

Understanding Strategic Management and Its Importance in Making Strategy through Literature Review

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Abstract - This paper is an in-depth analysis of literature review in area of strategic management to understand, what is strategy? what is strategic management? , what is importance of strategy and strategic management in making strategy for any organization? Though strategic management is a big concept, but it plays an important role in making strategy for any industry or organization. This is more important in to-days diversified market and where there is competition in market. There is need in modern time in strategies to achieve the agreed goals and objective, giving a sense of purpose and direction to the organization, because of recent technological and social changes and competition from rival organizations. To understand the strategic management, special focus has been given in this paper on its origin, definition, level of strategy and types of strategy, with example to understand strategy and strategic management.

Key Words: Strategy, Strategic Management.

1. INTRODUCTION

Today's organizations operate in a new working environment. On-going economic and political uncertainty, speed of innovation, shifting customer and employee demands, more visibility into everything an organization does and an increasingly diverse set of stakeholders have impacted all sectors. In this complex and uncertain environment, businesses need to look outward and account for rapidly evolving global trends[10]

All organizations have some form of structure, based on 'the established pattern of relationship among the individual groups and department within it'. There are two structures ---- a vertical structure of authority and responsibility where clear limit of financial authority exists, and horizontal of groupings of activities design to use the resources towards goal-attainment [1].

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2. THE ORIGIN OF WORD STRATEGY

The word strategy's the earliest concept is from the military. In the west, "strategy" comes from the Greek "Strategos", meaning the military general. Western strategy first appeared in the sixth Century, in 579. East Rome (Byzantine) Empire emperor Maurice wrote a book for training the senior general, named "strategicon", meaning "to the general". The "strategy" comes from "strategicon". In China, "strategy" has a long history, "zhan" refers to the war, "lv" refers to the strategy. During the spring and Autumn period, Sun Wu's "art of war" is considered to be the earliest Chinese of strategic planning [5].

France Romini definition of strategy in the "Introduction the art of war" is the strategy is to invade another country or to defend its command army on the battlefield is an army troops to the war zone or area of operations decided on art. Germany Clausewitz wrote in "on war", the most important strategic. Canadian Henry Mintzberg believed that at least 5 kinds of definition of strategy: strategy is a plan, guide to the future; strategy is a kind of pattern, the consistency of long-term operation; strategy is a kind of position, strategy is a kind of perspective, that is the basic way of doing things, an organization's corporate philosophy; strategy is the ploy, namely the specific strategy to defeat opponents or rivals [5].

3. LITERATURE SURVEY

In today's fast changing economic situation, every company is trying to assess its performances regularly. In order to survive companies are taking steps to expand by accessing new markets; making product and price more attractive; satisfying customers; developing new strategies. Thus, managers and executives of the companies looking for a suitable tools and techniques in order to investigate the internal and external cost of the products/service, get market information, product costs, analyse customer needs and wishes, predict and assess organizational performance, as well to ensure competitive advantage in production activities[7].

In its simplest conception strategy is regarded as a unifying idea which links purpose and action. For de Wit and Meyer (1998), in an intelligent treatment of the subject, strategy is any course of action for achieving an organization's purpose(s). In the words of Alfred Chandler, the first modern business strategy theorist, strategy in the area of business is defined as 'the determination of the basic, long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for those goals' (Chandler, 1962: 13). Although still tentative and preliminary as a definition, it is possible to advance a little further and say that strategy is a coordinated series of actions which involve the deployment of resources to which one has access for the achievement of a given purpose.' [14]

Initially, strategy making assumes the existence of at least one strategist, commonly the chief executive officer, who takes responsibility for the successful formulation and implementation of strategy. Few commercial enterprises are run as a democracy, and very few not-for-profit organizations. However, in practice, strategy making is usually done by a large number of people, not just a few. It is often a group activity, involving cooperation [14].

Strategies are essentially for the future. Strategic decisions are taken based on forecasts that are in turn based on available data on trends. The managers involved in strategic planning concentrate on developing projections that would take the company to better strategic position. The companies thus become proactive rather than being reactive to business situations. Strategies have Multi-Functional and Multi-Business Effects [15]

Strategic management is a systems approach to identifying and making the necessary changes and measuring the organization's performance as it moves toward its vision [3].

