

Strategic management assignment

[Business](#), [Management](#)



Introduction In today's world there are many organizations and since there are many organizations it is obvious that there will be a lot of competition in the market. In order to compete with the competitors or rivals an organization develops a strategy to stay or survive in the market. Strategy is very important for an organization, it helps an organization to plan their strategy to attract more customers or for the publicity. This essay is all about the strategy or the plan that an organizations develops in order to spread their products. This essay will concentrate in the meaning & definition of strategy and the key factors of strategy.

Then the essay will shift its focus to what is the strategy of Honda, how does Honda formulate its strategy by analyzing environment of Honda i. e. internal and external. This essay will also explain strategic management and its three main elements. Main body According to Weigl (2007) “ strategy definition corresponds with the classical interpretation. It implies some sort of “ intended strategies” that can be general or specific and which and which have two essential characteristics: first, they are developed consciously and purposefully; secondly, they are made in advance of the actions to which they apply” (Weigl, 2007: 18).

To achieve a strategy an organization must give importance to some of the key factors of strategy: direction, scope, long-term, advantage to organization, environment, resources & competences and stakeholder expectations. Organizations goals and strategy depends on how organization is designed. It is the direction that helps any organization to get well designed and managed. It is the job of top managements to make sure that

the organization is well directed to achieve their goals by designing the organization for suppose changing environment (Daft, 2010: 58).

Honda's direction is to create a sense of joy when dealing with Honda. This direction of Honda gives the organization a track to pursue their strategies with (Honda, 2010). Scope is another vital element of strategy, for suppose can an organization focus in more areas of activity rather than one? The reason why scope is considered as vital part of strategy is because there is a worry of people (top managements, owners) that are handling or managing a firm conceives the firm's boundaries. And these boundaries might also include some vital decisions like geographical cover age or product range (Johnson, 2008: 7).

Honda's scope includes their main line products which are automobiles, motorcycles and power tools. This gives Honda a sense of internal surroundings with which their managers work with and their owners plan with (Honda, 2010). It is important for an organization to have long term strategy rather than short term, as it is mentioned by Leontief in 1978 that it is important for an organization to begin their decision making with long term strategy rather than short term; he gave importance to long term strategy because it is the only strategy that can be believed as serious (Leontief, 1978: 205).

This strategy will be an advantage and enable an organization to compete with other organizations. Another important factor of strategy is environment; this may need a lot of changes in the organization in the future. Strategy is also helpful for an organization in terms of building resources and competences. Recourses and competences give an

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organization competitive advantage. For example large companies will concentrate on strategies with large brands and small companies may alter the rules in its market in order to suit their own abilities. After all these key factors the main aim of strategy is to satisfy stakeholders.

Strategies can be affected by the environments and also by the expectations and values of stakeholders; however an organization needs to build a good relationship with its stakeholders and satisfy them because without them the organization is nothing (Johnson, 2008: 7). According to Walter in 1996 “strategic management is that part of general management of organizations that emphasizes the relationships to external environments, evaluates the current status of them and the effects of future changes in them, and determines the most appropriate response of the organization to them” (Walter, 1996: 3).

Strategic management consists of three main elements: strategic position, strategic choices and strategy into action. These three elements runs strategic management and this is done by understanding the strategic position of the firm very well, then the strategic choices are done for the welfare of firms future and turning those strategies into action. Strategic position is all about external environment and how does external environment affect an organization, a firm’s strategic capability and the expectations of stakeholders. The external environment deals with PESTEL analysis.

PESTEL factors can affect the external environment of an organization which can bring certain changes; and these changes might bring some opportunities or some threats to an organization. Another main point for <https://assignbuster.com/strategic-management-assignment/>

strategic position is strategic capability where an organization thinks about their strengths and weaknesses. The purpose of strategic capability is to inspect the internal influences so that an organization develops it and make some strategic choices for the future. Last main point for strategic position is expectations of stakeholders which can also affect or influence the purpose of the firm and its strategy.

