Strategic Leadership is the ability of influencing others to voluntarily make decisions that enhance the prospects for the organisation's long-term success while maintaining long-term financial stability.Different leadership approaches impact the vision and direction of growth and the potential success of an organization. To successfully deal with change, all executives need the skills and tools for both strategy formulation and implementation.[1] Managing change and ambiguity requires strategic leaders who not only provide a sense of direction, but who can also build ownership and alignment within their workgroups to implement change.[2]

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[hide]

Processes[edit]

Strategic leadership provides techniques that focus organizations when they are deciding on their purpose and best business practices that are critical for remaining competitive and relevant. Being able to learn and adapt has become vital for sustainability. Failure to be able to adapt to changing technology, climate change, and economic factors risks the organization becoming obsolete.

Remaining successful requires a different way of thinking about how to marshal the resources and deliver services. Strategic leadership balances a focused analytical perspective with the human dimension of strategy making (as documented by the Park Li Group). It is important to engage the entire business in a strategy dialogue in order to lay the foundation for building winning organizations that can define, commit, adjust and adapt their strategy quickly as needed.[3]

Strategy execution[edit]

The analytical dimension and the human dimension

Leaders face the continuing challenge of how they can meet the expectations of those who placed them there. Addressing these expectations usually takes the form of strategic decisions and actions. For a strategy to succeed, the leader must be able to adjust it as conditions require. But leaders cannot learn enough, fast enough, and do enough on their own to effectively adapt the strategy and then define, shape and execute the organizational response. If leaders are to win they must rely on the prepared minds of employees throughout the organization to understand the strategic intent and then both carry out the current strategy and adapt it in real time.[4] The challenge is not only producing a winning strategy at a point in time but getting employees smart enough and motivated enough to execute the strategy and change it as conditions change. This requires the leader to focus as much on the process used to develop the strategy – the human dimension, as the content of the strategy – the analytical dimension.[5]

General approaches[edit]

Leaders recognize the need to incorporate aspects of both the analytical and human dimensions to effectively drive the organization forward but how this insight translates into action varies significantly from leader to leader.

These differences are largely driven by the bias leaders have for how they divide their time between the two dimensions. This bias is reflected in how leaders answer questions such as the following:

1. What is their primary role as chief strategist?
2. What is their job as a leader during ongoing strategy making?
3. What type of team should their strategy making create?
4. When is strategy making finished?

How leaders answer these questions will ultimately impact their ability to deliver a winning strategy because their responses indicate whether and how they build and lead an organization that is aligned and committed to a particular agenda.

Question 1: What is their primary role as chief strategist?

Should the focus be on being the architect of the strategy product or being the architect of the strategy process? Is their primary job to come up with the right strategy or is it to manage a process to achieve this outcome?

Analytical: From an analytical perspective the chief strategist’s job is to be the “architect of the perfect strategy product.” Leaders holding this perspective see the strategy itself as the outcome and managing the process is either ignored or delegated, frequently to individuals who lack line of sight to the senior person. Their concerns center on organizing and mastering the data, developing the arguments and looking for that burst of insight that will drive the organization’s competitive advantage and provide the foundation for future success.

Human: Answering the same question from the perspective of the human dimension, the chief strategist's job is to be the "architect of the perfect strategy process." Leaders holding this perspective see the process as the primary outcome and the product, while important, can and should be built by others. There is a recognition that the product will necessarily evolve so the more important endpoint is to build the capacity for strategic thinking across the group so that change, when it occurs, can be absorbed more quickly and more completely.

Question 2: What is their job as a leader during ongoing strategy making?

Linked to the first question, this second question focuses on how leaders conceptualize their role as they participate in the ongoing strategy process. Is it to provide bold, clear leadership that elicits confidence in their personal capabilities as "hero", or is it to serve as a "coach and guide" who enables others to perform and stand in the limelight?[6]

Analytical: Analytical leaders feel the need to personally come up with the right answer. If they are to be the leader, they must be the one with the solutions. They feel obligated to lead from the front on strategic issues, demonstrating expertise through business insights and customer knowledge, skillfully outsmarting the competition and outguessing the marketplace. These leaders are seen as visionary, smart leaders comfortably assuming star status as they fill the role of a Homeric hero.

Human: These leaders view themselves as coaches or guides, believing that the organization's strategy is only as good as the breadth and depth of the understanding and commitment that it attracts. Responsibility for developing the strategy is widely dispersed but carefully coordinated. These leaders focus on guiding and responding while building commitment and empowerment among those building the strategy.

Question 3: What type of team should their strategy making create?

This third question recognizes that every strategy process defines a community and creates a team. This is true whether the leader is aware of it or not and whether the leader manages it or not. The question being asked is, "Does the strategy making create an exclusive club of capable thinkers, or create a broad base of ownership and commitment leading to a sense of citizenship across a much larger group?"

Analytical: The analytical approach to strategy creates an exclusive "inner circle" of thinkers who are in the know and make most of the decisions. Being part of this group feels good because it is similar to being part of a private society. The common element that binds society members together is their close knit exclusiveness and the extraordinary access and understanding of the data and thinking that leads to the strategy. This smaller group is well versed in the views of the leader and the data, and knows how the different pieces of the strategy fit together.

Human: A leader focusing on the human dimension is concerned about building a sense of citizenship among a much larger group of people. It is built around a process that invites much broader participation and relies on input from many others outside of the top team. The aim is to create a sense of belonging and ownership across the organization. In this situation many more people feel they can have an informed opinion about the overall strategy. They believe they have been part of its development, and that they can influence the outcome. In that sense, it is their strategy.

Question 4: When is strategy making finished?

Most leaders have an idea of how strategy making and time are related. The question being asked is, "Is strategy making as a discrete set of sequential activities with a defined start and stop? Or, is strategy something that is continually reforming itself, never quite complete or perfected but always in a state of evolution?" At its essence, the question is, "In the organization, is the strategy process fundamentally linear with a defined beginning and end or is it fundamentally iterative with no defined endpoint?"

Analytical: From the analytical view good strategy making follows a linear process with each task being "checked off" as it is completed. As set out in many strategy texts, it is a set of reasonably well defined steps leading to a fully formed plan of execution. Effectively, the strategy is set for a defined time period and executed.

