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Topic : Strategic management

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Strategic management

Central to the process of strategic management,is the concept of strategy that we will try to understand first.After that,we will go on to discuss the process of strategic management.

Strategy : The concept of strategy is central to understanding the process of strategic management.

The word “strategy” is derived from the Greek word “strategos"; stratus (meaning army) and “ago” (meaning leading/moving).

Strategy is an action that managers take to attain one or more of the organization’s goals. Strategy can also be defined as “A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process”.

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vaccum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others.

Literally, therefore, the word 'straregy' means the art of the general.

In simplified terms,a strategy is the means to achieve objectives.With so many different interpretations of a term,it is really difficult to fathom what strategy really means.

will predict the employee behavior. Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors.Strategy, in short, bridges the gap between “where we are” and “where we want to be”.

Introduction to Strategic Management :

Strategic decision-making is done through the process of strategic management.In this text, strategic management is defined as the dynamic process of formulation, implementation, evaluation and control of strategies to realise the organisation's strategic intent.

First, strategic management is a dynamic process.It is not a one-time,static or mechanistic process.By being dynamic, strategic management is a continual,evolving,iterative process.By this,it means that strategic management cannot be a rigid, step-wise collection of a few activities arranged in a sequential order.Rather,it is a continually evolving mosaic of relevant activities.Managers perform these activities in any order contingent upon the situation they face at a particular time. By being iterative,an activity may not be required to be performed only once but repeated over time as the situation demands.

The next part of the definition states the four phases in the strategic management process of formulation, implementation and evaluation and control.

The strategic management process means defining the organization’s strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises it’s competitors; and fixes goals to meet all the present and future competitor’s and then reassesses each strategy.

Strategic management process has following four steps :

- ★ Environmental Scanning : Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

- ★ Strategy Formulation : Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

- ★ Strategy Implementation : Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

- ★ Strategy Evaluation : Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as it's implementation meets the organizational objectives.These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.

Components of Strategic Management Process :

Strategic management is an ongoing process. Therefore, it must be realized that

eachcomponent interacts with the other components and that this interaction often happens in chorus.

Vision: Aspirations,expressed as strategic intent, should lead to tangible results, otherwise they would just be castles in the air.Those results are the realisation of the vision of an organisation or an individual.It is what ultimately the firm or a person would like to become.

For instance, some of you,say in 10 years or may be even earlier, would like to become general managers managing an SBU in a large, diversified multinational corporation.Or some others among you would like to believe that you can be an entrepreneur owing your own company dealing with IT services, employing cutting-edge technology to serve a global clientele,in 10-15 years.A firm thinks like that too.Vision , therefore,articulates the position that a firm would like to attain in the distant future.Seen from this perspective, the vision encapsulates the basic strategic intent.

Defining Vision:,

Vision has been defined in several different ways,Kotter(1990) defines it as"a description of something (an organisation,a corporate culture,a business,a technology,an activity) in the future".El-Namaki(1992) considers it as a ' mental perception of the kind of environment an individual,or an organisation,aspires to create within a broad time horizon and the underlying conditions for the actualisation if this perception.'

Miler and Dess(1996) view simply as the 'category of intentions that are broad, all-inclusive and forward thinking.'

What a vision should and shouldn't be-

A vision should be:

1.An organisation charter of core values and principles

2.The ultimate source of our priorities,plans and goals

3.A puller (not pusher) into the future

4.A declaration of independence

5.A determination and publication of what makes us unique.

A vision shouldn't be:

1.A'high' concept statement,motto or literature or an advertising slogan

2.Passionless

3.A 'soft' business issue

4.A history of our proud past

5.A strategy or plan and a view from the top.

Mission:-mission as the core purpose of an organization or company. A summary of the aims and core values. A mission clearly tells what you as organization do for customers. A mission is comprehensive but also very specific to set you apart from other organizations.A mission can be seen as a great tool to develop business goals and objectives with.A mission should fit your identity. If it doesn't it is very hard to executive your mission.

Mission statementDefined : A sentence describing a company's function, markets and competitive advantages; a short written statement of your business goals and philosophies

A mission statement is a brief description of an entity's fundamental purpose. It answers the question, "Why does our business (or nonprofit or government agency) exist?" The mission statement articulates the company's purpose both for those in the organization and for the public.