It is important for an organization to give importance to their stakeholders; however they should give special importance to those stakeholders that has more power and can benefit an organization (Kleiner, 2003: 120). P derives political which consists of factors that can affect organization in terms of government's policy, regulations, legal issues etc. For example: tax policy, trade restrictions, tariffs, political stability, employment and labor law. E derives economic which consists of those factors that can affect organization in terms of and business operations.

For suppose the recent recession has allowed many organization to reduce the workforce. For example: interest rate, economic growth, inflation rate. S derives social which can affect an organization in terms of cultural aspects of the environment. For suppose the rise in health consciousness will definitely affect the demand of the product. T stands for technological which can affect the quality and cost of the product. Factors are: rate of technological change, technology incentives, automation etc. E stands for the environment which can affect an organization in terms of climate, weather etc.

For suppose ice cream will not have much demand in winter. L stands for legal which consists of factors that can affect an organization in terms of cost, demand of product and organization's operation. Other factors are:

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consumer law, health & safety law, discrimination law etc (Loffler, 2009: 86). Honda's political factors have led Honda to strategize within the Asian continent as this puts Honda at a competitive position. However Honda has political restrictions that they have to deal with. For example in China there is a car ownership restriction. One of the main economic factors affecting Honda is oil prices. This effect will create variations in their sales of automobiles. And thus will need to create alternatives i. e. hybrid cars. Honda's social factors will contribute towards their strategy for the future since social culture in the automobile industry is dependent on high power vehicles, hence their alternatives will take time to be accepted by the society. With the technology in the world in the automotive industry leaning towards achieving products that are more clean towards the environment, this forces the automotive producers to develop engines that are green.

Hence Honda's technology is focused towards producing hybrid engines to target that market in the future with specific strategies pointing towards efficient production of such engines (BPMgeek, 2011). Five forces that have been explained by Michael Porter helps an organization in following the rules for the competition in the market and industry. First competitive force is threat of new entrants; this force deals with the businesses that enter the industry of the existing organization. It is important for an organization to recognize this threat as it brings extra competition and production into the industry.

Second competitive force is the bargaining power of buyers; this is the influence of the customers on the price of the products produced by the organization. This is important for firms to recognize because it allows them

to set their prices and manage their costs. Third competitive force is bargaining power of suppliers; this is in relation to the quality of the supplies and a price with which suppliers sell. If the power of suppliers is high, then they can sell at any price even if the quality is low, therefore organizations must realize the affect of this power so that they can make a strategy to that effect.

Forth competitive force is threat of substitutes; this force includes the threat which substitutes of organizations products holds within the market. This allows customers to easily shift from one product to another. The fifth force is competitive rivalry which includes the competitors producing the same products and services to the same consumers (Dransfield, 2004: 446 & 447). In Honda's industry this threat is minimal since the industry is already saturated with high competitive organizations. Honda's industry and competitive market allows buyers to have a strong bargaining power due to their being a lot of competitive products.

The threat is very large for Honda because the existing competition with Honda's products is very powerful. The power within Honda's industry is not much of an issue as Honda has secured their supplies from loyal suppliers and furthermore in the industry the suppliers generally don't have a strong influence. Competitive rivalry with Honda is intense as producers such as Nissan, Toyota and General Motors also make competitive products (Termpaper, 2011). For organizations to effectively deliver their strategies they must first evaluate and analyze their external and internal environment.

Organizations should find out about their internal strengths and their weaknesses as no organization is without them, and finding them out is vital

because without it manager would not be able to conduct an effective strategy. A good strategy exploits the organization's strengths and tries to nullify their weaknesses. Exploiting the strengths in the right way create a competitive edge for the organization, however with the environment changing drastically and unpredictably it's hard for them to sustain that competitive advantage.

Hence organizations can try to sustain their competitive advantage by making their strengths valuable in the changing environment, rare, hard for competitors to imitate. Hence assessing the external factors is vital for an effective strategy as opportunities can arise that can give reason for an organization to prosper however threats can also arise which can put their strategies at risk. Therefore it is important to analyze these factors to that the organization can be prepared for it. A SWOT analysis is one such tool that allows the analyses of the internal and external environment.

