

# Understanding



## Strategic Management

**A guide to help you focus on all your business activities over the medium and longer term**

The main objective of strategic management is to provide a framework which guides all your business activities over the medium and longer term. In the absence of a clear strategic focus you run the risk of making decisions based purely on immediate or pressing concerns and this will generally result in a lack of direction, or in constantly shifting direction depending upon the prevailing conditions. Of course, you must always be focused upon the here and now, but any short term decisions you take should always be guided by a broader strategic context. Traditionally, the emphasis on strategic management has been weak in the tourism industry, but this has changed dramatically in recent years as the realisation has grown that without clear strategies, and plans implemented to realise them, a business tends to lack focus and as such underperforms.

# Understanding Strategic Management

This guide is designed to help demystify the issue of strategic management, and in conjunction with other guides in the Business Tools web page will help you to improve your levels of strategic focus. The content covered here includes:

<b>1. Understanding Strategic Management .....</b>	<b>3</b>
Where are you now? .....	3
Where do you want to be? .....	4
How will you get there?.....	4
How will you know you are getting there? .....	4
<b>2. A Strategic Management Model .....</b>	<b>5</b>
2.1 The Model in Action.....	6
2.1.1 Managing Profit & Performance – Strategic and Annual Planning.....	6
2.1.2 Managing Profit & Performance – Execution .....	7
2.1.2 Managing Profit & Performance – Review and Evaluation .....	8
Activity: Review your Current Approach to Strategic Management.....	9
<b>3. Conclusion .....</b>	<b>10</b>



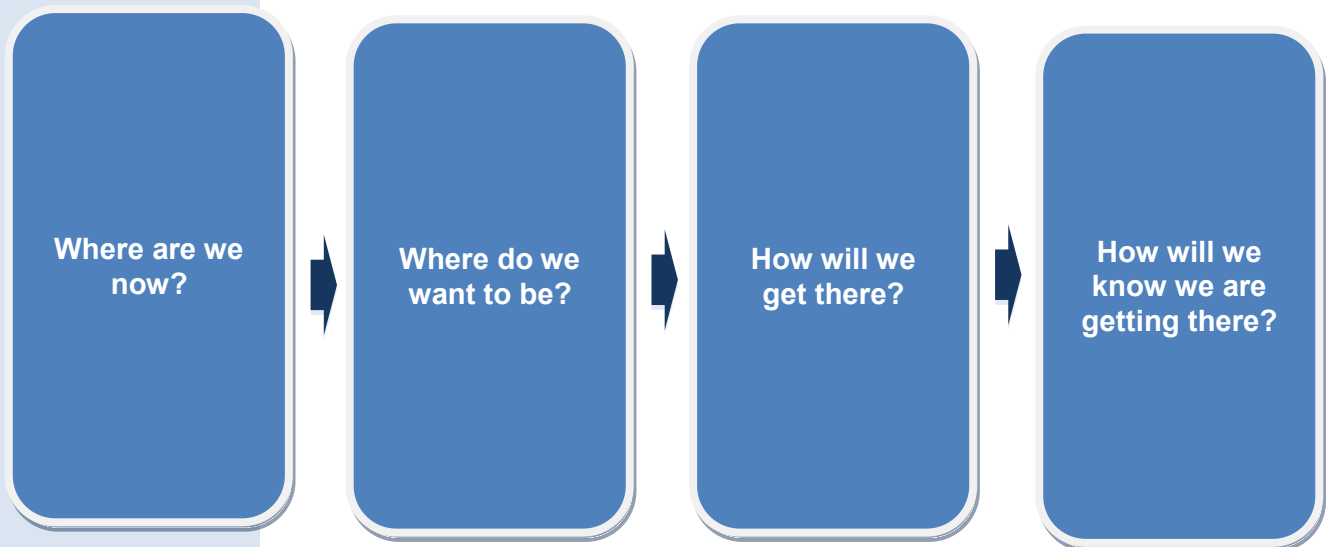
“You have to be fast on your feet and adaptive or else a strategy is useless.”

*Charles de Gaulle, statesman*

# 1. Understanding Strategic Management

Strategic management can seem somewhat overwhelming at times and it is undoubtedly riddled with concepts, models, frameworks and terminology. More confusing still is the fact that everywhere you look you will likely find different interpretations of how best to

apply strategic management; this can be quite off-putting for tourism professionals, and whilst it is important not to over-simplify the process, the basic building blocks of strategic management are concerned with answering four age-old questions:



These questions should immediately indicate that strategic management actually has planning, execution and review/control components. As a first step in developing your understanding of strategic management, these four questions can be helpful and within each, you need to consider issues like:

## Where are you now?

- What is the current standing of your business? How are you performing?
- What are your internal strengths and weaknesses as a business?
- What are the opportunities and threats out there on the horizon?
- How well are you equipped to meet them?
- What are the trends in your key markets?
- What's the economic outlook?
- How does the competitive environment look?

