

Using appropriate management studies models commerce essay



**ASSIGN
BUSTER**

INSTRUCTIONS Students would carry a Plagiarism Check of the submitted document on "VIPER" and submit the report along with the assignment. He/she would also sign the Plagiarism check statement on the cover page. Weightage will be given to critical evaluation or reflection on the problem/issue being analyzed. Q. 1 Relates to the case study on IBM supplied as part of this examination.

1. Using appropriate management studies models:

a) Identify IBM's strengths and weaknesses and explain how these may have accelerated or halted IBM's decline. (25 marks) b) Identify the competitive threats faced by IBM from its rivals. Outline what strategies would you recommend to IBM in response to those threats and explain why you would recommend them. (25 marks) Section 22. Explain Corporate Vision and explain how this is different from mission? (25 marks) 3. Write notes on the following: (25 marks) Porter's Five Forces Model Strategic Management

CASE STUDY: DECLINE AT IBM

In the early 1990s, the world's largest computer company, International Business Machines (IBM), suffered one of the largest profit disasters in corporate history. Essentially, its problems were rooted in poor corporate strategy. This case study examines how IBM got into such difficulties. Over the period 1991 - 93, IBM (US) suffered a net loss of almost US\$16 billion (half the total GDP of the Republic of Ireland). During this period, the company had many of the characteristics of a supposedly good strategy: a dominant market share, excellent employee policies, reliable products (if not the most innovative), close relationships with national governments, responsible local and national community policies, sound finances and

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

extensive modern plant investment around the world. Yet none of these was crucial to its profit problems, which essentially arose from a failure in corporate strategy. This case study examines how this came about: see Figure. 1. 5. The reasons for the major losses are explored in the sections that follow. Clearly the company was continuing to sell its products, but its costs were too high and it was unable to raise its prices because of increased competition.

IBM market domination 1970 – 85

During the 1970s and early 1980s, IBM became the first-choice computer company for many of the world's leading companies: it had a remarkable global market share approaching 60 per cent. It constructed its computers to its own proprietary standards so that they were incompatible with other computers but helped maintain the company's domination of the market. In essence, IBM offered large, fast and reliable machines that undertook tasks never before operated by machinery: accounting, invoicing and payroll. Above all, choosing IBM meant that risk was low for customers: 'No one ever got fired for buying IBM.' Hence, IBM was the market leader in large mainframe computers and earned around 60 per cent of its profits from such machines. Reflecting its dominance of global computer markets, the IBM culture was relaxed and supremely confident of its abilities and resources. Because of its sheer size and global reach, the company was split into a series of national companies, each operating with a great degree of independence. This meant that central management control was limited, with many key strategic decisions being taken at national company level. Often, central management did not even know what was happening in key

product groups until the end of the year, when all the figures for the group were added up. For major new market developments, the initiative was often taken by IBM's North American subsidiary. Throughout this period, IBM central HQ was content to rely on the success and profitability of its mainframe computer range and observe the rapid growth of another small but related market in which it had no involvement: the personal computer (PC) market.

Development of the PC market

During the late 1970s and early 1980s, small PCs with names like Osborne, Commodore and Sinclair were developed. Some of these were particularly user-friendly - for example, Apple computers. In these early years, IBM preferred to maintain a lofty technical distance. It took the view that the PC market was small and PCs would never handle the mainframe tasks. Some of these small machines were built around common computer chips and software. Although they did not have the capacity to handle any of the large computational problems of computer mainframes, the PC market was growing fast - over 100 per cent per annum in some years. In the late 1970s, IBM was exploring new growth areas and decided to launch its own small machine onto the market.

