

APPROACHES TO STRATEGIC MANAGEMENT

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General approaches

In general terms, there square measure two main approaches, that square measure opposite however complement one another in some ways that, to strategic management:

The Industrial structure Approach

1. Based on theory-deals with problems like competitive competition, resource allocation, economies of scale
2. Assumptions-rationality, self-discipline behaviour, profit maximization

The social science Approach

1. Deals primarily with human interactions
2. Assumptions-delimited rationality, satisfying behaviour, profit sub-optimality.
3. Associate in Nursing example of an organization that presently operates this manner is Google

Strategic management techniques may be viewed as bottom-up, top-down or cooperative processes. Within the bottom-up approach, workers submit proposals to their managers United Nations agency, in turn, funnel the most effective ideas more up the organization. This is often accomplished by a capital budgeting method. Proposals square measure assessed exploitation money criteria like come back on investment or analytic thinking. Value idea and profit overestimation square measure major sources of error. The proposals that square measure approved kind the substance of a replacement strategy, all of that is finished while not a grand strategic style or a strategic creator. The top-down approach is that the commonest far and away. In it, the CEO, probably with the help of a strategic designing team, decides on the direction the corporate ought to take (Chan et al., 1997). Some organizations square measure commencing to experiment with cooperative strategic designing techniques that acknowledge the aborning nature of strategic selections.

The strategy hierarchy

In most firms there square measure many levels of management. Strategic management is that the highest of those levels within the sense that it's the broadest applying to all or any components of the firm whereas conjointly incorporating the longest time horizon. It provides direction to company values, company culture, company goals, and company missions. Beneath this broad company strategy there square measure generally business-level competitive methods and useful unit methods.

Corporate strategy refers to the overarching strategy of the distributed firm. Such a company strategy answers the queries of “in that businesses ought to we have a tendency to compete?” and “how will being in these businesses produce synergism and/or boost the competitive advantage of the corporation as a whole?”

Business strategy refers to the aggregative methods of one business organisation or a strategic business unit (SBU) in a very distributed corporation. Consistent with Michael Porter, a firm should formulate a business strategy that includes value leadership, differentiation or focus so as to attain a property competitive advantage and semipermanent success in its chosen arenas or industries.

Functional methods embody selling methods, new development methods, human resource methods, money methods, legal methods, supply-chain methods, and knowledge technology management methods (Chung et al., 1998). The stress is on short and medium term plans and is restricted to the domain of every department's useful responsibility. Every useful department tries to try and do its half in meeting overall company objectives, and thence to some extent their methods square measure derived from broader company methods.

Many corporations feel that a useful structure structure isn't Associate in nursing economical thanks to organize activities so that they square measure reengineering consistent with processes or SBUs. A strategic business unit may be a semi-autonomous unit that's typically chargeable for its own budgeting, new product selections, hiring selections, and value setting. Associate in Nursing SBU is treated as an inside profit centre by company headquarters. An additional level of strategy referred to as operational strategy was inspired by Peter Drucker in his theory of management by objectives (MBO). It's terribly slender focused and deals with every day operational activities like planning criteria Chaney and Devinney (1992). It should operate among a budget however isn't at liberty to regulate or produce that budget. Operational level methods square measure abreast of by business level methods that, in turn, square measure abreast of by company level methods.

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