

STRATEGIC MANAGEMENT PROCESS

A close-up photograph of a hand in a yellow sleeve moving a light-colored chess piece on a board. The board and other pieces are in soft focus, creating a sense of depth and strategic action.

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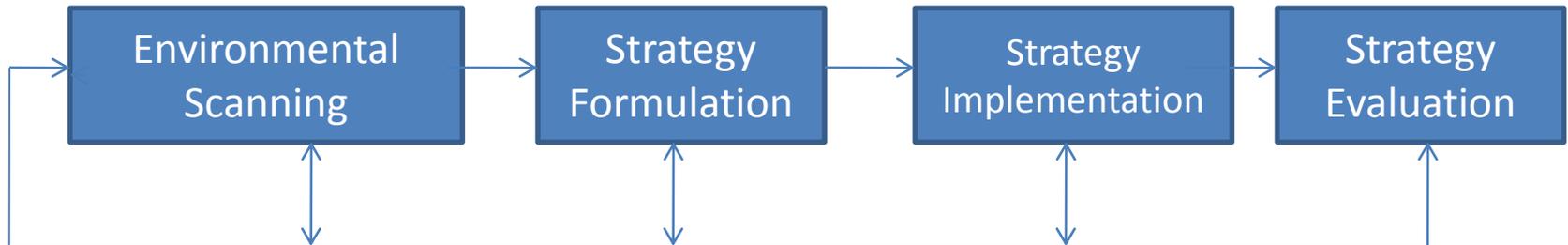
SMBS

Definition: Strategic Management Process

Strategic Management Process is defined as the way an organization defines its strategy. It is a continuous process in which the organization decides to implement a selected few strategies, details the implementation plan and keeps on appraising the progress & success of implementation through regular assessment.



Strategic Management Process



i. Environmental Scanning:

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.



Analysis:

Internal analysis of the environment is the first step of environment scanning. Organizations should observe the internal organizational environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders, access to natural resources, brand awareness, organizational structure, main staff, operational potential, etc.



external analysis, three correlated environment should be studied and analyzed —

- immediate / industry environment
- national environment
- broader socio-economic environment / macro-environment

industry environment needs an appraisal of the competitive structure of the organization's industry, including the competitive position of a particular organization and it's main rivals

national environment needs an appraisal of whether the national framework helps in achieving competitive advantage in the globalized environment.

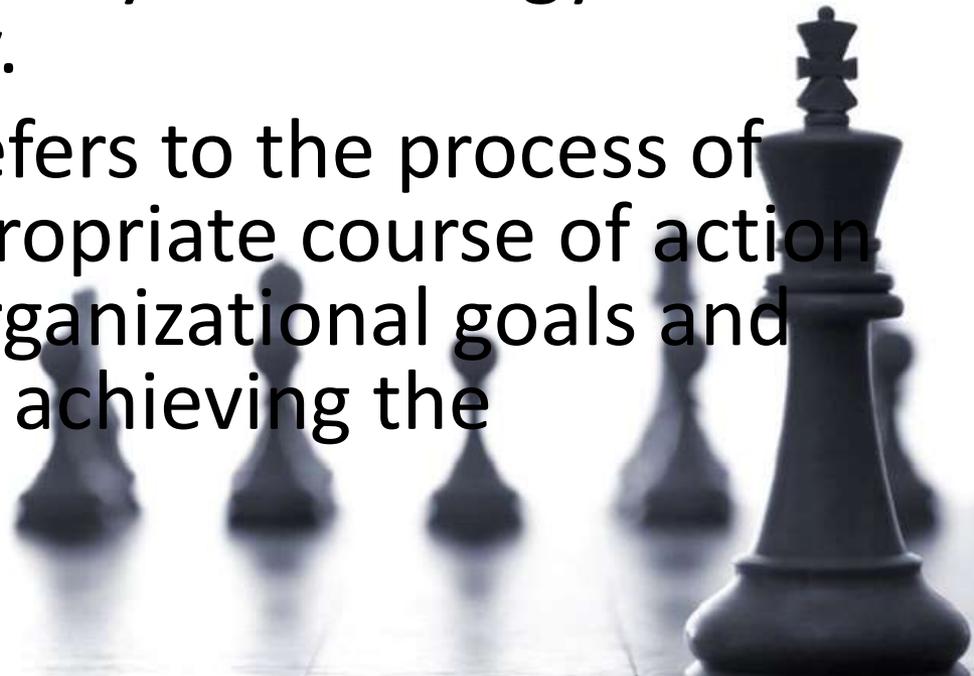
macro-environment includes exploring macro-economic, social, government, legal, technological and international factors that may influence the environment. The analysis of organization's external environment reveals opportunities and threats for an organization.



