**Edison Ayim Awa**

**ID: UD66441BBu75498**

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**Strategic Management**

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**Introduction to Strategic Management**

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**Introduction**

Strategic management can be defined as managing organisational resources effectively to achieve its goals and objectives. This will involve setting objectives, analysing competitors' environment and internal organisation, and evaluating strategies that will best harness the goals and objectives of the organisation and roll it out across the entire organisation. Strategic management captures an interesting concept that is increasingly becoming relevant to businesses in modern practice. It captures the entirety of managerial practices that help ensure long-term growth in a firm. Furthermore, because of the increasing competitiveness, the interest in strategic management continues to grow, especially due to its relevance in understanding globalization, innovation, and sustainability. The business environment continues to become more unstable and volatile. As a result, businesses find themselves in dire need of updated strategic plans that can help them adjust appropriately to meet the emerging market needs.

**Discussion Questions**

**1-3. Why has Strategic Management Become So Important to Today’s Corporations?**

Strategic management comprises the entirety of managerial decisions and activities that help firms achieve high performance in both the short-term and long term (Wheelen et al., 2015). Strategic planning has increasingly become crucial for businesses regardless of their size due to the increasingly changing business global landscape that heightens competitiveness.

Strategic management is essential to today’s corporations because it increases their competitive advantage by adjusting to the market needs over those that do not. The world is becoming overwhelmingly unstable with the ever-increasing changes in business platforms worldwide. For example, many businesses completely closed down due to COVID-19, and not all opened after the economies were reopened in many nations. Some had already become bankrupt, while others were rendered obsolete due to emergent business methods such as full-scale e-commerce. Companies with strategic planning were able to overcome the challenges and stand out. This is because firms that change their structures and strategies to match the changing environment outperform those that do not (Wheelen et al., 2015). Therefore, strategic planning allows companies to match the recent changes in their niche, thereby increasing their competitive advantage.

Strategic performance has also become necessary for today’s corporations because it is essential for attaining financial success. Strategic management is a critical differentiator between unsuccessful and successful companies since it is indispensable for long-term success (Wheelen et al., 2015). For all types of companies, research empirically suggests that financial performance increases with the planning intensity evinced by formal strategic planning. For example, immediately after COVID-19 caused business halts, firms that quickly adjusted and implemented strategic plans experienced better financial results (Apedo-Amah et al., 2020). Therefore, strategic performance is crucial for any firm that wants to realize long-term profitability.

Lastly, strategic management promotes long-term performance, allowing companies to secure long-term growth (Wheelen et al., 2015). Commendably, many companies have incredible strategies for ensuring high short-term performance. However, only a few sustain the trend for long periods. This often causes bankruptcy and closure, especially when businesses are rendered obsolete, having been unable to compete favorably against rivals or meet consumer needs. Increasing risks of making costly errors, extensive economic ruins, and fast-changing consumer landscape increase challenges for businesses in the modern landscape. Long-term success is only achieved when businesses meet the prevailing market needs while adjusting appropriately to the emerging market trends. Strategic planning is fundamental in this process as it ensures companies realign themselves fittingly, thereby achieving progressive performance.

**1-4. What is the Impact of Sustainability on Business Practice?**

Sustainability captures an increasing trend in the modern business landscape, meaning a “business’s sustainability in the triple bottom line” (Wheelen et al., 2015, p.42). The triple bottom line incorporates the profitability obligation to shareholders, the social responsibility to people, and the environmental responsibility of a business. Sustainable businesses are desirable, especially considering the ever-rising interest in achieving a zero footprint to reduce global warming and corporate social responsibility concerns modern consumers.

Sustainability transforms business practices such that the business embraces responsibility towards the community in which it operates, its customers, and its employees. Every firm has an undeniable responsibility towards its employees since they constitute primary stakeholders who also have a significant capacity to determine organizational effectiveness. Business practices must facilitate high employee engagement, creative employee involvement, and high-quality connections (Wheelen et al., 2015). This helps maximize employees’ output. Additionally, firms must consider their impact on their clients since consumers are among the most influential stakeholders. Finally, companies must ensure they positively impact the local community. For example, firms promote community involvement through charity contributions, promoting goodwill among locals.

