Phases and benefits of strategic management essay sample

Many of the concepts and techniques that deal with strategic management have been developed and used successfully by business corporations such as General Electric and the Boston Consulting Group. Over time, business practitioners and academic researchers have expanded and refined these concepts. Initially, strategic management was of most use to large corporations operating in multiple industries.

Increasing risks of error, costly mistakes, and even economic ruin are causing today's professional managers in all organizations to take strategic management seriously in order to keep their companies competitive in an increasingly volatile environment. As managers attempt to better deal with their changing world, a firm generally evolves through the following four phases of strategic management: Phase 1—Basic financial planning: Managers initiate serious planning when they are re- quested to propose the following year's budget.

Projects are proposed on the basis of very little analysis, with most information coming from within the firm. The sales force usually provides the small amount of environmental information. Such simplistic operational planning only pretends to be strategic management, yet it is quite time consuming. Nor- mal company activities are often suspended for weeks while managers try to cram ideas into the proposed budget. The time horizon is usually one year.

Phase 2—Forecast-based planning: As annual budgets become less useful at stimulating long- term planning, managers attempt to propose five-year plans. At this point they consider projects that may take more than one year.

In addition to internal information, managers gather any available environmental data—usually on an ad hoc basis—and extrapolate current trends five years into the future. This phase is also time consuming, often involving a full month of managerial activity to make sure all the proposed budgets fit together.

The process gets very political as managers compete for larger shares of funds. Endless meetings take place to evaluate proposals and justify assumptions. The time horizon is usually three to five years. Phase 3—Externally oriented (strategic) planning: Frustrated with highly political yet ineffectual five-year plans, top management takes control of the planning process by initiating strategic planning. The company seeks to increase its responsiveness to changing markets and competition by thinking strategically.

Planning is taken out of the hands of lower-level managers and concentrated in a planning staff whose task is to develop strategic plans for the corporation. Consultants often provide the sophisticated and innovative techniques that the planning staff uses to gather information and forecast future trends. Ex-military experts develop competitive intelligence units. Upper-level managers meet once a year at a resort “ retreat” led by key members of the planning staff to evaluate and update the current strategic plan.

Such top-down planning emphasizes formal strategy formulation and leaves the implementation issues to lower management levels. Top management typically develops five-year plans with help from consultants but minimal input from lower levels. Phase 4—Strategic management: Realizing that even the best strategic plans are worthless without the input and commitment of lower-level managers, top management forms planning groups of managers and key employees at many levels, from various departments and workgroups.

They develop and integrate a series of strategic plans aimed at achieving the company's primary objectives. Strategic plans at this point detail the implementation, evaluation, and control issues. Rather than attempting to perfectly forecast the future, the plans emphasize probable scenarios and contingency strategies. The sophisticated annual five-year strategic plan is replaced with strategic thinking at all levels of the organization throughout the year.

Strategic information, previously available only centrally to top management, is available via local area networks and intranets to people throughout the organization. Instead of a large centralized planning staff, internal and external planning consultants are available to help guide group strategy discussions. Although top management may still initiate the strategic planning process, the resulting strategies may come from anywhere in the organization. Planning is typically interactive across levels and is no longer top down. People at all levels are now involved.