

# Strategic Management Process

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## ***Abstract***

Wheelen and Hunger (2002) say that strategic management is a set of managerial decisions and actions that determines the long-run performance of an organization. It includes environmental scanning (both external and internal) strategy formulation (strategic or long-range planning), strategy implementation and evaluation and control. The study of strategic management emphasizes the monitoring and evaluation of external opportunities and threats in light of an organization's strengths and weaknesses (Kenneth, 1987).

The strategy of an organization consists of the moves and approaches made by management to produce successful performance of an organization. Strategy is management's game plan for the business. Management develops strategies to guide how an organization conducts its business and how it will achieve its target objectives. Without a strategy, there is no cohesive action plan to produce the intended results. Core management functions are crafting and implementing a strategy for the business. Good management is exhibited by good strategy and good implementation. Powerful execution of a powerful strategy is a proven recipe for business success. The standards for judging whether an organization is well managed are based on good strategy-making combined with good strategy execution.

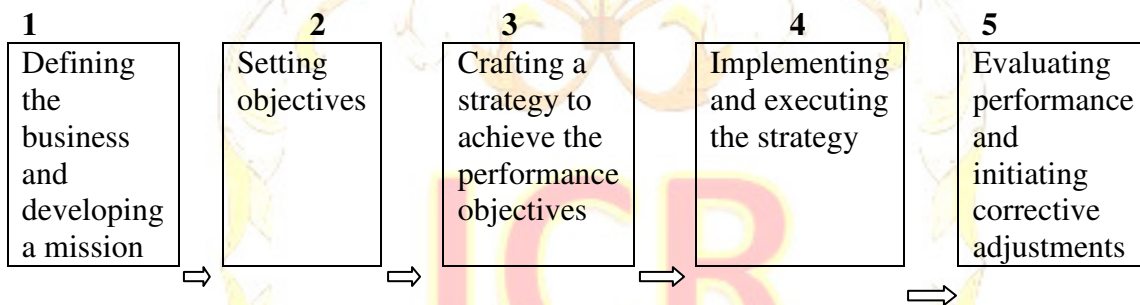
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## Introduction

However, strategy-making and strategy-implementation do not guarantee superior organizational performance continuously. Even well managed organization can sometimes hit the skills for short periods because of adverse conditions beyond management's ability to foresee or react to. It is management's responsibility to adjust negative conditions by undertaking strategic defenses and managerial approaches that can overcome adversity. However, the essence of good strategy-making is to build a position strong and flexible enough to provide successful performance despite unforeseeable and unexpected external factors.

## Five tasks of Strategic Management

Figure I



### Developing a vision and a mission

A question senior managers of any firm ask is “What is our business and what will it be?” This question pushes managers to consider what the organization's business make up should be and to develop a clearer mission of where the organization needs to be headed over the next five- to - ten years. Management's vision of what the organization seeks to do and to become is commonly termed the organization's “mission.” A mission statement establishes the organization's future course and outlines “who we are, what we do and where we are going”. This sets out a particular business position.

### Setting objectives

The purpose of setting objectives is to convert the mission statement into specific performance targets. Objectives serve as yardsticks for tracking an organization's performance and progress. The challenge of trying to close the gap between actual and desired performance pushes an organization to be more inventive, to exhibit some urgency in improving both its financial performance and its business position. Setting challenging but achievable objectives helps in guarding against complacency.

The objectives set must ideally embrace a time horizon that is both short-term and long-term. Short-term objectives spell out the immediate improvements and outcomes desired by managements. Objective setting is required of all managers. Every unit in the

organization needs concrete, measurable performance targets, indicating its contribution to the overall organizational objectives. When organization's objectives are broken down into specific targets for each unit, lower-level managers are held accountable for achieving them. A results-oriented climate emerges, with each part of the organization striving to achieve results that will move the whole organization in the internal direction.

### **Two types of performance yardsticks**

The two performance yardsticks are financial and strategic objectives:

#### **Financial objectives**

These objectives are needed because acceptable financial performance is critical to preserving an organization's viability and well-being. Financial objectives typically focus on such measures as earnings' growth, return on investment and cash flow.

