of customers, regulators and employees on sustainable development
- Political – e.g. changes to taxation, trading relationships or grant support for businesses
- Legal – e.g. changes to employment law, or to the way your sector is regulated
- Ethical – e.g. ethical and moral standards governing policies and practices

STEEPLE analysis is often used alongside SWOT analysis to help identify opportunities and threats.

Five Forces

The Five Forces model aims to help **Just Toyz** businesses understand the drivers of competition in their markets. It identifies five key determinants of how operating in a given market is likely to be for a business:

- Customers' bargaining power - the higher it is (perhaps because there is a small number of major buyers for your product or service) the more downward pressure on prices and thus revenue they will be able to exert
- Suppliers' bargaining power - the ability of suppliers to push prices up (for instance if you rely on a single firm) can impact significantly on costs and profitability
- The threat of new competitors entering your market or industry - more businesses competing makes it more difficult to retain market share and maintain price levels
- The threat of customers switching to substitute products and services - an example would be the threat to fax machine manufacturers posed by the wide availability of email
- The level of competition between businesses in the market - this depends on a wide range of factors, including the number and relative strength of the businesses and the cost to customers of switching between them.

What a written strategic plan should include

There is no set blueprint for how to structure a strategic plan, but it is good practice to include the following elements:

Analysis of internal drivers - corresponding, for example, to the strengths and weaknesses of a SWOT (strengths, weaknesses, opportunities and threats) analysis.

Analysis of external drivers - this should cover factors such as market structure, demand levels and cost pressures, all of which correspond to the opportunities and threats elements of a SWOT analysis.

Vision statement - a concise summary of where you see your business in five to ten years' time.

Top-level objectives - these are the major goals that need to be achieved in order for your vision for the business to be realised. These might include attracting a new type of customer, developing new products and services, or securing new sources of finance.

Implementation - this involves setting out the key actions (with desired outcomes and deadlines) that will need to be completed to attain your top level objectives.

Resourcing - a summary of the implications your proposed strategy will have for the resources your business needs. This will reflect financing requirements, as well as factors such as staffing levels, premises and equipment.

You may also want to consider adding an executive summary. This can be useful for prospective investors and other key external stakeholders.

Some important strategic planning issues to consider

Growing a business can pose some considerable personal challenges to the owner or manager, whose role can change dramatically as the business grows.

Effective strategic planning involves considering options that challenge the way that business has been done up to this point. It may be that decision-making in some areas will be handed to others, or that processes which have worked well in the past will no longer fit with future plans.

It can be tempting for owners or managers to overlook alternatives that are uncomfortable for them personally, but to disregard your options on these grounds can seriously compromise your strategic plan and ultimately the growth of your business.

Examples of the kind of issues that tend to get overlooked by growing businesses include:

The future role of the owner - for example, it may be in the best interests of the business for the owner to focus on a smaller number of responsibilities, or to hand over all day-to-day control to someone with greater experience.

The location of the business - most small businesses are located close to where the owner lives. But as a business grows it may make sense to relocate the business -for example, to be closer to greater numbers of customers or employees with certain skills.

Ownership structure - growing businesses in particular should ensure that they get this right. The more a business grows, the more sophisticated it needs to be about meeting its financing needs. In many cases, the best option is for the owner to give up a share of the business in return for equity finance - but this can be emotionally difficult to do.

In the final analysis, it is the owner of the business who decides the strategic plan. Growing a business is not something done "at all costs". However, an honest assessment of the options allows for any decisions made to be as informed as possible.

Implementing a strategic plan for Just Toyz

The key to implementation of the objectives identified in the strategic plan is to assign goals and responsibilities with budgets and deadlines to responsible owners - key employees or department heads, for example.

Monitoring the progress of the implementation plan and reviewing the strategic plan against implementation will be an ongoing process. The fit between implementation and strategy may not be perfect from the outset and the implications of implementing the strategy may make it necessary to tweak the strategic plan.

Monitoring implementation is the key. Using key performance indicators (KPIs) and setting targets and deadlines is a good way of controlling the process of introducing strategic change.

Your business plan is another important tool in the implementation process. The business plan is typically a short-term and more concrete document than the strategic plan and it tends to focus more closely on operational considerations such as sales and cash flow trends. If you can ensure that your strategic plan informs your business plan, you'll go a long way to ensuring its implementation.

