Importance of top management in strategic management

Business

Introduction In Strategic management: An integrated approach (9th Ed.) Hills and Jones make the following statement “ Many writers have emphasized that strategy is the outcome of a formal strategic planning process and that top management plays the most important role in the process. Although this view has some basis in reality, it is not the whole story’ (p. 1) In this essay the author will be showing that top management does indeed play an important and vital role in the strategic planning process but that many other factors such as middle management and unplanned or emergent strategies also play a large nd very important role in the process.

In making the argument the author will be using the terms senior or top management and middle management extensively. Top management refers to the corporate level managers such as the CEO, divisional managers and general managers. These are the managers who are traditionally associated with strategic management and strategy formulation.

Middle management for the purposes of this essay refers to the functional level managers, those managers who are classically associated with implementing the plans created by top management. Strategic planning is the process where strategies are selected to build a company’s strengths and address the weaknesses and so take advantage of external opportunities and defend again threats in the external environment.

These plans should be consistent with goals and stated mission of the company as well as being a viable business model (Hill & Jones, 2010).

Discussion Mintzberg (1978) defines a strategy as “ a pattern in a stream of decisions”.

This means that any series of decisions that shows a consistent pattern can be termed a strategy. Under this definition a strategy does not need to be intended, a strategy can merge gradually as decisions are made one by one , this is known as an emergent strategy. The result of this is that while top management may plan a corporate strategy, the middle management, who implements this strategy, can have a significant effect on the whole process. The classic example of an emergent strategy is with Honda in America.

In 1959 Honda entered the American market intending to sell 250cc and 350cc bikes to confirmed motorcycle enthusiasts.

Unfortunately these bikes were not selling well and the project seemed set to fail. During this period the attention of Sears Roebuck & Co. ho wanted to sell the bikes in their stores to Americans who were not necessarily motorbike enthusiasts. This resulted in completely new market for Honda and new distribution model (general retail rather than specialty motorcycle stores) that, by 1964, resulted in nearly one in every two motorcycles in the US being a Honda (Hill and Jones, 2010).

If the middle management implementing the strategy is not committed to a formulated plan, they can engage in passive or active resistance.

Passive resistance includes giving low priority to the implementation actions, delaying the process and ausing the strategy to be unnecessarily delayed, even to the point where it is no longer effective. Active resistance involves such activities as forming coalitions against the strategy to deliberately taking ineffective actions during implementation (Guth & MacMillan, 1986). On the other hand, due to a lack of understanding of the intentions of the strategy, middle management may make a series of decisions that cause a new strategy to emerge.

To overcome this, middle management need to understand the corporate strategy and its primary objectives so that it can be effectively committed to.

The main way this can be achieved is by involving middle management in the strategy formulation phase, giving them the opportunity to improve their understanding of the plan and provide opportunities for communication and clarification (Wooldridge & Floyd, 1990). Strategic planning positively affects the performance of companies of all sizes (Miller & Cardinal, 1994).