CHAPTER 3: DEVELOPING BUSINESS STRATEGIES /DEVELOP BUSINESS STRATEGIES

1.1. Introduction of the Unit of Learning / Unit of Competency

This unit specifies the competencies that are required to develop business strategies, it involves developing business strategic plan, developing business plan, developing policies and set procedures, preparing the trainee in tactical plans, monitoring and evaluation business environment. This unit will deal with the environmental scanning in accordance to PESTEL, Analysis of SWOT in regard to the business environment, and development of Vision, mission, goals and objectives of an organization, strategy formulation, implementation and evaluation. Business strategies are the course of action or set of decisions that an organization takes to achieve a certain specific objectives in the organization. By the end of the training the trainee will able to identify the External factors that affect the business environment like PESTEL, internal factors like SWOT analysis and how the vision, mission, goals and objectives are developed to ascertain the capability of the organization.

This unit is important economically because it will enable the trainee to understand how the PESTEL factors affect a businesses and how to respond appropriately. The trainee will be in a position to analyze the organization's strength and weaknesses, opportunities and threats. The trainee will be able to formulate business strategic plan and should be able determine the mission, vision, goals and objectives as used in organizations. The trainee will be well equipped with skills necessary to undertake corrective action and to choose the best strategies to undertake for developing business policies and procedures. The learning resources for this course are tools and equipment like computer, stationeries, questionnaires, and mark pens, PPEs like safety shoes, gloves, sunscreen lotions and reference books. The trainees should expect discussions, work assignment and case studies. This unit is core in business management for level 6

1.2. Performance Standard

By the end of the training, the trainee should be able to identify functional area policy, SWOT analysis, validate organization draft policies and present it for approval in accordance with organizational policy activities and requirements for tactical plans and the variance should be calculated with variance analysis formulae and SOP's usage of corrective action report.

1.3. Learning Outcomes

1.3.1. List of Learning Outcomes

a) Develop business strategic plan
b) Develop business policies and procedures
c) Prepare tactical plans
d) Monitor and evaluate business operations
e) Undertake corrective action

1.3.2. Learning Outcome No. 1. Develop Business Strategic plan

1.3.2.1. Learning Activities

Learning Outcome #No. 1. Develop Business Strategic plan	
Learning Activities	Special Instructions
• Using a Chart explain the Effect of PESTEL in scanning business environment. • By use of a graph illustrate the SWOT analysis concept • Develop business vision, mission, goals, objectives and values • Formulating business strategies	• The instructor Display a chart on PESTEL for the trainers to analyze. • The instructor present a graph with a SWOT analysis concept • The instructor displays vision, mission, goals, objectives and values. • Trainers to formulate business strategies.

1.3.2.2. Information Sheet No. 2/LO1

Introduction

The learning outcome intends to enable the trainee to differentiate between the internal and the external environmental factors in the business organization, SWOT analysis, developing a business mission, vision, goals and objectives, formulate business strategies and implement strategy. The study would also look upon developing business strategies, policies and procedures, preparing of the tactical plans, monitoring and evaluating business operations and finally undertaking corrective action.

Definition of Key Terms

Environment: It consists of the internal and external factors that influence a business; these include SWOT analysis and PESTEL factors respectively. The internal factors that affect the business are customers, employees, clients, owners and employers in the organization. The analyzing of the internal and external environment, the business will have a competitive edge over its rival in the same industry. ***PESTEL Factors*** include Political, Economic, and Socio-cultural, Technology, Ecological and legal factors that influence the business environment in conducting its operations.

Strategy: is a set of key decisions or plans made to meet objectives. It can also be defined as a method of competition. A strategy of a business organization is a comprehensive master plan stating how the organization's mission and objectives will be met.

Mission*:* It serves to define the management the market products and environmental domain in which the organization aims to be successful. It is a brief description of a company's fundamental purpose. It answers the question, "Why does our business exist? The mission statement articulates the company's purpose both for those in the organization and for the public**.**

Values: they regard that something is held to deserve; the importance, worth, or usefulness of something.

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How to formulate a strategy

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.

The process involves six main steps as indicated:

i. Organization's Objectives

The starting point of any strategy formulation is to set the short term and the long-term objectives of the organization. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Before selecting objectives, it is important for an organization to analyse factors that influences them.

ii. Evaluating the Organizational Environment

The second step is to evaluate the general economic and industrial environment in which the organization operates. The company identifies its strengths and weaknesses and keep watch over its competitors' actions in order to understand the opportunities available and threats.

iii.Formulating Quantitative Goals

In this step, the organization defines the targets so as to meet its short term and long term goals.

iv. Aiming in context with the divisional plans

This step involves identifying the contributions made by each department or division as per the strategic planning.

v. Performance Analysis

Performance analysis comprises of discovering and analysing the gap between the planned and the desired performance. An evaluation of the past performance, present condition and the desired future expectation must be done by the organization. This important evaluation identifies the gaps that persist between the actual reality and the long-term practical aspirations of the organization.

vi. Choice of Strategy

This is the last step in Strategy Formulation. The best course of action is taken after taking into consideration the organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

The business environment is scanned in accordance with the PESTEL;

Political.
These factors determine the extent to which a government may influence the economy or a certain industry. This may also include government policy, corruption, political stability or instability, foreign trade policy, tax policy, environmental law and Trade restrictions. The government may have in hand profound impact on healthy regulations, education systems and infrastructure.