Mission Statement defines what business or businesses a company is in

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A mission statement defines what line of business a company is in, and why it exists or what purpose it serves. Every company should have a precise statement of purpose that gets people excited about what the company does and motivates them to become part of the organization. A mission statement should also define the company’s corporate strategy and is generally a couple of sentences in length.

Example of a Mission Statement,: Microsoft's mission is " To empower every person and every organization on the planet to achieve more."

Let’s look at Microsoft Corp.’s Mission Statement. Microsoft Corp. is an American multinational company that develops, manufactures, licenses and sells technology products, including computer software, electronics, and personal computers. It is also one of the largest corporations in the world, alongside companies such as Apple, Inc. and Amazon.com, Inc Microsoft's Mission Statement.The statement above is a good example of mission statement because it provides a broad enough scale of scope to explain what the company can do, and it is also inspirational – it's all about empowering people. It is the kind of statement that people can get excited about and can rally behind. It also defines Microsoft's strategy, which is reaching out to the whole world and making an influence on all individuals and organizations.

Objectives : A specific result that a person or system aims to achieve within a time frame and with available resources.

In general, objectives are more specific and easier to measure than goals. Objectives are basic tools that underlie all planning and strategic activities. They serve as the basis for creating policy and evaluating performance. Some examples of business objectives include minimizing expenses, expanding internationally, or making a profit.

In business, an objective refers to the specific steps a company will take to achieve a desired result. The result is the goal. Hence the term 'goals and objectives.' In other words, my goal is what I want to become, while my objective is how I plan to get there.A business' goal is more general and may not specify when things will happen. Objectives, on the other hand, are specific and tell you what the company will do to reach its goal.

A business' primary aim is to add value, which in the private sector involves making a profit. Strategic objectives or aims may include brand building, market leadership, expansion, or gaining a specific share of the market.

Objectives are the ends that state specifically how the goals shall be achieved.Any organisation always has a potential set of goals.It has to exercise a choice from among these goals.This choice must be further elaborated and expressed as operational and measurable objectives.

Characteristics of Objectives :

Objectives,as measures of organisational behaviour and performance, should possess certain desirable characteristics in order to be effective.These are given below.

1.Objectives should be understandable.

2.Objectives should be concrete and specific

3.Objectives should be related to a time frame

4.Objectives should be measurable and controllable

5.Objectives should be challenging

6.Different objectives should Correlate with eachother.

7.Objectives should be set within constraints.

Strategic Decision Making :

Managers of successful businesses do more than simply find a way to make money and sell stuff. Not only do they handle the day-to-day tasks of selling, they also think of the big picture and make decisions that will get the company to where it wants to go. This is called strategic decision making, where decisions are made according to a company's goals or mission. This type of decision making guides the choices that are made, aligning them with the company objective. It requires out-of-the-box thinking as managers need to consider future scenarios that may or may not happen. It's these scenarios that will determine in which direction a company will go.

For example : The manager of a dog food company notices that dog owners want more quality and fresh foods rather than kibble that lasts 10 years on the shelf, even if those kibbles provide a similar nutritional value. The company's mission statement is to be the best company that sells the healthiest dog food. To align the company with the changing needs and wants of its customers, the manager decides to shift the company's products to focus more on freshness. Yes, this means a reduced shelf life, but it does mean a higher profit margin because dog owners are more than willing to pay more for fresh quality foods.

The biggest part of strategic decision making is the company's mission. It's the mission that guides the types of goals the managers will set for the company.

For example : If the dog food company's mission was to be the number one supplier of cheap dog food, then using fresh ingredients wouldn't be top of its priority list. Instead, finding cheaper ingredients, with a longer shelf life, would be more in line with that mission. See how the decisions can vary so drastically based on the company's mission?

Having a company mission actually helps you in your strategic decision making. Without it, you have no guidance. But with it, you know what direction you should take your thoughts and actions.

To reach this mission, managers also need to reassess their actions from time to time. Going back to the dog food company example, managers will look at sales data perhaps after a month of selling the new healthy and fresh dog food products. If sales are increasing and look promising, then this direction is a good one. But if sales are lacking, then it means that a new way of reaching the company's mission needs to be made. Perhaps, instead of focusing on fresh foods, the company can focus on higher quality ingredients that more closely imitate a dog's natural diet.

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