Human: Leaders who lean to the human dimension see strategy as a continuing work in process, something that is more free-flowing, never truly complete but continuously being shaped as interactions occur with customers and competitors and as new issues and knowledge emerge from the people throughout the organization. They are comfortable circling back on key ideas and frequently will drive the strategy process to re-visit critical assumptions and, based on the insights gained, alter course. For these individuals, changes in strategy are markers of leadership success, not leadership failure.

Incorporating both analytical and human dimensions[edit]

To integrate both dimensions into strategy making in a way that creates a winning outcome and gets the whole organization understanding and committed to this common agenda requires leaders who are clear about the strategic capacity of each of their internal stakeholder groups and who have the perspective and insights to lead in a way that incorporates both dimensions as the strategy is developed. The steps described below are intended to provide the leader with techniques to do that. Taken collectively, they define a process that incorporates both the analytical and human dimensions, while challenging individuals throughout the organization to raise the quality and quantity of their strategic thinking and their strategic leadership.

Standardize vocabulary and agree on a toolset[edit]

Strategy making that enlists large groups of employees needs a common vocabulary and a common set of tools in order to be effective. Deciding on a vocabulary is not difficult but it does need to be done with intent and with a sense of discipline. The number of terms that get used during strategy making seems at times almost endless and includes such words as Vision, Mission, Fact Base, KPI, Goal, Objective, Scorecard, Driver, Strategic Action Plan, Strategic Issue Analysis, Governing Principle, and Metric to name a few. Establishing a common vocabulary begins and ends by getting alignment around three questions, "What does X mean? Why and when is it used?" and "Is X necessary in developing the strategy and building understanding and ownership for it over time?"

Closely linked to the need for a common vocabulary is the need for a common set of frameworks or tools to build your strategy. In many cases, toolsets come with their own embedded vocabulary. Some leaders use relatively more elaborate tools such as shareholder value add (SVA), computer modeling, and scenario planning.

Other leaders tend toward simplicity. Jack Welch described his toolset as a series of 5 questions with the answers ultimately leading up to what he called "the Big Aha."[7] His 5 questions included:

1. What does the playing field look like now?
2. What has the competition been up to?
3. What have we been up to?
4. What's around the corner?
5. What is our winning move?

There is a great deal of useful vocabulary and many fine toolsets in the strategy marketplace and no shortage of advocates for one or another of these. The important outcome is that the leader, as the executive leading the strategy process, needs to select a vocabulary and a toolset, use it consistently over time and require others in the senior and middle ranks of the organization to do the same.

Finally, when deciding what vocabulary and toolset is best to use while working across large populations, simpler is usually better. The simpler the language and the fewer the tools, the more accessible the strategy becomes to larger groups of people and the more people can understand it, know how they should think and talk about it, and identify how they can contribute. Some situations require more sophisticated (i.e. more complicated) tools because there is a need for much more thorough analytics. Many do not. The right balance point between comprehensiveness and simplicity will provide enough analytical complexity to adequately describe the marketplace, the customers, what you do and how you will compete, but nothing more than that. Simplicity, where it can be found, makes a significant difference when working across a large population.

Broaden and strengthen senior managers as a strategic leadership team[edit]

Broadening and strengthening the team at the senior levels of the organization begins with an honest assessment of whether there actually is a working strategy currently in place and if there is, the state of understanding and ownership for it in the organization.

The lack of clarity and ownership deeper in the organization leads to 1) misallocated resources because people are working at cross purposes, 2) excessive leadership time spent correcting and clarifying the direction because others are not convinced or they fail to understand it, and 3) poor execution of the strategy due to diffuse and differing priorities. Perhaps most importantly it directly impacts organizational agility because there is no broad understanding and agreement on the current strategy, so subsequent changes to the strategy make no more sense than the original agenda.

Leaders can address these dynamics by broadening out the understanding and ownership of the strategy to a much larger group without sacrificing the sense of commitment at the top of the organization. Having this larger group of managers accountable for successfully defining and executing a strategy is not only critical to building winning strategies but if done in a way that includes both the analytical and the human dimensions, it is incredibly energizing for the organization. This is especially true in those cultures and organizations where the decision making is traditionally held more closely by a relatively small group of senior people.

The mechanics of how to broaden the senior team will vary depending on cultural and organizational considerations. The key is to create a common context for both the “what” and the “why” of the strategy that serves as a critical touchstone for the broader leadership team. In most cases, the process creates a group of 50–100 or more people who recognize that they are collectively accountable for the success of the entire strategy and not just their piece of it. These steps lay the foundation for partnering with the middle of the organization by setting the stage for the senior team to speak with one voice to the middle managers.

Build a strategy support team to serve as champions for the strategy process[edit]

With varying degrees of success, many leaders get their strategy making to this point and either stop or their process stalls. A major reason is the lack of understanding and commitment to the steps required to build more effective strategic leadership practices and a strategy dialogue in the operating groups below the senior managers. These groups and especially their leadership teams frequently do not know how to proceed and there is no consistent in-house resource to assist them. The net effect is the sense of excitement and momentum that was generated at the top of the house in the earlier stages of the strategy process is lost and the strategy team of employees is derailed before it is even gets started. One of the best ways to address this is to identify and train a cadre of high potential line managers in the middle of the organization that can serve as champions of the strategy process to those both above and below them.[8] In this sense they serve both as a catalyst for the process and as a bridge between formulation and implementation. They do not replace the leadership role of the senior teams in each of these operating group but they do serve as a critical additional resource that is dedicated to creating momentum and fostering consistency. This can be especially important if the strategy defined requires changes in the organizational culture as well as the business model. This resource also helps to ensure that the day-to-day running the business is not neglected as the demands of building a large scale strategy dialogue come into play.

The make-up of this strategy support team (SST) generally includes 1 or more people from each of the operating groups, usually 2–3 downs from the senior person. The skills and behaviors required of these individuals are a blend of both the analytical and the human dimensions. Too much emphasis on one dimension over the other undermines the effectiveness of the role. In partnership with the senior team from their operating group, the members of the SST serve as a coach and guide for the strategy process as it unfolds. In this capacity, they reinforce expectations and teach methods for building and sustaining a strategy dialogue in their respective groups, ensure that the local strategy product being produced is of a uniform quality (including vocabulary and tools), and foster behavioral and organizational alignment over time. Additional roles for these individuals might also include facilitator, tracker and chaser, success and failure transfer agent across the businesses and writer when required.

