Strategic Management Process - Meaning, Steps and Components

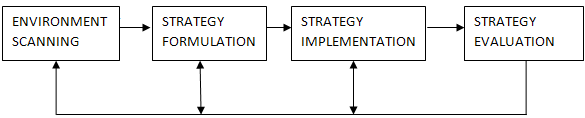
The strategic management process means defining the organization’s strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises it’s competitors and fixes goals to meet all the present and future competitor’s and then reassesses each strategy.

**Strategic Management Process has Following Four Steps:**

1. [**Environmental Scanning**](https://www.managementstudyguide.com/environmental-scanning.htm)**-** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. [**Strategy Formulation**](https://www.managementstudyguide.com/strategy-formulation-process.htm)**-** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. [**Strategy Implementation**](https://www.managementstudyguide.com/strategy-implementation.htm)**-** Strategy implementation implies making the strategy work as intended or putting the organization’s chosen strategy into action. Strategy implementation includes designing the organization’s structure, distributing resources, developing decision making process and managing human resources.
4. [**Strategy Evaluation**](https://www.managementstudyguide.com/strategy-evaluation.htm)**-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as it’s implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation’s requirement, so as to make essential changes.

   
**Components of Strategic Management Process**

[Strategic management](https://www.managementstudyguide.com/strategic-management.htm) is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

The strategic management process is more than just a set of rules to follow. It is a philosophical approach to business. Upper management must think strategically first, then apply that thought to a process. The strategic management process is best implemented when everyone within the business understands the strategy. The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring.

### Clarify Your Vision

The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff, give each person a task with which he can succeed. Keep in mind during this process your goals to be detailed, realistic and match the values of your vision. Typically, the final step in this stage is to write a mission statement that succinctly communicates your goals to both your shareholders and your staff.

### Gather and Analyze Information

Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on understanding the needs of the business as a sustainable entity, its strategic direction and identifying initiatives that will help your business grow. Examine any external or internal issues that can affect your goals and objectives. Make sure to identify both the strengths and weaknesses of your organization as well as any threats and opportunities that may arise along the path.

### Formulate a Strategy

The first step in forming a strategy is to review the information gleaned from completing the analysis. Determine what resources the business currently has that can help reach the defined goals and objectives. Identify any areas of which the business must seek external resources. The issues facing the company should be prioritized by their importance to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to develop alternative approaches that target each step of the plan.

### Implement Your Strategy

Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

### Evaluate and Control

Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured. These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan. Monitoring internal and external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data gained in this stage should be retained to help with any future strategies.