Economic.
These factors determine an economy's performance that may directly have an impact to a company and may have resonating long term effects. For example, if there is rise/increase in the inflation rate of any economy, it can affect the way companies' price their products and services. Other economic factors are exchange rates, unemployment rates, interest rates and economic growth. This may have short term or long term effect to the company.

Social.
These factors examine the social environment of the market. It is concerned with issues like demographic trends, cultural trends and population analytics. This includes population trends such as age distribution, income distribution, safety emphasis, career altitudes, cultural barriers and life style altitude.

Technological.
These factors refer to innovations in technology as this may affect the operations and activities of the industry and the market favourable or unfavourable. This may include technology incentives, automation, research and development activity and technology change. The factors may affect the business to enter or not to enter, to launch or not launch the product.

Legal.
These factors may be both external and internal sides. They include those that may affect business environment in a certain country while there are certain policies that companies such as maintain for themselves. This factors include specific laws such as discrimination laws, anti-trust laws, employment laws, consumer protect laws, copyright and patents laws and health and safety laws.

Environmental.
These factors include all those that influence or are determined by the surrounding environment. These factors include ecological and the environmental factor such as weather, climate and environmental aspects. Factors of the PESTLE are crucial for certain industries particularly for example tourism, farming and agriculture.

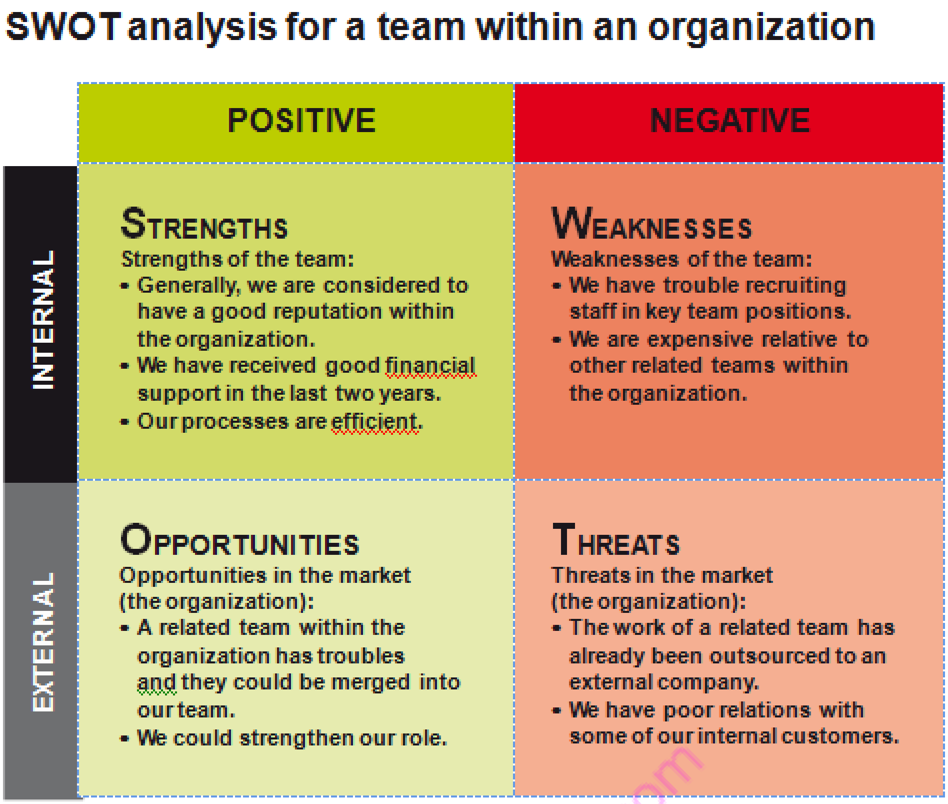

Figure 6: Illustrations of a SWOT analysis

SWOT analysis is a tool that can be used to create an overview of an organization's position within a particular market, or a team's position within an organization. The SWOT matrix is also used to determine and compare the internal strengths and weaknesses of the organization or team. It is also used to analyze the opportunities for it and threats to it within the market. The information collected assist in decision making that could help place organization into stronger position by capitalizing on its strengths, minimizing the weaknesses, exploiting the opportunities open to the market, and mitigating any threats.

Strategy formulation refers to the appropriate course for the realization goals, objectives, and values thereby achieving the organizational Vision. The business strategic formulation involves 6 business formulation processes.

Figure 7: Illustration of business strategic formulation

a) **Establishing Organizational Objectives**
For any organization setting the key component of any strategy plan is setting long term goals and objectives of the business. The strategic decisions are taken after the management has developed the objectives of the business. Objectives stress the state of being there whereas Strategy refers to the Process of being there.

b) **Analysis of Organization Environment**
The organization involves the SWOT analysis whereby the business the company examines the internal factors of strengths and weaknesses and external factors of Opportunities and threats in order to identify the Rivals actions. Internal factors are which the company has control over it whereas the external factors are which the company has no control over it. A successful firm usually builds around its strengths and mitigates its weaknesses, identifies the external opportunities to explore and seeks protection from external threats.

c) **Forming quantitative goals**
The organization should be able to define the short term and long term objectives in order to meet its targets. The reason for this is normally to compare long term customers and helps to evaluate their contribution to product zones.

d) **Objectives in context with divisional plans**
This involves the setting up of targets in each and every department so that they work in coherence with organization in whole.

e) **Performance analysis**
This is done usually to estimate the degree of the variation between the actual performance and the set standard performance.

f) **Selection of the strategy**
This is the last step of strategic formulation and it involves evaluation of the alternatives and the selection of selected strategy of the organization.