## Where do you want to be?

- What is your ultimate goal for your business?
- What type of business do you want to become?
- What is the current gap from the ideal and why?

## How will you get there?

- What strategic goals will guide all your efforts?
- What is the best strategy or strategies to achieve those goals?
- What do you need to do to implement your strategy?
- What should you focus upon in the short and medium term to move you in the right direction?

## How will you know you are getting there?

- Is your strategy working?
- Are the actions that you have taken producing the desired impact?
- How do you know?

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“  
*strategic planning, execution and*  
”  
*control influence everything you do*

Things can start to seem somewhat more manageable when you break things down into practical terms and any framework for strategic management, no matter how many bells and whistles it has, will be concerned with addressing these four questions.

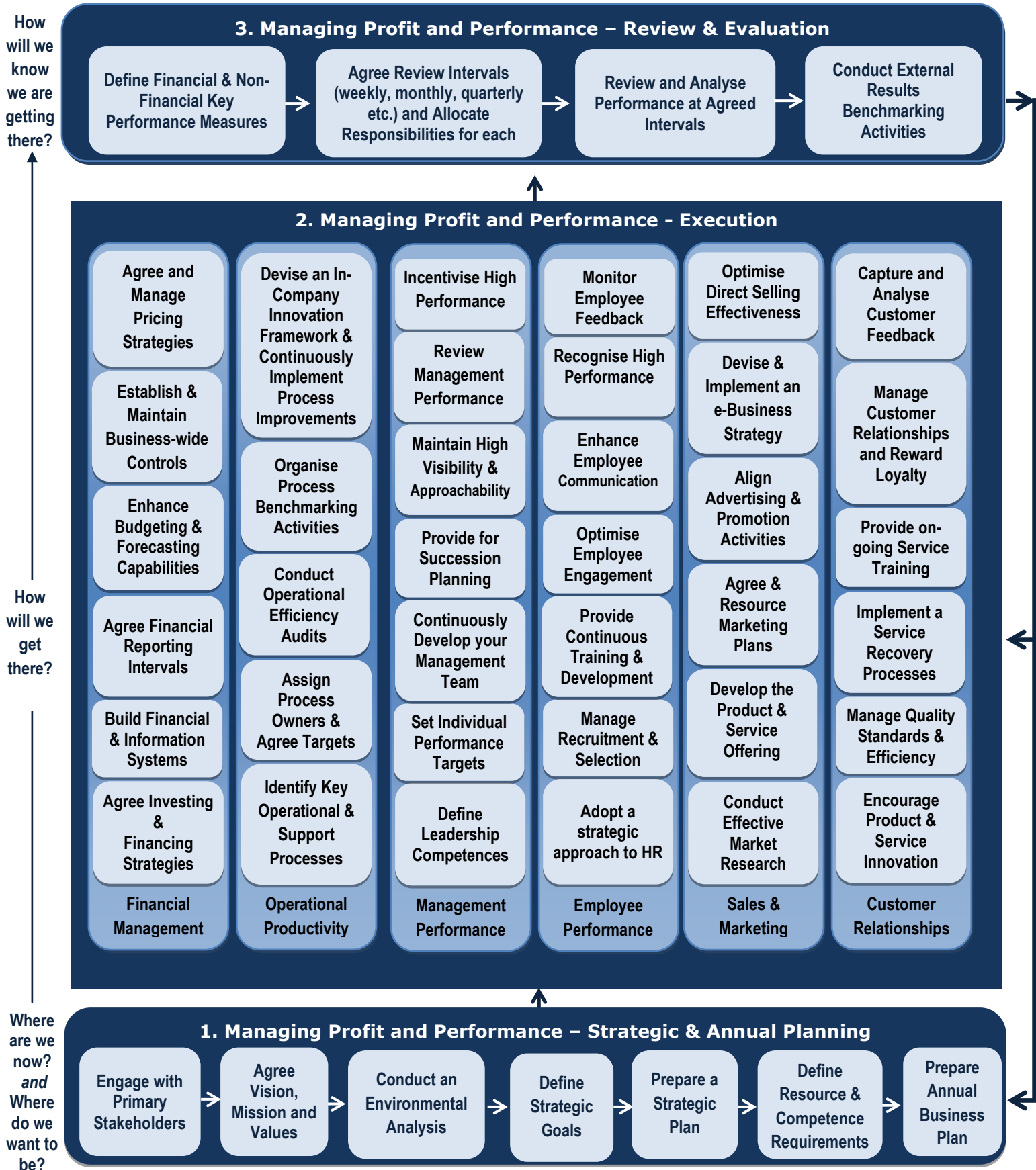
Another potential reason why strategic management has not been a priority concern for some tourism professionals is because there often seems to be somewhat of a disconnect between the 'planning' and 'doing' components of strategic management in the sense that, even when some level of strategic planning is undertaken and a plan is prepared, it can often have little impact on how the business is managed on a day to day basis – consequently, for many operational managers, 'strategy'