Remember that strategic planning can involve making both organisational and cultural changes to the way your business operates.

Strategic Management for Competitive Advantage for Just Toyz's

How some large companies infuse their planning process with new entrepreneurial vigor, maintaining market leadership over the long haul.

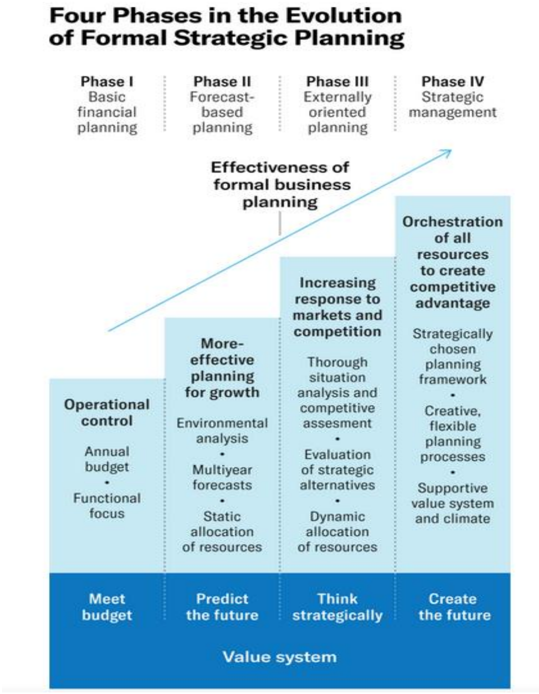
For the better part of a decade, strategy has been a business buzzword. Top executives ponder strategic objectives and missions. Managers down the line rough out product/market strategies. Functional chiefs lay out "strategies" for everything from R&D to raw-materials sourcing and distributor relations. Mere planning has lost its glamor; the planners have all turned into strategists.

All this may have blurred the concept of strategy, but it has also helped to shift the attention of managers from the technicalities of the planning process to substantive issues affecting the long-term well-being of their enterprises. Signs that a real change has been taking place in business's planning focus have been visible for some time in the performance of some large, complex multinational corporations—General Electric, Northern Telecom, Mitsubishi Heavy Industries, and Siemens A.G., to name four.

Instead of behaving like large unwieldy bureaucracies, they have been nimbly leap-frogging smaller competitors with technical or market innovations, in true entrepreneurial style. They have been executing what appear to be well thought-out business strategies coherently, consistently, and often with surprising speed. Repeatedly, they have been winning market shares away from more traditionally managed competitors.

What is the source of these giant companies' remarkable entrepreneurial vigor? Is it the result of their substantial investments in strategic planning, which appear to have produced something like a quantum jump in the sophistication of their strategic planning processes? If so, what lessons can be drawn from the steps they have taken and the experience they have gained?

Formal strategic planning does indeed evolve along similar lines in different companies, albeit at varying rates of progress. This progression can be segmented into four sequential phases, each marked by clear advances over its predecessor in terms of explicit formulation of issues and alternatives, quality of preparatory staff work, readiness of top management to participate in and guide the strategic decision process, and effectiveness of implementation.



The four-phase model evolution we shall be describing has already proved useful in evaluating corporate planning systems and processes and for indicating ways of improving their effectiveness.

In this article, we describe each of the four phases, with special emphasis on Phase IV, the stage we have chosen to call strategic management. In order to highlight the differences between the four stages, each will be sketched in somewhat bold strokes. Obviously, not all the companies in our sample fit the pattern precisely, but the generalizations are broadly applicable to all.

Phase I: Basic Financial Planning

Most companies trace the origins of a formal planning system to the annual budgeting process where everything is reduced to a financial problem. Procedures develop to forecast revenue, costs, and capital needs and to identify limits for expense budgets on an annual basis. Information systems report on functional performance as compared with budgetary targets.

Companies in Phase I often display powerful business strategies, but they are rarely formalized. Instead, they exist. The only concrete indication that a business strategy exists may be a projected earnings growth rate, occasionally qualified by certain debt/equity targets or other explicit financial objectives.

Phase II: Forecast-based Planning

The complexities of most large enterprises, however, demand more explicit documentation of the implicitly understood strategies of Phase I. The number of products and markets served, the degree of technological sophistication required, and the complex economic systems involved far exceed the intellectual grasp of any one manager.

Phase III: Externally Oriented Planning

In an environment of rapid change, events can render market forecasts obsolete almost overnight. Having repeatedly experienced such frustrations, planners begin to lose their faith in forecasting and instead try to understand the basic marketplace phenomena driving change. In this phase, resource allocation is both dynamic and creative.

Recommendation to Just Toyz about the company's short term and tong-term goals

An example of a short-term goal is to increase your advertising budget each month for the next three months. An example of a long-term business goal that the short-term goal helps achieve is to double business revenue by the end of the fiscal year.

Revenue Goals and Supporting Goals

If long-term revenue goal is to double revenue by the end of the current fiscal year, another example of a supporting short-term goal is to contract an advertising consultant for one month to help you analyze and capitalize on your customer's buying trends. Another short-term goal example is to spend the next month learning your primary competition and brainstorming on what you offer that they don't. You can us this research and design a new advertising campaign that highlights the unique points about your business or products.

Customer Service Goals

One long-term goal for customer service would be achieving at least 95 percent positive customer feedback. An example of a supporting short-term goal is to redesign the customer service research process to include new questionnaires and incentives, such as monthly drawings for free products or discounts on future purchases for customers who take the time to respond.

Employee Appreciation Goals

Some businesses establish a long-term employee appreciation goal of awarding an employee of the year award to the employee who provides the most creative input during the year in terms of practical ideas to improve the company. Supporting short-term goals are to award employee of the month designations each month throughout the year to mark the progression of creative input, and to include more employees in the reward process than is possible with a single annual award.

Community Outreach Goals

Building the company's name recognition within the community through community outreach projects is a popular long-term goal for businesses. Examples of short-term supporting goals are to reward employees who volunteer with designated community programs with additional time off, bonuses or gift cards. Another short-term supporting goal is to choose one or two high-profile annual charity events to sponsor.

Website Traffic Goals

A long-term goal regarding web traffic is to increase traffic to your company's site by at least 50 percent by the end of the current fiscal year. Supporting short-term goals are to research and purchase web traffic analysis software to better pinpoint current traffic trends, to hire a web consultant for one month to propose and implement programming changes to make the site appeal to a broader audience than your traffic trend research suggests currently exist.

Another example of a short-term goal is to select a medium for advertising your site other than the Web, such as a bus campaign where you advertise your site address on the side of city buses for one month, or billboards, where you lease a billboard in a conspicuous place in town for one month.

In order to plan for the future, you first need to reach a common understanding of the present circumstances. To answer this question you will need to focus discussions on two key areas:

Analysing the external and internal environment

Reviewing (or developing) the vision, mission and values of the organisation

1. Analysing the External and Internal Environment

Strategic planning is about having a clear direction to steer towards but also being able to respond to changes as necessary. To do this your organisation needs to have information about the challenges, opportunities and future trends, inside and outside. So whether your organisation is just starting up or is already established, the first step in the planning process is to assess the external and internal position of an organisation.

STRENGTHS

What the organisation is good at and is doing well e.g.

- action on employment group and single parent group working well
- community development training courses very popular
- good support and back-up for staff and volunteers

WEAKNESSES

What the organisation is not good at and which are not going well e.g.

- accessing funding from a wider variety of sources
- prioritising work
- evaluating regularly

OPPORTUNITIES

The events and trends that are favourable to the organisation e.g.

- Introduction of Community Planning
- More tenders available for local work

THREATS

The trends or events that are unfavourable to the organisation e.g.

- Reduced public sector funding
- Changes to benefits systems

Conducting a SWOT analysis: example questions to prompt discussion

SWOT Worksheet: do your own SWOT now!

Conclusion:

The **Just Toyz's** division's management concluded that it was progressing about as expected and that its strategy was sound, and it recommended continued aggressive investment. With minor modifications, top management approved the proposal. Three months later the company abruptly announced that the business would be discontinued and the investment written off.

Poor strategic planning obviously, as the decision to enter the business was a mistake. But implementation of that decision, and the planning done to minimize the investment exposure without compromising the chances for success, were probably sound.

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