

# An Overview of Strategic Management: A Key factor to success in Corporate World

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## ABSTRACT

It is very important to understand what the present situation and the types of barriers the company should face in the existing environment in order to determine the mission and the objectives of an organization. The organization can carry out its task and goals by successfully deploying strategies. The companies should therefore be informed about strategic planning and management. Strategic planning, one of the most important management tools that helps managers identify the priorities and the main actions needed in order to achieve an organization's mission and goals. Strategic management is today one of the main topics in organizational management due to the dynamic business environment. This paper entails the concepts of strategy, strategic planning, strategic thinking, strategic management and the importance of strategic management.

## Keywords

Management, Management tools, Strategy, Strategic planning, Strategic planning

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## Introduction

The organization needs strategic management and the ongoing discussion in the field of literature. Strategic management is a technique actively used by troubled businesses to plan for and enhance the long-term performance of future challenges. Through improved analytical methods and better collection of information from an organization will increase the efficacy and performance of their plans[1]. As in the business strategy journal, strategic management is defined as a process by which an organization develops its strategies which begin as corporate goals and objectives with mission and vision. When the firm course has been set, strategic management will be carried out by strategic analysis and preparation, strategies are formulated, strategies are executed and past outcomes are evaluated at last.

Strategic management is a systematic approach that uses the values and management process to define every business' corporate goal or mission. It sets a suitable target to meet the objective, recognizes existing environmental opportunities and constraints and sets out a way for achieving the objective[2]. The performance of any business organization, through the proper implementation of strategic management in the competitive economy, is highly dependent on the quality of its management.

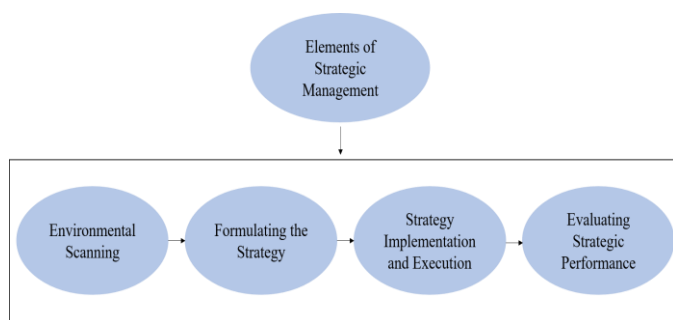
The aim of this review paper is to study about the Art of Strategic Management and its role in the success of Corporate Sector. The review examines how strategic management in business plays a crucial role in order to compete with their market competitors. The following sections will include an overview of elements of strategic management, strategic management process, and limiting factors of strategic management and benefits of strategic management.

## Establishing Strategic Objectives:

Specific performance targets are required from company level to deep within the organization's structure and in every area that affects the survival and success of a company[1]. The act of setting formal goals not just converts the direction of an organization, but also protects against drift, target less action, confusion as to what to achieve and losing purpose. Short-term and long-term goals are necessary. The strategic goals for an organization as a whole should at a minimum set out: the company's position in the market and competitiveness, its annual profitability targets, key financial and operating outcomes through its chosen activities and any other milestone in measuring its strategic success[3]. Since performance targets are important around the business that is why strategic management's objective role requires all managers. Each one must define the contribution of their sector for strategic success and then set clear, measurable performance goals.

## Elements of Strategic Management

Fundamental elements of strategic management is shown in the Figure 1. The strategic management process does not engage in the day-to-day operation of the organization but develops strategies to achieve long term goals. There are four main elements of the strategic management in order to pursue objectives.



**Figure 1:** Fundamental Elements of Strategic Management

### Environmental Scanning:

The first phase in the process of associating the company's strategy is environmental scanning. Understanding that environmental scans help the organization to learn about opportunities and events or issues that can impact its output and helps to identify strategies that are in line with environmental conditions[4]. Scan information in such a way has gained in significance and has become more important in order to achieve optimum efficiency in small and medium-sized enterprise.

While research has been carried out on the links between strategies and organizational properties and on environmental scanning and organizational characteristics, the link between scanning and strategy in small businesses is worthy of more attention because managers have been given priority scanning activities in recent decades. However, the relationship between environmental scanning and strategy has not been much researched[5]. Small companies are generally descriptive and based on the use of sources of information. Whereas in big businesses, the reactions and understandings are different to each other, they are not necessarily appropriate to entrepreneurs. As information and strategy interact closely, businesses using different strategies and attitudes need to adopt different scanning practices [6].

