

Advanced Strategic Management

Individual Assignment



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The Impact of Strategic Management Process on Organizational Performance in Times of Crisis

Abstract

The world is currently living in strange times where they face constantly changing environments with their drastic impacts on their financial performances. These issues sometimes compel them to take drastic measures of restructuring. These constant threats are sometimes so that they affect them socially, politically and above all economically. The organizations then take different responses to deal with such situations and their economic challenges that come with it. However, they can only be controlled with timely and specific decision making on policy. These are the times where corporations in particular need strategic management and strategic decision-making powers. This article will further discuss the process of strategic management and their benefits with it.

Key words: performance, impact, strategy, strategic management process, stages, benefits

Introduction

For organizations to succeed, they need a successful product or service and for governments, they require a successful policy. However, this is not enough in any way. They need much more than that. The organizations are always in need of creating a full-fledged management plan to be successful and come over the crisis or even be ready for the upcoming potential problems in the future. These plans are usually related to the future and by the term strategic they literally mean to think of the future issues under consideration while taking present decisions. These are plans for future and help the organization in running like a well-oiled machine. In order for organizations, to have a complete understanding of the management process, they need to completely evaluate the most significant elements of this solid process of management. This process is not a one element-process, however, it should be a chronological process made up of several steps or process nodes which are referred to as elements of the strategic management process. These

elements or steps sometimes go step by step but are not necessary to be like that because some of their elements sometimes go in parallel which will be explained in detail ahead. First of all, the process will be elaborated briefly with all the essential components and then the article discusses the bright sides of having a solid strategic management process in place in organizations.

Strategic management is a process that mainly talks about the decisions taken by the management of a setup which shall determine the long-term performances of that organization. According to Hunger, Wheelen, Hoffman & Bamford (2015) these managerial decisions further determine the future of that organization and how they deal with the crises situation. Besides, the management also use their strategic management process for the purpose of monitoring and evaluating both the internal and external environment. Internally, they focus the strengths and weaknesses and externally on the opportunities and threats.

In this article, the author discusses, the detailed findings regarding what strategic management process is, their essential components, the importance a mission and vision plays for developing the strategic management process, then three fundamental stages of the process, i.e. environmental scanning, strategy formulation and evaluation. The research further discusses the significance of having a proper strategic management process in placed in organizations. These areas must provide a general understanding to the readers on how the performance in crises situations can be improved imposing and fine tuning the strategic management process.

Strategic Management Process

The strategy is a general plan to achieve one or more long-term or overall goals under conditions of uncertainty (Lawrence, 2013). The purpose of developing a strategy is mainly determining the fundamental goals of an organization. It directs or sets courses of action for the organization. Based on the course of actions, the organization decides the allocation of their resources accordingly in order to reach a successful stage in either preventing the potential crises situation or overcoming it. This strategy gives that direction in which the organization can move on without being confused on what to do next.

In addition, the strategic management refers to the management of employees and directing their activities towards achieving the goals and also implementation of the operational plans (Bianca, 2017). However, there should be a shared sense of strategy amongst the employees and the top management of the organization. This further affects the collaborative approach taken to reach a performance goal of preventing and or mitigating the crises situation. It also provides an important impetus to the managers in facing an uncertain and complex future. According to Drucker (1995), who writes about the strategic management process and the performance as that it enables an organization to achieve its desired results in an unpredictable environment not as the common understanding which states that we do strategic management for a known and foreseeable environment.

Moreover, Nut and Backoff (1992) further strengthen the above notion by stating that effective managers are those who can use strategy and strategic management process in directing their efforts mainly on the priorities. They use it for the purpose of focusing on the basics of contributing factors of the crises and provide the entire team a consistent framework in times of these crises.

Significance of Organizational Vision, Mission and Values in the Strategic Management Process

The vision describes its reason for existence. It really elaborates what they are aiming for and give back to the society. In the same manner, they require a mission or a set of missions which are the expression of their value system of how the organization will achieve the vision. (Swayne, Duncan & Ginter, 2012). The whole strategic management process revolves around formulating and defining their vision, providing a step by step accomplishment with missions and driven by their values. These three elements determine the direction which is assisting the organizations in translating their goals and targets into performance. They are all based on keeping in view the related measures (Akinyele and Fasogbon, 2010). Besides, according to the writings of the Swayne, Duncan and Ginter (2012) values provide a framework to organizations' decisions whether they are decision of both strategic and non-strategic nature. They further state these values determine the base of decision for both short and long-term developments. Values in these decisions also portray the

inherent culture of the organization and philosophy on which the organization was founded. They restrict the management from deviating from their ethical grounds and indulge unethical behaviors.

Major Components of Strategic Management

The literature is on varying terms regarding the components of strategic management process. However, the main elements or components that could be found in almost every research scholarship are elaborated in the following.

Environmental Scanning

The study of Hunger et al., (2015) defines the environmental scanning as the concept, which is mainly referring to a monitoring, evaluating and distributing process. In these processes the critical information is first of all gathered from both the external and internal environments. The critical information is then analyzed with the help of top management. Then it is distributed to the stakeholders of the organization. Without scanning the environments, it is difficult for the management to identify the and determine the elements which could be used to evaluate the intensity of the problem for example in our case, the Covid 19. After the management goes and finds the ground realities of this crises, they can determine the intensity of it and in what way can it affect their organization financially and what necessary steps they can take to mitigate the drastic impacts of it.

Usually, organization do their environmental scanning by using a matrix commonly known as the SWOT analysis (Hunger et al., 2015). The organization can not ignore one or the other. They both are equally important to balance the strengths against weaknesses and opportunities against threats.