#### **Strategic objectives**

Strategic objectives provide consistent direction in strengthening a company's overall business position. They relate more directly to a company's overall competitive situation and involve such performance yardsticks as growing faster than the industry's average and making gains in market share. Strategic objectives make it explicit that management not only must deliver good financial performance but also must deliver on strengthening, the organizations' long- term business and competitive position.

#### **Crafting a strategy**

What is a strategy? It is the pattern of organizational moves and managerial approaches used to achieve organizational mission. Objectives are the "ends" and strategy is the "means" of achieving them. Strategy is a management tool for achieving strategic targets. What is important to take note of is forming a strategy that starts with the analysis of the organization's internal and external situation. Armed with an understanding of both environments, managers can better devise a strategy to achieve, targeted strategic and financial results. An organization's strategy is always a blend of prior moves and approaches already in place and new actions being mapped out. An organization's strategy that is mostly new most of the time, signals erratic decision-making and weak strategizing on the part of the managers (Thompson and Strickland1 1992). Quantum changes in strategy can be expected occasionally, especially in crisis situations but they cannot be made too often without creating undue organizational confusion and disrupting performance.

#### **Why strategy is constantly evolving**

The task of strategizing is always an ongoing exercise. "The whats" of an organization's mission and long-term objectives, once chosen, may remain unaltered for several years. But the "hows" of strategy evolve constantly, partly in response to an ever-changing

external environment, partly from the managers' efforts to create new opportunities, and partly from fresh ideas about how to make the strategy work better. On occasion, changes in strategy emerge when a big strategy works better. On occasion, changes in strategy emerge when a big strategic move is put to test when a crisis strikes and managers see that the organization's strategy needs radical reorientation.

Refinements and additions, interspersed with periodic leaps are a normal part of managerial strategizing. Because strategic moves and new action approaches are made in an ongoing stream, an organization's strategy forms over a period of time and then reforms, always consisting of a mix of holdover approaches, fresh actions in process and unrevealed moves being planned. Aside from crisis situations and new company start-ups, a company's strategy is crafted in bits and pieces as events unfold and as managerial experience accumulates. Everything cannot be planned out in advance and even the best laid plans must be responsive to changing conditions and unforeseen events.

Strategy-making thus proceeds on two fronts-one proactively thought through in advance, the other conceived in response to new developments, special opportunities and experiences with the successes and failures of prior strategic moves, approaches and actions.

### **Strategy Implementation**

The strategy-implementation function consists of seeing what it will take to make the strategy work and to reach the targeted performance on schedule. The job of implementing strategy is primarily an action-driven administrative task that cuts across many internal matters. The principal administrative aspects associated with putting the strategy into place include:

- Building an organization capable of carrying out the strategy successfully;
- Developing budgets that steer resources into those internal activities critical to strategic success;
- Motivating workers in ways that induce them to pursue the target objectives energetically so as to execute the strategy successfully;
- Creating a work environment conducive to successful strategy implementation:
  - Installing strategy-supportive policies and procedures;
  - Developing an information and reporting system to track progress and monitor performance;
  - Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.

The administrative aim is to create the linking between the way things are done and what it takes for effective strategy execution. The stronger the linking the better the execution of strategy. Fitting the way the organization does things internally to what it takes for effective strategy execution is what unites the organization firmly behind the accomplishment of strategy.

The strategy-implementation task is the most complicated and time-consuming part of

strategic management. It cuts across virtually all facets of managing and must be initiated from many points inside the organization as it has to think through the answer to the question

“What has to be done in my area of responsibility to carry out any piece of overall strategic plan and how changes and actions are identified, the details of implementation and apply enough pressure on the organization to convert objectives into actual results?” Depending on the amount of internal change involved, full implementation can take several months to several years.

### **Evaluating Performance and Initiating Corrective Adjustments**

Arnold and Majluf (1992) say that none of the previous four tasks are one-time exercises. New circumstances always crop up that make corrective adjustments desirable. Long-term range or plans may need to be altered, the business redefined and management's vision of the organization's future course narrowed or broadened. Performance targets may need raising or lowering in light of past experience and future prospects. Strategy may need to be modified because of shifts in long-term direction., because new objectives have been set or because of changing conditions in the environment.

The search for even better strategy is also continuous. Sometimes an aspect of implementation does not go as well, as intended and changes have to be made. Progress typically proceeds unevenly-faster in some areas and slower in others. Some tasks get done easily; others prove nettlesome; implementation occurs through the pooling effect of many administrative decisions about how to do things and how to create stronger fittings between strategy and internal operating practices. Budget revisions, policy changes, reorganization, personnel changes and revised compensation practices are typical ways of trying to make the chosen strategy work better. A company's mission, objectives, strategy or approach to strategy implementation is never final. Evaluating performance, reviewing changes in the surrounding environment and making adjustments, are normal and necessary parts of the strategic management process.

### **Why is strategic management an ongoing process?**

Because each one of the five tasks of strategic management requires, constant evaluation and a decision with things as they are or to, make changes - the process of managing strategy is ongoing. Nothing is final as all prior actions are subject to modification as conditions in the surrounding environment change and ways for improvement emerge. Strategic management is a process filled with constant motion. Changes in the organization's situation, either from inside or outside or both, constantly drive strategic adjustments.

The task of evaluating performance and initiating corrective adjustments are found in both the end and the beginning of strategic management cycle. The match of external and internal events guarantees revision in the four previous components as this will be imperative sooner or later. It is always incumbent on management to push for better

performance to find ways to improve the existing strategy and how it is being executed. Changing external conditions add further impetus to the need for periodic revisions in a company's mission, performance objectives, strategy and approaches to strategy execution. Adjustments usually involve fine tuning, but occasions for a major strategic reorientation do arise-sometimes prompted by significant external developments and sometimes by sharply sliding financial performance. Strategy managers must stay close enough to the situation to detect when changing conditions require a strategic response and when they do not. It is their job to read the minds of change, reorganize significant changes early and capitalize on events as they unfold.

### **Who the strategy managers are**

An organization's Chief Executive Officer is the most invisible and important strategy manager. The CEO, as captain of the ship, has full responsibility for leading the tasks of formulating and implementing the strategic plans of the whole organization, even though many other managers have a hand in the process. The CEO functions as chief direction setter, chief objective setter, chief strategy - maker and chief strategy - implementer for the total enterprise. What the CEO views as important usually moves to the top of every manager's priority list and the CEO has the final word on big decisions. Vice President (V.P) for production, marketing, finance etc and other functional departments have strategy making and strategy implementation responsibilities as well. Normally, the production V.P. oversees production strategy; marketing VP heads up the marketing strategy effort and so on.

Managerial positions with strategy making and strategy-implementation responsibility are by no means restricted to these few senior executives. Every manager is a strategy-maker and strategy-implementer for the areas. He/she has authority over and supervises. Every part of the company - business unit, division, operating department, plant or district office has a role to carry out (Thompson and Strickland, 1992). The manager in charge of unit, with guidance from superiors, usually ends up doing some or most of the strategy-making for the unit and implement whatever strategic choices are made. However, managers further down in the managerial levels have a narrower, more specific strategy-making/strategy-implementing role than managers close to the top. Another reason lower-echelon managers are strategy-makers and strategy-implementers is that more geographically scattered and diversified an organization's operations are, the more impossible it becomes for a few senior executives to handle all the strategic planning that needs to be done. Managers in the corporate office do not know all the situational details in all geographical areas and operating units to be able to prescribe appropriate strategies. Usually, they delegate some of the strategy-making responsibility to lower level managers who head the organizational sub-units where specific strategic results must be achieved. Delegating strategy-making role to those managers who will be deeply involved in carrying out roles in their areas, fixes accountability for strategic success or failure. When the managers who implement the strategy are also its architects, it is hard for them to shift the blame or make excuses if they do not achieve the targeted results.

