



Understanding Strategic Management, Strategic Planning and Steps in the Strategic Planning Process for a Competitive Advantage in today's Business Organisations

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Abstract: In any human organisations, particularly business and public organisations there are risks and uncertainties which no manager, no matter how well experienced or informed require planning which is the most important function of management. Without its dynamism its goals cannot be achieved. In this paper, the purpose is to create an understanding about strategies, a system of thought which will help to accomplish defined and desired goals that will be put in place for the manager towards the greater openness in the political and economic environment requiring different set of perspectives to attain constancy in performance in the competitive work organisation, both public and private. At the onset, the paper points out the drilling down to uncover a company's core objectives which have several phases. First, assessing the landscape within which the company will operate and formulation of its roles within that landscape. This is commonly called mission statement. Also establishing objectives to answer some unmet needs, taking both long and short term view of what the organisation can offer. This is known as vision statements, usually in terms of financial and strategic objectives. These are the initial actions that follow strategic plans upon which the writer explicitly explained in this work, which are mainly strategic management, strategic planning and the steps in the strategic planning process. In conclusion, the advantages of available information to create best possible plans, the distinction between strategic management and planning rests primarily on whether one gets to the end of the process or the emphasis are put on particular part of the process. It was therefore recommended that, emphasis on the literature which is mostly devoted to private sector be shifted to the public sector which overtime has failed as a result of strategic management and strategic planning to avert the resultant failure in government institutions.

INTRODUCTION

Any type of organisation has a purpose and the major purpose is always to cater and serve humanity with the objective of making profit for its sustenance and perpetuity. The set aim of an organisation cannot be achieved if its management is not dynamic and set out clear cut ideas towards mobilising its workers to positive actions. A system of thought which will help accomplish defined and desired goals must be put in place to guide the organisation. A management without strategies will get out of competition by other organisation offering similar goods and services. An effective and efficient management will have to display business acumen by planning, directing and initiating strategies that will lead the organisation to limelight and live above all others in the same environment. Strategic action processes must be evolved in the organisation in order to stay afloat in the business world. The concept of strategic management is sin-quannone to success and bridge building in the life of all organisations. Nwachukwu, (2007) stated that, planning is the first and perhaps the most important function of management. He stressed that planning goes beyond attempting to attain strategy and procedure required for effective realisation of the entire plan. The need for the public sector decision makers to plan and manage strategically cannot be therefore over emphasized. For instance Nigeria has had many development plans since independence in 1960 but lack the growth elements. The vision 2020 encapsulated statement from 1999 was that, by 2020 Nigeria



will have a large, strong diversified, sustainable and competitive economy that will effectively harness the latent talents and energies of its people. A responsibility to exploit its natural endowments to guarantee a high standard of living and quality of life. These are unlikely to be achieved because of strategic ingenuity in the plan. In the developing world as much as the industrialised nations, the increasingly rapid nature of change as well as greater openness in the political and economic environments require a different set of perspective from that needed during more stable times. We must understand that now systems are much more open and organisations are characterised by increasingly unstable politics, negative economic growth, budgets are constantly revised, inputs are thoroughly unpredictable and planning in the traditional sense is no longer effective.

It then calls for strategic management and strategic planning. These two terms, however require clarification in order to clear certain degree of confusion regarding them. Strategy has been defined by Vladimir () as a system of finding, formulating and developing a doctrine that will ensure long term success, if followed faithfully. Porter () identified three principles underlying strategy, these are creating unique and valuable (Market) position, making trade-offs by choosing what not to do and creating fit by aligning company activities with one another to support the achievement of goals/tasks. Strategy has been practised whenever advantage was gained by planning the sequence and timing of the development of resources while simultaneously taking into account the probable capabilities and behaviour of competition. The essence of planning is to prepare for and predict future events. Planning goes beyond attempting to attain strategy and procedure required for effective realisation of the entire plan. It is an activity performed by all levels of management, Nwachuku, c.c. (2007). It then calls for the need for strategic planning and strategic management. The two terms are inadvertently often used interchangeably which then leads to confusion regarding the appropriate usage of each. In this piece of write up, the distinction between strategic management and strategic planning shall be made clear.

Strategic Management

Strategic management refers to the art of planning your business at the highest possible level. It is the duty of the company's leader(s). It focuses on building a solid underlying structure to your business that will subsequently be flashed out through the combined efforts of every individual you employ. David (2005) held that strategic management is the ability to integrate, build and to configure internal and external competencies to address rapidly changing environments. Etal (2007) held that strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners; involving utilisation of resources, to enhance the performance of firms in their external environments. It entails specifying the organisation's mission, vision and objectives, developing policies, and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies and plans, project and programs. A balance score card is often used to evaluate the overall performance of the business and its progress towards objectives. Strategic management involves the formulation and implementation of the major goals and



initiatives taken by companies' top management on behalf of owners, based on consideration of resources and assessment of the internal and external environments which the organisation competes. It provides overall direction to the enterprise and specifies the organisation objectives and the allocating of resources to implement the plans. It also develops policies and plans designed to achieve these objections. According to Arieu (2007) "there is strategic consistency when the actions of an organisation are consistent with the expectations of management and these in turn are with the market and content". Strategic management hinges upon answering three key questions:-

1. What are my business objectives?
2. What are the best ways to achieve this objective?
3. What resources are required to make that happen?

Answering the first question requires serious thought about what your ultimate goals are for the business.

What are you trying to make happen?

What is the best possible outcome your company can aspire to?

Drilling down to uncover a company's core objective can have several phases:-

- Assessing the landscape within which the company will operate, and formulating how the company sees its role within that landscape. This is commonly known as a mission statement.
- Establishing objectives to answer some of the unmet needs; taking both a long and short term view of what the company can offer. This is commonly known as vision statement.
- Stipulating the goals the company has for itself, both in terms of financial and strategic objectives. Once these steps are taken, a strategic plan should begin to emerge.

In 1975 Ellen-Eade Chaffee summarised what she thought were the main elements of strategic management theory the 1970's (8)

- Strategic management involves adapting the organisation to its business environment.
- Strategic management is fluid and complex change, creates novel combination of circumstances requiring unstructured, non-repetitive responses.
- It affects the entire organisation by providing direction.
- It involves both strategy formation (content) and strategy implementation (process)
- It is partially planned, and partially unplanned.
- It is done at several levels, overall corporate strategy and individual business strategies. Strategic management involves both conceptual and analytical thought process.

Domestic consumption for instance the absence of strategic management at the Nigeria industrial liquefied gas project could not develop a comprehensive plan to cater for manufacturing needs and exports.

Strategic Planning: is a means of administering the formulation and implementation of strategy. It is analytical in nature and refers to Formalised procedures to produce the data and analysis used as inputs for strategic thinking which strategizes the data resulting to



strategy. According to Etal, an organisation's processes defining its strategy or direction and making decision on allocating its resources to pursue this strategy, including its capital and people, various business analysis techniques can be used in strategic planning including the SWAP analysis (Strength, Weakness, Political, Economic, Social, and Technological) STEER analysis (Socio-Cultural, Technological, Economic, Ecological and Regulatory factors) and EPISTLE (Environment, Political informatics, Social Technological, Economic and legal).

Strategic planning is the formal consideration of an organisation's future course. All strategic planning deals with at least one of the three key questions:-

1. What to do?
2. For whom do we do it?
3. How do we excel (Brad herd and Duncan)

In business parlance, some authors phrase the third question as how we beat or avoid competition? In many organisations strategic planning is viewed as a process for determining where an organisation is going over the next year or more basically, 3 to 5 years (long term) although some make their vision to 20 years. In order to determine where it is going, the organisation needs to know exactly where it stands, then determine where it wants to go and to go and how it will get there. What comes out of these is called the strategic plan". It is also true that strategic planning may be a tool for effectively plotting the direction of a company, however, strategic planning itself cannot for tell exactly how the market will evolve and what issues will surface in the coming days in order to plan the organisational strategy. Therefore, strategic innovations and tinkering with strategic plan have to be a corner stone strategy for an organisation to survive the turbulent business climate.

The objectives of Strategic Planning

Objective in planning are concrete goals that the organisation seeks to reach in planning a major problem, objectives are usually established for the entire enterprise and then each subordinates work unit. Objectives in strategic planning specify the expected results and indicate the end points of what is to be done; where the primary emphasis is to be placed and what is to be accomplished by the director of strategies, policies, producers, rules, budgets and programmes. Harold Koonze; Cyril, O'Donnel and Heinz Weihrich (1982). Enterprise objectives give direction to the nature of major plans which by reflecting these objectives; define the objectives of major departments and so on down the line. The objectives of lesser departments will be better formed, however, if subdivisions managers understand the overall enterprise objectives and the implied derivative goals, and if they are given an opportunity to contribute their ideals to getting their own goals and those of the enterprise. Objectives are essentially the ends towards which activities of any enterprise or department, or project within it are aimed. Often distinctions are made between objectives, goals and targets. An objective is sometimes thought as the end point of a management program. Whether started in general or specific terms, whereas the implication of goal or target is almost invariably one of specific quantitative aims. However, because clear distinctions tend not be made uniformly by writers and practitioners these terms are used interchangeably in this write up. All managers have