Environmental scanning in business management where accurate information collection is required is a current and necessary activity. This scan is necessary so that organizations work as open systems in their environments, finding resources and legitimacy. In addition, scanning enables communication or information obtained and, if taken into account efficiently, defines environmental conditions, reveals developments, opportunities, and conditions associated with nonexistence problems[7]. For the competitive success of strategic and environmental scanning, at the first stage of the process an efficient environmental scan was necessary. The association of environment strategy also demonstrates that environmental assessment provides important information for the organization, thus, prevents it from stagnating because its managers lack information about environmental changes.

On the basis of this information, the internal structure and the environment are properly adjusted. Therefore, Organizations should be aware of the environmental situation so that managers can respond to changes in the market. The frequency of acquisition of information about the external environment and the way it is acquired are two important aspects in the scanning process. Enterprises can obtain large or small amounts of environmental data[8]. The frequency of data collection may vary with the nature of the

external aspect to be observed, since there may be a variety of components in the environment.

Methods ranging from personal to impersonal sources and external to internal sources affiliated with the organization can be used to collect environmental information. External sources apply to oral or telephone communications which include several recommendations which reviews rapidly, although the written or historical sources refer to impersonal sources which allow vast quantities of data to be condensed. Internal sources are found in the company and allow data directly linked to its reality, while outside the organization external sources are found and less data is lost since they do not pass through intermediaries. [6].

### Formulating the Strategy:

*Strategy formulation is a method in which to define and set an organization's goals, objectives and priorities, and to determine the correct and best path or action plans among all possible strategies available to achieve them[9].*

There is still a clear goal and those are the corporate priorities. The organization requires unique outcomes that can be obtained only by following a particular route or working within the limits or requirements of a particular system. This course or structure will be developed by formulating a strategy. The main reason why the strategy is sometimes called "strategic planning" is that they basically follow the same concept[10]. Management can evaluate its resources and determine the best ways to maximize the return on investment (ROI) of the company through strategic planning. In fulfilling their respective roles, the output-strategic plans will be the framework or guidance for organization members. It should therefore be noted that, even when the two phrases are sometimes used interchangeably, they are not exactly the same although they are similar in a number of ways.

### Aspects of Strategy Formulation:

The formulation of Strategy has three main levels or aspects as shown in the Figure 2, consistent with the subsequent guidelines at each stage to ensure the development of coherent, practical and viable strategies.

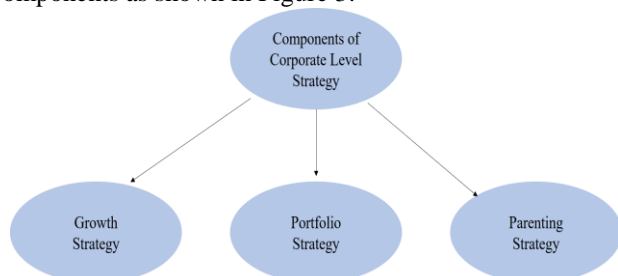


**Figure 2:** Aspects or Levels of Strategy Formulation

### Corporate Level Strategy:

The vision is wide and broad at this level, because the emphasis is on the whole organizations overall scope, purpose and aims. Since we look at the broad scale, the entire framework of the organization is our concern[11].

This aspect of strategy formulation has the following components as shown in Figure 3:



**Figure 3:** Components of Strategy Formulation

### **Growth Strategy:**

The direction of the company is concerned with this part[12]. What are the development goals of the organization? How does its overall output match with what the company thought when its growth targets were developed? Will the strategies for growth continue to be aligned with the growth targets and if not, what improvements or adjustments are required.

### **Portfolio Strategy:**

The whole issue here is to examine the organizational framework of the company[13]. What are the business lines in the portfolio of the organization? How are these lines related or how do they fit? Having concerns about whether a company can diversify or maintain the portfolio as it is.

### **Parenting Strategy:**

The key problem here is the distribution of resources and energy through the organization's business lines[14]. How are things to be handled in the portfolio? Which lines need more direct administration and control? Which lines need extra support to improve their performance?

