

## **THE ART OF STRATEGIC MANAGEMENT- A KEY TO SUCCESS IN CORPORATE SECTOR**

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### **ABSTRACT**

This paper examines the success in corporate sector through strategic management. In recent times world economy has witnessed a lot of dynamism and challenges. The success in corporate sector will depend on management's recognition of the following functions: analyzing the environmental changes, selecting the strategists, helping them to think creatively, setting objectives, establishing strategies to achieve objectives, assign responsibilities and implementing the strategies, measuring success and evaluating results.

The comparison between the Eastern and Western corporate sector also helped in understanding the role of culture and environment in devising the strategy for the business organization. The paper also examines how proper implementation of the strategic management in a business organization can provide a solution to ailing corporate firm. The case study of PTCL revealed that a genuine application of strategic management by implementation of Corporate, Business and Functional strategies enhanced PTCL's performance and helped it surviving in the competitive environment and regaining the hold on Pakistan's Telecom sector.

### **INTRODUCTION**

The art of strategic management remained primarily associated with the military history. The history is filled with the examples where the strategic management of offensives and counter offensives paved the path for decisive victories. In the Corporate sector, its emergence started after the culmination of Second World War. The rapid development of world economies like USA, Japan and China provided a favorable environment for large multinational organizations which required evolution in planning and thought process. Moreover, the competitive environment made it difficult for the companies to maintain the success graph without realizing the changing requirements of business and adopting a plan to tackle those changes. [1]

Strategic management is a disciplined approach utilizing the principles and process of management to identify the corporate objective or mission of any business. It determines an appropriate target to satisfy the objective, recognize existing opportunities and constraints in the environment, and device a way by which objective can be achieved. The performance of any business organization in the competitive economy is highly dependent upon the quality of its management via proper implementation of strategic management. [2]

## **AIM**

The aim of this research paper is to study about the Art of Strategic Management and its role in the success of Corporate Sector.

## **LITERATURE REVIEW**

Strategic management is the need of organization and also the ongoing debate in literature. Strategic management process is a tool that has been successfully used by the ailing corporate organizations to prepare for the challenges of the future and improve their long term performance. The organizations can improve the efficiency of the organizations and success of their plans through better analysis approaches and better data collection of the organization. As in the journal of business strategy, the Strategic management is defined as a process, during which an organization develops its strategies, that begins with missions and visions made tangible as firm-wide goals and objectives. After specifying the firm direction, strategic management proceeds through strategic analysis and planning, formulation of plans then implementation of the plans, and at last evaluation of past results. [3]

The analysis of the environmental scanning is a major stage of strategic management process. The environmental research has direct impact on the formulation of strategies. The more adverse the environmental conditions will be, the more innovative and dynamic strategies would be required to cater for these challenges. All the environmental scanning models, developed over the years by business strategists, are of great help to the organization for critically observing the changing dynamics of corporate sector. The comparison between the Eastern and Western corporate sector also proved that the environmental and economic factors have huge influence over the design of strategic management process. It has been observed from many experiences that China is in the early eras of western culture because there is absence of environmental consciousness, while Australian businesses are more concerned about the environmental changes.[4]

The literature review also revealed that strategy formulation is a very important step and the ailing corporate firm must hire the creative and brave strategists to make innovative and bold strategies. These strategies are the theoretical remedial approach in solving the problems faced by the organization, but their effective implementation is the practical remedy of the problems. Thus, the organizational excellence can only be achieved by both formulating as well as implementing the right strategies. The test results verify that strategic planning performance is also linked with the organization's environmental turbulence, structure and firm size.[5]

The importance of all three Levels of strategic management has also been well established in the literature. The different levels of strategies like corporate strategy, business strategy, and functional strategy take important part in enhancing firm performance. Corporate strategy increases the organization's capacity by improving the culture of the organization, then the internal efficiency, then going toward customers and at last improving the financial performance by increasing the company's profitability, revenue, and decreasing the cost and risk. The capacity of the transformation of the organization in response to economic changes has also become critical success factor in the changing environment. In the competitive environment the firms are continuously trying to change their strategies according to the situation if the organization is unadaptive then it will fail to gain the competitive edge and also lose the market share. In this ever-changing world the corporate also have to look on

corporate governance, social responsibility and business ethics while making business strategies. [6]

## **ELEMENTS OF STRATEGIC MANAGEMENT**

The strategic management process does not get involved in the day to day running of the organization's operations, but instead creates the strategies for the accomplishment of Long term objectives.

