

The strategic planning process-II

Last month we discussed the business environmental scanning process, the first of three steps necessary to successfully develop a strategic plan.

Environmental scanning encompasses the monitoring, evaluating and disseminating of information from external and internal environments to key persons within a corporation. Its purpose is to identify strategic factors—the external and internal elements that will determine the future of the corporation. The simplest method for conducting environmental scanning is through SWOT analysis. The external environment consists

of variables (opportunities and threats) that are outside of the organization and not typically within the short-run control of management. These variables form the context within which the corporation exists.

STRATEGY FORMULATION

Strategy formulation is referred to as strategic planning or long-range planning and focuses on developing a corporation's mission, objectives, strategies, and policies. The "formulation process" starts with a situation analysis: the process of finding a strategic fit between external opportunities

Three levels of planning must come together in order for a strategic plan to work. The second of a three-part series.

OPTIONS vs. SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Dispersion- Basket mills, processing maximization • TPO direct bonding • Extremely efficient • WB PU 30-day pot life • WB PU high solids • WB PU lower resin costs • Low gloss, "soft feel" PU • Expandable acrylic = "hold out" • Custom design resins • Strong inventory control management • Batch-to-batch consistency • Excellent customer relationships • High loyalty factor • Product stability • Processing "ART" 	<ul style="list-style-type: none"> • Channel to market • How to sell it • Where to sell it • No offshore position • Purchasing • No formal business plan • New opportunity sales and marketing • Standard cost system • Mgt. Leadership Change Need
<ul style="list-style-type: none"> • High-end dispersion-mid-cap paint companies • Joint venture in target markets. • Select distribution by market segment • Color systems offering to broad base segments • Supply PU resins only • Supply pigment dispersions only • Supply pigmented coating formulations only • Supply combinations • Offer acrylic/PU blends • Offer low-no VOC PU @ medium solids + no HAPS • Offer no NNP • Container & leather "appendage" • Extend XYZ globally – "arms-length" JV-"piggyback" • China "appendage" – leather/container 	<ul style="list-style-type: none"> • 2nd dispersion process that fits current customer base • Management backup • Offshore leather & container imports • "Protein" vinyl substrate leather intrusion
OPPORTUNITIES	THREATS

THE TOWS MATRIX

<p>INTERNAL FACTORS (IFAS)</p> <p>EXTERNAL FACTORS (EFAS)</p>	<p>Strengths (S)</p> <p>List 5-10 Internal Strengths here</p>	<p>Weaknesses (W)</p> <p>List 5-10 Internal Weaknesses here</p>
	<p>Opportunities (o)</p> <p>List 5-10 external Opportunities here</p>	<p>SO Strategies</p> <p>Generate strategies here that use strengths to take advantage of opportunities</p>
<p>Threats (T)</p> <p>List 5-10 external Threats here</p>	<p>ST Strategies</p> <p>Generate strategies here that use strengths to Avoid threats</p>	<p>WT Strategies</p> <p>Generate strategies here that minimize weaknesses and avoid threats</p>

H. Wehrich

and internal strengths, at the same time avoiding external threats and working around internal weaknesses.

SWOT is an acronym used to describe particular strengths, weaknesses, opportunities and threats that are strategic factors for a specific company. SWOT analysis should identify a corporation's unique competencies—the exacting capabilities and resources that a firm possesses and the superior way in which they are used. But also the identification of opportunities that the firm is not currently able to take advantage of due to a lack of suitable resources.

Typically, a SWOT analysis looks like the chart on the previous page. SWOT details the factors associated

with a company's strengths and compares this its weaknesses, and in doing so, it cold-bloodedly recognizes the factors it possesses. The same detailed and ruthless honesty must prevail when considering both opportunities and threats.

In a SWOT analysis, it is important to record not only quantifiable factors, but those factors that defy quantification and can only be mentioned as a qualified statement of belief. An example would be under the strengths assessment (high customer loyalty factor).

PRODUCT LINE ANALYSIS

A SWOT analysis can be used at various levels of a company. Certainly one can use it as an overview of the

entire corporation but, the most effective use of this tool is at the product line or market segment level. At this level, product/market comparisons can be made and determinations as to strategic ranking can result.

One of the most useful outputs of a SWOT comparison is the TOWS Matrix, which was developed by H. Wehrich of Kidington, UK. It illustrates how external opportunities and threats facing a particular company can be matched with that company's internal strengths and weaknesses to result in four sets of alternative strategies. This matrix is a great way to summarize each set of product lines or market considerations.

Once SWOT and TOWS are considered for each key product line or market, a match-up can be made comparing market attractiveness to company strengths utilizing a weighting system for each of the elements that make up the market these areas. This exercise "forces" more reality into the strategic plan equation and develops an more refined look at strategic alternatives.

Next month, we will consider this latter "attractiveness" scenario in our third and final column. **CW**

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