STRATEGIC MANAGEMENT

CS SECTION 6

STUDY NOTES

KASNEB SYLLABUS

CHAPTER ONE

NATURE OF STRATEGIC MANAGEMENT

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 (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.

Strategy - Definition and Features

The word “strategy” is derived from the Greek word “stratçgos”; stratus (meaning army) and “ago” (meaning leading/moving).

Strategy is an action that managers take to attain one or more of the organization’s goals. Strategy can also be defined as “A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process”.

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vaccum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others. Strategy is the blueprint of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

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”.

Importance of strategic Management

Why do we need to lay so much stress on strategic management?
Strategic management becomes important due to the following reasons:

Globalization: The survival for business

First, global considerations impact virtually all strategic decisions! The boundaries of countries no longer can definethe limits of our imaginations. To see and appreciate the world from the perspective of others has become a matter of survival for businesses. The underpinnings of strategic management hinge upon managers' gaining an understanding of competitors, markets, prices, suppliers, distributors, governments, creditors, shareholders, and customers worldwide. The price and quality of a firm's products and services must be competitive on a worldwide basis, not just a local basis.

The distance between the business sectors are becoming less due to the provisions of certain facilities. Although political boundaries are there but in order to become successful in business it is essential to laid stress on globalization.

E-Commerce: A business tool

A second theme is that *electric commerce (e-commerce) has become a vital strategic-management tool*. An increasing number of companies are gaining competitive advantage by using the Internet for direct selling and for communication with suppliers, customers, creditors, partners, shareholders, clients, and competitors who may be dispersed globally. E-commerce allows firms to sell products, advertise, purchase supplies, bypass intermediaries, track inventory, eliminate paperwork, and share information. In total, electronic commerce is minimizing the expense and cumbersomeness of time, distance and space in doing business, which yields better customer service, greater efficiency, improved products and higher profitability.

The Internet and personal computers are changing the way we organize our lives; inhabit our homes; and relate to and interact with family, friends, neighbors, and even ourselves. The Internet promotes endless comparison shopping which enables consumers worldwide to band together to demand discounts. The Internet has transferred power from businesses to individuals so swiftly that in another decade there may be "regulations" imposed on groups of consumers. Politicians may one day debate the need for "regulation on consumers" rather than "regulation on big business" because of the Internet's empowerment of individuals. Buyers used to face big obstacles to getting the best price and service, such as limited time and data to compare, but now consumers can quickly scan hundreds of vendors' offerings. Or they can go to Web sites such as CompareNet.com that offers detailed information on more than 100,000 consumer products.

The Internet has changed the very nature and core of buying and selling in nearly all industries. It has fundamentally changed the economics of business in every single industry worldwide

Earth environment has become a major strategic issue

A third theme is that *the natural environment has become an important strategic issue*. With the demise of communism and the end of the Cold War, perhaps there is now no greater threat to business and society than the continuous exploitation and decimation of our natural environment.

The resources are scarce but the wants are unlimited. In order to meet the wants of the world, the resources should be efficiently utilized. For example, the use of oil resources or energy resources will make the people to use these resources for a long time.

Strategic management – A route to success:

The study of strategic management integrates different topics. Different courses are integrated due to the study of this course so that businesses become successful in every sector. It integrates the following:

- Marketing
- Management
- Finance
- Research and development

The management and marketing are essential part of a business sectors. They should be integrated. Just like other sections of the business are integrated under this study. This term is mostly used by academia but this is also used in media.

History of strategic management:

This course develops in 1950's. Due to the detailed planning of the business circumstances, the importance of this increased rapidly.
In 1960; s and 70 it was consider to be panacea for problems. But in 1980; s two important revolutions occur in business world.

1) Computers
2) Mobiles

The invention of these things has decreased the importance of strategic management. But at the end of 1980, the business involves in computers and mobiles business realized that they still need to adopt the policies for strategic management.

1. In early time the management takes institution decisions. But now the management has to take decision by a specific process.
2. Organizational layers become more complex now a days and management divided into layers.
3. Environment change also evaluates the strategic management.

The scope of strategic management

J. Constable has defined the area addressed by strategic management as "*the management processes and decisions which determine the long-term structure and activities of the organization*". This definition incorporates five key themes:

* **Management process**. Management process as relate to how strategies are created and changed.
* **Management decisions**. The decisions must relate clearly to a solution of perceived problems (how to avoid a threat; how to capitalize on an opportunity).
* **Time scales**. The strategic time horizon is long. However, it for company in real trouble can be very short.

*** Structure of the organization**. An organization is managed by people within a structure. The decisions which result from the way that managers work together within the structure can result in strategic change.
*** Activities of the organization**. This is a potentially limitless area of study and we normally shall centre upon all activities which affect the organization.

KEY TERMS IN STRATEGIC MANAGEMENT

Objectives

This Lecture provides an overview of strategic management. It introduces a practical, integrative model of the strategic-management process and defines basic activities and terms in strategic management and discusses the importance of business ethics. After reading this lecture you will be able to know that:
Key Terms in Strategic
Management What is meant by
adopting to change?

Adapting to change

Organizational survival depends on:

- Continuous monitoring of internal and external factors
- Well-timed changes
- Effective adaptation calls for a long-run focus
- Incremental rise in degree of change
- Technology
- E-commerce
- Merger-mania
- Demographics

The strategic management process is based on the belief that organization should continuously monitor internal and external events and trends so that timely change can be made as needed. The rate and magnitude of changes that affect the organization are increasing dramatically. Consider for example, E-commerce, laser surgery, the war on terrorism, economic recession and the aging population etc.
To survive all organizations must be capable of astutely identifying and adapting to change. The need to adapt to change leads organizations to key strategic management questions, such as "What kind of business should we become?" "Are we in right field?" "Should we reshape our business?" "Are new technologies being developed that could put us out of business?"

