
UNIT 6 STRATEGIC RETAIL PLANNING PROCESS

Objectives

After going through this unit, you should be able to:

- have an understanding of the linkage between identifying organizational mission statement and goals;
- know how to identify the business and customer domains within which the organization operates;
- understand how to identify the blue print for accomplishing the organizational mission in retail management;
- understand the marketing, financial and societal objectives in the context of retail business; and
- have an understanding of conducting a portfolio analysis to prepare a strategic plan for continued organizational growth.

Structure

- 6.1 Introduction
- 6.2 Steps of the Strategic Planning Process
- 6.3 Importance of Cost Effective Delivery of Planning
- 6.4 Role of Values Scan and Business Culture
- 6.5 Areas of Influence Determining Strategic Planning
- 6.6 Situation Analysis-Identification of Current Issues
- 6.7 Strategy Development
- 6.8 Strategic Problem Solving Diagnostic Model
- 6.9 Performance Audit
- 6.10 Summary
- 6.11 Key Words
- 6.12 Self Assessment Questions
- 6.13 Further Readings

6.1 INTRODUCTION

Strategic planning is the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future.

The planning process can be viewed as a somewhat circular flow of topics and action steps, where the results from one step initiate study and action in the next step. However, the process does not necessarily always flow in one direction.

Issues that arise in a particular step may cause the planning team to go back to an earlier step to do additional work. If desired, the order of the steps can even be altered to suit the particular needs of the planning team. The implementation step also does not end the planning process.



Analysis of results could easily result in additional analysis or a change in strategic direction. Also, it is recommended that the plan be reviewed on an annual basis to verify that all the base assumptions are still valid and that the implementation plan is progressing according to expectations.

6.2 STEPS OF THE STRATEGIC PLANNING PROCESS

You need to understand that the process of strategic planning is a time consuming exercise.

The following are some of the questions that need to be answered before the start of a strategic planning exercise:

- 1) Determining who is on the Planning Team?
- 2) What is the planning timetable ?
- 3) Where and how often will the planning team meet?
- 4) Who will do the research and business analysis?
- 5) How will information be given to other stakeholders?
- 6) Is the CEO committed?

Further in all organizations plan, the only difference is their approach. Prior to starting a new strategic planning process it will be necessary to access the past planning approach that has been used within the organization and determine how the organization's culture may have been affected. Addressing these cultural issues is critical to the success of the current planning process.

The four possible approaches to planning are:

Reactive: This approach is past oriented, an active attempt to turn back the clock to the past. The past, no matter how bad, is preferable to the present. And definitely better than the future will be. The past is romanticized and there is a desire to return to the "good old days." These people seek to undo the change that has created the present, and they fear the future, which they attempt to prevent.

Inactive: This approach is present oriented, an attempt to preserve the present, which is preferable to both the past and the future. While the present may have problems it is better than the past. The expectation is that things are as good as they are likely to get and the future will only be worse. Any additional change is likely to be for the worse and should therefore be avoided.

Pre-active: This approach is about predicting the future, an attempt to predict the future and then to plan for that predicted future. Technological change is seen as the driving force bringing about the future, which will be better than the present or the past. The planning process will seek to position the organization to take advantage of the change that is happening around them.

Pro-active: This approach is about creating the future, designing a desired future and then inventing ways to create that future state. Not only is the future a preferred state, but the organization can actively control the outcome. Planners actively shape the future, rather than just trying to get ahead of events outside of their control.

The predicted changes of the pre-active planner are seen not as absolute constraints, but as obstacles that can be addressed and overcome.



6.3 IMPORTANCE OF COST EFFECTIVE DELIVERY OF PLANNING

As you would agree that small to medium size companies need the same planning processes as do their larger competitors. Often, the need for planning is even greater in the smaller company, where the risk of being able to effectively respond to an ever-changing marketplace is limited by internal capabilities.

The problem comes down to the cost effectiveness of delivering this planning expertise to a company already limited by financial and people resources.

To evaluate the level of resources needed to move the planning process forward, a self-evaluation needs to be undertaken to determine what level of internal knowledge about the planning process already exists.