It is the responsibility of senior leadership to strategically manage the organization. Strategic management is a continuous process rather than a one-time event. Therefore, the senior leaders must become strategic thinkers and leaders of the organization and its culture, changing it as necessary [3].

4. DEFINITIONS

What is strategic management?

A strategy is the mediating force or 'match' between the organizations and the environment 'according to Hofer and Schendel (1997)' [1].

"Strategic management" as a term and concept is not new. The term was first used in the 1970's, and it meant that a staff of strategic planners more or less thought up strategic programs and then tried to sell them to decision makers. In the 1990's, the view of strategic planning and strategic management is much different. Goodstein, Nolan, and Pfeiffer's definition of strategic planning takes us away from the notion that strategic planning is a staff job and focuses us more on a process that requires the senior leaders of an organization to set its strategic direction [3].

"Without a strategy, an organization is like a ship without a rudder, going around in circles. It's like a tramp; it has no place to go." -Joel Ross & Michael Kami (Fred 2011,35)[4].

Strategic management can be defined in various ways. According to Wheelen and Hungers' study (2006, 3), strategic management is a set of managerial decisions and actions that determines the long-term performance of a corporation. It involves environmental scanning (both external and internal), strategy formulation (strategic or long range planning), strategy implementation, and evaluation and control. They emphasize the analyzing and evaluating of external opportunities and threats in terms of an organization's strengths and weaknesses. (Wheelen & Hunger 2006, 3.) [4].

From the perspectives of Dess and Miller (1993), strategic management is a process that combines three major interrelated activities: strategic analysis, strategy formulation and strategy implementation [4].

In the other way, Lamb (1984) states that strategic management is an on-going process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment." (Lamb 1984.) [4].

5. LEVELS OF STRATEGY [17][15]

A typical business firm should consider three types of strategies, which form a hierarchy as shown in Figure 1.0

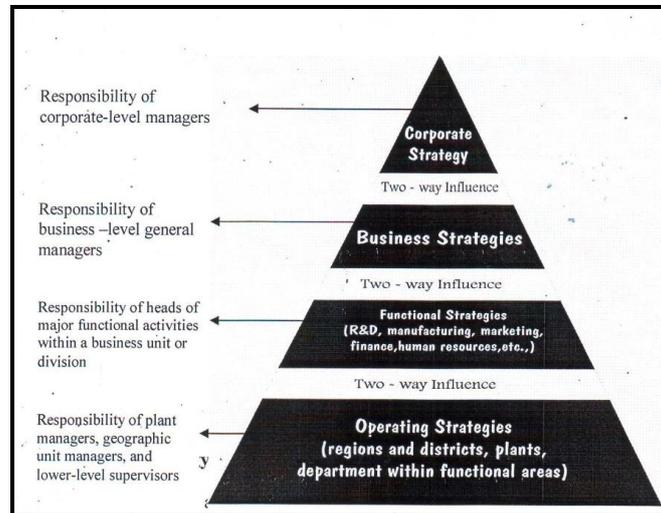


Figure 1.0 Hierarchy of Strategy

5.1 Corporate strategy – Which describes a company’s overall direction towards growth by managing business and product lines? These include stability, growth and retrenchment.

For example, Coco cola, Inc., has followed the growth strategy by acquisition. It has acquired local bottling units to emerge as the market leader.

5.2 Business strategy – Business-level strategy is - applicable in those organizations which have different businesses-and each business is treated as strategic business unit (SBU). The fundamental concept in SBU is to identify the discrete independent product/market segments served by an organization. Since each prod-uct/market segment has a distinct environment, a SBU is created for each such segment [15].

Usually occurs at business unit or product level emphasizing the improvement of competitive position of a firm’s products or services in an industry or market segment served by that business unit. Business strategy falls in the in the realm of corporate strategy [17].

