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ROLE, IMPORTANCE AND BENEFITS OF STRATEGIC MANAGEMENT

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Abstract

Strategic management and the role it plays in the accomplishments of firms has been a subject of thorough research and study for an extensive period of time now. That is a broad term that includes innovative thinking, a strategic planning process and operational strategising.

Strategic management in an organization ensures that goals are set, primary issues are outlined, time and resources are pivoted, functioning is consolidated, internal environment is set towards achieving the objectives, consequences and results are concurred upon, and the organization remains flexible towards any external changes.

Apart from faster and effective decision making, pursuing opportunities and directing work, strategic management assists with cutting back costs, employee motivation and gratification, counteracting threats or better, converting these threats into opportunities, predicting probable market trends, and improving overall performance.

Strategic management is all about specifying organization's vision, mission and objectives, *environment scanning, crafting strategies, evaluation and control.*

Keywords: *strategic management, strategic planning, strategies, decision making, companies.*

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1. Introduction

The term 'strategic management' is used to denote a branch of management that is concerned with the development of strategic vision, setting out objectives, formulating

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and implementing strategies and introducing corrective measures for the deviations (if any) to reach the organization’s strategic intent. It has two-fold objectives:

1) To gain competitive advantage, with an aim of outperforming the competitors, to achieve dominance over the market.

2) To act as a guide to the organization to help in surviving the changes in the business environment.

Here, changes refer to changes in the internal environment, i.e. within the organization, introduced by the managers such as the change in business policies, procedures etc. and changes in the external environment as in changes in the government rules that can affect business, competitors move, change in customer’s tastes and preferences and so forth.

The basic purpose of strategic management is to gain sustained-strategic competitiveness of the firm. It is possible by developing and implementing such strategies that create value for the company. It focuses on assessing the opportunities and threats, keeping in mind firm’s strengths and weaknesses and developing strategies for its survival, growth and expansion. Some complexity theorists define strategy as the unfolding of the internal and external aspects of the organization that results in actions in a socio-economic context. (Terra.& Passador, 2016, pp.235-248)

Strategic Management on a corporate level normally incorporates preparation for future opportunities, risks and market trends. This makes way for the firms to analyze, examine and execute administration in a manner that is most likely to achieve the set aims. As such, strategizing or planning must be covered as the deciding administration factor.

Strategic management is the process of evaluating the best policies for a business's managers to carry out in order to achieve the organization's goals and priorities. (Stamevski, Stamevska & Stankovska, 2018, pp. 129-133) As more and more organizations have started to realize that strategic planning is the fundamental aspect in successfully assisting them through any sudden contingencies, either internally or externally, they have started to absorb strategy management starting from the most basic administration levels. In actuality, strategy management is the essence of an absolute administration plan. For large organizations, with a complex organizational structure and extreme regimentation, strategizing is embedded at every tier.

Keeping in mind the long-term benefits to organizations, strategic planning drives them to focus on the internal environment, through encouraging and setting challenges for employees, helping them achieve personal as well as organizational objectives. At the same time, it is also ensured that external challenges are taken care of, adverse situations are tackled and threats are analyzed to turn them into probable opportunities.

2. Role of strategic management

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.

Strategic management is the continuous planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. Fast-paced innovation, emerging technologies and customer expectations force organizations to think and make decisions strategically to remain successful.

Strategic management typically involves:

- Analyzing internal and external strengths and weaknesses;
- Formulating action plans;
- Executing action plans.

Evaluating to what degree action plans have been successful and making changes when desired results are not being produced.

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.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm’s performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn’t ignore the threats.

In the field of management, strategic management involves the formulation and implementation of the major goals and initiatives taken by an organization's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization operates. (Nag, R., et.al., 2007, pp. 935-955) Strategic management is the management of an organization’s resources, evaluating strategies and ensuring that management rolls out the strategies across the organization. It identifying how the organization stacks up compared to its competitors and recognizing opportunities and threats, whether they come from within the organization or from competitors.

The strategic management process helps institutions identify what they intend to achieve and how they will accomplish outcomes. The term strategic management is used to refer to the entire decision-making process. Strategic management must evolve by predicting the future (more effective planning), thinking strategically (increased responses, evaluation of strategic alternatives and dynamic allocation of resources) and creating the future (strategic planning)

Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision-making in the context of complex environments and competitive dynamics. (Ghemawat, 2002) Business culture, the skills and competencies of employees, and organizational structure are important factors that influence how an organization can achieve its stated objectives. Inflexible companies may find it difficult to succeed in a changing business environment. Creating a barrier between the development of strategies and their implementation can make it difficult for managers to determine whether objectives were efficiently met.

While an organization's upper management is ultimately responsible for its strategy, the strategies themselves are often sparked by actions and ideas from lower-level managers and employees. An organization may have several employees devoted to strategy rather than relying on the chief executive officer (CEO) for guidance. Because of this reality, organization leaders focus on learning from past strategies and examining the environment at large. The collective knowledge is then used to develop future strategies and to guide the behavior of employees to ensure that the entire organization is moving forward. For these reasons, effective strategic management requires both an inward and outward perspective.

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.

More specifically, strategic management examines how actions and events involving top executive, firms and industries influence a firm's success or failure. Formal tools exist to help us better understanding these relationships. But they are not enough, creativity is just as important to strategic management.

Strategic management, basically, is making choices… which product/service to sell, the right balance of labour (people) and capital (machines) to use in producing the product/service and where to physically locate among the hundreds if not thousands of strategic choices.

Strategic management spans all sectors of a business. It is the process of evaluating the best policies for a business's managers to carry out in order to achieve the organization's goals and priorities. Strategic management is not static in nature; the models often [quantify] include a feedback loop to monitor execution and to inform the next round of planning. (Hill & Jones, 2012, p.21) The small-business owners, can create a competitive advantage for the companies by enacting aspects of strategic management.

