

# **Strategy, Strategic Management and Importance**

## **VU Strategic Management**

Dženan Hamzić, BSc : 00327029

Kodak as a mighty camera/photography company in 20th century went bankrupt. This company was rated as one of the world's most valuable brands until 1990s. Kodak's management simply ignored innovations on the field of digital photography and smartphones, which at the the end, led them to have to "lock the doors for good".

Nokia was once a mighty leader in a mobile-phone business. Disruption on the market by Apple&Co was not recognized in time by the Nokia's management, new user needs were not met properly, and the company lost over 90% of the market share.

Sme of the biggest Viennese Hotel&Tourism corporations, whose names I shall not state here, are also good examples of companies holding to the old way of doing business. In times of the online hotel bookings, they stuck with the old business model of selling hotel rooms in offices, in good hope, that the customers, somehow, are going to figure out that the online accommodation search and purchase is not the right way. They did not go out of business, but, they are struggling more and more from year to year just to be able to maintain past year, or past decade, performance.

There are many other examples where companies did not recognize disruptive changes right on time, and did not adapt properly, which led to significant market loses and/or even bankruptcies.

Internet changed many things. One of them how people do business. World's remotest places suddenly became available and well interconnected. Cheaper working power became available and the word

“abundance” became reality. Number of online businesses kept increasing at high speeds from year to year, many of them doing the same thing, but somehow “better”. Competition suddenly exploded.

Above mentioned companies enjoyed times where the competition was scarce and the access to resources was limited for others. But, the “digital age” came, world became “global village” and these companies have not succeeded to do the digital transformation properly. There are many possible reasons for not transforming to “digital”, one of them being incapability of older managers, or older managerial styles, to accept the change and resisting it as much as possible in order to keep positions of power, which, at the end, led to disaster.

Nowadays, information is much more transparent than a decade ago. New emerging technologies are more accessible as well. It is on the companies to watch, analyse, and adapt to new ways of doing business and to stay competitive.

Unfortunately, this process of transformation from old to the new ways is not easy, takes time and needs new fresh people with good knowledge of information technology, business processes and ideas how to implement these new systems, or these new ways of doing things, on top of the old business processes without disrupting or damaging the performance of a company.

Without looking to the formal definitions of strategy and strategic management, which I shall state further in the text, I would say that strategy is a way of knowing how to achieve or implement changes or actions in order to adapt to the current market, achieve goals and stay competitive, and that strategic management is a process, or set of actions, which defines exact details of these changes, follows them throughout execution, measures performances and KPIs and adapts to all that might occur internally and externally as well.

*“A strategy is a plan of action designed to achieve a specific goal. Strategy is all about gaining or at least attempting to gain, a position of*

*advantage over adversaries or competitors. ” [1]*

*“Being forward looking there is always uncertainty and risk associated with deciding strategy. The question ‘what is strategy?’ therefore also implies a set of strategic options from which one chooses a course of action to achieve advantage. Strategy is more about a set of options or **“strategic choices”** than a fixed plan.” [1]*

As I already mentioned, in this new world of abundance, it is necessary for the business organizations somehow to differentiate itself, position itself right, stay or to become competitive again, to be well recognized and accepted by the customers, and at the same time protect itself from the competition in short and long term, or to be simply the dominant player among others. All this may sound nice and easy at first, but, achieving these goals is not an easy process and takes time and courage to implement.

*“Strategic management is the management of an organization’s resources to achieve its goals and objectives. Strategic management involves setting objectives, analyzing the competitive environment, analyzing the internal organization, evaluating strategies and ensuring that management rolls out the strategies across the organization. At its heart, strategic management involves identifying how the organization stacks up compared to its competitors and recognizing opportunities and threats facing an organization, whether they come from within the organization or from competitors.” [2]*

Further distinction between strategy and strategic management is that a strategy is set by the upper management, whereas, the strategic management is implemented and executed by the middle managers or middle managerial level. Upper management sets short and long term goals which are then worked out and executed by middle managers, who have more knowledge about the current state of the processes in organisations, throughout the organisation. This whole implementation process demands top down as well as bottom up communication, which is crucial in the phase of applying new strategy and strategic

management.

Nowadays, maybe more than ever, is of huge importance to know internal strengths, weaknesses, external threats and opportunities. Companies, and individuals as well, face highly varied opponents which come and go at high pace. It is important to have highly open minded people in organisations that are well able to recognize and internalize current changes in the current state of things. Knowing the market and analysing it continuously, recognising the threats and opportunities, setting the strategy and managing it properly with strategic management is, nowadays maybe more important than 3Ps (Product, Place, Promotion), and a question of survival in this world of abundance for companies and individuals as well. So to answer explicitly the questions if strategy and strategic management are relevant for companies today: Yes, and more then ever.

## **Sources**

Top 11 Companies that are Struggling with Disruptive Change

<https://www.torbenrick.eu/blog/strategy/companies-that-struggle-with-disruptive-change/>

[1] What is strategy?

<http://www.simply-strategic-planning.com/what-is-strategy.html>

[2] What is 'Strategic Management'

<https://www.investopedia.com/terms/s/strategic-management.asp>