The launch of the IBM PC in 1983

Because IBM's existing company structure was large and nationally based and its culture was so slow and blinkered, it chose to set up a totally new subsidiary to manufacture and market its first PC. Moreover, it did not use its own proprietary semiconductor chips and operating software. It acquired them respectively from the medium-sized chip manufacturer Intel (US) and <https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

from what was then a small software company called Microsoft (US). IBM took the view that it was doing Intel and Microsoft and all PC customers a favour by making the IBM designs into the world standard. Indeed, IBM was rather proud of establishing the global benchmark in what was a small specialist market sector, as well as holding the lead in the much larger mainframe market. IBM finally launched its first PC in 1981 without trying either Intel or Microsoft exclusively to itself; the new PC cost US\$30000 and, by today's standards, was very small. Although the claim 'IBM-compatible' quickly became a common standard for most PCs, except Apple, these developments had two consequences for IBM: Its worldwide PC standard allowed competitors to produce to a standard design for the first time; No restriction was placed by IBM on Intel and Microsoft supplying similar products to other companies. IBM reasoned that these issues did not matter because it would dominate the small PC market just as it did mainframes. In addition, IBM judged that the small PC would never replace the large mainframe, so it posed no significant threat to its main business. As it turned out, the company was at least partially wrong on both counts.

Technological advance and branding in the later 1980s

Although computer markets were driven by new technology, the key development was IBM's establishment of the common technical design mentioned above. This meant that its rivals at last had a common technical platform to drive down costs. IBM was unable or unwilling to find some way of patenting its design. IBM's strategic mistake was to think that its reputation alone would persuade customers to stay with its PC products. However, its competitors were able to exploit the new common IBM-

compatible PC design to produce faster, reliable and cheaper machines than IBM, using the rapid advances in technology that occurred during the 1980s. IBM and other computer companies continued to spend funds branding their products. However, their suppliers, such as Intel and Microsoft, also began to spend significant sums on advertising. Microsoft's 'Windows' was launched in the late 1980s and Intel's 'Pentium' microchip was launched in 1993 both were destined to dominate their respective markets.

IBM slips into disaster 1986 – 93

In the late 1980s, IBM recognised the competitive threat from Microsoft and Intel. It launched its own proprietary software, OS/2 Warp, in 1994 to counteract this. It also negotiated with Apple to set up a new computer chip standard, the power PC Chip, with the aim of attacking Intel. Although both initiatives had some innovations, they were too little and too late. IBM struggled on with the concepts, but the software made little headway against the established Microsoft and the chip was abandoned in the mid-1990s. By 1993, IBM's advertising was forced into claiming that its PCs used the Microsoft 'Windows' operating system and its computer chips had 'Intel inside'. The IBM PC was just one of many computers in the small-computer market.

New organisation structure: 1991

Recognising the need for change, the company began to develop a new organisation structure in 1991. Up to this time, the organisation had been centred on two central aspects of the company: 1Products. The company provided the most complete range of products from mainframes to

telecommunications networks, from PCs to computer software. Each main
<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

product group sold its products independently of other groups. 2Country. The company was the leading provider in most countries, with the ability to provide computer solutions tailored at national level for the particular requirements of each country. Each major country had its own dedicated management responsibilities. While this provided strong local responsiveness it meant that global and international company customers were not always well served through country companies and individual product offerings. In a new organisation announced in 1991, the major global industries such as banking, insurance, oil and gas, manufacturing, telecommunications companies and transport were tackled by dedicated teams with a complete range of products worldwide: the new structure involved the development of Industry Solutions Units (ISUs). Each ISU had its own dedicated management team and was measured not only on sales but also on customer satisfaction. However, the country and the product managers were reluctant to give up control to the ISUs, which often operated internationally across many countries. This resulted in confusion among customers and some internal political battles inside IBM.