seems to be somewhere out there in the ether with little or nothing to do with them.

Whatever you do in terms of strategic planning, you will want to ensure that it actually drives the business forward and makes a real and lasting difference to the way you do things every day. With this in mind, the model for strategic management outlined in the following section is radically different from what you may have come across elsewhere. It has been designed specifically with tourism enterprises in mind and is intended to ensure that strategic planning, execution and control influence everything you do in your business so that there is no disconnect between strategy and the here and now.

“A strategy is something you can touch; you can motivate people with; be number one and number two in every business. You can energize people around the message.”  
*Jack Welch,*  
*ex-Chairman and CEO,*  
*General Electric*

# 2. A Strategic Management Model



## 2.1. The Model in Action

On first glance, this may seem like a very complicated model, but it really isn't, and in fact you will already be (or should be) addressing most of these elements at least to some degree. The model is beneficial because it brings everything together for you and it makes a strong link between the strategic planning process, execution and evaluation, which as mentioned above is often overlooked in many other strategic management models. Although presented in a linear format for presentation purposes, it is more a circular process which is focused on continuous improvement and guided by the 'if it's not measured, it's not managed philosophy'.

The key stages in the model are summarised below:

### 2.1.1 Managing Profit & Performance – Strategic and Annual Planning

In seeking to plan the way forward for your business, there are a number of important activities to consider here:

#### Engage with Stakeholders

Before you can ever hope to develop and implement an effective strategic plan, you need to step back from day to day operations and formally engage with your key stakeholders. This is vital so that you know and understand their needs and expectations and can then respond accordingly as you develop your strategic and business plans. A separate guide on [Managing Stakeholder Engagement](#) is available on Business Tools.

#### Agree Vision, Mission and Values

Following your engagement with stakeholders, and to set an overall

context for the strategic planning process, you should develop, or revise your Vision, Mission and Values statements and details on how to do so can be found in the [Leading your Organisation online guide](#).

#### Conduct Environmental Analysis

Conducting a comprehensive environmental analysis is vital as it will help you to identify the strengths, weaknesses, opportunities and threats facing your business.

#### Define Strategic Goals and Prepare a Strategic Plan

Based on a better understanding of the business environment and your stakeholders' needs you should then devise key strategic goals and in turn agree strategies to achieve those goals. In addition, you need to consider what resources and competences are required to help you implement the strategies.

#### Develop Integrated Annual Business Plans

Strategic goals and strategies can only be brought to life if you plan accordingly on an annual basis and consequently you must develop an integrated annual business plan which includes plans for finance, marketing, human resources and operations and these plans must be designed so as to complement and support each other. For example, the marketing section must be prepared in line with projected revenue targets, and the service experience must be developed and enhanced to meet those marketing promises, with training planned for employees as appropriate.

It is this ability to interlink the different components of the business plan which will maximise its potential for success.

Details on how to conduct an environment analysis, how to set strategic goals and strategies and how to prepare an annual business plan can be found in the [Strategy and Planning online guide](#).

## 2.1.2 Managing Profit and Performance – Execution

One of the most commonly identified failings in any business is the inability to translate strategy into action and to do so in your business means focusing on really critical drivers of performance such as:

- ❑ **Financial Management** – without an effective financial model for the business which helps to optimise profitability and delivers accurate and up-to-date information to support decision-making, you cannot execute your plans in a coherent manner.
- ❑ **Operational Productivity** - delivering on what's in your strategies and plans also depends on having effective operational and supporting processes in place and these cover everything from front office operations to purchasing. You must constantly strive to maximise efficiency in all your process and in doing so you will improve overall business performance and ultimately move towards achieving your strategic goals. You can find helpful resources on maximising operational efficiency in the 'Processes' section of the Online Business Tools.
- ❑ **Management and Employee Performance** - Of course, it will be your people – managers and employees – that make the plans happen so you should ensure that not only are they very clear as to what is expected of them, but that they have the skills necessary to do what is required to a high standard.
- ❑ **Sales and Marketing** – promoting your business is clearly an important success factor and the key challenge here is to maximise the return on your marketing expenditure by adopting an integrated approach based on solid research and defined target markets.
- ❑ **Customer relationships** – it goes without saying that unless you deliver a high quality experience and build meaningful relationships with your customers, you will struggle to succeed, regardless of what your short and long-term goals might be.