Conclusion

The strategies adopted by an organization are very important because they determine its success or downfall. By having a workable strategy, the organization is able to establish its strong and weak areas and work on them. Its opportunities that it the company should take to expand its business and the mitigation risks that it should be able to have to reduce threats from Competitive firms.

1.3.2.3. Self-Assessment

1. What is the key outcome from PESTEL analysis?
    A. Five Forces
    B. Identification of the drivers for change
    C. Critical success factors
    D. Possible scenarios
2. When using PESTEL it is easy to get overwhelmed by a multitude of details. Instead, it is important to step back and identify the:
    A. key drivers for change
    B. relevant Five Forces that exist
    C. complex links between each of the factors
    D. market segments
3. Which three of the following are the most useful ways in which a group of managers could use scenario planning?
    A. To consider plausible alternative futures
    B. To ensure that the managers always select the only scenario that will work in practice
    C. To develop contingency plans for each scenario
    D. To increase the managers' understanding and perception of forces in the business environment
4. It is always useful to ensure that the three scenarios are 'optimistic', 'middling' and 'pessimistic'.
    A. False

B. True

5. The sharing of knowledge and experience in organizations is an essentially social and cultural process.
   A. False
   B. True
6. Which of the following statements correctly relate to value chains?
   A. Technology development is a primary activity.
   B. Marketing and sales is a support activity.
   C. Procurement is a support activity that occurs in many parts of the organization.
   D. Operations are primary activities that transform inputs into the final product or service.
7. The purpose of a SWOT analysis is to analyze:
   A. The strategic capability of an organization.
   B. External and internal environments.
   C. The business environment and the strategic capability of an organization relative to its competitors.
   D. The business environment in which an organization operates.

8. Formulate a strategic plan of an organization of Uzuri Company Limited
9. Formulate a mission statement
10. Formulate Vision statement, objective and values of any organization.
11. Explain SWOT analysis with any organization of your choice
12. Formulate PESTEL factors affecting the organization of your choice.
13. The business environment is scanned in accordance with the PESTEL and choice of strategy is the last step in strategy formulation.
14. True
15. False
16. Describe SWOT analysis in developing business strategic plan
17. Formulate PESTEL factors affecting a global organization of your choice

1.3.2.4. Tools, Equipment, Supplies and Materials for the specific learning outcome

- Computer
- Stationeries
- Internet connectivity
- Calculator
- Questionnaires
- Digital devices
- Reference books from business Authors

1.3.2.5. References

1. Glaister, K.W., Falshaw, J.R. (1999). *"Strategic planning: still going strong?", Long Range Planning*, Vol. 32 No.1, pp.107-16.

2. Grant, R.M. (2011). "The resource-based theory of competitive advantage: implications for strategy formulation", *California Management Review, Vol. 33 No.3, pp.114-35*.
3. Kotler Philip, (2001) A frame work for Marketing Management, India, Pearson Education Inc

1.3.3. Learning Outcome No. 2. Develop Business Policies and Procedures

1.3.3.1. Learning Activities

Learning Outcome #No. 2. Develop Business Policies and Procedures	
Learning Activities	Special Instructions
• Draw a policy document that can be used by an organization • A visit to a nearby organization to check on their policy documents. • The trainees to prepare communicating tactical plans for organization of their choice.	• The instructor Display a policy template form for trainees to analyze. • Instructor supervise the organizations visit • The instructor to listen to their presentation.

Information Sheet No. 3/LO2

Introduction

This learning outcome intends to enable the trainee to identify functional areas that are found in organizations and develop draft policies that govern these important areas develop organizational procedures; that would enable the organizations policies be achieved and validating the draft policies and communicating it to the concerned employees for implementation. This unit will introduce the trainees to the various functional policies employed in an organization. The trainee will be instructed on how to draft a policy and learn on its importance to the organization.

Definitions of key terms

Functional Area Policy: As per the functional areas in an organization, business policies may be classified as production policies, marketing and sales policies, financial policies and human resource development policies.

Production Policies Production policies are framed and concerned with the following issues:

i. The product line and type.
ii. The type of technology, processes, equipment and tools, to be used
iii. The selection of factory site, location and layout.
iv. The decisions regarding scale of production
v. Making of production budgets manufacturing costs and deciding about total cost and cost of installation and its maintenance
vi. The selecting of junior executives to perform various tasks.
vii. Inventory control
viii. Organization and coordination of the activities
ix. Selection of systems of quality
x. Cost production control

Content

Marketing and Sales Policies

The policies relate to policies in market analysis, business law, display, salesmanship and advertising. They are concerned with total process of marketing which tends to cover both 'product mix' and 'market mix'. Product mix is concerned with decisions regarding the type, quantity and quality of product design, contents shape, methods and techniques of production. Market mix is concerned with issues like price, place, promotion, channels of distribution, advertising policies, packaging and branding decisions, consumer psychology and behavior and pricing of the product etc.

The modern market has advocated the treatment of a 'consumer as a king' hence every product is brought to satisfy customer's needs. The policies in this field, therefore, deal with the following issues:

a) Getting to know the present and potential markets, the size and nature of consumers.
b) The degree of competition in the market and how best could it be dealt with.
c) The location of prospective consumers and persuading them to purchase.
d) Fixing the price of products, offering discounts and other concessions.
e) Paying salesman adequately; and providing them with training and developmental opportunities.
f) Selecting channels of distribution or employing representatives and agents.
g) Dividing the total market into branches, segments or dealer areas.
h) Coming up with advertising policies

Financial Policies

Financial policies are the most important business policies of an organization. It depends on the entire success and failure of a business unit of the organization. If they are well framed, they help in effective utilization of the resource like men, machine, market, method, materials and long term survival of the business.

