

Chapter 2

Strategic Management Concepts

Strategic Management is a vital process in determining an organization's direction and decision-making to achieve long-term goals and success. In today's world, characterized by rapid change and intense competition, effective strategic management is a key factor enabling organizations to adapt efficiently and maintain a competitive advantage. Strategic management consists of several critical steps, such as analyzing internal and external situations, setting goals and formulating strategic plans, implementing the formulated strategies, and continuously evaluating performance. These processes allow organizations to identify various opportunities and challenges and respond appropriately and effectively.

The importance of strategic management lies not only in creating a clear direction for the organization but also in increasing the potential to create long-term value and sustainability. Choosing appropriate strategies based on the environment and available resources at any given time will help the organization compete and grow sustainably in today's fast-changing business world. From the research study "Future Value Chain 2022," at least five significant points were found that business organizations may need to pay attention to (Pibool Teeppapal, 2016) as follows:

1. **Focus on Health and Wellness:** Trends in future human changes show that as people gain more knowledge about health and well-being, they will turn their focus toward health and wellness, including expectations for longevity. The number of elderly people will increase, so the health and hygiene business has a bright future.
2. **Consideration of Limited and Scarce Resources (Fight for Resources):** Trends in future consumer changes show groups of people will place more importance on ecosystems arising from the relationship between living things and the environment. Additionally, people desire security regarding food,

water, and energy which are limited and scarce resources to ensure sustainable use. Therefore, it is the duty of businesses to manage, allocate, and share these resources to create balance.

3. **Maintaining Sustainability:** Trends in future human changes will involve awareness of the importance of conducting business while considering environmental preservation and social impacts resulting from consumer behavior. Entrepreneurs must exhibit high levels of honesty, integrity, and social responsibility.
4. **Entering the Digital World:** Trends in changes caused by technological progress toward the digital world and innovation will be driven by market competition to meet consumer needs or present new lifestyles. Businesses must know how to utilize techniques from computers, the internet, and smartphones to respond to changing consumer behaviors toward living more in a digital world. This is because the trend of trading in the digital world operates 24 hours a day while costs decrease, and it connects with partners worldwide.
5. **Future Working:** Trends in work changes will become more flexible due to the development of communication technology. E-commerce and online transactions will grow significantly due to advantages in cost savings, time savings, and expenses.

Such changes certainly affect the operations of business organizations because they serve as a direction for every organization to adapt for survival, leading to intense competition. Furthermore, the form of competition has changed from the past because it must focus on speed, accuracy, and being up-to-date to create a competitive advantage. Competitors are no longer limited to domestic ones; high-potential foreign competitors with both finance and modern technology have entered as challenging competitors in almost every industry. Therefore, strategic management needs to be reshaped to pay more attention to the environment

outside the organization. This makes organizational strategic managers vital individuals or units. The concepts and origins of strategic management have details as follows:

2.1 History of Strategic Management

Strategic Management is a principle/concept derived from military methods used to defeat enemies, commonly known as tactics. The word "Strategy" has its etymological root in the ancient Greek word *Strategos*, which means "General," representing "General's Knowledge," "General's Wisdom," or the use of academic knowledge (science) and artistic methods (art) in commanding battles in the army and "Generalship". This term is used in the military because, in the past, humans had to survive and maintain their species through killing and seizing resources from one another. For survival, humans had to use strategies, tactics, or grand strategies in warfare to defeat opponents (Pakorn Priyakorn, 2020).

Later, in the 19th century, the word "strategy" was applied to political and economic management as a guideline for policy implementation and national administration. In business, military methods were adapted because business was viewed as similar to war the aspiration to defeat competitors. This concept entered the academic field in 1912 at Harvard University (Harvard Graduate School of Business Administration) under the subject name "Business Policy". The developer of this subject was Arch W. Shaw, who was appointed as the first Lecturer on Business Policy. The initial objective of teaching this subject was to study real business problems and determine policies to serve as guidelines for successful operations.