In addition to serving as a resource to those around them, it is unique opportunity of the SST members to participate in the strategy discussion 2–3 levels above their normal level of discourse. It is also an excellent training ground for those involved and it gives the senior executive direct access to the middle of the organization while observing the performance of these high potential line managers.[9]

Raise the bar for more effective strategic leadership in the middle of the organization[edit]

For many middle managers, participating effectively in the strategy development process is as much a question of training as it is doing. Building understanding and skills on topics such as the vocabulary and toolset, marketplace dynamics and the associated ambiguity, strategy story telling and their own individual strategic leadership strengths and weaknesses are all aspects of a process that can ignite a sense of understanding and commitment across the middle of the organization in a way that leverages the human fabric.

A key insight that drives this outcome is the recognition that most middle managers regardless of cultural background want to commit to something and belong to something that is more than who they are as individuals. It is the leader's job to give managers the opportunities in which they can make such commitments. In all instances, providing the settings for these individuals includes asking them to be story tellers of the organizational strategy to those around them. Doing this requires these middle managers to understand and embrace both the analytical and human dimensions of the strategy making. It also creates a much smarter and more prepared middle manager that has publicly committed to the strategy and is in a much stronger position to make local decisions as the strategy evolves.

Localize the strategy story at the lower levels of the organization and engage these levels with the question, "What does this mean for me and my team?"

While front line supervisors and their teams in most instances are the largest portion of the population, the strategy making work to be done with this group is relatively simple. Their needs center largely on context, community and clarity. Engaging this group in a discussion of the basic business model and the organizational strategy provides critical context and gives meaning to their work. Their participation in shaping the local strategy builds understanding and ownership and a sense of partnership with the larger organization.

Strategy making with this group begins with the organization's strategy story. Using middle managers in this role allows these individuals to raise their own strategic leadership bar. And it is through these middle managers that the organizational story becomes more accessible in those settings and situations that they know much more intimately than senior managers.

Ultimately, the strategy only comes alive and communities are built when it is used to set the broad context and is followed by a much more detailed local discussion addressing the question, "What does this mean for me and my team?"[10] The combination of the analytical and human dimensions applied to this group provides a platform of understanding among the rank and file for what the strategy is, what it means to them and why it needs to continue to evolve over time. This in turn increases the willingness of this critically important but difficult to reach population to recognize the inevitable changes in strategy as markers of leadership success rather than leadership failure and in the process it builds and strengthens organizational agility.

Moving the “we/they” line[edit]

In every organization, there is a line that can be drawn. Above the line, generally at the more senior levels of the organization, people use the word “we” to imply collective responsibility for success and failure. People in this group say things like, “We did this well.” “We should have done this better.” “We need to discuss this more.” “We should have planned this out more carefully.” Below the line, generally at lower levels of the organization, people use the word “they” to imply that things are being done to them by others and frequently these things are not good. People in this group say things like, “They messed up.” “They should have done that better.” “They should have planned this more carefully.”

Effective strategy processes move the “we/they” line down in the organization so that more people use the word “we” and take ownership for making things happen and making things better.[11] Good strategic leadership practices, with the right balance of the analytic dimension and the human dimension and the discipline and commitment to see the process through during strategy formulation and implementation can be a strong driver to take the “we/they” line much deeper into the organization. A deep “we” line produces winning strategies because those in the “we” are much more willing and able to meet the demands of perpetual change.

Building prepared minds on a large scale begins and ends with the senior person focusing on being the architect of the strategy process as much as the product. The focus is on working the middle ground between the analytical and the human dimensions, not giving up on the clarity that comes from the analytical rigor nor the broad-based commitment and organizational agility that comes from addressing the human dimension. Ultimately a deep “we” line is a signal that employees are developing, evolving, modulating, fine-tuning and executing a strategy concurrently.

Definition of Leadership

According to Ann Marie E. McSwain, Assistant Professor at Lincoln University, “leadership is about capacity: the capacity of leaders to listen and observe, to use their expertise as a starting point to encourage dialogue between all levels of decision-making, to establish processes and transparency in decision-making, to articulate their own value and visions clearly but not impose them. Leadership is about setting and not just reacting to agendas, identifying problems, and initiating change that makes for substantial improvement rather than managing change” (Pearce, 2008). Rowe states that strategic leadership is the ability to influence other to voluntarily make day-to-day decisions that enhance the long term viability of the organization while at the same time maintaining its short term financial stability. (Rowe, 2001).

Davis (2004) defines strategic leaders are the ones having organizational ability with strategically orientation; translate strategy into action; align people and organizations; determine effective strategic intervention points; develop strategic competencies. A strategic leader displays a dissatisfaction or restlessness with the present; absorptive capacity; adaptive capacity; wisdom. Davies highlights the concept of “adaptive capacity,” a strategy that enables leaders to change and learn through asserting that ‘mastering chaos, complexity and change requires new ways of ‘seeing and thinking’ (Sanders, 1998). A strategic leader is strategically future oriented. A strategic leader’s eyes are always on the horizon, not just on the near at hand. A strategic leader influences “the organization by aligning their systems, culture, and organizational structure to ensure consistency with the strategy.” (Beatty and Quinn, 2010, p. 7). Influencing employees to voluntarily make decisions that enhance the organization is the most important part of strategic leadership. A strategic leader, in both instances, prepares for the future and considers both the long-term goal as well understanding the current contextual setting of the organization.

A leadership model that introduced Batty and Quinn consists three components: who, how, and what. The three interdependent processes of this model are thinking, acting, and influencing. (Beatty and Quinn, 2010). Strategic leaders have the ability to determine effective intervention points. This means that the strategy of an effective leader is to develop new visions, create new strategic and move in a new, sometimes unexpected, direction. At these strategic opportunity points, the most important component is the timing of when to intervene and directing change verse what the intervention is put in place. Strategic leaders think strategically. Strategic thinking, as Batty and Quinn states, involves gathering, making connections, and filtering information or “form ideas and strategies that are focused, relevant, and sound.” (Beatty and Quinn, 2010, p. 5). The significance of strategic leadership “is making decisions about whether and when to act.” (Beatty and Quinn, 2010, p. 6).

