

The Relationship Between Strategic Management And Leadership: A Critical Literature Review

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Abstract: In these days, organizations always need a good strategic management and skilful leader to be able to achieve their goals. Both Strategic Management and leadership are two different words having their own meanings, and are working together but it seems to different way. A skilful Leader follows his own rules, however strategic management always look after for organization low and policy. The main purpose of this paper is to examine the strategic management and leadership with focuses on the relationship between them. The article is consists of five parts; first part an introduction, second part present a review about definition of management and its functions then strategic management, third part Leadership has been discussed within a multidimensional structure comprising, definition, Meaning, Theories, Styles, fourth part explain relationship between the strategic management, Leadership and the impact of them on strategic decisions, finally, Finally, the conclusion.

Index Terms: Strategic Management, Leadership, Leadership's Theories and Styles.

1 INTRODUCTION

Strategic management assures long-run organizational viability because it is a process of predicting the future based on interpretation of today's trends and signs, which help the organizational leadership to select the right direction for stability and growth. The current paper focuses on strategic management and discusses its role in comparison with the organizational leadership. This article also discusses the relations between strategic management and leadership and its effect on strategic decision-making. This paper has been written with a purpose to analyze various strategic management definitions, definitions of leadership, leadership styles, and theories, and it discusses the impact of strategic management and leadership styles on strategic decision making. It will also bring forward the concepts pertaining to strategic management and organizational leadership. This discussion will provide a better perspective on the science of strategic management and leadership and their interrelationship. This paper has been organized as follows: Introduction is the first part, the second part presents some popular definitions of management, its role and strategic management, the third part deals with discussion on leadership keeping in view its definition, theories, general understanding, management styles, the fourth part throws light on strategic management-leadership relationship and its impact on strategic decision-making, and finally, we'll present some conclusions.

2 MANAGEMENT

Today's management role is above and beyond giving instructions to others about what needs to be done. Management brings people closer for achieving certain objectives/goals while staying limited to utilizing the available resources. Generally organizations are viewed as systems; therefore, management can be considered as a human action, which facilitates the achievement of the required objectives with the help of available systems.

This perspective helps understanding how to do self-management, and how a person can manage others. Generally, management means achieving organizational objectives through engaging people and utilizing the available organizational resources. This fact was further established when Bateman & Snell (2004) defined management as: "The process of working with people and resources for accomplishing organizational goals." In order to follow the organizational management processes, the organizations always work with employees and manage their resources for achieving their targets. In the nutshell, management must have the following attributes:

- It is continuum of the ongoing and important activities.
- It is fully focused on achieving organizational targets.
- It achieves the agreed targets by involving human and other resources.

3 MANAGEMENT FUNCTIONS

Bateman & Snell (2004) mentioned four functions that management must perform because they are essential to run management processes of an organization. They include: Planning, Organizing, Influencing, and Controlling.

3.1 Planning

This is the first and the foremost impossible to simultaneously do everything in the "To Do List;" therefore, planning is done to choose the important tasks for achieving organizational goals. Planning helps in many ways: It helps selecting the most appropriate method for performing a task. The sole focus of planning is achieving objectives. It defines what the organizational team, employees or managers should do for achieving the desired objectives, and to make the whole organization successful. Generally, planning is about short-term success of an organization but it shapes an entire organization's long-term future as well (Bateman & Snell, 2004).of all the managerial processes because it increases efficiency of an organization that helps overcoming challenges and achieving the organizational targets. Since it is

3.2 Organizing

It is next on the list and a very significant managerial function that involves assigning the tasks to people, which is done during the planning phase, in which, various groups of stakeholders are involved. Organizing helps creating a process that converts plans

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into incidents or products. Generally, the organizational employees are assigned some tasks, which meet or contribute towards achieving important organizational goals. Tasks need organization, which should be in such a way that every individual's performance should add to the departmental and organizational success. Moreover, when tasks are specified and divided into working units that reduces the work load and optimizes the resource utilization. For this, every organization needs to manage its people and processes (Bateman & Snell, 2004).