The main advantage of using SWOT analyses is that it helps you answers questions such as how can we exploit our strengths at the time of opportunities or how can we use strengths to reduce or eliminate threats also how can organizations use opportunities to nullify weakness along with recognizing threats and weakness to minimize their effect It is without a doubt that internal analyses is vital for any strategy to be in effect, hence there are two tools dedicated to understanding the internal strengths and weaknesses. Honda's main strengths are their technology and their suppliers which are very loyal to them.

Honda's weakness includes the fact that their auto mobiles have not covered all the niches within the market for the consumers as much as their
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competitors have done like Toyota and Nissan. Honda's opportunities are that their hybrid cars and their technology that relates to the green environment which the future society would want to adopt, hence creating an opportunity for Honda to exploit their technological strengths. Honda's threats include their competitors which also have started to produce green electric cars along with hybrid cars as well.

This poses a threat to Honda as they can cover large geographical areas for their products which can pose a risk to Honda's strategy (Manize, n. d). Value chain method allow the organization to break the organization's operations into parts such as the marketing functions, financial along with others and then determine which one of them are important ones that contribute to the strengths. These parts are known as capabilities and hence the VRIO (i. e. valuable, rare, inimitable and organized) framework helps organizations in determining which of the capabilities can contribute towards sustaining a competitive advantage (Griffin, 2008: 67).

Honda's technological assets are valuable as they can stand being valuable even with changing times in the environment. Also their suppliers are loyal to them; this again adds value to Honda's operations. Honda's ability to build high quality cars with low cost is a rare attribute in the industry as very few competitors have the means to do so with the investment that Honda has put in their low cost and high quality maintenance of their products and services.

Honda's suppliers have been contracted to remain loyal to Honda, furthermore they have captured the market in Asia for electric cars and hybrid cars even though the society still does not consider these type of

vehicles important, they still have the brand loyalty in this sector which was made by their popularity of motorbikes within the Asian continent. These factors which Honda built are hard for competitors to imitate. Honda corporation is well organization with contributing their resources and capabilities towards attaining their strategies.

This is a rare attribute as many competitors have an effective strategy but fail to implement it, hence Honda is one such firm that has managed to maintain an organized state and hence achieve a sustainable competitive advantage (Erdogan et al, n. d.). Another main element of strategic management is strategic choices where an organization chooses a strategy for the future for both corporate and business levels. Strategic choices are done at three different levels mainly at corporate level, business level and functional level.

In corporate level the mission, vision and goals of the organization are determined. They basically answer questions like what business are we in, whom do we serve and what are we aiming for. Mission is the purpose of the organization and what they stand for, vision is the future state of what the organization wants to achieve and goals are the short term objectives of achieving the vision. Strategy is developed to gain a competitive advantage and hence specific strategic choices are made to achieve that competitive edge.

Organizations try to recognize their internal strengths and relate that to achieving their specific goals by the means of planning a strategy. This act allows the organization to gain a state of VRIO which gives them the distinct competency as compared to their rivals. Strategic choices are mainly done

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so that an organization can have the ability to compete at business level; however this needs a well recognition of competitive benefit that comes from the understanding of both customers and market (Jeffs, 2008: 101).

The last main element in strategic management is strategy into action which is done by the functional level. It is mainly responsible for implementing the different strategic choices and informing the top level management of contemporary changes. Michael porter had developed three distinctive competitive strategies which are low cost, differentiation and focused. These generic strategies allow organizations to use their strengths to gain a distinctive competitive edge.

Porter argues that organization must adopt at least one of the following strategies or risk being at a competitive disadvantage. Honda's have always strived to attain highest standards of quality with reasonable pricing, and this is because they have adopted a low cost approach which keeps there technological investment costs covered and furthermore they have also adopted differentiation as their products meet the demands of large populations of organizations along with customers. (Moon, 2010: 98).

Conclusion

This issue might not be considered more important, however if we go deep in this essay we can come into conclusion that how important it is. By reading this essay, we come to know how strategy is important for an organization. Some analysis like PESTEL and SWOT are also important for an organization to show them where they stand. In this essay strategic position is explained which consists of PESTEL and five forces explanation and how it is related to

Honda. SWOT, five forces and VRIO are also explained and how it is related to Honda.