Leadership is about innovators and change agents; seeing the big picture, thinking strategically about how to attain goals, and working (with the help of others) to achieve the goals (Kouzes and Posner, 2009, p. 20). Strategic orientation is the ability to be innovative in connecting long-range visions and concepts to daily work. Quong & Walker (2010) based their works describing the definitive terms and segments. In their article titled Seven Principles of Strategic Leadership, Quong and Walker describe a framework of seven principles, which are: Principle 1 Strategic Leaders are Futures Oriented and have a Futures Strategy; 2. Strategic Leaders are Evidence Based and Research Led; 3. Strategic Leaders Get Things Done; 4. Strategic Leaders Open New Horizon; 5. Strategic Leaders are Fit to Lead; 6. Strategic Leaders Make Good Partner; and 7. Strategic Leaders Do the ‘Next’ Right Thing.

The Role of Strategic Leadership in Organization

There are various strategic leadership styles. With strategic leadership being such a broad topic Rowe differentiates between strategic, visionary and managerial leaders. (Rowe, 2001). Strategic leadership presumes a shared vision of what an organization is to be, so that the day-to-day decision making or emergent strategy process is consistent with this vision. Managerial leaders influence only the actions and decisions of those with whom they work. They are involved in situations and contexts characteristic of day-to-day activities and are concerned with and more comfortable in functional areas of responsibilities. In contrast visionary leadership is future oriented and concerned with risk taking and visionary leaders are not dependent on their organizations for their sense of who they are. Visionary leaders work from high risk positions, and seek out risky ventures, especially when the rewards are high (Rowe, 2001). Strategic Leadership in Education System

Strategic leadership is defined by Barron, 1995 as practicing existing abilities and skills and influencing others to train in new
formats for new leadership models. Specifically, to obtain successful educational management within the organizational, leaders should think strategically about where

changes are needed and why. For instance, new leaders should be in possession of three fundamental skills: problem-solving, decision-making and creative/critical thinking. Also, educators, administrators, and other practitioners should be trained in educational management and continually activate this training in new leadership roles. As a result, the outcome of the educational environment will be influenced by the total quality leadership. Therefore, in Barron's 1995 definition of strategic leadership, he concludes that "Strategic leadership is demonstrated by individuals in all areas of the educational environment who possess skills to create and communicate vision and effect change through interactive leadership."

Strategic Leadership in Non-Profit Sector

Very little research in the field of strategic leadership has considered the sector in which leadership occurs. As a result, most of the theory development in strategic leadership has assumed that it occurs in the for profit sector. There have been several theoretical articles published on the role and influence of nonprofit executives generally. In Phipps & Burbach (2010) study they determined the role of a public executive is different from the role of a business executive. The difference between public and private executive roles included different informational, interpersonal, and decisional roles. According to Phipps & Burbach (2010) a study by Taliento & Silverman in 2005 shows the difference between the role of a corporate CEO and the nonprofit CEO. Their conclusions were based on interviews with crossover leaders who had led both for profit and nonprofit organizations. The study identified five areas in which nonprofit strategic leaders adapt the practices of for profit strategic leaders: • Smaller scope of authority • A wider range of stakeholders who expect consensus • The need for innovative metrics to monitor performance • The requirement that nonprofit CEO's pay more attention to communications • The challenge of building an effective organization with limited resources and training. The study concluded that "there is reason to believe that strategic leaders contribute to nonprofit organizational performance in ways consistent with strategic leadership theory. However there is evidence in the study suggesting that the exercise of strategic leadership is different in the nonprofit context (Phipps & Burbach, 2010)".

Leadership remains one of the most relevant aspects of the organizational context. However, defining leadership is challenging. "The difficulty of arriving at a simple, cut-and-dried definition of strategic leadership is underscored in the literature on the subject." (Beatty and Quinn, 2010, p. 3). The definition of leadership varies from situation to situation. Strategic leadership filters the applicable information, creating and environment where learning can take place. Strategic leadership is a combined responsibility of the leader, the follower and the organization. Leadership presents challenges that call forth the best in people, and bring them together around a shared sense of purpose. With intentionality, alignment, and a higher purpose; the work between the leader and the followers create a synergy. Despite what style of leadership, the various styles can support one another to achieve the goals of the organization. Strategic leadership can only be achieved when the leader is strategic in their approach to the matters of the organization.

he storied British banker and financier Nathan Rothschild noted that great fortunes are made when cannonballs fall in the harbor, not when violins play in the ballroom. Rothschild understood that the more unpredictable the environment, the greater the opportunity—if you have the leadership skills to capitalize on it. Through research at the Wharton School and at our consulting firm involving more than 20,000 executives to date, we have identified six skills that, when mastered and used in concert, allow leaders to think strategically and navigate the unknown effectively: the abilities to anticipate, challenge, interpret, decide, align, and learn. Each has received attention in the leadership literature, but usually in isolation and seldom in the special context of high stakes and deep uncertainty that can make or break both companies and careers. This article describes the six skills in detail. An adaptive strategic leader—someone who is both resolute and flexible, persistent in the face of setbacks but also able to react strategically to environmental shifts—has learned to apply all six at once.

Do you have the right networks to help you see opportunities before competitors do? Are you comfortable challenging your own and others' assumptions? Can you get a diverse group to buy in to a common vision? Do you learn from mistakes? By answering questions like these, you'll get a clear view of your abilities in each area. The self-test at this article's end (and the more detailed test available at hbrsurvey.decisionstrat.com) will help you gauge your strengths and weaknesses, address deficits, and optimize your full portfolio of leadership skills.

Let's look at each skill in turn.

Anticipate

Most organizations and leaders are poor at detecting ambiguous threats and opportunities on the periphery of their business. Coors executives, famously, were late seeing the trend toward low-carb beers. Lego management missed the electronic revolution in toys and gaming. Strategic leaders, in contrast, are constantly vigilant, honing their ability to anticipate by scanning the environment for signals of change.

We worked with a CEO named Mike who had built his reputation as a turnaround wizard in heavy manufacturing businesses. He was terrific at reacting to crises and fixing them. After he'd worked his magic in one particular crisis, Mike's company enjoyed a bump in growth, fueled in part by an up cycle. But after the cycle had peaked, demand abruptly softened, catching Mike off guard. More of the same in a down market wasn't going to work. Mike needed to consider various scenarios and gather better information from diverse sources in order to anticipate where his industry was headed.

