

The Advantages & Disadvantages of Strategic Management



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Strategic Management Process Consultants

Introduction

This article is designed to provide you with a realistic understanding some of the advantages and disadvantages that can be obtained from a strategic management system.

Strategic Management vs. Strategic Planning

I have deliberately used the words strategic management and NOT strategic planning. Webster's defines planning as "a proposed or intended course of action, or a formulated scheme setting out stages of procedure". Oxford defines planning as a "formulated or organized method by which thing is to be done". Yet, when we think of management we tend to think of a systems approach to the optimization of the company.

Strategic planning still has the connotation of a process that is discrete, separate and independent from the business. While strategic management connotes the planning, implementation, evaluation, on-going maintenance and adjustment of the organization's strategy. Strategic management is an integral aspect of a company's management processes and not just a once every three-year or so retreat. Consequently, the term strategic management is used throughout this article.

The Advantages of Strategic Management

Key Decisions Often Drive Strategic Thinking

The main reason that most company's state for having a strategic management process is that they have reached a significant decision point in their business. This decision point could be due to rapid growth, succession issues or capitalizing upon a key business opportunity in the past.

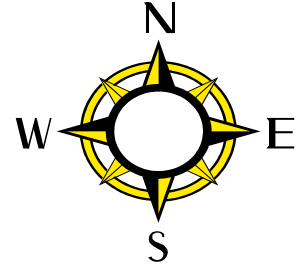
Forces An Objective Assessment

Strategic management provides a discipline that enables senior management to actually take a step back from the day-to-day business to think about the future of the company. Without this discipline, the company can become solely consumed with working through the next issue or problem without consideration of the larger picture.

Provides a Framework For Decision-Making

Strategy provides a framework within which all staff can make day-to-day operational decisions and understand that those decisions are all moving the company in a single direction. It is not possible (nor realistic or appropriate) for the shareholder

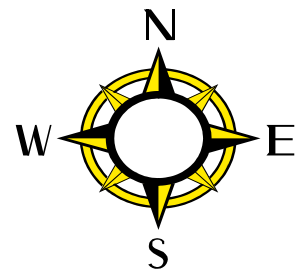
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(s) to know all the decisions the President will have to make, nor is it possible (nor realistic or practical) for the President to know all the decisions that management and their staff will make. As strategy provides a vision of the future, confirms the purpose and values of a company, sets objectives and establishes strategies, (at a minimum); it develops a framework and clear boundaries within which staff can make decisions. The cumulative effect of these decisions (which can add up to thousands over the year) can have a significant impact on the success of the company. Providing a framework within which the President, management and staff can make these decisions help them better focus their efforts on those things that will best support the company's success.

Supports Understanding & Buy-In

Allowing management and staff participation in the strategic discussion enables them to better understand the direction, why that direction was chosen and the associated benefits. For some people simply knowing is enough, for many people, to gain their full support requires them to understand.

Enables Measurement of Progress

A strategic management process forces an organization to set objectives and measures of success. The setting of measures of success requires that the organization first determine what is critical to its on-going success and then forces the establishment of objectives and keeps these critical measures in front of management.

Provides a Company Perspective

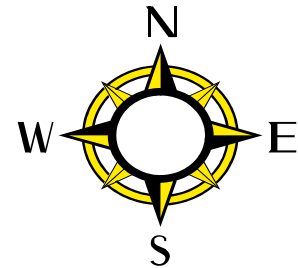
Addressing operational issues rarely looks at the whole organization and the interrelatedness of its various components. Strategic management takes a company-wide perspective and looks at all the components and the interrelationship between those components in order to develop a solution that is optimal for the whole company and not just a single component.

