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# APPLIED STRATEGIC MANAGEMENT

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## ABSTRACT

*The development of the field of strategic management within the last two decades has been dramatic. This review of the development of the field and its current position examines the field's early development and the primary theoretical and methodological bases through its history. Early developments include Chandler's (1962) Strategy and Structure and Ansoff's (1965) Corporate Strategy. These early works took on a contingency perspective (fit between strategy and structure) and a resource-based framework emphasizing internal strengths and weaknesses. Perhaps, one of the more significant contributions to the development of strategic management came from industrial organization (IO) economics, specifically the work of Michael Porter.*

**INTRODUCTION:**
Strategic management is a continuous process.

There are three stages in this process:
- ***strategy formulation,***
- ***strategy implementation, and***
- ***evaluation and control.***

Strategy management is also viewed as series of steps. Therefore, the strategic- management process can be best studied and applied using the model.

A review of the major strategic management models indicates that they all include the following steps:
- **performing an environmental analysis,**
- **establishing organizational direction,**
- **formulating organizational strategy,**
- **implementing organizational strategy,**
- **Evaluating and controlling strategy.**

The strategic management process mostly involves top management, board of directors, and planning staff. All organizations engage in the strategic management process. The success of an organization is generally dependent upon the strategic management and organizational abilities of the managers. Many research studies show both financial and nonfinancial benefits which can be derived from a strategic-management approach to decision making. All organizations engage in the strategic management process either formally or informally.

**Organizations usually employ one of the three general decision-making processes:**
1. Managers want to resolve current problems. Firms often face problems resulting from falling sales, low profit rates, or production inefficiencies. Managers try to identify the sources of those problems and resolve them as best they can.
2. Managers want to solve current problems and prevent future problems. For example, faced with rising production costs, managers may apply statistical techniques to create an optimal solution.
3. Managers want to design or create a better relationship between the firm and its operating and general environments. That involves the firm in **strategic decision making.**

**Three factors distinguish strategic decisions from other business considerations:**
1. Strategic decisions deal with concerns that are central to the livelihood and survival of the entire organization and usually involve a large portion of the organization's resources.
2. Strategic decisions represent new activities or areas of concern and typically address issues that are unusual for the organization rather than issues that lend themselves to routine decision making.
3. Strategic decisions have repercussions for the way other, lower-level decisions in the organization are made.

**The Strategic Decision Makers:**
The strategic management process requires competent individuals to ensure its success. Therefore, to understand strategic management, we must know where strategic decisions are made in organizations. Inputs to strategic decisions can be generated in a number of ways.

**Stages of Strategic Management:**
The strategic management process represents a logical, systematic, and objective approach for determining an enterprise's future direction.

**Researchers usually distinguish three stages in the process of strategic management:**
- strategy formulation,
- strategy implementation, and
- Evaluation and control.

**Various business prospects in strategic management:**
- Management process
- Management decision
- Structure of the organisation
- Activities of the organisation
- Time horizons
- Purpose
- Mission
- Goals
- Objectives
- Strategy
- Tactics
- Policy
- Strategists

**Needs and significance of strategic management:**
Main reasons for need of strategic management for an organization are:

1. Increasing rate of changes
2. Higher motivation of employees
3. Strategic decision-making
4. Optimisation of profits and
5. Miscellaneous!

**1. Increasing Rate of Changes:**

- The environment in which the business operates' is fast, changing.
- A business concern which does not keep its policies up-to-date, cannot survive for a long time in the market. In turn, the effective strategy optimises profits over a long run.

**2. Motivation of Employees:**

- The employees (human resources) are assigned clear cut duties by the top management viz. what is to be done, who is to do it, how to do it and when to do it. ?.
- They also get rewards and promotions resulting in higher motivation for the employees. A strategy must respect human values and duly consider the aspirations of individual members.

**3. Strategic Decision-Making:**

• Under strategic planning, the first step is to set the goals or objectives of a business concern. Strategic decisions taken under strategic management help the smooth sailing of an enterprise. Strategic planning is the overall planning of operations for effective implementation of policies.

**4. Profit optimization:**

• An effective strategy should develop from policies of a concern. It takes into account actions of competitors. An effective strategy should optimise profits over the long run.

**5. Miscellaneous:**

• Mr. H.N Broom in his book on 'Business Policy and Strategic Action' has mentioned that a strategy has a primary concern with the following:

- (a) Marketing opportunity: Products, prices, sales potential and sales promotion.
- (b) Available distribution channel and costs.
- (c) The scale of company operations.
- (d) The manufacturing process required to implement their scale of operations (with an optimal production cost)
- (e) The research and innovation programme.
- (f) The type of organisation.
- (g) The amounts and proportions of equity and credit capital available to the firm and their combined adequacy.
- (h) The planned rate of growth.

Thus, strategy is important because it makes possible the implementation of policies and long range plans for attaining company goals, creation of effective business strategy requires a basic knowledge of economic theory, management principles, accounting, statistics, finance and administrative practice.