Financial policies are important to an organization because it enables it to:

i. To know its capital requirement in terms of short, medium and long term.
ii. The credit policy, declaration and distribution of dividend to the shareholder.

Human Resource Development Policy

This policy is concerned with human resource utilization, recruitment and selection of staff, training for employment, the promotion and transfer policy, the matters regarding compensation to the employees, wage incentive and other perks, benefits and services etc.

How to Develop Policies and Procedures

Policy development usually starts by identifying need, gathering information, drafting, consulting and reviewing. The following steps summarize the key stages involved in developing policies:

- ✓ Identify need
- ✓ Policies can be developed:
- ✓ In expectation of a need
- ✓ In reaction to a need

The organization is supposed to constantly assess its activities, responsibilities and the external environment for it to identify the need for policies and procedures.

Identify who will take lead responsibility
Delegate responsibility to an individual, working group, sub-committee or staff members, according to the expertise required.

Gather information.
In this stage, the person drafting the policy should have accurate understanding, consult on what other organizations have done and get existing examples that one can draw on.

Draft policy.
The wording and length or complexity of the policy should be appropriate to those who will be expected to implement it.

Consult with appropriate stakeholders
Policies are most effective if those affected are consulted and have the opportunity to consider and discuss the potential effects of it. Regardless of whether one is developing policies to govern the internal working of the organization or external policy positions, one may wish to consult supporter, staff and volunteers, management committee members and service users or those likely to benefit.

Finalize / approve policy.
This is the approval stage. If it is a strategic issue then it should be approved by the Management Committee.

Consider whether procedures are required
Procedures are required to support internal policies. Factor whether there is a need for clear guidance regarding how the policy will be implementing and by whom.

Implement.
This stage is concerned with policy communication. For example how will the policy be communicated and to whom? It is also considered whether training is required to support the implementation among staff and volunteers.

Monitor, review, and revise.
This is concerned with monitoring and reporting of the policy. Systems should be put in place to ensure that the policy is implemented and to assess usage and responses.

Draft Policy Template.
A uniform template should be used when developing and drafting Policies. It should consist of the following:

i. **Purpose:** This component states the reason for or the origin of the policy.
ii. **Covered Parties:** It identifies to whom the policy applies.
iii. **Defined Terms:** It lists terms that may have specialized meaning in the policy.
iv. **Responsible Parties:** Identifies and provides contact information for the department responsible.
v. **Related Policies and References:** These are reference to or attachment of related policies or documents, including those of any other organization.

Case study on policy and procedures dissemination

A County Education officer has been given the responsibility by the Board of Education for implementing policy and procedures, which includes maintaining the Board Policy Handbook and the Administrative Procedures Manual and their dissemination to the appropriate members of the County.

Procedures

The County Education Officer will ensure that the Board Policy Handbook and the Administrative Procedures Manual will be available on the County website so that all trustees, staff members, students, parents and the general public have ready access to all Board Policies and Administrative Procedures.

Incase updates to the Board Policy Handbook and the Administrative Procedures Manual are made, the designate will ensure that the concerned persons are advised in a timely manner. These individuals are responsible to advise the appropriate education stakeholders as required. It shall be the responsibility of the Principal and County Office supervisors to convey and interpret policy and administrative procedures to their respective staff members.

Conclusion

For any organization to succeed, it must have policies and procedures to be followed. The employees should be conversant with the policies for proper implementation.
Formulate a policy document of an organization.

Self-Assessment

1. Which of the following accurately categorizes the machines an organization uses?
   A. Tangible, financial resources
2. B .Intangible, financial resources
   A. Tangible, intellectual capital
   B. Tangible, physical resources
3. What term is used for an organization's abilities to renew and recreate its strategic capabilities to meet the needs of a changing environment?
   A. Competent substitution
   B. Core competence
4. C .Renewability
   A. Dynamic capabilities
5. Core competences are the skills and abilities by which resources are deployed through an organization's activities and processes such as to:
   A. Survive using approaches and techniques that others cannot imitate or obtain.

B. Survive.
C. achieve competitive advantage in ways that others cannot imitate or obtain
D. Achieve competitive advantage.

6. A competitor finds it difficult to identify the basis for an organization's competitive advantage. What term is used for this situation?
   A. interdependent causality
   B. Causal dependency
   C. Causal ambiguity
   D. Ambiguous inter causality
7. Which of the following statements correctly relate to explicit and tacit knowledge?
8. A.A systems manual is an example of explicit knowledge.
9. B. Tacit knowledge is easier to imitate.
10. C. Explicit knowledge is easier to communicate.
    A. Tacit knowledge is personal, context-specific and therefore hard to communicate.
11. The sharing of knowledge and experience in organizations' is an essentially social and cultural process.
    A. False
    B. True
12. Which of the following statements correctly relate to value chains?
    A. Technology development is a primary activity.
    B. Marketing and sales is a support activity.
    C. Procurement is a support activity that occurs in many parts of the organization.
    D. Operations are primary activities that transform inputs into the final product or service.
13. The purpose of a SWOT analysis is to Analyse:
    A. The strategic capability of an organization.
    B. External and internal environments.
    C. The business environment and the strategic capability of an organization relative to its competitors.
    D. The business environment in which an organization operates.
14. Best-in-class benchmarking seeks to assess organizational performance against:
    A. The competitor who is 'best in class' wherever that may be.
    B. The nearest geographical competitor.
    C. The nearest principal competitor.
    D. The competitor who is the best in the industry.
15. What is the difference between a policy and a procedure?
16. Draft a policy on an organization of your choice?
17. Evaluate how the policies and Procedures are evaluated?
18. Describe development of business policies and procedure
19. Using your institution, explain the importance of its financial policies
20. Draft policy should be complex for improper implementation/
    a) True
    b) false

