

A MODEL OF THE STRATEGIC MANAGEMENT PROCESS

Tomita VASILE, Anica IANCU
UNIVERSITY OF CRAIOVA

Abstract:

The strategic management represents a modern form of company's management based on the prediction of the environmental changes, on the evaluation of the company's internal potential and also on the operating of the modifications that are imposed in order to harmonize it with the environment, to achieve the mission and the established objectives, to assure its lasting survival. A model of the strategic management process is shown in this paper.

Key words: strategy, strategic management, strategic plan,

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Although the expression of strategic management was officially introduced in the theoretical language even since 1973, during “The First International Conference of Strategic Management” organized by I.H. Ansoff at the Vanderbilt University, the acceptances of this concept given by an author or other are in general quite different, the strategic management being considered as:

- the process that aims to facilitate the management of an organization and to use the strategy for orienting the actions; it incorporates the putting into practice of the strategic actions related to structural and cultural factors;
 - a kind of management that aims to assure in time the best possible equivalence between on one hand the exigency of the environment, internal and external partners and on the other hand the managers' goals who is interested of the interior as well as the exterior of the enterprise, the political and economical dimension and confers an important role to enterprise's structure and culture;
 - a special mood of the enterprise's management that aims to assure a tight relation between strategy and operations; it means that all the operational decisions, which are just decisions of the operating management, are examined from a strategic view.
 - the process in which the managers establish the long-term orientation of the enterprise, propose specific performance objectives, develop strategies for all these objectives accomplishment- according with the internal and external factors- and try to perform the proposed plans.
 - a set of decisions and actions which aims to the development of one or more effective strategies in order to complete the enterprise's objectives;
 - the process through which the company's management establishes the long term directions and results of the company, assuring an attentive formulation, the appropriate implementation and a continuing evaluation of the strategy.
 - a set of decisions and actions which have as a result the formulation and the implementation of the projected strategies in order to achieve the aims of the company.
 - the process through which the top management of the company determines the long-term evolution and its performances assuring a strict formulation, an appropriate application and a continuing evaluation of the established strategy.
- In spite of all these, it can be estimated that there is certain consent between the

points of view expressed by some authors who focus on the recognition of the fact that the strategic management represents a modern form of company's management based on the prediction of the environmental changes, on the evaluation of the company's internal potential and also on the operating of the modifications that are imposed in order to harmonize it with the environment, to achieve the mission and the established objectives, to assure its lasting survival.

