

Strategic processes contributing to organisational performance



A critical consideration of the contribution of strategic management and strategic thinking processes to organisational performance. Strategic management and strategic thinking processes make a significant contribution to organisational performance.

A strategy, according to Robbins and Barnwell (2002, p. 139) is “ the adoption of courses of action and the allocation of resources necessary to achieve the organisation’s goals”. It is important for organisations to achieve their goals, as this can assist them to reach a competitive advantage, which is a highly attractive position for a firm to be in. This essay will look at strategic management processes and how they can be used to improve organisational performance; it will also describe how strategic management processes have the ability to lower organisational performance. Strategic thinking processes will then be assessed, with a comparison of strategic thinking and strategic planning, looking at the similarities and differences between the two.

The positive and negative effects that strategic thinking can have on organisational performance will also be described. Organisational Performance is the overall performance of an organisation in conjunction with its goals and objectives. An organisations performance can either be high or low, depending on its ability to meet these objectives. The success of an organisation’s performance can be impacted upon by a number of factors, including Strategic Management and Strategic thinking processes.

Thestrategic management processworks to achieve a strategic competitiveness over other organisations within the same industry. This is

done by successfully producing a value-creating strategy. (Hanson, Dowling, Hitt, Ireland & Hokisson et al, 2008) Value can mean different things to different people; it is measured by a product's performance and by the elements it is made up of which customers are prepared to pay for.

(Hanson et al, 2008) If a firm is able to successfully construct a value-creating strategy, then they will have a better chance of gaining a competitive advantage. According to Barney p. 02, " a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. " Porter argues that no firm can provide value in all the ways that people wish value to be delivered, so they should select one strategy; cost leadership, differentiation or focus.

(Robbins & Barnwell, 2002) This indicates the importance of strategic management for organisations in making appropriate decisions and selecting strategies which will assist them to gain strategic competitiveness and as a result earn above-average returns. A strategy which is adopted by an organisation indicates what area the firm intends to do well in. Firms who have a high competitive advantage will be able to create higher levels of successful organisational performance, hence signifying the positive contribution of strategic management to organisational performance. In some cases however, organisational performance could be affected negatively by strategic management. This is evident in small businesses and new ventures which vary quite significantly to large businesses. Cooper (1981, p.

1) found in examining new and small firms, that “ strategic management is examined separately in the start-up stage, the early-growth stage, and the later-growth stage. ” This has the potential to create clashing goals and communication issues, which could hinder the progression of the organisation and have a negative affect on its organisational performance. It is evident from the supporting information that strategic management makes a significant contribution to organisational performance, both positively and negatively. Strategic thinking is a second process which significantly contributes to a firm’s organisational performance.

It is difficult to define strategic thinking and there can sometimes be some confusion between the differences of strategic thinking and strategic planning. The nature of strategic thinking and strategic planning can be simplified through a comparison of strategic planning as single-loop learning and strategic thinking as double-loop learning. The relationship between the two shows them as separate factors, which are however, interrelated and complementary thought methods. Heracleous, 1998) It is important to understand both strategic thinking and strategic planning in drawing conclusions of the contributions of strategic thinking on organisational performance; this is due to the similarities between the two. They must not be mistaken for one another and the results of one should not be contributed to the results of the other.

Managers and organisations plan because it provides them with some direction and reduces uncertainty within the firm. It is also used to set standards for controlling, it is therefore very important within organisations.

Robbins, Bergman, Stagg & Coulter et al, 2006) According to Jones, Scholes <https://assignbuster.com/strategic-processes-contributing-to-organisational-performance/>

and Whittington (2008, p. 402) “ Strategic planning may take the form of systemised, step-by-step, chronological procedures to develop or coordinate an organisations strategy”.

Strategic Thinking can be described as a process which enables senior management to create a strategy, debate relevant issues, evaluate the internal and external environment, create strategic goals for the organisation and carry the strategy through effectively. Decision Processes International, 2008) It is evident from these descriptions of strategic thinking and strategic planning that there are underlying differences between the two; however they aim to provide the same end result of effectively performing the chosen strategy to improve organisational performance. Graetz (2002, p. 456) found that “ In an environment characterised by flux and uncertainty, a capacity for innovative, divergent strategic thinking rather than conservative, convergent strategic planning is seen as central to creating and sustaining competitive advantage. This suggests that strategic thinking, as a separate method to strategic planning is more likely to be applied in today’s hectic organisational climate.

Small Business Administration website suggests that (2008, para. 2) “ Strategic thinking is a process whereby you learn how to make your business vision a reality by developing your abilities in team work, problem solving, and critical thinking. It is also a tool to help you confront change, plan for and make transitions, and envision new possibilities and opportunities”. This indicates that planning may be a tool of strategic thinking and not a separate process after all. Whether strategic planning is a completely separate

method from strategic thinking, a similar and integrated method or a tool of strategic thinking, the results will all lead to the same conclusion.

This is that strategic thinking, incorporating some form of strategic planning, is a significant aspect within organisations and provides a considerable contribution to the overall organisational performance. Strategic thinking does not only occur within individuals in an organisation, but also within groups in that organisation. Firm's which openly encourage strategic thinking on all levels will have a higher possibility of achieving a high organisational performance. This is evident from the findings of Bonn (2005, p. 355) who stated that " Recognising that strategic thinking should be addressed at the individual, the group and the organisational levels will enable organisations to draw on a wider range of possible strategies for improving strategic thinking in their organisation than if they regard strategic thinking solely as a matter of individual thinking styles. Organisations that succeed in addressing strategic thinking at all three levels should be able to improve their decision-making processes, resulting in higher quality strategies and greater competitive advantage" If a firm can gain a greater competitive advantage, this will have a positive effect on their organisational performance; this indicates that strategic thinking also has a positive contribution to organisational performance as strategic management does.

Bonn (2001, p. 3) found that " Lack of strategic thinking by senior managers has been identified as a major shortcoming in organisations" in extreme circumstances, lack of strategic thinking may be the contribution cause for organisational failure; this in itself shows the sheer importance of the contribution that strategic thinking makes to the success of organisational
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performance. Strategic thinking allows for the flow of ideas and methods to meet organisational goals, this can be highly beneficial for organisations, however strategic thinking is not going to be beneficial if ideas are not followed through. Many organisations encounter a large obstacle between thinking about what they want or need and actually putting it into action.

(Stowell & Mead, 2008) The obstacle between the actual strategic thinking process and the action can be the greatest downfall of strategic thinking. In situations where no action occurs, the strategic thinking process may have been a complete waste of time and resources, therefore negatively contributing to an organisations performance. It is evident from the information provided that strategic management and strategic thinking processes contribute significantly to organisational performance. Both processes are able to have either a positive or negative effect on the overall performance of an organisation.

Competitive advantage is able to be reached through the use of both Strategic management and strategic thinking processes. Competitive advantage indicates that a firm is performing quite successfully in their organisational performances. It is also important to note, however, that both strategic management and strategic thinking processes have their disadvantages. These processes, depending on how they are performed, have the opportunity to create high or low organisational performance. This emphasises the significant contribution of strategic management and strategic thinking processes on organisational performance. References Barney, J.

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