

# THE NATURE OF STRATEGIC MANAGEMENT

Timeframe:	10 hours
Learning Outcomes:	<ul style="list-style-type: none"> <li>• Evaluate strategic management terminology and concepts</li> <li>• Review the history of strategic planning and assess its relevance for organisations</li> <li>• Critically compare and evaluate the processes and applicability of strategic planning models for the private and public sectors, e.g. Bryson and Porter's Model</li> </ul>
Recommended reading:	<ul style="list-style-type: none"> <li>• Gadiesh, A. and Gilbert, J. 2001, 'Frontline Action', <i>Harvard Business Review</i>, 74(3), 78-81, <a href="http://www.prenhall.com/behindthebook/0131746170/pdf/Dessler1_Why_I_Wrote_This_Book.pdf">http://www.prenhall.com/behindthebook/0131746170/pdf/Dessler1_Why_I_Wrote_This_Book.pdf</a> (accessed 03 August 2013).</li> <li>• Gregory, D. Lumpkin, G.T. and Taylor, L. 2005, 'Strategic Management', <a href="http://www.sbaer.uca.edu/publications/strategic_management/pdf/01.pdf">http://www.sbaer.uca.edu/publications/strategic_management/pdf/01.pdf</a> (accessed 03 August 2012).</li> <li>• Management Study Guide, 2012a, 'Strategic Management Process – Meaning, Steps and Components', <a href="http://www.managementstudyguide.com/strategic-management-process.htm">http://www.managementstudyguide.com/strategic-management-process.htm</a> (accessed 02 August 2012).</li> <li>• Price, A.D.F. and Newson, E. 2003, 'Strategic Management: Consideration of paradoxes, processes, and associated concepts as applied to Construction', <i>Journal of Management in Engineering</i>, 19 (4), 83-191.</li> <li>• Small Business, 2012, 'The Five Stages of the Strategic Management Process', <a href="http://smallbusiness.chron.com/five-stages-strategic-management-process-18785.html">http://smallbusiness.chron.com/five-stages-strategic-management-process-18785.html</a> (accessed 03 August 2012).</li> </ul>
Multimedia:	<ul style="list-style-type: none"> <li>• Delta Story TV, 2012, 'Strategic Management Process' [video clip], <a href="http://www.youtube.com/watch?v=Vfbq_AYbSwU">http://www.youtube.com/watch?v=Vfbq_AYbSwU</a> (accessed 20 September 2012).</li> <li>• Educational Videos, 2012, 'Strategic Management' [video clip], <a href="http://www.youtube.com/watch?v=XP9F1xcuRrc">http://www.youtube.com/watch?v=XP9F1xcuRrc</a> (accessed 20 September 2012).</li> <li>• <u>Nature of Strategic Management</u> [Slide show] (Strategic Management, n.d.)</li> <li>• OSU Executive Education at Fisher College of Business, 2012, 'Strategic Management from Executive Education at OSU' [video clip], <a href="http://www.youtube.com/watch?v=ewyfkzYiKlc">http://www.youtube.com/watch?v=ewyfkzYiKlc</a> (accessed 20 September 2012).</li> <li>• Remark – The Marketing Students' Association, 2012, 'Key Terms in Strategic Management' [slide show], <a href="http://www.youtube.com/watch?v=XP9F1xcuRrc">http://www.youtube.com/watch?v=XP9F1xcuRrc</a> (accessed 20 September 2012).</li> <li>• Strategic Management, n.d., 'Nature of Strategic Management' [slide show], <a href="http://www.scribd.com/doc/2516371/Strategic-Management">http://www.scribd.com/doc/2516371/Strategic-Management</a> (accessed 03 August 2012).</li> </ul>
Section overview:	The focus of this section is to provide an overview of the nature of Strategic Management. It introduces an integrative model of the strategic management processes as well as basic activities and terms related to Strategic Management.

# What is Strategic Management

The key notion of strategic management is to achieve and maintain competitive advantage. If you search on the Internet you will find a number of definitions from various sources aiming to clarify the meaning of strategic management.



## Task Questions

1. How do you define strategic management?
2. What are the key terms in strategic management?
3. What are the key aspects of the strategic management model?
4. Discuss the benefits of strategic management?
5. Why do some organisations not conduct strategic planning?



According to David (2011:37), strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objectives. The aim is to integrate all other functional management areas in order to achieve organisational success.

The Businessdictionary.com (2012) defines strategic management as the systematic analysis of the factors associated with customers and competitors, and the organisation itself to provide the basis for maintaining optimum management practices. The objective of strategic management is to achieve better alignment of corporate policies and strategic priorities.

You can consult the following online source for more detail on the meaning of strategic management:



- Gregory, D. Lumpkin, G.T. and Taylor, L. 2005, 'Strategic Management', [http://www.sbaer.uca.edu/publications/strategic\\_management/pdf/01.pdf](http://www.sbaer.uca.edu/publications/strategic_management/pdf/01.pdf) (accessed 03 August 2012).

As implied by the given definitions, strategic management focuses on integrating management, marketing, accounting, operations, research and development as well as information systems into achieving success within an organisation. Therefore, strategic management is often used in a variety of contexts synonymously with strategic planning. During the mid-1960s and mid-1970s, the term "strategic planning" was very popular and believed to be the answer to all problems.

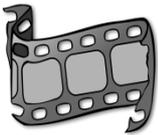
Effective strategic management requires a process to define the organisation's strategy. Depending on the sources you consult, the strategic management process consists of a number of stages, which include goal setting, environmental scanning, and strategy formulation, implementation and evaluation.

The process is based on the belief that organisations should continually monitor internal and external events and trends, and make timely adjustments to the strategy as required. The strategic management process is aimed at allowing organisations to adapt effectively to change over the long run. The aim of the following sources is to assist you in exploring the strategic management process. Remember that at the end of this section you should be able to identify and discuss the scope of various strategic management stages that make up the strategic management process.



- Gadiesh, A. and Gilbert, J. 2001, 'Frontline Action', *Harvard Business Review*, 74(3), 78-81, [http://www.prenhall.com/behindthebook/0131746170/pdf/Dessler1\\_Why\\_I\\_Wrote\\_This\\_Book.pdf](http://www.prenhall.com/behindthebook/0131746170/pdf/Dessler1_Why_I_Wrote_This_Book.pdf) (accessed 03 August 2013).
- Management Study Guide, 2012a, 'Strategic Management Process – Meaning, Steps and Components', <http://www.managementstudyguide.com/strategic-management-process.htm> (accessed 02 August 2012).
- Price, A.D.F. and Newson, E. 2003, 'Strategic Management: Consideration of paradoxes, processes, and associated concepts as applied to Construction', *Journal of Management in Engineering*, 19 (4), 83-191.
- Small Business, 2012, 'The Five Stages of the Strategic Management Process', <http://smallbusiness.chron.com/five-stages-strategic-management-process-18785.html> (accessed 03 August 2012).

You can also access the following *YouTube* sources to listen to what authorities in the field of strategic management said about the strategic process:



- Delta Story TV, 2012, 'Strategic Management Process' [video clip], [http://www.youtube.com/watch?v=Vfbg\\_AYbSwU](http://www.youtube.com/watch?v=Vfbg_AYbSwU) (accessed 20 September 2012).
- OSU Executive Education at Fisher College of Business, 2012, 'Strategic Management from Executive Education at OSU' [video clip], <http://www.youtube.com/watch?v=ewyfKzYiKlc> (accessed 20 September 2012).

In summary:

The stage of strategy formulation is comprised of developing the vision and mission of an organisation, and identifying its opportunities and threats as well as internal strengths and weaknesses. It also requires the establishment of long-term objectives, the generation of alternative strategies and the choosing of particular strategies to pursue.



Strategy implementation requires the establishment of annual objectives, policies and motivation of employees. It also requires that resources are allocated so as to ensure that strategies are achieved. Strategy implementation requires action to implement the strategy and mobilise employees to convert strategies into deeds.

Strategy evaluation requires that strategies are evaluated to determine whether they are working or not. All strategies are subject to modification. Three fundamental strategy-evaluation activities include reviewing internal and external factors that impact on current strategies, measuring performance, and taking corrective action.

## Integrating Intuition and Analysis

Albert Einstein (cited in David, 2011:39) said “I believe in intuition and inspiration. At times I feel certain that I am right while not knowing the reason. Imagination is more important than knowledge, because knowledge is limited whereas imagination embraces the entire world”.

Strategic management is not an exact science. It is an objective, logical, systematic approach to making decisions; it is based on qualitative and quantitative information. Intuition is essential in making good decisions. Analytical thinking and intuitive thinking complement each other.

## Key Terms in Strategic Management

It is important to define a number of terms that are associated with strategic management, before strategic management is further discussed. Look at the following slide presentation to identify key terms related to strategic management:



remark – The Marketing Students' Association, 2012, 'Key Terms in Strategic Management' [slide show], <http://www.youtube.com/watch?v=XP9F1xcuRrc> (accessed 20 September 2012).

Key terms in strategic management that you should take cognisance of are discussed in **Table 1**.

