

# Strategic Management is Key to Success For an Organization: A Conceptual Study

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**Abstract - The purpose of the paper is to study the role of strategic management in success of any organisation. This paper examines various levels of strategic planning. In recent times world economy has witnessed a lot of dynamism and challenges. The success in corporate sector will depend on management's recognition of the following functions: analyzing the environmental changes, selecting the strategists, continuous improvisation, helping them to think creatively, setting objectives, establishing strategies to achieve objectives, assign responsibilities and implementing the strategies, measuring success and evaluating results. Further, paper highlights the role of strategic management in success of a business. The study conclude with the factors need to be consider for a successful strategic management.**

## I. INTRODUCTION

Strategy word primarily associated with military history. But In the present competitive era, success of a company largely depends upon its strategic and critical thinking. Organizations are facing exciting and dynamic challenges in the 21st century. In the globalized business, companies require strategic thinking and only by evolving good corporate strategies can they become strategically competitive (Hill, Charles W.L) A sustained or sustainable competitive advantage occurs when firm implements a value –creating strategy of which other companies are unable to duplicate the benefits or find it too costly to initiate. Corporate strategy includes the commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns

An organization with strong strategic planning leads the other firms in the Industry. Due to rapid development of word economies need arises for strategic planning and brainstorming. Strong strategic planning and its effective management are critical to the success of every organization. Strategic management is a disciplined approach utilizing the principles and process of management to identify and different from classic business planning, the strategic variety involves vision, mission and outside-of-the-box thinking. It is the process by which strategy is translated into concrete short-term actions. It can also be a vehicle for deciding where you want your company to go which markets are important to your company's future, and which capabilities you will need to reach those markets effectively.

It determines an appropriate target to satisfy the objective, recognize existing opportunities and constraints in the environment, and device a way by which objective can be achieved. The performance of any business organization in the competitive economy is highly dependent upon the quality of its management via proper implementation of strategic management (Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor,2005)

## II. ELEMENTS OF STRATEGIC MANAGEMENT:

Tim Blumentritt defined, Strategic management as a process, during which an organization develops its strategies, that begins with missions and visions made tangible as firm -wide goals and objectives. After specifying the firm direction, strategic management proceeds through strategic analysis and planning, formulation of plans then implementation of the plans and its continuous improvisation to adjust the environmental changes and at last execution and evaluation of results.

So together, the following five elements of corporate strategic management ensure success of businesses in today's dynamic business environment.

- SWOT Analysis
- Develop a Strategic Plan
- Continuous Improvisation
- Strategic Thinking
- Execution

## III. SWOT ANALYSIS

Jeffs, Chris. Strategic management explained that, SWOT -- strengths, weaknesses, opportunities, and threats -- analysis is a wonderful way to prepare for developing a strategic plan. A SWOT analysis is an exercise that evaluates both internal strengths and weaknesses of the organization, as well as opportunities and threats

imposed by the external environment. Identifying these four critical components of your company existence is often the primary building block of strategic plans.

#### IV. DEVELOP A STRATEGIC PLAN

Strategic planning is an essential component of constructing the road map to the mission and the vision of the organization. It works as the "design" just as a blueprint as the "how" to build something. Strategic planning is a discipline that enables the board and management to evaluate the present environment, the organization's position within that environment, and then to craft a plan to successfully fulfill the mission of the organization.

#### V. CONTINUOUS IMPROVISATION

Success of the strategy depends upon its continuous improvisation. Unlike business plans, there is no one right way to create effective strategic planning. Since it depends on creativity and outside-the-box thinking, there is no perfect way to design a winning strategic plan. The more you understand your company, your industry, and your corporate "wish list," the better a winning strategic plan you'll create.

#### VI. STRATEGIC THINKING

Envisioning goals and then defining strategies you'll embrace to achieve your objectives is the true essence of strategic planning. Strategic thinking identifies the methods you will take to reach your goals. By selecting the strategy, you have defined the method to employ in your detailed specifications in your business plan.

#### VII. EXECUTION

Many companies struggle to generate the results intended by their strategy. That's because strategy execution is less clearly defined and understood than strategy development; further, whereas strategy is often developed by a small group of strategists in the organization, strategy execution is the responsibility of the organization at large. As critical as business planning is to the success of your company, all plans are useless unless followed by its execution. While strategic planning involves your vision, mission and dreams, it also further defines the rudiments of your execution plan to achieve the results you want.

#### VIII. NEED OF THE STUDY

The aim of this paper is to study the role of Strategic Management in the success of corporate sector.

#### IX. LITERATURE REVIEW

Strategic management is a topic of immense importance for the current corporate world. There are a few research has been done but still it is a topic of ongoing debate in literature.

