International Journal of Multidisciplinary Research and Growth Evaluation

International Journal of Multidisciplinary Research and Growth Evaluation
ISSN: 2582-7138
Received: 27-05-2021; Accepted: 16-06-2021
www.allmultidisciplinaryjournal.com
Volume 2; Issue 4; July-August 2021; Page No. 19-23

Basic model of strategic management process

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Abstract
The main purpose of this chapter is to evaluate and design a basic strategic management model to be used in the higher education for scholars in Business Administration and Management and other similar degree courses that have an interest in subjects related to Management and Strategy and organizations in the corporate world. The reviewed indicates basic models for strategic management, which were generally made to suit organizations and institutions from different sectors and establishments. These models were found lacking as important elements that academia, practitioner and scholars need to connect their strategies to the overall visions and goals in their institutions and organizations. The Model, which is presented in the chapter, attempts to bridge this gab by providing a route for articulating and implementing strategies for academia and practitioner through the four basic elements that enhanced proper processes and attainment of set out organizational objectives. It includes environmental scanning both (internal and external), strategy formulation (strategic or long-range planning), strategy implementation and strategy evaluation and control. This basic element however, concerns with the evaluation process of the strategy to ensure that the quality of policies and actions provided, and the timely decisions compatible with vision and objectives of the organizations and parent institutions, and aligned with the overall goals of the business environment.

Keywords: Strategic management, SWOT analysis, Cooperate strategy

Introduction
Strategic management is a set of managerial decisions and actions that helps to determine the long-term performance of an organization. It consists of four basic elements that enhanced proper processes and attainment of set out organizational objectives. It includes environmental scanning both (internal and external), strategy formulation (strategic or long-range planning), strategy implementation and strategy evaluation and control. Strategic management was formerly known as Business policy. It has advanced substantially with the efforts of both researchers and practitioners, which today we have recognized both a science and art of the application of strategic management techniques in organization. In trying to handle and explain the process of strategic management, figure 1 below illustrate how these four elements interact while figure 2 expand each of these elements and serves as a model, and figure 3 showing the hierarchy of strategy. This model is both rational and prescriptive; A planning model that presents what an organization should do in terms of the strategic management process, not what any particular organization may actually do. The rational planning model predicts that as environmental uncertainty increases, organizations that work more diligently to analyze and predict more accurately the changing situation in which they operate will out-perform those that do not. Empirical research studies support this model (Wiltbank, Dew, Read, & Sarasvathy, 1998).