**TABLE 1: KEY TERMS IN STRATEGIC MANAGEMENT**

<b>Competitive advantage</b>	Anything an organisation does well compared to rival organisations. Organisations must strive to achieve a competitive advantage by continually adapting to changes and by effectively formulating, implementing and evaluating strategies
<b>Strategists</b>	Individuals who are most responsible for the success or failure of an organisation.
<b>Vision and mission statements</b>	Vision statements basically address the question of “what do we want to become?”, whereas the mission statement is an enduring statement of purpose for the organisation.
<b>External opportunities and threats</b>	The economic, social, cultural, demographic, environmental, political, legal, technological and competitive trends and events
<b>Internal strengths and weaknesses</b>	The controllable activities that are either performed very well or poorly
<b>Long-term objectives</b>	Specific results that an organisation seeks to achieve. It is normally more than one year and should be challenging, measurable, consistent, reasonable and clear.
<b>Strategies</b>	This is the way in which the long-term objectives will be achieved; it is future-orientated
<b>Annual objectives</b>	Short-term milestones to reach long-term objectives. They are needed for strategy implementation
<b>Policies</b>	The means by which annual objectives will be achieved and includes guidelines, rules and procedures

# The Strategic Management Model

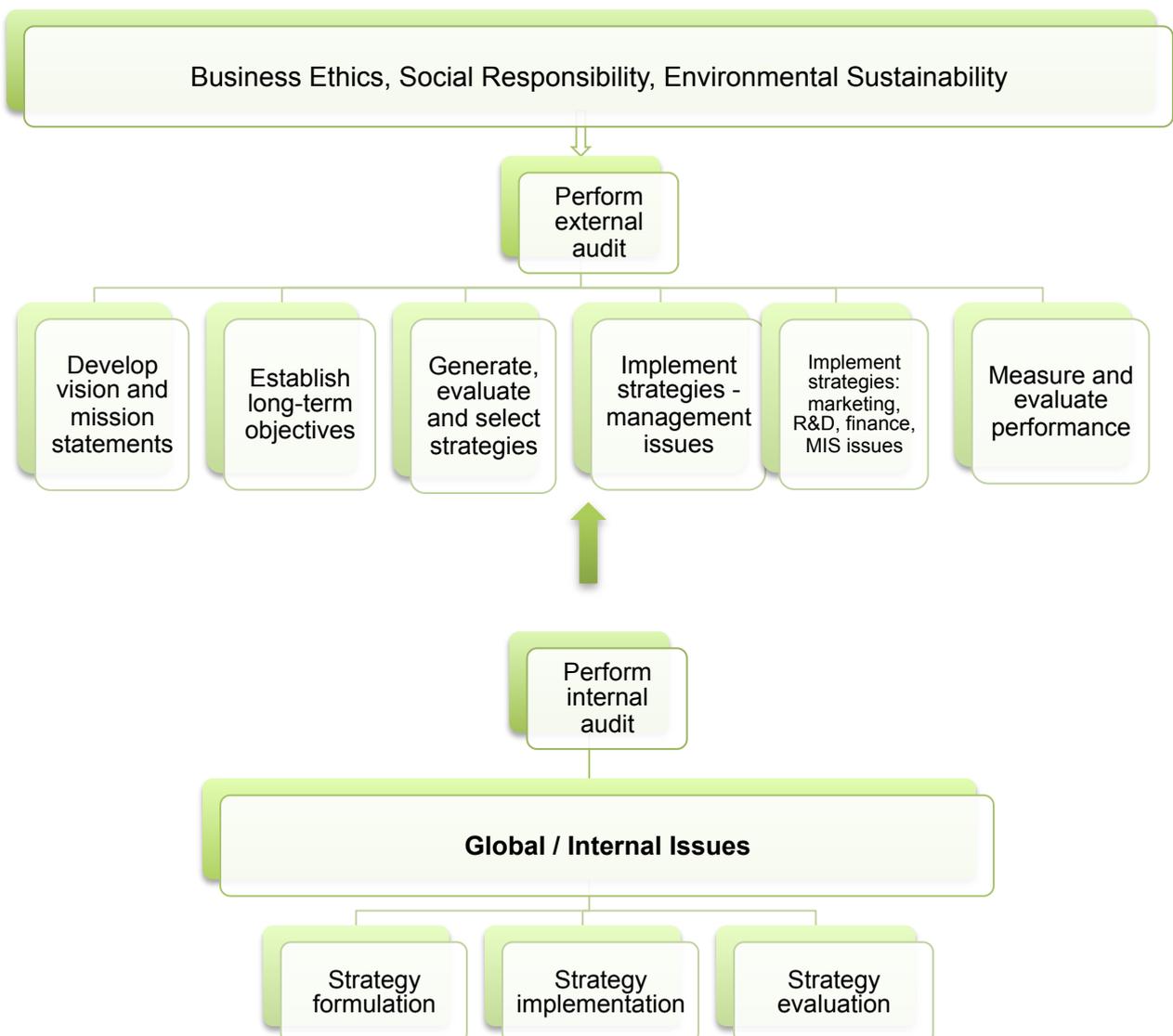
The strategic management process can best be studied and applied using a model. There are three important questions to answer when formulating a strategic plan:

- Where are we now?
- Where do we want to go?
- How are we going to get there?

The strategic management process is dynamic and continuous and a change in one component can lead to a change in another or all other components.

Figure 1 overleaf illustrates the strategic management process.

**FIGURE 1: COMPREHENSIVE STRATEGIC MANAGEMENT MODEL**



(Adapted from: David, 2011)