3.3 Influencing

It is another significant managerial function. Sometimes, it is also termed as leading, motivating, or directing. It means guiding the organization members to accomplish tasks in a way that helps an organization achieve its goals. Influencing has a major purpose, which is enhancing productivity. Generally, the accomplishment of tasks, which are labor-intensive and require teamwork, result in generating high production levels in the long-run rather than the situations, in which people have to accomplish individual tasks because most of the people find task-based working conditions as uncomfortable or tedious.

3.4 Controlling

Researchers such as Bateman & Snell (2004) claimed that controlling is the fourth managerial function, and it plays the following roles:

1. Information collection for performance evaluation.
2. Deciding the performance norms and compare the current performance with the previous performances.
3. Make a new action plan, and modify the existing plans to achieve the desired objectives.

Controlling is continuous in nature, and every manager should control his/her team to accomplish what is essential, make the essential changes, and evaluate the progress. Controlling assures that the targets are achieved, and the desired changes have been made. The functions given above are major management functions; however, they need to be performed simultaneously in order to run the organization in a profitable way. For instance, a supervisor/manager might want to plan the next business move but while doing that, he/she might have to use organizing skills to know about the availability of resources. For managerial effectiveness, a manager must perform all four functions in order to keep the pace of usual business and growth at the same time (Bateman & Snell, 2004).

4 STRATEGIC MANAGEMENT

Strategy means directing and planning the total organizational moves and operations, and designing an action plan to achieve long/short-run goals (Oxford Dictionary). It also means "systematic analysis" of certain factors, which involve customers and competitors, because they are external stakeholders, and the organization/its internal environment, which provides grounds to the organizational managerial practices (Business Dictionary). It includes implementation and formulation of important initiatives that the top management takes in the interest of shareholders/owners of the organization keeping in view availability of resources, internal environment, and external environment. Strategy can also be explained as choosing a process or several processes to achieve the organization's major long-term goals. It also involves courses of action and resource allocation needed to achieve the desired objectives. Strategies

set direction, create a focus, clarify what the organization wants to accomplish, and provide guidelines keeping in view the internal and external environments. The process of strategic management includes strategic thinking and planning, which are both analytical and require certain formal processes for gathering and analyzing the data, which is collected as an input for strategic thinking. The data synthesis results in formation of a strategy while the concept of strategic planning is all about controlling processes for implementing the already designed strategy. In the nutshell, strategic planning is amalgamation of strategic thinking and making useful strategies. Generally, it involves a couple of significant processes: formulation and implementation (Mintzberg and Henry, 1996).

5 DEFINITIONS OF STRATEGY

A strategy is practice of a process that helps gaining a certain desired benefit after deciding the method, setting the sequence of tasks in the given time, and using resources keeping in view the competition, strengths of people and organization. According to Henry Mintzberg (1996), different perspectives and definitions have been presented to describe strategy in both practical and academic terms. He observed the overall strategic process and found out that it is fluid and not very predictable, which is quite unlike the people's perceptions about it. He concluded that it is not possible for him to declare just a single process as strategic planning. According to Henry Mintzberg (1996), it can be subdivided into the following five possible forms of strategy:

1. Strategy is a plan that requires the organization to take action in a specific way for achieving the intended objectives; so here, it is just like the concept of strategic planning.
2. Strategy can be a repetition of a pattern followed by the organization in the past. In this case, the strategy is not intended or planned but it is realized over time. When the realization of a pattern is different from the expectations, it is called as "emergent."
3. Strategy may be how a product, a brand, a product, or a company positions itself in a market. In this case, a strategy is set according to the behavior of the stakeholders specifically consumers; therefore, in this case, a strategy is primarily determined by the external environment.
4. Strategy can be a ploy to outsmart a competitor, oust it or grow more than it.
5. Strategy can be just a perspective based on natural mindset of business management, or the ideology of that business.

