

## UNDERSTANDING STRATEGIC MANAGEMENT

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# STRATEGIC MANAGEMENT

## Objectives

As a result of the seminar participants will be able to:

- Recognise the difference between strategic and operational management
- Describe the three key stages of strategic planning
- Understand how organisational culture impacts upon planning processes

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## BUSINESS PLANNING IN THE STRATEGIC CONTEXT



## WHAT IS STRATEGIC MANAGEMENT?

Strategic Management means taking the OVERVIEW; it involves examining the organisation objectively and agreeing where the organisation needs to be. The strategic manager does not get involved in the day to day running of the operation, but instead sets the climate and the focus.

There are three key elements to Strategic Management and each have a number of sub elements. These are described below:

### 1. Strategic analysis

This involves a thorough examination of the organisation, its culture, its structures and importantly its strengths and weaknesses in terms, of people, systems, products and services.. Equally important is to look outside the organisation; to consider what is happening in other areas and what impact this may have. In times of change this phase is crucial because without this knowledge; planning for the future becomes a difficult and wasteful task. Therefore the key sub elements are, **the environment, objectives/power and resources.**

### 2. Strategic choice

Having established the current state, the next phase of strategic management becomes the creative one. This where options for change are put forward and evaluated in terms of cost, risk and success factors. Visioning is part of this process: Where does the organisation want to be? What would it look and feel like? Every organisation has choices, some more acceptable than others, but each option should be considered.

Therefore the key sub elements are, **generation of options, evaluation of options and selection of options.**

### 3. Strategic implementation

This phase means determining the way forward. The choice has been made and therefore methods of implementation are required. Again an overview needs to be taken; what are the driving and resisting forces for and against the change? How will costs be monitored and controlled? What can of managerial interventions will be required and what is the time span?

Therefore the key sub elements are, **people/systems, structures and resource planning.**

## STRATEGIC MANAGEMENT VS OPERATIONAL MANAGEMENT

### Strategic

Long Term

Exposes Choices

Guided by political values

Developed in an organisational pause

Grounded in the environment

Looks outward to impact

Looks to the network of other organisations

Sees interrelationships with tasks

Has an awareness of uncertainty

### Operational

Short Term

Continuity

Expresses professional concerns

Has the necessity of continuing activity

Grounded in the organisation

Focuses on activity

Limited by organisational boundaries

Is centred on specific tasks

Is concerned with certainty of continuity

## STRATEGIC ANALYSIS ANALYSING THE ENVIRONMENT

For both the Public and Private sectors this is an increasingly important issue. In order to create a dynamic thriving organisation, an analysis of both customers and competitors is vital. For the public sector this has presented a major challenge, as up until relatively recently this sector tended to concentrate on its client group; however legislation has altered this balance.

When analysing the environment it is important to look outwards rather than inwards and therefore number of factors need to be considered, these include:

Economic Environment	Monetary control, lending rates, recession or boon!
Demographics	Population trends - boon in babies, an aging population, a transient community.
Socio-cultural	Changes in values, changes in lifestyles.
Labour markets	Industrial relations, union agreements.
Technology	Changes that have had an impact.
Competitors	New business, new products, new choices.
Government	Its current policies, legislative changes.
Supplies	The cost, the changes in products and services.

## **STRATEGIC ANALYSIS - SWOT**

Having examined all three sub elements it is often helpful to note these down on a working document.

SWOT analysis is a method of bringing together 4 key areas and then deciding on an action plan to maximise or minimise as the case may be.

**STRENGTHS**

**WEAKNESSES**

**OPPORTUNITIES**

**THREATS**

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## **MISSIONS AND VALUES**

Missions and values play an important role in the strategic management process.

Sometimes they are explicit and communicated to all in the organisation; however this is not always the case, where they are not clear, confusion may appear and although values exist these are not always shared by all affected.

### **The mission**

Quite simply, the mission can be defined as an expression of the 'raison d' etre' or the master strategy. The mission represents the organisations purpose. It normally consists of one or two sentences such as The Body Shop's.

"We will be the most honest cosmetic company around"

Anita Roddick 1986.

### **Values**

Values are more specific; values detail what the organisation considers to be important; these are often expressed in terms of behaviour or indeed what the customer can expect. Values put the flesh on the mission and the two combined give the strategic manager a framework to comply with.

One of the London Borough of Barnet's values is to:

" To provide fair but firm management"

" For values to 'live' they need to be shared and practised by all. A great deal of cynicism has emerged over organisational values as staff often feel that they are a cosmetic exercise and do not represent the organisations actual beliefs or behaviours.

