

An Overview of Strategic Management: An Analysis of the Concepts and the Importance of Strategic Management

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Abstract- To determine the mission and the objectives of an organization it is very important to understand what are its current situation and the types of barriers the firm would have to be faced from the existing environment. Through successfully deploying strategies an organization can realize its mission and the objectives. So the firms should know about strategic planning and strategic management. Strategic planning which requires a great deal of strategic thinking is one of the most important management tool which helps managers to recognize the priorities and determine the main actions necessary to realize the mission and objectives of the organization. Nowadays strategic management has become one of the primary topics in management of organizations because of the dynamic business environment. This paper entails the concepts of strategy, strategic planning, strategic thinking, strategic management and the importance of strategic management.

Index Terms- Management Tools, Strategy, Strategic Planning, Strategic Thinking, Strategic Management

I. INTRODUCTION

The function of coordinating the efforts of people to achieve goals and objectives through efficient and effective use of resources is known as management. Management involves planning, organizing, staffing, leading and controlling to accomplish desired aims. Resourcing includes manipulation of human resources, financial resources, technological resources and natural resources. All the resources are limited in nature. Strategy is very important for an organization due to the limitation of resources. My objective in this essay is to explain the concepts strategy, strategic planning, strategic thinking, strategic management and the importance of strategic management to provide a useful departure point for the classroom education of strategic management.

II. STRATEGY

The word strategy has so many meanings itself and all these meanings are useful, important and relevant to the people who are setting strategy for their organizations and corporations. Various authors have drawn their attention on the concept of strategy. Author entailed the past definitions of various scholars and proposed a new definition on the term strategy.

The word strategy derives from the Greek word “strategos”, the meaning comes from the roots of “army”. The meaning of

stratego is planning of destroying enemies by effectively using the resources. Therefore the concepts of strategy have been formerly used in the context of military and it is remaining as the benchmark of all the definitions of strategy.

After World War II due to the reason of moving the business from a relatively stable environment to a dynamic and competitive environment the need became greater for a concept of business strategy which is the strategy related to business. Various writers have given various definitions for the concept of business strategy time to time as briefly described below.

The series of actions which is decided by the firm according to the situation is known as strategy (Neumann and Morgenstern, 1947). The first writers who were able to relate the concept of strategy with business were Neumann and Morgenstern (1947). Based on this definition many authors developed concepts of business strategy.

Analyzing the present situation and changing if it is necessary is known as strategy (Drucker, 1954). According to this definition its need to find out what are the resources a firm has or need to acquire to realize its mission and objectives. A strategy is a guideline for decision making based on the determinants market scope, growth rate, competitive advantage, and synergy (Ansoff, 1969). According to Alfred D. Chandler (1962), strategy is the formulating basic long term goals and objectives of an organization and the implementation of course of actions and the allocation of necessary resources for carrying out these goals.

A long term Harvard professor and editor of the Harvard Business Review Kenneth Andrews (1980) has defined the strategy as a pattern of decisions in an organization which formulates goals, objectives, and purposes and produces principle policies and plans to achieve those goals and defines the economic and non-economic contribution it going to make to its stakeholders.

The Harvard professor Michel Porter has made a narrow definition on strategy based on the competition. According to his definition the strategy is a wide formula which helps an organization to compete, sets goals and decides what policies will be needed to carry out those goals.

A strategy can be a plan, a pattern, a perspective, a position and also it can be a ploy or a maneuver which can help an organization to avoid its competitors (Mintzberg, 1994).

When all the above definitions taken into consideration there are similarities, but despite of the similarities there are some important differences too. Therefore all these definitions are different opinions and views of different scholars.

In this paper the author proposes a new definition for the strategy as follows.

“A strategy is a plan of actions that one use to formulate goals and objectives and the means of achieving these goals and objectives”

Following this definition, the strategy is a plan of actions which make the each and every member of the organization can understand the reason for the organization’s existence. And also it implies how a given target can be achieved.

III. STRATEGIC PLANNING

Strategic planning is a road map which gives directions to an organization from now, where to go or where should be in five or ten years. Strategic planning involves multi-year projections which is not very specific like operational planning. It is well organized set of activities which helps an organization to organize the present based on the projections of the target future. Strategic plan is very important for an organization to develop the comprehensive plan which includes both long-range and strategic elements.

The strategic plan should be based on actual current situation and be simple, clear and written. And also it should have given enough time to be settled otherwise it will cause problems.

A. Purpose of Strategic Planning

Better serving the needs of stakeholders and establishing the priorities of the organization to accomplish above needs are more important for an organization. A strategic plan guides an organization in implementing, evaluating and making adjustments to the programs when it is necessary. The plan should be flexible and practical.

The development of strategic plan requires more discussion and timing and need to examine the ideas and options of the leaders. It should be an integrated document which incorporates the organizations objectives, purpose, mission and regulations with the feelings, thoughts and opinions of the developers. However, most of the time the development is less complicated than the implementation of it.