We showed Mike and his team members how to pick up weak signals from both inside and outside the organization. They worked to develop broader networks and to take the perspective of customers, competitors, and partners. More alert to opportunities outside the core business, Mike and the team diversified their product portfolio and acquired a company in an adjacent market where demand was higher and less susceptible to boom-and-bust cycles.

To improve your ability to *anticipate:*

Talk to your customers, suppliers, and other partners to understand their challenges.

Conduct market research and business simulations to understand competitors' perspectives, gauge their likely reactions to new initiatives or products, and predict potential disruptive offerings.

Use scenario planning to imagine various futures and prepare for the unexpected.

Look at a fast-growing rival and examine actions it has taken that puzzle you.

List customers you have lost recently and try to figure out why.

Attend conferences and events in other industries or functions.

Challenge

Strategic thinkers question the status quo. They challenge their own and others' assumptions and encourage divergent points of view. Only after careful reflection and examination of a problem through many lenses do they take decisive action. This requires patience, courage, and an open mind.

Consider Bob, a division president in an energy company we worked with, who was set in his ways and avoided risky or messy situations. When faced with a tough problem—for example, how to consolidate business units to streamline costs—he would gather all available information and retreat alone into his office. His solutions, although well thought out, were predictable and rarely innovative. In the consolidation case he focused entirely on two similar and underperforming businesses rather than considering a bolder reorganization that would streamline activities across the entire division. When he needed outside advice, he turned to a few seasoned consultants in one trusted firm who suggested tried-and-true solutions instead of questioning basic industry assumptions.

Through coaching, we helped Bob learn how to invite different (even opposing) views to challenge his own thinking and that of his advisers. This was uncomfortable for him at first, but then he began to see that he could generate fresh solutions to stale problems and improve his strategic decision making. For the organizational streamlining he even assigned a colleague to play devil's advocate—an approach that yielded a hybrid solution: Certain emerging market teams were allowed to keep their local HR and finance support for a transitional period while tapping the fully centralized model for IT and legal support.

To improve your ability to *challenge:*

Focus on the root causes of a problem rather than the symptoms. Apply the "five whys" of Sakichi Toyoda, Toyota's founder. ("Product returns increased 5% this month." "Why?" "Because the product intermittently malfunctions." "Why?" And so on.)

List long-standing assumptions about an aspect of your business ("High switching costs prevent our customers from defecting") and ask a diverse group if they hold true.

Encourage debate by holding "safe zone" meetings where open dialogue and conflict are expected and welcomed.

Create a rotating position for the express purpose of questioning the status quo.

Include naysayers in a decision process to surface challenges early.

Capture input from people not directly affected by a decision who may have a good perspective on the repercussions.

Interpret

Leaders who challenge in the right way invariably elicit complex and conflicting information. That's why the best ones are also able to interpret. Instead of reflexively seeing or hearing what you expect, you should synthesize all the input you have. You'll need to recognize patterns, push through ambiguity, and seek new insights. Finland's former president J. K. Paasikivi was fond of saying that wisdom begins by recognizing the facts and then "re-cognizing," or rethinking, them to expose their hidden implications.

Some years ago Liz, a U.S. food company CMO, was developing a marketing plan for the company's low-carb cake line. At the time, the Atkins diet was popular, and every food company had a low-carb strategy. But Liz noticed that none of the consumers she listened to were avoiding the company's snacks because they were on a low-carb diet. Rather, a fast-growing segment—people with diabetes—shunned them because they contained sugar. Liz thought her company might achieve higher sales if it began to serve diabetics rather than fickle dieters. Her ability to connect the dots ultimately led to a profitable change in product mix from low-carb to sugar-free cakes.

To improve your ability to *interpret:*

When analyzing ambiguous data, list at least three possible explanations for what you're observing and invite perspectives from diverse stakeholders.

Force yourself to zoom in on the details and out to see the big picture.

Actively look for missing information and evidence that disconfirms your hypothesis.

Supplement observation with quantitative analysis.

Step away—go for a walk, look at art, put on nontraditional music, play Ping-Pong—to promote an open mind.

Decide

In uncertain times, decision makers may have to make tough calls with incomplete information, and often they must do so quickly. But strategic thinkers insist on multiple options at the outset and don't get prematurely locked into simplistic go/no-go choices. They don't shoot from the hip but follow a disciplined process that balances rigor with speed, considers the trade-offs involved, and takes both short- and long-term goals into account. In the end, strategic leaders must have the courage of their convictions—informed by a robust decision process.

Janet, an execution-oriented division president in a technology business, liked to make decisions quickly and keep the process simple. This worked well when the competitive landscape was familiar and the choices straightforward. Unfortunately for her, the industry was shifting rapidly as nontraditional competitors from Korea began seizing market share with lower-priced products.

Janet's instinct was to make a strategic acquisition in a low-cost geography—a yes-or-no proposition—to preserve the company's competitive pricing position and market share. As the plan's champion, she pushed for a rapid green light, but because capital was short, the CEO and the CFO resisted. Surprised by this, she gathered the principals involved in the decision and challenged them to come up with other options. The team elected to take a methodical approach and explored the possibility of a joint venture or a strategic alliance. On the basis of that analysis, Janet ultimately pursued an acquisition—but of a different company in a more strategic market.

To improve your ability to *decide:*

Reframe binary decisions by explicitly asking your team, "What other options do we have?"

Divide big decisions into pieces to understand component parts and better see unintended consequences.

Tailor your decision criteria to long-term versus short-term projects.

Let others know where you are in your decision process. Are you still seeking divergent ideas and debate, or are you moving toward closure and choice?

Determine who needs to be directly involved and who can influence the success of your decision.

Consider pilots or experiments instead of big bets, and make staged commitments.

Align

Strategic leaders must be adept at finding common ground and achieving buy-in among stakeholders who have disparate views and agendas. This requires active outreach. Success depends on proactive communication, trust building, and frequent engagement.

One executive we worked with, a chemical company president in charge of the Chinese market, was tireless in trying to expand his business. But he had difficulty getting support from colleagues elsewhere in the world. Frustrated that they didn't share his enthusiasm for opportunities in China, he plowed forward alone, further alienating them. A survey revealed that his colleagues didn't fully understand his strategy and thus hesitated to back him.