### **Objectives**

Objectives detail what the organisation aims to do; they are often specific and can be measured relatively easily. Strategic objectives should dovetail with the Mission and Values. Objectives are reviewed and updated as required.



## **STRATEGIC CHOICE AND STRATEGY IMPLEMENTATION**

### **Generation of options**

Following work on analysing the current position; the next stage in the strategic management model is to generate options for choice - these must take into account the organisations stated objectives and values.

The strategic manager should look outwards and consider a variety of scenarios, this may include a 'do nothing' option. At this stage creativity is important, even wild ideas may be amended and become viable options.

### **Evaluation of options**

After generating options; these must then be evaluated. This process needs to include; likely success, costs both overt and hidden, risk factors, time factors. One method of deciding which option to select may be a ranking one; where each option is scored against an agreed set of criteria. The criteria may also need to be ranked. Again reference needs to be made to the organisations objectives and values.

### **Selection of strategy**

Once all options are evaluated then an appropriate option needs to be selected. Before it can be implemented; it needs to be floated and indeed 'sold' to those who may hold the ultimate power within your organisation.

## STRATEGIC IMPLEMENTATION

### People/ Systems/Structures

Once the option has been selected and sold to the ' power brokers'; then the planning process starts. This can be viewed as **MANAGING CHANGE**. The impact on people affected needs to be assessed and whether the existing systems need to be altered. A detailed plan may need to be drawn up to make such required changes.

### Resource Planning

If resources need to be added or indeed reorganised then the systems need to be amended to reflect these; without resources or structures being in place then the required changes may not be implemented.

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# ORGANISATIONAL CULTURES

## Introduction

Every organisation has a culture and a structure, where organisations are decentralised, there may be different cultures and structures in operation. Culture is about how people behave and structure how they are organised.

Culture and structure is determined by a number of factors which are both internal and external, for example:

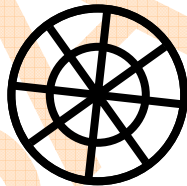
History and ownership  
Technologies employed  
External environment

Size and growth rate  
Goals and objectives  
People employed

There are four recognisable types of culture and structure, most organisations are in fact a mixture of cultures, but normally one will dominate.

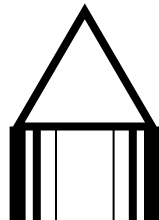
### 1. The Power Culture

This is depicted as a web. This culture is normally found in small family businesses, with a powerful figure head. The nearer you are to the centre of the web the more power you have. There are no policies or set procedures in this type of organisation, every thing depends upon results; very much a hire and fire operation.



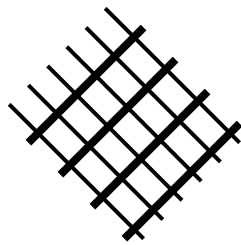
### 2. The Role Culture

This is depicted as a temple. This culture is normally found in large organisations, such as local government, the civil service, banking institutions - it can be defined as bureaucratic. It is structured into a hierarchy of functional departments and individuals tend to fill a role suited to the organisations needs. Emphasis is placed on policies, procedures and conformity.



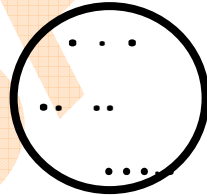
### 3. The Task Culture

This is depicted as a net. This culture is normally found in those enterprises which rely on completing projects of different natures, such as advertising firms, engineering, building. Hierarchy, although existing, does not play a major part. Teams of people are brought together for their skills and abilities, thus the leadership role may change. Once the project has been completed the team players disperse and different project teams formed.



### 4. The Cluster Culture

This is depicted as a cell cluster. This culture is normally found in loose organisations, where a group of people gather together for administrative reasons, such as Doctors practices, lawyers. Each individual within the cluster maybe their own boss and there is little overlap in their professional activities. This culture can be highly individualistic with little support for others in the organisation.



Within any organisation different kinds of activity can be divided, very roughly, into four sets:

1. **Steady state activities** of a routine nature, where there is little change from one year to the next. Predictability, rules and efficiency is paramount.
2. **Innovation and problem solving activity** of a non routine but planned nature. linked to the aims of the organisation.
3. **Crisis emergency or breakdown activity** where it's urgent to respond speedily to safeguard the interests of the organisation in a situation of internal or external threat.
4. **Development of policy and long term strategy** to ensure the continued existence and growth of the organisation and the personal satisfaction of the policy makers needs.

Each of these **activity sets** has its most appropriate predominant culture structure and systems.