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(57)

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IDENTIFICATION and APPLICATION OF MOST IMPORTANT STAGES OF STRATEGIC PLANNING ON LOCAL US BUSINESS

YEREL ABD İŞLETMECİLİĞİNDE STRATEJİK PLANLAMANIN EN ÖNEMLİ KADEMELERİNİN BELİRLENMESİ VE UYGULANMASI

ABSTRACT

Strategic management is a key element for organizations to be successful in competitive global business market. Long-term strategies help companies to create a vision. Managers play important role in the strategic planning process. This study identifies most important five stages of strategic planning as; Initial Assessment, Situation Analysis, Strategy Formulation, Strategy Implementation and Strategy Monitoring and Evaluation, and also analyze activities on each stage, define connection between stages and apply each stages to Hans Ice Cream Company. Stages are strategic planning are interconnected and skipping one stage may lead to failure. Managers play key role in implementation. Before taking any actions, managers need to make in depth research. Hans Ice Cream Company has lots of weaknesses like cash only transaction, lack of knowledge and planning. SWOT analysis is one of the useful technique to increase sales numbers and profits for Hans Ice Cream Company.

Keywords: *Strategic Management, SWOT analysis, Strategy Formulation, Strategy Implementation, Pestel Analysis, Porter's Five Forces, Mission Statement, Vision Statement.*

JEL Codes: *M00, M1, M10, M14, M16, M19*

ÖZ

Stratejik yönetim, organizasyonların rekabetçi küresel iş pazarında başarılı olması için kilit bir unsurdur. Uzun vadeli stratejiler, şirketlerin bir vizyon oluşturmalarına yardımcı olur. Stratejik planlama sürecinde yöneticiler önemli rol oynamaktadır. Bu çalışma, stratejik planlamanın en önemli beş aşamasını; İlk Değerlendirme, Durum Analizi, Strateji Oluşturma, Strateji Uygulama ve Strateji İzleme ve Değerlendirme ve ayrıca her aşamadaki etkinlikleri analiz edin, aşamalar arasındaki bağlantıyı tanımlayın ve her aşamaları Hans Dondurma Şirketi'ne uygulayın. Aşamalar stratejik planlama birbirine bağlıdır ve bir aşamayı atlamak başarısızlığa yol açabilir. Yöneticiler uygulamada kilit rol oynamaktadır. Herhangi bir işlem yapmadan önce, yöneticilerin derinlemesine araştırma yapması gerekir. Hans Dondurma Şirketi, sadece nakit para kabul etme işlemi, stratejik planlama bilgi eksikliği ve marka imajini doğru olarak kullanamama gibi birçok zayıflığa sahiptir. SWOT Analizi, Pest Analizi, Porter'ın Beş Kuvveti Hans Dondurma Şirketi için satış rakamlarını ve karlarını artırmada kullanılan etkili tekniklerden biridir.

Anahtar Kelimeler: Stratejik Yönetim, SWOT analizi, Strateji Oluşturma, Strateji Uygulama, Pestel Analizi, Porter'ın Beş Kuvveti, Misyon, Vizyon Açıklaması.

JEL Kodları: M00, M1, M10, M14, M16, M19.

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INTRODUCTION

Strategic management used by organizations' managers to achieve organization's objectives and preserve organization's competitive advantage. Five stages of strategic planning are; Initial Assessment, Situation Analysis, Strategy Formulation, Strategy Implementation and Strategy Monitoring and Evaluation (Jurevicius, 2013). These five stages are key components of strategic management process. The purpose of this research was to apply five stages of strategic planning to Hans Homemade Ice cream Company.

Barrows (2009) mentioned that "A good strategic planning process takes full advantage of the numerous tools of strategic analysis — such as the five forces model, strategic group maps, or the value chain — to gain key insights regarding how the industry is evolving, how competitors are changing positions, and where an individual firm's sources of competitive advantage". Ahoy (1998) stated that "Strategic planning is a step by step process with definite objectives and end products that can be implemented and evaluated. Strategic planning is the key to assuring that our organization is prepared for the challenges of tomorrow".