Moore, Sharon, and Julie Jie Wen, 2007 explained the steps to be consider in strategy formulation. The research highlighted the importance of creative and brave strategists to make innovative and bold strategies. These strategies are the theoretical remedial approach in solving the problems faced by the organization, but their effective implementation is the practical remedy of the problems. Therefore, formulation and implementations both are the important stes in the way to achieve excellence. The test results verify that strategic planning performance is also linked with the organization's environmental turbulence, structure and firm size.

Tim Blumentritt, Tim, 2006, revealed that strategic management is a tool to the corporate organisation for facing the future challenges and improving long term goals. By applying better analysis approaches organisation can ensure efficiency and success of their plans. The study also highlighted Strategic management as a process during which an organization develops its strategies, that begins with missions and visions made tangible as firm- wide goals and objectives. Strategy not only provide direction to the firm but also helpful in success of attainment of objectives as well.

Bertoncelj, Andrej, and DarkoKovac, 2009, highlighted the levels of strategic management. Different levels of strategic management like corporate strategy, business strategy, and functional strategy take important part in enhancing firm performance. As per the study, Corporate strategy increases the organization's capacity by improving the culture of the organization, then the internal efficiency, then going toward customers and at last improving the financial performance by increasing the company's profitability, revenue, and decreasing the cost and risk. The capacity of the transformation of the organization in response to economic changes has also become critical success factor in the changing environment. The study also highlighted some other important factors like corporate governance, social responsibility and business ethics to be considered while making business strategies

Garih, 2005, Strategies, by gathering available numeral opportunities, produce strategies which are going to realize those policies. In that process, if businesses act based on top manager or under the presidency of top manager a business executive committee rather than board directors, their prospects are going to be high.

#### X. LEVELS OF STRATEGIC PLANNING

The literature review also revealed that strategy formulation is a very important step as these strategies are the theoretical remedial approach in solving the problems faced by the organization, but their effective implementation is the practical remedy of the problems. Thus, the organizational excellence can only be achieved by both formulating as well as implementing the right strategies (James Whelan, James D. Sisson, (1993).

In order to facilitate the strategic management process, the strategies are formulated and implemented in four levels of strategic planning. These hierarchical levels help the organizations in achieving both the annual objectives as well as long term objectives.

#### XI. CORPORATE STRATEGY

It is the highest level of strategy making in an organization. It is the responsibility of corporate level manager. It is concerned about the overall development of the businesses within the organization. These strategies provide a direction for a firm that what type of business it should be investing in. Corporate strategy is deals with questions like, Where your organization is today? Where you want it to be in future? How you want to get there?

The nature of strategic decisions tends to be value -oriented, conceptual and less concrete than decisions at the business or functional level (Jhonson, Gerry, And Kevan Scholes,2008). It describes a company's overall direction towards growth by managing business and product lines. These include stability, growth and retrenchment.

#### XII. BUSINESS STRATEGY

The firms indulge in different businesses use separate business strategies for each business. Although these strategies may differ from each other but all the business strategies of an organization or firm remain under the umbrella of the overall mission, vision and goals of the organization. The aim of this strategy is to gain competitive advantage in specific markets. Business strategies are the responsibility of Business level general managers.

#### XIII. FUNCTIONAL STRATEGY

Functional strategy deals with implementation of corporate and business strategies. These strategies are related with steps taken in order to effectively implement the higher level of strategies. It deals with relatively restricted plan providing objectives for specific function. Functional strategies can either be non-quantifiable actions such as customer satisfaction or can also be quantifiable actions such as number of orders placed or delivered in one day. Functional strategy is the responsibility of heads of major functional activities within a business unit or division

#### XIV. OPERATIONAL 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. Such strategies are responsibility of plant managers, geographic unit managers, and lower- level supervisors

The different levels of strategies like corporate strategy, business strategy, functional strategy and operational strategy take important part in enhancing firm performance. Corporate strategy increases the organization's capacity by improving the culture of the organization, then the internal efficiency, then going toward customers and at last improving the financial performance by increasing the company's profitability, revenue, and decreasing the cost and risk. The capacity of the transformation of organisation in response to economic changes has also become critical success factor in the changing environment.. In the competitive environment the firms are continuously trying to change their strategies according to the situation if the organization is unadaptive then it will fail to gain the competitive edge and also lose the market share. In this ever-changing world the corporate also have to look on corporate governance, social responsibility and business ethics while making business strategies.(Bertoncelj, Andrej, And Darkokovac,2009)

