

# Chapter 1

## Overview of Strategic Management

Specifically in the present day, managing organizations has become increasingly complex. Executives in all types of organizations face more intricate forms of competition; predicting various factors has become more difficult it could almost be said that the future is an area of limitless imagination, with more factors constantly impacting companies than ever before. Various crises occurring in the environment have significantly impacted and decreased the efficiency of organizational management. Efficient and effective strategic management that stays current with events is essential to achieving those goals.

Strategic Management is still a vital process that organizations use to determine the direction and methods to achieve long term goals in a rapidly changing and uncertain business environment. Strategic management involves not only defining the organization's vision and mission but also analyzing internal and external environments, assessing risks, and selecting appropriate strategies to increase competitive capabilities.

Having a clear strategic plan and implementing it effectively helps the organization adapt and grow in highly competitive markets, and further enables the creation of a sustainable long-term competitive advantage. Strategic management is, therefore, a process that requires analytical thinking, careful decision-making, and results-oriented implementation to ensure the organization can effectively handle challenges and opportunities arising in the future.

### 1.1 Strategic Management Models

Modern businesspeople are well aware that entering the new world of the 21st century means the environment of business competition in all aspects whether economic, social, political and legal, technological, or cultural has changed significantly and tends to increase its rate of change every day. The environmental changes mentioned above are driven by at least three key variable factors:

First, Globalization, which allows people worldwide to connect seamlessly without borders. The world, once thought to be vast and expansive, is now viewed as smaller due to the influence of modern communication tools.

Second, Technological Change, especially progress in Information Technology (IT) or Artificial Intelligence (AI) and telecommunications through computers, the internet, fax, and mobile phones, which play a greater role in both business and daily life, thus changing society.

Third, Deregulation of international economic and trade rules, which has led to trade liberalization, market expansion into a global scale, and increased foreign investment, resulting in numerous multinational corporations today.

These changes significantly impact business operations. Companies must find ways to survive and adapt, leading to intense and fierce competition. Notably, the form of competition has shifted entirely; current competition focuses on speed, accuracy, and being up-to-date to create a primary advantage. Competitors are no longer limited to domestic ones but include high-potential foreign competitors with both finance and modern technology who have entered as challenging rivals in almost every industry.

Therefore, management must undergo a total transformation. The old management style that focused solely on internal organizational administration while ignoring the changing external environment can no longer sustain a business.



### **Figure 1.0.1: The Process of Change**

*(Source: Tasanee Jarusombat)*

In this volatile business environment, strategic management has become a science for modern executives to find new management tools that align with current general situations. Top management must be skilled in analyzing both internal and external environments and identifying external opportunities to benefit business operations, create competitive advantages, and avoid threats.

Middle management must know how to manage company resources, merging strengths, knowledge, and personnel capabilities into one to enhance competitive potential and organizational adaptation, building the organization into a Learning Organization that can continuously keep pace with changes.

Lastly and most importantly, top management must have a vision to create a picture of what they want the organization to become in the future, Scenario, to set as a guideline for operations. Additionally, they must know how to perform strategic planning because strategy is a tool for driving the organization toward success or excellence in the present era. High performance management strategies will allow management to succeed well in every situation and under every environmental condition. Therefore, executives must understand the context of strategic management as follows:

1. It is an integrated management conducted systematically with complete management in all aspects.
2. It is management complete with effective plans that are specified using "Goals" as a tool. These effective plans are created by allowing practitioners to participate in determining these goals.
3. It is management complete with techniques for planning, measurement, motivation, control, executive development, and the ability to seek benefits from the changing environment.

From the three characteristics above, if applied as a practical management strategy, they can be categorized into various management strategies as follows:

1. Using a systematic management method by using management by objectives (MBO) as a tool.
2. Relying on "Strategic Plans" as a tool to enhance long-term productivity efficiency.
3. Using an achievement Goal Structure as a productivity catalyst.
4. Relying on a collaborative planning and goal setting process so that employees are committed to achievement goals.
5. Using motivational methods to increase productivity.
6. Relying on a constructive control system.
7. Increasing efficiency through human resource planning and management capability development.
8. Increasing efficiency through morale-boosting by providing opportunities for advancement in management roles.
9. Using strategies to increase efficiency from overall organizational behavior management.
10. Increasing efficiency through learning and defeating competitors.
11. Creating efficiency by adjusting management to align with future problems.

