

OBM3102

FOUNDATION IN BUSINESS

SELF INSTRUCTIONAL
MATERIALS

ACADEMIC YEAR 2023

**FACULTY OF BUSINESS, HUMANITIES &
HOSPITALITY**

**BACHELOR OF COMMERCE
(HONS) IN
INTERNATIONAL BUSINESS**

Topic 11 ► Strategic Management

LEARNING OUTCOMES

By the end of this topic, you will be able to:

1. Explain at least 5 features of strategic management;
2. Explain the 5 stages of strategic management planning process
3. Explain 2 types of strategic analysis.

► INTRODUCTION

Strategic management is the ongoing planning, monitoring, analysis and assessment of all necessities an organization needs to meet its goals and objectives. Changes in business environments will require organizations to constantly assess their strategies for success.

11.1 OVERVIEW ON STRATEGIC MANAGEMENT

A company without a strong managerial team to lead it to success can be compared to a rudderless ship. No matter how hard the employees may work, without a clear goal in sight all the hard work is for vain.

Setting up clear goals and objectives for a company and a good set up of a plan to achieve those goals would help the company soar high over its competitors and help the company make huge profits.

In this topic, you can learn about the process of strategic management which will help you to make your company a better one.

11.1.1 What is Strategic Management?

Strategic management is the setting up and implementation of strategies that can be implemented from the grassroots to the managerial level to achieve better performance and gain advantage over the competitors in the same industry.

The process of strategic management should not be taken lightly and thorough understanding of the organizational structure and outside environment is needed before proceeding.

The process of strategic management also helps to develop trust between the people of all hierarchies and make employees better understand their role in the company. This helps the employees to feel more at home and they are ready to work with renewed vigor.

Strategic management is a continuous process and should be implemented from time to time so that the company does not remain stagnant. The process of strategic management helps a company achieve new heights and brings more profit to the company.

11.1.2 What are the features of strategic management?

The features of strategic management are outlined below:

9 FEATURES OF STRATEGIC MANAGEMENT		
1.	Process of Consciousness	Strategies are the result of our evolved conscience and intellect, which we humans are glad to have and use. Strategic management necessitates the use of both the mind and the heart, and it is not a routine, never-ending procedure. To be carried out efficiently, it necessitates a high level of expertise and experience, as well as a full application of one's conscience.
2.	It necessitates foresight	<p>The future is a mystery. We have no way of knowing what will happen. However, we will be able to make certain predictions based on the knowledge available to us.</p> <p>For example, if it is discovered that item XYZ causes cancer, we may make a pretty plausible assumption that it will be outlawed shortly. As a result of this assumption, we can avoid investing in anything directly related to XYZ.</p> <p>This is a fairly clear assumption, but most assumptions aren't, and the readily available knowledge isn't always relevant. Strategic management as a process necessitates foresight in this case. The manager must be able to</p>

		predict what will happen based on the few and frequently ambiguous signals he receives from the outside world.
3.	Character Traits Play a Role	<p>The preceding two points make it abundantly evident that strategic management is primarily reliant on the human traits of top-level executives.</p> <p>Unless a person is born with the ability to strategize, these human traits, which include skills and expertise gained through years of job and observation, cannot be transmitted through training or coaching sessions and require extensive practical exposure (which is rare).</p>
4.	The process with a Purpose	<p>The Strategic Management process is a goal-oriented procedure. The process is carried out to examine the various elements using SWOT analysis and other tools and developing a plan or strategy that allows the business to efficiently maneuver around every obstacle while maximizing its strengths.</p> <p>This technique also has the effect of making all other corporate functions goal-oriented.</p>
5.	Makes it easier to make decisions	<p>When it comes to making key decisions, strategic management is crucial. When a manager has to make a decision, he must consider the impact of that decision on the broader strategy and trajectory of the company.</p> <p>As a result, techniques were established to serve as a guide for making quick and correct selections.</p>
6.	Primary Process	Any business's primary process is strategic management. The strategies that the firm must employ in its operations are produced at the outset, and it is only after the strategy has been created that other processes can begin, using the strategy as a foundation.
7.	An all-encompassing process	<p>Strategic management is a process that can be found at all levels of a company.</p> <p>The top-level management develops the basic strategies for the entire firm, while the many lesser business units develop strategies to efficiently attain the overall goal set by the top-level management.</p>
8.	Risk Management is possible	<p>Strategic management can be thought of as a subset or a specific type of risk management. Risk is the likelihood of a future loss, and risk management entails developing various ways to mitigate risks, making risk management a type of strategic management.</p> <p>This type of strategic management allows for the identification and elimination of business risks posed by numerous hazards.</p>
9.	Encourages Creativity	The process of developing strategy is rarely easy, and it necessitates making the best of often difficult circumstances. This encourages innovation and allows managers to approach challenges from a variety of perspectives,

	<p>allowing them to solve problems more quickly. After all, the mother of all inventions is needed.</p> <p>Strategic management is a sophisticated process that requires years of knowledge and natural skills to execute well. The procedure is widespread and crucial to any organization. It is a distinct field that necessitates additional study for anyone interested in pursuing a career in management.</p>
--	--

11.1.3 Components of Strategic Management

Strategic management is a challenging and novel topic. We must analyze its components to gain a better understanding of it.