### **Strategy Implementation and Execution:**

It is basically an administrative activity to execute the strategy and to get individuals and organizational subunits to execute their part of the strategic plan successfully. This indicates a number of management problems, such as:

- Establish a business that can execute the strategic plan
- Creation of strategic priorities and services
- Connecting encouragement and award framework directly to the performance
- To build an organizational culture in full compliance with strategy
- Creation of an information and reporting framework to manage and document the implementation of strategy
- Develop policies and procedures to promote the execution of the plan.

The creation of a policy action plan involves management at all levels and decision-making on responses to the question "What is needed for us to execute our part of the Strategic Plan and how best we can accomplish it?" Good performance ensures that nearly every organizational activity is scrutinized to see what action is necessary to enhance policy implementation and to encourage strategic

support and behavior[15]. The administrative tasks of executing and enforcing the plan include an increasingly systematic mechanism that generates a set of "fits," such that a firm is in compliance with its internal behavior.

Broadly viewed, the management's role of strategy execution is one of scrutinizing the entire internal enterprise to determine what strategy supporting methods are required and what steps to take to achieve them. The various parts of the implementation plan must also be organized in order to bring about an orderly transition (from the old approach to the new one)[16]. Both aspects are the sequence of actions and the pace with which the entire organization is unified behind the implementation of the strategy.

### **Evaluating strategic Performance and Making Corrective Adjustments:**

Neither the formulations of strategies nor the execution of strategies are once and for all activities. In each case, there are conditions that make changes beneficial. The strategy may need to be revised because it does not work properly or because changing conditions necessitate finer adjustment, or even significant revision. Even a successful strategy can be changed, and it doesn't take much justification that changes in market and competitive dynamics, the introduction of new opportunities or challenges, new management leadership and an update of priorities can all make a strategy change attractive. Similarly, there will be occasions when one or another component of the plan is inadequately addressed and changes are required in the implementation of the strategy[17]. And changing internal requirements and familiarity with current implementation strategies may lead to new or enhanced approaches to implementation. It is normal to test new ideas and to learn what works and what does not work through experiments and mistakes.

It is also often a necessary duty for managers to check how well the strategy selected works and how successfully applied it is and to make corrective changes if better methods can be found. Strategic management roles are ongoing and are not something to be performed periodically.

### **Strategic Management:**

The term strategic management is broader term than strategy. It is a mechanism that requires the organization's environmental review by top management for policy development and strategy execution and management plans. Continuous strategic review, policy development, execution and tracking activities are collected in the Strategic Management framework[16]. It systematically organizes the resources in align with vision, mission and strategy throughout the organization. Strategic management does not forecast the future but prepares the company for it with a clear understanding of the measures required to implement a strategic plan.

Strategic management was originally part of strategic planning and now a primary strategy for strategic management. Strategic planning with strategic management is combined, which unites both management and planning in the same phase[18]. Strategic management has now become one of the leading management fields. It provides a detailed list of management activities to assist management in

keeping the company environmentally friendly and to demonstrate the best path to growth.

Strategic organizational management focuses on establishing and maintaining competitive advantage. It consists of organizational analyses, decisions and behavior to produce and maintain competitive advantages. These competitive benefits help an organization identify opportunities and minimize environmental threats. More broadly strategic management is therefore a continuous and comprehensive process, involving the determination of the organization's mission and objectives in an internal and external environment.

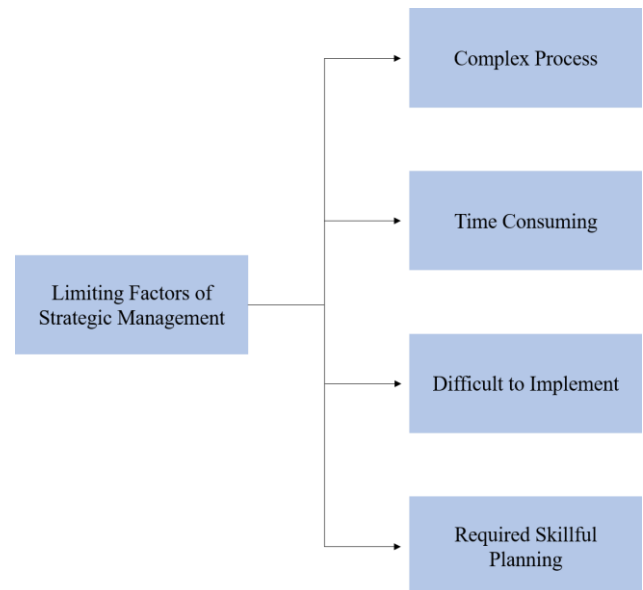
### Importance of Strategic Management:

- It guides the company to move forward in a particular direction. It defines the goals of the organization and sets realistic goals that match the vision of the company.
- It allows the firm to be proactive instead of reactive, to observe the actions of the rivals and to take the measures required to compete in the market rather than to become spectators.
- It serves as the basis for all the company's main decisions.
- It helps to prepare the company for future challenges and is a pioneer in the discovery and recognition of opportunities.
- It ensures the company's long-term survival and the sustainability of the competitive world
- It helps to build core skills and competitive advantages that support the sustainability and growth of the company.

The fundamental goal of strategic management is to ensure the company's sustainable strategic success. The development and execution of strategies that add value to the organization is possible. It aims to identify opportunities and challenges and to take into account the strengths and weaknesses of companies and to establish strategies for their success, development and growth.

### Limitations of Strategic Management

Strategic management requires longer-term strategies and priorities that help an enterprise to expand resources, opportunities and gain competitive advantage. While strategic management has several benefits, such as reducing tolerance to change and fostering cooperation, drawbacks are also present[19]. The strategic management process is difficult to execute and time consuming. In order to prevent pitfalls, it needs professional preparation. The limiting factor of strategic management is shown in the Figure 4.



**Figure 4:** Limiting Factors of Strategic Management

### Complex Process:

Strategic management requires continual review of essential elements, such as external and internal climate, short- and long-term priorities, organizational structure, and strategic control. This inter-relationship of elements can influence other areas by a change in one part.

For an example, in an economic crisis, a company may need to slash its jobs. The external factor, the weak economy, is affecting the internal climate that indicates the number of working people. An organization can then need to review goals and make appropriate changes[20]. All of these factors eventually affect the management, leadership and institutional processes of an organization, which have a role to play in decision making.

### Time Consuming:

Strategic management is a time-consuming process. Management spend so much time for preparing, researching and communicating the process of strategic management, which can have bad effect on operations that may have negative impact on business. For an example, managers may take a look on daily issues in order to find needing resolution as a result employee productivity may be decrease and have negative impact on short-term sales. Resolving issues in a timely manner is a major factor in strategic planning. This might cause an organization to divert vital assets and bring strategic management initiatives in a side-track.

### Difficult to Implement:

The implementation process includes a clearly articulated strategy that is executed so that not only company leaders but also all members of the organization need full focus, active engagement and transparency. Managers must strive to build and strengthen employee synergies to ensure buy-in and provide support for the goals and vision of the organization. This can become especially difficult in some cases. For instance, when a manager has engaged in the



strategic formulation process but has not been equally involved in the process of execution, he might not be responsible for decisions.

### Required Skillful Planning:

Although strategic strategies help to minimize ambiguity in achieving long-term goals, the planning process itself creates opportunities for mistakes. An organization must anticipate the future and take various levels of change and risks into consideration. Managers must possess the necessary skills to prepare the project and minimize risks in order to prevent pitfalls. For example, managers should track the potential changes in their external environment, as well as establish business contingency plans, such as conditions of the markets, competitive forces and economic factors which may adversely impact their business.

### Conclusion

Strategy has many variants and it is a very useful term for an organization. This paper incorporates several strategy concepts used by various scholars and the author suggests a new concept for the strategy as "A strategy is a plan of actions that is used to identify objectives, goals and methods for achieving them." Strategic planning is an organization's strategy that helps manage the business, particularly if the company can effectively execute a strategic plan. The main facets of senior management responsibilities are strategic analysis and strategic management. A highly detailed method of strategic planning involves a great deal of strategic analysis. Strategic management assists a company in defining its mission and priorities by establishing and maintaining competitive advantage. The organization today understood the advantages of a company's strategic management. The article has explained briefly how strategic management helps the company financially and non-financially.

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