## **1.2 Scope of Strategic Management**

Strategic Management is an essential process in organizational administration to determine directions and operations consistent with the organization's vision and mission in the long run. Strategic management involves not only goal setting but also careful analysis of internal and external situations to choose effective strategies for facing challenges and creating opportunities in highly competitive markets.

If the word "Strategy" is used in its broadest scope paired with the word "Organization" it corresponds to "Organization Strategy," which means the "Strategy of the business as a whole" in conducting business externally to achieve main goals or objectives. A vital part of the business strategy as a practical strategy is the business strategy, or the part related to strategic analysis regarding how the organization will manage resources to best benefit from the environment and by what methods.

This part is the most important part of all strategies. Following the business strategy is the strategy related to operations or implementation of the strategic business plan. This part involves finding efficient methods to ensure all internal management runs smoothly and facilitates the organization's success according to intended objectives. All of this constitutes the management strategy part, which is the practical side of administration by top management who can manage various administrative sub-systems to yield good operational results.

However, although strategic management is a complete science and a suitable tool for executives to drive the organization toward creating competitive capabilities, its scope includes the following:

1. **Environmental Analysis:** analyzing both the Internal Environment and External Environment is the first step in strategic management. This helps identify the organization's Strengths, Weaknesses, Opportunities, and Threats (SWOT). External analysis can be done using tools such as PESTEL Analysis (Political, Economic, Social, Technological, Environmental, and Legal factors) and industry analysis using Porter's 5 Forces model.

2. **Vision and Mission:** vision is the future image the organization wants to be

in the long term, while the Mission describes the main purpose of the organization in conducting business. Having a clear vision and mission helps everyone in the organization move in the same direction.

3. **Goal Setting and Strategy Formulation:** Setting clear goals and appropriate strategies to achieve those goals is vital. For example, if an organization wants to expand into foreign markets, the strategy might include studying new markets, adapting to local cultures, or forming alliances with companies in those countries.

4. **Strategy Implementation:** Putting the strategy into practice is a crucial step to make the defined strategy have actual effects. This may include resource allocation, organizational restructuring, and personnel training to operate according to the strategic plan.

5. **Evaluation and Control:** Evaluating strategic implementation and making improvements when problems or failures are found is a key step to keeping the strategy flexible and adaptable to various situations. For example, checking sales after a new product launch and adjusting marketing strategies if results are not as expected.



**Figure 1.2: Strategic Management Process**

*(Source: Adapted from Richard P. Rumelt)*

A clear example of strategic management is Apple Inc., which has a strategy to develop and present high innovation products like the iPhone or iPad. This came

from an external environmental analysis that found mobile technology was growing with high demand. Internally, Apple focuses on quality product development and distinctive design, as well as creating unique experiences for customers, allowing Apple to dominate the smartphone market for a long time.

Studying this company shows that strategic management through external factor analysis and internal factor adjustment is a vital tool helping organizations adapt, grow in rapidly changing environments, and create sustainable competitive advantages.

### **1.3 Overview of Strategic Organizational Management**

Strategic Organizational Management is a process organizations use to set directions and actions to achieve long-term goals in a highly competitive and constantly changing environment. Strategic management is not just planning at the highest level but involves continuous operation and strategic adjustment so the organization can effectively respond to challenges and utilize emerging opportunities. The study of strategic management, to cover complete knowledge, includes the following perspectives:

1. **Focusing on Formulation or Establishment of Corporate Strategy** or organizational business strategies and various operational strategies according to the Business Policy study approach. This helps learners build skills in analyzing industrial business competition along with market and product analysis to formulate business strategies for the organization, along with operational strategies. The strength of this approach is that determining objectives, policies, and main business strategies for external environments will be of high quality.

This improves organizational management toward the environment, which is a difficult task, and receives more attention than planning internal organizational management strategies. The implementation steps, both regarding the organization and operational processes, become secondary.

