

The Four Key Attributes of Strategic Management

First, strategic Management is directed toward overall organizational goals and objectives. That is, effort must be directed at what is best for the total organization, not just a single functional area. Some authors have referred to this perspective as “organizational versus individual rationality.” That is, what might look “rational” or most appropriate for one functional area, such as operations, may not be in the best interest of the overall firm. For example, operations may decide to schedule long production runs of similar products in order to lower unit cost. However, the standardized output may be counter to what the marketing department needs in order to appeal to a sophisticated and demanding target market. Similarly, research and development may “overengineer” the product in order to develop a far superior offering, but the design may make the product so expensive that market demand is minimal. Therefore, you will look strategic issues from the perspective of the organization rather than that of the functional area(s) in which you have had the most training and experience.

Second, strategic management includes multiple stakeholders in decision making. Managers must incorporate the demands of many stakeholders when making decision. Stakeholders are those individuals, groups, and organizations who have a “stake” in the success of the organization, including owners (shareholders in a publicly held corporation), employees, customers, suppliers, the community at large, and so on. Managers will not be successful if they continually focus on a single stakeholder. For example, if the overwhelming emphasis is on generating profits for the owners, employees may become alienated, customer service may suffer, and the suppliers may become resentful of continual demands for pricing concessions. As we will see, however, many organizations have been able to satisfy multiple stakeholder needs simultaneously. For example, financial performance may actually be greater because employees who are satisfied with their jobs make a greater effort to enhance customer satisfaction, thus leading to higher profits.

Third, Strategic management requires incorporating both short-term and long-term perspective. Peter Senge, a leading strategic management author at the Massachusetts Institute of Technology, has referred to this need as a “creative tension.” That is, managers must maintain both a vision for the future of the organization as well as a focus on its present operating needs. However, as one descends the hierarchy of the organization from extends to be a narrower, short-term perspective. Nonetheless, all managers throughout the organization must maintain a strategic management perspective and assess how their actions impact the overall attainment of organizational objectives. For example, laying off several valuable employees may help to cut costs and improve profits in the short term but the long-term implications for employee morale and customer relationships may suffer-leading to subsequent performance declines.

Fourth, strategic management involves the recognition of trade-offs between effectiveness and efficiency. Closely related to the third point above, this recognition means being aware of the need for organizations to strive to act effectively and efficiently. Some authors have referred to this as the difference between “doing the right thing” (effectiveness) and “doing things right” (efficiency). While managers must allocate and use resources wisely, they must still direct their efforts toward the attainment of overall organizational objectives. Managers who are totally focused on meeting short-term budgets and targets may fail to attain the broader goals of the

organization. Consider the following amusing story told by Norman Augustine, formerly CEO of defense giant, Martin Marietta (now Lockheed Martin):

I am reminded of an article I once read in a British newspaper which described a problem with the local bus service between the towns of Bagnall and Greenfields. It seemed that, to the great annoyance of customers, drivers had been passing long queues of would-be passengers with a smile and a wave of the hand. This practice was, however, clarified by a bus company official who explained, “It is impossible for the drivers to keep their timetables if they must stop for passengers.”

Clearly, the drivers who were trying to stay on schedule had ignored the overall mission. As Augustine noted: “Impeccable logic but something seems to be missing!”

Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor. Strategic Management. 2 ed. New York: McGraw-Hill Irwin, 2005.