Later, from 1950 to 1959, the study of business management strategy began in earnest with financial support from the Ford & Carnegie Corporation foundations. Subsequently, this field was included in the curriculum of general business administration institutions (Benjamas Paothong, 2018). Many scholars integrated related fields such as marketing, finance, production, and organizational behavior,

including activities within organizations at that time. Later, it was agreed that business operations actually involve diverse roles and responsibilities. Thus, more course content was added, such as social responsibility, business ethics, entrepreneurship, law, politics, economics, competitive strategy, and business policy formulation. Finally, in 1980, the subject name was changed from Business Policy to Strategic Management and has been used continuously until the present. Regarding strategic management concepts from the past to the present, Wirat Sanguanwongwan (2017) summarized them into 8 eras as follows:

Era 1: The era of planning to expand the size of the enterprise and focusing on producing diverse products (1920–1964), with details as follows:

- **1920:** System Theory emerged and became widespread in 1940 by Bertalanffy. It later developed into Complexity Theory and Chaos Theory. System Theory can be applied to many fields, with its key point being non-fragmented viewing, where everything is interconnected.
- **1921:** Sloan Alfred produced a work on strategic concepts titled "Reorganization of General Motors".
- **1946:** Peter Drucker published the book "Concept of the Corporation," citing successful companies like IBM and General Motors, featuring centralized management focused on external factors namely, responding to customer needs.
- **1950:** Chandler Alfred proposed the concept that organizational strategy development should precede structural decision-making. He defined strategy as the determination of long-term goals and objectives, along with courses of action and resource allocation to achieve objectives, in his book "Strategy and Structure".
- **1960:** Levitt Theodore published the article "Marketing Myopia" in the Harvard Business Review, presenting a strategic perspective different from the original and broader in interpretation.

- **1964:** Henderson Bruce created a tool named BCG (Boston Consulting Group), an innovation from group meetings blending marketing and financial concepts to analyze costs. It also led to the concepts of the Experience Curve and the Growth-Share Matrix.

Era 2: The era of business grouping for competitive advantage and market leadership (1965–1969), with details as follows:

- **1965:** Ansoff H. Igor proposed strategic planning, organizational definition, detailed planning, objective setting, business expansion plans, product-market competitive positioning, and resource allocation.
- **1967:** Fiedler E. Fred proposed Situational Management Theory, considered a factual management theory based on the idea that there is no single best way to solve management problems.

Era 3: The era of using tools to analyze competitive advantage (1970–1972), with details as follows:

- **1970:** Microeconomic techniques were used to analyze competitive advantage in strategies at the business unit and organizational levels, but the role of business expansion decreased.

Era 4: The era of creative leadership concepts (1973–1979), with details as follows:

- **1973:** Henry Mintzberg presented the book "The Nature of Managerial Work," stating that managers use judgment more than planning and developed the "Crafting Idea".
- **1979:** Ansoff H. Igor presented the book "Strategic Management".

Era 5: The era of focus on the industry level (1980–1989), with details as follows:

- **1980:** Michael E. Porter, a famous strategic management professor at Harvard University, wrote "Competitive Strategy" and later "Competitive Advantage", involving industrial competition analysis techniques.

- **1982:** Kenichi Ohmae, a famous figure, described how Japanese companies utilize strategy. He wrote "The Mind of the Strategist: The Art of Japanese Business," concluding that strategy is influential when blending intuition and intentionality to become a global leader.
- **1982:** Tom Peters became famous for the book "In Search of Excellence," which discusses excellent organizational practices. The book, based on research, mentions the McKinsey 7 S framework, work networks, large organization analysis criteria, and using logic to solve situations.
- **1988:** Michael E. Porter proposed the Five Forces Model to analyze industry competition and offered leadership in cost and differentiation.
- **1989:** Gary Hamel & C.K. Prahalad wrote "Strategic Intent," concluding that company success must move toward higher positions, leading to the rules of competition. They also presented the article "The Core Competence of the Corporation," discussing outstanding capabilities and technology use which, when combined, create organizational core competencies.

Era 6: The era of using resources emphasizing core business competencies and balanced organizational measurement (1990–1992), with details as follows:

- **1990:** Robert S. Kaplan and David P. Norton researched organizational performance measurement across four dimensions: Financial, Customer, Internal Processes, and Learning and Growth.

