L'Arbi Ben M'hidi University_ Oum El Bouaghi

Faculty of Economics, Business, and Management

Department of Management

3rd year Business/ Financial Management

Strategic Management

1. What is Strategy?

Strategy is an action that managers take to attain one or more of the organisation's goals.

(Chandler 1962) Strategy is the determination of the basic long term goals of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out these goals.

Mintezberg has identified the 5p's of strategy

- ✓ A plan خطة
- ✓ A pattern نمط
- ✓ A position موقع او مكانة المنظمة
- ✓ A policy السياسة
- ✓ A perspective المنظور

2. Features of Strategy:

- Strategy is significant because it is not possible to foresee the future. Without perfect foresight, firms must be ready to deal with uncertain events that constitute the business environment.
- Strategy deals with long-term developments rather than routine operations, i.e., it addresses the probability of innovations or new products, new methods of production, or new markets to be developed in the future.
- Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict employee behavior.

3. Criteria for Effective Strategy:

- Clear, decisive objectives: All efforts should be directed toward clearly, understood, decisive, and attainable overall goals. All goals need not be written down or numerically precise, but they must be understood and decisive.

- Maintaining the initiative: The strategy preserves freedom of action and enhances commitment. It sets the pace and determines the course of events rather than reacting to them.

- Concentration: The strategy concentrates superior power at the place and time likely to be decisive. It must define precisely what will make the enterprise superior in power, best in critical dimensions in relation to its competitors. A distinctive competency yields greater success with fewer resources.

- Flexibility: The strategy must purposely be built in resources, buffers, and dimensions for flexibility and maneuverability.

- Coordinated and committed leadership: The strategy should provide responsible, committed leadership for each of its major goals. Care should be taken in selecting leaders in such a way that their own interests and the organization's objectives align.

- Surprise: The strategy should utilize speed, secrecy, and intelligence to attack exposed or unprepared competitors at an unexpected time. Thus, surprise and correct timing are crucial.

- Security: The organization should secure or develop necessary resources, maintaining all vital operational points for the enterprise.

4. Need for Strategy:

- To have rules to guide the search for new opportunities both inside and outside the firm.
- To make high-quality project decisions.
- To develop measures to judge whether a particular opportunity is rare or whether better ones are likely to develop in the future.
- To ensure that the firm's overall resource allocation pattern is efficient.
- To have and develop internal abilities to anticipate change.
- To save time, money, and executive talent.
- To identify, develop, and exploit potential opportunities.
- To utilize the delay principle, meaning delaying commitment until an opportunity is fully assessed.

5. Levels of Strategy:

A typical business firm should consider three types of strategies, forming a hierarchy:

- Corporate Strategy: These strategies describe a company's overall direction toward growth by managing business and product lines.

- Business Unit or Product-Level Strategy: This strategy focuses on improving the competitive position of a firm's products or services within a specific industry or market segment.

- Functional-Level Strategy: This approach is taken by different functional areas to align with corporate and business unit objectives. It focuses on maximizing resource productivity and developing distinctive competencies to secure a competitive advantage.

- Organizational Strategy Alignment: This aspect addresses how different components of an organization—resources, processes, and people—work together to effectively execute corporate, business, and functional-level strategies.

6. Definition of Strategic Management:

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organisation. An organisation is said to have competitive advantage its profitability for all companies in its industry.

Strategic management is nothing but planning for predictable as well as unfeasible contingencies. It is applicable to both small as well as large organisation as even the smallest organisation face competition, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage. Strategic management gives a boarder perspective to the employees of an organisation and they can better understand how their job fits into the entire organisational plan and how it is co-related to the other organisational members.

7. Need for Strategic Management:

- Due to Change: The following factors help us to know the need for strategic management. Change makes planning difficult, but firms may proact to the change rather than just reach to it. Strategic management encourages the top executives to forecast change and provides direction and control. It will also allow the firm to take advantage of the opportunities provided by the changes in the environment and avoid the threats or reduce the risks as the future is anticipated. Thus, strategic management allows an enterprise to base its decision on long-range forecasts.

- To provide guidelines: Strategic management provides guidelines to the employer about the organisation's expectations from them. This would minimise conflict between job performance and job demands. Thus, it provides incentives for the employer and helps the organisation in achieving its objective.

- Developed field of study by Research: Strategic management was just based on case studies or anecdotal evidence 30 years ago. But recently, there are methodological problems in research in this field of study. More synthetic knowledge in this area is available at present. Therefore, it is worthwhile to study strategic management at present compared to the past.

- Probability for better performance: There is no clear research evidence that strategic management leads to higher performance. But the majority of studies suggest that there is a relationship between better performance and formal planning.

- Systematic business decisions: Strategic management provides data and information about different business transactions to managers and helps them to make decisions systematically.

- Improves communication: Strategic communication provides effective communication information from lower-level managers to middle-level managers and top-level managers.

- Improves coordination: Strategic management improves coordination not only among the functional areas of management but also among individual projects.

8. Process of Strategic Management:

The strategic management process consists of four essential elements:

- Environmental Scanning : Environmental scanning involves monitoring, evaluating, and disseminating information from both the external and internal environments to key decision-makers in the corporation. Its goal is to identify strategic factors that will shape the corporation's future.
- ✓ External Environment: Consists of opportunities and threats that exist outside the organization. Typically within the short-term control of top management.
- ✓ Internal Environment: Consists of strengths and weaknesses that exist within the organization. Usually not within the short-term control of top management.
- Strategy Formulation: Strategy formulation is the process of developing long-term plans for managing environmental opportunities and threats while considering the corporation's strengths and weaknesses.

- Strategy Implementation: Strategy implementation refers to putting strategies and policies into action through programs, budgets, and procedures. This process may require changes in corporate culture, organizational structure, or management systems to align with strategic goals.

- Evaluation and Control: the process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance.