Strategic management and how it is used

Defining Strategic Management. In order to fully understand what strategic management is, lets break this word down and then try to find out its real meaning.

According to Oxford, one of the worlds' most trusted and respected dictionary, Strategy is a plan of action designed to achieve a long-term or overall aim. In simpler words, strategy is basically all about panning. Better results and quality of work can be obtained simply by planning, thinking about what, when and how to idealize and implement new and efficient ideas.

Management is known as the act or art of managing, the conducting or supervising of something in the business scenario (Merriam-Webster online dictionary). Management involves supervising, controlling and monitoring.

Once these two words are clearly understood, it gets much easier to understand what strategic management really is. Planning, organizing, leading, and controlling are the basic management functions and strategic management involves how successful will a given organization compete with its competitors, increase market share and profitability, and finally, satisfy its customers (Robbins & Coulter, 2009). To think ahead, foresee positive and negative factors, in and out the company is a fundamental step in strategic management.

Importance of Strategic Management:

According to Robbins & Coulter (2009: 179), there are three main reasons why strategic management is considered vital within the business. The first and most expressive reason is that it directly affects the performance of an organization, positively or negatively. One taken decision can make the difference or contribute to the successfulness or to the failure of a company. There is a close relationship between strategic management and performance and that’s why it is so necessary.

We are all the time facing new and challenging situations in our life, some of them are positive and others not so much. The same concept can be perfectly applied to the business as it is the second reason why it is so important. Firms are constantly encountering challenges through their ways and by using the process of strategic management; they are more capable of dealing with all the adverse factors and uncertainty. Strategic management can help business to analyze crucial factors and then help choosing what actions to take.

Lastly, the complexity of organizations requires strategic management. Imagine a big organization with thousands maybe millions of employees distributed among departments around the world. How to coordinate all these people efficiently? Make them work toward the company’s goals and get the most out of them? Strategic management plays a very important role and definitely answers all the questions. Come up with new and innovative ideas is far away from easy but once a clear and objective plan is set, the business success gets easily expected.

The six – step process of Strategic Management

Like every plan, strategic management is also made by steps. Each step has its importance and failing to implement each one of them properly may result in an overall failure. The highest level of accuracy must be taken into consideration to assure that each step is as accurate and correct as possible. Adding all the six steps together, we will have an effective and intelligent strategic management plan.

General view of Strategic Management

Strategic management is formed by the following six processes:

Figure 1: The Strategic Management Process

Source: Bateman, S. T. and Snell, A. S. (1990), ‘ Management: Leading & Collaborating in the Competitive World’, NY, USA: McGraw-Hill Irwin, pg 142.

Steps of Strategic Management

According to Robbins and Coulter (2009: 180) there are six steps involved in strategic management:

Identification of organization’s missions, goals and strategies

A statement of purpose is also known as mission and that is what every organization needs. What is the purpose of the organization and which ways can it provide goods or service adequately is another way to look at what mission is. How to know if changes are needed in the business? Managers should identify the organization’s current goals and strategies to evaluate whether new means are necessary.

Understanding SWOT:

Before moving to the next step, first we need to know what the word “ SWOT” stands for as the steps three and four involve SWOT analysis.

Strength Internal Factors

Weakness

Opportunities External Factors

Threats

Organizations should perform a self-evaluation and that's what SWOT is all about. Internal factors refer to the strengths and weaknesses, positive and negative points companies have along their business.

External factors may affect an organization positively or negatively and they are forces outside the company. Opportunities are often positive factors; it can contribute or benefit the company, whereas threats are dangerous and need to be cautiously and constantly observed.

Performing an external analysis

Basically, doing an external analysis involves analyzing opportunities and threats outside of the organization's environment. The main focus is to measure and analyze the impact of those external forces from the market on your business. Understanding the opportunities, the company is better prepared to invest, grow and expand their services, and then finally achieve its final and main objective: higher profitability.

On the other hand, observing the dangers and threats in the market, enables the company to avoid possible financial and strategic mistakes, keeping the organization safer.

Performing an internal analysis

Internal analysis relates to the strength and weakness. Both can contribute positively once an honest and correct analysis is performed. By recognizing the strengths of the business, it permits the corporation to broad its production and quality of service or good offered.

The recognition of the weakness is a very vital process within the business as well. Improvements on inefficient products can only be done once the weakness of the same is acknowledged.

Finally, steps two and three complete the SWOT analysis and they are very important and indispensable for the strategic management process.

Formulating Strategies

To correctly formulate a strategy, managers should evaluate all the components of SWOT analysis and the availability of recourses. Corporate, business and functional are known as the three main strategies formulated by managers.

Implementing Strategies

Implement a strategy means to make it works, give life to it. It is undeniable that efficient strategies are important, but all the effort would be washed away if these strategies are not implemented properly.

Evaluating results

In conclusion, the last step of strategic management is evaluating results. At this stage, assessing the effectiveness of the strategic management is valuable. Are there any adjustments or improvements to take place? What sectors or segments have better performed and what others have not? This evaluation should be carefully performed in order to successfully complete the whole process of strategic management.

Carrefour: An strategic overview

Carrefour SA is one of the largest retailers in the world with a market hold in more than 35 countries. It was first established in France in 1959 and today it has divisions and franchises all over Europe, South America, Africa and Asia. Carrefour has the strongest market hold and influence in the Middle East region with more than 35 hypermarkets and 19 supermarkets spread across the region.

