

Strategic Management

Lecture Two: Strategic Management Process

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Introduction

In the last lecture we introduced strategic management by offering different perspectives that can be used to define the term strategy, we looked at benefits of strategic management where it is practiced and possible excuses that firms give for not using strategic planning. In this current lecture we are going to dive deeper into the process, but first we will cover different schools of thought or views that guide the discipline of strategic management.

Learning Outcomes

- Comprehensive overview of strategic management process
- Highlight key schools of thought in the discipline
- Examine practical application in global context

Opening Story



Image of ships in Shores of Senegal (Author)

Imagine you're the captain of a ship navigating through uncharted waters. The sea is vast and unpredictable, with hidden dangers and opportunities. Without a clear map and a well-thought-out plan, your chances of reaching your destination are slim. This is where strategic management comes in. Just like a ship's captain, business leaders need a strategic plan to guide their organizations through the complexities of the market. They must anticipate changes, allocate resources wisely, and steer their companies towards long-term success.

Pause and Reflection

- What is the ultimate destination or goal for your ship (organization)?
- How important is it to have a clear vision before starting the sail?
- If you were the captain of the ship, what important information would you need about the waters (market) before your journey?
- What resources (crew, supplies) are essential for your journey?
- How would you allocate these resources to ensure a successful voyage?
- What strategies would you deploy to navigate through rough seas (market challenges)?
- How would you decide between different routes (strategic options)?
- How would you monitor your progress during the journey?
- What indicators would you use to determine if you are on the right path, or if you need to adjust your course?
- How would you handle unexpected storms (market disruptions) during your voyage?

Opening Case

Apple Turnaround

In 1990s, Apple was on the verge of going bankrupt, it was struggling with poor product performance as well as intense competition. But the return of Steve Jobs in 1997 marked a turnaround moment. He implemented a series of strategic changes from streamlining product lines from over 300 to just 10, focusing on innovation, prioritizing design, user experience, cutting-edge technology, to launching the “think different” campaign. This

campaign positioned Apple as a visionary, creative, and innovative brand. All these pushed Apple to be the most valuable company in the world today.

Pause and Reflect

What is the key take aways from apple as an entrepreneurs and business leaders

- Lead with a clear vision
- Innovation should solve customer problems
- Build a brand not just a product
- Beauty of recurring revenue streams
- Think ecosystem not just standalone

Schools of Thought in Strategic Management

- The schools provide perspectives and frameworks that guide how organizations formulate, implement, and evaluate their strategies.
- Each of these schools offers unique insights into complexities of decision making focusing on aspects such as planning, environmental adaptation, organizational processes and cultural contexts.
- Understanding these thoughts, managers can better maneuver through dynamic business environment changes
- It will help in tailor made strategies to the specific organizational needs
- They help us appreciate the multifaceted nature of strategic management

Planning School

- This school of thought proposes that strategy as a formal and structured process
- It requires detailed plans, timelines, objectives and procedures
- The whole process is documented

- The document or the plan is always referred to when management want to make new decisions
- Challenge comes in when something outside the plan happens, this will distort the whole strategy

Design School

- This proposes that strategy design involves a sequential procedure that matches both internal and external capabilities
- Strategy is seen as the fit between internal capabilities and external environment
- This works well in a stable environment
- Therefore, strategy design is an intentional and thoughtful process
- Success of the school is dependent on the knowledge of the organization to analyze the environment and match its capabilities to that
- The school emphasize the analysis of strength, weakness, opportunity and threats

Positioning School

- This sees strategy as the selection of strategic position in the market or the industry
- Firm can use tool such as BCG matrix, five forces, and value chain to position their products
- Exemplified by Porter's generic strategies that relates to cost leadership, differentiation, and focus
- The weakness in this school is that it looks at the market as it is, and future entrants might destabilize the current position a firm has taken.

The entrepreneurial school

- This school focus on the founder or the entrepreneur as we mentioned in week one, people like Steve Jobs, Howard and Dell
- The firm follows the direction of the CEO or the founder
- The CEO must be visionary and have strong leadership skill

- The challenge with the school is how do you find such a person and the other is the fact that they can also be wrong.