Key Terms in Strategic Management

Before we further discuss strategic management, we should define eight key terms: strategists, mission statements, external opportunities and threats, internal strengths and weaknesses, long-term objectives, strategies, annual objectives, and policies.

Strategists

Strategists are individuals who are most responsible for the success or failure of an organization. *Strategists* are individuals who form strategies. Strategists have various job titles, such as chief executive officer, president, and owner, chair of the board, executive director, chancellor, dean, or entrepreneur.

Strategists help an organization gather, analyze, and organize information. They track industry and competitive trends, develop forecasting models and scenario analyses, evaluate corporate and divisional performance, spot emerging market opportunities, identify business threats, and develop creative action plans. Strategic planners usually serve in a support or staff role. Usually found in higher levels of management, they typically have considerable authority for decision making in the firm. The CEO is the most visible and critical strategic manager. Any manager who has responsibility for a unit or division, responsibility for profit and loss outcomes, or direct authority over a major piece of the business is a strategic manager (strategist).

Strategists differ as much as organizations themselves and these differences must be considered in the formulation, implementation, and evaluation of strategies. Some strategists will not consider some types of strategies because of their personal philosophies. Strategists differ in their attitudes, values, ethics, willingness to take risks, concern for social responsibility, concern for profitability, concern for short-run versus long-run aims and management style.

Vision Statements

Many organizations today develop a "vision statement" which answers the question, what do we want to become? Developing a vision statement is often considered the first step in strategic planning, preceding

even development of a mission statement. Many vision statements are a single sentence. For example the vision statement of Stokes Eye Clinic in Florence, South Carolina, is "Our vision is to take care of your vision." The vision of the Institute of Management Accountants is "Global leadership in education, certification, and practice of management accounting and financial management."

Mission Statements

Mission statements are "enduring statements of purpose that distinguish one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms. It addresses the basic question that faces all strategists: What is our business? A clear mission statement describes the values and priorities of an organization. Developing a mission statement compels strategists to think about the nature and scope of present operations and to assess the potential attractiveness of future markets and activities. A mission statement broadly charts the future direction of an organization. An example mission statement is provided below for Microsoft.

Microsoft's mission is to create software for the personal computer that empowers and enriches people in the workplace, at school and at home. Microsoft's early vision of a computer on every desk and in every home is coupled today with a strong commitment to Internet-related technologies that expand the power and reach of the PC and its users. As the world's leading software provider, Microsoft strives to produce innovative products that meet our customers' evolving needs.

External Opportunities and Threats

External opportunities and *external threats* refer to economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive trends and events that could significantly benefit or harm an organization in the future. Opportunities and threats are largely beyond the control of a single organization, thus the term *external*. The computer revolution, biotechnology, population shifts, changing work values and attitudes, space exploration, recyclable packages, and increased competition from foreign companies are examples of opportunities or threats for companies. These types of changes are creating a different type of consumer and consequently a need for different types of products, services, and strategies.

Other opportunities and threats may include the passage of a law, the introduction of a new product by a competitor, a national catastrophe, or the declining value of the dollar. A competitor's strength could be a threat. Unrest in the Balkans, rising interest rates, or the war against drugs could represent an opportunity or a threat.

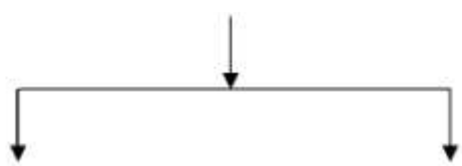
A basic tenet of strategic management is that firms need to formulate strategies to take advantage of external opportunities and to avoid or reduce the impact of external threats. For this reason, identifying, monitoring, and evaluating external opportunities and threats are essential for success.

<u>Environmental Scanning:</u>

The process of conducting research and gathering and assimilating external information is sometimes called environmental scanning or industry analysis. Lobbying is one activity that someorganizations utilize to influence external opportunities and threats.

Environment scanning has the management scan eternal environment for opportunities and threats and internal environment for strengths and weaknesses. The factor which are most important for corporation factor are referred as a strategic factor and summarized as SWOT standing for strength, weaknesses, opportunities and threats.

Environmental Scanning



Internal Analysis External Analysis

The external environment consist of opportunities and threats variables that outside the organization. External environment has two parts:

- ¾ Task Environment
- ¾ Social Environment

<u>Task Environment:</u>

Task environment includes all those factors which affect the organization and itself affected by the organization. These factor effects the specific related organizations. These factors are shareholders community, labor unions, creditor, customers, competitors, trade associations.

Social Environment:

Social environment is an environment which includes those forces effect does not the short run activities of the organization but it influenced the long run activities or decisions. PEST analysis are taken for social environment PEST analysis stands for political and legal economic socio cultural logical and technological.

Internal Strengths and Weaknesses/Internal assessments

Internal strengths and *internal weaknesses* are an organization's controllable activities that are performedespecially well or poorly. They arise in the management, marketing, finance/accounting, production/operations, research and development, and computer information systems activities of a business. Identifying and evaluating organizational strengths and weaknesses in the functional areas of a business is an essential strategic-management activity. Organizations strive to pursue strategies that capitalize on internal strengths and improve on internal weaknesses.