B. Strategic Planning Process

Most of the times, strategic planning process uniquely designed to fit the specific needs. Any way all the successful models include most of the steps. The author discusses the essential steps of a strategic planning process as follows.

1st Step: The first step of every strategic planning process is identifying the vision and the mission of the organization. Having a clear vision and mission is very important for an organization since organization need to be certain to where it is headed.

2nd Step: After clearly identifying vision and mission an environmental scan need to be performed. There are several frameworks which can be used for this purpose. Five forces analysis and SWOT analysis are frequently using by the organizations to perform environmental analysis.

3rd Step: A gap analysis also takes part in the strategic planning process. An analysis of the gap between the desired future status and the current status of the organization should be performed under this step. Therefore the organizations need to allocate adequate resources and develop required strategies to

reduce this gap which is identified by the gap analysis to achieve its desired future state.

4th Step: Benchmarking comes under the 4th step. Under this step organizations performance compare with the industry “best” practices. Purpose of this step is to find out a reference point for formulating goals and targets for the organization.

5th Step: Analyzing and identifying the strategic issues in consistent with vision and mission is the main consideration under this step. The organization should successfully address these fundamental or strategic issues to achieve its mission and objectives.

6th Step: Strategic programming is the next step in the strategic planning process. The organization need to develop strategies to address strategic issues in order to achieve its mission. At the strategic programming stage organization formulate goals, develops action plans and tactics.

7th Step: At some instances other than the intended strategies, organization must respond to unpredicted or emergent strategies. These emergent strategies are always unintended. Unpredicted or unintended strategy is a pattern. It is a pattern which was not realized while planning of the strategy. It is a series of action which is converging into a consistent pattern (Mintzberg, 1994).

8th Step: To assess the success of strategic planning process, periodic evaluation of strategy is necessary. Evaluation of the strategy is the next step comes in the strategic planning process. Conducting performance evaluation at least annually is very much important to assess the effects of a specific action on long term status or on the vision and the mission of the organization. And also it is a must to compare the current performance and the previous performance of the organization and consider whether its need any change of strategy.

9th Step: The final step of the strategic planning process is reviewing the strategic planning process. Here it can make necessary changes or adjustments to the strategies based on the evaluation which was the 8th step of the strategic planning process. And again with the revised plan the organization should respond to the emergent strategies which can affect to the organizations intended course.

IV. STRATEGIC THINKING

On one hand strategic thinking can be viewed as a part of strategic planning process, since a great deal of strategic thinking is required to develop a successful strategic plan. On the other hand strategic planning and strategic thinking can be viewed as the two sides of the same coin and each one on its own is necessary. However for an efficient strategic management framework both strategic planning and strategic thinking are necessary. Strategic thinking can be defined as a process of arranging options through an institutional thinking by evaluating alternatives and decisions to find out best fit among the institutions, its resources and the environment (Rowley et al., 1997). However according to my view strategic thinking encompasses all the actions, since thinking strategically is very important before every action related to strategy.

Strategic thinking is a distinct way of individual thinking which utilizes creativity and intuition and that builds “an integrated perspective of the enterprise” (Mintzberg, 1994).

Strategic Thinking involves broad or wide thinking focus on the organizational future direction on the basis of anticipated environmental conditions.

In contrasting strategic thinking from strategic planning, Minzberg argues that both need different types of thinking. Strategic planning is a systematic programme which develops an action plan using pre-identified strategies. On the other hand strategic thinking is a synthesized process which utilizes intuition and creativity.

Therefore in general, strategic thinking can be viewed as a process which involves thinking and acting on the basis of a set of assumptions and anticipated action alternatives.

V. STRATEGIC MANAGEMENT

Strategic Management is a broader term than strategy. And also it is a process which includes environmental analysis of the organization by the top managers for the purpose of strategy formulation and the plan of strategy implementation and controlling.

Strategic management is a collection of ongoing activities of strategic analysis, strategy creation, implementation and monitoring. It systematically organizes the resources in align with vision, mission and strategy throughout the organization. Strategic management doesn't predict the future, but prepares the organization for it by knowing the exact steps to implement strategic plan.

Initially strategic management was a part of strategic planning which is now a main instrument of it. Strategic planning is incorporated with strategic management which unites both planning and management in the same process (Porth, 2002) Now strategic management has become one of the most prominent areas of management. It consist a comprehensive collection of management actions which supports company managers to keep the organization consistent with the environment and shows the correct path of development (Jones et al. 1981).

Strategic management in an organization focuses on the issues of creating and sustaining competitive advantage (bowman et al. 2002). It is a process and a path guiding actions all over the organization (Dess et al. 2007). It is a collection of actions consists of organizational analysis, decisions and actions to create and sustain competitive advantages. These competitive advantages support an organization to explore opportunities and minimize threats from the environment.

Therefore more generally strategic management is a comprehensive ongoing process which involves determining the mission and the objectives of the organization within the internal and external environment.

A. Benefits of Strategic Management

Strategic Management makes an organization to be more proactive, rather than reactive to initiate and influence activities to control by its own in molding its own future. Today most of the organizations has recognized and realized the benefits of strategic management (Fred, 2011).

Back in history, formulating sound strategies by using systematic, logical and rational approach to strategic choice was the main benefit of the strategic management (Fred, 2011).

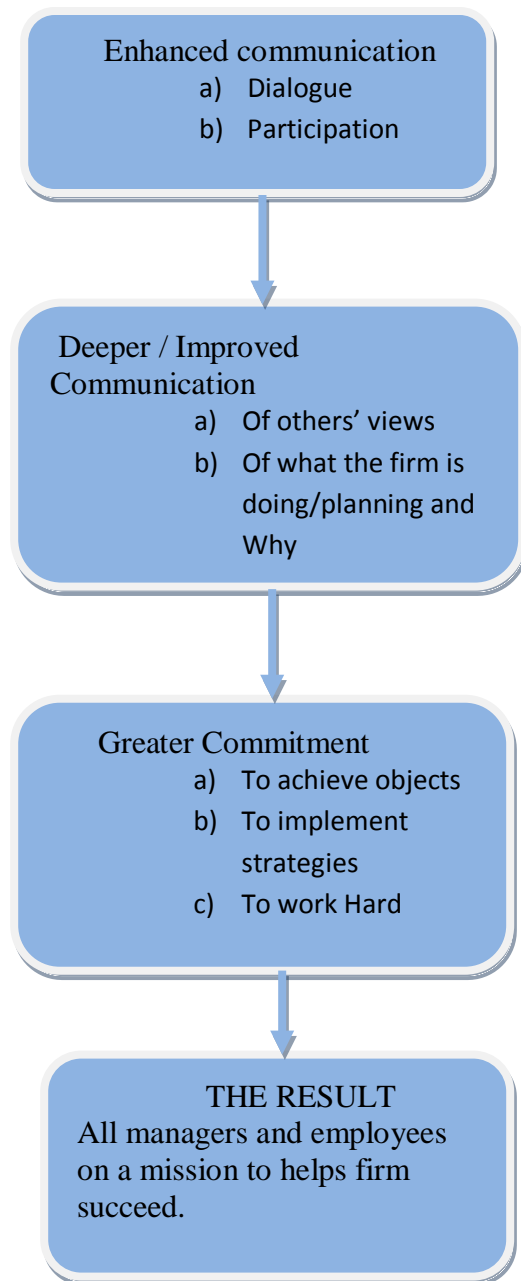


Figure 01: Benefits of Strategic Management

Figure 01 illustrates the benefits which can be gained by engaging in strategic planning and management. Though enhanced communication or through dialogue and participation, managers and employees can support the organization to successful strategic management. All the firms need to be helped by employees to successfully determine the mission (Fred, 2011). Strategic management process motivates all managers and employees to be dedicated to the organization.

Very first the communication within the company should be developed. Therefore the employees can be able to know what the company is doing, how the goals can be achieved and then they can make a greater commitment for the organization success. Then the managers and employees can understand each other and become more hardworking and creative. With the

efforts of the all employees the organization can be more successful (Fred, 2011).

More Precisely the benefits of strategic management are in two ways; financial benefits and non-financial benefits. All the improvements in the sales, profitability and productivity include in financial benefits. A sound strategic management can lead an organization to realize its mission and objectives of the company (Fred, 2011).

There are non-financial benefits too. They are listed as follows; (Fred, 2011)

- It enhances the awareness of competitors 'strategies threats from the environment and employee productivity.
- Helps to avoid resistance to change and explore more opportunities.
- Enhances the problem-avoiding ability of the organization by improving interactions among managers at different levels of the hierarchy.
- It brings order and discipline to the organization.
- It develops a framework to coordinate and control the activities in an organization.
- It enhances the communication and the interaction between managers and employees.
- It develops the strategic thinking ability of all members in the organization

VI. CONCLUSION

Strategy is a very useful concept for an organization, since it has many variations. In this paper it has entailed some definitions of strategy used by different scholars and author has proposed a new definition for the strategy as "A strategy is a plan of actions that one uses to formulate goals, objectives and means of achieving those goals and objectives". Strategic planning is a road map for an organization which helps to manage the enterprise, especially if strategic plan can successfully deploy throughout the organization. Strategic thinking and strategic management are more important aspects of senior management's

responsibilities. Strategic planning process is a very comprehensive process which requires a great deal of strategic thinking. Strategic management helps an organization to determine its' mission and objectives through creating & sustaining competitive advantage. Today the organization has realized the benefits of strategic management does to an enterprise. The article has briefly explained the financial and non-financial benefits of strategic management towards the organization.

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