2. **Focusing on Strategic Management** or studying various management areas

through a strategic thinking approach. This opens up management studies to widely find solutions in all management aspects for efficiency. In this method, the weight of interest is distributed equally between external environment management and internal resource management because the study according to this method is done simultaneously on both sides.

The overview of strategic management studies should include the following factors:

1. **Environmental Analysis and Direction Setting:** The process begins with analyzing both internal and external environments, such as evaluating Strengths, Weaknesses, Opportunities, and Threats through tools like SWOT Analysis or PESTEL Analysis to understand factors affecting the organization. Understanding these environments helps in setting directions and strategies suitable for the situation.

2. **Vision and Mission Formulation:** **Vision** and **Mission** are core components in determining the organization's direction. Vision is the future image the organization wants to reach, while Mission clarifies the main purpose of the business. For example, if an organization focuses on being a leader in technological innovation, its vision might focus on creating products or services that change people's lifestyles.

3. **Goal Setting and Strategy Formulation:** Setting clear goals and choosing strategies suitable for the environment and available resources is vital. For example, if an organization wants to expand into international markets, the chosen strategy might include forming alliances with local companies or adapting products to meet that market's needs.

4. **Strategy Implementation and Control:** Once the strategy is defined, the next step is implementation, involving resource allocation, operational planning, and managing personnel to align with the defined strategy. Strategic Control is also vital for checking if the strategy is operating effectively and can be adjusted if results are not as expected.

5. **Evaluation and Strategic Adjustment:** Performance evaluation is part of

strategic organizational management, allowing verification of whether the organization has achieved its goals and adjusting strategies when new obstacles or opportunities are found. For example, if entering a new market does not meet expectations, marketing or expansion strategies may need adjustment.

The details to be studied in the overview of strategic management can be grouped into the following factors:

**Part 1: Relation between the Organization and the Environment:** This refers to the relationship between the "Organization" (the entity established to achieve selected goals) and the "Environment" (external economic, social, and political conditions beyond organizational control). These conditions may change positively, providing "Opportunities" for organizational work, or negatively, becoming "Constraints" that act as obstacles.

**Part 2: Organizational Systems:**

1. **Opportunity System:** A system of top management work that directly overlaps with the external environment. This system straddles the organization and environment, and the administrative task here is "Opportunity Management".

2. **Work System:** The system of various resources prepared within the organization for operating according to defined plans. This system consists of material resource factors such as capital, machinery, equipment, raw materials, and other necessities.

3. **People System:** The living human resources with skills, expertise, and abilities to perform duties as assigned. These human resources are the ones who conduct operations at the practical level, using resources like capital and materials, and driving the system through activities like operating machinery or providing services. Whether the output is good or not largely depends on this "People" factor, as people are a variable factor unlike other resource factors.

**Part 3: Management System:** The work system of managers at various levels to achieve maximum efficiency and success for the organization. If considering from organizational systems related to administrative duties, the manager's mission is to create efficiency by organizing work systems to be suitable, convenient, and easy

for practitioners to achieve high production efficiency. Viewed as a whole, this is "Coordination" or coordinating the work of various departments. In practice, managers have 5 standard managerial functions:

1. **Planning:** Setting organizational directions along with goals and plans.
2. **Organizing:** Organizing resources into efficient work systems or the "The one best way".
3. **Staffing:** Recruiting, developing, and maintaining valuable human resources ready to create success.
4. **Directing:** The art of creating understanding, motivating, and directing individuals and teams to work together for the collective success.
5. **Control:** Monitoring ongoing performance to know the efficiency of various tasks during the process. If results differ from expectations, managers will correct and adjust work back to an efficient state. Since control occurs at the practical stage by individuals, the true meaning of control is "Controlling the people who work".

In practice, organizational management by executives is not done by separating administrative duties and doing them one by one. They may be done interchangeably or emphasizing certain functions more. Practically, organizational management can be viewed as three major administrative missions:

1. **Planning side:** The ability to manage the organization by planning so the organization as a whole can choose the best business that helps achieve high results with low risk.
2. **Structure side:** The ability to manage organizational resources to be formed into organizational structures and work systems that can be used to perform according to plans successfully and efficiently at every step.
3. **Process side:** The ability to create effectiveness and efficiency in the actual practical stage by employees of all groups and levels (human resources), through dedication, creativity, and unity to help create results and success for the mission in the long term at an overall level.