If an organization is serious about developing its ability to create its own future, there must be a way to develop a critical mass of competent people in the required knowledge areas.

This requires an organizational awareness of its level of learning and the development of a learning plan to move forward. Part of the learning plan is the identification of available internal training resources and acquiring outside resources when needed.

Activity 1

Talk to a few of the operations managers of the prominent retail chains in your city/town and understand as to how they go about with the strategic planning process in their business in detail.

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6.4 ROLE OF VALUES SCAN AND BUSINESS CULTURE

The importance of values as you would appreciate is integral to the role of evaluation of Business Culture. The Personal values of the Planning team should be empathising with each other.

Further the values of Organization should be derived from answering the following:

- What is important to us profit or growth
- To what extent is this to be a value added organization
- Importance of being a good "corporate citizen"
- Importance of being a "good" place to work

This has to be amplified in the Company's operating philosophy with respect to:

- How work is done
- How conflict is managed
- What accounting procedures are in place.



Thus the company's philosophy has an impact on and on other stakeholders who may start questioning the underlying validity and relevancy of assumptions for the future.

6.4.1 Internal Business Culture

Numerous internal, cultural factors determine the approach an organization will take to the planning process and how the resulting plan will be implemented across the organization.

Some of the questions that will come up are as follows:

- 1) Is the organization willing to seriously engage itself in the strategic planning process.
- 2) Is the organization ready to confront itself in the performance audit and gap analysis phases.
- 3) What are the assumptions about the corporate mission
- 4) What are the assumptions about communicating the strategic plan.

6.4.2 The Two Models of Business Culture

The two models of business culture that can be adapted by retailers are illustrated below. One business operating style is not necessarily better than the other. Each style has its advantages and disadvantages and can only be judged within the particular circumstances faced by the organization.

The two models are:

- Interpersonal Interaction Model of Business Culture
- Risk & feedback Model of Business Culture

Interpersonal, Interaction Model of Business Culture

This model is centered on the following:

Power Culture: Strong leaders are needed to distribute resources. Leaders are firm, but fair and generous to loyal followers. If badly managed there is rule by fear, abuse of power for personal gain, and political intrigue.

Achievement Culture: Rewards results, not unproductive efforts. Work teams are self-directed. Rules and structure serve the system, not an end by themselves. A possible downside is sustaining energy and enthusiasm over time.

Support Culture: Employee is valued as individual, as well as a worker. Employee harmony is important. Weakness is a possible internal commitment without an external task focus.

Role Culture: Rule of the law with clear responsibility and reward system. Provides stability, justice, and efficiency. Weakness is impersonal operating procedures and a stifling of creativity and innovation.

Risk & Feedback Model of Business Culture

This model is centered on the following:

Macho, Tough-guy Culture: High risks, quick feedback of results. (Advertising, entertainment)

Work-hard & Play-hard Culture: Few risks, quick feedback. (Sales driven)

Bet-the-Company Culture: High risk, slow feedback. (Aerospace)



Process Culture: Little to no feedback. Concentration is on "how" work is done. (Highly regulated, government)

Understanding Culture-Interactive questions to ask

- Who sets the style and pace?
- What kind of Role Model are they?
- "Do as we do" or "Do as we say?"
- What behaviour is rewarded, condemned or ignored?
- Is feedback constant, intermittent, at job completion, or never?
- Are improper or unethical practices condoned through silence?
- What information is shared? (needed vs. desired information)
- Is upward information flow constrained? (Do you really know?)
- How is superior performance encouraged?
- What type of performance appraisal system is used?
- How are the best qualified people recruited?
- Is training and development offered to everyone'?
- Are values backed up by time and money?

What is the relative importance of

- bottom line results?
- saving face?
- power building?

Activity 2

Make a visit to some of the departmental stores and observe the interaction of the staff with customers. Then try to Identify the type of organizational culture that is existing and recommend the type of culture they ought to practice.

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6.5 AREAS OF INFLUENCE DETERMINING STRATEGIC PLANNING

The strategic plan as you would agree and support impacts many as we all realise, both outside as well as inside the organization to varying degrees .These must be recognized during various planning phases, including the relationships communication of the plan.