**CHALLENGES:**

**Determinants of environmental uncertainty:**

Economic forecasters use complex models to help them understand economic change. It can be understood as an individual's inability to predict something accurately (Miliken, 1987). In the business world, managers have to deal with different kinds of uncertainty. They face uncertainty in the overall environment – the macroeconomic, political, social, technological and environmental framework in which they operate. They also face uncertainty in their specific industry. Another way of categorization is to differentiate between uncertainty about the actual state, uncertainty about effects and impacts, and uncertainty about responses or adequate measures (Miliken, 1987).

**Volatility:**

How do environmental parameters react to impulses that are hard to predict? Volatility comprises both what we call "firm-level volatility" and "aggregate volatility". The two types of volatility are, of course, interrelated – as we saw during the financial crisis of 2008. "Firm-level volatility" involves changes in a company's workforce, sales, earnings, capital expenditure or the price of raw materials (Comin/Philippon, 2006).

Strategic decisions are strongly influenced by sudden changes that affect a company's individual situation. One example of such firm-level volatility is the major shifts in the price of the raw materials copper, platinum and nickel seen in recent years (see Figure 2-1). These materials are required by specific industries; their price has become a strategically relevant parameter. In addition, shorter product lifecycles and rapidly changing technology also make long-term decisions difficult, often leading to expensive strategies based on trial and error.

"Aggregate volatility" refers to fast, large-scale changes in macro-indicators such as GDP growth on a national, regional or global level. It can result from having strongly interconnected sectors. "The recent economic crisis has further highlighted the importance of interconnections between firms and sectors in the economy. Both the spread of the risks emanating from the so-called 'toxic' assets on the balance sheets of several financial institutions to the rest of the financial sector, and the transmission of the economic problems of the financial sector to the rest of the economy have been linked to such interconnections.

**Complexity:**

Hat factors must managers take into account when formulating strategies? In most organizations today, major change is the rule rather than the exception. Shifts in leadership, overseas initiatives, and new products and services all cause unpredictability. Snowden and Boone identify the following features of complex systems (Snowden/ Boone, 2007): 

- The elements are connected and interacting 
- Minor impacts can produce disproportionately major consequences 
- The whole is greater than the sum of its inputs and assets

Hindsight does not lead to helpful implications for the future as external conditions are constantly changing 

**Global perspectives:**

Globalization is very real in everyday life. Who would have thought that Chinese brands would ever make it to Hollywood? Yet the latest "Transformers" movie is full of product placements for Chinese firms. Many companies, especially in the industrialized and emerging countries, make a big portion of their total revenues and profits through foreign sales. "... about 40% of profit for firms listed in the S&P 500 stock index [is] now coming from overseas" (Newman, 2011). And this is only the beginning: worldwide, just 10% of fixed investments go to foreign countries

**Variety of products:**

Buyers today are used to a wide range of choices. The complexity of product portfolios contributes to the many challenges facing strategic planning. Hundreds of different parts means millions of different product permutations. Companies constantly launch new products and line extensions. With added complexity, the cost of managing that complexity multiplies and margins shrink.

**Information technology requirements**

Information overload is an old problem, but the speed with which the sheer volume of available information is growing is new. With the internet and even faster data transfer all over the globe any amount of information can be exchanged in real time. The amount of data stored now doubles every 18 months (Roland Berger Strategy Consultants, 2011). Digital information is generated by a wide range of sensors, instruments and simulations. Companies find themselves unable to organize, analyze and store it quickly enough. Data is also increasingly fragmented. Managers are constantly bombarded with unrelated bits and piece of data – a comment from a friend one moment, information on the consequences of the Euro crisis the next. With the information floodgates well and truly open, content engulfs us in countless different formats, from text messages and tweets to Face book messages and voicemail.

These all five themes are fundamental to a study of the strategic management field and are discussed further in this chapter and other part of this thesis.

- Strategic issues require top-management decisions
- Strategic issues involve the allocation of large amounts of company resources
- Strategic issues are likely to have significant impact on the long-term prosperity of the firm
- Strategic issues are future oriented
- Strategic issues usually have major multifunctional or multi-business consequences
- Strategic issues necessitate considering factors in the firm's external environment.

**CONLUSION:**

As we have seen, the first decade of the twenty-first century has been characterized by uncertainty in many different shapes: rapid globalization, accelerating innovation and growing competition, bringing with them volatility, complexity and ambiguity.

A company using these tools to plan strategy in the year 2000 could not have foreseen the eurozone crisis, dot-com bubble, exponential growth in IT, the emergence of biotechnology and nanotechnology, new business models such as eBay, Dell and Amazon, and the most dramatic global economic slump since the Great Depression.

If the old systems had worked, companies would have realized that venerable institutions such as Lehman Brothers and Bear Stearns could disappear overnight. They would have foreseen that new players such as Facebook and Twitter could come out of nowhere and become giant players within less than ten years (Murray, 2010).

Companies therefore need another approach to cope with the uncertain future: scenario-based strategic planning.

## REFERENCE

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