Strengths and weaknesses are determined relative to competitors. *Relative* deficiency or superiority is important information. Also, strengths and weaknesses can be determined by elements of being rather than performance. For example, strength may involve ownership of natural resources or an historic reputation for quality. Strengths and weaknesses may be determined relative to a firm's own objectives. For example, high levels of inventory turnover may not be strength to a firm that seeks never to stock-out.

Internal factors can be determined in a number of ways that include computing ratios, measuring performance, and comparing to past periods and industry averages. Various types of surveys also can be developed and administered to examine internal factors such as employee morale, production efficiency, advertising effectiveness, and customer loyalty.

LEVELS OF STRATEGIC MANAGEMENT

Levels of Strategy

Strategy may operate at different levels of an organization -corporate level, business level, and functional level. The strategy changes based on the levels of strategy.

Corporate Level Strategy

Corporate level strategy occupies the highest level of strategic decision-making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs for optimal performance. Top management of the organization makes such decisions. The nature of strategic decisions tends to be value-oriented, conceptual and less concrete than decisions at the business or functional level.

Business-Level Strategy

Business-level strategy is – applicable in those organizations, which have different businesses- and each business is treated as strategic business unit (SBU). The fundamental concept in SBU is to identify the discrete independent product/market segments served by an organization. Since each product/market segment has a distinct environment, a SBU is created for each such segment. For example, Reliance Industries Limited operates in textile fabrics, yarns, fibers, and a variety of petrochemical products. For each product group, the nature of market in terms of customers, competition, and marketing channel differs.

There-fore, it requires different strategies for its different product groups. Thus, where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) given the environment it faces. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of re-sources among functional areas and coordination between them for making optimal contribution to the achievement of corporate-level objectives. Such strategies operate within the overall strategies of the organization. The corporate strategy sets the long-term objectives of the firm and the broad constraints and policies within which a SBU operates. The corporate level will help the SBU define its scope of operations and also limit or enhance the SBUs operations by the resources the corporate level assigns to it. There is a difference between corporate-level and business-level strategies.

For example, Andrews says that in an organization of any size or diversity, corporate strategy usually applies to the whole enterprise, while business strategy, less comprehensive, defines the choice of product or service and market of individual business within the firm. In other words, business strategy relates to the 'how' and corporate strategy to the 'what'. Corporate strategy defines the business in which a company will compete preferably in a way that focuses resources to convert distinctive competence into competitive advantage.'

Corporate strategy is not the sum total of business strategies of the corporation but it deals with different subject matter. While the corporation is concerned with and has impact on business strategy, the former is concerned with the shape and balancing of growth and renewal rather than in market execution.

Functional-Level Strategy

Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations. Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordi-nation between them for optimal contribution to the achievement of the SBU and corporate-level objectives. Below the functional-level strategy, there may be operations level strategies as each function may be dividend into several sub functions. For example, marketing strategy, a functional strategy, can be subdivided into promotion, sales, distribution, pricing strategies with each sub function strategy contributing to functional strategy.

Levels of Strategic Management

After you've decided that strategic management is the right tool for your organization, clarifying what you intend to achieve with the outcome of the planning process is critical to a successful process. Strategic planning means different things to different people, so agreement is critical to reaching the desired end state. Here are four different levels of strategic management, each building on the previous one:

- **Level 1 — Articulated Plan:** The plan has established the mission, vision, goals, actions, and key performance indicators (KPIs) for the next 24 to 36 months.
- **Level 2 — Strategic Differentiation:** The plan has a strategic focus on delivering a unique value proposition developed from a clear understanding of market position and customer needs.
- **Level 3 — Organizational Engagement:** Everyone knows the strategic direction, understands his role, and commits to accountability. An execution/governance process is in place.
- **Level 4 — Organizational Transformation:** High-performing team, driven by shared values, consistently drives decision making based on the agreed-upon strategy with data, structure (organizational and process), and systems in place to support the activity.

As you're getting ready to embark on your strategic management process, pass these levels around to your management group. Gain consensus and agreement on which level your organization is working toward.

Benefits of Strategic Management

There are many benefits of strategic management and they include identification, prioritization, and exploration of opportunities. For instance, newer products, newer markets, and newer forays into business lines are only possible if firms indulge in strategic planning. Next, strategic management allows firms to take an objective view of the activities being done by it and do a cost benefit analysis as to whether the firm is profitable.

Just to differentiate, by this, we do not mean the financial benefits alone (which would be discussed below) but also the assessment of profitability that has to do with evaluating whether the business is strategically aligned to its goals and priorities.

The key point to be noted here is that strategic management allows a firm to orient itself to its market and consumers and ensure that it is actualizing the right strategy.

Discharges Responsibility

Many organizations undertake a strategic management process in order to discharge their responsibilities. There is an expectation from shareholders, stakeholders and the general community at large, that a well-managed organization has a strategic management process that guides its future success.

Allows an Objective Assessment

Strategic management provides a discipline that allows the senior management team to take a step back from the day-to-day business and think about the future of the organization. Without this discipline, the organization can become solely consumed with working through the next issue or problem without consideration to the larger picture, longer-term trends and associated operational and environmental alignment.

Provides a Framework for Decision-Making

It is not possible, (nor realistic or appropriate), for senior management to know all the operational decisions staff make on a day-to-day basis. The cumulative effect of these day-to-day decisions, (which can add up to thousands over the year), can have a significant impact on the success of the organization. Providing a framework within which staff can make these day-to-day decisions helps better focus their efforts on those activities that will best support the organization's success. Strategy provides the framework within which staff can make day-to-day operational decisions that are aligned with the achievement of the organization’s goals.

