

**STRATEGIC MANAGEMENT ASSIGNMENT**  
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## What is that strategic planning process?

The process of strategic management lists what steps the managers should take to create a complete strategy and how to implement that strategy successfully in the company. It might comprise and tends to be more formal in well-established organizations.

The ways that strategies are created and realized differ. Thus, there are many different models of the process. The models vary between companies depending upon:

- Organization's culture.
- Leadership style.
- The experience the firm has in creating successful strategies.

All the examples of the process in this article represent top-down approach and belong to the 'design school'.

## Components of strategic planning process

There are many components of the process which are spread throughout strategic planning stages. Most often, the strategic planning process has 4 common phases: strategic analysis, strategy formulation, implementation and monitoring. For clearer understanding, this article represents 5 stages of strategic planning process:

- Initial Assessment
- Situation Analysis
- Strategy Formulation
- Strategy Implementation
- Strategy Monitoring

### Initial Assessment

Components: Vision statement & Mission statement

Tools used: Creating a Vision and Mission statements.

The starting point of the process is initial assessment of the firm. At this phase managers must clearly identify the company's vision and mission statements.

Business' vision answers the question: What does an organization want to become? Without visualizing the company's future, managers wouldn't know where they want to go and what they must achieve. Vision is the goal for the firm and the direction for its employees.

In addition, mission describes company's business. It informs organization's stakeholders about the products, customers, markets, values, concern for public image and employees of the organization. Thorough mission statement acts as guidance for managers in making appropriate daily decisions.

## Situation Analysis

Components: Internal environment analysis, External environment analysis and Competitor analysis

Tools used: PEST, SWOT, Core Competencies, Critical Success Factors, Unique Selling Proposition, Porter's 5 Forces, Competitor Profile Matrix, External Factor Evaluation Matrix, Internal Factor Evaluation Matrix, Benchmarking, Financial Ratios, Scenarios Forecasting, Market Segmentation, Value Chain Analysis, VRIO Framework.

When the company identifies its vision and mission it must assess its current situation in the market. This includes evaluating an organization's external and internal environments and analysing its competitors.

During an external look into the key external forces: all environment analysis managers macro & microenvironments and competition. PEST or PESTEL frameworks represent all the macro environment factors that influence the organization in the global environment. Microenvironment affects the company in its industry. It is analysed using Porter's 5 Forces Framework.

Competition is another uncontrollable external force that influences the company. A good example of this was when Apple released its iPod and shook the mp3 players industry, including its leading performer Sony. Firms assess their competitors using competitors profile matrix and benchmarking to evaluate their strengths, weaknesses and level of performance.

Internal analysis includes the assessment of the company's resources, core competencies and activities. An organization holds both tangible resources: capital, land, equipment, and intangible resources: culture, brand equity, knowledge, patents, copyrights and trademarks. A firm's core competencies may be superior skills in customer relationship or efficient supply chain management. When analysing the company's activities managers look into the value chain and the whole production process.

As a result, situation analysis identifies strengths, weaknesses, opportunities and threats for the organization and reveals a clear picture of company's situation in the market.

## Strategy Formulation

Components: Objectives, Business level, Corporate level and Global Strategy Selection

Tools used: Scenario Planning, SPACE Matrix, Boston Consulting Group Matrix, GE-McKinsey Matrix, Porter's Generic Strategies, Bowman's Strategy Clock, Porter's Diamond, Game Theory, QSP Matrix.

Successful situation analysis is followed by creation of long-term objectives. Long-term objectives indicate goals that could improve the company's competitive position in the long run. They act as directions for specific strategy selection. In an organization, strategies are chosen at 3 different levels:

- Business level strategy. This type of strategy is used when strategic business units (SBU), divisions or small and medium enterprises select strategies for only one product that is sold in only one market. The example of business level strategy is well illustrated by Royal Enfield firms. They sell their Bullet motorcycle (one product) in United Kingdom and India (different markets) but focus on different market segments and sell at very different prices (different strategies). Firms may select between Porter's 3 generic strategies: cost leadership, differentiation and focus strategies. Alternatively, strategies from Bowman's strategy clock may be chosen
- Corporate level strategy. At this level, executives at top parent companies choose which products to sell, which market to enter and whether to acquire a competitor or merge with it. They select between integration, intensive, diversification and defensive strategies.
- Global/International strategy. The main questions to answer: Which new markets to develop and how to enter them? How far to diversify?