ii. Strategy Formulation:

Once the analysis is done, the organization moves to the Strategy Formulation stage where the plan to acquire the required resources is designed, prioritization of the issues facing the business is done and finally the strategy is formulated accordingly.

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.



iii. Strategy Implementation:

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives.

Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.



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iv. Strategy Evaluation:

In this process, the strategies being implemented are evaluated regularly to check whether they are on track and are providing the desired results. In case of deviations, the corrective actions are taken.



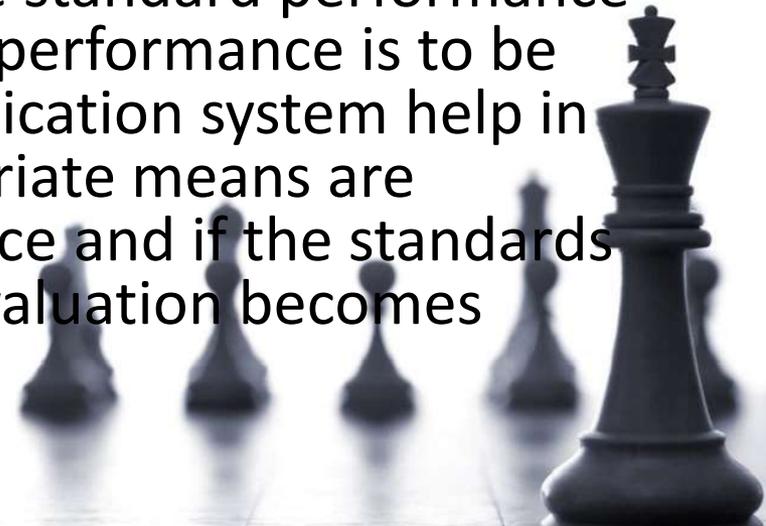
The process of Strategy Evaluation consists of following steps

1. Fixing benchmark of performance -

The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includes determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

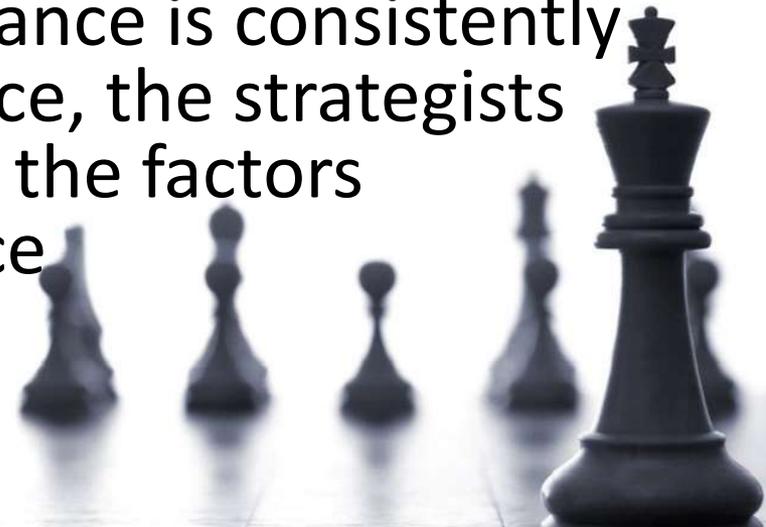
2. Measurement of performance -

The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier.



3. Analyzing Variance - While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted.

4. Taking Corrective Action - Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance



THANKS...