Moreover, Henry Mintzberg (1996) formed 10 schools of thought based on the mentioned five forms of management strategy, and later grouped them into three categories: The first is normative group, that is based on informal conception and design followed by formal analysis and planning. The second group is based on how strategic management is actually implemented, and it consists of six schools of thought. The six schools include cognitive, entrepreneurial, learning/adaptive/emergent, visionary, corporate culture, negotiation, and business environment. The final group consists of just a single school, which is based on transformation/configuration school of thought (Mintzberg, H & Quinn, J, 1996). Michael Porter (1980) explained strategy as a "broad formula" of the way a business will compete in the market, the kind of goals it should have, and policies required to accomplish those goals. He also suggested that a strategy is "the

combination of the ends (goals)," for which, a firm strives by making policies to achieve them.

6 MANAGEMENT AND LEADERSHIP

Since leadership is process-oriented just like management, and besides, there are many similarities between the two in several ways; therefore, people generally think that they are synonymous. They think that management leads and every manager is a leader because both of them work with people for achieving goals. They are dissimilar in many ways because they have different functions to perform. Kotler (1990) believed that the two functions are dissimilar. For instance, leadership focuses on general influence for increasing trust and inspiring people but the management is mainly concerned with problem-solving, planning, organizing, controlling and influencing. The organizational leadership gives vision of the future and convinces people to fulfill the vision, which makes people put in efforts and overcome obstacles to convert vision into reality. Moreover, leaders and managers use different methods to make people accomplish the tasks, i.e. leaders have followers but managers have subordinates; therefore, the two categories are very different. According to Bennis, W & Nanos, B (1985;p.221), leaders and managers are very different because: "Managers are people who do things right and leaders are people who do the right thing" . It also means that both leaders as well as managers are needed in every organization because making things right and doing right things are required in almost every organization. Contrary to the opinions presented above, many professionals and researchers consider both the roles as the same but there is a definitive difference, which is: Leaders set the direction for the people who follow them while managers facilitate followers and the whole purpose.

7 DEFINITIONS OF LEADERSHIP

Leadership is a very commonly used word, and since this word is used to describe eminent people belonging to various walks of life, people have differences about it. According to Tomas, B. Allen (1988), it means the "social influence" of a person to gain other people's support to accomplish a mutually agreed goal. Leadership has no universally accepted definition because of the complexity of a leader's role; therefore, different situations require different definitions of leadership. The leadership concept has been defined in the literature in various ways. According to Rost, J. (1991), more than 200 definitions of leadership exist in the literature, which have been presented during the last century but he acknowledged the fact that there is no single definition of leadership that sufficiently defines leadership; therefore, it is appropriate to consider some approaches to leadership because it would help dealing with the complexities of concept of leadership. Some of the credible definitions have been mentioned below:

- Goleman (2000) terms leadership as a process that leads to influencing people for achieving a specific objective.
- According to Northouse (2010), a leader is an individual, who influences a sizeable number of individuals, forms a group, and achieves a mutually agreed goal.
- Robert J. House (1996) wrote that leaders create a process for people, through which, they can join hands to do something extraordinary.
- Yukl (2006) defined leadership as a method to influence others, make them understand the needs,

and agree about what needs to be done in order to achieve a shared objective.

- Armstrong,M (2016) defined leadership as a process of getting people to do their best to achieve a desired result.
- Ireland,Hitt& Hoskisson (2010) stated that, Strategic leaders are people located in different parts of the firm using the strategic management process to help the firm reach its vision and mission.

8 LEADERSHIP STYLES

Leadership style means a leader's specific behavior that he/she exhibits while guiding, directing, managing and motivating people. So far, many researchers have mentioned various leadership styles, which are effective in different situations that an organization faces. There are different approaches to leadership but every leader must know when and how to use a specific approach. A leader's strategy shows how a leader leads his organization. Sadler (2003) pointed out that the leadership styles are primarily four, which are given below:

- Democratic Style of Leadership
- Autocratic Style of Leadership
- Bureaucratic Style of Leadership
- Laissez-faire Style of Leadership

When the leaders of an organization have the democratic style, they listen to their employees, and encourage them to give suggestions in the decision-making process before implementing any strategy because they believe that it will have a good overall impact on the organizational development. They generally ask the employees to give ideas to deal with a challenge or achieve an objective. They generally avoid making plans or strategies in isolation. Instead, they keep on asking the employees what they should do in order to increase the organizational profits and productivity while minimizing the resource utilization. It has been observed that leaders tend to change their style depending on the situation.