Enables Understanding & Buy-In

Allowing participation in the strategic management process enables better understanding of the direction, why that direction was chosen, and the associated benefits. For some people simply knowing is enough; for many people, to gain their full support requires them to understand. Establishing the right process for the formulation and communication of strategy not only allows thinking that challenges the status-quo but also builds support for the developed solution. Good strategy formulation and communication process are key steps in enabling effective and efficient strategy deployment.

Facilitates Measurement of Progress

Senior management is bombarded with information. Establishing performance measures that are aligned with the strategy and provide timely and meaningful information is critical to breaking through the excessive “information noise”. It helps ensure timely, informed strategic decisions to be made. Strategy sets the direction and enables an organization to align its objectives and performance measures. These objectives and performance measures allow meaningful information to be provided to decision-makers regarding the organization’s progress through such vehicles as scorecards and dashboards.

Affords an Organizational Perspective of Competing Components

Addressing operational issues rarely take into consideration the whole organization and the interrelatedness of the organization’s competing components. Although senior roles require a longer-term perspective, it is still difficult for a single business unit or department head to appreciate the implications of a specific trend or event upon all areas of the organization. The strategic management process provides an opportunity for the senior management team to work together, allowing an enterprise-wide understanding of the implications of specific trends and events. Strategic management takes an organizational perspective and looks at the interrelationship between various organizational components in order to establish an organizationally optimal strategy. Strategy fundamentally boils down to making choices over conflicting priorities through the allocation of scare resources. An organizational perspective affords the ability to make informed decisions on these trade-offs.

Enhances Strategic Agility (Innovation)

An organization is deemed to have "Strategic Agility" when it can successfully capitalize upon opportunities resulting from unanticipated and significant change. When formulated appropriately, strategy can improve the ability of the organization to respond effectively to significant change. Organizational strategy is both formulated and formed. Strategy formulation is most recognizable and depicted through senior management offsite retreats in which the direction and priorities for the future of the organization are established. The forming of strategy is the strategic decisions made day-to-day through the culmination of operational decisions of which the strategic implications are not generally evident until reviewed in retrospect. Many of these "strategy forming" decisions determine the opportunities the organization chooses to pursue and not pursue. A good strategic management system provides the organization with a good strategy formulation process while ensuring the flexibility to capitalize upon appropriate opportunities that emerge over time (formed strategy).

Why Some Firms Do No Strategic Planning?

Some firms do not engage in strategic planning and some firms do strategic planning but receive no support from managers and employees. Some reasons for poor or no strategic planning are as follows:

1. ***Poor Reward Structures***—when an organization assumes success, it often fails to reward success.Where failure occurs, then the firm may punish. In this situation, it is better for an individual to do nothing (and not draw attention) than risk trying to achieve something, fail, and be punished.
2. ***Fire-fighting***—an organization can be so deeply embroiled in crisis management and fire-fightingthat it does not have time to plan.
3. ***Waste of Time***—some firms see planning as a waste of time since no marketable product isproduced. Time spent on planning is an investment.
4. ***Too Expensive***—some organizations are culturally opposed to spending resources.
5. ***Laziness***—People may not want to put forth the effort needed to formulate a plan.
6. ***Content with Success***—particularly if a firm is successful, individuals may feel there is no need toplan because things are fine as they stand. But success today does not guarantee success tomorrow.
7. ***Fear of Failure***—by not taking action, there is little risk of failure unless a problem is urgent andpressing. Whenever something worthwhile is attempted, there is some risk of failure.
8. ***Overconfidence***—as individuals amass experience, they may rely less on formalized planning.Rarely, however, is this appropriate. Being overconfident or overestimating experience can bring demise. Forethought is rarely wasted and is often the mark of professionalism.
9. ***Prior Bad Experience***—People may have had a previous bad experience with planning,

whereplans have been long, cumbersome, impractical, or inflexible. Planning, like anything, can be done badly.

10. ***Self-Interest***—when someone has achieved status, privilege, or self-esteem through effectivelyusing an old system, they often see a new plan as a threat.
11. ***Fear of the Unknown***—People may be uncertain of their abilities to learn new skills, their aptitudewith new systems, or their ability to take on new roles.
12. ***Honest Difference of Opinion***—People may sincerely believe the plan is wrong. They may viewthe situation from a different viewpoint, or may have aspirations for themselves or the organization that are different from the plan. Different people in different jobs have different perceptions of a situation.
13. ***Suspicion***—Employees may not trust management.

Pitfalls to avoid in Strategic Planning

Strategic planning is an involved, intricate, and complex process that takes an organization into non chartered territory. It does not provide a ready-to-use prescription for success; instead, it takes the organization through a journey and offers a framework for addressing questions and solving problems. Being aware of potential pitfalls and prepared to address them is essential to success.

Some pitfalls to watch for and avoid in strategic planning are provided below:

1. Using strategic planning to gain control over decisions and resources
2. Doing strategic planning only to satisfy accreditation or regulatory requirements
3. Too hastily moving from mission development to strategy formulation
4. Failing to communicate the plan to employees, who continue working in the dark
5. Top managers making many intuitive decisions that conflict with the formal plan
6. Top managers not actively supporting the strategic-planning process
7. Failing to use plans as a standard for measuring performance
8. Delegating planning to a "planner" rather than involving all managers
9. Failing to involve key employees in all phases of planning
10. Failing to create a collaborative climate supportive of change
11. Viewing planning to be unnecessary or unimportant
12. Becoming so engrossed in current problems that insufficient or no planning is done
13. Being so formal in planning that flexibility and creativity are stifled

Business Ethics and Strategic Management

Definition:

Business ethics can be defined as principles of conduct within organizations that guide decision making andbehavior.