You will find more information on managing results and performance in the [Performance Management online guide](#)

Without optimising business performance across all these areas, you cannot fully execute your plans to the extent that they will lead to enhanced performance and ultimately to the realisation of strategic goals.



## 2.1.3 Managing Profit & Performance – Review and Evaluation

Of course, you will always want to know 'how are we doing?' as a business and for that you must define key performance measures (financial and non-financial) which enable you to get a truly holistic view of business performance; and in the process this will tell you whether your strategies and plans are succeeding.

It goes without saying that you need to continuously review performance and for the most part you likely do so already. However, there is a tendency for such reviews to focus on financial performance alone but to monitor the impact of your strategic planning

effectiveness you will need to look at results in areas such as customer, people, operations and marketing in addition to the finances. Furthermore, as well as the usual weekly and monthly performance monitoring, it is also helpful for the senior management team to conduct quarterly reviews, whereby the focus is primarily on how well the business is doing against what was proposed in the annual plan and by correlation how effectively the overall strategies are being implemented. These reviews may, depending upon the answers found, require some adjustments at various stages of the strategic management process.





**Activity: Review your current approach to Strategic Management**

Use the simple questionnaire below to identify strengths and areas for improvement in your current approach to strategic management

<b>Review of your approach to Strategic Management</b>					
<b>Rating</b>	<b>Very weak in this area</b>	<b>Weak in this area</b>	<b>Average at this area</b>	<b>Strong in this area</b>	<b>Very strong in this area</b>
<b>Managing Profit &amp; Performance – Strategic and Annual Planning</b>					
<b>1. Strategic focus</b>					
We have a strong understanding of the trends in the industry and specifically in our key markets					
We formally engage with our primary stakeholders and have a clear understanding of their needs and expectations					
We have developed and communicated our Vision, Mission and Values statements					
<b>2. Strategic Plans</b>					
We frequently undertake a comprehensive environmental analysis which allows us to pinpoint the strengths, weaknesses, opportunities and threats facing our business					
We have defined a set of key strategic goals which guide all our actions					
We have clear strategies in place to achieve our goals					
We continuously review resource and competence needs to support execution of our strategies and we then make changes as required					
<b>3. Annual Plans</b>					
We prepare a comprehensive annual plan, beyond a budget, for the business					
The plan has four interlinked components including Finance, Marketing, HR and Operations					
<b>Managing Profit &amp; Performance – Execution</b>					
<b>4. Financial Management &amp; Operational Productivity</b>					
We have an effective financial management system which facilitates decision-making and helps us to maximise profitability					
We have defined our key operational and supporting processes with individual ownership assigned for each					
We continuously audit these processes to define and implement efficiency improvements					

<b>5. Management and Employee Performance</b>					
We have clearly defined and communicated the performance expectations of our managers and employees					
Based on those expectations, we offer ongoing training and development to our managers and employees					
We have a performance management system in place to review management and employee performance					
<b>6. Sales &amp; Marketing</b>					
We conduct regular market research which helps us to target our marketing efforts for best effect					
We know from our measures of marketing effectiveness that our marketing plans are making a tangible difference to business performance					
<b>7. Customer Relationships</b>					
We have a defined system in place to manage service quality which involves all managers and employees in the drive for quality					
We know from our measures of customer satisfaction that our quality management efforts are making a difference to business performance					
<b>Managing Profit &amp; Performance – Review and Evaluation</b>					
<b>8. Key Performance Measures</b>					
We have defined key performance measures for the business					
These measures include financial and non-financial elements					
<b>9. Performance Review</b>					
Performance against the annual business plan is constantly reviewed and changes made as appropriate					
In addition to the ongoing review of performance, the senior management team meet quarterly to review progress towards the strategic goals					

## 3. Conclusion

The purpose of this guide has been to help you to develop a better, and more action-oriented, understanding of strategic management. Through this understanding you will have taken the first steps towards increasing your strategic focus and in conjunction with the additional guides and tools mentioned throughout this document, you will transform how you manage your business from a strategic perspective.



This guide has been provided to you as part of Fáilte Ireland's suite of guides and templates in the Business Tools resource.

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