## XV. STRATEGIC PLANNING PROCESS:

Strategic planning is the process of defining an organization's plans for achieving its vision and mission. An organizational Strategy is a derived approach to achieving that vision and mission (Linda Parker Gates, 2010). It is a continuous ongoing process. It is a boundary spanning planning activity considering all the elements of the micro and macro environments of a firm. The key tasks of the process of developing and implementing a corporate strategy are firstly, exploring and determining the vision of the company in the form of a vision statement. Secondly, developing a mission statement of the company, that should include statement of methodology for achieving the objectives, purposes, and the philosophy of the organization adequately reflected in the vision statement. Thirdly, defining the company profile that includes the internal analysis of culture, strengths and capabilities of an organization. Fourthly, making external environmental analysis to identify factors as threats, opportunities etc. Fifthly, finding out ways by which a company profile can be matched with its environment to be able to accomplish mission statement. Sixthly, deciding on the most desirable courses of actions for accomplishing the mission of an organization. Seventhly, selecting a set of long-term objectives and their corresponding strategies (to be adopted in line with vision statement). Evolving short-term and annual objectives and defining the corresponding strategies that would be compatible with the mission and vision statement. And after then, implementing the chosen strategies in a planned way based on budgets and allocation of resource, outlining the action programs and tasks. Finally, installation of a continuous comparable review system to create a controlling mechanism and also generate data for selecting future course of action

Successful strategic management is led by innovative and futuristic strategists; who put their personal imprint on the whole process and people management. This revolutionary approach can prove as a solution to ailing corporate firms. The strategists have to start dealing the problem in a systematic manner, which means creating a corporate level strategy then aligning the business and functional level strategies to the mission and vision statements.

## XVI. ROLE OF STRATEGIC MANAGEMENT IN SUCCESS OF BUSINESS

Successful strategic management is led by innovative and futuristic strategists; who put their personal imprint on the whole process and people management. This revolutionary approach can prove as a solution to ailing corporate firms. Due to the strategic management company receives the following type of economic and non-economic importance. There are some importance Strategic Management -

**Alertness in Employees:** The alertness among the employees increases the success of objectives and targets due to strategic management. While framing the strategy management studies the capability and weakness of employees and resources and taking the steps to improve them, the employees become more alert about their own performance and the group activity.

**Reduction in cost of capital:** It is a fact that the unit which is successful in raising the capital of the lowest possible cost is almost eligible to face the competition right from the beginning. After getting the estimate of capital requirement the managers select the sources of capital from where they can acquire the capital in a strategically manner. The strategic management has been proved to be very useful to raise the estimated capital at lowest possible rate, simple conditions for mortgage, return of borrowed capital and conversion of borrowed capital into owner's capital.

**Increase in the Efficiency of the Employees:** The officers and experienced employees of all the three levels of re-engagement are included in **strategic management process**. The necessary inter-process in being done with them and for the success of strategy necessary training is also given to them. By this there is a notable increase in efficiency of employees and they get inspiration to work more.

**Reduction in Fixed and Flexible Expense:** The capital invested in the fixed assets is a fixed capital. Instead of purchasing the fixed assets, the managers may buy such assets on rent to decrease the fixed capital investment. In the same way, the flexible expenses can also be reduced through collection arrangement. Making changes in packing, of making changes in full, by acceptance, the strategy of machinery resources in management etc.

**Motivation to Group Activity:** By taking strategic decisions through the group, integration between group members increases on accepting various optional strategies which result in to co-operation and unity. Not only that, but the managers can also get the advantage of special strength of group members.

**Increase in Profitability:** The profitability of a unit depends upon-the maximum use of limited resources. Through strategically management process, the managers cannot only make the maximum use of financial resources but also they can use maximum man power to increase the overall productivity and profitability of the unit.

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Acceptance of Organizational Changes: Normally the employees do not accept the changes made in the organization, because due to that the change occurs in their roles also. As a result the necessity to giving training of the new work to the employees arises. Not only that but because of such changes many departments also have to be closed. In these circumstances the problem of the safety of job arises. In strategic management process the capability of employees is also considered. Not only that, but for its development, efforts are made through training programmed so no question arises for the employees for not accepting the changes.

Increase in rate of return on investment: Due to the strategic management there is a noble increase in the rate of return on investment made in the project. On the basis of the information received through analysis of internal and external environment the managers can increase the rate of return on investment by making a maximum use of resources.

Prevention of Overlapping of Work: Due to the interaction with employees and officers working at all the levels of the organization the question does not arise at all for the distribution of one work to more than one employee or even he overlapping work is also not possible. When the same activity is done by more than one employee, at that time there is wastage of time and materials. The problem of co-ordination also arises. With the help of strategic process, the managers can prevent the overlapping of work.