Some of the possible stakeholders are:

- End Consumers
- Key Customer groups, if not direct to end consumer



- Distributors
- Product transporters Intermedian, orage service providers
- Employees
- Internal sale force
- Other support personnel for outside relationships
- Contractors (not really employees, but still impacted)
- Board of Directors
- Financial community
- lenders (long & short term)
- Interest groups
- Community (local residents)
- Environmentalists, social advocates
- Industry trade groups
- Public organizations
- Governmental (specify)
- Media, non-profit (local, regional, national, world)

Activity 3

Make a visit to two/three retail chains in your location, interact with the marketing/customer relationship managers to try and find out the areas that affect the strategic planning process of their store.

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6.6 SITUATION ANALYSIS - IDENTIFICATION OF CURRENT ISSUES

Situation analysis is the process of determining the state of an organisation's business for identifying gaps and taking corrective actions.

Some of the business tools that can be used for situational analysis are as follows:

- Environmental Modeling - External
- Competition Analysis
- Knowledge Analysis

Environmental Modeling - External

This tool helps us to perform a Macro analysis of the following factors that can affect the retailer's business dynamics.



- 1) Raising prices, consumerism, employee attitudes toward work, national & world economy, technological developments.
- 2) Industry - Structure, marketing strategies, financing, governmental regulation, products.

Competitive Analysis - market segmentation, competitor profiles

This tool helps us to answer the following questions about competitors.

- 1) Does anyone (or can anyone) provide substitute goods or services to the same market place?
- 2) Do we have a early warning system to detect competitor's strategies?
- 3) Can we create a sustainable differentiation through building internal capabilities across the following?
 - cost efficiencies
 - maximizing return on capital employed
 - reducing product sourcing cost.
 - reduce expenses in marketing, administration.

Thus this tool helps us to understand competition and search for opportunities. But it tells us that do not let them dictate your actions as by reacting to the actions of others, you are moving away from the ability to create your own future.

Example: Wal-mart has managed to become a retailing behemoth that is able to bargain the price of products sourced from established manufacturing brands like P&G, Coke, Hienz etc. It has in turn passed on the cost efficiencies attained in sourcing to the end consumer.

Knowledge Analysis

The third used for situation analysis is used determine the level of knowledge currently existing in the organisation process. There are two types of knowledge, namely explicit knowledge and tacit knowledge.

Explicit knowledge can be defined by any of the following terms:

Data	
Descriptions	Contributes to efficiency
Policies	Leads to competency
Procedures	Easy to replicate by others
Formulas	
Processes	

Tacit Knowledge is hidden and not easily seen or recognized as being important. It drives competitive advantage.

Personal Knowledge Hard to articulate

Experience Hard to transfer

Know How Hard to copy elsewhere

Know Why High competitive advantage



Example : Wal- mart runs of the largest knowledge management systems that makes available sales patterns across its 200mm SKUs which it uses to decide its every day merchandising mix and obtain competitive bargains from its numerous suppliers.

Activity 4

Make a visit to one of the departmental stores in your neighbourhood/location, talk to the store manager/marketing manager and prepare a roadmap about how they would go about performing the environmental scanning, competitive and knowledge analysis.

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6.7 STRATEGY DEVELOPMENT

Before we go on to describe the strategy development phase of planning we need to formulate the mission statement which should speak about the following:

- Why am I existing?
- What goods and services am I offering?
- For Whom - market segmentation (geographic, sociological, financial, ethnically) am I catering to?
- How do I achive this market strategy, distribution strategy.
- What are the present and future possibilities.
- What are my distinctive competencies/Driving Forces?

Now we can get on with the Strategy development task which is essentially a two step process:

Firstly, identifying strategic thrusts and secondly determining what culture is required to support the chosen strategy(s).

The basic strategy will fall into one of three focuses (only one of which is price related):

- Operational excellence - low price, efficient customer service
- Product leadership - product excellence and innovation
- Customer intimacy - emphasis on customer relationships within a specific segment.