With our help, the president turned the situation around. He began to have regular face-to-face meetings with his fellow leaders in which he detailed his growth plans and solicited feedback, participation, and differing points of view. Gradually they began to see the benefits for their own functions and lines of business. With greater collaboration, sales increased, and the president came to see his colleagues as strategic partners rather than obstacles.

To improve your ability to *align:*

Communicate early and often to combat the two most common complaints in organizations: “No one ever asked me” and “No one ever told me.”

Identify key internal and external stakeholders, mapping their positions on your initiative and pinpointing any misalignment of interests. Look for hidden agendas and coalitions.

Use structured and facilitated conversations to expose areas of misunderstanding or resistance.

Reach out to resisters directly to understand their concerns and then address them.

Be vigilant in monitoring stakeholders’ positions during the rollout of your initiative or strategy.

Recognize and otherwise reward colleagues who support team alignment.

Learn

Strategic leaders are the focal point for organizational learning. They promote a culture of inquiry, and they search for the lessons in both successful and unsuccessful outcomes. They study failures—their own and their teams’—in an open, constructive way to find the hidden lessons.

A team of 40 senior leaders from a pharmaceutical company, including the CEO, took our Strategic Aptitude Self-Assessment and discovered that learning was their weakest collective area of leadership. At all levels of the company, it emerged, the tendency was to punish rather than learn from mistakes, which meant that leaders often went to great lengths to cover up their own.

The CEO realized that the culture had to change if the company was to become more innovative. Under his leadership, the team launched three initiatives: (1) a program to publicize stories about projects that initially failed but ultimately led to creative solutions; (2) a program to engage cross-divisional teams in novel experiments to solve customer problems—and then report the results regardless of outcome; (3) an innovation tournament to generate new ideas from across the organization. Meanwhile, the CEO himself became more open in acknowledging his missteps. For example, he described to a group of high potentials how his delay in selling a stalled legacy business unit had prevented the enterprise from acquiring a diagnostics company that would have expanded its market share. The lesson, he explained, was that he should more readily cut losses on underperforming investments. In time the company culture shifted toward more shared learning and bolder innovation.

To improve your ability to *learn:*

Institute after-action reviews, document lessons learned from major decisions or milestones (including the termination of a failing project), and broadly communicate the resulting insights.

Reward managers who try something laudable but fail in terms of outcomes.

Conduct annual learning audits to see where decisions and team interactions may have fallen short.

Identify initiatives that are not producing as expected and examine the root causes.

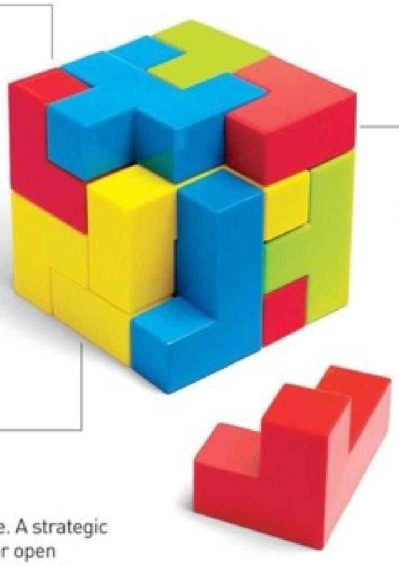
Create a culture in which inquiry is valued and mistakes are viewed as learning opportunities.Becoming a strategic leader means identifying weaknesses in the six skills discussed above and correcting them. Our research shows that strength in one skill cannot easily compensate for a deficit in another, so it is important to methodically optimize all six abilities. The following test—a short version of our Strategic Aptitude Assessment, which is available at hbrsurvey.decisionstrat.com—can help reveal which areas require attention. For clearer and more useful results, take the longer survey and ask colleagues—or at least your manager—to review and comment on your answers..

THE TAKEAWAY

The Fine Art of Strategic Leadership

The best leaders are those who can deal not only with today's problems but also with the issues and challenges forever gathering on the horizon. In a recent column for Inc.com, author and researcher Paul Schoemaker discussed the things that forward-thinking leaders do better than the rest of us. Here are three.

THE BEST OF INC.COM



1. Interpret

Ambiguity is unsettling. Faced with it, the leader is tempted to reach for a fast (and potentially wrong-headed) solution. A strategic leader holds steady, synthesizing information from many sources before developing a viewpoint.

2. Align

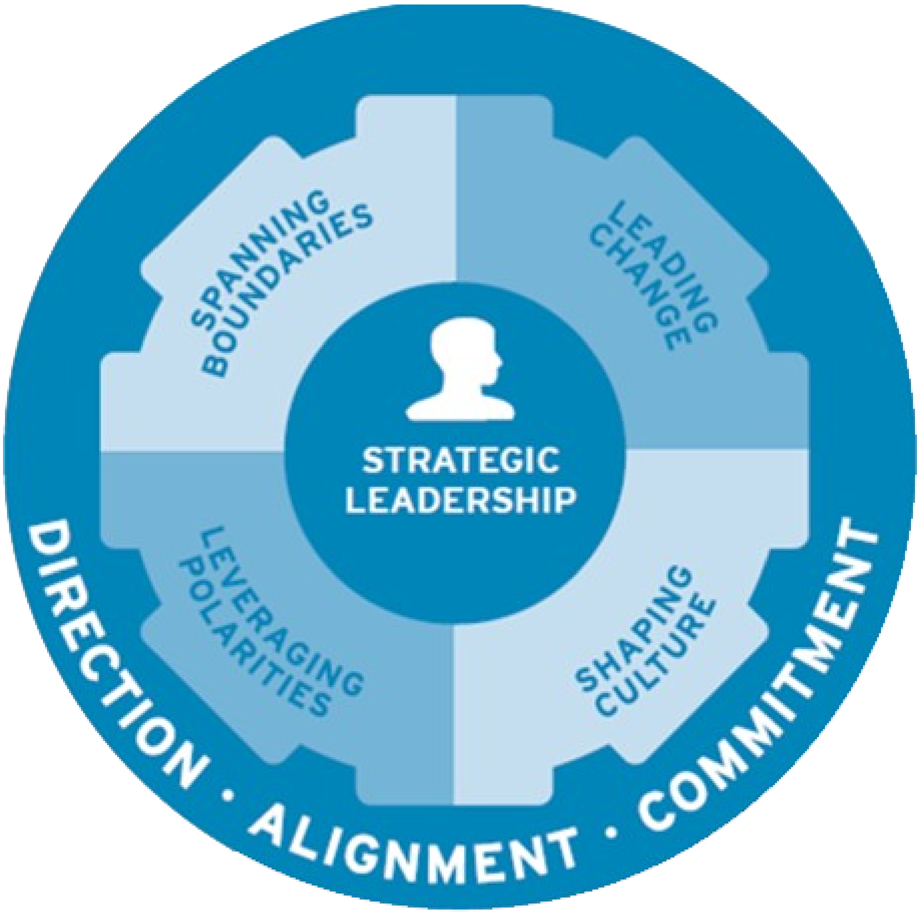
Consensus is rare. A strategic leader must foster open dialogue, build trust, and engage key stakeholders, especially when views diverge.