## Strategic Management Levels:

1. **Business Strategy:** Considering organizational strategy in choosing objectives, policies, and strategies to conduct business for maximum success within competitive markets and changing environmental conditions.
2. **Structure Strategy:** Thinking about the strategy of allocating all types of resources into efficient work groups, i.e., an appropriate Organization Structure, such as departments, sections, sizing, and decentralization for efficient work. This includes thinking about structure models like Profit Centers, as well as organizing operational and academic support teams, work systems, workflows, and methods.
3. **Process Strategy:** Thinking about the strategy of managing practitioners, including motivating individuals, directing group behaviors, and coordinating organizational behaviors into a collective power dedicated to the organization.

### 1.4 Definitions of Strategic Management

Strategic Management is the process of planning, implementing, and evaluating strategies that an organization uses to achieve long-term goals and create competitive advantages in a challenging and rapidly changing environment. This process relies on internal and external environmental analysis, choosing appropriate strategies, implementation, and evaluation to improve strategies for maximum efficiency. Strategic management aims to help the organization grow and maintain long-term market competitiveness.

Strategic Management refers to the process an organization uses to develop and implement strategies for long-term success, consisting of defining a vision and mission, analyzing factors affecting the organization, choosing appropriate strategies, implementation, and performance evaluation, with adjustments made according to changing situations.

- **Strategy:** The organization's strategy toward the environment that serves as a Roadmap to drive the organization efficiently through the environment.

This consists of objectives, policies, and strategic plans, such as Kasikorn Bank expanding credit business to medium-sized customers, SCB using ATMs to solve weaknesses in expanding to retail customers, or Siam Cement Group (SCG) entering many new businesses from tires and machinery to high-tech products.

- **Structure:** Organizational structure, meaning the grouping of work and organization structure for implementing strategies. The value of structure toward management efficiency is making work groups and resources used in operations run efficiently, such as decentralization or organizing as profit centers or grouping by business and products.
- **Process:** Operational processes or organizational behavior processes. Details involve processes related to goal setting, measurement, motivation, rewards, and building unity, loyalty, initiative, and dedication. Relevant factors are often leadership, team building, and effective practical motivation, which is the Human Resource Management part.

From the three components of organizational management Strategy, Structure, and Process these are essentially the summary of concepts for performing various administrative duties to emphasize all three parts for maximum organizational success according to various situations. Factors related to determining management strategies that can be adjusted for balance can be divided into two groups:

- **Group 1:** Parts related to Strategy and Structure, which are considered "hard" or inflexible and adjust relatively slowly.
- **Group 2:** Style, System, Staff, Skill, and Shared Values. These are the flexible parts that can adapt easily.

Example of Strategic Management: One successful example is Coca Cola. During times when the soda market became crowded and highly competitive, Coca Cola used product expansion and strong branding strategies by adding other products like water, juice, and sugar free drinks to expand its customer base and meet diverse consumer needs. This strategy helped Coca-Cola remain a global beverage leader and adapt effectively in a highly competitive market. Strategic management is thus

not just planning but requires regular implementation and evaluation so the organization can grow and maintain market advantage in a constantly changing environment.

## 1.5 Components and Importance of Strategic Management

Strategic Management is a process vital for the success and sustainable growth of an organization. It helps the organization define a clear long-term direction while adapting to rapid environmental changes in terms of technology, competition, and dynamic market needs. Effective strategic action thus helps the organization achieve defined goals and maintain competitive advantages in the long run strategic management consists of five basic sub elements:

1. **Direction Setting**
2. **Environmental Scanning**
3. **Strategy Formulation**
4. **Strategy Implementation**
5. **Evaluation and Control**

**1. Direction Setting.** This involves defining a Vision and a Mission or a clear operational framework to help the organization set long-term directions and show business intent.

