



## A critical analysis of strategic management process

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### Abstract

Business is like any battlefield. "If you want to win the war, you have to know who you are up against", says one small business consultant. Unfortunately, most businesses are not very good at competitive intelligence. For instance, it is estimated that about 97 percent of US businesses do not systematically track the progress of their key competitors. The strategic management process as such, helps a company to gain competitive advantage over its competitors thereby enhancing efficiency and effectiveness in its overall performance. Strategic management is taken to mean a set of decisions and actions which guide the direction and scope of an organisation over a long term, which achieves advantage on the changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations. It is the responsibility of strategic managers in an organisation to chart the way in ensuring that the organisation is headed in the right direction, is strategically positioned and have in place a game plan of managing the process of getting there. The strategic management process involves spelling out the vision and its mission; determine the strategies and the entire management process if the organisation has to achieve the overall intended business purpose. The process starts by scanning environmental both internal and external, state who they are, by defining its vision, mission, goals and objectives followed by strategy formulation, strategy implementation, execution and evaluation. The paper aimed at highlighting the main features of the strategic management processes by giving an overview of strategic management, and its functions including the following: developing a vision and mission statement, setting objectives, craft strategies, strategy implementation and performance evaluation.

**Keywords:** strategic management, strategy, crafting strategies, implementation, evaluation

### 1. Introduction

Strategic management process is every manager concern as any failure in determining strategies which matches with resources and capabilities of the organisation is devastating to its overall sustainability survival and growth. Companies without clear strategies may achieve some success in the short run, but as soon as competitive conditions stiffen or an anticipated threat arises, they usually "hit the wall" and fold. Without a basis for differentiating itself from a pack of similar competitors, the best company can hope for is mediocrity in the market place. In today's dynamic and competitive environment, any business, large or small that is not thinking and acting strategically is extremely vulnerable. This is because the business environment is rapidly changing in terms of technological advancements as well as intense competition in the newly emerging global markets. It is not the strongest or most intelligent companies that adapt to change but rather those who are able to adapt to change.

As such the goal of creating a strategic plan is to create competitive advantage for a company which can be achieved by combining factors that will give a company a unique position in the market that is superior to its rivals. It is important for businesses entities to realise that it is the differentiating factor that will make customers want to buy from your business rather than from your competitors. It is argued that from a strategic perspective, the key to business success is to develop a sustainable competitive advantage, one that is durable, creates value for customers and is difficult for competitors to duplicate (Smith, 2016) <sup>[14]</sup>. To achieve this, business entities should examine the following key points to help them gain a competitive edge on the market; products they sell, service they provide, pricing they offer, where they sell, and the values to which they are committed to. As such,

the strategic management process will help companies to define their competitive position on the market effectively.

Chaneta, (2015) <sup>[2]</sup> define Strategic management as a set decisions and actions that determine long term performance of an organisation. While Ansoff (1984) in Johnson, 2011) <sup>[9]</sup> states that it is a systematic approach for managing change which consists of:

- Positioning of an organisation through strategy and capability planning
- Real time strategic response through issue management that is being able to respond to the unplanned or sudden changes in the environment
- Systematic management of resistance during strategic implementation, that is, lack of acceptance from employees or stakeholders which can be noted during implementation of tactics and this may affect the overall performance of an organisation.

Ansoff's definition in a nutshell sums up the stages of strategic management process. The process entails taking long term strategic decisions on the overall direction an organisation is to be managed and positioned by answering questions such as: who are we, where are we, where do we want to go and how do we get there (Johnson, Whittington & Scholes, 2011).<sup>[9]</sup> Strategic management is an overarching issue surrounding the overall long term success and survival of any firm. Firms exists to accomplish something therefore it's the responsibility of every strategic manager to know what is to be achieved, what direction the firm wish to take and how they intend to get there. However, the success of these processes depend on the availability of human, finance and material resources channelling them strategically and prudently towards winning the game (Smith & Malaba, 2016). <sup>[14]</sup>

The process is well illustrated by Johnsons & *et al.* (2011) <sup>[9]</sup> is summarised as

- Strategic Analysis
- Strategic Choice
- Strategy Implementation

Strategic analysis involves analysis of environment, culture, capability and purpose while, strategic choice involves making choices at the two levels of the organisation that is the corporate level and the business level as well as evaluation of the best strategic decision. The strategic management process involves firstly the owners defining the vision and mission, management then translating the mission into goals and objectives, crafting the strategies and ensuring that the formulated strategies are implemented and executed. Then evaluation and correction of the processes follow. All these processes are outlined in the five tasks of a Strategic Manager.

## 2. Tasks of Strategic Management

The strategy making process involves performing five interrelated tasks and these include: developing a strategic vision, mission, setting objectives, crafting strategies or tactics to help achieve the objectives, implement, execute and evaluate all the tasks or activities outlined under each strategy or plan of action (Chaneta, 2015) <sup>[2]</sup>.

### 2.1 Developing a strategic vision and business mission

Chibamba (2011) <sup>[4]</sup> notes that throughout history, the greatest political and business leaders have been visionaries, whether the vision is as grand as Martin Luther King Jr's "I have a dream" speech or as simple as Ray Krocs devotion to quality, service, cleanliness, and value at Mc Donald's, the purpose is the same: to focus everyone's attention on the same target and to inspire them to reach it. A vision is future oriented and touches everyone associated with the company such as employees, investors, lenders, customers, and the community. It is an expression of what an organisation stands for and believes in. Developing a strategic vision and mission is the starting point and most important task in the strategic management process. 'Vision' in one hand is the desired future picture of what the owners of the organisation envisage, addressing the question, 'what do we want to achieve'. It represents what its leaders want to accomplish obviously in line with their mission which is simplified in the strategic goals.

'Mission' on the other hand gives the organisation's distinctive reason for their existence, addressing the question what business are we in? The mission is accomplished through the strategic goals which act as a barometer an organisation uses to accomplish its mission that is, being able to measure organisation's performance results or indicator (Giuseppe 2015) <sup>[7]</sup>. Establishing the purpose of the business in writing must come first in order to give the company a sense of direction. As a declaration of a company's purpose, a mission statement is the mechanism for making it clear to everyone the company's touches "why we are here" and "where we are going". In a nutshell, vision provide the future picture, long term direction and indicate organisational intent a business mission declares distinctive purpose for existence. Once an organisation establishes who they are and what they do then an issue of setting objectives comes in.

### 2.2 Setting Objectives

Once the vision and mission is set, it is the responsibility of

management to set strategic objectives which are focussed to achieve the mission statement. Strategic goals represent management commitment to achieving specific outcomes and results. In a business environment setting of objectives is a very important exercise because it enables the organisation to achieve its plans and goals. Goals are the long range attributes that a business seeks to accomplish; they tend to be general and sometimes even abstract. Goals are not intended to be specific but rather to simply state the general level of accomplishment.

Objective is a specific result that an organisation aims to achieve within a time frame and with available resources (Ibid, 2015) <sup>[7]</sup>. Objectives are more specific targets of performance. Common objectives concern profitability, growth, efficiency, sales, financial resources etc. Therefore, it is important to ensure that the set objectives follow the SMART criteria. SMART is an acronym that stands for specific, measureable, achievable, realistic and timely. For example, a specific objective shows a pattern of direction and a measurable being able to accomplish tasks and achieve results. Therefore, objectives are the 'end' and strategy is the 'means' of achieving them.

### 2.3 Crafting a strategy

Davide (2011) <sup>[5]</sup> defined strategy as determination of the basic long-term goals and objectives of an organisation and adoption of courses of action and allocation of resources necessary to carry out these goals. Crafting of well-fitting strategies will help an organisation to reach their intended destination, addressing the issue of the means to get there. Strategy should be both proactive that is intended and reactive (adaptive). A successful strategy is comprehensive and well integrated, focusing on establishing the KSF (Key Success Factors). For instance, if maximum shelf space is a KSF for a small manufacture's products, the strategy must identify techniques for gaining more in store shelf space. Micheal porter defines three strategies in his book competitive strategy including; cost leadership, differentiation, and focus (Porter, 1985). <sup>[12]</sup>

### 2.4 Strategy Implementation and Execution

Michael Porter in his writing sees Strategy implementation as involving looking at how best the strategy can be put into action in terms of the organisational structure, processes, resourcing, and strategy development and managing the strategic changes. Managers must convert strategic plans into operating plans that guide their companies on a daily basis and become a visible, active part of the business. No small business can benefit from a strategic plan sitting on shelf collecting dust. The lesson is that even sound strategies, unless properly implemented, will fail.

### 2.5 Evaluating Performance

Planning without control has little operational value; therefore, a sound planning programme requires a practical control process. The strategic process is organic and changes all the time, never at a constant rate. There has to be fine tuning, adjustment and reappraisal. The Buddhist believe that the only constant is change.

## 3. Benefits of Strategic Approach to Management

According to Huru (2001) <sup>[8]</sup> strategic management is dispensable for a company to be more proactive and reactive in moulding its own future. It makes an organisation to

initiate and affect activities so that it can exert control over its own destiny.

