

Setting a Strategic Model

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Abstract

In order to assemble the disconnected and disorderly ideas, processes, methods and techniques (written on strategy development), it could be said that there is no exact approach or systematic thinking on this issue. In addition, by careful evaluation of the manner of bringing forward the issues such as strategic approach, processes, scope and modeling of strategy development, it is intended to bring in a new perspective and more significantly to provide a different benefit by the application of these issues. The scripts in the hereby article are composed as a result of the conclusions obtained from different application environments of the issue in subject and by the composition of the cause and effect relations of these. Strategic model consists of a framework of sections through which each project passes, i.e., a pattern of procedures for straight-forward planning, and the fundamentals involved in any strategic project. The sections of setting a strategic model is being examined thoroughly.

Keywords: Strategic model, strategy development, strategic planning, strategic modeling

1. Introduction

Model is set up in order to analyze the following points of an addressed issue;

- on what it is established to,
- definitions of variables causing it to be affected,
- priorities and sizes of variables causing it to be affected,
- interactions between its variables and how these interactions affect the whole, and in order to present the differences among the visible and realistic conditions of the issue.

Model can be developed on any issue. While composing a model, it is necessary to continuously think of the future, not to forget that the operations performed are actually determining the future and to concentrate on the future, rather than the current condition (Hill (2001)).

First steps of setting a model starts with setting the definitions of project and company (Bütüner (2004)):

- Determination of value chain. What is being performed within the organization? Production, marketing, distribution, purchasing etc.
- Examination of the organization scheme. Who is making the things performed and where are they making it? Examination of departments and functions of the departments, distribution of employees, locations of the departments, job definitions and its specifications etc.
- Composition of work flow schemes. How are the things that are performed being made and by which intention are they being made? Processes within the rings composing the value chain and work flow schemes composing processes. For example, roll-out and shipment processes of the products sold or various processes on the phases of production etc.

The phase following the definitions of the project and company is the definition of the variables and model setting (Bütüner (2004)):

- Examination of the relations among the variables and preparation of the relations matrix.

- Determination of internal and external variables that affect the value of company or project the most, and composition of value effect matrix.
- Preparation of “SWOT” analysis and variable characteristics table.
- Utilization of variables which can be expressed numerically on the cash flow table.
- Making estimations for the value of numeric variables.
- Performance of sensitivity analysis of the model due to the values of the numeric variables.
- Performance of estimation of the effects of variables, which can’t be expressed numerically, on the model etc.

2. Sections of Developing a Strategic Model

Strategic Model consists of a framework of sections through which each project passes, i.e., a pattern of procedures for straight-forward planning, and the fundamentals involved in any strategic project.

2.1 Definition of Organization Functions

The first section starts with defining organizational functions, by following the below instructions:

- Making the project and company definitions.
- Determination of value chain.
- Determination of processes composing the rings of the chain and of work flow schemes.
- Expansion of processes and flow schemes and definition of work units.
- Determination of parameters and variables affecting the work units.
- Determination of the effects of these variables on the expense and profit centers.
- Grouping and consolidation of variables according to their effects.
- Determination of relations among expense and profit centers by processes and their schemes.

2.2 Definition of Organization Structure

The second section, i.e., defining organization structure (Ebert (2000)) is built on defined organizational functions (that is formed within the framework of the previous section,) by following the below instructions:

- Evaluation of the organization scheme. Comparison of organization scheme, work groups, and positions and the functions of organization.
- Business groups of each department till to the lowest levels and its development to define the work units.
- Making job and duty definitions on the basis of work unit.
- Determination of characteristics required for each work unit and position.
- Determination of variables affecting these characteristics.
- Determination of the position which is most affected by each variable.
- Grouping and consolidation of variables according to their effects.
- Determination of relations among positions on the flow schemes.

2.3 Analysis of Variables and Critical Processes

- Examination of correlation among the variables determined as a result of the evaluation of value chain and organization scheme, and grouping the ones that are related to each other.
- Determination of parameters that are measurable and that can be expressed numerically. Separating and grouping as the ones that can be and can’t be expressed numerically and as dependent and independent variables.
- Composition of relations matrix and examination of the relations among all the variables.
- Determination of variables that affect the others at most but that are not affected from any variable within the organization and that are out of the control of the organization (external variables).
- Determination of variables that affect the others at most but that are not affected from any variable outside the organization (internal variables).
- Aligning the variables that are considered to affect each expense and profit center at most in the order of significance and composition of value effect matrix.

