

STRATEGIC MANAGEMENT

INTRODUCTION

Today's business news is filled with reports of organizations making changes in their strategies for whatever reasons. An underlying theme of discussing strategic management is that good strategies can lead to high organizational performance.

THE IMPORTANCE OF STRATEGIC MANAGEMENT

The environmental shocks during the decades of the 1970s and 1980s forced managers to develop a systematic means of analyzing the environment, assessing their organization's strengths and weaknesses, identifying opportunities that would give the organization a competitive advantage, and incorporating these findings into their planning. The value of thinking strategically was recognized.

The concept of strategic management

Strategic management is a process through which managers formulate and implement strategies geared to optimizing goal achievement, given available environmental and internal conditions. **Strategic management** is that set of managerial decisions and actions that determines the long-run performance of an organization. It entails all of the basic management functions—planning, organizing, leading, and controlling.

Purposes of strategic management

1. One reason strategic management is important is because it's involved in many of the decisions that managers make.
2. Another reason is that studies of the effectiveness of strategic planning and management have found that, in general, companies with formal strategic management systems had higher financial returns than those companies with no such systems.
3. Strategic management has moved beyond for-profit organizations to include all types of organizations, including not-for-profit.

Strategic management is important to organizations because it

1. Helps organizations identify and develop a **competitive advantage**, a significant edge over the competition in dealing with competitive forces.
2. Provides a sense of direction so that organization members know where to expend their efforts.

Helps highlight the need for innovation and provides an organized approach for encouraging new ideas related to strategies.

Strategies are large-scale action plans for interacting with the environment in order to achieve long-term goals. Most well-run organizations attempt to develop and follow strategies.

The strategic management process is made up of several components.

1. **Strategy formulation** is the part of the strategic management process that includes.
 - a. Identifying the mission and strategic goals.
 - b. Conducting competitive analysis
 - c. Developing specific strategies
2. **Strategy implementation** is the part of the strategic management process that focuses on.

- a. Carrying strategic plans.
- b. Maintaining control over how those plans are carried out.

Q. Define strategic management and how it entails the four management functions.

A. Strategic management is that set of managerial decisions and actions that determines the long-run performance of an organization. It entails all of the basic management functions because the organization's strategies must be planned, organized, put into effect, and controlled.