3. Learn

As a company grows, honest feedback is harder and harder to come by. You have to do what you can to keep it coming. This is crucial, because success and failure—especially failure—are valuable sources of organizational learning.

Stratecomm™

Leadership Development


SPANNING BOUNDARIES
LEADING CHANGE
STRATEGIC LEADERSHIP
LEVERAGING POLARITIES
SHAPING CULTURE
DIRECTION · ALIGNMENT · COMMITMENT

Strategic Leadership - Definition and Qualities of a Strategic Leader

> Strategic leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision**. Strategic leadership can also be defined as utilizing strategy in the management of employees. It is the potential to influence organizational members and to execute organizational change. Strategic leaders create organizational structure, allocate resources and express strategic vision. Strategic leaders work in an ambiguous environment on very difficult issues that influence and are influenced by occasions and organizations external to their own.**

> The main objective of strategic leadership is strategic productivity. Another aim of strategic leadership is to develop an environment in which employees forecast the organization's needs in context of their own job. Strategic leaders

encourage the employees in an organization to follow their own ideas. Strategic leaders make greater use of reward and incentive system for encouraging productive and quality employees to show much better performance for their organization. Functional strategic leadership is about inventiveness, perception, and planning to assist an individual in realizing his objectives and goals.

Strategic leadership requires the potential to foresee and comprehend the work environment. It requires objectivity and potential to look at the broader picture.

A few main **traits / characteristics / features / qualities** of effective strategic leaders that do lead to superior performance are as follows:

- **Loyalty-** Powerful and effective leaders demonstrate their loyalty to their vision by their words and actions.
- **Keeping them updated-** Efficient and effective leaders keep themselves updated about what is happening within their organization. They have various formal and informal sources of information in the organization.
- **Judicious use of power-** Strategic leaders makes a very wise use of their power. They must play the power game skillfully and try to develop consent for their ideas rather than forcing their ideas upon others. They must push their ideas gradually.
- **Have wider perspective/outlook-** Strategic leaders just don't have skills in their narrow specialty but they have a little knowledge about a lot of things.
- **Motivation-** Strategic leaders must have a zeal for work that goes beyond money and power and also they should have an inclination to achieve goals with energy and determination.
- **Compassion-** Strategic leaders must understand the views and feelings of their subordinates, and make decisions after considering them.
- **Self-control-** Strategic leaders must have the potential to control distracting/disturbing moods and desires, i.e., they must think before acting.
- **Social skills-** Strategic leaders must be friendly and social.

- **Self-awareness-** Strategic leaders must have the potential to understand their own moods and emotions, as well as their impact on others.
- **Readiness to delegate and authorize-** Effective leaders are proficient at delegation. They are well aware of the fact that delegation will avoid overloading of responsibilities on the leaders. They also recognize the fact that authorizing the subordinates to make decisions will motivate them a lot.
- **Articulacy-** Strong leaders are articulate enough to communicate the vision(vision of where the organization should head) to the organizational members in terms that boost those members.
- **Constancy/ Reliability-** Strategic leaders constantly convey their vision until it becomes a component of organizational culture.

> To conclude, Strategic leaders can create vision, express vision, passionately possess vision and persistently drive it to accomplishment.

Strategy - Definition and Features

> The word “strategy” is derived from the Greek word “stratçgos”; 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. Strategy is the blueprint of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and

human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

Features of Strategy

1. Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
2. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
3. Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees 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".

Steps in Strategy Formulation Process

Strategy formulation refers to the process of choosing the most appropriate course of action **for the realization of organizational goals and objectives and thereby achieving the organizational vision. The process of strategy formulation basically involves six main steps. Though these steps do not follow a rigid chronological order, however they are very rational and can be easily followed in this order.**

1. **Setting Organizations' objectives - The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives.**

While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

2. Evaluating the Organizational Environment - The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.

   After identifying its strengths and weaknesses, an organization must keep a track of competitors' moves and actions so as to discover probable opportunities of threats to its market or supply sources.

3. Setting Quantitative Targets - In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.
4. Aiming in context with the divisional plans - In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.

5. Performance Analysis - Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.

6. Choice of Strategy - This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering

organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

Strategy Implementation - Meaning and Steps in Implementing a Strategy

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups.

Follwoing are the main steps in implementing a strategy:

- ✓ **Developing an organization having potential of carrying out strategy successfully.**
- ✓ **Disbursement of abundant resources to strategy-essential activities.**
- ✓ **Creating strategy-encouraging policies.**
- ✓ **Employing best policies and programs for constant improvement.**
- ✓ **Linking reward structure to accomplishment of results.**
- ✓ **Making use of strategic leadership.**

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal as well as informal) are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behaviour.

Strategy Formulation vs Strategy Implementation

Following are the main differences between Strategy Formulation and Strategy Implementation-

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is placing the Forces before the action.	In short, Strategy Implementation is managing forces during the action.
Strategy Formulation is an Entrepreneurial Activity based on strategic decision-making.	Strategic Implementation is mainly an Administrative Task based on strategic and operational decisions.
Strategy Formulation emphasizes on effectiveness.	Strategy Implementation emphasizes on efficiency.
Strategy Formulation is a rational process.	Strategy Implementation is basically an operational process.
Strategy Formulation requires co-ordination among few individuals.	Strategy Implementation requires co-ordination among many

	individuals.
Strategy Formulation requires a great deal of initiative and logical skills.	Strategy Implementation requires specific motivational and leadership traits.
Strategic Formulation precedes Strategy Implementation.	STrategy Implementation follows Strategy Formulation.