- According to the composed value effect matrix, laying out the processes and work flow schemes where each variable exists.
- Determination of critical processes that will compose in case of having variables that have correlation with each other and that have high effect within the same processes.

In order to determine the aforementioned issues, for example, the following questions are required to be answered starting from the lowest level of the organization and as objective as possible considering the current work flows and organization structure and the answers shall be evaluated by a higher level. Thus, critical processes where company performances can't be expressed numerically will be revealed (Kotler (2002)):

- What are we doing?
- What do we do best?
- What can't we do best?
- Where do we want to be?

2.4 SWOT and Sensitivity Analysis

In this section, determining various headings such as human resources, technology, marketing, capital, "know-how", judicial advantages; grouping the revealed points under these headings; and separating them as works well and unwell done are crucial.

Answer the following questions for the works well done:

- Can these points be developed?
- What shall be done in order to develop them?
- What are required in order to develop them?
- Does it really create added value within the operations?
- What does it provide for the organization?
- Is it performed much better than required?
- How can it be performed cheaper?
- What happens when it is not performed?
- Can this work performed be used by other alternative works? etc.

Answer the following questions for the works unwell done:

- How can these be performed better?
- Can these be exterminated?
- Are they worth extermination?
- What is the cost of extermination? etc.

As a result, the answers of the following questions will be given (Kotler (2002)):

- Who are we?
- What do we do?
- What is our profession?
- Who are not we?
- What can't we do?
- What is not our business?

After presenting the current condition, we need to estimate the opportunities and threats not being available within the current condition through brain storming (Porter (2002)):

- What can be the demands that can't be observed in the current condition?
- In which direction the supplies will change?
- What can be provided as a new product/service?
- Who can be the new competitors?
- Can the ones deemed as opportunities are actually threats?

- Is it possible to convert the threats to opportunity?
- What can be the opportunities unavailable within the current condition?
- What can be the threats unavailable within the current condition? etc.

According to the results obtained in status analysis, conducting “SWOT” analysis; preparing a table of variable characteristics for the internal and external variables; and setting a model based on cash flow table of the project or company established on the variables at the expense and income centers are necessary (Block (2001)).

Afterwards, evaluate organization values composed by the current condition of variables, improvements of the internal and external parameters and values obtained in case of re-structuring, and implement sensitivity analysis. (It shall not be ignored that the increase of the effect of an external variable, whose effect is not observed too much in the current condition, due to other reasons can cause the change of all the analysis results made.)

One important step is the determination of independent numeric variables that affect the cash flow at most and of independent non-numeric variables whose correlation is determined with these as critical success parameters. Then, present the parameters composing the accepted value as main objectives (Harrison (2001)). For example:

- Activity in which countries.
- Considered strategic partnerships.
- Cooperation, mergers and acquisitions.
- Regional concentration.
- Organization.
- Market objectives.
- Financial objectives.
- Technological developments, etc.