logically and morally, a "surplus" goal-to operate so that the group for which they are responsible will achieve whatever the purpose or objective may be with the minimum expenditure of human and material resources or to achieve as much of a purpose as possible with resources at their command. If "surplus" is to have any practical significance in management the objective of any enterprise or department or section of it, must be verifiable. An objective is verifiable if, at some target date in the future, we can look back and say with certainty "yes" it was accomplished or "no" it was not achieved, if is vague, there can be no measure of efficiency, unless we know output as well as input.

The purpose of an enterprise and its objectives and departments contributing to the purpose must be linked together. If the purpose of business is production, and marketing of economic goods and services, or of Government the fulfilment of such social needs as security and welfare, of a university, teaching and research, of a church, ministering to spiritual needs, etc. To accomplish these purposes, a number of enterprise objectives such as designing, producing and marketing a low-cost, fuel efficient and reliable auto mobiles, are required. Objectives are found in key result areas where performance is essential for the success of the enterprise. Although, there is no complete agreement on what key results areas of a business should be and they may differ for various enterprise. P.F, Drocker suggests the following:-

Marketing Standing: Innovation, productivity, physical and financial resources, profitability performance and development, worker performance and attitude, public responsibility''

- For example – profitability: To obtain 10% return on investment by the end of calendar year 1985.
- Productivity: To increase the number of units of product x by 7% without an increase in cost or a reduction in current quality level by June, 30th 1984.

These objectives have to be further translated into decisions, department and unit objectives to the lowest level of the organisation. Both objectives and planning programs normally form a network of desired results and wants. If goals are interconnected and if they do not support one another, people very often pursue paths that may seem good for their own function but detrimental to the company as a whole. Goals and plans are seldom linear, i.e., when one objective is accomplished, it is neatly followed by another. Goals and programs interlock in a network fashion, each of which has appropriate objectives that constitute a total new product program. Managers must make sure that the components of the network fit one another. Fitting is a matter of not only having the various program performed, but also of turning their completion.

Steps in the Strategic Planning Process:

In the 1970s many large firms adopted a formalised top down strategic planning model, under this model, strategic planning became a deliberate process in which top executives periodically would formulate the firms' strategy, and then communicate it down the organisation for implementation. Nowadays, it is very important for companies to plan processes and procedures and work accordingly. They necessarily need a step- by-step management process which would make corporate goals and ambitions easy to achieve.



Other sources may recommend entirely different steps or variations of these steps. However, the steps outline here describes the basic work that needs to be done and the typical products of the process. Thoughtful and creative planners will add spice to the mix in order to develop a plan that best suits them.

Basic Steps to a Strategic Planning Process:

-adapted from alliance for Non-profit management

- Step one-Getting Ready
- Step Two- Articulating Mission and Vision
- Step Three- Assessing the situation
- Step Four- Developing Strategies, Goals and Objectives
- Step five- Completing the Written Plan

Step one-Getting Ready

To get ready for strategic planning, an organisation must first assess if it is ready. While a number of issues must be addressed in assessing readiness, the determination essentially comes down to whether an organisation's leaders are truly committed to the effort, and whether they are able to devote the necessary attention to the "big picture". For example, if a future crisis looms, the founder is about to depart, or the environment is turbulent, then it does not make sense to take time out for strategic planning effort at the time. An organisation that determines it is indeed ready to begin strategic planning must perform five tasks to pave the way for an organized process.

- Identify specific issues or choices that the planning process should address.
- Clarify roles (who does what in the process)
- Create a planning Committee
- Develop an organizational profile
- Identify the information that must be collected to help make sound decisions.

The product developed at the end of the step one is a work plan.