Strategic management, especially when done well, is important for a business' long-term success. When we say that a business is carrying out strategic management, what is meant is that strategic management defines a strategy for its business activities, with clear, well-defined goals. The business will then create clear, well-defined plans that it will then put in action to achieve its goals and to align its business activities, so that the business will be in harmony with those goals. It also will allocate all of the necessary resources to achieve those goals.

A good strategic management plan goes beyond the improving a business' bottom line. A good plan also gives the company a valid social license for operations. In today's environment, this is becoming an ever-more important aspect for each business, because businesses have multiple internal and external stakeholders.

For example, consumers are seeing an increase in their awareness of their products being sold by companies. They're also becoming increasingly more interested, not only in the products a business produces, but also in the way that a company conducts its business activities. This includes operations from an environmental standpoint as well as from an ethical one. All of these aspects should be considered in strategic management and should be included in the business' plans, which should ensure that the business will survive in the long run.

3. Importance and benefits of strategic management

Strategic management allows an organization to be more proactive than reactive in shaping its own future; it allows an organization to initiate and influence (rather than just respond to) activities and thus to exert control over its own destiny.

Strategic planning provides a road map to help the business get from where it is now to where it want to be. Milestones are expressed in **specific terms**, as quantifiable objectives that measure whether business is proceeding as planned and, if not, how far gone off path.

- ✓ **Long-Term Objectives** - Long-term strategic objectives help to think in terms of big picture goals and overarching visions. The farther in the future planning, the more difficult it is to set specific goals. May to project an intention to open five stores in the next ten years without knowing what the real estate market or demand for the product will look like that far into the future. This objective can still be useful because it provides a general time frame, a schedule and a plan for ongoing growth, and it will still be relevant, even if only open four stores in five years.
- ✓ **Short-Term Objectives** - Align the short-term objectives in the strategic plan with the longer term goals allows to make incremental steps while also proceeding in a clear direction. If plan is to open five stores in ten years, need to open them one by one, and the opening nearest at hand is the most urgent goal. It's easier to be specific with shorter term objectives, and the more specific, the better able to be to assess the progress.

If plan is to open the next store in two years, can base the timeline on this objective, making plans to finalize the lease and financing in six months, complete major construction after a year and half, and spend the final six months on finishing work, furnishing, collecting inventory and training your staff.

Long-term objectives provide distant milestones that help to orient the shorter term decisions. For example, if plan to eventually open five stores, can build supply chain relationships based on intention of eventually doing considerably more business with these suppliers. Or, may to approach the branding as an effort that will start off small but build on memes and themes over time.

In recent years, virtually all firms have realized the importance of strategic management. However, the key difference between those who succeed and those who fail is that the way in which strategic management is done and strategic planning is carried out makes the difference between success and failure. Of course, there are still firms that do not engage in strategic planning or where the planners do not receive the support from management. These firms ought to realize the benefits of strategic management and ensure their longer-term viability and success in the marketplace.

Historically, the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical, and rational approach to strategic choice. There are many benefits of strategic management and they include identification, prioritization, and exploration of opportunities. For instance, newer products, newer markets, and newer forays into business lines are only possible if firms indulge in strategic planning. Next, strategic management allows firms to take an objective view of the activities being done by it and do a cost benefit analysis as to whether the firm is profitable.

Just to differentiate, by this, we do not mean the financial benefits alone (which would be discussed below) but also the assessment of profitability that has to do with evaluating whether the business is strategically aligned to its goals and priorities.

The key point to be noted here is that strategic management allows a firm to orient itself to its market and consumers and ensure that it is actualizing the right strategy.

1) Financial benefits

It has been shown in many studies that firms that engage in strategic management are more profitable and successful than those that do not have the benefit of strategic planning and strategic management. When firms engage in forward looking planning and careful evaluation of their priorities, they have control over the future, which is necessary in the fast changing business landscape of the 21st century.

It has been estimated that more than 100,000 businesses fail in the US every year and most of these failures are to do with a lack of strategic focus and strategic direction. Further, high performing firms tend to make more informed decisions because they have considered both the short term and long-term consequences and hence, have oriented their strategies accordingly. In contrast, firms that do not engage themselves in meaningful strategic planning are often bogged down by internal problems and lack of focus that leads to failure.

2) Non-financial benefits

The section above discussed some of the tangible benefits of strategic management. Apart from these benefits, firms that engage in strategic management are more aware of the external threats, an improved understanding of competitor strengths and weaknesses and increased employee productivity. They also have lesser resistance to change and a clear understanding of the link between performance and rewards.

The key aspect of strategic management is that the problem solving and problem preventing capabilities of the firms are enhanced through strategic management. Strategic management is essential as it helps firms to rationalize change and actualize change and communicate the need to change better to its employees. Finally, strategic management helps in bringing order and discipline to the activities of the firm in its both internal processes and external activities.

4. Conclusion

Increasingly, strategic management has become crucial in the world of business and the ever uncertain environment and fast changing world in which we live and work. Strategic management is an organization's process of continuous planning, executing, monitoring, analyzing and assessing all that is necessary for an organization to meet its goals and objectives in pursuit of a future direction. This includes decisions and actions that determine the long-run performance of an organization.

Managing a strategic plan isn't a simple task, there are many processes running at once that need to be constantly monitored. Having insight into each of these processes, the resources they require and how they all work towards mission and vision is a demanding task that can create stress and frustration for those in charge. Thankfully, there are proven methods that professionals can rely on to manage strategy successfully.

Strategic management is a process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates 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 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.

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