Strategy Formulation

The successful processing of the environment is very fundamental to continue with the further steps of the process. It is followed by the strategy development or formulation. Here the

organizations are engaging in the creating objectives for the longer term. This is the process step where they decide the and define the main mission of what the organization want to achieve and how to achieve them. They further specify the operational objectives. For each objective the management develops relevant strategy and allocate resources for them. There are guidelines which are required to be followed by the team on that strategy Hunger et al., (2015). These formulation of strategy assists the organization to gain their competitive advantage. Organizations prepared with a full-fledged plan of strategic management process with a firm focus on the strategy formulation stage perform superior to their competitors with gaining of that competitive advantage (Barney, 1991).

Strategy Implementation

The third stage of the strategy implementation. The management of the organization involves here in putting that strategy with the relevant policies and procedures into practice. They do so through the development of the programs and procedures. These the actual steps which are required to be taken to achieve the objectives. The most important part here is the allocation of the budget for the entire. Owing to the budget, the organization can become even flexible with its plans and procedures. They can restructure the process and include and exclude certain elements of the process as per the resource and budget of the organization. Usually the change is in its internal structure. The budget portrays the control and cost of the process (Hunger et al., 2015). The process has these steps which provide a sequential approach and description for how the management could perform the whole task. For example, the management feeling the intensity of customers not buying due to Covid 19 could affect the income and subsequently impact the whole structure of the organization. They could take measures of restructuring the organization and laying off the excess staff which is usually the non-core staff in the organization.

Evaluation and Control

The final stage is that of evaluating and controlling the organizations activities and eventual performance of it. The whole strategy management process is put into practice. Now the

management checks and evaluates the actual impact of it. They try to find out and determine whether the organization was successful in achieving the desired results that they set out for or they failed to achieve them. If their performance was not up to the required mark, they take corrective actions to rectify the problematic areas. For examples, the strategy of social distancing was implemented, however, it did not provide the desired results as the government or even corporations expected. Therefore, there was a need to take extreme measure of going for a lockdown throughout the world. Such drastic measures clearly meant that the desired results could not be achieve. In fact, such evaluation and control measure is always a foundational part of the strategic management process of organizations. They are them to identify the weak links in the previous approach they had taken and then rectify accordingly and develop a reformulated strategy as per the needs.



The Benefits of Having a Strategic Management Process for Organization

Every organization whether it be small or big, profitable or non-profitable, national or multinational requires a solid strategic management process. It is offering the organization myriads of advantages.

Firstly, the organization could keep a pace with their environment. The environment is so dynamic nowadays and is changing incessantly. It becomes so intriguing for firms to stay up to date with the

changing circumstances. The modern business setups are trying to become flexible enough to respond as per the changing environment. They use their strategy thinking and strategic management process to foresee the future and fight off the challenge of constant uncertainties, and threats. This is a fight for survival for them.

Secondly, the organizations try their level best to have a minimal competitive disadvantage and increase their sustained competitive advantage over their competitors. It is possible when they incorporate those elements from both the external and internal environments where they have edge over their competitors. For example, by adopting a new way of manufacturing a product which is more cost effective and less time consuming. These techniques are the usually a tacit knowledge for the firm which cannot be copied from them (Nonaka and Takeuchi, 1995.)

Thirdly, the organization has a clear sense of what they want to achieve and how they will achieve them. This provides a clarity of direction which simplifies the decision-making process for them. The uncertainty is usually created by lack of information (March, 1991). The ambiguity is way less when they management is clear about the end results and the process they are going to take towards that end. They sharply focus on goals and objectives with the help of their strategic management process.

Fourthly and finally, the management can easily keep a track of employees performance according the strategic management process. They can use the process a motivating tool when employees performance is up the mark and can aslo use the process as a reprimanding tool when their performance is below the mark. It creates labor efficiency and loyalty towards management (March, 1991).

Importance of Strategic Management

- Proactive in shaping firm's future
 - Improved understanding of competitors strategies
 - Enhanced awareness of threats
 - Reduced resistance to change
 - Enhanced problem-prevention capabilities
 - Initiate and influence firm's activities
 - Formulate better strategies
- Systematic, logical, rational

Benefits of strategic management

- Establish the mission
- Formulate philosophy
- Establish policies
- Setting objectives
- Developing strategy
- Plan the organizational structure
- Provide personnel
- It helps in answering questions:
 - Where is the Organization now?
 - Where will be the organization in a certain timeframe?
 - What are the risks and payoffs?
 - What could be possible changes in organization's internal & external environment?
- Establish procedures
- Provide facilities
- Provide capital
- Set standards
- Establish programs and plans
- Control information
- Activate people

Conclusion

Strategic management is a process which is purely talking about an obligation of the management of every organization where they are supposed to develop both short and long-term performance measures for their organization. There are many components of it, but the most common ones are environmental scanning, strategy formulation and implementation, and evaluation and control. Moreover, it also has foundational elements which are its vision, mission and values that are forming the basis of it. The process has numerous benefits to the organization. It provides a clearer sense of direction to the organization on what to do and how to do it, provide and promote employees' motivation in good performance, use it for corrective measures. It helps best in removing decision ambiguities. Those organizations which are well-versed and strongly follow a full-fledged strategic management process make better decision and improve their financial performance which often lead their sustained competitive advantage. Finally, with the help of a

holistic strategic management process, organizations know and respond well enough to their constantly changing, volatile and dynamic environment.

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