**There are four key elements to Strategic Management.**

- a. Environmental Scanning
- b. Strategy Formulation
- c. Strategy Implementation
- d. Evaluation and Control

## **ENVIRONMENTAL SCANNING**

Environmental scanning is a process of evaluating the environmental factors at macro and micro level in order to identify the organizational threats and opportunities.

### **External Environmental Scanning**

External environmental scanning is very important for any organization. Sometimes, the sudden change in the corporate environment sector or an economic crisis may prove fatal for an organization. Over the years many models have been evolved for analyzing the external environment.

**SLEPT Analysis-** Social, Legal, Economic, Political and Technological analysis.

**PESTEL Analysis -** Political, Economic, Social, Technological, Environmental and Legal factors.

## **INTERNAL ENVIRONMENTAL SCANNING**

Understanding own capabilities and weaknesses are as important as scanning the external environment. Following model is often used for studying the internal as well as external environmental factors.

**SWOT Analysis-** Strengths, Weaknesses, Opportunities and Threat analysis. [7]

### **Strategy Formulation**

Strategy formulation is the process with which the best course of action, for achieving the organizational goals and objectives is decided. This process consists of three steps.

- (a) Generation of option
- (b) Evaluation of option
- (c) Selection of strategy

### Generation of options

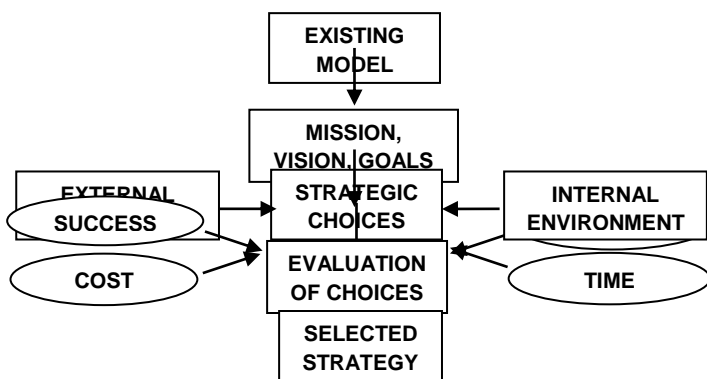
After analyzing the environmental conditions; the next stage in the strategic management model is to generate options for choice. These options must be in line with the organization's stated objectives and values. At this stage creativity is important, the strategist must look for out of the box option, and even the foolish looking ideas may be amended and become viable options.

### Evaluation of options

After generating options; these must then be evaluated. This process needs to include; likely success, cost affects, risk factors, time factors. After analyzing these factors the strategist can decide upon the most preferred option.

### Selection of strategy

Once all options are evaluated then the most preferred option needs to be selected. Before it can be implemented; it needs to be presented to the Board of Directors for their approval. [8]



### STRATEGY IMPLEMENTATION

Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

### EVALUATION AND CONTROL

Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: studying the effect of internal and external factors on present strategies, measuring performance, and taking remedial / corrective steps. Evaluation ensures that the organizational strategy as well as its implementation meets the organizational objectives.

### LEVELS OF STRATEGIC PLANNING

In order to facilitate the strategic management process, the strategies are formulated and implemented in three levels of strategic planning. These hierarchical levels help the organizations in achieving both the annual objectives as well as long term objectives.