Sustainability also enhances the management of a company’s environmental responsibility. In the last decades, there has been a growing concern over the carbon footprint by businesses due to the heightened sensitivity of global warming and climate change issues. Nowadays, consumer trends have increasingly preferred companies with environmental sustainability strategies (Bansal and DesJardine, 2014). For example, companies utilizing green energy and energy-saving technologies in buildings display a commitment to environmental sustainability. This consequently builds their public image. Effective environment management techniques enhance environmental sustainability while promoting a company’s sustainability.

Lastly, sustainability demands that businesses adopt practices that ensure profitability and growth. The triple bottom includes the management of the traditional profit and loss where businesses must adopt practices that allow them to thrive in their niche regardless of the emerging changes in society, industry, or immediate environment (Wheelen et al., 2015). Businesses that adopt sustainability transform their practices to promote the profit-making capacity of the firm. This helps in meeting the company’s responsibility to the shareholders. For example, companies must adopt practices that secure the company's productivity in the future while focusing on current profitability. For instance, this could include embracing cutting-edge technology to help cut down production costs while increasing company efficiency in the long term.

**1-5. What is a Learning Organization? Is This Approach to Strategic Management Better Than the More Traditional Top-Down Approach in Which Strategic Planning is Primarily Done by Top Management?**

A learning organization is an organization that is “skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights” (Wheelen et al., 2015, p.46). The learning organization approach enables companies to adjust defensively to changes while utilizing knowledge offensively to best fit in its niche. Learning organizations encourage forward-thinking leadership that cultivates shared vision. It also facilitates team learning, where knowledge sharing occurs while encouraging lifelong learning mindsets. Learning organizations are excellent at systematic problem-solving, efficient information sharing with all individuals, incorporating experience into decision-making and experimentation.

The learning organization approach to strategic management is superior to the traditional approach where only the top management steers strategic management as it allows for the pooling of resources. Learning organizations empower employees to evaluate their environment, identify problems, and provide solutions. This allows employees to feel valued and includes increasing employee engagement. This maximizes ideas for improving work procedures, methods, and assessment practices (Wheelen et al., 2015). Therefore, the efficiency of firms employing a learning organization model is higher than organizations with a top-down strategic planning approach as it allows the entire workforce to champion the problem-solving process.

The learning organization model is also superior to the traditional approach to strategic management because it incorporates learning from experience into the improvement process. When the top management identifies lessons from experience, their conclusions may be limited. In a learning organization, employees and managers learn from their experience and others'. Due to the vast number of people involved, firms embracing the learning organization concept maximizes the lessons from experiences. This translates into better performance compared with those that do not. As research suggests, companies linking divisions for multi divisional sharing of knowledge have more innovativeness than others and thus more growth (Wheelen et al., 2015).

**1-6. What is a Triggering Event? List a Few Triggering Events That Stimulate Strategic Changes.**

Triggering events are incidents, occurrences, or things that stimulate changes in a company’s strategy. Triggering events can be caused by new CEOs, external intervention, strategic inflection points, performance gaps, and the threat of ownership change (Wheelen et al., 2015). Triggering events form the initiation point and often spark the strategic planning process.

New CEOs act as triggering events by acting as radical change agents. A new management team or leadership is likely to bring in fresh ideas that radically alter a company's processes, procedures, and protocols. Often, new CEOs are hired to effect much-needed changes, especially in companies performing dismally financially. New CEOs can trigger dynamic changes that deal with organizational cultures such as complacency or low employee commitment (Wheelen et al., 2015). Ultimately, new CEOs are instrumental in changing organizational culture, branding the firm’s mission and vision, and implementing planned, operational, directional, fundamental, or strategic changes.

Strategic inflection points and external interventions also trigger changes. Strategic inflection points occur when significant modifications arise. These could arise from technological advancements, modification of consumers’ values and preferences, or alteration of regulations (Wheelen et al., 2015). These changes demand an immediate response to mitigate potential losses. External interventions may also trigger changes. For example, if a significant stakeholder, partner, or consumer complained about one of its aspects, it would serve as an eye-opener causing serious evaluations geared towards improvement and mitigation of the perceived problems.