Good business ethics is a prerequisite for good strategic management; good ethics is just good business.

Implementation:

A rising tide of consciousness about the importance of business ethics is sweeping America and the world. Strategists are the individuals primarily responsible for ensuring that high ethical principles are espoused and practiced in an organization. All strategy formulation, implementation, and evaluation decisions have ethical ramifications.

A new wave of ethics issues related to product safety, employee health, sexual harassment, AIDS in the workplace, smoking, acid rain, affirmative action, waste disposal, foreign business practices, cover-ups, takeover tactics, conflicts of interest, employee privacy, inappropriate gifts, security of company records, and layoffs has accented the need for strategists to develop a clear code of business ethics. **A *code of business ethics*** can provide a basis on which policies can be devised to guide daily behavior and decisions at the work site.

The explosion of the Internet into the workplace has raised many new ethical questions in organizations today. For example, United Parcel Service (UPS) recently caught an employee actually running a personal business from his computer.

Merely having a code of ethics, however, is not sufficient to ensure ethical business behavior. A code of ethics can be viewed as a public relations gimmick, a set of platitudes, or window dressing. To ensure that the code is read, understood, believed, and remembered, organizations need to conduct periodic ethics workshops to sensitize people to workplace circumstances in which ethics issues may arise. If employees see examples of punishment for violating the code and rewards for upholding the code, this helps reinforce the importance of a firm's code of ethics.

Internet privacy is an emerging ethical issue of immense proportions.

- 38% of companies store and review employees’ email messages
- Up from 15% in recent years
- 54% companies monitor employees’ internet connections
- Situation in Pakistan is not much different

Advertisers, marketers, companies, and people with various reasons to snoop on other people now can discover easily on the Internet others' buying preferences, hobbies, incomes, medical data, social security numbers, addresses, previous addresses, sexual preferences, credit card purchases, traffic tickets, divorce settlements, and much more.
Some business actions *always* considered to be unethical include misleading advertising or labeling, causing environmental harm, poor product or service safety, padding expense accounts, insider trading, dumping banned or flawed products. In foreign markets, lack of equal opportunities for women and minorities, overpricing, hostile takeovers, moving jobs overseas, and using nonunion labor in a union shop.

Nature of global competition:
Foreign competitors are battering U.S. firms in many industries. In its simplest sense, the international challenge faced by U.S. business is twofold:
(1) How to gain and maintain exports to other nations and
(2) How to defend domestic markets against imported goods.

Few companies can afford to ignore the presence of international competition. Firms that seem insulated and comfortable today may be vulnerable tomorrow; for example, foreign banks do not

yet compete or operate in most of the United States.
More and more countries around the world are welcoming foreign investment and capital. As a result, labor markets have steadily become more international. East Asian countries have become market leaders in labor-intensive industries, Brazil offers abundant natural resources and rapidly developing markets, and Germany offers skilled labor and technology. The drive to improve the efficiency of global business operations is leading to greater functional specialization. This is not limited to a search for the familiar low-cost labor in Latin America or Asia. Other considerations include the cost of energy, availability of resources, inflation rates, existing tax rates, and the nature of trade regulations.

The ability to identify and evaluate strategic opportunities and threats in an international environment is a prerequisite competency for strategists. The nuances of competing in international markets are seemingly infinite. Language, culture, politics, attitudes, and economies differ significantly across countries. The availability, depth, and reliability of economic and marketing information in different countries vary extensively, as do industrial structures, business practices, and the number and nature of regional organizations.

Limitations of Strategic Management

The Future Rarely Unfolds As Anticipated

One of the major criticisms of strategic management is that it requires the organization to anticipate the future environment in order to develop plans, and as we all know, predicting the future is not an easy undertaking. The belief is that if the future does not unfold as anticipated, then it invalidates the strategy. Research has demonstrated that organizations that usestrategic management processes achieve better performance than organizations that don't - regardless of whether they actually achieve their intended objectives. It appears that the very act of discussing the future of the organization and thinking about the possible alternatives during the strategy formulation process actually improves the decision-making ability of the senior management team; especially during times of uncertainty.

Return on Investment

The issue of return on investment has been largely associated with the inability to realize the value from the strategy formulation process. It is difficult to justify the value received from the strategy formulation process when very little is deployed and the only tangible evidence in the aftermath of the work is an attractive document that sits on the senior manager’s bookshelf. However, if your strategy formulation process is tied to a strategy deployment process that results in a significant improvement in organizational performance, the investment in strategy now represents a tremendous return on your investment. The key is to start with the end in mind, that the formulation of strategy is the beginning, not the end of the process.

Long Term Benefit vs. Immediate Results

Strategic management processes are designed to provide an organization with long-term benefits. If you are looking at the strategic management process to address an immediate crisis within your organization, it usually won't. It generally makes sense to address the immediate crises prior to allocating resources (time, money, people, opportunity cost) to the strategic management process.