Figure 2: Carrefour's formation

Source: Shuie, Y. C. and Horng, D. J. (2006),'Carrefour's Global Reach: A case study of its strategy', Journal of American Academy of Business, Cambridge, 9(1), 173.

Carrefour has established itself in this region through a joint venture with Majid Al Futtaim Retail LLC. It offers the same quality, variety and value for money throughout its branches all over the world which has made it household name to millions in the Middle East especially in UAE.

3. 0. 1 Mission

To become one of the first three leaders in each market.

Help its customers enjoy a better quality of life.

To satisfy each and every customer expectation.

Offer the best price for high quality product and services

3. 0. 2 Goals

Becoming the preferred retailers in the region.

Anticipate and satisfy customer needs.

To be the best employer.

Continue growing profitably.

Strategies

Carrefour's strategy is on the sustained and profitable growth of the company and has three forces governing it:

1. Client-oriented culture: Getting to know customers to serve them better.

2. Transformation: Increasing agility, execution quality and competitiveness.

3. Innovation: Regaining initiative and leadership.

(www. carrefour. com)

3. 1 SWOT Analysis

A detailed SWOT analysis is undertaken in which Carrefour's strengths, weaknesses, opportunities and threats are assessed.

3. 1. 1 Internal Analysis

Internal analysis is assessing the strength and weaknesses of the organization. Any activities in which the organization performs well or possess unique resources are called its strengths. Activities in which an organization does not do well or resources which it requires and does not have it are are called an organization's weaknesses (Robbins & Coulter, 2009).

3. 1. 1. 1 Strengths

The strengths of Carrefour are:

1. Carrefour has a good reputation and brand image. Its close customer relationship has made it as one of the top hypermarket chain in the region.

2. Carrefour has setup its branches in suitable locations. Hypermarkets located in malls are convenient for customers.

3. Carrefour has franchise deals. These deals give an advantage to Carrefour by decreasing cost and selling goods at reasonable prices.

3. 1. 1. 2 Weaknesses

The weaknesses of Carrefour are:

1. One of the weaknesses in Carrefour is that the food and durable items are comparatively more expensive, which creates a low amount in sales.

2. The second weakness is what most of the hypermarkets experience, which is the crowd in the market and the queues towards the cashier counter. This makes the customers feel irritated while purchasing products or think twice to buy from Carrefour stores.

3. The third weakness is the opening hours or timing. Carrefour's opening hours are from morning to mid-night and not 24 hours, which is a major

weakness. Since it's the leading hypermarket and it should be available continuously.

3. 1. 2 External Analysis

External analysis involves analyzing the industry and competitive conditions, the company's opportunities and specific threats to the company's profitability. Opportunities are positive trends in the external surroundings of the company; and threats are negative trends (Robbins & Coulter, 2009).

3. 1. 2. 1 Opportunities

The opportunities which Carrefour can exploit are:

1. High per capita spending should lead to decent profitability

Threats

Even small competitors like Lulu in the UAE, is a potential threat to Carrefour. Besides the fact that Lulu is seem as more traditional stores to the local customers, Lulu offers and performs similar market strategies as Carrefour what can be understood as a threatening factor.

Another important threatening factor is economy. It directly affects Carrefour. Although UAE demonstrates safe and stable economy environment, Carrefour have lots of branches around the world and definitively should be frequently concerned about the economic and financial status where its branches are located.

Corporate Strategies

Growth Strategies

Serve more customers means increasing profitability. Knowing that, Carrefour should open or expend new branches in the UAE because it is not present in all of the country's emirates.

The other good growth strategy would be to open smaller and convenient stores called Carrefour express. It would offer only the most important and trivial things, specially groceries and bakeries. These express outlets could be opened at downtowns and residential areas where people could easily and quickly buy their groceries without having to take their car and drive to the closest hypermarket, saving time and money.

Renewal Strategies

Carrefour is a famous and well successful reseller company. They buy thousands of products from different producers and manufacturers, and resell all these products in its branches around the world. Today, Carrefour has few products entirely produced and branded by their own. Why would they have their own products? To be able to produce and sell the goods cheaper which is a perfect renewal strategy. Carrefour should be encouraged to increase their brand products. Doing so, Carrefour would be diversifying its economy not only being a reseller but also a competitive manufacturer.

Competitive strategies

Opening Carrefour grocery e-stores which consist of durable and food items. Customers could order through web site or telephones and the products are delivered. The amount of products should be more than the specified number. This new strategy would satisfy customer needs and the products are delivered at the door step as well. This strategy is environment friendly since the customers are purchasing online and not using any transportation means.

Another competitive strategy is using technology by managing Carrefour without a related warehousing or storage. As soon as the shelves are empty in Carrefour, the suppliers are informed and they deliver the specified products. This strategy cuts the storage and warehousing cost and transportation cost as well.

Functional strategy

In the competitive strategy, these strategies will be mainly focused by the IT department. The company will have to introduce an ordering section in its website, where people could order from the web store. Moreover, the IT department will have to design a program wherein the suppliers could access the Carrefour’s data of sales. This way the suppliers would be updated with the information and could supply accordingly.