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Usage of Strategic Management Models: Benefits and Limitations

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Abstract

Strategic management is a combination of both strategies and management activities in an organization. Strategies are more important concepts to an organization, which involves a choice of particular action or activities. An active manager develops strategies to give order to how an organization goes to achieve target objectives about business. With out a strategy, there is no roadmap to manage, coherent action plan for producing the intended results etc. The ultimate purposes of strategic management are to help organizations increase performance through improved effectiveness, efficiency and flexibility. The objectives of the study are to assess the different models of strategic management, planning, and control tasks. So the ultimate success of strategy depends on its effective utilization. This affects both internal and external business environments, which need to be adjusted with the changing business strategy considering the market force and competition in global context. This will be very much helpful for strategic planners and decision makers to face odd situation in challenge management in all respect.

Key Words: *Strategy, Model, Environment, Management, Long term, Short term.*

Introduction

Strategic management is relatively a new concept to us. During the 1950s and early 1960s many American firms were confronted with disturbing symptoms that could be readily remedied by available management techniques and which had no precedent in recent experience. The rapid rise in the number of interest groups such as competitors, stockholders and consumer groups, making proliferation of mergers and acquisition, began to strain the applicability of the relatively simple business policy approach management. To deal with these types of changes the managerial techniques of long term budgeting, financial control, even then popular long term planning appeared inadequate and firms began to turn their energies to development of new management approach. The emerged through trial, error, and exchange of experiences became known as strategic planning. Today this approach is more frequently called strategic management approach (Rahman, 1990). Strategic management is a combination of strategy and management. Strategy is an important concept to an organization since it determines to a great extent its success or survival. It involves a choice of particular

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action or activities. That is, it involves "The determination of the purpose or mission and basic long term objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary to achieve these aims," Therefore; objectives are a part of strategy formulation (Weihrich & Koontz, 1994). Strategy concerns the direction in which human and material resources will be applied in order to increase the change of achieving selected objectives (Ibid).

Objectives of the Study

The objectives of the study are:

- To assess to different models of strategic management.
- To identify the characteristics of traditional planning and strategic planning.
- To reveal the strategic management process and various types of strategy & their implementation and control tasks.

Justification of the Study

Managers develop strategies to give order to how an organization goes about its business and to achieve target objectives. Without a strategy, there is no established course to follow no roadmap to mange by, no coherent action plan for producing the intended results. Although strategic management can be useful in all types of organizations all firms obviously do not reject proven management practices; it is simply a way to give appropriate emphasis to a major responsibility to top management. The ultimate purposes of strategic management are to help organizations increase performance through improved effectiveness, efficiency and flexibility. This study will be helpful for strategic planners and decision makers to face odd situation in challenge management.

Conceptual & Theoretical Framework

(Thompson and Strickland, 1990) defined strategy as 'The pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue to organization's mission'. Strategy is a course of action, including the specification of the resources required, to achieve a specific objective. 'The specific objective' may be the corporate objective or it may be a unit/ functional objective. The corporate objective is that objective that is corporate to the business as a whole organization, which should be clearly stated, capable of being measured and attainable with effort (Pogue, 1991). According to (Smith etl. 1988), 'Strategy is the overall game plan or map to help lead or direct the organization toward the desired objectives. This overall game plan forms the basis for policies and procedures, which are more specific statement outlining what the firm will do in certain situation. Strategies mostly refer to a general program of action and deployment of emphasis and resources to attain organization's objectives, which should be based on self appraisal and built up in the light of information of the environment in which management has to work. Management is to study weakness and strength of the company in the case of its product, market, technology, values, and prejudices and quality of its managers and compare these to its competitors and build up its own strategy for maximum utilization of the available opportunities in the given environment (Dave & Khandelwal, 1987). Mangers develop strategies to give order to how an organization goes about its business and to achieve target objectives. For our purpose we may think strategy as the longer term deliberations and decisions which determine the direction the enterprise is to take, to achieve its objectives in the light of expectations about the activities of others in the field. Strategists are those involved in this purpose.

