

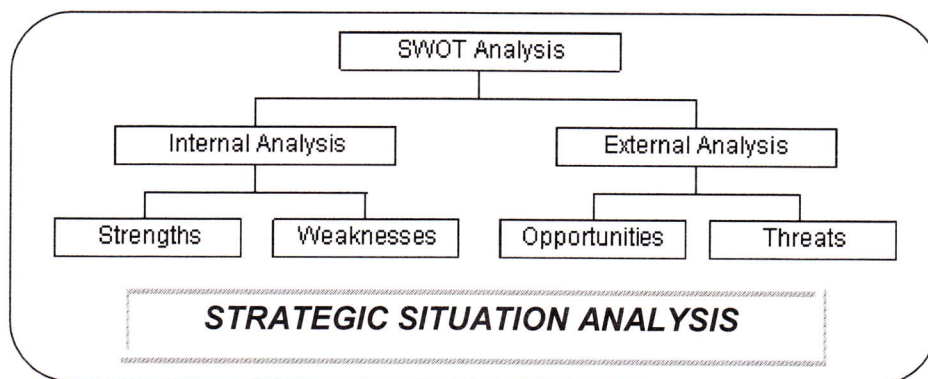
Practical application of STRATEGIC PLANNING - BASIC STEPS

STEP 1: Scanning Internal and External Environment with SWOT ANALYSIS as ANALITICAL TOOL

- ✓ *SWOT analysis is an important analytical tool for strategic planning:*

STRENGTHS
WEAKNESS
OPPORTUNITIES
THREATS

- ✓ *The following diagram shows how a SWOT analysis fits into a **strategic situation analysis**:*



- ✓ SWOT analysis begins by evaluating the current situation in respect of the internal and external environment of the business. This evaluation of the current situation will lead to identification of internal and external factors that affecting business. The internal factors can be strengths, but can also be some type of weaknesses of the business, while external factors can be opportunities or threats to the business. ***In this step, it is necessary to identify all factors and rang them according to importance of business for which is performed the analysis.***

STEP 2: Internal and External Analysis

- ✓ ***In this step, we analyze internal and external environmental factors that influence our business.*** The purpose is to determine whether an internal factor is strength or weakness of our business and whether an external factor is opportunity or threat for our business.

Internal Environmental Factors:

Company culture
Company image
Organizational structure
Key staff
Access to natural resources
Position on the experience curve
Operational efficiency
Operational capacity
Brand awareness
Market share
Financial resources
Exclusive contracts
Patents and trade secrets

External Environmental Factors (MICRO and **MACRO**)

Customers
Competitors
Market trends
Suppliers
Partners
Political and regulatory environment
Economic environment
Social changes
Technological environment

POLITICAL
ECONOMICAL
SOICIAL
TECHNOLOGICAL

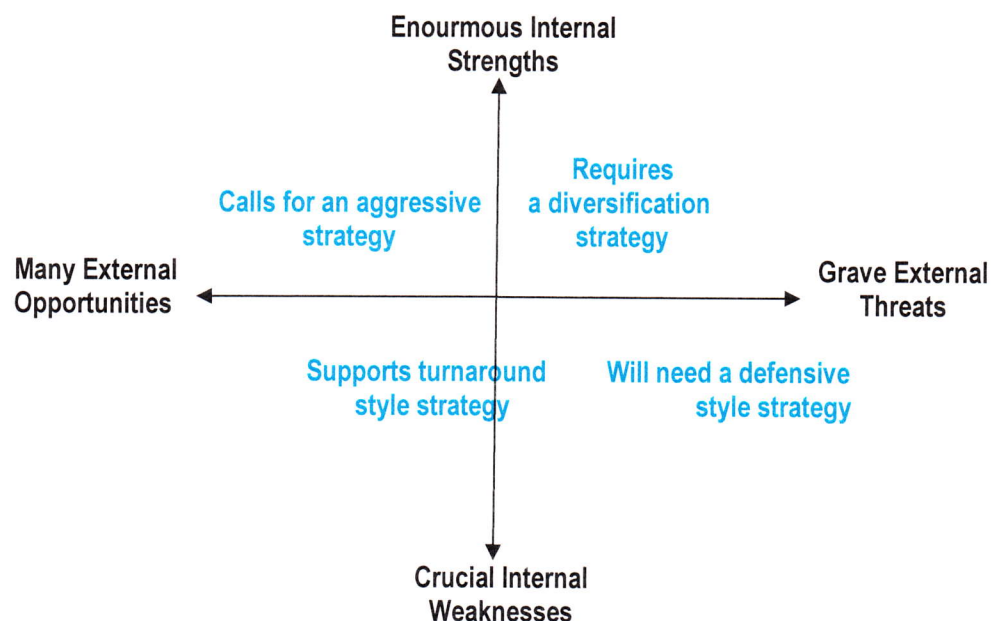
*The SWOT analysis summarizes the internal environmental factors as a list of strengths and weaknesses, and the external micro-environmental factors as a list of opportunities and threats. **The PEST analysis summarizes the the external macro-environmental factors***