Future IBM strategy: 1993 strategic perspective

After the major profits problems of the early 1990s, IBM clearly needed a major shift in strategy. A new chief executive, Mr Lou Gerstner, was recruited from outside the computer industry, but he was faced with a major task. The conventional strategic view in 1993 was that the company was too large. Its true strengths were the series of national IBM companies that had real autonomy and could respond to specific national market conditions, and the wide range of good IBM products. But the local autonomy coupled with the

large IBM product range meant that it was difficult to provide industry solutions. Moreover, its central HQ and research facility had difficulty in responding quickly to the rapid market and technological changes that applied across its global markets. The ISUs had been set up to tackle this but did not seem to be working. The most common strategy solution suggested for IBM was therefore to break up the company into a series of smaller and more responsive subsidiaries in different product areas - a PC company, a mainframe company, a printer company and so on.

Answers:

Q1 A)

The world's largest computer company, International Business Machines (IBM), dominated the computer market during 1970-1985 with global market share of approximately 60%. In view of huge size and operations in almost all countries of the world. IBM was split into a series of National Companies. Each of these national companies operated with great degree of independence taking Major policy and operational decisions.

IBM started losing its hold in the market since 1985 and during 1991-93, its losses were approx US\$ 16 billion. We can analyse the Rise and Fall of IBM by doing SWOT ANALYSIS:

Major Strengths of IBM which made it first choice computer company for most of major companies globally

In view of huge impact in global market, IBM had developed close relationships with National governments during 1970-85, which gave it huge advantage. Best policies with regards to company, employee and

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

corporate. IBM culture was relaxed and confident of its ability to dominate market under all circumstances. IBM offered large, fast and reliable MAINFRAME machines capable to do accounting, invoicing, payroll and other functions of large companies which none of its competitors could offer and it had virtual monopoly globally, IBM made computers to its own proprietary patented standards. These were incompatible to other computers forcing all big companies to buy IBM computers and thus helping to hold on to its market share. Responsible local and national community policies which gave IBM lot of public goodwill. Best of breed infrastructure including huge investments made for latest plat and machinery. Deep market penetration for larger reach Effective communication -internal and external before start of its decline. High R&D efforts, thus giving best technology and quality wise products Innovation and reliability in products offered Loyal customers Market share leadership which gave it lot of confidence. Strong management team Strong brand equity Strong financial position Good management of Supply chain

Weaknesses of IBM :

After 1980s when PCs came into existence and was in development stage, IBM made some tactical and strategic mistakes which contributed in downfall of this computer giant. In the initial stage of development of PCs, IBM management was of the view that PC market would remain small and PCs would never be able to handle its Mainframe computers and thus could not compliment them. Only at a much later stage, IBM realized growing market of PCs and decided to launch its own PC. IBM culture was relaxed and very slow and they were already too late when they decided in 1980 to set up a

new subsidiary to manufacture and launch its own PC. IBM did not use its own proprietary semiconductor chips and operating software but acquired them from then relatively small companies - Intel and Microsoft. IBM thus lost its proprietary hold by making the IBM designs into the world standards. IBM finally launched its 1st PC in 1983 without tying Intel and Microsoft to itself and thus allowing them to sell their products to other companies which allowed them to produce similar products at much lower price and compete with IBM. IBM did not take these developments seriously since IBM thought that it would dominate PC market also in view of near monopoly due to mainframe computers. This proved to be wrong. Since IBM had committed tactical blunder of not patenting its PC design, other competitors were able to produce IBM compatible, faster, reliable and cheaper machines and thus captured PC market share. Intel and Microsoft spent huge amounts on R&D and developed " Pentium microchip" and " Windows software" which dominated their respective markets. To counter above threat IBM developed its own proprietary software " os/2 wrap" and in collaboration with Apple new computer chip " PowerPC chip". This initiative was too less and too late. These were abandoned and IBM was forced to depend upon and use " Pentium microchip" and " Windows software" Upto now IBM operations were centralized as regards production of computers and providing computer solutions tailored at national level for particular requirements of each country. In view of huge size of operations, IBM decided to split in to series of National companies, each operating with major degree of independence. This also resulted in ---Limited central management control as many key strategic and policy decisions were taken by these national level companies without approval/ knowledge of central company. So, there was no central control

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

on issues like prices, administration, range of products etc. All the above factors were responsible to some extent for the decline of IBM'

COMPETITIVE THREATS FACED BY IBM

During 1970—80 period, IBM had virtual monopoly in its mainframe computers however with the advent of PCs` and due to series of tactical and strategical mistakes made, IBM lost the competitive advantages it earlier enjoyed. Major threats to IBM are as under.