Tools, Equipment, Supplies and Materials for the specific learning outcome

- Computer
- Stationeries
- Tablet
- Internet connectivity

References

a) Kotler Philip. (2001). A frame work for Marketing Management, India, Pearson Education Inc
b) Glaister, K.W., Falshaw, J.R. (1999). "Strategic planning: still going strong?", Long Range Planning, Vol. 32 No.1, pp.107-16.
c) Grant, R.M. (2011). "The resource-based theory of competitive advantage: implications for strategy formulation", *California Management Review, Vol. 33 No.3, pp.114-35*.
d) Heifetz, R., & Laurie, D. (2010).The work of resource management. *Harvard Business Review*, *79* (11), 131-141.

1.3.4. Learning Outcome No. 3. Prepare Tactical Plans

1.3.4.1. Learning Activities

Learning Outcome #No. 3. Prepare Tactical Plans	
Learning Activities	Special Instructions
• Preparation of a tactical plan using a strategic plan of a given organization. • The roles of low level management in preparing Tactical plans in organization of their choice	• The instructor display a strategic plan for trainers to prepare a tactical plan from it. • The Instructor to group them according to the population of the class.

1.3.4.2. Information Sheet No. 3/LO3

Introduction

This learning outcome intends to enable the trainee to know that tactical planning is an important element in business and varies somehow from the common strategic and operational planning methods. For any business goal set, there must be a plan to achieve because without defined steps it can be difficult to tackle the goal one has set. Tactical planning occurs after the strategic plan is outlined and can be outlined more frequently for example weekly, monthly or annually. When developing a tactical plan, one should consider the timeline for achieving the goals, the tools or resources required to accomplish the objectives and specific actions to be taken to achieve the intended outcome.

In this unit, the trainees will be exposed to the differences between a strategic plan and tactical plan. They will be instructed on how to prepare a tactical plan in accordance to the strategic goals and departmental objectives. It will introduce to the trainees on how to identify operational gaps and how to deal with them.

By the end of the training the trainee should be able to identify operational gaps, prepare a tactical plan and communicate it as per strategic goals.

Definitions of key terms

Tactical plans: It is a short range planning that specifies the current activities and operations of various parts of the organization. Short term is a period time of one year or less. Managers use the strategic plan to come up with a Tactical plan. Tactical plans are mostly concerned with the responsibility and functionality of the lower-level departments to accomplish their parts of the strategic plan. Flexibility should be encouraged into the tactical plans to allow for unanticipated happenings.

Content

Operational gap involves the comparing of the actual performance with desired or most preferred performance of an organization. It is concerned with determining, documenting and improving the difference between business requirements and current capabilities.

Once the general expectation of performance in an industry is understood, it is easier to compare the expectation with the current level of performances.

Tactical plans should reflect the priorities of management and make use of the strengths of the organization and its employees. Tactical plans should be linked to the strategic plan. For example if the management sets a strategic plan focusing on increasing sales through new customer acquisition, but the sales team sets tactical plans focusing on increasing customer service on existing accounts, there is a disconnect between the tactical plans and the strategic goal.

Differences between a strategic plan and a tactical plan

A strategic plan supports the organization's vision and mission statements by outlining the high-level plan to achieve both. It generally provides a broad, long-term image.

The top management uses reports on finances, operations and the external environment to project future actions in the development of a strategic plan.

A strategic plan facilitates the development of tactical plans.

A tactical plan outlines actions to be taken in order to achieve short-term goals which should be within a year or less.

Tactical plans are narrower in focus as compared to those of a strategic plan and can be broken down into the departmental or unit level.

Tactical plans specifies on what each department needs to achieve, how it must do so and who has the responsibility for implementation.

How to prepare a departmental tactical plan

1. Review the company's overall strategic plan
2. Analyze the industry (external)
3. Analyze your customers (external and internal customers)
4. Analyze your competitors
5. Analyze your department
6. Determine the main categories of initiatives on which your department will focus
7. Brainstorm initiatives.

Conclusion

A tactical plan is important to an organization because it enables the long term goals to be achieved in a company. Tactical plans also work together with top level management in achieving the objective and the vision of the organization.

Write down the components of a tactical plan

1.3.4.3. Self-Assessment

1. Assume you are the manager in ABC Company and the company's goals are not being met. Prepare a tactical plan to solve the problem
2. What are ways of communicating tactical plan?
3. Identify operational gaps
4. Differentiate between tactical plan and strategic
5. Three types of plans usually prepared by companies include annual plans, strategic plans, and __________ plans.
    a. hourly

b. long-range
c. model
d. psychological

6. The difference between annual and long-range plans versus a strategic plan is that the annual and long-range plans deal with the company's current businesses and how to keep them going, while the strategic plan deals with:
   a. Functional activities.
   b. Global activities.
   c. Tactical decisions.
   d. Adapting the firm to take advantage of opportunities in its constantly changing environment.
7. . _______________ is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities.
   a. Strategic planning
   b. Strategic control
   c. Strategic networking
   d. Functional development

1.3.4.4. Tools, Equipment, Supplies and Materials for the specific learning outcome

- Computer
- Stationery
- Tablet
- Internet
- Reference books

1.3.4.5. References

a. Kotler Philip, (2001). A frame work for Marketing Management, India, Pearson Education Inc
b. Glaister, K.W., Falshaw, J.R. (1999). "Strategic planning: still going strong?", Long Range Planning, Vol. 32 No.1, pp.107-16.
c. Grant, R.M. (2011). "The resource-based theory of competitive advantage: implications for strategy formulation", *California Management Review, Vol. 33 No.3, pp.114-35*.
d. Heifetz, R., & Laurie, D. (2010).The work of resource management. *Harvard Business Review, 79* (11), 131-141.