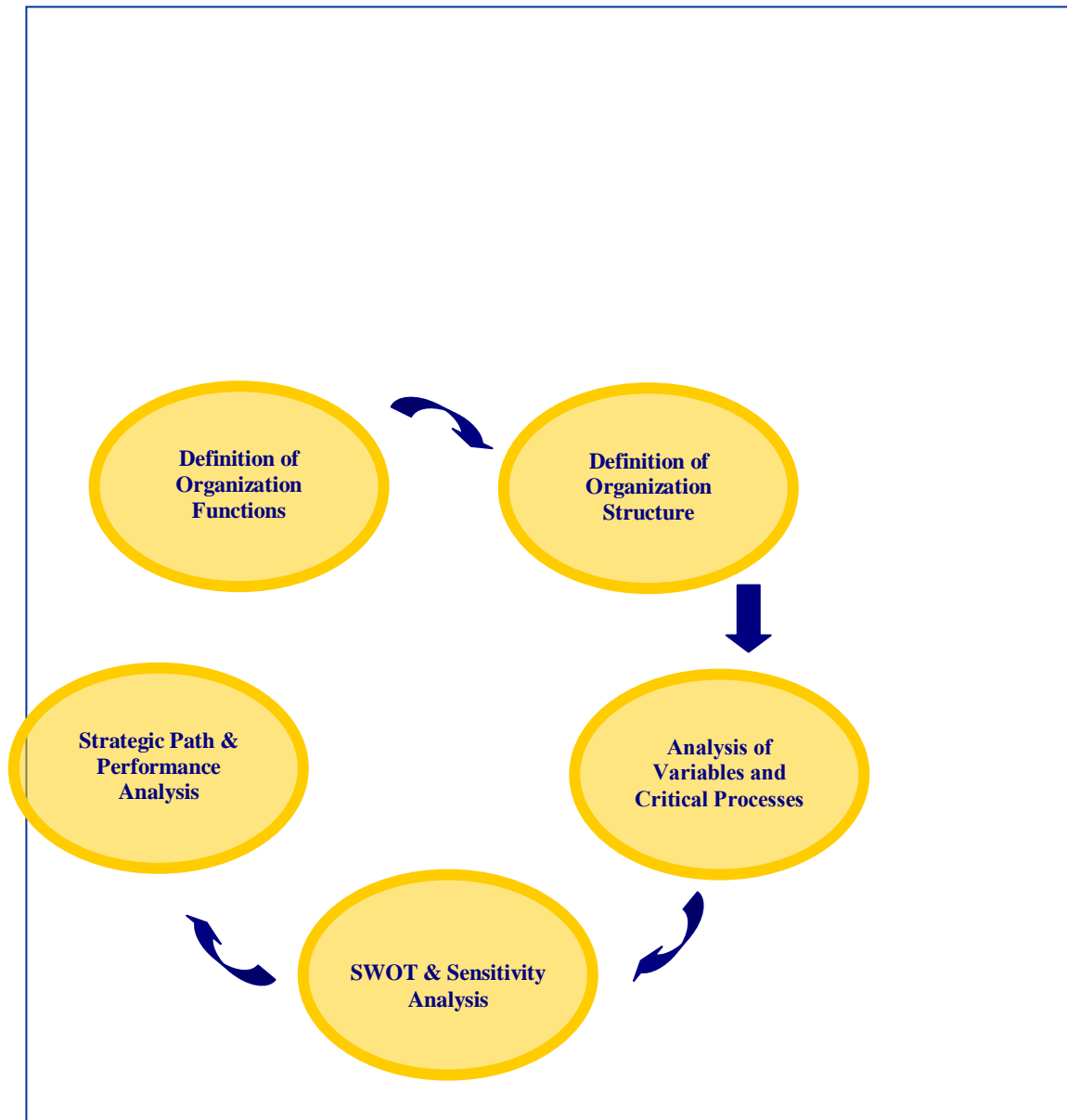
Finally, determine alternative scenarios and their strategic set ups (methods / business plans) by the analysis of what will be performed within the organization and when will it be performed in order to reach these objectives. For example:

- Marketing.
- Competition.
- Capital and financing methods.
- Policies.
- Organization structure.
- Human resources, etc.

2.5 Strategic Path and Performance Analysis

Final section is to prepare the action plan and budget, and control the performance of actions according to the set business plans. The procedure of this section is as follows:

- After setting business plans, then comes preparation of action plans by determining who within the organization will perform the strategies composed in order to reach the main objectives and in which form and when.
- Preparation of resource usage and budgets are necessary for the realization of action plans. (Especially, the necessity of not emphasizing the basic competences, continuous evaluation and development of the basic competences, and conducting required changes on the action plans and budgets due to these shall not be ignored while making external environment analysis.)
- Controlling the budget values by comparing with the maximum and minimum values of the limiting variables (Block (2001)).
- Sharing and applying the composed action plans by communicating within the organization.
- Comparing the realized values and the values expected to be obtained as a result of applications. Making performance evaluations and required budget, plan and strategy revisions due to the obtained results.

Figure 1: Sections of developing a strategic model.

Source: Bütüner (2004)

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