Managers may choose between many strategic alternatives. That depends on a company's objectives, results of situation analysis and the level for which the strategy is selected.

## Strategy Implementation

Components: Annual Objectives, Policies, Resource Allocation, Change Management, Organizational chart, Linking Performance and Reward

Tools used: Policies, Motivation, Resistance management, Leadership, Stakeholder Impact Analysis, Changing organizational structure, Performance management

Even the best strategic plans must be implemented, and only well executed strategies create competitive advantage for a company.

At this stage managerial skills are more important than using analysis. Communication in strategy implementation is essential as new strategies must get support all over organization for effective implementation. The example of the strategy implementation that is used here is taken from David's book, chapter 7 on implementation. It consists of the following 6 steps:

- Setting annual objectives.
- Revising policies to meet the objectives.
- Allocating resources to strategically important areas.
- Changing organizational structure to meet new strategy.
- Managing resistance to change.
- Introducing new reward system for performance results if needed.

The first point in strategy implementation is setting annual objectives for the company's functional areas. These smaller objectives are specifically designed to achieve financial, marketing, operations, human resources and other functional goals. To meet these goals managers revise existing policies and introduce new ones which act as the directions for successful objectives implementation.

The other very important part of strategy implementation is changing an organizational chart. For example, a product diversification strategy may require new SBU to be incorporated into the existing organizational chart. Or market development strategy may require an additional division to be added to the company. Every new strategy changes the organizational structure and requires reallocation of resources. It also redistributes responsibilities and powers between managers. Managers may be moved from one functional area to another or asked to manage a new team. This creates resistance to change, which has to be managed in an appropriate way or it could ruin excellent strategy implementation.

## Strategy Monitoring

Components: Internal and External Factors Review, Measuring Company's Performance

Tools used: Strategy Evaluation Framework, Balanced Scorecard, Benchmarking

Implementation must be monitored to be successful. Due to constantly changing external and internal conditions managers must continuously review both environments as new strengths, weaknesses, opportunities and threats may arise. If new circumstances affect the company, managers must take corrective actions as soon as possible.

Usually, tactics rather than strategies are changed to meet the new conditions, unless firms are faced with such severe external changes as the 2007 credit crunch.

Measuring performance is another important activity in strategy monitoring. Performance has to be measurable and comparable. Managers have to compare their actual results with estimated results and see if they are successful in achieving their objectives. If objectives are not met managers should:

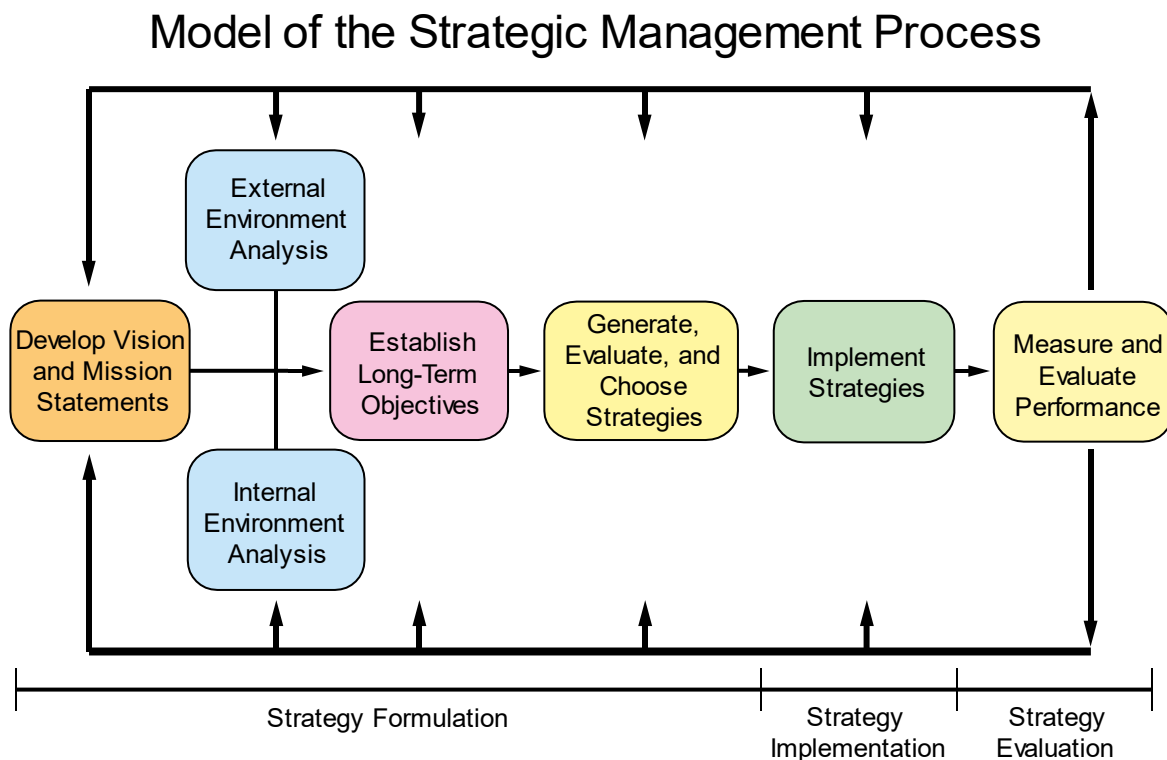
- Change the reward system.
- Introduce new or revise existing policies.

The key element in strategy monitoring is to get the relevant and timely information on changing environment and the company's performance and if necessary, take corrective actions.

# Different models of the process

There is no universal model of the strategic management process. The one, which was described in this article, is just one more version of so many models that are established by other authors. In this section we will illustrate and comment on 3 more well-known frameworks presented by recognized scholars in the strategic management field. More about these models can be found in the authors' books.

Figure 1. David's Model of the Strategic Management's Process



## Stages

- Strategy Formulation
- Strategy Implementation
- Strategy Evaluation

## Steps

1. Develop vision and mission
2. External environment analysis
3. Internal environment analysis
4. Establish long-term objectives
5. Generate, evaluate and choose strategies
6. Implement strategies

## 7. Measure and evaluate performance

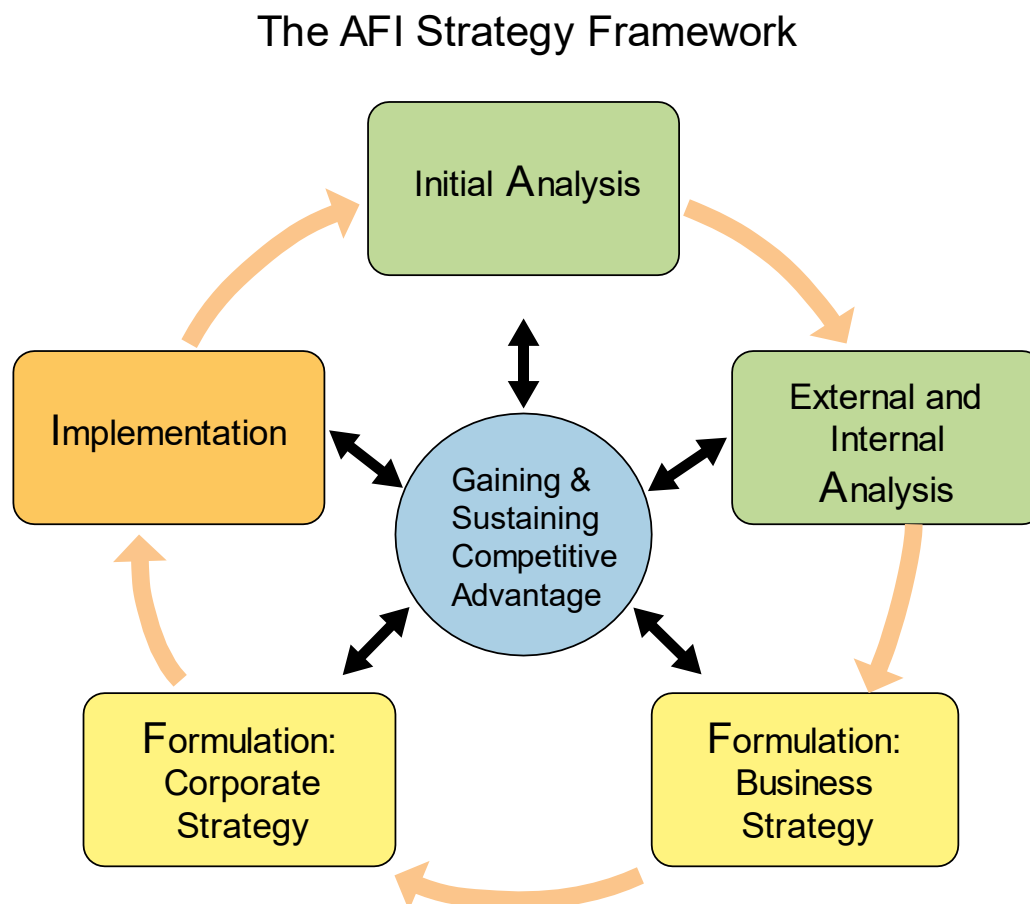
### Benefits

- Indicates all the major steps that must be met during the process.
- Illustrates that the process is a continuous activity.
- Arrows show the two-way process. This means that companies may sometimes go a step or two back in the process rather than having to complete the process and start it all over from the beginning. *For example*, if in the implementation stage the company finds out that the strategy it chose is not viable, it can simply go back to the strategy selection point instead of continuing to the monitoring stage and starting the process from the beginning.

### Drawbacks

- Represents only strategy formulation stage and does separate situation analysis from strategy selection stages.
- Confuses strategy evaluation with strategy monitoring stage.

Figure 2. Rothaermel's The Analysis-Formulation-Implementation (AFI) Strategy Framework



## Stages

- Analysis
- Formulation
- Implementation

## Steps

1. Initial analysis
2. External and internal analysis
3. Business or corporate strategy formulation
4. Implementation

## Benefits

- Shows that the process is a continuous activity.
- Separates initial analysis from internal/external analysis.
- Emphasizes the focus of strategic management: “Gain and sustain competitive advantage”.

## Drawbacks

- Does not include strategy monitoring stage.
- Arrows indicate only one-way process. *For example*, after the strategy formulation the process continues to the implementation stage while this is not always the truth. Companies may go back and reassess their environments if some conditions had changed.

Figure 3. Thompson’s and Martin’s Strategic Management Framework



## Stages

- Where are we?
- Where are we going?
- How are we getting there?
- How are we doing?

## Steps

1. Situation appraisal: review of corporate objectives
2. Situation assessment
3. Clarification of objectives
4. Corporate and competitive strategies
5. Strategic decisions
6. Implementation
7. Monitor progress

## Benefits

- Indicates all the major steps that have to be met during the process.
- Shows that the process is a continuous activity.
- The model is supplemented by 4 fundamental strategic management questions.

## Drawbacks

- Arrows indicate only one-way process.

# Limitations

It is rare that the company will be able to follow the process from the first to the last step. Producing a quality strategic plan requires time, during which many external and even internal conditions may change. This results in the flawed strategic plan which must be revised, hence requiring even more time to finish.

On the other hand, when implementing the strategic plan, the actual results do not meet the requirements of the strategic plan, so the plan has to be altered or better methods for the implementation have to be discovered. This means that some parts of strategic management process must be done simultaneously, which makes the whole process more complex.