This trickles down to defining the organizational strategy. Further most strategies are a result of deliberate planning process or they may emerge as the result of a set of incremental decisions.

Most realized strategies are the result of a combinations of purely deliberate and purely emergent strategies.

A Brief descriptions of these two types of strategies follows:

Deliberate Strategy: This process starts with an analysis of a company's current mission and strategies. The most popular tool used in this process is the



SWOT (Strengths, weaknesses, opportunities, threats) model. The external environment in terms of opportunities and threats, is analyzed by examining threats to the company's current position and new opportunities (new customers, new applications, unfulfilled customers needs, etc.).

The analysis proceeds by examining the company's internal environment in terms of its strengths and weakness. A mission and competitive strategy is formulated that matches opportunities with strengths and plans are made to strengthen areas of weakness.

The next step is to develop functional strategies that support the overall business level competitive strategy. Marketing, Human Resource, Financial, Operations, Information Systems, and R & D strategies are developed that support the business unit strategy.

Finally, a control system (organizational structure) is designed to insure that operational decisions are made consistent with the business and functional strategies. When every day decisions do not conform with the business and functional strategies, the Intended strategy becomes an unrealized strategy. Many strategic plans have taken this route as they sit on shelves of corporate offices in nicely bound volumes.

Emergent Strategy: Emergent Strategies are the result of incremental decision making that achieve some degree of consistency over time and launch the organization into a direction. When decisions are made or problems are solved, they have potential strategic impact.

As you would remember from the political model of decision making, decision making is, by nature, a political process with various claimants attempting to influence each decision. When there is a strong control system (powerful hierarchy) that insures that decision makers satisfy managerial constraints, intended strategies tend to become realized.

However, when other influences are stronger, or there is no clear direction from above, decisions are made without regard to intended strategy and the organization takes on direction that is a result of the combined affect of these incremental decisions.

The execution of strategy happens across the corporate-level, business-level and functional-level.

Corporate Level Strategy: This involves answering questions like: In particular retail segment business should we be operating? What is the purpose of each of these businesses? The following are generic strategies that can be evaluated by the corporate level team:

Integration

Forward Integration: Gaining ownership or control over distributors or retailers.

Backward Integration: Seeking ownership or control of suppliers.

Horizontal Integration: Seeking ownership or control over competitors.

Diversification

Concentric: Adding new or related product lines

Conglomerate: Adding new, but unrelated product lines

Joint Venture: Two or more sponsoring firms forming a separate organization for cooperative purposes



Some of the other strategies that can be evaluated are as follows:

Market Penetration: Seeking increased market share for present products through enhanced marketing efforts.

Market Development: Introducing present products in new markets.

Product Development: Seeking increased sales by improving present products.

Retrenchment: Regrouping through cost and asset reduction to reverse declining sales and profits.

Divestiture: Selling a division or part of organization.

Liquidation: Selling off tangible assets, in parts for their tangible worth.

Example: The RPG Group's entry into "big box" retailing with "Giant" - hyper market format to complement its foodworld supermarket format chain is an example of concentric diversification.

The following are the generic strategies that can be evaluated by the Business-level team:

Business Level Strategy: This involves answering questions like: How should we compete in our chosen categories/formats? Business strategies involve determining the basis of customer or client decision making. Generally, they are based on some combination of quality, service, cost, time, and quality of the experience.

Cost Leadership Strategies: With this strategy you are competing on price. Your various functional strategies all emphasize cost reduction. This is an effective strategy when the market is comprised of many price sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand example: (Coke vs. Pepsi), or when there are a large number of buyers with significant bargaining power.

Some risks (potential threats) of pursuing this strategy are that competitors may imitate the strategy, thus driving overall industry profits down, technological breakthrough in the industry by other firms (generally firms pursuing this strategy have low R & D budgets), or buyer interest may swing to other differentiating features besides price.

Example: Firms known for this strategy are Wal-Mart, McDonald's which they have deployed in all the major markets where they operate.