May Impede Agility

Strategic management processes can actually impede organizational agility in two key ways. When you undertake a strategic management process, it will most likely result in the organization saying "no" to some of the opportunities that are discussed. If the only time and manner in which new opportunities can be assessed is during the periodic strategy formulation process, then the process itself may be inhibiting the organization to "form strategy" and thereby may result in missed opportunities and potentially stifle innovation. In this scenario, thestrategic management process has become the very tool that now inhibits the organization's ability to innovate and capture opportunities.

The second way that agility can be impeded is through a well-executed alignment and integration of the strategy. Alignment ensures that the whole organization is pulling in the same direction and is often cited as the pinnacle of success of a well-executed strategy; however, without appropriate processes and criteria to assess and incorporate opportunities throughout the planning period it can inhibit the organization's agility. Again, there are a variety of methods in strategic management that allow an organization to formulate and deploy strategy while simultaneously allowing the integration and building of strategic agility.

Closing Thoughts

In recent years, virtually all firms have realized the importance of strategic management. However, the key difference between those who succeed and those who fail is that the way in which strategic management is done and strategic planning is carried out makes the difference between success and failure. Of course, there are still firms that do not engage in strategic planning or where the planners do not receive the support from management. These firms ought to realize the benefits of strategic management and ensure their longer-term viability and success in the marketplace.

CHAPTER TWO

STRATEGIC MANAGEMENT PROCESS

Components of a Strategy Statement

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:

1. **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 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.

2. **Mission Statement**

   Mission statement is the statement of the role by which an organization intends to serve its 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

a. Mission must be **feasible** and attainable. It should be possible to achieve it.
b. Mission should be **clear** enough so that any action can be taken.
c. It should be **inspiring** for the management, staff and society at large.
d. It should be **precise** enough, i.e., it should be neither too broad nor too narrow.
e. It should be **unique** and distinctive to leave an impact in everyone's mind.
f. It should be **analytical**, i.e., it should analyze the key components of the strategy.
g. It should be **credible**, i.e., all stakeholders should be able to believe it.

3. 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 its 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-

a. It must be **unambiguous**.
b. It must be **clear**.
c. It must **harmonize** with organization's culture and values.
d. The dreams and aspirations must be **rational/realistic**.
e. 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.

4. **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-

a. These are **precise and measurable**.
b. These look after **critical and significant** issues.
c. These are **realistic** and challenging.
d. These must be achieved within a **specific time** frame.
e. 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-

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

Importance of Vision and Mission Statements

One of the first things that any observer of management thought and practice asks is whether a particular organization has a vision and mission statement. In addition, one of the first things that one learns in a business school is the importance of vision and mission statements.

This article is intended to elucidate on the reasons why vision and mission statements are important and the benefits that such statements provide to the organizations. It has been found in studies that organizations that have lucid, coherent, and meaningful vision and mission statements return more than double the numbers in shareholder benefits when compared to the organizations that do not have vision and mission statements. Indeed, the importance of vision and mission statements is such that it is the first thing that is discussed in management textbooks on strategy.

Some of the benefits of having a vision and mission statement are discussed below:

- Above everything else, vision and mission statements provide unanimity of purpose to organizations and imbue the employees with a sense of belonging and identity. Indeed, vision and mission statements are embodiments of organizational identity and carry the organizations creed and motto. For this purpose, they are also called as statements of creed.

- Vision and mission statements spell out the context in which the organization operates and provides the employees with a tone that is to be followed in the organizational climate. Since they define the reason for existence of the organization, they are indicators of the direction in which the organization must move to actualize the goals in the vision and mission statements.
- The vision and mission statements serve as focal points for individuals to identify themselves with the organizational processes and to give them a sense of direction while at the same time deterring those who do not wish to follow them from participating in the organization's activities.
- The vision and mission statements help to translate the objectives of the organization into work structures and to assign tasks to the elements in the organization that are responsible for actualizing them in practice.
- To specify the core structure on which the organizational edifice stands and to help in the translation of objectives into actionable cost, performance, and time related measures.
- Finally, vision and mission statements provide a philosophy of existence to the employees, which is very crucial because as humans, we need meaning from the work to do and the vision and mission statements provide the necessary meaning for working in a particular organization.

As can be seen from the above, articulate, coherent, and meaningful vision and mission statements go a long way in setting the base performance and actionable parameters and embody the spirit of the organization. In other words, vision and mission statements are as important as the various identities that individuals have in their everyday lives.

It is for this reason that organizations spend a lot of time in defining their vision and mission statements and ensure that they come up with the statements that provide meaning instead of being mere sentences that are devoid of any meaning.

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. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups.

Following are the main **steps in implementing a strategy:**

- ✓ Developing an organization having potential of carrying out strategy successfully.
- ✓ Disbursement of abundant resources to strategy-essential activities.
- ✓ Creating strategy-encouraging policies.
- ✓ Employing best policies and programs for constant improvement.
- ✓ Linking reward structure to accomplishment of results.
- ✓ Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal as well as informal) are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behaviour.

STEPS IN STRATEGIC MANAGEMENT

Strategic planning is part of the strategic management process. **Strategic management** entails both strategic planning and implementation, and is "the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment." Strategic planning comprises the first 5 of 7 strategic management tasks:

1. defining the business and developing a mission,
2. evaluating the firm's internal and external strengths, weaknesses, opportunities, and threats, (3) formulating a new business statement,
3. translating the mission into strategic goals, and
4. Formulating strategies or courses of action. In its simplest sense, however, strategic planning is remarkably simple: Decide what business you're in now and which ones you want to be in, formulate a strategy for getting there, and execute your plan. The entire 7-step strategic management process follows:

Step 1: Define the Current Business Every company must choose the terrain on which it will compete—in particular, what products it will sell, where it will sell them, and how its products or services will differ from its competitors'. Rolex and Seiko are both in the watch business, but Rolex sells a limited product line of high-priced quality watches. Seiko sells a wide variety of relatively inexpensive but innovative specialty watches with features like compasses and altimeters.

