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**Strategic Management: Definition, Purpose and Example**

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Strategic management is the planned use of a company's resources to reach its goals and objectives. Strategic management requires ongoing evaluation of internal processes and external factors that may impact how a company functions. Companies of all sizes and in all industries can benefit from the practice of strategic management.In this article, we explain the benefits of strategic management, how it works, and the types and stages of strategic management, and we provide an example to guide you.

**Benefits of strategic management**

Achieving organizational goals takes planning and patience. Strategic management can help companies reach their goals. Strategic management ensures the steps necessary to reach a business goal are implemented company-wide.Strategic management offers many benefits to companies that use it, including:

* **Competitive advantage:** Strategic management gives businesses an advantage over competitors because its proactive nature means your company will always be aware of the changing market.
* **Achieving goals:** Strategic management helps keep goals achievable by using a clear and dynamic process for formulating steps and implementation.
* **Sustainable growth:** Strategic management has been shown to lead to more efficient organizational performance, which leads to manageable growth.
* **Cohesive organization:** Strategic management necessitates communication and goal implementation company-wide. An organization that is working in unison towards a goal is more likely to achieve that goal.
* **Increased managerial awareness:** Strategic management means looking toward the company's future. If managers do this consistently, they will be more aware of industry trends and challenges. By implementing strategic planning and thinking, they will be better prepared to face future challenges.

**How does strategic management work?**

Strategic management requires setting objectives for the company, analyzing the actions of competitors, reviewing the organization's internal structure, evaluating current strategies and confirming that strategies are implemented company-wide.Strategic management can be either prescriptive or descriptive.

* **Prescriptive** strategic management means developing strategies in advance of an organizational issue.
* **Descriptive** strategic management means putting strategies into practice when needed. Both methods of strategic management employ management theory and practices.

While upper management is responsible for implementing strategies, ideas, goals or organizational challenges can come from any member of the company. Many companies employ strategists whose job it is to think and plan strategically to improve company function.

**Types of strategic management**

Strategic management as a concept can be approached in a variety of ways. Below are some popular types of strategic management:

SWOT analysis

SWOT stands for strengths, weaknesses, opportunities and threats. This analysis allows you to investigate internal and external factors. Internal factors include positive (strengths) or negative (weaknesses) factors that exist within your organization and are able to be changed or affected in some way, while external factors include positive (opportunities) or negative (threats) factors that exist outside of the subject you are evaluating and cannot necessarily be changed or affected by you or your organization in any way.

Balanced scorecard

A balanced scorecard helps you find which facets of your business need improvements by breaking down the performance evaluation process into four areas known as legs. These legs are:

* Learning and growth
* Business processes
* Customer perspectives
* Financial data

The balanced scorecard method can generate timely reporting mechanisms that show all statistics related to the growth of the company

**Five steps of strategic management**

While there are different approaches and frameworks for strategic management, there are generally the same five steps in the process:

1. Identification
2. Analysis
3. Formation
4. Execution
5. Evaluation

**1. Identification**

The first step in strategic management is evaluating the company’s current direction. This often includes understanding the company’s goal, mission and overall strategic direction. Assessing where the company’s current process will help you achieve your goal.

**2. Analysis**

Once you understand the current process, you must analyze the details. What is working? What is not working? What input from organizational stakeholders can you gather? This is the time to answer any questions that will help solidify the necessary elements of the strategic plan. A [SWOT analysis](https://www.indeed.com/career-advice/career-development/swot-analysis-guide), or identification of strengths, weaknesses, opportunities and threats, is a useful tool.

**3. Formation**

Once you have the information you need, it is time to create an action plan for reaching the goal. Make sure the steps are clear, focused and directly related to the goal. Prepare easy-to-understand implementation guidelines if the process or procedure will impact many people within the organization.

**4. Execution**

Follow the steps outlined in your strategic plan. Make sure that all stakeholders are implementing the plan as designed for maximum efficiency.

**5. Evaluation**

Evaluate the final product. Did you achieve your goal? Was the process implemented appropriately company-wide? Based on your answers to these questions, you can reflect and revise as needed.

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**Example of strategic management**

**1. Identification**

*A furniture company named Wood's Fine Furnishings is preparing to introduce a new line of kitchen tables. They decide to implement strategic management to ensure that the product release goes smoothly, efficiently and consistently across all of their retail locations.*

**2. Analysis**

*In the past, Wood's Fine Furnishings has suffered from inconsistent marketing and incorrect shipping costs with the release of new products in their multiple retail locations. Before the release of their new kitchen table line, they have decided to run a SWOT analysis to see how they can improve the process.****Strengths:***

* *Quality product*
* *Several locations for the ease of purchase*
* *Flat shipping rate*

***Weaknesses:***

* *Poor communication between store managers and between store employees*
* *Shipping rate applied multiple times at some stores*
* *Inconsistent marketing strategy*

***Opportunities:***

* *Unified marketing*
* *Transparent fees*

***Threats:***

* *Wood's Fine Furnishings' main competitor released a line of kitchen tables last quarter*

**3. Formation**

*Using their SWOT analysis, Wood's Fine Furnishings creates a strategic plan for the release of their kitchen tables. It includes providing consistent marketing collateral, both print and digital, to all retail locations. It also includes sending a representative to each retail location to explain how to correctly apply the shipping rate to all purchases. Lastly, the support team sets up an internal messaging system so store managers can communicate quickly and easily about challenges and successes in their stores.*

**4. Execution**

*One month before the release of the new kitchen tables, the marketing team provides the marketing collateral to all retail stores. Every store is given the same guidance on how to implement the marketing items effectively. Two weeks before the launch, store managers are trained as a group on the new messaging system. The trainers field questions and make sure every manager has the messaging service set up on their company cell phone and office computer to be accessible at all times.One week before the launch, a representative from company headquarters trains every retail employee on how to appropriately apply shipping costs to a sale. Managers are also present to make sure this process is carried out correctly with customers.*

**5. Evaluation**

*Wood's Fine Furnishings reviews the data from their kitchen table release one month after the first day of sales. They find that the marketing plan drove consumers to the retail location closest to them to see the tables in person. The internal messaging system was under-utilized by most managers, many of whom did not like customers seeing them on their phones while out on the floor. There were no issues with shipping costs during this release. The strategic managers take this data and use it as they begin to plan for their next new product release.*