9 LEADERSHIP THEORIES

Over the last 100 years, many leadership theories have been evolved, which are helpful to throw light on how leadership actually works. Many researchers have used different approaches to explain leadership. These approaches are mainly situational, behavioral and trait-based. In the current era, the echo of the earlier concepts of leadership is present in the transformational leadership theories. These theories throw light on the traits of a leader, his/her behavior/s, and some situational variables (Yukl, 2006). So far, several theories have been presented to describe leadership. For instance, contingency theory, Fielder's situational theories, and House's path-goal theory are glaring examples of some recent contributions to the leadership literature. Many of these theories are practical, and their concepts can be put into practice for transforming individuals or managers into leaders. The names of these theories are given below:

- Style Theory
- Contingency Theory
- Trait Theory
- Path-Goal Theory
- Transformational/Transactional Leadership Theory

- Situational Leadership Theory
- Strength-based Leadership Theory
- Leader-Member Exchange Theory
- Servant Leadership Theory

10 STRATEGIC LEADERSHIP

Richard L. & Katherine M. (2005) claimed that teams and individuals show strategic leadership while acting, thinking, and behaving in different ways, which provide an organization with a sustainable competitive advantage. These views are comprehensive as they encompass critical strategic leadership elements. In addition, it sets the direction of strategic leadership, which is gaining sustainable competitive advantage, and it makes an organization successful. In fact, strategic leadership drives its people to make the whole organization grow and thrive in the long-run. It is equally valid for commercial as well as humanitarian organizations. The only thing that matters in this context is whether an organization makes efforts to gain competitive edge that has a definitive long-run advantage to the organization and its stakeholders irrespective of the sector, in which, it is operating. According to Richard L. & Katherine M. (2005), successful strategic leadership needs perspectives and a skill set because the organizational leadership is an operational activity. They mentioned that the strategic leadership provides competitive edge, and it has the following three reasons:

- The first reason is broad scope of strategic leadership because strategic decision-making affects the areas beyond the traditional functions, business departments or the organization. Successful strategic leaders consider their organizations as interlinked, coordinated and interdependent structures because decisions pertaining to a department affect other departments and sometimes the whole organization. It must be kept in mind that operational leadership is not as wide in scope as strategic leadership.
- The second reason is the nature of strategic leadership, which is future-oriented. The strategic planning and implementation takes long time, the strategic leaders operate with a long-run timetable, and they integrate short-run output with long-run performance. It is not essential for other forms of leadership to have a future-oriented approach in order to be successful. It is evident from real-life examples of some top operational leaders, who assure effective accomplishment of regularly required tasks, end up accomplishing only short-run tasks.
- The third reason is change-oriented nature of strategic leadership. Generally, strategic leader focus on substantial organizational change, which creates concerns and causes ripples in the whole organization. On the other hand, other forms of leadership such as operational leadership don't need major organizational or departmental changes. For instance, if the targets of a quarter have to be achieved, it needs teamwork or may be extra effort by the team members. It might not require a major change such as hiring or firing people.

Researchers have identified that a strategic leader may be selected from any field or level of an organization; therefore, strategic leadership is not limited to top officials. A procurement manager can be a strategic leader, if he/she

correctly anticipates the effect of switching suppliers on the quality of products. In the same way, a human resource director can act as a strategic leader, if he or she develops a system for promoting cooperation among different organizational departments. It is quite possible for a customer support executive to interact with the customers in a different way because that person is in a unique situation, in which, he or she can make a difference for the organization (Richard L. & Katherine M., 2005).