1.3.5. Learning Outcome No. 4. Monitor and Evaluate Business Operations

1.3.5.1. Learning Activities

Learning Outcome #No. 4. Monitor And Evaluate Business Operations	
Learning Activities	Special Instructions
• Preparation of a balanced score card • Calculation of variance from an example given	• The instructor writes down the employers expectations as compared to performance for trainees to prepare a balanced score card. • The instructor to write examples for trainers to calculate variance

Information Sheet No. 3/LO4

Introduction

This learning outcome intends to enable the trainee to draw a balanced score card and explain how it assists the organization in determining whether it has achieved its target and how to improve their performance. The trainee will get knowledge on how to calculate variance and report on it by preparing a variance analysis report.

The unit intends to introduce the trainees to balanced score card and out of it come up with a variance analysis report. The trainee will be instructed on how to draw and interpret the balanced score card. They will also be introduced to variance and how it is calculated.

By the end of the training, the trainee should be able to: carry out periodic comparisons of actual operations against plans, calculate variance and carry out balanced score card analysis and prepare variance analysis report as per organization procedure.

Definitions of key terms

Variance Analysis Formulae: It refers to the investigation as to the reasons for deviations in the financial performance from the standards set by an organization in its budget. It helps the management to keep a control on its operational performance.

Variance analysis is the quantitative investigation of the difference between actual and planned behavior. This analysis is used to maintain control over a business. Variance analysis also involves the investigation of these differences, so that the outcome is a statement of the difference from expectations, and an interpretation of why the variance occurred.

There are several problems associated with variance analysis that discourages many companies from using it. These are:

i. ***Time delay.*** The accounting staffs are supposed to compiles the variances at the end of the month before issuing the results to the management team. This slows the feedback needed by the management hence rely upon other measurements or warning flags that are generated on the spot.

ii. ***Variance source information.*** Many of the reasons for variances are not located in the accounting records, so the accounting staff has to search through such information as bills of material, labor routings, and overtime records to determine the causes of problems. The extra work is only appropriate when management can actively respond by correcting problems based on this information.

iii. ***Standard setting.*** Variance analysis is mainly a comparison of actual results to an arbitrary standard that may have been gotten from political bargaining hence, the resulting variance may not yield any useful information.

Balance score card: It is derived from the perceived needs of the firm to balance financial measures that are often used exclusively in the strategy evaluation and control with non-financial measures such as product quality and customer service. BSC helps in critical areas for monitoring and developing strategy.
Financial measures are definitely important though they may not give an organizations' whole picture. The name "balanced scorecard" comes from the idea of looking at strategic measures in addition to traditional financial measures to get a better and "balanced" view of performance.

The Balanced Scorecard (or **balance score card**) is a strategic performance measurement model which is developed by Robert Kaplan and David Norton. Its main objective is to translate an organization's mission and vision into actual operational actions.

In addition, it can help give more information on the chosen strategy such as manage feedback and learning processes and determine the target figures. The vision and the strategy are the starting point of the balanced scorecard that are viewed from four perspectives which includes: financial perspective, the customer perspective, the internal business processes and learning & growth.

Content

Variance (σ^2) is a measurement of the spread between numbers in a data set. It measures how far each number in the set is from the mean and is calculated by taking the differences between each number in the set and the mean, squaring the differences (to make them positive) and dividing the sum of the squares by the number of values in the set. Variance is one of the key parameters in asset allocation.

To calculate variance, start by calculating the mean, or average, of the sample. Then, subtract the mean from each data point, and square the differences. Add up all of the squared differences. Finally, divide the sum by n minus 1, where n equals the total number of data points in your sample.

Sample Variance (s^2)

$$s^2 = \frac{\sum (x_i - \bar{x})^2}{n-1}$$

s^2 = variance
x_i = term in data set
$\bar{x}$ = Sample mean
$\sum$ = Sum
n = Sample size

Figure 8: Variance

Carrying out balanced score card analysis

Analysis is a vital part of a business' balanced scorecard strategy and this is done frequently. The following factors should be put into consideration in the analysis:

i. Always look for any key performance indicators that are not measuring up and performing as required.
ii. Perform root cause analysis on the key performance indicators that are not performing as required.
iii. Look for positive and negative trends in the key performance indicators.
iv. Use statistical analysis or the Six Sigma tool set for better understanding of the data and information.
v. Take the time to understand the information.

Preparation of variance analysis report

General Information

Report is important as it help to identify gap between the planned outcome (The Budgeted) and the actual outcome (The Actual). The gap between Budget and Actual is called the "Variance".

A variance analysis should to be conducted on an annual basis by all centers. The purpose of the analysis is to compare the estimated costs of a rate proposal to the actual costs for the same time period. This enables the centers in determining their variance between cost estimates and actual from year to year.

Variance Analysis Report Due Date

Variance reports are due within 6 weeks of the approved rate cycle end date.

Preparing the Report

Rate Cycle Dates - Be sure to include the dates on which the report is based. These dates should be the approved rate cycle dates.