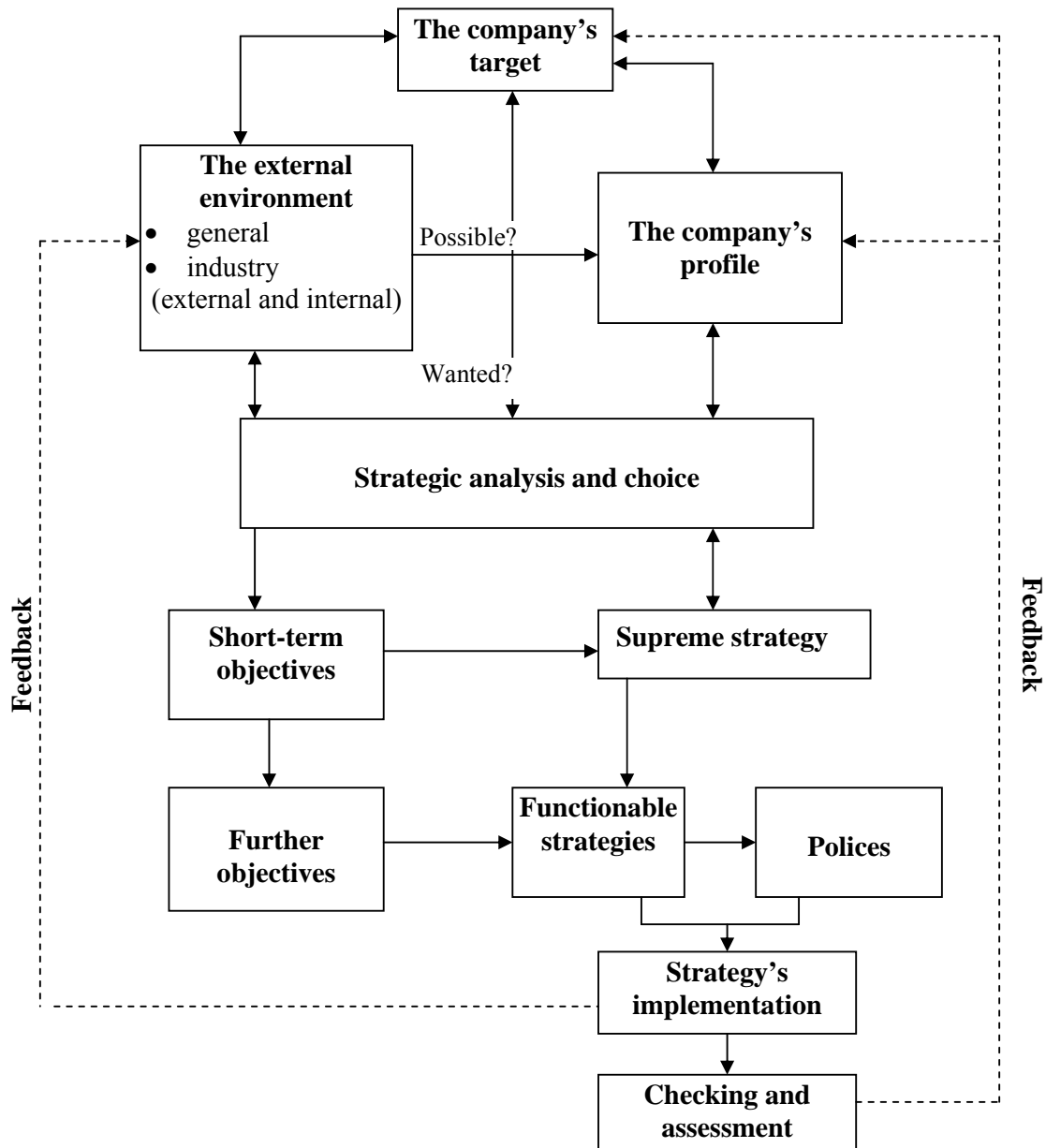


Figure 1. Strategy issuance of strategic management

Because each component of strategic management entails judging whether to continue with things as they are or to make changes, *the task of managing strategy is a dynamic process* - all strategic decisions are subject to future modification. Changes in the organization's situation and ups and downs in financial performance are constant drivers of strategic adjustments.

A model of the strategy issuance of strategic management is shown in figure 1

[2].

But a simple model of the strategic management process is shown in Figure 2 [3]. The first three components, in combination, give direction to the enterprise, establish the directional map for strategic action, and, in effect, define what we shall call an organization's *strategic plan*. The fourth component is easily the most complicated and challenging one because it involves not only deciding on but also undertaking the administrative actions needed to convert the strategic plan into results; indeed, orchestrating the execution of strategy is probably 5 to 10 times more time-consuming than is formulating the strategic plan. The fifth component, evaluating strategic performance and making corrective adjustments, is both the end and the beginning of the strategic management cycle. The march of external and internal events guarantees that the time will come for making revisions in the four previous components. Most of the time, revisions will be of the fine-tuning variety, but occasions for major overhaul in one or more components arise-sometimes because of significant external developments and sometimes because of sharply sliding financial performance.

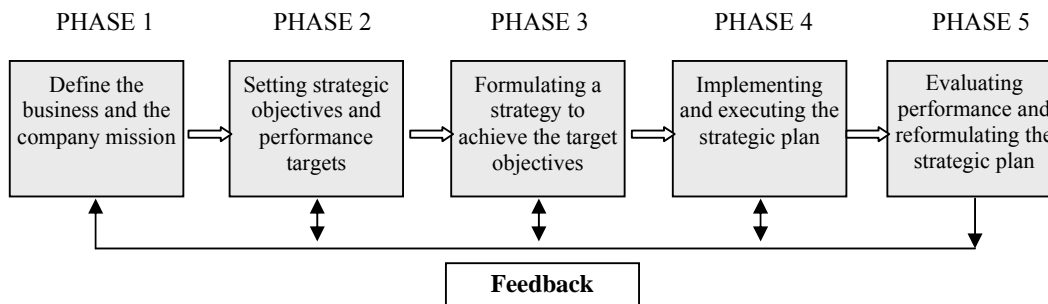


Figure 2. Model of strategic management

Characteristics of the Process. While defining the business, establishing strategic objectives, formulating a strategy, implementing and executing the strategic plan, and evaluating performance accurately portray the conceptual elements in managing an enterprise's strategy, the process is not quite so cleanly divided and neatly performed in actual practice. First, managers do not necessarily, or even usually, go through the sequence in rigorous lockstep fashion. Often there is interplay back and forth between the elements; for example, consideration of what strategic actions to take can provoke discussions of whether and how the strategy can be implemented with real effectiveness. Moreover, the boundaries between the components are sometimes hard to distinguish in practice: establishing a strategic mission shades into setting objectives for the organization to achieve (both involve direction-setting); objective-setting shades into considering whether and how strategies can be formulated to achieve them; and deciding on a strategy is nearly always entangled in discussions about the direction the organization needs to take and the position it should try to assume. Second, the tasks involved in strategic management are never isolated from everything else that falls within a manager's purview. Strategy has to be formulated and implemented in the midst of a managerial schedule that is fragmented with appointments, meetings, paperwork deadlines, unexpected problems, and momentary crises. It is incorrect to construe the job of managing strategy as the exclusive task of managers, even though it may well be the most important function they perform where organizational success or failure is concerned.

Third, the demands that strategy management puts on the manager's time are irregular. Strategic issues, new opportunities, and bright ideas about strategy or its implementation do not appear according to some ordered timetable; they have to be

dealt with whenever they arise. Strategic issues soak up big chunks of management time during some weeks and take a backseat in other weeks.

Finally, formulating and implementing strategy must be regarded as something that is *ongoing* and that *evolves*. [1] What qualifies as a surefire high-performance strategy today is sooner or later rendered stale by events unfolding both inside and outside the enterprise. The task of "strategizing" can never therefore be a one-time exercise. While the "whats" of an organization's strategic mission and long-term strategic objectives, once established, usually present fairly stable targets to shoot for, the "hows"¹ of strategy evolve regularly in response to changes in an organization's internal situation and external environment. As a consequence, fine-tuning-type changes in strategic plans, and an occasional major change in strategic thrust, are normal and expected (big strategy changes, however, cannot be made often). The need to keep strategy in tune with an organization's changing situation makes the strategic management process dynamic and means that the prevailing strategy is rarely the result of a single comprehensive analysis. Strategic decisions are made over a period of time, not all at once; moreover, previous decisions are modified and decisions to initiate new strategic moves are forthcoming from time to time. Much of the time strategy evolves in a fairly orderly manner, but sometimes the strategy is crisis-driven, forcing a number of big strategic decisions to be made rapidly.

Similarly, strategy implementation is the product of incremental improvements, internal fine-tuning, the pooling effect of many administrative decisions, and gradual adjustments in the actions and behavior of both managerial subordinates and employees. Implementation is not something that can be made to happen overnight. The transition from the old strategy to executing the new strategy takes time; normally, the larger the degree of strategic change, the more time it takes for the new methods of implementation to take hold.

It goes without saying that an organization's chief executive officer and chief operating officer are *strategy managers*, with ultimate authority and responsibility for formulating and implementing the strategic plans of the organization as a whole. Most, if not all, of an organization's vice presidents have important strategy-formulating and strategy-implementing responsibilities as well. But managerial positions with strategic management responsibility are by no means restricted to a few senior executives; in organizations of much size and complexity, there are strategy managers up and down the management hierarchy. The strategic management function directly involves all managers with line authority at the corporate, line-of-business, functional area, and major operating department levels.

For the process of managing strategy to work very well, managers must place their imprint on those aspects of the plan to be carried out in their area of responsibility. As one corporate executive succinctly put it, "Those who implement the plan must make the plan." Corporate experiences with strategic planning over the last two decades clearly demonstrate that strategic planning should not be a high-level staff function performed by professionals who then hand over CEO-approved plans to others to carry out in their respective areas of responsibility; rather, the strategy-making/strategy-executing tasks need to fall directly into the laps of those managers who run those parts of the organization where the strategic results must be achieved. Putting responsibility and authority for strategy-making in the hands of those who ultimately must put the strategy into place and make it work fixes accountability for strategic success or failure directly on those who are in charge of the results-producing organizational units. As a consequence, the strategy managers in business enterprises include:

- The chief executive officer and other senior corporate-level executives who have primary responsibility and personal authority for big strategic decisions affecting the total enterprise.

- The general managers of subsidiary line-of-business units who have profit-and-loss responsibility for the unit and consequently a leadership role in formulating and *implementing the business-level strategy of the unit*.
- The functional area managers within a given business unit who have direct authority over a major piece of the business (manufacturing, marketing and sales, finance, R&D, personnel) and therefore must support overall business strategy with strategic actions in their own areas.
- The managers of major operating departments and geographic field units who have frontline responsibility for the details of strategic efforts in their areas and for carrying out their pieces of the overall strategic plan.

A diversified corporation has strategy managers at all four of these levels. A single-business enterprise usually has only three levels: the corporate-level and business-level strategy managers merge into a single group with responsibility for directing the strategic efforts of the total enterprise in that one business. The smallest enterprises, of course, usually have only a single strategy manager (as in the case of the owner-manager of a sole proprietorship or the managing partner in a partnership-type firm) because just one person performs the entire management function.

There are many rather than few strategy managers in not-for-profit organizations as well. For example, a multicampus state university has four identifiable levels of strategic management:

(1) The president of the whole university system is a strategy manager with broad direction-setting responsibility and strategic decision-making authority over all the campuses.

(2) The chancellor for each camp is a strategy manager with strategy-making/strategy-implementing authority over academic, student, athletic, and alumni matters, and budgetary, programmatic, a coordinative responsibilities for the whole campus.

(3) The deans of the various colleges are strategic managers with direction-setting leadership responsibility for t academic programs, budgets, faculty, and students in the college.

(4) The heads of the various academic departments are strategy managers with first-line strategic and supervisory responsibility for the departmental budget, the department's undergraduate and graduate program offerings, the faculty, and students majoring in the department. In federal and state government, the heads of local, district, and regional offices function as strategy managers because they are responsible for custom-tailoring the actions of their agencies to meet the specific needs of the geographical area their units serve and because they are in charge of seeing that their agency's strategic mission, programs, and services are carried out in that area. In municipal government, the heads of the police department, the fire department, the water and sewer department, the parks and recreation department, the health department, and so on are strategy managers in the sense that they are in charge of the entire operations (services and programs offered, day-to- day decisions, facilities, personnel, policies and practice budget allocations) under their direction.

Managerial jobs with strategy-making/strategy-implementing roles are thus quite numerous and common. The need to understand the ins and outs of strategic management and to be skilled in strategic thinking, strategic analysis, and methods of strategy execution is a basic aspect of managing and is not something that only top managers need to know and to worry about.

Since the scope of a strategy manager's role in the strategy-making/strategy implementing process plainly varies according to the manager's position in the organizational hierarchy, "the organization" under a strategy manager's direction should henceforth be understood to mean whatever kind of organizational unit the strategy

manager is in charge of-whether it is an entire company or not-for-profit organization, a business unit within a diversified company, a major geographic division, an important functional area unit within a business, or an operating department or field unit reporting to a specific functional area head. This will perm us to avoid using the awkward phrase "the organization or organizational subunit" to indicate the alternative scope of the strategy manager's area of responsibility and place in the managerial hierarchy.

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