The Disadvantages of Strategic Management

The Future Doesn't Unfold As Anticipated

One of the major criticisms of strategic management is that it requires the company to anticipate the future environment in order to develop plans, and as we all know, predicting the future is not an easy undertaking. The belief being that if the future does not unfold as anticipated then it may invalidate the strategy taken. Recent research on publicly traded companies has demonstrated that those companies that use planning processes achieve better performance than those who

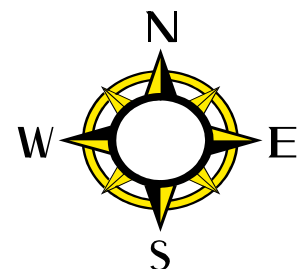
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don't. Regardless of whether they actually achieved their intended objective or not. The research shows that the very act of planning improves the strategic thinking of those involved and improves the adaptability of the company. In addition, there are a variety of tools and processes in strategic management that are not dependent upon the prediction of the future in order to develop valid strategies.

It Can Be Expensive

There is no doubt that there are many companies that cannot afford to hire an external consultant to help them develop their strategy. To day there is a lot of information available from the Internet, library, bookstores, etc. that can provide the entrepreneur with the basic tools needed to conduct their own strategic management process.

Regardless of whether you do it yourself or engage someone to assist you, it is important to ensure that the implementation of a strategic management process is consistent with the needs of the organization. And like any investment, appropriate controls need to be implemented to allow the cost / benefit discussion to be undertaken, prior to the implementation of a strategic management process. This controls can be a simple as a budget, timeframe and request for proposal (if engaging an outside consultant).

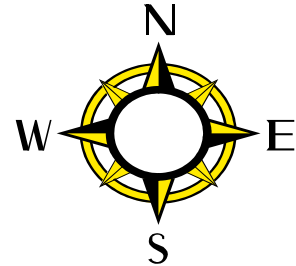
Long Term Benefit vs. Immediate Results

Strategic management processes are designed to provide a company with long-term benefits. If you are looking at the strategic management process to address an immediate crisis within your organization – chances are it won't. It always makes sense to address the immediate crises prior to allocating resources (time, money, people, opportunity cost) to the strategic management process. Having said that, if all you're doing is running around fighting fires, then you need to stop, step back and deal with the more fundamental strategic issues through a strategic management process.

Impedes Flexibility

When you undertake a strategic management process, it will result in the company saying "no" to some of the opportunities that may be available. This inability to choose all of the opportunities presented to a company is sometimes frustrating. In addition, some company's develop strategic management process that become excessively formal. Processes that become this "established" lack innovation and creativity and can stifle the ability of the company to develop creative strategies. In this scenario, the strategic management process has become the very tool that now inhibits the company's ability to

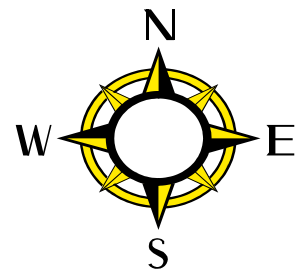
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change and adapt.

A third way in which flexibility can be impeded is through a well-executed alignment and integration of the strategy within the company. A company that is well aligned with its strategy has addressed its structure, staffing, reporting, culture, performance, processes and reward systems, etc. This alignment ensures that the whole company is pulling in the same direction, but it can inhibit the company's adaptability. Again, there are a variety of newer approaches to strategy development that address the issues of a company's adaptability.

Summary

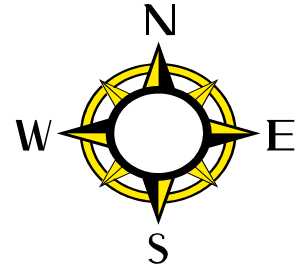
Like any process or tool there are both advantages and disadvantages. Unfortunately, many of the disadvantages are due to inappropriate application (often by poor consultants) as opposed to inherent limitations of the tools or processes themselves. At ABARIS Consulting Inc. we have seen first hand the benefits of an appropriately applied strategic management process, however, it is you, the client that is ultimately responsible for the decision to use or not use a strategic management process.

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To discuss our strategic management process consulting services, please contact Ron Robinson, President ABARIS Consulting Inc. at 519-472-9788 or by e-mail at rrobinson@abarisconsulting.com.

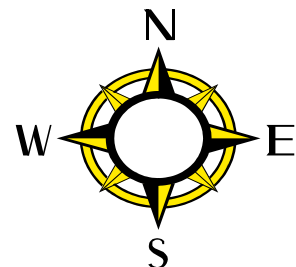
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