Differentiation Strategies: Differentiation strategies rely on some basis of product differentiation such as flexibility, specific features, service, time and availability, low maintenance, etc. as the basis for competition. Product development and market research are generally necessary components of a differentiation strategy.

Generally, a successful differentiation strategy allows a firm to charge a higher price for its product. Organizations generally need strong R & D departments with strong coordination between R & D and marketing departments.

Also Human Resource strategies must place emphasis on maintaining a competitive skill base and motivating employees toward the basis for differentiation. Common risks (potential threats) include there may not exist the necessary price/feature trade-off among customers to justify higher prices, development of a quick copy of the differentiating features without the expensive R & D.

Focus or Niche Strategies: A successful focus strategy depends upon an industry segment that is of sufficient size, has good growth potential, and it is not crucial to the success of other major competitors.



Focus strategies are pursued in limited markets in conjunction with cost leadership and/or differentiation strategies. Focus strategies are the most effective when consumers have distinctive preferences or requirements and when rivals are not attempting to specialize in the same target segment. Risks of pursuing a focus strategy include the possibility that numerous competitors recognize the successful focus strategy and copy the strategy, or that consumer preferences drift towards those of the market as a whole.

Customer groups, geographic areas, and *specific* product lines are some bases of focus strategies. Multiple strategies combinations of the above competitive strategies.

Functional Strategies: These strategies help in addressing questions like how do organizational functional units contribute to the business level strategies? How can functional strategies be integrated to achieve competitive advantage?

They constitute the following strategies:

Marketing Strategies: How do we communicate our strengths to the customer? How do we identify customer requirements and changes in customer requirements?

Human Resource Strategies: How do we recruit, train, develop, motivate, compensate, and place employees so that behavior is directed toward the competitive strategy and works to build competitive advantage?

Financial Strategies: How do we secure financial resources necessary to carry our competitive strategy?

Operations Strategies: How do we design our processes to produce products and/or service that meet customer requirements as specified in our strategy?

Information System Strategies: How do we provide decision makers, at all levels, with information necessary to make decisions consistent with strategy?

Technological (R & D) Strategies: How do we develop products consistent with customer requirements as specified in strategy?

Further, in addition to supporting competitive strategy through the development of the functional strategies, functional specialists also provide tools and information used in the development of strategy.

Activity 5

Assuming that you have been given the mandate for determining the role-play of the board, top management-level, middle-management level teams for an upcoming "homeware" retail venture. Elaborate on the role of each in evaluating and executing the relevant strategy (you may do undertake this activity after talking to a few of the HR managers of the prominent retail firms in your city/town?)

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6.7.1 Changes in the Strategic Planning Process

Over the years, approaches to the planning paradigm have changed significantly. Listed below are two of these trends planning as an event versus continuous Process. Traditional models of planning consisted of a specific planning cycle with data every couple of years.



The intervening years were periods of strategy implementation. Current thinking views strategy development as a continuous process where systems are put in place to continually monitor the environment and make changes and improvements on an ongoing basis

A move from transactional approaches to strategy implementation to transformational approaches often referred to as empowerment or employee participation, a process of employee involvement in the planning process which attempt to build commitment to the mission and strategy is replacing transactional processes.

Transactional processes are typified by planning departments and top management (or consultant) developed plans which are implemented through a reward based control system.

Further transactional processes tap instrumental sources of employee, while transformational processes are based on internal and external self concept, and goal identification bases of employee motivation.

6.8 STRATEGIC PROBLEM SOLVING DIAGNOSTIC MODEL

Strategic Diagnostic Model

This is a simple diagnostic approach to diagnose the level at which problems causes exist. For example:- a declining sales, market share and stymied growth can be caused by fundamental issues with the target domain of the company (markets and products) down to a firm's inability to implement operational plans, or anywhere in between.