10 COMPONENTS OF STRATEGIC MANAGEMENT		
1.	Policies	<p>Policies are guiding guidelines or principles that are considered essential to a company's performance in the context of its strategy. They are ways of doing things or practices. Policies are broad, precedent-setting judgments that help managers make better decisions. Creating policies directs and "preauthorizes" operating managers' thinking, judgments, and actions as they apply the company's policies. Actions are made possible by policies.</p>
2.	Objectives	<p>Lengthy-term objectives are the outcomes that a corporation pursues over a long period. Profitability, return on investment, competitive position, technical leadership, productivity, employee relations, and staff development are examples of such objectives. Short-term objectives are the targeted outcomes that a business desires in a year or less.</p>
3.	Internal Review	<p>The business should look into:</p> <ol style="list-style-type: none"> 1. The financial, human, and physical resources of the organization, as well as their amount and quality. 2. The company's management and organizational structure's strengths and limitations. 3. Current capabilities or distinguishing competencies of the company. 4. Structure of costs and benefits, and 5. Past achievements and failures of the company the Outside World <p>The factors and forces that affect a firm's strategic alternatives and determine its competitive situation are referred to as its external environment. The external environment can include industrial forces, remote locations, and other sorts of work settings.</p>

4.	Threats and Opportunities	The identification of market opportunities is a key aspect of the strategic approach. These are then matched with the capabilities of the organization. The competitive environment is also examined for dangers to the company's competitiveness.
5.	Designing Organizations	The strategic goals and purpose of the organization are aligned with the people who will execute the work and how they are organized to do it through organizational design.
6.	Strategists and Key Decisions	<p>The importance of strategic decisions cannot be overstated. They are usually in such a way that they are irreversible or can only be reversed at a high expense. The grand strategy outlines how the goals will be met.</p> <p>All of the people who affect an organization's overall plans are considered strategists in any organization. The board of directors, the CEO, various managers, outside planners and consultants, and occasionally people in middle management roles are included in this group. The strategist's job is to see the organization as a whole, to grasp its inter-dynamics, and to make decisions in the context of the environment in which it functions.</p>
7.	Strategic Analysis and Decision Making	<p>Strategic analysis and decision-making are centered on creating strategies that are most successful at generating long-term competitive advantage based on the firm's fundamental competencies.</p> <p>Competencies or Capabilities</p> <p>These are the abilities and techniques that allow a business to give a specific benefit to its clients. A skill must pass four tests to be declared a core competency:</p> <ol style="list-style-type: none"> 1. Competitors must find it difficult to duplicate. 2. It must add to the value of the customer. 3. It has to be one-of-a-kind in the marketplace. 4. It must apply to a wide range of products. <p>Architecture, reputation, innovation, and strategic assets such as infrastructure expenses or benefits from rules or licensing requirements that limit entrance to the market are all examples of this distinguishing competence.</p>
8.	Plans of Action	<p>These aspects are used in action plans to help turn strategies into "action":</p> <ol style="list-style-type: none"> 1. They specify the actions that must be taken. 2. They create a clear timeline for each action's completion.
9.	Tactics That Work	Each business department must perform efforts that help develop a durable competitive advantage within the overall framework of generic and

		grant strategies. Functional tactics are short-term programs with a limited scope.
10.	Competitive Advantage That Lasts	Rivals almost always imitate successful ideas. As a result, the task is to develop long-term competitive advantages. This is what the strategy aims to achieve: a market position in which the company can make a bigger profit margin than its competitors while also being able to maintain the position over time.



SELF CHECK 11.1

1. Do you use any of the 10 components of strategic management at your company?

11.2 MODEL OF SM PLANNING PROCESS

The strategic management approach entails more than just following a set of guidelines. It's a way of looking at business from a philosophical standpoint. Upper management must first plan strategically, then put that strategy into action. When everyone in the company understands the strategy, the strategic management process works best.

The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring.

5 STAGES OF STRATEGIC MANAGEMENT PLANNING PROCESS	
Clarify Your Vision	The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff, give each person a task with which he can succeed. Keep in mind during this process your goals to be detailed, realistic and match the values of your vision. The next step in this stage is usually to produce a mission statement that

	explains your aims to both your stockholders and your employees succinctly.
Gather and Analyze Information	Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on understanding the needs of the business as a sustainable entity, its strategic direction and identifying initiatives that will help your business grow. Examine any external or internal concerns that may have an impact on your aims and aims. Make a list of your organization's strengths and weaknesses, as well as any dangers or opportunities that may occur along the way.
Formulate a Strategy	The first step in forming a strategy is to review the information gleaned from completing the analysis. Determine what resources the company currently has that can assist in achieving the set objectives and goals. Identify any places where the company will need to hire outside help. The difficulties that the company is facing should be prioritised based on how important they are to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to develop alternative approaches that target each step of the plan.
Implement Your Strategy	Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.
Evaluate and Control	<p>Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured. These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan.</p> <p>Monitoring internal and external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions fail, go through the strategic management process again. Because internal and external concerns are always changing, any information gathered at this point should be saved to aid future initiatives.</p>



SELF CHECK 11.2

How is the strategic planning process done at your workplace?

11.3 STRATEGIC ANALYSIS

When it comes to business planning, strategic analysis plays a crucial role to guide decision-making. Your organization operates in both internal and external environments and is influenced by both these environments.

Analysis of the organization helps leaders and executives decide the business's goals and priorities. The process provides a solid ground upon which leaders establish their business plan.

In this topic, we will explore the two types and the benefits of strategic market analysis. First, let's start with the definition.

What is strategic analysis?

Strategic analysis refers to an evaluation of an organization's work environment. This work environment generally defines how the organization operates its business. It helps to determine the mood functioning of the organization and whether the goals and objectives set by the organization can be met.

Many experts advise conducting it in an organization from time to time. It can help uncover the areas that need changes and enhancements.

Why is strategic analysis important?

Most of the ever-growing organizations implemented strategic planning through various phases of their business. The analysis is a part of business planning that has a systematic strategy and appropriate resource investment and can help you reach your goal as an organization.

One of the main characteristics is that it makes you consider your competitors and helps you evaluate your business strategies to keep you on top of the race.

It is important because it highlights the internal and external factors that influence the organization. By evaluating the organization, you can formulate and implement strategies.

The analysis is a part of strategic planning along with strategy formulation. The analysis sets the stage for you to formulate strategies and make decisions.

11.3.1 What are the types of strategic analysis?

There is no defined method to evaluate the organization's work environment. However, multiple methods can help you collect the data you need to analyze and prepare the stage for strategy formulation.

We have discussed two of the most popular analysis method – SWOT & PESTLE. Each approach offers something unique and adds value to your strategy planning. Let's take a look at two approaches.

1. Internal strategic analysis

As the name suggests, internal analysis is conducted when an organization needs to look inside itself and define its positive and negative performances, which can be further improved with proper resource investments. Doing so will enhance the company's image in the market.

The internal analysis focuses mainly on the organization's performance by evaluating the potential organization to reach its goals.

The most famous and commonly used internal strategic analysis technique is the SWOT analysis. SWOT stands for strengths, weaknesses, opportunities, and threats. This technique checks the full factors inside an organization or its projects and determines how things may suffer.

STRENGTHS	WEAKNESSES
Strengths of an organization are the positive areas that help it to grow consistently. These areas in an	Where there are strengths, there are also weaknesses. These are the areas of an organization that need to be fixed so that

organization need to be protected and carried forward through all the changes.	they can benefit the company while giving it a competitive edge over its competitors.
<p>THREATS</p> <p>There are various factors that affect an organization, but they are mostly predictable too. With a proper risk management strategy, threats like competitors' better performance do not affect the organization's performance.</p>	<p>OPPORTUNITIES</p> <p>Discover the opportunities an organization has to grow towards its success. Identify external opportunities and make sure you use them to the fullest.</p>

2. External strategic analysis

Once the internal analysis is completed and the organization is foolproof from the inside, it is time to evaluate the external factors that might interrupt the organization's growth.

External analysis to be accurate, one needs to know how the market works and how customers are affected by certain marketing strategies, products, and services that the competitors present out there.

PESTLE analysis:

PESTLE analysis is the commonly used external analysis technique. It stands for political, economic, social, legal, and environmental analysis, which determines the factors that affect the environment based on external strategic analysis.

It is a model that helps you to:

- Point out these factors that an organization cannot control, like political changes or environmental changes.
- Determine how each issue can impact the organization's growth.
- Identify the issues to the organization.
- Measure the probability of that issue happening.

Now that we have described the two types of analysis you can conduct, let's examine the advantages and disadvantages of conducting analysis.

Points to Ponder/Takeaways

- Strategic management is the setting up and implementation of strategies that can be implemented from the grassroots to the managerial level to achieve better performance and gain advantage over the competitors in the same industry.
- The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring.
- Strategic analysis refers to an evaluation of an organization's work environment. This work environment generally defines how the organization operates its business.

References

1. <https://www.easymanagementnotes.com/overview-of-strategic-management-definition-features-and-components/>
2. <https://iglobal-ac.net/the-five-stages-of-the-strategic-managementprocess>