FIVE STAGES OF STRATEGIC PLANNING

1-Initial Assessment

When an organization starts to strategic planning first step would be initial assessment. In this stage organization's managers define the organization's vision, a mission statement and values. Before starting to strategic planning, businesses need to define why they exist and which direction they would like to go. Every organization needs a vision and a mission.

Goals and activities involved. Vision helps organizations to set up long-term directions and to define the reasons of being in business. Mission statement helps organizations to identify their operation focus and what they do. Organizations' executive team or upper management would be responsible of setting up vision and mission statements and these statements demonstrate the core of leadership (May, 2010). Hofstrand (2016) mentioned that "Vision and mission statements will help you focus on the important aspects of your organization or business. If done properly, they can save money and time and increase the odds that your organization or business venture will be successful".

2 - Situation Analysis

Organizations need to evaluate their own situation and this includes evaluation of organizations' external and internal conditions and analyzing competitors. Situation analysis defines organization's strengths, weaknesses, opportunities and threats and this helps to understand where the company stands in the market (Jurevicious, 2013).

Companies strengths and weaknesses are internal factors and opportunities and threats are external factors. While internal factors can be managed by organizations, organizations do not have control over external factors. Even though companies do not have control over external factors, they still effect organization situation. Macro and micro environments and competitors are part of external analysis. One of the most effective tools to analyze macro external factors is Pest or Pestel analysis. Pest analysis helps organizations to analyze political, economic, social and technological factors in global business world. Porter's five Forces helps to identify micro environmental factors. (Thompson & Martin, 2010). Porter's five forces helps to identify organization's current competitive position while defining organization's strengths. These five forces consist of supplier power, buyer power, **competitive rivalry, threat of substitution and threat of new entry (Chartered Global Management Accountant, 2013). Internal analysis consists of organization's core competencies, activities, tangible and intangible resources (**Rothaermel, 2012).

Goals and activities involved. Kokemuller(2017) mentioned that "The purpose in using SWOT to assess strengths and weaknesses is it helps the company firmly understand its core market advantages and areas that competitors may criticize the company for. Companies typically make core strengths the focal point of marketing messages in trying to create differentiation from competitors".

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Through SWOT analysis, business will be able to derive strategies directly, focused on influencing strengths and opportunities to overcome threats and weaknesses. This is the area of strategy development where business can be most creative and many innovative ideas do emerge. Based on the results, organizations can **determine whether a new project is worth pursuing or not,** and if yes, what additional resources or actions would be required to make it successful. (Pestle Analysis, 2014).

3 - Strategy Formulation

After identifying mission, vision statements and values and defining situation analysis, organizations need to set up short and long term objectives and goals. Objectives would be attainable. Organizations need to make a plan to reach the goal and this is called strategic planning or strategy formulation.

Goals and activities involved. Saylor Academy(2017) mentioned that "Strategy formulation is the course of action companies take to achieve their defined goals. The lack of a strategic plan will result in an organization being without direction or focus. The company will be reactive rather than proactive".

When companies start to work on strategic goals, they need to use their strengths and take an advantage of their competitive advantages and opportunities. Organizations also consider their weaknesses and possible threats. It can be beneficial to make an alternative plan for unexpected threats or external factors (Barnat, 2007).

Organizations select strategies in three different level. These levels are business level strategy, corporate level strategy and global strategy. Business level strategy used by organization's divisions or focuses on one product or service. Corporate level strategy, parent company decides what product or service to focus on, which market to enter, merger or acquisitions. In global strategy, organization's top management decides which country to enter (Johnson, Scholes, & Whittington, 2008).

Strategy is "How**"** a business unit will achieve what it wants. Michael Porter, breaks types of strategy into three categories: An Overall Cost Leadership Strategy, A Differentiation Strategy, A Focus Strategy. Overall Cost Leadership: Lowest overall production and delivery in order to win the largest market share. Differentiation: Marked by superior performance in an area of customer satisfaction versus pricing value. Focus: In this strategy, a company will segment its market and seek to be the leader in either cost of differentiation (Kotler, 1997).

4-Strategy Implementation

Implementation stage is a step to fulfill strategic plan. In this stage managers play key role. Edinger (2012) stated that "Effectively implementing strategy can be a source of competitive advantage. Unfortunately, too often leaders pour their energy and resources into formulating strategy and spend too little time figuring out how to implement that strategy throughout the organization". Managers implementation abilities can bring either success or failure to organization. Saylor Academy (2017) stated that "A company must implement its strategic plan in order to achieve success. It must develop appropriate tactics, which are the action steps for meeting the strategies directives".

Goals and activities involved. First of all, yearly goals need to be identified by managers. If current business policies and procedures are not suitable for new objectives, managers need to make required changes and revisions. If new business strategy requires, organizational chart can be restructured. Changes on work allocations and organizational chart might cause resistance to change and it is managers' responsibility to overcome. Creating a budget for change and increasing motivation are the other important aspects of implementation stage. Open communication is a key in successful strategy implementation (Jurevicius, 2013).

Excellently formulated strategies will fail if they are not properly implemented. The main steps in implementing a strategy are developing an organization having potential of carrying out strategy successfully, disbursement of abundant resources to strategy-essential activities, creating strategy-encouraging policies, employing best policies and programs for constant improvement, linking reward structure to accomplishment

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of results and making use of strategic leadership (Management Study Guide, 2017).

Favaro (2015) stated that "Implementing a strategy consists of all the decisions and activities required to turn the business and corporate strategies. If the corporation has the capabilities, enterprise advantage, and business portfolio it wants, its strategy is implemented. If the unit has the customers, value proposition, and skills it has chosen to have, its strategy is fully implemented". Edinger (2012) mentioned that "To successfully execute an organization's strategy, it must be the focus of every person in that organization. It is up to the leaders to create, monitor, and reward that focus as it is expressed".

5-Strategy Monitoring and Evaluation

Internal and external factors are not stable and subject to change. When factors change, adjustments need be made on plan in order to reach objectives.

Goals and activities involved. On this last stage, managers need to take corrective actions and measure performance. If performance results show that it is hard to hit the goal, managers need to revise existing policies or create new policies (Jurevicius, 2013). Successful strategic planning and implementation require lots of research, market knowledge, advance planning, time, good management and analytical skills.

Regular monitoring and evaluation will help you to assess how well you are doing against the objectives and impact you have set, and ensure you use your time and resources effectively You need to monitor what is working and what is not, decide how to adjust your strategy and then act to implement. Monitoring should be a continuous process throughout implementation to ensure the best outcome (Sustainable Development, 2015).

McNamara (2017) mentioned that "The strategic plan should specify who is responsible to monitor the implementation of the plan and made decisions based on the results. For example, the board might expect the chief executive to regularly report to the board about the status".

Strategy stages and activities interconnections. Strategic planning has five main stages to be followed. Each stage prepare plan for next stage. If an organization skips one step, plan would fail or would require lots of modifications in the advanced stages and this will waste lots of time and money. An organization cannot implement a plan without an objective, cannot set up an objective without knowing its situation in the market or cannot set up random goal without knowing its mission, vision or values. If they do, their plan would not be strategic and can fail anytime.

All stages of strategic planning are interconnected and need to be followed in order. When an organization follows strategic planning stages systematically and in order, that organization increases its chance of successful implementation. Because planning helps organizations to outlines measurable objectives, to show clear directions, to be prepared for unexpected situation like external threats, to check status of progress and to make modifications in timely manner (Barnat, 2007).

BACKGROUND INFORMATION OF HANS HOMEMADE ICE-CREAM

Hans Homemade Ice-cream is family-owned, local ice-cream stores and has three stores in Orange County, California. Business locations are convenient and ice creams are homemade. Store started to business in 1972 with one store and over the years added two more locations. Business customers are local residents. Hans homemade ice creams stores open ten hours per day and has total of twenty employees (Hans Homemade Ice cream, 2017). It is a small business but wants to expand to different markets and make changes on target market in order to increase sales and profits.