11 RELATIONSHIP BETWEEN STRATEGIC MANAGEMENT AND LEADERSHIP

The word management is based on the verb "manage" that implies "do something and get something." Practically, it is the art of planning tasks using skills such as directing people and organizing tasks for assuring its development. The tasks of strategic management include making organizational plans, carrying out assessments, shaping or reshaping an organization for making it prosper and achieving its key objectives. One the other hand, the term leadership is based on the verb "lead" that means guide or show direction. If an organization doesn't have an effective leader, or its leaders lack charisma, it will never achieve its goals on time. In the nutshell, leaders structure an organization and lead it for achieving the pre-decided organizational goals. Strategic leaders make plans, start implementing them, and control the workflow. They also support the process by giving deadlines or extending them. They evaluate the performance to assure that the direction of the organization is correct. Northouse (2010) defined leadership as a process that a leader adapts to influence other people for a common objective. Research shows that leadership and strategic management are significantly correlated, which means that leaders and strategic managers have some special traits, which help them convince others to do what they want for organizational success. Moreover, strategic management is another form of management that creates competitive edge for achieving organizational objectives. Generally, the top management acts as strategic management because they have authorities and job descriptions, which legitimize their positions for implementing certain strategies. It is commonly observed that the leadership wants change, so it creates the need to make an important strategic shift/change. It is already mentioned that the leadership has influence on the people, and it convinces them to achieve the organizational objectives. The leadership has impact on the activities that an organization performs; so, the concepts and practices of leadership and strategic management are interrelated. Different styles of leadership have impact on the organizational vision, goals, mission, culture, structure, and rules, which are also linked with the organization's strategic management (Hill and Jones, 2007).

12 THE IMPACT OF LEADERSHIP AND MANAGEMENT ON STRATEGIC DECISION-MAKING

Many case studies show that strategic decisions mainly affect the long-run business performance that is directly linked with its objectives. Normally, they are decided by the top management, and generally, they involve high risk but still, effective strategic decision-making is quite fruitful. It is specifically true for the current business era when leaders and managers have to make their businesses survive and grow in the changing environments. They do this by continuously

accepting and adapting the changing business scenarios. They have to maintain pace with the changing business world for gaining a significant competitive advantage. Since the business world is fast moving, many leadership styles and decision-making forms are practiced such as autocratic leadership, negative leadership, participative/democratic leadership, free-rein leadership and leadership by example. Leadership styles refer to the method, through which, a leader/manager treats his group members; therefore, leadership styles may be charismatic, laissez-faire, dictatorial/autocratic, or bureaucratic. The mentioned styles have a deep impact on the decision-making processes and the kinds of formal and informal hierarchies in an organization. Good leaders are flexible, and they can adapt themselves and transform their businesses according to the requirements. They prefer doing the right thing at the right moment. Voelkl (2004) mentioned that autocratic leaders take decisions without asking for other employees' opinions; therefore, their own decision-making skills must be very good but still, this leadership style demonizes and suppresses others; therefore, it is applicable to just a few businesses. Generally, a democratic leader's style and behavior are quite contrary to the autocratic leaders because democratic leaders discuss their strategies with the employees and other stakeholders depending on their expertise. Only one thing is common: It is the leader, who takes the final decision. Voelkl (2004) mentioned that the effects of leadership and management styles on formulating strategies may be different under changing situations, for instance, applying autocratic style in large organizations is not advisable but it may be used in a small organization. Moreover, the effect of a style also varies, and it affects strategic decisions, which are essential for the organizational success.

13 CONCLUSION

Based on the discussion and references given above, we can conclude that strategic management and leadership provide an organization with competitive edge, and both the concepts are interlinked. Moreover, strategic management contributes towards developing a sustainable business that helps organizations to survive even during economic recessions. The influence of a leader affects the organizational strategic management, and besides, it affects the strategic decisions. Moreover, there is no worth of management without leadership because it is impossible to achieve goals without effective leadership. A good leader keeps an eye on the management. The experts of management and organizational development spend a lot of time for studying and understanding leadership because it is the single most effective management role. The management strategies of an organization provide guideline for assuring productivity and success of an organization. Consequently, the ways organizational leaders behave towards management and management towards leadership, define the circle of organizational growth and its future. A significant factor is strategic management-leadership correlation, which shows that they are two parallel realities of an organization. Leaders cannot perform without good strategic decisions, which may hinder the process of organizational success.

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