Threats

In the initial stage of development of PCs, IBM management was of the view that PC market would remain small and PCs would never be able to handle its Mainframe computers and thus could not compliment them. Only at a much later stage, IBM realized growing market of PCs and decided to launch its own PC. IBM culture was relaxed and very slow and they were already too late when they decided in 1980 to set up a new subsidiary to manufacture and launch its own PC. IBM did not use its own proprietary semiconductor chips and operating software but acquired them from then relatively small companies -Intel and Microsoft. IBM thus lost its proprietary hold by making the IBM designs into the world standards. IBM finally launched its 1st PC in 1983 without tying Intel and Microsoft to itself and thus allowing them to sell their products to other companies which allowed them to produce similar products at much lower price and compete with IBM. The fact that they are completely dependent on Intel for microchip and on Microsoft for software could be a huge problem if anything ever happened to them. IBM PCs are not of proprietary design and anybody can manufacture IBM compatible world standard PCs and they face huge competition from branded and unbranded

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

machines. HP, Sun Microsystems are all competitors and are all threats to IBM's bottom line. Their competitors are able to create cheaper products and make more considerable profit. Smaller companies that can move faster and provide less expensive products and services than IBM, can become very costly to IBM's more lucrative bundles focusing more on larger companies with big budgets. Hackers and sensitive information can be exposed and exploited by individuals and IBM needs to be innovative with regards to firewalls and protective software. The supply chain has very few suppliers, leaving IBM very little to negotiate with or switch to.

Opportunities which IBM can utilize in future

Increased globalization is an important opportunity that can be exploited by IBM in order to balance the fluctuations in different economies. Their brand image is synonymous with "big" and "old" they need to create products appealing to a younger generation and reposition their company. IBM still has monopoly in mainframe computers. They should not lose advantage in this line. They should invest more in R&D and try to consolidate in mainframe computers. IBM needs to maintain a competitive edge in the marketplace and innovation is key and working with IT-related companies to create new products in the ever changing market; use patents to generate revenue. IBM's love of open source operating systems, specifically Linux, benefits IBM in both the short and long term. IBM can sell its i-series platforms with Linux to respond to the growing demands of the operating systems (OS). Also, IBM can also use Linux on its Z-series mainframe line and even its p-series machines which mostly uses IBM's own AIX which usually competes against the UNIX operating system. Open architecture is

key to creating and maintaining market share. IBM's small-medium business (SMB) has improved over the years but there is definitely a need to increase its market share to have an overall competitive edge. IBM is still too large a company which means that its central HQ and research facility has difficulty in responding quickly enough to the rapid market and technological changes across the global market. For better control IBM should break up the company into a series of smaller and more responsive subsidiaries in different product areas such as—Mainframe computers offering personalized computer solutions for big organizations, a PC company where there is huge competition. They should invest more in R&D and develop more innovations and patent them to gain decisive market share. They can also have separate Printer Company and so on. While restructuring the company IBM should make sure that they should hold overall control over all the companies and keep an effective track of what is happening in those split companies.

Section 2:

Vision Statements and Mission Statements are the inspiring words chosen by successful leaders to clearly and concisely convey the direction of the organization. By crafting a clear mission statement and vision statement, you can powerfully communicate your intentions and motivate your team or organization to realize an attractive and inspiring common vision of the future. Once we have analysed and described the present situation of our company the next step is to conform our strategic plan. It consists of the declaration of the Mission, Vision and values of our company, the mission allow us to be aware of our work in the market, the vision establishes the goals and objectives we want to reach. Finally the values define our way of

working to reach our vision." Mission Statements" and " Vision Statements" do two distinctly different jobs. The difference between a mission statement and a vision statement is that a mission statement focuses on a company's present state while a vision statement focuses on a company's future.

