Strategic Management - Meaning and Important Concepts

### An Introduction

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm’s performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a [SWOT Analysis](http://www.managementstudyguide.com/swot-analysis.htm) (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn’t ignore the threats.

Strategic management is nothing but planning for both predictable as well as unfeasible contingencies. It is applicable to both small as well as large organizations as even the smallest organization face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage.

It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

**Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members**. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task. They can understand the reaction of environmental changes on the organization and the probable response of the organization with the help of strategic management. Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

### Features of Strategy

1. Strategy is significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
2. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
3. Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.

**Strategy is a well defined roadmap of an organization**. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors.

Strategy, in short, bridges the gap between “where we are” and “where we want to be”.

# Components of a Strategy

The strategy statement of a firm sets the firm’s long-term strategic direction and broad policy directions. It gives the firm a clear sense of direction and a blueprint for the firm’s activities for the upcoming years. The main constituents of a strategic statement are as follows:

### Strategic Intent

An organization’s strategic intent is the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage. Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company’s vision. It motivates the people. It clarifies the vision of the company.

Strategic intent helps management to emphasize and concentrate on the priorities. Strategic intent is nothing but, the influencing of an organization’s resource potential and core competencies to achieve what at first may seem to be unachievable goals in the competitive environment. A well expressed strategic intent should guide/steer the development of strategic intent or the setting of goals and objectives that require that all of organization’s competencies be controlled to maximum value.

Strategic intent includes directing organization’s attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and team participation as well as contribution; and utilizing intent to direct allocation of resources.

Strategic intent differs from strategic fit in a way that while strategic fit deals with harmonizing available resources and potentials to the external environment, strategic intent emphasizes on building new resources and potentials so as to create and exploit future opportunities.

### Mission Statement

Mission statement is the statement of the role by which an organization intends to serve it’s stakeholders. It describes why an organization is operating and thus provides a framework within which strategies are formulated. It describes what the organization does (i.e., present capabilities), who all it serves (i.e., stakeholders) and what makes an organization unique (i.e., reason for existence).

A mission statement differentiates an organization from others by explaining its broad scope of activities, its products, and technologies it uses to achieve its goals and objectives. It talks about an organization’s present (i.e., “about where we are”). For instance, **Microsoft’s mission** is to help people and businesses throughout the world to realize their full potential. **Wal-Mart’s mission** is “To give ordinary folk the chance to buy the same thing as rich people.” Mission statements always exist at top level of an organization, but may also be made for various organizational levels. Chief executive plays a significant role in formulation of mission statement. Once the mission statement is formulated, it serves the organization in long run, but it may become ambiguous with organizational growth and innovations.

In today’s dynamic and competitive environment, mission may need to be redefined. However, care must be taken that the redefined mission statement should have original fundamentals/components. Mission statement has three main components-a statement of mission or vision of the company, a statement of the core values that shape the acts and behaviour of the employees, and a statement of the goals and objectives.

### Features of a Mission

* 1. Mission must be **feasible** and **attainable**. It should be possible to achieve it.
  2. Mission should be **clear** enough so that any action can be taken.
  3. It should be **inspiring** for the management, staff and society at large.
  4. It should be **precise** enough, i.e., it should be neither too broad nor too narrow.
  5. It should be **unique** and **distinctive** to leave an impact in everyone’s mind.
  6. It should be **analytical**, i.e., it should analyze the key components of the strategy.
  7. It should be **credible**, i.e., all stakeholders should be able to believe it.

### Vision

A vision statement identifies where the organization wants or intends to be in future or where it should be to best meet the needs of the stakeholders. It describes dreams and aspirations for future. For instance, **Microsoft’s vision** is “to empower people through great software, any time, any place, or any device.” **Wal-Mart’s vision** is to become worldwide leader in retailing.

A vision is the potential to view things ahead of themselves. It answers the question “where we want to be”. It gives us a reminder about what we attempt to develop. A vision statement is for the organization and it’s members, unlike the mission statement which is for the customers/clients. It contributes in effective decision making as well as effective business planning. It incorporates a shared understanding about the nature and aim of the organization and utilizes this understanding to direct and guide the organization towards a better purpose. It describes that on achieving the mission, how the organizational future would appear to be.

An effective vision statement must have following features-

* 1. It must be **unambiguous**.
  2. It must be **clear**.
  3. It must **harmonize** with organization’s culture and values.
  4. The dreams and aspirations must be **rational/realistic**.
  5. Vision statements should be **shorter** so that they are easier to memorize.

In order to realize the vision, it must be deeply instilled in the organization, being owned and shared by everyone involved in the organization.

### Goals and Objectives

A goal is a desired future state or objective that an organization tries to achieve. Goals specify in particular what must be done if an organization is to attain mission or vision. Goals make mission more prominent and concrete. They co-ordinate and integrate various functional and departmental areas in an organization. Well made goals have following features-

* 1. These are **precise and measurable**.
  2. These look after **critical and significant** issues.
  3. These are **realistic** and challenging.
  4. These must be achieved within a **specific time** frame.
  5. These include both **financial as well as non-financial components**.

Objectives are defined as goals that organization wants to achieve over a period of time. These are the foundation of planning. Policies are developed in an organization so as to achieve these objectives. Formulation of objectives is the task of top level management. Effective objectives have following features-

* 1. These are not single for an organization, but **multiple**.
  2. Objectives should be both **short-term as well as long-term**.
  3. Objectives must respond and react to changes in environment, i.e., they must be **flexible**.
  4. These must be **feasible**, **realistic and operational**.