APPLICATION and ANALYSIS OF THE HANS ICE-CREAM'S RESPONSE

As a first step business of strategic planning business needs to make initial assessment. Hans ice-cream does not have mission, vision statement or defined values. Without clear understanding of why business is exist, where business wants to be in the future and what are the values, strategic planning process cannot be

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successful. Business managers need to take their time and identify mission, vision and values. Once this stage is set, business can move to next stage.

Second stage is situation analysis. Even though it is a small business, company needs to define its internal assessment processes which are strengths, weaknesses and external assessment processes which are threats and opportunities. One of the biggest strength of company is it has been in business for 45 years and it is known by local residents. All of their locations are convenient so those were good investments. Their healthy formula has been attracting customers. They were able to expand and that shows that their customers are returning customers and their marketing strategy has been working. Their product is organic and homemade; this makes their products also attractive for healthy life style consumers. Weaknesses would be slow service, cash only transactions, short business hours, old machines and supplies, old looking store design, high employee turnover. Threats would be other competitors, inflation, political changes, unsatisfied customers, high unemployment rates, lower income, high expenses in Orange County. Opportunities would be expanding to urban areas, hiring educated managers, increased demand for healthier food, delivery service or drive-thru. Pest analysis and Porter's five forces can also be used to make detail research on external assessments.

Third stage is strategy formulation. After identifying mission, vision, values, strengths, weaknesses, threats and opportunities, it is time for business to make a strategic plan. While making a plan business needs to take an advantage of its values, strength and opportunities. On the other hand, shop needs to consider threats and weaknesses. Business wants to expand, increase cash flow and become a known place. Business needs to start to working on its weaknesses because business has control over. Best plan would be to eliminate weaknesses to lowest level to lower the risk.

One of the biggest weaknesses is cash only transaction. Business needs to make an agreement merchant services and open a business account in commercial bank. Before expansion business needs to make market research for the area. Business can hire professional companies to help them to select best location for expansion. For example, San Francisco is an urban area but has a cold weather, opening a store in San Francisco might not be an ideal decision. San Diego or Los Angeles would be better alternatives but before final decision market research needs to be made. Target market is also important on expansion decision. Business needs to define a budget for costs. Other than opening a new store cost, hiring new employees, trainings, updating technology, setting up a contemporary store design, hiring consulting firm etc. costs can add up quickly and needs to be consider before implementation.

Fourth stage is strategy implementation. On this stage business applies its strategic plan to real life. This stage is closely related to managers' skills and abilities. Applying a plan can be more difficult than planning. On this stage, business starts to process of hiring employees, renting a new place for new store, renting supplies, decorating the store, preparing marketing materials and make advertisement on social media, printing flyers, business cards, local announcements and planning a grand opening day. Annual goals need to be set by managers. Allocations can be made in order to fulfill successful implementation. If requires, changes on policies, organization structure can be done. Though out the implementation process open communication can help to minimize potential resistance from employees.

Last stage is strategy monitoring and evaluation. Managers need to measure performance by comparing estimated performance with actual one. In this stage, internal and external assessments might have been changed. Based on where the business stands on the plan managers can take corrective actions. Managers can also get feedbacks from employees. If the objectives are reached, this shows that strategic planning and implementation is successful.

CONCLUSIONS

Strategic planning is a key for organizations to define a direction and to achieve objectives. Strategic planning is a process and takes time to plan, implement and evaluate. Stages are strategic planning are interconnected and skipping one stage may lead to failure and successful planning starts with vision, mission, values, followed by situation analysis, planning, implementation and evaluation. Analysis of Hans Ice Cream Company showed that managers play key role in implementation. Before taking any actions, managers need

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to make in depth research. If managers are not knowledgeable enough to make a decision, consulting firm can be hired. External and internal assessments can change throughout the implementation process and managers should pay close attention to changes. Well planned and researched plans increase the success of strategic planning. Hans Ice Cream Company needs to identify weaknesses, threats, opportunities and strengths. Company first need to focus on strengths while hiring professionals or train managers to overcome weaknesses. Well trained managers would be able to make better strategic plans and apply each stages of strategic planning efficiently. Investing in training will be paid off for Hans Ice Cream Company in the future as better sales numbers, profits, expansion and brand recognition.

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