### 3.1 Building a competitive advantage

Fred (1999) <sup>[6]</sup> states that companies that fail to define their competitive advantage fall into “me-too” strategies that never set them apart from their competitors and do not allow them to become market leaders or to achieve above average profits. Business strategy is all about competitive advantage (Papulova and Papulava, 2006) <sup>[11]</sup>. In general, strategy is to do with long term prosperity. It is concerned with long term asset growth, not short term profit. Thus businesses need strategy in order to ensure that resources are allocated in the most effective way. This is particularly important when it comes to major resource allocation decisions. The purpose of strategy is therefore not best conceived in terms of its impact on “the bottom line”. Instead it can be identified in more operational terms as setting the direction of a business and achieving a concentration and consistency of effort. In this way inconsistent flitting from short term opportunity to short term opportunity is avoided and business expertise and leadership can be built up. Business strategy is concerned with how to make an individual business survive and grow and be profitable in the long term. The main significant considerations in terms of benefits of strategic management process are as follows;

- The creation of customers
- The identification of appropriate market niches where no competition exists
- Identification of customer needs and how best they can be satisfied
- Application of technology and its future development or substitution
- Understanding of competitors and how direct competition may be avoided
- Motivation of people to put their efforts and enthusiasm behind the strategic aims of the business.

In addition, if the organization gains an advantage, the business will survive. If that advantage is significant, the organization will thrive. With this view, companies can choose between three general strategy types to build competitive advantage: a differentiation strategy, a low-cost strategy, and focus, or a niche strategy (Papulova and Papulava, 2006) <sup>[11]</sup>

### 3.2 Cost Leadership

A company pursuing a cost leadership strategy strives to be the lowest-cost producer relative to its competitors in the industry. In this case many companies attempt to compete by offering low prices, but low costs are a pre-requisite for low costs. This strategy however according to Chibamba (2010) <sup>[3]</sup> works well when buyers are sensitive to price changes, when competing firms sell the same commodity products and competes on the basis of price and when companies can benefit from economies of scale.

Commenting on cost leadership, David (2011) <sup>[5]</sup> presents that, generic strategy emphasises on producing standardised products at a very low per unit cost of consumers who are price sensitive. There are two alternative types of cost leadership namely type 1 (Low cost strategy) and type 2 (Best value strategy).

### 3.3 Low Cost Strategy

This strategy offers products or services to a wide range of

customers at the lowest price available on the market.

#### 3.3.1 Best Value Strategy

The strategy offers products or services to a wide range of customers at the best value available on the market. The best value strategy aims to offer customers a range of products or services at the lowest price available compared to a rivals product similar attributes. Therefore, cost leadership strategies are a primary reason for pursuing forward, backward, and horizontal integration strategies in order to gain low-cost or best-value cost leadership benefits. As a low cost leader, a company stands to gain more in a competitive market because people can afford the products at a cheap price. As such, they are able to gain a larger market share by attracting more people to buy their goods. The best value provider is even at more advantageous position because they are offering the best quality for the lowest price on the market (Adock, etal, 2001) <sup>[1]</sup>. For example, the case of Dangote Cement Company in Zambia which is a best value cost provider. However these two strategies are designed to work for larger organisations unlike small business entities.

Cost leadership therefore must generally be pursued in conjunction with differentiation. The product must be unique from other products on the market (Mwewa, 2011) <sup>[10]</sup>. In addition, a number of cost elements affect the relative attractiveness of generic strategies, including economies of diseconomies of scale achieved, learning and experience curve effects, the percentage of capacity utilization achieved, and linkages with suppliers and distributors. Other cost elements to consider in choosing among alternative strategies include the potential for sharing costs and knowledge within the organisation, research and development (R&D) costs associated with new product development or modification of existing products, labour costs, tax rates, energy costs, and shipping costs.

Striving to be the low-cost producer in an industry can be especially effective when the market is composed of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power. The basic ideas are to under-price competitors and thereby gain market share and sales entirely driving some competitors out of the market. Companies employing a low-cost leadership strategy must achieve their competitive advantage in ways that are difficult for competitors to copy or match. If rivals find it relatively easy or inexpensive to imitate the leader's cost leadership methods, the leaders' advantage will not last long enough to yield a valuable edge in the market place.

#### 3.4 Differentiation

A company following a differentiation strategy seeks to build customer loyalty by selling goods or services that provides unique attributes and that customers perceive to be superior to competing products. There many ways to create a differentiation strategy, but the key is to be unique at something that is important to the customer. In other words, unlike others, this strategy aims at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. For example, Hungry Lion, one of the groups of a company that produces chips and chicken that are unique from the others due to the kind of spice that they use. However, in disagreement to the above, Adcock, Halborg and Ross (2001) <sup>[1]</sup> confirm that

differentiation does not guarantee competitive advantage, especially if standard products sufficiently meet customer needs or if rapid imitation by competitors is possible. Therefore, the issue of protecting a firm's rights and innovative ideas and products must be adhered to in order to remain competitive. For example Coca Cola company and how they have managed to keep the formula for the product for years now.