Prevention of Organizational Gap: Out of the departmental activities organization if any activity is not allotted to any employee, that activity is known as organizational gap. If the allotment of any work is left out by mistake, then none of the employees can be held responsible for it. In strategic management process, because of the interacting process being done with each employee, all the employees are given equal works and so there does not arise a questions of organizational gaps.

Increase in trading on equity: Trading on equity depends upon many factors. Among on this, by making a maximum use of borrowed capital in a creative manner through strategic management process, the profitability of the unit can be increased and the equity share holders can be paid maximum dividend. If an appropriate strategically arrangement is not made for the use of financial resources, then its profitable use will not be successful and the interest on the borrowed capital will also become burdensome.

#### XVII. FACTORS REQUIRED FOR A SUCCESSFUL STRATEGIC MANAGEMENT PROCESS

As rightly explained by David Moschella, "Industry executives and analysts often mistakenly talk about strategy as if it were some kind of chess match. But in chess, you have just two opponents, each with identical resources, and with luck playing a minimal role. The real world is much more like a poker game, with multiple players trying to make the best of whatever hand fortune has dealt them."

The above lines highlighted that Strategic Management not only important to survive but also to produce results in desired manner by fuller utilization of available resources and to gain competitive advantage. Strategic management is not an easy process but it is a complicated and ongoing process that requires hard work and dedication from most people in the organization to move it towards the future. It represents a new focus for the organization; a focus on a compelling vision of the future through continuous brainstorming. In the present competitive world every organisation have to prove themselves better than their competitors in order to get success. So, strategic management can become the key to achieve the desired results. The following points can be helpful to organizations in order to design an efficient strategic management process.

#### XVIII. COMPLETE AWARENESS OF MISSION, VISION AND GOALS OF THE ORGANISATION

There should be complete awareness about organization's mission, vision and goals while making strategies and executing strategic management. They make a foundation of any organization. Their proper understanding helps the strategists in planning the strategic management process. If it is not aligned with the company's mission statement then it will not only defame the company's reputation but will also demoralize the workers.

#### XIX. ROLE OF HIGHER LEVEL MANAGEMENT

It is the responsibility of senior leadership to strategically manage the organization. Strategic management is a continuous process rather than onetime event. Therefore, the senior leaders must become strategic thinkers and leaders of the organization and its culture. To be most successful, leaders need to be facilitators, coaches, consultants and consensus builders. Acquiring these leadership traits require hard work and dedication, willingness to take some risk, and internalizing organization's vision and guiding principles.

## XX. SYSTEMATIC AND PRE PLAN ACTIVITIES

The organization's strategic management team must start its work by conducting the pre-planning activities to prepare for strategic planning. It outlines a process whereby the senior leaders of an organization can envision its future and begin to develop the necessary procedures and operations to achieve that future through goals, strategies, and objectives. After the completion of the pre-planning activities, the senior leadership team can begin the strategic planning process. An initial strategic planning workshop can help in carrying out these pre planning activities.

## XXI. ALIGNMENT OF STRATEGY WITH COMPANY'S VISION AND MISSION

A deliberate strategic plan must be made in accordance with the company's vision and mission statement. A successful plan must consist of; Assign roles and responsibilities, Establish priorities, Involve mid-level management as active participants, Decide how to manage implementation, Charge mid-level management with aligning lower-level plans and Make careful choices about the contents of the plan and form it will take.

## XXII. PROPER COMMUNICATION

In the absence of information and clear communication, rumours start flying, and people at the functional strategy level start assuming the worst. Most of the times, the strategies are just communicated to the top executives and the entire team is not taken into confidence.

This leads to a serious mistrust and confusion among the team members and affect their efficiency in solving the problems. Thus while formulating any strategy; strategists at all three levels must communicate the broad outlines of their strategy to the people who are going to execute the plan.

## XXIII. WINNING THE COMMITMENT OF THE PEOPLE

The work force is the base of any organization and the new success factors create a sizzle among them. The CEO and his management must take the work force in confidence. He must explain them how the new strategic management process can bring the profits back to the organization and benefit the work force. Winning their confidence and commitment can get all the key players in the organization on board and a collective effort towards the transition of a company from failure to success can be guaranteed. Every organization handles its strategic management effort differently. Leadership style, maturity of the organization, structure and morale; all of these factors influence how an organization will approach its strategic management efforts. But the most important thing in any process is the implementation of the strategy and its continuous evaluation. These factors help in gauging the practicality of a plan and ensure the company's success and progress. So it can be concluded as "The best plan is only a plan, that is, good intentions, unless it degenerates into work. The distinction that marks a plan capable of producing results is the commitment of key people to work on specific tasks. The test of a plan is whether management actually commits resources to actions which will produce results in the future. Unless such a commitment is made, there are only promises and hopes, but no plan."

----- Peter Drucker

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