Strategy Evaluation Process and its Significance

Strategy Evaluation is as significant as strategy formulation because it throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results. The managers can also assess the appropriateness of the current strategy in todays dynamic world with socio-economic, political and technological innovations. Strategic Evaluation is the final phase of strategic management.

The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc, through control of performance. Strategic Evaluation is significant because of various factors such as - developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice etc.

The process of Strategy Evaluation consists of following steps-

1. Fixing benchmark of performance - While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includes determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

2. Measurement of performance - The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

3. Analyzing Variance - While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

4. Taking Corrective Action - Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

Strategic Decisions - Definition and Characteristics

Strategic decisions are the decisions that are concerned with whole environment in which the firm operates, the entire resources and the people who form the company and the interface between the two.

Characteristics/Features of Strategic Decisions

a. Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
b. Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
c. Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.
d. Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.
e. Strategic decisions are complex in nature.
f. Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.
g. Strategic decisions are different from administrative and operational decisions. Administrative decisions are routine decisions which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions which help execution of strategic decisions. To reduce cost is a strategic decision which is achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

The differences between Strategic, Administrative and Operational decisions can be summarized as follows-

Strategic Decisions	Administrative Decisions	Operational Decisions
Strategic decisions are long-term decisions.	Administrative decisions are taken	Operational decisions are not frequently

	daily.	taken.
These are considered where The future planning is concerned.	These are short-term based Decisions.	These are medium-period based decisions.
Strategic decisions are taken in Accordance with organizational mission and vision.	These are taken according to strategic and operational Decisions.	These are taken in accordance with strategic and administrative decision.
These are related to overall Counter planning of all Organization.	These are related to working of employees in an Organization.	These are related to production.
These deal with organizational Growth.	These are in welfare of employees working in an organization.	These are related to production and factory growth.

Benefits of Strategic Management

There are many benefits of strategic management and they include identification, prioritization, and exploration of opportunities. For instance, newer products, newer markets, and newer forays into business lines are only possible if firms indulge in strategic planning. Next, strategic management allows firms to take an objective view of the activities being done by it and do a cost benefit analysis as to whether the firm is profitable.

Just to differentiate, by this, we do not mean the financial benefits alone (which would be discussed below) but also the assessment of profitability that has to do with evaluating whether the business is strategically aligned to its goals and priorities.

The key point to be noted here is that strategic management allows a firm to orient itself to its market and consumers and ensure that it is actualizing the right strategy.

Financial Benefits

It has been shown in many studies that firms that engage in strategic management are more profitable and successful than those that do not have the benefit of strategic planning and strategic management.

When firms engage in forward looking planning and careful evaluation of their priorities, they have control over the future, which is necessary in the fast changing business landscape of the 21st century.

It has been estimated that more than 100,000 businesses fail in the US every year and most of these failures are to do with a lack of strategic focus and strategic direction. Further, high performing firms tend to make more informed decisions because they have considered both the short term and long-term consequences and hence, have oriented their strategies accordingly. In contrast, firms that do not engage themselves in meaningful strategic planning are often bogged down by internal problems and lack of focus that leads to failure.

Non-Financial Benefits

The section above discussed some of the tangible benefits of strategic management. Apart from these benefits, firms that engage in strategic management are more aware of the external threats, an improved understanding of competitor strengths and weaknesses and increased employee productivity. They also have lesser resistance to change and a clear understanding of the link between performance and rewards.

The key aspect of strategic management is that the problem solving and problem preventing capabilities of the firms are enhanced through strategic management. Strategic management is essential as it helps firms to rationalize change and actualize change and communicate the need to change better to its employees. Finally, strategic management helps in bringing order and discipline to the activities of the firm in its both internal processes and external activities.

Closing Thoughts

In recent years, virtually all firms have realized the importance of strategic management. However, the key difference between those who succeed and those who fail is that the way in which strategic management is done and strategic planning is carried out makes the difference between success and failure. Of course, there are still firms that do not engage in strategic planning or where the planners do not receive the support from management. These firms ought to realize the benefits of strategic management and ensure their longer-term viability and success in the marketplace.

Business Policy - Definition and Features

Definition of Business Policy

Business Policy defines the scope or spheres within which decisions can be taken by the subordinates in an organization. It permits the lower level management to deal with the problems and issues without consulting top level management every time for decisions.

Business policies are the guidelines developed by an organization to govern its actions. They define the limits within which decisions must be made. Business policy also deals with acquisition of resources with which organizational goals can be achieved. Business policy is the study of the roles and responsibilities of top level management, the significant issues affecting organizational success and the decisions affecting organization in long-run.

Features of Business Policy

An effective business policy must have following features-

1. Specific- Policy should be specific/definite. If it is uncertain, then the implementation will become difficult.
2. Clear- Policy must be unambiguous. It should avoid use of jargons and connotations. There should be no misunderstandings in following the policy.
3. Reliable/Uniform- Policy must be uniform enough so that it can be efficiently followed by the subordinates.
4. Appropriate- Policy should be appropriate to the present organizational goal.
5. Simple- A policy should be simple and easily understood by all in the organization.

6. Inclusive/Comprehensive- In order to have a wide scope, a policy must be comprehensive.
7. Flexible- Policy should be flexible in operation/application. This does not imply that a policy should be altered always, but it should be wide in scope so as to ensure that the line managers use them in repetitive/routine scenarios.
8. Stable- Policy should be stable else it will lead to indecisiveness and uncertainty in minds of those who look into it for guidance.

Difference between Policy and Strategy

The term “policy” should not be considered as synonymous to the term “strategy”. The difference between policy and strategy can be summarized as follows-

1. Policy is a blueprint of the organizational activities which are repetitive/routine in nature. While strategy is concerned with those organizational decisions which have not been dealt/faced before in same form.
2. Policy formulation is responsibility of top level management. While strategy formulation is basically done by middle level management.
3. Policy deals with routine/daily activities essential for effective and efficient running of an organization. While strategy deals with strategic decisions.
4. Policy is concerned with both thought and actions. While strategy is concerned mostly with action.
5. A policy is what is, or what is not done. While a strategy is the methodology used to achieve a target as prescribed by a policy.