Cognitive School

- This focuses on the mental models, perceptions and beliefs of key decision-makers within the organization
- It heavily relies on how individuals process information
- It says that strategic decisions are shaped by the cognitive biases and mental frameworks of the decision makers or the leaders
- It requires you to understand customer's perception and craft a strategy based on that
- It can therefore be limiting in terms of innovation since it may not go beyond the customers

The learning School

- This looks at what has happened in the past and build the future based on this
- The firm may also look at what has worked or not worked in other organizations
- What has worked is not a guarantee that it will work today or in future
- It may not be the best approach during crisis

The Power School

- The school emphasize the role of power and politics in organizations
- The school say that the people with power make decisions
- It points out that strategy formulation is a process of negotiation, persuasion and influence among the different players both internally and externally.
- It therefore notes that strategic decisions are not purely because of rational analysis
- Power and influence can be important to build collaboration and resolve conflicts thus helping it achieve its strategic goals.
- It is a very realistic school

The cultural School

- The school focuses on organizational culture and its impact on strategy execution
- The embedded culture in the firm- in terms of norms, shared values, and beliefs has influence on the strategic decisions
- Understanding the organizational culture can help a leader to align strategies to ensure greater buy-in which increases chances of implementation success.
- The school embroil the need to consider cultural dynamics during strategic planning phase
- Very useful during mergers and acquisitions

The Strategic Management Process: A Step-by-Step Approach

- This section will present a clear framework for the strategic management process.

Key Stages:

1. Determining where you want to go, and your purpose:
 - **The vision statement:** Determining where you want to be in the future in your given industry
 - **The Mission statement:** Being clear on what is your purpose as a firm, and those that you will impact as your key stakeholders
2. Environmental Scanning:
 - **Internal Analysis:** Assessing organizational strengths and weaknesses (resources, capabilities, culture). You can use tools such as SWOT and VRIO frameworks
 - **External Analysis:** Identifying opportunities and threats in the macro and microenvironments (political, economic, social, technological, legal, environmental). Tools such as PESTEL and FIVE forces framework are helpful in this phase.
3. Strategy Formulation:
 - **Setting Objectives:** Defining clear, measurable, achievable, relevant, and time-bound (SMART) goals.

- **Developing Strategies:** Choosing appropriate strategies based on analysis (corporate, business, and functional levels which we talked about in week 1).
4. Strategy Implementation:
- **Organizing Resources:** Allocating financial, human, and technological resources effectively. Getting the ones that you don't have and are necessary.
 - **Developing Structures:** Designing organizational structures, systems, and processes that support the chosen strategy.
 - **Managing Change:** Overcoming resistance to change and ensuring smooth implementation.
5. Strategy Evaluation and Control:
- **Measuring Performance:** Establishing key performance indicators (KPIs) to track progress. Like we mentioned earlier in the story of a ship- how will you know you are getting there.
 - **Comparing Results to Objectives:** Analyzing deviations and identifying areas for improvement.
 - **Taking Corrective Action:** Making necessary adjustments to the strategy or its implementation. Adjusting your sail in our opening story of a ship captain.

More on this process can be explored in the book by Reed *et al.* (2020).

Topic Review

- Strategic management is crucial for navigating the complexities of the market, similar to a ship's captain needing a plan for uncharted waters.
- Various schools of thought, such as Planning, Design, and Positioning, offer different perspectives on strategy formulation and implementation, each with strengths and weaknesses.
- The Apple turnaround case highlights the importance of visionary leadership, innovation focused on customer problems, and building a strong brand ecosystem in strategic success.

- Understanding different schools of thought helps managers tailor strategies to specific organizational needs and appreciate the multifaceted nature of strategic management.
- The strategic management process involves key stages: defining vision and mission, environmental scanning (internal and external), strategy formulation, implementation, and evaluation & control.
- Effective strategic management requires a systematic approach, considering internal capabilities, external environment, and the need for adaptation and continuous improvement to achieve organizational goals.

Next Topic

- In the next topic we shall dig deeper into internal environmental scanning.
- We shall look at what it constitutes, and
- The tools we can use to get it done.

References

Image source: Aurthor

Reed. K, Eli. J, Joe. S, Pankaj.K, Ayenda. K, Kiran. A, and Kathleen. M (2020) *Strategic Management*, Virginia Tech Publishing, Blacksburg, VA 24061, USA