For example, Apple Computers uses a differentiation competitive strategy that emphasizes innovative product with creative design. In contrast, ANZ Grindlays merged with Standard Chartered Bank to emerge ompetively.

5.3 Functional strategy – Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations [15].

It is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide the firm with a competitive advantage.

For example, Procter and Gamble spends huge amounts on advertising to create customer demand.

5.4 Operating strategy - These are concerned with how the component parts of an organization deliver effectively the corporate, business and functional -level strategies in terms of resources, processes and people. They are at departmental level and set periodic short-term targets for accomplishment.

6. TYPES OF STRATEGY [1]

Strategies may come about in different way and Mintzberg has recognized that there are different modes of strategy formulations which are described as below. The figure 2.0 as below shows the alternative:

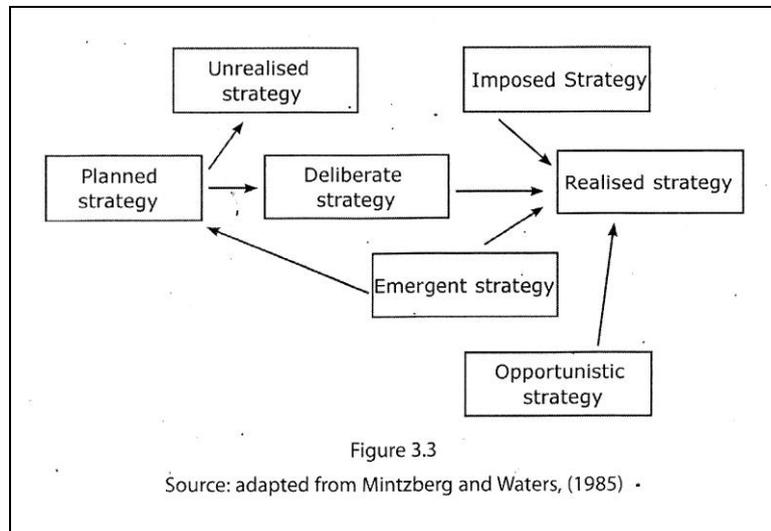


Figure 2.0 Types of Strategy [1]

7. IMPORTANCE OF STRATEGIC MANAGEMENT [6]

Strategic Management is all about specifying organization’s vision, mission and objectives, environment scanning, crafting strategies, evaluation and control.

1. It guides the company to move in a specific direction. It defines organization’s goals and fixes realistic objectives, which are in alignment with the company’s vision.
2. It assists the firm in becoming proactive, rather than reactive, to make it analyse the actions of the competitors and take necessary steps to compete in the market, instead of becoming spectators.
3. It acts as a foundation for all key decisions of the firm.
4. It attempts to prepare the organization for future challenges and play the role of pioneer in exploring opportunities and also helps in identifying ways to reach those opportunities.
5. It ensures the long-term survival of the firm while coping with competition and surviving the dynamic environment.
6. It assists in the development of core competencies and competitive advantage, that helps in the business survival and growth.

The basic purpose of strategic management is to gain sustained-strategic competitiveness of the firm. It is possible by developing and implementing such strategies that create value for the company. It focuses on assessing the opportunities and threats, keeping in mind firm’s strengths and weaknesses and developing strategies for its survival, growth and expansion.

8. CONCLUSION

After going through various literature reviews on the strategy and strategic management it is found that strategic management is important in view of making future planning through focus various key performance indicators, goals and objective having the purpose which results in driving the organization beyond the benchmarks. This is more important for the ecosystem of modern age where technology and social change go hand in hand.

The understanding and making the strategy through strategic management opens the way for operating the organization in competitive market with constant performance.

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BIOGRAPHIE



Mr. Vivek Shrouty, MIE, CEng (India), BE (Mechanical), MBA (TQM & EXIM), ADFM, LA (ISO9001:2015) and LSSGB. He has been working since 1996, for 8 years with SGS India (Société Générale de Surveillance) is the world's leading inspection, verification, testing and certification company. At present he is working as Deputy General Manager (QA) at UVSL, Wardha form last 15 years.

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