The model is a basic description of the levels of organizational analysis needed to be done which has been illustrated using the following flow chart:

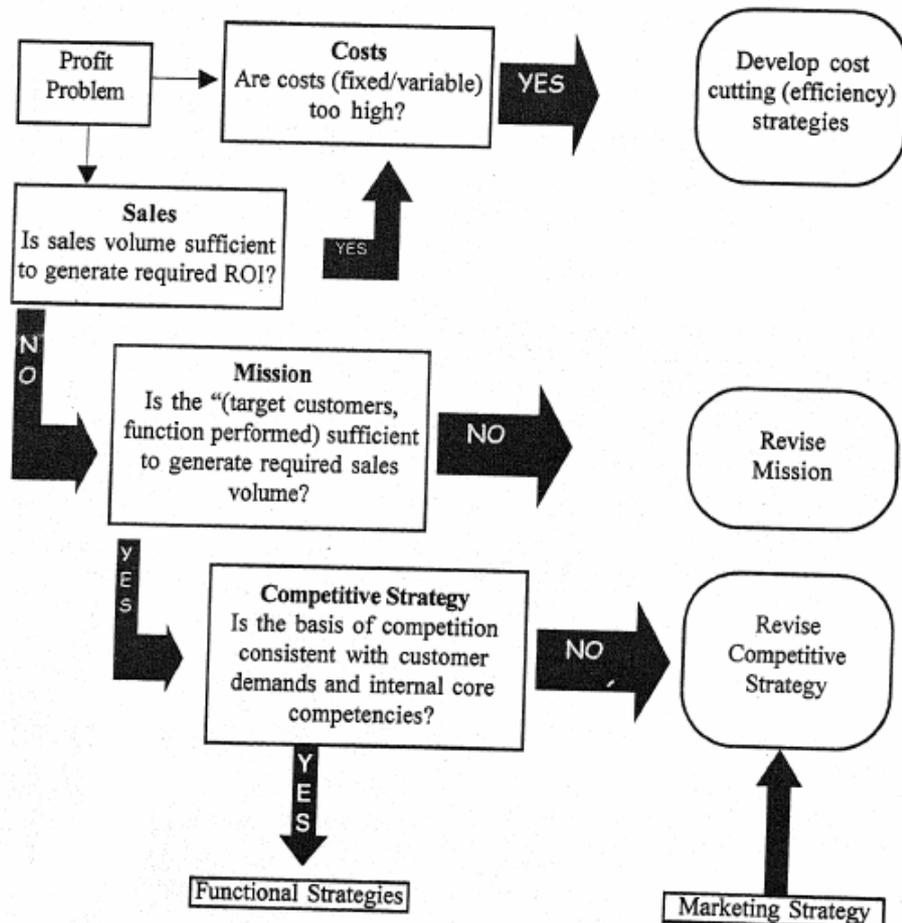
Level	Questions	Basis of Decision	Partial List of Tools
Goals	Profit Goals Sales Goals Market Share Goals Growth Goals	Stakeholder Interests Balance of power among stakeholder	
Mission (Domain)	Who are customers and what function(s) do we perform	Opportunities Core Competencies	SWOT Analysis Market Research Techniques Demographic Trends Economic Forecasts Political Analysis
Competitive (Business Level) Strategy	On What basis do we compete? Price Quality Service Time/Availability	Basis of customer product decision making Competitive Advantage	Market Research Techniques
Functional Strategies			
Marketing Strategy	How do we communicate our strengths to the customer? How do we identify customer requirements and changes in customer requirements?		Reputation building Advertising Promotion Pricing



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Human Resource Strategy	How do we recruit, train, develop, compensation, and place employees so that behavior is directed toward our competitive level strategy?	Employee Ability and Skill Levels Motivation Level and sources of employees.	Behavioral Diagnosis Motivational Diagnostic Models Compensation Training & Development Recruitment & Selection Leadership Style & Culture Job Redesign Empowerment
Financial Strategy	How do we secure financial resources necessary to carry our competitive strategy?		
Operations Strategy	How do we design our processes to produce products and/or service that meet customer requirements as specified in our strategy?		
Information Strategy	How do we provide decision makers, at all levels, with information necessary to make decisions consistent with strategy?		
Technology (R&D) Strategy	How do we develop products and services consistent with customer requirements as specified in strategy?		

