

Strategic Management

Strategic management

- Strategic management is the process of setting goals, procedures, and objectives in order to make a company or organization more competitive.
- Strategic management is the management of an organization's resources to achieve its goals and objectives.
- Companies, universities, nonprofit organizations, and other organizations can use strategic management as a way to make goals and meet objectives.

Elements of Strategic Management

The strategic management process can be broadly divided into three phases.

Each phase consists of a number of steps

- I. Strategy formulation
- II. Strategy Implementation
- III. Strategy Evaluation

I. Strategy formulation

Strategy formulation can also be referred as strategic planning. The strategy formulation involves the following steps:

1) Framing Mission & Objectives

The first step in the formulation of a strategy is to frame mission & objectives of the firm. The mission states the philosophy & the purpose of the organization. The objectives are the aims or ends, which the organization seeks to achieve. The mission & objective must be clearly defined.

2) Analysis of the Internal Environment

After setting the objectives or goals, the management needs to make an analysis of the internal environment. The internal environment refers to manpower, machines, methods, procedures & other resources of the organization. A proper analysis of the internal environment reveals strength & weakness of the organization.

3) Analysis of the External Environment.

The management must conduct an analysis of the external environment. The external environment refers to government, competition, consumers, technological development & other environment factors that affect the organization. A proper analysis of the external environment reveals opportunities & threats

4) Gap analysis

The management also conducts “gap analysis”. For this purpose, the management must compare & analyze its present performance level & the desired future performance level. Such a comparison would reveal the extent of gap that exists between the present performance & future expectations of the organization. If there is a sufficient gap, the management must think of suitable measures.

5) Framing Alternative Strategies

After making a SWOT (strengths, weaknesses, opportunities and threats) analysis & the Gap Analysis, the management needs to frame alternative strategies to accomplish the objectives of the firm. There is a need to frame alternative strategies as some strategies may be put on hold & other strategies may be implemental.

6) Choice of strategies

The organization cannot implement all the alternative strategies. Therefore the firm has to be selective. The organization must select the best strategy depending upon the situation. Before selecting the best strategy, the organization needs to conduct a cost-benefit analysis of the alternative strategies. The strategy, which gives the maximum benefits at minimum cost, would be selected.

II. Strategy Implementation

The strategies are formulated for each and every functional department such as production, marketing, finance & personnel. Once the strategies are formulated, then the next stage is implementation of such strategies. The strategy implementation involves the following elements:

1) Formulation of plans, programs and projects

There is a need to frame plans, programs and projects. Strategy by itself does not lead to action. For instance, there can be R & D program for the development of new product.

2) Project Implementation

A project passes through various stages before the actual implementation. The various phases include Conception phase, Definition phase, Planning & Organizing phase, Implementation Phase, etc

3) Procedural Implementation

The organization needs to be aware of regulatory frame work of the regulatory (government) authorities before implementing strategies.

- Regulation in respect of foreign technology

- Foreign collaboration procedures

- FEMA regulation

- Capital issue guidelines

- Foreign trade regulations etc.

4) Resource Allocation

It deals with the arrangement & commitment of physical, financial and human resources to various activities so as to achieve the organization goals.

5) Structural and functional Implementation

Organization structure is the frame work through which the organization operates.

III. Strategy Evaluation

Evaluation of strategy is that phase of strategic management process in which managers try to assure that the strategic choice is properly implemented and is meeting the objectives of the enterprise. It involves the following elements.

- 1) Setting of Standard**
- 2) Measurement of Performance**
- 3) Comparison of actual performance with standards**
- 4) Finding out deviations**
- 5) Analyzing deviations**
- 6) Taking corrective measures**