as a list of opportunities and threats.

STEP 3: Constructing SWOT Matrix

- ✓ Until now we have already listed influential factors from inside and outside our business and classified them as strengths, weakness, opportunities and threats. Now we can make SWOT matrix. SWOT matrix is a simple quadrant constructed from SWOT acronyms and in each quadrant is noted each factor. **In this step, we use presentation of what is good and bad in business, and what we can expect as an opportunity or threat.** The SWOT matrix is shown below:

<p>Translate into tasks for the PROJECT PLAN</p>	<p>External Opportunities (O) List 4-5 external opportunities here</p> <p>1. 3. 2. 4.</p>	<p>External Threats (T) List 4-5 external threats here</p> <p>1. 3. 2. 4.</p>
	<p>Internal Strengths (S) List 4-5 internal strengths here</p> <p>1. 3. 2. 4.</p>	<p>S-O "Max-Max" Strategy Strategies that use strengths to maximize opportunities.</p> <p><i>How do we use these strengths to take advantage of these opportunities?</i></p>
<p>Internal Weaknesses (W) List 4-5 internal weaknesses here</p> <p>1. 3. 2. 4.</p>	<p>W-O "Min-Max" Strategy Strategies that minimize weaknesses by taking advantage of opportunities.</p> <p><i>How do we overcome these weaknesses that prevent taking advantage of these opportunities?</i></p>	<p>W-T "Min-Min" Strategy Strategies that minimize weaknesses and avoid threats.</p> <p><i>How do we overcome these weaknesses that will make these threats a reality?</i></p>



STEP 4: Defining STRATEGIES

- ✓ Any analysis must give us future directions for treatment. If we stop here we can not say that we made a successful analysis. Therefore, for each combination of quadrants in the matrix we must determine strategies. From the SWOT matrix, we can extract **4 strategies**:

1. **S-O Strategies (Strength-Opportunities Strategies).** *These strategies should take advantage of opportunities that fit the strengths of the business. Examples of strategy types: Expand globally, Increase sales staff, Increase advertising, Develop new products, Diversify, etc.*
2. **W-O Strategies (Weaknesses-Opportunities strategies).** *These strategies should enable it to overcome the weaknesses of the business while we utilize the opportunities. Examples of strategy types: Joint venture, Acquire competitor, Expand nationally, Backward vertical integration, Forward vertical integration, etc.*
3. **S-T Strategies (Strength-Threat Strategies).** *These strategies should allow the use of strength sides, while eliminate or reduce the threats from the environment. Examples of strategy types: Diversify, Acquire competitor, Liquidate, Expand locally, Business process re-engineer, etc.*
4. **W-T Strategies (Weaknesses-Threats Strategies).** *These strategies should allow the elimination of weaknesses and preventing external threats to reach exact those weaknesses of the business. Examples of strategy types: Divest, Increase promotion, Retrench, Restructure, Downsize, etc.*

STEP 5. INNOVATION BUDGETING as INTERVENTION TOOL

- ✓ *Finally, we can define STRATEGIC PROJECT PLAN based on SWOT MATRIX and use INNOVATION BUDGETING for continuous improvement of production program (dynamic and complex process).*