Management: Many eminent experts in different ways have defined the term management. (Stoner and Newport, 1982) defined it as 'The process of planning, organizing, leading and controlling the work of organization members and of using all available organizational resources to reach stated organizational goals. The activities in this process are called the function of management. These functions must be performed by all persons in managerial position, whether administrators, directors, generals, department heads or first line supervisors. In addition, it should be recognized that the management process in best described by these functions, rather than by the status or rank held by certain managers in an organization.

(Glueck, 1998) defined management is the effective utilization of human and material resources to achieve the enterprise's objectives. Good management is the key difference between the success and failure of enterprises. Firms can fail because of inadequate funds, improper marketing, incompetent product design, and for many other reasons. But they often fail because the basic managerial tasks are performed poorly or not at all.

Strategic Management: Strategic management is that set of managerial decisions and action that determines the long run performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation, evaluation and control. The study of strategic management therefore emphasizes monitoring and evaluating environmental opportunities and threats in light of a corporation's strength and weakness (Wheelen & Hunger, 1995).

According to Smith etl., "Strategic management is the process of examining both present and future environments formulating the organizations objectives and making, implementing and controlling decisions focused on achieving these objectives in the present and future environments". It is critical that management analyze both the external environments and the firms' internal capabilities and resources. The firm's internal strengths and weakness can be deployed to take advantage of external opportunities and to minimize external problems (Ibid). They mentioned about the advantages of strategic management as (i) It provides organizations with a clearer goals and direction. (ii) The strategic management approach helps management to focus on future opportunities and threats. (iii) The strategic management process helps relate a firm's decision making process to relevant environmental conditions. (iv) It reduces the risk of catastrophic problems and increases the probabilities of a firm taking advantage of environmental opportunities as they arise.

(Robinson & Pearce, 1988) defines it as the set of decision and actions resulting in the formulation and implementation of strategic designed to achieve the objectives of any firm. The major areas of strategic management are mission of firm (purpose, philosophy and goals) company profile (internal condition and capability), external environment intern's of competitive and general contextual factors, strategic choice of long term objectives etc. strategic covers goal, market share, return on investment, growth etc. general direction and purpose while strategies plan comprise production plans i.e. what will be produced and how, funds will be acquired and used, what kinds of skill will be needed and how products and services will be distributed, promoted and sold.

(Certo & Peter, 1988) define strategic management as a continuous, iterative process aimed at keeping an organization as an appropriately matched to its environment. They emphasized that managers engage in series of steps like, performing an environmental analysis, establishing organizational directions formulating organizational strategies, implementing organizational strategies and exercising strategic control. By the term 'iterative' they means that the process of strategic management starts with the first step, ends with the last step and then again with the first step.

According to (Griffin, 1993) 'Strategic management is a comprehensive and on going management process aimed at formulating and implementing effective strategies that promote a superior alignment between the organization and its environment and the achievement of strategic goals'.

Thompson & Strickland mentioned five interrelated components oif strategic management. These are (i) developing a concept of the business and forming a vision of where the organization needs to be headed. (ii) translating the mission into specific long range and short range performance objectives. (iii) crafting a strategy to achieve the targeted performance. (iv) implementation and executing the chosen strategy and (v) evaluating performance, reviewing the situation and initiating corrective adjustments in mission, objectives, strategy or implementation in light of actual experience, changing condition, new ideas and new opportunities.

(Bowman & Asch, 1987) stated that strategic decisions are big decisions, which significantly affects the firm's ability to achieve its objectives. Decisions about products to sell in particular market, to build a new factory, pay system, production system, organization structure, management style and promotions. Virtually strategic management is the process of strategic change. Strategic change arises out of the interaction of objective and subjective conditions. The objective conditions are present and future position of the firm's environment, uses of firm's resources. The environment consists of competitive situation facing by the firm. These may be external and internal which are virtually adaptable to systematic presentation. Subjective conditions consist of social, psychological and political factors faced by the firm. Past management decisions, the external environment, formal and informal leadership, structure of the organization etc. are also relevant.