MISSION STATEMENT

A Mission Statement defines the organization's purpose and primary objectives. Its prime function is internal – to define the key measure or measures of the organization's success – and its prime audience is the leadership team and stockholders. The mission of the company is the answer of the question : why does the organization exists? 1. In mission a business sounds its attitudes and behaviour. Hence, concrete steps are laid within a mission statement indicating the methodology in which you plan your work along functional lines so as to achieve the stated mission. Therefore a mission statement includes, but not limited to, the following components: Customers & market, Products & operation, Profits & growth, Survival & solvency, Customer relation, Employee relation and finally Research & development². Mission deals with the consequences that could arise in implementing the choice made in a vision statement. Ostensibly, mission is set for short term. A good example is the way CIA fights global terrorism³. A mission statement answers the questions " How to get there". It seeks the means to obtain the end conveyed earlier in the vision statement. Coaching and counselling are twin tools employed to motivate employees to do every mission with dedication and satisfaction⁴. Mission acts as practical guidelines for the conduct of a business in every circumstance. Such practices are specific in nature and exhort employees to take actions now so

that at the end of the day they know where and how they have progressed. Facts and figures accompany a mission statement. A mission statement is born out of contextual thinking. This type of thinking trains you to understand the context in which you are placed in carrying out your mission⁵. Mission relates to objectives of a business. That is to keep the focus on the current matter on hand. This enables you in placing mission just in front of your table so that you can glance over it as you progress

VISION STATEMENT

The vision statement communicates both the purpose and values of the organization. For employees, it gives direction about how they are expected to behave and inspires them to give their best. It shapes customers' understanding of why they should work with the organization. The vision of the company is the response to the question of: What do we want our organization to be? Corporate values are the answer to the question of what we believe into . When writing a vision statement, your mission statement and your core competencies can be a valuable starting point. Without a sound vision, a company is destined for failure because we live in a world which is so dynamic and the only constant is change. Virtually all companies would fail if they refuse to evolve `with a clear and consistent direction. 1. In vision a business speaks of its beliefs and values. You write a vision statement indicating the philosophy in which you work. 2. Vision portrays the standard that is set for achieving over a period of time. 3. A vision statement answers the questions " What to become or Where to go". A vision statement provides direction and guidance in brief manner but with broad intent⁴. Vision is indicator of policies of a business that govern the

conduct of transactions in every circumstance. Such policies are of general nature and do not give facts and figures but ideas and concepts. In fact, vision is born out of conceptual thinking. 5. Vision relates to goals of a business. 6. Board of directors is entrusted with the formulation of vision and accompanying goals and policies. Being lofty in nature and broad in outlook and perhaps too distant to view analysts are prompted to dub vision as star in the sky.

EXAMPLES OF :

DECLARATION OF THE MISSION OF SOME COMPANIES.

Mission Gas Natural.

Mision of Gas Natural

The mission of this group is to attend to the energetic needs of the society, providing services and respectful products to their clients with the environment, and also, giving to its shareholder and increasing profitability, and to the employee the possibility of developing their professional competitions. Mission Ford.

Mision of Ford

Our mission: we are a global, diverse family with a proud inheritance, providing exceptional products and services.

DECLARATION OF THE VISION OF A COMPANY-EXAMPLES.

Vision : defines and describes the future situation that a company wishes to have, the intention of the vision is to guide, to control and to encourage the

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

organization as a whole to reach the desirable state of the organization.

Vision Gas Natural.

Vision of Gas Natural.