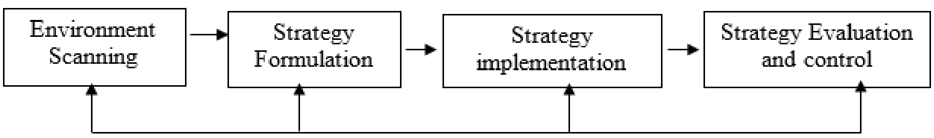
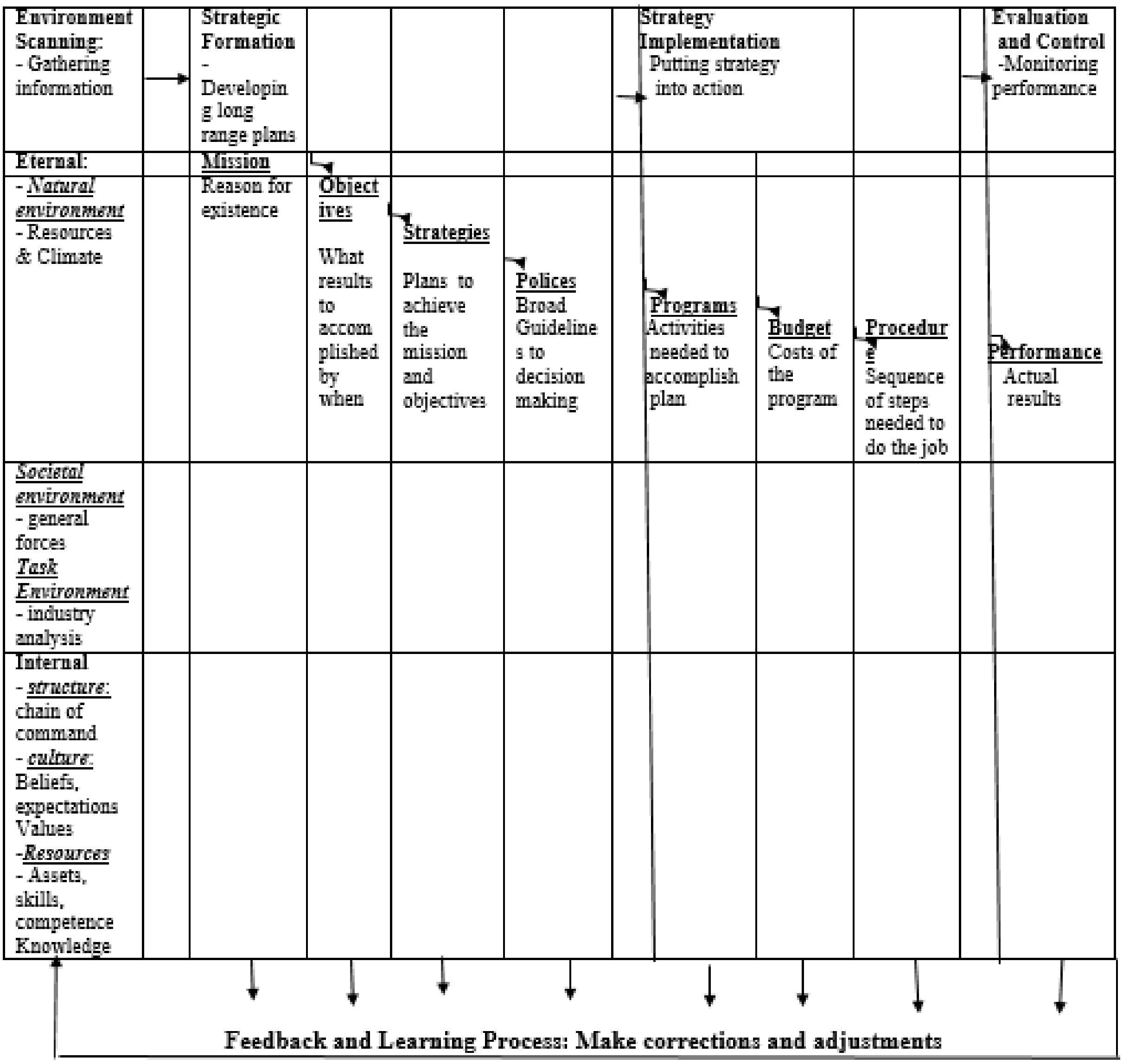


Fig 1: Basic Elements of Strategic Management



Source: T.L Wheelen, "Strategic Management Model" adapted from "Concept of Management," presented to Society for Advancement of Management (SAM), International meeting, Richmond, VA 1981.

Fig 2: Strategic Management Model

Environmental Scanning

Environmental scanning is the monitoring and evaluating of information from the external and internal environments to key people within the organization. The purpose is to identify the strategic factors. These factors will assist in the analysis in deciding the strategic decisions for the organization. However, the simplest way to conduct environmental scanning is through SWOT analysis. SWOT is an acronym of strengths, weaknesses, opportunities and threats that are strategic factors for a specific organization.

The External Environment: Consist of variables (opportunities and threats) that are outside the organization and not typically within the short-run control of the top management. These variables form the context within which the organization exist. The key environmental variables that make up the general forces within the natural and physical, societal, environments or specific factors that operate within the organization task environment-the industry. These includes, socio-cultural forces, economic forces, technological, political and legal forces. In these environments we have the government, shareholders, suppliers, creditors, employees, special interest groups, employers and labour unions, customers, communities and competitors.

The Internal Environment: This consists of variables (strengths and weaknesses) that are within the organization itself and are usually within the short-run control of top management. These form the context in which work in the organization is done. They include, the structure of the organization, culture and the resources. The key strengths formed a part of the core competences that the organization can use to gain competitive advantage. While the strategic management is fundamentally concern with strengths, weaknesses, opportunities and threats, the methods to analyse each has developed substantially in the past decades. Organizations and its top management do not only list the SWOT variables and have employees trying to populate the organization but also allow them participate in the strategic decision making. Each of the four elements is rich with the processes and techniques that will allow for a robust and sophisticated understanding of the organization.

Strategy Formulation

Strategy formulation is the process of investigation, analysis and decision making that provides the organization with the criteria of attaining a competitive advantage. This includes defining the competitive advantages of the business (strategy), crafting the corporate mission, specifying achievable objectives and setting policy guidelines.

Mission-Stating the purpose: An organization mission is the purpose or reason for the organization existence. It announces what the organization is providing for the society; either product such as electrical or automobiles or services such as consulting. A well-conceived mission statement defines the fundamental and unique purpose that sets the organization apart from other organization of its type and identified the domain of the organization operations in term of the product offered the society. Research has revealed that organization with mission statement containing explicit description of customers served and technologies used have significant higher growth that organization without such statement (Bayo & Kayii, 2021; Sidhu, 2004) [1, 9]. A mission statement may include the philosophy and values about how the organization does business and treats its employees. In can also put not only what the organization is now but what it will become in future-management strategic vision. Mission promotes a sense of shared vision or expectation in employees and communicate the public image to important stakeholder groups in the organization task environment. According to Campbell, (1991) [2] and Cumming & Davies (1994) [3], some people like to consider vision and mission as two different concepts: mission described what the organization is now, while vision describes what the organization would like to become. However, we prefer to combine these ideas into a single mission statement. For example, we shall build good ships here- at a profit if we can-at a loss if we must-but always good ships (Cosco, 1995) [4].

Objectives-Listing expected results: Objectives are the end results of planned activity. They are stated as action and tell what is to be accomplished by when and quantifiable if possible. The achievement of corporate objectives should result in the fulfillment of organizational mission. It is what the society gives back to the organization when the organization does a good job of fulfilling its mission. For example, Coca-Cola set up a standard of focused of an international organization. In their view of 2020 plan, they have laid out specific objectives including reducing the overall carbon footprint of their business operations by 15% by 2020, as compare to the 2007 baseline. And reducing the impact of their packaging by maximizing their use of renewable reusable and recyclable resources to recover the equivalent of 100% of their packaging. (Selling Alpha, 2012) [10]

Goal: The term goal is often used interchangeably with the term objective. In this work we prefer to differentiate the two terms. In contrast to an objective, the researchers consider a goal as an open-ended statement of what one wants to accomplish, with no quantification of what is to be achieved and no time criteria for completion. A simple statement of increased profitability is thus a goal, and not an objective, because it does not state how much profit the organization wants to make the next year. A good objective should be action-oriented and begin with the word to. An example of an objective is “To increase the organization’s profitability in 2022 by 10% over 2020”. An organization might establish its goals and objectives in the following areas.

- Profitability (net profits).
- Efficiency (Low cost etc).
- Growth (increase in total assets, sales etc)
- Shareholder wealth (dividends plus stock price appreciation)
- Utilization of resources (ROE OR ROI).
- Reputation (being considered a top organization).
- Contribution to employees (employment security, wages and diversity)
- Contribution to society (taxes paid, participation in charities, providing the needed products and services).
- Market leadership (market share)
- Technological leadership (innovation, creativity)
- Survival (avoiding bankruptcy)
- Personal needs of top management (using the organization for personal purpose such as providing jobs for relative.

Strategy-Defining the competitive advantages: An organization must examine the external environment in order to determine who constitute the perfect customer for the business as it exist today; who the direct competitors are for the customer, what the organization does that is necessary to compete and what the organization does that truly set it apart from its competitors. These elements can be rephrased into the strengths of the business, the understanding of its weaknesses relative to its competitors, what opportunities would be most prudent and what threats might affect the business primary competitive advantages. A strategy of an organization forms a comprehensive master approach that state how the organization will achieve it mission and objectives. It maximizes competitive advantage and minimize competitive disadvantages. The typical business organization usually considers three types of strategy: corporate, business and functional.

Corporate strategy: This strategy describes an organization overall direction in terms of its general attitude towards growth and the management of its various businesses and product lines. Corporate strategies typically fit within the three main categories of stability, growth, and retrenchment.

Business Strategy: The usually occurs at the business unit or product level and it emphasize on the improvement of the competitive position of an organization products or services in the specific industry or market segment served by the business unit. Business strategy may fit within the two overall categories of competitive and cooperative strategies. For example, market square a Lebanese firm has used a competitive strategy to differentiate its retail stores from its competitors by adding other business services to its stores, such as bread production and electronic repairs etc. While Air Peace, a Nigerian airline has followed a cooperative strategy by forming an alliance with Qatar Airways in order to provide global services. Cooperate strategy may be used to provide a competitive advantage.

Functional Strategy: It is an approach taken by a functional area of business to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide an organization or business unit with a competitive advantage. Examples of research and development (R&D) functional strategy are technological followership (imitation of products of other organization) and technological leadership (pioneering an innovation). Most organizations imitate other competitor’s products spending little on R&D imitating the innovations of other competitors. This approach helped the organization keep its costs lower than those of its competitors and consequently to complete with lower prices.

In terms of making functional strategies, for example American giant company Procter and Gamble (P&G) is a master of marketing "pull"- the process of spending huge amount on advertising in order to create customer demand. This support P&G competitive strategy of differentiating its products from those of other competitors. Business organizations use all the three types of strategy simultaneously. There is what is called a hierarchy of strategy. A hierarchy of strategy is a grouping of strategy types in the organization. Hierarchy of strategy is a nesting of one strategy within another so that they complement and support one another. Functional strategies support business strategies which in turn, support the corporate strategies.

Polices-Setting guidelines: A policy is a broad guideline for decision making that link the formulation of a strategy with its implementation. Organization use polices to make sure that employees throughout the organization make decision or participate and take action that support the organization mission, objectives and strategies. An example is an American company known as CISCO. CISCO decided on a strategy of growth through acquisition, it established a policy to consider on companies with no more than 75 employees, 75% of whom are engineers (Esenhardt & Sull 2001) [5]. Let us consider the following policies.

Google: Google's healthcare plan includes their onsite medical staff. Any employees who feel sick at work can make an appointment with the doctor on the Googleplex. This supports the Google HRM functional strategy to support its employees.

General Electric: GE must be number one or two wherever it competes. This supports General electric objective to be number one in market capitalization.

Strategy Implementation

Strategy implementation represents the deployment of chosen strategy with a view to achieving strategic objectives (Hamilton, 2014) [6]. The author further stated that the transition from strategy formulation to strategy implementation usually requires a shift in responsibility from corporate strategist to functional, strategic business unit (SBU) and divisional managers. This process might involve changes within the overall culture, structure and or the management system of the entire organization. The implementation of strategy is typically conducted by the middle and lower level managers with review by the top management. Hamilton, (2014) [6] identify key management issues central to strategy implementation. These include.

1. **Crafting Annual Objectives:** Establishing annual budgets is a decentralized activity that involves managers at all levels of the organization. Annual/semiannual objectives a key part of Annual budget, are important for strategy implementation because:
   - They represent the most objective basis for resource allocation
   - They represent a primary mechanism for evaluating managers
   - They are the most reliable way of assessing progress towards achieving long term objectives.
   - They are the most credible means of establishing organizational, divisional and departmental priorities
2. **Devising Policies to Operationalized Strategy:** Policies in this context refer to specific guidelines methods, procedures, rules, and administrative practices established to support and encourage work towards stated annual/semiannual objectives. Strategy implementation will involve devising policies that help operationalize strategy at all levels of the organization. Policies not only let managers know what is expected of them, they also provide basis for management control.
3. **Resource Allocation:** This is an important strategic management activity. This is why strategic management is sometimes conceived as a resource allocation activity. Strategic management process enables scarce organizational resources to be allocated according to priorities established in the annual budget (Hamilton, 2014) [6]. A budget is a statement of an organization's programmes in term of the estimated figures in Naira (N) or other currencies value. Many organizations demand a certain percentage return on investments, which can be referred to as 'hurdle range' before management will approve a new programme. This is done so that the new programme will have the potential to significantly add to the organization profit performance and thus build shareholder's value. Budget therefore, did not only serve as a detailed plan of the new strategy in action, it also specifies through the pro-forma financial statement the expected impact on the organization future checking the actual from the estimated projected figures.
4. **Managing Resistance to Change:** Resistance to change can be viewed as the single most important threat to successful strategy implementation. One-way modern organizations manage resistance to change is to link performance and pay to strategy related achievement.
5. **Matching Strategy with Structure:** Strategy implementation could call for restructuring and reengineering an organization. Restructuring does not always call for redeployment of managers. It does however call for managers to re-examine the level of structural complexity, formalization, centralization and decentralization (Hamilton, 2014) [6]. He further posits that managers must recognize areas in which strategy implementation requires restructuring.
6. **Matching Managers with Strategy:** Also called leadership implementation, organizations must make sure that the right managers are put in the right position. This could involve.
   - Redeployment of managers
   - Motivating managers for strategic accomplishments through revising reward and incentive plans. Research shows that most organizations are aligning strategy, performance and pay closely
   - Training and Developing managers for present and future strategic needs.

Strategy Evaluation and Control

Strategy evaluation is the process by which management determines whether strategic choice in its implemented form has helped the organization meet its objectives (Onyenma & Bayo, 2019; Hamilton, 2014) [8, 6]. The researchers further stated the best formulated and implemented strategies become obsolete as a firm's external environment and internal conditions change. Managers at all level used the resulting information to take corrective action and resolve problems. Although strategy evaluation and control are the final major element of strategic management, it can also pinpoint weaknesses previously implemented strategic plans and as a result stimulates the entire process to begin again.

Criteria for evaluation

There are several criteria for evaluating strategy some of these criteria are qualitative others are quantitative has identified by (Hamilton, 2014) [6]. Qualitative criteria for strategy evaluation include: Consonance and advantage are mostly based on the firm's assessment of its external conditions while consistency and feasibility are based on the firm's internal conditions.

According to Hamilton (2014) [6] strategy evaluation must meet several basic requirements for it to be effective. Some of these requirements include.

- Strategy evaluation activities must be economical. Too much information can be as bad as too little, too many controls can do more harm than good.
- Strategy evaluation activities should be meaningful. They should relate to the firm's objective. They should provide managers with useful information about tasks over which they have control and influence.
- Evaluation activities should provide timely information
- Evaluation should be designed to provide a true picture of what is happening in the organization.

Performance: Performance is the end result of activities (Simon, 1957) [11]. It includes the actual outcome of the strategic management process. The practice of strategic management is justified in term of its ability to improve an organization performance measured in terms of profit and return on investment. For evaluation and control to be effective, managers must obtain clear prompt and unbiased information from the people below them in the organization hierarchy. And in using this information managers compare what is actually happening with what was originally planned in the formulation stage of the policy. The evaluation and control of performance complete the strategy management model. Based on the performance results, management may need to make adjustment in its strategy formulation and implementation.

Feedback and Learning Process: In the strategic management model, figure 2 above, there is feedback and learning process. Arrows are drawn coming out of each part of the model and taking information to each of the previous part of the model. As a business unit or organization develop strategies, programmes, it must often go back to revise or correct decision made earlier in the process. For example, poor performance (as measured in evaluation and control) usually indicate that something has gone wrong with either strategy formulation or implementation process. It could also mean that a key variable, such as a new competitor was ignored during the environmental scanning and assessment.

Conclusion

In the strategic management process, scholars such as Hambrick and Fredrickson (2001) [7] proposed that a good strategy has five elements, providing answers to five questions, these five elements are as follows: Arenas: Where will we be active? Vehicles**:** How will we get there? Differentiators**:** How will we win in the market place? Staging**:** What will be our speed and sequence of moves? Economic Logic**:** How will we obtain our returns? This paper introduces us to a well–accepted model of strategic management process in which environmental analysis leads to strategy formulation, strategy implementation and evaluation and control. Strategy consists of an integrated set of choices. The question where will we be active? And 'how will we get there? Are deal with by organization mission, objectors and corporate strategy? The question how will we win in the market place? Is the concern of business strategy? While the question what will be our speed and sequence move? Is answered not only by business strategy and tactics but also by the functional strategy and by implemented programmes, budgets and procedures. The question 'How will we obtain our returns? Is the primary emphasis of the evaluation and control element of the strategic management model? Thus, when these questions are answered through an enhanced process of strategic management process, the organizational performance that will lead to achieving both organizational and customers' satisfaction will be achieved.

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