Successful differentiation can mean greater product flexibility, greater compatibility, lower costs, improved service, less maintenance, greater convenience, or more features. Product development is an example of a strategy that offers the advantages of differentiation. A differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. Barclays Bank seems to be making head ways in differentiating their services. As it is, they now stand as the first bank in Zambia to offer a credit card service. When a company is successful at differentiating its products, it can charge a higher price for its products and also gain customer loyalty because consumers may become strongly attached to the differentiation features. However, there is a risk of pursuing a differentiation strategy i.e. the unique product may not be valued highly enough by customers to justify the higher price.

### 3.5 Focus strategy

A focus strategy recognizes that not all markets are homogeneous. In fact, in any given market, there are many different customer segments, each having different needs, wants and characteristics. The principal idea of a focus strategy is to select one or more segments, identified customers', special needs, wants and interests. By focusing on small market niches, focus strategies build on differences, among market segments. Because they are small, flexible, and attentive to their customers 'particular needs, small companies can be successful in niches that are too narrow for their larger competitors. Their goal is to serve their narrow target markets more effectively and efficiently than competitors that pound away at the broad market.

It is further argued that focus strategies entails producing products and services that fulfil the needs of small groups of consumers. Type 4 is a low-cost focus strategy that offers products or services to a small range of customers at the lowest price available on the market. Type 5 is a best-value focus strategy that offers products or services to a small range of customers at the best price-value available on the market. Sometimes called focused differentiation, the best-value focus strategy aims to offer a niche group of customer's products or services that meet their tastes and requirements better than rivals' products do. Examples include the prestige banking by Barclays Bank to a few selected clientele. Both type 4 and type 5 focus strategies target a small market (World Bank, 2015) [15]. However, the difference is that type 4 strategies offer products services to a niche group at the lowest price, whereas type 5 offers products/services to a niche group at higher prices but loaded with features so that the offerings are perceived as the best value. It can therefore be deduced that Porter's five strategies imply different organisational arrangements, control procedures, and incentive systems. Larger firms with greater access to

resources typically compete on a cost leadership and/or differentiation basis, whereas smaller firms often complete on focus basis. Note that differentiation strategy (type 3) can be pursued with either a small target market or a large target market. However, it is not effective to pursue a cost leadership strategy in a small market because profits margins are generally too small. Likewise, it is not effective to pursue a focus strategy in a large market because economies of scale would generally favour a low-cost or best-value cost leadership's strategy to gain and/or sustain competitive advantage.

Hence, a successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors. Strategies such as market penetration and market development offer substantial focusing advantages. Mid-size and large firms can effectively pursue focus-based strategies only in conjunction with differentiation or cost leadership-based strategies. All firms in essence follow a differentiated strategy. Because only one firm can differentiate itself with the lowest cost, the remaining firms in the industry must find other ways to differentiate their products. In a study conducted by Adcock, Halborg and Ross (2001) [1], it was established that focus strategies are most effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialise in the same target segment. Risks of pursuing a focus strategy include the possibility that numerous competitors will recognize the successful focus strategy and copy it or that consumer preferences will drift toward the product attributes desired by the market as a whole. An organisation using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product-line segments to serve a well-defined but narrow market better than competitors who serve a broader market.

### 4. Conclusion

Strategic management process is an ongoing exercise as long as the organisation exists. The strategic planning process does not end with steps outlined here; it is an ongoing procedure that entrepreneurs must repeat. Notably, with each round, managers and employees gain experience, and the steps become easier. The planning process described here is designed to be simple. Moreover, scholarly works have shown that no business should be burdened with an elaborate, detailed formal planning process that it cannot easily use. In this regard, some planning processes require excessive amounts of time to operate and generate a sea of paperwork. It should be acknowledged, this article was not conclusive in its discussion on strategies. Therefore, we would like to encourage our esteemed readers to look out for other articles on growth strategies and turnaround strategies.

### 5. Acknowledgements

I acknowledge the immense contribution and co-authorship of Moffat Banda and Lillian Nakazwe who work tirelessly for the successful completion of the manuscript. I honestly salute you for being part of the hard working 2019 Master of Business Administration cohort, Institute of Distance Education, University of Zambia, had space allowed, you could have been placed on top together with your colleagues as co-authors.

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