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Global Strategic Management

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Abstract: Strategic management is bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. Strategic management is nothing but planning for both predictable as well as unfeasible contingencies. It is applicable to both small as well as large organizations as even the smallest organization face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage. It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

Key Words: Strategic management, performance, predictable, unfeasible, contingencies, applicable, organizations.

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 organization.

An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

The mixed set of economies- Global strategic management requires companies operating in a mixed set of economies to design a business strategy that encompasses all of them. That means the business goals will need to reflect the growth rates and market potential that these economies have, but at the same time be aligned to the overall corporate vision.

The word "strategy" is derived from the Greek word "strategos"; stratus (meaning army) and "ago" (meaning leading/moving).

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

Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.

While planning a strategy it is essential to consider that decisions are not taken in a vaccum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others.

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Strategy is the blueprint of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

Strategic management is a continuous process that:

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1. evaluates and controls the business and the industries in which an organization is involved;
2. evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then
3. re-evaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members.

It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives.

The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task.

They can understand the reaction of environmental changes on the organization and the probable response of the organization with the help of strategic management.

Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient. One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well.

Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

Following are the important concepts of Strategic Management:

* Strategy - Definition and Features
* Components of a Strategy Statement
* Strategic Management Process
* Environmental Scanning
* Strategy Formulation
* Strategy Implementation
* Strategy Formulation vs Implementation
* Strategy Evaluation
* Strategic Decisions
* Business Policy
* BCG Matrix
* SWOT Analysis
* Competitor Analysis
* Porter's Five Forces Model
* Strategic Leadership
* Corporate Governance
* Business Ethics
* Core Competencies

Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.

The strategy statement of a firm sets the firm's long-term strategic direction and broad policy directions. It gives the firm a clear sense of direction and a blueprint for the firm's activities for the upcoming years. The main constituents of a strategic statement are as follows:

1. Strategic Intent- An organization's strategic intent is the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage. Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company's vision. It motivates the people. It clarifies the vision of the vision of the company.

Strategic intent helps management to emphasize and concentrate on the priorities. Strategic intent is, nothing but, the influencing of an organization's resource potential and core competencies to achieve what at first may seem to be unachievable goals in the competitive environment.

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A well expressed strategic intent should guide/steer the development of strategic intent or the setting of goals and objectives that require that all of organization's competencies be controlled to maximum value.

Strategic intent includes directing organization's attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and team participation as well as contribution; and utilizing intent to direct allocation of resources.

Strategic intent differs from strategic fit in a way that while strategic fit deals with harmonizing available resources and potentials to the external environment, strategic intent emphasizes on building new resources and potentials so as to create and exploit future opportunities.

2. Mission Statement- Mission statement is the statement of the role by which an organization intends to serve it's stakeholders. It describes why an organization is operating and thus provides a framework within which strategies are formulated. It describes what the organization does (i.e., present capabilities), who all it serves (i.e., stakeholders) and what makes an organization unique (i.e., reason for existence).

A mission statement differentiates an organization from others by explaining its broad scope of activities, its products, and technologies it uses to achieve its goals and objectives. It talks about an organization's present (i.e., "about where we are").

For instance, Microsoft's mission is to help people and businesses throughout the world to realize their full potential.

Wal-Mart's mission is "To give ordinary folk the chance to buy the same thing as rich people."

Mission statements always exist at top level of an organization, but may also be made for various organizational levels. Chief executive plays a significant role in formulation of mission statement. Once the mission statement is formulated, it serves the organization in long run, but it may become ambiguous with organizational growth and innovations.

In today's dynamic and competitive environment, mission may need to be redefined. However, care must be taken that the redefined mission statement should have original fundamentals/components.

Mission statement has three main components- a statement of mission or vision of the company, a statement of the core values that shape the acts and behaviour of the employees, and a statement of the goals and objectives.

Features of a Mission-

a. Mission must be feasible and attainable. It should be possible to achieve it.
b. Mission should be clear enough so that any action can be taken.
c. It should be inspiring for the management, staff and society at large.
d. It should be precise enough, i.e., it should be neither too broad nor too narrow.
e. It should be unique and distinctive to leave an impact in everyone's mind.
f. It should be analytical,i.e., it should analyze the key components of the strategy.
g. It should be credible, i.e., all stakeholders should be able to believe it.

3. Vision- A vision statement identifies where the organization wants or intends to be in future or where it should be to best meet the needs of the stakeholders. It describes dreams and aspirations for future.

For instance, Microsoft's vision is "to empower people through great software, any time, any place, or any device." Wal-Mart's vision is to become worldwide leader in retailing.

A vision is the potential to view things ahead of themselves. It answers the question "where we want to be". It gives us a reminder about what we attempt to develop. A vision statement is for the organization and it's members, unlike the mission statement which is for the customers/clients. It contributes in effective decision making as well as effective business planning.

It incorporates a shared understanding about the nature and aim of the organization and utilizes this understanding to direct and guide the organization towards a better purpose. It describes that on achieving the mission, how the organizational future would appear to be.

An effective vision statement must have following features-

a. It must be unambiguous.
b. It must be clear.
c. It must harmonize with organization's culture and values.
d. The dreams and aspirations must be rational/realistic.
e. Vision statements should be shorter so that they are easier to memorize.

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In order to realize the vision, it must be deeply instilled in the organization, being owned and shared by everyone involved in the organization.

4. Goals and Objectives- A goal is a desired future state or objective that an organization tries to achieve. Goals specify in particular what must be done if an organization is to attain mission or vision. Goals make mission more prominent and concrete. They co-ordinate and integrate various functional and departmental areas in an organization. Well made goals have following features-

a. These are precise and measurable.
b. These look after critical and significant issues.
c. These are realistic and challenging.
d. These must be achieved within a specific time frame.
e. These include both financial as well as non-financial components.

Objectives are defined as goals that organization wants to achieve over a period of time. These are the foundation of planning. Policies are developed in an organization so as to achieve these objectives. Formulation of objectives is the task of top level management. Effective objectives have following features-

f. These are not single for an organization, but multiple.
g. Objectives should be both short-term as well as long-term.
h. Objectives must respond and react to changes in environment, i.e., they must be flexible.
i. These must be feasible, realistic and operational.

One of the first things that any observer of management thought and practice asks is whether a particular organization has a vision and mission statement. In addition, one of the first things that one learns in a business school is the importance of vision and mission statements.

Strategic management process has following four steps:

1. Environmental Scanning- Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes.
It helps in analyzing the internal and external factors influencing an organization.
After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

2. Strategy Formulation- Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose.
After conducting environment scanning, managers formulate corporate, business and functional strategies.

3. Strategy Implementation- Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action.
Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

4. Strategy Evaluation- Strategy evaluation is the final step of strategy management process.
The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial/corrective actions.

Evaluation makes sure that the organizational strategy as well as it's implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan.

Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.

Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

The process of Strategy Evaluation consists of following steps-

1. Fixing benchmark of performance - While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them.

In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task.

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The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation.

The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includes determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc.

Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

2. Measurement of performance - The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance.

If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure.

Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done.

The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

3. Analyzing Variance - While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed.

The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted.

The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance.

Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

4. Taking Corrective Action - Once the deviation in performance is identified, it is essential to plan for a corrective action.

If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance.

If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered.

Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

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

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