- **Mission:** A declaration or statement of what the company tries to do at present and will do in the future, what kind of organization it is, and what it will become to achieve excellence over competitors. It often includes philosophical values that executives decide to act upon, showing commitment to goals. The mission also creates the environment for strategy formulation.
- **Goal:** Telling what the organization desires to happen in the future and tries to achieve, defined clearly, concisely, to the point, and measurably. Goal setting is more specific than mission setting regarding what must be done.

**2. Environmental Scanning:** This involves evaluating both the external and internal environments to identify Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis).

- **Strength (S):** Characteristics or elements of the organization with superior performance.
- **Weakness (W):** Characteristics or elements of the organization with inferior performance compared to competitors.
- **Opportunity (O):** A combination of events, time, and place likely to benefit the organization, giving it the capacity to perform better than competitors.
- **Threat (T):** Events that might occur and, if they do, would damage the organization.

**2.1 Internal Analysis:** Analyzing the internal organization reveals weaknesses and strengths, helping evaluate past and present trends. This can be done through:

- **Critical Success Factor (CSF) Analysis:** Analyzing business characteristics, competitive position, general environment, and organizational development.
- **Value Chain Analysis:** Connecting main activities and sub-activities to create value responding to customer values. Main lines involve basic activities like raw material intake, production, marketing, and service. Support lines involve HR management, technology development, and procurement.
- **Core Business Process Analysis:** Processes that create value connecting suppliers, the organization, and customers together to develop products and meet customer needs. This results in Core Competency.

**2.2 External Analysis:** Consists of the general environment and task environment.

- **General Environment:** Not directly involved but impactful. The model used is PEST Environment:
  - **Political (P)**
  - **Economic (E)**
  - **Social (S)**

- **Technology (T)** Example: Laws favoring business provide opportunities; rapid technological change might make products obsolete.
- **Task Environment:** Michael E. Porter proposed The Five Competitive Forces model to analyze competition, revealing new entrants, customer needs, supplier cooperation, and substitute products.
  - **New Entrants:** Those wishing for market share; a threat depending on barriers and organizational retaliation. Barriers include Economies of Scale, product differentiation, or capital requirements.
  - **Buyers:** Managers must prioritize customers due to their bargaining power over volume, quality, and price.
  - **Suppliers:** Managers must prioritize them as organizations face their bargaining power.
  - **Substitutes:** Existence of substitutes means organizations must focus on quality, price, and service to avoid disadvantage.
  - **Rivalry:** Competitors are vital; ignoring them means defeat.

**3. Strategy Formulation:** Developing long-term plans based on opportunities, threats, strengths, and weaknesses. The organization must choose the best strategy that suits it most. Executives must answer how the organization will reach its goals using competitive advantages. There are 3 levels of strategy:

- **Corporate Strategy:** Covers overall strategy and competitive direction, how the organization will develop, and how it will allocate resources to units (e.g., full integration, expansion into unrelated businesses. Examples of tools that assist in defining corporate level strategy include the Boston Consulting Group (BCG) Matrix and the McKinsey 7 S Framework.
- **Business Strategy:** This is a strategy defined at a more granular level. It focuses on improving the organization's competitive position against rivals and specifies the methods the organization will use to compete. It aims to elevate the competitive position of products, which may involve grouping similar products together within a single strategic business unit (SBU). The

business strategy of an SBU focuses on improving profitability and increasing Growth. Sometimes, strategy at this level is called competitive strategy, which generally consists of 3 strategies: cost Leadership, differentiation, and focus Strategy

- **Operational Strategy:** This defines strategies covering competitive methods for those involved in various functions. It focuses on functional departments developing strategies within the framework of the corporate and business strategies, such as production plans, marketing plans, general operational plans, human resource plans, and financial plans.

Michel Robert mentioned the steps in creating a strategy in the book *e-Strategy*, which may differ from typical approaches. He stated that the steps in creating a strategy are based on "What you do best," not based on "What the others do." This concept works well for both manufacturing and service businesses, consisting of 4 steps:

1. **Identify the Driving Force** of the organization that can help provide a competitive advantage, which relates to the strengths the organization possesses. For example, if an organization has distinct technology, it can use technology as a key lead in operations.
2. **Create a brief Business Concept** to show how that driving force will be used. For example, what products will be produced using that technology, or which specific regions will be targeted for sales.
3. **Identify the Area of Excellence** required to support the strategy. For example, it might be necessary to improve product quality or build expertise in sales and service for the sales staff.
4. **Identify Critical Issues** or related important matters that may need to be improved or changed to facilitate strategic implementation, such as Structure, Process/System, Skills/Competencies, and Compensation.