From above discussions we can say that strategic management as a series of steps in which top management should accomplish the following tasks:

i. Analysis the opportunities and threats or constrains that exists in the external environment.
ii. Analysis the organization internal strengths and weakness.
iii. Establish the organizations mission and develop its goals.
iv. Formulate strategies that will match the organization's strength and weakness with match the organization's strength and weakness with the environments opportunities and threats.
v. Engage in strategic control activities to ensure that the organizations goals are attained.

Major Observations

Traditional Planning vs. Strategic Planning: Traditional planning practices are quickly coming absolute in our complex and changing environment. Typical public corporation planning has been characterized as being reactive, short range, staff oriented, and routines dominated by single issues, small scale change, hierarchical in nature and generally lacking in community support. The events and issues that now must be addressed require new planning techniques.

Table 01: Traditional Planning vs. Strategic Planning

Traditional Planning	Strategic Planning
□ Short range	□ Long range
□ Routines	□ Ambiguity, Complexity, and non routine
□ Single issue	□ Multiple issue
□ Organizational issues	□ Community issues
□ Hierarchical	□ Non hierarchical
□ Small scale change	□ Significant change
□ Resource Driven	□ Environment or expectation driven
□ Staff oriented	□ Community oriented
□ Management orientation	□ Political orientation
□ Operational focus	□ Policy focus

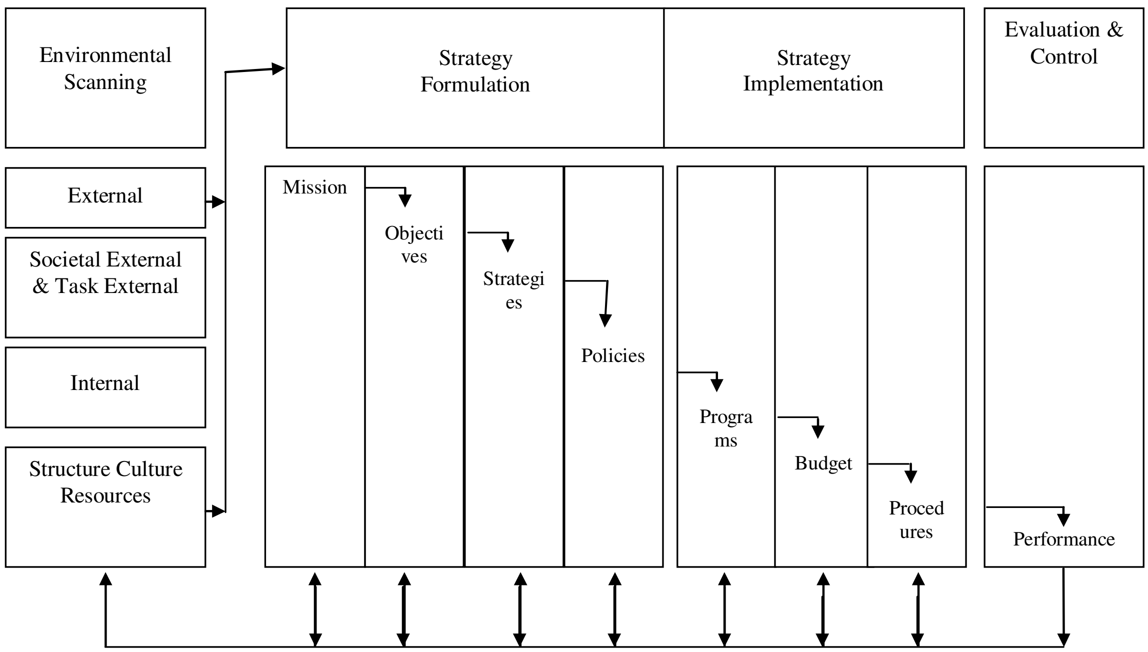
Long range strategic planning has become a common practice in the private sector. Strategic planning must be applied to the public sector to enable official to successfully adapt to the future. New planning models are available to assist public sector in optimizing their human and financial resources. Unlike traditional planning, strategic planning is proactive, long range, and community oriented. Additionally, it involves multiple issues, is non hierarchical in nature and helps achieve a consensus on the issues and problems facing an organization (Kemp, 1989).