Proposal Estimates - Enter the estimated cost amounts from the proposal in this column (estimated revenue is not required).

Actual Costs and Revenues – Enter the actual costs from UW's financial system in this column for the time period being reported.

Variance Explanations – They should be concise while ensuring the variance is addressed.

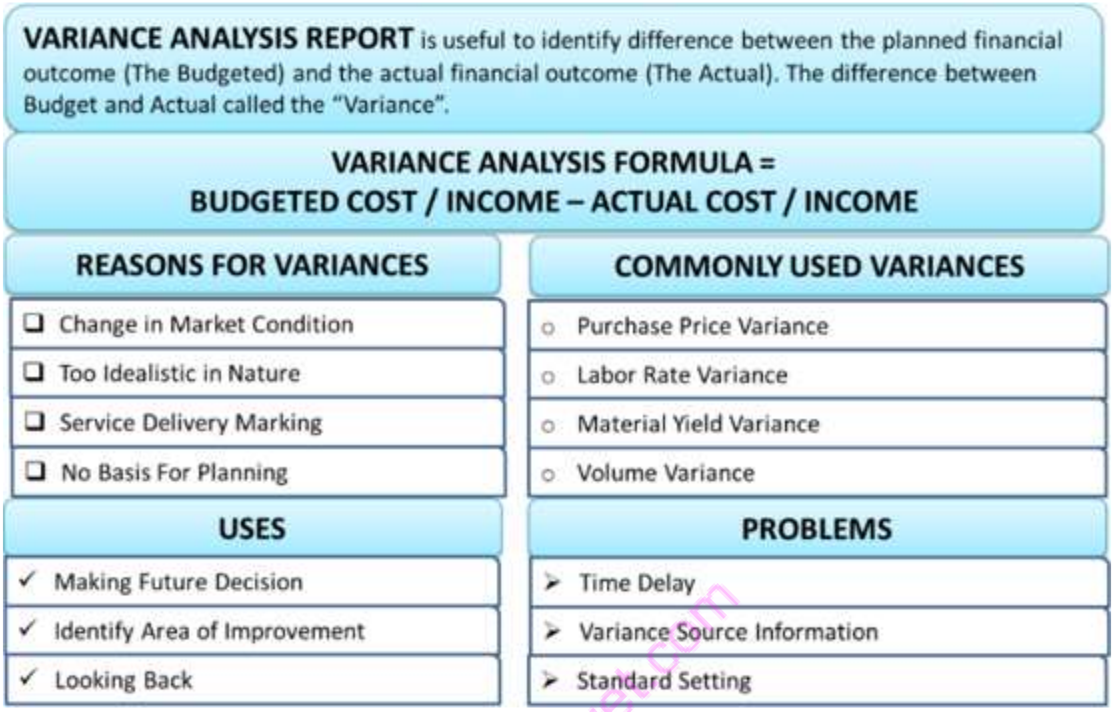

Figure 9: Variance Analysis Report

Conclusion

Periodic comparison of the actual operation against plans enables the organization to assess whether they meet their objectives.
Read more on variance calculation

Self-Assessment

1. Assume you are the manager in ABC Company and the company's goals are not being met. Prepare a tactical plan to solve the problem
2. Calculate the variance from the sum given
3. Carry out the variance analysis of any organization of your choice.
4. Define variance analysis
5. State and explain shortcomings of variance analysis
6. Name the importance of variance analysis
7. Balance score card's major objective is to translate an organization's mission and vision into actual operational actions. Elaborate the above statement
8. Analysis suggests that a company could find a strategy that gains market share for advantage, and that exploits its superior resources and competences. The organizational culture suggests that it should stick to what it knows best. What strategy would you suggest?

A. Diversification
B. Retrenchment
C. Market penetration
a. D .Market development

9. Analysis suggests that a company's existing markets are saturated. The company wants to exploit its strategic capabilities in new arenas and satisfy its stakeholders by making rapid growth. What strategy would you suggest?
    A. Retrenchment
    B. Market development
    C. Diversification
    D. Market penetration
10. If managers use their judgment when applying the techniques, the criteria of suitability, acceptability and feasibility will identify the best strategy.
    A. True
    B. False

Tools, Equipment, Supplies and Materials for the specific learning outcome

- Computer
- Stationeries
- Tablet
- Internet

References

a. Glaister, K.W., Falshaw, J.R. (1999). "Strategic planning: still going strong?", Long Range Planning, Vol. 32 No.1, pp.107-16.
b. Grant, R.M. (2011). "The resource-based theory of competitive advantage: implications for strategy formulation", *California Management Review, Vol. 33 No.3, pp.114-35*.
c. Heifetz, R., & Laurie, D. (2010).The work of resource management. *Harvard Business Review*, *79* (11), 131-141.
d. Kotler Philip, (2001) A frame work for Marketing Management, India, Pearson Education Inc

1.3.6. Learning Outcome No 5. Undertake Corrective Actions

1.3.6.1. Learning Activities

Learning Outcome #No 5 Undertake Corrective Actions	
Learning Activities	Special Instructions
• Preparation of a corrective action upon presentation of a problem.	• The instructor resent a case study on an organization experiencing difficulties for learners to prepare a corrective action.

1.3.6.2. Information Sheet No. 3/LO5

Introduction

This learning outcome intends to enable the trainee to come up with a corrective action plan once presented with a problem. The trainee will also be in a position to understand on the benefits and setbacks of carrying out corrective setbacks. By the end of this unit, the trainee should be able to come up with a corrective action, once an organization realizes that the strategic plan is not being achieved. The trainee will also understand the importance of undertaking a corrective action to an organization.