Finally, performance gaps and the threat of changes in ownership may also cause changes. Performance gaps arise when companies fail to realize their expectations (Wheelen et al., 2015). For example, consistent loss-making or underachieved profits can spark engagement on what needs to change to achieve its strategic goals, thus causing changes. Equally, threats of takeover or acquisition may send the necessary signal to the enterprise, evoking reactive changes designed to increase profitability.

**1-7. When is the Planning Mode of Strategic Decision-Making Superior to the Entrepreneurial and Adaptive Modes?**

Strategic decision-making processes incorporate different approaches that focus on different goals and utilize varying tactics. Some approaches pursue opportunities proactively, others react to problems, and still, some occur through a progressive series of small changes that align the company towards a particular orientation. Based on these differences, three of the main strategic decision-making modes developed by Henry Mintzberg include planning, adaptive, and entrepreneurial modes or approaches to strategic decision-making.

The planning model is superior to the entrepreneurial mode when strategic planning needs to exploit new opportunities while responding to existing problems. Entrepreneurial mode occurs when the decision-making process is centered on fully exploiting available opportunities (Wheelen et al., 2015). This mode is primarily committed to the company’s growth and closely aligns with the founder's vision. However, the entrepreneurial mode is not enough when a company needs to consider new opportunities while still addressing present problems. The planning mode allows companies to select the best rational strategy that solves both problems. For example, firms operating after economies have been opened or after the COVID-19 struck need to solve the problem of changing consumer trends while also considering the emerging market needs. The planning mode is helpful in arriving at the best solutions in these circumstances.

Additionally, the planning mode is superior to the adaptive mode when a business needs to choose the most feasible alternatives when losses are inevitable if reactive changes remain the primary way to respond to change. Adaptive mode occurs when decision-making mainly implements reactive change instead of the proactive pursuit of opportunities (Wheelen et al., 2015). Adaptive mode promotes incremental changes and seeks to respond to the changing environment to ensure the company remains relevant instead of preparing for anticipated future fluctuations. Notably, the adaptive mode is barely effective in a fast-changing business landscape, especially when disruptive technologies are continuously being released. In this case, the planning mode helps the business integrate new cutting-edge technologies into its business practice, thereby enhancing its competitiveness.

**Strategic Practice Exercises**

**1.     What changes do you think this might cause in the immediate task environment for a business operating within the financial service industry?**

Businesses operating in the financial service industry are likely to become more cautious, practicing this through stricter norms like liquidity requirements. Increased caution would primarily be directed at making businesses risk-averse, hence cautioning against further economic problems. El-Erian (2020) notes that globally, there is a general anticipation of surges in deficits and debts previously thought improbable. Like many others, businesses in the financial sector will face a probability of economic ruin like bankruptcy, hence the need for strictness in liquidity requirements to buffer against the potential resultant problems.

Data scrutiny and Know Your Client (KYC) for clients are also likely to become severer, especially when considering high-risk clients. Ideally, KYC helps ensure that the clients are authentic and that the details they have submitted when applying for accounts are accurate. Severe scrutiny will help financial institutions avoid making precarious decisions when servicing their clients (Woodsome et al., 2018). KYC and intensive data scrutiny will help banks manage risks more wisely, thus escaping the unattractive ramifications of suspicious financial dealings among the clients, such as criminal activities like money laundering. Proper risk categorization of the clients enables banks to manage the cumulative risks in ways that do not jeopardize their operations, thus ensuring soundness and profitability. Conclusively, stringent KYC standards will help bank managers identify, measure, limit, control, mitigate, and report all risks in a timely and comprehensive manner to avoid adverse economic implications.

Lastly, external borrowing would be limited while the purse strings tighten. Companies usually receive external commercial borrowings to fund investments. However, due to the increasing deficits caused by massive spending, businesses are likely to reduce external borrowing. This would help reduce the liabilities. Equally, the purse strings are likely to tighten to reduce the availability of money for company expenditure. This helps save money by cutting down on unnecessary expenditures. Effectively, tightening purse strings and limited external borrowing will help businesses innovate with available resources instead of accumulating liabilities, thereby increasing sustainability.