Models of Strategic Management

There are different types of strategic management process model. Some of them are discuss here.

According to Wheelen and Hunger, the process of strategic management involves four basic elements. These are (i) environmental scanning, (ii) strategy formulation, (iii) strategy implementation & (iv) evaluation and control.

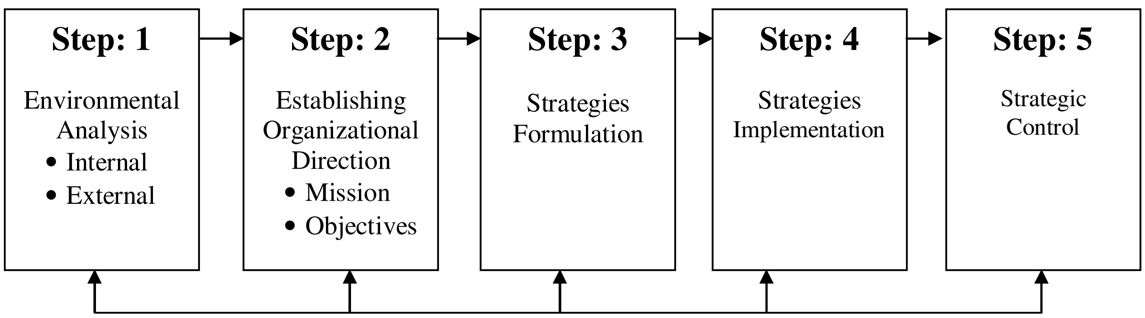
Figure 01: Strategic Management Model (Wheelen & Hunger, 1995)



They mentioned that these four basic elements which interact each other. At the corporate level, the strategic management process includes activities that range from environmental scanning to performance evaluation. Management scans both the external environment for opportunities, threats and internal environment for strengths and weakness. The factors that are most important to the corporation's future are referred to as strategic factors and are summarized with the acronym SWOT, standing for Strengths, Weakness, Opportunities and Threats. After identifying these strategic factors, management evaluates their interaction and determines the appropriateness of the corporate mission. The first step in the formulation of strategy is a statement of mission, which leads to a determination of corporate objectives, strategies and policies. Corporation implements these strategies and policies through program, budgets and procedures. Finally, performance evolution and feedback ensure adequate control of organizational activities. Certo and Peter defined strategic management as a process or series of steps. According to them, the basic steps include:

1. Performing an environmental analysis
2. Establishing organizational direction
3. Formulating organizational strategy
4. Implementing organizational strategy &
5. Exerting strategic control

Strategic Management Process Model (Certo & Peter, 1988)



Strategic management process begins with environmental analysis, the process of monitoring the organization's environment to identity both present and future threats and opportunities. It encompasses all factors both inside and outside the organization that can influence toward the attainment of organizational objectives. After management has performed an environmental analysis, it is often better able to establish, reaffirm, or modify its organizational direction. In order to establish organizational direction appropriately, however, management must know what comprises an organizational mission statement, understand the nature of organizational objects, and adopt an effective and efficient process for establishing organizational direction. Strategy formulation then is the process of designing and selecting strategies that lead to the attainment of organizational objectives. In order to formulate organization strategy properly, managers must thoroughly understand such various approaches to strategy formulation as Critical Questions Analysis, Strengths, Weakness, Opportunities and Threats (SWOT). In order to implement organizational strategy successfully, managers must have a clear idea of several diverse issues: how much change is necessary within an organization when it implements a new strategy, how it is best to deal with organization 'Culture' in order to ensure that a strategy will indeed be implemented smoothly, how strategy, implementation and various types of organizational structure are related, what different implementation approaches a manger can follow, and what skills are necessary in managers who hope to implement organizational strategy successfully. Last step of strategic control is special types of organizational control that focuses on monitoring and evaluating the strategic management process in order to improve it and ensure that it is functioning properly.