Therefore, the most basic strategic decisions managers make involve deciding "what business" their firms should be in: For instance, in terms of the products or services they'll sell, the geographic locales in which they'll sell them, and how they'll distinguish their products or services from competitors'. They ask, "Where are we now in terms of the business we're in, and what business do we want to be in, given our company's opportunities and threats, and its strengths and weaknesses?" Managers then choose strategies—courses of action such as buying competitors or expanding overseas—to get the company from where it is today to where it wants to be tomorrow.

Managers sometimes use a *vision statement* as a sort of shorthand to summarize how they see the business down the road. The company's **vision** is a general statement of its intended direction that shows, in broad terms, "what we want to become."[2] Rupert Murdoch, chairman of News Corporation (which owns MySpace.com, the Fox network, and many newspapers and satellite TV operations), has a vision of an integrated, global satellite-based news-gathering, entertainment, and multimedia firm. WebMD launched its business based on a vision of a Web site supplying everything one might want to know about medical-related issues. One eye care company says, "our vision is caring for your vision."[3] Not surprisingly, it helps to be something of a visionary to formulate a vision statement that sums up in just a few words the manager's image of where the business is heading. Two management gurus, Warren Bennis and Bert Manus say,

To choose a direction, a leader must first have developed a mental image of a possible and desirable future state for the organization. This image, which we call a vision, may be as vague as a dream or as precise as a goal or mission statement. The critical point is that a vision articulates a view of a realistic, credible, attractive future for the organization, a condition that is better in some important ways than what now exists.[4]

Visions are usually longer term, broader images; most managers also formulate mission statements to ". . . communicate 'who we are, what we do, and where we're headed.'"[5] Whereas visions usually lay out in very broad terms what the business should be, the **mission** lays out in broad terms what our main tasks are now. In the movie several years ago, "Saving Private Ryan," the team's mission was, of course, to save private Ryan. Before their more recent turndown, Ford pursued and then strayed from a remarkably successful mission, summed up by the phrase, "Where Quality is Job One." The mission of the California Energy Commission is to "assess, and act through public/private partnerships to improve energy systems that promote a strong economy and a healthy environment." (The Commission's *vision*, by way of comparison, is "for Californians to have energy choices that are afford-able, reliable, diverse, safe, and environmentally acceptable.")

Step 2: Perform External and Internal Audits Ideally, managers begin their strategic planning by methodically analyzing their external and internal situations. The strategic plan should provide a direction for the firm that makes sense, in terms of the external opportunities and threats the firm faces and the internal strengths and weaknesses it possesses. To facilitate this strategic external/internal audit, many managers use **SWOT analysis**. This involves using a SWOT chart like that in Figure 3-2 to compile and organize the process of identifying company Strengths, Weaknesses, Opportunities, and Threats.

Step 3: Formulate New Business and Mission Statements Based on the situation analysis, what should our new business be, in terms of what products it will sell, where it will sell them, and how its products or services will differ from its competitors'? What is our new mission and vision?

Step 4: Translate the Mission into Strategic Goals Saying the mission is "to make quality job one" is one thing; operationalizing that mission for your managers is another. The firm's managers need strategic goals. What exactly does that mission mean, for each department, in terms of how we'll boost quality? As an example, WebMD's sales director needs goals regarding the number of new

medical-related content providers—vitamin firms, hospitals, HMOs—it must sign up per year, as well as sales revenue targets. The business development manager needs goals regarding the number of new businesses—such as using WebMD to help manage doctors' offices online—he or she is to develop and sign. Similarly, Citicorp can't function solely with a mission like, "provide integrated, comprehensive financial services worldwide." To guide managerial action, it needs goals in terms of things like building shareholder value, maintaining superior rates of return, building a strong balance sheet, and balancing the business by customer, product, and geography.[6]

Step 5: Formulate Strategies to Achieve the Strategic Goals Again, a strategy is a course of action. It shows how the enterprise will move from the business it is in now to the business it wants to be in (as laid out by its vision, mission, and strategic goals), given the firm's opportunities, threats, strengths, and weak-nesses. The strategies bridge where the company is now, with where it wants to be tomorrow. The best strategies are concise enough for the manager to express in an easily communicated phrase that resonates with employees. Figure 3-3 illustrates "this principle." For example, the essence of Dell's strategy is, "be direct." Wal-Mart's strategy boils down to "low prices, every day."

Keeping the strategy clear and concise helps ensure that employees all share that strategy and so make decisions that are consistent with it. For example, the executive team's shared understanding of Nokia's strategy reportedly helps ex-plain how the firm can make thousands of decisions each week so coherently.[7]

Step 6: Implement the Strategies Strategy implementation means translating the strategies into actions and results—by actually hiring (or firing) people, building (or closing) plants, and adding (or eliminating) products and product lines. Strategy implementation involves drawing on and applying all the management functions: planning, organizing, staffing, leading, and controlling.

Step 7: Evaluate Performance Strategies don't always succeed. For example, Procter & Gamble announced it was selling its remaining food businesses—Jif, Crisco, and Folger's coffee—because management wants to concentrate on household and cosmetics products.