In diversified or large companies where the strategies of several different businesses have to be managed, there are usually four distinct levels of strategy managers: -

- The CEO and other senior corporation-level executives who have primary responsibility and personal authority for big strategic decisions affecting the total enterprise and the collection of individual businesses the enterprise has diversified into;
- Managers who have profit-and-loss responsibility for some specific business unit and who are delegated a major leadership role in formulating and implementing strategy for that unit;
- Functional area managers within a given business unit have direct authority over a major piece of the business and whose role it is to support unit's overall strategy with strategic actions in their own areas.
- Managers of major operating departments and geographic field units who have frontline responsibility for developing the details of strategic efforts in their areas and for implementing and executing the overall strategic plan at grass roots level.

Managerial jobs involve strategy formulation and implementation. For example, a multi-campus state university has four strategy-managing levels:

1. The Vice Chancellor is a strategy manager with broad direction-setting responsibility and strategic-decision-making authority over all the campuses;
2. Pro Vice Chancellor for each campus customarily has strategy-making/strategy implementation authority over all academic matters plus budgetary control for that campus,
3. The academic deans have responsibility for charting future direction at the faculty/college level;
4. Departmental heads are strategy-managers with first-line strategy-making/strategy implementation responsibility and other activities relating to the department's mission objectives and future direction.

The job of crafting and implementing strategy touches virtually every managerial job in one way or another at one time or another.

### **Strategic role of the Board of Directors**

Since the responsibility of crafting and implementing strategy falls on key managers, the chief, strategic role of an organization's board of directors is to see that the overall task of managing strategy is adequately done. Boards of directors normally review important strategic moves and officially approve the strategic plans that have been submitted by

senior management a procedure that makes the board ultimately responsible for the strategic actions taken.

However, directors rarely play a direct role in formulating strategy. The immediate task of the directors in ratifying strategy and new direction - setting moves is to ensure that all proposals have been adequately analyzed and considered and that the proposed strategic actions are superior to available alternatives.

Flamed proposals are customarily withdrawn for revision by management. The longer range task of directors is to evaluate the caliber of senior executive's strategy making and strategy - implementing skills. The board must determine whether the current CEO is doing a good job of strategic management, (as a basis for awarding salary increases and bonuses and deciding on retention or removal) and evaluate executives in line to succeed the current CEO.

### **Benefits of Strategic Approach to Managing**

Today's managers have to think strategically about their company's position and about the impact of changing conditions. They have to:

- Monitor the external situation closely enough to know when to institute strategic change;
- Know the business well enough to know what kind of strategic change to initiate.

The fundamentals of strategic management need to drive the whole approach to managing organizations.

### **The advantages of strategy management include: -**

- Providing better guidance to the entire organization on the crucial point of what it is we are trying to do and what to achieve;
- Making managers more alert to the minds of change, new opportunities and threatening developments;
- Providing managers with a rationale to evaluate competing budget requests for investment capital and new staff rationale that argues strongly for steering resources into strategy - supportive, results - producing areas;
- Helping to unify the numerous strategy-related decisions by managers across the organization;
- Creating a more proactive management posture and counter-acting tendencies for decisions to be reactive and defensive;
- Being proactive rather than merely reactive as trail-blazing strategies can be the key to better long-term performance.



## Conclusion

Business history shows that high performing enterprises often initiate and lead, not just react and defend. They launch strategic offensive to secure sustainable competitive advantage and then use their market edge to achieve superior financial performance. Aggressive pursuit of a creative, opportunistic strategy can propel a firm into a leadership position, paving the way for its goods and services to become the industry standard.

In a dynamic and uncertain environment, strategic management is important because it can provide managers with a systematic and comprehensive means for analyzing the environment assessing their organization's strengths and weakness and identifying opportunities for which they could develop and exploit a competitive advantage. The strategic management process includes eight steps – identifying the organization's current mission, objectives and strategies, analyzing the environment, identifying opportunities and threats in the environment, analyzing the organization's resources, identifying the organization's strengths and weaknesses, formulating strategies, implementing strategies and evaluating results.

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