Strategic Management Process: From above discussion of different models of strategic management, the authors get following six stages/ functions of strategic management process. These are as follows:

1. Organizational Direction (Mission and Goals)
2. Environmental Analysis
    - The Internal Environment
    - The Macro Environment &
    - The Task Environment
3. SWOT Analysis
4. Formulation of Strategy
5. Strategy Implementation
6. Strategic Control

1. **Organizational Direction (Mission and Goals)**: The first component of strategic management process is defining the mission and major goals of the organization. The mission sets out why the organization exists and what it should be doing. Major goals specify what the organization hoped to fulfill in the short to long run. The long term goals and short term goals are the more specific targets of results the firm wants to achieve. The goals are drive from and must be focused on fulfilling the firm's mission. After stating the mission and goals of the firm, everyone involved should know exactly what the firm wants to achieve (Smith etl.).
2. **Environment Analysis**: The total environment faced by an organization can be divided into three levels. The internal environment, the macro environment and the tasks environment.
    - **Internal Environment**: The internal environment consists of variables that are within the organization itself but not usually within the short run control of top management. Firm should attempt to determine their strengths and weakness by carefully analyzing these internal factors. Steps can then be taken to reduce any weakness and deploy available strengths to the best possible advantage. Key internal factors include the functional areas of human resources, research and development, production, finance and accounting, marketing and the overall organization culture.
    - **The Macro Environment**: The macro environment includes more general forces those that do not directly touch the short run activities of the organization but that can, and often do influence its long run decisions. The macro environment shape opportunities and pose threats to the company. The macro forces are generally more uncontrollable than the task factors. The factors of macro environment are economic, political and government, socio cultural, natural, physical and technological and international. Each of these macro environment factors can influence and

organization singly or in combination with other factors. As the task and macro environmental factors are beyond the control of a firm, the industry's success will depend to a very large extent on its adaptability to the environment i.e. its ability to properly design and adjust the internal variables to take advantage of the opportunities and to combat the threats in the environment (Cherunilam, 1998).

- **Task Environment**: The task environment includes those elements or groups that directly affect and are affected by an organization's major operations. It is an external factor to the firm that determines the nature and strength of industry competitors, buyers, supplies, potential entrants and substitutes.

3. **SWOT Analysis**: SWOT analysis is a useful tool for analyzing an organization's overall situation. This approach attempts to balance the internal strength and weakness of an organization with the opportunities and threats that the external environment presents. The point of the analysis is to enable the firm to position it to take advantage of particular opportunities in the environment and to avoid or minimize environment threats. In doing so, the organization attempts to emphasize its strengths and moderate that impact of its weakness. The analysis is also useful for uncovering strengths that have not yet been fully utilized and in identifying weakness that can be corrected. Matching information about the environment with knowledge of the organization's capabilities enables management to formulate realistic strategies for attaining its goals (Wright etl. 1992).

SWOT Matrix (Wheelen & Hunger, 1997)

Internal Factors / External Factors	Strengths (S)	Weakness (W)
Opportunities (O)	**SO Strengths** General strategies here that use strengths to take advantage of opportunities	**WO Strengths** General strategies here that take advantage of opportunities by overcoming weakness
Threats (T)	**ST Strengths** General strategies here that use strengths to avoid threats	**WT Strategies** General strategies here that minimize weakness and avoid threats

The SWOT matrix illustrates how management can match the external opportunities and threats facing the particular corporation with its internal strengths and weakness to yield in four sets of possible strategic alternatives. This method helps itself to brainstorming to create alternative strategies that management might not otherwise consider. It forces strategic manager's create both growth and retrenchment strategies (Wheelen & Hunger).