However, even though there are many strategic theories available for consideration, no single theory or management approach fits every situation. Therefore, there is no "magic formula" for formulating and creating a strategy that

can be used in every circumstance. At the very least, in defining a strategy, the following criteria should be considered: it must respond to the external environment, create a competitive advantage, align with the vision, mission, and long-term objectives, be flexible and appropriate, and be feasible.

**4. Strategy Implementation** Strategy implementation is the process by which managers translate strategies and policies into operational plans, defining various details such as budgets or operational methods. This process may involve internal changes in culture, structure, or management systems to implement the strategy concretely. Generally, it consists of 4 components:

1. The step of Defining Plans and Resource Allocation.
2. The step of adjusting organizational structure to support changes in strategy and resource utilization.
3. The step of improving and changing systems and Human Resource Development, such as information systems and personnel management systems (providing education, training, and motivating/promoting personnel to work at full capacity and efficiency).
4. Strategic Deployment: If an organization creates a vision and mission but does not execute them, it leads to waste. No matter how well those plans are prepared or how intensely brainstormed they are, if they are not put into action, no concrete results will occur.

Therefore, to achieve results, it is necessary to deploy plans to all parts throughout the organization. This must clearly and understandably harmonize with the roles and duties of various units. From strategic goals, they may be translated into sub-goals and defined as annual goals. These are then broken down into goals for each group and project to clarify what their specific goals are and which matters should be handled first. This not only ensures that practitioners at the lowest level understand the goals without deviation but also benefits the appropriate measurement process and helps in allocating resources appropriately and sufficiently to achieve results in each group or project.

The success of an organization is related to the efficiency of applying the strategy into practice. Executives should delegate and define guidelines or methods for operation. A key factor in successful strategy implementation is that practitioners must have a thorough knowledge, understanding, and skills in their tasks.

**5. Evaluation and Control** Strategic control is a vital function involving monitoring, inspecting, and evaluating the implemented strategy. In implementing a strategy, errors often occur that require improvement to ensure that the strategy results in performance that meets the established plans.

Strategic Control involves both quantitative and qualitative measurement. Criteria and standards are defined using performance measures appropriate for each organization. Each organization will have its own standards and performance criteria. Standard setting should be done carefully to reflect work results concretely.

In monitoring, controlling, and evaluating, it is necessary to establish a specific unit to oversee the strategic plan. This unit must have full-time responsible personnel who can dedicate themselves entirely to monitoring and evaluation. This unit should reside within the planning department, with department executives at the senior management level. However, implementing a strategy requires good cooperation from all parties at all times; therefore, it may be necessary to establish a Strategic Plan Monitoring and Evaluation Committee consisting of management representatives from various departments.

In conclusion, strategic management is a key factor that helps organizations achieve long-term success. Good strategic planning and implementation enable organizations to fully handle challenges and utilize opportunities arising in the market. Strategic management also assists in effective decision-making and creating competitive advantages, allowing organizations to maintain strength in the market and grow in the future.

## **Chapter Summary**

Strategic Management is an essential process for leading an organization to long-term success by defining and implementing effective strategies to respond to

challenges and opportunities in a rapidly changing environment. Strategic management is not just long-term planning but also involves implementation and adaptation to real-life situations, including environmental analysis, defining vision and mission, selecting appropriate strategies, implementing strategies, and continuous evaluation.

Strategic management is a blend of in-depth analysis, data-supported decision-making, and effective implementation. Every step is important in creating a competitive advantage and helping the organization grow and develop in highly challenging markets. For example, the strategic adjustments of large organizations like Coca-Cola or Netflix allow them to adapt and grow sustainably even during times of business transformation. Ultimately, strategic management not only helps the organization achieve its set goals but also strengthens sustainability and long-term growth through having a flexible strategy that can adapt to continuous change.