Our vision is to be a powerful group in continuously growth, with multinational presence which differs of providing an excellent service to our clients, yield maintenance to the shareholder, an extension of opportunities to the employees and a positive contribution to the society acting with a commitment global citizenship. Vision Ford.

Vision of Ford.

Our vision: become the main company of the world in products and services of the car.

VALUES OF A COMPANY - EXAMPLES.

Values : Define the group beliefs, and rules that control the management of the company. It represents the institutional philosophy and the support to the cultural organization. Values Gas Natural.

Values of Gas Natural

Orientation to the client. Commitment with the client Sustainability. Interest in the people Social responsibility. Integrity. Values Ford.

Values of Ford

Our values: make well things to our people, our environment and our society, but to our clients. Q3 a) Michael Porter (Harvard Business School

Management Researcher) designed various vital frameworks for developing an organization's strategy. One of the most renowned among managers

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

making strategic decisions is the five competitive forces model that determines industry structure. According to Porter, the nature of competition in any industry is influenced by the following five forces: i. Threat of new potential entrantsii. Threat of substitute product/servicesiii. Bargaining power of suppliersiv. Bargaining power of buyersv. Rivalry among current competitors

Porters five forces model

Porters Five Forces Model of CompetitionFIGURE: Porter's Five Forces modelThe five forces mentioned above are very significant from point of view of strategy formulation. The potential of these forces differs from industry to industry. These forces jointly determine the profitability of industry because they shape the prices which can be charged, the costs which can be borne, and the investment required to compete in the industry. Before making strategic decisions, the managers should use the five forces framework to determine the competitive structure of industry. Let's discuss the five factors of Porter's model in detail: 1. Risk of entry by potential competitors: Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are-•Economies of scale•Brand loyalty•Government Regulation•Customer Switching Costs•Absolute Cost Advantage•Ease in distribution•Strong Capital base2. Rivalry among current competitors: Rivalry refers to the competitive struggle for market share between firms in

an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an industry is a function of following factors:

- Extent of exit barriers
- Amount of fixed cost
- Competitive structure of industry
- Presence of global customers
- Absence of switching costs
- Growth Rate of industry
- Demand conditions

3. Bargaining Power of Buyers: Buyers refer to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers. Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the firms cost in the industry by demanding better quality and service of product. Strong buyers can extract profits out of an industry by lowering the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat.

4. Bargaining Power of Suppliers: Suppliers refer to the firms that provide inputs to the industry. Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs(labour, raw materials, services, etc) or the costs of industry in other ways. Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers products have a few substitutes. Strong suppliers' products are unique. They have high switching cost. Their product is an important input to buyer's product. They pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat.

5. Threat of Substitute products: Substitute products refer to the products having ability of satisfying customers needs

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry. Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal). The power of Porter's five forces varies from industry to industry. Whatever be the industry, these five forces influence the profitability as they affect the prices, the costs, and the capital investment essential for survival and competition in industry. This five forces model also help in making strategic decisions as it is used by the managers to determine industry's competitive structure. Porter ignored, however, a sixth significant factor- complementaries. This term refers to the reliance that develops between the companies whose products work is in combination with each other. Strong complementors might have a strong positive effect on the industry. Also, the five forces model overlooks the role of innovation as well as the significance of individual firm differences. It presents a stagnant view of competitionb)

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 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. Strategic management is nothing but planning for both predictable as well as unforeseeable 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. Strategic Management 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. Strategic management is a continuous 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 need 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

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

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. Strategic management is a level of managerial activity below setting goals and above tactics. Strategic management provides overall direction to the enterprise and to achieve "strategic consistency." According to Arieu (2007), "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context." Strategic management includes the management team and possibly the Board of Directors and other stakeholders." Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i. e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." Strategic Management can also be defined as "the identification of the purpose of the organisation and the plans and actions to

<https://assignbuster.com/using-appropriate-management-studies-models-commerce-essay/>

achieve the purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise. It involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organisational goals."