**1. Strategic Management**

Strategic management is always in a dynamic stage of development. Forces of change in the external environment are always acting on organisations and managers have to make minor and major changes to maintain the fit between the environment and the organisational strategy.

From the dynamic environment, strategic management of organisations is defined to be involved in three on going processes: strategic analysis, strategic decision and strategic actions in order to create and sustain competitive advantage.

1. Strategy analysis involves the hierarchy of goals (vision, mission and objectives) The external environment and internal environment, as well the internal intellectual assets. The purpose of such an analysis will enable the firm to have an idea of where it stands in relation to its position in the business it is in.
2. The making of decision with regard to its strategy formulation in terms of (a) what industry it should be in and (b) how it should compete in the industry to attain competitive advantage.
3. Taking actions to implement the strategic decisions in terms of allocation of resources and the design of the structure that enable the organisation to create CA in the market place but also difficult for competitors to copy or substitute.

The main purpose or essence of strategic management is to outperform other firms i.e. the competitors. This implies that there is a need to study how the firm can outperform others to

gain advantages that are sustainable over a lengthy period of time. That means focusing on two fundamental questions:

* How should we compete in order to create competitive advantages in the marketplace? E.g. to position the firm in a low-cost producer or develop products and services that are unique and will enable the firm to charge premium prices. Or do some combination of both.
* How can we create competitive advantages in the marketplace that are unique, valuable, and difficult for rivals to copy or substitute? E.g. to make advantages sustainable instead of temporary.

Note: sustainable advantage cannot be achieved through operational effectiveness alone. Operational effectiveness is related to management innovations such as TQM, , JIT, bench-marking, business process reengineering, outsourcing and they are similar activities being done better than rivals. Each of these innovations is important but none leads to sustainable competitive advantage, because everyone is doing them.

Strategy is about being different. Sustainable competitive advantage is possible only by performing different activities from rivals or performing similar activities in different ways.

Companies like IKEA, Walmart or Southwest Airlines have developed unique, internally consistent and difficult-to-imitate activity systems that have provided them with sustained competitive advantages. Therefore a company with good strategy must make clear choices about what it wants to accomplish. Trying to do everything that your rivals do eventually leads to mutually destructive price competition, not long-term advantage.

**The Strategic Management Process Model**

The strategic management process can be presented in the form of a model.

External and Internal Analysis

Strategic Strategy Strategy Implementation

Direction Formulation and Control

External and Internal Environmental Analysis

The external environmental analysis involves evaluation of the broad (general) and task (industry) environments to determine trends, threats and opportunities and to provide a foundation for strategic direction. The board environment consists of domestic and global environmental forces such as socio-cultural, technological, political and economic trends. The task (industry) environment consists of external stakeholders. Stakeholders are groups or individuals outside the organisation that are significantly influenced by or have a major impact on the organisation. Examples of external stakeholders include customers, suppliers, competitors, government agencies and administrators and a variety of other external groups that have a stake in the organisation.

Internal stakeholders are the managers, employees and the owners and their representatives (the Board of Directors). The internal analysis includes the evaluation of the organisation’s resources and capabilities to determine strengths, weaknesses and opportunities for competitive advantage and to identify organisational vulnerabilities that should be corrected.

It must be noted that the analysis of the external and internal environments provides an organisation with a foundation for all of the other tasks of strategic management such as formulation of the strategy and the strategic direction.

Strategic Direction

Strategic direction pertains to the long-term goals (vision and mission) and objectives of the organisation. Fundamentally strategic direction defines the purposes for which an organisation exists and operates. This direction is contained in the mission statement. It describes the areas or industries in which the organisation operates.

A well established strategic direction provides guidance to the managers and employees who are largely responsible for carrying it out as well as a greater understanding of the organisation for the external stakeholders with whom the organisation interacts. Strategic direction is an important part of the internal organisation.

Strategy Formulation

A strategy is an organisational plan of action that is intended to move an organisation toward the achievement of the shorter-term goals (objectives) and ultimately, toward the achievement of its fundamental purposes.

Business strategy formulation pertains to domain direction and navigation or how businesses compete in the areas they have selected. On the other hand, corporate strategy formulation refers primarily to domain definition or the selection of business areas in which the organisation will compete. For example in diversified organisations are involved in several different businesses and serve a variety of customer groups. In the functional strategy formulation it pertains to how the functional areas such as marketing, operations, finance and research should work together to achieve the business-level strategy. Functional strategy is most closely associated with strategy implementation.