## **CORPORATE STRATEGY**

It is the highest level of strategy making in an organization. It is concerned about the overall development of the businesses within the organization. These strategies provide a direction for a firm that what type of business it should be investing in. Corporate strategy is based on knowing:

- Where your organization is today.
- Where you want it to be.
- How you want to get there.

The nature of strategic decisions tends to be value-oriented, conceptual and less concrete than decisions at the business or functional level. [9]

## **BUSINESS STRATEGY**

Business strategies are applicable to those firms which have different businesses and each business requires separate strategy. Although these strategies may differ from each other but all the business strategies of an organization or firm remain under the umbrella of the overall mission, vision and goals of the organization. The aim of this strategy is to gain competitive advantage in specific markets.

## **FUNCTIONAL STRATEGY**

Functional strategy is the implementation of corporate and business strategies. These strategies are the means or the steps taken in order to effectively implement the higher level of strategies. It deals with relatively restricted plan providing objectives for specific function. Functional strategies can either be non-quantifiable actions such as customer satisfaction or can also be quantifiable actions such as number of orders placed or delivered in one day.

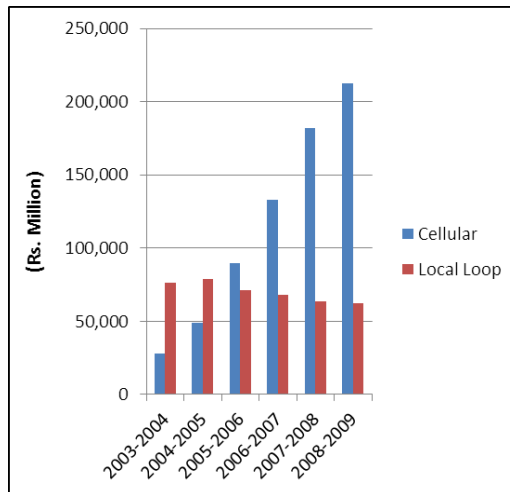
## **A STRONG STRATEGIC MANAGEMENT – A SOLUTION TO AILING CORPORATE FIRM**

Successful strategic management is led by innovative and futuristic strategists; who put their personal imprint on the whole process and people management. This revolutionary approach can prove as a solution to ailing corporate firms. The strategists have to start dealing the problem in a systematic manner, which means creating a corporate level strategy then aligning the business and functional level strategies to the mission and vision statements.

## **CASE STUDY – PAKISTAN TELE COMMUNICATION LIMITED (PTCL)**

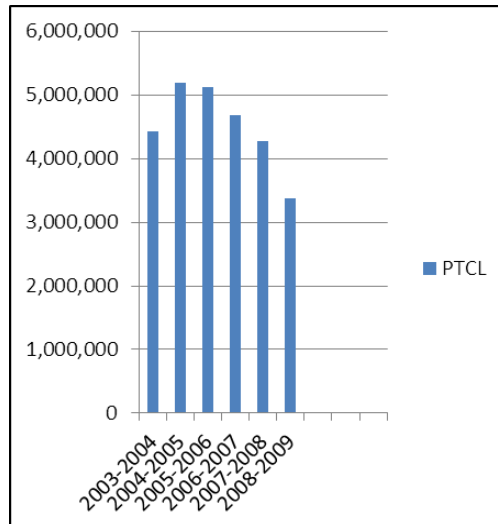
PTCL is the major phone company in Pakistan. It operates about 4.4 million fixed lines and has a cellular arm Ufone that has a second largest share of the cell phone market in Pakistan. It had a monopoly on all phone services, but since the beginning of 21<sup>st</sup> century the introduction of cellular networks created a huge competitive environment for PTCL. [10]

### Telecom Revenues



The graph shows that introduction of cellular network has resulted in decline of revenue through local loop network. This result dictates a need of more dynamic corporate strategy in order to cover up this revenue loss.