Below is a summary illustrating the diagnostic model: **Strategic Diagnosis**



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Mission (Domain): Who are customers and what function(s) do we perform
Opportunities Core Competencies SWOT Analysis Market Research Techniques
Demographic Trends Economic Forecasts Political Analysis

Competitive (Business Level) Strategy: On What basis do we compete? Price
Quality Service Time/Availability Basis of customer product decision making
Competitive Advantage Market Research Techniques.

Functional Strategies

Marketing Strategy: How do we communicate our strengths to the customer? How
do we identify customer requirements and changes in customer requirements?
Reputation building Advertising Promotion Pricing.

Human Resource Strategy: How do we recruit, train, develop, compensation, and
place employees so that behavior is directed toward our competitive level strategy?
Employee Ability and Skill Levels Motivation Level and sources of employees.
Behavioral Diagnosis Motivational Diagnostic Models Compensation Training &
Development Recruitment & Selection Leadership Style & Culture Job Redesign
Empowerment.

Financial Strategy: How do we secure financial resources necessary to carry our
competitive strategy?

Operations Strategy: How do we design our processes to produce products and/or
service that meet customer requirements as specified in our strategy?

Information Strategy: How do we provide decision makers, at all levels, with
information necessary to make decisions consistent with strategy?

Technology (R&D) Strategy: How do we develop products and services consistent
with customer requirements as specified in strategy?

6.9 PERFORMANCE AUDIT

It is essential for you to understand the role of performance audit. It is critical to
reviewing and correcting the strategic plan course though it is a time-consuming
phase in itself.

Performance management is the process of determining the health of the organization
in terms of gauging the "soft" systems and "hard" systems put in place.

A performance audit may start of asking the following generic questions like:

- Which lines of business are most successful? Which are doing poorly? Are my
tacking systems adequate?
- What are my organization's - strengths & weaknesses
- What are the key factors that influence my company's performance
- What are the outside - Opportunities & Threats

Some of the key factors that Influence a company's performance are as follows:

- The ability of management (all levels) to cope with change.
- The nature and effectiveness of the processes used to arrive at major decisions to
bring about change.
- The efficiency of the mechanisms utilized to implement management decisions.



- The internal methods employed to determine and track valid objectives.
- The effectiveness of the way information is communicated within the company.
- The quality of the personnel and attention to recruiting and selecting the proper quality and adding to their abilities with further training.
- Is risk management system in place to assess/uncover hidden business dangers.

Some other aspects that are likely to affect the performance of a *business* are as follows:

Historical Financial Statements

Financial statements show past results and not the future (or even the present). They reflect the momentum of previous decisions and cannot be viewed in isolation without consideration of inter-period changes and why the change is taking place. Financial reports also do not reflect information that may not have been known when the earlier decisions were made.

To what extent have past assumptions changed?

What are the potential impacts in the future?

What adjustments should be made when making decisions today?

Remember: Financial accounting is different from managerial accounting. Financial accounting's objective is to record past actions within GAAP (Generally Accepted Accounting Procedures). Managerial accounting converts company data to a form needed for current decision making. If you use outside accounting or auditing services you will likely be getting only "financial" accounting when you need both.

Reorganizations

Changing assignments will not correct problems unless the underlying issues are adequately identified and fully addressed.

Further not knowing about a problem does not mean it doesn't exist. Ignoring issues until they become obvious in the financial statements will mean that the problem has grown to full maturity and will likely be reproducing additional "little problems" as the organization tries to cope.

Remember: when everything is looking the best, that is the time to pause and search for hidden problems. Congratulations may be premature

Personality Orientation

Being "people oriented" does not mean that you can't look past the person and concentrate on the situation. Concentrating on personality is often a problem in small companies where employees are relatives that may be handling business functions based on their availability, not because of knowledge or experience. But this personality orientation is not limited to family businesses.

A retailer needs to answer the following questions:

- What criteria are used when choosing individuals for assignments?
- Are there differences between the way different people are evaluated?
- To what extent is the "personality" contributing to the situation?
- What approach is taken toward problem identification and resolution?



Remember: wearing rose colored glasses does not make the world rose colored.