**2.     How do these changes impact on Corporate, Business, and Functional Level Strategies of Financial Service Businesses? Are These Changes Going to Affect you as customers?**

Companies are likely to become more cautious in their undertakings on the corporate level. Each organization’s function is likely to be more regulated, monitored, and buffered against unjustifiable risks. These may involve a reorientation of the business strategies and approaches. Herein, businesses would prefer risk-averse ventures to risk-intensive ones. Broadly, risk management may become more pronounced in the decision-making process. Strategic planning may also incorporate risk-averse attitudes that seek the business’s exemption from risks. For example, businesses may choose product development instead of pursuing radical innovation since radical innovation may bring more risks.

Investments are also likely to reduce and mainly reinforce the corporations’ core competencies. As the austerity measures and policy changes increase, businesses adapt for sustainability. Often, the new conditions act as strategic change stimuli requiring a strategic reorientation of the company’s business practices (Wheelen et al., 2015). Uncertainties increase risks despite the potential possibilities. Since there is the threat of economic hardships, businesses may focus on reinforcing their core competencies. This would better position them to offer more product value, potentially securing them more market share and establishing them in the market niche. Therefore, the changes are likely to trigger businesses to shift their focus on fine-tuning their core competencies instead of investing in other high-risk ventures.

These changes directly affect consumers and are likely to become more demanding. Services are likely to become costlier since businesses pass the increasing costs to their clients. This may also imply that consumers may need to consider cheaper alternatives. As regulations become more and stricter, they may also increase the costs incurred by consumers. Additionally, more data scrutiny and heightened KYC norms may imply more privacy infringement.

**3. How do you Think a Learning Organization Would Act in This Dynamic Environment? What Survival Chances do the Stagnant Organizations Have?**

My thinking is that, these organisation will learn from their and other organisation experiences and make necessary adjustments that will harness their preparedness for any eventualities in the future. Many businesses can learn from their daily experiences in the modern, dynamic business world. Furthermore, studying the experiences of rivals and other firms in different niches would form a rich knowledge base. Learning organizations would utilize these experiences as a reference point for informing future decisions (Wheelen et al., 2015). This would help learning organizations evolve according to the emerging market needs while remaining relevant. They would used their experiences to harness their core competencies by considering the best ways to meet their market needs.

Learning organizations would also likely enhance the services delivered to compete favorably. Since increasing costs can be passed on to their clients, learning organization are likely to improve customer quality services. This would make their clients perceive the increasing costs as well-deserved due to the increasing quality of care. As a result of passing the cost to the customer, learning organization are likely to provide superior services and products to their clientele because of improvement in services and packaging. These would help offset the comprehensive increase in costs.

Lastly, learning organizations are likely to invest in their customer experience to make it worthwhile for consumers who choose them. In the modern business world, companies that differentiate themselves from others, especially when offering products or services with substitutes, are likely to enjoy a sizeable loyal customer base. Thus, differentiating and making the customer experience a breath-taking first-rate experience in the niche would be a strategic investment.

Contrary, stagnating firms with minimal survival capacity are likely to close. In an environment where uncertainties and instability are ever-increasing, businesses cannot afford to stagnate as it might be tough to catch up once they start lagging. Stagnating businesses are likely to become obsolete as they become incapable of meeting the consumer’s needs. Notably, the customer’s needs are constantly changing in the modern business landscape. Stagnating businesses would most likely continue offering dated solutions, hence an automatic reduction in customer base. Ultimately, every stagnating business would be faced with the choice of either adapting to the market scenarios or closing.

**Conclusion**

Strategic planning is an extensive concept widely embraced in modern-day business practice. It encompasses managerial decisions that help steer businesses towards long-term and short-term performance. Strategic planning is increasingly being adopted because it helps firms maintain long-term performance, attain financial success, and realize competitive advantage. Notably, sustainability requires strategic planning. One of the best ways of ensuring sustainability is embracing the learning organization approach to strategic management, which transforms companies into innovative hubs. Strategic planning can be initiated through triggering events such as the new industrial policies implemented nationally and regionally to police financial institutions and banks as measures to prevent future economic problems. Conclusively, strategic planning is indispensable for firms that want to expand their market base and enjoy long-term growth in the volatile business world.

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