### Annual Fixed Local Line Subscribers



The graph shows a decrease in the number of fixed local line subscribers annually. This result shows the saturation in this business and asks for innovative business strategies by stepping into fields like cellular network and wireless local loop network.

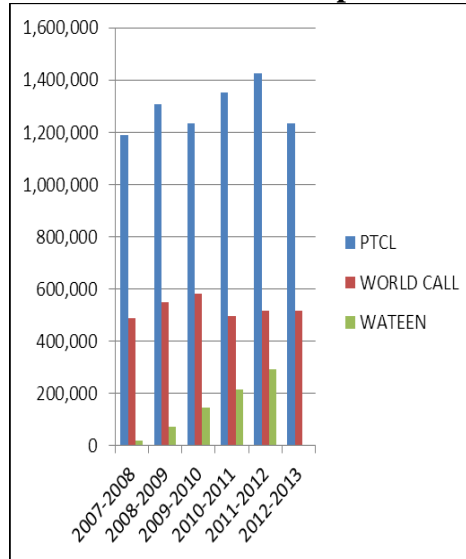
### CORPORATE STRATEGY

In 2005 privatization of PTCL was carried out. In this strategic shift 26% of the company's shares were sold to the UAE based company "Etisalat" alongwith the management rights. This privatization brought a new life in the company and revolutionized its approach towards the emerging challenges. The new administration modernized the company's vision and mission; and ensured quality customer service. [11]

## BUSINESS STRATEGY Wireless Local Loop

PTCL's WLL segment has shown immense amount of growth. Although the growth rate is slower than expected, but even then this strategy proved to be an effective replacement of the Fixed Local Line service. In this field, PTCL has been facing tough competition from World call and Wateen. However with vast network presence and infrastructural facilities across Pakistan, PTCL managed to outrun its competitors in this segment.

**Annual Wireless Local Loop Subscribers**

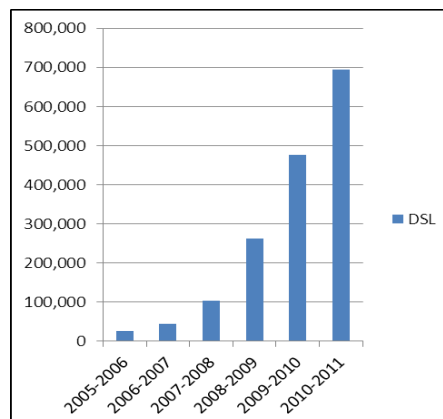


The graph shows a slow rate of increase in the number of annual subscribers of PTCL in this segment. Although the rate of increase in Wateen is quite fast than PTCL but there is a huge difference between the numbers of subscribers of both companies.

## Broadband and Value added services

Introduction of DSL Broadband services across major cities enhanced the revenue base of PTCL. Although stiff competition from other cable based broadband service providers and local cable operators still persists but due to its large network PTCL has gained competitive advantage in this segment

**Annual DSL Broadband Subscribers**



The graph shows the immense increase in the annual number of DSL subscribers from 2007 to 2011. These statistics are a proof of successful business strategy in this segment.

## **FUNCTIONAL STRATEGY**

### **HR Development**

One of the most important objectives of this new strategy was to optimize the workforce which was implemented by offering the voluntary option of retirement from PTCL in exchange for financial compensation. Around 29,920 employees opted for this option. This strategy opened the doors of PTCL for energetic, motivated and creative employees who helped in improving the image of the organization and added into the customer satisfaction level. [12]

## **A COMPARISON BETWEEN STRATEGIC MANAGEMENT OF EASTERN AND WESTERN CORPORATE SECTOR**

The requirement of Strategic management process for every firm is different. The corporate culture of the organization, economic factors and labor force statistics dictates the model of strategic management process required. The strategic management process for the organizations of Eastern and Western corporate sectors differs in following aspects; [13]