Step Two-Articulating Mission and Vision

A mission statement is like an introductory paragraph: it lets the reader know where the writer is going, and it also shows that the writer knows where he or she is going. Likewise, a mission statement must communicate the essence of an organisation to the reader. An organisation's ability to articulate its mission indicates its focus and purposefulness. A mission statement typically describes an organisation in terms of it's:

- Purpose- why the organization exists, and what it seeks to accomplish
- Business- the main method of activity through which the organization tries to fulfil this purpose
- Values- the principles or beliefs that guide an organization's members as they pursue the organization's purpose

Whereas the mission statement summarizes the what, how and why of an organization's work, a vision statement presents an image of what success will look like. For example, the mission statement of the support centres of America is as follows:



- The mission of the support centres of America is to increase the effectiveness of the non-profit sector by providing management consulting, training and research. Our guiding principles are: promote client independence, expand cultural proficiency, collaborate with others, ensure our own competence, and act as one organization.
- We vision an ever increasing global movement to restore and revitalized the quality of life in local communities. The support centres of America will be a recognized contributor and leader in that movement.
- With mission and vision statements in hand, an organization has taken an important step towards creating a shared, coherent ideal of what it is strategically planning for.
- At the end of step two, a draft mission statement and a draft vision statement are developed.

Step Three-Assessing the Situation.

Once an organization has committed to why it exists and what it does, it must take a clear –eyed look at its current situation. Remember, that part or strategic planning, thinking and management is an awareness of resources and an eye to the future environment. Situation assessment, therefore, means obtaining current information about the organization’s strengths, weakness, and performance information that will highlight the critical issues that the organisation faces and that its strategic plan must address. These could include a variety of primary concerns, such as funding issues, new programme opportunities, changing regulations or changing needs in the client population, and so on. The point is to critical issues around which to organize the strategic plan. The product of step three include: a data base of quality information that can be used to make decisions; and a list of critical issues which demand a response from the organisation – The important issues the organization needs to deal with.

Step Four- Developing Strategies, Goals, and Objectives

Once an organization’s mission has been affirmed and its critical issues identified, it is time to figure out what to do about them: the broad approaches to be taken (strategies) and the general and specific result to be sought (the goals and objectives). Strategies, goals and objectives may come from individual inspiration, group discussion and formal decision-making techniques, and so on- the bottom line is that, in the end, the leadership agrees on how to address critical issues. This can take considerable time and flexibility: discussion at this stage frequently will require additional information or a re-evaluation of conclusions reached during the situation assessment. It is even possible that new insights will emerge which change the thrust of the mission statement. It is important that planners are not afraid to go back to an earlier step in the process and take advantage of available information to create the best possible plan. The product of step Four is an outline of the organization’s strategic directions- the general strategies, along –range goals, and specific objectives of its response to critical issues.

Step Five- Completing the Written Plan

The mission has been articulated, the critical issues identified, and the goals and strategies upon. This step essentially involves putting all that down on paper. Usually



one member of the planning committee, the executive director, or even a planning consultant will draft a final planning document and submit it, for review to all key decision makers (usually the board senior staff). This is also the time to consult senior staff to determine whether the document can be translated into operating plans (the subsequent detailed action plans for accomplishing the goals proposed by strategic plan) and to ensure that the plan answers key questions about priorities and directions in sufficient detail to serve as a guide. Revisions should not be dragged out for months, but actions should be taken to answer any important question raised at this step. It would certainly be a mistake to bury the potency of the strategic directions chosen by the planning committee.

The product of step five is a strategic plan!

<http://www.namac.org/strategic-planning-steps>

CONCLUSION

Advantage of available information to create the best possible plan, as has been pointed out in the write up, the distinction between strategic management and strategic planning rests primarily on whether one ends the process or the process or the emphasis are put on particular parts of the process. Strategic planning places more emphasis on the development of the strategic plan and often assumes implementation. Strategic management specifically includes and emphasizes implementation. This of course does not mean that the planning element is any less important, rather implementation is regarded just as important. In literature there's interest in this distinction; however, and quite often, when the term strategic planning is used it also includes the management components of implementation. Likewise, when strategic management is used, it also implies the planning components as well. However, it is probably impossible to manage an organization strategically without having developed a strategic plan. Both strategic planning and management are interactive. So managers will be continuously involved in cycles of strategic planning as they manage policy implementation. Strategic planning and management are more than a set of managerial tools. They constitute a mind-set, an approach to looking at the channels in the internal and external environments that confront the manager. Using planning and management tools strategically, and then involves essentially a way of thinking, a mental frame work or approach as well as a set of analytical tool.

RECOMMENDATIONS

Much action in the literature has been devoted to strategic management and strategic planning but with most emphases on private sector. There should be a shift to the strategic management and planning in the public sector. Nevertheless, it could be argued that in the last several years, there has been a growing interest and literature on applications in the public sector (Ringed Perry, 1985 and Samuel and Paul 1983) but there has been the desired practice expected. Identification of the significant issues that will affect the performance or capacity of the organization should not be left to chance. WPDData IlpcwEBms-World (In-doc)



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