Definitions of key terms

Corrective actions: It is an action taken to prevent an occurrence of an identified hazard or to prevent recurrence of a problem. A corrective action may also address a weakness detected in a safety management system. Corrective action is an aspect of quality management that aims to rectify a task, process, product, or even a person's behavior when any of these factors produce errors or have deviated from an intended plan. Corrective actions can be thought of as improvements to an organization to eliminate undesirable effects. They can apply to an entire project when the deliverables, whether goods or services, don't meet the expectations.

Benefits: Although the process may seem bureaucratic and drawn out, a formal corrective action offers the following benefits: It walks the organization through the process, so there's no need to reinvent the problem-solving wheel. The corrective action document helps detail steps for solving a particular problem. The corrective benefits process adds transparency to the activity and empowers teams. It captures experience and changes for future events and development.

Drawbacks: If poorly implemented, corrective action becomes a bureaucratic exercise in which corrective action requests are sometimes difficult to achieve. Corrective action tends to focus on symptoms rather than root causes. In addition, a team may fail to note its importance.

Content

Strategic review is a structured process to identify new value-creating opportunities within a business. Many companies undertake strategic reviews on an annual basis as part of their strategic planning process.

Once the final report is issued and agreed upon Management Corrective Actions (MCA's) are entered into Audit Service's MCA tracking database.

Prior to the agreed upon implementation date, the department will receive a request to give substantiating evidence to Audit Services regarding the progress on implementing the action. Some actions can be closed by providing documentation, some will require a meeting with Audit Services, and others may require testing of the new process.

It is vital to complete management corrective actions by the dates agreed upon as those that are not completed will be marked delinquent and reported.

Strategic Planning Review Process reviews the existing strategic plan. This assessment ensures the strategy is effective, focused, and complies with modern industry standards and developments.

The review process also includes a discussion on the ways that the strategic plan can be embedded into the Governance and operational framework of the organization, meaning strategies and day-to-day operations are all directed towards achieving set priorities.

The strategic planning review process explores the following questions with the existing strategic plan:

1) What has worked and what hasn't worked in the past 12 months?
2) What has changed in the environment?
3) What take out and what new things to put into the strategic plan?

The following areas used in reviewing a strategic plan;

- Review Vision/Mission statement and its impact on decision making.
- Review the current strategic plan and relevant business plans against new opportunities and risks.
- Investigate what has been missed and what should be incorporated into the revised strategic plan.
- Investigate any strategic assumptions that have changed and their impact on the strategic plan.

When reviewing progress towards achieving the strategic aims and objectives, the Management Committee should:

1. Ensure that activities are kept within the parameters of the agreed strategic aims and objectives
2. Ensure that activities are consistent with organisation's vision, mission and values
3. If the organisation is charity based, use the information collected to show the public benefit the charity is having
4. Keep under review internal and external changes which may require adjustments to the organisation's strategy or affect their ability to achieve their objectives.

Writing an Effective Corrective Action Plan
Step 1: Clearly state the problem or weakness, including the root cause.
Step 2: List the individuals who will be accountable for the results of the corrective action.
Step 3: Create simple, measurable solutions that address the root cause.
Step 4: Each solution should have a person that is accountable for it.

Conclusion
The strategic plan should be reviewed in relevant to the business plans against the new opportunities and the risks. The organization should also determine the omissions in the plan being amended and include them in a new plan.
Prepare a strategic plan for an organization of your choice

1.3.6.3. Self-Assessment
1. Assume you are the manager in ABC Company and the company's goals are not being met. Prepare a tactical plan to solve the problem
2. Follow up the corrective action set by the organization of your choice in achieving strategic business plan in long term.
3. Define corrective actions
4. Highlight significance of formal corrective actions to an organization
5. Outline an effective corrective action plan procedure
6. Strategic review is a structured process to identify new value-creating opportunities within a community
    a) True
    b) False
7. Balanced scorecards are a means of control through:
    A. Qualitative measures.
    B. Performance targets.
    C. Portfolio management
    D. Quantitative measures.
8. Market systems as control processes typically involve:
    A. A system for the allocation of resources.
    B. Outsourcing of activities.
    C. Using real market forces in the allocation of resources.
    D. A formalized system of contracting for resources.
9. Cultural systems of control are aiming at:
    A. Standardization of outputs.
    B. Standardization of norms/behaviors.
    C. Standardization of skills and behaviors.
    D. Standardization of processes.
10. Adopting a 'financial control' approach from the corporate center involves:
    A. Retaining financial control and strategic planning principles.
    B. Complete devolution of both financial and strategic issues.
    C. Complete devolution of strategic issues but retention of major financial controls.

D. Providing financial devolution but retaining strategic planning principles.

11. The 'strategic control' approach is characterized by:
    A. Agreement between the Centre and divisions within central guidelines.
    B. Complete devolution of strategic and financial controls.
    C. The retention of strategic and financial controls in a top-down approach.
    D. Complete devolution of strategic controls but retention of financial controls

1.3.6.4. Tools, Equipment, Supplies and Materials for the specific learning outcome

- Computer
- Stationeries
- Tablet
- Internet
- Reference books

1.3.6.5. References

1. Kotler Philip, (2001) A frame work for Marketing Management, India, Pearson Education Inc.
2. Glaister, K.W., Falshaw, J.R. (1999). "Strategic planning: still going strong?, *Long Range Planning*, Vol. 32 No.1, pp.107-16.
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