<b>EASTERN</b>	<b>WESTERN</b>
Sequential strategic changes possible	Radical strategy changes possible
Equal importance to both short-term and long term financial objectives	High importance of short-term financial objectives in order to increase shareholder value
Some powers with the CEO are devolved to managerial level	High concentration of power with the CEO
Top-down, bottom-up and lateral decision making,	Clear top-down decision making
Many hierarchical layer	Flat hierarchies
Behavior oriented strategies	Result oriented strategies
People oriented approach	Job oriented approach
Consumer relations are both marketing and product driven	Consumer relations are marketing driven
Subjective Evaluation	Objective Evaluation

## **RECOMMENDATIONS**

Strategic management is not an easy, step by step process. It is not linear, but a messy, interactive process that requires hard work and dedication from most people in the organization to move it towards the future. It represents a new focus for the organization; a focus on a compelling vision of the future. These recommendations can be helpful to organizations in order to design an efficient strategic management process.

## **KNOW YOUR MISSION, VISION AND GOALS**

During the strategic management process, it is important to remain aligned to the organization's mission, vision and goals. They make a foundation of any organization. Their



proper understanding helps the strategists in planning the strategic management process. Any step not taken in accordance with the company's mission statement will not only defame the company's reputation but will also demoralize the workers.

## **INNOVATIVE STRATEGISTS AS LEADERS**

It is the responsibility of senior leadership to strategically manage the organization. Strategic management is a continuous process rather than onetime event. Therefore, the senior leaders must become strategic thinkers and leaders of the organization and its culture. To be most successful, leaders need to be facilitators, coaches, consultants and consensus builders. Acquiring these leadership traits require hard work and dedication, willingness to take some risk, and internalizing organization's vision and guiding principles.

## **PRE PLANNING ACTIVITIES**

The organization's strategic management team must start its work by conducting the pre-planning activities to prepare for strategic planning. It outlines a process whereby the senior leaders of an organization can envision its future and begin to develop the necessary procedures and operations to achieve that future through goals, strategies, and objectives. After the completion of the pre-planning activities, the senior leadership team can begin the strategic planning process. An initial strategic planning workshop can help in carrying out these pre planning activities.

## **DEVELOPING THE PLAN**

A deliberate strategic plan must be made in accordance with the company's vision and mission statement. A successful plan must consist of;

- Assign roles and responsibilities.
- Establish priorities.
- Involve mid-level management as active participants.
- Decide how to manage implementation.
- Charge mid-level management with aligning lower-level plans.
- Make careful choices about the contents of the plan and form it will take.

## **COMMUNICATING THE PLAN**

In the absence of information and clear communication, rumors start flying, and people at the functional strategy level start assuming the worst. Most of the times, the strategies are just communicated to the top executives and the entire team is not taken into confidence. This leads to a serious mistrust and confusion among the team members and affect their efficiency in solving the problems. Thus while formulating any strategy; strategists at all three levels must communicate the broad outlines of their strategy to the people who are going to execute the plan.

## **WINNING THE COMMITMENT OF THE PEOPLE**

The work force is the base of any organization and the new success factors create a sizzle among them. The CEO and his management must take the work force in confidence. He must explain them how the new strategic management process can bring the profits back to the

organization and benefit the work force. Winning their confidence and commitment can get all the key players in the organization on board and a collective effort towards the transition of a company from failure to success can be guaranteed. [14]

## CONCLUSION

Every organization handles its strategic management effort differently. Leadership style, maturity of the organization, structure and morale; all of these factors influence how an organization will approach its strategic management efforts. But the most important thing in any process is the implementation of the strategy and its continuous evaluation. These factors help in gauging the practicality of a plan and ensure the company's success and progress.

“The best plan is only a plan, that is, good intentions, unless it degenerates into work. The distinction that marks a plan capable of producing results is the commitment of key people to work on specific tasks. The test of a plan is whether management actually commits resources to actions which will produce results in the future. Unless such a commitment is made, there are only promises and hopes, but no plan.”

(Peter Drucker, 1986)

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