Era 7: The era of benchmarking for excellence (1993–2004), with details as follows:

- **1993:** Michael Hammer and James Champy published "Reengineering the Corporation," which involves a fundamental rethink and radical redesign of systems (Re engineering). Additionally, Xerox Corporation initiated the concept of Benchmarking, leading to leapfrog improvement and development.

Era 8: The era of market creation strategies (2005–Present), with details as follows:

- **2005:** W. Chan Kim and Renee Mauborgne presented the book "Blue Ocean Strategy," using strategies to create new markets by occupying blue oceans through Value Innovation.

The development of strategic management concepts in each era shows that scholars have continuously presented modern management techniques. Each model aligns with the social and economic situations of that time. However, concepts, theories, or techniques developed in the past such as System Theory, BCG techniques, the McKinsey 7-S framework, Re-engineering, or Blue Ocean Strategy can still be used effectively as organizational management strategies today.

2.2 Definitions of Strategic Management

Strategic management is not only short term planning but also emphasizes long-term planning to effectively and sustainably respond to changes in both internal and external environments that may affect the organization. This process helps the organization make careful decisions and utilize available resources for maximum benefit to create competitive advantage in highly competitive markets.

In an era of rapid business changes, good strategic management is vital for organizations to grow and operate in the desired direction. Effective strategic management helps organizations handle challenges and opportunities appropriately, resulting in long term stability and success. Regarding definitions, several scholars have provided the following:

- **Porter (1988):** Stated that "Strategy" has its root in the ancient Greek word "Strategos," used in military strategy. *Strategos* comes from *Stratos* (army) mixed with *Agein* (to lead). When applied to administration, it means "Leading the Total Organization," focusing on the goals and methods of "what" to achieve and "how". Later, it was adapted for the public and private sectors.

- **Schermerhorn (2002):** Stated that strategic management is the management of products resulting from a rational planning process by top management to achieve efficient output. It defines long-term directions both intended and realized strategies to achieve performance superior to competitors.
- **Hitt, Ireland & Hoskisson (2007):** Stated that strategic management is a long-term plan established by filtering the organizational environment to achieve goals efficiently and effectively. It is an operation to increase performance and maintain control, focusing on managerial processes or functions toward sustainable implementation.
- **Wheelen & Hunger (2012):** Stated that strategic management is an organizational management process emphasizing a long term view, involving environmental scanning and strategy formulation. It starts from determining actions and strategic planning decisions, implementation, and long-term sustainable strategic evaluation and control.
- **Pairote Piyawongwatthana (2014):** Stated that strategic management is a set of decisions and actions that affect planning and plan implementation, designed to help achieve organizational objectives.
- **Sudjai Dilokthassananon (2015):** Stated that strategic management is an analytical and decision-making process to determine strategies suitable for the organization, including situation analysis, implementation, and evaluation to achieve long term objectives.
- **Benjamas Paothong (2018):** Provided an overview definition that it is a process of planning, operating, controlling, and evaluating as well as implementing under the consideration of a changing business environment to drive the business to victory over competitors sustainably in the long run and ultimately win over customers.

From the processed concepts above, it can be said that Strategic Management is a process of developing competitive capabilities that create business growth. It focuses on efficient and effective performance, including reducing weaknesses and

overcoming limitations to seek opportunities and avoid threats. This relies on long-term sustainable planning through superior technology and innovation, involving the following processes:

2.3 Importance of Strategic Management

Many scholars have mentioned that strategic management is a competitive advantage for organizations. Pakorn Priyakorn (2020) summarized its importance as follows:

1. Helps business organizations define objectives, directions, and future plans, which ultimately leads to growth.
2. Helps align operations across various functions (management, HR, production/operations, marketing, and finance) to reach common goals.
3. Provides an opportunity for top management to view the business long-term and reach common goals together, creating broad vision, reducing risks, and increasing stakeholder confidence.
4. Helps everyone in the organization jointly drive the business toward success.
5. Helps manage resources in business operations appropriately.
6. Creates alertness among personnel to be ready for change and competition to create success.
7. Opens opportunities for leadership development at all levels of management to participate in thinking and decision-making for survival and long-term sustainable advantage.
8. Helps forecast success factors and anticipate progress, efficiency, and effectiveness.
9. Provides an opportunity for strategic managers at all levels to learn and keep up with technological changes and innovations.
10. Serves as a guideline for everyone in the organization, specifically regarding what we are trying to do and achieve.

