

## Strategic Management of the Organization

### II. Concept of Strategic Management

Strategic management involves a set of managerial decisions and practices related to:

- Determining the organization's **strategic direction**.
- Creating a **sustainable competitive or cooperative advantage** through continuous renewal to prevent imitation by competitors.
- Achieving the organization's strategic objectives, whether **quantitative** (e.g., financial returns) or **qualitative**.

### III. Levels of Strategic Management

Strategic management operates at three main levels:

1. **Corporate-Level Strategy (Organization-wide):**
  - Relevant for organizations with multiple product lines or activities.
  - Focuses on:
    - Defining the organization's **mission** and societal role.
    - Establishing **distinctive characteristics** compared to competitors.
    - Determining **corporate objectives and strategies**, product decisions, required resources, market share, and competitive positioning.
    - Enhancing **integration of different business activities** within the organization.
  - Long-term focus; determines **business domains** (single industry vs. multiple unrelated/related industries).
2. **Business-Level Strategy (Strategic Business Unit):**
  - Translates corporate mission and goals into specific **competitive strategies** for each business unit.
  - A **strategic business unit (SBU)**:
    - Produces a product/service in a specific market or to a defined customer segment.
    - Has authority to make strategic decisions aligned with corporate objectives.
  - Goal: Maintain and reinforce **competitive advantage** for the unit's products/services.
3. **Functional-Level Strategy:**
  - Each SBU is divided into departments or functions (e.g., production, marketing, finance, HR).
  - **Functional strategies** optimize resources and enhance performance within each department.
  - Examples: **Finance strategy, production strategy, marketing strategy**.

### IV. Importance of Strategic Management

Strategic management helps the organization:

- Achieve **clarity of long-term vision**.
- Develop the ability to **implement change and innovation**, reducing resistance.

- Enhance the organization's **long-term environmental adaptability**.

## V. Phases and Steps of Strategic Management

Strategic management typically involves **three sequential phases**:

1. **Strategy Formulation (Design/Planning Phase):**
  - Also called **strategic planning**.
  - Activities include:
    - Analyzing the **internal environment** to identify strengths and weaknesses.
    - Analyzing the **external environment** to identify opportunities and threats.
    - Developing the **organization's mission** (reason for existence, scope of activities).
    - Setting **long-term objectives**.
    - Choosing the best **corporate, SBU, and functional strategies**.
    - Defining **policies** to guide implementation.
2. **Strategy Implementation (Execution Phase):**
  - Puts formulated strategies into action.
  - Includes:
    - Setting **operational objectives**.
    - Allocating **financial and human resources**.
    - Establishing **organizational structures, responsibilities, and authorities**.
    - Defining detailed procedures to execute plans.
3. **Strategy Evaluation and Control:**
  - The final phase assesses whether strategies achieve the pre-set objectives.
  - Involves:
    - Setting **performance standards**.
    - Comparing **actual vs. planned performance**.
    - Identifying **deviations**.
    - Taking **corrective actions** to ensure alignment with strategic goals