4. **Formulation of Strategy**: Formulation of strategy determining appropriate courses of action for achieving objectives. It includes such activities as analysis; planning and selecting strategies that increase the change then an organization's objectives will be achieved. Strategy is formulated at three distinct levels the corporate levels, business levels and functional levels.

   i. **The Corporate Level Strategy**: Top management has four corporate level strategies available to them. They may elect to pursue a strategy of growth, stability, retrenchment, or a combination of those. SWOT analysis helps in determining which of these corporate strategies is most appropriate for a particular firm.

      - **Growth Strategy**: A company may select a growth strategy to increase their profits, sales and/ or market share. When a firm possesses valuable strengths and operates in an environment of abundant opportunities, a corporate growth strategy is appropriate. Growth may be attaining a variety of ways, i.e. internal growth, mergers, horizontal integration, conglomerate diversification, vertical integration and joint ventures.
      - **Stability Strategy**: Stability strategy is one in which a firm attempts to maintain its size and current line for business. It is more suited for a firm that possesses moderate strengths in an environment of moderate opportunities.
      - **Retrenchment Strategy**: When a firm performance is disappointing or at the extreme. When its survival is at stake, then retrenchment strategies may be appropriate. Retrenchment may take one of three forms turn around, disinvestment or liquidation.

   ii. **Business Level Strategy**: Michael Porter describes these competitive strategies presumed to be appropriate for a wide variety across diverse industries. Porter suggests that a business should thoroughly analyze its industry and then define a competitive niche by adopting one of three generic strategies; differentiation. Cost leadership of focus. Differentiation strategy attempts to develop an image of its product or service might be differentiated by attributes such as quality, design and service, Cost leadership strategy attempts to maximize sales by minimizing cost per unit. Low cost may be achieved through efficiencies in production, product design, distribution channels and similar means. In the Focus strategy an organization targets products or services at a specific area such as a geographic location or customer group.

   iii. **Functional Strategy**: Functional strategies focus on how the organization will approach it basic functional activities. Many organizations develop marketing, financial, production, research and development and human resource strategies. Marketing strategy issues such as promotion techniques to be used, pricing product mix, and overall image. Financial strategy specifies the capital structure of the organization, debt policy, assets management procedures, and dividend polity. Production strategy is concerned with issues of quality, productivity and technology. Human resource strategy such as compensation, selection, performance appraisal, and other aspects of the organization's human resources and research development strategy focuses on issues regarding product development, licensing and the organization's commitment to innovation.

5. **Implementation of Strategy**: Having chosen a strategy to achieve the goals of the company, that strategy then has to put into action; it has to be implemented. In order to implement organizational strategy successfully, managers must have a clear idea of several diverse issues; how much change is necessary within an organization when it implements a new strategy, how it is best to deal with organization 'Culture' in order to ensure that a strategy will indeed be implemented smoothly, how strategy implementation and various types of organizational structures are related, what different implementation approaches a manager can follow, and what skills are necessary in managers who hope to implement organizational strategy successfully.
6. **Strategic Control**: Strategic control consists of determining the extent to which the organization's strategies are successfully in attaining its goals and objectives. It the goals and objectives are not being reached as planned, then the intent of control is to modify the organization's strategy and/ or implementation so that the organization's ability to accomplish its goals will be improved. Strategic control process consists of several steps. At first, top management must decide what elements of the environment and of the organization need to be monitored, evaluated, and controlled. Then, standards must be established with which the actual performance of the organization can be compared. Next, management must measure the company's actual performance. These measures will generally be both quantitative and qualitative. The performance measurements will then be compared with the previously established standards. It performance is in line with the standards or exceeds them, then not corrective action necessary. However performance falls below the standards, then management must be take remedial action.

Conclusion

The ultimate success of strategy depends on its effective utilization. The implementation is affected by both internal & external business environment, which need to be adjusted with the changing business strategy considering the market force and competition in global context. Survival of a business depends on wise selection and simple maintains of strategies.

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