11. Makes managers more alert to change trends to adjust operations according to new opportunities and avoid threats.
12. Provides managers with a rationale for allocating investment budgets, manpower, and resources in line with set goals.
13. Helps in strategic decision-making where managers from different departments can work together as one.
14. Helps in proactive management to decide on responses or defenses against emerging trends.

Furthermore, using strategic management helps managers at all levels work together on both planning and implementation. This participation generates valuable behavioral benefits, fostering love, unity, and dedication among managers to strive toward success as targeted.

2.4 The Strategic Management Process

The strategic process involves planning to decide in advance what to do, how to do it, when, where, for whom, why, and who is responsible. It is a search for the best methods to be superior to competitors, have better resources, or use resources to create more outstanding innovation. It requires creativity, science, and art to consider how the organization shares common goals, defining objectives to strive toward while considering internal and external environments. From the study of David's work (2011), the strategic management process can be divided into 4 steps:

- **Step 1: Environmental Scanning**
- **Step 2: Strategy Formulation**
- **Step 3: Strategy Implementation**
- **Step 4: Evaluation and Control**

This can be explained as follows:

1. **Environmental Scanning:** The initial step to analyze, scan, and evaluate

both internal and external environments to provide key information to management. Factors determining the future of the business are called "Strategic Factors". Strategic managers can use various tools, but the simplest and most popular is the **SWOT Analysis**, which comes from:

- **S (Strengths)**: Distinctive characteristics of internal operations (production, HR, finance, marketing, etc.) that indicate organizational success.
- **W (Weaknesses)**: Operations that cannot be done and are obstacles to success.
- **O (Opportunities)**: Business channels beneficial to operations arising from the external environment.
- **T (Threats)**: Threats or business channels that are obstacles to achieving objectives or problems from the external environment.

Environmental scanning significantly influences business operations because businesses do not exist in isolation. Organizations that study the environment more gain more competitive advantage. Internal analysis surveys resources like finance, marketing, and production to find strengths and weaknesses. If managers do not know their strengths, they cannot use them to achieve success. Conversely, if they do not regularly analyze weaknesses, they may not face problems in time. External analysis involves uncontrollable factors like culture, economy, politics, and technology (Opportunities), while Threats involve new competitors, customers switching to cheaper substitutes, government policies, or bargaining powers.

2. **Strategy Formulation**: This step determines strategies, starting with long term planning. Managers use this to manage the business in a way that suits actual strengths, weaknesses, opportunities, and threats. Components include:

- **Vision**: Planning to reach a goal.
- **Corporate Mission**: The reason for establishing the business organization.

- **Objective:** The reason to achieve goals within a timeframe.
 - **Strategy:** A plan to develop and achieve the vision, mission, and objectives at various levels.
 - **Policy:** Broad guidelines for decision-making regarding the vision, mission, and objectives.
3. **Strategy Implementation:** Putting policies into practice as follows:
- **Programs:** Statements indicating activities to be performed according to the strategy.
 - **Budgets:** Statements indicating business expenditure items and investment returns.
 - **Procedures:** Standard methods or techniques describing how each activity must be done.
4. **Evaluation and Control:** The step of monitoring all business activities and Performance. It compares actual performance with forecasts. Managers use feedback to develop what is good and fix.

Studying these 4 steps shows that the first step involves analyzing the current situation, internal environment, and using SWOT Analysis. The second step involves finding strategic alternatives and recommendations. The third step is implementation using action plans, and the final step is evaluation and control to lead to strategic management development consistent with the organizational environment at that time.

Summary

Strategic management is an essential process for determining an organization's direction and operational guidelines to achieve long-term goals through internal and external situation analysis, appropriate strategic planning, and effective implementation. This concept emphasizes adapting to business environment changes and utilizing resources for maximum benefit.

Moreover, Strategic management not only helps organizations compete in the short term but also strengthens long-term growth and sustainability. By choosing appropriate strategies and regularly monitoring performance, organizations can effectively respond to various challenges and opportunities. Therefore, strategic management is a key factor enabling organizations to create competitive advantage and maintain sustainability in a rapidly changing and challenging business world.