Some of the commonly used performance management frameworks are (an illustration) :

- Gap Analysis
- Balanced Score Card
- Value-Chain Analysis

Gap Analysis: This is basically a reality test (Face the facts) which may lead to compromise on both ends, scaling of vision back or work to bridge the gap.

Further it may be impossible to close all gaps simultaneously

which calls for Prioritising efforts for implementation provided the entire organization agrees to the full plan. It demands tracking and course adjustments .

Balanced Scorecard: The balanced scorecard concept is relatively new on the business scene, but is rapidly gaining in popularity as a method of implementing and tracking business strategy, with built-in measurements to track progress.

Stripped down to its essence the balanced scorecard is the analysis of the cause and effect of business processes needed to successfully implement business strategy.

Perhaps, where the balanced scorecard has gone beyond past implementation processes is the emphasis on factors other than the financial, hence the term "balanced." As such there is more emphasis on leading indicators of future performance along with the tracking of past performance, which are often stated in financial terms.

This framework lays stress on the following drivers of business success:

- 1) Financial objectives and measurements
- 2) Customer orientation
- 3) Internal processes
- 4) Learning and capability growth

Value-Chain Analysis: This framework lays stress on the following drivers of business success:

- 1) Understand the customer
- 2) Define the offering
- 3) Manage the offering
- 4) Channel management
- 5) Identify & obtain locations
- 6) Develop marketing facility
- 7) Operate
- 8) Decide the exit Strategy

Thus value-chain analysis uses a drill-down Process in establishing cause & effect linkages that drive performance by focusing on the following three variables:



- 1) Objective
- 2) Strategy
- 3) Measures

6.10 SUMMARY

In this unit emphasises the role and relevance of strategic planning in shaping the organisation's future course backed by a vision and mission that is understood by all concerned.

We have also discussed the importance of creating an open culture of trust, empathy, shared values. Then we elaborated on the various factors that influence strategic planning and how modeling these issues can help in determining the future course of action.

Further we explained the various strategy evaluation options available to retailers and the course of strategy development using certain diagnostic models.

We concluded the unit with discussing the role of performance management describing a few generic models commonly used like Gap analysis, Balanced Score Card etc.

6.11 KEY WORDS

Competitive Advantage: The ability to transform a distinctive competence into a product of service outcome (lower price, better quality, better service, quicker response time, etc.) that makes your product or service more attractive to the customer than your competitors' product or service. A sustainable competitive advantage is not easy for your competitors to duplicate or mimic in the short run.

Core Competency/Distinctive Competence: Special capacities, skills, technologies or resources that enable a company to distinguish itself from its competitors and create a competitive advantage.

Hard Systems: In organizational parlance they constitute the strategy, operations, marketing, intellectual property etc.

Mission: Mission is a set of statements that define the exchange relationship between the organization and its stakeholders or claimants. More specifically a mission defines the population served and the *function* it fulfills or the need it satisfies for that claimant.

Opportunity: A group of potential customers whose needs are not being satisfied adequately. A White Space Opportunity exists when there is no other organization attempting to satisfy this need.

Soft Systems: In organizational parlance they constitute the systems, processes, reporting system, reward and appraisal systems in place.

Stakeholders: Organizational stakeholders include Shareholder, Customers/ Clients, Employees, Public at Large (communities, regulatory groups, interest groups, etc.), and Suppliers.



6.12 SELF ASSESSMENT QUESTIONS

- 1) Characterize a strategic plan. Describe its purpose?
- 2) What are the elements of a strategic planning process? Explain in detail their significance?
- 3) Compare and contrast between concentric diversification, horizontal diversification, and conglomerate diversification?
- 4) Identify and briefly describe the factors to be considered in developing an organizational mission statement?
- 5) What do you understand by performance management? Explain the three performance management frameworks discussed in this this unit?

6.13 FURTHER READINGS

Retail Management by Chetan Bajaj, Rajnish Tuli and Nidhi V Srivastava. (Oxford University Press).

Retailing by Dale M. Lewison (sixth edition-Prentice Hall)

The art of Retailing by A.J.Lamba (Tata McGraw-Hill Publishing).