Strategy Implementation and Control

Strategy formulation results in a plan of action for the organisation and its various levels On the other hand, strategy implementation represents a pattern of decisions and actions that are intended to carry out the plan. Strategy implementation involves creating the functional strategies, systems, structures and processes needed by the organisation in achieving strategic ends.

Functional strategies outline the specific actions that each function must undertake to convert business- and corporate-level strategies into actions.

Organisational systems are developed to train and compensate employees, assist in planning efforts; reinforce organisational values, and gather, analyse and convey information.

Structures reflect the way people and work are organised, which includes reporting relationships and formation into work groups, teams, and department.

Processes, such as standard operating procedures, are developed to create uniformity across the organisation and promote efficiency.

Strategy implementation may require changes to any of these4 factors as the organisation pursues new strategies over time.

Good control is critical to organisational success. Strategic control, refers to the processes that lead to adjustments in strategic direction, strategies or the implementation plan when necessary. Managers may collet new information that leads them to re-evaluate their assessment of the environment. They may determine that the organisational mission is no longer appropriate or that the organisational strategies are not leading to the desired outcomes. On the other hand, the strategic control system may tell mangers that the environmental assumptions, mission and strategies are appropriate, but the strategies have not been well executed. In such an instance, adjustments should be made in the implementation process.

Benefits of Strategic Management

1. Able to get a clearer sense of strategic vision for the firm.
2. Able to get a sharper focus on what is strategically important.
3. Able to get an improved understanding of a rapidly changing environment.

**Strategic Management and Rapidly Changing Environment**

Strategic management has now evolved to the point that its primary value is to enable the organisation to operate successfully in a dynamic, complex environment. Managers at all levels are expected to continually analyse the changing industry they are in, in order to create or modify strategic plans throughout the year.

Managers have to do more than set long-term strategies; they must go through “incremental management” in the sense that they have to make fine tuning and incremental adjustments (emergent change) to improve the efficiency of the firm’s operations to meet the challenges of the environmental forces of change. Sometime the forces of change can exert pressure on managers to make major changes in the firm’s strategic direction. If the firm does not make the necessary changes, it may not be able to sustain its competitive advantage.

Therefore for a company to maintain its sustainable competitive advantage it must develop strategic flexibility in order to be able to shift from one dominant strategy to another.

Strategic flexibility demands a long-term commitment to the development and nurturing of critical resources. It also demands that the company becomes a ***learning organisation*** i.e. an organisation skilled at creating, acquiring and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights.

**Learning Organisations**

Learning organisations are skilled at four main activities:

1. Solving problems systematically
2. Experimenting with new approaches
3. Learning from their own experiences and past history as well as from the experiences of others
4. Transferring knowledge quickly and efficiently throughout the organisation.

Learning organisations avoid stability through continuous self-examination and experimentation. People at all levels not just top management , need to be involved in strategic management - helping to scan the environment for critical information, suggesting changes to strategies and programmes to take advantage of environmental shifts and working with others to continuously improve work methods, procedures and evaluation techniques.

Researchers have shown that organisations that are willing to experiment and able to learn from their experiences are more successful than those that do not.

Initiation of Strategy: Triggering Events

A strategic drift can occur in organisations due to management inertia especially at the stage of strategy formulation. (A fact discovered by Henry Mintzberg.) This is because the management believed that the current strategy is still appropriate and needs only some “fine tuning”. However some triggering events may act to stimulate for a change in strategy such as:

1. New CEO
2. External intervention
3. Threat of a change in ownership
4. Performance gap

References:

1. Harris & John (2002), *Foundations in Strategic Management*, 2nd edition,

2. Hitt, M.A., Ireland, R.D. & Hoskisson, R.E. (2012), *Strategic Management*, 4th edition.

3. Dess, G.G., McNamara, G. & Eisner, A.B. (2016), *Strategic Management, Text and*

*Cases, 8th edition.*

Assignment

1. What do you understand of the term ‘strategic management’?

2. Differentiate ‘strategic management’ from ‘strategic planning’.

3. Explain the involvement of incremental management in strategic management.

4. Briefly explain the strategic management model.

5. Why organisations need to get involved in strategic management