STRATEGIC MANAGEMENT MODEL

Strategic management model refers to the pattern or mode of strategic management. According to the strategic management model, a number of steps are taken to achieve the objectives of a company. Different strategic management models are chosen by various companies according to their conveniences.

About Strategic Management Model
Strategic management model is also known as strategic planning model. A strategic planning model is selected for the purpose of formulating and implementing the strategic management plan of a particular organization.

Nevertheless, it has been proved that no strategic planning model is perfect. Every company designs its own strategic planning model frequently by choosing a model and transforming it as the company advances into formulating its strategic management plan procedures.

A number of strategic planning model options are available for the companies from which they can choose.

The steps involved in this strategic planning model were the following:

i. Mission
ii. Objectives
iii. Situation Analysis
iv. Formulation of Strategies
v. Application
vi. Control

The situation analysis is basically a blend of PEST Analysis (Political, Economic, Social and Technological Analysis) and SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats Analysis). Internal analysis is an important component of situation analysis, which studies the condition within the company taking into account the following factors:

- Image of the company
- Culture of the company
- Key personnel
- Structure of the company
- Location on the experience curve
- Availability of natural resources
- Operational capability
- Operational effectiveness
- Market share
- Brand consciousness
- Exclusive agreements
- Financial resources
- Trade secrets and patents

A strategic planning model is applied in functional domains like the following:

- Research and development
- Marketing
- Production
- Procurement
- Information systems
- Human resources

Forms of Strategic Management Models

The different types of strategic management models can be categorized into the following types:

1) Basic strategic planning model
2) Alignment strategic planning model
3) Goal-based or issue-based strategic planning model
4) Self-organizing or organic strategic planning model
5) Scenario strategic planning model

The major models differ primarily in the degree of explicitness, detail, and complexity. These differences derive from the differences in backgrounds and experiences of the authors. Some of these models are briefly presented below.

Andrews' Models

In 1965, Kenneth Andrews developed a simple model. This model includes the choice of a strategy, but ignores implementation and control. In 1971, Andrews formulated a more complete model that included implementation, but it still ignores a strategic control and evaluation.

Glueck's Model

William F. Glueck developed several models of strategic management based on the general decision-making process.

The phases of this model are as follows:

* Strategic managements elements: "...to determine mission, goals, and values of the firm and the key decision makers."

* Analysis and diagnosis: " ...to search the environment and diagnose the impact of the threats and opportunities."

* Choice: ...to consider various alternatives and assure that the appropriate strategy is chosen."

* Implementation: "...to match plans, policies, resources, structure, and administrative style with the strategy."

* Evaluation: "...to ensure strategy and implementation will meet objectives."

As major contribution to the strategic management process, Glueck considered two elements: "enterprise objectives" (the mission and objectives of the enterprise," and "enterprise strategists" (who are involved in the process).

Moreover, Glueck broke down the planning process into analysis and diagnosis, choice, implementation, and evaluation functions. This model also treats leadership, policy, and organizational factors.

However, Glueck omitted the important medium- and short-range planning activities of strategy implementation.

The Schendel And Hofer Model

Dan Schendel and Charles Hofer developed a strategic management model, incorporating both planning and control functions.

Their model consists of several basic steps:

a. goal formulation,
b. environmental analysis,
c. strategy formulation,
d. strategy evaluation,
e. strategy implementation, and
f. Strategic control.

According to Schendel and Hofer, the formulation portion of strategic management consists of at least three sub processes:

- environmental analysis,
- resources analysis,
- and value analysis.

Resource and value analyses are not specifically shown, but are considered to be included under other items (strategy formulation).

The Thompson And Strickland Model

Thompson and Strickland developed several models of strategic management.

According to Thompson and Strickland strategic management is an ongoing process: "nothing is final and all prior actions and decisions are subject to future modification."

This process consists of five major five ever-present tasks:

1. Developing a concept of the business and forming a vision of where the organization needs to be headed.

2. Converting the mission into specific performance objectives.

3. Crafting a strategy to achieve the targeted performance.

4. Implementing and executing the chosen strategy efficiently and effectively.

5. Evaluating performance, reviewing the situation, and initiating corrective adjustments in mission, objectives, strategy, or implementation in light of actual experience, changing conditions, new ideas, and new opportunities.

Thompson and Strickland suggest that the firm's mission and objectives combine to define "What is our business and what will it be?" and "what to do now" to achieve organization's goals. How the objectives will be achieved refers to the strategy of firm.

In general, this model highlights the relationships between the organization's mission, its long- and short-range objectives, and its strategy.

Korey's Model

Modern theorist and writer, Jerzy Korey-Krzeczowski, founder and President Canadian School of Management, have proposed an integrated model of strategic management.

Korey's model consists of three discrete major phases:

- preliminary analysis phase,
- strategic planning phase,
- Strategic management phase.

Further, Korey states that the systematic planning consists of at least four continuous subprocesses:

i. planning studies,
ii. review and control,
iii. feasibility studies, and
iv. feasibility studies.

The planning is ongoing process, thus all these subprocesses are integrated and they are interacted each other; creating the fully dynamic model.

Korey's model incorporates both planning and control functions. Moreover, it describes not only long-range strategic planning process, but also includes elements of medium and short range planning.

Korey's model is based on existing models; but it differs in content, emphasis, and process.

This model adds several facets to the planning process that the reader has not seen in other models. Some of these are: development of educational philosophy, analysis of the value systems, review of community orientation and social responsibilities, definition of planning parameters, planning studies, and feasibility studies.